



Grow Minnesota![®]
Minnesota Chamber of Commerce

Grow Minnesota![®]'s Guide to business funding



Business funding

The key for any successful initiative

Access to external capital is vital for the growth and development of businesses and the economy in Minnesota. It provides the necessary financial resources to innovate, expand operations, create jobs and drive economic growth beyond what internal resources alone can achieve.

However, navigating the complex landscape of business funding can be daunting, whether you're an aspiring entrepreneur with a groundbreaking idea, a small business owner looking to expand or a seasoned company seeking to finance your next growth phase.

Grow Minnesota!'s Guide to Business Funding Resources aims to simplify the process by providing guidance on how to access different financial solutions in Minnesota, insights on when to access them and where to find support through the process.

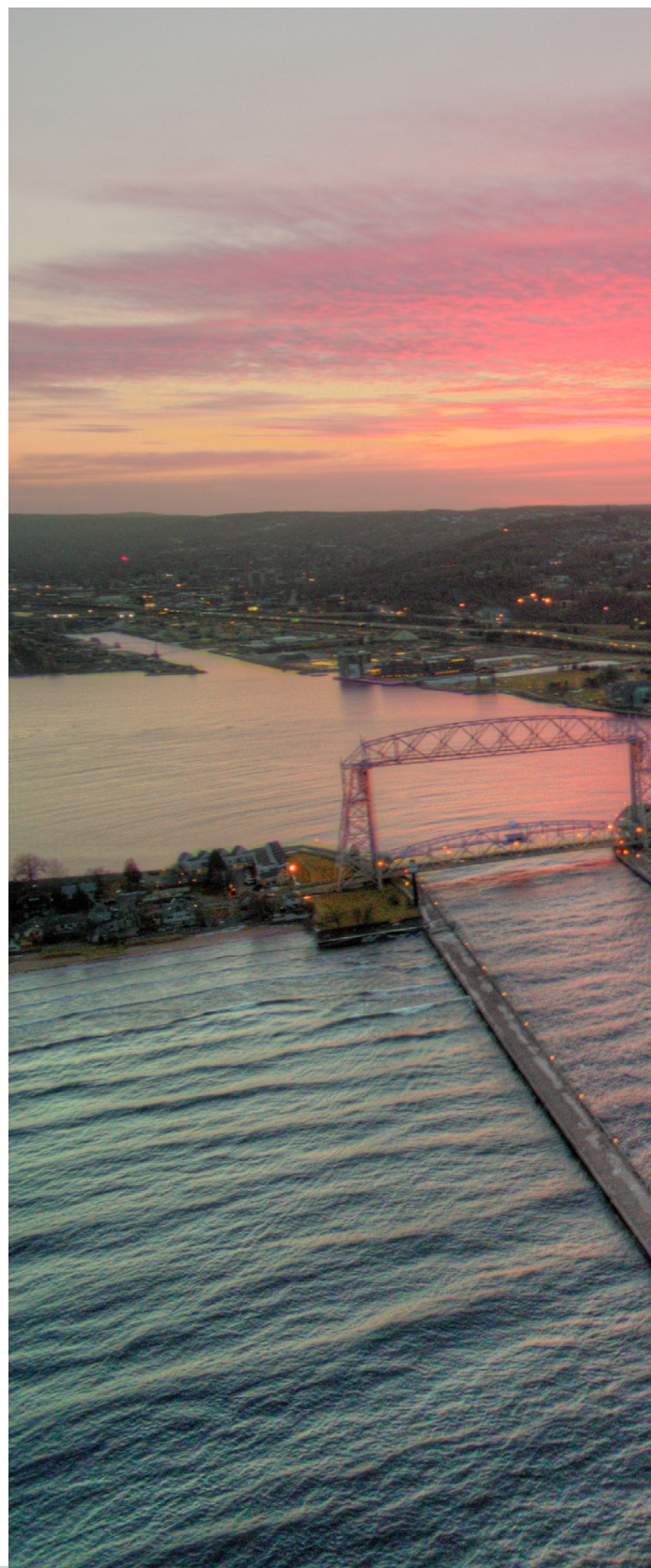
About Grow Minnesota!

Grow Minnesota! is the Minnesota Chamber's premier economic development program focused on retaining and growing Minnesota businesses. Our staff helps businesses overcome challenges, make new connections and grow — in any part of the state. The team meets with businesses around the state to discuss plans or walk through resources.

