Ron Taylor

Interview conducted by

Mark Jones, PhD

March 14, 1997

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Ron Taylor

Mr. Ronald R. Taylor, Ron has been the Chief Executive Officer of Evergreen Re Incorporated since May 1, 2010. Mr. Taylor is a Co-Founder of Cardinal Health 301, Inc. and serves as its Chairman of the Board and Chief Executive Officer. He served as Senior Vice President of Evergreen Re Incorporated since July 2008. He has been a Private Investor since 2002. He has been Special Partner of Enterprise Partners Venture Capital since April 2001 and served as a General Partner of Enterprise Capital from April 1, 1998 to 2002. He served as the President and Chief Executive Officer of Taylor Benefits since 2001, when he started it specializing in providing innovative solutions for controlling clinical and financial risk for large employers and managed care organizations. He started his insurance career in 1981. Prior to starting Taylor Benefit Services and neonatalconsult.com, He was employed by the Accident & Health division of Zurich North America for thirteen years where he consistently achieved superior results for sales and customer satisfaction. Mr. Taylor served as the Chief Executive Officer of Asteres Inc. until June 2009. He was Consultant to Cardinal Health Inc. from May 1996 to May 2002. He Founded Pyxis Corp. in 1987 and served as its Chief Executive Officer, President and Chairman from 1987 until it was purchased by Cardinal Health Inc., in 1996 for a record $1 billion. He was responsible for the operations and international sales at Hybritech, Inc., for six years. He served over ten years in management roles at Allergan Pharmaceuticals. From 1996 to 1998, he served as an Independent Business Consultant. He serves as the Chairman of the Board at 3E Company and EMN8 Corporation. He also serves as foundation chair at the University of California, San Deigo. Mr. Taylor served as the Chairman of the Board at Asteres Inc. He serves as a Director of Aethon Inc.; The Active Network Inc.; Safe Life Corp. and Cardinal Health 301 Inc. He has been an Independent Director at Actavis, Inc. (formerly Watson Pharmaceuticals, Inc.) since 1994. He has been a Director of ResMed Inc. since January 2005 and Red Lion Hotels Corporation since April 1998. Beginning in 2002, he also served as Chair of the ResMed Foundation, although in connection with his appointment to the Board of Directors, he has resigned from the Foundation board. He also serves as Trustee of the San Diego Museum of Contemporary Art, the University of California San Diego

Foundation. He served as Director of eAssist Global Solutions. Mr. Taylor holds a BA from the University of Saskatchewan and an M.A. from the University of California, Irvine. He graduated from Auburn University.

Source: Bloomberg Businessweek

INTERVIEWEE: **Ron Taylor**

INTERVIEWER: **Mark Jones, PhD**

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TAYLOR: I received a bachelor's degree in chemistry from Saskatchewan. I went into a Ph.D. Program at UC-Irvine, and after about a year and a half, I said 'I'm in the wrong place.' I looked around at my fellow graduate students and saw that we had nothing in common, and I thought, 'Either I'm in the wrong place, or they are. It's probably me.' I realized I didn't want to be a researcher, I didn't want to be a university professor, so I quit.' They gave me a master's degree on my way out the door, and said 'You'll be back, it's a cold, cruel world out there.' Well, I never went back.

JONES: Where did you go?

TAYLOR: I went to work for a pharmaceutical company called Allergan. Allergan in those days was a company that had about ten million a year in revenues, a hundred and fifty employees. Opthalmics, eye drops, contact lens solutions, all kinds of things related to the eye. It was headquartered in Santa Ana, California, which was right near UC-Irvine, and I happened to be a teaching assistant while I was in my graduate program, and one of my students was the daughter of the VP of research at Allergan. That's how I got the job. We were dating at the time. So, I was looking for a job, and actually I was looking for a job in Canada, because I came from Canada, I was on a student visa, and if I had tried to get a permanent visa in the United States, I would have been drafted immediately. It was the height of the Vietnam War, and there was no way I wanted to go to Vietnam. This was in 1970. So, I said, 'I need to go back to Canada.' I tried to find a job in Canada, but couldn't find one. It was very tough economically

23 in those days. Allergan happened to be a rapidly growing company -- a small company, ten
24 million a year in sales, but growing by about 25% a year. And they had recently built a
25 manufacturing plant in Puerto Rico. Now, they built the plant in Puerto Rico for tax reasons,
26 because Puerto Rico had some tax advantages for locating manufacturing there. But what it
27 did, it screwed up Allergan's ability to sell their products that were made in Puerto Rico
28 overseas, because of transfer pricing issues -- they were charging high transfer prices to bring
29 the products back into the States, to make their money in Puerto Rico where there was no tax.
30 But they couldn't charge those high prices to their arms length customers outside the United
31 States because it didn't allow for mark-up for their distributors. So they were screwed, and
32 they had to find another location outside the United States to make products -- Canada. So,
33 they needed somebody to go to Canada and start a manufacturing program for them, and here
34 I was, a Canadian, looking to go to Canada, I had a master's degree in chemistry, so they
35 trained me in the pharmaceutical industry in the states on an extension of my student visa for
36 two years. They sent me to Montreal and I spent a couple of years there building a
37 manufacturing plant.

