U.S. Securities and Exchange Commission

Office of the Advocate for Small Business Capital Formation

Annual Report

FISCAL YEAR 2023

INTERACTIVE VERSION

Based on feedback from users of prior annual reports, we are pleased to offer this interactive version. The content here is the same as in the **print version,** but the clickable Contents menu throughout allows users to navigate easily between sections.

Entrepreneurs continue to face a considerable gap in accessing capital through every stage of the business cycle. While there have been some advances in identifying and addressing barriers to accessing capital, there is much more work to do.

EWING MARION KAUFFMAN FOUNDATION.[1]

YOUR SEC SMALL BUSINESS
Advocacy Office
Empowering small businesses and their investors

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MISSION
Who We Are

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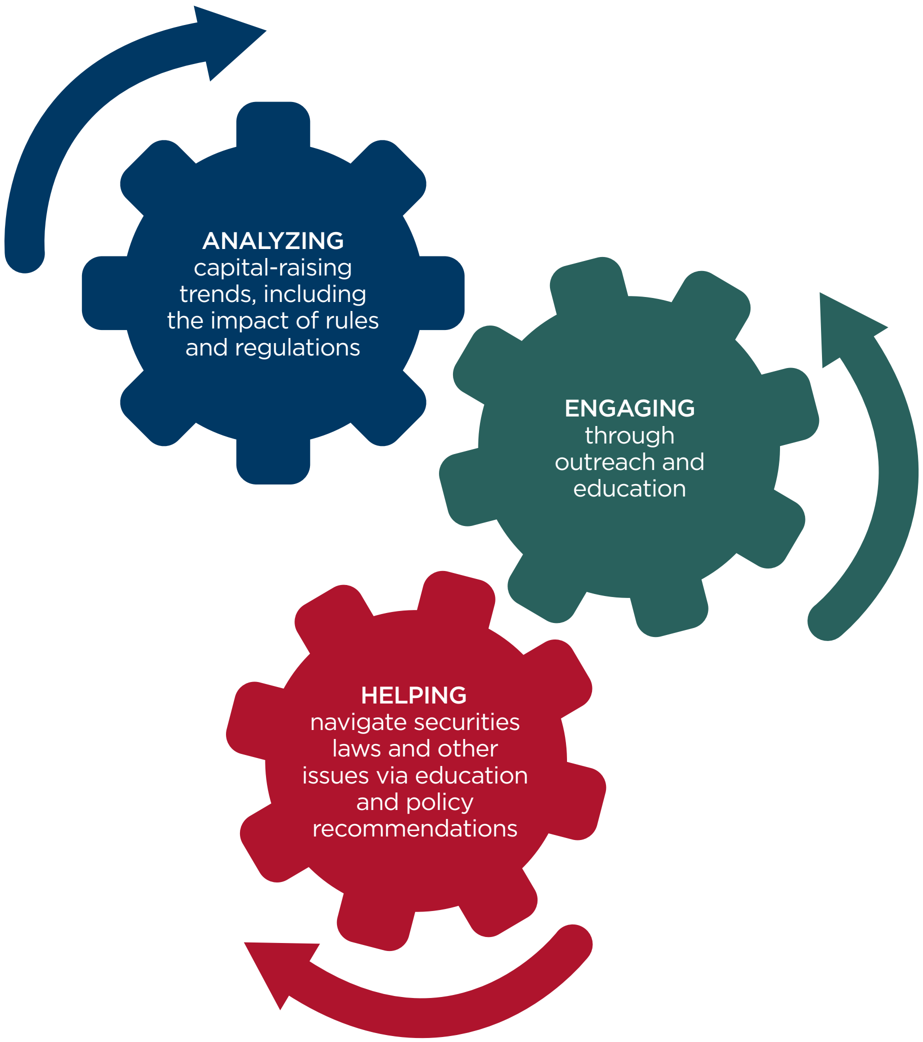
The Small Business Advocacy Office is an independent office that was established in January 2019 via the bipartisan SEC Small Business Advocate Act of 2016 to advance the interests of small businesses and their investors at the SEC and in the capital markets, from early-stage startups raising initial capital, to later-stage private companies whose founders and investors are seeking liquidity, all the way to smaller public companies. The Office proactively works to identify and address unique challenges faced by women-owned, diverse, rural, and natural disaster area small businesses and their investors. We advocate for small businesses and their investors in raising capital by



We engage with small businesses and their investors from around the country to hear their perspectives on issues facing the small business ecosystem, from policy, to changing trends in raising capital, to the complexities of the capital-raising regulatory framework, to unique challenges and opportunities of different demographic groups and geographic regions. The insight we gain from our events and conversations with small business ecosystem participants provides timely, practical feedback to inform the Commission's policymaking as well as the Office's further outreach and educational efforts.

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DATA
State of Capital Formation

Contents

ANALYZING capital-raising trends, including the impact of rules and regulations

Why data?

We seek to provide a comprehensive snapshot of the state of U.S. small business capital formation, bringing together many important pieces of the capital formation story into one resource to aid in evaluating the current flow of capital between investors and small businesses. Data reflecting the successes and challenges small businesses face in capital-raising supplements the feedback and other anecdotal evidence our Office receives throughout the year. Informed by this data, we can better identify what tools, strategies, and approaches would be most helpful in crafting policy solutions. The data provided in this Report is derived from public filings with the SEC, as analyzed by the SEC's Division of Economic and Risk Analysis (DERA), and is supplemented with data and analysis from third parties.

Where to start?

To allow small businesses, investors, and market participants to find the data that is most relevant to them, we have organized this report by life cycle stage of the business.

LIFE CYCLE STAGE	Small and emerging businesses	Mature and later-stage businesses	Small public companies
COMMON FUNDING SOURCES	Self-funding Grants Loans Friends and family Crowdfunding Angel investors Incubator/Accelerator Pre-seed and seed	VC funds Corporate venture capital Family offices	Initial public offering (IPO) Other registered offerings Exempt offerings (e.g., private placements or offshore offerings)
BUSINESS STAGE	Businesses range from small businesses creating local jobs to high-growth startups raising capital to launch prototypes and products.	These businesses are generally growing and looking for larger amounts of capital to fund operations of scale, ventures into new product lines, and preparation for public markets.	These later-stage businesses have access to a larger pool of capital, enhanced liquidity, reputational benefits and are subject to rigorous SEC reporting requirements.
TOP INDUSTRIES RAISING CAPITAL[2]	Given the wide ranging options for funding, the top industries vary based on funding source.	Software, commercial products and services, pharma and biotech, health care, consumer goods and services, IT hardware and energy.	Health care, business services, technology, manufacturing, banking and financial services, and hospitality, retailing, and restaurants.

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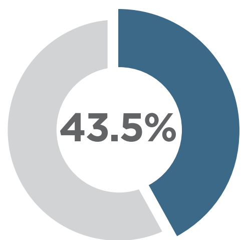
Small and Emerging Businesses and Exempt Offering Data

This segment of companies includes both small businesses that create local jobs but may not fit the high-growth model that is the typical target of venture capital (VC) investments as well as high-growth startups that may ultimately fit the VC model but are still seeking capital to get off the ground and launch early prototypes.[3]

Why is access to capital for small businesses so important?

Small businesses are critical to the overall economy.

99.9% of all businesses are **small businesses** (33.2 million businesses).[4]



of the U.S. GDP is created by **small businesses**.[5]

Small businesses created

of net new jobs (17.3 million) from 1995-2021.[6]

Nearly **1 in 5 adults**

is **founding a business** or has done so in the past 3½ years.[7]

> Capital is the lifeblood of business.
>
> REIMAGINE MAIN STREET [8]

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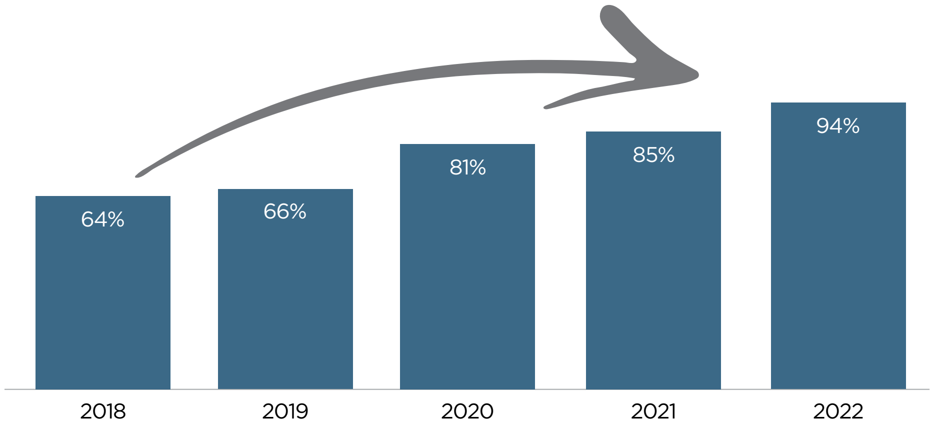
Early-stage entrepreneurs report financial challenges and need support to access capital to build their companies.

An increasing percentage of small businesses continue to experience financial challenges.[9]



Access to capital remains a barrier to entry and growth for entrepreneurs.

90% of new businesses with employees **need external capital at the start**.[10]

78% of small business owners are concerned about their **ability to access capital**.[11]

Over 50% of small businesses seeking capital needed **less than $50,000**.[12]

55% of small business owners found it **harder to access capital** than in prior years.[13]

3.7x more startups failed in 2022 due to **lack of financing or investors** than in 2020.[14]

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Small businesses need resources, knowledge, and connections to operate and grow their business; however, many startups struggle to find each of these critical pieces.[15]

Aspiring entrepreneurs often seek advice and support from family or friends.[16]

Entrepreneurial support organizations, like accelerators and incubators, are designed to provide resources to early-stage, and rapid-growth startups.[17]

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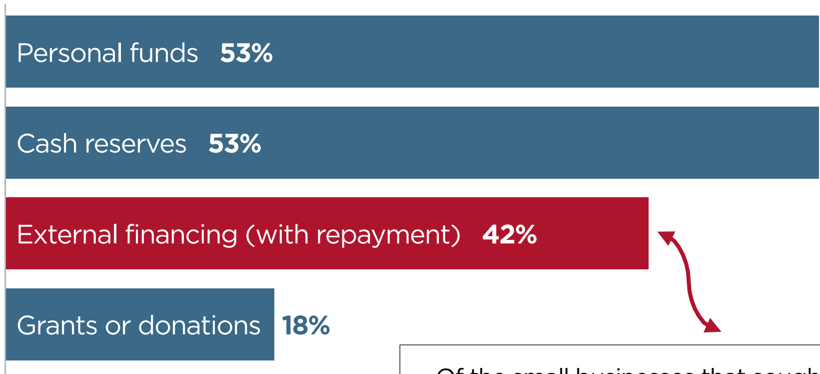
Where do small and emerging businesses turn for capital when facing financial challenges?[21]



Businesses with 4 or fewer employees are more likely to use **personal savings** compared to small businesses with more than 20 employees.[22]

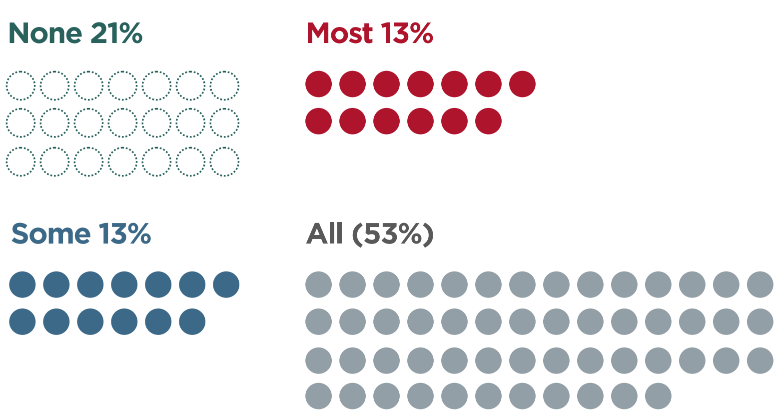
Of the small businesses that sought **external financing**, only **8%** sought equity investments.[23]

Small businesses continue to struggle to shore up their capital needs.

Each year, **14%** of established businesses need additional capital, but **nearly half** of them do not apply for it.[24]

50% of small businesses report that they have **delayed plans** to grow their business in response to **higher interest rates**.[25]

40% of small businesses applied for a loan, line of credit, and/or cash advance. About half of those were fully funded, while roughly 21% did not receive any funding.[26]



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Angel investors remain a significant source of early-stage capital, despite a drop in deal volume and size.

Angel investors are generally high-net-worth individuals who invest their own money directly in emerging businesses, typically in early funding rounds. Most angel investors are accredited investors, and many are current or former entrepreneurs themselves.

Angel investment in 2022

367,945 active angel investors (1.2% increase from 2021)[27]

62,325 entrepreneurial ventures received angel funding (9.8% decrease from 2021)[28]

$22.3 billion in total angel investments (23.7% decrease from 2021)[29]

$356,650 average angel funding round (15.4% decrease from 2021)[30]

17.7 deals on average per angel group (up from 17.1 in 2021)[31]

21% of seed capital came from angel investments (compared to 32% in 2021)[32]

3.4 jobs are created per angel investment (down from 4.4 jobs per deal in 2021)[33]

1 in 4 chance of an entrepreneur securing an angel investment (in 2022, the yield rate increased to 26.7% from 24.1% in 2021)[34]

First time CEOs constituted 73% of leaders funded by angel deals (up from 70% in 2021)[35]

83% of angel deals and investments are in seed (63%) and Series A (20%) rounds[36]

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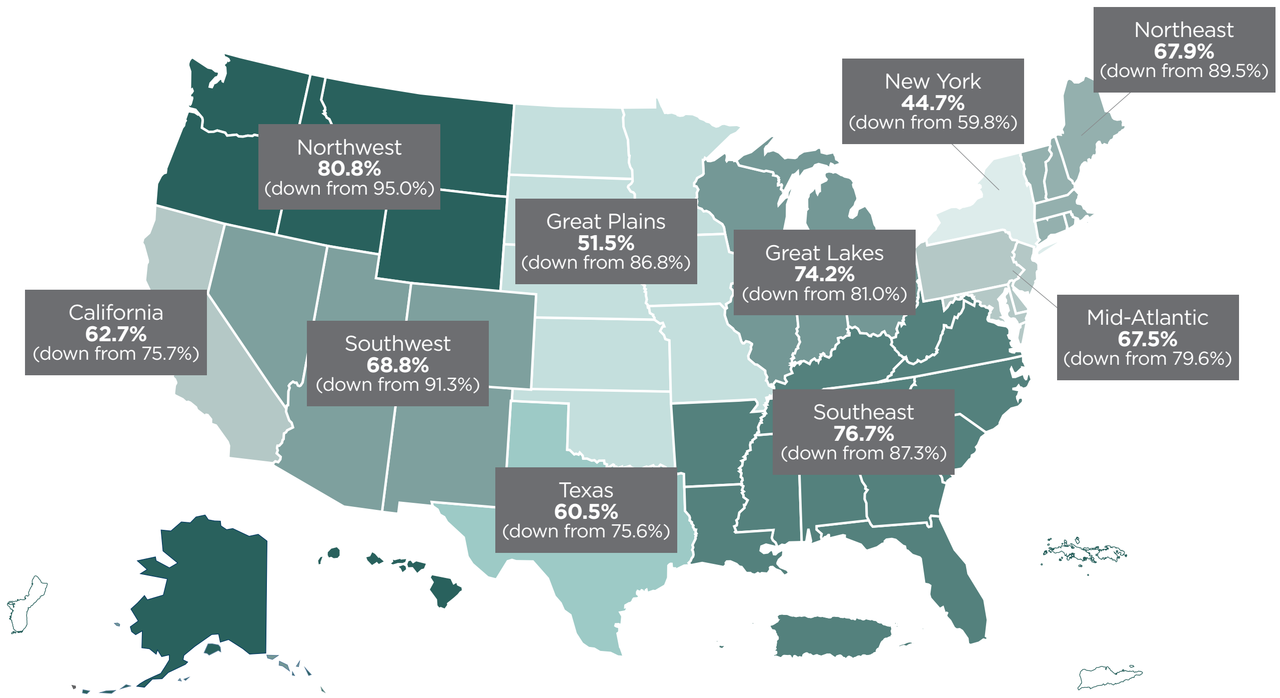
What were the top industries supported by angel investments in 2022?[37]

Angel investors are allocating a lower portion of their investments within their region than in 2022, shifting more funding outside their region.[38]



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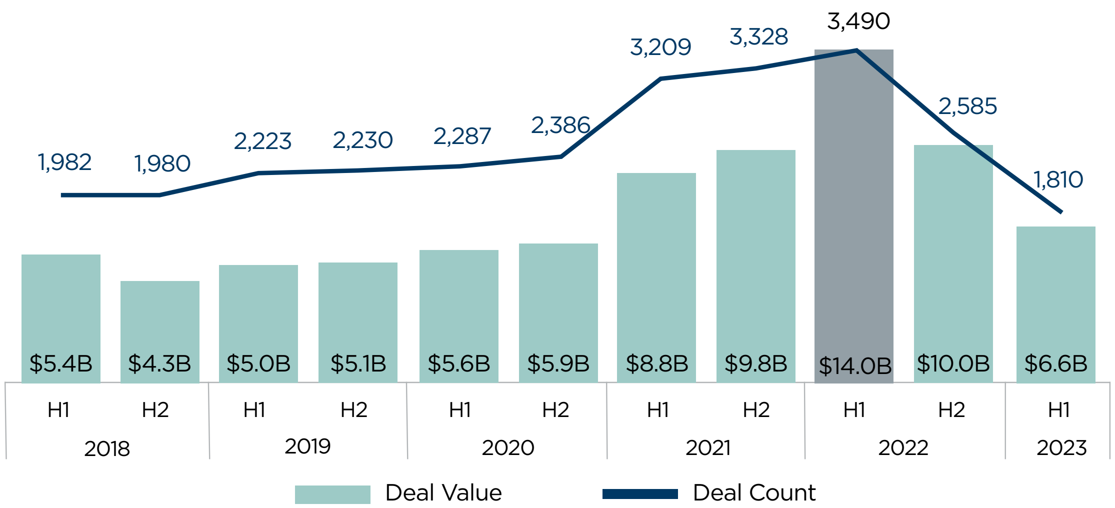
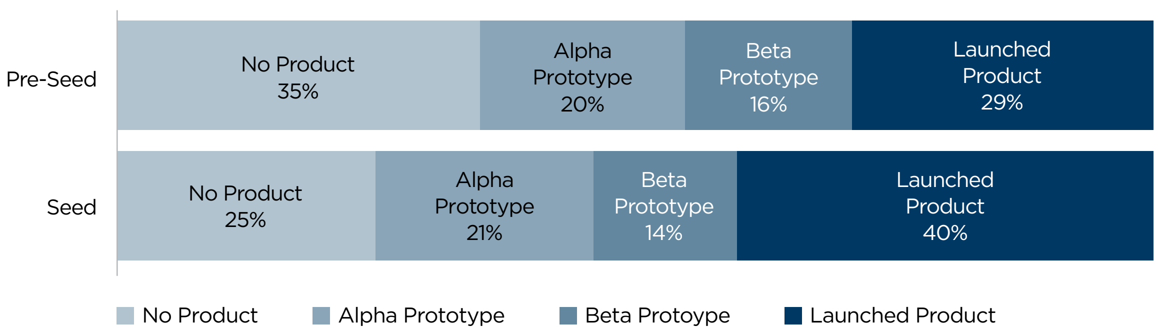
What is happening with seed fundraising?

A pre-seed or seed round is typically a company's first funding round.[39] This round may include funding from friends and family, angel investors, or early-stage funds. Capital at this stage is often used for product development and market research.[40] Businesses in an angel or seed round are the furthest from the public market, which insulates from many macroeconomic challenges experienced in later stages.[41]

Seed activity has slowed in both overall deal value and count from its peak in the first half of 2022, echoing trends seen throughout the venture life cycle.[42]



Early-stage businesses successful in raising pre-seed and seed funding are at different stages of product readiness.[43]



Since 2021, pre-seed fundraising has remained competitive for founders as the investor-friendly climate has grown more entrenched.[44]

Investors

11.5%

Less time engaging with pitch decks

Founders

16%

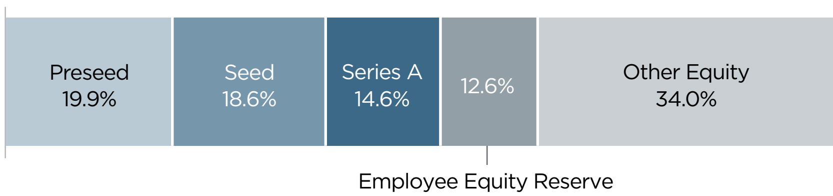
More pitch decks sent per week

Contents

Many early-stage investors seek equity – the amount of equity dilution to founders varies in pre-seed, seed, and Series A rounds.

When investors take an ownership interest in a company, it dilutes or reduces the portion that founders own, so this funding is often called dilutive capital. In addition, with a funding round companies often reserve some equity for employee compensation.[45]

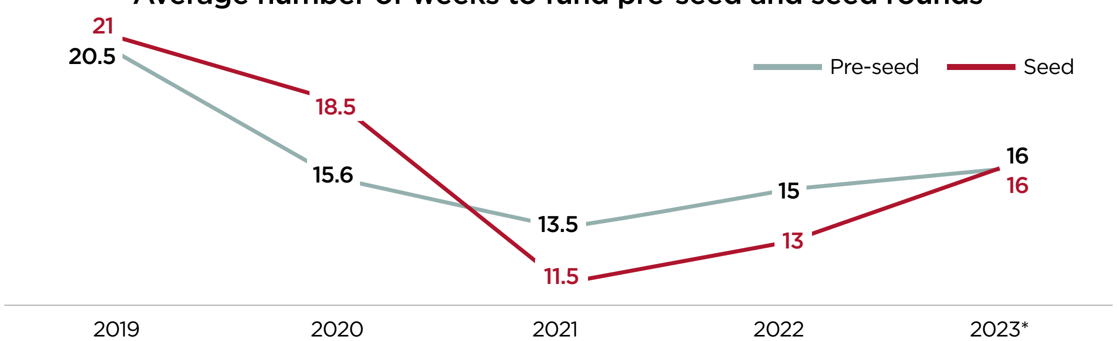
Median equity dilution



Average equity dilution in an angel deal was **9.3%** in 2022 (down from 13.6% in 2021).[46]

Fundraising timeframes can be highly variable; the average fundraising time fell in 2021 but has risen since.[47]

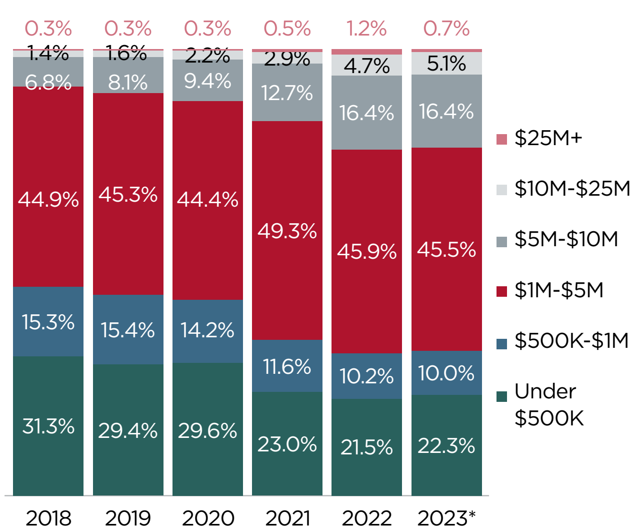
Average number of weeks to fund pre-seed and seed rounds



*As of June 30, 2023

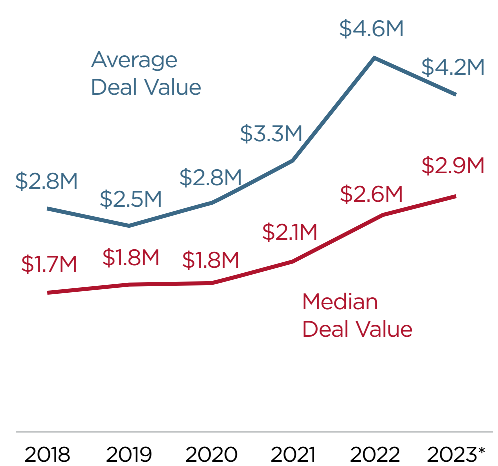
While seed activity has slowed, when seed rounds have closed, the deal values of those rounds have continued to rise.

Distribution of deals by size[48]



*As of June 30, 2023

Average and median seed deal values[49]



*As of June 30, 2023

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Seed businesses face an uphill battle moving from a successful seed round to Series A.[50]

The median time after a seed stage offering before raising a Series A has increased.

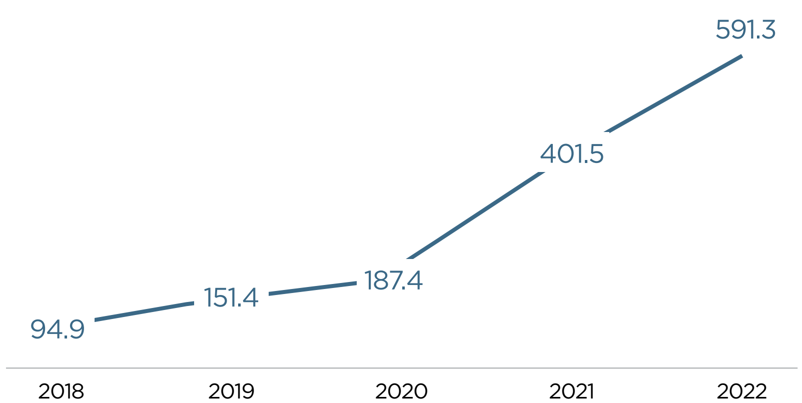
2014
14 months

2023
25 months

Many seed investors are expanding their geographic reach.

Median distance between company and lead investor in a seed deal (miles)[51]

In 2022, the median distance skyrocketed to **591.3 miles**.



Prior to 2019, the median distance was **under 100 miles**.

While the median distance between lead investor and company has increased, distance continues to be an **added barrier** that companies in small markets, and in markets **far from venture hubs**, face when they need to raise capital.[52]

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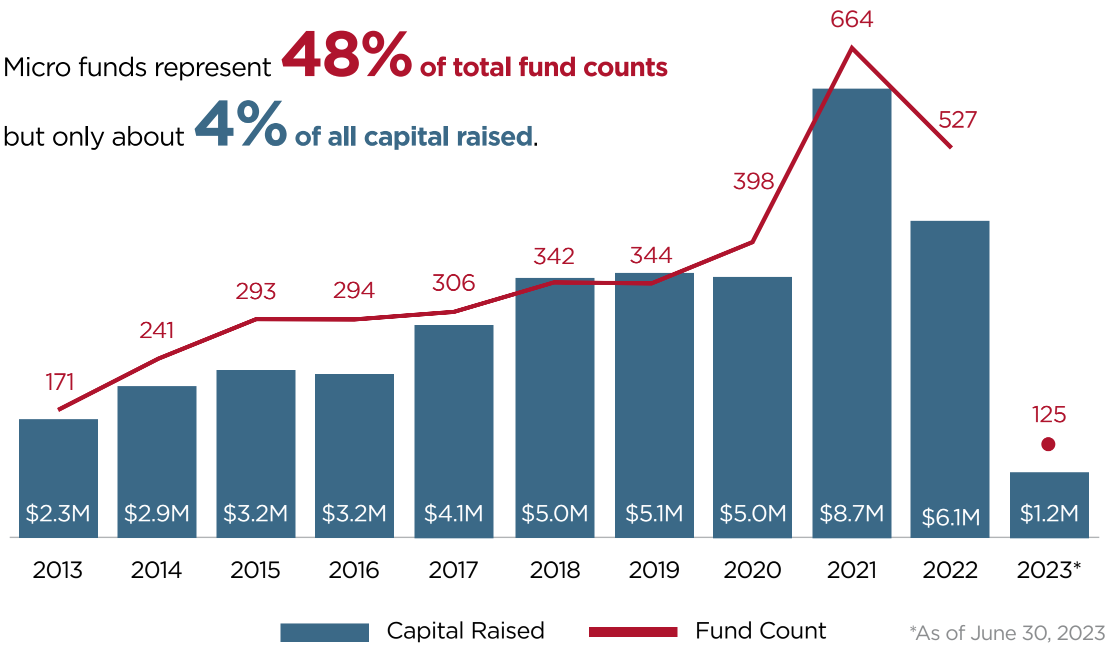
Micro fund closings fall below pre-pandemic levels.[53]



What is a micro fund?

A micro fund is a fund that **raises $50 million or less**. In recent years, micro funds have **strengthened seed funding**.[54] A majority of micro funds are raised by **emerging managers**.[55]

> Micro funds mainly raise capital from family offices and wealthy individuals, such as GPs in VC funds and successful startup founders. Because of this, their LP base tends to be more fickle than that of larger firms, which is more geared towards institutional capital.
>
> MARINA TEMKIN, PITCHBOOK[56]

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What regulatory pathways are companies and pooled funds using to raise capital?[57]

Rule 506(c) General Solicitation Offerings

These offerings allow companies and pooled funds to raise unlimited capital by broadly soliciting investors who meet certain wealth thresholds or have certain professional credentials.[58]

$169B
($750,000 median)

Rule 506(b) Private Placements

$2.7T
($1.2M median)

These offerings allow companies and pooled funds to raise unlimited capital from investors with whom the company has a relationship and who meet certain wealth thresholds or have certain professional credentials. A company cannot use general solicitation in a 506(b) private placement.[61]

Rule 504 Limited Offerings

$258M
($250,000 median)

These offerings allow companies to raise up to $10 million in a 12-month period, in many cases from investors with whom the company has a relationship.[59]

Flows into Registered Funds

$8.8T

Flows into registered funds (companies registered under the Investment Company Act) reflects the estimated amount of capital invested in registered open-end mutual funds, exchange-traded funds, and money market funds.[60]

Regulation A

$1.5B
($1.6M median)

These offerings are sometimes called a "mini-IPO" and allow eligible companies to raise up to $20 million in a 12-month period in a Tier 1 offering and up to $75 million in a 12-month period in a Tier 2 offering through a process similar to, but less expensive than, a registered offering.[65]

Crowdfunding

$352M
($100,000 median)

Regulation Crowdfunding offerings allow eligible companies to raise up to $5 million in capital in a 12-month period from investors online via a registered funding portal.[62]

Initial Public Offerings

$17B
($17M median)

Initial public offerings (IPOs) provide an initial pathway for companies to raise unlimited capital from the general public through a registered offering. After its IPO, the company will be a public company with ongoing public reporting requirements.[64]

Other Exempt Offerings

$1.3T

Other exempt offerings includes estimated amounts raised under Regulation S (offshore offerings) and Rule 144A (following a private placement by a company, purchasers may use this exemption ro resell their securities to qualified institutional buyers).[63]

Other Registered Offerings

$1.1T
($300M median)

These offerings allow companies to raise unlimited capital and selling shareholders to obtain liquidity through public offerings using a registration statement filed with the SEC.[66]

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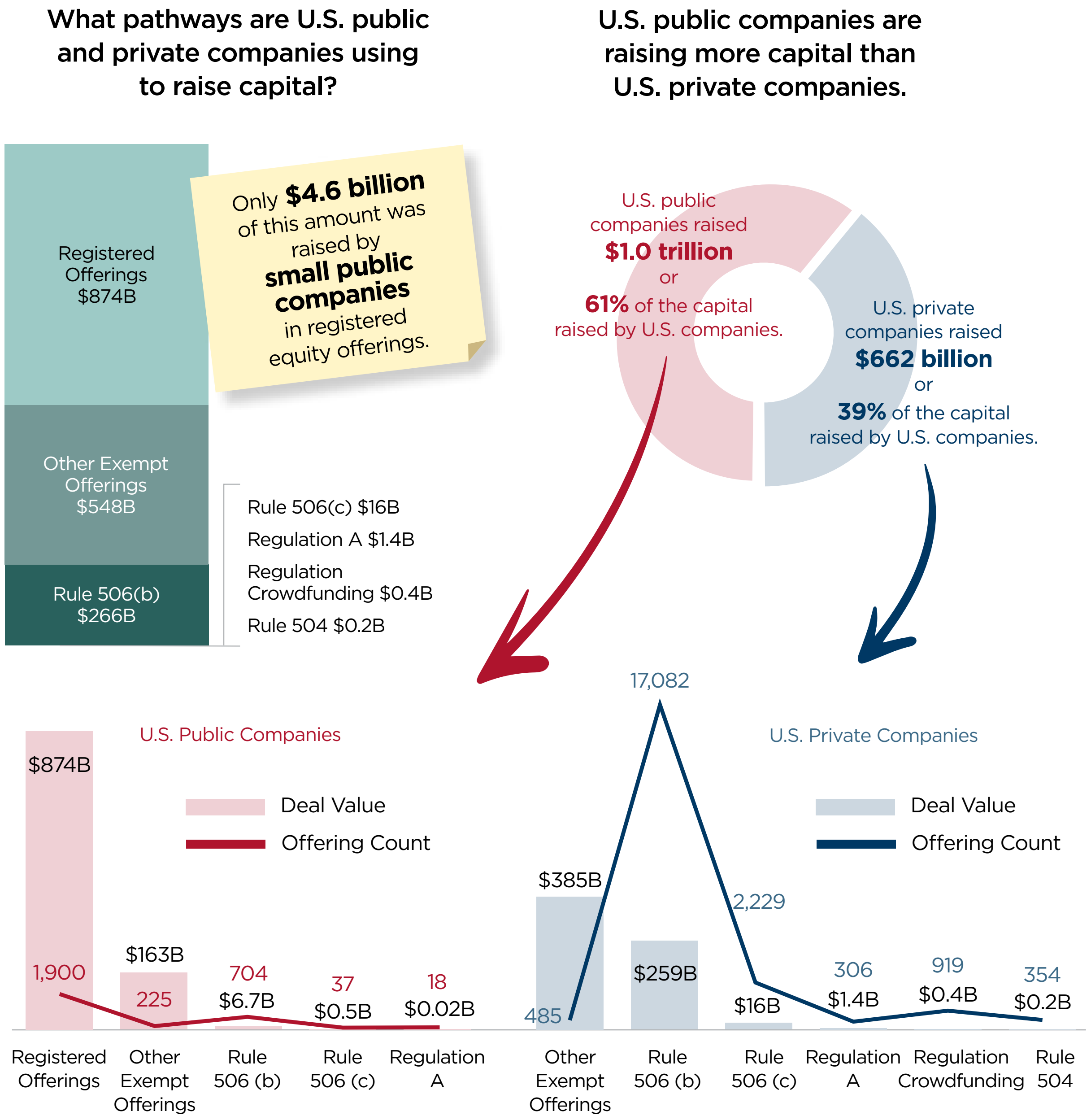
INTERACTIVE VERSION NOTE

The information on this page has been merged with the previous page for a better viewer experience.

Contents

How are U.S. companies (excluding pooled funds) raising capital from investors?[67]



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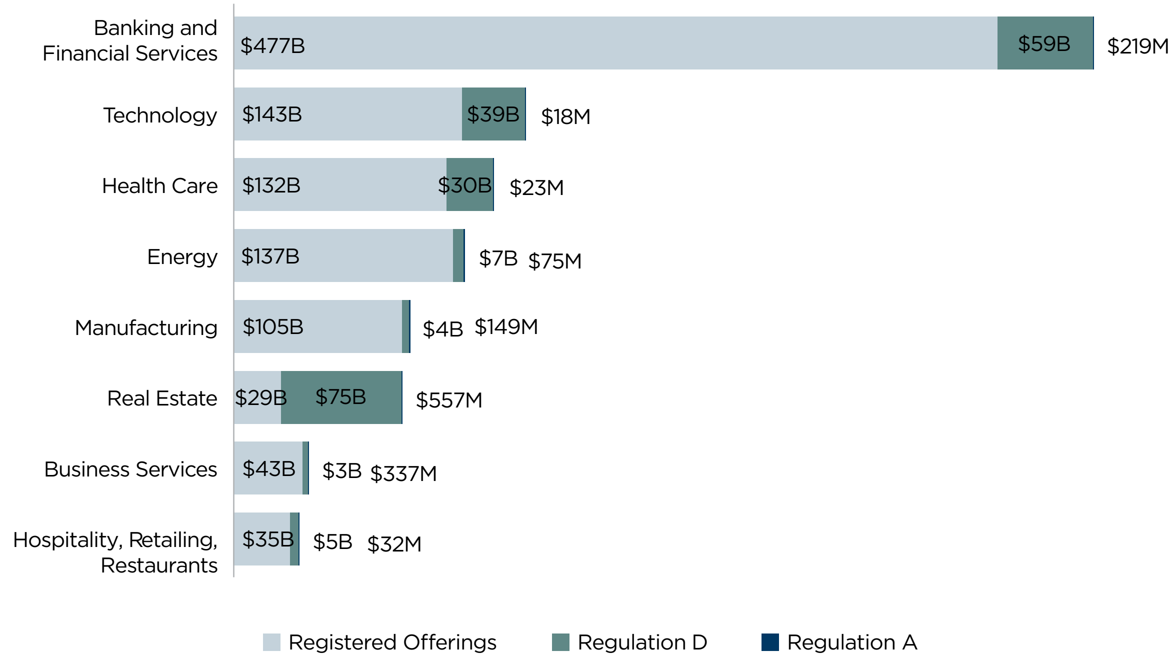
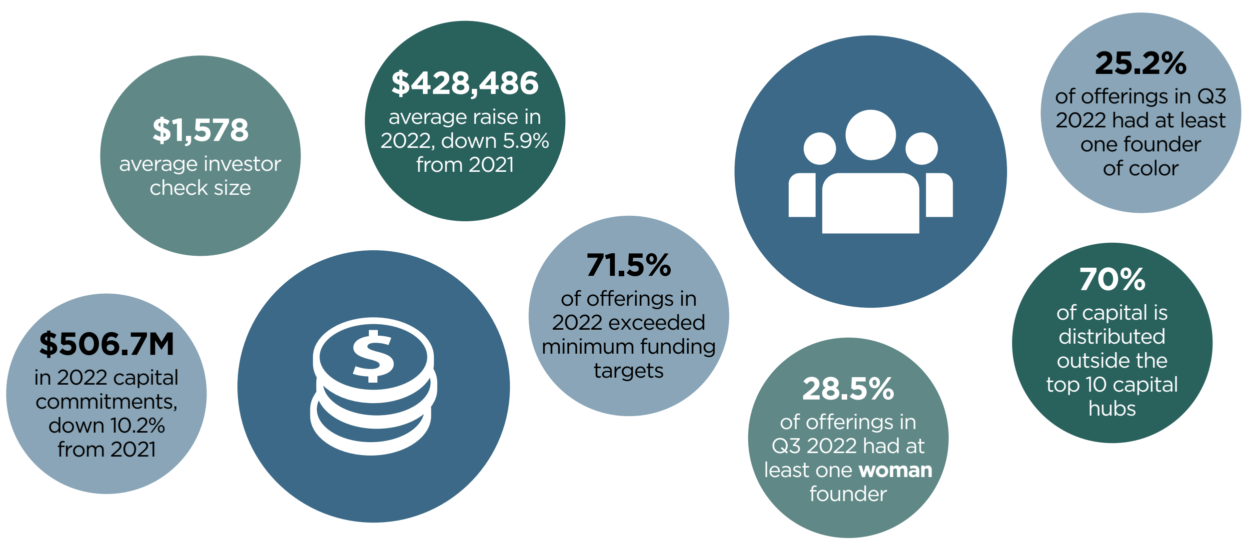
How are different industries using the top 3 offerings pathways to raise capital (excluding pooled funds)?[68]



What is happening with Regulation Crowdfunding offerings?

Crowdfunding has continued to support many diverse companies across the U.S. through small checks from many different investors.[69]



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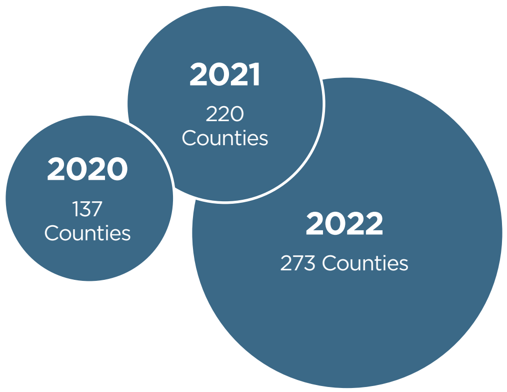
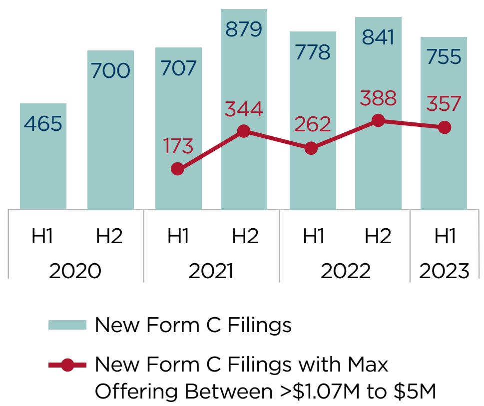
The number of U.S. counties with crowdfunded companies has continued to increase, with new offerings not far from the 2021 and 2022 peaks.

U.S. Counties with Crowdfunded Companies[70]

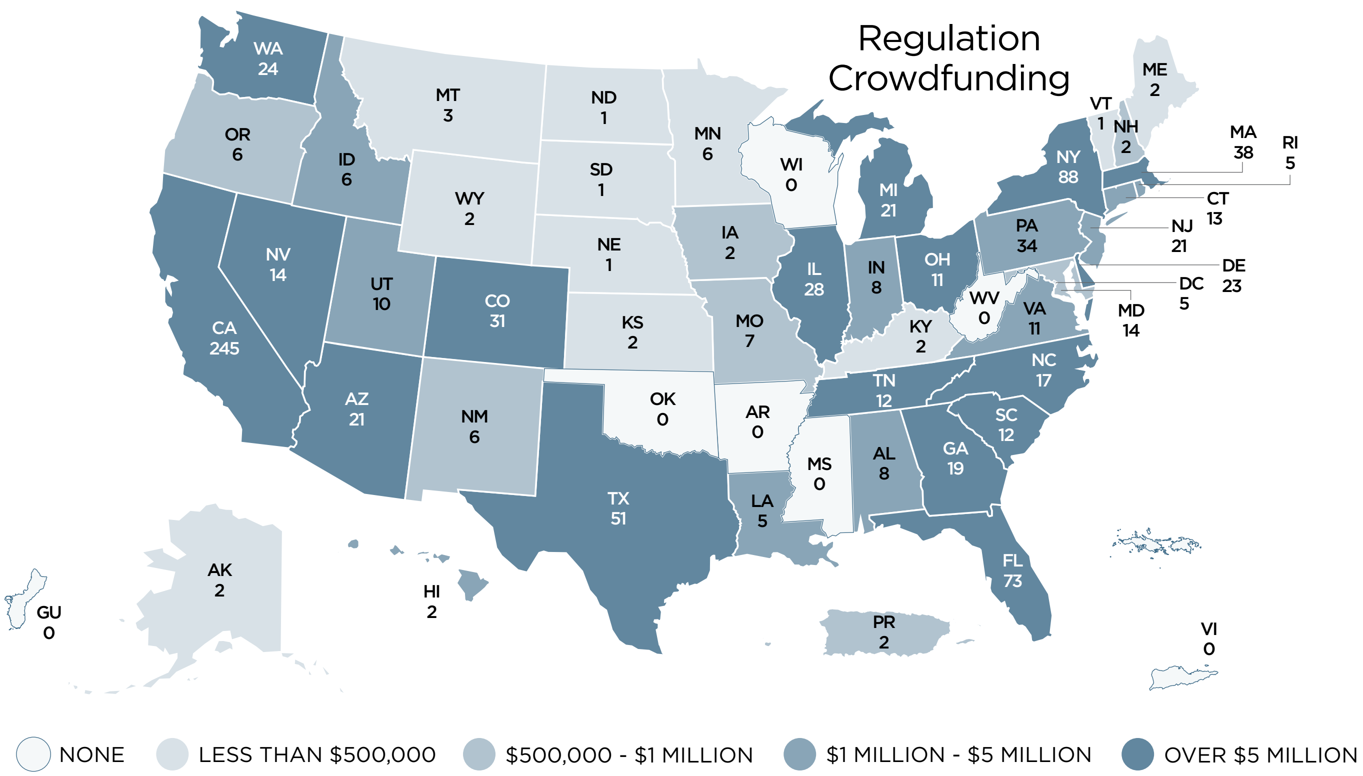


New Crowdfunding Offerings[71]



Where are companies using Regulation Crowdfunding to raise capital?

