



FY25 Minnesota Emerging Entrepreneur Program Annual Report

As required by Minn. Stat. § 116.18 Subd. 8

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Program Background

The Minnesota Emerging Entrepreneur Loan Program (ELP) is established to award grants to a network of nonprofit corporations, Tribal economic development entities, and community development financial institutions (Lenders) to fund loans to businesses owned by minority or low-income persons, women, veterans, or people with disabilities. Loans made pursuant to this program are to encourage private investment, provide jobs for minority and low-income persons, create and strengthen minority business enterprises, and promote economic development in low-income areas. Loan amounts range from \$5,000 to \$150,000 at an interest rate not to exceed the Wall Street Journal prime rate plus two percent subject to a maximum rate of 10 percent. Lenders may charge a loan origination fee not to exceed one percent of the loan value. Up to 10 percent of a loan's principal amount may be forgiven if the borrower has met lender and agency criteria.

This report is submitted as directed under Minn. Stat. 116M.18, Subd. 8.

History

ELP was created by the legislature during the 2016 session. The program is the successor to the Minnesota Urban Initiative Loan Program, which was created in 1994 to assist small businesses located in low-income areas of the Twin Cities Metro. Under ELP, the program was expanded to the entire state and became focused solely on the identified underserved targeted groups.

In September 2016, and then again in September 2021, DEED solicited lenders by publishing a request for proposals to participate in the program and deliver ELP funds to businesses. In 2016, applications were received from 25 organizations and 23 were approved by the grant review panel. In 2021, DEED received 27 applications and 26 were approved. The review panel included DEED staff and community reviewers. Funds are disbursed to Lenders as DEED approves loan packages submitted by lenders. The first loan under the program was approved in March 2017.

During the 2024 legislative session, Minn. Stat. 116M.18 was amended to include the following: Tribal economic development entities and community development financial institutions (CDFIs) as eligible Lenders; a Preferred Partner designation was added to facilitate more efficient loan approvals and these Lenders do not require commissioner approval prior to approving and closing loans; the addition of loan forgiveness of up to 10 percent of the principal amount based on criteria approved by the commissioner, including payments being current for two years; reducing the maximum loan interest rate to 10 percent or Wall Street Journal prime rate plus two percent, whichever is lower; allowing a fee in lieu of interest on loans to serve more communities; and providing Lenders a fee equal to one percent of the loan value for every loan closed to offset administrative expenses.

The program has received a total of \$8.36 million in appropriations spanning state fiscal years 2017 through 2026. The funds are supplemented by repayments made under the program. The program received an appropriation of \$1 million in each year through the 2024-2025 biennium. During the 2025-2026 biennium, the program’s budget was reduced by 50 percent, resulting in an allocation of \$500,000.

Loan Activity

During the calendar year ending December 31, 2025, ELP awarded \$1.53 million for 33 projects, leveraging \$15 million in non-DEED financing, as detailed in Appendix A. This 2025 report is based on a calendar year and previous reporting years prior to 2024 were based on the state fiscal year ending June 30. Note that for the six-month gap in reporting from July 1, 2023, through December 31, 2023, ELP awarded \$1.01 million for 33 projects leveraging \$9.61 million in non-DEED financing. Since program inception, more than \$14 million in ELP loans have been issued. A summary is shown below in Table 1.

