



U.S. Securities and Exchange Commission
**Office of the Advocate for Small
Business Capital Formation**

Annual Report

FISCAL YEAR 2024

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.



With my one-year anniversary of joining the SEC as the Small Business Advocate approaching, I feel incredibly fortunate for the opportunity to serve and support small businesses and investors on their capital-raising journey. While there are many areas these days where people find division, support for small businesses is one of those rare points where there is common agreement.

As our team engages with investors and small businesses across lifecycle stages and geographies, we see founders' entrepreneurial spirit and ingenuity, as well as the importance of the investors who back them on their journey. Throughout our policy discussions a consistent theme resounds—that access to capital for small businesses is critical and that funding gaps for women, diverse, and rural entrepreneurs deserve our attention. Likewise, there is a widespread recognition that those who invest in small businesses deserve protections. We hear from small businesses and investors alike about the importance of educational resources to help break down the complexities in this arena, and the criticality of mentorship to help pave the way as they embark on their journeys.

I am immensely proud of what the team has accomplished over the past year, and we look forward to continuing to engage with, advocate for, and champion our Office's primary stakeholders—small businesses and their investors—and the entrepreneurial support organizations, mentors, and allies who support them on their journey. In order to understand how capital is being raised and invested, and by whom, this report reflects data showing what is happening in the marketplace, as well as feedback shared with our Office by small businesses and their investors. With that in mind, we hope you enjoy it!

STACEY BOWERS

ADVOCATE FOR SMALL
BUSINESS CAPITAL FORMATION

YOUR SEC SMALL BUSINESS
Advocacy
Office

Empowering small businesses and their investors

Contents

MISSION: Who We Are

1

DATA: State of Capital Formation

4

Small and Emerging
Businesses and Exempt
Offering Data

21

Mature and
Later-Stage
Businesses

31

Initial Public
Offerings and Small
Public Companies

41

Women
Founders and
Investors

54

Diverse
Founders and
Investors

69

Natural Disaster
Areas

71

Rural
Communities

POLICY: Recommendations

76

Expand
educational
resources

78

Support efforts
to foster
mentorship

81

Support small
businesses using
crowdfunding

83

Clarify pathways
to connect founders
and investors

86

Support
diverse capital
allocators

89

Support
small public
companies

ADVOCACY: What We Do

93

COMMITTEE: Highlights

103

ENDNOTES: All the Details

109



MISSION

Who We Are

Contents

MISSION | Who We Are

Introduction

DATA | State of Capital Formation

POLICY | Recommendations

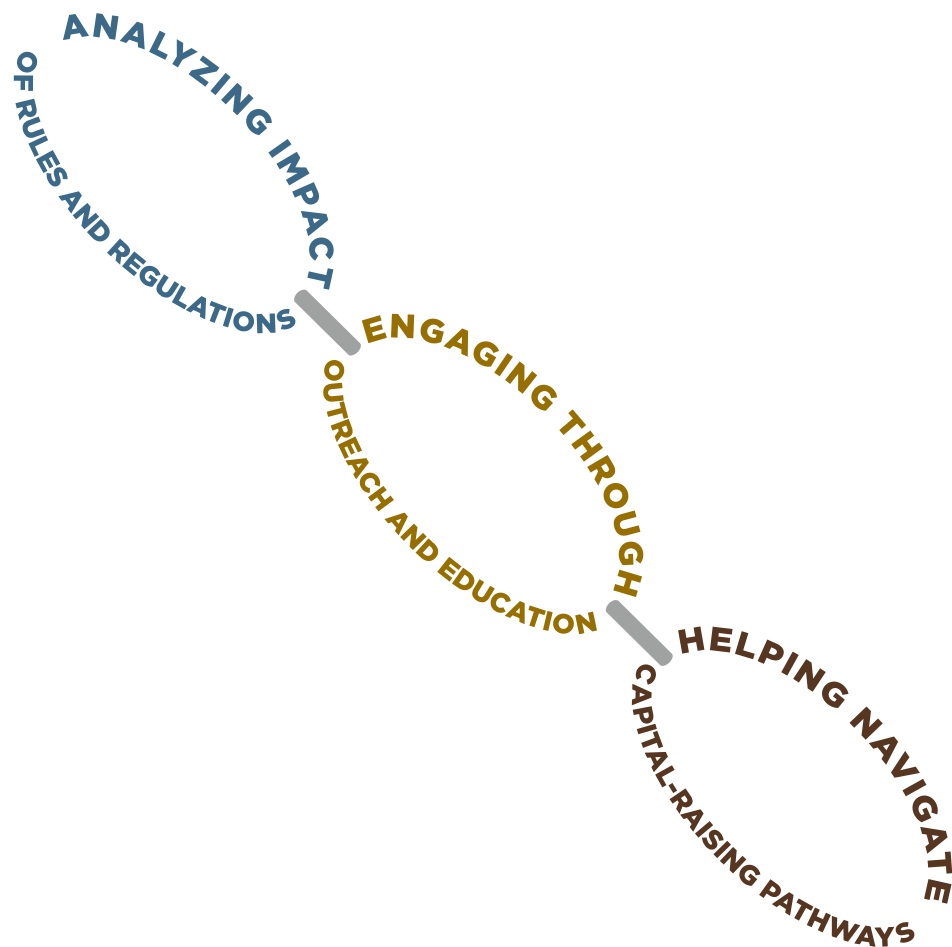
ADVOCACY | What We Do

COMMITTEE | Highlights

ENDNOTES | All the Details

OFFICE | Meet the Team

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 minority-owned, women-owned, rural, and natural disaster area small businesses and their investors. We advocate for small businesses and their investors in capital raising 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 capital raising, 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.

Contents

MISSION | Who We Are

Introduction

DATA | State of Capital Formation

POLICY | Recommendations

ADVOCACY | What We Do

COMMITTEE | Highlights

ENDNOTES | All the Details

OFFICE | Meet the Team



DATA

State of Capital Formation

Contents

MISSION | Who We Are

DATA | State of Capital Formation

Introduction

Small and Emerging Businesses
and Exempt Offering Data

Mature and Later-Stage Businesses

Initial Public Offerings and Small
Public Companies

Women Founders and Investors

Diverse Founders and Investors

Natural Disaster Areas

Rural Communities

POLICY | Recommendations

ADVOCACY | What We Do

COMMITTEE | Highlights

ENDNOTES | All the Details




OFFICE | Meet the Team

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 in small business 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 and developing educational resources. 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 offerings (IPOs) 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 ¹	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 Energy	Health Care Business Services Technology Real Estate Banking and Financial Services Manufacturing

Contents

MISSION | Who We Are

DATA | State of Capital Formation

Introduction

Small and Emerging Businesses and Exempt Offering Data

Mature and Later-Stage Businesses

Initial Public Offerings and Small Public Companies

Women Founders and Investors

Diverse Founders and Investors

Natural Disaster Areas

Rural Communities

POLICY | Recommendations

ADVOCACY | What We Do

COMMITTEE | Highlights

ENDNOTES | All the Details

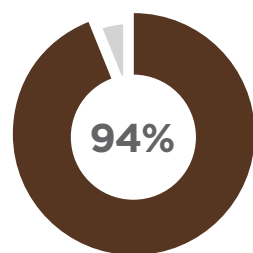
OFFICE | Meet the Team

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 typical target of venture capital (VC) investments as well as high-growth startups that are seeking to raise capital to get off the ground and launch early prototypes.²

Why is access to capital for small businesses so important?

Small businesses are critical to our economy and country.



of Americans report that it's **important to have a fair opportunity to start and grow a business.**³

Small businesses are key to job creation and growth.

Since 2011, small businesses have created

80% of **net new jobs.**⁴



Of those jobs:



transitioned to jobs at large businesses (7.8M jobs)



remained at small businesses (3.4M jobs)



Entrepreneurship is an essential driver of societal health and wealth. It is also a formidable engine of economic growth. It promotes the essential innovation required not only to exploit new opportunities, promote productivity, and create employment, but to also address some of society's greatest challenges.

GLOBAL ENTREPRENEURSHIP MONITOR⁵

Contents

MISSION | Who We Are

DATA | State of Capital Formation

Introduction

Small and Emerging Businesses and Exempt Offering Data

Mature and Later-Stage Businesses

Initial Public Offerings and Small Public Companies

Women Founders and Investors

Diverse Founders and Investors

Natural Disaster Areas

Rural Communities

POLICY | Recommendations

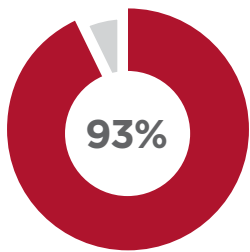
ADVOCACY | What We Do

COMMITTEE | Highlights

ENDNOTES | All the Details

OFFICE | Meet the Team

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



of small businesses **experienced financial challenges in 2023** (down from 94% in 2022).⁶

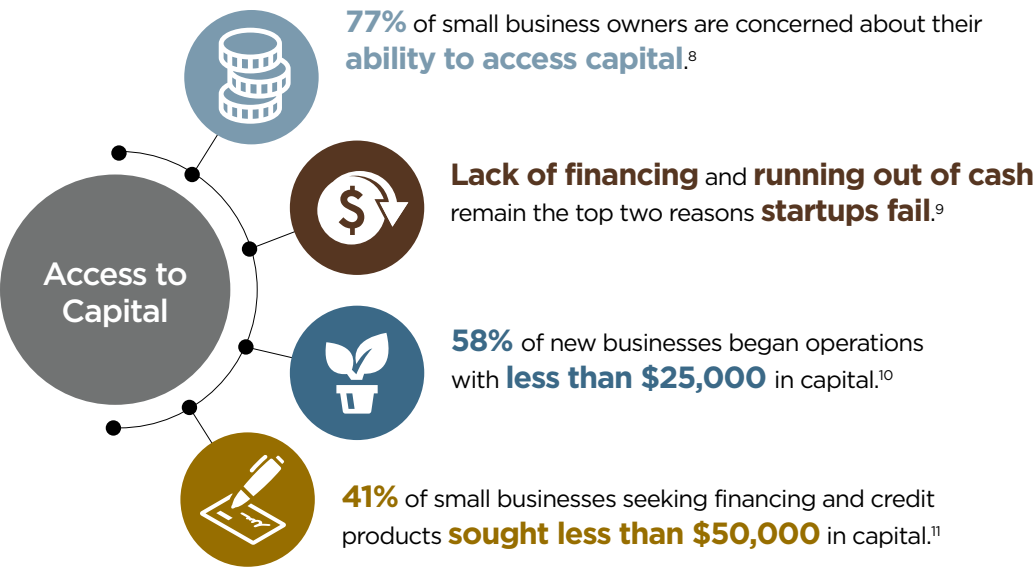
The top three financial challenges were:⁷

rising costs of goods, services, and wages

paying operating expenses

uneven cash flow

Access to capital continues to be a barrier to growth for entrepreneurs.



Contents

MISSION | Who We Are

DATA | State of Capital Formation

Introduction

Small and Emerging Businesses and Exempt Offering Data

Mature and Later-Stage Businesses

Initial Public Offerings and Small Public Companies

Women Founders and Investors

Diverse Founders and Investors

Natural Disaster Areas

Rural Communities

POLICY | Recommendations

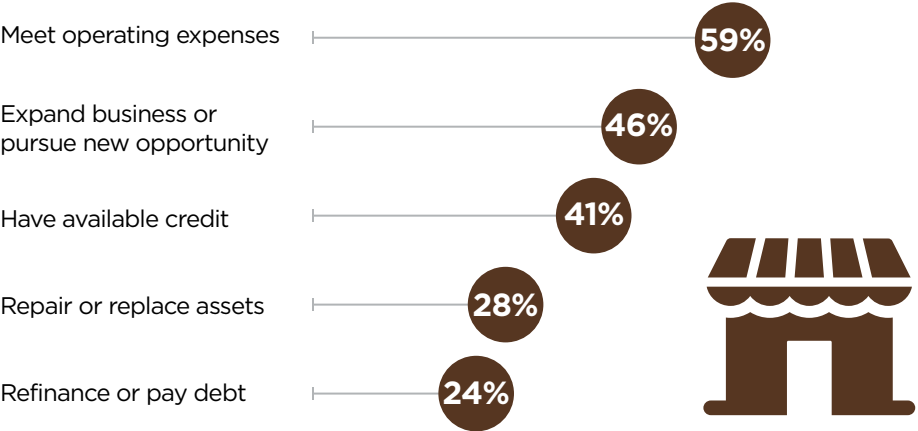
ADVOCACY | What We Do

COMMITTEE | Highlights

ENDNOTES | All the Details

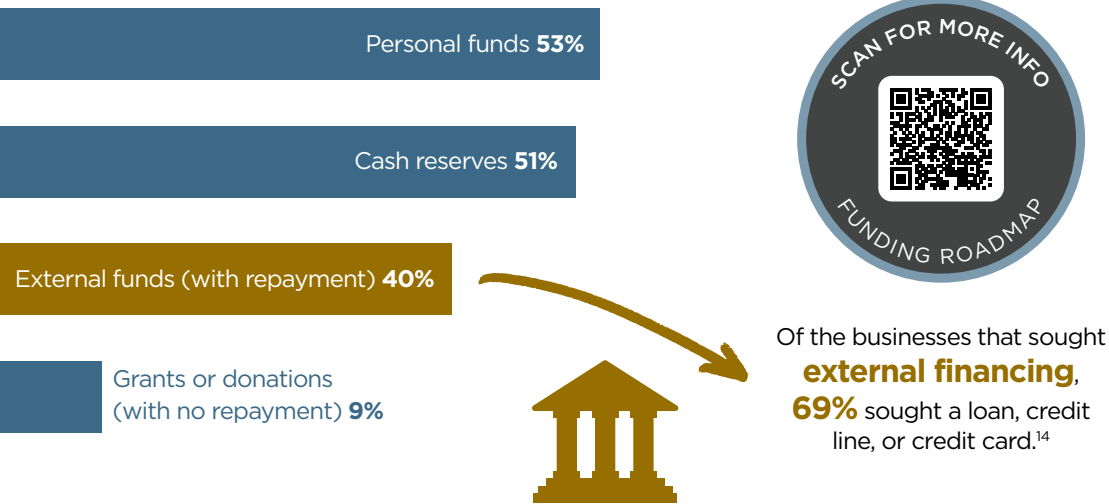
OFFICE | Meet the Team

Why are small businesses seeking financing?¹²



Where do small and emerging businesses turn for their capital needs?

When facing financial challenges, over half of small businesses turned to personal funds or cash reserves, while 40% turned to external funding.¹³



Contents

MISSION | Who We Are

DATA | State of Capital Formation

- Introduction
- Small and Emerging Businesses and Exempt Offering Data
- Mature and Later-Stage Businesses
- Initial Public Offerings and Small Public Companies
- Women Founders and Investors
- Diverse Founders and Investors
- Natural Disaster Areas
- Rural Communities

POLICY | Recommendations

ADVOCACY | What We Do

COMMITTEE | Highlights

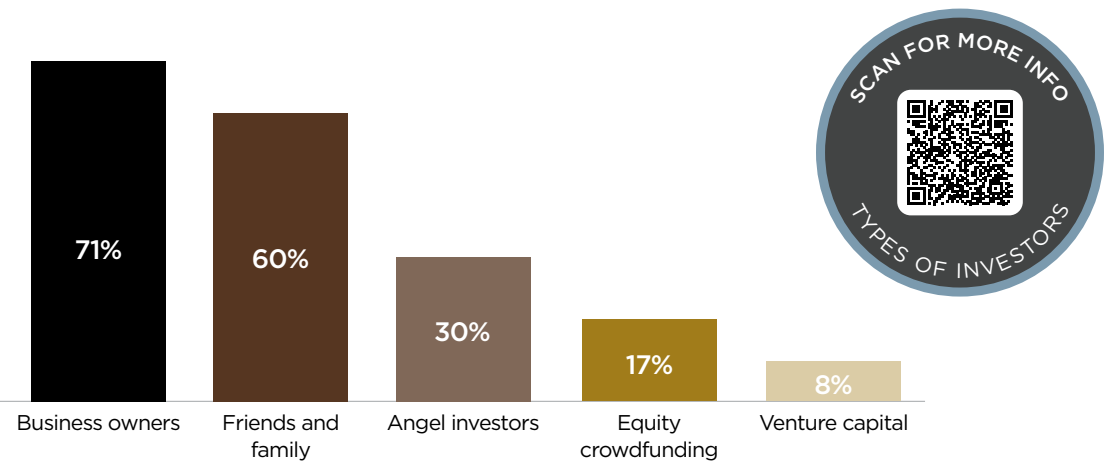
ENDNOTES | All the Details

OFFICE | Meet the Team

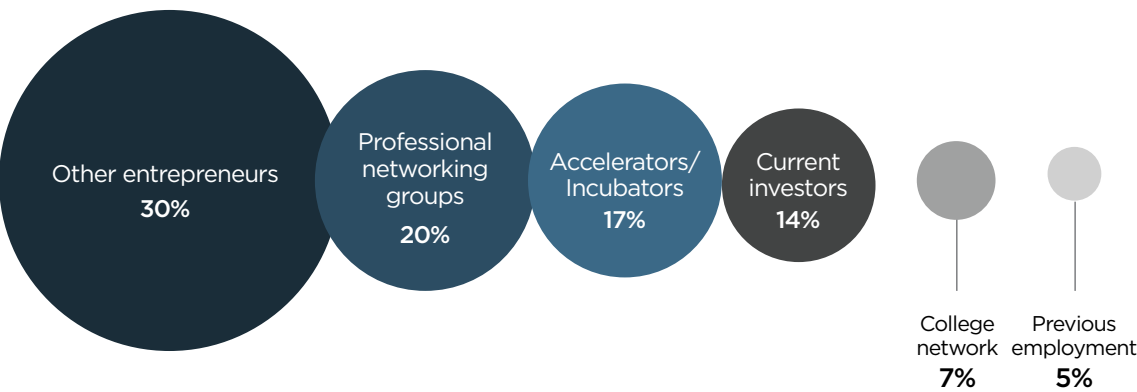
Some small businesses obtained funding through loans from friends and family or equity investments.



Investments from business owners and friends and family are the most common types of equity received.¹⁷



What networks do founders say are the most important for fundraising?¹⁸



Contents

MISSION | Who We Are

DATA | State of Capital Formation

Introduction

Small and Emerging Businesses and Exempt Offering Data

Mature and Later-Stage Businesses

Initial Public Offerings and Small Public Companies

Women Founders and Investors

Diverse Founders and Investors

Natural Disaster Areas

Rural Communities

POLICY | Recommendations

ADVOCACY | What We Do

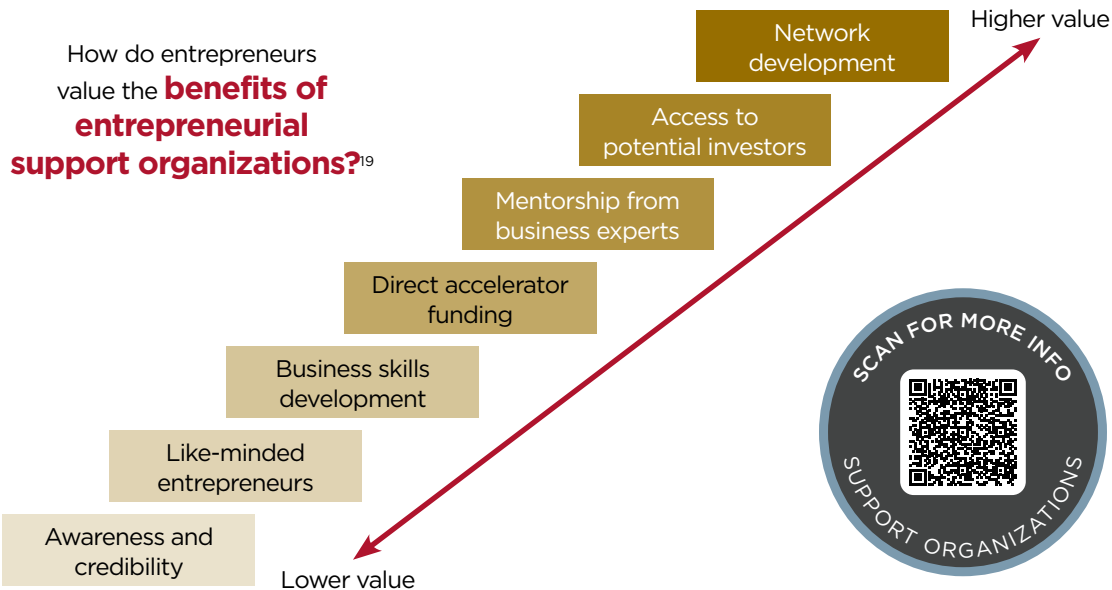
COMMITTEE | Highlights

ENDNOTES | All the Details

OFFICE | Meet the Team

Many small and emerging businesses need support to build and grow their companies.

