



HERITAGE GALLERY



Most Promising Entrepreneurs

Six Compelling Ideas

Alvenda faced more than 1,000 competitors before winning the grand prize for its commerce-enabled advertising network.

Minnesota Cup Contest is Bigger Than Ever

With six competition divisions and more than \$125,000 in prize money, there's never been a better way for entrepreneurs to showcase their business plans.

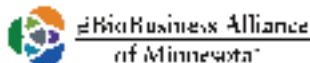
From left: (front) Steve VanTassel, Packet Power; Lou Abramowski, Alvenda; Paul Bieganski, Packet Power; Wade Gerlen and Brian Howe, Alvenda; Christine Wheeler, Drazil Foods; Robert Weinmann, Brian Kane, William Nettekoven, and Robert Ziebol, Pursuit Vascular; (back) Nick Beste, Man Cave; Jason Edens, Rural Renewable Energy Alliance

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INSPIRING INNOVATION

WITH MORE CONTESTANTS, MORE BUSINESS PLANS, AND MORE PRIZE MONEY, THE MINNESOTA CUP IS BIGGER AND BETTER THAN EVER.

STORIES BY SUZY FRISCH



Scott Litman and Dan Mallin, Minnesota Cup cofounders

As a competition for the best breakthrough business ideas in the state, the Minnesota Cup knows a thing or two about innovation and managing rapid growth. It has seen countless living examples of fresh ideas put into action, and expansion, from the 3,500-plus companies that have contended for the title.

So when it came time to plan the fifth annual competition, cofounders Scott Litman and Dan Mallin decided to do some innovating of their own and execute version 2.0. Changing the program would help accommodate the ever-growing number of competitors while also implementing the pair's long-term vision for the Minnesota Cup.

The biggest change to the competition is its new division structure. In the past, contestants competed in a free-for-all in which a high-tech entrepreneur, for example, may face off against a medical device inventor, a renewable energy firm, and other competitors from a wide variety of industries. Now the Minnesota Cup breaks down into six divisions: BioSciences, Clean & Green, General, High Tech, Social Entrepreneur, and Student.

With this new set up comes the need for a big-

ger prize pool, so the total amount of seed capital awarded jumped from \$70,000 last year to more than \$125,000 this year. Contestants first compete to win their division and its \$20,000 prize in seed capital (\$5,000 for the student division). Then the six division winners vie for the grand prize: the Minnesota Cup, an additional \$20,000 in capital, and other business services.

The upshot of these changes is significant. By entering the Minnesota Cup, which is at no cost, contestants get to present their business plans to a more targeted group of mentors and professional advisors. The entrepreneurs also gain the opportunity to make connections with people who work in industries relevant to their startup.

"The new structure allows us to put together more focused panels that give better feedback and help improve the businesses involved in the process," Mallin says. "Our goal is to help all of these businesses become more successful, even though only some get to become winners."

SHARING THEIR ENTREPRENEURIAL SPIRIT

Litman and Mallin started the Minnesota Cup in 2005 to offer entrepreneurs the same support they received as young business upstarts. The veteran entrepreneurs have started, rejuvenated, and sold several companies since the 1990s; they now own Magnet 360, an agency network of marketing, branding, design, and technology companies that provide integrated marketing solutions to Fortune 1,000 marketers.

In launching the Minnesota Cup, Litman and Mallin lined up backing from the State of Minnesota, the University of Minnesota, and industry leaders like Wells Fargo; they also partnered with Riverside Bank founders Dave and Carolyn Cleveland, whose endowment at the U of M helps fund the competition's prize money.

The competition has grown steadily each year—from 600 participants in 2005 to more than 1,000 this year—fueled by entrepreneurs' realization that the Minnesota Cup is an important tool for their success.

They discover that just by participating they get exposure for their business idea, indispensable advice from business professionals and executives, and the ability to expand their network of potential investors, advisors, and customers. The prize money isn't bad either.

The contest's reputation has flourished to the point that it now serves as a "Good Housekeeping seal of approval" for local business ventures. "It's a validation when someone is out seeking funding or interactions in the community that you've been vetted through a process by an all-star panel of judges and supporters," says Mallin.

For many entrepreneurs, even those who don't advance into later rounds of the Minnesota Cup, it serves as an important push to flesh out their ideas or write a proposal.

"The Minnesota Cup is part of the ecosystem for entrepreneurs in this state," says Litman. "I'm bullish on the role that we play."

HOW IT ALL WORKS

After entrepreneurs submit their initial proposals on the Minnesota Cup Web site, panels of judges for each division evaluate them.

Comprised of leaders in business, government, and education, the panels look at the quality of innovation, how the product or service stands out in the current competitive environment, and the company's market potential for revenue, profits, and employment. Judges also look for ideas that can make a positive economic impact within two years.

The Holmes Center for Entrepreneurship at the University of Minnesota serves as the link between the competitors and their experienced entrepreneur mentors. Led by

Professional Director John Stavig, the center matches Minnesota Cup companies with alumni who review the semifinalists' business plans and provide feedback.

While it's a large task to line up all of these mentors as well as division sponsors—and one made bigger this year—Stavig finds that many U of M alumni and supporters enjoy connecting with the next generation of entrepreneurs and sharing their own business expertise.

"One of the great things about the entrepreneurial business community in Minnesota is its willingness to help," Stavig says. "The Minnesota Cup has become a part of the fabric of the business community, and this is a fun way for them to get involved."