When you meet with the Grow Minnesota! team for assistance, we:

- Walk you through resources in this guide,
- Determine what resources fit your business,
- Introduce you to the next steps and connect you with the right people to get started.

If you would like one-on-one assistance, please contact the Grow Minnesota! team at growminnesota@mnchamber.com or 651-292-4650.



Access these
resources



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Grow Minnesota!®'s Guide to business funding





Sources of capital for Minnesota businesses



Private-sector funders

- » Banks/traditional lenders
- » Online lenders
- » Private equity
- » Crowdfunding platforms
- » Angel investors
- » Venture capital



Nonprofit lenders

- » Community development financial institutions (CDFIs)
- » Minnesota Initiative Foundations (CDFIs covering each region in Greater Minnesota)
- » Other nonprofit lenders/CDCs



Government agencies

- » Minnesota Department of Employment and Economic Development (DEED)
- » Small Business Administration (SBA)
- » Other state and federal agencies
- » City and county economic development agencies

Databases to find business funders

MN Supplier Match

The Minnesota Chamber offers an online, searchable database of Minnesota suppliers representing all industries and sizes of companies across the state. Businesses looking for financing partners can search by the following categories:

- Small business lenders
- Other investment capital (private equity, mezzanine funding, equity note, etc.)

Access this free database at mnchamber.com/your-opportunity/mn-supplier-match.

Launch Minnesota investor directory for startups

The Department of Employment and Economic Development (DEED) maintains a list of investors that provide:

- Angel investment
- Venture capital and other startup equity investments

Access the list of over 40 Minnesota investors here: mn.gov/launchmn/capital/investors/.

Grow Minnesota! business and Economic development resources directory

The Grow Minnesota! resources directory lists:

- Public and nonprofit grants
- Tax credits
- Loan programs available to businesses around the state

Access this directory at mnchamber.com/business-and-economic-development-resources.

Funding throughout the business growth cycle

The “business growth cycle” serves as a framework to define the four stages of business growth from its inception to maturity. These stages are flexible, non-linear and can be influenced by various factors. As a business progresses through these stages, its funding requirements also evolve. Tailored financial strategies align with each stage’s unique growth objectives and market dynamics.

1. Startup

For startups, obtaining capital can be difficult because they lack financial history and are considered riskier. However, starting a business can be relatively inexpensive, depending on the capital intensity of the industry and the firm’s operations. Entrepreneurs often rely on personal savings, angel investors, or support from friends, family, governments or nonprofits to acquire this capital. SBA 7(a) loans and traditional financing can be sources of capital for many new businesses. Venture capital may also be a source of capital for startups with high growth potential and innovative products.

2. Growth

Businesses on a growth trajectory often require external capital to fuel their expansion plans. During the early stages, SBA loans can be a good lending source, with traditional financing options becoming more easily accessible after the company has demonstrated two to three years of steady cash flow. Asset-based lending is a prevalent financing option for companies with high-value goods. Alternatively, equity financing provides access to substantial funds, expertise, and valuable connections.

3. Maturity

A stable, established business with a strong market presence has greater access to a wide range of equity and debt financing tools.

4. Decline or renewal stage

In this phase, companies may require capital for various reasons, such as restructuring, rebranding, or launching new product lines to regain their market position. In addition, financing may be necessary for diversification into new markets or industries, as well as for addressing financial challenges and managing debt to turn around the business’s performance. Depending on the company’s health and trajectory, it may adopt different financing strategies from the previous three stages.



Creating a funding network

Businesses benefit from establishing a diverse network of capital providers due to the varying financial needs they encounter throughout their growth journey. Relying on a single source of capital can be risky, especially as a business evolves. By cultivating relationships with various capital providers such as traditional lenders, angel investors, venture capitalists, government and nonprofit business support programs, and crowdfunding platforms, businesses can access various funding options tailored to different stages, sizes and purposes.

Where to start?

