



## Industry vet starts bank in biotech country

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John P. "Jack" Hollerbach is recommending a car loan.

On the sidewalk just outside the main Rockville branch of his 20-month-old enterprise, HarVest Bank of Maryland, Hollerbach has finished assisting a customer with backing into a parking spot. Afterwards, he refers to the gentleman's aging, American-made vehicle as "a bomb."

The president, chief executive and vice chairman — the epitome of the distinguished banker in his dark gray suit and classic red, white and blue striped tie — does not appear to be perspiring in the blazing summer heat.

Rather, Hollerbach, 53, is smoothly suggesting the customer look into financing a new automobile — through HarVest Bank, of course.

Just moments later, the customer is seated across a desk from a bank employee while discussing the finances of his small business — not exactly a car loan, but Hollerbach is pleased nonetheless.

This is just the type of grassroots technique to which the CEO insists the bank and its 22 employees adhere.

In fact, he said, that approach is the central focus of the bank, which Hollerbach founded with former board chairman and current board member John W. Holaday. Even the logo is down to earth: a cheery rendering of a bright yellow Black-eyed Susan, the state flower of Maryland.

"We're not just going to say we're community based by living here," he explained. "We're going to go out there and make a difference in the community. I think that resonates with people."



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*John P. "Jack" Hollerbach opened HarVest Bank of Maryland less than two years ago. Although the institution is based in Maryland's biotech hotbed, HarVest isn't targeting the life sciences.*

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Something is resonating at HarVest Bank. The bank already has accumulated \$80 million in assets and expects to boast an additional \$20 million by the end of the year. Hollerbach said he expects to be profitable by December.

In November, the bank is set to open a third full-service branch in the heart of Bethesda; its second branch is in Germantown.

Many of the bank's investors are friends, former colleagues and family. At this point, HarVest has raised \$16 million in capital, \$10.8 million in its initial round and \$5.5 million in the second round.

That doesn't mean the venture has been without its stumbling blocks. The bank is fighting what Hollerbach calls a misconception in the community related directly to the business background of co-founder Holaday.

Holaday, who holds a Ph.D. in pharmacology, has built a prominent name for himself in biotechnology circles, especially in Maryland's life sciences-rich I-270 corridor — the same corridor that serves as home to HarVest Bank.

Holaday has founded several biotechnology companies during his career, most notably EntreMed Inc., the Rockville-based bioscience firm where he served as chair, CEO and chief scientific officer, and oversaw an initial public offering in 1996.

With Holaday's name attached to it, HarVest Bank earned itself a reputation as "the biotechnology bank," whether it liked it or not.

And Hollerbach decidedly does not like it.

"We're not a biobank," he stated firmly about 10 minutes into an interview. "Less than 1 percent of our deposits are bio."

Eighty percent of the bank's work is real estate, he noted, and most of its clients are corporations.

Still, that identity of the "biobank" is lingering. Hollerbach believes that is, at least in part, because his competitors have fueled the rumor mill, attempting to turn off potential HarVest customers by pushing the idea the bank has targeted life sciences as its niche market.

In the beginning, Hollerbach admits, the bank may have hoped to serve the biotech community that has dropped anchor in Montgomery County, even though it coveted the high technology and real estate opportunities in the region.

But biotech has proven a poor fit for HarVest. Struggling life sciences startups with no revenue are precisely the type of customer for which a relatively new community bank has little to offer.

"The vast majority [of life sciences firms] are underfunded and always seeking money," said Holaday, who has ceded his chairmanship of HarVest to John J. "Jack" McDonnell, co-founder of consulting firm Bethesda Bioscience Partners.

"What they'd like to do is borrow money," Holaday said of the biotechs. "But those are risky propositions if they have no assets against which to lend. They are not really good candidates for the bank."

Hollerbach, who refused to blame Holaday for the misperception, agreed.

"Life sciences are exciting as a theory," he remarked. "In many cases, these brilliant scientists don't necessarily have the business acumen to get it to market."

In the beginning, the companies are risky and in need of capital HarVest can't provide, and by the time they've hit it big, "they will be more than we can support," Hollerbach lamented. "There really is no middle market for life sciences companies."

The perception of HarVest as a biotech bank can't be helped by the presence of Raymond J. Briscuso. Briscuso, a board member, is executive director of the Washington-based Biotechnology Industry Organization.

But Hollerbach points to the remainder of the board membership as a sampling of Montgomery County's diverse industries. To name a few, Louis Pope is president and owner of Century 21 Trademark Realty Inc., a brokerage company serving Prince George's and Montgomery counties; J.D. Murphy is founder and president of information management consulting firm Computech Inc.; and Steven Meltzer is an attorney in Northern Virginia for Pillsbury Winthrop Shaw Pittman.

The president and CEO is trying to define the bank as a full-service community bank targeting all the industries in its region, but with a distinctly small-town flavor to its method of doing business, as evidenced by Hollerbach's parking lot sales pitch.

### **Borrowing from Hale**

He admits he has borrowed a page or two from the playbook of hometown Baltimore boy Edwin F. Hale Sr., who uses his background to promote First Mariner Bancorp.

But Hollerbach makes no apologies for borrowing from Hale — the two have worked together in the past, including on the purchase and then-sale of Bank of Baltimore in the 1990s.

In fact, those deals contributed to Hollerbach's desire to take Maryland banking back to its roots by building a small community-based bank, he said.

He remembers distinctly — and, seemingly, not so fondly — when New Jersey-based First Fidelity Bancorp bought Bank of Baltimore in 1995, promising to save the local jobs. Those jobs were lost almost immediately when First Fidelity turned around and sold the bank to First Union Corp. of Charlotte, N.C.

Hollerbach recalled "those guys from New Jersey" looking down on his team: "You're from Maryland. You're dumb, you're a hillbilly."

A seed was planted, he said. "It was always turning around in my mind that there's a better way to do this."

Co-founder Holaday said he felt the same way in his dealings with banks for his own businesses.

"In the past, with my own companies, trying to find bankers that would listen to you was quite a frustration," Holaday explained. "We give [clients] prompt replies and do our best to meet their needs. That's exactly what we're all about."

At HarVest, the community theme starts on the ground.

There is no anonymous computer to answer the phone when customers call the bank — a receptionist answers the company's line, and Hollerbach has a penchant for giving out his direct number to customers.

Decisions are made right in the customer's neighborhood, Hollerbach emphasized, not in a distant office.

The concept is as charming as the cartoonish flower on the company's logo, but even Hollerbach admits he can't discount the carnivorous nature of the banking industry as he plans for the future.

As it grows, HarVest probably will hold more rounds of fund raising and may consider going public years into the future. But in banking, the largest traditionally swallow the smallest — and even HarVest Bank has to consider that eventuality.

"We're going to become such a tough competitor, somebody big is going to throw a deal at us," Hollerbach said. "If the numbers are right, we'll do a consideration of that in the best interest of the shareholders."

But in his office at the bank's headquarters, with his extensive and colorful collection of decorative piggybanks clustered on the shelves to his left, Hollerbach hopes against it.

"That's not our plan," he remarked. "We'd like to be a major player, even a regional bank based here in Maryland."

He smiled, adding, "I like our chances."