CLEAN & GREEN

The main impetus for the competition's new division structure started when Governor Tim Pawlenty suggested creating a Clean & Green category. Bill Glahn, director of the Minnesota Office of Energy Security, says Pawlenty thought the competition would be the perfect vehicle for highlighting start-ups from Minnesota's green energy sector.

"We're hoping that similar to medical devices, clean energy technology will become a cluster here in Minnesota, and that grows out of someone's idea that they put into the Minnesota Cup," says Glahn. "We hope the division sparks the next 3M or Medtronic to become a business or industry that employs thousands of people and creates billions in revenue."

Minneapolis law firm Fredrikson & Byron, P.A., and Xcel Energy stepped up to cosponsor the new Clean & Green division, which involved contributing the prize money and

AWARDS AND BENEFITS

The awards that each division winner receives are listed on the following pages. But here's a look at other awards that were given out as part of this year's Minnesota Cup competition.

Finalists receive:

- The opportunity to be featured in a December supplement in *Twin Cities Business*
- Detailed feedback about their final written entries and oral presentations
- The opportunity to present their business plans to a review board of esteemed business leaders

Semifinalists receive:

- An invitation to attend a semifinalist reception at the James J. Hill Reference Library
- The opportunity to be paired with experienced entrepreneur mentors for feedback on their plans
- One month of access to "HillSearch" professional research tools from the James J. Hill Reference Library

Entrants receive:

- Access to "The Minnesota Cup Hill Resource Center" from the James J. Hill Reference Library to assist with their business plans
- A one-year complimentary subscription to *Twin Cities Business*
- A valuable experience that will help advance their business ventures

offering legal services to some of the winners. Dan Yarano, chair of the firm's energy practice group, says Fredrikson & Byron has expertise in renewable energy technologies and experience helping start-ups blossom.

"It complements our business model of supporting young entrepreneurs and business ventures in the renewable energy area," notes Yarano.

Adds Xcel Regional Vice President Judy Pofel: "For us, sponsoring the division allowed us to support green energy technology coming out of the Minnesota Cup. Initiatives in green energy and general business development and entrepreneurship really are all in our bailiwick."

At a time when entrepreneurship is more critical than ever, it's something to celebrate when innovators and their ideas get the push they need to succeed.

ENTREPRENEUR OF THE YEAR AWARD

Since founding global e-commerce solutions provider Digital River in 1994, Joel Ronning has built the company into an enterprise that manages more than \$3 billion in annual online sales and has a market cap in excess of \$1.3 billion.

Ronning's accomplishments earned him this year's Entrepreneur of the Year Award, an honor bestowed annually by the University of Minnesota.

Ronning, a U of M graduate, ventured into his first start-up at age 20 and began three other

technology companies before landing at Digital River.

"Today, Digital River builds and manages online businesses for some of the world's biggest brands," says John Stavig, professional director of the university's Gary S. Holmes Center for Entrepreneurship. "It is appropriate to recognize Joel as Digital River is one of the best examples in the last 20 years of the type of innovative businesses needed in Minnesota."



GRAND-PRIZE WINNER & HIGH TECH DIVISION WINNER

ALVENDA

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Brian Howe, Lou Abramowski, and Wade Gerten

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It makes perfect sense: The more stores a retailer operates, the more product the company will sell. Until recently, most retailers maintained one store on the Internet where they sold their goods. Then Alvenda came along and turned the world of e-commerce upside down.

Named for the concept “everyone sells,” Alvenda is revolutionizing the way consumers shop on the Internet. It created the first shoppable ads, or shoplets; it opened the first e-commerce store on Facebook; and it is now teaming with Facebook for the Holy Grail of e-commerce: the combination of social networking and shopping.

“It gives the CEOs goose bumps, says Wade Gerten, CEO and cofounder of the Minneapolis startup. “If you ask them, ‘Where else do you want to open a store?’ their number-one place would be Facebook. It has well over 250 million users and it would be the fourth-largest country in the world.”

Gerten and Brian Howe, former Target.com marketing chief, powered up Alvenda in 2008 to help retailers sell their goods all over the Internet. So instead of operating one e-commerce shop, companies open 1,000 or a million with a shoppable ad. Branded to each retailer, the highly interactive shoplets encourage consumers to enlarge a banner ad, browse, and shop while remaining on their original Web site.

Prizes for winner

- \$40,000 in seed capital (\$20,000 for being named division winner and \$20,000 for being named grand-prize winner)
- Business organization, or services of similar value, from the law firm of Gray Plant Mooty
- Accounting assistance from Lurie Besikof Lapidus & Company, LLP
- Presentation consulting by Joan Moser of Spoken Impact
- A scholarship to attend the 23rd annual Minnesota Venture & Finance Conference hosted by The Collaborative

“We basically make it easy for people to shop, and then they shop a lot more,” says Gerten, who used to be vice president of product strategy at Oracle Retail.

Alvenda’s first major customer, 1-800-Flowers.com, hired the firm to create the Internet’s first commerce-enabled advertising campaign for Mother’s Day.

Alvenda showed the company’s shoppable ads 100 million times on the Web’s 250 most-visited sites to staggering results. These shoplets generated a 41 percent boost in sales for 1-800-Flowers.com and 10.5 times more interactions than regular banner ads.

And if these shoplets weren't groundbreaking enough, Alvenda really got technology and retail circles buzzing this summer when it opened the first e-commerce store on Facebook, also for 1-800-Flowers.com. All of a sudden, retailers' distant dreams of using social networking for new sales channels became reality.

