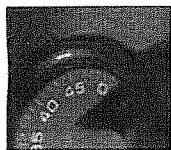




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RESTAURANTS

Leeann Chin to be sold to L.A. takeout chain

BY JOHN YOMHOF JR.
STAFF WRITER

Leeann Chin Inc., a longtime staple for Asian takeout in the Twin Cities, has agreed to be sold.

Greg Creighton, president of the Bloomington-based restaurant chain, confirmed that Mandarin Holdings of Los Angeles has reached

a deal to buy the company from the venture capitalists who own the majority stake. The deal is expected to close later this month; terms are unknown.

"We aren't in a position right now to discuss any of the goings on in that regard," Creighton said. "When something does get closer to being completed, I'm sure there will be

some type of announcement. As with most companies, we're owned by venture capitalists, and they always explore opportunities. This is a time when they are doing that."

Leeann Chin operates 22 carry-out restaurants and 10 locations inside Rainbow Foods grocery stores in the Twin Cities. The company also runs eight Chin's Asia Fresh fast-casual restaurants, four in each Minnesota and Wisconsin.

The prospective buyer, Mandarin Holdings, operates Mandarin Express quick-service Chinese restaurants in 10 states, primarily in the Southeast United States.

Leeann Chin ranked as the ninth-largest restaurant chain in Minnesota with revenue of approximately \$40 million in fiscal 2005, and it saw growth of about 8 percent in 2006, according to a recent report in the *Star Tribune*. The company has roughly 1,000 em-

CHIN | PAGE 37



MANCY KUEHL / MINNEAPOLIS ST. PAUL BUSINESS JOURNAL

Coral, Villafana both launching VC funds

BY KATHARINE GRAYSON
STAFF WRITER

More venture capital investments may be ahead for Twin Cities startups, with med-tech icon Manny Villafana launching a new fund and established Coral Capital Partners seeking to raise roughly \$200 million.

Villafana, who is most famous for founding St. Jude Medical Inc., recently started a venture capital firm, Klips Bay Partners. The Wayzata-based

company, named for the Boys & Girls Club Villafana attended in his youth, plans to invest in early-stage life-science firms, according to its Web site and a news report from WisBusiness.com. Villafana and partner Tim Mathison declined to comment further on the company's plans, citing securities regulations.

VENTURE CAPITAL

Meanwhile, Coral Ventures has already raised \$20 million for a new fund, according to a securities filing. The firm, based in Minneapolis, is seeking to pull in a total of \$199.4 million. About \$15 million of the dollars raised so far came from Minnesota investors.

Todd Ortberg, a partner at Coral, couldn't be reached for comment.

Observers say the activity is likely

VENTURE | PAGE 38

TECHNOLOGY

Trooien sues tech firm after \$7M investment

BY KATHARINE GRAYSON
STAFF WRITER

Jerry Trooien is best known in the Twin Cities for banking on big real estate deals.

But the high-profile developer also has a penchant for betting millions on the fortunes of tech startups. It's in this role of venture capitalist that Trooien has filed suit against the leaders of Sproqit Technologies Inc., a Kirkland, Wash.-based software company in which he invested more than \$7 million.

In the complaint, Trooien alleges Sproqit's management violated securities laws and committed fraud by inflating and failing to meet revenue projections. The firm's CEO also misled Trooien into believing the company would be acquired by Microsoft Corp. or Google, the suit says, convincing him to give the firm \$975,000 more in bridge funding.

Trooien filed the suit last year in U.S. District Court in Minnesota, but it has received no media attention until now. An attorney representing Sproqit declined to discuss ongoing litigation. Meanwhile, Trooien's lawyer, George Eck, said a judge recently heard Sproqit's motion to dismiss, but has yet to rule on it. He also said Trooien is working to rebuild the tech firm.

TROOEN | PAGE 37

LAW FIRMS HEAD SOUTH

A hot real estate market in Mexico is leading to some big business for local law firms. | Page 15



CHIN: Homegrown takeout chain succeeded in the Twin Cities, but struggled to expand to other markets

FROM PAGE 37

ployees, including 950 in Minnesota. Private-equity firms Mellon Ventures Inc. of Pittsburgh and BNP Paribas of France own 83 percent of Leeann Chin. Management controls the remaining 17 percent.

The company started in 1980, when Chinese immigrant Leeann Chin opened her first restaurant in Minnetonka. Chin, who sold the business in 1985 and bought it back in 1988, retired from the business in 2002.

"We're very happy with our business. It's been great."

Greg Creighton
President,
Leeann Chin Inc.

While fairly successful in the Twin Cities, the company has struggled to grow outside of the area, pulling back after trying to enter Chicago, Detroit, Seattle and Kansas City, Mo.

Creighton would not comment on whether the new owner plans to take yet another run at national expansion.

Mandarin Holdings could not be reached for comment.

Chinese segment growing

Spending at Chinese and other ethnic restaurants is on the rise nationwide, said Hudson Riehle, senior vice president of research for the National Restaurant Association.

"It is driven by heightened consumer interest in ethnic cuisines, as well as consumers using restaurants as a much more essential component of their daily lifestyles," he said, noting that many ethnic foods have become mainstream in American culture.



Leeann Chin has 22 carry-out restaurants like this one and 10 locations inside Rainbow Foods. It also operates eight Chin's Asia Fresh restaurants.

Leeann Chin Inc. has performed well in recent years, Creighton said. "We're very happy with our business. It's been great."