38 **JONES:** Did they hire you specifically for this purpose?

39 **TAYLOR:** Yes, they hired me to do that. So, it was a fantastic opportunity to learn the business
40 and then to go off on my own to start a manufacturing plant. You know, I was twenty-four
41 years old, it was great.

42 **JONES:** And You were successful there?

43 **TAYLOR:** Yes, absolutely. It was part of my entrepreneurial experience, because there I was
44 by myself, setting this whole thing up. I had no business experience, but I had to do it. I had
45 capital, because obviously they funded it. It was very successful. Two years later, I hired my
46 replacement there and they transferred me back to California. By this time, I had married an

American. The Vietnam War over, and I had a green card to get back into the States. I spent a couple of years then in California with Allergan, in charge of technical support for offshore manufacturers, like the Canadian thing I'd set up, and we had some third-party manufacturers in some of the South American countries that didn't allow imports, so I had to look after them technically. Then, in the middle seventies, I went to Ireland with Allergan and built a manufacturing plant there to se6rve the European Common Market, and there are tax advantages to Ireland. So, I went off again, all by myself, and built a several million dollar manufacturing operation. I spent two years in Ireland.

JONES: So, Allergan is getting quite a bit bigger during this period?

TAYLOR: By the time I went to Ireland, they were probably thirty-five or forty million in annual revenues. I spent a couple of years there, again hired my replacement, came back to California, and now I was in charge of all of Allergan's worldwide manufacturing, including the U.S., all operations, distribution, and all that sort of stuff. And a year or two later, Allergan was acquired -- we were a NYSE listed company -- we got acquired by Smith-Kline. So, I went from being a member of the executive committee of a publicly trade independent company to being a subsidiary manager, and it wasn't so much fun anymore. By this time, Allergan is at about 120 million a year in annual revenues, doing very, very well, I was thirty-three years old, and I wasn't looking to leave. You know, I had a good job. I was making good money, but I got a call from a recruiter saying there was an opportunity with a small start-up biotech company in San Diego, and would I be interested in coming down and having a look? Why not? So, I went down to Hybritech, and Ted Green had an office in a trailer in the parking lot of the La Jolla Cancer Research Foundation, and a couple of labs that he was leasing, and I talked to the venture capitalists, and they were the ones that really helped convince me. This was Brook Byers. Brook and Tom Perkins really convinced me that I had nothing to lose. I was being recruited as vice president of operations to build the facilities, get the manufacturing plant in

place, quality control, materials management, all that sort of stuff. And if Hybritech were to fail, it would fail technically. There would be something wrong with the antibodies or whatever, they just didn't work, and it wouldn't, therefore, be a black mark against me. I wasn't the research brains putting this thing together, where it could said, 'well, you screwed up.' So, it was a really low risk situation. And they said, 'Look, we're investing in start-up companies all the time, and if this one doesn't work, we'll find a place for you. So, I kind of looked at it and asked, 'What's my risk? Why not take a chance here?' So I did.

JONES: Did you have other offers, other ideas?

TAYLOR: No, because I wasn't looking for anything. So I said, 'Yeah, this looks like fun. I liked early stage, I liked start-up. I'd been to Montreal starting up a manufacturing plant, I'd been to Ireland and started one up -- all by myself -- I didn't go out with teams of people. It was a small company, I'd been sent out on my own. So, I wasn't afraid of it. I wasn't saying 'Geez, what am I going to do?' That never crossed my mind. I knew what to do. And it was an opportunity to make some bucks. I'd made some money at Allergan through the stock option program, and here was an opportunity to maybe make even more.

JONES: How old was Hybritech when you came down?

TAYLOR: Two years old. No products, no facilities, no manufacturing, but they were getting close to filing for some of the diagnostics products with the FDA, but hadn't filed anything at the time. I talked with Ted Greene, Brook Byers, Tom Perkins. Tom Adams had just been hired. Howard Birndorf was there. So, it was a small team. I came down for a couple of dinners, you know with the guys, that sort of thing.

JONES: What was your impression of the team?

TAYLOR: A bunch of guys that had been with companies, with the exception of Howard, who of course, had only worked in the university. You know, you had Tom Adams, who had worked at Baxter. Ted Greene had been at Baxter. There was a guy there who had been at Johnson & Johnson, Paul Rosinak, who left shortly thereafter. So, you had guys who had experience in big companies, who seemed to know what they were doing, and here they were off to create their own empire. So, it looked like a good thing to be a part of.

JONES: So, you came down to San Diego. What was your first day on the job like? What were the problems you had to solve?

TAYLOR: They had a guy working there as a sort of engineering manager -- his name was Phil Levenson. Phil and I had worked together at Allergan some years before. Phil had left, but I hadn't really known where he had gone. Here he was at Hybritech, probably my one and only employee a Hybritech. Well, actually, I think I had about six or seven employees that I'd inherited. I had come from having seven hundred at Allergan, and now I had six or seven. Phil was one of them, and he had just leased a building that was to be used for manufacturing. So, really the first thing that I needed to do was dig in and make sure that we could get this building converted into a manufacturing facility. It was shell building over in the Miramar area. So, that was really the first thing I jumped into. We had these products that were going to be coming through the pipe, and the R&D guys were really excited about them, but they weren't there yet. But once they got there, we were going to have to be able to make them.