Alvenda is planning another breakthrough for the holidays: Facebook users will be able to create registries or wish lists at other retailers' sites and "share" them on their newsfeeds or personal sites. That way, friends and family can buy each other gifts directly from their Facebook profiles, or groups of people can pool their money to buy presents for one person. That's truly socially networked shopping.

The company got lots of press after Facebook announced that 1-800-Flowers.com and Alvenda engineered the first retail sales on its site, including articles in the *The New York Times*, *The Wall Street Journal*, and *Financial Times*, and a piece on Bloomberg Television. More than 200 retailers contacted Alvenda to see if it could develop shoplets and Facebook stores in time for the holidays.

Retailers are excited about the results, and they also like the company's sales structure. It creates the ads gratis; Alvenda's revenue streams in from commissions every time someone makes a purchase from a shoplet. This set-up attracted 12 retail clients for Alvenda in its first year alone.

Alvenda proves that when it's easier for

Semifinalists

- **Echobit**—Adam Sellke, Soren Dreijer, Michael Amundson, Casey Helbling
- **eyestoreRx**—Jack Moore, Jay Greiling, Richard Lindstrom
- **Pattern Memory**—Larry Werth
- **ePhiphony Incorporated**—John Krech
- **ArtsApp**—Dejen Tesfagiorgis
- **Benefit Resource**—Wendy Kessler

people to shop, they shop more. It makes a dramatic difference in the minds of consumers, says Gerten. "It's like window shopping. You'll look at the windows of retailers on your side of the street but you won't cross the street. It's not a big deal to cross the street but you just don't."

FINALISTS

ASCIR

If four men working on a Wisconsin sewer line in 2007 had been using Ascir's handheld sensor, they probably would be alive today. One by one, the men descended into a manhole, only to be killed by hydrogen sulfide fumes. By pointing Ascir's device toward the hole, they would have been warned about the dangerous gas.

Stillwater-based Ascir is creating the next generation of handheld gas detection devices for first responders, military and homeland security workers, and public utility and refinery workers. Engineering professors developed the technology at the University of Minnesota, which licenses it to Ascir.

About the size of an iPhone, Ascir's optical cavity microbolometer can detect a wide range of hazardous gases from a safe distance; by contrast, current devices require close proximity to a toxic environment. Users can program and adapt the wireless sensor for use in varied environments.

"Gas detection is a \$1 billion market, and we have a revolutionary technology for that market," says CEO David Reamer, a tested entrepreneur. "I got involved because of the breakthrough nature of the technology, the market size, and the people involved."

MOBIATA

With a suite of travel-related applications for mobile devices, Mobiata quickly took off after launching its first product late last year. It didn't take long for Mobiata's three applications—FlightTrack, FlightTrack Pro, and HotelPal—to become bestsellers at the iPhone app store and garner raves from *PC Magazine*, *The New York Times*, *The Wall Street Journal*, and others.

Mobiata's smartphone applications enable travelers to investigate flights, access timely arrival and departure information, coordinate itineraries, and book hotels. The company is on track to exceed its \$1 million first-year revenue goal and pull in \$3 million to \$5 million next year, says CEO Ben Kazez, a Carleton College computer science graduate who logged time at Apple.

"Travel is a personal interest of mine, but there are many stressful and aggravating parts of traveling," says Kazez. "It's really an exciting space for mobile applications. Travelers need help navigating through the data thrown at them as they try to get from one place to another."

WHITE BEAR TECHNOLOGY

When the family pet wanders off, panic-stricken owners comb their neighborhoods

wondering if they're ever going to find Rover or Kitty again. Taking advantage of GPS satellite technology, RoamEO pet location products give owners the security of knowing that they can find their furry friends the next time they follow a squirrel out of the yard.

Inspired by a love for pets, White Bear Technology cofounder and President Boyd Palsgrove says research indicated that the \$40 billion pet industry is pretty close to recession-proof. The company spent three-and-a-half years doing market research and intensive product development before powering up the RoamEO Classic. With it, pets wear a collar embedded with weather-proofed electronics while owners use the portable, handheld receiver to follow their animals' location, direction, and velocity.

"I've done product development, marketing, and sales for many, many products, and this is the first company where we regularly get customers calling and thanking us for the product," says Palsgrove. "Pets really are members of the family, and we want to keep them safe."

RoamEO products currently are for sale at several national retailers. Eventually, Palsgrove plans to go global on the way to building a \$100 million company.



CLEAN & GREEN DIVISION WINNER

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PACKET POWER



Steve VanTassel and Paul Bieganski

Data centers gobble electricity like nobody's business, yet they waste about half of the power they consume. Most are expected to run out of juice in three years.

But if data center managers have more information about how their electronic devices use power, they can conserve energy and save their companies millions of dollars.

That's the theory behind Packet Power, which has come to market with a simple way for businesses to monitor their data centers' power usage and address inefficiencies and waste. High-tech entrepreneur and inventor Paul Bieganski developed the company's smart power cables, which plug into electronic devices to gather detailed information from each system.

Together, cables from each device form a wireless information network that shares data from the macro to the micro level. It's an elegant solution that is easy and inexpensive to install, says Steve

Prizes for winner

- \$20,000 in seed capital
- Legal assistance from the law firm of Fredrikson & Byron, P.A.
- Accounting assistance from Eide Bailly, LLP
- Presentation consulting by Joan Moser of Spoken Impact
- A scholarship to attend the 23rd annual Minnesota Venture & Finance Conference hosted by The Collaborative

VanTassel, CEO of the North Oaks company.

