

SCIENCE HISTORY INSTITUTE

CAM GARNER

Life Sciences Foundation

Transcript of a Research Interview
Conducted by

Mark Jones

at

Meritage
San Diego, California

on

19 March 2012

(With Subsequent Corrections and Additions)

CHEMICAL HERITAGE FOUNDATION
Center for Oral History
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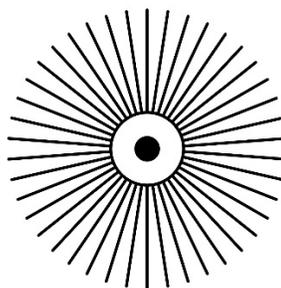
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Cam Garner, interview by Mark Jones at Meritage, San Diego, California, 19 March 2012 (Philadelphia: Science History Institute, Research Interview Transcript # 0158).

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INTERVIEWEE

Cam Garner grew up in Virginia Beach, Virginia. His father was diagnosed with cancer when Garner was a child, and later died when he was seventeen years old. Garner struggled academically in grade school, though became more adjusted in his college years. His interest in studying science began while he was attending junior college. He decided to pursue a double major in chemistry and biology at Virginia Wesleyan University, commuting from home to save money. He later attended medical school for his PhD in genetics, but did not want to wait years to finish his degree. Instead, he left his PhD program and decided to pursue a career in business, first working for Gilford Instruments in Oberlin, Ohio. There, he managed the full product line and handled development responsibilities. Gilford was later purchased by Corning Glass Works and Garner moved his family to Corning, New York. At Corning, Garner worked in management positions until he was contacted by a headhunter representing Hybridtech in California. While he first turned down the interview, he reconnected with the headhunter and joined Hybridtech in 1983. While at the company, Garner oversaw the research, development, and launch of products such as PSA [prostate specific antigen] and the pregnancy testing device ICON. Hybridtech was purchased by Eli Lilly and Company in 1986, after which Garner was offered a position as a general manager of their Canadian pharmaceutical branch.

Not wanting to move abroad, Garner left and began looking at local biotechnology companies in California. He met with Syntro, a company that made viral vaccines for animals. He came in as the company's president, eventually rising to the role of CEO after the original CEO, Tom Parmeter, left. Garner was originally brought in to assess the company's strategy and potential to cross over to human health products. He worked for Syntro for two years and eventually sold the company's veterinary products to Solvay. Garner was then contacted by a board member of Dura Pharmaceuticals, who wanted to acquire an allergy product from Immunetech. Garner joined Dura and began developing the allergy product, though it never got FDA approval. Instead, Garner shifted the company's focus. Rather than raising money for more clinical trials, Dura acquired smaller products from other companies and marketed them. The company went public in February 1992 and continued its strategy of buying and launching branded generics, a strategy other companies began to follow.

INTERVIEWER

Mark Jones holds a PhD in history, philosophy, and social studies of science from the University of California, San Diego. He is the former director of research at the Life Sciences Foundation and executive editor of LSF Magazine. He has served in numerous academic posts, and is completing the definitive account of the origins of the biotechnology industry, entitled *Translating Life*, for Harvard University Press.

ABOUT THIS TRANSCRIPT

Staff of the Life Sciences Foundation conducted this interview, which became a part of our collections upon the merger of the Chemical Heritage Foundation and the Life Sciences

Foundation into the Science History Institute in 2018. The Center for Oral History at the Science History Institute edited and formatted this transcript to match our style guide, but as noted, Science History Institute staff members did not conduct the interview.

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INTERVIEWEE: Cam Garner
INTERVIEWER: Mark Jones
LOCATION: Meritage
San Diego, California
DATE: 19 March 2012

JONES: Okay.

GARNER: When I joined in '89, Jim was on the board, and I'd be happy to take you through the history of that.

JONES: Yeah. He was at—when it was Immunetech, he was in early?

GARNER: I came in with Immunetech when the drug was at the FDA, the pentapeptide for allergic rhinitis, and so I came in, and they had found this little company in Ramona, forty-five minutes from here, that had a couple of million dollars in pharma products in the allergy space.

JONES: Yeah. What were they doing up in Ramona? How did they get—

GARNER: Well, there were just a couple of guys that were trying to, you know, just create a little business for themselves. It just—that's where they lived, and it just happened to be that it was in the allergy space. And so we bought them for five million [dollars].

JONES: Yeah. Maybe we should circle around to—

GARNER: Yeah. Yeah. [laughter] Before we get into the details.

JONES: Yeah. So we're doing the history of biotechnology. Here's some stuff about us.

GARNER: Oh, yeah. [inaudible]

JONES: And I'm glad that, you know, I have an opportunity to talk to you, because we're collecting oral histories for biotech, but also, I just completed a book on Hybritech, and you're one of the people that I didn't talk to, so it's good I get a chance today. And also Dennis Carlo. I hadn't talked to Dennis Carlo, but I'm seeing him later in the week.

GARNER: Good.

JONES: So that's I can wrap that stuff up.

GARNER: Terrific.

JONES: Yeah. I read the biographical piece that the *Union Tribune* did on you a few years ago.

GARNER: I can't remember what it was or what they even said.

JONES: Yeah, it was a nice article.

GARNER: There have been some negative ones. There have been some not so—

JONES: Well, no, no. No, there haven't. [laughter]

GARNER: Actually, when I joined Immunetech, there were some pretty negative—

JONES: Really?

GARNER: Yeah. Actually, it was—the headline was, “Garner would sign up to be captain of the Titanic,” or something like that. [laughter]

JONES: Well, this one was highly complementary, and it was actually very . . . it went into some detail, some biographical detail about growing up, your father was an executive at Texaco.

GARNER: He was.

JONES: And he did some traveling?

GARNER: I'd forgotten about that interview.

JONES: I'm sorry?

GARNER: I said, I'd forgotten about that interview.

JONES: Yeah. But can we rely on that?

GARNER: Sure.

JONES: Yeah? I think it was good. So you grew up and moved around to various places, ended up in Virginia Beach.

GARNER: Yeah. That was—

JONES: Yeah, when did you move there?

GARNER: I lived there from age ten to roughly twenty-three or four. So the formative years.

JONES: Right. Yeah. And you admit to being not the greatest student, and—

GARNER: I was an awful student. Just terrible. And, you know, some of it was I had a father that was diagnosed with cancer when I was four or five years old.

JONES: Right.

GARNER: Died when I was seventeen. So I kind of grew up—that was probably my form of acting out. And they were never home. He was in and out of the hospital most of the time. And I have—at the time, I didn't know it, but it would certainly be classified as being ADD by today's definition.

JONES: Yeah. [Yes].

GARNER: And I, you know, I'm just a hands-on learner. I'm not a very good book learner.

JONES: [Yes]. But you did well in college?

GARNER: Yeah. I just learned, you know, strategies to figure out how to study.

JONES: Yeah. Good.

GARNER: But I couldn't—I had a hard time doing that when I was young.

JONES: [Yes]. And you went to Virginia Wesleyan. I assume this is in the neighborhood there.

GARNER: It is. I was able to commute from home, because I honestly couldn't afford—I had to work and pay my way through, like most people did in that generation.

JONES: [Yes]. Yeah. And double major, chemistry/biology?

GARNER: Yeah.

JONES: How did you get interested in the sciences? Tell me about how that came about.