The shading of each state shows the estimated total capital raised, and the number indicates the total number of offerings in that state.[72]



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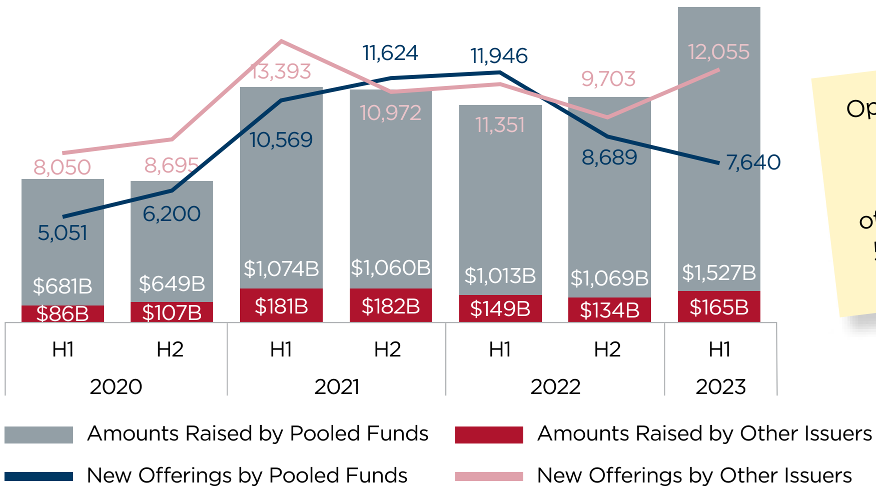
What is happening with Regulation D Offerings?

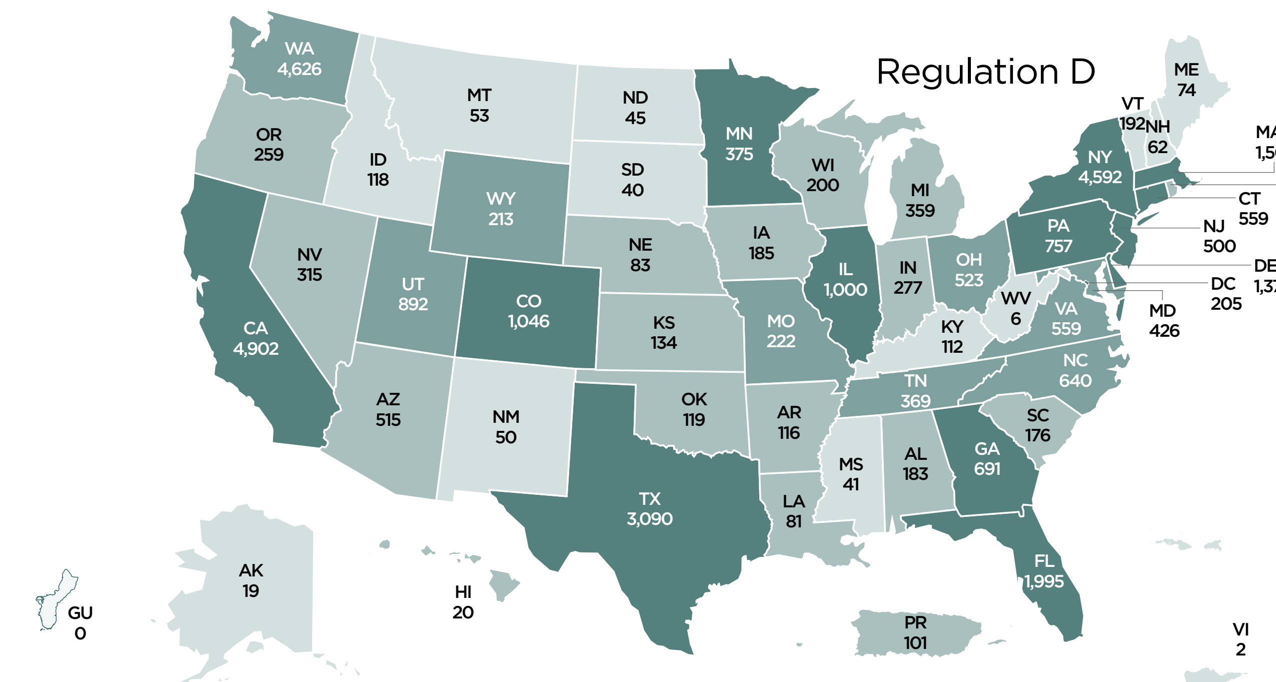
Pooled Funds account for the majority of funds raised under Regulation D.[73]



Operating companies only offered **12%** of the value of all Regulation D offerings but make up **55%** of the number of offerings

Where are companies using Regulation D to raise capital?

The shading of each state shows the estimated total capital raised, and the number indicates the total number of offerings in that state.[74]



NONE | LESS THAN $1 BILLION | $1 BILLION - $5 BILLION | $5 BILLION - $20 BILLION | OVER $20 BILLION

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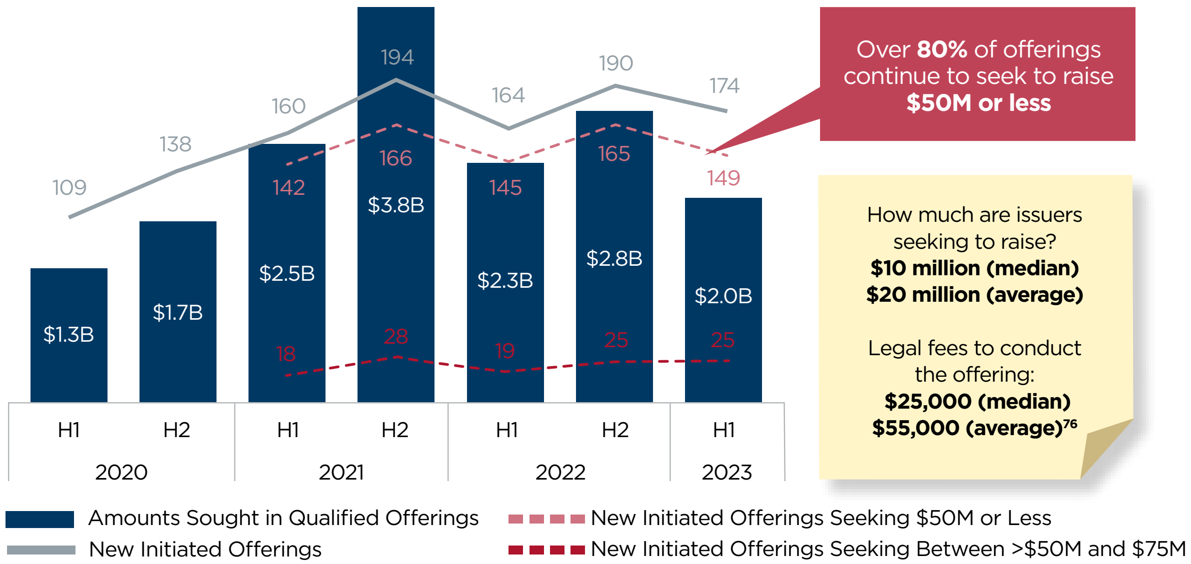
What is happening in Regulation A offerings?

The overall amounts sought have declined since the peak in the second half of 2021, while the number of offerings has remained steadier.[75]

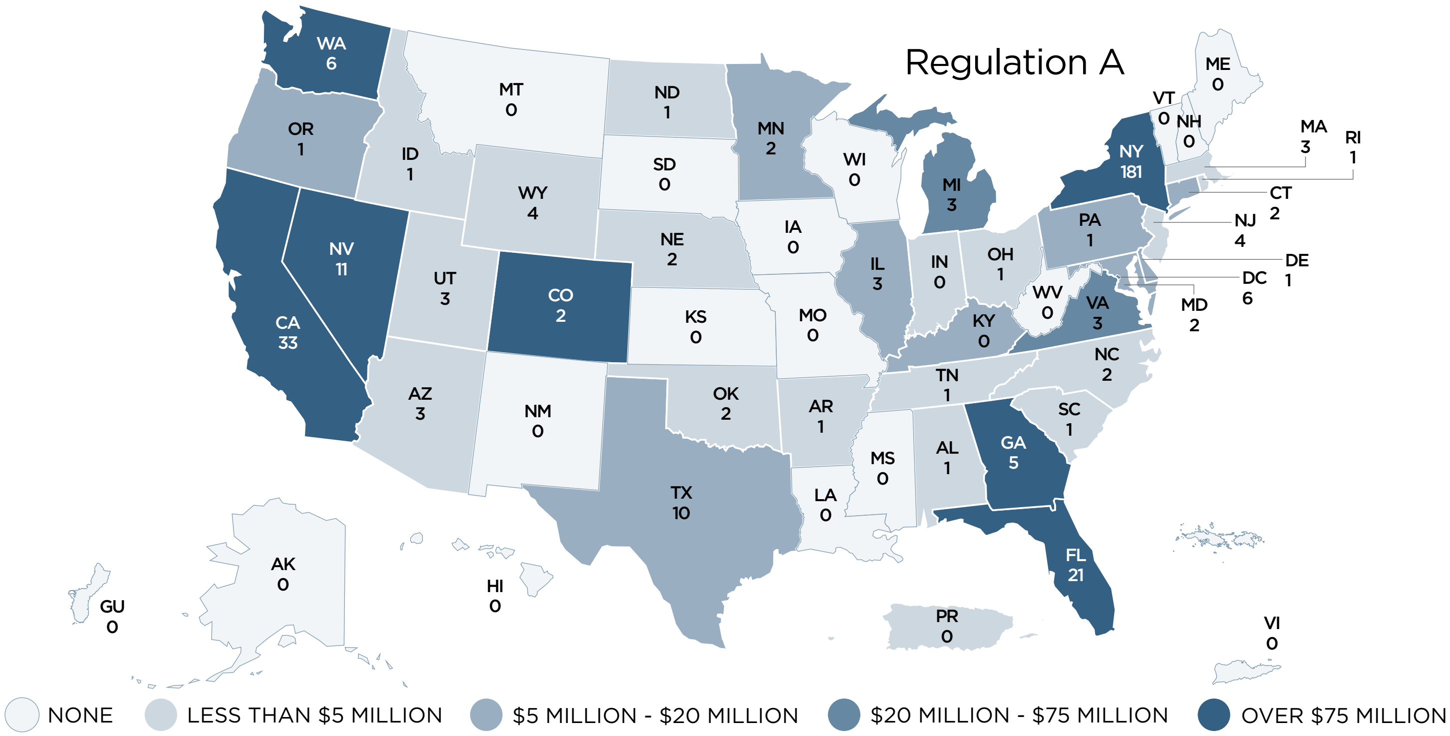


How much are issuers seeking to raise?
$10 million (median)
$20 million (average)

Legal fees to conduct the offering:
$25,000 (median)
$55,000 (average)[76]

Where are companies using Regulation A to raise capital?

The shading of each state shows the estimated total capital raised, and the number indicates the total number of offerings in that state.[77]



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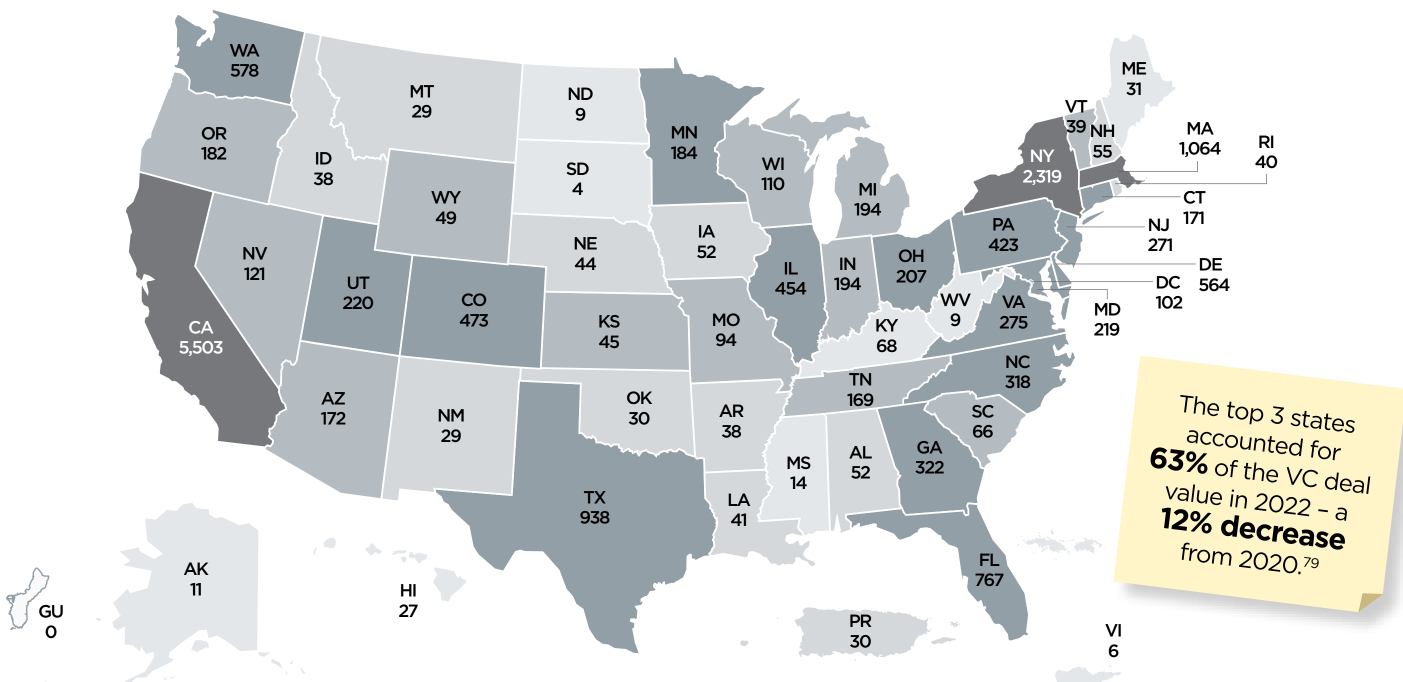
Mature and Later-Stage Businesses

Companies within this segment of the market are generally growing and looking for larger amounts of capital that can fund operations of scale, ventures into new product lines, and preparation for public markets. Most often, their investors are institutional in nature, whether VC funds, private equity funds, or crossover investors from the public market.

While VC activity is still concentrated in a few states, VC funds are investing in growth startups across the U.S.

The below map illustrates the concentration of estimated VC deal value in 2022, with the number of VC deals indicated on each state.[78]



Less than $100 MILLION | $100 MILLION - $500 MILLION | $500 MILLION - $1.5 BILLION | $1.5 BILLION - $20 BILLION | OVER $20 BILLION | No data available

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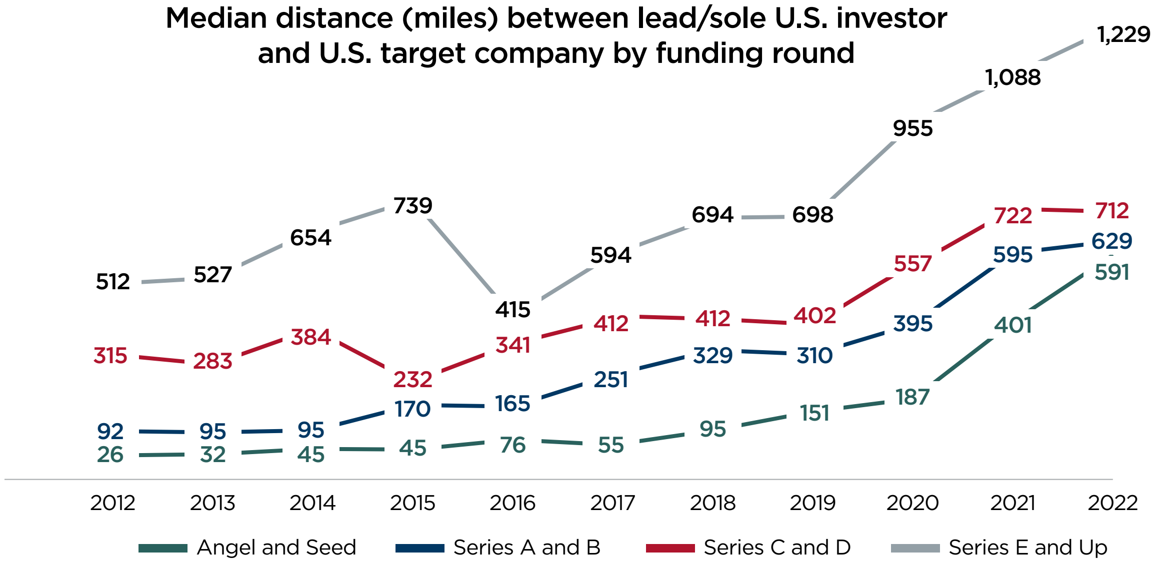
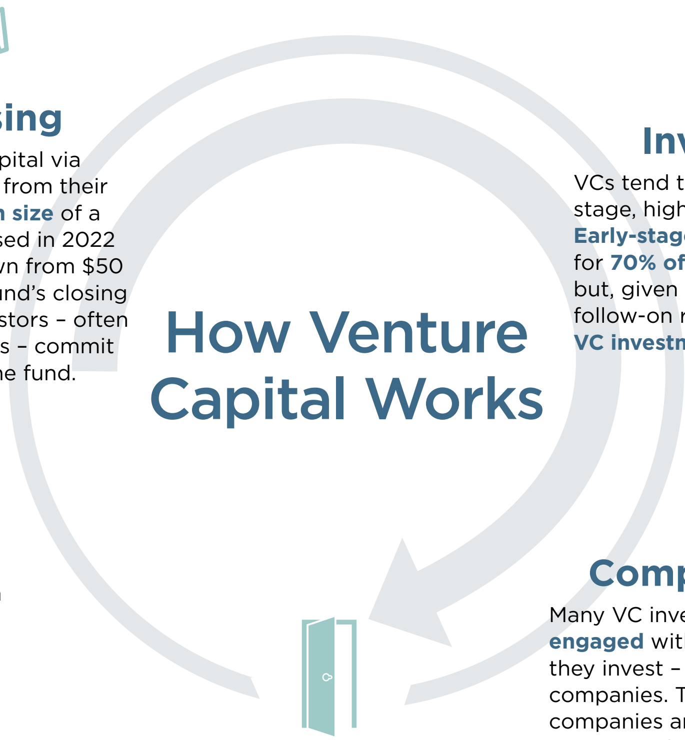
The distance between VCs and their portfolio companies continues to increase.[80]

Median distance (miles) between lead/sole U.S. investor and U.S. target company by funding round



What is the typical VC fund cycle?[81]



Fundraising

VCs typically raise capital via capital commitments from their investors. The **median size** of a U.S. venture fund closed in 2022 was **$40 million** (down from $50 million in 2021).[82] A fund's closing is the time when investors – often called limited partners – commit to an investment in the fund.

Investment

VCs tend to invest in early-stage, high-growth companies.[83] **Early-stage deals** accounted for **70% of VC deals** in 2022, but, given the prevalence of follow-on rounds, only **39% of VC investments**.[84]

Company Growth

Many VC investors are **actively engaged** with the companies in which they invest – also called portfolio companies. The majority of portfolio companies are in contact with a VC investor at least **once a week**.[85]

Exit

The **life span** of a VC fund is typically **10 years**. VCs typically retain **20%** of proceeds, while returning **80%** to the fund's limited partners.[86]

Re-investment

The fund ends when proceeds from all investments have been distributed to fund investors. Many investors reinvest in new funds. In 2022, the average time between fundraises was **1.8 years**—a decade low—and was only **1.6 years** for general partners of billion-dollar funds.[87]

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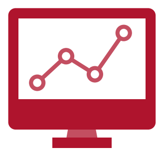
Beyond capital, how can a VC investment benefit a portfolio company?

Portfolio companies may receive:[88]

Strategic Guidance	Marketing Introductions	Operational Guidance	Board Management	Personal Guidance
87%	69%	65%	58%	46%

Many VC investments are accompanied by a board seat for a VC investor.[89] For a portfolio company, having **VC directors with investments within the same industry** is associated with:[90]

A higher probability of **additional investment** (raising 1.14 additional rounds)

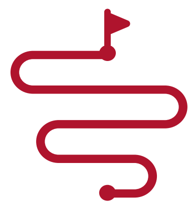


A higher probability of an **IPO** at a **higher valuation** (3.7 percentage point increase in IPO probability)

A **decreased** probability of **failure** (12.5 percentage point decrease)

Conversely, after losing a VC director:[91]

A startup is **17% less likely to raise** another round and takes **4 months longer** to close



A lower probability of an **IPO** and an **18-month delay** to reach a successful exit

A **higher** probability of **failure** (increase of 6.7 percentage points over the next 3 years)

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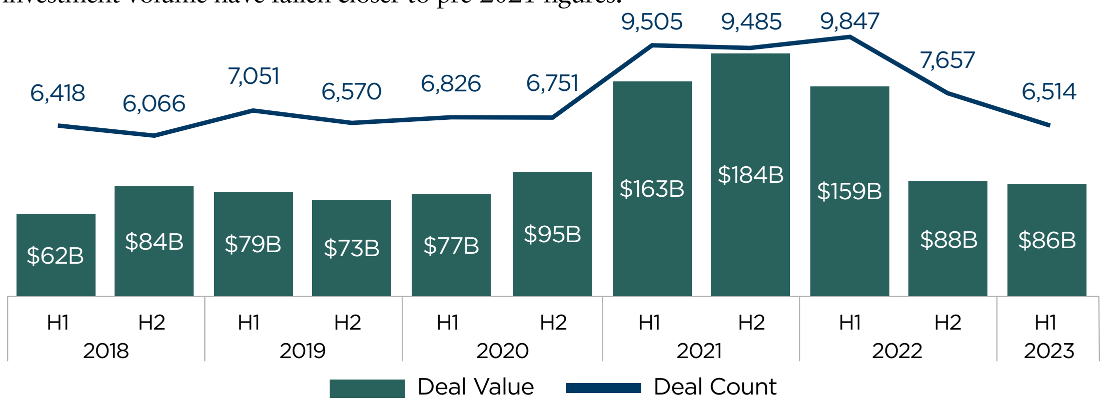
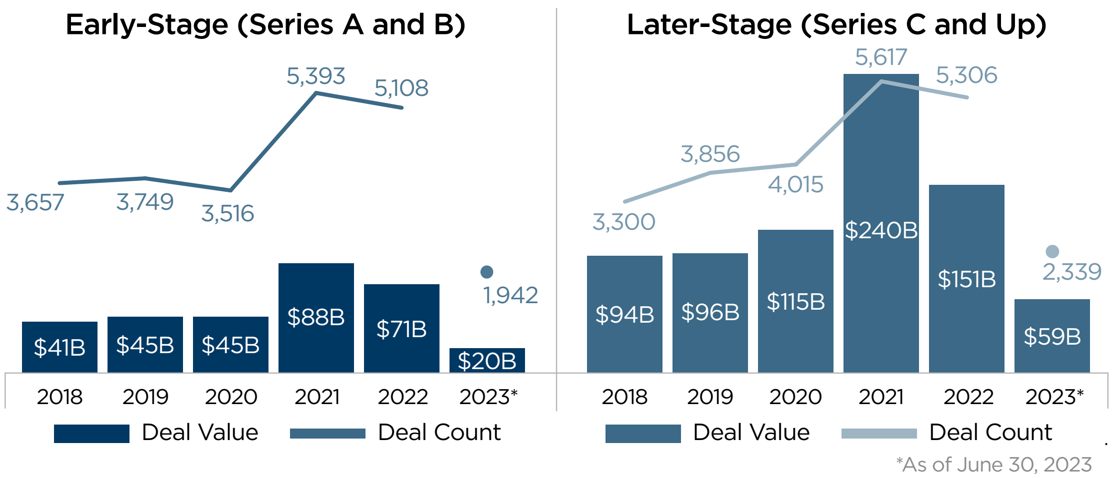
How is VC investment activity changing?

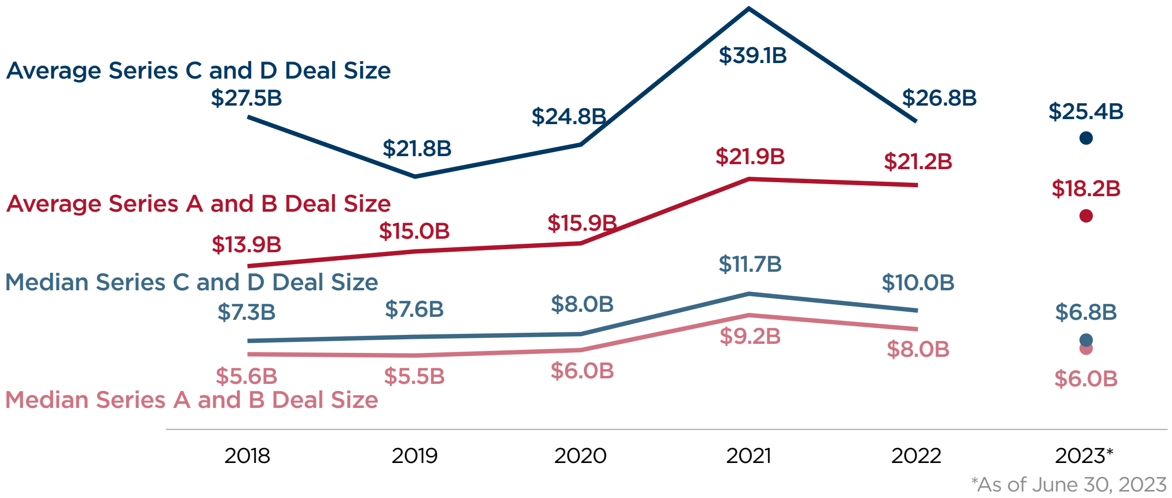
Following historically high investment activity in 2021 and the first half of 2022, deal counts and investment volume have fallen closer to pre-2021 figures.[92]



Deal volume and count for early-stage and later-stage deals continued to decline from 2021 peaks.[93]



While the size of seed rounds has continued to increase, the size of Series A, B, C, and D rounds has fallen from 2021 peaks.[94]



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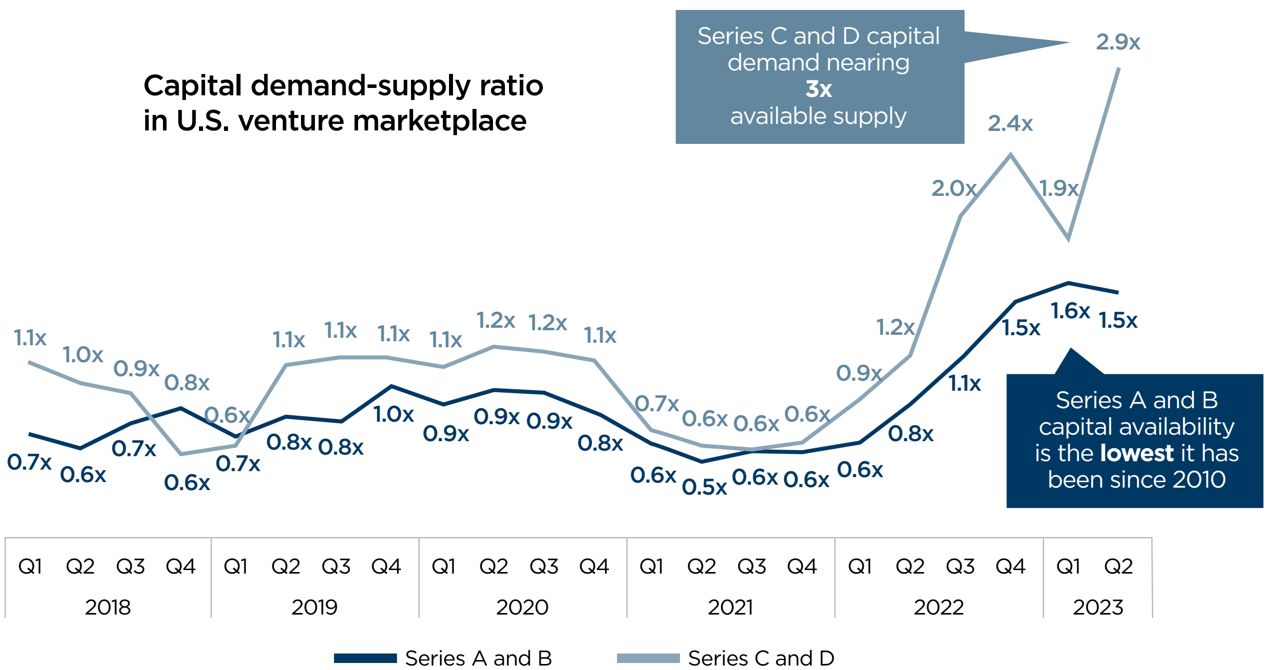
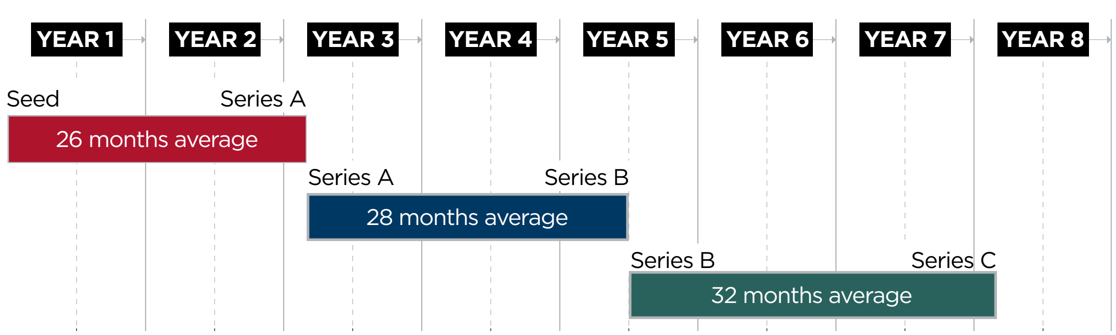
The need for capital in early-stage and later-stage VC deals exceeds the available supply.[95]



For companies that are closing VC rounds, how have market trends affected those deals?

In the second quarter of 2023, **19%** of deals were **down rounds** (compared to 9% and 7% of deals in the second quarter of 2022 and 2021, respectively).[96]

Time between rounds is climbing. After a seed round, the months between rounds average:[97]



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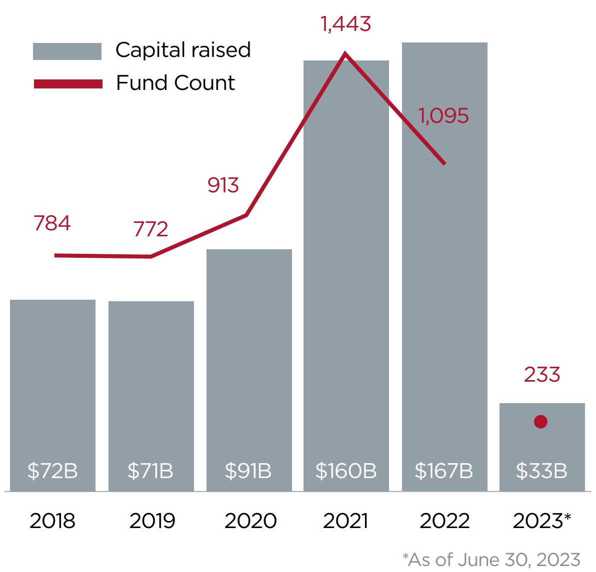
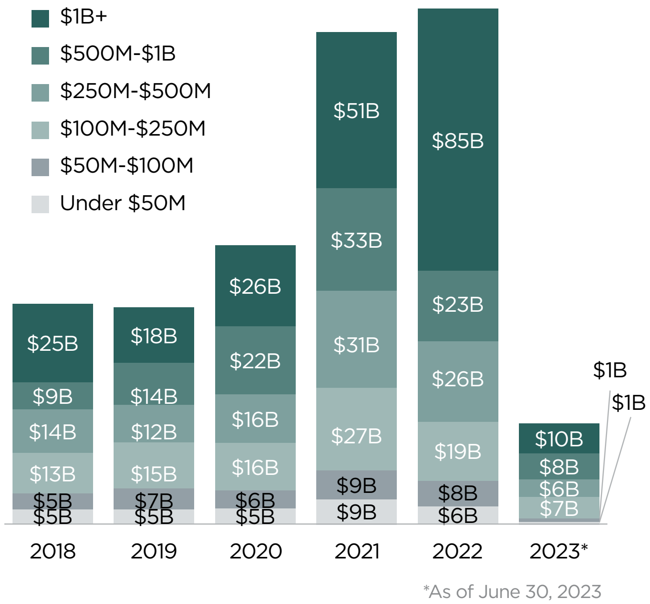
How is VC fundraising activity changing?

VC fundraising slowed from the record highs of 2021 and 2022 and is on pace to set a 6-year low.[98]

The first half of 2023 saw a 73% decrease in capital raised and a 44% decrease in the number of funds, each as compared to the first half of 2022.[99]

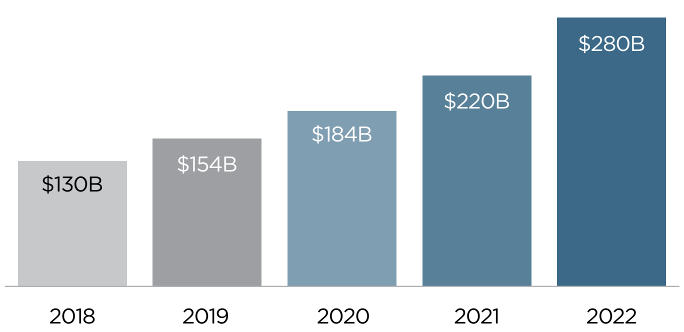


The amounts raised by VC funds varied across fund size.[100]



Over the past five years, the amount of capital that VCs have ready to invest - often called "dry powder" - has continued to increase.[101]

While investments have slowed, record levels of dry powder could provide some insulation from the overall market volatility.[102]



60.9% of this dry powder is concentrated in mega-funds – funds with $500M or more in commitments.[103]

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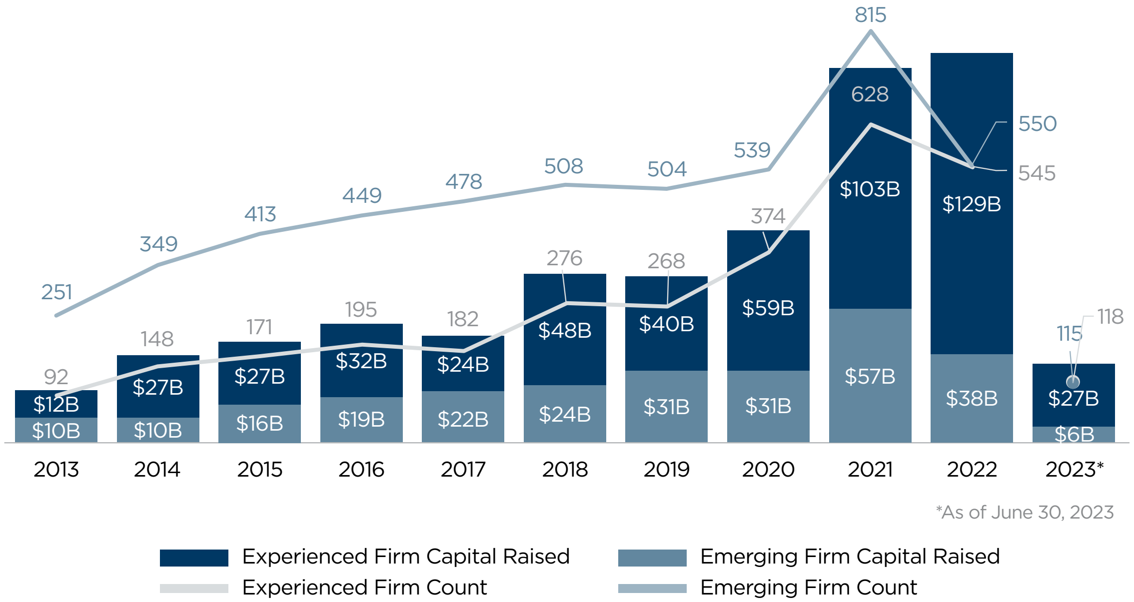
Fundraising continued to concentrate in large and established funds with the percentage of capital invested in emerging managers dropping to a new decade low.[104]

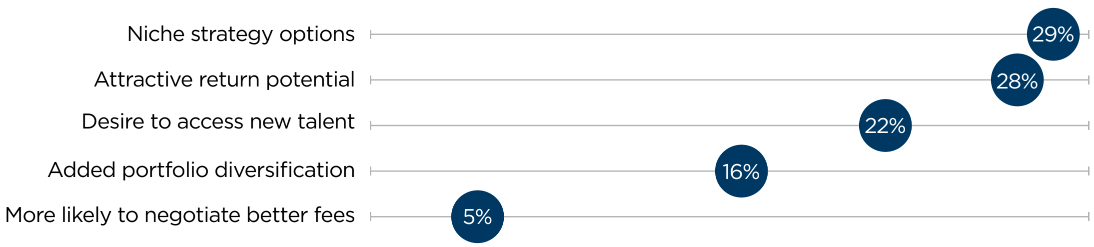
For most of the past decade, the number of emerging firms has outpaced established firms by more than 2-to-1. In 2022 and 2023, the number of emerging firms is roughly on par with established firms.[105]



91% of emerging managers found fundraising **difficult or very difficult**[106]

> While there may be [an] appetite to invest with emerging managers, that's probably going to be the hardest area to raise capital, simply because people are having to make some very difficult choices and are prioritizing re-ups with proven managers who have long track records, in lieu of new relationships.
>
> FIONA ANDERSON WHEELER, BC PARTNERS[107]

What drives LPs to allocate funds to emerging managers?[108]



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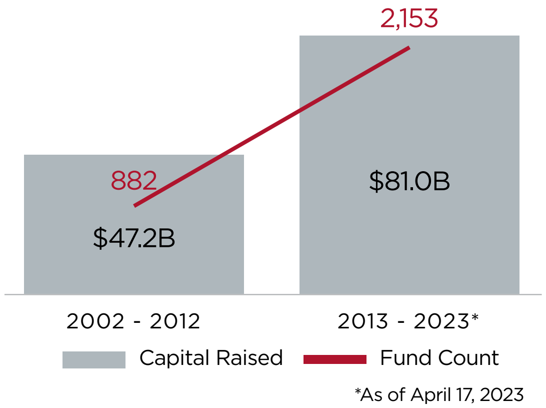
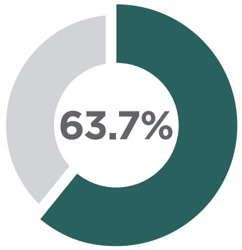
Over the last decade, emerging managers have increasingly raised funds outside of the traditional venture hubs.[109]





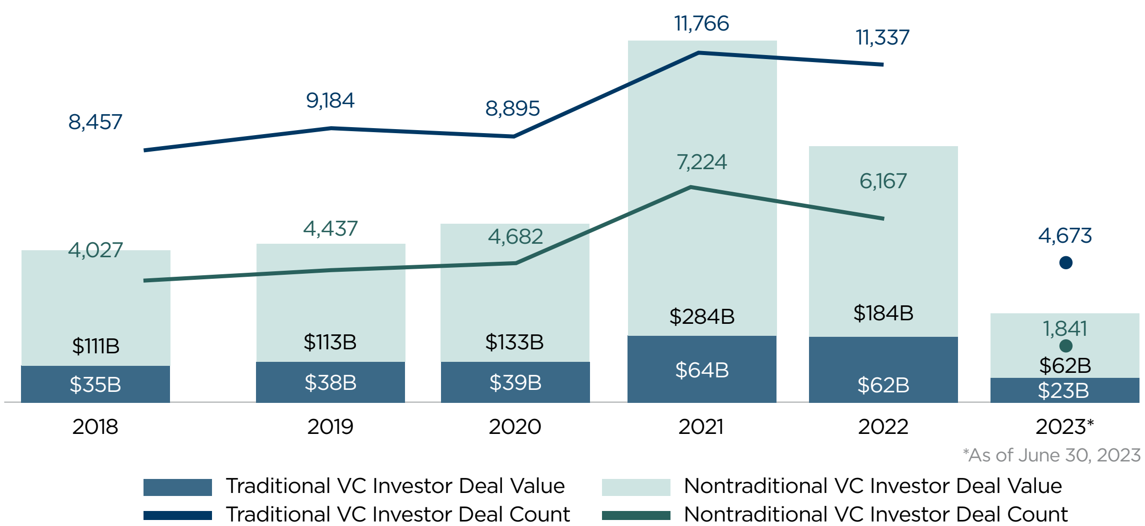
of the capital raised since 2018 by firms **headquartered outside of major markets** has been by **emerging managers**.[110]

> Local capital is imperative to help scout and fund startups that launch outside of traditional capital hubs. A declining presence of emerging-manager-led funds could make it more difficult for startups to raise capital and may force them into larger ecosystems.
>
> MAX NAVAS, PITCHBOOK[111]

How have nontraditional VC investors impacted fundraising?[112]

Although nontraditional VC investors—generally firms and institutions not called VCs—have assumed increased prominence over the past several years, their involvement in VC deals decreased year-over-year in 2022.[113]

Despite their decreased participation, nontraditional VC investors still participated in deals that accounted for about 75% of the total VC deal value.[114]



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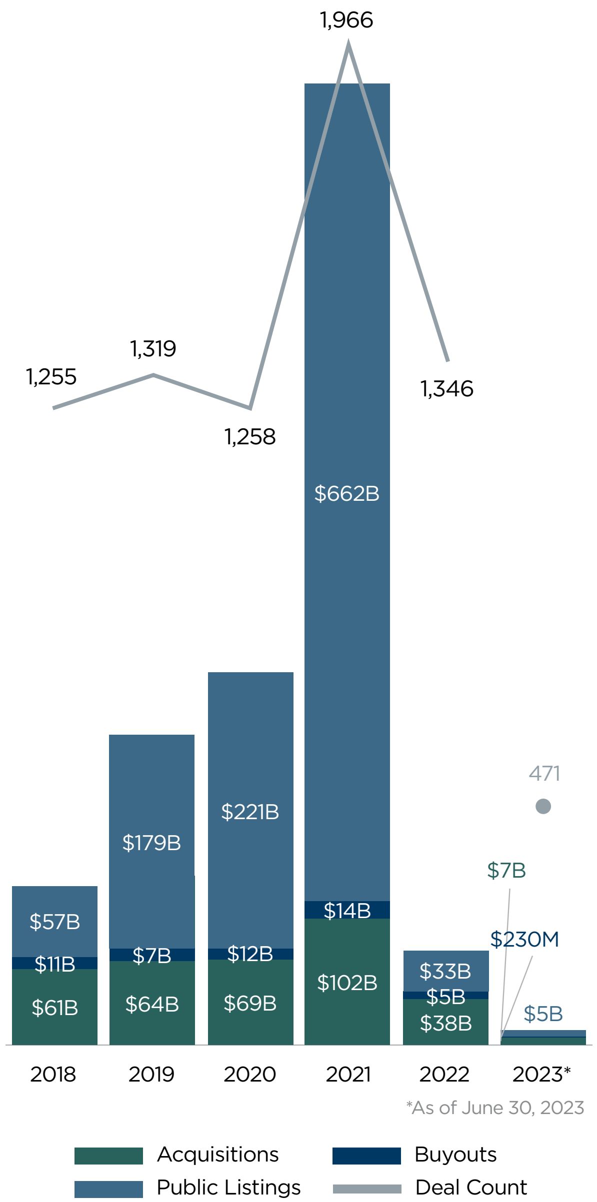
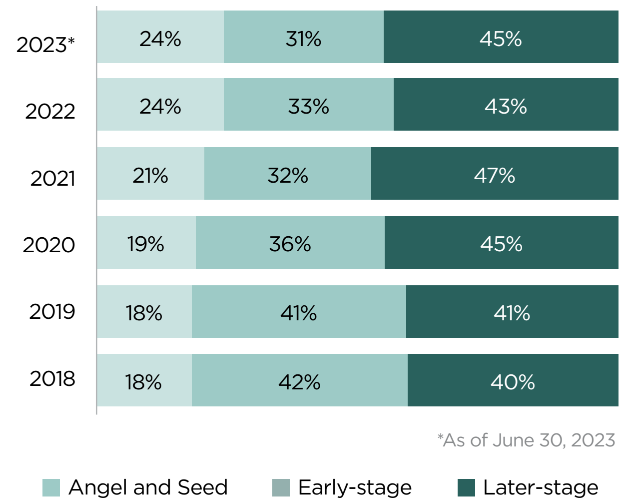
There was a marked reduction in portfolio company exits in 2022 compared to previous years.