Entrepreneurial support organizations, like accelerators and incubators, are designed to support, mentor, and train entrepreneurs to spur innovation and growth.



These limited-duration, cohort-based programs provide a variety of resources for venture development, including seed capital, coworking space, and feedback from mentors, program directors, peers, and qualified investors, helping founders define and build their initial products, learn from peers, identify promising customer segments, and secure resources to grow and scale.

VALENTINA A. ASSENOVA AND RAPHAEL AMIT²⁰

Lifecycle stage is a crucial factor in determining the benefits of accelerator participation.²¹



Seed-stage ventures may greatly benefit from an accelerator.



The needs of mature or later-stage ventures, such as larger-scale funding or partnerships, may not align with typical accelerators.

Contents

MISSION | Who We Are

DATA | State of Capital Formation

Introduction

Small and Emerging Businesses and Exempt Offering Data

Mature and Later-Stage Businesses

Initial Public Offerings and Small Public Companies

Women Founders and Investors

Diverse Founders and Investors

Natural Disaster Areas

Rural Communities

POLICY | Recommendations

ADVOCACY | What We Do

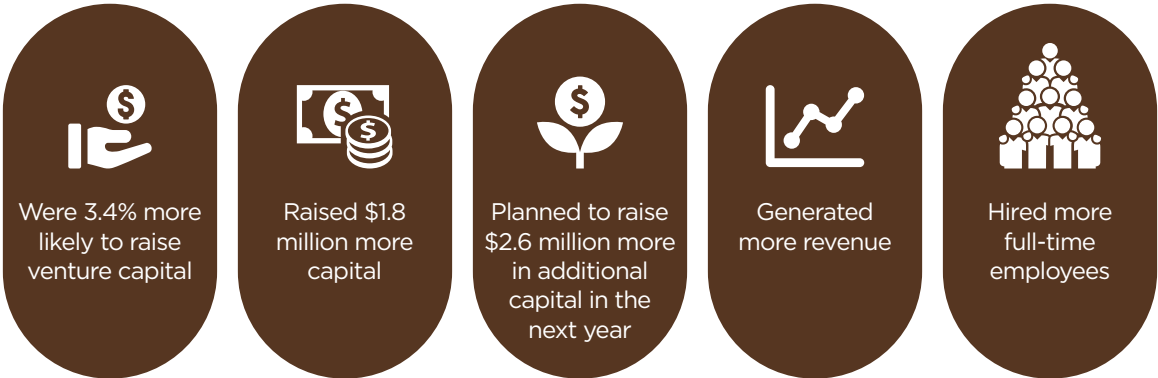
COMMITTEE | Highlights

ENDNOTES | All the Details

OFFICE | Meet the Team

How can entrepreneurial support organizations benefit an early-stage entrepreneur?

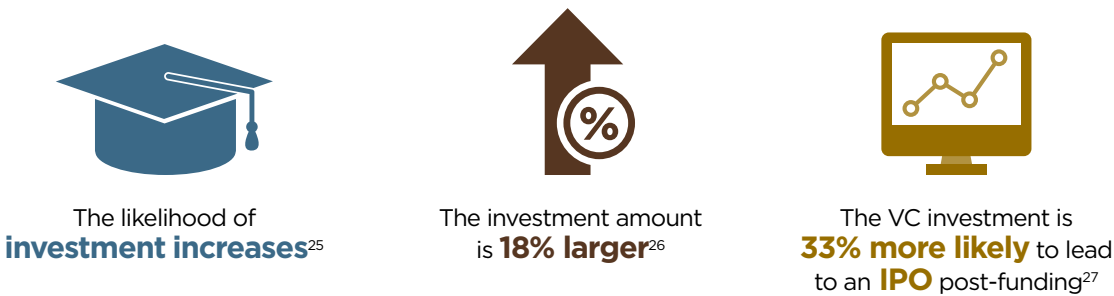
Accelerator participants:²²



University alumni networks can have an impact on access to VC financing.²³

1 in 3 VC deals has a founder and a VC partner with a **shared alma mater**.²⁴

When an investor and founder share an alma mater:



“

University networks play an economically important role in reducing information frictions and supporting the flow of capital to early-stage ventures. The fact that these networks are particularly influential at universities that have historically, and still do, consider family legacy in the admissions process, highlights the importance of equitable access to these universities and networks for equal opportunity in entrepreneurship.

JON A. GARFINKEL, ET AL.²⁸

Contents

MISSION | Who We Are

DATA | State of Capital Formation

Introduction

Small and Emerging Businesses and Exempt Offering Data

Mature and Later-Stage Businesses

Initial Public Offerings and Small Public Companies

Women Founders and Investors

Diverse Founders and Investors

Natural Disaster Areas

Rural Communities

POLICY | Recommendations

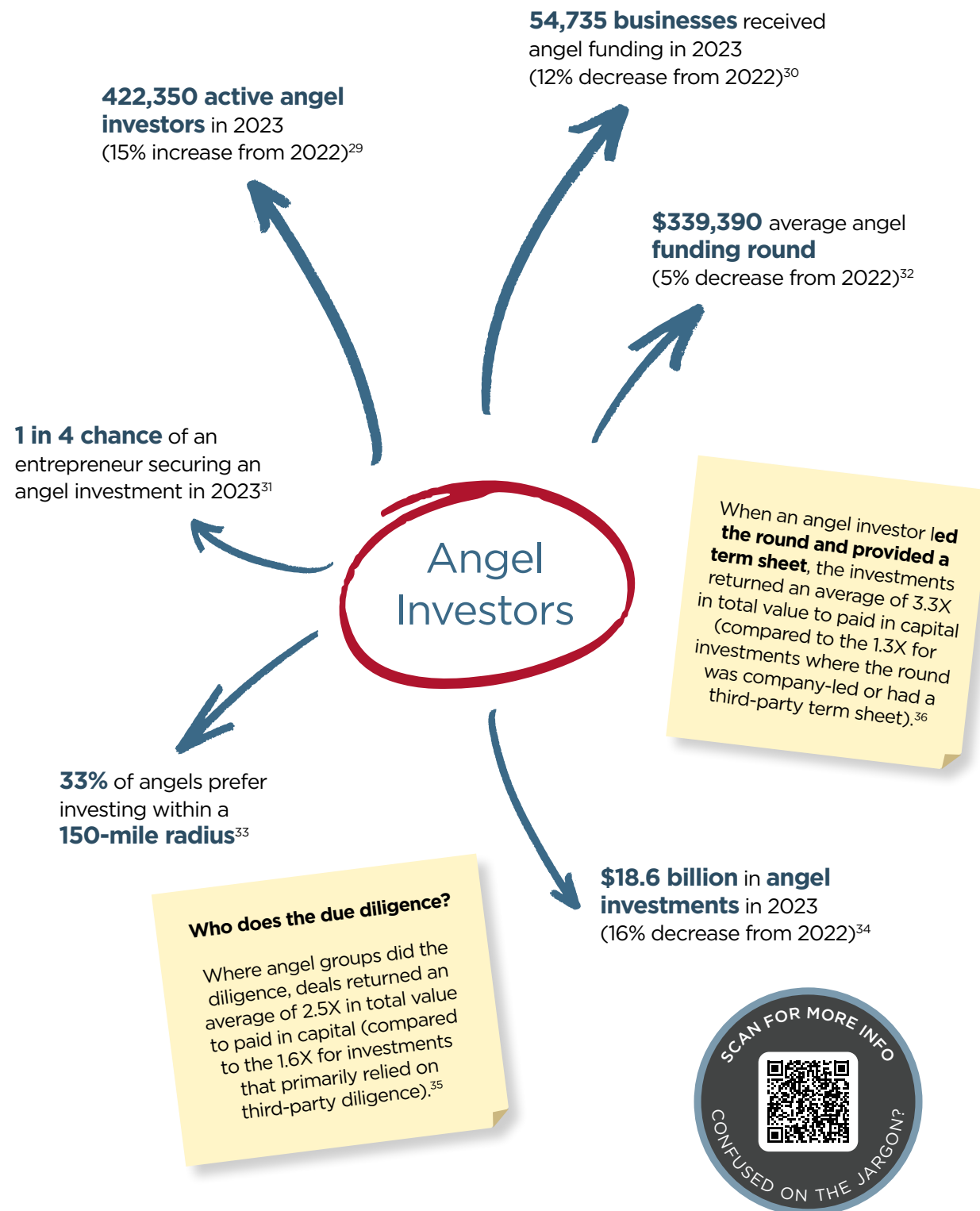
ADVOCACY | What We Do

COMMITTEE | Highlights

ENDNOTES | All the Details

OFFICE | Meet the Team

Angel investors play a key role in mentoring and funding entrepreneurs.



Contents

MISSION | Who We Are

DATA | State of Capital Formation

Introduction

Small and Emerging Businesses and Exempt Offering Data

Mature and Later-Stage Businesses

Initial Public Offerings and Small Public Companies

Women Founders and Investors

Diverse Founders and Investors

Natural Disaster Areas

Rural Communities

POLICY | Recommendations

ADVOCACY | What We Do

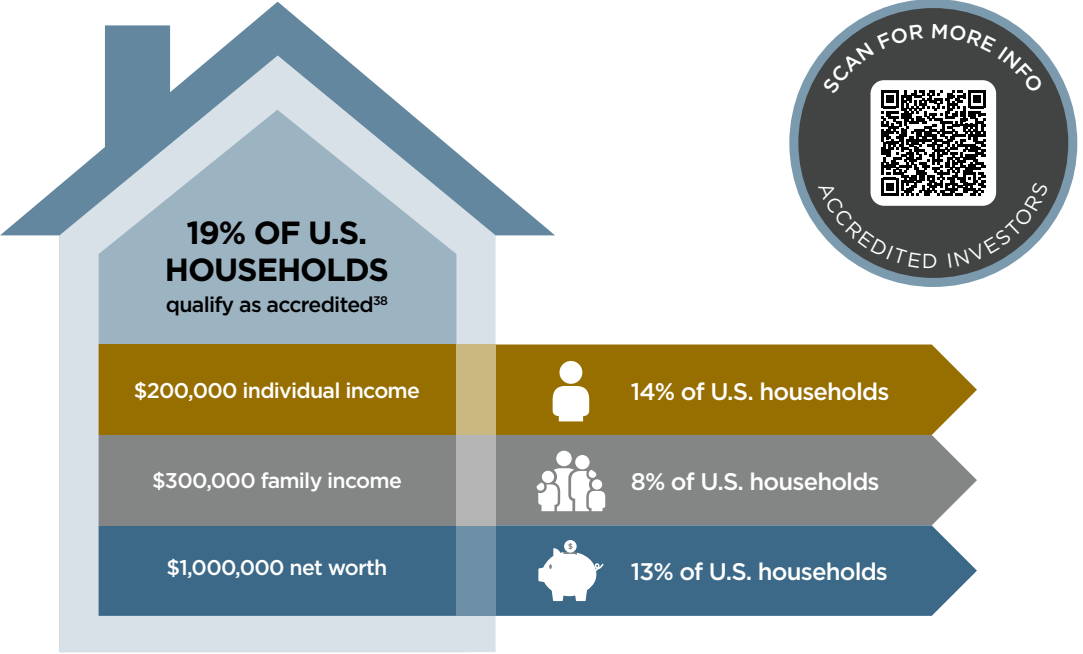
COMMITTEE | Highlights

ENDNOTES | All the Details

OFFICE | Meet the Team

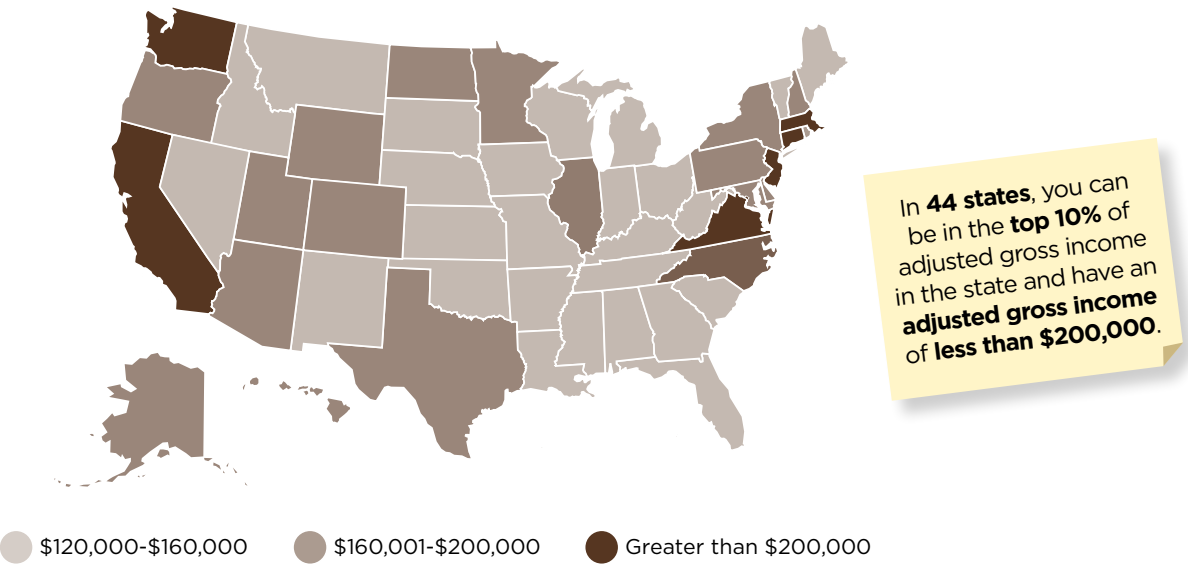
What does the pool of accredited investors look like?

For companies raising capital, the accredited investor definition may determine who is in their pool of potential investors, and for investors whether they are eligible to invest in many early-stage companies. Individuals may qualify based on wealth and income thresholds, as well as other measures of financial sophistication.³⁷



How does income vary by state?

The map below illustrates the minimum adjusted gross income needed to be in the top 10% by state.³⁹



Contents

MISSION | Who We Are

DATA | State of Capital Formation

Introduction

Small and Emerging Businesses and Exempt Offering Data

Mature and Later-Stage Businesses

Initial Public Offerings and Small Public Companies

Women Founders and Investors

Diverse Founders and Investors

Natural Disaster Areas

Rural Communities

POLICY | Recommendations

ADVOCACY | What We Do

COMMITTEE | Highlights

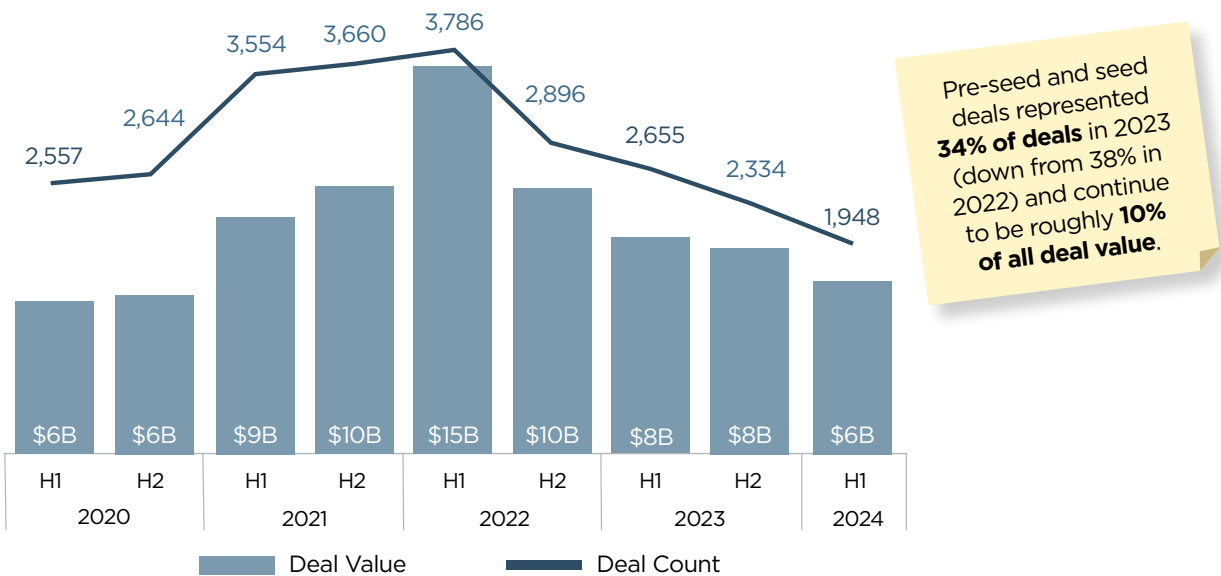
ENDNOTES | All the Details

OFFICE | Meet the Team

What is happening with seed fundraising?

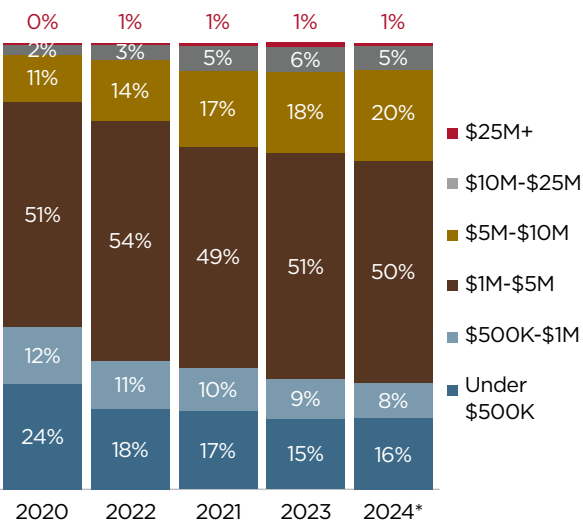
A pre-seed or seed round is typically a company’s first funding round.⁴⁰ This round may include funding from friends and family, angel investors, or early-stage funds. Capital at this stage is often used for product development and market research.⁴¹

Seed activity continues to decrease in both deal value and count.⁴²

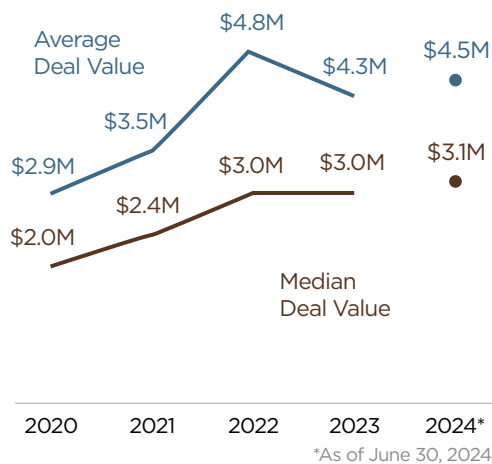


While seed activity has slowed, when seed rounds have closed, the median deal values of those rounds have continued to rise.