He compares Packet Power's product with cell phone bills. Consumers receive a four-page bill, with the first page listing the amount owed and the due date. The following pages spell out details about whom the user called, when, the call length, and roaming charges. "In the world of electricity today, all data center managers get is the first page," VanTassel says. "They are being asked to become more energy-efficient with only that level of information. Our company gives them that four pages of detail."

To help data center managers make their facilities more energy-efficient, they can get real-time, billing-quality data from Packet Power's smart cables. Using that data, employees can turn off idle electronics—5 to 10 percent of devices typically, which require more power for cooling than for actual use. They also can upgrade servers to be more energy-efficient or deploy server virtualization to consolidate several lightly used servers onto a single, highly utilized server.

Conserving electricity at data centers is of vital importance. The Data Center Users Group estimates that 90 percent of all centers

will run out of power in the next 36 months; consequently, companies will either need to build new facilities at an average cost of \$50 million, or increase power capacity at existing facilities, which also costs millions.

"Computers have gotten more powerful, and each requires more power than they did five years ago," says VanTassel. "Companies find that their data center might be using half the available floor space but all of the available power."

When data centers partner with Packet Power, they receive its smart cables and a reporting and analysis service to help managers translate information into action. VanTassel estimates that the company's product can save businesses 20 to 40 percent on their power bills. That means annual savings of \$1 million at a large data center, and delaying expensive power upgrades.

In business since 2008, Packet Power's first product went into trial use at the end of the year, and volume production started this fall at a local assembly shop. Packet Power has three employees today and expects to grow to 20 next year.

"If people understood how they consumed

Semifinalists

- **Hi-Tech Agro**—Priya Jain, Kyle Cruik, Wes King, Sunil Bafna
- **Alpar Architectural Products**—Lisa Britton
- **Ever Cat Fuels**—Steven Rupp
- **Utility Management Solutions**—Jim Nehl
- **LitroEnergy**—Steve Stark, Michael P. Kohnen, II
- **Smart Blending Technologies**—Michael Zumbrunnen, David Zumbrunnen
- **Pine River Petrochemicals**—Mike Ritzenhaler
- **Thunderdome Energy**—Timothy Portz, Pat Barrett

electric power, they would take action to reduce it," says VanTassel. "People have so little information about why and how they consume the amount of power they do. Our original objective is to gather information at the device level and make it easy and affordable. People will use that information to use less electricity."

FINALISTS

BIOCEE

Operating at the forefront of biotechnology, BioCee is creating new and simpler ways to produce clean fuels, chemicals, and water with an assist from microorganisms. The Minneapolis-based company has invented ways to adhere live microorganisms to a composite material similar to paint, making the bacteria easy to ship and deploy quickly into manufacturing processes.

The technology, which BioCee licenses from the University of Minnesota, has potential in several arenas, says cofounder and CEO Marc von Keitz. Possibilities include producing cleaner petroleum and eliminating phosphorous and other nutrients from water, which could improve places like the Gulf of Mexico's dead zone. BioCee's technology offers the first cost-effective way to filter the fertilizer phosphorous from water and reclaim it for

agricultural reuse.

BioCee's microorganisms also can get to work on cleaning sulfur from fuel—a fertile market because today's crude oil contains more sulfur. Additionally, the United States and other countries recently lowered the acceptable limits of sulfur in diesel products. "Producers of petroleum have some processes that already work for removing sulfur," says von Keitz, "but we believe our process can drive down the cost and make it easier to use."

JETE

As the commercial aviation industry prepares to use green jet and diesel fuels, JetE is laying the groundwork for a network of manufacturers to produce the renewable biofuels. Its vision is to move clean fuel production from big, centralized facilities to small-scale manufacturers near the needed biomass.

"We will sell entrepreneurs, farmers, and co-ops our turnkey advanced biorefinery system and work alongside them as they run their business and provide ongoing operating support," says Tim Kubista, JetE senior vice president.

CEO Gordon Ommen—who started, ran, and sold US BioEnergy Corporation's eight ethanol plants—launched JetE to facilitate the production of green jet and diesel fuels. Made from fats and oils like corn or soybean, they are manufactured domestically, reduce greenhouse gas emissions by 80 percent, and work with existing engines.

Over the next two years, JetE will start signing up customers for its new plants and helping them produce jet fuel. JetE has a significant playing field thanks to federal legislation requiring that 21 billion gallons of advanced biofuels be available by 2022—providing a \$63 billion opportunity.



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RURAL RENEWABLE ENERGY ALLIANCE



Jason Edens

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As Jason Edens pursued his advanced degree in environmental studies, he was barely scraping by and needed help paying his heating bills. Contacting the energy assistance agency in his area, he requested a low- or no-interest loan to purchase a solar heating system. He wanted to find a long-term solution to reduce his energy usage and free up energy assistance dollars for others. But he was turned down—there was no mechanism for the state to fund a solar heating system.

That's when a light bulb went off for Edens. He decided to work toward helping low-income residents get access to renewable energy. After earning his master's degree from Bemidji State University, Edens started teaching high school while powering up the Rural Renewable Energy Alliance (RREAL) from his home.