GARNER: You know, I went to junior college, frankly, just trying to figure out what I wanted to do, and I took a science course from a teacher, and it just—I liked him, and it was actually a botany course. And we did a lot of field work. And it just stimulated my interest. And then I took a couple of survey courses in biology from him, and I just liked it. I had no clue as to what I was interested in. I was—you know, I was pretty good in math when I was growing up. My

father was, kind of, a—he taught a little bit at Rice part time, and was a statistician, actually when he started at Texaco. My brother was good in math. So that piece was pretty easy. And science is kind of a logical extension of that, I guess.

JONES: <T: 05 min> Yeah. And the hands-on learning thing, did that—going into a lab was—

GARNER: Yeah, I was really good in the lab. That was where I really enjoyed the lab part of it. I excelled at the lab part of it. And I ended up getting a scholarship at what's now Norfolk General Hospital, or Eastern Virginia Medical School. I guess it was Norfolk General, and then became Eastern Virginia Medical School. And I applied, you know, when I was in my sophomore year, and got a scholarship to work in the hospital for two years. So I worked double shifts in the summer, and I worked twenty hours a week during school, and that allowed me to—I worked in every department—in pathology, I assisted in autopsies. I did chemistry. I did special chemistry. I drew blood. I did blood gas. I did everything you could imagine.

JONES: And you were enjoying that? That was [inaudible]?

GARNER: Yeah, no, I loved that part of it. Yeah, that's really what got me excited about science, because that was hands-on. It was very practical application, and I was good at it.

JONES: Yeah. So, after four years working your way through school and studying sciences, did you have an idea of then what you might do?

GARNER: Yeah. Actually, I was pretty clear. I went to the medical college of Virginia to work on a PhD in genetics. It was sort of a straight PhD program. And, you know, I had a research scholarship to go, and when I got there, I literally left in about three months. And, you know, I got there, found out people were taking seven to eight years to graduate, and I just said, "I don't have the patience to do this. You know, you billed this as a straight four-year PhD program, and if it's not, I'm not going to do seven or eight years." And, you know, then I went into the business side, selling pharmaceuticals.

JONES: Yeah, how did you get that job? How did that line—

GARNER: Just applied locally while I was still—I was at Medical College of Virginia, and I was working at a lab there. You know, after I quit graduate school, I just went to work at a lab

to decide what I wanted to do. And they interviewed me, and, you know, I enjoyed the sales part of it.

JONES: Well, that was pretty fateful, too, right? I mean, that sort of shaped—

GARNER: Absolutely.

JONES: —your entire career in biotech, right?

GARNER: Yeah. I think that coupled with the fact that I'd worked in a hospital, and got to experience diagnostics, and devices. You know, because when I worked—it certainly got me on the path to pharmaceuticals, but I went into diagnostics for quite a while, and, you know, worked for a company called Gilford Instruments, which—

JONES: Was that Corning?

GARNER: It was actually acquired by Corning.

JONES: Before or after you—

GARNER: After I was there, after I'd been there several years. And at the time, Corning was—we had bought Medipath Labs. We had Kasey Biologics. We had—

JONES: This is Corning had—

GARNER: Yeah. Yeah. They had about a billion [dollar] health care business at one time. They had—

JONES: What years were these?

GARNER: That was—when did they acquire us? It would have been late seventies. Yeah, late seventies they acquired us. And I actually went into—after they acquired us, they wanted a token person to work in Corning New York to, sort of, help sort of manage—

JONES: Be the liaison and—

GARNER: Yeah. Exactly. And I loved it. You know, they were terrific people to work with, and it exposed me to a broader industry. Gilford was a very—it was a family-owned business, very entrepreneurial. I had a lot of responsibility for a young guy. I basically managed the full product line, including the development responsibilities. So that was a great—and it's why I love being in startups, because you could actually do things, and see the results of it in a pretty short timeframe.

JONES: Yeah. And where was that company located?

GARNER: It was in Oberlin, Ohio. And then the owner died—actually in a plane crash flying his own plane—and then it was sold to Corning.

JONES: I see. And you had a family by that time, or—

GARNER: By the time they bought it, we had our second child—our first child had been born, and—because our second was actually born in the Corning area.

JONES: Right. So you're in Corning. That's an old, established company, and you could perhaps <T: 10 min> see a future there?

GARNER: Yeah. Actually, I loved it. And, you know, I thought they did a good job of sort of knocking my rough edges off and refining me and exposing me to things I wouldn't have been exposed to in a small company.

JONES: Yeah. When you say rough edges, what did you learn?

GARNER: Well, I—you know, I had no concept of politics and how you get things done through a large organization. And they were not a very political organization, but, you know, they had policies and procedures that were different. I mean, I had to make a decision, I could just walk into the president's office and say, "I think we need to get this thing done, and we need to put it in the pipeline in terms of development projects." But Corning was you know, you had to put a business case together, and, you know, that's when I decided to work on my MBA.

I was actually—did one year, and then I got promoted out to California, with Gilford. It was about that time that Corning bought us. I came back to Ohio, and then finished up my MBA there. And then shortly after I finished that up, I went to work in Corning, New York, and did basically planning for the five different divisions, and worked on M&As, and—but sort of pretty strategic position for me.

JONES: Yeah. Yeah. And you decided to get an MBA. You're at Gilford, and what was your idea that, okay, I'll use this to go on to something else? Or this is a small company, and I'm—

GARNER: Yeah. Honestly, I didn't have the foresight to—because I absolutely loved what I was doing. It was a job that I was well-equipped to do. As the acquisition went through and I started to see they were bringing people in from the outside, and they didn't know the industry, I started to get a little bit, you know, thinking more externally about opportunities, and that's when Corning said, "Well, why don't you come work for us in Corning, New York?" And I did. And then we started a new business unit at Gilford, and then they asked me if I wanted to go back and start that business unit up.

JONES: And what was that? What were they doing?

GARNER: Well, they were introducing a new line of research spectrophotometers. They had kind of redone the whole line, and they wanted me to take over as the worldwide business manager for them. So it was finishing the development, launching it, and setting up distributors, and, you know, kind of running it as my own P&L.

JONES: Yeah. So did you see that project through?

GARNER: I did. We got it all launched, and literally, I was—I don't know, maybe nine months into the job, and it's a funny story, because I was—we were at our new house, and I was mowing the yard the first time—I can remember it like yesterday. And my wife called me. She says, "You have a phone call." I went in and talked on the phone, and there was some headhunter. And they were asking about a job in California. And I said, "No, I'm not interested. I'm happy where I am." And so I hung up. And my wife later asked me, "Who was that?" I said, "It was a search guy looking for somebody to run sales and marketing in California." And she said, "Well, what did you say?" And I said, "I wasn't interested." And she goes, "Why would you say that?" I was like, "Wow, that is weird. Why would she say that to me?" [laughter] And then she said, "Well, you know, it wouldn't hurt to go meet with him." And literally three weeks later I had taken the job.

JONES: [Yes]. Had you been contacted before by headhunters? Did you have a sense of—

GARNER: I had, but—yeah, I had, but I honestly—it wasn't on my radar. And I was progressing rapidly in my career, and I was learning a lot, so—

JONES: [Yes]. Everything had gone smoothly, pretty smoothly for you along the way?

GARNER: Yeah. Very smoothly. In fact, I think one of the reasons I did so well was I literally had a new job every year, so, you know, I loved the learning of being in a situation where I get to learn it. And that's what gets me the most excited, and every year, they were giving me something new to do.

JONES: Yeah. So you don't get bored, you don't get burned out.