Distribution of number of deals by size⁴³



Average and median seed deal values⁴⁴



Contents

MISSION | Who We Are

DATA | State of Capital Formation

Introduction

Small and Emerging Businesses
and Exempt Offering Data

Mature and Later-Stage Businesses

Initial Public Offerings and Small
Public Companies

Women Founders and Investors

Diverse Founders and Investors

Natural Disaster Areas

Rural Communities

POLICY | Recommendations

ADVOCACY | What We Do

COMMITTEE | Highlights

ENDNOTES | All the Details

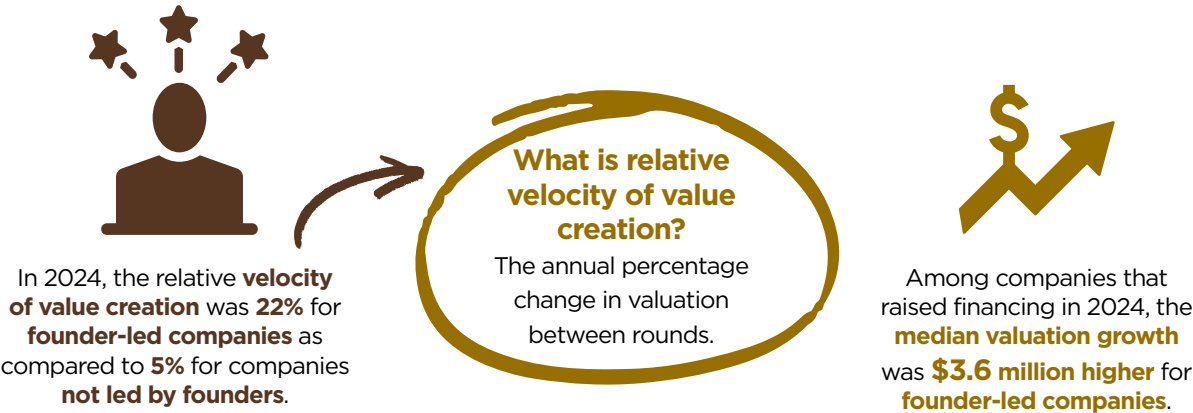
OFFICE | Meet the Team

Many early-stage investors seek equity ownership; however, many startup and early-stage founders continue to own a majority of the company.⁴⁵

82% of **startup founders** hold a **majority stake** in the company.

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.⁴⁶

In the last 5 years, founder-led VC-backed companies created value faster than companies where the company was not led by a founder.⁴⁷



Fewer seed businesses are transitioning to Series A within two years.⁴⁸

For businesses that closed a seed round, the percent that closed a Series A round within two years declined from:⁴⁹

20-24% of seed businesses
(2018-2020)



to only 13% of seed businesses
(H1 2022-H1 2024)



Contents

MISSION | Who We Are

DATA | State of Capital Formation

Introduction

Small and Emerging Businesses
and Exempt Offering Data

Mature and Later-Stage Businesses

Initial Public Offerings and Small
Public Companies

Women Founders and Investors

Diverse Founders and Investors

Natural Disaster Areas

Rural Communities

POLICY | Recommendations

ADVOCACY | What We Do

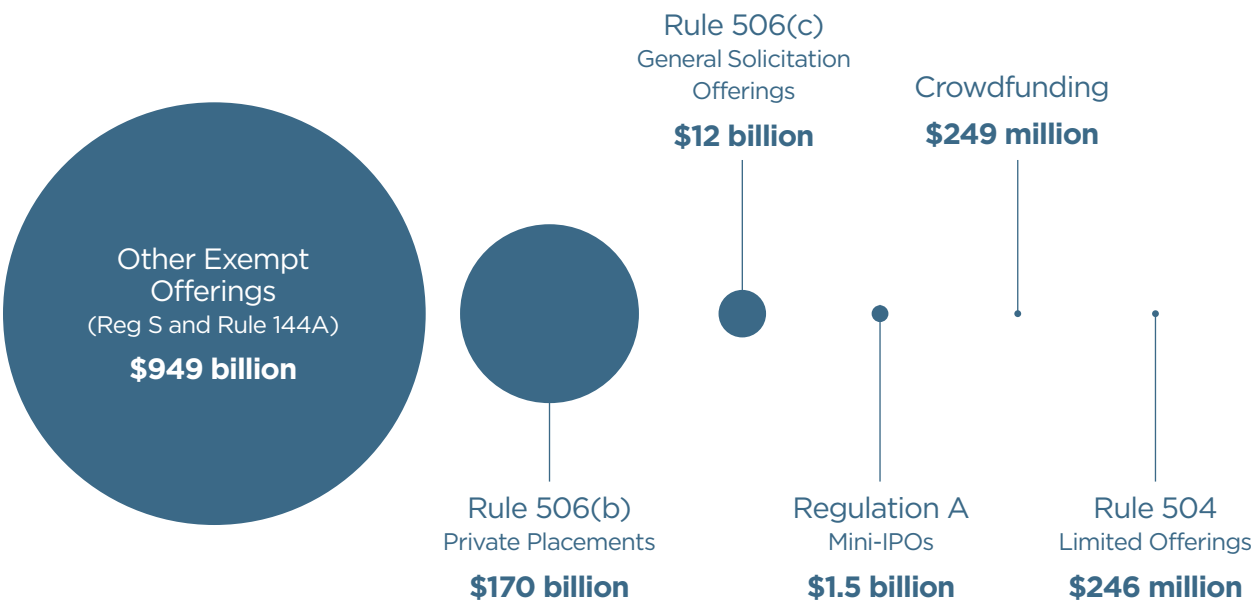
COMMITTEE | Highlights

ENDNOTES | All the Details

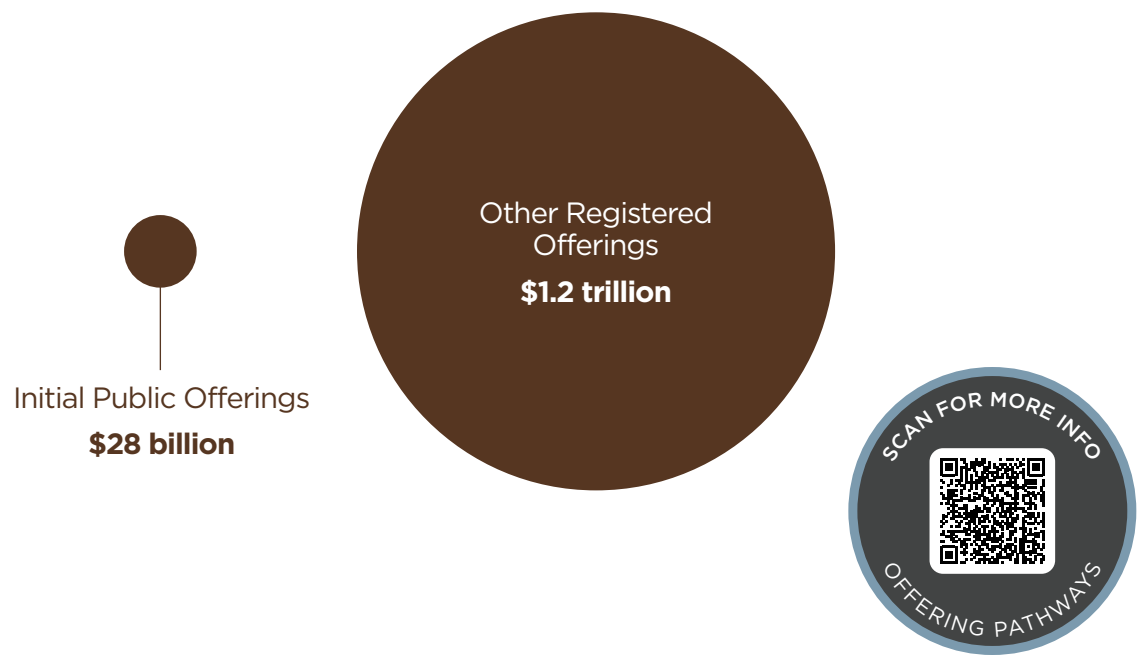
OFFICE | Meet the Team

What regulatory pathways are companies (excluding pooled funds) using to raise capital?⁵⁰

Exempt Offerings



Registered Offerings



Contents

MISSION | Who We Are

DATA | State of Capital Formation

- Introduction
- Small and Emerging Businesses and Exempt Offering Data
- Mature and Later-Stage Businesses
- Initial Public Offerings and Small Public Companies
- Women Founders and Investors
- Diverse Founders and Investors
- Natural Disaster Areas
- Rural Communities

POLICY | Recommendations

ADVOCACY | What We Do

COMMITTEE | Highlights

ENDNOTES | All the Details

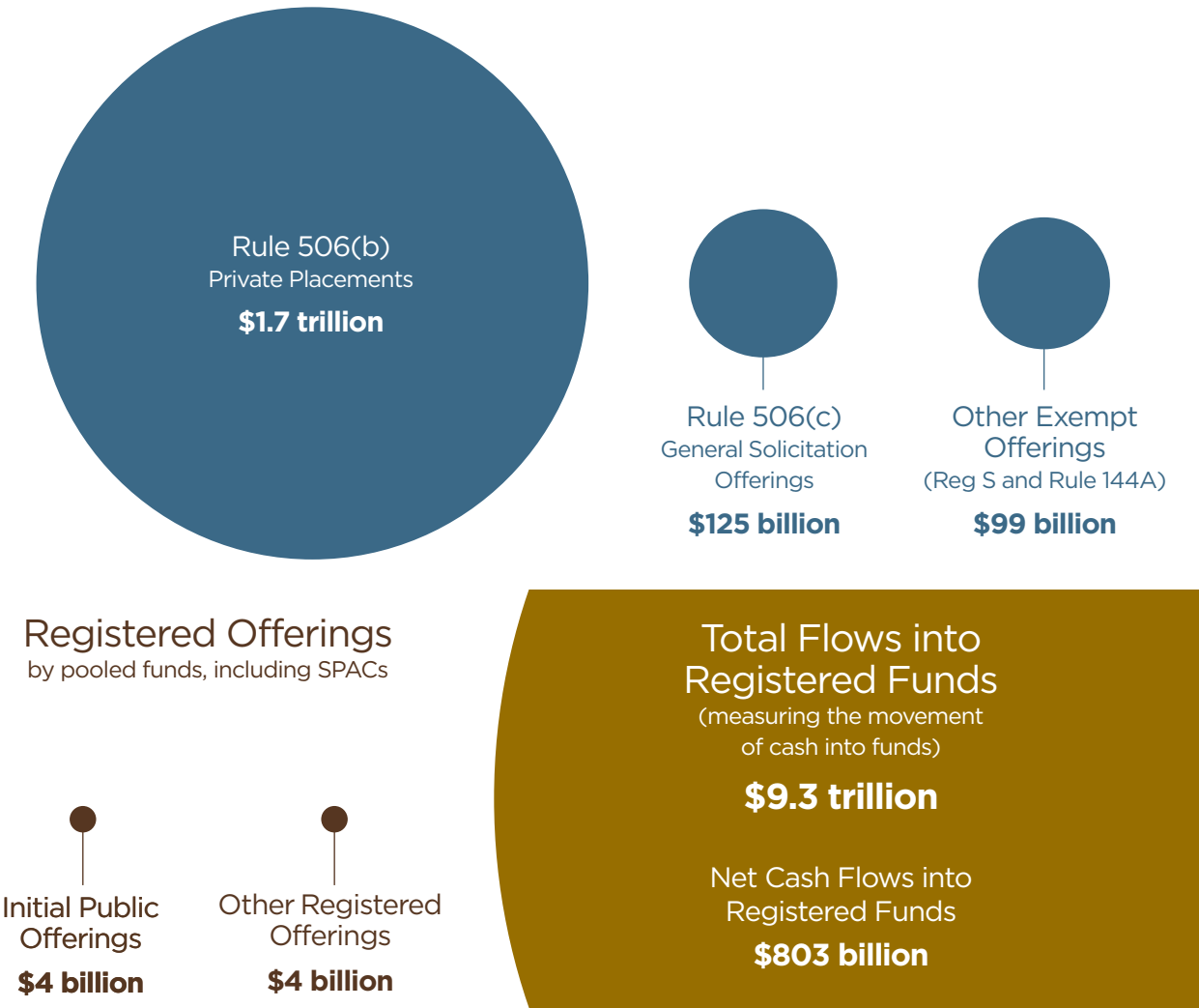
OFFICE | Meet the Team

What is happening with pooled funds?

The regulatory pathways used by different types of pooled funds differ from those used by companies. To place the pathways in context, of the \$112 trillion in the U.S. capital markets as of the end of 2023, assets were divided between:⁵¹



What regulatory pathways are pooled funds using to raise capital?⁵³



Contents

MISSION | Who We Are

DATA | State of Capital Formation

- Introduction
- Small and Emerging Businesses and Exempt Offering Data**
- Mature and Later-Stage Businesses
- Initial Public Offerings and Small Public Companies
- Women Founders and Investors
- Diverse Founders and Investors
- Natural Disaster Areas
- Rural Communities

POLICY | Recommendations

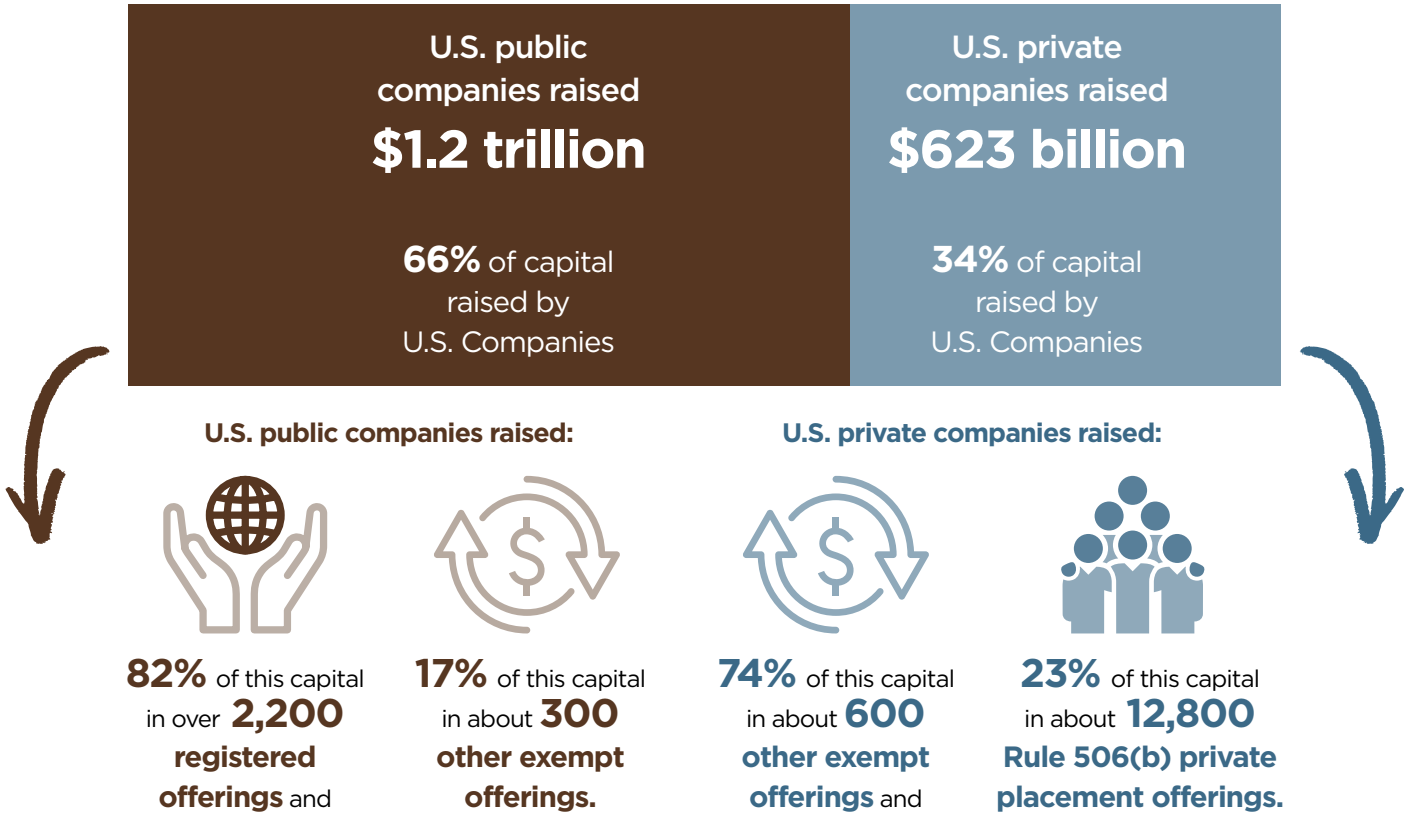
ADVOCACY | What We Do

COMMITTEE | Highlights

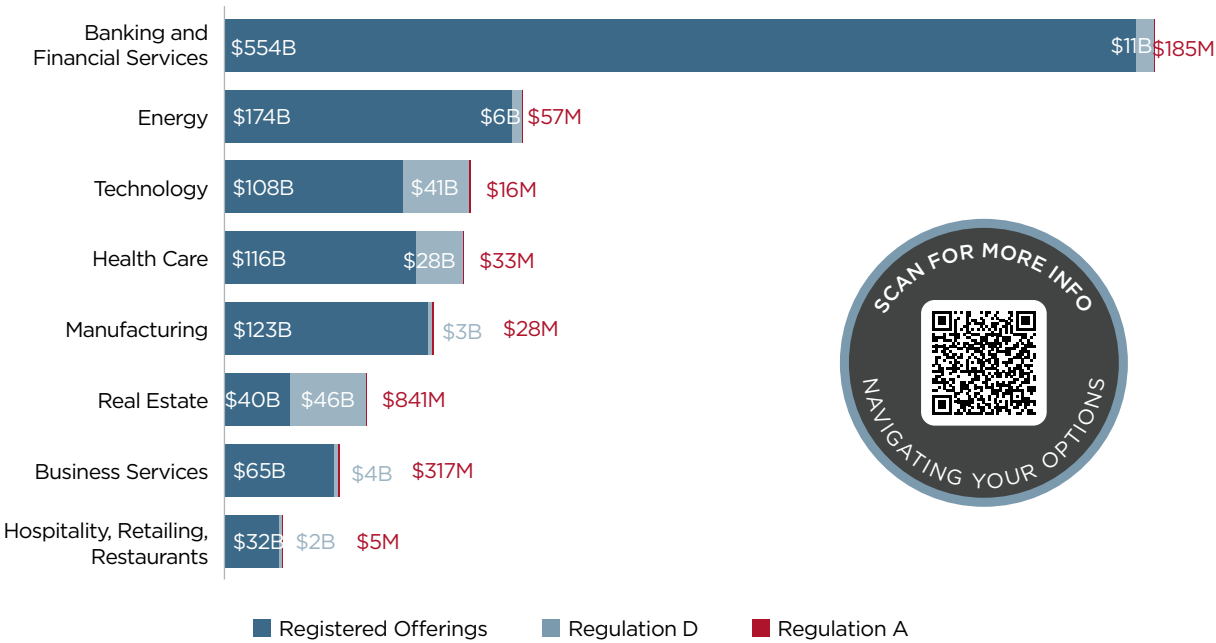
ENDNOTES | All the Details

OFFICE | Meet the Team

How much did U.S. public and private companies (excluding pooled funds) raise from investors?⁵⁴



How are different industries using the top 3 offering pathways?⁵⁵



Contents

MISSION | Who We Are

DATA | State of Capital Formation

- Introduction
- Small and Emerging Businesses and Exempt Offering Data
- Mature and Later-Stage Businesses
- Initial Public Offerings and Small Public Companies
- Women Founders and Investors
- Diverse Founders and Investors
- Natural Disaster Areas
- Rural Communities

POLICY | Recommendations

ADVOCACY | What We Do

COMMITTEE | Highlights

ENDNOTES | All the Details

OFFICE | Meet the Team

What is happening with Regulation Crowdfunding offerings?



