



INTERWEST PARTNERS

Venture Investor: Career Path

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Nina Kjellson, General Partner
nina@interwest.com @nkjellson

Career Path, Rationale

- ▶ Undergrad @ Stanford '07
 - Human Biology; pre-med with public health and policy
 - Plan: clinical medicine ... global health interest

- ▶ Kaiser Family Foundation: research associate '97-99
 - “Get policy experience while applying to medical school”

- ▶ Oracle Partners: associate '99-'00
 - “Defer graduate school for family reasons. Earn and save for a year...”

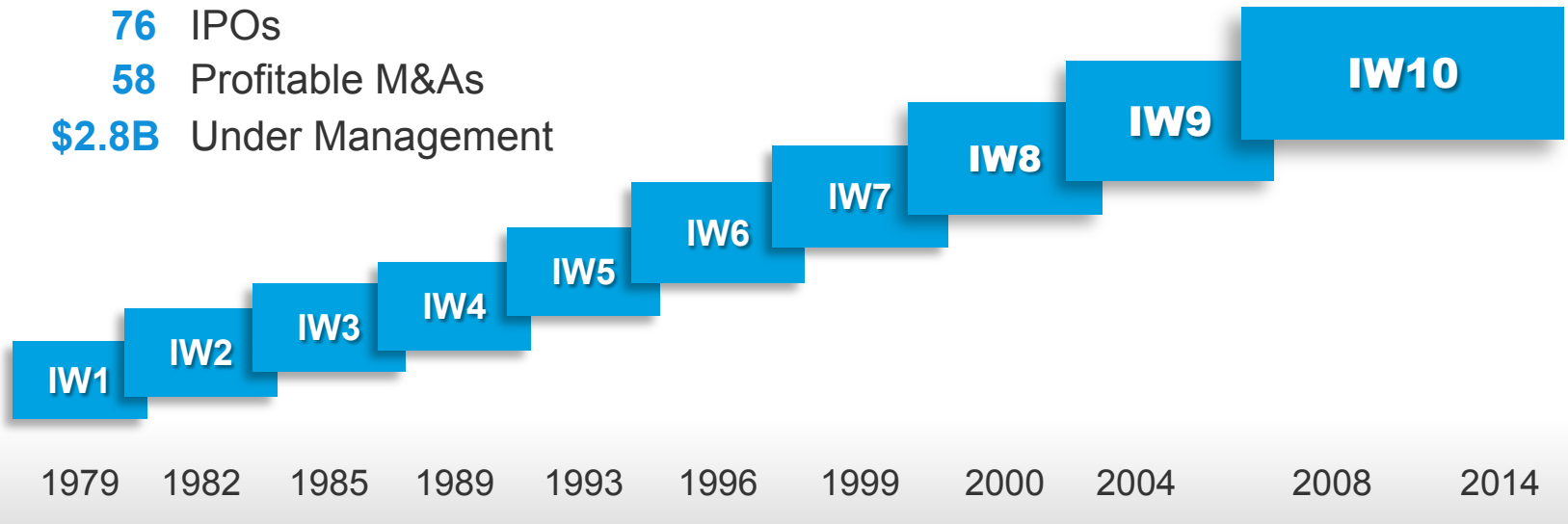
- ▶ Bay City Capital: investment manager '00-'02
 - “Decision to stay in healthcare investing ('bitten by the bug') ...wanted to shift to early-stage/venture ...wanted to return to California...”

- ▶ InterWest Partners: '02-present
 - “Focus solely on VC ...join stable firm with strong brand ...seek longer-term growth opportunity...”

35+ years of active, early stage VC

SNAPSHOT

- 2 Sectors: IT and Health Care
- 220 Active Companies
- 76 IPOs
- 58 Profitable M&As
- \$2.8B Under Management