GARNER: Yeah. And they knew that I was willing to move for anything. So, you know, a lot of people made—you know, had different priorities. My wife was very aligned with, you know, if you want to build a career, I'll support you.

JONES: And she was willing to go anywhere?

GARNER: Yeah, she was.

JONES: So why not California? It sounds sunny. Yeah?

GARNER: Yeah. Exactly. And, you know, that's how I ended up at Hybritech. It was—

JONES: <T: 15 min> Well, who did you—you called the guy back and said—

GARNER: Yeah. It was a guy named Charlie Rubinstein, with—I forgot—but they were one of the executive search firms retained by Hybritech. And I found out one of the consultants that we'd used at Corning when I was working on the strategic plan recommended me. And I literally went out and I think I met with pretty much all the officers.

JONES: Who did you talk with?

GARNER: I talked to—obviously Hale I spent the most time, because Hale was being promoted—

JONES: This is 1983?

GARNER: Eighty-three. Yeah. Hale was being promoted to CEO, and so I was basically replacing him. And, you know, I met with Tim Wollaeger and Ted Greene and David Kabakoff, because David had been there just a short period of time, then. And I think Cole Owen I met with as well. I think those were the key people I met with. And I met with Brook Byers as well. That—

JONES: In San Diego, or—

GARNER: Actually, it was at Hybritech. I had spent the—if I remember right, I spent the day kind of interviewing. Then I went off the next day, looking at different places to live, to see what the cost of living was. And then the next day had—that night, I had dinner with David, and then I believe it was the next night I had—late afternoon, I met Brook Byers.

JONES: Did you know about Brook Byers and Kleiner Perkins and—

GARNER: I knew nothing about the venture community. Absolutely nothing.

JONES: Yeah.

GARNER: And I had no clue who they were, actually. [laughter]

JONES: [Yes]. Yeah. Well, what was your impression? You met—what did they tell you? How did they present this opportunity?

GARNER: Well, it was really more about trying to create something that was meaningful, and to be on the ground floor of doing that. And it fit so well with what I had experienced at Gilford.

You know, where you could come in and you could really put your energy to work, and nobody was trying to slow you down. And, you know, it was all about getting things done and executing, which I loved to do. And it was something new for me. It was a new thing to learn.

JONES: [Yes]. Did you have to take a cut in pay?

GARNER: No. [laughter] It was hard to—I mean, because I was going from Ohio at that time to California, so I—frankly, I couldn't afford to live out here with a cut in pay at that time. It was a big difference at that time.

JONES: And were they still giving big chunks of stock at that point, or had they slowed down?

GARNER: They weren't big. They gave stock options, and, you know, they actually had a really—a more significant package than I would have expected. Corning wasn't huge in pay. They had great loyalty to their employees.

JONES: Right. Yeah. Hybritech had a few products on the market at that time. Right?

GARNER: Yeah.

JONES: Where were they had? They had some diagnostic tests, some—

GARNER: I mean, it was really early in the launch of the product, so frankly, the key products hadn't been launched yet. So they had a—they were just launching a research version of PSA, and then, you know, that was one of the two big things that I worked on.

JONES: Was that something that was rushed through, because, I mean, I think they just figured out in '83 how to—

GARNER: Well, everything was rushed through, so—

JONES: Right. Yeah. Yeah.

GARNER: Their development cycle was pretty fast, actually. We would launch stuff that arguably was still at least in manufacturing development, anyhow. But I had two things that were really fun. About six, nine months after I was there, we started working on a visual pregnancy test. It was really the first rapid visual—

JONES: The ICON?

GARNER: Yeah. So it was a ICON technology. So I got a chance to work on that, build that brand. Had the opportunity to really build the brand around PSA and educate urologists, and really create that market with my team. And we had, like, Kim Blickenstaff, I don't know if you know the name, but Kim, when I went to Hybritech, was in finance, and I convinced him to come over to work for me as a product manager. He actually went from a director down a level to get some sales/marketing experience. And I gave him ICON. And so they— <T: 20 min> the pieces sort of all tie together. And Bob Anacone, who works for him, had the PSA. And he developed the PSA—ran the marketing program for PSA.

JONES: Well, Hybritech was not—they hadn't turned a profit yet at that point, when you arrived, right?

GARNER: No.

JONES: Did they after—did ICON do it? Is that what—

GARNER: I'm trying to remember if they ever turned a profit. It was confusing, because we did off balance sheet financings. So I think if you put those on the books and ran it, we never ran a profit. You know, you could structure those things so that expense didn't hit your income statement, and you made profit off of it.

JONES: Yeah. [Yes].

GARNER: They didn't make profit as a real company, I would say.

JONES: Yeah. Well, I guess maybe that—you know, that was important when you—a couple of years later, right, when, you know, how to sustain research—

GARNER: Critical.

JONES: Yeah. At the time you arrived, they were still—how big was it? How big was the company?

GARNER: You know, I actually don't remember the size of it.

JONES: Eighty-three, so a couple hundred, maybe? I don't know—

GARNER: Yeah, it wasn't that big. They were hiring a lot, because they were—I think they had done their first R&D limited partnership, and when I think about a year after I got there, we were doing the second one. So they had the financing to start to build up the R&D group.

JONES: You had been at Gilford—compare the two companies in terms of culture or—

GARNER: Well, I think they were—in some respects, they were a lot alike. They were very entrepreneurial, and people didn't get in your way. I mean, you could just—if you wanted to drive something, everybody wanted to push with you. There was very little resistance to move things forward. And that was very true at Gilford. I think the big difference was there was just a really great senior team of people. We didn't have that sort of diversity of intellect and experience at Gilford. Well, it was a bigger company in revenues, but it wasn't in terms of management depth. You know, it was an opportunity to work with a lot of really smart people that I enjoyed working with. And—

JONES: Yeah. And as you got to know everybody there, and the company, what was your—who would you credit at—not to necessarily, you know, specify who was responsible for what, but you have this great team that's been assembled. What was your perception of how it got there? David Hale was in before you, but who was the driving force to make sure that the company sort of attained that kind of quality?

GARNER: You know, I think—just my perception that it was probably more Ted than David, because a lot of the pieces were put in place by Ted. And Ted seemed to be pretty active in you know, making sure we were continuing to hire high quality people. I would say in '84, late '84, maybe a year after I'd been there, David started taking on a little bit more I think responsibility for building the team. But clearly, Kabakoff, you know, a lot of that was Ted's doing as well.

JONES: Yeah. And when you came here, did you talk to Ted Greene? Was he here?

GARNER: Yeah. Yeah.

JONES: Yeah? And how did he impress you, and how did—

GARNER: Well, everybody impressed me with their energy and their enthusiasm about the future. I mean, it was—to a person. Kabakoff was the only one I remember that wasn't quite so enthusiastic.

JONES: He wasn't? Why?

GARNER: Well, partly it's his personality. He's just not that dynamic. And I think, too, he was just sort of settling into the new job, and it was—he had a big responsibility, and he was—I think he was feeling the weight of it at that time. And I think over time, he got a little bit more comfortable with that. But that group was growing very fast, and the time pressures to get those products out were pretty significant.

JONES: Had you heard anything about biotechnology or monoclonal antibodies before coming out?

GARNER: A little bit about monoclonal antibodies, because we bought—

JONES: You were in that—yeah.

GARNER: —Kasey Biologics at Corning, which was really more in the culture supply part of it. And that fit with Corning glass, their medical scientific glass division.

JONES: Yeah. So what was your sense of, you know, how risky is this thing?