Table 1 – Loan Activity and Amount of Private Capital Leveraged

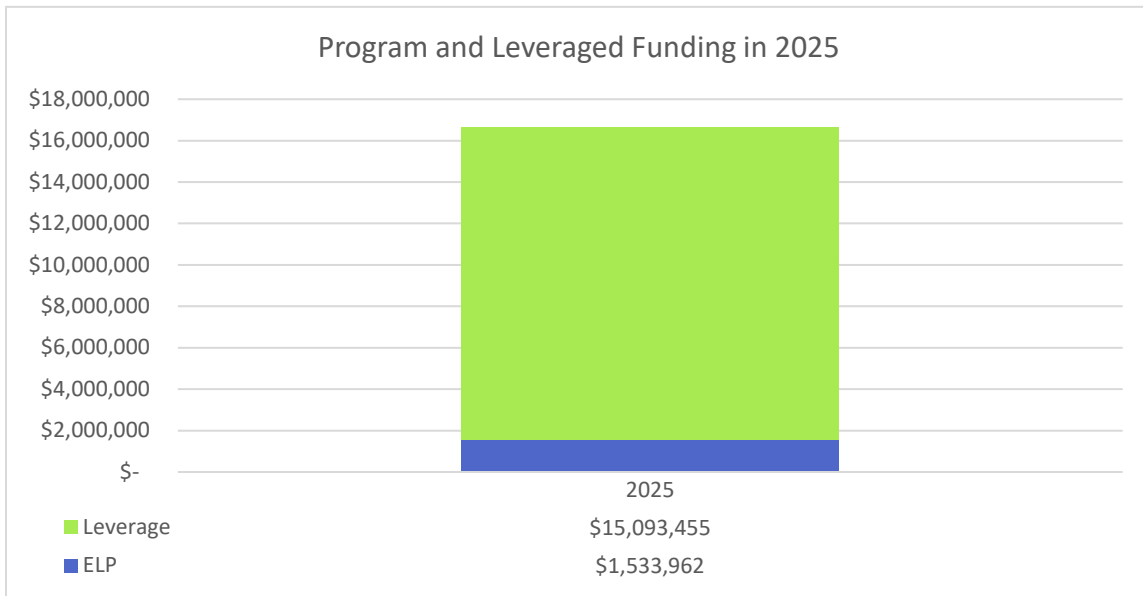
Time Period	Amount Awarded	Number of Awards	Amount of Private Capital Leveraged
Calendar Year 2025	\$1,530,000	33	\$15,090,000
Calendar Year 2024	\$2,330,000	71	\$22,960,000
July 1, 2023, through December 31, 2023	\$1,010,000	33	\$9,610,000
State Fiscal Year 2023	\$2,950,000	69	\$15,800,000
State Fiscal Year 2022	\$1,720,000	44	\$17,910,000

Leveraged Funds

ELP requires a one-to-one match for most projects, with the exception of beginning microenterprises. Beginning microenterprises are defined as businesses that have been generating revenue for less than two years and have fewer than five employees. Most industries are eligible to use ELP funds; however, retail establishments may only be financed if they qualify as beginning microenterprises.

The state contribution toward a loan must be matched by at least an equal amount of new private investment and may not be used for retail development projects. Program and leveraged funds is shown in Figure 1.

Figure 1.