19% of businesses doing a crowdfunding offering **previously secured equity funding**.⁵⁶



53% of businesses doing a crowdfunding offering **generated revenue**.⁵⁷

61% of businesses doing a crowdfunding offering have **2-5 employees**.⁵⁸



48% of businesses doing a crowdfunding offering were **2 to 3 years old**.⁵⁹



Businesses from **1,750 cities** have done a crowdfunding offering.⁶⁰

\$1,200 was the average investor check size in a crowdfunding offering.⁶¹



0.3% of businesses that completed a crowdfunding offering had an **IPO exit**.⁶²



2.5 years

was the average period between a crowdfunding investment and an exit or failure.⁶³



\$106,000 was the median raise in 2023 (down from \$136,000 in 2022).

\$368,000 was the average raise in 2023 (down from \$429,000 in 2022).⁶⁴

Contents

MISSION | Who We Are

DATA | State of Capital Formation

Introduction

Small and Emerging Businesses and Exempt Offering Data

Mature and Later-Stage Businesses

Initial Public Offerings and Small Public Companies

Women Founders and Investors

Diverse Founders and Investors

Natural Disaster Areas

Rural Communities

POLICY | Recommendations

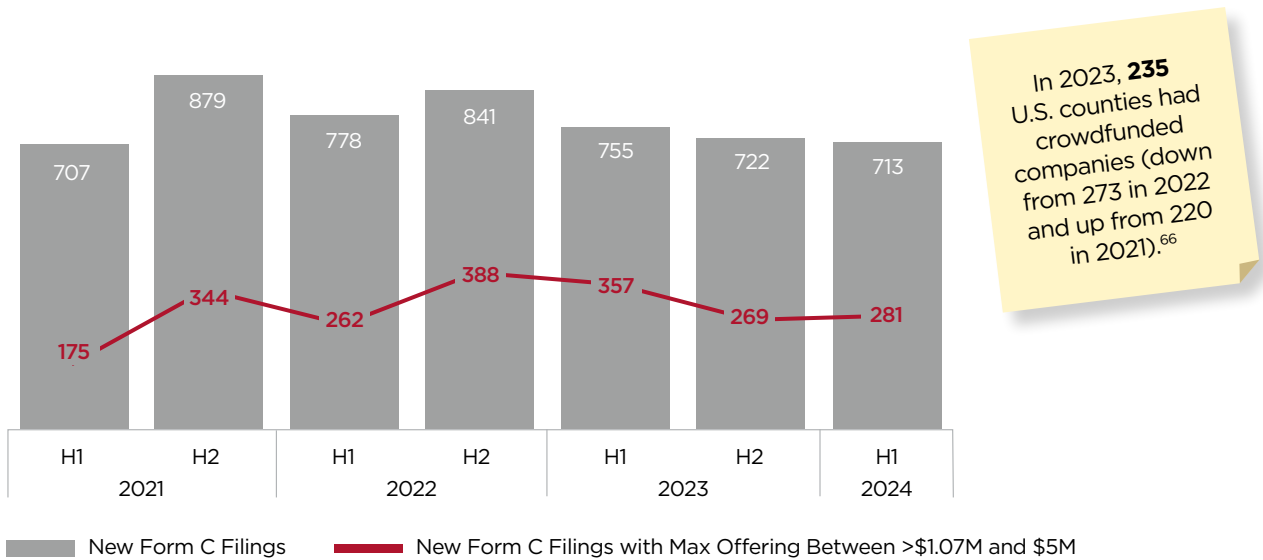
ADVOCACY | What We Do

COMMITTEE | Highlights

ENDNOTES | All the Details

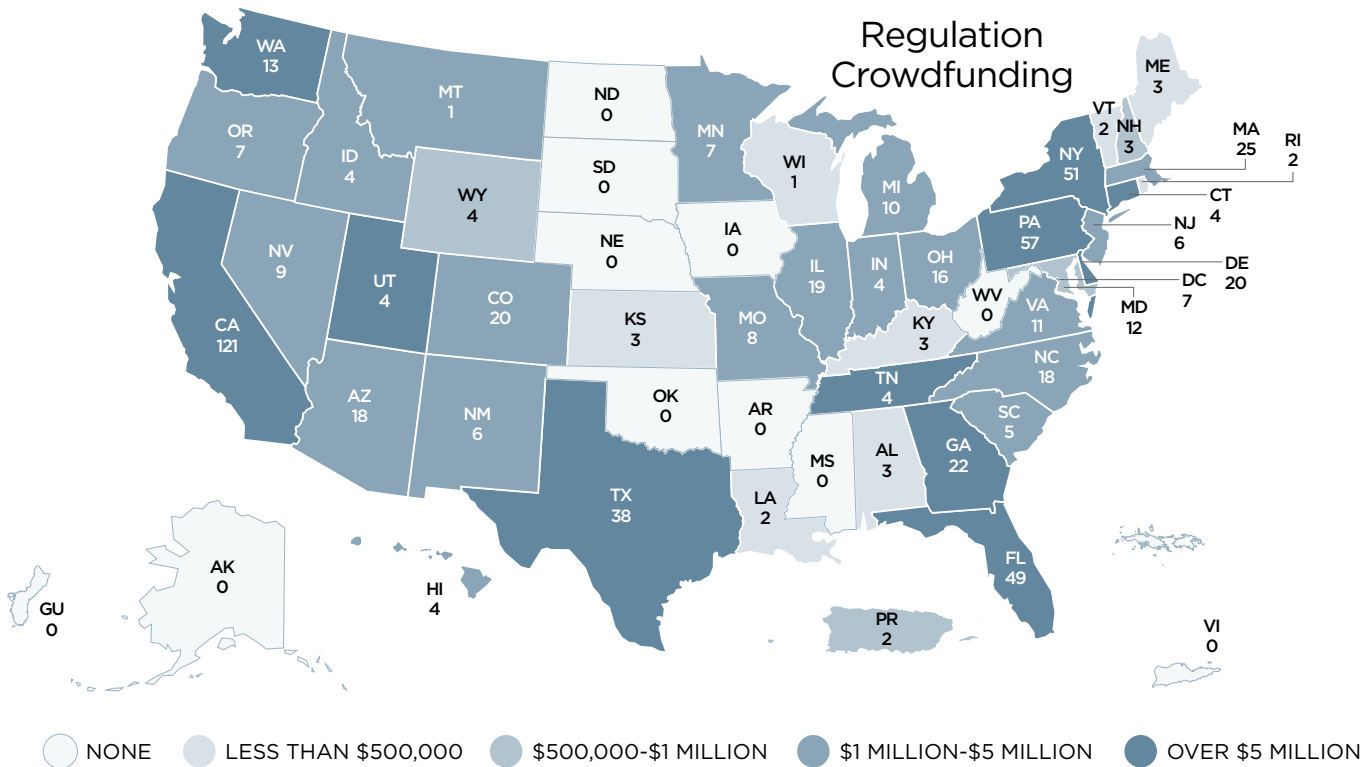
OFFICE | Meet the Team

The number of new crowdfunding offerings remained relatively stable.⁶⁵



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.⁶⁷



Contents

MISSION | Who We Are

DATA | State of Capital Formation

Introduction

Small and Emerging Businesses and Exempt Offering Data

Mature and Later-Stage Businesses

Initial Public Offerings and Small Public Companies

Women Founders and Investors

Diverse Founders and Investors

Natural Disaster Areas

Rural Communities

POLICY | Recommendations

ADVOCACY | What We Do

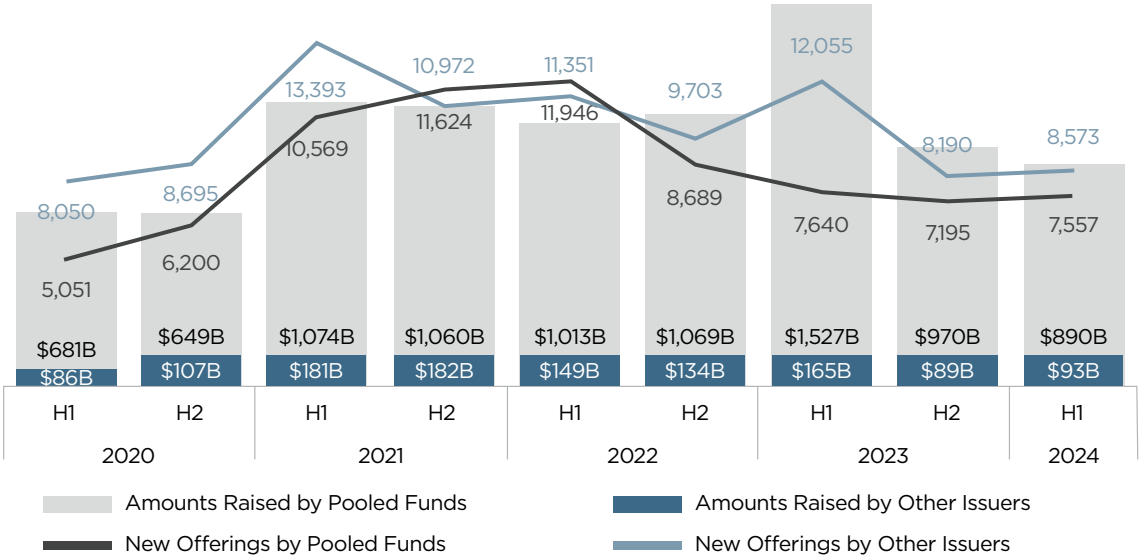
COMMITTEE | Highlights

ENDNOTES | All the Details

OFFICE | Meet the Team

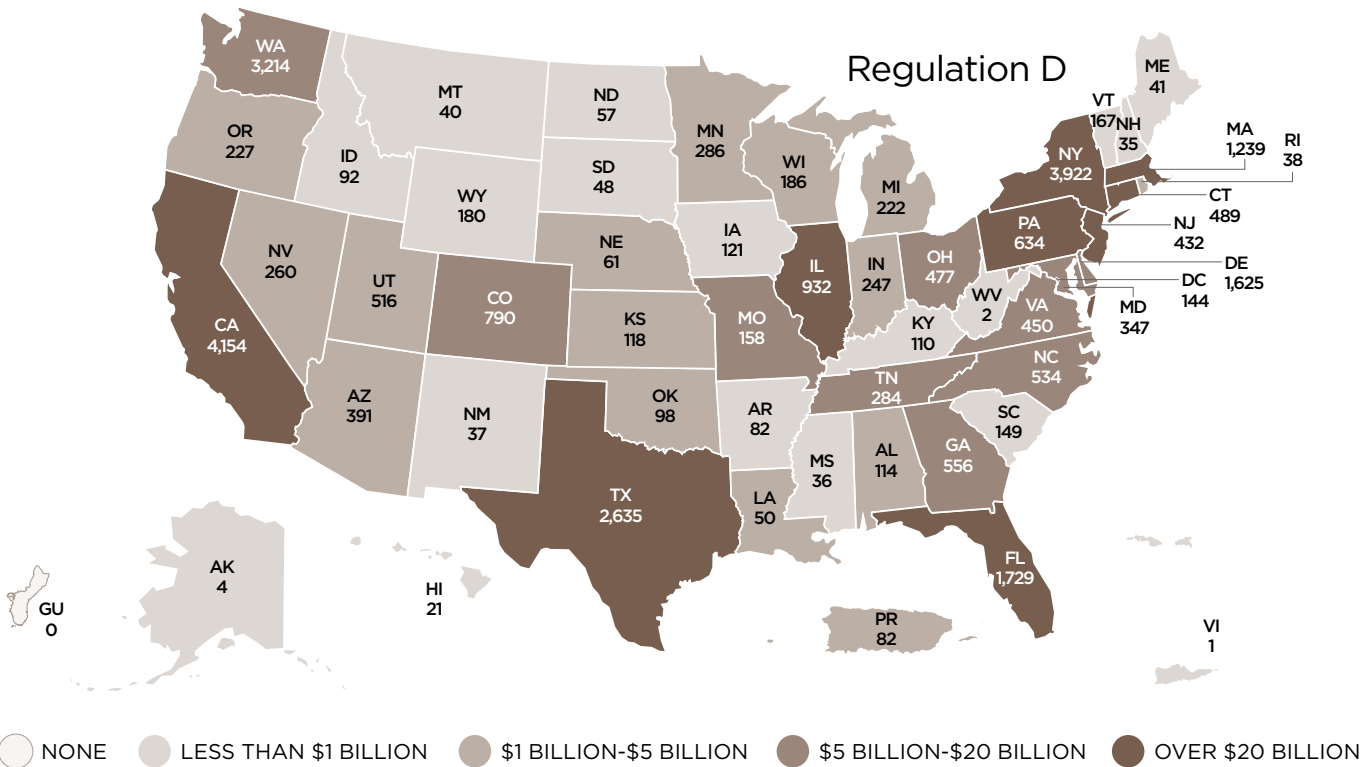
What is happening with Regulation D Offerings?

Pooled funds account for almost 90% of the amounts raised under Regulation D, but only about 45% of offerings.⁶⁸



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.⁶⁹



Contents

MISSION | Who We Are

DATA | State of Capital Formation

Introduction

Small and Emerging Businesses
and Exempt Offering Data

Mature and Later-Stage Businesses

Initial Public Offerings and Small
Public Companies

Women Founders and Investors

Diverse Founders and Investors

Natural Disaster Areas

Rural Communities

POLICY | Recommendations

ADVOCACY | What We Do

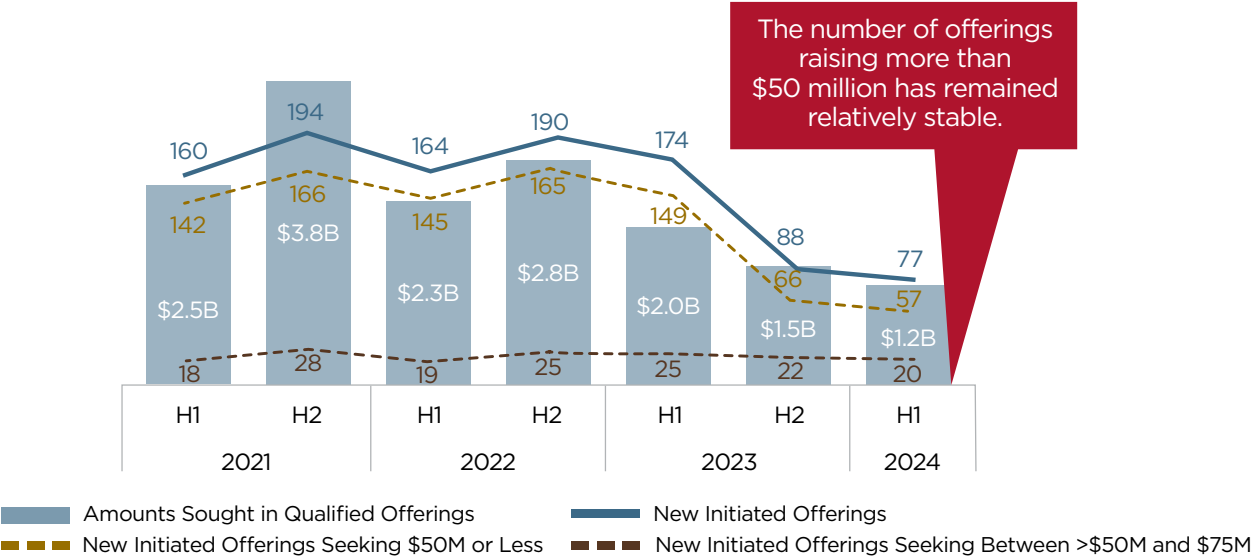
COMMITTEE | Highlights

ENDNOTES | All the Details

OFFICE | Meet the Team

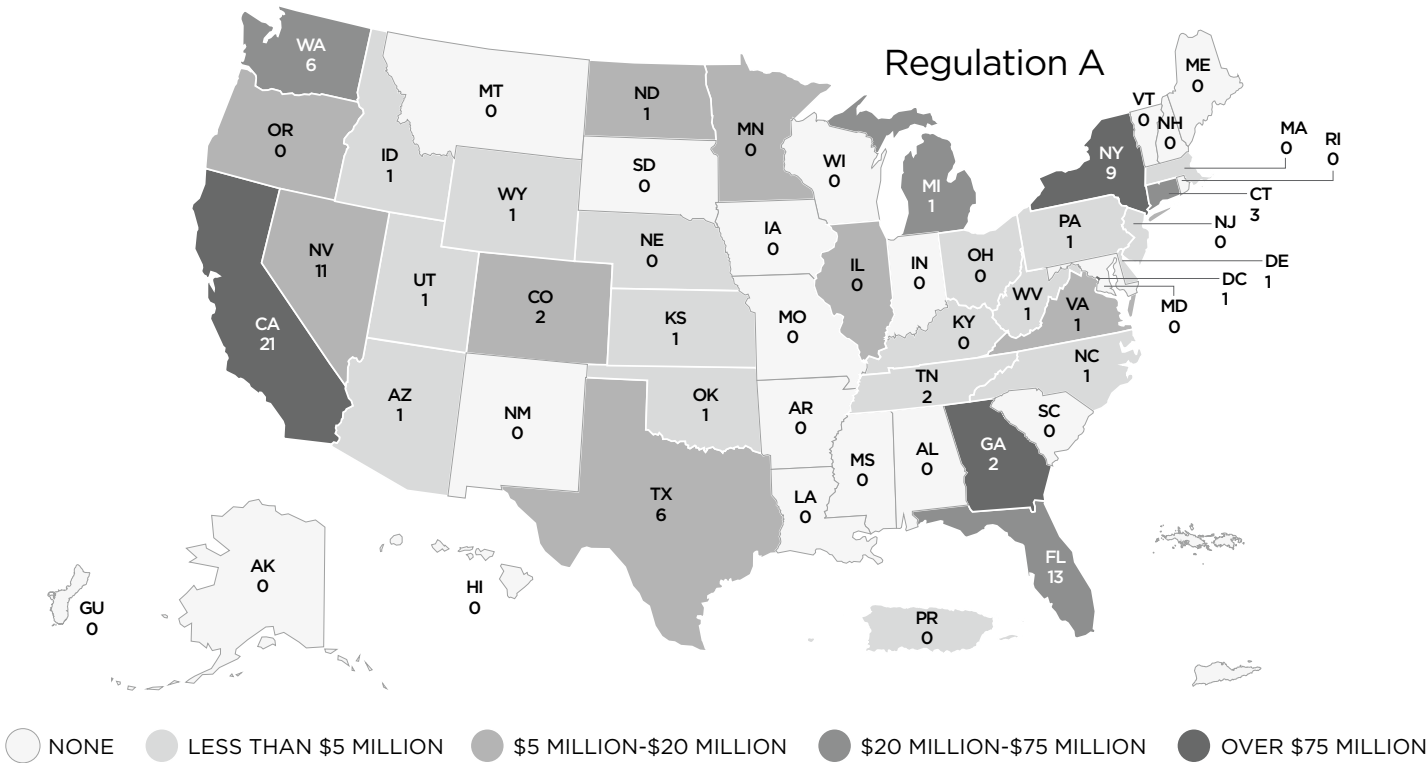
What is happening with Regulation A offerings?