1. Review the funding options listed in this resource guide.
2. Talk to a trusted business advisor. Small businesses can get free in-depth consulting and mentoring from organizations like SCORE and the Small Business Development Center (SBDC) to develop a business funding strategy that fits the unique needs of their business.
 - » [SCORE](#): Provides free one-on-one mentoring, workshops, and resources for small business owners, including guidance on securing financing.
 - » [Small Business Development Centers](#): The SBDC provides free one-on-one consulting to new and established small businesses. Minnesota has nine regional SBDC offices plus additional satellite offices throughout the state.
3. [Contact the Grow Minnesota! team](#) for assistance further navigating these resources and connecting with the right contacts at these funding organizations.

Overview of capital sources for Minnesota businesses

Private sector funders

Banks/traditional lenders

Banks and other conventional lenders are financial institutions that provide a range of financial services, including loans, credit lines and financing, to individuals and businesses. They usually have thorough lending criteria and application processes that assess creditworthiness, collateral and repayment capability. Although obtaining financing from banks can be challenging for startups and businesses with limited financial history or higher risk profiles, businesses can benefit from traditional lenders by receiving stable, dependable funding and the opportunity to establish a long-term banking relationship.

Type of providers: There are various types of banks, such as community, regional, national and international. Businesses should assess what type of bank best meets their needs as the company's funding requirements and geographic reach change over time.

Resources to identify providers:

- [MN Supplier Match](#)

Alternative lenders

Alternative financing refers to obtaining capital without relying on traditional banks. While many alternative lenders operate strictly online, local firms also have a physical presence in Minnesota. Unlike conventional business lenders, these alternative lenders usually have less strict qualification criteria, simpler application processes, and quicker funding times. However, some non-traditional loans may have potential drawbacks,

such as high interest rates, upfront fees and limited payment flexibility. Therefore, conducting thorough research and due diligence is essential before selecting a lender for your business.

Resources to identify providers:

- [MN Supplier Match](#)

Crowdfunding

Crowdfunding is financing a business venture where many people donate small amounts of money, usually through online platforms. It is a popular method for creative projects and carries a lower risk for the business owner. Businesses can use crowdfunding in the early stages of a business to support product development, market validation or initial operations.

Type of providers: Crowdfunding has three types: donation-based, reward-based, and equity-based. Donation-based crowdfunding is for charitable, creative, or personal causes where people contribute money without expecting financial gains. Reward-based crowdfunding is where individuals fund a project in exchange for non-financial rewards. Equity-based crowdfunding allows people to invest in a company in exchange for equity shares, potentially leading to financial returns.

Resources to identify providers:

- [MNvest](#)
- [Silicon Prairie portal and exchange](#)
- [Kickstarter](#)
- [Indiegogo](#)
- [GoFundMe](#)

| Type of institution | Geographic scope | Best for |
|-----------------------|------------------|---|
| Community finance | Local community | Small businesses, personalized banking services |
| Regional finance | Larger region | Local and regional lending, higher lending limits |
| National finance | Nationwide | Comprehensive banking, large capital needs in multiple jurisdictions, investments |
| International finance | Global | Cross-border trade, foreign exchange, investment banking |



Angel investors

Angel investors are individuals who provide seed funding for early-stage business ventures in exchange for equity. They invest their own money and are suited for pre-revenue or early-stage startups with a limited cash flow history. They typically want to see an exit strategy at some point to generate a return on their investment. Entrepreneurs can find angel investors through personal and professional networks or intermediaries such as private angel investment groups and government or nonprofit entities.

Resources to identify providers:

- [Launch Minnesota investors directory](#)
- [Minne Inno guide to angel investors and venture capital](#)
- [Gopher Angels](#)
- [Groove Capital](#)

Venture capital

Venture capital funds startups and early-stage companies with high growth potential. It provides financial support, guidance, mentorship and industry connections for companies needing capital to scale rapidly. Venture capitalists can include wealthy individuals (accredited investors), specialized venture capital firms, corporate venture arms and government-backed investment programs.