JONES: So how long was it before the new building was built, the building up on Torrey Pines Mesa?

TAYLOR: I came in right at the beginning of '81. I think we moved into that building at the end of '81. It was under construction at the time I joined the company, sort of at steel-frame status. Miramar was manufacturing; the building at Torrey Pines was R&D and offices. The

118 only manufacturing we ever did there was the manufacturing of the antibody itself that we
119 grew in mice. For the first couple of years of production, we had a mouse facility at the
120 Torreyana building, before we built another new building over at Miramar. But that building
121 was part of my responsibility form a facilities point of view, all the construction, maintenance,
122 and so on.

123 **JONES:** What kind of operation is it to produce antibodies?

124 **TAYLOR:** Antibodies today are produced differently than they were then. This was all
125 pioneering stuff. The researchers grew their antibodies in cancer tumors that they induced in
126 mice. So, that's what we used also, in manufacturing. We got to the point where we were -- we
127 used the term 'processing' -- twenty to thirty thousand mice a month, and quite a staff that
128 took care of them. I mean, it's pretty gruesome, but the animal rights people, they had no idea
129 where we were. We had a building that was absolutely unmarked. No markings on it all, you
130 couldn't tell what was going on in there. That was our little antibody factory, where we were
131 hauling in live mice and hauling out carcasses, twenty or thirty thousand a month. Now
132 antibodies are produced -- and we were doing some work on this in those days -- but now
133 they're produced in sort of big batches in vitro, which is much more cost effective and easier
134 to do. One of the interesting things about the whole manufacturing process at Hybritech,
135 though, was it was very, very highly technical stuff. You know, I'd been making sterile
136 products for the eye, and that has its own set of technical issues, but boy, this biotech stuff was
137 a whole different animal. In my part of the operation, I had probably a half dozen Ph.D.
138 biochemists working for me in manufacturing, in manufacturing process, those sorts of things.
139 It was very complex, it wasn't simply a bunch of minimum-wage blue collar workers.

140 **JONES:** You had some background in chemistry, so...

TAYLOR: I could understand the science, which I think was very important. Initially, when they'd been recruiting for a head of manufacturing, head of operations, they had been looking for someone with a Ph.D., and they couldn't find anyone appropriate. Then they sort of backed down and said, 'OK, who can we get out of the pharmaceutical industry that's local. That's where they got my name, up in Orange County.

JONES: Who did you work with on a daily basis, who did you report to?

TAYLOR: Ted Greene was the boss. He was the president. I worked very closely with Tom Adams in R&D, and also Jim Youngworth, who was the chief financial officer, because we were doing a lot of construction, and buying equipment and all that sort of stuff. And then Paul Rosinak, who was the VP of marketing, I worked very closely with him as we were putting together all of the packaging and so on, for all of the products that were going to be coming out. I don't where Rosinak is today, but somebody you should talk to is Cole Owen. Cole worked for Paul Rosinack, and I worked very closely with Cole because he was doing a lot of the marketing stuff and Rosinack was more sales oriented. I think Cole was director of marketing or something like that.

JONES: Did you run into problems along the way? Or was it smooth sailing?

TAYLOR: Never. The culture -- this is something that's quite important, I think, because it explains a little bit about the success that we had, and a little bit about why we sold the company ultimately. But it also explains why so many of us went on to start new companies. Basically, Ted Greene recruited a handful of people who were very independent, self- starters. As a result, there was very little one way that we did things, very little teamwork, that said 'OK guys, we're going this way.' Ted didn't bring that out in us, anyway, I'm not sure that he could have. But Ted was not the sort that was a team builder. He recruited a bunch of people who were very strong-willed, and we were going in every different direction, all at the same time.

Everybody seemed to have their own agenda. New people kept coming into the fold, he hired David Hale. Hale, who had his own agenda. David Kabakoff, Cam Garner, all these guys came in later. There was a core of us that came in at the beginning. Wollaeger came in later. Everybody seemed to be going their won way. Wollaeger and I probably worked the best together, once he and I arrived. And we both seemed to think, 'we're trying to run a business here guys. I don't know what all the rest of you guys are trying to do, but there seems to be no continuity in programs.' But the bottom line was, we ended up with a bunch of people who, once the company was sold, were very anxious to go out and do their own thing -- start new companies.

JONES: Was this recruiting pattern by design, or was it just fortuitous that you had these people -- independent, self-starters -- was this a plan?

