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## **Biotech Start-Ups Covet Tax Credit**

By Kendra Marr

Angel investors and wealthy individuals promised to invest a little more than \$1 million in BioMarker Strategies, a young Baltimore biotech working on medical devices and diagnostics for cancer patients. So Scott Allocco, president of BioMarker, invested 11.5 hours on a sidewalk to snag them thousands of dollars in tax credits.

It'll be a month before he knows whether the Maryland Department of Business and Economic Development approves his application. The state allocates \$6 million in tax credits on a first-come, first-served basis. Allocco wasn't the first in line.

Last week senior executives and scientists started assembling along East Redwood Street as early as 17 hours before the department opened for business the next day. At 9 a.m. on July 1, the start of the fiscal year, the department began accepting applications for its Biotechnology Investment Tax Credit program. Eligible investors backing young Maryland biotechs can get 50 percent of their money back in a tax credit from the state.

"It minimizes the risk in investing in relatively high-risk biotech companies," Allocco said.

At 9 a.m., an informal poll among the dozen or so die-hards revealed that their combined applications exceeded the \$6 million pot. The past two years, the funds lasted several months.

"Panic sets in," said Murat Croci, controller at Alper Biotech in Rockville, the seventh person in line. Alper specializes in early cancer detection. "I'm trying to get some new investors, but when you see all the money gone in one day, it's discouraging," he said.

So companies and investor groups jockeyed to be among the first few in line or face the consequences from unhappy sponsors, who might pull their pledges.

This is the third year Maryland has offered the program but the first time anyone has camped out. Through the early hours of the morning -- under the watchful eye of their personal off-duty cop -- they slept in lawn chairs, took turns dashing off to nearby hotels for naps, munched on pizza and played cards.

"It was a potential big chunk of change we were going to lose out on if we didn't show up early," said Steven W. Hutcheson, founder of Zymetis in College Park, which uses bacteria for ethanol production. His application listed 17 investors.

Why the sudden rush?

Maryland Gov. [Martin O'Malley](#) (D) pledged last month to double tax credits next year and then raise funding gradually, up to \$24 million in 2013. But his plan didn't boost the limited pool for 2009.

While the pool wasn't bigger, the maximum individual investment was raised this year to \$500,000, from \$100,000, making it more popular, said Mark A. Vulcan, the state's director of tax incentives.

"With the stock market and other investments not performing so well recently, angel investors are looking for other investments," Vulcan said.

Even more pressing was that each biotech could grab up to 15 percent of the \$6 million pool for its investors.

Correlogic, a Rockville firm that makes diagnostic tests, kicked off the frenzy by standing in line at 4 p.m. on June 30. They booked a nearby hotel room for weary employees and scheduled co-workers to visit and bring dinner for the two dedicated volunteers.

"To go through all the hoops of the application, gather investors and say, 'We're number 25 in line, so we're not going to get funded' did not make sense," said Correlogic chief executive Peter Levine.

An hour later, a Zymetis employee who originally planned on crashing at a hotel and waking up early spotted Correlogic's employees and jumped in line behind them. Three more employees -- including the company's chief executive and chief operating officer -- arrived later to take some shifts, and Zymetis hired an off-duty police officer to stand guard.

Allocco had circled the building a couple of times that day, suspecting people might start early. So when he saw the line forming, he immediately parked.

"I called my team and told them we had to sleep on the street to maintain our position in line," he said.

Then he called his friend Marty Zug, chief financial officer for Sequella in Rockville, which develops products for diagnosing and treating infectious diseases. Zug sent a scientist at 11 p.m. and relieved her at 4 a.m.

About eight to 10 people from these four companies spent the night on the sidewalk, much to the surprise of people arriving in the morning.

"It reminds me of the old days when we'd wait for tickets to the [Rolling Stones](#) or, the analogy nowadays, [Hannah Montana](#)," said Gerard T. Troy, vice president of operations and finance for 20/20 GeneSystems in Rockville, which works on early disease detection. Troy was the 10th person in line at 7:15 a.m.

And at the end of the wait, they trudged back to the office.

"I've got a full day of work ahead of me, unfortunately," Zug said.