Resources to identify providers:

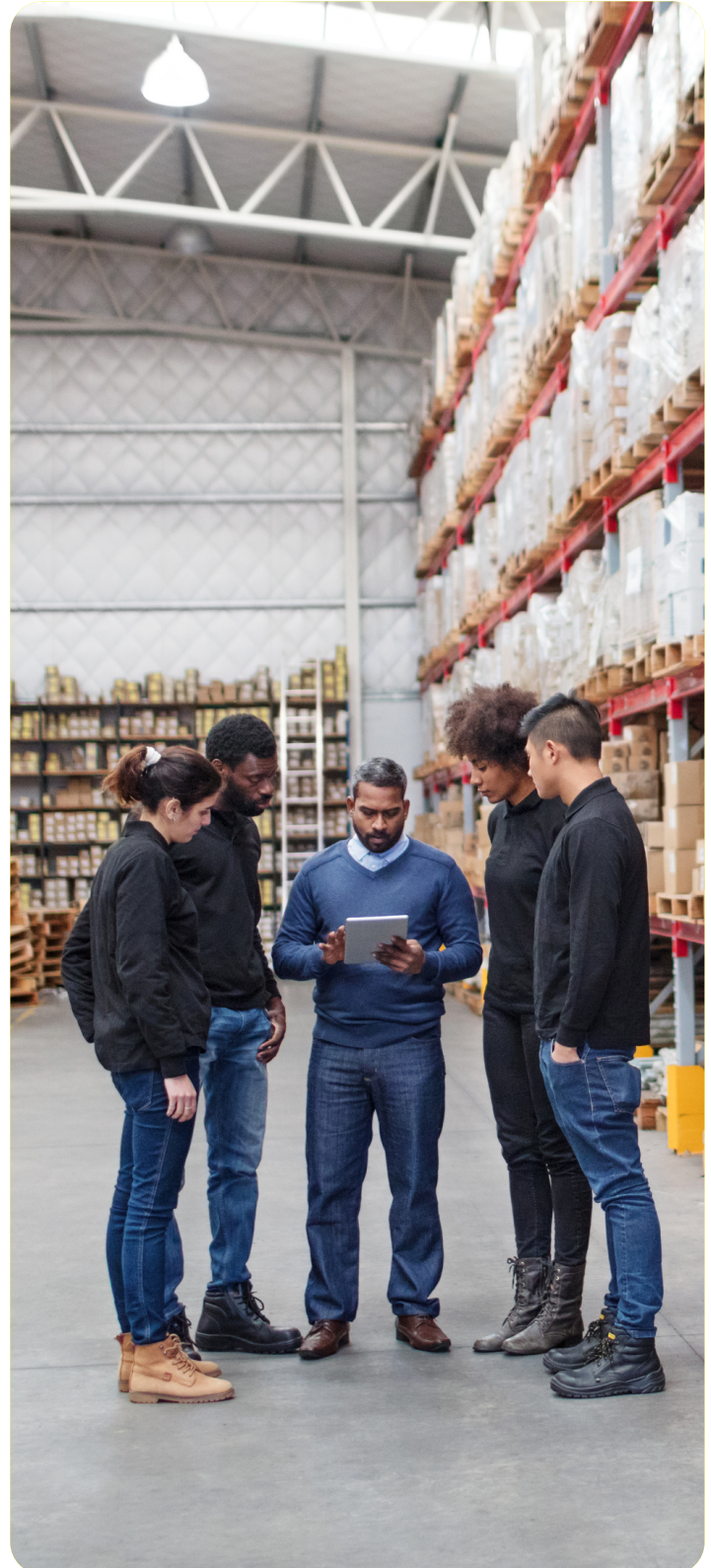
- [Launch Minnesota investors directory](#)
- [Minne Inno guide to angel investors and venture capital](#)

Private equity

Private equity funding involves investments made by firms into businesses to acquire ownership stakes, enhance operational performance and ultimately generate returns on investment. Private equity is commonly used in the later stages of a business's growth, particularly when the company has already established a track record of operations and seeks significant funding for expansion, acquisitions or operational improvements.