A reduction in exit activity reduces distributions from VC funds to their limited partners—in turn stemming reinvestments by those limited partners into VC funds.[115]

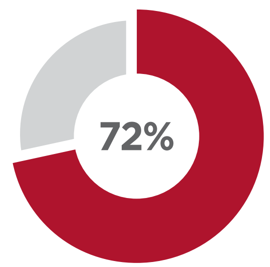
U.S. VC exit value declined **90%** year-over-year in 2022.[116]



While exit numbers have declined dramatically since 2021, the overall exit ratios by funding stage have generally remained consistent.[117]



In the first half of 2023, **acquisitions** have generated the **majority of exit value** and have continued to account for about



of the overall exit volume.[118]

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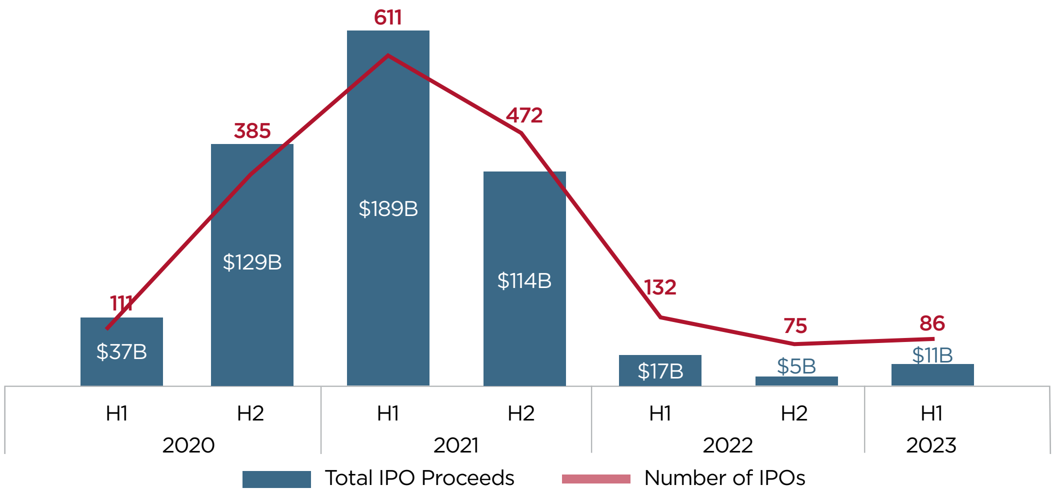
Initial Public Offerings and Small Public Companies

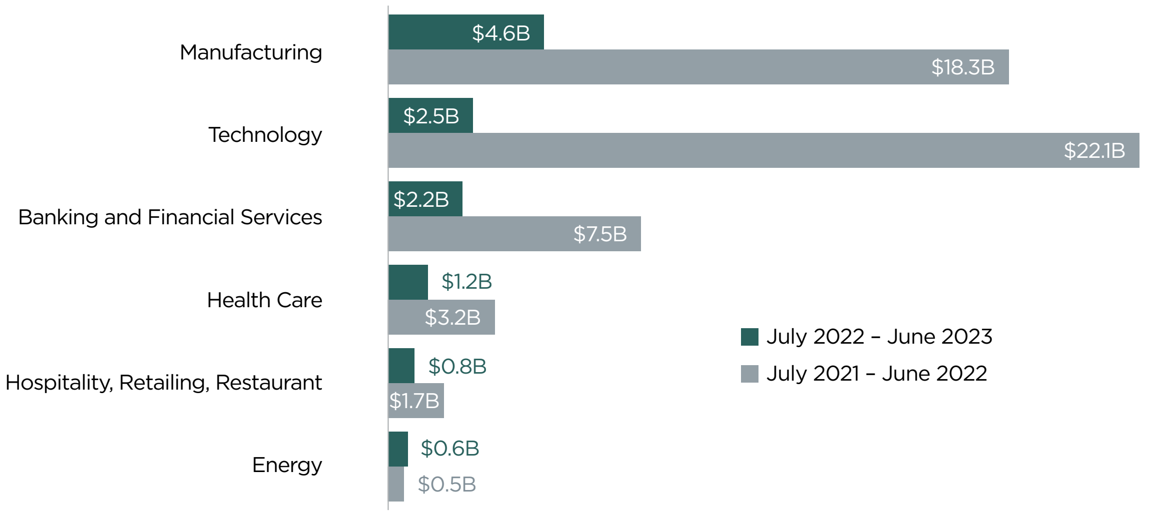
Companies can access broad pools of investors when they conduct public offerings. This allows them to raise large amounts of capital to fund activities such as research and development, capital expenditures, or debt service. Public offerings also provide liquidity to earlier-stage investors and employees.

What is happening with IPO activity?

The volume and number of initial public offerings has fallen significantly since its peak in the first half of 2021.[119]



What are the top industries raising capital in IPOs (excluding pooled funds)?[120]



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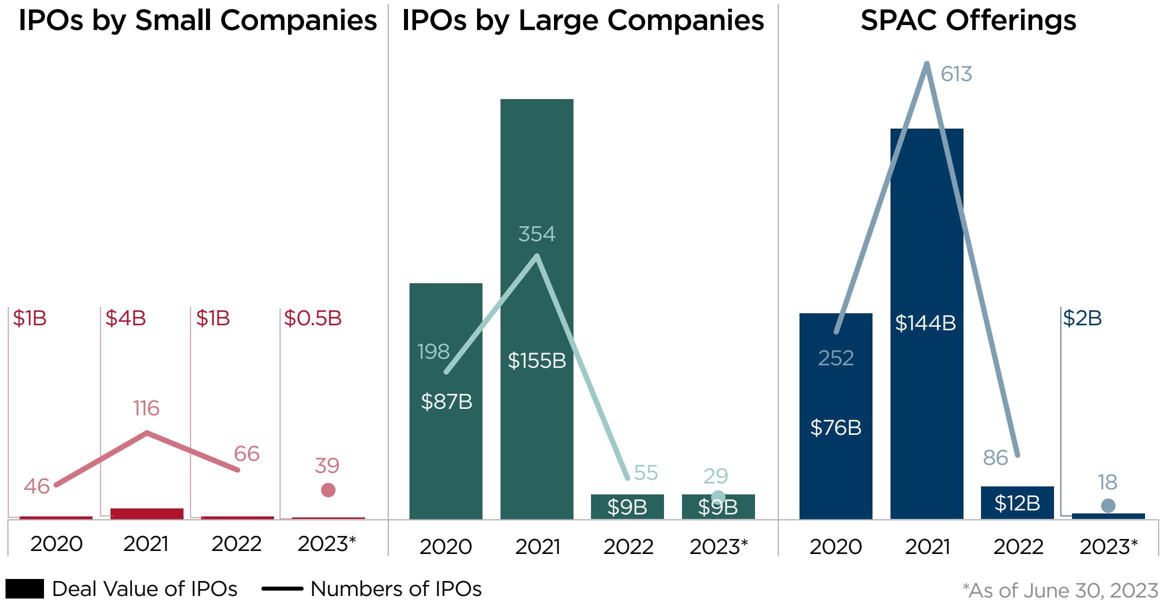
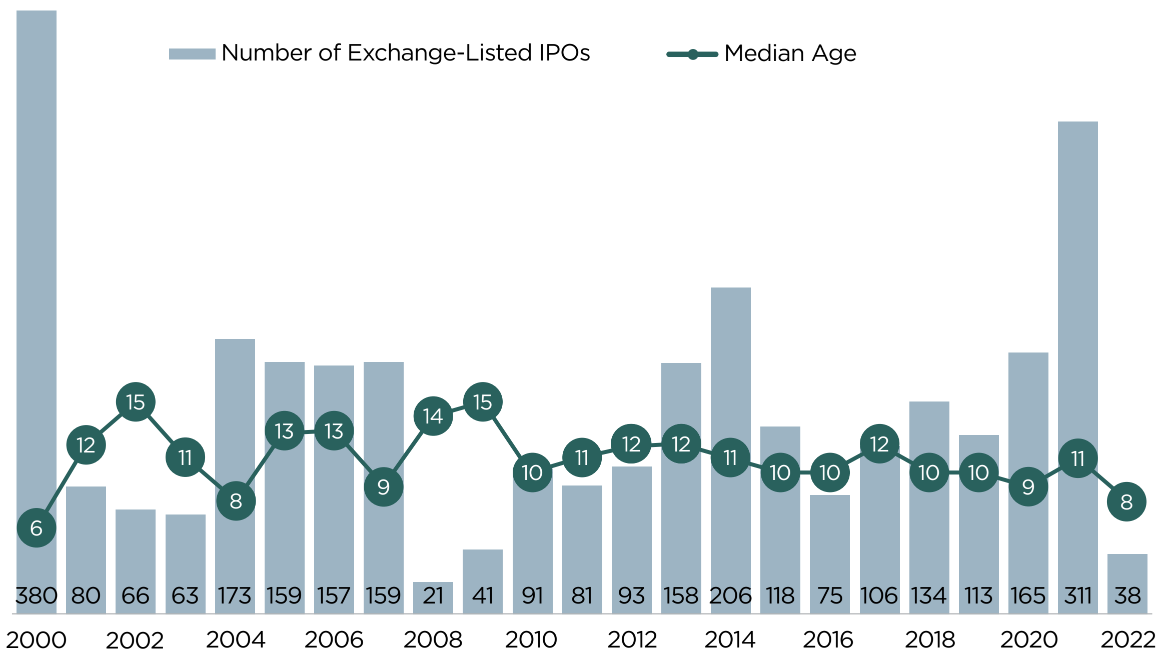
How are the dynamics changing for companies going public?

IPOs by U.S. small companies, when compared to the fluctuations in IPOs by large companies and SPAC offerings, have been relatively stable.[121]



In 2022, the number of exchange-listed IPOs dropped to its lowest point since 2009.[122]

While the median age of an IPO issuer has generally become younger over time, since 2010, it has hovered between 8 and 12 years.



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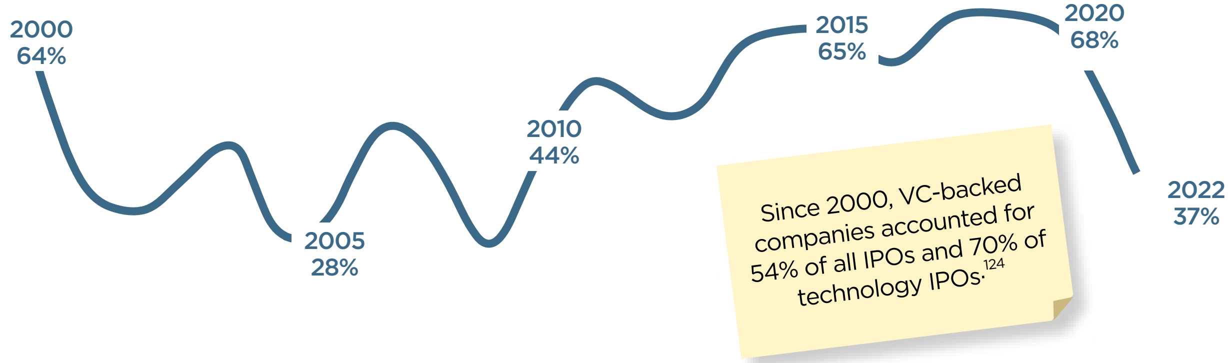
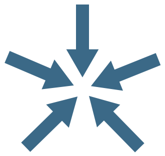
While the percentage of IPO companies with VC-backing has varied, the link between VC-backing and preparation for an IPO remains.[123]



How does being VC-backed affect a company's IPO chances?[125]

The success of an IPO depends on many factors, including the quality and performance of the startup, the underwriting services of investment banks, and general market factors. For many IPOs, underwriters play a crucial role in the pricing, marketing, and distribution of IPOs.[126]



IPOs by VC-backed portfolio companies attracted **11.7% more attention** in the week of the offering than non-VC backed IPOs.[127]

VC firms with **more underwriting relationships** are **more likely** to take their portfolio companies public.[128]

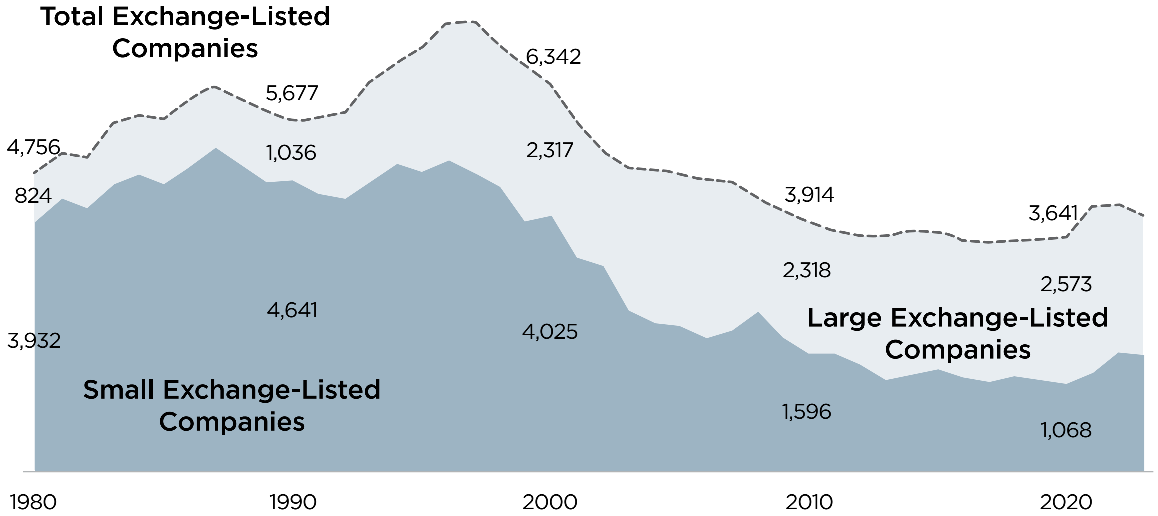
VC firms that lose underwriter relationships experience a **22.3% decrease** in the rate of portfolio company IPOs over the next 5 years.[129]

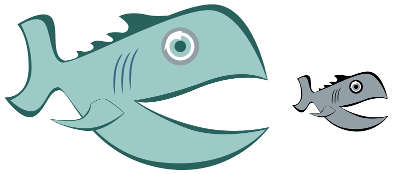
VC funds near the **end of their lifespan** had an even **greater decrease** in their portfolio company IPO rate after the loss of an underwriter.[130]

Contents

How has the U.S. public market changed over time?

While the number of exchange-listed companies has declined, small exchange-listed companies account for the vast majority of that decline.[131]





When taking into consideration mergers within and into the public markets, the listing gap is much smaller. **The increased rate of mergers after 1997 accounted for about 2,500 fewer public companies** (1,000 in public-public mergers and 1,500 in public company acquisitions of private companies).[132]

> [R]egulatory cost itself is unlikely to explain the full magnitude of IPO declines in the U.S. over the past two decades. Non-regulatory factors, such as decline in business dynamism, shifting investment to intangibles, abundant private equity financing, changing economies of scale and scope, and changing acquisition behavior are likely to play a more important role.
>
> MICHAEL EWENS, ET AL.[133]

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How has the public market fared based on other measures of size?

The **aggregate market capitalization** of all public companies has **grown exponentially** to **$43.6 trillion** as of June 2023 (from $1.7 trillion in 1983).[134]

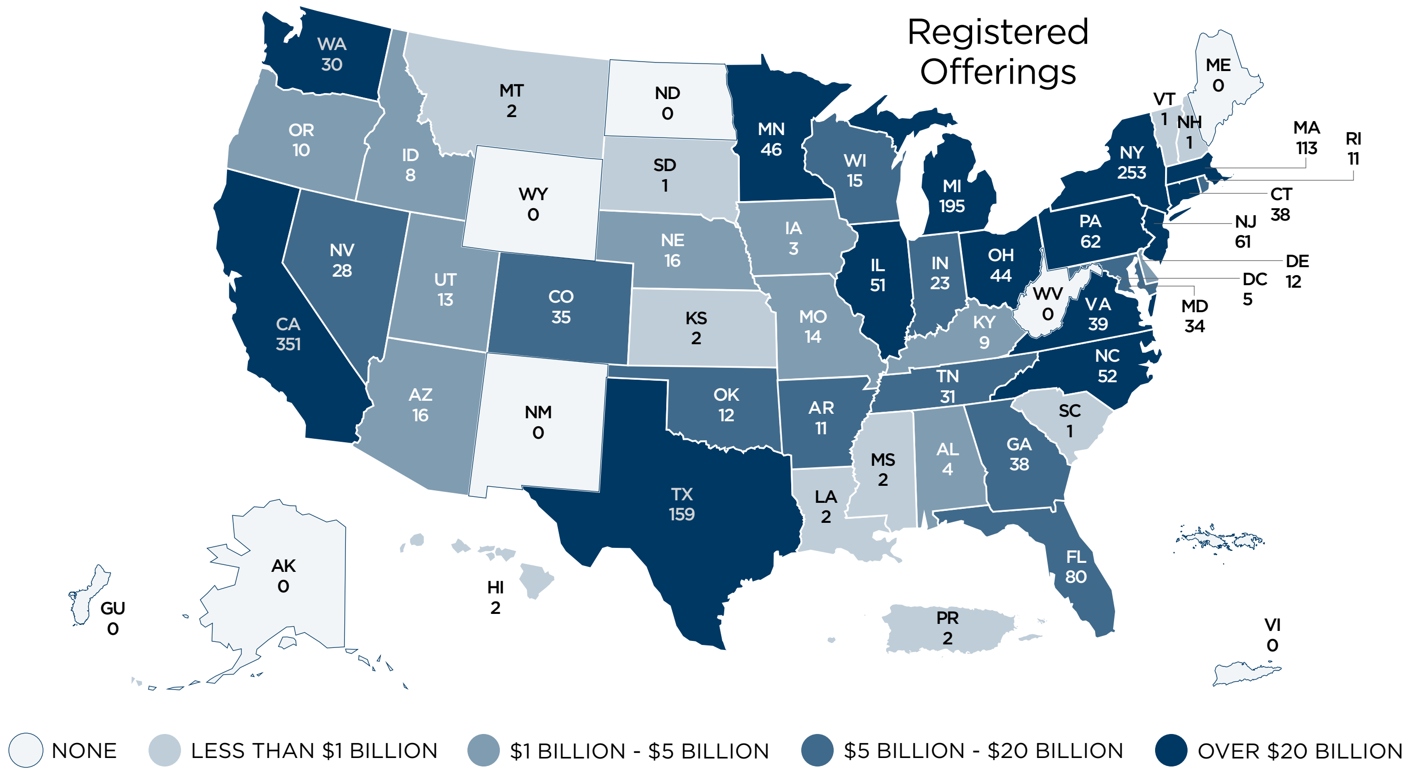
Public companies' market **capitalization was more than 2X GDP in 2021** (compared to less than half of GDP in 1990).[135]

Public companies' profits were **8.3% of GDP in 2021** – nearly **double the proportion of profits to GDP in 1996**.[136]

The portion of aggregate public company market capitalization represented by **small** exchange-listed companies, however, has **declined by half each of the past four decades**. From 1983 to the first half of 2023, it has fallen **to 0.3% from over 13%**.[137]

Where are registered offerings – often called public offerings – being used to raise capital?

The shading of each state shows the estimated total capital raised, and the number indicates the total number of offerings in that state.[138]



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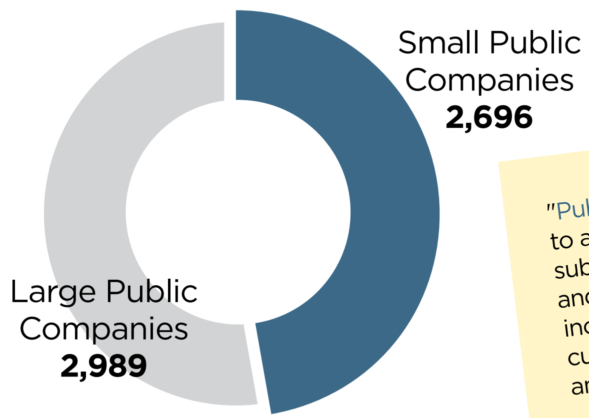
Small Public Companies

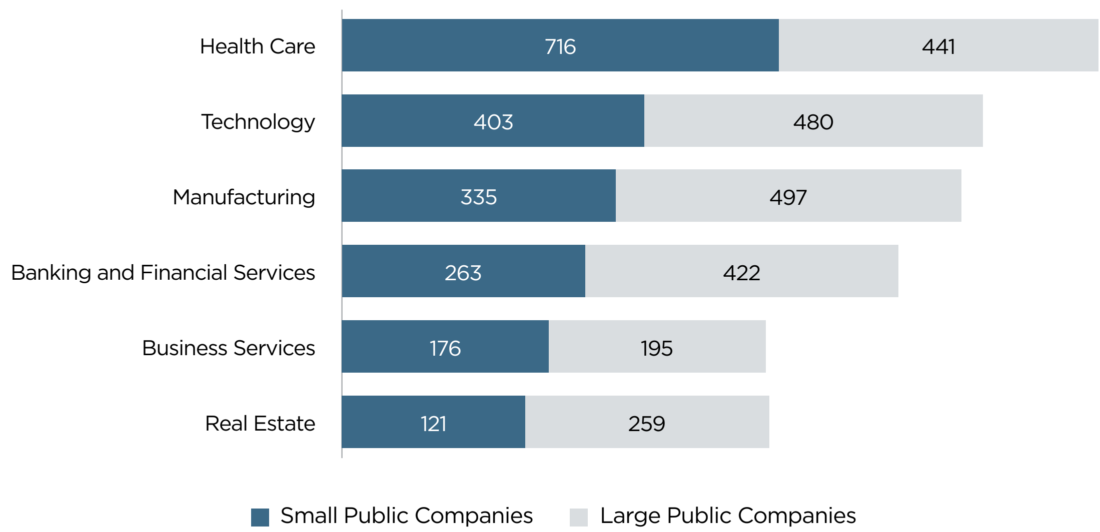
While it is easy to group all public companies together, their experiences and challenges in the public markets differ considerably. The unique challenges that small public companies face tend to receive less coverage than those faced by larger companies.

How many registered companies are small public companies?[139]



"Public companies," often referred to as reporting companies, are subject to reporting requirements and must file certain reports, including annual, quarterly, and current reports, with the SEC on an ongoing basis.[140]

Top Industries of Small Public Companies
Based on Number of Companies



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How are small public companies faring after exchange-listed IPOs?

Companies may seek to go public for many reasons, but each company should consider the potential benefits and costs.

In 2022, out of 91 small cap companies that conducted an IPO and listed their shares on certain exchanges for small cap stocks:[141]

92% had a negative rate of return from their IPO price, with an **average return of -65%**

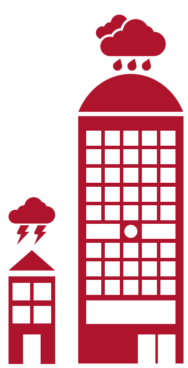
34% appeared on an **exchange non-compliance list** after their IPO

51% **completed reverse stock splits** before or after their IPO

What is a reverse stock split? A reverse stock split reduces the number of a company's outstanding shares, while the aggregate value of the shares remains the same. It can be viewed as a signal of a company in distress.[142]

How are small public companies affected by instability in the financial system?[143]

Commercial banking and financial system stability is very important to small public companies.



Losing a major creditor is more likely to cause more severe damage to small public company borrowers than their larger counterparts.

Small public company borrowers are likely to suffer a heightened negative reaction following a bank failure and experience more negative returns longer term.

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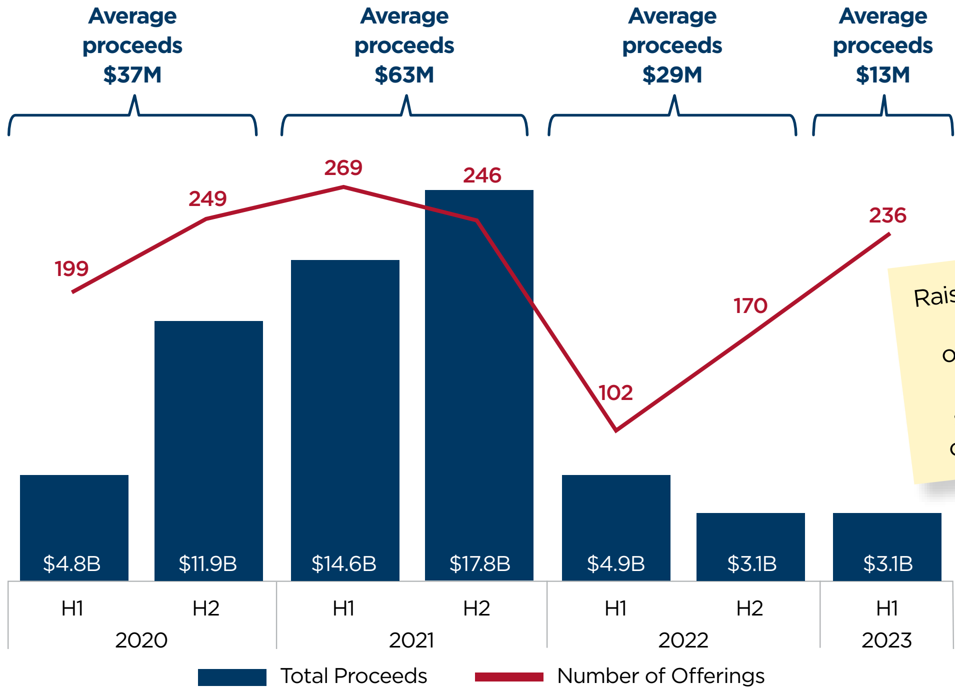
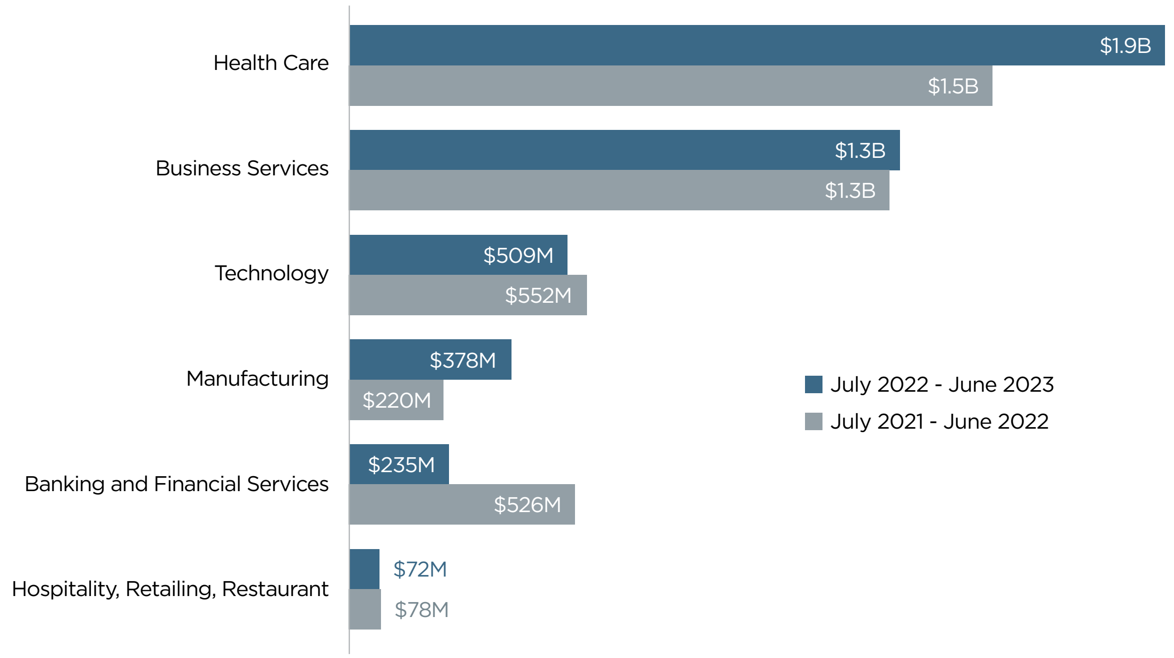
How much capital are U.S. small public companies raising through registered equity offerings?[144]



Raising capital is a primary objective for **23%** of small public companies.[145]

Despite the drop in the average offering size last year, the aggregate amount raised in registered equity offerings across the top industries by U.S. small public companies remained in line with the prior 12-month period.[146]



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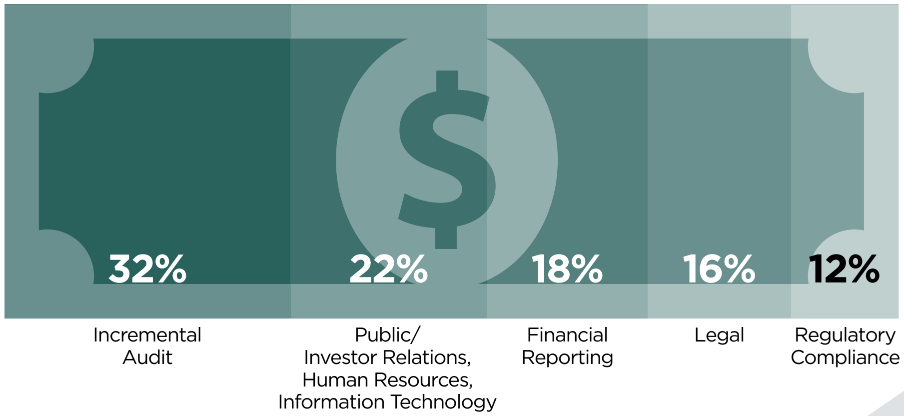
Costs of being public

The costs associated with going public often garner much attention. However, the costs to operate as a public company may be even higher. CFOs estimated the average percentage of their total **recurring incremental costs** of being a public company.[147]



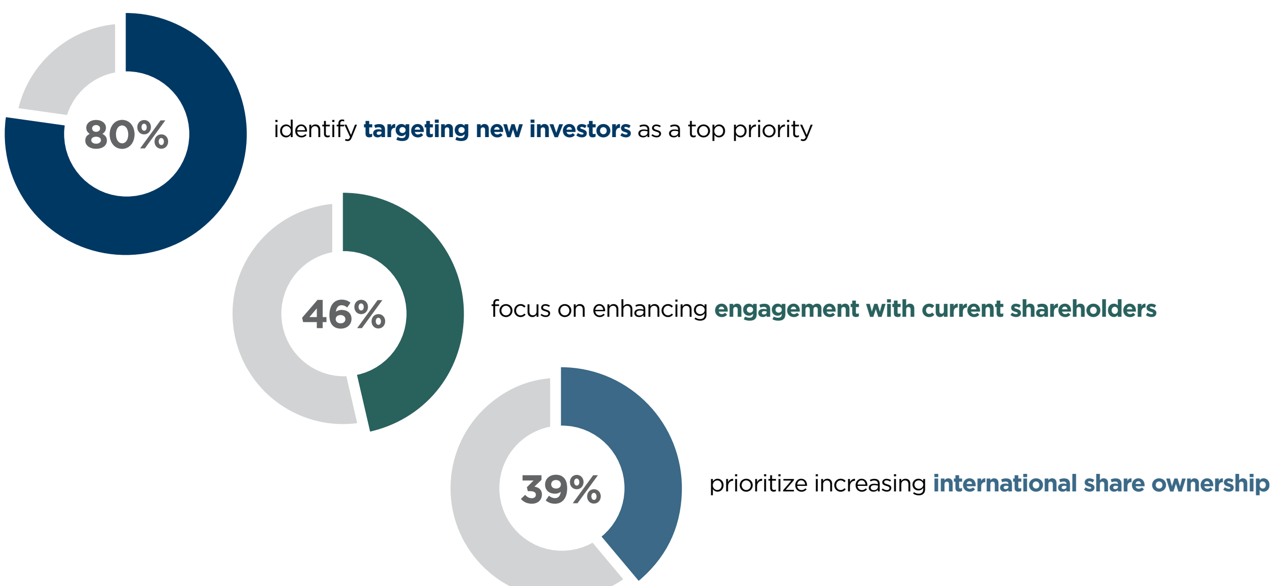
Total compliance costs for a median public company vary from **2.1% to 6.3% of market capitalization.**[148]

Small public companies and new public companies face high regulatory costs as a percentage of their size and profit. The regulatory costs for small public companies are disproportionate relative to their size because many costs are fixed.[149]

Small public companies place greater importance on increasing research coverage than large or mega-cap public companies.[150]

The average number of analysts covering a mega-cap public company is more than **4x higher** than at small public companies.[151]

Small public companies prioritize targeting new investors.[152]



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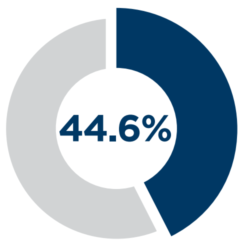
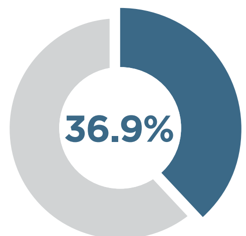
Women Founders and Investors

Women-Owned Business Formation and Ownership

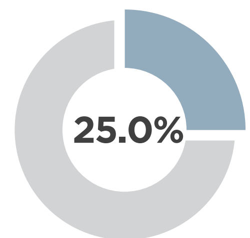
While the portion of businesses owned by women decreases as the businesses mature, their survival rate outperforms the average small business.



of **non-employer small businesses** are women-owned or equally women-and men-owned, representing **11.5 million** firms.[153]



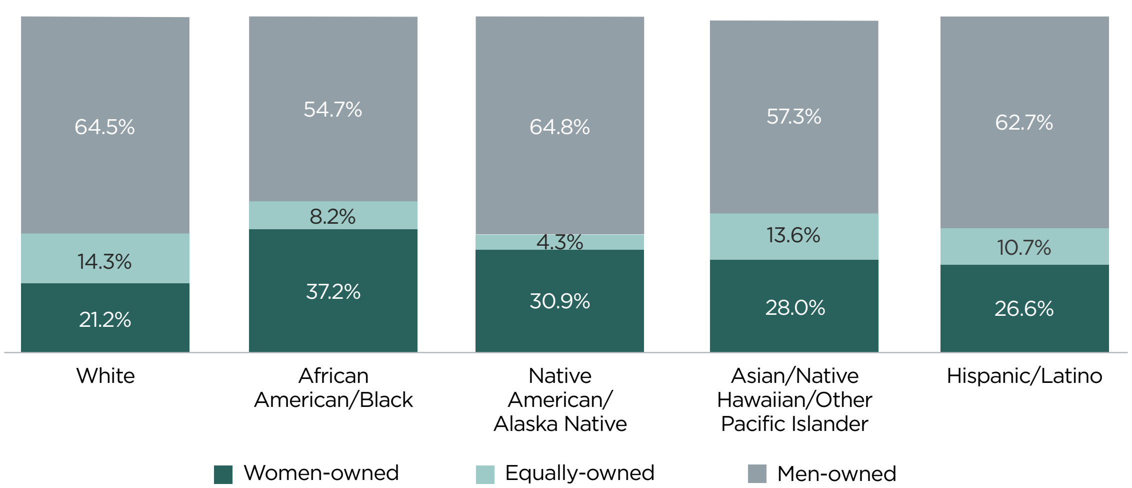
of **employer small businesses** are women-owned or equally women-and men-owned, representing **2.1 million businesses**.[154]



of VC deals in 2022 were with women-founded or co-founded companies, representing **4,372 deals** and accounted for only **17.6% of all venture funding**.[155]

The two-year **survival rate** for women-owned employer businesses is **81%**, besting the average small employer business survival rate of 79%.[156]

By share of employer firms, women owners remain underrepresented across demographic groups.[157]



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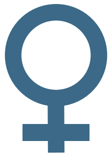
Women are drawn to entrepreneurship, but many women founders feel their gender is holding them back.[158]

78% of women perceived entrepreneurship as a good career choice in 2022 (up from 64% in 2016).[159]

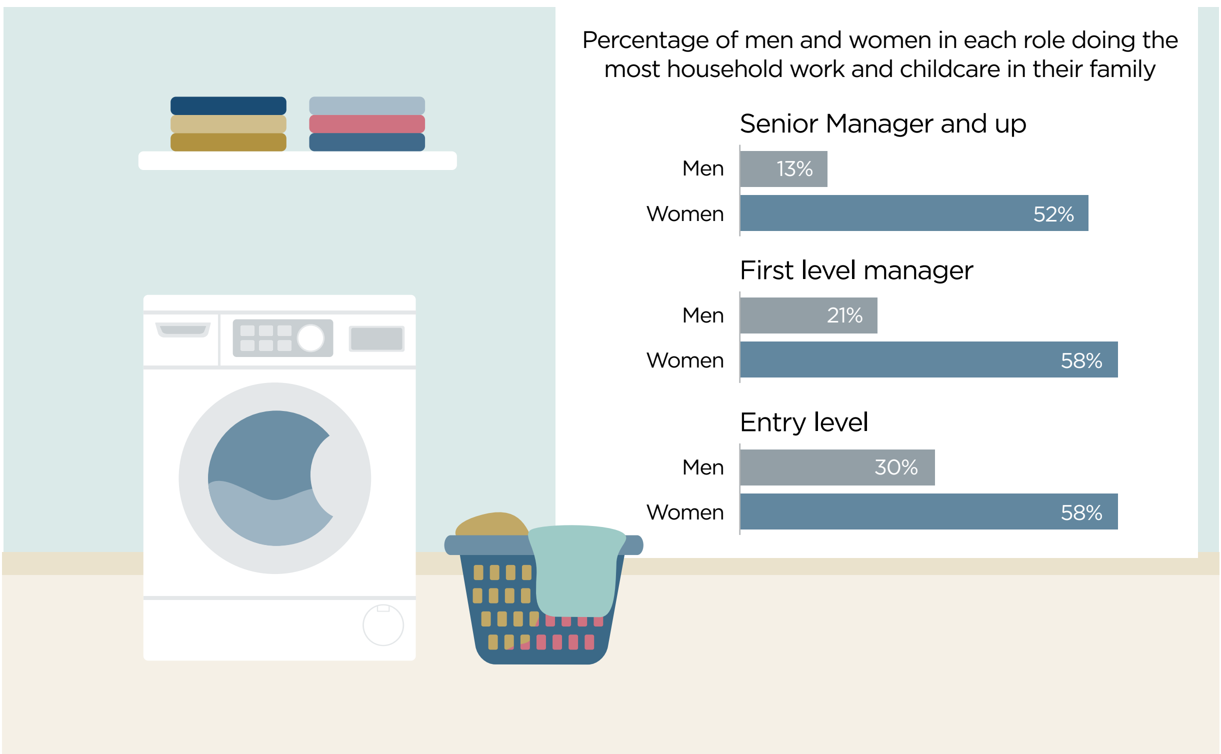


In 2020, on average **1,821** new businesses were started daily. Of those, 64% were started by women of color.[160]

34% of women founders reported burnout (compared to 20% of men founders).[161]

70% of female founders felt their gender has held them back (up from 55% in 2019).[162]

As women advance in their career, they are increasingly disproportionately shouldering domestic responsibilities.[163]



Women founders turn to each other for support.

More than ever, women founders seek a **sense of community** and **connections** with others who share their struggles and successes.[164]

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Capital-Raising Trends for Women-Owned Businesses

Women business owners are more likely than men to seek financing to meet a critical operating need, while less likely to seek financing to grow or pursue a new opportunity.[165]

Why seek financing?

62.3% of women sought financing to **meet operating expenses** (compared to 54.6% of men).

26.3% of women sought financing to **expand, acquire assets, or pursue new opportunities** (compared to 32.6% of men).

18.4% of women sought financing to **replace or repair assets** (compared to 23.6% of men).

A woman's confidence, compensation, and feelings of support are all drivers in meeting growth targets that can determine access to financing.[166]

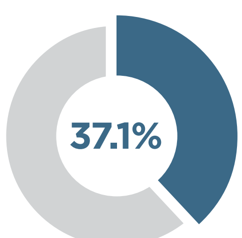
Confidence and feeling supported are positive factors in achieving cash flow break-even.

Paying yourself as a founder in the first year can have a positive impact on cash flow break-even.

The percentage of a woman **founder's household income coming from her business** can have a positive impact on average monthly revenue.