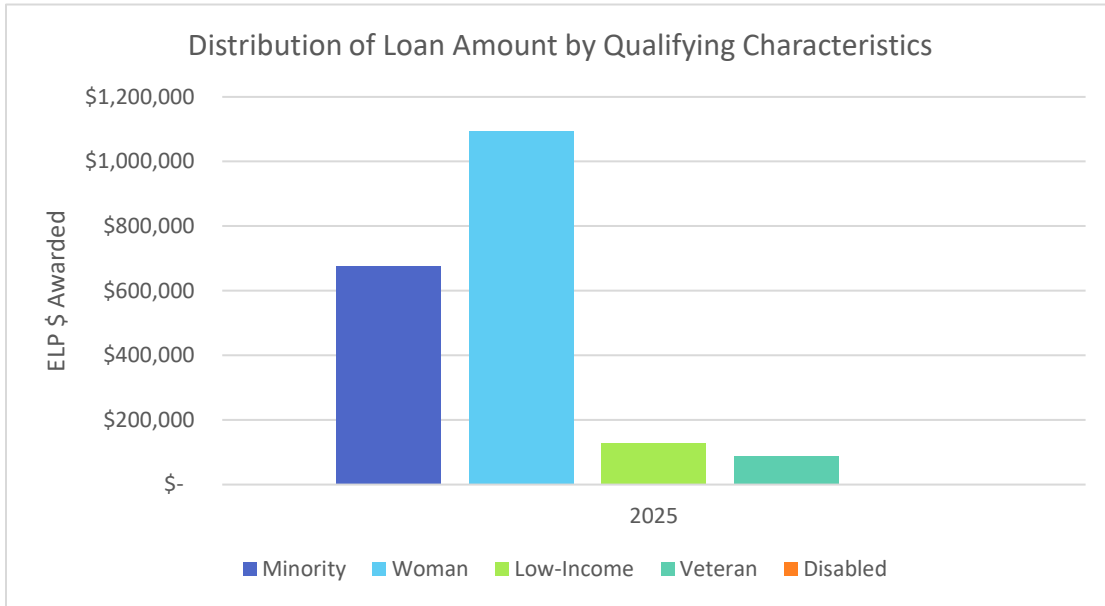


Targeted Groups

ELP funds must be used to finance businesses owned and operated by individuals with qualifying characteristics. The loan applicant must certify that individuals who own at least 51 percent and operate the business belong to at least one of the five targeted groups: minorities, individuals experiencing low-income, women, veterans, and persons living with disabilities. Minority individuals and women self-certify that they qualify. The program requires verification of eligibility from the other three groups. Low-income borrowers must be below 80 percent of median income, adjusted for family size, for their county of residence as of their most recent tax return. Veterans must demonstrate honorable discharge and may have served at any time. Individuals living with disabilities must fit within the Americans with Disabilities Act definition of disabled.

The three groups most served by the program statewide are women, minority individuals and low-income individuals. Individuals may claim more than one qualifying characteristic. The number of awards made in 2025 to each demographic group is: minority – 14; low-income – 3; women – 24; veteran – 2; and disabled – 0. Since many businesses are owned by individual(s) who have more than one qualifying characteristic, the sum of these numbers does not reflect the number of projects financed. The distribution of cumulative loan amounts by qualifying characteristics supported is shown in Figure 2.

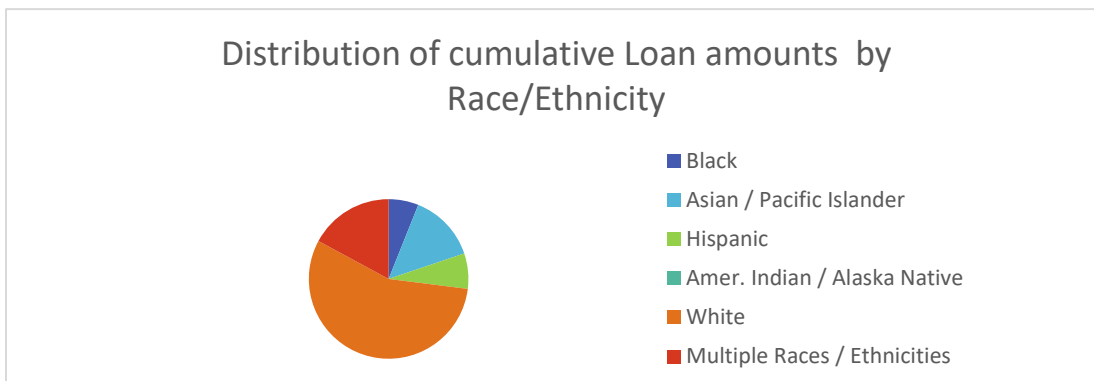
Figure 2.



Race, Ethnicity, and Gender

Due to the nature of the program, ELP funds are awarded to small businesses owned by a diverse group of individuals in terms of race and ethnicity. In 2025, the number of projects financed by race and ethnicity were: Black – 3; Asian or Pacific Islander – 3; Hispanic – 4; American Indian or Alaska Native – 0; white – 19; multiple races and or ethnicities – 4. Multiple races and or ethnicities indicates that the company is owned by individuals of different races and or ethnicities. The distribution of cumulative loan amounts by qualifying characteristics is shown in Figure 3. In 2025, ELP awarded 69 percent (n=23) to businesses owned solely or partially by women. Twenty ELP loans were issued in Greater Minnesota, with 14 of those borrowers identifying as women. In the Twin Cities Metro area, 13 loans were made, and 10 of those borrowers identified as women.

Figure 3.