GARNER: You know, probably like a lot of typical entrepreneurs, you just sort of step off the edge if it feels right. So that's kind of what I did, <T: 25 min> you know. I liked the energy. I liked the product concepts. You know, they seemed to be moving fast, and were well-

capitalized. But I was pretty naïve. I don't know how old I was when I joined, maybe—I guess I was thirty-two or three. Let's see. Forty-eight—so I probably thirty-three when I joined.

JONES: Yeah. When you joined, any bumps along the road in the stuff that you were working on?

GARNER: Yeah, I think the only adjustment for me came after about a year when, you know, David had been running that department, and he is sort of a micro-manager, sort of not what you expect in a typical startup. And David kind of looked over my shoulder a bit at first, which was appropriate, but there became a point in time that it to me wasn't comfortable. And I actually could remember telling David that if you're going to look over my shoulder, go hire somebody that that's acceptable for, but don't do it to me, because that's not the way I want to operate going forward. You either trust me to do the job, or you find somebody else. And he left me alone after that, so—he may have been waiting for me to do that.

JONES: So in terms of getting the products, technical problems, or you're responsible for developing—

GARNER: Well, we had all kinds of technical problems, but David was really responsible for that. And it wasn't his fault. Like I said, we were—this was all about scaling up the technology, and really doing manufacturing development. And we felt the pressure to deliver, and so often we would have problems in the field, because the technology was new, and our—

JONES: And that's the point at which you would have to deal with them? The people?

GARNER: I had to deal with the customer dissatisfaction, particularly with the sales reps.

JONES: They were—the sales reps were unhappy because the customers were—

GARNER: Yeah, they were pretty vocal, because we went through periods where the quality wasn't as good as it should have been.

JONES: And how did that get cycled back into—you know, to the development folks, or—

GARNER: Well, we were a pretty open culture, so we had the key reps come in. We sat down with David Hale and David Kabakoff and me, and we tried to work through a plan to make that happen. And I think in defense of Kabakoff, you know, I don't think he had much choice. He had to get the products out. We paid a little bit of the price for it.

JONES: And in what way?

GARNER: I think in the beginning, the quality of the product.

JONES: Yeah?

GARNER: You know, any new technology typically is going to go through that learning curve of reliability.

JONES: Yeah. But these are new products, right, in the case of ICON.

GARNER: [Yes].

JONES: It's like a revolutionary kind of thing.

GARNER: Now that one worked really well, actually.

JONES: Did it?

GARNER: Yeah. Yeah, the quality there was superb. I can remember—the interesting thing on ICON was pricing, because at the time, we had a visual—we had a tube test that took thirty minutes, and it was kind of start of the art, and we were charging fifty cents a tube, basically. And I wanted to charge \$3.50 a test. So, you know, there was a lot of hand wringing about that, and particularly we had a distributor—CMS was our distributor, and I think there was a lot of concern internally how CMS would feel about that. And, you know, we just worked with them. I had a couple of guys in our group, and, you know, we ran them through the model that we thought how they could make good money on it. It was a proprietary product to them, and it was a chance to brand them as a business, carrying high quality, you know, leading technology to the marketplace. And we had this—the most successful product launch of any that we experienced at Hybritech.

JONES: So did the results actually exceed the model that you had, or—

GARNER: Yeah. It did, actually. And we had no resistance on pricing at all. In fact, when Lilly came in, they raised the price again.

JONES: Yeah. Well, Lilly was '86, '85, '86, this starts to happen.

GARNER: Yeah, it was '86.

JONES: So what was your perception about what—you've been there, you know, maybe three, four years. And how are you feeling about your position and where the company's going and this—you made this move out here.

GARNER: [Yes].

JONES: How does all that feel to you?

GARNER: Well, first of all, I liked the Lilly people. They were really nice people to—in terms of everybody I interfaced with. They made a <T: 30 min> decision about bringing in Steve Steidl from Indianapolis who was a lawyer, and, you know, the truth is, is that was disappointing, and I think we were pretty skeptical, what does a lawyer know about the diagnostics business? You've got very short life cycles, so you've really got to introduce a lot of products. He's coming from an industry that has very long life cycles, and could he adjust to that?

And Steve was a little controversial. I actually liked Steve. I really enjoyed working with him. I felt like it was actually more of a partnership. You know, he would rely on me for decisions and perspectives, and he wasn't somebody that tried to make all the decisions. And so that—I was going to stay, and then they decided to replace Steidl and put somebody in with marketing experience, and that's when everybody left, because it was clear—

JONES: Was that Don Grimm who—

GARNER: Don Grimm. And Don—I mean, I know Don very well today, but he was clueless, just clueless at that—so would have I, if I'd come from his background. It's a different industry that's not easy to learn when it's moving that fast. And so I just told them, I said, "I'm not interested in staying. I don't need to stay." They offered me a position in Canada to be the general manager in Canada of the pharma business, which is kind of their training ground. You know people they want to move through the organization. And it just sort of pissed me off. I didn't feel like at that stage in my career I needed to go prove myself again.

JONES: [Yes]. Yeah. So the way you describe it, that Hybritech's really a diagnostic company. I mean, that's what they—

GARNER: It was.

JONES: And the products any revenues coming in are from those. And there was this therapeutics program, and, presumably, that's what Lilly's real interest was.

GARNER: I think it was. And certainly it was the sizzle in the company.

JONES: Yeah. So what was your feeling about that sizzle prior to the merger? I mean, what was the feeling in the company? Is this going to get big? Is the company going to need it? Is it—

GARNER: Yeah, I think there were certainly—you know, we saw that as the future, but I really didn't pay much attention to it. I was so damned busy trying to build the diagnostics business, that to me, that was like—yeah. They'll get to it someday.

JONES: And how did you feel when there was—when did you first hear about, oh, we're talking to Lilly about—

GARNER: Well, actually, the deal had been done, and David—I was in Japan meeting with Mitsubishi, and we had a collaboration, and David called—woke me up about one in the morning to let me know that they just signed a deal with Lilly.

JONES: How did you feel about that? What was your initial reaction?

GARNER: Well, I was kind of excited about it, because, you know, it was a chance to make some money, and to me, it was a lot of money. I'd always worked for salary before, so to make some equity, and—I was still pretty young, so it was kind of exciting, I guess.

JONES: Yeah. And did you think about, well, what does this mean, apart from the money, what's this going to mean operationally? What's this going to mean for my—

GARNER: Yeah. I didn't—you know, I just kind of trusted things sort of would take care of themselves. I don't tend to worry about that kind of stuff very much.

JONES: Yeah. But the way things worked out, you decided, okay, you don't really want to stay. But presumably you had some idea of, well, there are other things I can do? I don't have to go to Canada. I don't have to stay with Lilly. I can do—well, how did you feel about that at that time?

GARNER: Well, I mean, I loved doing new stuff, so I was never afraid of sort of jumping off the edge to do new things. I just didn't have any reservation at all about it, actually.

JONES: And certainly at that time, there was a lot of stuff happening in biotech. Did that matter to you at all? Well, okay, I can do a biotech thing? Or are you—

GARNER: You know, honestly, I didn't think about it that thoroughly. You know, I was just looking for something that would be interesting.

JONES: Yeah. I don't know if Brook Byers was still around very much or not.

GARNER: Yeah, he was, actually.

JONES: Yeah. Did you ever talk to him? Say, hey, you got—no?

GARNER: I didn't.

JONES: Yeah?