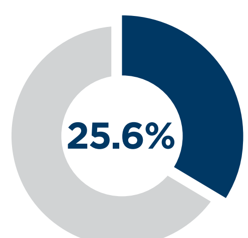
2022 was a strong year for women entrepreneurs seeking angel capital.[167]

Women constituted



of **entrepreneurs seeking angel capital** in 2022 (up from 28.6% in 2021).[168]

Angel investors invested in



of those investment opportunities brought to their attention (up from 19.7% in 2021, and mirroring the overall market increase from 24.1% in 2021 to 26.7% in 2022).[169]

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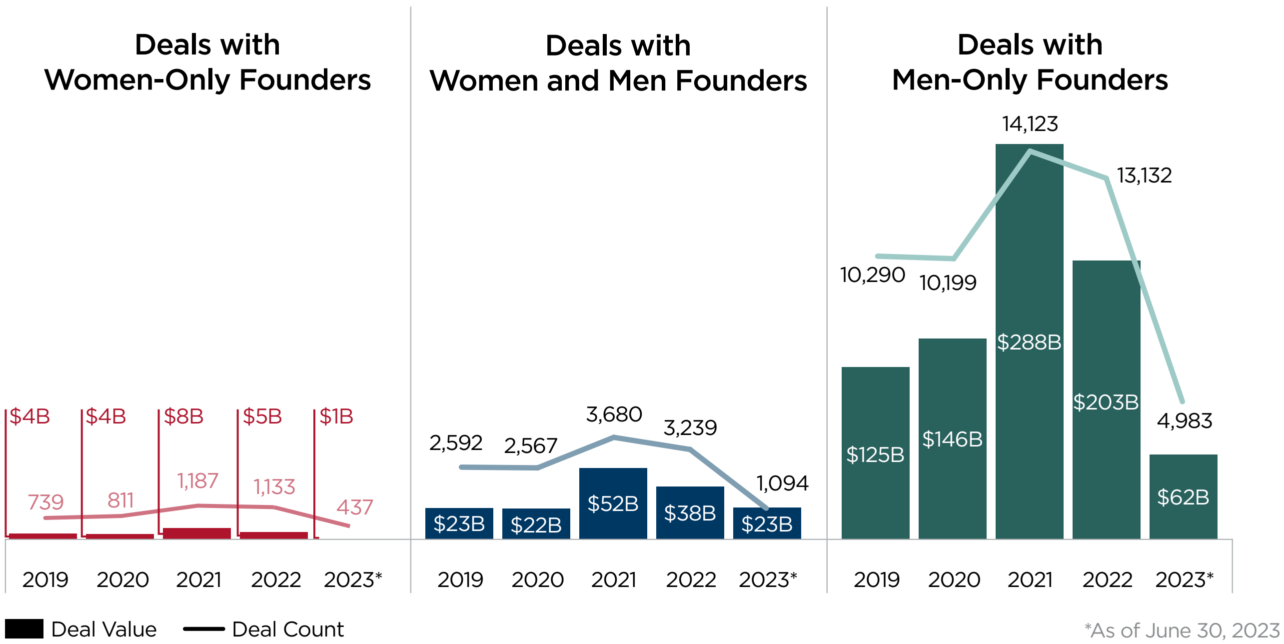
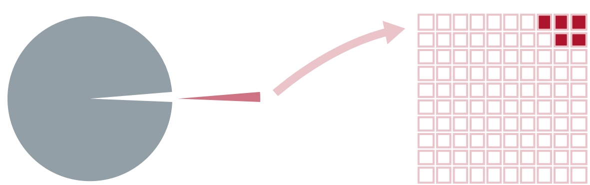
As VC funding contracted, the share of funding to women founders remains a fraction of the overall capital raised.[170]

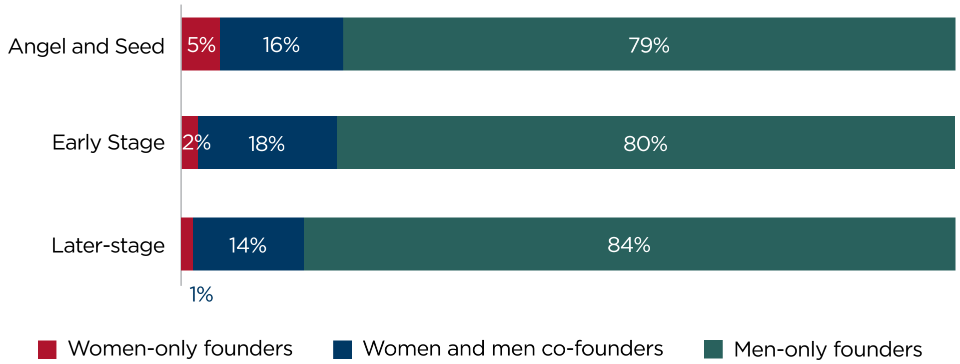


Only **2% of all venture funding raised** in 2022 was invested in startups led by all women founders.[171]



Further, only **5% of that slice of the pie** for all women founders went to **Latina and Black women founders**.[172]

In 2022, both women-led and mixed founder teams received a declining percentage of overall deal value in each progressive funding round.[173]



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All-women teams faced strong headwinds raising capital.[174]

Similar to 2021, **all-women teams** continued to have **more investor meetings** in 2022 than all-men or mixed teams.[175]

However, **all-women teams raised less per meeting** ($14,300) than all-men ($25,000) or mixed ($27,900) teams.[176]

All-women teams with diverse members had a **51% decrease in investor meetings** (33% fewer meetings than their peers) and continued to be the **only demographic** to raise on average **less than $1 million per raise**.[177]

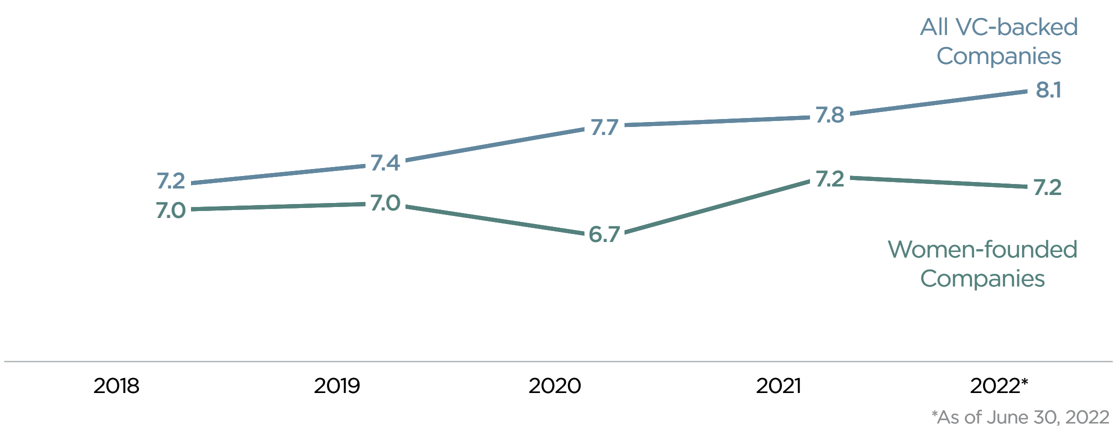
On average, VCs spent **125% more time on all-women team slides** and scrutinized different sections depending on the gender of the team members.[178]

All-Women Teams Most Scrutinized Slides	All-Men Teams Most Scrutinized Slides
Team Slide	Product Slide
Business Model	Business Model
Business Traction	Company Purpose

Contents

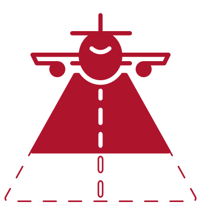
Women-founded companies continue to exit and return capital to investors faster than the overall market.[179]

Median Time (Years) to Exit



Despite market headwinds, women founders do more with less.

As time between VC rounds increased and raising equity became more challenging, managing cash and burn rate became critical.[180]



Women-founded companies use 25% less capital per month than men founders, extending their runways and demonstrating resiliency and resourcefulness amidst challenging economic conditions.[181]

> “
> Women bring fresh insights and new strategies to solving problems, which the world needs more than ever. From climate change and social and economic inequity to the digitization of industry, there are an infinite number of complex challenges to address with innovative solutions and services.
>
> ARTI RAMAN, TITANIAM[182]

Contents

Women in Leadership Roles

Women remain dramatically underrepresented in corporate leadership roles.[183]

Women accounted for nearly half of all entry level positions.

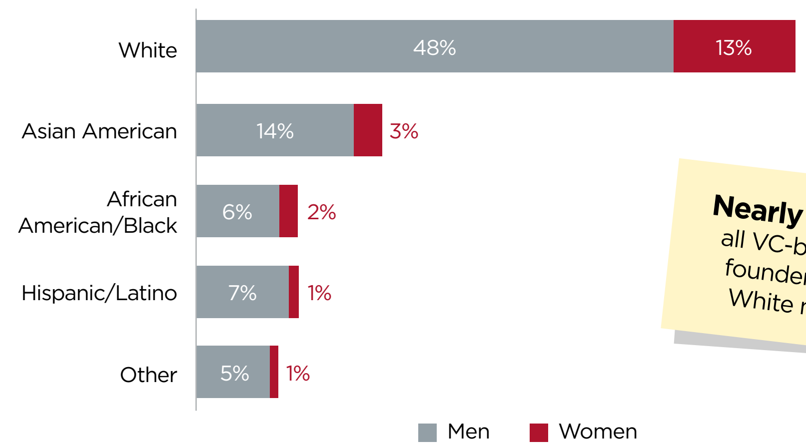
However, women's representation in the C-suite was half that amount.

Only 1 in 4 C-suite executives in 2022 was a woman.

Women of color accounted for **1 in 5** entry level positions.

However, **only 1 in 20** C-suite executives was a woman of color.

Women are similarly underrepresented as founders in VC-backed companies.[184]



Nearly half of all VC-backed founders are White men.

Only **1 in 5** founders in VC-backed companies is a woman.

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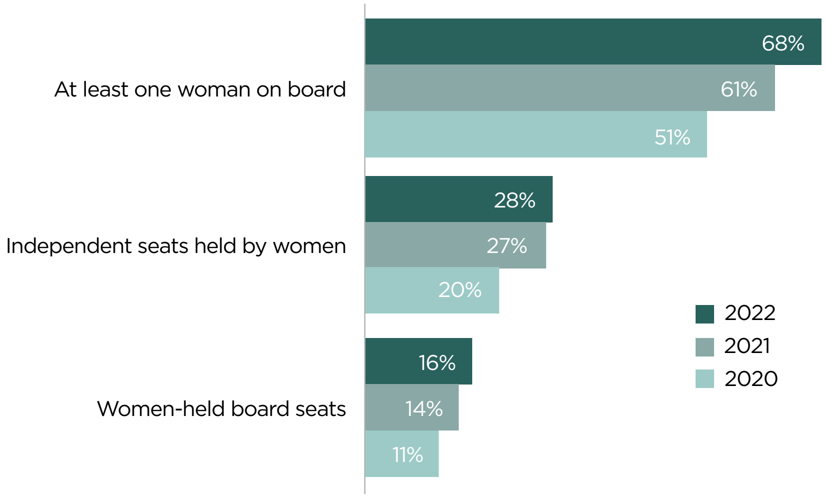
While women remain underrepresented in board roles at VC-backed companies, the number of boards with at least one woman has increased in recent years.[185]



4% of all directors are **women of color** and

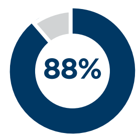
76% of company boards **do not include a single woman of color**.[186]

For the first time, **women average 1 board seat** per private-company board (while men average 6 seats).

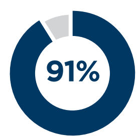
"One woman can make a difference."
– SHARON BOWEN, CHAIR, NYSE[187]

Many of these gains are driven by **independent director seats**. Women are most likely to occupy an independent director seat (53%) than an investor-director or executive director seat.[188]

Men continue to hold:



of **investor-director board seats** and



of **executive director seats**.

The lack of diversity among investors and the entrepreneurs they back shapes the **demographics and network of the boardroom**.[189]

Private companies with gender diverse boards raise more capital and are more likely to conduct an IPO.[190]

Gender diverse boards raised an average of **16% more funding** ($302 million), and

were **10x more likely** to have gone public.

Contents

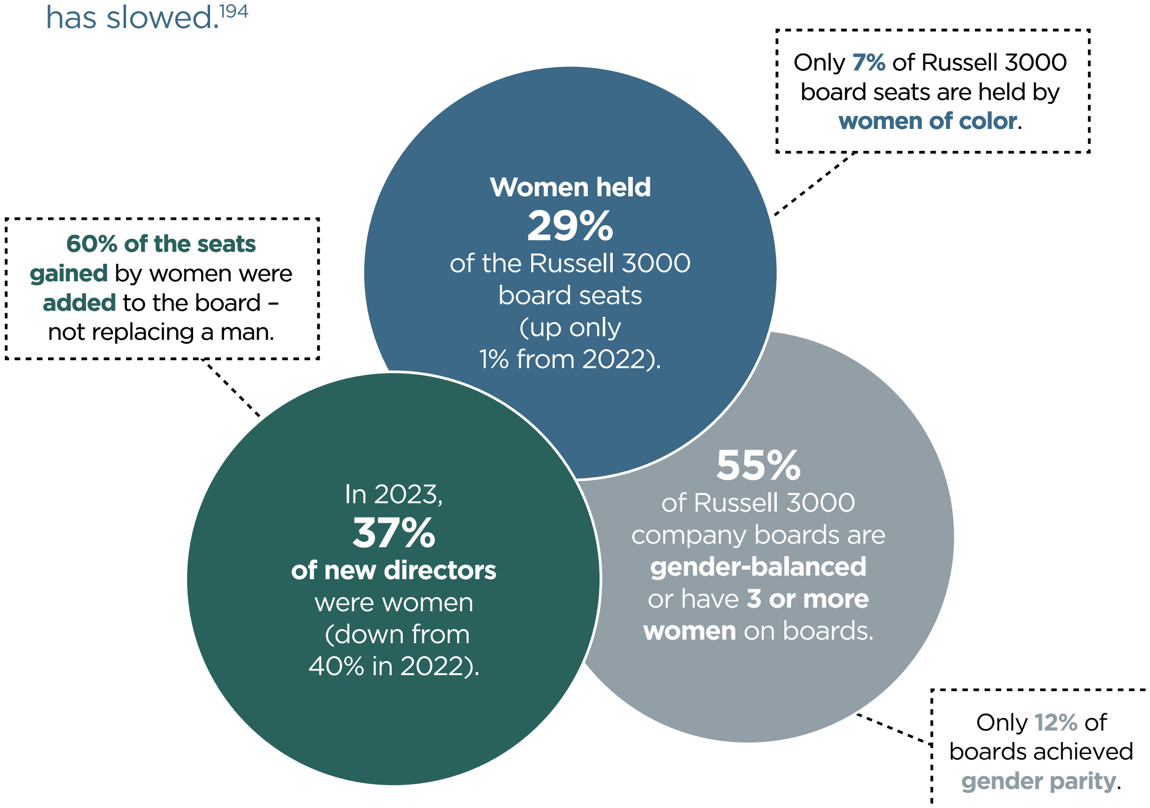
Women represent only a fraction of the C-suite of small public companies; however women-led companies have more diverse boards than those led by men.

Women CEOs make up **6.4% of all CEOs** in the Russell 3000 (rising to 192 in 2023, from 163 in 2020).[191]

Companies led by women CEOs have **more gender-balanced boards** (35%) than those led by men (6%).[192]

> "[W]hen women join the C-suite, they catalyze a shift in corporate thinking that may support new longer-term, internally cultivated value-creation strategies. For example, management teams become more likely to focus on R&D versus M&A and more open to change, yet less open to risk.
>
> JACKIE COOK, MORNING STAR.[193]

While more women now hold board seats at small public companies than they have historically, gender parity remains rare, and progress has slowed.[194]



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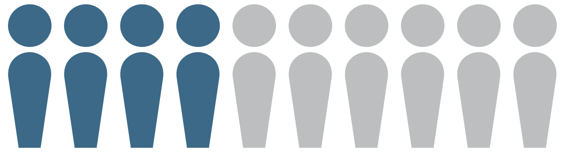
Trends in Women Investors in Small Businesses

As a percentage of active investors, women angel investors reached a new record high in 2022.

39.5% of angel investors in 2022 were women (an increase from 33.6% in 2021).[195]

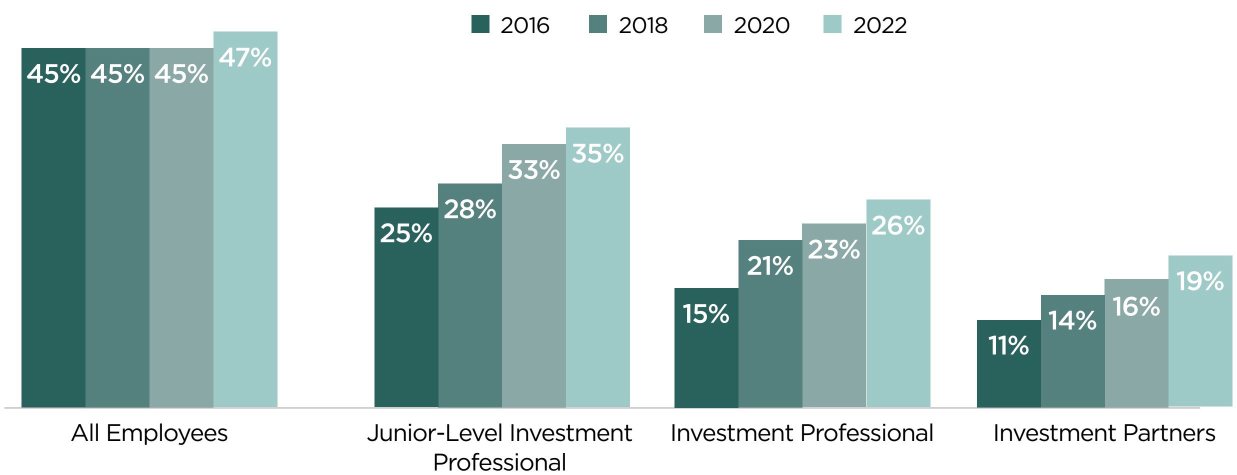


Women investors lead on values-based investing.[196]

51% of women invest in startups **aligned with their values** (compared to 39% of men).

45% of women invest in startups to **make the world a better place** (compared with 23% of men).

Although gender diversity continues to improve in the VC industry, women remain significantly underrepresented at senior levels.[197]



> [There remains] a huge imbalance in terms of who's managing the capital . . . [which amounts to] a hugely inefficient market opportunity . . . [A]t the end of the day we need allocators to actually allocate their capital to diverse managers.
>
> CHRISSIE CHEN PARISO, MPOWERED CAPITAL[198]

Contents

Women constitute a distinct minority of investors with senior decision-making powers and control a fraction of total VC dollars.[199]

25% of deals were originated by women (up from 24% in 2020).

20% of firms' investment committees are women (down from 21% in 2020).

17% of investment firm owners are women (down from 18% in 2020).

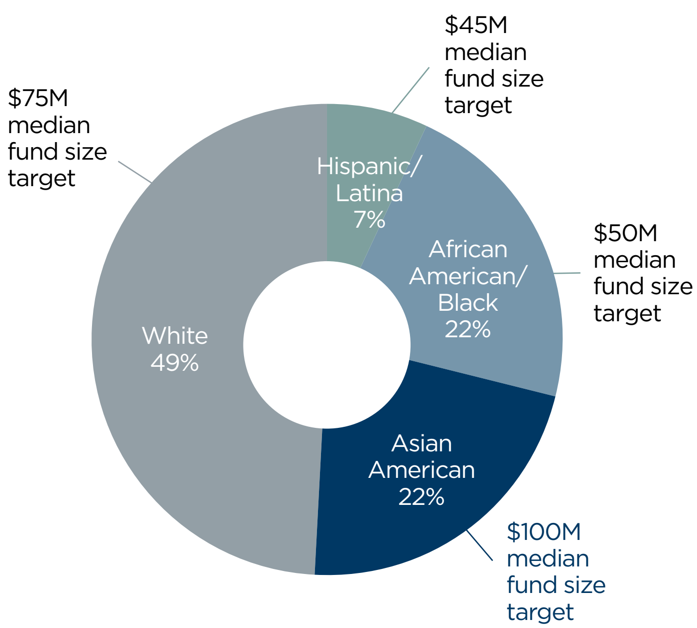
Despite hurdles, women-owned VC firms are growing.

150 investment firms were women-owned in 2022 (a 29% increase over 2021).[200]

22% of investment partners at firms founded within the last 10 years were women (up from 17% at firms founded over 10 years ago).[201]

Women-owned firms often **raise smaller funds** and have a harder time raising capital from institutional investors than their male counterparts.[202] These challenges are even more acute for African American/Black and Hispanic/Latina fund managers.[203]

Women-owned firms by race and ethnicity



77% of African American/Black women, **43%** of Asian American women, and **30%** of Hispanic/Latina women

were raising a **first-time fund**,

while **64%** of White women were raising a **successor fund**.[204]

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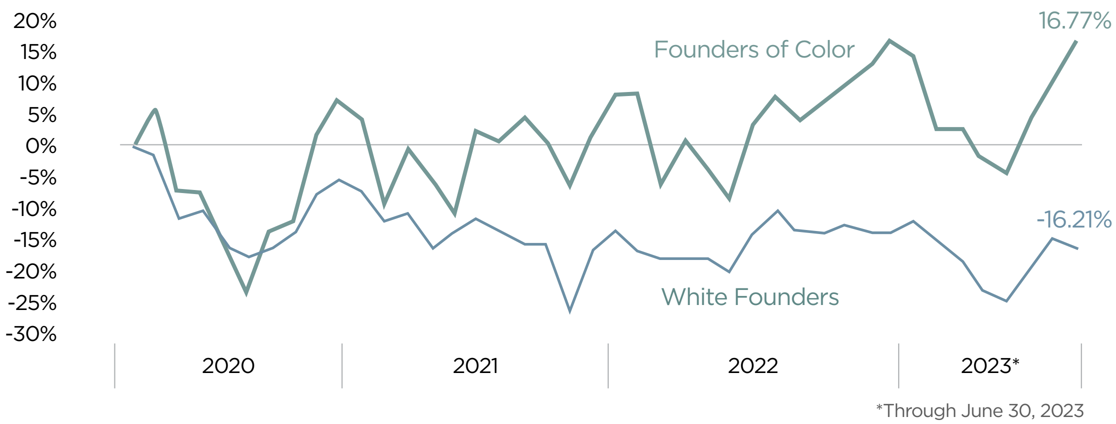
Diverse Founders and Investors

Diversity[205] is the representation of various elements of identity, including race, ethnicity, nationality, gender identity, LGBTQ+ status, socioeconomic status, ability, religion, and age. Diversity often refers to the degree to which specific groups are represented in the workforce and leadership.[206]

Business Formation and Ownership Trends

The proportion of diverse business owners is growing.[207]

2022 had the highest proportion of new business formation by founders of color.[208]



People of color are increasingly creating new businesses, but need more support as those businesses grow and become more established.

Over the last 10 years, diverse businesses accounted for over **50% of new businesses** and created **4.7 million jobs**.[209]

The **top motivators for entrepreneurs of color** include the desire to be their own boss (30%), dissatisfaction with corporate America (20%), and pursuit of passion (13%).[210]

African American/Black and Hispanic/Latino adults intend to **create new businesses** at over **2.5X** and **2X** the rate of White adults, respectively.[211]

The rate of Hispanic/Latino adults **starting or running a new business** increased by about **10 percentage points** (from 17% in 2021 to 27% in 2022).[212]

White adults continue to **own established businesses** at a **higher rate** than African American/Black and Hispanic/Latino adults.[213]

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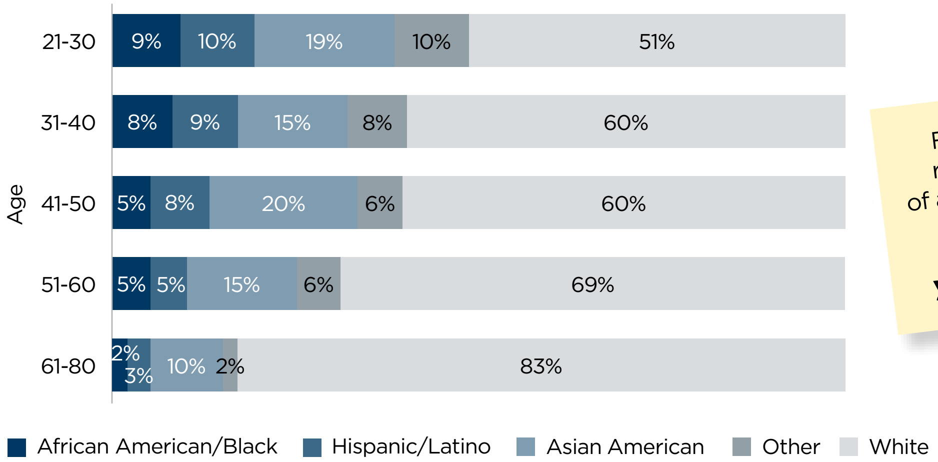
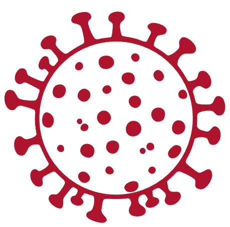
People of color are more represented among young founders than among older founders.[214]



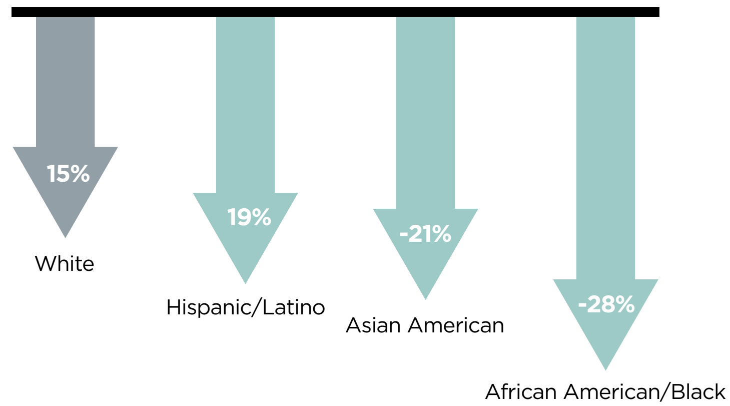
Founders of color represented **49%** of all **21-30 year-old** founders and only **17%** of all **61-80 year-old** founders.

The COVID-19 pandemic has a lasting impact on diverse business owners.



COVID-19 negatively affected earnings of many small businesses, however, **losses were disproportionately felt** by **diverse business owners**.[215]

Business Earnings Losses During the COVID-19 Pandemic by Race and Ethnicity[216]



> The COVID-19 pandemic has impacted the ability of entrepreneurs to access the capital that they need to sustain (or grow) their businesses, especially among Black entrepreneurs, with the share of business whose financing needs are met declining.
>
> EWING MARION KAUFFMAN FOUNDATION[217]

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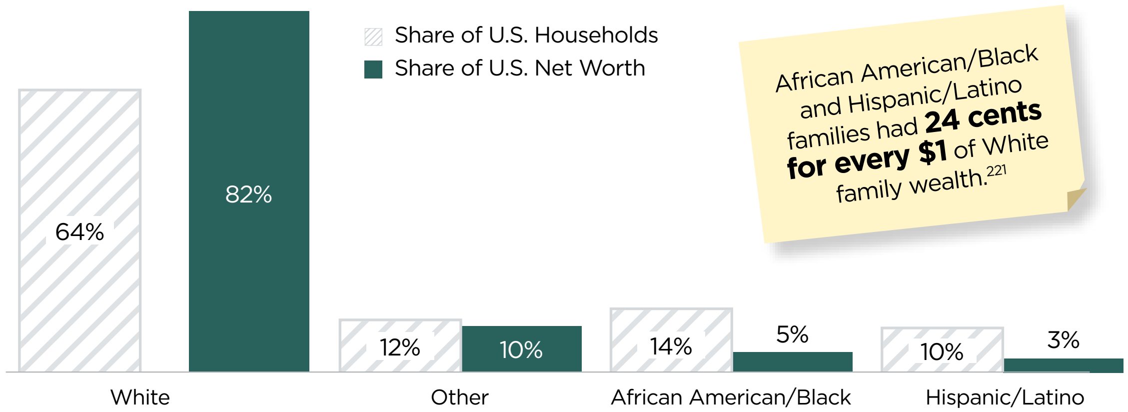
Precursors to Accessing Capital

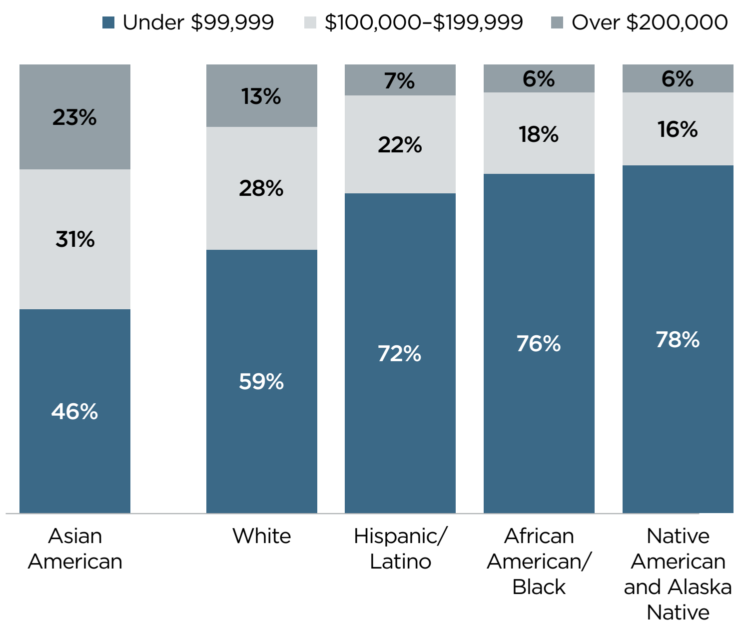
Discrepancies in wealth and income across demographic groups affect the financial starting line for many entrepreneurs of color.[218]

Many founders rely on funds from personal savings, friends, or family to start their business.[219] The nation's significant wealth inequality across racial groups particularly affects African American/Black and Hispanic/Latino entrepreneurs' ability to tap personal assets as a funding source.[220]

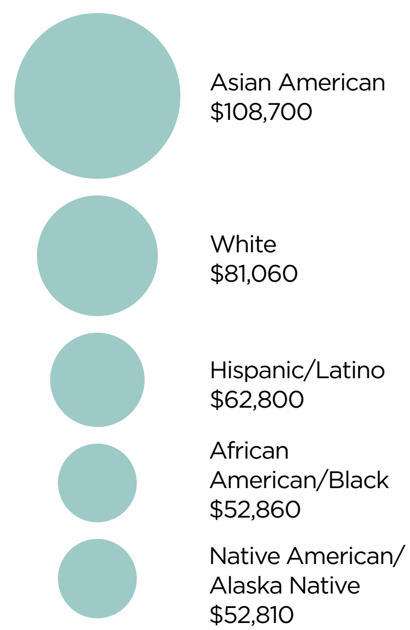


Disparities in income also affect the ability of entrepreneurs of color to grow personal wealth and savings and self-fund a business.

Household Income Distribution, by Race and Ethnicity[222]



Median Household Income by Race and Ethnicity[223]



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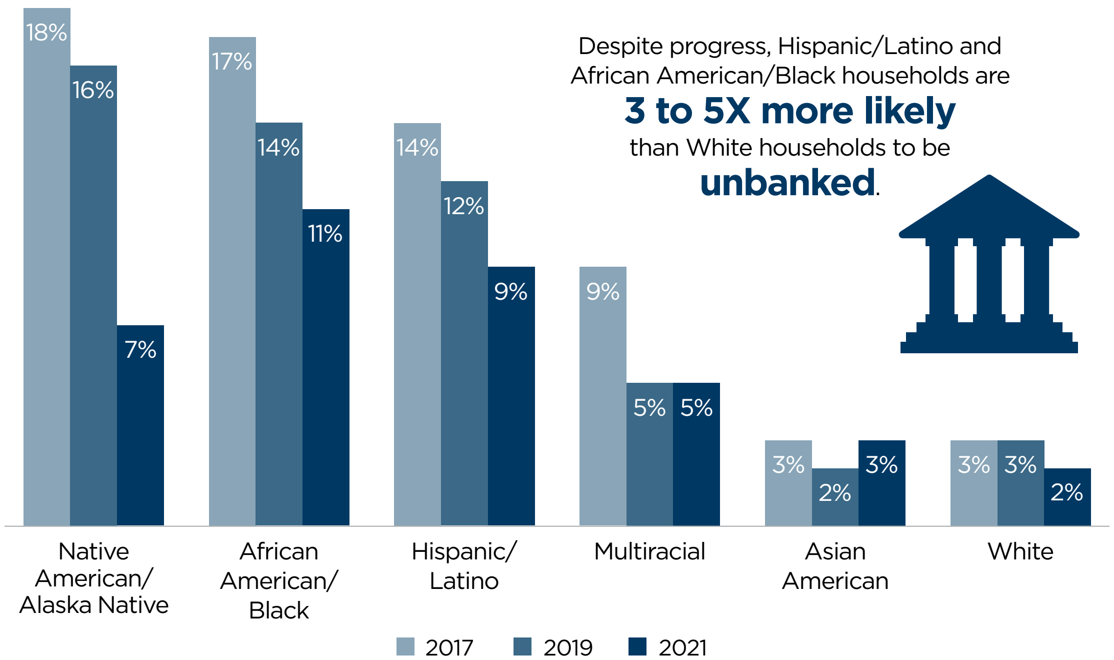
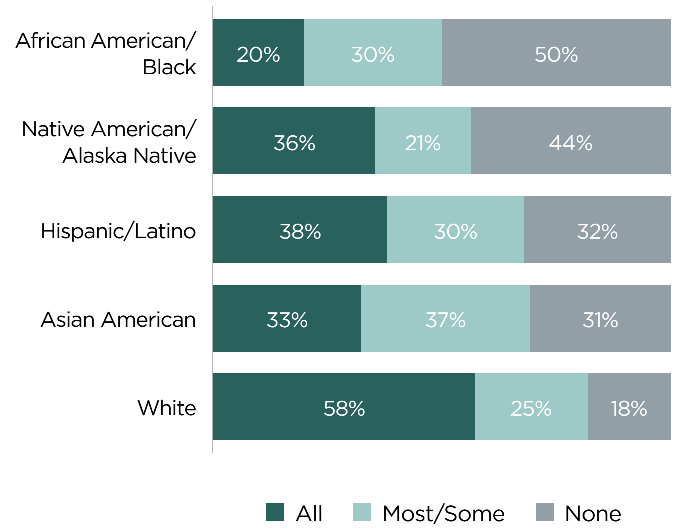
Limited access to traditional financial systems and lending also serves as a barrier to funding a new business.

Over the last few years, while more diverse households have opened bank accounts, the overall unbanked rate has remained steady.[224]



Entrepreneurs of color **are less likely to receive all the funding they seek** from sources such as loans, lines of credit, and cash advances.

Share of Funding Received by Small Businesses by Race and Ethnicity[225]



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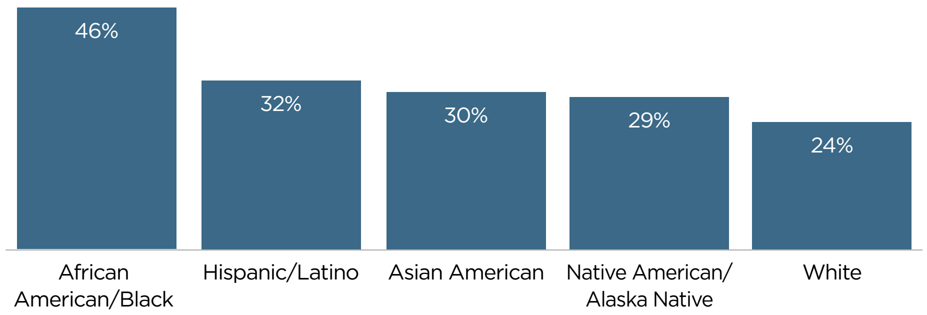
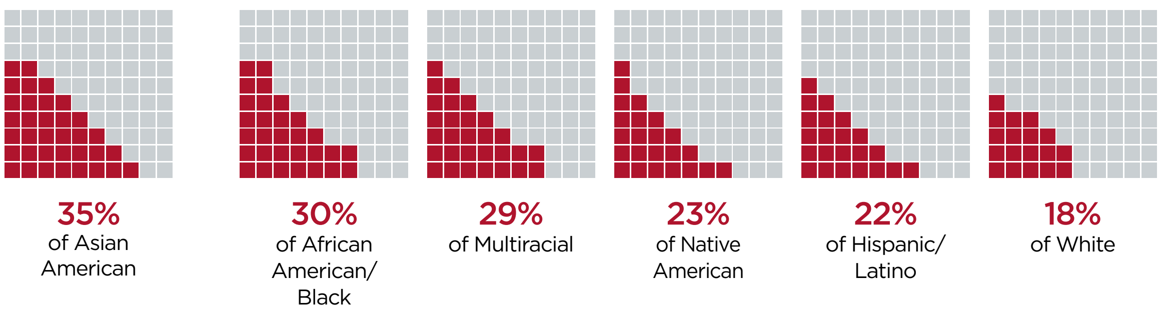
Difficulty accessing capital can affect whether the business will seek capital for future needs.[226]

47% of businesses that needed capital did not apply.

Of those businesses, the percentage that did not apply because they expected to be turned down varied by race and ethnicity:

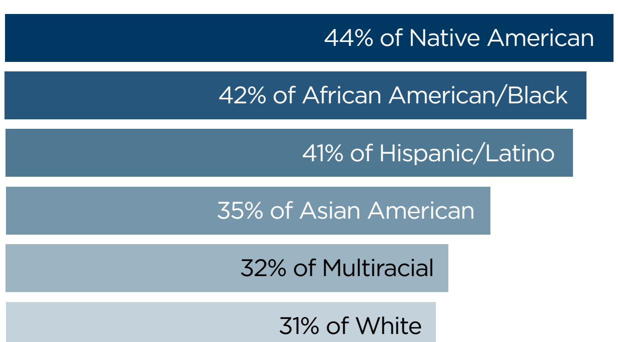


Lack of access to professional support and capital is a barrier for all entrepreneurs, but the challenge is heightened for entrepreneurs of color.[227]



entrepreneurs reported **trouble finding professional support, advice, or role models in their network** when starting and growing a business.

A lack of access to financial resources is particularly problematic for some entrepreneurs of color.[228]



entrepreneurs cite a **lack of access to financial resources** as the primary reason they stopped pursuing starting their business.

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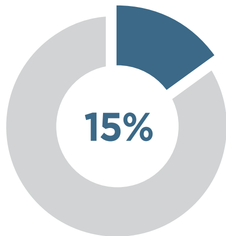
Capital-Raising Trends

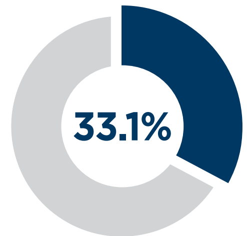
The number of entrepreneurs of color seeking angel capital continues an upward trend, but underrepresentation persists.

Founders of color constituted



of **entrepreneurs seeking angel capital** in 2022 (an increase from 12.8% in 2021 and 5.3% in 2020).[229]

Angel investors invested in



of those investment opportunities brought to their attention (a slight increase from 30.5% in 2021).[230]

A majority of founders of color have seen increased interest from VCs.[231]

52% of founders of color say they received **increased interest from VCs** in 2021-2022.

50% of founders of color say they had an **increase in conversations with VCs** in 2021-2022.

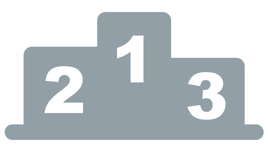
VC investors more heavily scrutinized particular sections of diverse teams' pitch decks compared to decks of all-White teams.

Teams with diversity experienced:[232]

25% more time on the **team sections**. For all-White teams, this was one of the least important slides.

28% more time on the **traction section**.

67% more time on the **market size section**.



55% more time on **competition section**.

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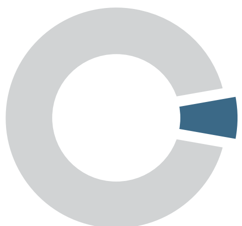
Diverse founding teams face outsized challenges in securing VC investment, and the amounts invested are lower.[233]

Racially and ethnically diverse teams raised

33% less

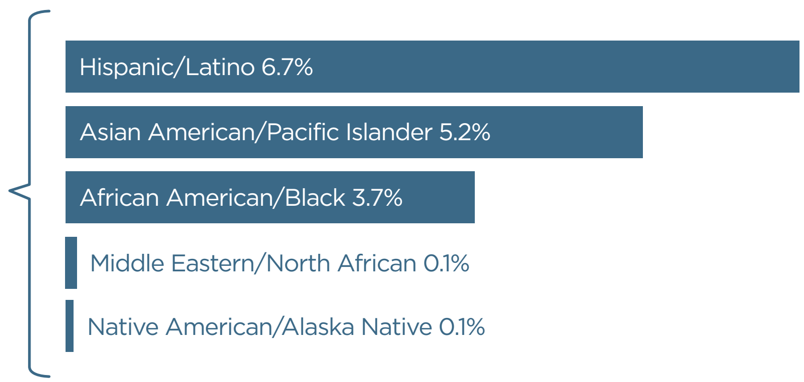
on average in 2022 than all-white teams.[234]

Within the **first 5 years**, African American/ Black-owned businesses raise about **1/3 as much from venture capital funds** as other startups.[235]



While it is difficult to get accurate race and ethnicity statistics on the overall market, data providers have started to provide insight on VC funding raised by founders of color. Within that data, a meager **6%** of VC investments were categorized as **"Diversity Investments"** based on the gender, race, or ethnicity of the business's leadership team.

Of those investments, only **16% of funding** went to **racially and ethnically diverse founders** (as identified or self-identified on the platform):[236]



In Q1 2023, the count of deals with diverse founders **declined**, reaching its **lowest deal count** since 2020.[237]

As VC funding dropped between 2021 and 2022, African American/Black- and Hispanic/Latino-founded startups saw a disproportionately larger decline in their share of investments.[238]

Only **1.5%** of VC dollars was invested in **Hispanic** founders in **2022** (down from 2.5% in 2021).[239]

Only **1.1%** of VC dollars was invested in African American/ **Black** founders in **2022** (down from 1.5% in 2021).[240]

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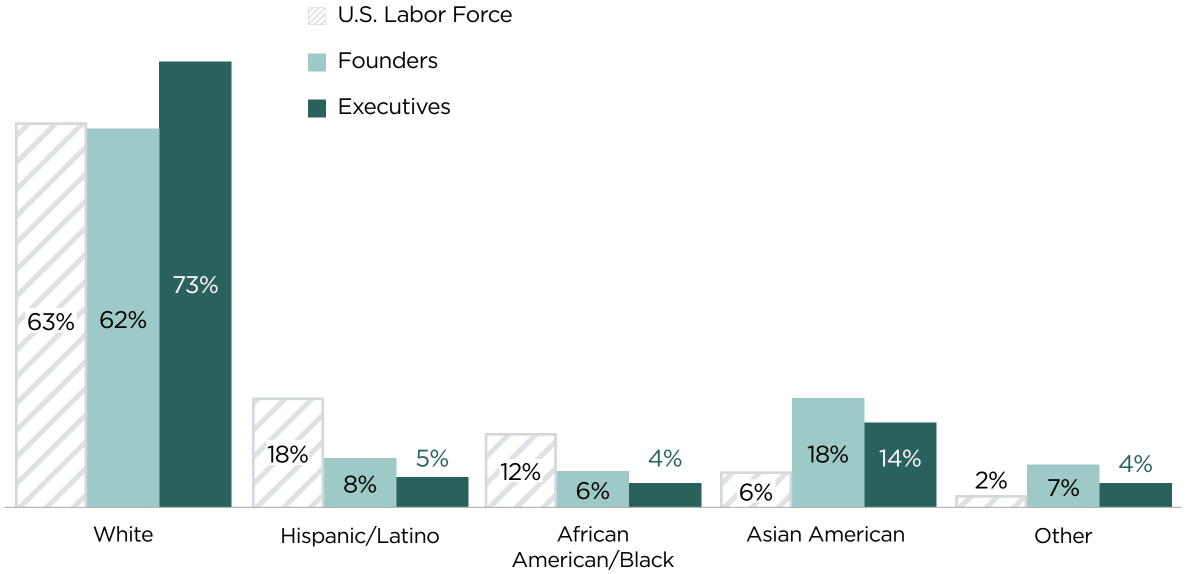
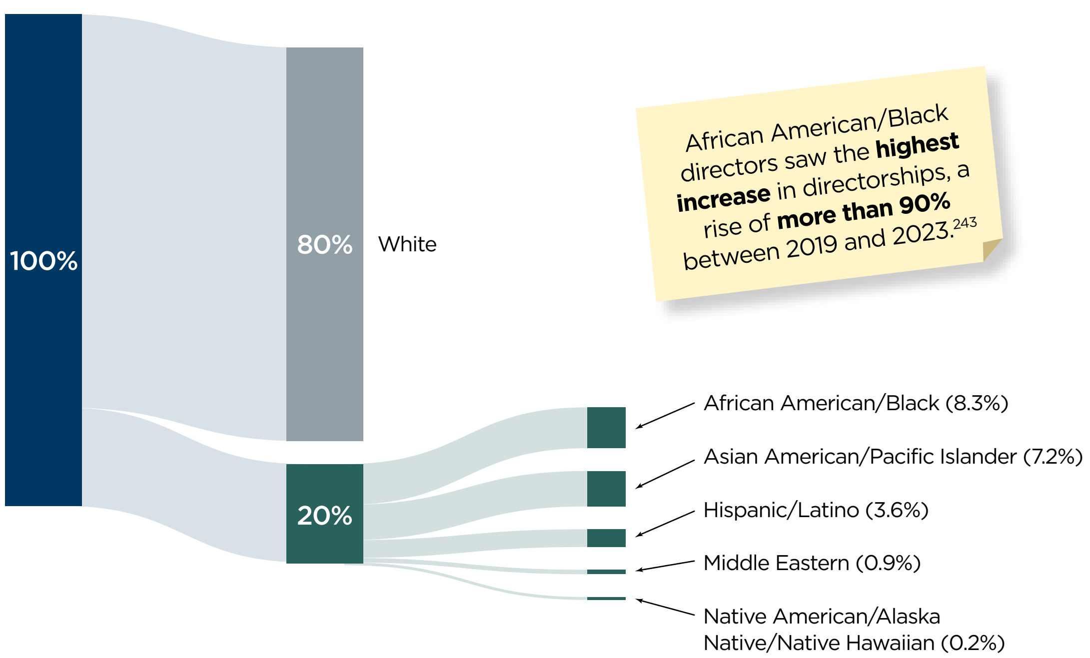
Diverse Founders in Leadership Roles

African American/Black and Hispanic/Latino founders and executives remain underrepresented as compared to their share of the labor market.[241]



Directors of color occupy 20% of seats on public company boards.[242]



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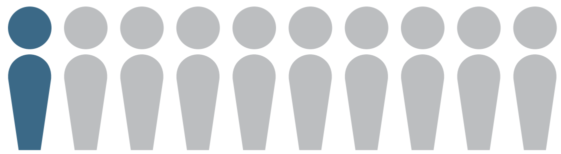
Diverse Investors and Allies

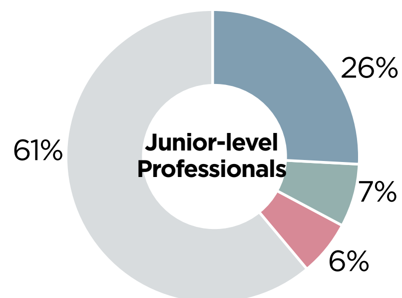
Diversity increased among angel investors, although underrepresentation remains.