TAYLOR: Well, I don't think it was a plan, but if you think back, you know, 1978-1980, 1981, when all of us were being recruited, we all came out of big pharmaceutical companies. I came out of the probably smallest, but we were still over a hundred million dollars a year in those days. That was still a pretty good sized company, a couple of thousand employees. There hadn't been any opportunity, really, to go out and start your own pharmaceutical company. I mean how many pharmaceutical companies were started in the '60s or '70s? A couple maybe, Syntex, I can't think of another one. All of the pharmaceutical companies had sort of always been big, I mean the Lillys, the Mercks, you know, the Schering-Ploughs -- where were the start-ups, I mean, there weren't any. So, I think that when this opportunity came along in biotechnology, the first few of us that jumped at the chance were probably the self-starters. You know, we'd spent ten years or fifteen years working in the big companies, and they were, quite frankly, frustrating. But where did you go? You know, you didn't go out and buy McDonalds franchises, that was the only entrepreneurial thing that I can think of that there was in those days. We used to look, we used to read the Wall Street Journal all the time, and

think of 'what could we do?' Well, in your field, you can't do much. And all of a sudden this biotech thing comes along. Well, of course, in recent years, there have been thousands of people recruited out of the big pharmaceutical companies to go into start- ups, but I think the first wave of us were pretty entrepreneurial people. You know, my background certainly was, in terms of some of the things I'd done. I liked doing that stuff. You know, I liked being out in Ireland for a couple of years on my own. It was much more fun than being back in the head offices with all of the politics. I think, by definition, Ted got together a bunch of guys who didn't work together very well as a team taking direction from somebody.

JONES: What were some of the technical problems that came up in your domain, manufacturing?

TAYLOR: Well, typical of technology oriented businesses, the R&D guys can make something in the lab work once, it works great, so now it's a product? First, try to do it again. Second, try to scale it up. It's tough. And R&D people don't have much tolerance for manufacturing and all that sort of stuff. They're inventors, they don't want to do it *again*. I did it once, I wrote my paper, got it published, it's on to the next thing. So, a lot of the stuff in the early days was purely the technology -- does this stuff really work? And why isn't it reproducible? It's biology. It wasn't like mixing two things together and ending up with a simple answer. You're growing things. They don't always grow the same. So, there were a lot of technical issues, just pure science issues that caused us trouble. And one of the things in a brand new field like this, where we were literally creating new science. We had to educate the Food and Drug Administration. They came in and spent weeks and weeks and weeks with us, where in their normal routine it would be, 'we're here to audit your processes to make sure your doing things right,' they were there trying to figure out what we were doing. And so they couldn't sort of write us up and say, 'well, you've got a problem here.' They had nothing to base it on.

The Food and Drug Administration did a lot of their groundwork with us, in how they would regulate these sorts of processes in the future.

JONES: Did they hold you up?

TAYLOR: No. But, the other thing we found was that specifications for results -- how should something work -- were very, very difficult to pin down. You could have a guy in R&D who said, 'I'm the expert here. I know that you have to fall between these limits. If you don't, this test isn't going to work.' We'd find that we couldn't make it that way in manufacturing. But it did work. And now you're shipping products -- and I also had Quality Control -- we're shipping product out frequently that failed our own specifications, but that we knew, fundamentally, worked just fine. And I couldn't get the R&D guys to change the specs, because you can't just arbitrarily change the specs, you've got to get the R&D guy to agree. So we had a lot of battles that way. Instead of simply back-ordering a product, we'd say, 'No, this is good enough to ship. We're going to ship it with a variance that says it didn't meet this specification.' But you know what? It doesn't matter, because what do we know anyway? Because again, there wasn't fifty years of history that said, 'well, we know that this chemical has to do that.' This was all brand new stuff. And that's kind of fun, too, to be out there on the edge.

JONES: Can you remember specific products that posed problems, something wasn't working? Specific conversations with R&D people?

TAYLOR: Not really, although these pads that did end up working for me, all came out of R&D. Because I basically said, 'Look, if you guys are going to be such critics over there, come over on my side and see what happens.' And sure enough, once they became part of the manufacturing operation, the process of improving process development, all of a sudden their eyes opened up to the real world problems. So, it helped. Have you talked to Bob Wang? He'd

be a good guy to talk to because he's really cynical. It's his nature. And he would, I'm sure, have some great insights. He's one of the R&D pads who came over. Tom Adams would know where he is. The other person you should talk to is Tom Adams wife, Barbara McCampbell. She was head of personnel. She may have stuff you can get money for -- one never knows.

JONES: Which were the big products that went out during your time in manufacturing?

TAYLOR: The biggest was the ICON pregnancy test, the little thing with the blue dot in the middle. By far, the biggest thing that we did. The other tests were all very -- you know, we had IGE and TSH, and a whole bunch of different hormone tests. We also brought out the PSA test, the prostate cancer test, which turned out to be a very big product. Also during that time, I had the manufacturing group that manufactured the injectable antibodies as well, the ones we labeled with radioisotopes, the stuff Karen Klause was involved in. All the stuff that she was involved in those early days, the clinical trials and so on. I made all of the materials for her, so again there were Ph.D. specialists in radioisotopes and injectable products, it was pretty complex, highly technical stuff.

JONES: Why then did you make the jump to International Sales?