The amounts and number of offerings have continued to decline.⁷⁰



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.⁷¹



Contents

MISSION | Who We Are

DATA | State of Capital Formation

Introduction

Small and Emerging Businesses
and Exempt Offering Data

Mature and Later-Stage Businesses

Initial Public Offerings and Small
Public Companies

Women Founders and Investors

Diverse Founders and Investors

Natural Disaster Areas

Rural Communities

POLICY | Recommendations

ADVOCACY | What We Do

COMMITTEE | Highlights

ENDNOTES | All the Details

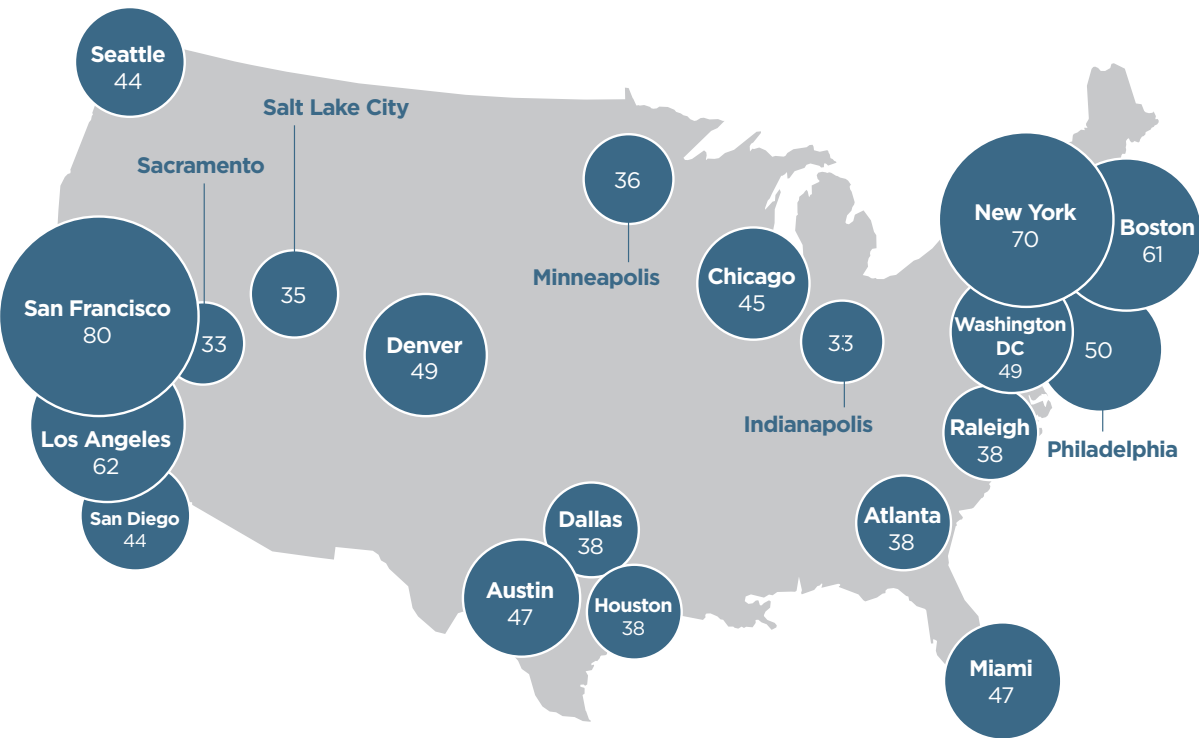
OFFICE | Meet the Team

Mature and Later-Stage Businesses

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

While California, New York, and Massachusetts continue to have well-established VC ecosystems, new VC ecosystems are growing across the country.

The below map illustrates the comparative scores of the top U.S. cities based on the size, maturity, and growth rate of each city's VC ecosystem. These scores consider the growth of deal and fundraising activities as well as the ability of startups in an area to secure capital, grow, and successfully exit.⁷²



Contents

MISSION | Who We Are

DATA | State of Capital Formation

Introduction

Small and Emerging Businesses
and Exempt Offering Data

Mature and Later-Stage Businesses

Initial Public Offerings and Small
Public Companies

Women Founders and Investors

Diverse Founders and Investors

Natural Disaster Areas

Rural Communities

POLICY | Recommendations

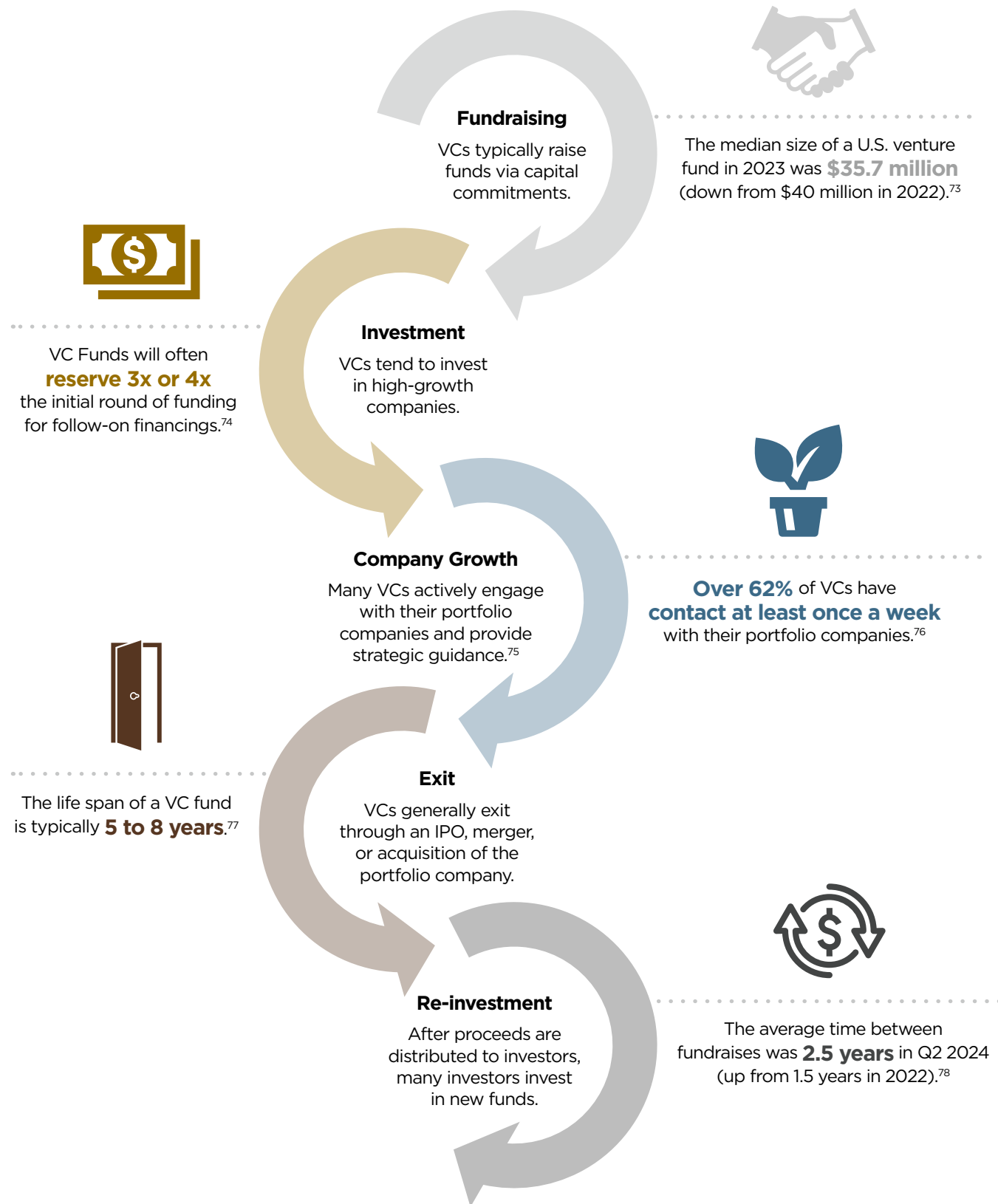
ADVOCACY | What We Do

COMMITTEE | Highlights

ENDNOTES | All the Details

OFFICE | Meet the Team

How does venture capital work?



Contents

MISSION | Who We Are

DATA | State of Capital Formation

Introduction

Small and Emerging Businesses
and Exempt Offering Data

Mature and Later-Stage Businesses

Initial Public Offerings and Small
Public Companies

Women Founders and Investors

Diverse Founders and Investors

Natural Disaster Areas

Rural Communities

POLICY | Recommendations

ADVOCACY | What We Do

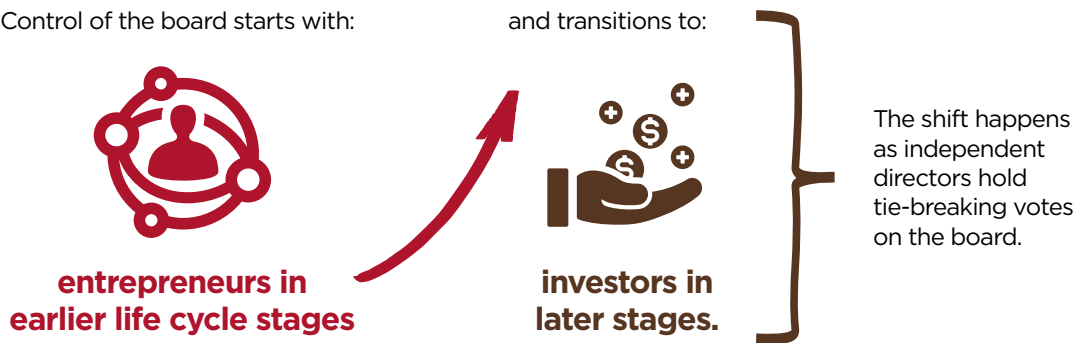
COMMITTEE | Highlights

ENDNOTES | All the Details

OFFICE | Meet the Team

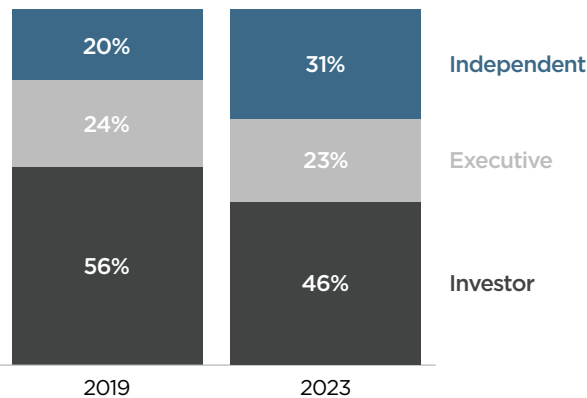
What are the roles of private company boards?

A private company’s board, which is the company’s decision-making authority, transitions with the company’s growth.⁷⁹



How are the boards of private companies changing?

Over the past few years, private company boards **increased their share** of independent directors, decreasing the share of investor directors.⁸⁰



Renewed investor interest in governance may reverse some of these trends in 2024.⁸¹

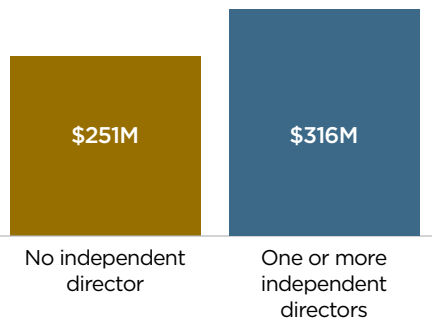


Every major investor is now asking for a board seat, versus 2021 when you had maybe 50% [requesting a seat]....”

YASH PATEL,
TELSTRA VENTURES.⁸²

How have independent directors impacted companies?

Companies with an **independent director raise 26% more funding** than those without.⁸³



Benefits of an independent director:

- ✓ introduces, among board members, differences in the way people think;⁸⁴
- ✓ plays a “mediation” role, mediating and resolving potential conflicts between VCs and entrepreneurs;⁸⁵ and
- ✓ plays an advising role in later stages.⁸⁶

Contents

MISSION | Who We Are

DATA | State of Capital Formation

Introduction

Small and Emerging Businesses and Exempt Offering Data

Mature and Later-Stage Businesses

Initial Public Offerings and Small Public Companies

Women Founders and Investors

Diverse Founders and Investors

Natural Disaster Areas

Rural Communities

POLICY | Recommendations

ADVOCACY | What We Do

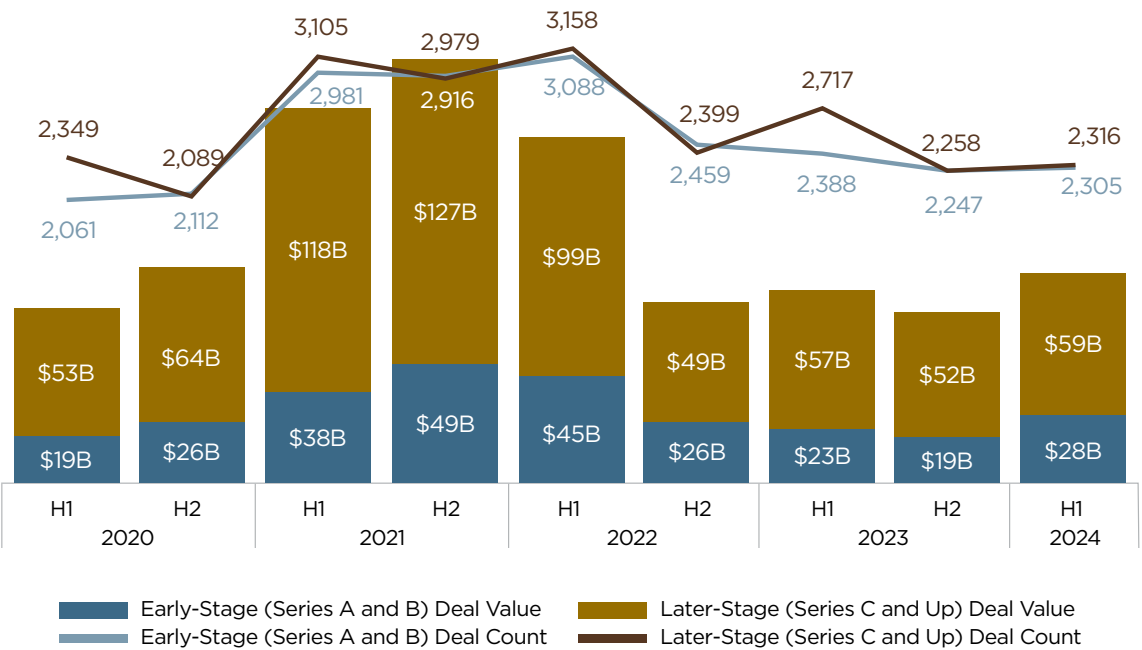
COMMITTEE | Highlights

ENDNOTES | All the Details

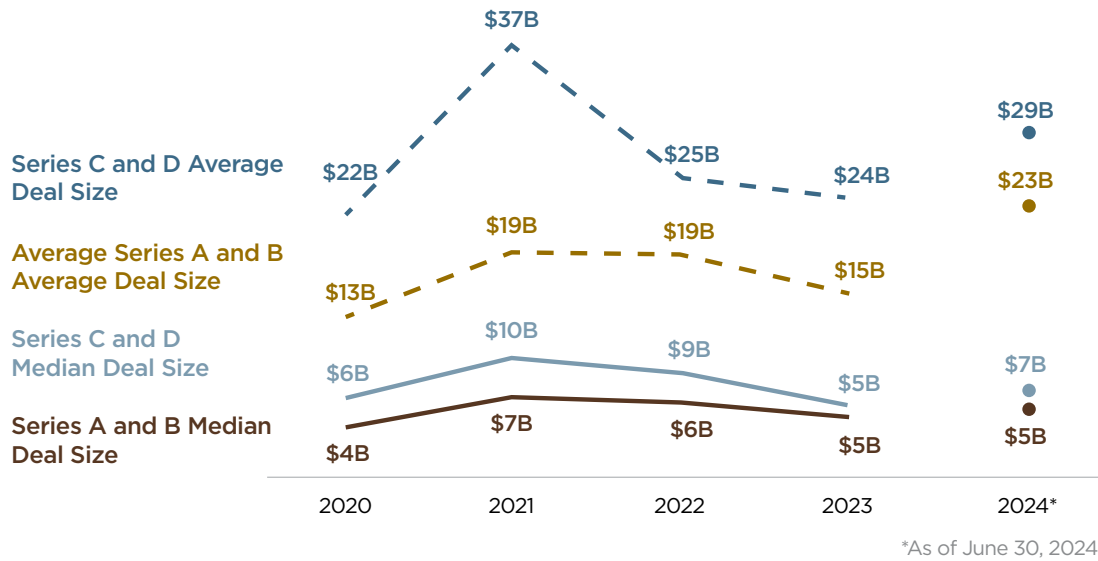
OFFICE | Meet the Team

How is VC investment activity changing?