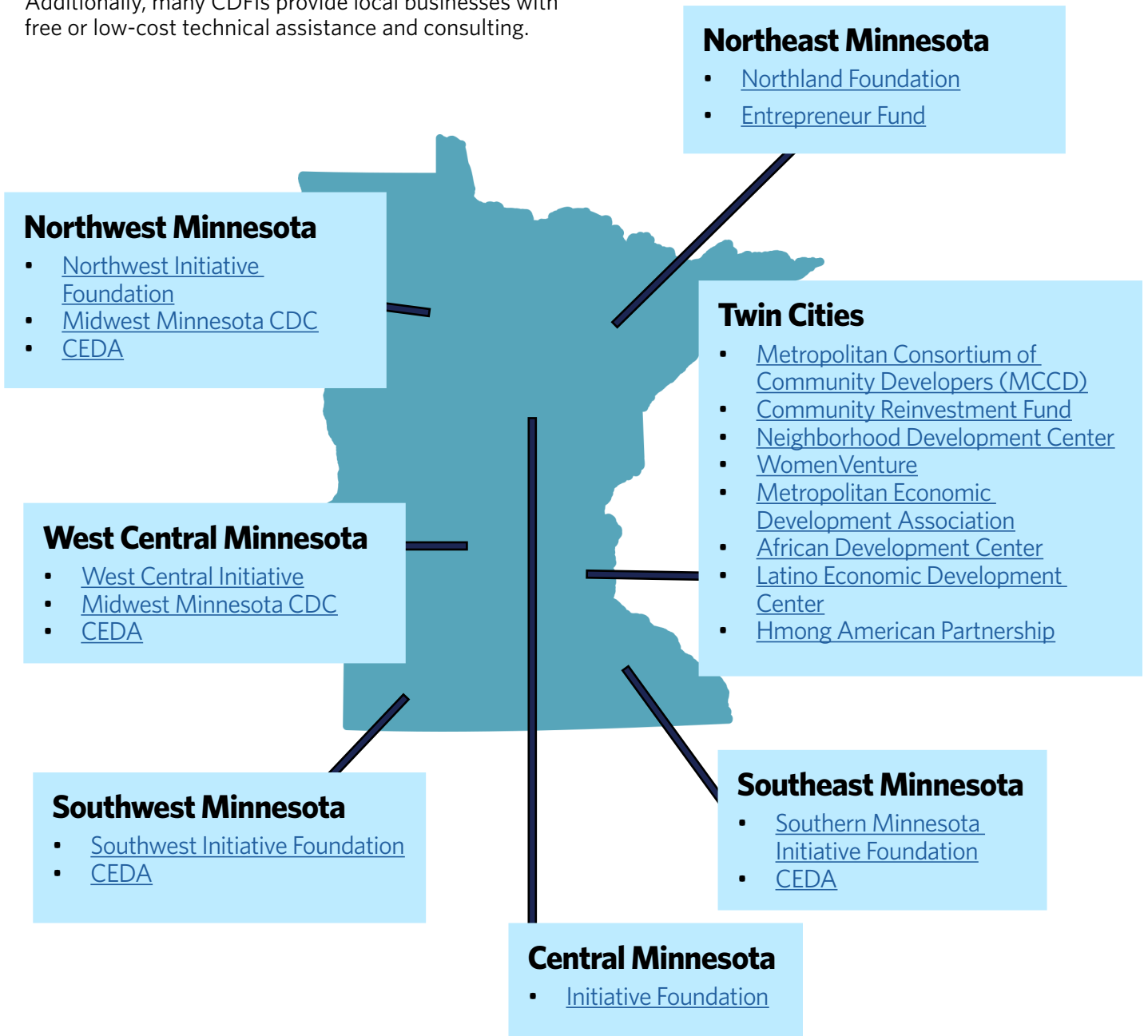
Resources to identify providers:

- [MN Supplier Match](#)



Community and regional nonprofit funders

Minnesota businesses can seek funding from community-based nonprofit organizations that offer financing to local businesses. These community development financial institutions (CDFIs) and community development corporations (CDCs) may provide access to capital for businesses that cannot secure sufficient financing through traditional lenders. Additionally, many CDFIs provide local businesses with free or low-cost technical assistance and consulting.





Government agencies with business funding programs

Local and state government agencies may offer business financing options to support economic development, incentivize certain activities (such as workforce training or recycling) or address barriers for disadvantaged businesses.

Primary state and federal agencies with business financing include:

Minnesota Department of Employment and Economic Development (DEED)

DEED is the primary state agency charged with supporting business activity in Minnesota. They offer various grants, tax credits, loan programs and free advisory services to businesses.

Resources to identify financing programs:

- [Business financing webpage listing all DEED business financing programs](#)
- [Small Business Assistance Office](#)
 - » Businesses can call or email this office to get assistance and be referred to a specific funding program or consulting service
 - » 651-556-8425 or 800-310-8323
 - » Email: deed.mnsbao@state.mn.us

U.S. Small Business Administration (SBA)

The SBA is a federal agency that supports entrepreneurs and small businesses by providing capital, counseling and contracting assistance. One of their services is to offer lending support to small businesses through federal guarantees on loans disbursed via partner lenders like banks, credit unions and CDFIs. The SBA has offices in all 50 states, including a location in Minneapolis.

