

# BUSINESS

## WASHINGTON

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## Independent Biotech Follows DNA to Dollars

*MetaMorphix Banks on Dog, Cattle Tests*

By MICHAEL S. ROSENWALD  
Washington Post Staff Writer

Edwin C. Quattlebaum, who is mostly bald, has been chief executive of a small biotech company in Beltsville for eight years. He insists he used to have more hair, though that is just shorthand for saying what many CEOs of start-up biotechs quickly learn on the job — that to survive in this business you may find yourself tearing your hair out.

Like many biotechs, Quattlebaum's company, MetaMorphix, has been using genomics for the better part of a decade, but not to develop drugs. It uses DNA to predict for ranchers which of their animals will produce the best meat. And lately it has taken to identifying the exact breeds of dogs, offering pet owners a chance, for \$65, to learn just what species lurk inside their mutts.

Through it all, Quattlebaum has on several occasions told his 40-odd employees on a Wednesday that there wasn't enough money to pay them on Friday. MetaMorphix is more than \$40 million in debt; as of the end of last year it had just \$277,000 in cash, according to regulatory filings. Quattlebaum has lent the company \$264,000 and relied on his board for a couple of million dollars more. And MetaMorphix, still a private company, owes more than \$2 million in past-due payments to Celera Genomics, from which it purchased its key technology.

But now, Quattlebaum said, "we

See METAMORPHIX, D8, Col. 1

### Who Am I?

*MetaMorphix of Beltsville offers dog owners scientific testing to determine the breeds of their dogs. Some results:*



**Casey**

Breeds: Collie, Sheltie, Boxer  
Also in the mix: Bulldog



**Daisy**

Primary breed: Chow-chow  
Secondary breeds: Shar-Pei, Collie, Sheltie



**Sport**

Breeds: Husky, German Shepherd  
Also in the mix: Beagle, Borzoi

# MetaMorphix on the Verge of Something Big With Animal Tests

METAMORPHIX, *From D1*

can see light at the end of the tunnel and we know the light is not my house burning down."

That's because MetaMorphix has recently launched tests that predict whether beef cattle will produce the tastiest, highly marbled meat. If old Bessie is going to be a winner, ranchers know to feed her the best grains. If she's going to be a loser, and end up at a drive-through, the rancher can offer her the cheapest possible lunch, shifting the entire cost structure of the meat business.

MetaMorphix's corporate partner Cargill will soon begin using the tests in its feed lots. Monsanto is using the company's products for pig breeding.

MetaMorphix has also in the past month started selling its dog-breed DNA test, Canine Heritage, which came about through a bit of serendipity after an off-the-books research project by one of the company's scientists. A bit of luck can go a long way in some businesses. Already, 10,000 people have requested kits to swab their dogs' mouths with long cotton swabs, which they send to the firm's lab in California for analysis. How big could that business get? With 74 million dogs with residences in the United States, big enough to become a very meaningful contributor to the company's bottom line.

The test and the company are scheduled to be featured next month on NBC's "Today" show. Meredith Vieira, the show's co-host, has been curious about the genetic makeup of her dog Jasper and is having the little guy tested. MetaMorphix is also touting the test for rescue shelters and veterinarians.

"We are starting a major ramp-up of revenue," Quattlebaum said last week. "This is the year that we are transitioning from a research and development company to a commercial company."

"Virtually anything that is an issue with this company is cured with money," he added.

Money is both curse and cure for many a start-up, particularly biotech firms, which typically rely on frequent investments from venture capitalists to finance what on paper appears to be a pie-in-the-sky enterprise. In return for the money, control of the dream typically shifts from the original dreamers to the venture capitalists. Quattlebaum, 56, decided to go a different route, however. No venture money for him. He decided to rely on large numbers of wealthy individuals. "If I'm going to put my lifeblood into the company, I don't want some VC controlling it," he said.

Quattlebaum, who owns 10.7 percent of the company, has instead raised more than \$100 million from about 900 different investors. But because of the expensive nature of scientific research and development, Quattlebaum has to raise about \$150,000 a week, a task that takes up 50 percent of his time, with dozens of calls weekly to serial investors. Sometimes he has to call and say, "I need \$100,000 to make payroll this week."

His chief financial officer, Thomas P. Russo, said: "We are experts in just-in-time financing."

Sean Bishop, a former fighter-jet pilot who flies for Delta Air Lines, said he has invested five separate times, for a total of \$400,000. Quattlebaum has never come straight out and asked for a check; rather, he asks Bishop whether he knows anyone who is interested in investing.

"It's motivated me to talk to some of my friends," he said. "It's also motivated me to take a look at

my bank account. I say, 'I've got this money here. I could apply it to taking a cruise or buying more mutual funds from Schwab, or I can send it over to Ed.' Judging by how things have gone, my default has been to send money to Ed quite a few times."

Bishop, who with his wife has several hundred thousand dollars in mutual funds and a 401(k), conceded that he was either "going to look like a visionary or a fool." But he said he had a high tolerance for risk because he works for Delta, which is operating under Chapter 11 bankruptcy protection. "I'm quite familiar from a personal point of view of what it's like to be under the gun financially," he said. "That's the nature of a start-up. That the nature of a biotech company."

Christopher Mestl, who works for Aperion Management, a leveraged buyout firm in New York, knows the company's books are in somewhat gloomy shape, but that hasn't stopped his family from investing a couple of times, for amounts totaling six figures.

"It's been a mess since we've been involved," he said. "You have to look at it in a different way. Biotechs get financed whatever way they can long enough to stay alive."

Mestl and his fiancée have two dogs. He plans to have them tested and looks forward to seeing one of the company's products in action. Most of all, he's looking forward to the company finally turning the corner.

"I hope that happens this year," he said.