8.6% of angel investors in 2022 were racially or ethnically diverse (an increase from 4.1% in 2021 and 5.3% in 2020).[244]

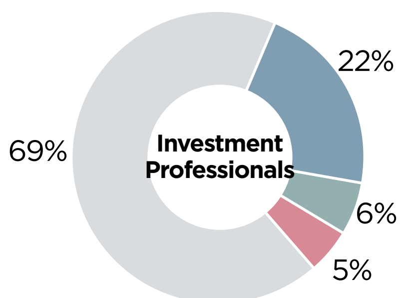


The percentage of persons of color has increased at VC funds but they remain particularly underrepresented at senior levels.[245]

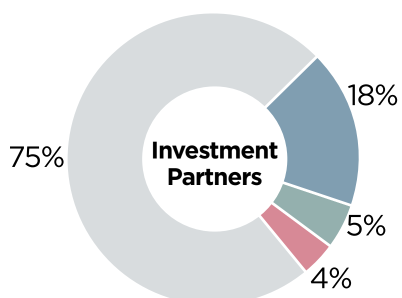
Asian American/Pacific Islander
Hispanic/Latino
African American/Black
White



A **30% increase** in diverse junior-level professionals (from 30% in 2018 to 39% in 2022).



A **29% increase** in diverse investment professionals (from 24% in 2018 to 31% in 2022).

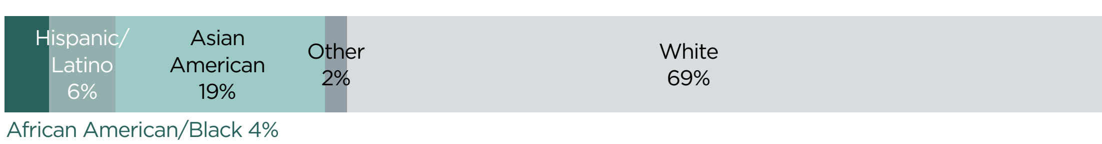


A **25% increase** in diverse investment partners (from 20% in 2018 to 25% in 2022).

Diverse professionals employed at VCs accounted for

39% of junior-level professionals, but only **31%** of investment professionals and **25%** of investment partners.

Persons of color are also underrepresented among limited partner investors in VC funds.[246]



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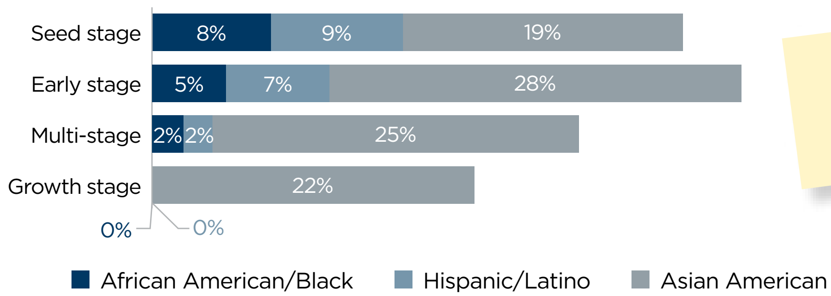
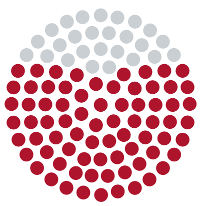
Most African American/Black and Hispanic/Latino investment partners are in firms that focus on seed and early stages.[247]



Seed and early-stage investments often have **smaller check size**.[248]

Investors of color are more likely to invest in businesses with diverse founders.[249]



Women and people of color are the founding partners at **74% of the active seed funds** whose investment criteria include founder diversity and are making ½ of their investments in underrepresented founders.[250]

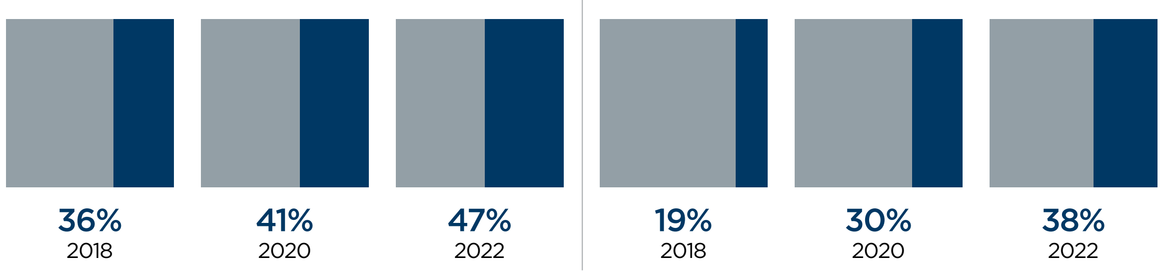
"One factor in the success of diverse investing teams may be that they are more likely to invest in underrepresented founders."

– VC HUMAN CAPITAL SURVEY[251]

While more investors and VCs are focused on diversity, equity, and inclusion, the enthusiasm that rose in 2020 for investing in diverse-founded companies has waned.

More VC firms have had their investors (LPs) request the firm's diversity, equity, and inclusion details:[252]

More VC firms are focused on DEI at their portfolio companies.[253]



However, some of the enthusiasm seen in 2020 to close the funding gap for founders of color has reverted to 2019 levels.[254]

32% of firms identified finding opportunities with **diverse-founded companies** as a **top priority** (down from 43% in 2020 and 33% in 2019).[255]

Contents

LGBTQ+ founders report challenges raising capital.

Access to Capital for LGBTQ+ Founders

40% of LGBTQ+ business owners cite **raising capital** as their greatest business challenge.[256]

93% of LGBTQ+ business owners note that **access to capital** is limiting their growth potential.[257]

LGBTQ+ founders are more likely to use **cash reserves (61%)** and **personal funds (59%)** than non-LGBTQ+ founders (52% and 53%, respectively).[258]

Only 20% of LGBTQ+ founders that applied for **business loans** were **approved** (compared to 50% of non-LGBTQ+ businesses).[259]

11% of LGBTQ+ and **17%** of LGBTQ+ founders of color report experiencing **anti-LGBTQ+ discrimination** in **banking or financial services**.[260]

LGBTQ+ founders are raising less funding than non-LGBTQ+ founders, but creating more jobs, patents, and exits.

7.1% of the **U.S. population** identify as LGBTQ+.[261]

8% of LGBTQ+ founders sought equity investments, which is in line with the average founder.[262]

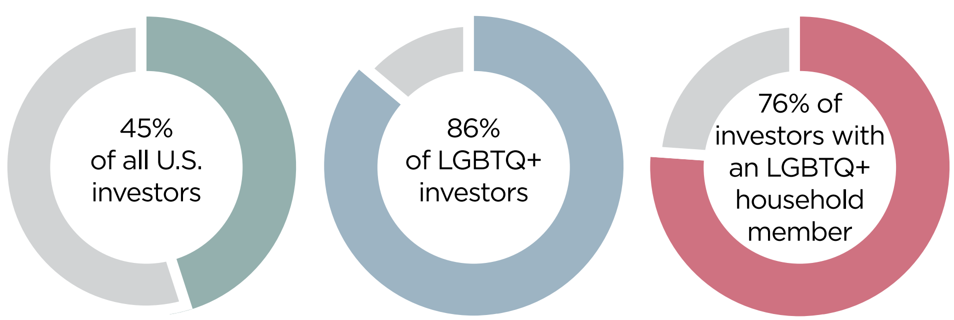
0.5% of **venture capital** was raised by LGBTQ+ founders.[263]

16% less funding is raised by LGBTQ+ founders as compared to the average founder.[264]

LGBTQ+ founders create:

- **36%** more **jobs**
- **114%** more **patents**
- **44%** more **exits**.[265]

Many investors want opportunities to invest in LGBTQ+ equity and inclusion.[266]



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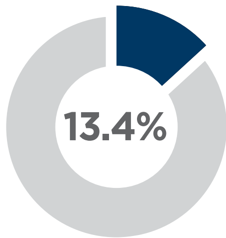
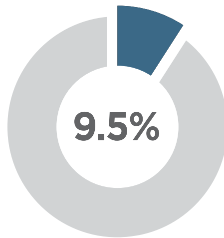
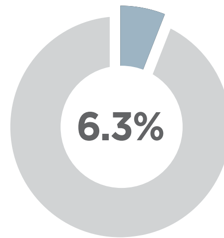
Founders with disabilities often start businesses out of necessity.[267]



of the US population **has a disability** (roughly 44 million).[268]



of workers with a disability are **self-employed** vs 6.1% of those with no disability.[269]

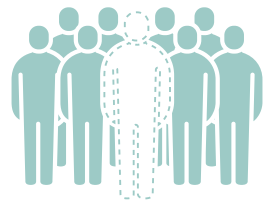


of small businesses, or **2.1 million small businesses**, are owned by a person with a disability.[270]

Founders with disabilities face challenges accessing capital.[271]

10% of adults with a disability are unbanked vs **5%** of people who do not have a disability.[272]

84% of disabled entrepreneurs note that they **do not have** the same **access to opportunities and resources** as non-disabled entrepreneurs.[273]



61% of disabled entrepreneurs say they have to **demonstrate superior knowledge** to be taken seriously.[274]

> [As a disabled founder], it's easier to build a satellite and send it to space than it is to raise money.
>
> ERIC[275]

Despite challenges accessing capital, entrepreneurs with disabilities have developed and launched innovative products and solutions.

58% of founders with a disability used their **disability experience** to develop and design products and services that others haven't thought of.[276]

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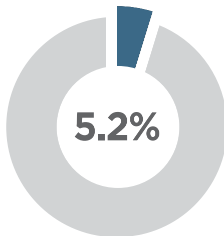
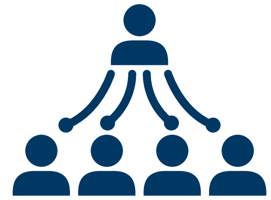
Veteran founders report challenges raising capital.



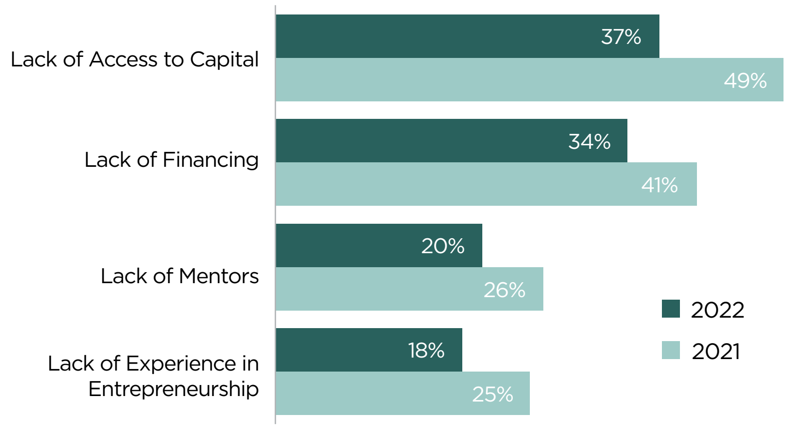
of small business are **veteran-owned** (1.7 million businesses).[277]



Veteran small business owners employ roughly **4 million people**.[278]

Access to capital continues to be a barrier to veterans starting or growing a small business.[279]

40% of veteran entrepreneurs feel that the capital they need is not readily available.[280]



10% of veteran entrepreneurs sought an equity investment.[281]

Veterans remain underrepresented at VC firms.

Only 3% of investment firm employees were veterans, the same percentage as in 2020 (compared to nearly 8% of the U.S. population).[282]

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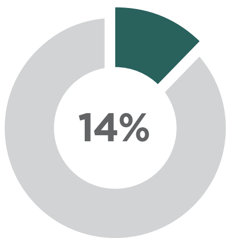
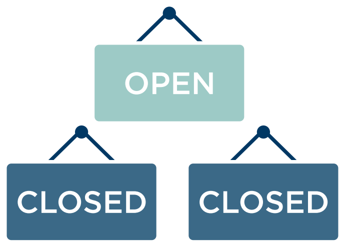
Natural Disaster Areas

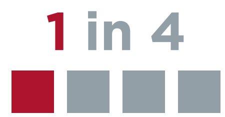
How do natural disasters affect small businesses?



of small businesses experienced **natural disaster related losses** (up from 12% in 2021).[283]



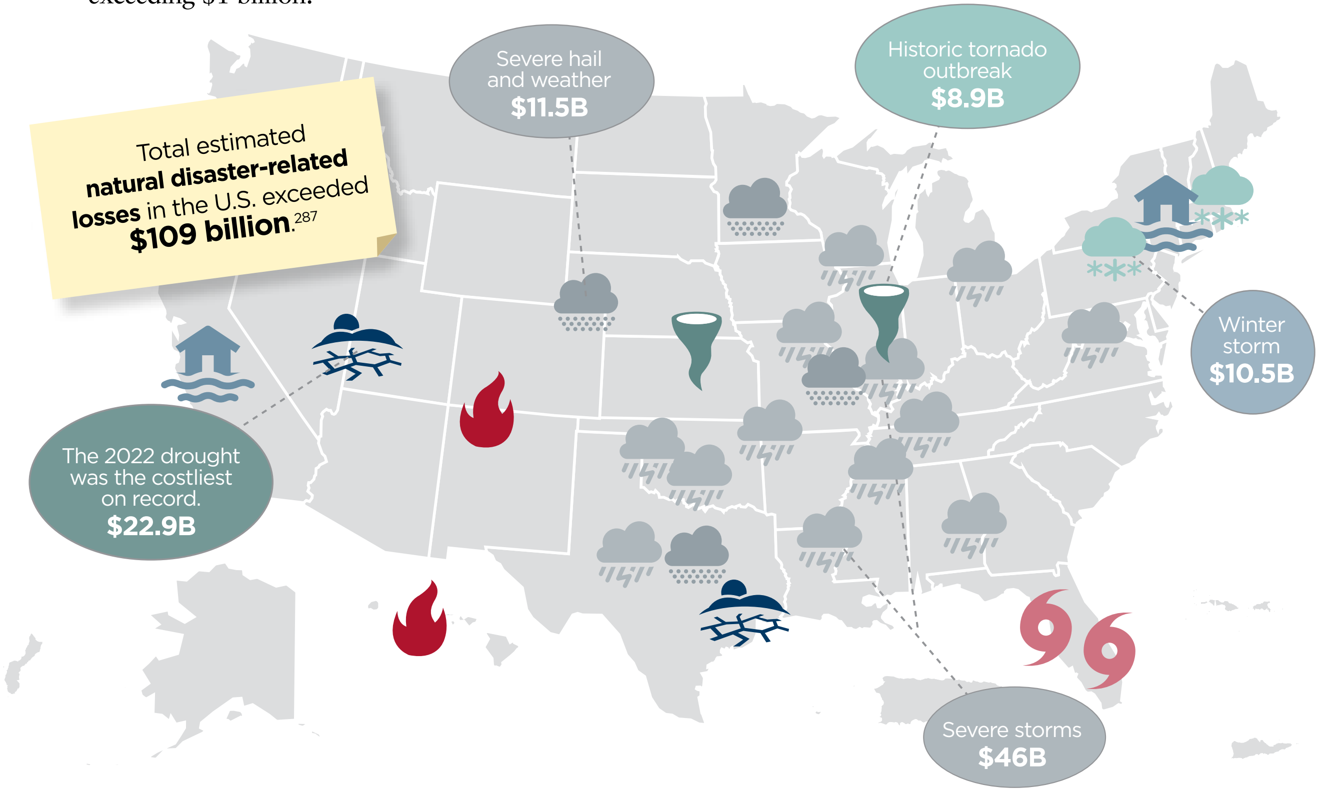
Nearly 2/3 of small businesses in the Northeast that had **disaster-related losses** were **forced to close**, at least temporarily.[284]



employer firms owned by people of color reported experiencing **disaster-related losses**.[285]

Natural disasters affect communities and their small businesses across the country.

Between October 1, 2022 and September 30, 2023, there were 29 natural disaster events with losses exceeding $1 billion.[286]



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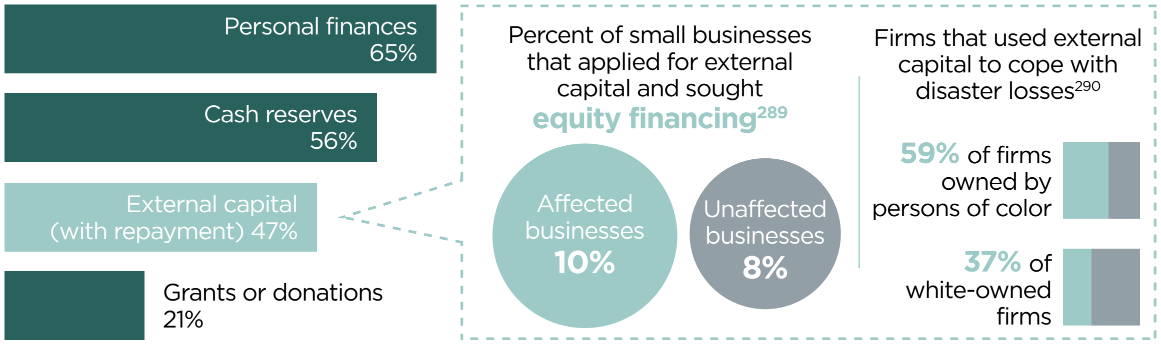
Capital from investors remains a small portion of funding for small businesses affected by natural disasters.

Those affected by natural disasters use similar funding sources as all small and emerging businesses.[288]



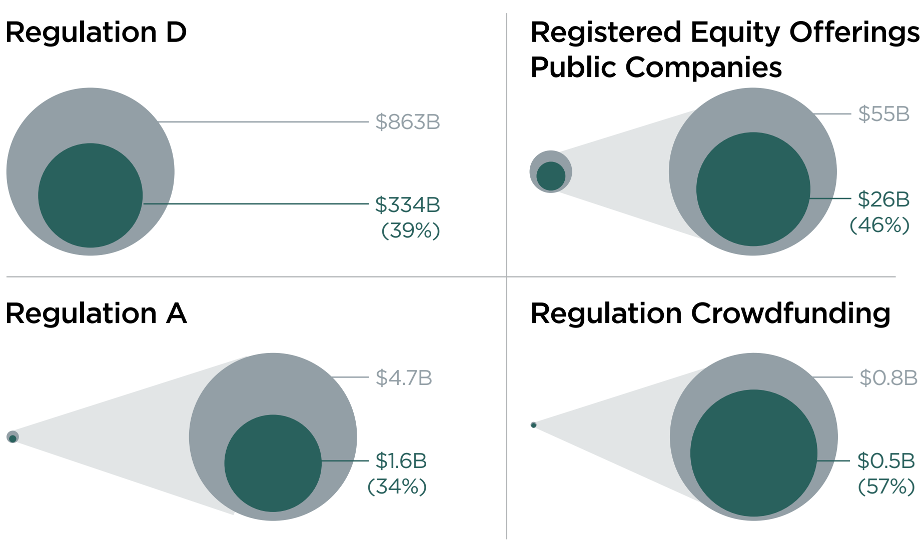
How does the percentage of the population affected by natural disasters compare to the share of capital from investors raised by affected businesses?

of the U.S. population[291] lives in an area that was affected by a natural disaster during the three years ending June 30, 2023.[292]

Of the total U.S. capital raised from investors over the last 3 years

supported a small business affected by a natural disaster.[293]

Capital raised by small businesses in areas affected by natural disasters varied under different offering pathways.[294]



Registered equity offerings by **small public companies** only accounted for **7%** of the capital raised across all registered equity offerings over this 3 year period.

Amount of total capital raised by all small businesses over 3 years

Amount (percentage) of capital raised by disaster-affected small businesses over 3 years

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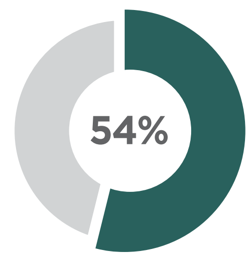
Rural Communities

Small businesses are the economic backbone of rural communities, providing the majority of rural jobs.

While **79%** of rural small businesses each employ fewer than **10 employees**,[295]

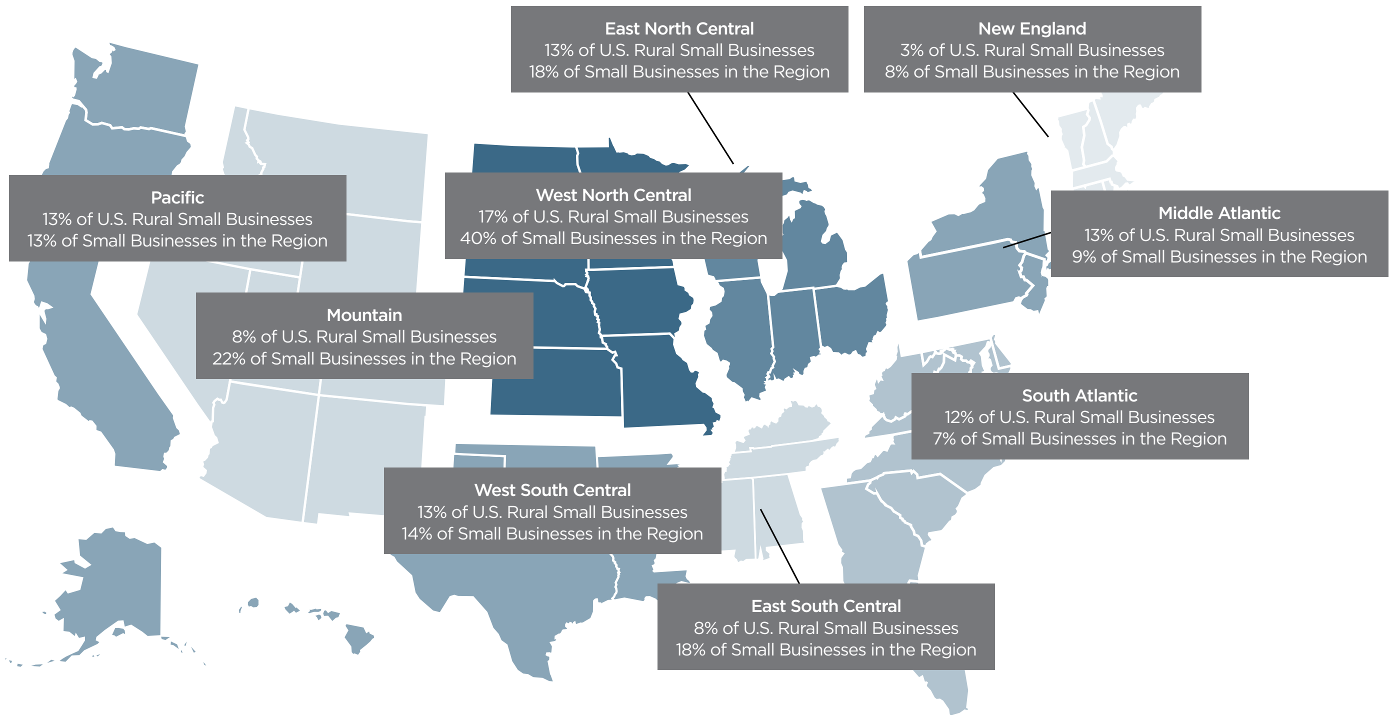
those businesses collectively account for



of employment in rural counties (compared to 45.5% in metropolitan counties).[296]

Rural small businesses are located across the country, with the majority in the central U.S.[297]

The below map illustrates the distribution of rural businesses across the U.S. by region, as well as the percentage of businesses within each region that are rural.



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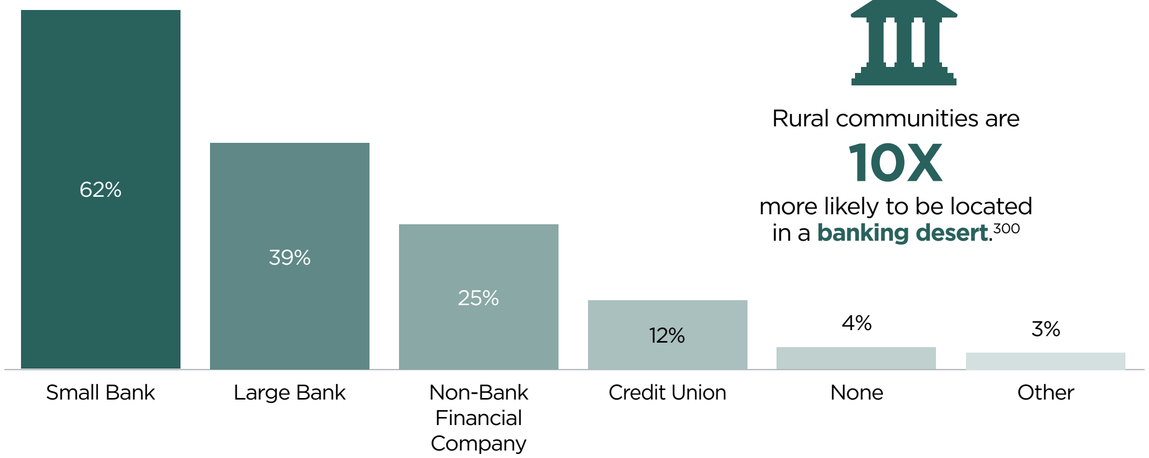
Access to capital remains critical to building and strengthening rural entrepreneurial ecosystems.[298]

Small banks remain the most prominent financial services provider for rural small businesses.[299]



Rural communities are **10X** more likely to be located in a **banking desert**.[300]

The percentage of rural businesses seeking capital from investors is increasing, but it remains a very small portion of funding.

7% of rural small businesses seeking external capital sought **equity financing** (compared to 8% of urban small businesses).[301]

Up from **4%** of rural small businesses seeking external capital in 2021 (compared to 7% of urban small businesses in 2021).[302]

> [T]he pandemic was very tough in many ways, but one of the benefits—and a tail wind to rural—has been its entering mainstream acceptance for remote working. It's gotten a lot easier to do business development networking . . . [and] to understand from an investment thesis standpoint, how you can build a scalable, very meaningful business, even in a small town in the U.S.
>
> JAY BOCKHAUS, CORI INNOVATION FUND[303]

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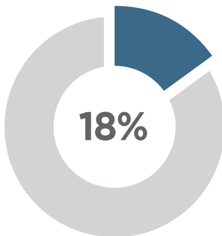
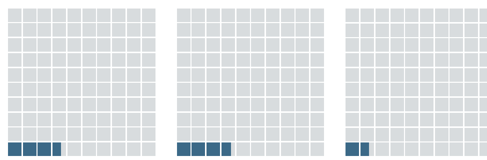
How does the rural population compare to the share of capital from investors raised by rural small businesses?



of the U.S. population lives in rural areas.[304]

15% of small employer firms are located in rural areas.[305]

Of the total U.S. capital raised from investors over the last 3 years



3.6% of offerings

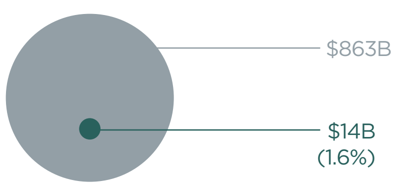
3.7% of issuers

1.6% of capital

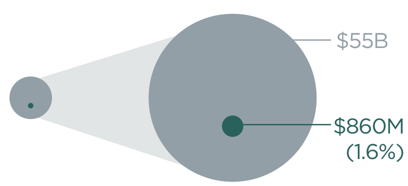
supported rural small businesses.[306]

Small businesses in rural areas raised a notably smaller portion of overall capital relative to the rural share of population during the three years ending June 30, 2023.[307]

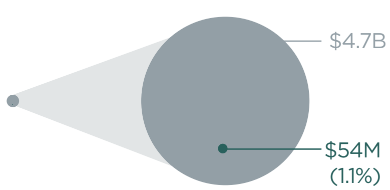
Regulation D



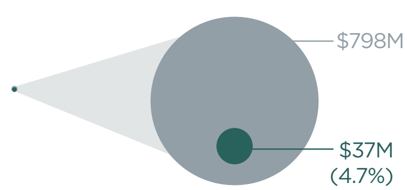
Registered Equity Offerings by Small Public Companies



Regulation A



Regulation Crowdfunding



Registered equity offerings by **small public companies** only accounted for **7%** of the capital raised across all registered equity offerings over this 3 year period.

Amount of total capital raised by all small businesses over 3 years

Amount (percentage) of capital raised by disaster-affected small businesses over 3 years

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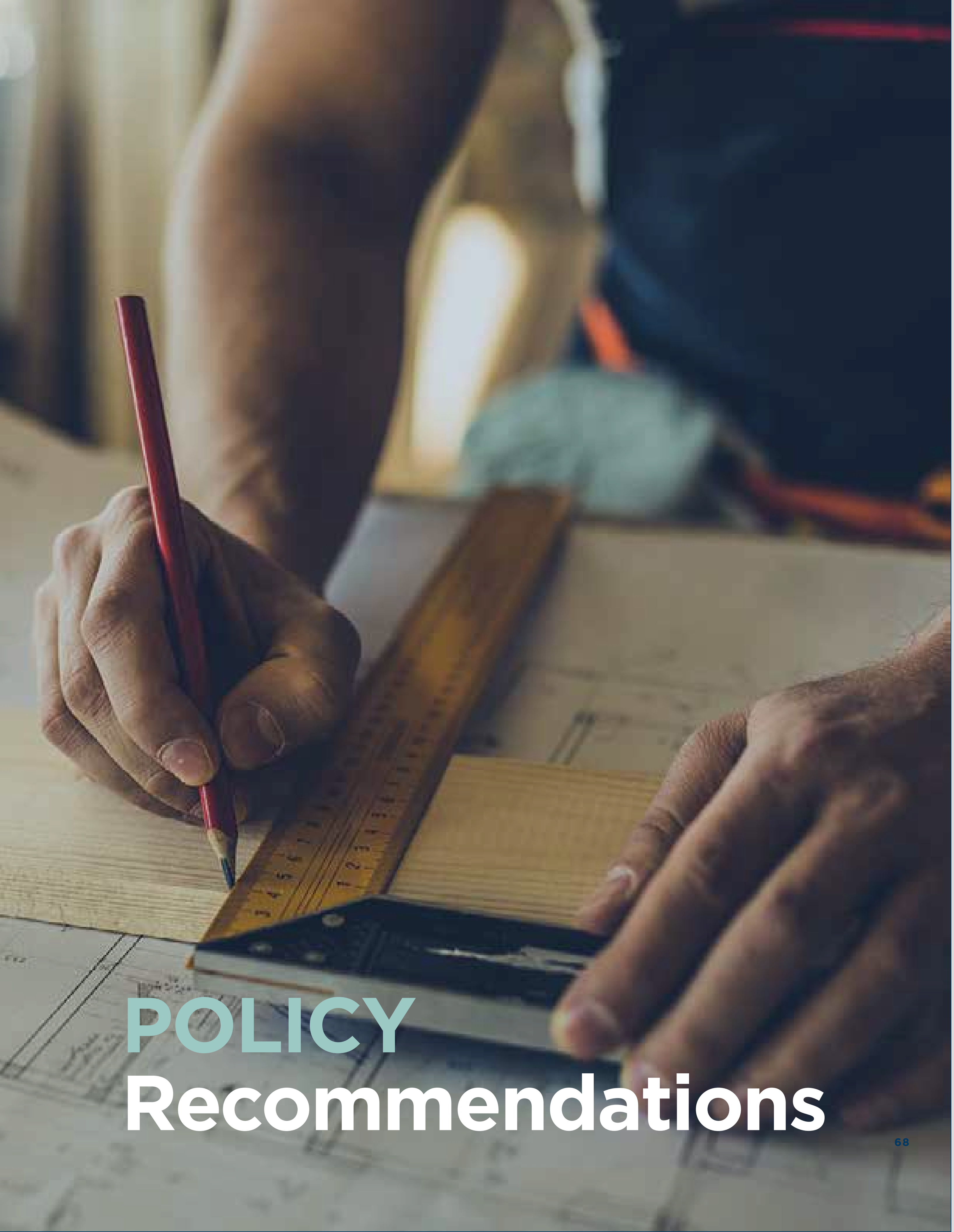

POLICY Recommendations

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HELPING navigate securities laws and other Issues via education and policy recommendations

Based on feedback we have received through our engagements with small businesses and their investors, the Office has developed the following policy recommendations for Congress and the Commission. We have distilled this feedback into five key areas for action to address the most significant issues raised about our capital-raising rules.

We recognize that for any complex issue, including challenges surrounding capital formation, there are a multitude of potential approaches, and indeed we may need to combine multiple approaches to arrive at an effective solution. For each recommendation, we include background context, a discussion of particular impacts on demographic groups, notes on related developments, and our proposed solution.

We welcome further engagement by Congress and the Commission to implement these solutions so that entrepreneurs and their investors together can continue to work together to bring innovations to market.

In June 2023, our Office joined the U.S. Minority Business Development Agency's first annual Diverse Business Forum on Capital Formation. Events like these provide opportunities to gain perspectives from thought leaders on the successes and challenges facing small business and their investors.

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Entrepreneurs and their investors need accessible tools and educational resources to navigate complex securities laws.

Background Context

Throughout the last fiscal year, we met with entrepreneurs and investors from across the country with diverse capital-raising experience. We heard from many founders who have been able to fund their operations using personal savings, credit cards, retained business earnings, or grants. We also talked with many small businesses for whom those non-dilutive funding sources were unavailable or insufficient and who thus were looking to investors to help finance their operations and development. Others told us that they were in early exploratory stages and unsure how to start their funding journey or what options were available.

Many of the entrepreneurs we met—no matter how business savvy or technologically sophisticated—noted that the capital-raising rules are complex and expressed the need for accessible resources at every stage to help them understand what capital-raising pathways may be available to them.

Demographic Impacts

Even as available pathways to raising capital have expanded in recent years, the complexity of our regulatory framework remains. Women and diverse entrepreneurs[308] often lack access to the same networks, experienced mentors and advisors, or supportive entrepreneurial communities as their counterparts[309] and therefore face an uneven playing field when navigating that complexity.

Related Developments

We have continued to partner with other SEC offices and divisions to expand and enhance the Capital Raising Hub, a centralized portal of educational resources for each phase of the capital-raising journey for small businesses and their investors. Since we launched the Capital Raising Hub in 2021, our resources have received over 255,000 views. We continue to add resources based on feedback we receive through our outreach efforts.

For example, this year we added:

- 10 new topics to our Building Blocks suite of educational "one-pagers" that break down into plain language securities law concepts, at all stages of the lifecycle, and which collectively received nearly 400,000 views this year;
- new Capital Raising 101 videos briefly walking through introductory topics;
- a brand new Funding Roadmap that explores small business funding options from self-funding to non-dilutive options like grants to loans to capital from investors;

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- additional terms to our popular Cutting through the Jargon glossary, which seeks to demystify common terminology; and
- a new educational video and chart to our Rulemaking Gallery providing high-level summaries of the new Private Fund Adviser rules.

Proposed Solution

Looking forward, we will continue to engage with diverse audiences of small businesses, investors, federal and state agencies, and other thought leaders in the market to expand, promote, and improve accessibility of our educational resources. We also will continue to seek feedback and welcome suggestions for future resources.

We continue to receive calls to make these resources more accessible and for additional resource topics and formats. In order to be able to respond to these calls, we will need the Commission's support of, and dedication of resources to, our efforts in this area. This support is critical to ensuring that entrepreneurs and their investors, at every stage, have access to tools and educational resources to understand and comply with the securities laws and to access our capital markets effectively.

In August 2023, our Office joined Nasdaq Entrepreneurial Center's "Capital Raising Readiness" webinar to share our educational resources with early-stage entrepreneurs seeking to raise capital. The event was one of many that highlighted the challenges facing entrepreneurs.

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Exempt offering pathways are essential to small business capital raising. Targeted regulatory changes could improve their utility.

Background Context

Every operating company needs capital to build, grow, and scale. When that capital does not come from retained business earnings, personal savings, or debt financing, companies regularly look to the private markets to finance early-stage operations and development. Some founders do this with a single private financing in mind; others do so with aspirations of raising multiple rounds in preparation for becoming a public company. In both cases, raising capital through the private markets via exempt offerings is a necessary step in building the company. For companies that will one day go public, early-stage capital provides a foundation for the business to reach the size and maturity needed to go public. For the millions of small businesses that are not looking to become public companies, funding is critical for their development and for job creation in communities throughout the United States.

As we engage with entrepreneurs, investors, entrepreneurial support organizations, and other thought leaders, many share details about what has been working well with respect to capital raising and areas where they face challenges. Overwhelmingly, companies and investors alike tell us that Regulation D works well for those companies that have access to accredited investors. In fact, as highlighted in this report, Regulation D is the most frequently used pathway to raise capital from investors.[310]

However, many founders do not have pre-existing accredited investor networks.[311] Further, angel investments, a significant source of early-stage capital (especially for women and founders of color), have slowed over the past year,[312] adding a further barrier to raising capital for those unable to self-fund or tap into wealthy networks.

Targeted regulatory changes are needed to promote inclusivity and equity in the entrepreneurial ecosystem and improve the capital-raising process.

Demographic Impacts

Data highlighted in this report shows the dismal proportion of capital raised by companies founded by women and racially and ethnically diverse entrepreneurs.[313] This is the case at all lifecycle stages, from startups through later-stage companies, leaving these businesses financially constrained and unable to reach their full potential.[314]

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Diversifying capital allocators and decision-makers facilitates greater funding of diverse founders. Data shows that investors of color are more likely to invest in diverse founders.[315] Therefore, policies that have a disproportionate impact on diverse investors are likely to further impede investment in the next generation of diverse innovators working to grow their companies.

For example, the accredited investor definition largely determines whether an individual is eligible to invest in many early-stage companies.[316] However, African American/Black and Hispanic/Latino investors are excluded from the accredited investor definition at higher rates than White and Asian American/Pacific Islander investors due in large part to historic wealth inequality.[317] Racial and ethnic diversity among angel investors increased in 2022, yet diverse founders are still significantly underrepresented.[318]

Changes that would decrease the pool of accredited investors, including angel investors, would impact small business capital formation and especially for first-time founders and racially and ethnically diverse entrepreneurs.

Due to our nation's racial and ethnic wealth gap, founders of color are less likely to have sufficient personal wealth to finance their company by bootstrapping.[319] They are also less likely to have fulsome access to traditional financial systems and lending or to benefit from a robust personal network of accredited investors.[320] Yet many diverse founders have found funding opportunities through Regulation Crowdfunding, which enables a company to raise capital from their local community, brand or product loyalists, and other non-accredited investors.[321] This pathway also has been particularly attractive to small businesses located outside of traditional capital hubs.[322]

> Angel investors, they play an important role, because they're bringing this access to capital. It's arguably more important for diverse founders, and why is that? Because . . . if Latinos are a reflection of my family, we don't have the *tios* and *tias*—the aunts and uncles—that are going to fund me a couple hundred thousand, right? They don't have the sophisticated networks that are going to introduce them to the VC that's just going to write them that million-dollar check, because we went to the same school, and I just really believe in what you've got. We just don't have that network. And so angel investors really do play an important role for these early-stage founders.
>
> JENNIFER GARCIA, LATINO BUSINESS ACTION NETWORK[323]

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Related Developments

The Commission's most recent rulemaking agenda continues to indicate that it will consider amendments to Regulation D, including updates to the accredited investor definition and Form D.[324] In addition, Section 413(b)(2)(A) of Dodd-Frank Wall Street Reform and Consumer Protection Act requires the Commission to undertake a review of the accredited investor definition at least once every four years to determine whether the requirements of the definition should be adjusted or modified.[325] In connection with any changes to or review of the income and net worth thresholds in the accredited investor definition, our office has urged the Commission to consider several important data matters:

1. The impact any changes would have on racially and ethnically diverse founders and populations located in rural areas.[326]

2. When discussing the size of each of the private market and public market, it is important to take into account the amount of capital raised by both operating companies and pooled funds.[327] For example, of the $2.9 trillion raised under Regulation D over the 12-month period ended June 30, 2023, operating companies raised only $299 billion, or approximately 10 percent, while pooled funds raised the other 90 percent.[328]

Regulation D	Registered Offerings + Flows into Registered Funds
Operating Companies $299 Billion over 21,758 offerings + **Pooled Funds** $2.6 Trillion over 16,329 offerings	**Operating Companies** $1.1 Trillion over 2,302 offerings + **Registered Funds** $8.8 Trillion flows into registered funds

   Because the public and private markets differ in so many ways, particularly with respect to liquidity, it is difficult to estimate the relative size and growth rates of each market, but any such attempt to compare these markets should separately assess amounts raised by operating companies and pooled funds and be based on data reflecting the capital raised in each market.

3. In evaluating the role of the accredited investor definition in offerings under Regulation D, it is important to keep in mind that 81% of offerings under Regulation D ($2.3 trillion over the 12-month period ended June 30, 2023)[329] were by a type of fund (3(c)(7) funds) that is unlikely to be affected by changes to the accredited investor definition.[330] The accredited investor definition is far more relevant for 3(c)(1) funds, which accounted for only 4% of all offerings under Regulation D ($130 billion over the 12-month period ended June 30, 2023).[331]

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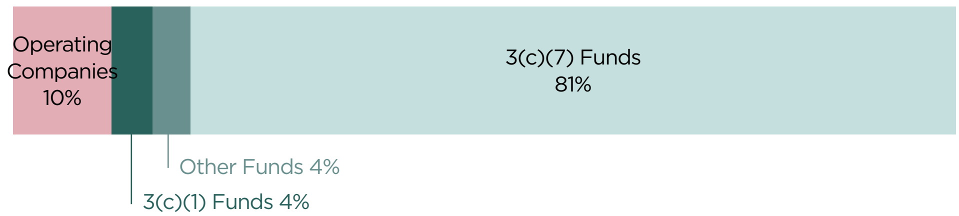
Percentage of capital raised under Regulation D by issuer type:



Proposed Solution

Based on the feedback we have received throughout our engagement with small businesses and their investors, we recommend proceeding with caution on any potential changes to Regulation D. We also recommend certain changes to the accredited investor definition and Regulation Crowdfunding, as set forth below.

Regulation D:

When considering changes to Regulation D, we urge the Commission not to make the Form D notice and associated disclosure requirements more burdensome, particularly for smaller operating companies raising smaller amounts of capital.

> *Rationale:*
> The Rule 506(b) safe harbor for the statutory exemption provided by Section 4(a)(2) is by far the most frequently used method for raising capital.[332]
>
> Operating companies made up 55% of the total number of offerings under Regulation D since 2020 but accounted for only 12% of the total value of all such offerings. The other offerings were by pooled funds.[333]
>
> Any changes that result in deterring operating companies from relying on this safe harbor are likely to have a chilling effect on access to capital for smaller companies seeking to raise capital, particularly those that are already facing some of the greatest challenges accessing capital. It is also important to keep in mind that any changes that make compliance with Regulation D more costly may have the unintended result of driving companies to raise capital under the statutory Section 4(a)(2) exemption instead.

Accredited Investor Definition:

The Commission should expand the definition to include additional qualitative professional criteria and offer more opportunities to demonstrate financial sophistication as an alternative to the income and net worth thresholds.[334]

The Commission should consider the impact any change to the income and net worth thresholds would have on access to capital for women and racially and ethnically diverse founders and populations located in rural areas. This consideration and any review of the definition should expressly include a review of data regarding household income and net worth by race and ethnicity and by geographic location.

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Rationale:
As is clear from the data on wealth and income inequality across demographic groups,[335] raising the wealth and income thresholds would have a disproportionate impact on entrepreneurs and investors of color. A more homogenous pool of accredited investors would negatively affect the ability of diverse entrepreneurs to raise capital.[336]

In addition, increased wealth and income thresholds would have a disproportionate impact on geographic areas with a lower cost of living, including rural areas, which already tend to have less VC activity.[337]

When evaluating amounts raised in reliance on Regulation D, the Commission should separately assess amounts raised by operating companies and pooled funds. Further, in considering data on the use of the accredited investor definition by pooled funds, amounts raised by 3(c)(7) funds should be excluded, as investors in those funds must be "qualified purchasers," a much higher standard than the accredited investor definition. This will allow the Commission to focus more accurately on the effect any changes may have on capital raised by 3(c)(1) funds and other private funds, which are the funds most likely to be impacted by changes to the definition.