TAYLOR: Simple. David Hale didn't like me. I don't know if that's too strong, but it's probably correct. Hale came in as, I think his first title was senior VP of marketing. Ted Greene had a problem. Ted couldn't fire anybody. Hale was brought in to get rid of Paul Rosinak, who was VP of marketing, because Ted couldn't do it. So, he brought Hale in as senior VP of marketing. Why did we need a senior VP of marketing? Well, we didn't. So, that's what it was for, and a few months later, Hale fires Paul Rosinak. Wollaeger was brought in to fire Jim Youngworth, who was chief financial officer. Ted couldn't do it. So that was just part of his nature. Well, Hale comes in and he's running marketing. Hale ultimately became executive vice-president and chief operating officer, a position that I thought I should have had. That's fine. He got the

job. He had a guy who had worked for him in two prior companies, who was an operations guy that he wanted to bring in, into my job. First he tried to bring him in working for me, and the guy wouldn't come under those circumstances, so I could see the handwriting on the wall, that Hale was basically trying to bring this guy in because he was his buddy. Chet Damecki. So, I went to Hale one day, and I said, 'Look, I've been the biggest critic of our international operations, or lack thereof, why don't you put me into a job where I can line up some international distributors and get some stuff going, and that will open up the open operations job. You can bring Damecki in to that position.' I'd lived internationally. I'd never had any direct selling or marketing experience, but I figured, 'Heck, I can sell anything. I can put the organization together to do it.' So, that's what we did. Hale wanted me out of the job that I was in, and creating this international sales and marketing, it needed to be done anyway, why not do it. So, that's what I did. We had an operation already in Belgium that was handling Europe. These were some buddies of Ted Greene's, that he had hired, former Baxter guys. You should talk to one or two of them, too, if you want some real...Michel Decoux and Guy Vandeweghe. So, I had international non-Europe, Canada, the Far East, Australia, etc. Over a couple year period, I put a direct sales force into Australia, direct sales force into Canada, and probably got sales up to the five million dollar a year mark. So I did pretty well, I think, with a very small staff. This was all direct sales or through distributors. We did a lot of work in Japan trying to get a partner, but by the time I left, that was not a done deal yet.

JONES: So, you were happy with way this going for the next two years?

TAYLOR: For one year, and then we sold the company to Lilly. So, in '86, Lilly comes in, and of course, they had their own agenda. They had their own way they wanted to do everything, and they wanted to do it with their own people. So, at the time that the deal was done with Lilly, Lilly required all of us to sign three-year employment contracts, because they didn't want us all leaving the next day. They wanted us hanging around, but they knew that we

287 hadn't come to Hybritech to collect Lilly pensions. So, they wanted to sort of lock us up with
288 some kind of golden handcuffs. What they really wanted to do was manage our departure
289 over a period of time. So, I lasted one year. I signed a three-year contract, but after one year,
290 it was pretty clear that they didn't want me around any longer. So, I negotiated a settlement
291 and left. Ted left first. Tim left second. I left third. Within months after I left, Cam Garner,
292 David Hale -- Adams was already gone. Adams and Howard Birndorf had left to start Gen-
293 Probe.

294 **JONES:** You knew what was going on before the Lilly sale?

295 **TAYLOR:** No, I think just Tim and Ted. But as soon as the deal was announced, it was 'OK,
296 where are we going to go next?' And literally, they were going to pay us for three years, so I'm
297 going to sit there and collect money for as long as I can until the right thing comes along. So, I
298 lasted one year. But when I left, I took some time off, which I wanted to do. I took off for five
299 months, and seriously looked for a new deal. I didn't go straight from Hybritech, straight into
300 starting Pyxis. I had about four or five things I looked at before I decided on Pyxis. They were
301 all venture capital-backed, early stage companies, and they were all medically oriented. A
302 couple of them were up in the Los Angeles-Orange County area, a couple were here in San
303 Diego. As I recall, a couple of them were biotech related stuff, one of them was a big medical
304 instruments deal. But when I was looking at them, what I was looking for was to get involved
305 with the right people, because what I've learned in life is that the people is what makes all the
306 difference. And if I didn't like the people, whether it was the investors, or maybe some
307 adventurers or entrepreneurs that were already involved, I said, 'No, thanks.' It really does
308 come down to dealing with good people, people that have a good reputation, people you can
309 trust, people you like. So, that's what I was looking for. If I didn't ever want to work again, I
310 didn't need to work. But in those days, because I hadn't yet done my own thing, I'd been a VP.
311 I really did want a company, start a company and be the CEO, and build the company. The

312 difference today is, I've done that now, and I don't want to that again. I'm on boards. The nice
313 thing about being on boards is that, in every case, I get stock options, and I also get an
314 opportunity to invest my own money. So, in any one of the deals -- I'm on five boards right
315 now, I'll probably join a couple more -- Each one of them could yield me hundreds of
316 thousands of dollars over the next couple of years. So, they can be very lucrative at the same
317 time.

318 **JONES:** How did Pyxis get started? I've heard Tim Wollaeger's story.

319 **TAYLOR:** Wollaeger's funny, because we hassle him all the time about his selective memory.
320 He gets some things right, but not always. Not everything. The Truth Is....This doctor in Los
321 Angeles, Glendale, actually, was a tinkerer, an inventor, a guy who literally worked on stuff in
322 his garage. I mean, he's got his medical practice, but he just worked on things, some things
323 related to medicine, some not. He was an inventor. He patented a few things. Never ever
324 commercialized anything; never made a nickel off of anything that he had ever come up with,
325 and he's over seventy years old at this point. And one of his daughters -- she's my age -- so
326 back when I was trying to avoid going to Vietnam by heading back to Canada, she was a sort of
327 a drop-out of society, a hippie living on a commune in Oregon or somewhere, and ultimately
328 then, ended up in a convent, and from there, ended up in India with some guru, so, she was
329 not what you would call mainstream. So, she came back, back into society, and decided that
330 she was going to help her Dad get this invention that he'd come up with into the marketplace.
331 She knew nothing. And, she found a guy, and I'm not exactly sure how she found him, but she
332 found a guy in Orange County working for Ernst & Winnie (?) in those days, Ernst & Young
333 today, who was in the business development end of the practice, and he wrote a business plan
334 for her, he helped her write a business plan for this invention, and helped her find potential
335 investors. And the first potential investor that he found was a guy in Orange County who had
336 been one of the early people in CareMark, which is a home care company that was ultimately