GARNER: Truly, I wasn't that—I didn't have the foresight. You know, I was still very young. I don't know, thirty-seven, <T: 35 min> thirty-eight, you know, obviously still pretty immature. And, you know, really didn't think it through very much.

JONES: Well, you got to this point where you said, "Okay, I'm not happy with where this is at," then so what did you do?

GARNER: Well, there was a company, a local biotech company called Syntro, and Hale had mentioned it to me. And, you know, I kind of went over there and met with them, and they had sort of a veterinary business for, you know, live viral vaccines, and they had the first product they expected to be approved, and they were trying to evolve that technology into human health.

JONES: What was it—it was a vaccine? How were they—

GARNER: It was a live viral vaccine.

JONES: How were they making it—how were they—

GARNER: They were using a herpes virus as the vector. And the first product was a parvo virus, so it was, you know, used in pigs to, you know, treat—

JONES: Who had started that company? They'd been around—

GARNER: A guy named Tom Parmeter. And, you know, essentially, he asked me to come in, and some of the board members had indicated that, you know, this could be a fairly short-term thing. We think we need you to help figure out what's the strategy of this company. Can they afford to be in human health? Do we need to focus on veterinary? And so I said, "Great, sounds like a good project. I don't have to [inaudible] there, and it sounds like I'll learn something that I hadn't learned before." And so I did that for about two years, which—the product got approved.

Made the decision that this was not a company that we could finance, that it was public when joined, and we basically sold—we got rid of all the other assets, and focused around veterinary. And we had Don Todd, who was a veterinarian, had him run that, and then ultimately sold it. And then we basically got rid of Tom Parmeter. We sort of had—about a year after I got there, we actually had got rid of half the board. It was one of those—

JONES: There was struggle there, conflict about which way—

GARNER: Huge conflict. There was Tom Parmeter, the founder, and his, if you will, cronies that he had hired, college friends and stuff. And then there were the venture capitalists that were on the board. And—

JONES: Who was in?

GARNER: Patricof was in. Bob—I forgot who the representative was from Patricof. There was—wow.

JONES: I can look it up. It's okay.

GARNER: Yeah, it's been so long, and they weren't—you know, Patricof continued to be a player and actually invested in a deal I did in the future, but I didn't do anything with the other venture guys. And Henry Wilder. I think that was his name. And, you know, I just went to them, and I said, "You know, we're not going to make any decisions unless, you know, we make—fundamentally decide who's going to be on the board, and who do you want to run the company?" And, you know, I laid out the strategy, which was to cut everything, other than veterinary, and try to sell veterinary. And they were supportive of that. And we basically fought it out at a board meeting, and all Tom's board members resigned, and, you know, we went about restructure of the company.

JONES: So that was two years, and you considered that a success? You did a good job on that?

GARNER: Yeah, it was a success for me. You know, a huge learning experience. I got experience in a public company environment.

JONES: And how was that different?

GARNER: Well, I'd never really been the point person in raising money and interfacing with investors, so that was a learning experience for me.

JONES: Yeah. And what did you learn? I mean, how do you raise money? What's the key to that? And—

GARNER: Well, you know, I didn't—since we weren't raising money, I was really pacifying investors at that time, so it was more about communicating with them. So I spent time with them, trying to help them understand the decisions that were in front of us.

JONES: Did you have a title? I mean, this is great CEO training, right?

GARNER: Yeah. Yeah. No, I was CEO.

JONES: You were CEO?

GARNER: I came in as president, then became CEO after Tom stepped out.

JONES: I see. Okay. Yeah, yeah. Right.

GARNER: And the understanding when I came in as president is that I would take over—

JONES: I see. Okay. Yeah.

GARNER: —as CEO, and Tom would stay chairman, was the concept. But that got moved forward a little bit. And the venture guys said, “Look, I don't care what the title is, <T: 40 min> you're going to be the guy.” They knew Tom. He was not an operating guy. Just—

JONES: What was his background? Was he an academic, or—

GARNER: Yeah, he was an academic.

JONES: UCSD or—

GARNER: I can't remember, actually. But just—it wasn't his forte, clearly.

JONES: So you restructured the company, and then—

GARNER: It ultimately got sold to Solvay, the animal health business. And I was going to take a year off and just kind of relax and enjoy myself. My kids were at an age where—

JONES: How old were they?

GARNER: Oh, gosh, they were at that time—they were nine and seven. So it was a little time to spend with the kids. And, you know, the next thing I know, I got a call from David Hale, who was on the board at Dura, saying, you know, they're looking at acquiring this company, and, you know, wasn't sure. So Gordon Ramseier, who was the CEO of Immunetech, came over, and we spent some time, and, you know, decided that actually, that sounds pretty interesting. And, you know, I had—we had a letter of intent with this company, wanted me to come in and finish the diligence, do the acquisition, run that business unit as president, and—

JONES: This is—you would run Dura?

GARNER: I would run Dura. So we would acquire this entity in Immunetech. It would become the commercial arm for the company. We expected the pentapeptide drug to be approved, and that I could build out this organization and run it. And, you know, that's about all we thought through at the time.

JONES: Yeah. And it is interesting to me, a couple of guys in Ramona, and they were just, you know—who were they? Where did—

GARNER: It was a guy named Tom Evangeliste and Craig Wheeler. And they had come out of—I forget which pharma company they worked for. But they just decided they would do, you know, what's called today these DESI products, that didn't have a formal approval process, when they were approved many years ago, but you could make copies. I mean, it was pretty easy. You just formulate it, and then introduced them. You didn't have really a regulatory pathway. Now there was no protection. You could try to brand it, but it was effectively a generic play. And the barriers back then were very low to introducing new products. And, you know, they had, I don't know, six or eight products that totaled two million [dollars] in revenue, and they had eight or ten sales reps. So it was just a little—

JONES: What were they manufacturing?

GARNER: They were using contract manufacturers. Which typically you do in that segment. And they were sort of typical cough/cold products. Some allergy, but—

JONES: And they were ready to get out of it? They were—

GARNER: Well, they were—Gordon Ramseier had identified them. I don't know, he ran into them at one of the allergy and immunology meetings, and they were local, so Gordon took a look at them and thought it made sense. You at least have a little revenue to kick it off, and a few people that kind of know what they're doing in this space. So they had put together a letter of intent to acquire them, and again, it was—five million [dollars] was the acquisition price. And I came and finished the acquisition. And, you know, they were kind of high maintenance guys. They thought they could still run the world, when—after you give them the money. And it's just—you know, just really didn't understand the concept of how to operate maybe in a larger company. Yeah. Then I had been there maybe three months, and we had the FDA meeting, and the drug didn't get approved.

JONES: The Immunetech drug didn't get—

GARNER: Yeah.

JONES: So that was a big—

GARNER: Yeah, so, you know, basically, there was a fork in the road. We did not have the capital to go do another clinical study. I would—investors couldn't raise the capital to do it. And—

JONES: Who was—

GARNER: So we had—from Advent, we had Jerry Benjamin. We had Jim Blair from Domain. We had, from NEA, we had—oh, God, Frank Bonsal.

JONES: Yeah. Well, these are all top-flight. And nobody was willing to—

GARNER: Right. Well, because, <T: 45 min> you know, they're—it was an uncertain outcome. Allergy studies are very difficult to do. I mean, typically, if you look in a lot of the early allergy drugs, they took multiple studies to get high enough [inaudible] to get efficacy, and it was—they just didn't plan to do that much. And so I can't remember, I think it was Jim had asked me on the side, and he said, "Well, what do you think we ought to do?" And I said, "I think you ought to shut it down, and let's see if we can build a business around Dura, and try to license some products in." And no discussion about how it was going to be managed, just asked for my opinion of how to structure it.

