

CHAPTER 1: INTRODUCTION

Small businesses continue to make important contributions to our national economy. Within the United States, small businesses (defined by the U.S. Small Business Administration (SBA) as independent firms having fewer than 500 employees) represent more than 99.7% of all employers, employ more than half of all private sector employees, and pay 45% of the total U.S. private sector payroll. In addition, small businesses are significant generators of new jobs, creating 60 to 80% of net new jobs annually. These figures from the SBA further substantiate that small businesses are vital engines for our nation's economic growth.¹

The North Carolina Small Business and Technology Development Center (SBTDC) publishes this report in an effort to support the growth of North Carolina's economy and to educate and serve the small business community. The SBTDC is a business and technology extension service of The University of North Carolina, administered by NC State University and operated in partnership with the U.S. Small Business Administration. Throughout our 23-year history, we have provided management counseling and educational services to help businesses meet challenges, manage change, and plan for the future.

This report provides information about financial resources available to small businesses. Ideally, it would include all sources of funding for small businesses, regardless of the location of the financing entity. Unfortunately, such an undertaking is beyond the scope of this publication. Therefore, this report concentrates on sources of capital located in or actively serving North Carolina. Likewise, the Internet resources cited are illustrative and do not represent a complete list of all useful materials to be found on-line.

Purpose of this Report

This report is intended to serve as a resource for individuals seeking start-up financing, businesses on the hunt for expansion capital, and organizations that aid small businesses in obtaining financing. Each funding source is briefly identified and accompanied by a list of contacts. It is the responsibility of the user to further explore these resources and carefully review their submission criteria and guidelines. This report also describes recent developments that may affect the availability of funding or the eligibility of small businesses to access capital.

The financing sources contained in this report are grouped into five major categories:

- Financial institutions
- Federal government sources
- State government sources
- Equity capital sources (includes venture capital)
- Private, not-for-profit, and local programs

¹ For further information concerning the role of small businesses in our national economy, consult the U.S. SBA's Advocacy Small Business Statistics and Research, *Frequently Asked Questions* <http://www.sba.gov/advo/stats/sbfaq.pdf>



Each program has certain guidelines, some strictly limiting the availability of funds. It is important to understand that none of these sources represents “free money.” In fact, some of the programs are quite costly. The company or individual looking for start-up funding should have a well thought-out, detailed business plan, including financial projections. Existing businesses will need a plan with both historical and projected financial information. Only then can the needs of the applicant seeking capital be fully evaluated and met by the investor or lender. The company’s stage of development, the background and reputation of the management team, the nature of the product or services offered, and market potential will be key factors determining the firm’s ability to raise capital.