Three of the most common SBA loans include:

- [SBA 7\(a\)](#) loans provide financial assistance for various business purposes, including working capital, equipment purchase, and real estate acquisition.
- [SBA 504](#) loans are specifically intended for real estate and long-term equipment purchases.
- [SBA Microloans](#) are smaller loans (up to \$50,000) designed to help startups and small businesses with working capital, inventory, equipment, and other needs.

Additional state and federal agencies with business financing programs

This is not a comprehensive list of all state and federal agencies with business funding.

- [Minnesota Department of Labor and Industry](#)
- [Minnesota Pollution Control Agency](#)
- Minnesota Department of Agriculture
 - » [Loans](#)
 - » [Grants](#)
- [United States Department of Agriculture \(USDA\)](#)
- [Minnesota Department of Iron Range Resources and Rehabilitation](#)

Local government agencies

Many city, county and regional authorities offer local business financing. To identify local government funding opportunities, go to the official website of your city or county.

Quick tip

City and county websites often have a tab or link on their homepage that says "business", "economic development" or another related term. Clicking on that tab will typically bring you to the page that lists available funding programs offered by the city, county, or regional authority. Alternatively, you can contact the main phone number on the city's website for more information.

For further assistance, contact our Grow Minnesota! team or a local chamber of commerce or economic development organization near you.

Grants and tax credits for Minnesota businesses

Minnesota offers a range of business grants and tax credits that encourage certain kinds of activities that benefit the public.

Below are grant and tax credit programs to support workforce training and hiring activities, business expansion projects, entrepreneurship and innovation, exporting and sustainability.

For assistance navigating these programs or identifying additional grants, tax credits or loan programs, contact our Grow Minnesota! team for a free one-on-one consultation.

Workforce training and hiring

- [Job Skills Partnership](#)
 - » DEED
 - » Provides grants of up to \$400,000 to educational institutions that partner with businesses to develop new-job training or retraining for existing employees.
- [Job Training Incentive Program](#)
 - » DEED
 - » Provides training grants of up to \$200,000 to new or expanding businesses in Greater Minnesota. Businesses must be located outside the seven-county Twin Cities metro and add at least three new jobs with wages at least equal to 120% of federal poverty guidelines for a family of four. Jobs must be 32 hours of work per week for a minimum of nine months per year.
- [Dual Training Pipeline](#)
 - » Minnesota Office of Higher Education and Department of Labor and Industry
 - » Employers or organizations of employers may apply for grants to reimburse expenses related to instruction toward attaining an industry-recognized degree, certificate or credential for their employees. A grantee can receive up to \$150,000 a year, of which a dual trainee can benefit up to \$6,000 per year. Grants cover advanced manufacturing, agriculture, health care services or information technology activities.
- [Automation Training Incentive Program](#)
 - » DEED
 - » Provides training grants of up to \$35,000 to small businesses implementing new automation technology. Businesses must be located outside the seven-county Twin Cities metro and have fewer than 250 employees company-wide.
- [Work Opportunity Tax Credit](#)
 - » IRS
 - » The Work Opportunity Tax Credit (WOTC) is a federal tax credit available to all private sector businesses to incentivize employers to hire workers in certain groups who consistently experience high unemployment rates. The tax credit allows employers to reduce their federal tax liability by up to \$9,600 per new hire. For-profit

Quick tip

Businesses should beware of advertisements or marketing emails that promise grants to start a business or for general business purposes. Business grant programs are rare and usually are narrowly focused to incentivize specific kinds of activities that are in the public interest.