Regulation Crowdfunding:

The Commission or Congress should amend Regulation Crowdfunding[338] to make it a more attractive capital-raising pathway, including by

- allowing flexibility in the type of accounting a company uses for small businesses raising up to $500,000, and
- increasing the offering size threshold under which an issuer may meet its financial statements requirements by providing financial statements and income tax return information certified by the principal executive officer.[339]

Rationale:
Although Regulation Crowdfunding has become more widely used,[340] only a small fraction of capital is raised using this pathway.[341]

Crowdfunding offerings have been a particularly important source of funding for women and founders of color[342] and geographically diverse companies, with 70% of capital contributed outside the top 10 capital hubs.[343]

Market participants report that existing reporting requirements for raising small dollar amounts through Regulation Crowdfunding are costly and outsized, creating practical barriers to relying on this pathway. For example, the requirements to have financial statements reviewed by an independent public accountant[344] delay the ability to commence an offering and impose an upfront cost without a guarantee that the offering will be successful. Finding ways to reduce the costs associated with smaller offering sizes would help make Regulation Crowdfunding more attractive to small businesses looking to meet funding needs to grow and expand.

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Congress should amend Section 4A(f)(3) of the Securities Act to modify the provision that excludes investment companies (or excluded companies under Section 3(b) or 3(c) of the Investment Company Act) from using the Regulation Crowdfunding exemption.[345]

Rationale:
In 2020, in response to feedback, the Commission adopted Rule 3a-9 under the Investment Company Act to allow special purpose vehicles (SPVs) to conduct Regulation Crowdfunding offerings as co-issuers to a traditional issuer, provided that the SPV meets certain requirements.[346] Entrepreneurs, investors, and other thought leaders report that this SPV model has not worked as well as intended due to the prescriptive requirements and the statutory prohibition on investment companies.

"It's remarkable how common the problems are from one [entrepreneurial] ecosystem to another . . . I think the fundamental thing we're trying to do is improve the outcomes of entrepreneurs by being more collaborative, looking for ways to open your network to them, or find ways to mentor them.

IAN HATHAWAY,
FAR OUT VENTURES[347]

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Connecting founders with savvy investors is essential to capital raising.

Background Context

Knowledgeable early-stage investors can be invaluable for early-stage companies, often bringing relevant industry experience, mentorship, business connections, strategic guidance, and follow-on financial support, all of which can have a significant and positive impact on a small business's trajectory. Yet not all entrepreneurs have personal connections to sophisticated, early-stage investors with deep pockets and the right risk tolerance. Registered broker-dealers tend to provide their matchmaking services for larger offerings,[348] but a company's need to connect with savvy investors applies regardless of the size of its offering.

Since our first Annual Report in 2019, our Office has been advocating for regulatory clarity on the role of finders in facilitating introductions between founders and investors.[349] While the Commission has not included finders or an alternative approach on its agenda, this issue remains as timely today as ever.

Demographic Impacts

Women, racially and ethnically diverse, and rural founders often start with a smaller network of accredited, angel, and VC investors.[350] Further, many report trouble finding professional support, advice, or role models in their network.[351] The lack of access to networks of potential investors has a significant impact on capital raising, which further extends into company survival and growth prospects, diversity among board leadership, and the mentoring that often comes from savvy investors. These barriers to company success in turn may affect founders' ability to build wealth and reinvest capital going forward.

> "If the success of entrepreneurs depends more on who they know than on what they can do, then the traditional rules serve to entrench class distinctions. Those who come from money and therefore have connections to wealth become successful entrepreneurs because they can raise the needed funds. Those who lack those connections may fail for lack of capital, despite their ability and innovations.
>
> BRIAN BECKON, CUTTING EDGE CAPITAL[352]

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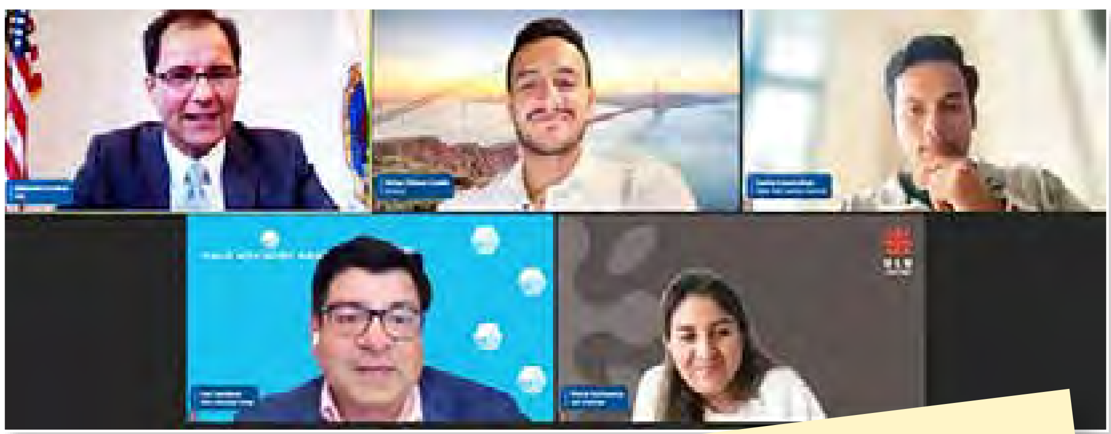
Related Developments

In October 2020, the Commission proposed an order[353] that would permit natural persons to engage in certain limited “finders” activities involving accredited investors without registering with the Commission as a broker-dealer. The Commission has not taken further action on the proposal, and providing regulatory clarity for finders is not on the Commission’s current regulatory agenda.[354]

Proposed Solution

We hear frequently that the lack of regulatory clarity on the role of finders in facilitating introductions between investors and founders harms both investors and the companies those investors are seeking to support. The lack of a clear framework makes it easier for unscrupulous intermediaries to solicit investors without disclosing hidden conflicts of interest. Further, to the extent an intermediary engages in unregistered broker-dealer activity, it could expose the company to rescission rights, which would require the company to return to investors their investment plus interest.[355] For decades, market participants have asked for clarity about the legal obligations of finders. We remain supportive of those calls and continue to recommend that Congress or the Commission provide additional regulatory clarity for finders.



The importance of networks was a theme we heard throughout the year, including in our October 2022 panel discussion on “Latinx Venture Capitalists and Entrepreneurs: The State of the Playing Field.”

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Emerging fund managers need support in order to continue to play their key role in funding startups, particularly those seeking smaller, early-stage checks.

Background Context

Founders seeking funding for their businesses beyond their personal network of friends and family or regional angel investors often turn to private funds of sophisticated pooled capital, like VC funds. Generally, larger, established funds tend to seek a consolidated number of larger investments to ensure they are managing a reasonable number of portfolio companies.[356] Meanwhile, founders looking to raise smaller, earlier rounds, report challenges and decreasing interest from VC funds.[357] VC funding activity has slowed and become more concentrated in large and established funds.[358] The percentage of capital invested with emerging fund managers that tend to have smaller funds and write smaller checks dropped to a new decade low.[359]

The impact of this challenge goes beyond the dollars raised in the round, as VC funding tends to result in a higher probability of additional investments and an IPO and a decreased probability of failure.[360]

Demographic Impacts

We continually hear through our outreach efforts, and data highlighted in this report shows, that women and racially and ethnically diverse fund managers face disproportionate challenges raising capital from institutional investors, resulting in smaller funds and in turn smaller investments in their portfolio companies.[361] Women and diverse fund managers are more likely to invest in diverse founders, so fundraising challenges for these managers may lead to fundraising challenges for diverse founders.[362]

While investors and VC firms are showing an increased focus on diversity, equity, and inclusion, the enthusiasm that rose in 2020 for investing in diverse-founded companies has waned.[363] In addition, we hear from market participants that recent litigation over funds' use of diversity criteria may continue to curb that enthusiasm.[364]

> "Women of color are the most founded, entrepreneurial demographic . . . They are just the least funded.
>
> ARIAN SIMONE, FEARLESS FUND[365]

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Related Developments

Our prior Annual Reports have recommended that Congress and the Commission explore regulatory solutions to support emerging fund managers given the role these managers play in supporting startups, and in our 2022 Annual Report we included the following specifics:

- Amending the "venture capital fund" definition under Rule 203(l)-1 of the Investment Advisers Act of 1940 to permit VC funds to invest in other VC funds as a "qualifying investment" that is excluded from the 20% non-qualifying investment basket.
- Increasing the current 100 beneficial owner limit for funds that rely on the exemption in Section 3(c)(1) of the Investment Company Act of 1940.
- Increasing the limit on investors in, and expanding the $10 million maximum fund size of, a "qualifying venture capital fund" under the exemption in Section 3(c)(1) of the Investment Company Act of 1940.[366]

The Commission has the authority to amend the "venture capital fund" definition in the Investment Advisers Act of 1940. Congress would need to act to amend the beneficial owner limit and "qualifying venture capital fund" definition in the Investment Company Act of 1940.

Proposed Solution

Emerging fund managers play a key role in capital formation for startups, and we reaffirm the recommendations in our prior Annual Reports as follows:

The Commission should amend Rule 203(l)-1 of the Investment Advisers Act of 1940 by defining "venture capital fund" to include investments by venture capital funds into other venture capital funds, often called "fund of funds" investments, as "qualifying investments" that would be excluded from the 20% non-qualifying basket limit.

> *Rationale:*
> A fund of funds model would permit larger funds to invest in smaller funds, managed by emerging managers, that write smaller checks, potentially unlocking capital otherwise earmarked for later-stage companies to be reallocated to early-stage companies.[367]

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Congress should amend the exemption in Section 3(c)(1) of the Investment Company Act of 1940 to increase the limit on the number of beneficial owners.[368]

Rationale:
Limiting a 3(c)(1) fund to 100 beneficial owners makes it difficult for emerging fund managers – who may not have access to a network of investors who can write large checks – to raise a sufficient amount of capital.

Congress should further amend Section 3(c)(1) to increase the limit on investors in, and the $10 million maximum fund size of, a "qualifying venture capital fund."[369]

Rationale:
A qualifying venture capital fund can have no more than $10 million from no more than 250 investors. Raising the $10 million limit would improve the exemption's utility by allowing for a diversified portfolio of investments and the fund's operating costs. Assuming a "2 and 20" fee structure, a $10 million fund would have only $200,000 per year for operating expenses, such as salaries, portfolio management, audit, diligence, and compliance. Expanding the $10 million cap and the related 250 investor limit, would equip emerging managers to raise a meaningful sized fund while covering their expenses.

At the 2023 Women of Color and Capital conference, our Office joined a discussion about the unique experience for women of color as fund managers and investors.

Contents

Scale disclosures and harmonize requirements for small public companies to help them stay public.

Background Context

After a very busy 2021, IPO activity dropped considerably in 2022 and 2023.[370] While supply chains have normalized and inflation has eased, macroeconomic and geopolitical conditions remain challenging. Notably, monetary policy continued to tighten, likely contributing to the subdued IPO market.

Despite the slow IPO environment and sustained decline in the number of public companies, market capitalization and profits for exchange-listed public companies thrived. At the same time, the portion of that aggregate market capitalization represented by small companies has continued its long-standing, steady decline, which suggests that while large companies are receiving the benefits of being public, many small ones are not.[371]

Small public companies face considerable challenges. They continue to receive little research coverage, suffer heightened negative reactions to market events and lower liquidity, and feel the greater impact of regulatory costs that are fixed or not easily scaled for their size.[372] Many small public companies also see their stock price suffer following their IPOs, as they struggle to comply with exchange rules.[373] Without steps to improve the prospects of small public companies, their numbers are likely to continue to decline.[374] To avoid this fate, fostering a regulatory environment that encourages smaller companies to remain public is as important as helping them go public.

Demographic Impacts

Despite a growing proportion of racially and ethnically diverse business owners and increased VC interest in founders of color, diverse owners still face significant challenges when trying to access capital.[375] Similarly, although women founders had a relatively strong year in some aspects of capital raising, they remain underrepresented among business owners.[376] An ecosystem in which early-stage capital formation is disproportionately challenging for diverse and women founders unsurprisingly yields public company boards and management teams in which people of color and women are underrepresented.[377] In the case of small public companies, it is especially telling that women represent only a fraction of C-suite executives and that progress toward parity in directorships has slowed.[378]

Contents

Related Developments

The success of our capital markets cannot rest exclusively on the shoulders of large companies. In our 2022 Annual Report, we recommended being mindful of how and whether SEC rules are promoting an environment that fosters small public companies going and remaining public. In particular, we recommended continued tailoring of the SEC's disclosure and reporting framework to the complexity and size of operations of companies, either by scaling obligations or delaying compliance for the smallest of the public companies.

In the past year, the Commission has adopted several rules that impose new disclosure requirements on public companies. In some of these rules, the Commission has scaled the new obligations or delayed compliance for small public companies, in some cases providing accommodations that were not initially proposed.[379] In others, however, small public companies are not afforded any accommodations.[380]

> "And that is the point at which a smaller cap company, even one that's been public a long time, will start to think about, 'Is the regulatory burden worth the benefit of being public if we have no real public market benefits?'
>
> HILLARY HOLMES, GIBSON, DUNN & CRUTCHER[381]

Proposed Solution

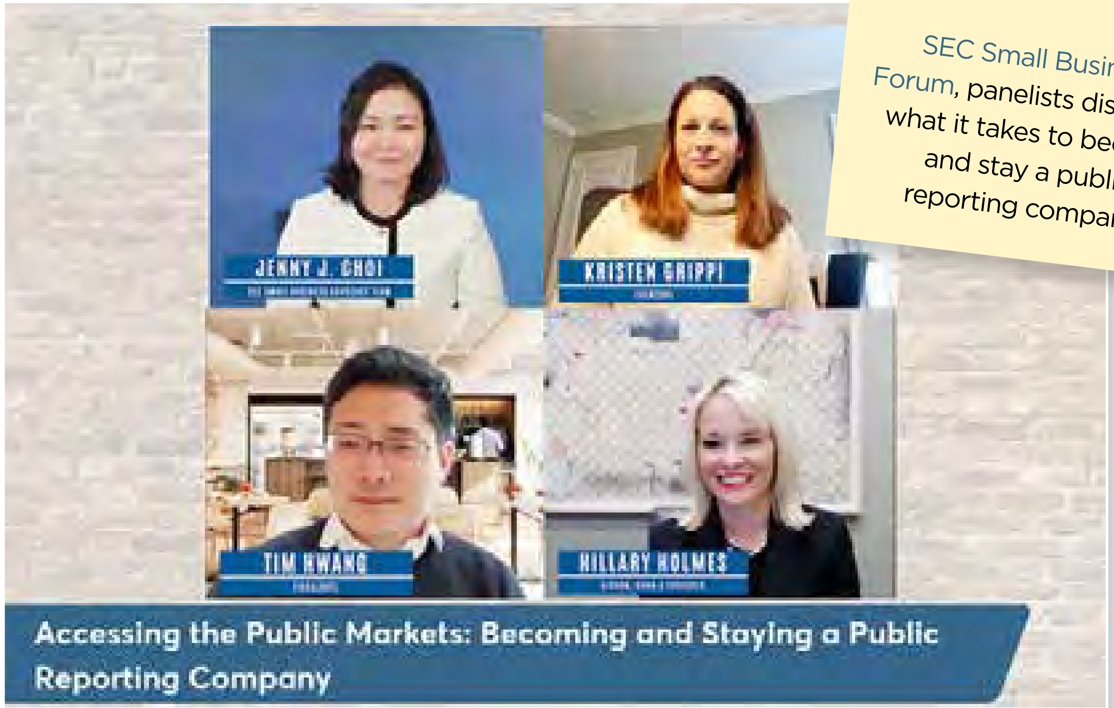
To address the challenges facing small public companies, it is imperative that we make the public market an environment that allows companies of all sizes to thrive.

We recommend that the Commission consider ways to harmonize the frameworks governing Smaller Reporting Company (SRC) and Accelerated Filer definitions. Specifically, we recommend that the Commission again consider aligning the SRC and non-accelerated filer categories. This alignment would allow all SRCs to enjoy all the benefits of being non-accelerated filers—namely the exemption from the auditor attestation requirement under Section 404(b) of the Sarbanes-Oxley Act.

Rationale:
Aligning the definitions of SRC and non-accelerated filer would complement the Commission's previous efforts to scale disclosure requirements for small public companies. It would also help to simplify a complex regulatory landscape, thus easing regulatory burdens on smaller companies. This could encourage more small companies to go public and make it easier for them to remain public.

Contents

In addition, we reaffirm our prior recommendation that the Commission, when considering new disclosure obligations for public companies, scale those obligations and delay compliance for small public companies. Scaling disclosure obligations helps to better balance the costs and benefits of the rules, particularly because the proportional expense of costs that are not scalable is higher for small public companies. Delaying compliance for small public companies helps to promote better initial disclosure for those companies. Small public companies will benefit from seeing the disclosure that large public companies prepare in response to similar new requirements.



SEC Small Business Forum, panelists discussed what it takes to become and stay a public reporting company.

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ADVOCACY
What We Do

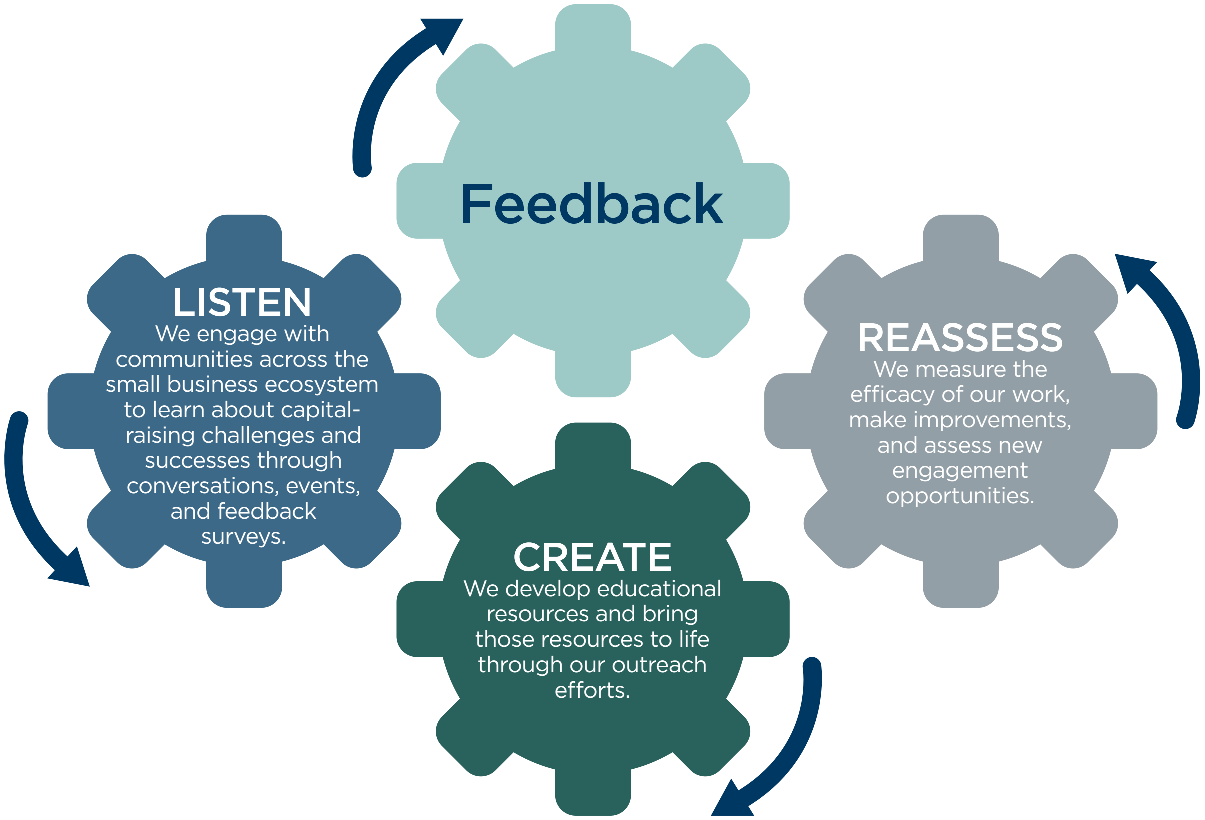
Contents

Outreach and Engagement

Our outreach extends from coast to coast, across media platforms, and to a breadth of partners and organizations. What we learn through our engagement with small businesses, their investors, and other thought leaders in the small business marketplace informs our advocacy efforts throughout the year.

Our Approach

Our advocacy work relies on our ability to stay attuned to the needs of small business owners and their investors, and to respond in turn with information and resources that are meaningful and accessible across all stages of the capital-raising life cycle. We incorporate feedback and assess our outreach and educational resources on an ongoing basis to ensure our efforts stay relevant and accessible in an evolving market.



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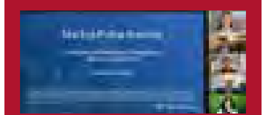
Outreach Events

Throughout the year, we met with small businesses and their investors, as well as with entrepreneurial support organizations and other leaders in the marketplace, to gain perspectives on issues facing the small business ecosystem and to share OASB's educational resources. Discussions provided insights on issues like the unique obstacles faced by women and diverse entrepreneurs, the importance of building and gaining access to networks, and how to increase diversity among capital allocators. Some of the events in which we engaged this year include:

Q1 FY2022

Engaged with **VC Include's 2022 Fellows** for a discussion of the SEC regulatory pathways available to start and manage a fund, including capital-raising options for emerging fund managers.

Celebrated **Hispanic Heritage Month** with the SEC's San Francisco Regional Office, hosting a panel discussion featuring Latinx VCs and entrepreneurs.



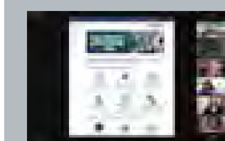
Explored challenges faced by founders, the role policymakers can play in improving access to capital, and how small businesses and their investors can engage in the process to ensure their voices are heard in a startup policy webinar with hosted by **Engine**.

Joined **DAV Patriot Boot Camp** for a webinar on empowering veteran and military spouse entrepreneurs to navigate capital-raising pathways.

Q2 FY2022

Hosted our fourth annual **Capital Call**, styled after public companies' earnings release calls and giving the public opportunities to ask live questions.

Participated in **National Entrepreneurship Week's** government office hours session to provide information about our Office's advocacy work and to answer questions live from participants.



Joined the **Miami-Dade Mayor's Office** for a conversation with small business owners, with a special focus on Regulation Crowdfunding.

Shared resources for entrepreneurs considering raising capital from investors at the **U.S. Department of Energy's Phase II SBIR/STTR Awardee Workshop – Preparing to Pitch**.

30+ EVENTS WITH 22+ PARTNER ORGANIZATIONS

40+ ENGAGEMENTS WITH POTENTIAL COLLABORATORS

Contents

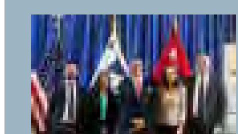
Q3 FY2022

Joined the SO. Ambitious HBCU Tour, presented by **Black Ambition**, **Techstars**, and the **Thurgood Marshall College Fund**, in Atlanta, GA to discuss the Office's mission and focus and to share capital-raising resources with students and entrepreneurs.

Hosted the SEC's 42nd annual **Small Business Forum**.

Shared resources for attorneys representing clients seeking to raise capital at the **American Bar Associations'** Business Law Section's Spring Meeting.

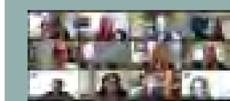
Joined a summit hosted by the **U.S. Minority Business Development Agency** for a discussion on federal government resources and programs that support minority-owned small businesses.



Discussed SEC resources, answered questions related to the securities laws, and heard feedback on issues faced by **Transact Global's** community of diverse women fund managers.

Joined the SEC's Office of Investor Education and Advocacy for a discussion with Indigenous small business owners and investors hosted by the **University of New Mexico-Taos HIVE**, highlighting early-stage funding options and resources for entrepreneurs.

Q4 FY2022



Met with women business owners during a virtual session hosted by the **North Dakota Women's Business Center** to discuss experiences raising capital and to share our Office's educational resources.

Joined the **Nasdaq Entrepreneurial Center** for a discussion about capital-raising pathways and educational resources to help prepare early-stage entrepreneurs to raise capital.

Joined a panel at the **Women of Color and Capital Conference** to discuss strategies and resources for women investors and fund managers as they seek to create a supportive ecosystem and opportunities for women of color.

2.8K+ ATTENDEES

34 HOURS OF CONTENT

Contents

42nd Small Business Forum

The SEC's annual Small Business Forum is a unique event where members of the public and private sectors gather to provide feedback to improve capital-raising policy.[382] The Forum covers a broad range of issues affecting small businesses and their investors, from early-stage entrepreneurial ventures to smaller public companies.

This year marked the 42nd Forum, during which the Office hosted four 90-minute virtual sessions from April 24-27, 2023. Each day featured speakers with in-depth knowledge of the issues facing small businesses across the country, spotlighting the following topics:

April 24 — Exploring the Early-Stage Landscape: Trends and Strategies in Capital Raising

April 25 — Building Entrepreneurial Ecosystems: Laying the Groundwork to Support Small Businesses and Their Investors

April 26 — Investing in Small Businesses: Successes and Challenges Facing Smaller Funds

April 27 — Accessing the Public Markets: Becoming and Staying a Public Reporting Company

At the end of each day's session, participants prioritized policy recommendations on that topic to be submitted to the SEC and to Congress. Video archives of each day's events are available in the Forum video gallery.

On September 26, 2023, the Commission delivered to Congress the 2023 Forum Report, which summarizes the Forum proceedings, including the recommendations developed by participants and the Commission's responses to the recommendations.

Contents

Educational Tools and Resources

We continue to hear from many people in the small business ecosystem struggling to navigate the complex capital-raising framework. As part of our efforts to make pathways to raising capital more accessible to small businesses and their investors, we have continued to develop and expand our educational resources, which are available through our Capital Raising Hub, a centralized portal for educational tools and resources for small businesses and their investors.

Reaching our Audience: Visits to the Capital Raising Hub

We continue to increase our reach to the public via the Capital Raising Hub, with visits to the Hub up over 160% from last fiscal year and views of our educational resources continuing to grow.

63K+
VISITS TO THE **CAPITAL RAISING HUB**

100K+
NEW VISITORS ACROSS RESOURCES

255K+
VIEWS OF OUR **EDUCATIONAL TOOLS AND RESOURCES**

Contents

This year we developed a new introductory roadmap to funding options, three new educational videos, and 10 new Building Blocks, and updated many of our existing resources. Our materials address all phases of the capital-raising life cycle and include:

Getting Started: Understanding the Fundamentals

Funding Roadmap

In direct response to requests for more introductory-level resources, we launched a roadmap that guides users through the different options for funding a small business, from personal savings to grants and loans to capital-raising from investors.

New in FY2023

Navigate Your Options

We continue to improve our interactive tool that explores regulatory pathways to raise capital, identifying the most relevant options based on the user's answers to a series of questions about their business, and expanding the resources available through the tool.

Cutting Through the Jargon

We also expanded our curated glossary of key terminology that makes the language of raising capital more accessible to small businesses and their investors. Adding several new terms to the gallery and adding valuable additional resources for users looking to learn more.

Building Blocks

This year, we added 10 new capital-raising topics to our suite of educational materials that break down fundamental securities law concepts into plain language. Like many of our materials, the expanded topics seek to address questions and feedback from prospective users through our outreach efforts.

10 New Topics

Capital Raising Video Gallery

We added two new educational videos to our Capital Raising 101 series, one explaining the role of the SEC in small business capital-raising and another that walks through different types of investors.

Expanded our Capital Raising video series

Contents

Continuing the Journey: Exploring Pathways to Raise Capital

Exempt Offerings

Users can also find more detailed resources on common capital-raising pathways – like how to raise capital from investors without registering the offer and sale of those securities with the SEC.

Going Public

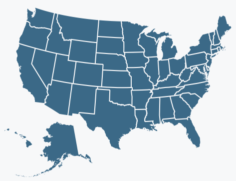
The Capital Raising Hub also includes resources on how to prepare for and conduct a registered public offering as well as the reporting and other requirements for public reporting companies.

Rulemaking Video Gallery

We provide videos that summarize the potential impact to small businesses and their investors of relevant policies or rulemaking initiatives from the Commission This year, we added a video summarizing the recently adopted Private Fund Advisor rules.

New Video and Summary Chart

The Landscape: Data, Research, and Other Resources



Capital Trends Maps

We regularly update the data available through our interactive maps to allow users to stay informed about how and where capital is being raised across the country.

Research Reports

Reports and studies on capital-raising issues and trends from around the country are also available.

Small Business Compliance Guides

Users can find the SEC's small business compliance guides, which provide valuable information on SEC rules on offering and selling securities and financial and other reporting by public companies and how they may affect smaller businesses.

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COMMITTEE Highlights

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The Small Business Capital Formation Advisory Committee

In addition to establishing the Office of the Advocate for Small Business Capital Formation, the Small Business Advocate Act also established the SEC's Small Business Capital Formation Advisory Committee. The Committee is designed to provide a formal mechanism for the Commission to receive advice and recommendations on Commission rules, regulations, and policy matters affecting small businesses, from emerging, privately-held companies to publicly-traded companies with less than $250 million in public market capitalization; trading in securities of such companies; and public reporting and corporate governance of such companies. The Office provides administrative support for the Committee, which otherwise functions independently.

In May 2023, the Commission announced the appointment of 14 new members to the Committee, primarily to fill vacancies arising from the expiration of prior members' terms. The Commission is grateful for the service and contributions of both the outgoing and current members.

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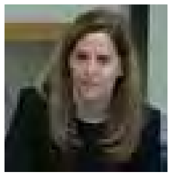
Committee Members at the Beginning of the Fiscal Year[383]



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Potomac Law Group PLLC
Washington, DC

JEFFREY M. SOLOMON, *Vice Chair*
Chief Executive Officer,
Cowen, Inc.
New York, NY

GREGORY YADLEY,
Secretary
Partner, Shumaker,
Loop & Kendrick, LLP
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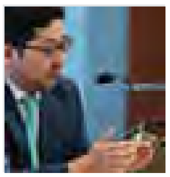

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NextSeed
Houston, TX

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BlocPower LLC
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Securities Administrator of the
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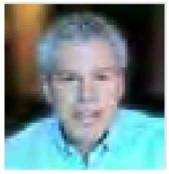

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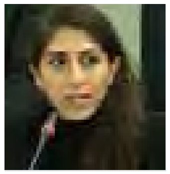

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Chief Investment Officer, Techstars
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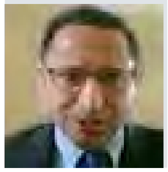

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HANK TORBERT
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SUE WASHER
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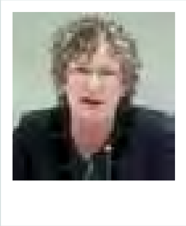

SUE WASHER, *Vice Chair*
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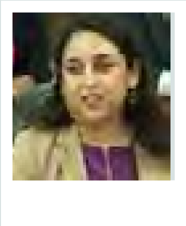

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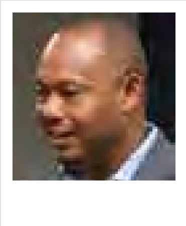

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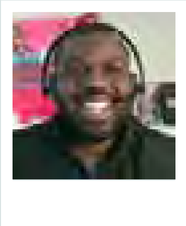

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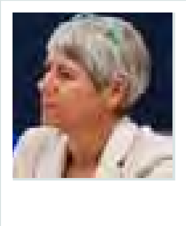

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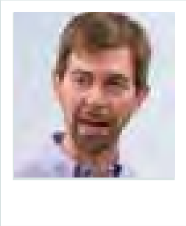

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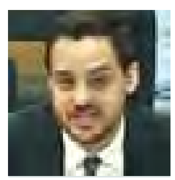

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Summary of Committee Activities

The Committee met four times during FY2023. Materials from the meetings, including agendas, transcripts, webcasts, and presentations, are available on the Committee's webpage.

Meeting Date	Agenda Topics
October 13, 2022	Entrepreneurial Ecosystems; The Going Public Market
February 7, 2023	Alternatives to Traditional Financing; SEC Proposal on Private Fund Reforms; Role of Equity Research for Smaller Public Companies
June 14, 2023	Funding Gaps for Underrepresented Founders and Startups
September 19, 2023	Investors in Funds that Support Early-Stage Companies; Alternative Funding Options for Small Businesses

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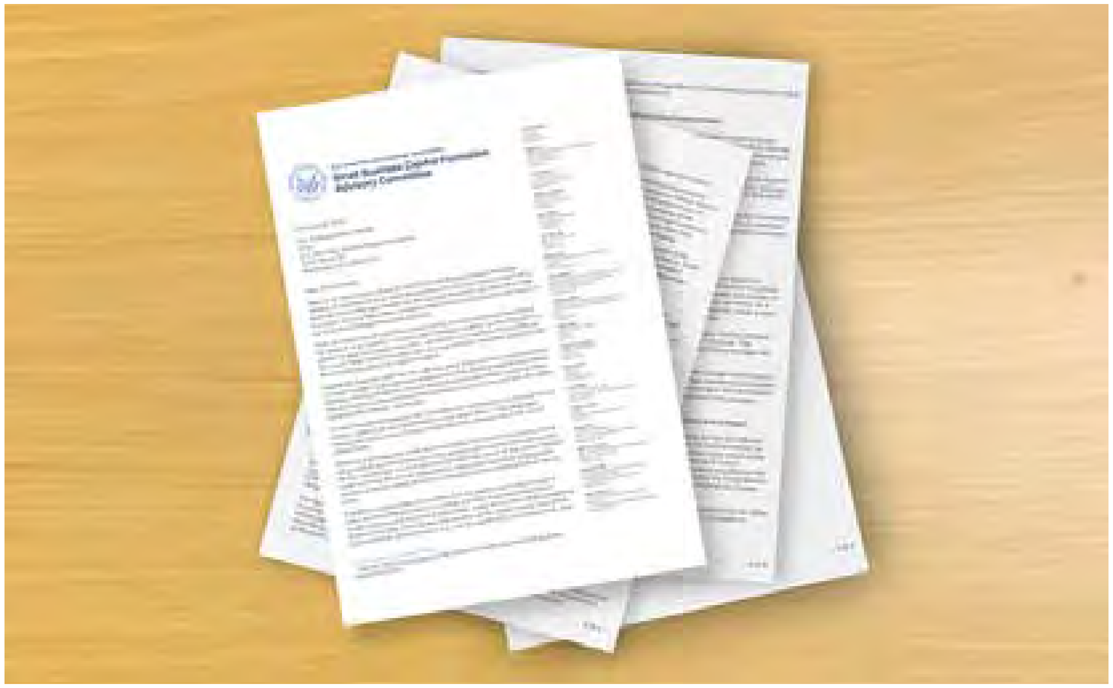
Summary of Committee Recommendations

During FY2023, the Committee put forward five recommendations to the Commission.

Recommendation Topic	Adoption Date
Entrepreneurial Ecosystems	**October 13, 2022**
Becoming a Public Company	**October 13, 2022**
Availability of Public Company Research	**February 28, 2023**
Private Fund Proposal	**February 28, 2023**
Parting Perspectives Letter	**February 28, 2023**

The Committee's recommendations included a Parting Perspectives Letter, delivered as the inaugural members' four-year terms drew to a close. The letter urged attention to the following objectives:

1. Recognize the importance of the private markets for small business growth.
2. Ensure public company rules are mindful of the unique circumstances of small public companies, so that these small companies can attract capital, spur innovation, and create jobs.
3. Allow retail investors greater access to a wider range of investment opportunities.
4. Support rules to facilitate the existence and growth of small funds.
5. Continue to protect investors through effective enforcement and more education and outreach.



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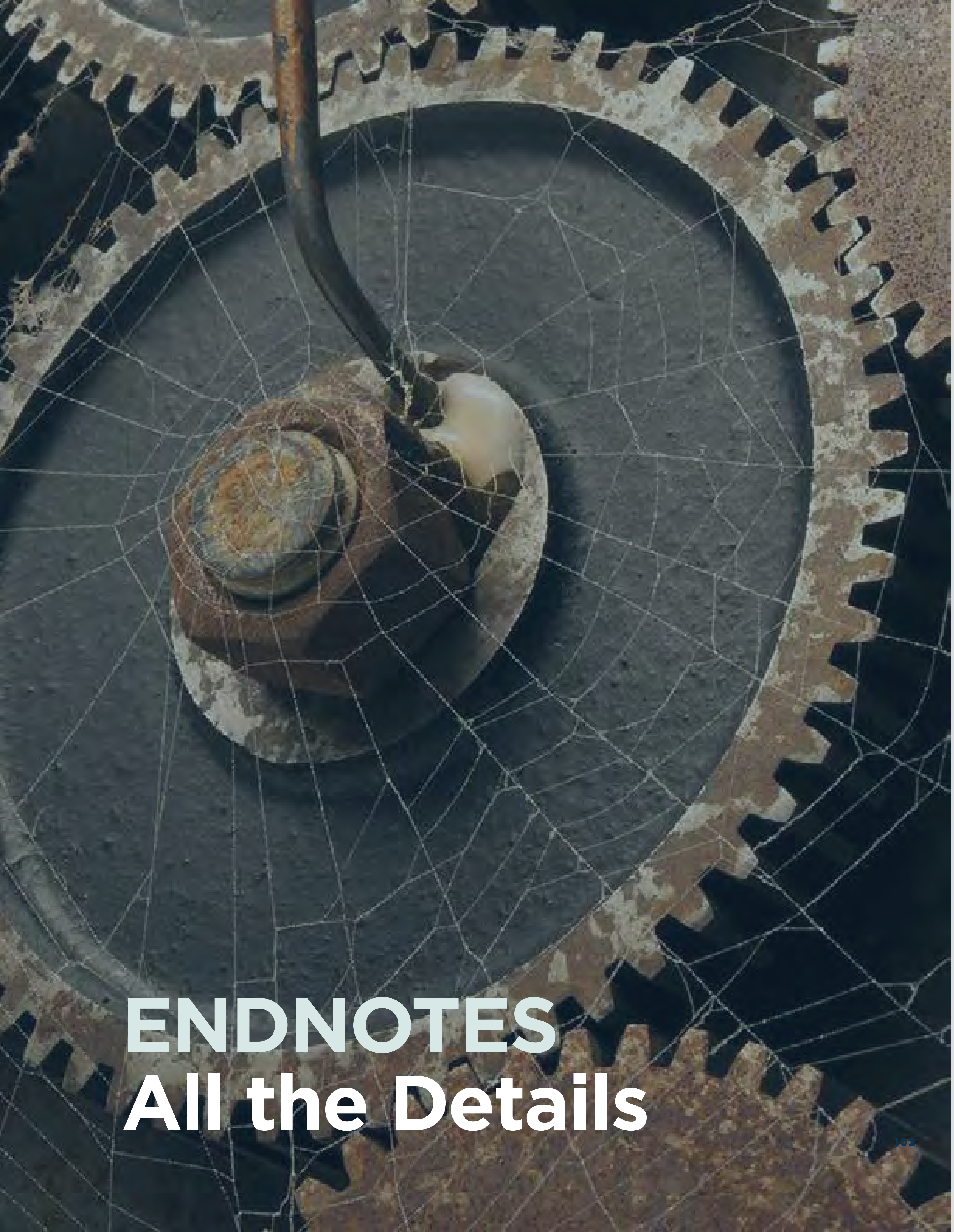

ENDNOTES
All the Details

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1 *See* Brendan Cosgrove, *et al.*, "Access to Capital for Entrepreneurs: Removing Barriers. 2023 Update," (June 2023) at 2, *available at* https://www.kauffman.org/wp-content/uploads/2023/06/Access-to-Capital-for-Entrepreneurs-Report-2-June-2023.pdf.

2 *See* NVCA, "2023 Yearbook," (Mar. 22, 2023) at 21 (for the mature and later-stage business industries) *available at* https://nvca.org/wp-content/uploads/2023/03/NVCA-2023-Yearbook_FINALFINAL.pdf. The small public company industries are based on DERA estimates. Small public companies include U.S. public companies with a size less than or equal to $250 million on the date of the offering, calculated by multiplying price of the company's stock at the close of the day of the offering by the number of outstanding shares on the day of the offering. *See infra* notes 57 and 144 for a description of how these amounts were estimated.

3 *Id*. at 7-8 (noting that VCs typically invest in young companies with high-growth potential in need of capital to grow) and 10 (noting VC-backed companies are job creators).

4 *See* U.S. Small Business Administration Office of Advocacy, "Frequently Asked Questions March 2023" (Mar. 2023) at 1, *available at* https://advocacy.sba.gov/wp-content/uploads/2023/03/Frequently-Asked-Questions-About-Small-Business-March-2023-508c.pdf; U.S. Small Business Administration Office of Advocacy, "What's New with Small Business? March 2023," (Mar. 21, 2023) *available at* https://advocacy.sba.gov/2023/03/14/whats-new-with-small-business/.

5 *See* U.S. Small Business Administration Office of Advocacy, "What's New with Small Business?," *supra* note 4.

6 *See* U.S. Small Business Administration Office of Advocacy, "What's New with Small Business?," *supra* note 4. *See* U.S. Small Business Administration Office of Advocacy, "*Frequently* Asked Questions March 2023," *supra* note 4, at 1.

7 *See* Babson College, "Global Entrepreneurship Monitor (GEM) 2022-2023 United States Report" (2023) at 10, *available at* https://issuu.com/babsoncollege/docs/brndrep4-2795-gem-2023-final-pages.

8 *See* Reimagine Maine Street, "Trust & Access to Capital," (June 12, 2023) at slide 4, *available at* https://irp.cdn-website.com/d59a11d2/files/uploaded/Survey%20Findings%20for%202023%20vWebsite.pdf.

9 *See* Federal Reserve Banks, "Small Business Credit Survey, 2023 Report on Employer Firms," (Mar. 2023) at i, *available at* https://www.fedsmallbusiness.org/survey/2023/report-on-employer-firms. *See* Federal Reserve Banks, "Small Business Credit Survey, 2022 Report on Employer Firms," (May 6, 2022) at 7, *available at* https://www.fedsmallbusiness.org/survey/2022/report-on-employer-firms.

10 *See* Brendan Cosgrove, *et al.*, *supra* note 1, at 4.

11 *See* Goldman Sachs, "New Survey of Small Business Owners Shows a Credit Crunch is Hindering Growth," (Oct. 25, 2023) *available at* https://www.goldmansachs.com/citizenship/10000-small-businesses/US/voices/news/oct-25-2023-press-release.html.

12 *See* Reimagine Main Street, *supra* note 8, at slide 8.

13 *See* Small Business Majority, "Opinion poll. Small businesses share concerns with recent banking closures, access to capital changes," (May 3, 2023) at 2, *available at* https://smallbusinessmajority.org/sites/default/files/research-reports/2023_Banking_Survey.pdf. The survey was conducted in April 2023.

14 *See* skynova, "Why startups failed in 2022," *available at* https://www.skynova.com/blog/top-reasons-startups-fail. Of the failed startups, 47% was due to lack of financing/investors, and 44% was due to running out of cash.

15 *See* Brendan Cosgrove, *et al.*, *supra* note 1, at 44.

16 *Id*. Other business professionals included lawyers and accountants as examples.

17 *See* Sheharyar Bokhari, *et al.* "Is Innovation Really in a Place? Accelerator Program Impacts on Firm Performance," *MIT Center for Real Estate Research,* (July 21, 2021) at 32, *available at* https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3881997. *See also* Chris Minchella, "How do startup Accelerators work?," *Gust* (July 25, 2023) *available at* https://gust.com/blog/how-do-startup-accelerators-work/; Ron Miller, "Don't go it alone: Incubators and accelerators help build lifelong relationships," *Tech Crunch* (Apr. 26, 2023) *available at* https://techcrunch.com/2023/04/26/incubators-accelerators-startups-relationships/.