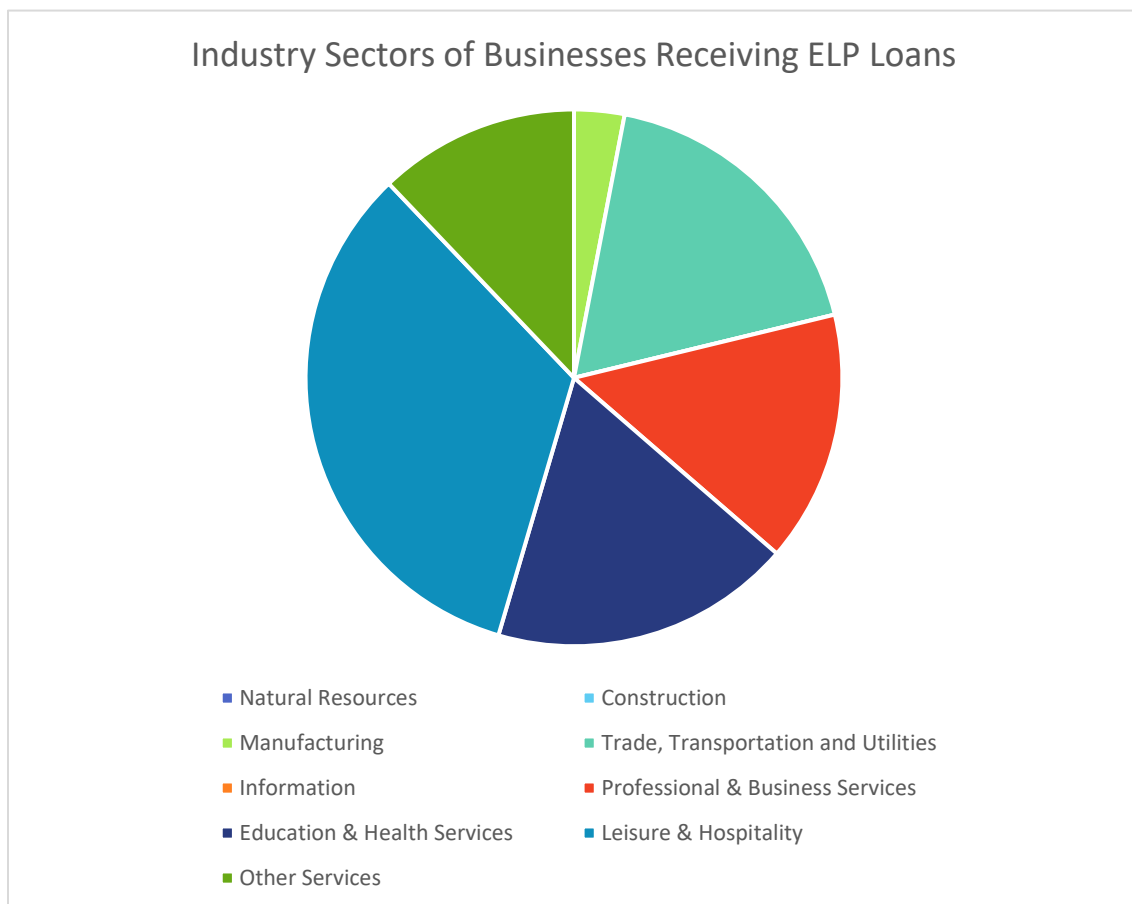
Borrower Industries

ELP funds have been used to finance businesses in nine sectors. In 2025, the following sectors were represented: Trade, Transportation and Utilities (n=6), Professional & Business Services (n=5), Education and Health Services (n=6), Leisure and Hospitality (n=11), Manufacturing (n=1), and Other Services (n=4). Examples of products and services provided by ELP businesses since the program began include:

- Trade, Transportation and Utilities: Clothing boutique, wholesale natural foods, solar panel installation, non-emergency medical services transport, trucking
- Education and Health Services: Childcare, assisted living, birth center, dance studio
- Leisure and Hospitality: Motel, restaurants, gun range, campground
- Manufacturing: Food/beverages, bath/cleaning products, heavy equipment parts, clothing
- Other Services: Auto body repair, yoga studio, pet care, salon

The distribution of industry sectors supported by the program in 2025 is shown in Figure 4.