JONES: Yeah. And what was your idea about—what was your conception of how big you could make this thing? It's two million [dollars] a year in revenues. Where did you think you could get it to go?

GARNER: I honestly didn't know at that time. I mean, in some respects, I was new to the specialty pharma business, and had spent most of my years in diagnostics, other than my early years. But I just knew that there was no other alternative, other than try to hunker down and see if we could build products and, you know, introduce some more branded generics that were low development cost, and then try to license, you know, better drugs to build the platform. And there really wasn't much proof in that concept at that point in time, so it was—you know, the specialty pharma kind of hadn't been created as a segment quite yet.

JONES: Were you aware of other people doing that sort of thing, or—

GARNER: They were doing more development work. Yeah. It was really the—I think the genesis of the acquisition, you know, build through acquisition strategy of small products. You know, people certainly were trying to buy larger products, but most people did some development back then. So we didn't want to do any development in the early days. We wanted to either do line extensions or acquire existing products with existing revenues that were frankly discarded by big pharma.

JONES: And you thought you could do that cheaply, and you had enough cash to do it?

GARNER: Well, we thought we could do it and raise the money, because it seemed like a good model, maybe a more predictable model, than, you know, sort of drilling for oil, if you will.

JONES: Right. So you couldn't raise money for a clinical trial, but you could raise money for this?

GARNER: It was a little hard, but—[laughter].

JONES: Yeah?

GARNER: Yeah, we basically got—I think about how naïve I was, but I think if I remember the number right—Jim would know—that basically, they bridge financed us, and then we got to an IPO. There was an opening in the market, and we went public and raised our first real capital to go acquire products and build the company. It was just a window in the market where anything could go public.

JONES: So that was a stroke of luck.

GARNER: Absolutely.

JONES: Yeah. What were the years? This '89 or—

GARNER: Yeah, I'm trying to remember. So we went public I believe in February '92, if I remember right.

JONES: And so you had started with Immunetech, and—

GARNER: I think it was November '89.

JONES: Yeah. They had been around a while, right? They were one of the early biotech companies here, so you—

GARNER: Yeah, they had been around quite a long time.

JONES: You knew them, and at Hybritech, you knew of them, and—

GARNER: I honestly didn't know them.

JONES: No?

GARNER: No. Yeah. No. I kind of had my head down. I really didn't know what was going on on the periphery. And, you know, Jim Blair is the one that I fully credit with building this company, because, you know, first of all, we had this difficult decision to make about, okay, if this is—we can't afford the R&D, so who's going to run it? And, you know, I can remember having a meeting with Gerry Yakatan, who was running the R&D, Gordon Ramseier, myself, and Jim Blair, and at least to my recollection, Jim asked me, and there was probably somebody else there, "What do you think we ought to do?" He had already talked to me, but in front of everybody. And, you know, I told him. And he said, "Well, who do you think ought to run it?" And I said, "Honestly, I'm the best person to run it, because I have a strong commercial background."

JONES: And it's something that you wanted to do?

GARNER: Yeah.

JONES: You saw that, oh, this is an opportunity to do something?

GARNER: Yeah. No, I think it was exactly what I—I knew how to build commercial organizations, so it made good sense to me. It made good sense to the investors. And so we asked <T: 50 min> Gordon to step off, and then, you know, we fortunately were able to sell the R&D to Tanabe. So we got rid of a lot of burn rate. And Jerry went with the R&D group and ran that for Tanabe, sort of the US R&D group.

JONES: How crucial was that sale to making—

GARNER: It was important, because we had a high burn rate, and not a lot of cash left.

JONES: You had two years as a CEO with Syntro. That was also real important for you to be in that position to—

GARNER: I think it turned out to be, that, you know, it showed a little bit more seasoning, maybe, and being able to sit in a bigger picture and deal with, you know, kind of difficult circumstances.

JONES: [Yes]. [Yes]. So 1992, you went public, and this is where you got the first large chunk of cash, enabling you to operate, and so what did you do with that?

GARNER: Well, we actually went on a path of, you know, launching more branded generics to build a revenue stream, building the sales organization so we could grow revenues just by having more reach than we had before, because we were pretty geographically constrained with ten reps. They don't go very far. So we invested the cash a lot in reps. And it was trying to get the flywheel started, if you will, because you couldn't license products credibly unless you had a sales organization. And so it was sort of a chicken and egg. And once we got the flywheel started and had a big enough organization, we were credible, and then we could license and ultimately license better and better products, as we built the company.

JONES: Yeah. And how did you evaluate products? I guess you've got some established sales. How reliable is that in terms of projecting what—

GARNER: Well, it's a bit of an art form. I wouldn't call it reliable. But, you know, typically, you've got these neglected products with big pharma that were unpromoted. And so eventually—

JONES: So you were taking stuff out of pharma companies that they—

GARNER: Oh, absolutely. Yeah.

JONES: —they were just not paying attention.

GARNER: Yeah, like, we took Ceclor CD from Lilly. We acquired that from them. I mean, Captab, which were good products, but unpromoted. And they gave us some, you know, pretty good revenue. And we began to turn those products around.

JONES: Yeah. How does that work? When you say unpromoted, they were selling them? They just were not putting any money on it?

GARNER: Too small. Too small for them. And that's really the strategy that we—I think Dura created and developed, is that we started looking for orphans within the large pharma that were basically neglected and unpromoted.

And it could be they had a strategic shift, it wasn't important to them, or they're ones that are getting close to the end of the patent life and they're too small, or ones that they launch and never gets to the sales level that makes sense for them.

JONES: Yeah. So you're not necessarily then looking to improve sales for any particular—not necessarily—

GARNER: Yeah, no, yeah, absolutely, we were.

JONES: Yeah. For all?

GARNER: Yeah.

JONES: I mean, that's something—you only took things where you said, okay, we can make this bigger?

GARNER: Exactly. That was certainly part of the formula. We had to convince ourselves that we could grow revenue from those products.

JONES: How did you do with that?

GARNER: We did well. I mean, we obviously continued to build the company and raise additional capital, and were, you know, able to continue to leverage that presence, continued to build the sales organization. I think at peak, we were well over five hundred reps, so we were a pretty good sized organization, and incredible in terms of licensing.

JONES: Yeah. And so I guess during this period is when people start talking about this model, right? This specialty model? And do you remember publications? *The Wall Street Journal* look at it, or—

GARNER: Yeah, I think actually, if I'm not mistaken, Brian Dovey wrote an article on it.

JONES: Early on?

GARNER: Yeah. And he did a case study that he published I believe for UVA or somebody, so there were—

JONES: On Dura?

GARNER: Yeah. So they, kind of—it became a strategy that other people began to follow.

JONES: And who were some of those—do you recall some who moved into that?

GARNER: Oh, who were some that did a lot of—oh, gosh. I'm forgetting them all. [laughter] There were a lot of them. Most got bought. But what happened was a lot of—

JONES: Well, that's funny. Who bought them? Pharma rebuys the—

GARNER: Yeah. No, it's a kind of—well, what you saw is that you saw a lot of people like the <T: 55 min> Canadian pharma company. How quickly I forget. But you see a lot of them that had typical development stuff that started to look for products that had existing revenues. So it was a way that they could forward integrate, I guess, and look for products. So it wasn't just other specialty companies, but it was, you know, other people that were development model companies looking for products to acquire.

