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Correction: An article Friday in the Business section about a Minnesota biotech firm moving to Wisconsin incorrectly stated that NEW Capital Fund is the lead investor for VitalMedix Inc. NEW Capital is the lead investor for another firm that moved from Minnesota called Rapid Diagnostek.

Minneapolis biotech firm moving to Wisconsin

By [Kathleen Gallagher](#) of the Journal Sentinel

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Lured by the state's tax credits for investments in high-growth companies, a Minneapolis biotech start-up said Thursday that it was moving to Wisconsin.

[VitalMedix Inc.](#) is developing a drug that first responders, trauma center surgeons and military medics could use. The drug, Tamiasyn, has the potential to allow humans to endure severe blood loss and inhibit organ damage during resuscitation. It has been tested in animals and could go into human trials as early as a year from now, said Jeffrey M. Williams, company president and chief executive.

"This sort of deal is better understood by investors in Wisconsin," Williams said. "Angel groups in Wisconsin are not only more aggressive, there are just a lot more of them."

The state has 22 organized angel investing groups, according to the [Wisconsin Angel Network](#).

Despite a huge budget deficit, Gov. Jim Doyle and the Legislature expanded the state investment tax credit in February. Wisconsin doubled the cap on the amount of credits that a qualified business may use to \$8 million, raised the cap on eligible angel investments to \$4 million and tripled the total credits available each year to \$37 million.

"Other states have incentive programs that are designed to help start-up companies, but it's fairly unusual to have a tax credit program tied to investments in tech-based companies," said Tom Still, president of the [Wisconsin Technology Council](#).

The council gets calls nearly every week from around the country [Wisconsin Technology Council](#), asking about the credits, Still said.

'We need to do better'

Minnesota legislators tried to create a similar program but failed.

"We are clearly aware we need to do better and have more tools in our tool belt for tech-based economic development," said Minnesota state Sen. Kathy Saltzman, who strongly supported investment tax credits. Gov. Tim Pawlenty vetoed them in May, citing opposition to tax increases in other parts of the bill.

VitalMedix's move to Wisconsin "certainly should be a wake-up call for anybody in Minnesota who questions whether these credits work," Saltzman said.

The credits had lured another biotech company. Rapid Diagnostek Inc. moved to Hudson last year from St. Paul to take advantage of the credits.

Charlie Goff, general partner of NEW Capital Fund in Appleton, the lead investor in Rapid Diagnostek, said the investment tax credits "had everything to do with" the move to Wisconsin.

The top executive at BioE Inc., a Twin Cities tech company, praised Wisconsin's embrace of tech companies and didn't rule out a move.

"If the right opportunity comes along, we definitely in a heartbeat would make a move," said Michael Haider, president and CEO of the 15-employee company.

BioE developed a system for separating stem cells from cord blood for preservation and eventual transplantation in humans.

VitalMedix has four employees and has raised \$4.5 million from investors and U.S. Defense Department grants, Williams said. The company is negotiating leases in Hudson or New Richmond, he said, and expects to move within 90 days. If it is successful at developing into a large operational company, VitalMedix might move to Madison or Milwaukee, where there's more industry-specific talent, he said.

Presentation to group

Williams made a presentation this week to Successful Entrepreneur Investors, a Milwaukee angel group, said Dan Steininger, the group's co-director.

Several members are thinking of investing, enticed by the company's promise, the tax credits and the state's policy to exclude from capital gains tax up to \$10 million of proceeds if they're reinvested in young, high-growth companies, Steininger said.

Two researchers at the University of Minnesota campus in Duluth, who were studying how hibernating animals and deep-diving mammals survive drops in heart rate and metabolic activity, developed the VitalMedix technology.

"The piece that is truly a stake in the heart for us is that this particular product was discovered at a University of Minnesota campus by researchers studying gophers," Saltzman said.

"How would Wisconsin feel if a company that discovered its product while studying badgers was moving here?"

Rick Romell of the Journal Sentinel staff contributed to this report.



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