Consistent with trends noted in seed rounds, deals remained relatively steady and well below the historical peaks in 2021.⁸⁷



Median and average deal sizes have generally increased from 2023 to the first half of 2024.⁸⁸



Contents

MISSION | Who We Are

DATA | State of Capital Formation

- Introduction
- Small and Emerging Businesses and Exempt Offering Data
- Mature and Later-Stage Businesses**
- Initial Public Offerings and Small Public Companies
- Women Founders and Investors
- Diverse Founders and Investors
- Natural Disaster Areas
- Rural Communities

POLICY | Recommendations

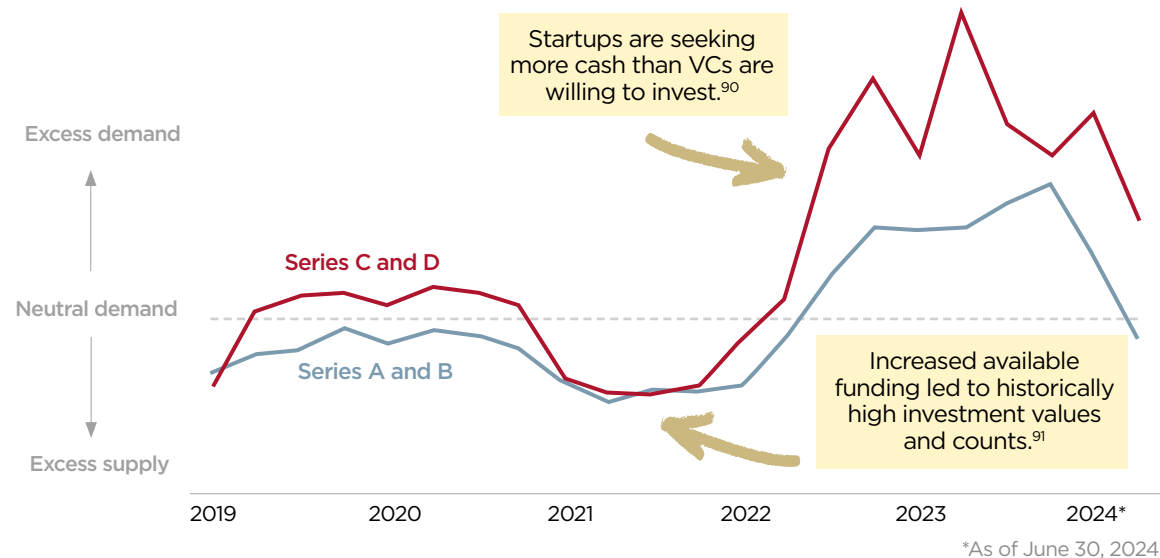
ADVOCACY | What We Do

COMMITTEE | Highlights

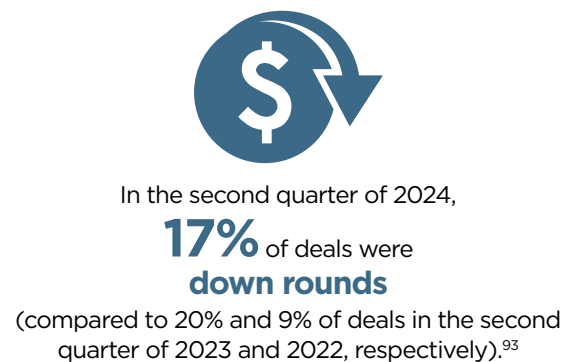
ENDNOTES | All the Details

OFFICE | Meet the Team

Entrepreneurs continue to face a tough investment environment as startups' demands for later-stage capital outpaces available supply from investors.⁸⁹



Down rounds—where a company's valuation dropped since a prior round—remain elevated across stages as valuations readjust from the historic highs of 2021.⁹²



Since 2015, roughly 60%-70% of startups that raised a down round went on to **raise another equity round or exit** in their next deal.⁹⁴

Startups look for ways to stretch their cash as the median time between rounds remains high.⁹⁵

The **median time** between rounds:⁹⁶

23 months
between Seed and Series A

28 months
between Series A and Series B

27 months
between Series B and Series C

Contents

MISSION | Who We Are

DATA | State of Capital Formation

- Introduction
- Small and Emerging Businesses and Exempt Offering Data
- Mature and Later-Stage Businesses**
- Initial Public Offerings and Small Public Companies
- Women Founders and Investors
- Diverse Founders and Investors
- Natural Disaster Areas
- Rural Communities

POLICY | Recommendations

ADVOCACY | What We Do

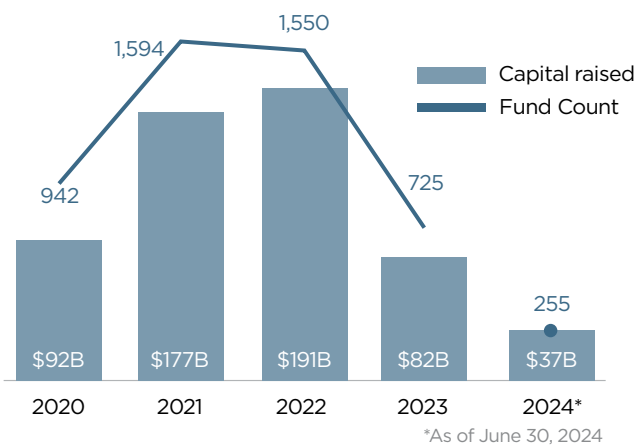
COMMITTEE | Highlights

ENDNOTES | All the Details

OFFICE | Meet the Team

How is VC fundraising activity changing?

VC fundraising remains below 2020 levels.⁹⁷



2.5 years
is the median **time between funds**
(increase from 1.5 years in 2022).⁹⁸

13%
of venture GPs **don't plan to raise another fund**
(increase from 6% in the first half of 2023).⁹⁹

Large funds continue to dominate.¹⁰⁰



63% of capital is concentrated in funds with **\$500 million or more** in assets
(up from 55% in 2023 and down from 64% in 2022).

While the vast majority of VC funds use the traditional private placement capital-raising exemption, the VC fund managers that opt to use an exemption allowing advertising are disproportionately underrepresented managers.¹⁰¹

Since 2013, only

8.4%

of VC funds have used the Rule 506(c) offering exemption allowing advertising to raise capital.¹⁰²

These VC funds:

- ➔ have a **smaller median size**,
- ➔ **a higher share** of women, African American/Black, Hispanic/Latino, first-time, and non-elite school managers, and
- ➔ are significantly more likely to be in the **top-quartile** of financial returns for VC funds.

VC fund managers that use Rule 506(c) are **more likely** to fund startups with first-time, women, and non-elite school entrepreneurs.¹⁰³

Contents

MISSION | Who We Are

DATA | State of Capital Formation

Introduction

Small and Emerging Businesses and Exempt Offering Data

Mature and Later-Stage Businesses

Initial Public Offerings and Small Public Companies

Women Founders and Investors

Diverse Founders and Investors

Natural Disaster Areas

Rural Communities

POLICY | Recommendations

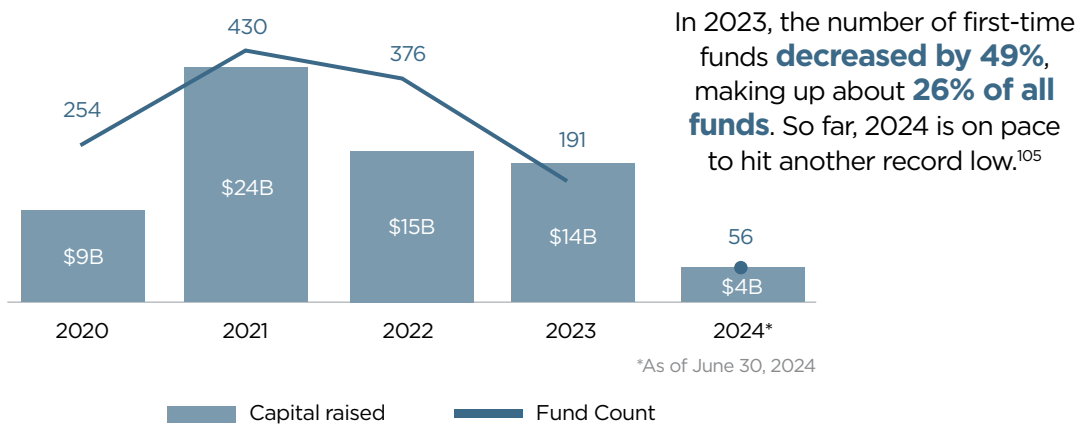
ADVOCACY | What We Do

COMMITTEE | Highlights

ENDNOTES | All the Details

OFFICE | Meet the Team

First-time VC managers face obstacles in a challenging market.¹⁰⁴



Institutional investors’ appetite for investing in first-time or new VC managers is starting to decrease again.¹⁰⁶



42%
of institutions do not invest in first-time managers (up from 28% in 2023, but down from 51% in 2022).



70%
of LPs have no plans to add new VC managers (up from 44% in 2023 and 34% in 2022).

“

First-time managers looking to raise their sophomore VC fund face a high hurdle to attract LP capital because they have minimal track records, as they are not likely to have realized significant, if any, exits within their portfolio. Not only that, but new managers that recently raised their first fund invested through the valuation swell and are now tasked with tackling the issues of portfolio company down rounds, shrinking cash runways, and a lack of liquidity to maximize interim fund returns and continue to capture LP commitments.

MAX NAVAS, PITCHBOOK¹⁰⁷

Contents

MISSION | Who We Are

DATA | State of Capital Formation

- Introduction
- Small and Emerging Businesses and Exempt Offering Data
- Mature and Later-Stage Businesses
- Initial Public Offerings and Small Public Companies
- Women Founders and Investors
- Diverse Founders and Investors
- Natural Disaster Areas
- Rural Communities

POLICY | Recommendations

ADVOCACY | What We Do

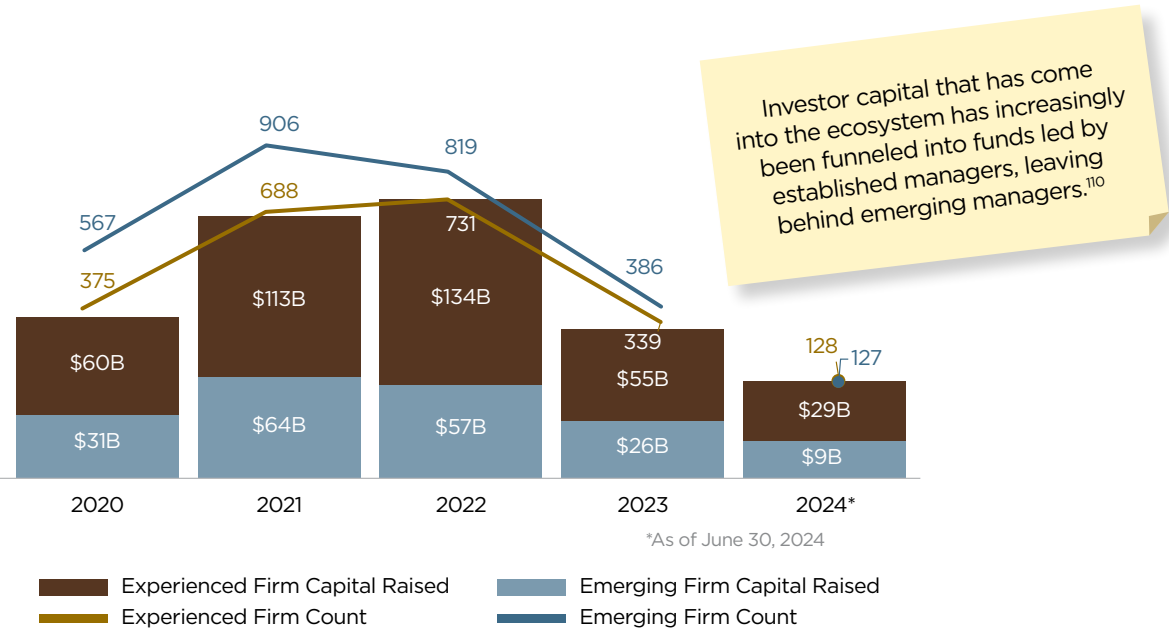
COMMITTEE | Highlights

ENDNOTES | All the Details

OFFICE | Meet the Team

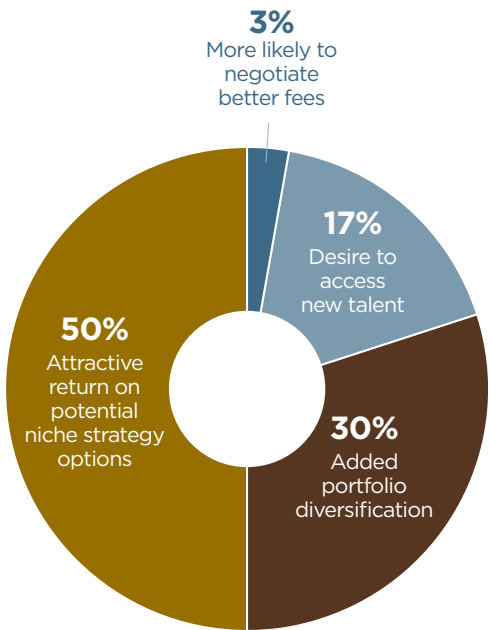
Emerging fund managers continue to experience decreased market share.¹⁰⁸

In the first half of 2024, emerging VC firms made up about half of the total firms but raised less than a quarter of the total capital.¹⁰⁹



VC investors’—limited partners or LPs’—interest in emerging managers was most frequently driven by attractive returns on potential niche strategies.¹¹¹

While returns are more volatile, emerging managers have outperformed their established peers historically.¹¹²



Contents

MISSION | Who We Are

DATA | State of Capital Formation

- Introduction
- Small and Emerging Businesses and Exempt Offering Data
- Mature and Later-Stage Businesses
- Initial Public Offerings and Small Public Companies
- Women Founders and Investors
- Diverse Founders and Investors
- Natural Disaster Areas
- Rural Communities

POLICY | Recommendations

ADVOCACY | What We Do

COMMITTEE | Highlights

ENDNOTES | All the Details

OFFICE | Meet the Team

How have LP investors affected VC fundraising?

Newer or less experienced LPs had a positive influence on fund performance through more effective monitoring of the investments.¹¹³

VC funds had improved performance when:



LPs had smaller and more frequent investments



Less experienced LPs—who are likely to put more time and effort into their investment—participated in the fund



Monitoring is a reciprocal process: the LP ensures their investment yields returns, while the GP builds their reputation to sustain ongoing fundraising efforts.

KHALED ABDOU AND PARAMITA GUPTA¹¹⁴

While nontraditional investor activity slowed, activity remained concentrated in later-stage deals.¹¹⁵

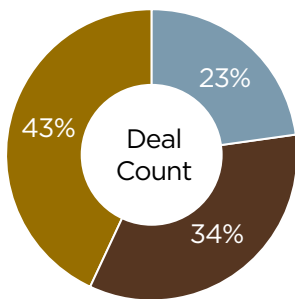
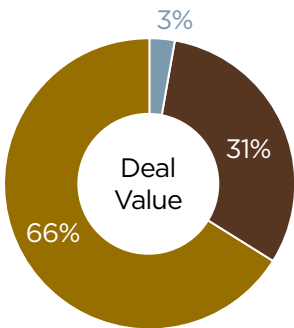
In 2023, nontraditional investors participated in

31% of **VC deals**, but accounted for **73%** of total **VC deal value**

(down from 37% of deals and 77% of deal value in 2022).

Nontraditional investors include firms and institutions not labeled as VCs.¹¹⁶

Of the **\$69 billion** invested by nontraditional investors in VC deals, **66%** went to **later-stage** deals, which accounted for **43% of the deals**.¹¹⁷



■ Pre-seed and seed
■ Early-stage
■ Later-stage

Contents

MISSION | Who We Are

DATA | State of Capital Formation

Introduction

Small and Emerging Businesses and Exempt Offering Data

Mature and Later-Stage Businesses

Initial Public Offerings and Small Public Companies

Women Founders and Investors

Diverse Founders and Investors

Natural Disaster Areas

Rural Communities

POLICY | Recommendations

ADVOCACY | What We Do

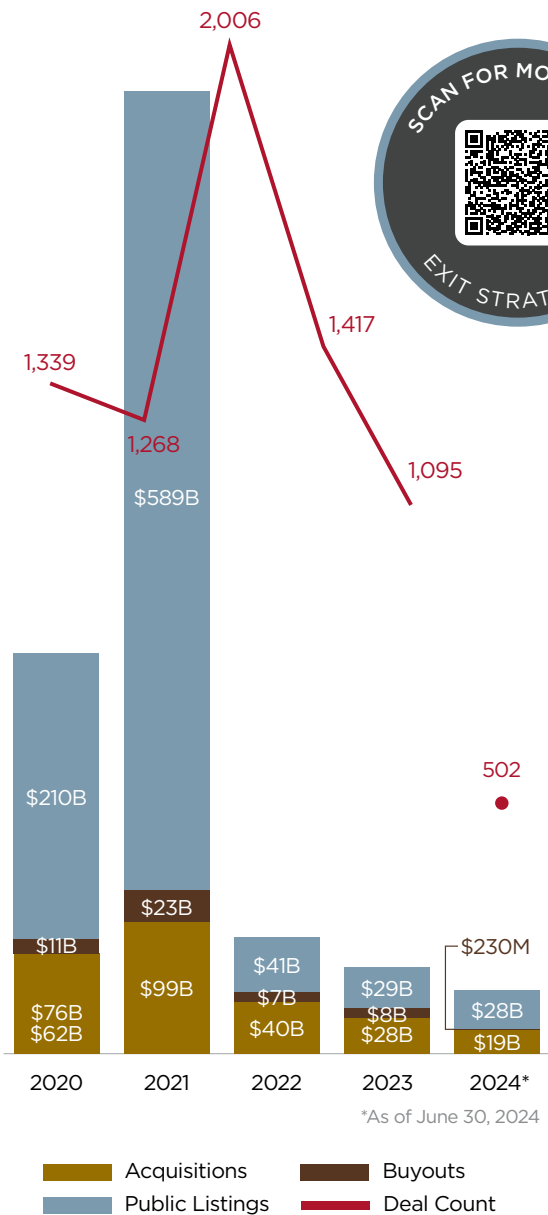
COMMITTEE | Highlights

ENDNOTES | All the Details

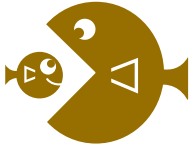
OFFICE | Meet the Team

Exits and exit value continued to decline from a decade high in 2021.¹¹⁸

US VC exit value continued to decline since a decade high in 2021, decreasing **91%** between 2021 and 2023.¹¹⁹



In the first half of 2024:¹²⁰



Acquisitions generated **40%** of exit value and accounted for **71%** of exit volume.



IPOs generated **58%** of exit value and accounted for **7%** of exit volume.

As exit activity continues to slow, LPs may reduce reinvestments, which contributes to the challenging fundraising environment.



Cash distributions, as a share of net assets, decreased to the **lowest level since 2010**.¹²¹

Contents

MISSION | Who We Are

DATA | State of Capital Formation

- Introduction
- Small and Emerging Businesses and Exempt Offering Data
- Mature and Later-Stage Businesses
 - Initial Public Offerings and Small Public Companies
 - Women Founders and Investors
 - Diverse Founders and Investors
 - Natural Disaster Areas
 - Rural Communities

POLICY | Recommendations

ADVOCACY | What We Do

COMMITTEE | Highlights

ENDNOTES | All the Details

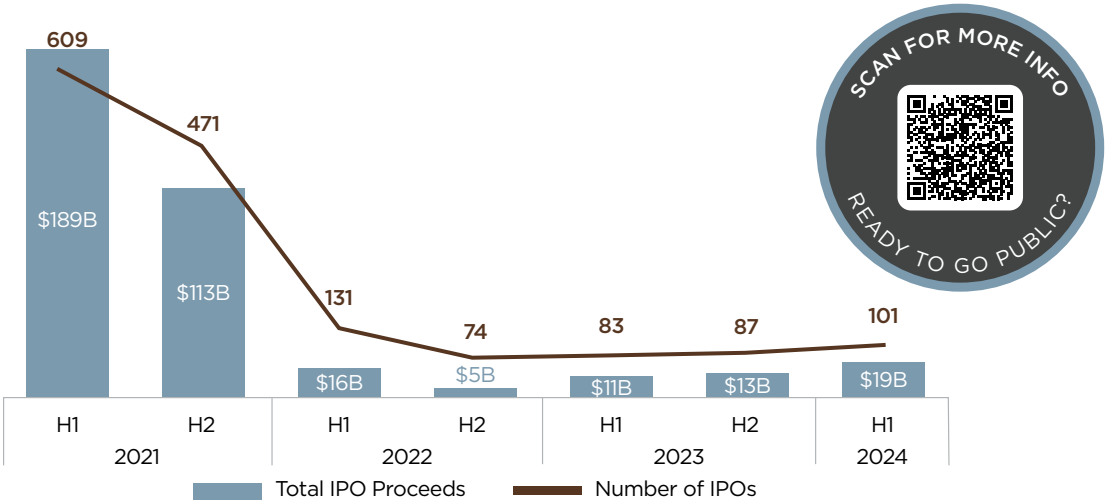
OFFICE | Meet the Team

Initial Public Offerings and Small Public Companies

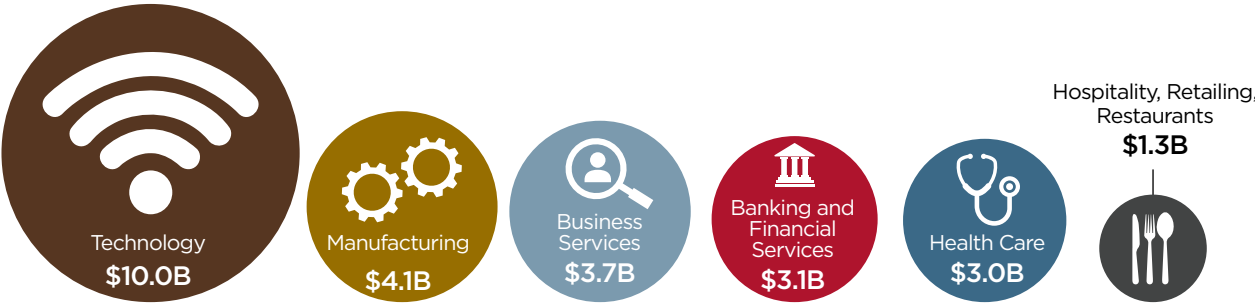
Companies can access broad pools of investors when they conduct public offerings. This allows them to potentially raise large amounts of capital to fund activities such as research and development, capital expenditures, or debt service. Public offerings also provide liquidity to earlier-stage investors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

What is happening with IPO activity?