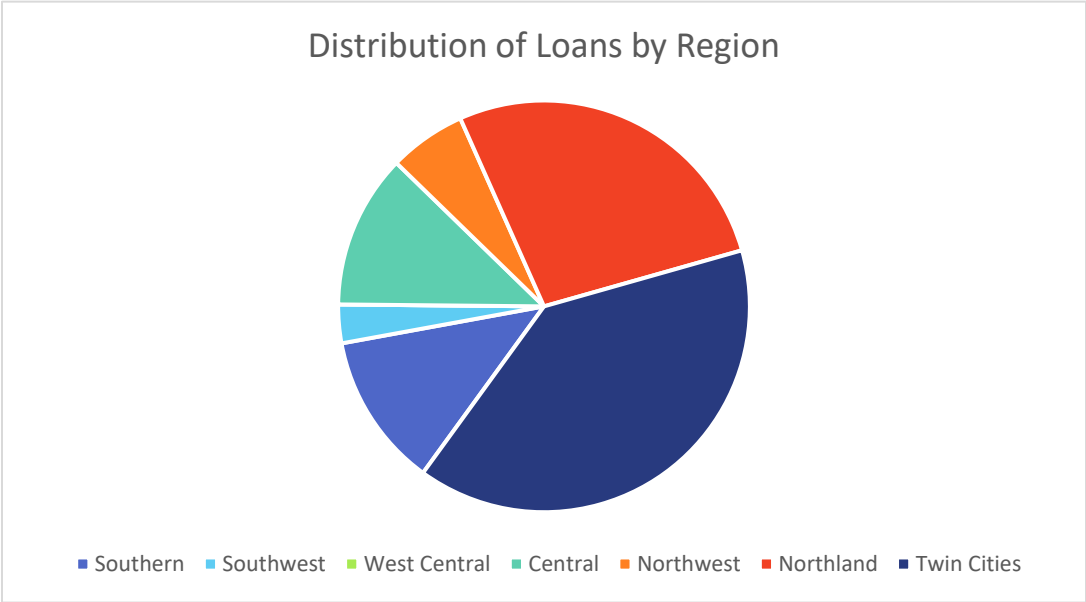
Figure 4.



Location of Businesses Receiving Loans

ELP funds are awarded to small businesses across Minnesota. To facilitate this, the program partners with lenders that focus on different areas of the state with all areas being covered by regional or statewide lenders. Currently, West Central Minnesota is the only region that does not have a lending partner dedicated to serving it. To ensure equitable distribution of lending capital in Greater Minnesota, loans are made to start-up and expanding businesses throughout the state with an approximately equal dollar amount of loans being made to businesses in the Twin Cities Metro as in Greater Minnesota from July 1 through March 31 each year. From April 1 through June 30 of each year, lending can occur without regard to business location. The geographic distribution of loans by region in 2025 is shown in Figure 5. See Appendix B for a map of 2025 awards made statewide.

Figure 5.



Stage of Businesses Receiving Loans

The program requires that businesses that receive ELP funding must face a barrier to obtaining traditional financing. As a result, many of the projects financed through the program are startup businesses and had less than two years of revenue. In 2025, 48 percent of loans supported business startups and 52 percent of loans supported business expansion and retention.

Job Creation

In 2025, 775 net new jobs were created of which 366 jobs were filled by minority persons. This information was obtained from 22 of the 26 Lenders that provided data about jobs. Lenders asked businesses with loan balances for the total number of part-time and full-time positions they employed as of December 31, 2025. Lenders also asked businesses to provide the number of jobs filled by minority persons. Net new jobs were calculated by subtracting the number of positions reported at the time of application from the total number of positions reported on December 31, 2025. Lenders were unable to obtain responses from all businesses that received loans, so these job numbers only reflect reported data. Insufficient data was obtained on job creation for low-income persons due to the sensitive nature of an employer asking employees to disclose household income and/or additional personal income.

Jobs reported in this section may not include business owners as they often are not classified as employees. However, it is important to recognize that businesses typically generate income and wealth for the owners – another important program benefit in addition to job creation.