ESTABLISHED
Infrastructure



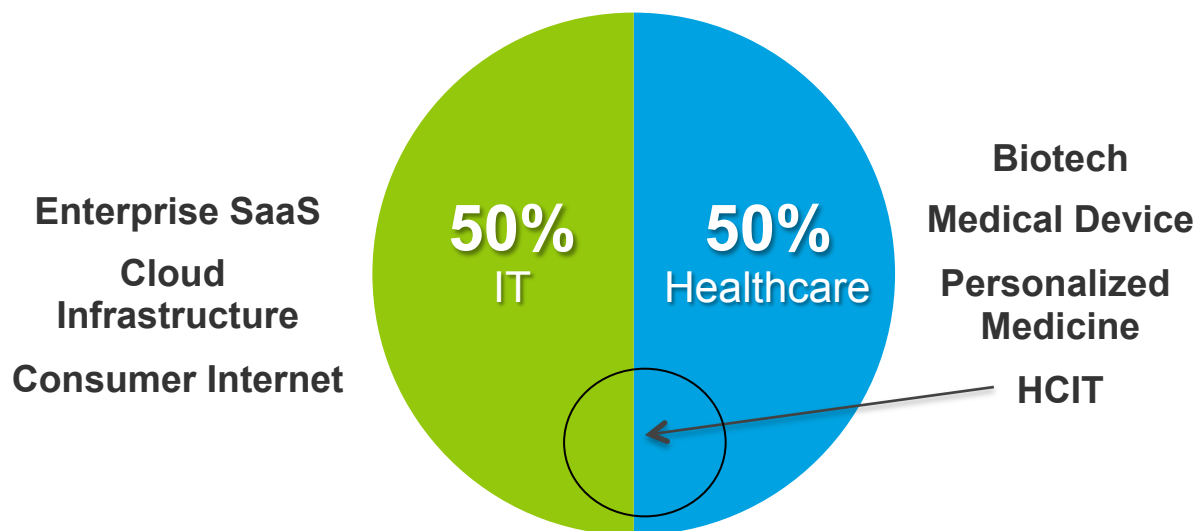
TRUSTED
Brand



INSTITUTIONAL
Knowledge

InterWest 10






\$650M DIVERSIFIED VENTURE FUND



Early Stage Investments
In Category Creators

- 35 active *venture* investments
- >50 active IT seeds
- 2 M&A, 1 IPO




GP leadership








		YRS AT IW	SECTOR EXPERIENCE	RELEVANT EXPERIENCE
	Arnie Oronsky	19	<ul style="list-style-type: none"> • Biotech • Personalized Medicine 	<ul style="list-style-type: none"> • Lederle Laboratories
	Gil Kliman	18	<ul style="list-style-type: none"> • Medical Devices • Healthcare IT 	<ul style="list-style-type: none"> • Mass. Eye and Ear Infirmary • TA Associates • Norwest Venture Capital
	Doug Pepper*	12	<ul style="list-style-type: none"> • Enterprise SaaS • Consumer Internet 	<ul style="list-style-type: none"> • Goldman Sachs • Amazon
	Nina Kjellson*	12	<ul style="list-style-type: none"> • Biotech • Personalized Medicine • Healthcare IT 	<ul style="list-style-type: none"> • Bay City Capital • Oracle Partners • Kaiser Family Foundation
	Bruce Cleveland*	8	<ul style="list-style-type: none"> • Enterprise SaaS • Cloud Infrastructure 	<ul style="list-style-type: none"> • Siebel Systems • Apple

* Internal advancement to GP

Investing Partners and Admin team



		YRS AT IW	SECTOR EXPERIENCE	RELEVANT EXPERIENCE
	Khaled Nasr	9	<ul style="list-style-type: none"> • Cloud Infrastructure 	<ul style="list-style-type: none"> • Alta Partners • Flow Wise Networks • Ipsilon
	Doug Fisher	5	<ul style="list-style-type: none"> • Biotech • Medical Devices 	<ul style="list-style-type: none"> • New Leaf Venture Partners • Boston Consulting Group • Centocor (J&J)
	Keval Desai	3	<ul style="list-style-type: none"> • Consumer Internet 	<ul style="list-style-type: none"> • Google • Digg • Achex • Onset • Morgan Stanley VP

COO and ADMINISTRATIVE GP	YEARS AT IW	
	25	     

Progression within InterWest

Associate (‘02-’03: IW8)	Associate (‘03-’05: IW8,9)	Partner (‘05-’08: IW9)	GP/MD (‘08- IW10)
<i>Apprenticeship</i> <ul style="list-style-type: none"> ▶ Support new deals, re-investments ▶ Interact with all GP’s ▶ Learning culture, norms ▶ Internal analyses 	<i>Apprenticeship</i> <ul style="list-style-type: none"> ▶ Lead select new deals ▶ Active sourcing ▶ Building external visibility ▶ Developing strategy, focus 	<i>Building Portfolio</i> <ul style="list-style-type: none"> ▶ Full support to invest ▶ Managing to exits ▶ Steady deal-flow ▶ Increasing leadership role ▶ Active support of fundraising 	<i>Building Franchise</i> <ul style="list-style-type: none"> ▶ Returned capital ▶ Clear thesis, franchise ▶ Greater role in governance ▶ Active in fundraising, managing LP relationships

Investments

Aspreva

*Nereus,
NovaCardia*

*Sequel, Alvine,
Trius, CNS, Primera,
APT*

*Eiger, Lycera,
Cebix, Alt12, MEIP,
Tesaro, Labrys,
OCRX, WellTok*

Exits/liquidity

Aspreva, NovaCardia

CNS, Trius, TSRO

Principles for Advancement at IW

▶ Financial performance/returns

- Positive portfolio valuation (NAV) and *realized* gains required to become GP

- Proprietary deal-flow, complementary to firm
- Ideally: unique franchise or specialization
- Proven ability to generate sustainable deal-flow, win deals
- High quality syndication “the company you keep”
- Effective investment management, judgment
- Support team-building, strategy, BD
- Influence outcomes for the better
- Know “when to hold, when to fold”