"The federal Energy Assistance program is a very important social service, but it's not a lasting solution to fuel poverty," says Edens, director of Pine

River-based RREAL. "In Minnesota alone, it costs \$80 million to ensure that 125,000 families can

Prizes for winner

- \$20,000 general operating grant
- 40 hours of consulting from Social Venture Partners
- Presentation consulting by Joan Moser of Spoken Impact
- A scholarship to attend the 23rd annual Minnesota Venture & Finance Conference hosted by The Collaborative

Prizes for second-place winner

- \$5,000 general operating grant
- 20 hours of consulting from Social Venture Partners

Prizes for third- and fourth-place winners

- \$1,500 general operating grant

endure the heating season. That's a Band-Aid on a wound in need of a tourniquet. We need a long-term solution to work on our neighbors' fuel poverty."

Nearly a decade later Edens and RREAL have made a big impact. They helped change Minnesota law and secured funding so that energy assistance agencies can offer solar heating systems to clients. Minnesota is the only state where this is happening. With the help of seven employees and two AmeriCorpsVISTA volunteers, RREAL has installed 100 solar heating systems across Minnesota.

In addition, RREAL did some of its own economic development. It created a small-scale manufacturing process to make solar heating systems for residential or commercial uses. That way, the nonprofit didn't have to waste financial and energy resources on buy-

ing systems at retail prices and shipping them to Minnesota.

RREAL secured funding from foundations and local partners to pay for research and development, and it gained expertise from an AmeriCorps VISTA volunteer who was a Kodak engineer. It plans to license its manufacturing process to seven other entities across the northern United States. The Leech Lake Band of Ojibwe in northern Minnesota is the first to receive a license, and it will make solar heating systems for other tribes in the Midwest.

Edens believes RREAL's market will expand soon thanks to President Obama's focus on weatherization and renewable energy. The nonprofit is advocating for a federal rule change allowing solar heating as an energy assistance option. If that happens, RREAL can pursue the 2.3 million residences that receive

energy assistance in the northern tier of the United States—from Portland to Portland.

"By including renewable heat in our energy assistance programs, we can permanently address fuel poverty and do so with clean energy technology," Edens says. "Right now energy assistance acts as a fossil fuel subsidy with payments going directly to propane or natural gas providers or electrical utilities."

Participating in the Minnesota Cup has been enormously helpful, especially the \$20,000 division prize and 40 hours of consulting, Edens says. But even more useful has been the professional advice, such as the suggestion that RREAL form a for-profit for technology transfer purposes. This would provide a stable revenue stream for RREAL's mission to make renewable energy accessible to everyone.

FINALISTS

ADMISSION POSSIBLE

Admission Possible has a solid track record of helping low-income students prepare for and succeed in college. Started in 2000, the nonprofit operates in 19 high schools across the Twin Cities and works with 3,600 high school and college students.

Founder and CEO Jim McCorkell credits much of its success to the AmeriCorps coaches who work with students and its business-like focus on accountability and measuring results. Some of those results: 99 percent of Admission Possible students have gotten into college, 95 percent have attended college, and 80 percent have worked toward a degree or graduated.

McCorkell created the organization to give low-income students resources they need—and often lack—to compete for a higher education. Admission Possible reads students for college for free with ACT/SAT preparation, application and financial assistance, and help transitioning.

"We believe that everyone ought to have a fair chance to make the most of their life and achieve their dreams," says McCorkell. "We help prepare the next generation of workers."

APPLE TREE DENTAL

For the past 25 years, Apple Tree Dental has provided oral care to nearly 15,000 low-income children, adults, seniors, and people with disabilities. While offering dental care to underserved populations, the organization developed its mobile clinics to treat people where they already are located.

"We're really changing how dental care is delivered, both in Minnesota and increasingly nationally," says Dr. Michael Helgeson, one of four dentists who founded Apple Tree.

Providing affordable dental care is important because more than 150 million people across the country lack dental insurance. In Minnesota alone, dental problems lead to 20,000 visits to emergency rooms annually to the tune of \$10 million.

At Apple Tree, dental hygienists and dentists handle 60,000 dental visits a year at its on-site and mobile clinics. It offers a full range of dental services from cleanings and fillings to root canals and tooth extractions. Apple Tree can provide affordable care by reducing overhead with its mobile clinics, using technology like teledentistry, seeing paying customers, and receiving grants.

HEARTH CONNECTION

Looking back, the Hearth Connection model seems pretty obvious: Find homeless people places to live, and connect them with services to bring stability to their lives. But in 1999, it was ground-breaking.

Health and human services advocates were saying that homeless people were society's sickest members because they lacked access to a regular physician—but given a place to live, they could get medical care and other services. Forming Hearth Connection, a group of advocates secured \$10 million from the Minnesota Legislature for a six-year pilot project in which the nonprofit found homes for 750 homeless people.

"Our research proves that when homeless people are housed, you switch government costs away from crisis services to things that make a difference in their lives," says Executive Director Jennifer Ho.

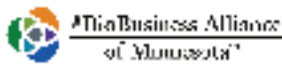
Located in 26 counties, Hearth Connection finances, develops, and manages a network of supportive housing providers that work with 1,300 people who had been chronically homeless. The organization has helped another 850 clients who no longer need assistance.



BIOSCIENCES DIVISION WINNER

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- **Jay Schrankler**—Executive Director, Office for Technology Commercialization, University of Minnesota
- **Steve VanNurden**—Chair, Office of Intellectual Property for Mayo Clinic Health Solutions
- **Dale Wahlstrom**—CEO, The BioBusiness Alliance of Minnesota



Brian Kane, Robert Ziebol, William Nettekoven, and Robert Weinmann

Being on dialysis is a dangerous game. If the underlying illness requiring dialysis doesn't cause patients' death, infection often will. Pursuit Vascular believes it has a breakthrough way to prevent these infections, which kill 22 percent of dialysis patients with catheters and cost more than \$1 billion annually.