Lender Activity

Of the 26 Lenders that were authorized to provide ELP loans to qualified businesses in their current grant contracts effective in 2021, 24 have participated in the program through December 31, 2025. Since the effective dates of the 2021 contracts through December 31, 2025, Lenders made 243 loans and provided more than \$9.19 million of ELP funds to eligible businesses. The number of projects, aggregate value of loans issued, and average loan size for each Lender varied significantly, as shown in Table 2. Other variations include geographic regions, industries and targeted populations served. Thirteen of the Lenders exclusively serve portions of Greater Minnesota and the remaining 13 Lenders serve either just the Twin Cities or a combination of the Twin Cities and Greater Minnesota.

Lenders were asked to report on outreach efforts to the program's target groups in 2025. The most common outreach activities included open office hours, trainings, presentations, and social media. Other less common outreach activities to the program's target groups included ethnic radio, newsletters, mailings, in-person visits to businesses, and word of mouth. Lenders also submitted internal financial audits, updated loan policies, board and loan committee member rosters, and details of administrative and technical assistance expenses.

Table 2 – Emerging Entrepreneur Loan Program Lender Activity through December 31, 2025

Lender	Number of Projects	Aggregate Loan Value	Average Loan size
African Development Center	20	\$669,000	\$33,450
African Economic Development Solutions	5	\$97,500	\$19,500
Central Minnesota Development Company	17	\$2,034,500	\$119,676
Community and Economic Development Associates	1	\$50,000	\$50,000
Entrepreneur Fund	60	\$1,685,801	\$28,097
First Children’s Finance	12	\$425,000	\$35,457
Greater Bemidji	1	\$75,000	\$75,000
Headwaters Regional Finance Corporation	3	\$325,000	\$108,333
Initiative Foundation	0	\$0	\$0
Latino Economic Development Center	16	\$385,000	\$24,063
Metropolitan Consortium of Community Developers	1	\$100,000	\$100,000
Metropolitan Economic Development Association	2	\$177,500	\$88,750
Midwest Minnesota Community Development Corp.	2	\$75,000	\$35,500
Neighborhood Development Center	5	\$148,000	\$29,600
New Americans Development Center	4	\$115,000	\$28,750
NextStage	41	\$1,204,250	\$29,372
North Central Economic Development Association	2	\$60,000	\$30,000
Northland Foundation	5	\$257,500	\$51,500
Northside Economic Opportunity Network	2	\$50,000	\$25,000
Northwest Minnesota Foundation	2	\$40,000	\$20,000
Rochester Area Economic Development, Inc.	1	\$100,000	\$100,000
Seward Redesign, Inc.	2	\$73,000	\$36,500
Southern Minnesota Initiative Foundation	13	\$230,000	\$17,692
Southwest Initiative Foundation	18	\$569,950	\$31,664
WomenVenture	8	\$242,500	\$30,313
Worthington Regional Economic Development Corp.	0	\$0	\$0

Program Assets and Liabilities

As of December 31, 2025, total loans receivable for DEED were \$8.04 million. The liabilities for the Lenders are the outstanding loan principal from loan funds awarded to borrowers through ELP. Loan funds are considered non-recourse to Lenders and they are not obligated to repay the portion of any loan that is subject to default if all reasonable collection efforts were undertaken. Interest earned on loans may be kept by the Lender and are restricted funds that can only be used for administrative and technical assistance (TA) related expenses. The total amount of interest used by Lenders for administrative and TA expenses in 2025 was \$406,458. The total amount of administrative expenses used by Lenders was \$13,290. Lenders are allowed to charge up to one percent of the loan value for each loan and there are no restrictions on those funds.