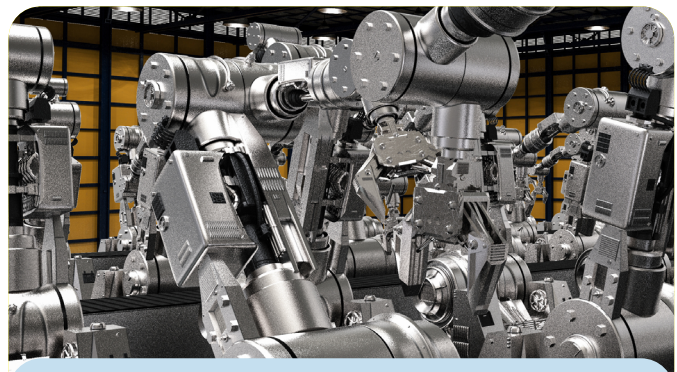
businesses of any size can qualify. And, the tax credit applies to temporary, seasonal, part-time and full-time workers. There is no limit to the number of new hires an employer may claim for the WOTC in any calendar year.

- [SciTech Internship Reimbursement](#)
 - » MnTech
 - » SciTech connects STEM college students (science, technology, engineering and math) to paid internships that provide rewarding hands-on experience in small Minnesota businesses. Employers receive assistance finding qualified candidates and a wage reimbursement to cover 50% of the intern's wages (capped at \$2,500) when they hire a student through SciTech.

Business expansion incentives

Primary expansion incentives: The Job Creation Fund and Minnesota Investment Fund are two of Minnesota's primary financing tools to incentivize business expansions in the state.

- [Job Creation Fund](#)
 - » DEED
 - » The Job Creation Fund provides financial incentives to new and expanding businesses that meet certain job creation and capital investment targets. Businesses must apply through the local government unit (city, county, or township) where the project will be located. Companies deemed eligible to participate may receive up to \$1 million for creating or retaining high-paying jobs, constructing or renovating facilities, or making other property improvements. In some cases, companies may receive awards of up to \$2 million. Since its inception in 2014, the median JCF award has been \$190,750; the largest award received is \$1,750,000.
- [Minnesota Investment Fund \(MIF\)](#)
 - » DEED
 - » The Minnesota Investment Fund provides financing to help add new workers and retain high-quality jobs statewide. Applications for MIF funds are submitted by the local unit of government, which will disburse the funds to the business if the state approves the MIF application. This incentive is offered as a loan with a maximum 20-year term for real estate or a maximum 10-year term for machinery and equipment. However, in some cases, the loan can be partially or entirely forgiven by the local government. Since the program's inception in 2014, the median MIF award amount is \$325,000, with the largest award reaching \$4,250,000.
- [Minnesota Forward Fund](#)
 - » DEED
 - » The Minnesota Forward Fund provides resources that the state can leverage to increase business retention, expansion, and the attraction of projects in both new and existing industries; it also includes funding to meet the state match requirements of federal funding programs, such as the CHIPS Act. Only projects for which federal funding requires state matching dollars are eligible for the Minnesota Forward Fund.



Companies interested in the Job Creation Fund or Minnesota Investment Fund can learn more by contacting a DEED business development manager, local economic development agency or the Grow Minnesota! team.

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Additional expansion incentives:

- [Greater Minnesota Job Expansion Program](#)
 - » DEED
 - » The Greater Minnesota Job Expansion Program provides tax benefits to businesses located in Greater Minnesota that increase employment. Qualifying businesses that meet job-growth goals may receive sales tax refunds for purchases made during a seven-year period. Eligible businesses must be located outside of the seven-county Twin Cities metro.
- Local incentives (TIF, tax abatement, etc.)
 - » Various city, county or regional authorities
 - » Many local government units provide financing to support business expansions in their communities. Incentives are available in different forms, such as tax increment financing, property tax abatements, or low-interest or forgivable loans. To learn more about local financing in your area, get in touch with your local or regional economic development agency, local chamber of commerce or the Grow Minnesota! team.

