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WILLIAM DUNKELBERG, NFIB'S CHIEF ECONOMIST

Small Businesses Assess Their Options for Raising Capital to Fund Growth

By Lane F. Cooper, Biztechreports.com

As we approach the end of an eventful 2009, small business leaders are looking at an improving economic environment and asking themselves how they will optimize what, by all accounts, will be a modest recovery cycle. According to survey results published in September from the National Federation of Independent Business (NFIB), small business owners are cautiously optimistic about the future (see chart).

"The small business sector has taken a real beating over the last year but owners are seeing some upward movement in both sales and earnings," says William Dunkelberg, NFIB's chief economist.

The logical question then is: How will small businesses fund that growth?

Moreover, the growth occurred despite steadily worsening credit-card terms. Three quarters of respondents reported that credit-card terms had gotten worse over the previous six months.

"In previous recessions, economic recovery has been led by the creation of millions of new small

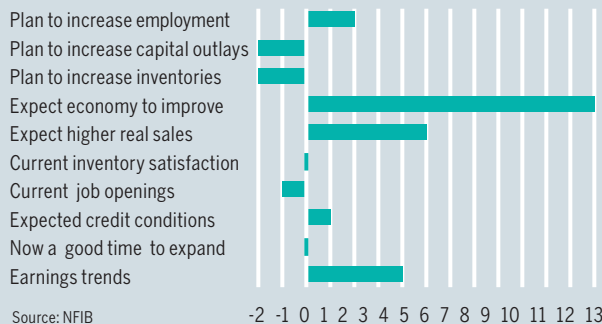
businesses that want to get the most out of the recovery will want to explore the range of options they can tap into.

"Most business owners think of bank financing when you say debt and venture capital when you say equity," says Tiffany Wright, author of the new book *Help! I Need Money for My Business Now!!* "While these two sources provide a significant amount of small business funding, there is a vast pool of working capital for business and other ways to raise capital available from other entities. There are even providers of financing that looks a little like debt and a little like equity."

For instance, small businesses can consider factoring (selling invoices at a steep discount), accounts receivable financing (lines of credit against invoices), or mezzanine financing, in which lenders reserve the right to convert their stake to an equity or ownership in the event of a default on the loan.

Critical trends and issues faced by small businesses as they seek to raise capital in a cash-constrained environment will be discussed by NFIB's William Dunkelberg on a free webcast provided by **SolutionsforSmallBusiness.com** on November 17th at 12 noon E.T. ■

Cautiously Optimistic About the Future



"Credit cards account for the largest...single source of financing being used by small businesses today," explains National Small Business Association President Todd McCracken. In a survey conducted in the second quarter of 2009, the NSBA found that 59 percent of small-business respondents used credit cards in the past 12 months to finance their business, up from 49 percent in December, 2008.

businesses. Unfortunately, today's entrepreneurs—unlike those of past recessions—are severely limited in their ability to finance a new business by leveraging the value of their home, borrowing from friends and family, or securing a traditional loan," said NSBA Chair Keith Ashmus of Frantz Ward LLP in Cleveland, Ohio.

As demand does eventually catch up, however, capital will be crucial to optimizing growth, and small

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William Dunkelberg, Chief Economist for the National Federation of Independent Businesses and Temple University professor, with Bloomberg Television anchor **Monica Bertran**, will address accessing capital in a cash-constrained environment.



Presenter
William Dunkelberg



Host
Monica Bertran

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