18 *See* James Ulan and Vince Harrison, "Quantifying the Success of YC and the Largest Accelerators. Takeaways for VCs, LPs, and Startups," *PitchBook*, (June 8, 2023) at 22-23, *available at* https://files.pitchbook.com/website/files/pdf/Quantifying_the_Success_of_YC_and_the_Largest_Accelerators_Takeaways_for_VCs_LPs_and_Startups.pdf.

19 *Id.* at 3, 5; *See* Catherine Cote, "Startup Incubator vs. Accelerator: Which is Right for You?," *Harvard Business School Online* (Aug. 17, 2023) *available at* https://online.hbs.edu/blog/post/startup-incubator-vs-accelerator.

20 *See* Catherine Cote, *supra* note 19.

21 *See* Federal Reserve Banks, "Small Business Credit Survey, 2023 Report on Employer Firms," *supra* note 9, at 7. Data from Excel "Employer Firms" tab. In addition, 56% raised prices the business charges, 32% cut staff, hours, or downsized operations, 23% altered their payments or did not make a payment, 5% reported no action, and 4% took other actions in response to the challenges.

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22 *See* Thaddeus Swanek, "New Survey Shows Small Businesses' Growing Concern About Raising Capital," *U.S. Chamber of Commerce,* (Mar. 29, 2023) *available at* https://www.uschamber.com/small-business/new-survey-shows-small-businesses-growing-concern-about-raising-capital.
23 *See* Federal Reserve Banks, "Small Business Credit Survey, 2023 Report on Employer Firms," *supra* note 9. Data from Excel "Employer Firms" tab, "Equity investments," question "Share of financing applicants that sought an equity investment."
24 *See* Brendan Cosgrove *et al.*, *supra* note 1, at 9.
25 *See* Thaddeus Swanek, "Small Business Survey Shows Record Optimism, Despite Inflation Concerns," *U.S. Chamber of Commerce,* (June 28, 2023) *available at* https://www.uschamber.com/small-business/small-business-survey-shows-record-optimism.
26 *See* Federal Reserve Banks, "Small Business Credit Survey, 2023 Report on Employer Firms," *supra* note 9, at 11, 17. Data from Excel "Employer firms" tab, question: "Best outcome across loan/LOC/merchant cash advance application(s)," Percentage values: All (100%), Most (51-99%), Some (1-50%), and None.
27 *See* Jeffrey Sohl, "The Angel Market in 2022: The Rising Impact of Women Angels," *Center for Venture Research,* (May 20, 2023) at 1, *available at* https://paulcollege.unh.edu/sites/default/files/resource/files/fy_2022_analysis_report_final.pdf.
28 *Id.*
29 *Id.*
30 *Id.* at 2.
31 *See* Angel Capital Association, "Angel Funders Report 2023," (Dec. 2023) at 7, *available at* https://www.angelcapitalassociation.org/angel-funders-report-2023/.
32 *Id.* at 13.
33 *See* Jeffrey Sohl, *supra* note 27, at 2. *See* Jeffrey Sohl, "The Angel Market in 2021: Metrics Indicate Strong Market," *Center for Venture Research,* (May 20, 2022) at 2, *available at* https://scholars.unh.edu/cgi/viewcontent.cgi?article=1036&context=cvr.
34 *See* Jeffrey Sohl, *supra* note 27, at 1.
35 *See* Angel Capital Association, *supra* note 31, at 41.
36 *Id.* at 12.
37 *See* Jeffrey Sohl, *supra* note 27, at 2.
38 *See* Angel Resource Institute 2022, "HALO Report: Annual Report on Angel Investments," (2023) at 7, *available at* https://angelresourceinstitute.org/reports/HALO2022-email.pdf. Puerto Rico is included in the Southeast region, Hawaii is included in the California region, and Alaska is included in the Northwest region.
39 *See* Jaclyn Robinson, "What is Pre-Seed Funding?," *Crunchbase* (Mar. 17, 2022) *available at* https://about.crunchbase.com/blog/what-is-pre-seed-funding/. The pre-seed round definition overlaps to some extent with the definition of a seed round. Typically, a pre-seed round is an investment in an idea. In other words, it is an investment in a product that has not yet found its market. On the other hand, a company may seek seed funding for a product that already exists and typically has some form of a customer base.
40 *See* https://www.sec.gov/jargon-z#S.
41 *See* Kyle Stanford *et al.*, "Venture Monitor Q2 2023," *PitchBook-NVCA* (July 12, 2023) at 9, *available at* https://pitchbook.com/news/reports/q2-2023-*PitchBook*-nvca-venture-monitor.
42 *Id.* Data from Excel tab "Angel & Seed Activity."
43 *See* Dropbox Docsend, "The pre-seed round 2022-2023. From FOMO to JOMO: VCs shift from rapid growth to long-term risk aversion," (2023) at 12, *available at* https://experience.dropbox.com/form/docsend/fundraising-report; Dropbox Docsend, "The seed round in 2022-23. No time like the present? VCs, founders focus on 'why now?' amid ongoing slowdown," (2023) at 15, *available at* https://www.docsend.com/es/blog/seed-fundraising-round-in-2022-23/.
44 *See* Dropbox Docsend "The pre-seed round 2022-2023," *supra* note 43, at 2. The data reflects a comparison of the second quarter of 2021 to the second quarter of 2023.
45 *See* Carta, "Raising Capital and Navigating Equity Ownership," (Jan. 11, 2023) at 28, 36, *available at* https://ic.dcsbdc.org/DocumentMaster.aspx?doc=2998. The median percentages reserved for employee stock compensation range from 12.9% for $1M to $10M in valuation to 19.6% for $1B to $10B in valuation.
46 *See* Jeffrey Sohl, *supra* note 27, at 2.
47 *See* Dropbox Docsend "The pre-seed round 2022-2023", *supra* note 43, at 19; Dropbox Docsend, "The seed round in 2022-2023", *supra* note 43, at 9; Dropbox Docsend, "The Pre-seed round in 2021-2022. Adapting the pitch deck for a new market," (2022) at 18, *available at* https://www.docsend.com/blog/the-pre-seed-round-in-2021-22/; Dropbox Docsend, "The seed round in 2021-2022. Proving market fit and monetization amid uncertainty," (2022) at 19; Dropbox Docsend, "The Pre-Seed Round in 2020: New Investor Priorities Emerge," (2021) at 13; Dropbox Docsend, "The Seed Round in 2020-2021: Make or Break Moment for Founders," (2021) at 17.
48 *See* Kyle Stanford, *et al.*, *supra* note 41. Data from Excel "Angel & Seed x Size" tab. This graph depicts the combined angel and seed market. However, the angel market constitutes a small part of the *combined* market values. From January 2019 to June 2023, the angel activity was between 11.6% and 2.8% of the combined angel and seed market value reflected in the graph. Undisclosed deals were excluded.
49 *Id.* Data from Excel "Median Deal Size" tab.
50 *See* Gené Teare, "These 3 Charts Show It's not Easy Being a Seed Startup These Days," Crunchbase News (May 31, 2023) *available at* https://news.crunchbase.com/seed/charts-startup-venture-funding-rounds/. Median time shown for startups that raised at least $1 million in their seed stage before raising a Series A.
51 *See* Kyle Stanford, "Capital Concentration and Its Effect on the VC Ecosystem," *PitchBook* (Feb. 16, 2023) at 7, *available at* https://pitchbook.com/news/reports/q1-2023-*PitchBook*-analyst-note-capital-concentration-and-its-effect-on-the-vc-ecoystem. Data from Excel "Distance X Stage" tab.
52 *Id.* at 7.

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53 *See* Kyle Stanford, *et al.*, *supra* note 41. Data from Excel "Fundraising x size" tab.

54 *See* Marina Temkin, "Investor Appetite, Microfunds Help Seed Investing Defy Startup Drubbing," *PitchBook* (Feb. 10, 2023) *available at* https://pitchbook.com/news/articles/vc-investment-seed-stage; *see also* Office of the Advocate for Small Business Capital Formation Annual Report Fiscal Year 2022 at 29, *available at* https://www.sec.gov/files/2022-oasb-annual-report.pdf.

55 *See* Office of the Advocate for Small Business Capital Formation, *supra* note 54, at 29.

56 *See* Marina Temkin, "Micro-Fund Managers Feel Deflated as LPs Cool on VC," *PitchBook*, (Apr. 21, 2023) *available at* https://pitchbook.com/news/articles/micro-funds-VC-fundraising-decrease-LPs.

57 This graphic is based on DERA data. Unless otherwise indicated, the data period for DERA data is July 1, 2022 to June 30, 2023. Data on offerings under Regulations D and Regulation Crowdfunding is based on information reported by companies and was collected from EDGAR filings (new filings and amendments) on Forms D and C, respectively. Data on registered offerings was collected from Thomson Financial's SDC Platinum database. For offerings under Regulation Crowdfunding, except where specified otherwise, estimates of the number of offerings are based on offerings completed during this period as shown on progress updates on Form C-U; estimates of amounts raised are based on proceeds reported in progress updates filed on Form C-U during the report period. For offerings under Regulation A, except where specified otherwise, estimates of the number of offerings are based on offerings qualified during this period, excluding post-qualification amendments; estimates of amounts raised are based on proceeds reported in filings made during the report period. Capital raised is based on information reported by companies in Forms 1-Z, 1-K, 1-SA, 1-U, and offering circular supplements pertaining to completed and ongoing Regulation A offerings and post-qualification amendments, and for companies whose shares have become exchange-listed, information from other public sources. Estimates represent a lower bound on the amounts raised given the timeframes for reporting proceeds following completed or terminated offerings and that offerings qualified during the report period may be ongoing. For the offerings that permit pooled investment funds, such as Rule 506(b) and (c) of Regulation D and registered offerings, the data includes offerings conducted by pooled investment funds.

58 17 C.F.R. § 230.506(c); *see* https://www.sec.gov/smallbusiness/exemptofferings/rule506c.

59 17 C.F.R. § 230.504; *see* https://www.sec.gov/smallbusiness/exemptofferings/rule504.

60 The estimated flows are based on DERA data for the period July 1, 2022 to June 30, 2023. Flow data is derived from amounts reported on Form N-PORT and Form N-MFP. Total aggregate net flows into and out of registered open-end mutual funds, exchange-traded funds, and money market funds during the same period were $654 billion.

61 17 C.F.R. § 230.506(b); *See* https://www.sec.gov/smallbusiness/exemptofferings/rule506b.

62 17 C.F.R. § 227.100 *et seq.*; *See* https://www.sec.gov/smallbusiness/exemptofferings/regcrowdfunding.

63 "Other exempt offerings" includes estimated amounts raised under Regulation S and Rule 144A for calendar year 2022. The data used to estimate the amounts raised in 2022 for other exempt offerings includes: (1) offerings under Regulation S that were collected from Thomson Financial's SDC Platinum service; and (2) resale offerings under Rule 144A that were collected from Thomson Financial's SDC New Issues database, the Mergent database, and the Asset-Backed Alert and Commercial Mortgage Alert publications, to further estimate the exempt offerings under Regulation S. We include amounts sold in Rule 144A resale offerings because those securities are typically issued initially in a transaction under Section 4(a)(2) or Regulation S but generally are not included in the Regulation S data identified above. These numbers are accurate only to the extent that these databases are able to collect such information and may understate the actual amount of capital raised under these offerings if issuers and underwriters do not make this data available. We do not yet have data to provide an estimated amount raised under Regulation S and Rule 144A for the 12-month period ended June 30, 2023.

64 *See* https://www.sec.gov/investor/alerts/ipo-investorbulletin.pdf for more information.

65 17 C.F.R. § 230.251 *et seq.*; *see* https://www.sec.gov/smallbusiness/exemptofferings/rega.

66 15 U.S.C. § 77a, *et seq.*; *see* https://www.sec.gov/smallbusiness/goingpublic.

67 This graphic is based on DERA data. *See supra* note 57 for a description of how these amounts were reported or estimated. Small public companies include U.S. public companies with a size less than or equal to $250 million on the date of the offering, calculated by multiplying price of the company's stock at the close of the day of the offering by the number of outstanding shares on the day of the offering. *See infra* note 144 for a description of how these amounts were estimated.

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68 This graphic is based on DERA data. This graphic presents capital raised in registered, Regulation D, and Regulation A offerings across the top industries from July 1, 2022 through June 30, 2023. Offerings by non-pooled investment funds in other industries accounted for approximately $25 billion, $79 billion, and $46 million in registered, Regulation D, and Regulation A offerings, respectively. Regulation A and registered offerings were classified into industry groups based on the primary SIC code reported by the company. Industry groups were self-reported by companies on Form D. Differences in data sources and definitions may limit the comparability of industry data. Offerings by pooled investment funds, which accounted for approximately $63 billion and $2.1 trillion in registered offerings and Regulation D, respectively, are excluded from this graphic. *See supra* note 57 for a description of how these amounts were reported or estimated.

69 *See* Crowdfund Capital Advisors, "Investment Crowdfunding. Democratizing Access to Capital Across the USA. 2022 Annual Report," (Mar. 2023) at 38, 45, 47, 55, 59, *available at* https://crowdfundcapitaladvisors.com/preview-the-2022-investment-crowdfunding-annual-report-what-a-wild-ride/; Crowdfund Capital Advisors, "Investment Crowdfunding Stumbled In 2022 – Investors Pull Back As More Sophisticated Companies Seek Capital Online," (Jan. 4, 2023) *available at* https://crowdfundcapitaladvisors.com/investment-crowdfunding-stumbled-in-2022-investors-pull-back-as-more-sophisticated-companies-seek-capital-online/.

70 This graphic is based on DERA data. Because of lags in offering qualifications, withdrawals, and abandonments, for greater comparability, this analysis considers all initiated Regulation Crowdfunding offerings and does not exclude offerings that are subsequently withdrawn or abandoned.

71 This graphic is based on DERA data. Because of lags in offering qualifications, withdrawals, and abandonments, for greater comparability, this analysis considers all initiated Regulation Crowdfunding offerings and does not exclude offerings that are subsequently withdrawn or abandoned. Effective March 15, 2021, the maximum aggregate amount that an issuer is permitted to raise under Regulation Crowdfunding in a 12-month period was raised to $5 million (from $1.07 million). *See* https://www.sec.gov/corpfin/facilitating-capital-formation-secg.

72 This graphic is based on DERA data. The map included depicts the amounts reported or estimated as raised by issuers that report a primary location in the U.S., including U.S. territories, from July 1, 2022 through June 30, 2023. *See supra* note 57 for a description of how these amounts were reported or estimated.

73 *See supra* note 57 for a description of the methodology used to calculate this data.

74 The map included depicts the amounts reported or estimated as raised by issuers, including pooled investment funds that report a primary location in the U.S., including U.S. territories, from July 1, 2022 through June 30, 2023. *See supra* note 57 for a description of how these amounts were reported or estimated.

75 Because of lags in offering qualifications, withdrawals, and abandonments, for greater comparability, this analysis considers all initiated Regulation A offerings (whether qualified or not) and does not exclude offerings that are subsequently withdrawn or abandoned. Due to lags and bunching in proceeds data and temporary relief provided to Regulation A in March 2020, the dollar amounts in this graphic are based on the amounts sought (in $ millions) in qualified Regulation A offerings and not on reported proceeds. Effective March 15, 2021, the maximum aggregate amount that an issuer was permitted to raise under Tier 2 of Regulation A in a 12-month period was raised to $75 million (from $50 million). *See* https://www.sec.gov/corpfin/facilitating-capital-formation-secg.

76 *See* David S. Krause, "A Comprehensive Study of Regulation A Offerings Since Implementation of the JOBS Act," (Apr. 17, 2023) at 12, 16, *available at* https://papers.ssrn.com/sol3/papers.cfm?abstract_id=4410884.

77 The map included depicts the amounts reported or estimated as raised by issuers that report a primary location in the U.S., including U.S. territories, from July 1, 2022 through June 30, 2023. *See supra* note 57 for a description of how these amounts were reported or estimated.

78 *See* Kyle Stanford, *et al.*, *supra* note 41. Data from Excel "Deals x State" tab.

79 *Id.*

80 *See* Kyle Stanford, *supra* note 51, at 7. Data from Excel "Distance x Stage" tab.

81 *See* NVCA, *supra* note 2, at 7.

82 *Id.* at 9. *See* NVCA, "2022 Yearbook," (Mar. 2022) at 10, *available at* https://nvca.org/wp-content/uploads/2022/03/NVCA-2022-Yearbook-Final.pdf.

83 *See* NVCA, *supra* note 2, at 7.

84 *See* Kyle Stanford, *et al.*, *supra* note 41. Data from Excel "Deal x State" tab. Early-stage includes Series B and earlier, which includes the *PitchBook* segmentation of Angel and Seed and Early-stage. In 2022, total deal value was $246.53 billion. Early-stage (Series B and earlier) deal value was $95.3 billion, which includes deal value for Angel and Seed and Early-stage of $24.8 billion and $70.6 billion respectively. Total deal count was 17,504. Early-stage (Series B and earlier) deal count was 12,198, which includes Angel and Seed and Early-stage deal count of 7,090 and 5,108, respectively.

85 *See* NVCA, *supra* note 2, at 8.

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86 *Id.* at 9. *See* Jeremy Greenwood *et al.*, "Venture Capital: A Catalyst for Innovation and Growth," (Apr. 21, 2022) at 3, *available at* https://files.stlouisfed.org/files/htdocs/publications/review/2022/04/06/venture-capital-a-catalyst-for-innovation-and-growth.pdf.
87 *See* Max Navas and Alyssa Williams, "The Transient Era of Billion-Dollar Funds," *PitchBook*, (Apr. 6, 2023) at 5, *available at* https://pitchbook.com/news/reports/q2-2023-*PitchBook*-analyst-note-the-transient-era-of-billion-dollar-funds.
88 *See* NVCA, *supra* note 2, at 9.
89 *See* Ofer Eldar and Jillian Grennan, "Common Venture Capital Investors and Startup Growth," *The Review of Financial Studies*, (Sept. 9, 2023) at 3 (citing Kaplan and Stromberg 2003; Fried and Ganor 2006; Bengtsson and Sensoy 2015), *available at* https://academic.oup.com/rfs/advance-article/doi/10.1093/rfs/hhad071/7265414.
90 *See* Ofer Eldar and Jillian Grennan, *supra* note 89, at 4, 31-32, *available at* https://academic.oup.com/rfs/advance-article/doi/10.1093/rfs/hhad071/7265414.
91 *See* Michael Ewens and Denis Sosyura, "Irreplaceable Venture Capitalists," (June 2023) at 3-4, *available at* https://www.public.asu.edu/~dsosyura/ResearchPapers/Irreplaceable%20Venture%20Capitalists.pdf.
92 *See* NVCA, *supra* note 2, at 20. Data from Excel "Deal Activity" tab. *See also* Michael Casey, "A difficult pivot looms for venture capital," *Financial Times*, (Mar. 23, 2023) *available at* https://www.ft.com/content/f8f6144a-1901-4391-9abf-072224d132c7.
93 *See* NVCA, *supra* note 2, at 14, 16. Data from Excel "Early Stage Activity", "Late Stage Activity", and "Venture Growth Activity" tabs. Later-stage includes Series C and up – using *PitchBook* data and is a combination of both Late Stage and Venture Growth Activity. Venture Growth includes Series E+ or deals involving companies that are at least seven years old and have raised at least six VC rounds. *See* Kyle Stanford, "Q4 2022 *PitchBook* Analyst Note: Introducing Venture Growth," *PitchBook*, (Nov. 30, 2022) at 7, *available at* https://pitchbook.com/news/reports/q4-2022-*PitchBook*-analyst-note-introducing-venture-growth. Early-stage includes Series A and B.
94 *See* Kyle Stanford, *et al.*, *supra* note 41, at 12, 15. Data from Excel "Median Deal Size" tab.
95 *Id.* Data from Excel "Deal Activity" tab. This graph does not include Angel and Seed Deals and Venture Growth deals. Venture Growth includes Series E+ or deals involving companies that are at least seven years old and have raised at least six VC rounds. *See* Kyle Stanford, *supra* note 93, at 7.
96 *See* Kevin Dowd and Peter Walker, "State of Private Markets: Q2 2023," *Carta,* (July 28, 2023) *available at* https://carta.com/blog/state-of-private-markets-q2-2023/.
97 *Id.*
98 *See* Kyle Stanford, *et al.*, *supra* note 41, at 42. Excel data from "Fundraising Activity" tab.
99 *Id.* Data from Excel "Fundraising x size" tab. *See* Cameron Stanfill, *et al.*, "Venture Monitor Q2 2022, *PitchBook*, (July 13, 2022) *available at* https://pitchbook.com/news/reports/q2-2022-*PitchBook*-nvca-venture-monitor. Data from Excel "Fundraising x Size" tab.
100 *See* Kyle Stanford, *et al.*, *supra* note 41, at 42. Data from Excel "Fundraising Activity" tab.
101 *Id.* Data from Excel "Fundraising x Size" tab. *See* NVCA, *supra* note 2, at 14.
102 *See* Steve Taplin, "What Is Dry Powder, And Will It Affect Technology in 2023?," *Forbes*, (Mar. 17, 2023) *available at* https://www.*Forbes*.com/sites/*Forbes*techcouncil/2023/03/17/what-is-dry-powder-and-how-will-it-affect-technology-in-2023/?sh=27d6f9d11af7; *see also* Berber Jin, "Venture Fundraising Hits Nine-Year Low," *The Wall Street Journal*, (Feb. 20, 2023) *available at* https://www.wsj.com/articles/venture-fundraising-hits-nine-year-low-c2b4774; NVCA, *supra* note 2, at 14.
103 *See* Kyle Stanford, *et al.*, *supra* note 41, at 42.
104 *See* NVCA, *supra* note 2, at 15. *See* Kyle Stanford, *et al.*, *supra* note 41. Data from Excel "Emerging vs Experienced funds" tab. Emerging funds are defined as firms that have launched fewer than four funds. Experienced funds are defined as firms that have opened four or more funds.
105 *See* Max Navas and Susan Hu, "Challenges for Emerging Managers," *PitchBook*, (June 23, 2023) at 3, *available at* https://pitchbook.com/news/reports/q2-2023-*PitchBook*-analyst-note-challenges-for-emerging-managers.
106 *See* "Emerging Fund Manager Report – Q1 2023," Signature Block, (May 24, 2023) *available at* https://www.signatureblock.co/articles/emerging-fund-manager-report-q1-2023.
107 *See* SS&C Intralinks, "2023 LP Survey. Insights on alternative investments," (2023) at 13-14, *available at* https://www.intralinks.com/insights/e-book/2023-lp-survey.
108 *Id.*
109 *See* Max Navas and Susan Hu, *supra* note 105. Data from Excel "Fundraising Activity – CSA."
110 *Id.* at 1.
111 *Id.* at 2.
112 *See* NVCA, *supra* note 2, at 16.
113 *Id.*
114 *See* Kyle Stanford, *et al.*, *supra* note 41. Data from Excel "Deal Activity" and "NTI" tabs; Kyle Stanford *et al.*, "US VC Valuations Report," *PitchBook*, (Aug. 9, 2023) at 4, *available at* https://pitchbook.com/news/reports/q2-2023-us-vc-valuations-report.
115 *See* Max Navas and Alyssa Williams, *supra* note 87, at 9.
116 *Id. See* Kyle Stanford, *et al.*, *supra* note 41. Data from Excel "Exits x Type" tab.
117 *See* Kyle Stanford, *et al.*, *supra* note 41. Data from Excel "Exits x previous round" tab.
118 *Id.* Data from Excel "Exits x Type" tab.

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119 This graphic is based on DERA data, including pooled funds.

120 This graphic is based on DERA data, excluding IPOs filed by pooled funds. This graphic includes the top industries by IPO proceeds. Additional offerings by non-pooled fund issuers accounted for approximately $13.8 billion and $1.5 billion in the twelve months ended June 30, 2022 and June 30, 2023, respectively. Pooled investment funds, including SPACs, accounted for approximately $63.1 billion and $3.2 billion in the twelve months ended June 30, 2022 and June 30, 2023, respectively.

121 This graphic is based on DERA data, including pooled funds. This data was collected from Thomson Financial's SDC Platinum database. IPOs by small companies include IPOs by U.S. companies that after the non-SPAC offering have a size less than or equal to $250 million, calculated by multiplying the price of the company's stock at the close of the day of the offering by the number of outstanding shares on the day of the offering. IPOs by large companies include IPOs by companies that after the non-SPAC offering have a size greater than $250 million, calculated as described above. Data from the Center for Research in Securities Prices (CRSP), Dealogic, and Compustat were used to fill in missing information from SDC Platinum. Those companies missing a stock price on the offering day or number of outstanding shares are not included in the statistics. The estimates provided in this graph for small public companies are based on the estimated market capitalization for the issuer on the date of the offering as provided in the above-listed databases. There have been significant downward revisions in the most recent estimates as the market capitalization of issuers are corrected in the databases.

122 *See* Jay R. Ritter, "Initial Public Offerings: Updated Statistics," at Table 4 (Oct. 23, 2023) *available at* https://site.warrington.ufl.edu/ritter/files/IPO-Statistics.pdf.

123 *See* Jay. R. Ritter, "Initial Public Offerings: VC-backed IPO Statistics Through 2022," at Table 4 (Oct. 20, 2023) *available at* https://site.warrington.ufl.edu/ritter/files/IPOs-VC-backed.pdf.

124 *Id. See also* Brijesh Jeevarathnam *et al.*, "Powerful Long-Term Trends Boost Venture Capital Outlook," *Adams Street*, (May 2, 2023) *available at* https://www.adamsstreetpartners.com/insights/long-term-trends-boost-venture-capital-outlook/.

125 *See* Jay R. Ritter, *supra* note 122, at Table 4. The percentage of VC-backed IPOs has increased over time since 1980.

126 *See* Alex Tuft and Emmanuel Yimfor, "Underwriter Closures: Implications for Venture Capital Firm Returns," (June 15, 2023) at 1, *available at* https://papers.ssrn.com/sol3/papers.cfm?abstract_id=4414276.

127 *See* Roberto Ragozzino and Dane P. Blevins, "An Investigation of the Attention Effects of Venture Capitalist Backing on Entrepreneurial Firms," *Long Range Planning Vol. 54(3)*, (Rev. Mar. 7, 2023) at 5, *available at* https://papers.ssrn.com/sol3/papers.cfm?abstract_id=4357858.

128 *See* Alex Tuft and Emmanuel Yimfor, *supra* note 126, at 14.

129 *Id.* at 13, 59.

130 *Id.* at 3, 19.

131 Data on U.S. listed domestic firms comes from the Center for Research in Security Prices (CRSP) database. The analysis includes U.S. common stocks (share codes 10 and 11) listed on NYSE, NYSE MKT, and Nasdaq. The analysis excludes investment funds and trusts (Standard Industrial Classification (SIC) codes 6722, 6726, 6798, and 6799). A company with several classes of shares is counted once. Data for 2023 represents the number of listed firms and market capitalization as of June 30, 2023.

132 *See* Mark J. Roe and Charles C.Y. Wang, "Are Public Firms Disappearing? Corporate Law and Market Power Analyses," (Feb. 27, 2023) at 22, *available at* https://papers.ssrn.com/sol3/papers.cfm?abstract_id=4372070. Study measures through 2021.

133 *See* Michael Ewens, *et al.*, "Regulatory Costs of Being Public: Evidence from Bunching Estimation," (Oct. 7, 2023) at 34, *available at* https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3740722. In each of the non-regulatory factors, additional cites were provided: decline in business dynamism (Decker *et al.*, 2016), shifting investment to intangibles (Kahle and Stulz, 2017; Doidge, Kahle, Karolyi, and Stulz, 2018), abundant private equity financing (Ewens and Farre-Mensa, 2020), changing economies of scale and scope (Gao, Ritter, and Zhu, 2013), and changing acquisition behavior (Gao, Ritter, and Zhu, 2013; Eckbo and Lithell, 2021).

134 Data on U.S. listed domestic firms comes from the Center for Research in Security Prices (CRSP) database. The analysis includes U.S. common stocks (share codes 10 and 11) listed on NYSE, NYSE MKT, and Nasdaq. The analysis excludes investment funds and trusts (Standard Industrial Classification (SIC) codes 6722, 6726, 6798, and 6799). Data for 1983 represents the market capitalization as of December 30, 1983.

135 *See* Mark J. Roe and Charles C.Y. Wang, *supra* note 132, at 11. Study measures through 2021.

136 *Id.* at 13. Study measures through 2021. In 1996, public companies' profits were 4.5% of GDP that year.

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137 Data on U.S. listed domestic firms comes from the Center for Research in Security Prices (CRSP) database. The analysis includes U.S. common stocks (share codes 10 and 11) listed on NYSE, NYSE MKT, and Nasdaq. The analysis excludes investment funds and trusts (Standard Industrial Classification (SIC) codes 6722, 6726, 6798, and 6799). A company with several classes of shares is counted once. Data for 2023 represents the number of listed firms and market capitalization as of June 30, 2023.

138 The map included depicts the amounts reported or estimated as raised by issuers, including pooled investment funds, that report a primary location in the U.S., including U.S. territories, from July 1, 2022 through June 30, 2023. *See supra* note 57 for a description of how these amounts were reported or estimated.

139 This data is based on DERA data. Small public companies include U.S. public companies with a market capitalization of less than or equal to $250 million. Registered company data was collected from Intelligize database for public companies that report a primary location in the U.S., including U.S. territories. Records are from 10-K, 10-Q, 20-F, 40-F, and their amendments that were filed between July 1, 2022 through June 30, 2023. Market capitalization information is as of June 29, 2023. When applicable, missing market capitalization data was filled in with Bloomberg first, CRSP, and then Capital IQ when available based on ticker-CUSIP information from WRDS. All the records with missing exchange information from Intelligize were treated as delisted from any market and hence were excluded from the estimates. Asset-backed issuers were also excluded. Public company issuers in industries outside of these top industries accounted for an additional 975 issuers, including 417 small public companies and 558 large public companies, in the twelve months ended June 30, 2023. Offerings by pooled funds, including SPACs, accounted for an additional 402 issuers, including 265 small public companies and 137 large public companies, in the twelve months ended June 30, 2023.

140 *See* https://www.sec.gov/education/capitalraising/building-blocks/what-does-it-mean-be-a-public-company for more information.

141 *See* Jason Paltrowitz, "Lawful But Awful: The Small Cap IPO Cycle," *OTC Markets*, (Sept. 21, 2023) *available at* https://blog.otcmarkets.com/2023/09/21/lawful-but-awful-the-small-cap-ipo-cycle/.

142 *See* Akhilesh Ganti, "Reverse Stock Split: What It Is, How It Works, and Examples," *Investopedia*, (Updated Oct. 13, 2023) *available at* https://www.*Investopedia*.com/terms/r/reversesplit.asp.

143 *See* Xia (Summer) Liu, *et al.*, "Who Loses Most When Big Banks Suddenly Fail? Evidence From Silicon Valley Bank Collapse," (Sept. 23, 2023) at 2, 4, 6, 8, *available at* https://papers.ssrn.com/sol3/papers.cfm?abstract_id=4443827. The sample in this study is composed of 137 SVB depositors with an average market cap of $365M and 251 SVB borrowers with an average market cap of $346M. *See also* Lewis Krauskopf, "Wall St Week Ahead Amid banking woes, faltering US small-caps offer ominous economic sign," *Reuters*, (May 14, 2023) *available at* https://www.*Reuters*.com/markets/us/wall-st-week-ahead-amid-banking-woes-faltering-us-small-caps-offer-ominous-2023-05-12/. https://www.fastcompany.com/90864553/silicon-valley-bank-public-companies.

144 This graphic is based on DERA data. Registered offering data includes IPOs and registered secondary equity offerings and was collected from Thomson Financial's SDC Platinum database. Registered debt offerings have been excluded. Small public companies include U.S. public companies with a size less than or equal to $250 million on the date of the offering, calculated by multiplying price of the company's stock at the close of the day of the offering by the number of outstanding shares on the day of the offering. Data from CRSP, Dealogic, and Compustat were used to fill in missing information from SDC Platinum. Those companies missing a stock price on the offering day or number of outstanding shares are not included in the statistics. The estimates provided in this graph for small public companies are based on the estimated market capitalization for the issuer on the date of the offering as provided in the above-listed databases. There have been significant downward revisions in the most recent estimates as the market capitalization of issuers were corrected in the databases.

145 *See* Noemi Distefano, "Targeting new investors top priority at small caps," *IR Magazine*, (Aug. 25, 2023) *available at* https://www.irmagazine.com/small-cap/targeting-new-investors-top-priority-small-caps.

146 *See supra* note 144 for a description of the methodology used to estimate registered equity offerings by small public companies. This graphic includes the top industries based on the total proceeds raised in registered equity offerings by small public companies during one of the respective periods, excluding offerings filed by pooled funds. Offerings for industries outside of these top industries accounted for approximately $514 million and $274 million in the twelve months ended June 30, 2022 and June 30, 2023, respectively. Offerings by pooled funds, including SPACs, accounted for approximately $18 billion and $1.6 billion in the twelve months ended June 30, 2022 and June 30, 2023, respectively.

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147 *See* “Considering an IPO? First, understand the costs,” *PwC*, (accessed Nov. 16, 2023) *available at* https://www.pwc.com/us/en/services/consulting/deals/library/cost-of-an-ipo.html.
148 *See* Michael Ewens, *et al.*, *supra* note 133, at 5.
149 *Id.* at 5, 25.
150 *See* Noemi Distefano, *supra* note 145.
151 *Id.*
152 *Id.*
153 *See* U.S. Small Business Administration Office of Advocacy, “Frequently Asked Questions About Small Business 2023,” *supra* note 4 at 4, Table 1. Ownership includes demographic categories “Women” and “Equally women/men.” Women and Equally women/men owned 42.1% and 2.5% of total non-employer firms, respectively.
154 *Id.* Ownership includes demographic categories “Women” and “Equally women/men.” Women and Equally women/men owned 21.7% and 15.2% of total employer firms, respectively.
155 *See* Kyle Stanford, *et al.*, *supra* note 41. Data from Excel “Female Founder Activity” and “Deal Activity” tabs and includes women only and mixed teams.
156 *See* U.S. Small Business Administration Office of Advocacy, “Frequently Asked Questions About Small Business 2023,” *supra* note 4, at 3. Data is presented for the 2017-2019 two-year survival rate for young employer establishments (reflecting 2-3-year-old firms surviving to at least 4-5 years old).
157 *See* United States Census Bureau, “Annual Business Survey: Business Characteristics of Respondent Employer Firms by Sector, Sex, Ethnicity, Race, and Veteran Status for the U.S., States, and Metro Areas: 2020) (accessed Dec. 9, 2023) *available at* https://data.census.gov/table?q=ab2000*&tid=ABSCB2020.AB2000CSCB01&hidePreview=true&nkd=QDESC~B01. Data collected on July 31, 2023. Note: Business ownership is defined as having 51 percent or more of the stock or equity in the business. Data are provided for firms owned equally (50% /50%) by men and women, by Hispanics and non-Hispanics, by minorities and non-minorities, and by veterans and nonveterans. Firms not classifiable by sex, ethnicity, race, or veteran status are counted and tabulated separately. The individual amounts may not sum to the total or subtotal because a Hispanic firm may be of any race, because a firm could be tabulated in more than one racial group, or because the nonemployer firms data are rounded.
158 *See* January Ventures, “2022 Early Stage Founder Sentiment Report,” (2023) at 6, *available at* https://www.january.ventures/_files/ugd/8d7061_91af48de61594b99b1006d37aff09900.pdf.
159 *See* Babson College, *supra* note 7, at 49.
160 *See* Nasdaq Entrepreneurial Center, ”Pay Ownership Valuation Inequalities,” (Apr. 12, 2013) *available at* https://thecenter.nasdaq.org/pov/.
161 *See* January Ventures, *supra* note 158, at 7.
162 *Id.* at 6.
163 *See* McKinsey & Company, “Women in the Workplace 2022,” (Oct. 18, 2022) at 18, *available at* https://wiw-report.s3.amazonaws.com/Women_in_the_Workplace_2022.pdf; *see also* Arti Raman, “Look Past Today’s Metrics To Celebrate The Growth of Female Founders,” *Forbes*, (Dec. 13, 2022) *available at* https://www.*Forbes*.com/sites/*Forbes*techcouncil/2022/12/13/look-past-todays-metrics-to-celebrate-the-growth-of-female-founders/?sh=661e57e473f3; Kelly Hyman, “Why Women Are More Likely to Experience Burnout (and 6 Ways to Prevent It from Happening,” Entrepreneur, (Nov. 2, 2022) *available at* https://www.entrepreneur.com/leadership/why-women-are-more-likely-to-experience-burnout-and-how-to/437561#; Claire Cain Miller, “Why Unpaid Labor Is More Likely to Hurt Women’s Mental Health Than Men’s,” *The New York Times*, (Sept. 30, 2022) *available at* https://www.nytimes.com/2022/09/30/upshot/women-mental-health-labor.html.
164 *See* January Ventures, *supra* note 158, at 7.
165 *See* National Women’s Business Council, “2022 Annual Report,” (Dec. 20, 2022) at 8, *available at* https://www.nwbc.gov/wp-content/uploads/2022/12/NWBC-2022-Annual-Report.pdf.
166 *See* Nasdaq Entrepreneurial Center, “Lived Experience Action Research For Women Entrepreneurs. Fair Pay, Ownership & Valuation Research. Year Two Findings,” (Apr. 12, 2023) at 8, 14, 28, *available at* https://thecenter.nasdaq.org/lived-experiences/.
167 *See* Jeffrey Sohl, *supra* note 27.
168 *Id.* at 1.
169 *Id.*
170 *See* Kyle Stanford, *et al.*, *supra* note 41. Data from Excel “Female Founder Activity” and “Deal Activity” tabs. Founder groups are mutually exclusive. Deals with men and women cofounders are calculated by subtracting “US VC deal activity for companies with all-female founding team” from “US VC deal activity in companies with at least one female founder.” Deals with men-only founders are calculated by subtracting “US VC deal activity in companies with at least one female founder” from “US VC deal activity.”
171 *Id.* Data from Excel “Female Founder Activity” and “Deal Activity” tabs.
172 The percentage of Latina and Black women founders is based on 2022 data through September 30, 2022. *See* Digital Undivided, “Project Diane 2022. Latina and Black Women Entrepreneurs in the Tech and Innovation Ecosystem,” (Mar. 2023) at 16, *available at* https://static1.squarespace.com/static/5e2613fbf9e62c2c012e80e3/t/6408c157e8bbef6084a8fa4d/1678295436903/ProjectDiane2022-08.03.pdf.

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173 *See* Kyle Stanford, *et al.*, *supra* note 41. Data from Excel "Female Founder Activity," "Deal Activity," "Angel & Seed Activity," "Early Stage Activity," "Late Stage Activity," and "Venture Growth Activity" tabs. Founder groups are mutually exclusive. Deals with men and women cofounders are calculated by subtracting "US VC deal activity for companies with all-female founding team" from "US VC deal activity in companies with at least one female founder." Deals with men-only founders are calculated by subtracting "US VC deal activity in companies with at least one female founder" from "US VC deal activity." Venture Growth includes Series E+ or deals involving companies that are at least seven years old and have raised at least six VC rounds. *See* Kyle Stanford, *supra* note 93, at 7.
174 *See* Dropbox DocSend, "The Funding Divide 2023. Amid macro headwinds and increased investor diligence, familiar discrepancies re-emerge,"(2023) at 2, *available at* https://experience.dropbox.com/form/docsend/funding-divide-report.
175 *Id.* at 3.
176 *Id.*
177 *Id.* at 2, 4.
178 *Id.* at 8, 9.
179 *See* PitchBook, "All In. Female Founders in the US VC Ecosystem," (Nov. 2, 2022) *available at* https://pitchbook.com/news/reports/2022-all-in-female-founders-in-the-us-vc-ecosystem. Data from Excel "VC exit activity" tab.
180 *See* Female Founders Fund, "2022 Review of Funding for Female Founders. Female founders prove resilience in a tough market," *Medium*, (Apr. 3, 2023) *available at* https://blog.femalefoundersfund.com/2022-review-of-funding-for-female-founders-e928f8072655. *See also* Mature and Later Stage Businesses section of the Report above.
181 *See* Community Member, "Venture Capital's Double Standard: Being a Woman Founder With No Technical Experience," *Women on Business*, (May 5, 2023) *available at* https://www.womenonbusiness.com/venture-capitals-double-standard-being-a-woman-founder-with-no-technical-experience/.
182 *See* Arti Raman, "Look Past Today's Metrics To Celebrate The Growth of Female Founders," *Forbes*, (Dec. 13, 2022) *available at* https://www.*Forbes*.com/sites/*Forbes*techcouncil/2022/12/13/look-past-todays-metrics-to-celebrate-the-growth-of-female-founders/?sh=661e57e473f3.
183 *See* McKinsey & Company, "Women in the Workplace 2022," (Oct. 18, 2022) at 8, *available at* https://wiw-report.s3.amazonaws.com/Women_in_the_Workplace_2022.pdf; *See* also Shortlister, "Women in Leadership Statistics in 2023: Where We Are & Where We Need to Go," *available at* https://www.myshortlister.com/insights/women-in-leadership-statisticshttps://www.myshortlister.com/insights/women-in-leadership-statistics; *See also* Carta, "2022 Annual Equity Report. Demographic analysis of ownership in the private markets," (2022) at 27, *available at* https://carta.com/equity-report/2022/.
184 *See* Carta, *supra* note 183, at 37. Asian American includes East Asian (2% women and 9% men) and South Asian (1% women and 5% men). Other includes Native American, Pacific Islander, Middle Eastern, and multi-race.
185 *See* Ann Shepherd, "Him For Her And Crunchbase 2022 Study of Gender Diversity on Private Company Boards," Crunchbase, (Mar. 29, 2023) *available at* https://news.crunchbase.com/diversity/2022-gender-study-private-boards/; Ann Shepherd, "2021 Study of Gender Diversity on Private Company Boards," (Mar. 29, 2022) *available at* https://news.crunchbase.com/business/him-for-her-2021-diversity-study-private-company-boards/; Ann Shepherd and Gené Teare, "2020 Study of Gender Diversity On Private Company Boards," (Mar. 1, 2021) *available at* https://news.crunchbase.com/diversity/2020-diversity-study-on-private-company-boards/.
186 *See* Ann Shepherd, *supra* note 185.
187 *See* Women CEOs in America 2022, "Changing the Face of Business Leadership," at 33, *available at* https://www.wbcollaborative.org/wp-content/uploads/2022/09/Women-CEOS-in-America_2022-0920221847.pdf.
188 *See* Ann Shepherd, *supra* note 185.
189 *Id. See* Women CEOs in America 2022, "Changing the Face of Business Leadership, *supra* note 187.
190 *See* Ann Shepherd, *supra* note 185.
191 *See* Paul Hodgson and Ramy Ibrahim, "Women Taking More Board Seats, But Progress Mixed," *ISS Corporate Solutions*, (Apr. 18, 2023) at 6, 7, 8, Chart 10, *available at* https://www.iss-corporate.com/library/women-taking-more-board-seats-but-progress-mixed/. CEO totals calculated by the sum of industry CEOs; *see also* Women CEOs in America 2022, "Changing the Face of Business Leadership," *supra* note 187, at 3.

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192 *See* 50/50 Women on Boards, "2023 Gender Diversity Index Report. Annual Progress Report of Women Corporate Directors by Race & Ethnicity, Company Size, State, and Sector in the U.S.," (Sept. 18, 2023) at 11-12, *available at* https://5050wob.com/wp-content/uploads/2023/09/2023-GDI-Annual-Report.pdf.

193 *See* Jackie Cook, "Women Make Progress on Corporate Boards, but C-Suite Gains Are Scant," *Morningstar*, (Mar. 3, 2023) *available at* https://www.morningstar.com/sustainable-investing/women-make-progress-corporate-boards-c-suite-gains-are-scant (citing Corinne Post, *et al.*, "Research: Adding Women to the C-Suite Changes How Companies Think," (Apr. 6, 2021) *available at* https://hbr.org/2021/04/research-adding-women-to-the-c-suite-changes-how-companies-think.

194 *See* 50/50 Women on Boards, *supra* note 192, at 3, 4, 6.

195 *See* Jeffrey Sohl, *supra* note 27, at 1.