sold for 500 million dollars to Baxter. This guy knew Tim from Baxter. They'd both worked for Baxter together in the early '70s. And he was investing his own money in deals, but he knew that Tim had started this venture capital fund in San Diego, so he introduced the whole entourage to Tim. So, when the company was founded, he put some money in, another friend of his put some money in, and Tim put Biovest money in. So, of the first five hundred thousand dollars, four hundred came from Biovest, fifty grand each from the other two guys. So, Tim was introduced to it through this guy in Orange County (who I played golf with yesterday). So all of this, the preliminaries to putting the company together, was taking place in May of 1987. I had my first meeting with Tim in May of '87, and he hadn't yet funded the company, but he was thinking about doing it, and he said, 'I really need somebody to get somebody to come in and run it for me, and I want you to do that.' So, I told him that I would, but I had some commitments, and I couldn't actually start work for the company until August 11th. So, during that period of time, between my meeting with Tim in May and August 11th, the company was actually funded, and I was involved, but not as an employee, but just as an interested party who would soon be joining the company. I was involved in a variety of meetings back and forth about some stuff that had already been underway, even before Tim got involved, because this was an invention...In fact, when Pyxis was started, it actually bought the assets of a company that the doctor had already started up. They'd already done some contract work on software and all that sort of stuff, so I was involved right from the beginning. I started with the company on August 11, 1987, and there was myself and the doctor's daughter, who were the two employees. And I fired her about a year later.

JONES: Did you bring in any people from Hybritech?

TAYLOR: Yeahh. I brought in one, who brought in two more, so, three altogether. I had only worked with one of them. I had worked with a guy named Pat Stisloff [?], who became my VP

of product development, who had been a product development guy at Hybritech. And he brought two people with him. And that's all the Hybritech people we actually ever took.

JONES: Tim Wollaeger was on the board?

TAYLOR: Wollaeger was on the board. Ted Green was not on the board originally, but joined the board later.

JONES: What was it like getting Pyxis off the ground?

TAYLOR: Like pulling teeth. You realize, as the CEO, that your number one job is raising money. And that's really all you do, full-time. For the first five years, I raised money every year -- private capital, venture capital sources. Every year for five years. It was almost a full-time job for that period of time.

JONES: Did your Hybritech experience help there?

TAYLOR: Absolutely. First, I started off with people I knew from Hybritech. They were my first source of capital. And that's where some of the first investors came from. Or they then would introduce you to someone else. There's a very small network of venture capital in this country, and its headquartered in the San Francisco Bay Area. And once you know those guys, you've either got a good reputation, or you don't. And if you don't, you'll never raise money, period, so forget it. And if you do, you can raise money. Now, in my case. I could raise money, but you've got to meet the milestones: 'OK, you said you were going to do this, and you didn't do this. How much money are you looking for? Five million? Geez, I don't know if you'll raise five, but we'll put in two million, but it will be at a lot lower price than you want it.' You know, you're constantly negotiating with these guys, until things finally start to happen.

JONES: Did you run into technical problems?

TAYLOR: The technical problems were minor. They were really non-issues. The problems we ran into were market acceptance problems. Anytime you're trying to change behavior in the marketplace, you can have the greatest invention in the world, but nobody wants it.

JONES: Who didn't want it?

TAYLOR: There's a phenomenon you run into -- inertia. What's the law of inertia: a body at rest tends to remain at rest, a body in motion tends to remain in motion, right? Well, those bodies there at rest don't want to budge. The doctor's invention, we threw out. It wasn't going to work. He had invented a system where each patient, at their bedside, would have a drug dispenser, that would have their drugs in it. And they would be segmented according to the time of day for administration. Nine o'clock meds would be in one department, twelve o'clock meds would be in another department, and so on. And all had electronically limited access so the nurse couldn't screw up. Well, basically he didn't like nurses. He was a typical doctor, he didn't trust them. So he tried to put a system in place that would absolutely tie the nurse's hands behind her back so she couldn't give the patient the wrong medicine. Well, we went out and did our market research on that. There were a few pharmacists who said, 'Gee, that would be a great idea, because I don't trust those nurses, either. And every nurse we talked to said, 'This will go in here over my dead body.' You can't completely shut down the way I do things. What are you trying to do? I've got to have some flexibility in the way I handle my drugs and my patients. You can't change my practice.' So, we had to throw the doctor's idea out, and the doctor, of course, was adamant that he was correct. Absolutely, he had the right answer, this invention was the right thing. Well, if you can't sell something, I don't care how good your invention is, you've got to look at your customer. What are your customer's problems, and how can help the customer? So, during all this market research we were doing, we discovered that there was a problem that they had that wasn't being resolved. And it was narcotics -- very specifically, narcotics. They're very paperwork intensive, they're

very labor intensive -- they're a pain in the butt. But you can't avoid the responsibility because there are laws, and you have to document everything you do with them. It makes them just...a problem. Ten percent of the drugs in hospitals are narcotics, they take up half your time, because you can't just ignore them, you can't just say 'I'll dry lab it at the end of the day, when I get a chance.' You'll lose your license. You can shut the place down. So, at that point, I said, 'If banks know how to look after money on the street corner in these new-fangled automated teller machines that they have out there, and they know who gets into them, which account they took their money out of, and how much money they took, I can do the same thing with drugs in the hospital.' I invented, then, a bank teller machine for narcotics. It was not the doctor's idea.