Lenders That Failed to Provide Required Reporting Information

Lenders are required to report each calendar year about outcomes for the businesses financed through the program. As directed under Minn. Stat. 116M.18, Subd. 8, the following Lenders failed to provide the required annual report as of February 15, 2026:

- Metropolitan Economic Development Association
- New American Development Center
- Rochester Area Economic Development, Inc.
- Southwest Initiative Foundation

The following Lender submitted reports with incomplete or missing jobs data:

- African Economic Development Solutions

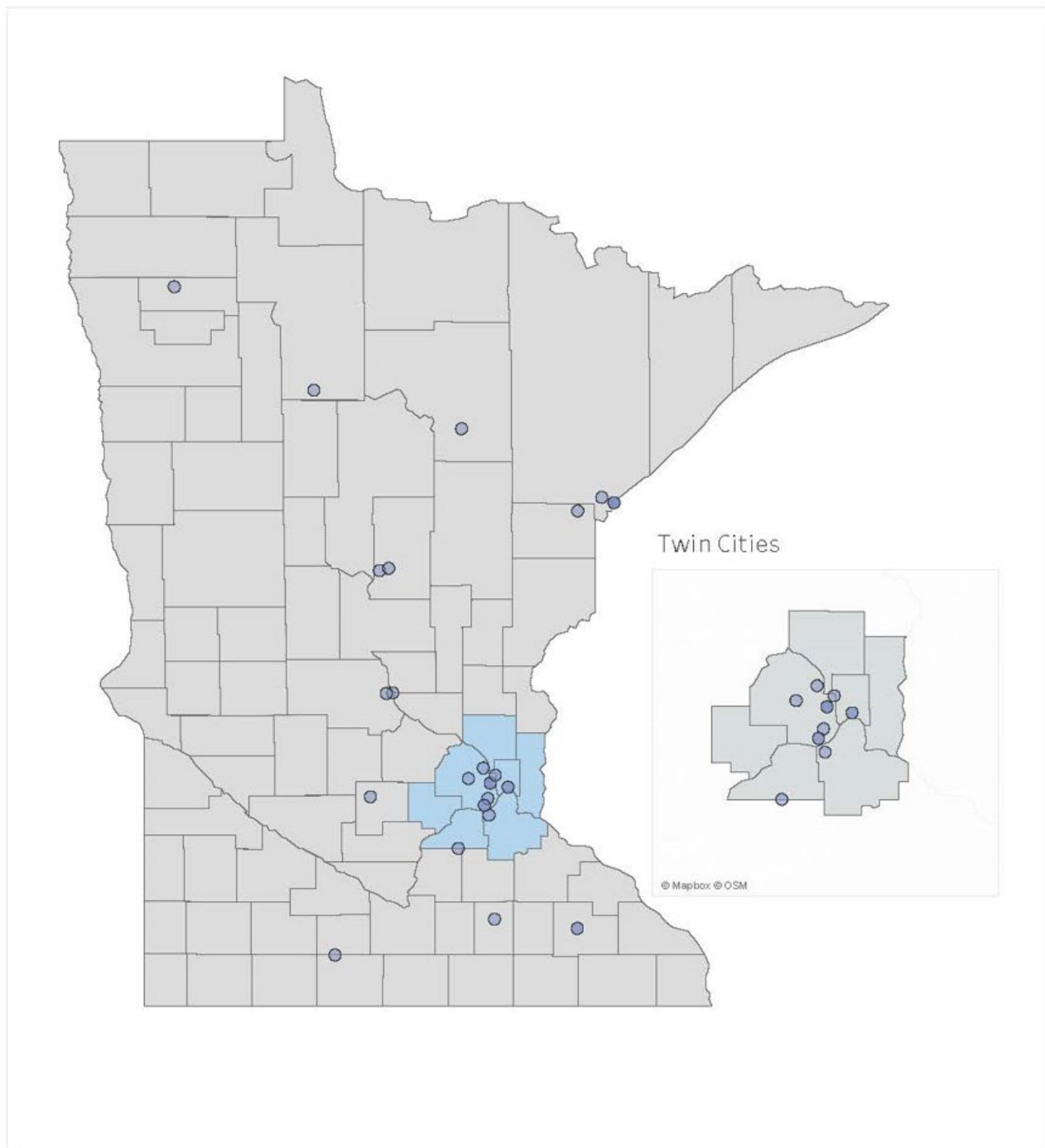
Appendix A – 2025 Loan Detail

Operating Company	Lender	Award Date	Award Amount	Leverage	Geographic Region	
					Gtr MN	TC
WILD Glow Tanning LLC	Entrepreneur Fund	1/6/2025	\$48,500	\$12,500	x	
Lee Foster Care LLC	Entrepreneur Fund	3/11/2025	\$150,000	\$957,000	x	
Flatgard Properties LLC dba Salon 209	Northwest Minnesota Foundation	3/6/2025	\$25,000	\$110,000	x	
Duluth Market LLC	Entrepreneur Fund	3/17/2025	\$30,410	\$18,174	x	
Sweet Cakes HQ LLC RE Holding/Sweet Cakes L. L. C. dba Nothing Bundt cakes	Central Minnesota Development Company	3/19/2025	\$150,000	\$2,750,285		x
Trash Titans LLC	Southern Minnesota Initiative Foundation	3/21/2025	\$20,000	\$17,000	x	
Stephanie Fetzer Insurance & Financial Services Inc.	Central Minnesota Development Company	4/17/2025	\$150,000	\$1,509,000		x
Taqueria Los Hermanos	NextStage	4/21/2025	\$25,000	\$35,000		x
Tortilleria La MayZteca	Southern Minnesota Initiative Foundation	5/1/2025	\$25,000	\$275,000	x	

Operating Company	Lender	Award Date	Award Amount	Leverage	Geographic Region	
					Gtr MN	TC
Mary's on Main Street LLC	Southern Minnesota Initiative Foundation	5/12/2025	\$26,000	\$188,999	x	
Stall One LLC	NextStage	5/22/2025	\$25,000	\$787,141		x
Mocha Motion LLC	Southwest Initiative Foundation	5/22/2025	\$27,000	\$61,272	x	
