

Entrepreneur pours passion, cash into biotech venture

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Tom Caltagirone was raised to be an entrepreneur. His father, Michael, started three businesses - a beauty shop, a pizza restaurant and a real estate development company.

His younger brother, Mark, founded Nerd911, a business that helps people learn to use computers.

Tom Caltagirone might have chosen the most risky of his family's enterprises. With a doctorate in neuroscience, he's in the business of drug discovery.

"I think it's promising. He said it's coming a long way," Michael Caltagirone said. He is the sole investor in Aptagen, his son's York County company. Michael Caltagirone has put more than \$40,000 toward Aptagen so far, Tom Caltagirone said. If Tom Caltagirone meets his goal of selling the idea to a major pharmaceutical company, it could mean millions of dollars in return on the investment. In the short run, things aren't so secure.

He started the business in 2004, after a venture he co-founded in Herndon, Va., went bankrupt. Called Aptagen Inc., that business' expenses got too high, he said. The 10 doctorate-level scientists Caltagirone and his partners employed commanded high salaries, and \$100,000 per month in overhead costs led the partners to file for Chapter 7 bankruptcy. Private investors pulled out of the company, and the firm spiraled into Chapter 11 at the end of 2003.

Caltagirone moved back to York County, where he grew up. He decided to pursue another avenue of research. He's studying a method to combat stroke, to find certain molecules that will latch onto a blood clot or tumor in the brain and destroy it. The remedy could change stroke and cancer treatment, he said. In addition, his method of research skips the test-tube phase and goes straight to animal testing, cutting out time and money from the traditional research process.

Caltagirone established the second Aptagen in 2004, working out of his home for a couple of years before leasing space in a Coupling Corporation of America warehouse in Jacobus. He shares fewer than 1,000 square feet with another scientist, Rich Bamford. They pay about \$700 per month to lease the space. The two plan to partner on Aptagen projects. Bamford is not collecting a salary from Caltagirone because Bamford makes money doing consulting work for the Bethesda-based National Institute of Health.

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Despite Gov. Ed Rendell's push to bring more biotech startup firms to Pennsylvania, Caltagirone said, it can be difficult to amass support for drug discovery in Central Pennsylvania.

"I spend most of my time on the phone, making connections," Caltagirone said. A biotechnology incubator called Hershey Center for Applied Research, now under construction, will target startups in fields such as drug research, but lease prices there probably will be too high for Caltagirone. He is working on patenting his ideas before pushing for more funding. The Life Sciences Greenhouse in Derry Township is one of the few sources of drug-discovery funding in the area, he said. Venture-capital money for the field in Central Pennsylvania can be scarce.

"Drug discovery's an uphill fight in our group," said Michael A. Shoemaker, a member of venture capital group Lancaster Angels Network and managing principal of Wellspring FV. "You're talking about 17 years before you know if your investment is any good."

The Lancaster Angels are much more likely to take a chance on a biotech software company than a drug discovery firm, Shoemaker said. Philadelphia would be a better source of venture capital for Aptagen, he said.

Venture capitalist Tom Dickerson agreed. His Connecticut company, Tullis-Dickerson & Company, invests in health-care-related ventures. Companies like Aptagen often start with the money of friends and family, Dickerson said. Then they go to angel investors. The third step is to approach venture capitalists.

"At this stage of the game, the risk that I never get a return is 90 percent," Dickerson said. Rigorous Federal Drug Administration trials cull most of the companies from the process, he said. "And remember, there are way more projects like this than there is money."

While funding can be scarce, it's not impossible to find, said Judith Sen, a business counselor with the Kutztown University Small Business Development Center. Sen specializes in counseling technology startups. She sees biotech startups similar to Aptagen about twice a year, she said. She helped Caltagirone draw up a business plan a few months ago. Companies should start thinking about financing early, she said.

"I like to see people start this even before they get into business, so they know how to tailor their product to financing sources available," Sen said. While major investment is unlikely to appear during the first several years of research, companies can find other ways to bring in funding. The veterinary market is less strict. Making research chemicals for other people's projects, as Bamford does, is another way to scrape up cash flow, she said. With a doctorate in chemistry, Sen understands the mentality of the scientists who she advises.

"They love their research. And then they have shocks because they meet with the venture capitalists who are concerned about the bottom line, not the research, she said. In his Herndon venture, Caltagirone considered himself an ideas man. He didn't pay attention to the books. This time around, Caltagirone is as concerned about business as he is about research. He has learned to use Quicken to track finances. He is working with an accountant, Kenneth Brody, on the financial end of the business.

"Now I feel comfortable that I have someone who can assist me when things pop up," Caltagirone said.

No one at Aptagen is collecting a salary. But Caltagirone and Bamford believe in their research, which they say is going better than they had hoped. For now, they're still keeping the overhead low. They're staying in Jacobus, not moving to Herndon or another market that has a higher-cost of living, Caltagirone said.

"It doesn't make sense to spend money when you don't have to. That would be just ego, really," he said.

"In this day and age, I don't believe you have to be in that type of location. You can still make deals and contracts and live in a rural area."

After all, Caltagirone can drive to do business bigger markets. And he's a driving advertisement; the new license plate on his Volkswagen Jetta reads "APTAGEN."