196 *See* National Women's Business Council, *supra* note 165, at 10.

197 *See* Deloitte, Venture Forward and NVCA, "VC Human Capital Survey, Fourth edition," (Apr. 2023) at 14, *available at* https://www2.deloitte.com/us/en/pages/audit/articles/diversity-venture-capital-human-capital-survey.html. Investment partners is defined as employees with the titles of managing general partner, managing partner, general partner, founding partner, or managing director or were partners who were designated as senior-level employees; and as investment professionals with senior decision-making responsibilities. *See also* First Republic, "The State of Gender Compensation in Venture 2022," (Nov. 28, 2022) at 10, *available at* https://www.firstrepublic.com/-/media/frb/documents/pdfs/innovators/women-in-venture-compensation-survey-report.pdf (tracking female or non-binary).

198 *See* Venture Capital Journal, "The shape of things to come. Meet the women influencing the future of venture capital," (July/Aug. 2023) at 26-27, *available at* https://www.venturecapitaljournal.com/download-the-july-august-2023-issue-of-venture-capital-journal/.

199 *See* Deloitte, Venture Forward and NVCA, *supra* note 197, at 14.

200 *See* Fairview Capital, "2022 Market Review. Women and Minority-Owned Private Equity and Venture Capital Firms, (Mar. 14, 2023) at 14, *available at* https://fairview.cdn.prismic.io/fairview/86d13451-04d8-4b01-a13d-0e102d637dcb_Fairview+-+2022+Market+Review+of+Woman+and+Minority-Owned+Firms.pdf.

201 *See* Deloitte, Venture Forward and NVCA, *supra* note 197, at 13.

202 *See* National Women's Business Council, *supra* note 165, at 11; *see also* Sara Silano, "Women Founders Get 2% of Venture Capital Funding in U.S.," *Morningstar*, (Mar. 6, 2023) *available at* https://www.morningstar.com/alternative-investments/women-founders-get-2-venture-capital-funding-us; Isabelle Solal and Kaisa Snellman, "For Female Founders, Fundraising Only from Female VCs Comes at a Cost," Harvard Business Review, (Feb. 1, 2023) *available at* https://hbr.org/2023/02/for-female-founders-only-fundraising-from-female-vcs-comes-at-a-cost.

203 *See* Fairview Capital, "Perspectives on Diverse and Emerging Manager Investing In Venture Capital and Private Equity," (Sept. 19, 2023) at 21, *available at* https://www.sec.gov/files/quaye-fairview-capital-presentation.pdf; Fairview Capital, *supra* note 200, at 15.

204 *See* Fairview Capital, *supra* note 203, at 21.

205 In prior years' reports, this section has referred to "Minority-Owned Businesses." The word "minority" tracks the language of the SEC Small Business Advocacy Act of 2016, which states that a function of the office shall be to "identify problems that small businesses have with securing access to capital, including any unique challenges to minority-owned small businesses, women-owned small businesses, and small businesses affected by hurricanes or other natural disasters." This year, based on feedback we have received, rather than use the word "minority," we instead use "diverse" or, where applicable, refer to persons "of color." Many have indicated that "the use of "minority" may be viewed pejoratively because it is usually equated with being less than, oppressed, or deficient in comparison with the majority." *See, e.g.*, American Psychological Association "Bias-Free Language" *available at* https://apastyle.apa.org/style-grammar-guidelines/bias-free-language/racial-ethnic-minorities.

206 *See* Deloitte, Venture Forward and NVCA, *supra* note 197, at 14.

207 *See* Federal Reserve Banks, "2023 Report on Startup Firms Owned by People of Color. Findings from the 2022 Small Business Credit Survey," (June 2023) at 2, *available at* https://www.fedsmallbusiness.org/survey/2023/firms-owned-by-people-of-color.

208 *See* Federal Reserve Banks, *supra* note 207, at 2; United States Census Bureau, "Current Population Survey," (accessed Dec. 10, 2023) *available at* https://www.census.gov/programs-surveys/cps.html (Data from January 2020 - June 2023).

209 *See* U.S. Senate Committee on Small Business & Entrepreneurship, "Minority Entrepreneurs," (accessed Nov. 27, 2023) *available at* https://www.sbc.senate.gov/public/index.cfm/minorityentrepreneurs.

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210 *See* Guidant Financial, "2023 Small Business Entrepreneurs of Color. A Look at the State of Entrepreneurs of Color in 2023," (accessed Nov. 27, 2023) *available at* https://www.guidantfinancial.com/small-business-trends/people-of-color-business-trends/.

211 *See* Babson College, *supra* note 7, at 64.

212 *Id.* at 13.

213 *Id.* at 64.

214 *See* Carta, "Annual equity report 2022," *supra* note 183, at 39. Asian American includes both East Asian and South Asian populations. Other includes Native American, Pacific Islander, Middle Eastern, and multiracial.

215 *See* Robert W. Fairlie, "The Impacts of COVID-19 on Racial Inequality in Business Earnings," *National Bureau of Economic Research*, (Oct. 2022) at 2, *available at* https://www.nber.org/papers/w30532.

216 *Id.* at 11.

217 *See* Brendan Cosgrove, *et al.*, *supra* note 1, at 14.

218 *See* Board of Governors of the Federal Reserve System, "DFA: Distributional Financial Accounts," (updated Sept. 22, 2023) *available at* https://www.federalreserve.gov/releases/z1/dataviz/dfa/distribute/table/#quarter:135;series:Net%20worth;demographic:race;population:all;units:levels. From data file "Wealth by race"; *see also* Gloria Guzman and Melissa Kollar, "Income in the United States: 2022. Current Population Reports," (Sept. 2023) at 4, Figure 2, *available at* https://www.census.gov/content/dam/Census/library/publications/2023/demo/p60-279.pdf.

219 *See, e.g.*, "Small and Emerging Businesses" section of this Report above, at 6-7.

220 *See* Board of Governors of the Federal Reserve System, *supra* note 218. Other includes multiracial, Asian American/Pacific Islander, and Native American/ Alaska Native. *See also* Anshu Siripurapu, "The U.S. Inequality Debate," *Council on Foreign Relations*, (Apr. 20, 2022) *available at* https://www.cfr.org/backgrounder/us-inequality-debate.

221 *See* Ana Hernandez Kent and Lowell R. Ricketts, "The State of U.S. Wealth Inequality," *Federal Reserve Bank of St. Louis,* (Oct. 18, 2023) *available at* https://www.stlouisfed.org/institute-for-economic-equity/the-state-of-us-wealth-inequality.

222 *See* Gloria Guzman and Melissa Kollar, *supra* note 218, at 16-29. Each racial category is of that race individually and does not include people of that race that identify as Hispanic/Latino. Those that identify as Hispanic/Latino can also identity as any race.

223 *Id.* at 19, 21, 23, 25, 27. Each racial category is of that race individually and does not include people of that race that identify as Hispanic/Latino. Those that identify as Hispanic/Latino can also identity as any race.

224 *See* Federal Deposit Insurance Corporation (FDIC), "2021 FDIC National Survey of Unbanked and Underbanked Households," (Oct. 2022) at 14-15, *available at* https://www.fdic.gov/analysis/household-survey/2021report.pdf.

225 *See* Federal Reserve Banks, "2023 Report on Employer Firms: Findings from the 2022 Small Business Credit Survey," *supra* note 9. Data from Excel "Race, ethnicity of owner(s)" tab, question "Best outcome across loan/LOC/merchant cash advance application(s). Race/ethnicity strata are non-Hispanic white, non-Hispanic Black or African American, non-Hispanic Asian, non-Hispanic Native American, and Hispanic. Gender strata are men-owned, equally owned, and women-owned.

226 *See* Brendan Cosgrove, *et al.*, *supra* note 1, at 9, 15-16.

227 *Id.* at 45.

228 *Id.* at 48.

229 *See* Jeffrey Sohl, *supra* note 27, at 2; Jeffrey Sohl, *supra* note 33, at 3.

230 *See* Jeffrey Sohl, *supra* note 27, at 1; Jeffrey Sohl, *supra* note 33, at 3.

231 *See* Morgan Stanley, "Investing in Diverse Startups: A Reassessment," (Dec. 27, 2022) *available at* https://www.morganstanley.com/ideas/vc-funding-diverse-startups-2022-survey.

232 *See* Dropbox Docsend, *supra* note 174, at 11.

233 *See* Deloitte, Venture Forward and NVCA, *supra* note 197, at 8.

234 *See* Dropbox Docsend, *supra* note 174, at 2.

235 *See* Lisa D. Cook, *et al.*,"Funding Black High-Growth Startups," *National Bureau of Economic Research*, (Nov. 2022) at 5, *available at* https://www.nber.org/system/files/working_papers/w30682/w30682.pdf.

236 *See* Amber Quiñones & Drew Silverman, "The State of Seed Stage Funding to Underrepresented Founders," *Medium*, (Aug. 22, 2023) *available at* https://*Medium*.com/bbg-ventures/seed-funding-to-underrepresented-founders-11d8ae144a48#. Diversity Investments are defined as investments that have been made into companies in Crunchbase's Diversity Spotlight category. Diversity Spotlight reflects the types of diversity represented in an organization's leadership team. Crunchbase has partnered with other entities to collect diversity data and has encouraged companies and investors to self-identify diversity data. *See* more information at https://about.crunchbase.com/blog/new-crunchbase-diversity-spotlight/.

237 *See* Harlem Capital, "1Q23 U.S. Diverse Fundraising Insights," (Apr. 2023) at slide 3, *available at* https://harlem.capital/wp-content/uploads/2023/04/1Q23-Diverse-Fundraising-Insights_v2.pdf.

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238 *See* Chris Metinko, "Special Series: VC Dollars To Black Startup Founders Fell More Than 50% In 2022," Crunchbase News, (Feb. 22, 2023) *available at* https://news.crunchbase.com/diversity/venture-funding-black-startups-2022/; Gené Teare, "Funding To Latine-Founded US Companies Falls Sharply In 2022," Crunchbase News, (Oct. 26, 2022) *available at* https://news.crunchbase.com/diversity/us-based-latine-founded-companies-funding-falls/.
239 *See* Gené Teare, *supra* note 238. 2022 data is through September 30, 2022.
240 *See* Chris Metinko, *supra* note 238.
241 *See* Lian Chang, "Employees, founders, and investors by race and ethnicity," *Carta*, (Feb. 9, 2023) *available at* https://carta.com/blog/employees-founders-investors-race-ethnicity/.
242 *See* Paul Hodgson, *et al.*, "ISS Discusses Russell 3000 Boards Becoming More Diverse," *The CLS Blue Sky Blog*, (Mar. 1, 2023) *available at* https://clsbluesky.law.columbia.edu/2023/03/01/iss-discusses-russell-3000-boards-becoming-more-diverse/.
243 *Id.*
244 *See* Jeffrey Sohl, *supra* note 27, at 1. *See* Jeffrey Sohl, *supra* note 33, at 3.
245 *See* Deloitte, Venture Forward and NVCA, *supra* note 197, at 11, 19, 20, 21, 25. Values may not sum to 100% due to rounding and overlapping racial and ethnic identifications.
246 *See* Lian Chang, *supra* note 241. The category "Asian American" is a combination of "East Asian" and "South Asian." Native Hawaiians and Pacific Islanders are included in "Other," alongside people of Indigenous American, Middle Eastern, and mixed backgrounds.
247 *See* Deloitte, Venture Forward and NVCA, *supra* note 197 at 19-20, 25, 31.
248 *See* BLCK VC, "State of Black Venture Report. A comprehensive study of the Black venture ecosystem," (2023) at 16, *available at* https://www.blckvc.org/sbvr2023.
249 *See* Deloitte, Venture Forward and NVCA, *supra* note 197, at 9; BLCK VC, *supra* note 248, at 10-11.
250 *See* Amber Quiñones & Drew Silverman, *supra* note 236.
251 *See* Deloitte, Venture Forward and NVCA, *supra* note 197, at 9.
252 *Id.* at 30.
253 *Id.*
254 *See* Morgan Stanley, *supra* note 231.
255 *Id.*
256 *See* Hello Alice, "The LGBTQ+ Economy. A Closer Look at the Trends and Triumphs of New Majority Small Business Owners in 2022," (June 2022) at 12, *available at* https://helloalice.com/wp-content/uploads/2022/06/LGBTQ-Economy-Report_Update.pdf.
257 *Id.* at 11.
258 *See* Federal Reserve Banks, "2023 Report on Employer Firms: Findings from the 2022 Small Business Credit Survey," *supra* note 9. Data from Excel "LGBTQ+ ownership" tab, question "Actions taken in response to financial challenges."
259 *See* Spencer Watson, *et al.*, "LGBTQ-Owned Small Businesses in 2021. The Financial Health & Needs of LGBTQ Firms in the Small Business Credit Survey," *Center for LGBTQ Economic Advancement & Research and Movement Advancement Project*, (July 20, 2022) at 10, *available at* https://lgbtq-economics.org/wp-content/uploads/2022/08/LGBTQ-Owned-Small-Businesses-in-2021-July-2022.pdf.
260 *See* Spencer Watson, *et al.*, "The LGBTQI+ Economic and Financial (LEAF) Survey. Understanding the Financial Lives of LGBTQI+ People in the United States," (Mar. 6, 2023) at 12, *available at* https://lgbtq-economics.org/wp-content/uploads/2023/03/LEAF-Survey-Report-March-2023.pdf.
261 *See* StartOut, "2023 State of LGBTQ+ Entrepreneurship Report," (Sept. 26, 2023) at 2, *available at* https://startout.org/wp-content/uploads/2023/09/2023-State-of-LGBTQ-Entrepreneurship-Report.pdf.
262 *See* Federal Reserve Banks, "2023 Report on Employer Firms. Findings from the 2022 Small Business Credit Survey," *supra* note 9. Data from Excel "LGBTQ+ ownership" tab, question "Equity investments."
263 *See* StartOut, *supra* note 261, at 2.
264 *Id.*
265 *Id.* Startups raised at least $250K in funding between 2000-2022.
266 *See* Morgan Stanley, "Broadening the Spectrum of Investing: Opportunities and Demand for Investing in LGBTQ+ Equity & Inclusion," (June 2023) at 2, *available at* https://www.morganstanley.com/content/dam/msdotcom/en/assets/pdfs/Morgan_Stanley_Broadening_the_Spectrum_of_Investing_LGBTQ_Investing.pdf.
267 *See* Diego Mariscal, "Entrepreneurship is a pathway for founders with disabilities to address wealth and employment gaps," Kauffman Foundation, (Oct. 26, 2022) *available at* https://www.kauffman.org/currents/2gether-international-entrepreneurs-with-disabilities/.
268 *See* United States Census Bureau, "American Community Survey," (accessed Nov. 30, 2023) at Table S1810: Disability Characteristics, *available at* https://data.census.gov/table?q=S1810.
269 *See* U.S. Bureau of Labor Statistics, "Economic News Release. Persons with a Disability: Labor Force Characteristics Summary," (Feb. 23, 2023) *available at* https://www.bls.gov/news.release/disabl.nr0.htm.

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270 *See* United States Census Bureau data (accessed Dec. 10, 2023) *available at* https://data.census.gov/mdat/#/search?ds=ACSPUMS1Y2022&cv=DIS&rv=COW&wt=PWGTP. Small Businesses include "Self-employed in own not incorporated business, professional practice, or farm" and "Self-employed in own incorporated businesses, professional practice or farm." *See* U.S. Small Business Administration Office of Advocacy, *supra* note 4.
271 *See* John Kitching, "Entrepreneurship and Self-Employment by People with Disabilities," *OECD Project on Inclusive Entrepreneurship*, (Oct. 4, 2023) at 8, *available at* https://www.oecd.org/cfe/leed/background-report-people-disabilities.pdf; National Disability Institute, "Small Business Ownership by People with Disabilities. Challenges and Opportunities," (Apr. 2022) *available at* https://www.nationaldisabilityinstitute.org/wp-content/uploads/2022/07/ndi-small-business-research-report.pdf; Diego Marsical, *supra* note 267.
272 *See* Federal Reserve, "Economic Well-Being of U.S. Households in 2022," (May 2023) at 39, *available at* https://www.federalreserve.gov/publications/files/2022-report-economic-well-being-us-households-202305.pdf.
273 *See* Access2funding!, "Transforming Opportunities & Outcomes for Disabled Entrepreneurs," *available at* https://static1.squarespace.com/static/619e1d7a522f9748f55d6a17/t/638b7007b3b4ae3a0159b28e/1670082578331/Access2Funding.pdf. Note this data is a survey of entrepreneurs who are disabled the United Kingdom.
274 *See* National Disability Institute, "Small Business Ownership by People with Disabilities. Challenges and Opportunities," *supra* note 271, at 17.
275 *Id.* at 23.
276 *Id.* at 19.
277 *See* United States Census Bureau, "2019 Annual Business Survey," *available at* https://data.census.gov/table?q=ab1900*&tid=ABSNESD2019.AB1900NESD01&nkd=YEAR~2019. Collected 6/27/2023. Business ownership is defined as having 51 percent or more of the stock or equity in the business.
278 *Id.* Collected 6/27/2023. Business ownership is defined as having 51 percent or more of the stock or equity in the business. Veteran business owners employ roughly 3,966,417 people.
279 *See* D'Aniello Institute for Veterans & Military Families, "2021 National Survey of Military-Affiliated Entrepreneurs," (Apr. 2022) at 44, 50, *available at* https://ivmf.syracuse.edu/wp-content/uploads/2022/05/2021-National-Survey-of-Military-Affiliated-Entrepreneurs-Research-Report-_FINAL-FINAL-ua.pdf; D'Aniello Institute for Veterans & Military Families, "2022 National Survey of Military-Affiliated Entrepreneurs," (Mar. 2023) *available at* https://surface.syr.edu/cgi/viewcontent.cgi?article=1405&context=ivmf&_gl=1*606i44*_ga*OTEyMzMxMzg3LjE2OTkwNDIwMjQ.*_ga_QT13NN6N9S*MTY5OTA0MjAyNC4xLjEuMTY5OTA0MzM4NS4xOC4wLjA.
280 *See* D'Aniello Institute for Veterans & Military Families, "2021 National Survey of Military-Affiliated Entrepreneurs," *supra* note 279, at 60.
281 *See* Federal Reserve Banks, "2023 Report on Employer Firms. Findings from the 2022 Small Business Credit Survey," *supra* note 9. Data from Excel "Veteran ownership" tab, question "Equity investments."
282 *See* Deloitte, Venture Forward and NVCA, *supra* note 197, at 27.
283 *See* Federal Reserve Banks, "2023 Report on Employer Firms. Findings from the 2022 Small Business Credit Survey," *supra* note 9. Data from Excel "Employer firms" tab, question "Natural disaster related losses"; Federal Reserve Banks, "Small Business Credit Survey. 2022 Report on Employer Firms," *supra* note 9. Data from Excel "Employer firms" tab, question "Natural disaster-related losses".
284 This statistic is based on a Federal Reserve sample of small businesses in New York, New Jersey, and Connecticut. *See* Asani Sarkar, "Small Business Recovery after Natural Disasters in the Fed's Second District," (Nov. 16, 2023) *available at* https://libertystreeteconomics.newyorkfed.org/2023/11/small-business-recovery-after-natural-disasters-in-the-feds-second-district/.
285 *See* Federal Reserve Banks, "2023 Report on Employer Firms. Findings from the 2022 Small Business Credit Survey," *supra* note 9. Data from Excel "Race, ethnicity of owner(s) tab", question "Natural disaster related losses."
286 *See* https://www.ncdc.noaa.gov/billions/; *see also* https://www.ncei.noaa.gov/access/billions/events. Note that NOAA tracks events on a calendar basis, and we have combined natural disaster events that straddle calendar years.
287 During the time period October 1, 2022 through September 30, 2023. *See* https://www.ncei.noaa.gov/access/billions/events.
288 *See* Federal Reserve Banks, "2023 Report on Employer Firms. Findings from the 2022 Small Business Credit Survey," *supra* note 9. Data from Excel "Disaster-impacted firms" tab, question "Actions taken in response to financial challenges" for firms that "Suffered natural disaster-related losses."
289 *Id.* Data from Excel "Disaster-impacted firms" tab, question "Share of financing applicants that sought an equity investment" for firms that "Suffered natural disaster-related losses."
290 *See* Asani Sarkar, *supra* note 284.
291 Data from the 2020 5-year American Community Survey (ACS) was used by DERA to estimate the population in zip codes affected by the natural disasters as described in *infra* note 292. However, certain zip codes were identified as missing population values, so the percentage is likely underestimated.

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292 This graphic is based on DERA data. Evaluated from July 1, 2020 to June 30, 2023 using zip codes affected by natural disasters, excluding COVID-19 Pandemic. Zip codes designated as affected are defined as having one or more residents approved for housing assistance under FEMA's IHP program for natural disasters with classifications of Major Disaster Declaration and incident start dates between July 1, 2020 and June 30, 2023, updated on September 15, 2023. The classification method for disaster areas is based on the methodology in the "2017 Small Business Credit Survey – Report on Disaster-Affected Firms," Federal Reserve Banks of Dallas, New York, Richmond, and San Francisco, *available at* https://www.newyorkfed.org/medialibrary/media/smallbusiness/2017/SBCS-Report-on-Disaster-Affected-Firms.pdf.

293 Based on DERA data between July 1, 2020 through June 30, 2023 using zip codes affected by natural disasters as described in *supra* note 292 for offerings conducted under Regulation D, Regulation A, and Regulation Crowdfunding and registered equity offerings by small public companies. *See* note 57 for a description of the methodology used to estimate these offerings and issuers and capital raised. Small public companies include U.S. public companies with a size less than or equal to $250 million on the date of the offering, calculated by multiplying price of the company's stock at the close of the day of the offering by the number of outstanding shares on the day of the offering. *See supra* note 144 for a description of how these amounts were estimated.

294 *Id.*

295 *See* Federal Reserve Banks, "2023 Report on Employer Firms. Findings from the 2022 Small Business Credit Survey," *supra* note 9. Data from Excel "Geography" tab, question "Number of employees" for "rural" firms."

296 *See* Daniel Wilmoth, PhD, "Small Business Facts. Small Businesses in Rural Areas," *U.S. Small Business Administration Office of Advocacy*, (Aug. 2023) *available at* https://advocacy.sba.gov/wp-content/uploads/2023/08/Fact-Sheet-Small-Business-in-Rural-Areas-508c.pdf.

297 *See* Federal Reserve Banks, "2023 Report on Employer Firms. Findings from the 2022 Small Business Credit Survey," *supra* note 9. The percentage of U.S. Rural Small Businesses is a percentage of the total U.S. rural small businesses broken down by Census division. The U.S. Rural Small Businesses total 100%. The percentage of small businesses in the region is the percentage of small business that are rural as compared to all small businesses within each individual Census division. The Small Businesses in the Region data is from data appendix Excel "Census Division" tab column "Geography." The aggregate percentages of the Small Businesses in the Region will not total 100%.

298 *See* Main Street Americas, "Entrepreneurial Ecosystems," (accessed Dec. 11, 2023) *available at* https://www.mainstreet.org/howwecanhelp/resourcecenter/entrepreneurialecosystems; *See also* Main Street America, "Announcing the Equitable Entrepreneurial Ecosystems for Rural Main Streets Program Grantees," (Mar. 27, 2023) *available at* https://www.mainstreet.org/blogs/national-main-street-center/2023/03/27/announcing-the-equitable-entrepreneurial-ecosystem.

299 *See* Federal Reserve Banks, "2023 Report on Employer Firms. Findings from the 2022 Small Business Credit Survey," *supra* note 9. Data from Excel "Geography" tab, question "Financial Services Provider" for "rural" firms.

300 *See* Consumer Financial Protection Bureau, "CFPB Releases Report on Financial Challenges Facing Rural Communities. Many rural communities are "banking deserts," (Apr. 19, 2022) *available at* https://www.consumerfinance.gov/about-us/newsroom/cfpb-releases-report-on-financial-challenges-facing-rural-communities/.

301 *See* Federal Reserve Banks, "2023 Report on Employer Firms. Findings from the 2022 Small Business Credit Survey," *supra* note 9. Data from Excel "Geography" tab, question "Equity investments. The overall percentage of small businesses seeking external capital that sought equity financing was 4% in 2022 and 6% in 2021. *See* Federal Reserve Banks, "Small Business Credit Survey. 2021 Report on Employer Firms," (2021) *available at* https://www.fedsmallbusiness.org/survey/2021/report-on-employer-firms. Data from Excel "Geography" tab, question "Financing and credit products sought."

302 *See* Federal Reserve Banks, "Small Business Credit Survey. 2022 Report on Employer Firms," *supra* note 9. Data from Excel "Geography" tab, question "Type of financing applied for."

303 *See* U.S. Securities and Exchange Commission, "Accessing the Public Markets: Becoming and Staying a Public Reporting Company," (accessed Dec. 5, 2023) *available at* https://www.youtube.com/watch?v=wqekOFREtFM&t=1816s (starting at 30:50).

304 Data from the 2020 5-year American Community Survey (ACS) was used by DERA to estimate the population in zip codes in rural areas. Classification of rural areas are based on the updated list of 2023 End of Year rural area zip codes from the Center for Medicare & Medicaid Services *available at* https://www.cms.gov/Medicare/Medicare-Fee-for-Service-Payment/FeeScheduleGenInfo.

305 *See* Federal Reserve Banks, "2023 Report on Employer Firms. Findings from the 2022 Small Business Credit Survey," *supra* note 9, at 24.

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306 Based on DERA data between July 1, 2020 through June 30, 2023 for offerings conducted under Regulation D, Regulation A, and Regulation Crowdfunding and registered equity offerings by small public companies. Classification of rural areas are based on the updates list of 2022 End of Year rural area zip codes from the Center for Medicare & Medicaid Services, as described in *supra* note 304. *See* note 57 for a description of the methodology used to estimate these offerings and issuers and capital raised. Small public companies include U.S. public companies with a size less than or equal to $250 million on the date of the offering, calculated by multiplying price of the company's stock at the close of the day of the offering by the number of outstanding shares on the day of the offering. *See supra* note 144 for a description of how these amounts were estimated.

307 *Id.*

308 *See, e.g.*, "Diverse Founders and Investors" section of the Report above, at 50.

309 *See, e.g.*, "Women Business Owners and Investors" section of the Report above, at 40, 45-46, and 48 and "Diverse Business Owners and Investors" section of the Report above, at 54 and 58.

310 *See, e.g.*, "Small and Emerging Businesses and Exempt Offering Data" section of the Report above, at 14-16.

311 *See e.g.*, "Small and Emerging Businesses and Exempt Offering Data" section of the Report above, at 6.

312 *See e.g.*, "Small and Emerging Businesses and Exempt Offering Data" section of the Report above, at 8.

313 *See, e.g.*, "Women Founders and Investors" section of this Report above, at 42-43 and "Diverse Founders and Investors" section of the Report above, at 56.

314 *See, e.g.*, "Women Founders and Investors" section of this Report above, at 42 and "Diverse Founders and Investors" section of the Report above, at 56.

315 *See, e.g.*, "Diverse Founders and Investors" section of the Report above, at 59; Office of the Advocate for Small Business Capital Formation Annual Report Fiscal Year 2022, *supra* note 54, Minority Business Owners and Investors" section at 60.

316 *See* What is the role of accredited investors?, *available at* https://www.sec.gov/education/capitalraising/building-blocks/accredited-investor.

317 *See, e.g.*, "Diverse Founders and Investors" section of the Report above, at 52.

318 *Id.* at 58.

319 *Id.* at 52.

320 *Id.* at 53-54.

321 *See e.g.*, "Small and Emerging Businesses and Exempt Offering Data" section of the Report above, at 17; "Office of the Advocate for Small Business Capital Formation Annual Report Fiscal Year 2022," *supra* note 54, Small and Emerging Businesses" section, at 18.

322 *See, e.g.*, "Small and Emerging Businesses and Exempt Offering Data" section of the Report above, at 17-18.

323 *See* Transcript of the SEC 42nd Annual Small Business Forum, *Exploring the Early-Stage Landscape: Trends and Strategies in Capital Raising*, (Apr. 24, 2023) at 50-51, *available at* https://www.sec.gov/files/day-1-exploring-early-stage-landscape.pdf.

324 *See* Office of Information and Regulatory Affairs, Office of Management and Budget, U.S. Securities and Exchange Commission Agency Rule List (Fall 2023), at https://www.reginfo.gov/public/do/eAgendaMain?operation=OPERATION_GET_AGENCY_RULE_LIST&currentPub=true&agencyCode=&showStage=active&agencyCd=3235&csrf_token=A318F164A593D6D0B8761068BB1EB5F44622C83C4E9F63A49E48568CA42DF3EC3626E2D98EBE774CCEBB3B6BA96DFA0ED95E.

325 *See* Dodd-Frank Wall Street Reform and Consumer Protection Act, Pub. L. No. 111-203, 124 Stat. 1376 (2010) *available at* https://www.govinfo.gov/app/details/PLAW-111publ20.

326 *See, e.g.*, Office of the Advocate for Small Business Capital Formation Annual Report Fiscal Year 2022, *supra* note 54, "Recommendations" section at 73.

327 For example, discussions about the private market should separately assess use by operating companies and by pooled funds given the differences in those two markets.

328 *See* "Small and Emerging Businesses and Exempt Offering Data" section of this report above at 19; *see also* page 16 for the share raised by U.S. companies (excluding pooled funds).

329 Based on DERA data. *See supra* note 57 for a description of how these amounts were estimated. This number includes $2.0 trillion raised by pooled funds that indicated that they were excluded from the Investment Company Act under Section 3(c)(7) as well as $359 billion raised by funds that indicated that they were excluded from the Investment Company Act under Section 3(c)(7) and Section 3(c)(1).

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330 3(c)(7) funds are limited to "qualified purchasers," investors who must meet financial and sophistication standards that are much higher than those in the accredited investor definition. *See* https://www.sec.gov/education/glossary/jargon-z#QP. For example, an individual may be a qualified purchaser if the investor owns $5 million or more in investments, and an entity may qualify if it owns and invests on a discretionary basis at least $25 million in investments. For more detail on 3(c)(7) and 3(c)(1) funds, *See* How do private funds provide capital to early-stage companies?, *available at* https://www.sec.gov/education/capitalraising/building-blocks/private-fund.

331 Based on DERA data. *See supra* note 57 for a description of how these amounts were estimated. In addition to the $130 billion raised by 3(c)(1) funds and $2.3 trillion raised by 3(c)(7) funds, an additional $118 billion was raised by other private funds.

332 *See, e.g.*, "Small and Emerging Businesses and Exempt Offering Data" section of the Report above, at 14. While Section 4(a)(2) of the Securities Act is not separately estimated within "Other Exempt Offering" estimates, it is our understanding that many Rule 144A offerings are initially done under Section 4(a)(2) or Regulation S, neither of which have an associated filing with the Commission.

333 *See, e.g.*, "Small and Emerging Businesses and Exempt Offering Data" section of the Report above, at 19.

334 *See, e.g.*, Letter from the SEC Small Business Advisory Committee to Chair Gary Gensler (Mar. 12, 2022) *available at* https://www.sec.gov/spotlight/sbcfac/sbcfac-accredited-investor-recommendation-021022.pdf; Transcript of the Small Business Capital Formation Advisory Committee Meeting, (November 29, 2023) *available at* https://www.sec.gov/files/sba-committee-meeting-transcript-11292023.pdf; Investor Advisory Committee webcast (Sep. 21, 2023) *available at* https://www.youtube.com/watch?v=x3PAWKr_Lyk; SEC, "Report on the 42nd Annual Small Business Forum," (Sep. 26, 2023) at 9. *available at* sec.gov/files/2023_oasb_annual_forum_report_508.pdf.

335 *See, e.g.*, "Diverse Founders and Investors" section of the Report above, at 52.

336 *See, e.g.*, Letter from the SEC Small Business Advisory Committee, *supra* note 334.

337 *See, e.g.*, "Rural Communities" section of the Report above, at 66-67.

338 Under the COVID-19 relief in place from May 4, 2020 through August 28, 2022, issuers offering $250,000 or less in a 12-month period could fulfill the financial statement requirements by providing financial statements of the issuer and certain information from the issuer's Federal income tax returns, both certified by the principal executive officer. Currently, for offerings of greater than $124,000 and up to $618,000, or for first Crowdfunding offerings of up to $1,235,000, the issuer must provide financial statements that have been reviewed by a public accountant that is independent of the issuer.

339 This would be consistent with the COVID-19 relief offered by the Commission from May 4, 2020 through August 28, 2022. *See* Temporary Amendments to Regulation Crowdfunding, Rel. No. 33-10781 (May 4, 2020), *available at* https://www.sec.gov/files/rules/interim/2020/33-10781.pdf and Temporary Amendments to Regulation Crowdfunding; Extension, Rel. No. 33-10829 (Aug. 28, 2020), *available at* https://www.sec.gov/files/rules/interim/2020/33-10829.pdf.

340 *See, e.g.*, "Small and Emerging Businesses and Exempt Offering Data" section of the Report above, at 18.

341 *Id.* at 14-16.

342 *See e.g.*, "Small and Emerging Businesses and Exempt Offering Data" section of the Report above, at 17; *See also*, *e.g.*, "Office of the Advocate for Small Business Capital Formation Annual Report Fiscal Year 2022," *supra* note 54, "Small and Emerging Businesses" section at 18.

343 *See, e.g.*, "Small and Emerging Businesses and Exempt Offering Data" section of the Report above, at 17.

344 Currently, for offerings of greater than $124,000 and up to $618,000, or for a first crowdfunding offering of up to $1,235,000, the issuer must provide financial statements that have been reviewed by a public accountant that is independent of the issuer.

345 *See* 17 CFR 227.100(b)(3) *available at* https://www.ecfr.gov/current/title-17/chapter-II/part-227.

346 *See* "Facilitating Capital Formation and Expanding Investment Opportunities by Improving Access to Capital in Private Markets," Release Nos. 33-10884; 34-90300; IC-34082; File No. S7-05-20 (Nov. 2, 2020), *available at* https://www.sec.gov/rules/final/2020/33-10884.pdf.

347 *See* Transcript of the 42nd Annual SEC Small Business Forum "Building Entrepreneurial Ecosystems: Laying the Groundwork to Support small Businesses and their Investors" (Apr. 25, 2023) at 18, *available at* https://www.sec.gov/files/day-2-building-entrepreneurial-ecosystems.pdf.

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348 *See* "Notice of Proposed Exemptive Order Granting Conditional Exemption from the Broker Registration Requirements of Section 15(a) of the Securities Exchange Act of 1934 for Certain Activities of Finders," Release No. 34-90112; File No. S7-13-20, (Oct. 13, 2020) at 4, *available at* https://www.sec.gov/rules/exorders/2020/34-90112.pdf.
349 *Id.* at 15. Market participants look to staff guidance when trying to determine whether broker registration is required.
350 *See, e.g.*, "Women Business Owners and Investors" section of the Report above, at 39-49, "Diverse Business Owners and Investors" section of the Report above, at 50-61, and "Rural Communities" section of the Report above, at 66.
351 *See, e.g.*, "Diverse Business Owners and Investors" section of the Report above, at 54.
352 *See* Brian Beckon, "New Rules for Finders? Not So Fast…," Cutting Edge Capital (May 9, 2022) *available at* https://www.cuttingedgecapital.com/new-rules-for-finders-not-so-fast/.
353 *See* "Notice of Proposed Exemptive Order Granting Conditional Exemption from the Broker Registration Requirements of Section 15(a) of the Securities Exchange Act of 1934 for Certain Activities of Finders," *supra* note 348.
354 *See* Office of Information and Regulatory Affairs, Office of Management and Budget, U.S. Securities and Exchange Commission Agency Rule List (Fall 2023), *supra* note 324.
355 *See* "What happens if a startup does not comply with securities laws?", *available at* https://www.sec.gov/education/capitalraising/building-blocks/noncompliance; "What is a broker dealer?", *available at* https://www.sec.gov/files/oasb-broker-dealer-building-block.pdf.
356 *See* Deloitte, Venture Forward and NVCA, *supra* note 197, at 8.
357 *See* "Mature and Later-Stage Business" section of the Report above, at 27.
358 *Id.* at 24.
359 *See* "Mature and Later-Stage Business" section of the Report above, at 27; *See also* Letter from the SEC Small Business Capital Formation Advisory Committee to Chair Gary Gensler, (Feb. 28, 2023) at 3, *available at* https://www.sec.gov/files/committee-perspectives-letter-022823.pdf.
360 *See, e.g.*, "Mature and Later-Stage Business" section of the Report above, at 23 and "Initial Public Offerings and Small Public Companies" section of the Report above, at 32.
361 *See, e.g.* "Women Founders and Investors" section of the Report above, at 49, and "Diverse Founders and Investors" section of the Report above, at 56.
362 *See, e.g.*, "Women Founders and Investors" section of the Report above, at 48, and "Diverse Founders and Investors" section of the Report above, at 59; Office of the Advocate for Small Business Capital Formation Annual Report Fiscal Year 2022, *supra* note 54, "Minority Business Owners and Investors" section at 60.
363 *See, e.g.*, "Diverse Founders and Investors" section of the Report above, at 59.
364 *See e.g.*, Von Bryant, *et al.*, "Five things to know regarding American Alliance for Equal Rights v. Fearless Fund", *Westlaw Today*, (Aug. 22, 2023) *available at* https://today.westlaw.com/Document/Ic82eb8c1412311ee8921fbef1a541940/View/FullText.html.
365 *See* Dominic Madori Davis, "Fearless Fund's Arian Simone on why a downturn is business as usual for minority founders," (June 15, 2022) *available at* https://techcrunch.com/2022/06/15/fearless-funds-arian-simone-on-why-a-downturn-is-business-as-usual-for-minority-founders/.
366 *See* Office of the Advocate for Small Business Capital Formation Annual Report Fiscal Year 2022, *supra* note 54, at 78-80.
367 Over the past five years, the amount of capital – or "dry powder" – ready to be invested by VCs has continued to increase. In 2022, it reached $280 billion, 61% of which is concentrated in mega-funds with $500 million or more in commitments. See, "Mature and Later-Stage Business" section of the Report above, at 26.
368 For information on the Section 3(c)(1) exemption from the Investment Company Act of 1940, *See* "How do private funds provide capital to early-stage companies?" *available at* https://www.sec.gov/education/capitalraising/building-blocks/private-fund.
369 *Id.*
370 *See* "IPOs and Small Public Companies" section of the Report above, at 30.
371 *Id.* at 33.
372 *Id.* at 36, 38.
373 *Id.*
374 *Id.* at 33-35.
375 *See* "Diverse Founders and Investors" section of the Report above, at 50-56.
376 *See* "Women Founders and Investors" section of the Report above, at 41-42.
377 *See* "Diverse Founders and Investors" section of the Report above, at 57 (there has been, however, a significant increase in African American/Black directors between 2019 and 2023); "Women Founders and Investors" section of the Report above, at 46-47.
378 *See* "Women Founders and Investors" section of the Report above, at 47.

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379 *See, e.g.*, "Insider Trading Arrangements and Related Disclosures," Release Nos. 33-11138; 34-96492; File No. S7-20-21 (Dec. 14, 2022), *available at* https://www.sec.gov/files/rules/final/2022/33-11138.pdf (while the Commission did not exempt smaller reporting companies from the new disclosures, those companies would be permitted to limit their disclosures consistent with the scaled approach to their executive compensation disclosures and will benefit from a six-month transition period for compliance); "Cybersecurity Risk Management, Strategy, Governance, and Incident Disclosure," Release Nos. 33-11216; 34-97989; File No. S7-09-22 (Jul. 26, 2023), *available at* https://www.sec.gov/files/rules/final/2023/33-11216.pdf (while the Commission did not exempt smaller reporting companies, those companies were provided a delayed compliance date for some of the requirements, an accommodation that was not in the proposing release).

380 *See, e.g.*, "Share Repurchase Disclosure Modernization," Release No. 34-97424; IC-34906; File No. S7-21-21 (May 3, 2023), *available at* https://www.sec.gov/files/rules/final/2023/34-97424.pdf. *See also*, "Listing Standards for Recovery of Erroneously Awarded Compensation," Release No. 33-11126; 34-96159; IC-34732; File No. S7-12-15 (Oct. 26, 2022), *available at* https://www.sec.gov/files/rules/final/2022/33-11126.pdf.

381 *See* Transcript of the 42nd Annual SEC Small Business Forum, Accessing the Public Markets: Becoming and Staying a Public Reporting Company (April 27, 2023) at 66, *available at* https://www.sec.gov/files/day-4-accessing-public-markets.pdf.

382 The SEC conducts the Forum annually and prepares a report in accordance with the Small Business Investment Incentive Act of 1980 [15 U.S.C. 80c-1 (codifying section 503 of Pub. L. No. 96-477, 94 Stat. 2275 (1980))].

383 Committee members include the SEC's Advocate for Small Business Capital Formation (vacant at the end of fiscal year 2023) and three non-voting members appointed by each of the SEC's Investor Advocate, the North American Securities Administrators Association (NASAA), and the Small Business Administration, as well as an observer appointed by the Financial Industry Regulatory Authority (FINRA). These non-voting members are indicated with an asterisk.

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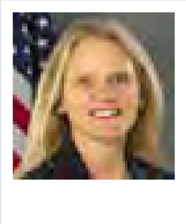
As a final note to our report, please meet your SEC Small Business Advocacy Team!



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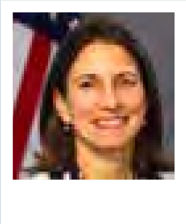

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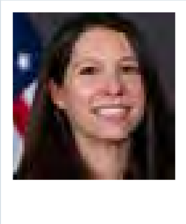
Senior Special Counsel



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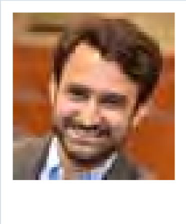

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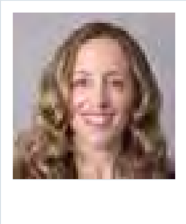

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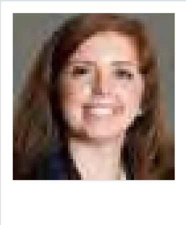

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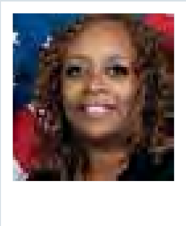

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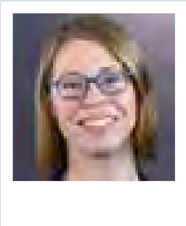

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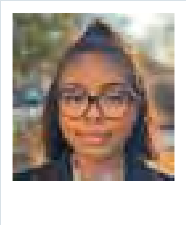

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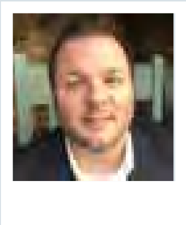

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ABOUT THIS REPORT + ACKNOWLEDGEMENTS

This annual report of the Office of the Advocate for Small Business Capital Formation for Fiscal Year 2023 is being delivered to the Committee on Banking, Housing, and Urban Affairs of the U.S. Senate and the Committee on Financial Services of the U.S. House of Representatives in accordance with Section 4(j) of the Securities Exchange Act of 1934 (the Exchange Act), as amended by the SEC Small Business Advocate Act of 2016, 15 U.S.C. § 78d(j)(6).

Pursuant to Section 4(j)(6)(D) of the Exchange Act, this Report is provided directly to the committees of Congress without any prior review or comment from the Commission, any Commissioner, any other officer or employee of the Commission, or the Office of Management and Budget. It does not necessarily reflect the views of the Commission, the Commissioners, or staff of the Commission.

The work of the Office is possible only through the support of our talented and passionate colleagues across the agency. The Office owes special thanks to our colleagues who provided resources for this Report, including the Division of Economic and Risk Analysis for providing data to quantify the state of small business capital formation and contextualize issues, and the Office of Public Affairs for making our written product for this report visually engaging. We particularly thank the following individuals: Daniel Bresler, Juan Carlos Forero, Angela Huang, Olga Itenberg, Vladimir Ivanov, Andy Kim, Isaac Kuznits, Rey-Er Lee, Wei Liu, Chris Onrubia, Elizabeth Phillips, Zehra Sikandar, Brian Ward, Guang Yang, Jeorge Young, and Huaiqiang (John) Zheng.

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