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Minnesota Cup prize doubled to entice entrepreneurs

by [Kendall Anderson](#) Staff Writer



Andy Vander Woude is co-founder of VAST Enterprises LLC, maker of a "socially responsible" composite paver system. (Photo by Bill Klotz)

The University of Minnesota, Wells Fargo and other sponsors of the Minnesota Cup have doubled their prize to \$50,000 this year for the state's best breakthrough business idea.

"We want to find new business ideas – the entrepreneur who is out there tinkering in the garage or maybe the one who's already started a business," says Peggy Bell, the competition's spokeswoman. "We want to create some new business for the state."

The competition, which is accepting applications through May 23 at www.minnesotacup.org, provides winners and semi-finalists with business consulting services and mentoring with some of the Twin Cities' top leaders in banking, finance, law and entrepreneurship.

Past winners – and semi-finalists – have found success with a wide range of products. A handful of them say the most valuable aspects of the competition – besides the seed money – were the professional contacts and expert help they got in writing their business plan and connecting with investors and intellectual resources. (Semi-finalists get some seed money.)

Last year's winner, Wayzata-based Muve, is now working with the Mayo Clinic to finish development on its obesity-fighting, movement-monitoring device. The 2006 winner, VAST Enterprises LLC, is expecting to more than quadruple in size this year as sales of its alternative to the traditional concrete paver – using 95 percent recycled materials – soars with the explosion of green construction.

"Having intelligent, experienced business individuals believe in your idea, team and business is a compelling argument to taking the plunge, quitting your job and making a run at your dream," said co-founder Andy Vander Woude, 30, who left his job as director of product marketing at a large company to give VAST a shot.

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"It also helped us established several key [banking and legal] relationships that continue today," he said.

The company, headquartered in northeast Minneapolis with a materials plant outside the Twin Cities, just completed a round of angel investment to finance its 2008 manufacturing and distribution, Vander Woude said, without revealing how much.

The 2005 winner, St. Paul-based Arcswitch, is in talks for investment capital for its low-cost fiber optic switch.

"Without the Minnesota Cup, Arcswitch might still be on the shelf," said founder John Berger, 45, who first began inventing things with co-founder David Emmons, 45, when the two were in seventh-grade science class. "Entering the MN Cup gave us a chance to write our first real business plan and to get feedback from great resources to polish it."

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The two had patented their optical switching technology in 2000 but the subsequent dot.com crash effectively mothballed their project because investor dollars dried up.

Arcswitch benefits from the explosion in broadband access and the emergence of fiber-to-the-home networks. It's a replacement for the expensive and labor-intensive fiber optic switches of the past because it allows a network operator to test thousands of fiber optic lines from a single central location, identify the problem and dispatch personnel to fix it. In the past, a solution would have taken significantly more of the network operator's time, requiring manual tests and other tasks, and pulling the network operator away from more complex issues, according to Berger.

One of last year's semi-finalists had spent two years with her business partner trying to get investors. After making connections in the contest, Michelle Gobrecht, 36, and her partner in Lakeville-based Snap Pea Chef Fresh Meals have built a team of advisors and mentors "whose ideas, efforts and connections have been absolutely priceless." They will sell their product from five Snap Pea kiosks planned for this year in the Twin Cities area, Gobrecht said.

Entrepreneurial leader?

The level of Minnesota entrepreneurship, which once rivaled that of Silicone Valley, has fallen over the years, said Dileep Rao, PhD, an adjunct instructor in entrepreneurship and venture financing at the University of Minnesota's Carlson School of Management. He said the state has about 1.5 percent of the nation's venture capital dollars – and that's including the state's giant medical device industry.

"We were in the top three with Silicone Valley in the mid-70s to early 80s, but we've really fallen in market share," Rao said. He doesn't know Minnesota's market share from the time. Venture capital market share is self-reported and is not audited, rendering it not entirely accurate but still the best measure of entrepreneurial activity, he said.

"Minnesota really has become a backwater for venture capital," he said.

The competition's co-founder, Scott Litman, 41, said he conceived of the idea a few years ago because he wanted to give back to the state.

A longtime entrepreneur who has started and saved many companies, Litman said he never forgot how the people he met through a national computer design competition in which he placed third helped him launch his first business. Since then, Litman has been an Ernst & Young Entrepreneur of the Year finalist twice, started and sold Imaginet, an early leader in building personalized portals for Fortune 500 companies, and started with competition co-founder and current business partner Dan Mallin a large digital marketing company, now called RMG Connect.

Litman says he and Mallin as well as the competition's sponsors "participate to make Minnesota a better place to build and grow innovative, entrepreneurial companies."

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