JONES: [Yes]. I see. And is it still a viable model, still have—

GARNER: Yeah. Biovail was an example of one strategy [inaudible] Canadian company. It didn't become as viable, because the multiples started going up, as competition entered the space. You know, if you could buy them for two times revenue, now you were buying them for three times revenue. So you had to be able to drive sales a lot more—

JONES: It got harder.

GARNER: . . . to get the returns, and it got harder. And, you know, I think it's a model that doesn't work very well today because of that.

JONES: But during the time you were at Dura, this is the nineties, up until—well, tell me the chronology of Dura.

GARNER: Well, we sold the company in 2000 to Elan. We sold it for—it was 1.9 billion [dollars] was the sale price. So in eleven years, we paid five million [dollars]. We ultimately sold it for 1.9 billion [dollars], and grew revenues north of three-hundred million [dollars], and were profitable. So, I mean, we certainly had our ups and downs along the way.

JONES: Yeah. What were some of the ups and downs?

GARNER: Well, I think one of them was—the biggest one was that we actually did a couple of off-balance sheet financings to develop our own technology.

JONES: So you did get into development?

GARNER: We did. And it was a disaster, actually.

JONES: What did you try to work on?

GARNER: Well, we worked on a dry powder inhaler for asthma.

JONES: Was that the Spiros thing?

GARNER: [Yes]. Exactly. And, you know, it was really a great concept at the time. It was just an example of the FDA kept refining the regulatory requirements. And when we first developed the model, we thought in terms of cost and time to develop it, it made sense. But by the time we worked through with the FDA what was required, and they kept advancing it, it got to be like developing a new drug.

JONES: Yeah. Has anybody else picked that up and made it work, the technology?

GARNER: No. That's one of the things we—they got rid of. Certainly, there have been other dry powder inhalers that have been introduced in the market that have done well. It's a standard technology that's out there today. We were just early, and frankly, we were naïve about the development cost.

JONES: Yeah. And the people who did make it—who were the companies that did make that work? They had greater resources? It's big pharma companies that did it?

GARNER: Yeah. Well, they had—the guys in San Francisco, Inhale Therapeutics, eventually did a deal with Lilly. We did one on inhaled insulin. They did one with inhaled insulin with Pfizer. Lilly dropped it for a variety of reasons. The biggest is the economics didn't make sense. You lost so much drug in the formulation process, and creating a powder, that the cost of goods got prohibitive.

JONES: Yeah. And were there other projects that you wish you hadn't gotten into?

GARNER: No, that was really the big one. I think the smartest one we did was acquiring the products from BMS. So we decided—there were two hospital products, Azactam and Maxapime, that were hospital anti-infectives, and we acquired those products, and they did very well for us. And in fact, after we acquired them, when we brought one of the marketing guys over to run that for us, after the acquisition, to build that group, and that's Ted Schroeder, who's CEO of a company we started together, which is in the hospital products—a company called Cadence.

JONES: Yeah. Grow to two billion [dollars]. Were you the biggest pharmaceutical company in San Diego at that point? Or—

GARNER: Yeah, I think that was the largest sale at the time. Agouron—I don't remember what Agouron was.

JONES: Yeah. I don't know. I can look at—

GARNER: Yeah, it was pretty big, too.

JONES: —that was around the same time, right?

GARNER: Yeah. And then IDEC obviously for—

JONES: Well, that was later.

GARNER: —ultimately a much bigger number. But it was certainly <T: 60 min> one of the bigger ones. And at the time, it may have been the largest.

JONES: Yeah. So up until 2000, this is occupying most of your time, right? You're at Dura?

GARNER: And we did do a company where we took some of our older products that we couldn't promote anymore, spun it out in a company called DJ Pharma, and I was the chairman of the company, and we ultimately sold that for two-hundred-twenty million [dollars] to Biovail. And then when we sold it to Elan, I convinced them to allow us to license two products from them, and we created a company called Excel Pharmaceuticals, and we ended up selling that to Valeant for close to three-hundred million [dollars].

JONES: [Yes]. Yeah. And around 2000, then, I mean, a lot has happened in San Diego over this—since you first came. Hybritech in 1983, you're here to watch all of this develop. You know, when—now it's time, you're thinking, oh, what do I do now, it's a completely transformed environment, right?

GARNER: Yeah. Totally different.

JONES: Yeah. Well, what are your reflections on that? Or did you think about that?

GARNER: Yeah. No, I did. I mean, that was—we had sold the company, you know, I was really trying to decide how do I want to spend my time? Do I want to get back into an operating role in a company, or do I want to help build companies? And I decided I would be better at helping build companies instead of running them.

JONES: Presumably, you still could have done a great job running them, but—

GARNER: Yeah. I just felt like I could leverage myself more. I understood how to raise money. I understood the business strategy. We had a great group, a deep management team at Dura, many of whom are running companies today, and so I had all the kind of central resources to create startups. And so to me, it was kind of an obvious way to move forward.

JONES: And you have all sorts of contacts. Hybritech people are around everywhere, and the venture people.

GARNER: Exactly. Yeah. Jim Blair became a great—and he financed most of my companies. At least, it was a—

JONES: And that's why—the proximity here, yeah? It's the—

GARNER: Well, it just—

JONES: Just accidental, or—

GARNER: Actually, we were just—actually, it's more accidental than anything.

JONES: Yeah. Well, everything is—

GARNER: Yeah. I wanted everything on this road, basically, because it's close to me, and a lot of the guys live in this area, in the Carmel Valley area. So it was an easy sell. And, you know, we got the lawyers on the street, and, you know, IP lawyers, and general counsel, and all the resources are right here.

JONES: Right. And so now thirty years on, all the resources are here. When did that really sort of coalesce?

GARNER: You know, I don't know if there was any point in time. I think it kept evolving as the industry built.

JONES: Is there anything lacking? What does San Diego need?

GARNER: Well, I think the only thing that I'd like—would love to see more of, if it were the home of more venture capitalists. I think, you know, you still have an advantage in San Francisco, because frankly, all things being equal, they'd prefer to find deals that are local versus flying down here.

JONES: [Yes]. Yeah. These days, discovery stage startups are not getting funded, so, you know, stuff coming out of UCSD or Scripps or Salk, I imagine it's harder to get those things going.

GARNER: Yeah.

JONES: What's the feeling around here in terms of—you've got to get going?

GARNER: I've got—no, I've got a little bit. I've got a 3:20 appointment with my doctor, just—[laughter]

JONES: Okay. We can wrap up here.

GARNER: It only takes me twenty, twenty-five minutes to get there, so—

JONES: Okay. We can—

GARNER: I'm good probably till a few minutes before three.

JONES: Okay. What's the feeling here in terms of sustaining this? Or, you know, specialty—that's something that you can't turn to that model, to do the old venture model with the discovery stage startups.

GARNER: Yeah. You know, we sort of evolved—the first few companies we did, like DJ Pharma and Excel, and SkinMedica—

JONES: Yeah, I need to get the chronology on these. Can you tell me? Okay, I have to look it up, or—

GARNER: Well, sort—well, no, it was certainly DJ Pharma first. And then it was Excel. And then we did SkinMedica. And then we did Somaxon. And then <T: 65 min> we did Verus, and then we did Meritage, then we did Evoke. And, you know, we're working on a couple of things now.

