

THE WALL STREET TRANSCRIPT

Questioning Market Leaders For Long Term Investors

Blau Mancino Associates



EUGENE MANCINO is President of Blau Mancino Associates. Since entering the Executive Recruitment field in 1979, Mr. Mancino has been responsible for identifying and recruiting key executives in the healthcare industry including pharmaceuticals, biotechnology,

and managed care. Mr. Mancino has been instrumental in working with clients in the healthcare industry to develop short and long-term strategies to identify their executive management team. Clients range from the major pharmaceutical companies to the portfolio companies of the venture capital community. Mr. Mancino is also very active in the recruitment of key individuals for client companies and as board members in the areas of general management, marketing, finance, research and development, licensing and strategic planning. Prior to his career as an Executive Recruiter, Mr. Mancino worked for Procter & Gamble as a Field Marketing Manager.

SECTOR – BUSINESS SERVICES

(MAP201) **TWST:** Describe, if you will, the services you provide in the biotech sphere.

Mr. Mancino: We are a retained executive search firm that specializes exclusively in the life sciences community, and we have been servicing the community since the late 1970s. I have been an executive search consultant since 1979 and have been extremely fortunate to work with companies in the biopharmaceuti-

cal/medical technology space for a long time. Our company has been very much engaged in working with all levels of companies, but I would say over the last eight to 10 years we have begun to work with a lot of emerging companies within the biopharmaceutical arena on a regular basis.

TWST: Who typically is your client in a search?

Mr. Mancino: We are engaged to do a search in two different areas. We work with the venture community in servicing their portfolio companies, so an investor would typically get in touch with us to help them think about and then put together a program to identify different pieces of the executive management team, which would include CEOs, CFOs, CSOs, and then other levels of executive management for the company, including Board assignments.

On the other side of the coin, once those companies are established, we would then work directly with the CEO in helping them to bring in appropriate parts of that team, and then we would get into some functional recruiting. We work, again, in business development, marketing, strategic planning, finance, clinical development, regulatory affairs, and other segments of research and development.

TWST: So you also recruit for the scientific activities themselves, the scientists themselves?

Mr. Mancino: Yes, we do. Our company is known for its work in clinical development. We are not as expert in research, but if a company needed a head of product development, a senior person involved in regulatory affairs and project management, they would come to our firm. Again, if a company were interested in hiring an academic researcher for their company, they would not come to us, that's not our expertise.

TWST: How do you see the environment right now for recruiting?

Mr. Mancino: The environment is, in my opinion, extremely fertile. Particularly the emerging companies that last year were funded. There is lots of money in the treasury and they are going to use that money prudently. They are expanding and adding the appropriate levels of management to their companies. We are busy and have not seen really any downturn even when the NASDAQ went down.

Companies that are looking for capital today are finding it a little bit of a harder road, but hopefully, if they have a good plan and a good team and something tangible, they will also get funded. We're starting to see an uptick of some of those companies that were, I would say, struggling in the first part of this year. They're starting to get more audiences and discussions about term sheets. So the companies that have money are moving ahead. Those that are looking for capitalization are starting to feel a little bit better. It's still a tough environment, but if you have a good story you can get funded.

TWST: Specifically with your business, what is the supply/demand balance for a different kind of executive?

Mr. Mancino: We have been challenged to find quality people, and there are just not enough to go around. There is much more demand for the following areas: business development executives, clinical development executives, CFOs with IPO experience, and obviously Chief Executive Officers who have been through the appropriate road shows and getting the company up and running. So it's those four areas, and the final bucket would probably be in regulatory affairs.

For those five areas for the last 10 years there's just not enough to go around, so you have to be quite aggressive and clever in being able to recruit enough folks in that area and come to them with a story. We have to sell a lot. We are a sales company, when you break it down, on behalf of our clients and the investors. But those areas — business development, clinical, and CFOs with IPO experience, CEOs who are road-show experienced — are very challenging areas, and I see that continuing in the future.

TWST: One thing you hear a lot said by analysts and commentators on the market is that biotech often has great scientists, but the challenge is then bringing the management skills to take the whole firm to the next level. Would you comment on that observation, particularly in the context of what you do?

Mr. Mancino: A lot of these companies are founded by a scientist or a scientific team. It is really imperative, if that scientific founder wants to get maximum value out of a technology, that they select a commercial leader and then move to an appropriate position in the company in order for that company to grow. Unfortunately we have seen a lot of smaller companies in which the founders feel that they have all the prerequisite experience to manage the company to an IPO and thereafter, and, quite frankly, they don't have those skills. And I applaud those founders and other scientific leaders who are able to really harness their egos, and select a team of people who will both complement and challenge themselves, and make the whole organization better. So that's a very key area for us and we spend a lot of time counseling our companies on that particular issue.