While the volume and number of initial public offerings, or IPOs, remains significantly below the 2021 peak, the first half of 2024 saw a slight uptick for IPOs.¹²²



What are the top industries raising capital in IPOs (excluding pooled funds)?¹²³



Contents

MISSION | Who We Are

DATA | State of Capital Formation

Introduction

Small and Emerging Businesses and Exempt Offering Data

Mature and Later-Stage Businesses

Initial Public Offerings and Small Public Companies

Women Founders and Investors

Diverse Founders and Investors

Natural Disaster Areas

Rural Communities

POLICY | Recommendations

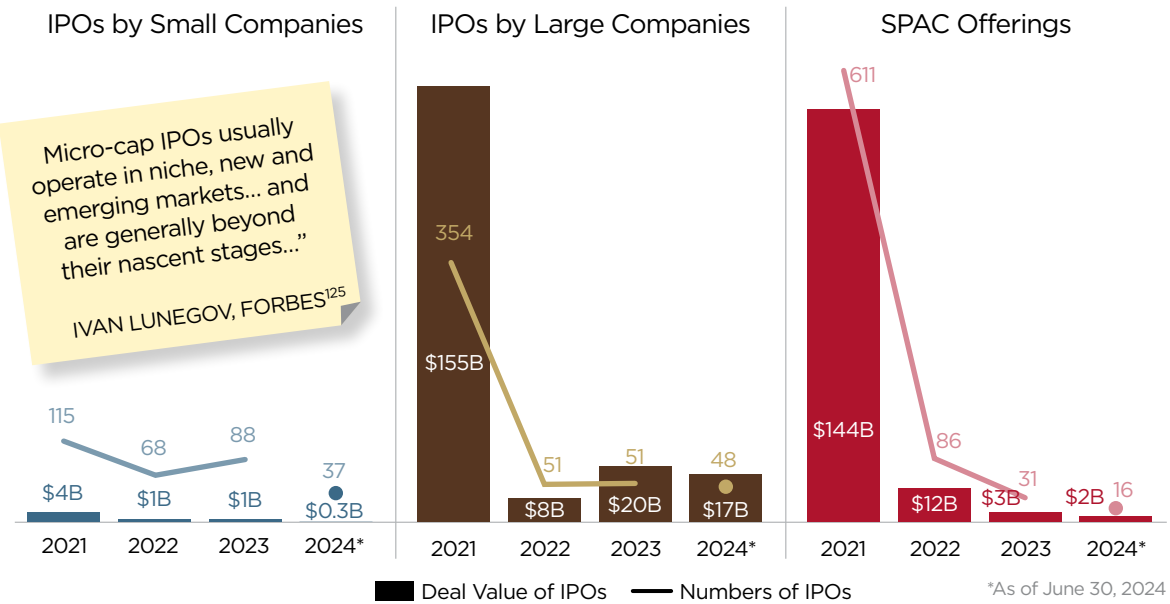
ADVOCACY | What We Do

COMMITTEE | Highlights

ENDNOTES | All the Details

OFFICE | Meet the Team

Since 2022, IPOs by small companies have accounted for 40% of the number of IPOs, but only 4% of the deal value.¹²⁴



In 2023, the number of exchange-listed IPOs and share of VC-backed IPOs remained historically low.¹²⁶



In 2023, there were **54 exchange-listed IPOs** (up from 38 in 2022, but the 4th lowest deal count since 1980).¹²⁷



In 2023, the **median age** of an IPO issuer was **10 years**, continuing the trend between 8 and 12 years.¹²⁸



43% of IPOs in 2023 were **VC-backed** (up from 37% in 2022 and down from 56% in 2021).¹²⁹

“

The reduction in the number of IPOs since 2001 has largely been driven by two factors: the increase in the availability of VC money has allowed companies to stay private longer, and the increasingly attractive business strategy of merging to achieve scale faster... The second factor appears to be more important in explaining the reduced IPO volume, in that if companies were merely staying private a few years longer, there would be older... companies going public.

RONGBING HUANG, ET AL¹³⁰

Contents

MISSION | Who We Are

DATA | State of Capital Formation

- Introduction
- Small and Emerging Businesses and Exempt Offering Data
- Mature and Later-Stage Businesses
- Initial Public Offerings and Small Public Companies**
- Women Founders and Investors
- Diverse Founders and Investors
- Natural Disaster Areas
- Rural Communities

POLICY | Recommendations

ADVOCACY | What We Do

COMMITTEE | Highlights

ENDNOTES | All the Details

OFFICE | Meet the Team

How are the dynamics changing for companies going public and their investors?

While IPOs offer a partial exit to VCs, VC involvement post-IPO is linked to higher valuations and returns.¹³¹

40% of VCs remain invested in a portfolio company for more than 3 years post-IPO.¹³²



When a lead VC remains invested in and continues to actively monitor a portfolio company post-IPO, it increases the VC’s returns and creates value through advisory and supportive roles.¹³³

The underwriting structure affects small v. large IPOs differently.¹³⁴

What is an underwriting syndicate?



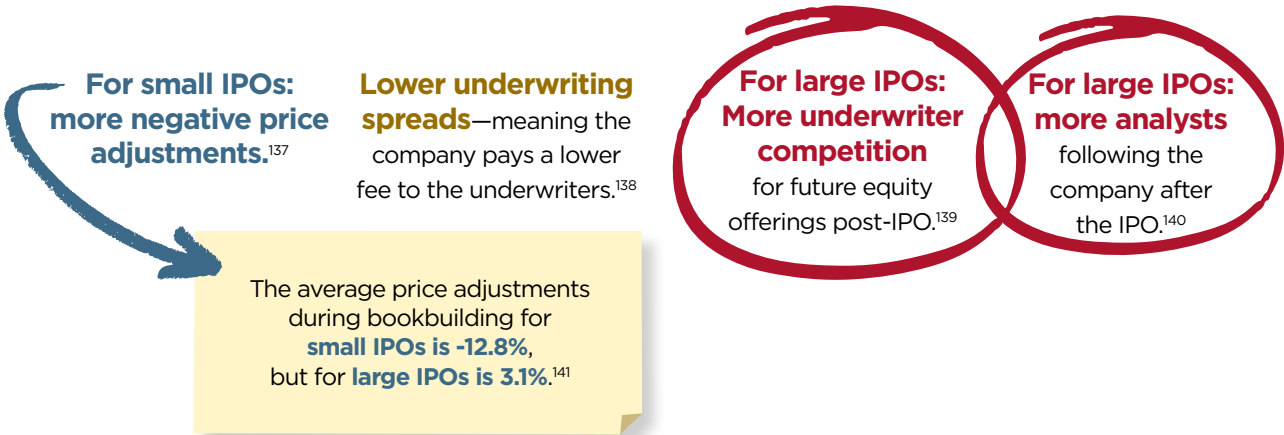
A group of investment banks and broker-dealers that sell a pool of securities in an IPO or other public offering.¹³⁵

How does the structure affect the IPO?



The number of underwriters and the distribution of shares, also called the syndicate structure, affects the IPO process and outcomes, but the effects vary by IPO size.

When there is more competition within the syndicate structure among underwriters, the IPO tends to have the following characteristics.¹³⁶



Contents

MISSION | Who We Are

DATA | State of Capital Formation

- Introduction
- Small and Emerging Businesses and Exempt Offering Data
- Mature and Later-Stage Businesses
- Initial Public Offerings and Small Public Companies
- Women Founders and Investors
- Diverse Founders and Investors
- Natural Disaster Areas
- Rural Communities

POLICY | Recommendations

ADVOCACY | What We Do

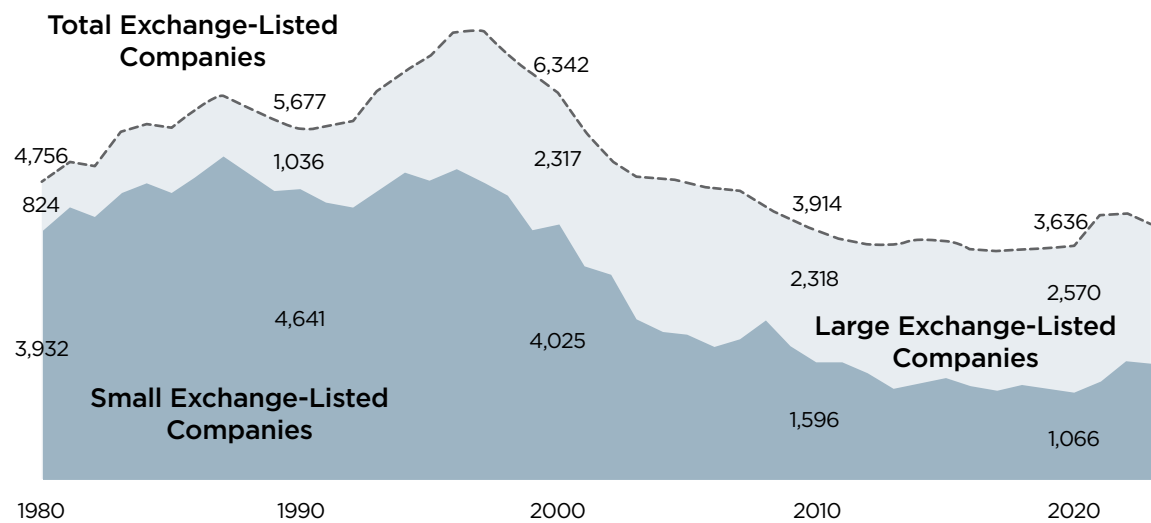
COMMITTEE | Highlights

ENDNOTES | All the Details

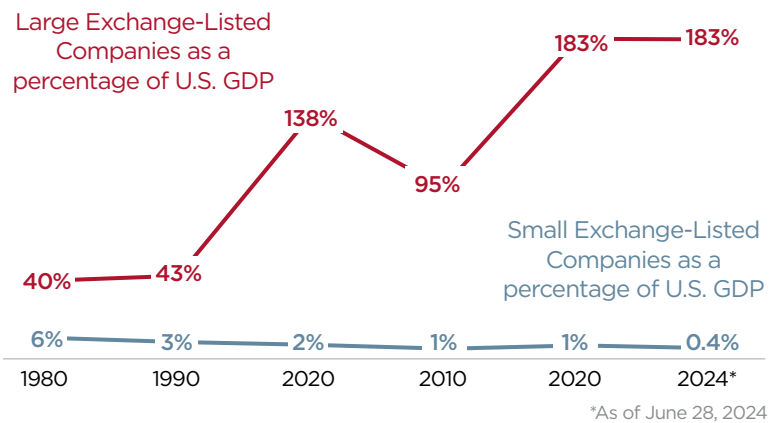
OFFICE | Meet the Team

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

Small exchange-listed companies continue to account for the majority of the decline in the number of exchange-listed companies.¹⁴²



While the aggregate market value of large exchange-listed companies has grown exponentially since 1980, the aggregate market value of small exchange-listed companies has continued its gradual decline.¹⁴³



Contents

MISSION | Who We Are

DATA | State of Capital Formation

- Introduction
- Small and Emerging Businesses and Exempt Offering Data
- Mature and Later-Stage Businesses
- Initial Public Offerings and Small Public Companies
- Women Founders and Investors
- Diverse Founders and Investors
- Natural Disaster Areas
- Rural Communities

POLICY | Recommendations

ADVOCACY | What We Do

COMMITTEE | Highlights

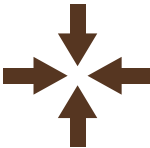
ENDNOTES | All the Details

OFFICE | Meet the Team

What is driving the overall decline in the number of U.S. exchange-listed companies—sometimes called the U.S. listing gap?¹⁴⁵

While **mergers and acquisitions** (also called M&A), **regulatory costs**, and **private equity** are commonly cited as factors driving the growth of the U.S. listing gap, M&A and regulatory costs seem to be the largest contributors. Conversely, private equity might have the opposite effect and aid companies in reaching a stage in which they are ready to go public.¹⁴⁶


Mergers and Acquisitions



M&A activity is a **main driver** of the U.S. listing gap and provides a viable and cost-effective exit strategy to entrepreneurs and early-stage investors.¹⁴⁷


The M&A activity that increases the listing gap primarily relates to private companies that get acquired prior to reaching a stage in which they are ready to go public, rather than transactions where public companies delist.¹⁴⁸

Regulatory Costs



Regulation can **increase the operating costs** of a public company and potentially disincentivize private companies from listing and may increase the listing gap.¹⁴⁹

Private Equity



In the short term, private equity can reduce the financing costs for private companies, thereby **decreasing their incentives** to go public at that time.¹⁵⁰

In the long term, private equity activity may **increase the number of listings** by nurturing startups until their IPOs.¹⁵¹ Private equity activity may spur entrepreneurship and provides financing to private companies that later go public, essentially delaying a company's decision to go public rather than replacing it entirely.¹⁵²

Contents

MISSION | Who We Are

DATA | State of Capital Formation

- Introduction
- Small and Emerging Businesses and Exempt Offering Data
- Mature and Later-Stage Businesses
- Initial Public Offerings and Small Public Companies
- Women Founders and Investors
- Diverse Founders and Investors
- Natural Disaster Areas
- Rural Communities

POLICY | Recommendations

ADVOCACY | What We Do

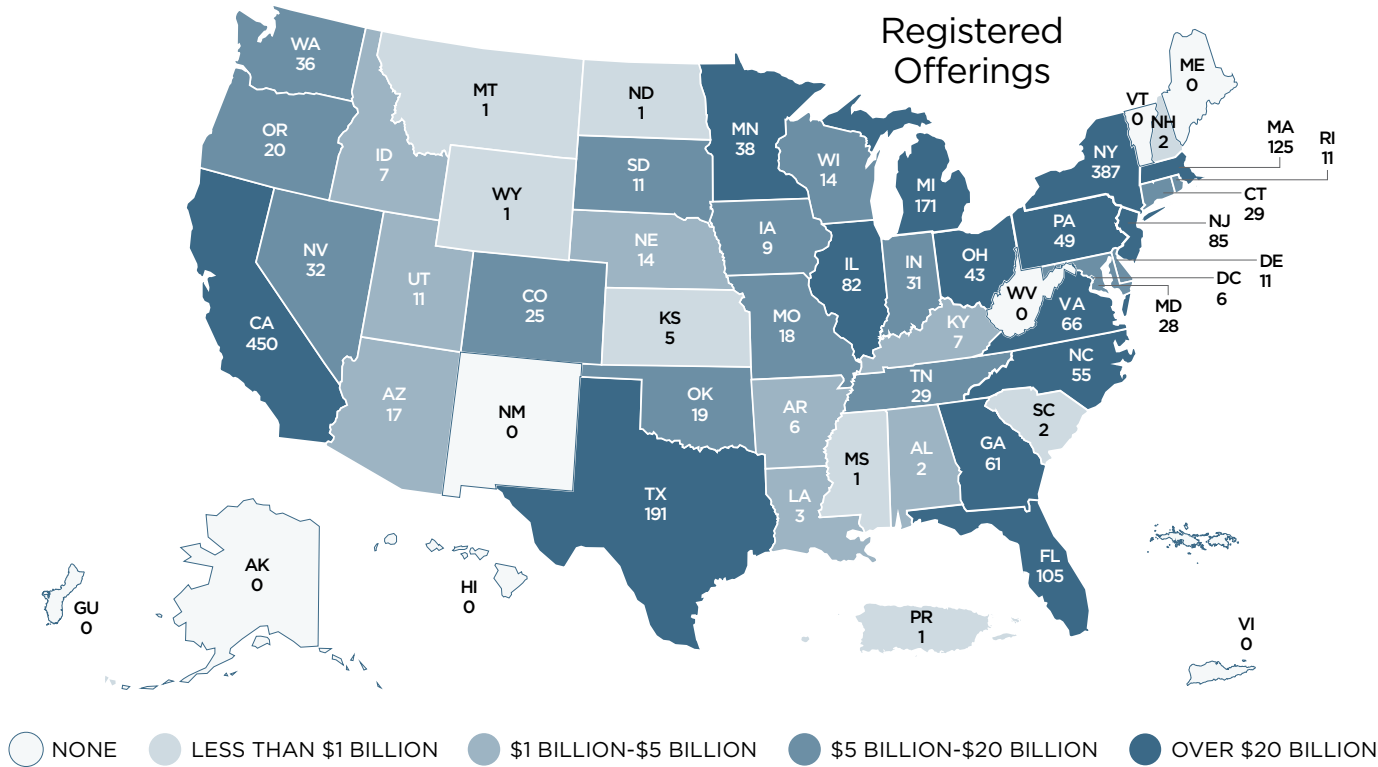
COMMITTEE | Highlights

ENDNOTES | All the Details

OFFICE | Meet the Team

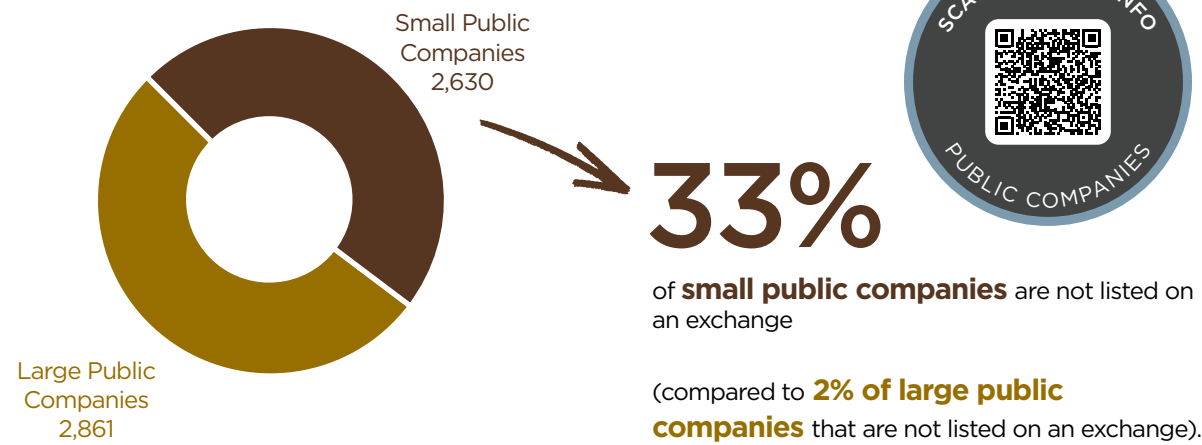
Where are registered offerings—often called public offerings—being used to raise capital?