When people's kidneys don't function properly, they must receive dialysis three times a week to remove toxins from their blood. Hemodialysis patients typically have a permanent catheter in their chests to remove tainted blood and return the cleaned blood to their bodies.

But that catheter is a ripe breeding ground for infection, and dialysis patients contract an average

of one-and-a-half bloodstream infections a year. Often they get better with antibiotics. But others

Prizes for winner

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- Accounting assistance from Lurie Besikof Lapidus & Company, LLP
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require hospitalization, and some people die.

To prevent infection, Blaine-based Pursuit Vascular has invented a new disposable device called the ClearGuard Antimicrobial Catheter Lock. It's essentially a rod filled with an antimicrobial agent that screws onto the catheter's cap after dialysis, killing bacteria before they enter the bloodstream.

Pursuit Vascular CEO Robert Ziebol conceived the idea of inserting a device into patients' catheters that remains until their next dialysis session. Calling on 22 years in product development, including 15 years for medical devices, Ziebol knew he was onto something promising. The company's testing shows that ClearGuard will reduce infection by 75 percent.

Medical providers currently fight infection by squirting antimicrobial agents into catheters, which has also cut infections by 75 percent. However, these antimicrobials can leak into the body and cause dangerous side effects, including death. Other catheters have internal coatings of antimicrobials, but the coatings are effective only for one to two weeks. ClearGuard's differentiator: It prevents antimicrobials from entering the bloodstream

because the rod inside the catheter expands and acts as a stopper.

"Not only will ClearGuard save lives, it saves health care dollars," says Ziebol. "The net result is that it would save 17,000 lives a year and reduce health care costs by \$700 million in the United States alone. I would like to see our device accepted as the standard of care in dialysis centers."

Ziebol and his three partners started Pursuit Medical in 2008 as an incubator that would team with physicians to commercialize their medical device inventions. From it, Pursuit Vascular was born, and ClearGuard quickly gained favor. "As we started digging into its potential, it rose to the top so high that we've virtually put all of our resources into bringing it to forward," Ziebol notes.

Starting as a self-funded entity, Pursuit Vascular spent 2008 developing ClearGuard, building prototypes, and testing them. Clinical trials will begin in the second quarter of 2010, and Ziebol expects to receive regulatory approval by mid-2012. Kicking off sales in Europe in 2011 and in the United States the next year, the company projects \$2.5 million in revenue by 2012, \$75 million the

Semifinalists

- **OrthoCor Medical**—John Dinusson, Kin-Joe Sham, John VeLure, David Schlicksup
- **NasoNeb Sinus Solutions**—William Flickinger
- **Kinexum**—Lisa Jansa
- **Critech**—Alex Ash, Maureen Holler, Adam Truhler
- **TransEnd Surgical Technologies**—Gregg Sutton, Tim Kinney
- **Targeted Gene Modification-Study Amazingly**—Jiquan Gao, Feng Zhang, Xiaohong Li
- **Hibernicor**—Andrew Rivard

following year, and \$200 million by 2014.

So far the toughest challenge has been securing financing. "We're still a young company, so attracting attention has been difficult," says Ziebol. "Investors are choosing to fund companies that have sales already and have already proven out their business." Now that Pursuit Vascular can claim a Minnesota Cup win, Ziebol believes the company will have a more robust case.

FINALISTS

RAPID DIAGNOSTEK

Rapid Diagnostek developed a small, portable biosensor that can tell medical providers in seconds whether someone has swine flu or malaria. It's a huge improvement over current diagnostic technology, which can take 10 to 30 minutes while technicians collect blood or urine, get a sample to the lab, and mix in a reagent to detect pathogens.

The biosensor has wide application in many markets, including veterinary, medical, agriculture, biodefense, food safety, and the environment—providing a \$14 billion opportunity. Rapid Diagnostek will license its technology to partners, and they will develop devices specific to the needs of their industry. First up will be veterinary diagnostics in 2011, then human diagnostics the next year.

President and CEO Harry Norris expects

to build Rapid Diagnostek into a \$150 million company. "It's a game changer that can be used from a medical tent in Africa to the back of an ambulance," he says, adding that it inspired him to jump into his first startup in his mid-50s. "There is no lab required, no reagents, and there is only one step to prick the finger, hold up the sensor, and in 60 seconds you have an answer. It's transformational."

VATRIX MEDICAL

When people have a weak spot in one of their arteries—called an aneurysm—it is often difficult for doctors to detect, and current treatment options are invasive and potentially life-threatening. Vatrix Medical is developing new ways to diagnose aortic aneurysms and treat them before they fatally rupture.

Building on the way doctors stabilize

tissue heart valves, Vatrix uses tannins to strengthen aortas with aneurysms, which makes artery walls four times stronger. It also stops the progression of aneurysmal disease and reduces the risk of aortic rupture.

"Vatrix is one of the few companies that offers the full, complete package to treat patients," says President and CEO Matt Ogle, who previously worked at St. Jude Medical and his first startup, Lumen Biomedical. "We can help physicians identify patients with aneurysmal disease, manage their disease, and treat it when the time is right."

The market for Vatrix's product is large: One in 15 people older than 65 develop aneurysmal disease. Ogle projects that the company will approach \$100 million in revenue in its first four years, starting sales in Europe by the end of 2010. Vatrix hopes to enter domestic markets in 2013.