TWST: Do you get involved early on, before even the specific recruiting process starts, to work with companies to figure out what they need?

Mr. Mancino: Absolutely. On a regular basis we are in the initial seed round or even right before that. The most important parts of the business are, as you know, the technology or product opportunity, the need for capital, and the need for people and the management team. So that tripod approach is what we spend a lot of our time on. We are coming in very early to determine the structure of the company and have those conversations on a regular basis with the founder and the folks who are about to write the check.

TWST: Do you ever have client selection issues, where if you thought the existing management wasn't willing to make the kind of changes that were necessary to create a successful organization, you might not take them on as a client?

Mr. Mancino: Absolutely. This is an industry that must communicate and must continue to have realistic, pragmatic, and what I call adult-like conversation. If we're not getting off on the right foot in terms of agreement to the "wish list" of credentials required, then we're going to have a hard time. You have to take in the whole picture: where the company is, who it's competing with, what other companies are out there, whether they are a first mover, if they are coming in with a technology that's not that different from what is out there now. There is a lot of dimension to these things.

So yes, we have definitely turned down assignments because we felt we were not able to realistically recruit an individual they wanted. We're a very, very good recruiting firm, but my magic wand is plumb out of fairy dust.

TWST: How well do you have to get to know the client company in order to be able to then sell it to potential recruits?

Mr. Mancino: It's imperative that we have a relationship with them that allows us to see all the pieces of the business model and the business plan. So we become really a partner to the company, and it's in their best interest for us to be engaged early with appropriate information. We are typically under confidentiality and must use that information prudently. But it's imperative for us to have a close, thoughtful, clear relationship so that we can better present the information. Quite frankly, all these companies have issues. These companies are not perfect. They have dimensions to them that require consideration, that require some change, and there are always issues, whether they are some difficulty with a clinical trial, cash issues, maybe a prior management team. So all of these companies have issues, and we've been tremendously successful in working with them because we package the information appropriately and truthfully.

TWST: Tell me what sets Blau Mancino apart from other people who might perform a similar service in the field.

Mr. Mancino: I think the most distinguishing aspect of our firm is that we have a historical perspective of the pharmaceutical/biopharmaceutical/medical technology industry. Since I have been at this close to 22 years and have done this for most of my working career, with the exception of one year at Procter & Gamble, and prior to that being a Princeton graduate, we have been able

to view and observe this industry through all types of trends. And, quite frankly, a number of the executives today are people who I had worked with and got to know when they were younger in their careers. So the product manager of 1980 is now the CEO of a biotech company, the lab technician of 1980 is now the chief scientific officer. We have been able to track these folks, have an excellent database and relationship with the industry, and are able to be quite nimble and thoughtful when it comes to selection of the appropriate management teams. So again, our historical perspective is a key differentiating point for our firm.

TWST: So it's knowledge of the industry and knowledge of the executives in the industry.

Mr. Mancino: Yes. And the people in my firm have worked together over 10 years, so we have a very cohesive group and are able to communicate thoughtfully about executives. There is little ramp-up time in terms of being able to quickly understand and think about and identify potential candidates for an assignment. It's that type of focused approach. Since we are specialists in one area we have a distinct advantage in being able to jump into a project very quickly.

I think the other point is we are a company that knows how to be visible as well as invisible at certain meetings that are taking place across the country. I'm very active in the biopharmaceutical community. We're members of BIO. We attend a number of conferences across the country. For example, today I am attending the Allicense conference in the Bay area. It's a two-day conference and there will be a number of senior executives, licensing individuals, and other folks on the panel who will allow us to further understand the trends in the industry in terms of pharmaceutical R&D, pharmaceutical licensing, biotechnology, deal making, etc. It's a very well done panel, and I get to meet and rub elbows with those individuals, share ideas and stories and continue to fill our database with the best and brightest in the industry. So we are very active in that area and like to also participate.

I am frequently asked to be on panels for this kind of meeting, and we do that without hesitation. Yes, we are headhunters and we recognize that, but I think we are business people first who understand the life sciences industry and participate in it on a daily basis, and that gives us another advantage, because we understand this business. I believe we are students of the industry, we study it, we recognize it, we understand its issues and the pace, and I think, again, our job is to find a round peg for a round hole. But we are absolutely involved in this industry and do give back to it and participate in the industry. I believe that strongly. Having been involved in a great industry, I believe in giving back and sharing the information that I have.

TWST: Do you find that you often have to look outside the biotech industry to find good people — pharma, but perhaps even beyond that in some cases?

Mr. Mancino: On a very limited basis we have reached

outside. We are finding ourselves now getting involved in the ag bio business, which is very interesting. There are some aspects of the specialty chemical business that are also sort of intriguing. But we very rarely reach outside the marketplace. When our clients come to us, they want trained, up-to-speed people, and they want them with all the right bells and whistles. So we very rarely go outside that area. We will consider outsiders, but they have to be quite special, and it's really more the exception than the rule.