Innovation and entrepreneurship

- [Launch Minnesota Innovation Grant](#)
 - » DEED
 - » Grants for Minnesota startups that provide up to \$35,000 for business operations, including research and development, direct business expenses and technical assistance. To be eligible, the business must have its primary business activity be in innovative technology or an innovative business model or product. The business must also be headquartered in Minnesota, have been in operation for less than ten years, have raised less than \$1 million in equity financing and have not previously received an Innovation Grant.
- [SBIR/STTR](#)
 - » Coordinated by the SBA, but funding comes from various federal agencies
 - » The Small Business Innovation Research (SBIR) and Small Business Technology Transfer (STTR) programs are highly competitive programs that encourage domestic small businesses to engage in Federal Research/Research and Development (R/R&D) with the potential for commercialization.
 - » There is a Minnesota-based nonprofit called [MNSBIR, Inc.](#) that provides free guidance and assistance to Minnesota applicants pursuing SBIR/STTR grants.
 - » DEED's Launch Minnesota program also offers grants to first-time SBIR/STTR awardees (up to \$35,000 for Phase I awardees and up to \$50,000 for Phase II awardees). Learn more [online](#).
- [R&D Tax Credit](#)
 - » Minnesota Department of Revenue
 - » The R&D credit is equal to 10% of qualifying expenses up to \$2 million and 4% for expenses above that level. Qualifying expenses are the same as for the federal R&D credit - defined in Section 41 of the Internal Revenue Code - but must be for research done in Minnesota. Note: Businesses can also file for the [Federal R&D tax credit](#).



Quick tip

Talk to a qualified accountant or tax professional to identify whether you are eligible and learn how to claim this R&D tax credit.



- [Angel Investment Tax Credit](#)
 - » Minnesota Department of Revenue
 - » Minnesota's Angel Tax Credit provides a 25% credit to investors or investment funds that make equity investments in startup companies focused on high technology, new proprietary technology, or a new proprietary product, process or service in specified fields. The maximum credit is \$125,000 per person per year (\$250,000 if filing jointly). The credit is refundable. Residents of other states and foreign countries are eligible.

Exporting and trade

- [STEP Grant](#)
 - » DEED and SBA
 - » Small businesses may apply for reimbursement of up to \$500 for export training that will result in developing an export strategy or up to \$7,500 for approved export-development activities.
- [Foreign trade zone](#)
 - DEED
 - A Foreign Trade Zone is the U.S. version of an International Free Trade Zone. Always located near a Port of Entry, an FTZ can be used to store foreign or domestic goods, re-package materials, assemble products, manufacture or re-export goods without paying Customs duties.

Energy and environment

- [Business Energy Efficiency Grant](#)
 - » Energy Smart, Minnesota Chamber of Commerce
 - » Grants of up to \$5,000 (or up to \$7,000 for Minnesota Chamber members) to motivate business owners to complete energy efficiency projects that would otherwise not have been completed without the aid of the BEEGP.
 - » *Note: Energy Smart helps businesses identify additional rebates and grants for efficiency projects and provides free on-site consultations and assistance to find opportunities to reduce your electricity and natural gas use to save money and reduce emissions.*
- [Grant and funding assistance](#)
 - » Waste Wise, Minnesota Chamber of Commerce
 - » Waste Wise provides on-site consultations to help businesses identify new ways to recycle, maximize reuse, and explore new waste reduction options. They can connect businesses with local grants that make waste reduction and recycling improvements more affordable and accessible.
 - » *Note: Waste Wise also offers direct grants up to \$4,000 to Minnesota Chamber members for eligible waste reduction projects.*
- [Minnesota Pollution Control Agency \(MPCA\) Grants and Loans](#)
 - » MPCA
 - » The state's Pollution Control Agency offers a variety of grants and loans for sustainability-related projects.
- [DSIRE](#)
 - » N.C. Clean Energy Technology Center
 - » A comprehensive source of information on incentives and policies that support renewable energy and energy efficiency in the United States. Type in your zip code to find local incentives near in your area.
- [REAP](#)
 - » US Department of Agriculture
 - » The rural Energy for America Program (REAP) has been provided over \$2 billion for renewable energy systems and energy efficiency improvement grants for agricultural producers and rural small business owners through 2031. Provides 50% matching grants on project cost up to \$500k for efficiency and \$1M for renewables.

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MN SUPPLIER MATCH

An online, searchable database of Minnesota suppliers representing all industries and sizes of companies across the state. Buyers can find suppliers by keyword search or by selecting from among 60 product and service categories. Supplier profiles include basic company information, product descriptions and other fields that help you quickly determine whether the supplier is a potential fit for your business. All of the financing services are specifically tagged as such with a brief description of their related product.

Each of the private service provider categories are available to search by the following titles:

- Small business lending
- Venture capital funds
- Angel investment
- Other investment capital (mezzanine funding, equity note, private equity)

To access the database or be listed as a supplier, visit our webpage at mnchamber.com/your-opportunity/mn-supplier-match.