There are nearly 41,000 Chinese restaurants nationwide, most of them independently owned and operated by Chinese-American families, according to *Chinese Restaurant News*.

Panda Express is the



Roberts

nation's largest chain, boasting more than 900 locations. The upscale PE Chung's China Bistro has performed well, as has its fast-casual concept, Pei Wei.

Phil Roberts, co-founder of Edina-based Parasole Restaurant Holdings Inc., said operating Chinese restaurants on a large scale can be difficult due to all of the dicing and chopping involved in food preparation. "It's different from just throwing a burger on the grill."

Mandarin Holdings' experience in the business should make it a better fit to run Leeann

LEEANN CHIN INC. HISTORY

- 1980** Golden Valley-based General Mills Inc. publishes *Betty Crocker's Chinese Cookbook, Recipes by Leeann Chin*.
- 1980** Leeann Chin opens her first restaurant, the buffet-style Leeann Chin Chinese Cuisine, in Minnetonka.
- 1984** Chin opens her first carry-out location inside the Dayton's department store in downtown Minneapolis.
- 1985** General Mills buys Leeann Chin chain (then three restaurants); Chin stays on as president.
- 1988** Chin reacquires chain from General Mills.
- 1991** Leeann Chin reaches deal to open carry-out locations inside Byerly's grocery stores.
- 1995** Company rolls out upscale Asia Grille concept.
- 1997** Leeann Chin opens carry-out locations in Lund's stores after the grocer acquires Byerly's.
- 1998** Company discontinues Asia Grille concept, refocusing on its core Leeann Chin brand.
- 1999** Leeann Chin raises \$9 million in venture capital with plans to go public, but scraps plans as market for restaurant investments sours.
- 2002** Chin retires from her namesake company.
- 2002** Leeann Chin launches fast-casual concept Chin's Asia Fresh.
- 2004** Leeann Chin moves its grocery store locations from Byerly's and Lund's to Rainbow Foods.

Chin than a run-of-the-mill venture-capital firm, Roberts said. "I hope this is a good move for Leeann Chin, because they are kind of an institution here."

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TROOEN: Developer says in lawsuit that company inflated sales projections when little revenue existed

FROM PAGE 1

Founded in 2000, Sproqit developed software that enabled mobile wireless devices to access e-mail. By the time Trooen made his first investment in Sproqit, the firm was in poor financial health, having been abandoned by venture capitalists just before a product rollout, according to a story in the *Seattle Post-Intelligencer*.



Mansour

Sproqit's focus on mobile-wireless communications also put it in a crowded field of competitors, including Research in Motion, the Canada-based maker of the BlackBerry.

Trooen made his first investment of \$50,000 in 2003.

Over the next two years, he invested about \$6.4 million in the company.

In the suit, Trooen claims that Sproqit's CEO, Peter Mansour, projected Sproqit's revenue would reach \$524.224 in 2004 and climb to upward of \$16 million in 2006. In 2005, the company made \$9,000 in revenue, according

to the suit.

The court filing cites an internal staff e-mail that Mansour wrote in October 2005 that said the company hadn't "brought in a single penny in revenue" and that he looked "like a fool in front of" Trooen.

A month later, Mansour began to suggest to Trooen that Sproqit was in discussions with Microsoft, the suit said, citing an excerpt from an e-mail in which Mansour stated he was having breakfast with a Microsoft official to "discuss next steps and acquisition."

In the same correspondence, Mansour also tried to convince Trooen not to discuss the matter with Microsoft, saying: "You mentioned you wanted to sit in on a meeting. I'm torn. These people speak a very different language, Jerry, one that I am well accustomed to."

Trooen, who is seeking damages in the suit, also said Mansour misrepresented how much revenue Sproqit would reap from a deal with a handheld-device maker.

Ultimately, Trooen's suit says, Mansour "left Sproqit in complete and total chaos, leaving offices unsecured, failing to notify creditors and failing to identify for the company even the ba-

sic listing of information necessary to operate the company on an ongoing basis."

The firm claims in a motion to dismiss that Trooen doesn't present enough evidence to prove the company's claims false.

Eck said Trooen is talking with tech experts he's met through the litigation about how to revive Sproqit.

Trooen's techie side

Sproqit isn't Trooen's only tech investment, nor his only investment in wireless communications companies.

He was a major investor in HiddenMind Technology, a North Carolina company that developed technology for mobile devices. He invested more than \$6 million in the company, which was run by Ken Tyra, a lawyer who formerly worked with Dorsey & Whitney in the Twin Cities. HiddenMind was sold to Infowave Software, a Canadian company that Trooen also invested in, for about \$2.5 million in 2003.

Trooen extended a \$3 million line of credit to Infowave in 2004. During the third quarter of last year, the company's revenue reached \$2.1 million, up from \$600,000 million dur-

LOST

Jerry Trooen invested more than \$7 million in Sproqit Technologies Inc.

His investments, by year, include:

2003	\$100,000
2004	\$3.4 million
2005	\$2.9 million

Bridge funding provided, Nov. 2005-Feb. 2006: \$975,000

ing the same period of 2005. Trooen is still on HiddenMind's board. According to Infowave's Web site, Infowave also makes products for wireless communications.

Trooen also was an early investor in Nazca Solutions Inc., participating in a \$1 million funding round. Nazca, based in Minneapolis, is led by former Metropolitan Council Chair Ted Mondale. The company makes software that can search multiple government databases.

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