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Executives stake spots on sidewalk all night to snag Md. agency's help

By Tricia Bishop

July 2, 2008--Mark A. Vulcan, a tax attorney and CPA, had something of a rock star moment when he rolled into work at the Maryland Department of Business and Economic Development's Baltimore offices yesterday morning just before 8.

There, crowding in the lobby at 217 E. Redwood St., were more than a dozen slightly bedraggled biotech executives, some of whom had slept on the sidewalk, and all of whom wanted an audience with Vulcan.

At 9 a.m., he began accepting applications for a state tax credit program worth up to \$250,000 apiece for eligible biotechnology business investors. So company representatives wanted to make sure their backers got a piece of the limited pie - distributed on a first-come, first-served basis.

"Over the past couple of years, there have been some early birds, but they camped out last night like we were selling Hannah Montana tickets," Vulcan said.

This is the third year that Maryland has offered the Biotechnology Investment Tax Credit and the first time anyone camped out. The credit was designed to draw funds to start-up biotech companies and attract such businesses to the state. During the first two years, the \$6 million pool lasted several months. But this year, the rules changed, opening the program to more investors at much higher figures. That, coupled with a higher profile for the program, led some to fear the cash would dry up before they could ask for it.

And next year should be even more competitive: Gov. Martin O'Malley proposed significantly raising the pool during the next few years, doubling it in 2009 and doubling that by 2013.

It is the kind of incentive that can make the difference between finding funding and failing, and the executives knew it. That's why representatives from 14 companies arrived at DBED well before opening. By their estimates, the money was spoken for by the time

the 12th company threw its hat into the ring, though Vulcan's team still must vet them to make sure each qualifies.

"I was worried that exactly what happened might happen," said David Block, chief executive and founder of Gliknik, a Baltimore company hoping to develop treatments for cancer and autoimmune diseases. Block showed up before dawn and was "stunned" to find four companies in line.

This is what he saw: executives camped out in lawn chairs downtown. They were there when it rained about 10:30 p.m., when the street sweepers came by about 3 a.m. and the garbage trucks at 4.

"It was unbelievable, it was like a rock concert," he said

Staffers from Rockville's Correllogic Systems Inc., which makes diagnostics tests, started it all. They set up sometime around 4 p.m., soon followed by representatives from College Park's Zymetis Inc., which works with enzymes. By most accounts, Zymetis was the best prepared. They hired an off-duty police officer to act as all-night security and used a nearby hotel room as a home base.

Scott Allocco, president of Baltimore's BioMarker Strategies LLC, cased the DBED parking lot all day, just in case something went down. He drove by a few times during daylight and again at 9:30 p.m., and that's when he saw his competition. He quickly parked the car, and in his shorts and flip-flops took up residence in position No. 3.

"I just leapt in line," Allocco said. He then called on a colleague to relieve him for a few hours so he could go home and get the qualifying applications. Allocco had 20 investors looking to put more than \$1 million in his company, and all of them wanted the credit.

It works like this: Investors can put as much as \$500,000 into a Maryland biotech company and get half back in tax credits. In previous years, only qualifying venture capital funds were allowed to invest that much; the cap was much lower for individual investors.

The rules also changed this year to allow out-of-state investors to participate, and a new limit of 15 percent - or \$900,000 - was put on how much of the \$6 million any company could get. That meant you had to act fast or risk losing out, Allocco said.

He called some of his friends to warn them, including Marty Zug, chief financial officer of Rockville's Sequella Inc. The last time Zug stood in line overnight for something, he was 17 and angling for Beastie Boys tickets. That was 21 years ago. But he was there yesterday at 4 a.m. standing next to Allocco in a spot one of his scientists held for five hours until he could get there from his home in McLean, Va.

"[The credit] easily moves the needle for a lot of investors because it mitigates part of the risk," said Zug, who raised a little more than \$2 million during the past two years through the tax credit program. Yesterday, he stood in line for three investors, each of which were offering a half-million dollars. In other years, the dollar figures were smaller.

William B. Mead, a retired writer from Bethesda, invested \$25,000 in Sequella two years ago because of the available credit.

"I'm not a risky investor. I'm 74 years old, a retired guy and prosperous, but not real rich," Mead said. "It was the tax credit that made the decision; that pushed us over the top."

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