GENERAL DIVISION WINNER

DRAZIL FOODS

Division supported by



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Christine Wheeler

Christine Wheeler wondered: If antioxidant-rich tea is known to be healthy for adults, why aren't there any herbal tea-based drinks for children? Confident that kids love juice, Wheeler blended the two together to develop the first tea-based 100 percent juice for children.

Launching Drazil Foods has been a labor of love for Wheeler, who spent nearly four years creating the drink, testing it, devising packaging, and building a team of juice industry veterans. The Edina-based company now is primed to bring its

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caffeine-free juice and tea drink to market, as soon as it lands the necessary financing.

Once Drazil Juice lands on store shelves, Wheeler believes it will compete nicely against other 100 percent juice products like Nestlé's Juicy Juice and find a welcome spot in the \$7 billion shelf-stable juice market. "We've developed a healthier juice for kids. It's the first 100 percent juice made with herbal tea," says Wheeler. "Kids today need more antioxidants, and our juice is really good for children because it's rich in antioxidants, vitamins, minerals, and amino acids."

Wheeler's recipe blends 100 percent juice with caffeine-free herbal tea—rooibos tea paired with rosehips and hibiscus to add some natural sweetness. The tea replaces water typically used to make juice from reconstituted fruit concentrates. Drazil Juice comes in the three most popular juice flavors of apple, fruit punch, and red berry in boxes and multi-use bottles. It will hit the same price points as other 100 percent juices.

A veteran product developer with stints at Procter & Gamble and Church & Dwight (makers of Arm & Hammer and Aim toothpaste), Wheeler took advantage of her

experience in marketing, packaging, and research to flesh out Drazil. She teamed with Mike Quezada, a veteran of Nestlé, who handles all of Drazil's operations, logistics, and relationships with the company's regional manufacturers, called co-packers.

Wheeler aimed to create a company name with a visual image, hiring a British design agency to create the company's chameleon mascot. (Drazil is lizard spelled backward.) She also led Drazil through an extensive market research process, including focus groups, concept testing, packaging research, and youth testing with online pre-teens.

"With my Procter & Gamble background, I've got to prove to myself that this product is going to be the best," she says.

Once Drazil starts manufacturing its juice and tea drink in bulk, Wheeler says it will find a warm reception on grocery store shelves. In pursuit of something different for that category, several major retailers, including Cub Foods, have expressed interest in Drazil Juice, Wheeler says. She expects to add revenue quickly, hitting \$44 million by year five.

In the future, Drazil will branch into other

Semifinalists

- **Helping Betty**—Bridget O'Boyle
- **Go Home Gorgeous**—Rachel Swardson-Wenham
- **NeoPath Health**—Joseph McErlane
- **2nd Chance Staffing**—Jenny Bethea, Clarence Bethea
- **Hackers Guides**—Bruce Stasch
- **Fastest Faucet**—Loren Skarie, Mark Peterson
- **Hillaway Photo Books**—Kelly Donaldson, John Ratzloff, Rochelle Ratzloff, Janet Eckman

products. Wheeler would like to develop Drazil-branded snacks for children that are rich in antioxidants, as well as a completely different brand of caffeine-free herbal-tea drinks for adults.

"My dream is to have kids start good eating habits at a young age and become familiar with tea and how good it is for you," says Wheeler, herself the mother of three children, including two tea lovers. "We have a healthier juice that is helping children get more antioxidants in their diets."

FINALISTS

BREATHE SAFELY

Respirators protect users from breathing in airborne viruses, chemicals, and dangerous gases, but they lose their effectiveness when they leak. Baxter-based Breathe Safely has developed a way to seal respirators that boosts protection nearly 300 percent in untrained users.

"There is a real need for respirators that are extremely intuitive to use and yet can provide a really high level of protection," says CEO Peter Nelson, whose background is both entrepreneurial and scientific. "The seal makes the respirator perform so much better. The choice is so obvious: If you're going to put on a respirator, why wouldn't you put on one that actually protects you from the hazard you're concerned about?"

For ages, respirators have been used for occupational safety—helping to protect the health of first responders and workers

in foundries, mining, and construction. As concerns mount about respiratory ailments like SARS and pandemic flu, there has been growing demand for respirators among the general public and medical professionals—providing a \$15 billion market.

By the end of the year, Breathe Safely plans to manufacture and distribute its patented aftermarket seal, which users can apply to their existing respirators. Eventually the company will license its technology to established respirator manufacturers.

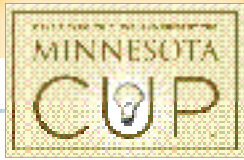
GOPHER GROCERY

Starting with the premise that grocery delivery need not be expensive, William Orkin launched Gopher Grocery three years ago. He has built a loyal contingent of 5,000 residential and business customers, 81 percent of whom are repeat users, and ripened revenue from red to black.

The St. Paul-based online grocery store—which delivers as far north as Hugo and as far south as Rosemount—boosted revenue this year by 60 percent while expanding its delivery footprint and product choices. Gopher Grocery can match supermarkets' prices and charge a smaller delivery fee by carrying no inventory. The company procures food directly from wholesalers and local suppliers after customers place their orders.

Employing eight full-timers, Gopher Grocery also serves many business customers, including General Mills. Orkin plans to enter new Midwestern markets in 2011 or 2012.