JONES: Who has the patent?

TAYLOR: Myself, Pat Stisloff [?], Bill Williams, who was the sale guy I hired, and the daughter was still there at that time, so she's on there. The four of us are all on the patent. And, we basically said, 'This is the answer.' And the old doctor said, 'It'll never work.' So, we threw him off the board and he still had all of his stock that he got, which is probably worth -- I don't know how long he kept it -- but it's probably worth ten to twenty million dollars. So, he did pretty well for an invention that we never used. And we went on our merry way with the Med Station for narcotics. Now, the nurses loved it, because it took them out of the paperwork business. If you go to a bank teller machine, there's no paperwork. A nurse goes to a MedStation, there's no paperwork. The old method was filling out forms, looking for a key to a locked cabinet, getting hassled by pharamacy all the time, because the things never added up right, doing counts at the end of every shift so they knew exactly how many doses they had. We wiped all that out, and the nurses absolutely loved it. We had nurses hugging their MedStations. And that was the answer -- look at your customer. The old doctor was an inventor, he was going to come up with an invention that was going to suit him, not the

433 customer. So, we just made a fundamental change from what the company was started
434 around.

435 **JONES:** Had you invested a lot of time in the doctor's invention?

436 **TAYLOR:** Probably a couple of million bucks, and a year and a half.

437 **JONES:** And having to throw out all that work was what made raising money...

438 **TAYLOR:** Difficult.

439 **JONES:** Did Kleiner-Perkins invest?

440 **TAYLOR:** The big one from Hybritech was the Hillman Company. Henry Hillman. He put a lot
441 of money into Pyxis.

442 **JONES:** How did you sell him on it?

443 **TAYLOR:** I took a MedStation to Henry's office in Pittsburgh. Henry Hillman is a billionaire,
444 and I actually took him the prototype MedStation, shipped it to Pittsburgh, uncrated it in the
445 lobby of his building, up the elevator, and could hardly get it down th hallway because the
446 carpet was so thick, we were trying to roll this thing along. We demoed it right there in the
447 boardroom, and sold him on the concept. And my guess is, and I'd have to look back at it, he
448 probably invested one and a half to two million dollars, and he probably made fifty times his
449 money.

450 **JONES:** And once you got the MedStation up, it was pretty much clear sailing?

451 **TAYLOR:** We went into the first test site in '89, the summer of '89. It was two years after
452 starting the company, and by the Fall of '90, we were starting to roll out into numerous

453 hospitals And that was still tough, because you can sell anything to ten people, OK. You've got
454 to sell it to thousands. And, you know, the jury was still out. I remember, it was the Fall of

455 '90. I had told the board that we would have fifty hospitals by the end of 1990. And in
456 September, we had about twelve. And they weren't happy. But I had about thirty or forty that
457 were all poised, just waiting to sign, still in the test and evaluation stage. So, the board made
458 me fax them, each board member, every Friday, an update: 'how many did we sign this week,
459 how many do we have to go, what happened?' And by the end of year, the target was fifty, we
460 had fifty-five. And the rest is history, because then raising money was simple. We sold
461 Hybritech for 350 million plus, three-fifty is what you'll read in the paper, but you have
462 warrants and things that became very valuable, so the real value is four-something. Pyxis,
463 when it was still a public company, an independent, at one time had a market cap of 1.4
464 billion. We ended up selling it for just abou a billion. But if you kept the stock in Cardinal, your
465 back to 1.4 billion. Now, Cam Garner's company, Dura, has a market cap right now of about
466 one and a half billion. So, he's ahead. He's leading the pack. Cam's done wonders for that
467 company. Now, Pyxis was more profitable, but Dura has potential, it has some stuff coming
468 out that could really make it take off, so they're stock price is way up.

469 **JONES:** Did you have any idea that Pyxis was going to be this big a success?