JONES: Yeah. No. Yeah, that was a bunch of things. So what's your role? I mean, and how are—

GARNER: So the early—you know, the first two that we did like as part of Dura and then the spinout of Dura, with Excel, my role was 100 percent of finding the management team, raising the capital, and mentoring the CEO. Which is a job I'll enjoy doing. Then David and I—Hale and I started to interface—we always interfaced a lot. We'd known each other a long time. And so he introduced me to SkinMedica and said, "What do you think?" So we put money in and got that started. Then we sort of started working on deals together.

So we, you know, kind of—I'd take the lead in one, and he might take the lead in the other. We sort of cofounded. You know, he took more of the lead in SkinMedica and Somaxon, and I took the lead in several others. But the model evolved from being a kind fully integrated companies to being virtual companies. For me, the model—David is a little different now. You know, I'm interested in doing less than ten employees, getting it to an inflection point in development, and selling it, to try to minimize the capital, and, you know, frankly, minimize the number of employees that you have to deal with. A lot of reasons for that.

JONES: Yeah. And you say David's approach is a little different?

GARNER: I think he's come around to that, but I think he really got hung up on the build a company longer than I did. You know, like Somaxon, I probably wouldn't have gone that route. I probably would have sold it earlier, instead of trying to build—you're a one product company. It's hard to buy—develop the second product, because you can't tend to buy them anymore. So the strategy is a little unclear to me, when you start thinking about building a fully integrated company, unless you've got a five-hundred million [dollar] or a billion [dollar] product. Then you can afford to build off of.

JONES: Yeah. You can't find those everywhere. So it's really changed?

GARNER: Yeah. Dramatically. And there's been a, as you know, a fundamental change, just because of there's not a lot of venture money out there right now. They're all faced with the

same problem of returns haven't been good, because there's kind of no exits, and they're trying to make their money last longer, so they've got more of the portfolio companies that can't get to the next inflection point. And, you know, there's going to be a lot of difficulty in the process over the next couple of years, I think.

JONES: Difficulty for who and what—

GARNER: For all those startup companies in this space, until this kind of wrings out. You know, I think that it was a good example of the industry got bloated, because there was so much money that we started funding the fifth or the sixth or seventh product in a category. Well, you know, that just—that model doesn't work. The returns just aren't generated, other than maybe the first or second person in the space. So the returns started going down, and money left it, and now you've got a lot of people who frankly don't belong in business. They weren't people like Blair, that really in my mind is, kind of, a leader in the industry. They were more followers. So I think there's a fundamental change. I think the number of firms will drop, and the amount of capital they raise will be reduced until they can start showing returns again.

JONES: So do you think, when people, civic leaders in San Diego, look at it, do they see this thing growing, shrinking? You know, are they—well, you probably talk to them, yeah? What's their feeling?

GARNER: Well, this industry has, kind of—it's done a little bit of that. I think we're just in a bit of a down cycle now. But—

JONES: You're optimistic?

GARNER: Yeah. I think long term, we'll get there, but it's just—sometimes it's lean times.

JONES: Yeah. But virtual companies is the way to go, and you don't see that—

GARNER: Well, there's a lot of debate about that, whether the model works any longer, about doing these kinds of companies that are kind of virtually <T: 70 min> organized and run.

JONES: Whether that works any longer?

GARNER: Yeah. I don't know why they're debating it, because the only other option that I know of is you buy public companies, or you do early-stage development and try to get a really high value asset to an inflection point with maybe, you know, one 2A study or—but it's high risk, high reward. And I don't—I think they've got to do the barbell approach, where if they do some of that, they're going to have to find some that are sort of the other end of the risk spectrum. The risk on this spectrum is exit.

I think execution isn't as big a risk as will the exit be there. And, you know, it's easy for sentiment to change when the economy is not good, but I don't think the fundamentals change. You've still got an industry that needs products, and it just happens right now, most of them need more cash than they need products short term.

JONES: Can you tell me any good stories about Hybritech? You got any funny stories or any—

GARNER: [laughter] It was wild, I'll tell you. I don't know if I have any funny stories, but it was a real culture shock to me. You know, the TGIFs, the parties we had on Fridays was—culturally, I'd never experienced that before. And, you know, kind of the openness that the management team had. And, you know, I think the other thing that was interesting to me was the level of debate within the organization. It was a very healthy, open culture with a lot of aggressive debating. The stories are probably—some of them—most of them probably best left unsaid, but I can remember—I'll never forget when we were developing a CEA test, and Abbott owned the market in CEA [laughter]. And so Ted thought, well, if we introduce ours at a buck a share, we'll kill Abbott, because that's all their profits. And he was convinced of that strategy, so he—

JONES: He's going to take down Abbott?

GARNER: Yeah. [laughter] So he came down to me and he said, "What do you think?" And I said, "I don't think there's a chance in hell that that's a—they bundle their products. You're not going to make—because the customers can't—they're on these contracts for multiple drugs. They can't figure out what they pay." But he was so convinced. So I convinced him, and I said, "Okay, well let me go to one or two territories, and we'll go to a few accounts each and see how they would respond."

JONES: You took Ted out to—

GARNER: No, no. I just had a couple of sales reps I called that were our better reps.

JONES: I see. Yeah.

GARNER: And I said, “I want you to test out this strategy.” And, yeah, it wouldn’t work. But Ted would have these ideas occasionally. I’d come in the office one day and a note, “Ted called. You have a meeting with this firm that wants to do your advertising.” Well, I don’t know what you’re talking about. Well, Ted would just take it on himself to call these guys and have them set up a meeting with me, and he would come, and then leave. [laughter]

JONES: Was that a little annoying sometimes?

GARNER: It was actually comical.

JONES: Yeah?

GARNER: You know, it didn’t annoy me. He was passionate. He had our best interest at heart. But it just showed you how Ted was clueless about how to operate a company. Ted is an extraordinary visionary, and very, very passionate about what he does. But he really doesn’t know about how to operate a company.

JONES: [Yes]. At some point—maybe you know what was going on—David Hale was going to take over as president and run the company, and I think at that point, Ted became chairman of—

GARNER: Correct.

JONES: And Brook Byers was making an exit. Did Brook step aside to permit that, or do you remember anything about that?

GARNER: Yeah. I don’t remember that. I think Brook stayed on the board. But I think Ted took over as chairman, because David transitioned pretty quickly after I got there, I would guess a year, to be CEO. And maybe not even that long. You know, it was—when he recruited me, it was apparent that he was like—became chief commercial officer, or chief operating officer, when I joined. And it was pretty clear he was going to take over, and there was frankly a pretty seamless—

JONES: Yeah. No, I just wondered if Brook Byers, if he was taking a step back from everything at that point, or maybe he just said, <T: 75 min> “Okay, well, here’s something—”

GARNER: Well, he was pretty—

JONES: “. . . something for Ted to do. He can—” I don’t know—

GARNER: Yeah, I think, you know, I don’t know, but Brook was at the board meetings, and still very active in board meetings and stuff.

JONES: Okay. Right. Anything else I should know?

GARNER: Eh, I don’t know. [laughter]

JONES: Okay. Well, I’ll call you if—

GARNER: Well, please do.

JONES: All right? Thanks for taking the time.

GARNER: You’re welcome.

JONES: Pleasure to talk to you.

GARNER: You need directions to the place?

JONES: No, I did my PhD at UCSD, so I know the place.

GARNER: You can find your way—

[END OF AUDIO, FILE 1.1]

[END OF INTERVIEW]