Los Peques LLC	First Children's Finance	6/3/2025	\$25,000	\$50,000		x
Salaam Electronics Inc.	African Development Center	6/11/2025	\$50,000	\$0	x	
DRRY Ventures, LLC	Entrepreneur Fund	6/24/2025	\$18,400	\$18,400	x	
Chico Pancho LLC	Latino Economic Development Center	7/15/2025	\$35,000	\$15,000	x	
Enat Ethiopian Kitchen LLC	Southern Minnesota Initiative Foundation	8/1/2025	\$30,000	\$366,000	x	
Jund Em Out LLC dba Steamship Games	NextStage	8/7/2025	\$40,000	\$40,000		x
Starlight Prodcutions MN LLC	NextStage	8/7/2025	\$10,000	\$10,000		x
218storage, LLC	Entrepreneur Fund	8/20/2025	\$45,000	\$734,930	x	
Havaana and Co LLC	Seward Redesign, Inc.	8/21/2025	\$45,000	\$26,000		x

Operating Company	Lender	Award Date	Award Amount	Leverage	Geographic Region	
					Gtr MN	TC
Last Turn Brew Pub L.L.C.	Entrepreneur Fund	8/27/2025	\$37,500	\$0	x	
Beaudacious Adventures LLC	Entrepreneur Fund	9/8/2025	\$35,150	\$35,150	x	
Able View Property LLC /Able View Assisted Living Inc.	Central Minnesota Development Company	9/17/2025	\$150,000	\$5,933,190		x
Pigstrength LLC dba Black Spruce CrossFit	Entrepreneur Fund	10/10/2025	\$41,763	\$57,845.70	x	
Hi Bald LLC dba The Juice Pharm	Entrepreneur Fund	10/22/2025	\$62,620	\$100,248	x	
Mindful Families, LLC	NextStage	10/25/2025	\$20,000	\$789,557		x
Purple GOATS LLC	Northside Economic Opportunity Network	11/10/2025	\$30,000	\$50,000		x
The Treasure Hunt Early Learning Center	WomenVenture	11/12/2025	\$37,500	\$37,500		x
You're Carrying Something Great LLC	Neighborhood Development Center	11/14/2025	\$18,000	\$18,000		x
Stephanie Newland dba Pawlush Luxury	Northwest Minnesota Foundation	11/21/2025	\$15,000	\$35,000	x	
SOL Supper Club LLC	Entrepreneur Fund	12/5/2025	\$3,119	\$8,080	x	
Top Dog Fuel LLC	Entrepreneur Fund	12/16/2025	\$55,000	\$47,183	x	

Appendix B – 2025 Awards Map



Note: A single point on the map may represent multiple loans.