Gopher Grocery established itself mostly through referrals and name recognition from delivery trucks. The company focuses its resources on customer retention instead. "Once you order from us, we worry about how to keep you happy," Orkin says.



STUDENT DIVISION WINNER

MAN CAVE

Division hosted by

Gary S. Holmes
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CARLSON
SCHOOL OF MANAGEMENT
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Review board members

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- **Lloyd Sigel**—Founder, Lloyd's Barbeque Company
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Nick Beste

Women have gathered in each other's homes for decades, listening as friends and family marketed makeup, food, jewelry, storage containers, and home décor. It's an excuse to get out of the house and get together while purchasing a little something special. Men had no such thing, unless you count the local tavern.

Enter Man Cave, the first direct sales company geared toward men. It's approaching its market

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with a sense of humor, a healthy serving of meat, and opportunities for men to follow an entrepreneurial path long traveled by women.

At Man Cave “meetings,” typically held in someone’s home or office, guests watch a grilling demonstration and sample an array of grilled meats. They also can shop for products like grilling tools, spices and marinades, gourmet meat (of course), and beer and poker paraphernalia.

“We’re trying to be the first in-home direct selling company for men,” says founder and CEO Nick Beste. “There’s Mary Kay and Tastefully Simple and Pampered Chef for women, and we’re trying to be the first one geared toward guys. But we want to be much more than one company selling one line of products. No one is doing this for men, so we can try to be 10 companies in one.”

Man Cave works just like other direct sales businesses. It cultivates a group of advisors who sell the company’s products and earn commissions. Advisors also get commissions from people they recruit to sell

Man Cave.

Since Beste and his partner, Kevin Carlow, started the company in 2008, Man Cave has expanded to 47 advisors in 11 states. They aim to grow the company to 1,000 advisors by September. “The bigger we get and the faster we get there, the more chances are that competitors can’t enter the market,” says Beste, an entrepreneurial studies undergraduate at the University of Minnesota. “Also, that’s where you make money. Mary Kay doesn’t have 50 people, they have 2 million. We need a ton of people to do it, too.”

Now employing five full-time staff and 40 contractors, Man Cave already has outgrown its warehouse space. Between April and August, it generated \$35,000 in revenue, and Beste says Man Cave is on target to bring in \$1.5 million for the year starting September 2009.

At 22, Beste is a seasoned entrepreneur who has launched five other companies, including a hot sauce distribution business and student-focused ventures like the Alumni Advisor resource guide for recent grads. The

Semifinalists

- **VendBox**—Dane Stimart, Eric Severson, Spencer Hartberg, James Kahl
- **Biology Without Borders**—Anh Tran, Charlie Vasquez, Jenna Racine

businesses all are part of the partners’ holding company, Vici Enterprises.

The team imbues Man Cave with a cheeky sense of humor, extolling on the company’s Web site that it “empowers the everyday guy to be all that is man.” It offers a list of so-called man laws, including, “No man shall ever turn down free beer . . . for any reason. Never. Ever. Seriously, Never,” and “A man purse is still a purse.”

And though Man Cave employees log long hours every day, there is still time for fun at work. That might mean playing catch, grilling lunch, or prank calling each other. These entrepreneurs follow their man laws closely and work hard to legislate new ones.

FINALISTS

MXAPP

Walking to class one day, Parag Shah was hungry and running late. He didn’t have time to get to a Dinkytown restaurant, wait in line during the lunch rush, get food, and make it to class on time. A recent entrepreneurial management graduate from the University of Minnesota, Shah realized he had a promising business idea. He teamed with fellow students to form Mxapp, a technology company focused on mobile applications for the restaurant industry.

Mxapp’s Lunchbox application is for consumers, restaurants, and social networking. From their smartphones, diners can locate nearby restaurants, browse menus, and order and pay for food. Restaurant owners use Lunchbox to upload menus, take orders, and promote specials. Lunchbox also helps users write reviews, rate dishes, and e-mail friends about their favorite restaurants.

“We’re trying to make Lunchbox

consumers’ go-to place for food information,” says Shah, cofounder and managing partner. “And for restaurants, we’re trying to replace newspaper advertising.”

The application is free for consumers. Restaurants pay Mxapp a percentage of each order’s subtotal, as well as a cut of sales from advertised promotions. Already operating in Minnesota, Shah says the service will go nationwide and generate revenue of \$3 million next year.

NEWWATER REMEDIATION

Farmers often use the herbicide atrazine to kill weeds that invade their crops. It’s effective, but it gets washed from the fields and leeches into the water supply. That’s a problem: The U.S. Environmental Protection Agency classifies atrazine as a potentially harmful chemical to humans and limits its allowable concentration in drinking water.

Water suppliers now use activated carbon to eliminate atrazine. But it’s a

time-consuming process that creates a carbon byproduct that ends up in landfills. Scientists at the University of Minnesota recently developed a process for bacteria enzymes to break down atrazine into its natural elements. As part of a new technology entrepreneurship class at the Carlson School of Management, they teamed with three undergraduate students to form NewWater Remediation, which licenses this technology for its Atrazine Scrubber.

The Scrubber will appeal to water treatment facilities because it’s 20 percent cheaper and less labor intensive than activated carbon, says Alex Johansson, NewWater Remediation’s chief technical officer and a recent U of M chemistry graduate. Resembling a ScotchBrite® Pad, it floats in a water reservoir and is installed annually.

NewWater will pursue business from the Environmental Protection Agency’s top 100 atrazine “hot sites”—creating a \$3 million opportunity.



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