▶ Effective in fundraising, LP relations

▶ Elevate firm reputation externally

▶ Reflect and enhance firm values and culture

- Active participation in leadership and governance

Processes at IW

TOOLS

- ▶ Quantitative assessments
 - Realized gains
 - NAV of portfolio
- ▶ Qualitative assessments
 - Anonymous internal survey
 - Third-party external referencing, 360
- ▶ Evaluate performance over rolling 10 year-timeframes (~2 funds)

TIMING

- ▶ At start of each new fund:
 - Quantitative, qualitative, external 360
- ▶ At mid-fund
 - Quantitative +/- qualitative (developing partners get annual review)

Considerations

- ▶ Opportunity to invest, build portfolio and track record to assess
- ▶ Investment attribution policy
 - Sourcing, due diligence, board, portfolio transitions
- ▶ Measuring progress in the absence of exits
 - Reliability of unrealized gains?
 - Sector differences
 - New accounting rules to “mark to market”
- ▶ Impact of market cycles
- ▶ Interim assessments versus fund to fund
- ▶ Weighting of qualitative assessments
 - Within firm
 - External (entrepreneurs, co-investors)
- ▶ Firm idiosyncrasies
 - Culture and structure/hierarchy
 - Precedence for promotion, generational transitions/succession
 - Economics available for distribution
 - Fewer, smaller funds

What are LP's Saying

- ▶ Organizational stability and smooth generational transitions are very important
 - “is the next generation being cultivated?”
 - “is compensation aligned with current/recent versus historical performance?”
 - “is compensation aligned with recruiting/retaining high-performers”
- ▶ “Venture is more about individual GP's than firms...best firms recruit, develop and retain (multiple) rock stars...and separate from non-performers”
- ▶ “ “Compensation needs to be more aligned with LP: higher GP contribution and more weighting to carry versus cash comp”
- ▶ Are GP's able to perform in changing market cycles, over time?
 - “It's about replicability”
 - “We worry about one-hit wonders”

Questions

▶ Support outside the firm? What makes a good mentor?

- VC is unlike any other business, so best mentor likely a current or retired VC
 - Someone interested in people-development, legacy
 - Someone who experienced advancement within a firm and/or exposure to multiple firms
- Make meeting a regularity (once a Q, each 4-5 mos)
- Think about reciprocity. What could you give in exchange?

▶ Degrees of freedom?

- The ability to invest is *the essential ingredient* to building a VC career
 - Inherent risk mandates portfolio in order to have upside opportunity and mitigate downside
 - Ask directly or by interviewing more senior partners about what the path to a checkbook is
 - Until you get a checkbook, add unique value by informing strategy, cultivating key external relationships, becoming a thought-leader/known outside the firm

▶ Ingredients for organizational success?

- VC firms are inherently complex and political. Typically no “CEO” that leads and frequently complex or changing cultural norms. How you navigate is critical
 - Study who in the firm has been successful and why. Study who is most respected and why.
 - Evaluate your own UI and personal style...seek feedback...does it fit with the firm culture? Align with the examples of success?
 - » Consider a coach
 - » “how you make people feel is as important (sometimes more so) than what you have to say”

Questions

▶ Participate in standardizing criteria?

- To participate in standardizing criteria...
 - start with: “This is how I am thinking about my own career growth as an investor and how I think I can best add value to the firm. What do you think? Do you agree with these objectives?”
 - Gather data: “I was thinking it might make sense to have more group discussion about advancement criteria...here’s what I have learned some other firms do...could it make sense to explore that here?”

▶ Due diligence on a firm before you join?

- Culture/Opportunity to grow/Criteria for Advancement
 - Network network network
 - » Who do you know that has worked with the firm: entrepreneurs, co-investors, even LP’s
 - » Reputation as investors? Impression of firm culture?
 - » Apparent power dynamic, hierarchy
 - » When interviewing ask one of the GP’s/partners: “can you tell me about your own path in this firm, in VC? I would love to hear about your progression and success”
 - » When interviewing ask if you would have a specific mentor within the firm
 - » Seek to meet and talk informally about their ideal working relationship

Questions

► Roles and Responsibilities with Advancement?

- Think about the firm on a longer-term horizon than fund to fund
- Take ownership of organizational governance, strategy-setting, LP relations
 - Even if you're not yet an “owner,” act like one in your loyalty to and investment in the firm
- Get comfortable with facing necessary conflicts
- As an investor: don't lose focus. Continue to stay relevant and highly productive

► Longer-term career goals?

- Reputation as top-tier investor
- Legacy of backing great entrepreneurs and disruptive ideas...building products and companies that “matter”
- Personal brand: expertise/thought-leadership, network, respected and liked
- “Develop your eulogy, not just your résumé”



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Discussion