470 **TAYLOR:** No, well, yes and no. When Tim and I met in May of '87 -- I have my notes from that
471 meeting. You always assume that you're going to reach these tremendous projections, but in
472 the back of your mind you know that nobody ever does. In our case, we happened to make
473 them, and that was very, very gratifying, you know, to set out a goal of building this company
474 into a multi-hundred million dollar business, and actually doing it. Because, I don't know what
475 the statistics are, but it's probably one in a thousand of start- ups that actually become wildly
476 successful, and this one did. So, that was fun. And you know, you look back and you ask, 'Well,
477 why did it become so successful? What were the elements that were there?' And I think the

478 number one element was the fact that we paid absolute attention to our customer. And I
479 believe that's what life is all about, you look at your customer, what are your customers
480 problems, what are your customers needs, and they don't always know what they are -- they
481 don't even know what their problems are sometimes, but if you can identify your customers
482 problems and come up with a solution, you'll be wildly successful. And that was our focus
483 from the beginning, was to build a business that was a service to our customer, and I often tell
484 people, you know, we have this MedStation, and people say, 'Oh, you're in the business of
485 making and selling MedStations.' No, we weren't. We were in the business of eliminating a
486 problem that our customers had. Our customers were in health care -- nurses and
487 pharmacists treating patients. And a person in health care doesn't need a MedStation, they
488 don't need another gizmo, they don't need another gadget, they don't need another
489 instrument, something that's going to be a problem for them. What they need is a solution to
490 their problems. And the problem they had was that the whole process of distributing drugs to
491 patients was a nightmare. And it was this way because of regulatory problems, like with
492 narcotics, because of just good health care practice problems, I mean you want to be able to
493 document everything that you've done for a patient, to get the drug there in a timely manner.
494 Well, if you can streamline that entire operation, and take out all the problems, and put a
495 system in that they don't even have to think about, that's what they want. You can go up and
496 ask a nurse up on a nursing unit in a hospital, 'Who refills this MedStation?' The nurse will
497 look at you and say, "I don't know. Everytime I need a drug, it's there.' Well, why is it there?
498 Because we put a system in, and designed it such, that it just works. And everybody's got a
499 role, and everybody does their little job, and it works. And that's what it's all about. All the
500 information related stuff is taking a problem away from a customer. So, that's why it works. I
501 really believe that the reason we're successful is that we focused on that customer.

502 **JONES:** So, now you're look around for other opportunities?

TAYLOR: I want to be involved in companies that are at a stage where I can be a benefit to them. Having gone through all kinds of problems myself, whether it's raising money, or technical issues, or customer issues, or how to price something, or how to look after customers -- where I can have some input, some influence, and where I can get financial reward, and personal reward, and the benefit of having done it.

JONES: Before you mentioned sixty and eighty hour weeks...

TAYLOR: Hybritech and Pyxis, especially Pyxis. Well, the other thing that you have to keep in mind, too -- it may be that I'm just this way, but -- especially at Pyxis, but also at Hybritech, you never leave it. It's really your work is your life, and it's seven days a week, twenty-four hours a day, you're thinking it all the time. It's not like, 'O.K., I've clocked out at five o'clock. I'm out of here.' Let's take voice mail, which we probably got at Pyxis, probably in 1990, or '91. I never, ever, missed a day of checking voice mail at least once. I don't care if I was in Europe on vacation, or helicopter skiing in British Columbia, I'm on voice mail every day. Saturdays and Sundays included. You don't get away from it. You can't. It's an absolute commitment. You're the boss, and everybody is looking to you all the time. There is no rest. And some people need that, their egos need the, you know, 'I'm charge of this big operation.' I personally don't. I enjoyed it while I was doing it, but boy, I don't need to do it anymore, and I have a great time doing what I'm doing now. I have a conference call this afternoon with one the companies I'm on the board of. The CEO, all the board members are in on this thing, it's a financing issue that we have to discuss. This is great. I'll give my input. I've got some input, I've got some opinions and ideas, and when I hang up that phone, the CEO is going to go out and do it.

JONES: Board memberships local?

TAYLOR: Three of them are local in San Diego, no, two of them are in San Diego, the third one I'm looking at is in San Diego. One's in Corona, up in Riverside County. One's in Portland, Oregon, and one's in Toronto.

JONES: Are you involved in any of the Hybritech companies?

TAYLOR: No. Interestingly, I'm on the board of a company that's in my old offices from Pyxis from about six years ago. They're in the same building that I was in. And so, it's easy to find, and you sit there and have board meetings in the same place that I had my board meetings, which is kind of funny. But no, I'm not involved on any of the boards of the...I've had one request and it just doesn't suit me to join that company's board.

JONES: Did all of the people at Hybritech have the same kind of commitment that you've described?

We worked hard. It changed -- we often look back at this -- because... I've got another premise on businesses, and I've talked about this a little bit already...Hybritech changed in 1984. And the change in '84 was we hired something like three hundred new people in '84, and we hired every person who could walk through the door and breath. And that was a change. We had gone from hiring people who really wanted to be there, and who really wanted to make this work, to hiring people for whom it was just another job, and they could've gone to the company down the street, or they could have come here, and they took this one because it was, you know, a buck an hour more. And that was the change. And what I've found from that, when I started Pyxis, I said, 'You've got to hire people who want to be here. You've got to hire people who are dedicated, who will put the time in, who will make this work. And as a result, at Pyxis, right up until the day I left, and we had twelve hundred employees at Pyxis when I left, I had the final interview for everybody, because I wanted to make sure we got the right people. And people say, 'Didn't that take a lot of time?' Well, it did take a lot of time, but

what's more important? What's a company? A company -- Ok, you've got a patent, you've got some customers -- what do you really have? You've got a bunch of people. And it's those people that make the company work. And so I was very, very careful from the day I hired the first person, to make sure they were people that I wanted working there, people that I could trust and depend on, working for me in that company. So, that's the answer.

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.