TWST: Out of the different categories you went through — CFO, CEO, CSO, BD — which are the hardest to recruit, or which offer the most challenges?

Mr. Mancino: Business development and people with an experienced and long deal sheet that you can recruit from one company to the other is extremely difficult. Companies certainly are all looking for that type of individual who can come in with a Rolodex of deals that they've made with big pharma. I would say business development is an incredibly key area in our search practice.

On the science side, people who have experience in clinical development, taking a product from discovery through all the phases of development, Phase I through Phase IV, and getting that product on the market, are like gold. If you can get them and keep them you have done a great job, because they know all the issues and have the appropriate relationships, both with the clinical research organizations and the FDA, and they know all the components of being able to develop a product. And quite frankly, this industry is really about products and being able to get products to the market. That's really what the holy grail is.

TWST: That's something we've heard from all the analysts who are participating.

Mr. Mancino: I agree with that wholeheartedly.

TWST: We touched on this earlier, but do you see any shifts in attitude in the biotech sphere toward a maturing, greater awareness of the needs of classic business people?

Mr. Mancino: No question. This is an industry that has absolutely matured over 20 years, and I have seen that first-hand. Yes, you do have those people who believe that if you have the best science in the world you can create a company. But I have to tell you, there is a high degree of pragmatic and realistic thinking these days in terms of putting together a business plan and a business model, and not every good idea can get funded. So I have absolutely seen a maturity.

But I can also tell you that there is still a high degree of entrepreneurial thinking. There is that spark of energy where you have a scientific breakthrough that could result in a company and maybe a success down the road. I think that's wonderful for the industry, but it has to be sprinkled with some degree of realism, and the investors are extremely savvy these days. Yes, they will continue to fund things, and they will have maybe some failures, but that's why it's called venture capital. And it's okay to have some of those things, as long as the failures are a lot fewer than the wins.

You've got to be able to do the appropriate investing. It's educated gambling. You're putting your money behind a scientist, an enabling technology, a new product area, and then you hope that all the pieces work. But this is a very mature, thoughtful industry, and it's not easily bamboozled anymore, and it's not going to be running after deals and just throwing money after any old deal. It doesn't have to, it doesn't need to, it won't, and it shouldn't.

TWST: When you're working for a VC firm, how do you handle any potential differences between the needs of the investor and the needs perhaps of the Founder or CEO?

Mr. Mancino: That's an excellent question and it happens often. I think what we've been able to do is act as a mediator sometimes between the investor and the Founder, and have tried to always speak objectively about what the goals are for current and future shareholders. If we keep that mindset we usually reach an appropriate conclusion about the size and scope of the position, the actual boxes people occupy. So we always keep in mind the view of current and future shareholders and those customers who may be using those technologies in order for us to maintain an objective view. If you get too emotional, it gets a bit messy and then the process stops, and it can get rather ugly, quite frankly. We've had several of those over the years where we've had to stop. At some point we've been removed from an assignment because we were unable to produce what one faction wanted, and one of these people got frustrated and fired us. So we've seen the result of some of that backlash, and I expect it to happen again. You have to take a stand. The only credibility I have is to be able to have an honest, thoughtful, open dialog with senior management. I expect it to happen again when I stand on my principles and try to bring forth the correct and truthful story.

TWST: Do you feel over the 20 years you've been in business you've been consistently been able to provide a good service for your clients?

Mr. Mancino: I think we have consistently provided an excellent service. We are not perfect. We have had assignments for which we have failed to produce the desired executive, but that, again, is the exception and not the rule. We have a high degree of fulfillment with our clients and people who have stayed for many years. So I am extremely pleased by our abilities, our capabilities, our busi-

ness manners. Our references are really our best selling tool — both people we have placed and those we haven't. But I think you'll find that our service has been consistent, and it has been a service that people recognize as important. And the most important thing is that we have been able to become a strategic part of this industry because of the in-depth knowledge, our general understanding of the industry. So we have moved from being just a vendor to really being a strategic partner to both some VC firms and other executives in companies with whom we've had business for many years.

TWST: Anything that we haven't touched upon?

Mr. Mancino: We are very pleased, again, to work in this industry, and thankful that the industry is resilient. They are extremely smart people. I have learned a lot. I have been able personally to see this industry through the eyes of many executives scientifically, financially and commercially, and that's what makes the job exciting every day after 20 plus years. Without that it would be pretty boring and redundant. But just the opportunity provided and the thoughtfulness of these executives has made it a pleasure for me and my company to participate in this industry, and we're really pleased and thankful for that.

TWST: Thank you. (AP)

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