The shading of each state shows the estimated total capital raised and the number indicates the total number of offerings in that state.¹⁵³



Small Public Companies

Small public companies represent almost half of all public companies, but a third of them are not exchange-listed.¹⁵⁴



Contents

MISSION | Who We Are

DATA | State of Capital Formation

- Introduction
- Small and Emerging Businesses and Exempt Offering Data
- Mature and Later-Stage Businesses
- Initial Public Offerings and Small Public Companies**
- Women Founders and Investors
- Diverse Founders and Investors
- Natural Disaster Areas
- Rural Communities

POLICY | Recommendations

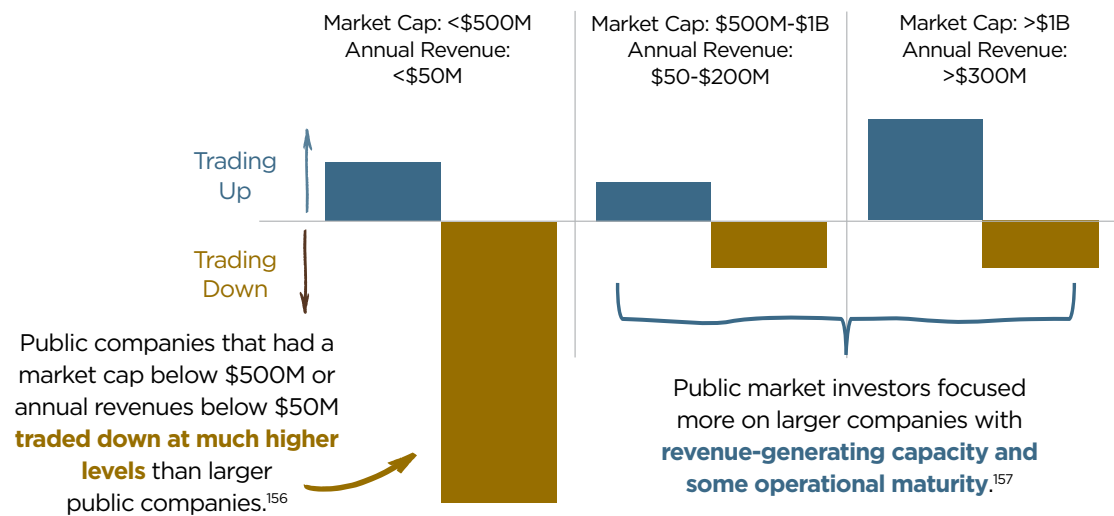
ADVOCACY | What We Do

COMMITTEE | Highlights

ENDNOTES | All the Details

OFFICE | Meet the Team

Small public companies continue to struggle following their IPOs.¹⁵⁵

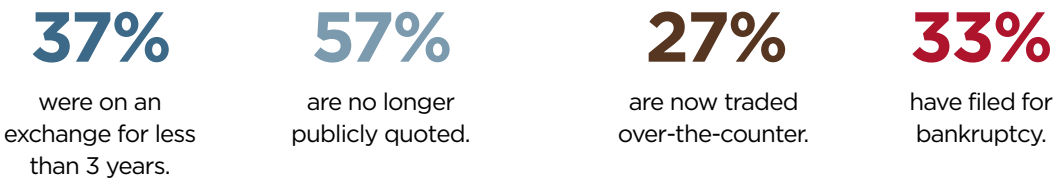


While small-cap companies saw some improvements, additional indicators continue to reflect the impact of these pricing struggles.



What happens to small public companies that get delisted from exchanges?

Of the stocks that were delisted from the exchanges in 2023:¹⁶⁰



Contents

MISSION | Who We Are

DATA | State of Capital Formation

- Introduction
- Small and Emerging Businesses and Exempt Offering Data
- Mature and Later-Stage Businesses
- Initial Public Offerings and Small Public Companies
- Women Founders and Investors
- Diverse Founders and Investors
- Natural Disaster Areas
- Rural Communities

POLICY | Recommendations

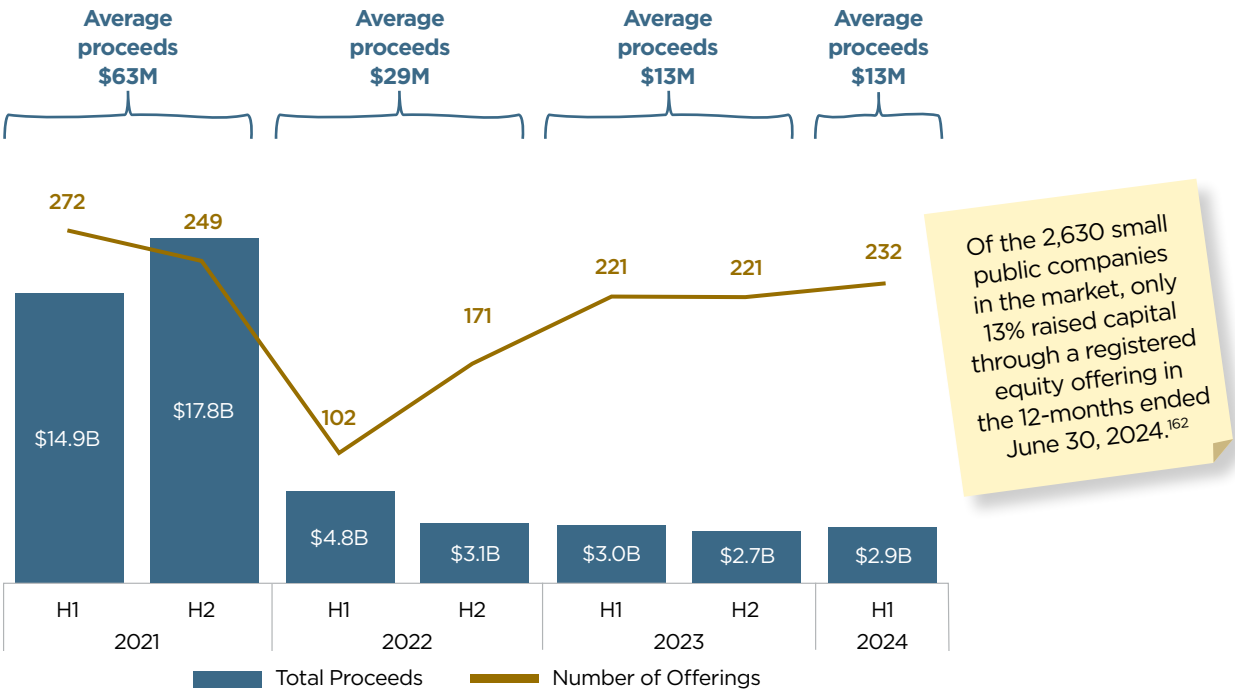
ADVOCACY | What We Do

COMMITTEE | Highlights

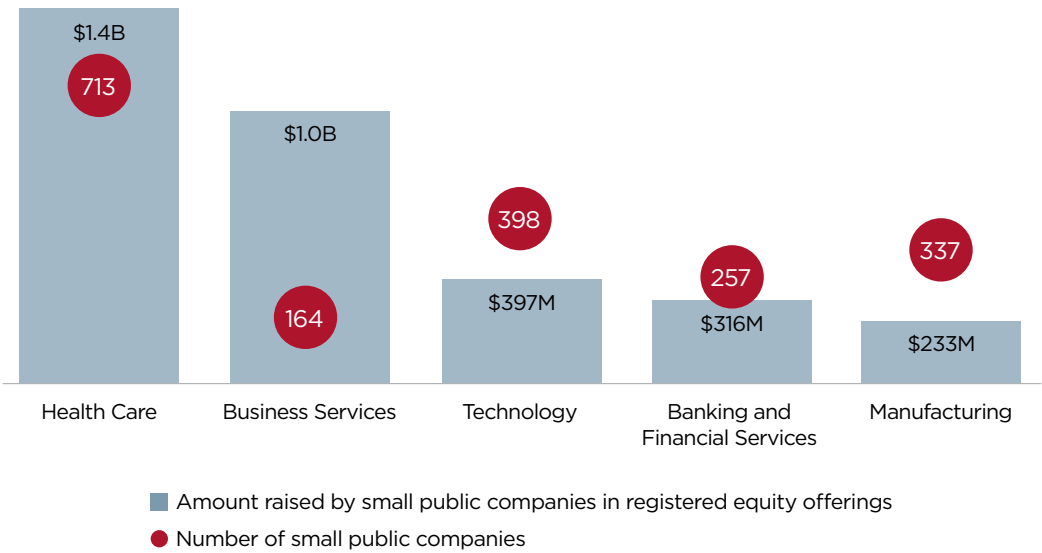
ENDNOTES | All the Details

OFFICE | Meet the Team

How much capital are U.S. small public companies raising through registered equity offerings?¹⁶¹



What are the top industries of small public companies based on number of companies and amounts raised in registered equity offerings?¹⁶³



Contents

MISSION | Who We Are

DATA | State of Capital Formation

- Introduction
- Small and Emerging Businesses and Exempt Offering Data
- Mature and Later-Stage Businesses
- Initial Public Offerings and Small Public Companies
- Women Founders and Investors
- Diverse Founders and Investors
- Natural Disaster Areas
- Rural Communities

POLICY | Recommendations

ADVOCACY | What We Do

COMMITTEE | Highlights

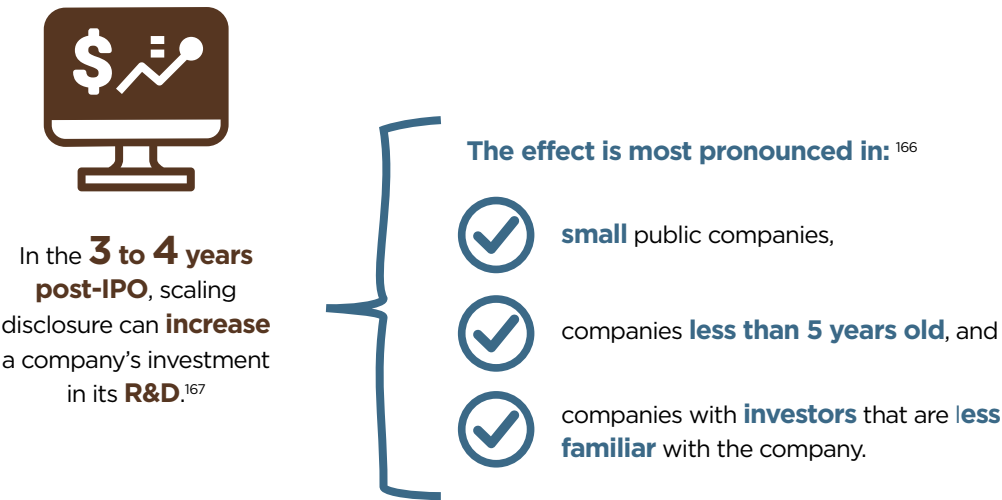
ENDNOTES | All the Details

OFFICE | Meet the Team

What are the costs of being a small public company?¹⁶⁴



The scaling of disclosure requirements can boost a company’s post-IPO investment in its research and development—also called R&D.¹⁶⁵



Contents

MISSION | Who We Are

DATA | State of Capital Formation

- Introduction
- Small and Emerging Businesses and Exempt Offering Data
- Mature and Later-Stage Businesses
- Initial Public Offerings and Small Public Companies**
- Women Founders and Investors
- Diverse Founders and Investors
- Natural Disaster Areas
- Rural Communities

POLICY | Recommendations

ADVOCACY | What We Do

COMMITTEE | Highlights

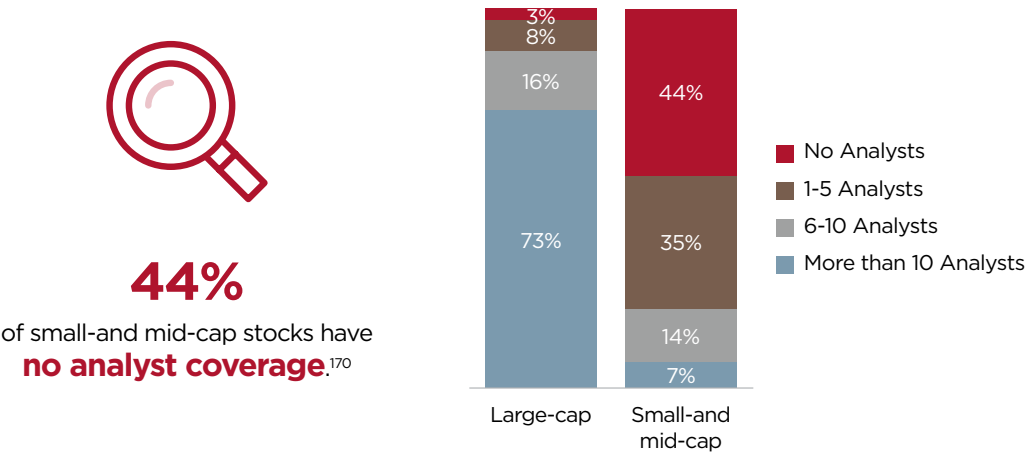
ENDNOTES | All the Details

OFFICE | Meet the Team

What are the top investor relations challenges for small public companies?¹⁶⁸



The number of analysts covering a company often correlates with the company’s market capitalization.¹⁶⁹



“

When you’re going to go public, it’s not just getting the IPO done, but your ability to stay eligible on Nasdaq or NYSE.... While you are now a public company, you’re still probably going to have some limited liquidity just because it’s a smaller shareholder base.... You’ll see volatility, you’ll see less liquidity.... Limited research coverage on small-cap companies also exacerbates all of those things.

DAVINA K. KAILE, PILLSBURY WINTHROP SHAW PITTMAN LLP¹⁷¹

Contents

MISSION | Who We Are

DATA | State of Capital Formation

- Introduction
- Small and Emerging Businesses and Exempt Offering Data
- Mature and Later-Stage Businesses
- Initial Public Offerings and Small Public Companies
- Women Founders and Investors
- Diverse Founders and Investors
- Natural Disaster Areas
- Rural Communities

POLICY | Recommendations

ADVOCACY | What We Do

COMMITTEE | Highlights

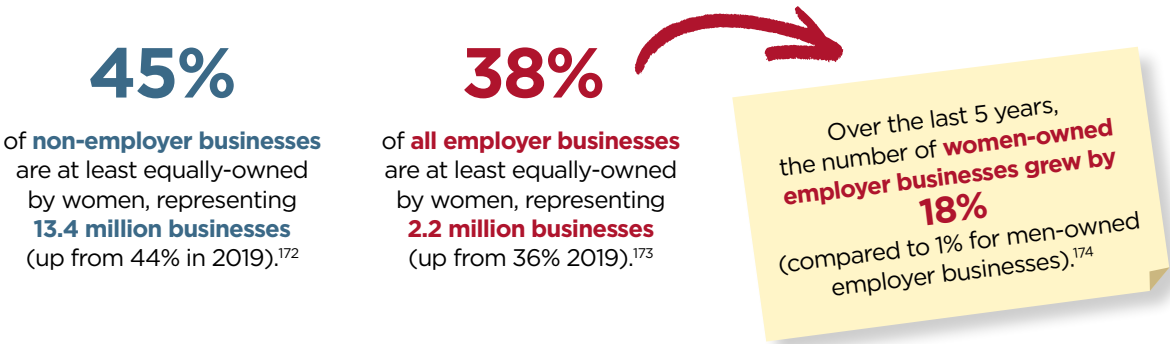
ENDNOTES | All the Details

OFFICE | Meet the Team

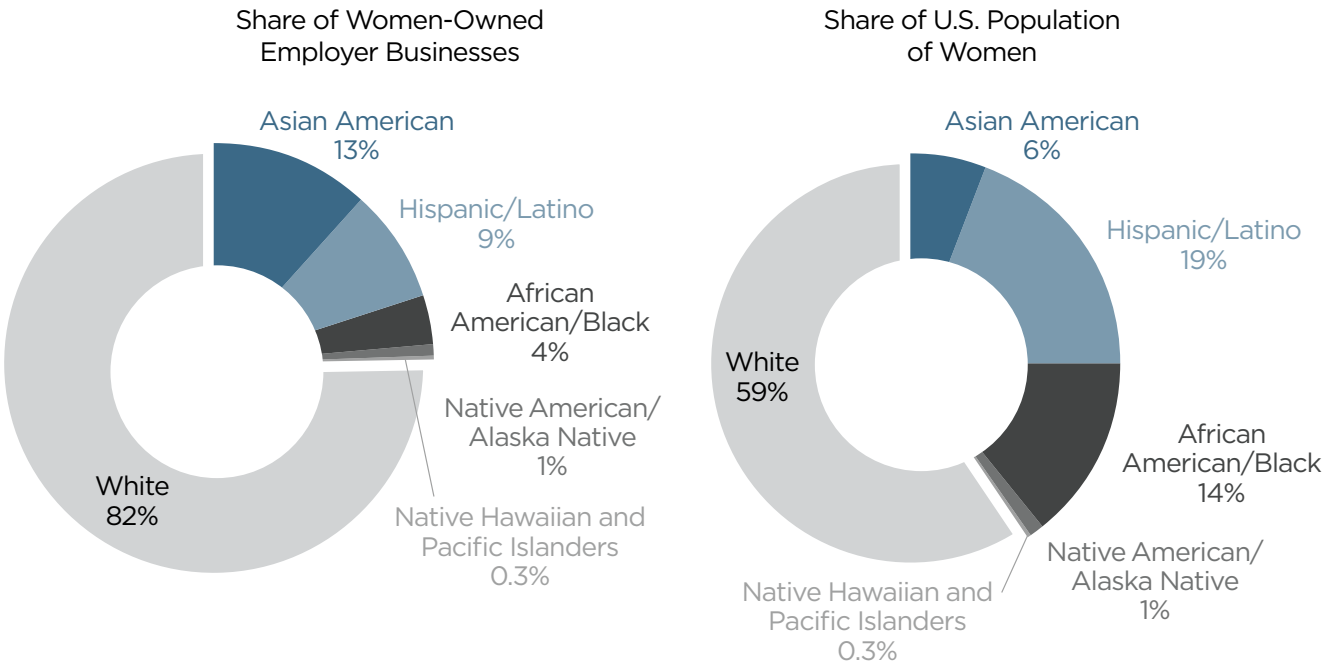
Women Founders and Investors

Women-Owned Business Formation and Ownership

The portion of women-owned employer businesses has grown significantly in the last five years.



African American/Black and Hispanic/Latino women are the most underrepresented demographics among women-owned employer businesses.¹⁷⁵



Contents

MISSION | Who We Are

DATA | State of Capital Formation

- Introduction
- Small and Emerging Businesses and Exempt Offering Data
- Mature and Later-Stage Businesses
- Initial Public Offerings and Small Public Companies

Women Founders and Investors

- Diverse Founders and Investors
- Natural Disaster Areas
- Rural Communities

POLICY | Recommendations

ADVOCACY | What We Do

COMMITTEE | Highlights

ENDNOTES | All the Details

OFFICE | Meet the Team

Women-owned businesses face distinct challenges but have demonstrated they are growth-oriented.¹⁷⁶

Capital to start a business

White women earn 83%, African American/Black women earn 70%, and Hispanic/Latino women earn 65% as much as White men.¹⁷⁸

Women continue to earn less than men, resulting in less household income, creating an additional obstacle to female entrepreneurship.¹⁷⁷

Lack of affordable childcare

More than ½ of women entrepreneurs with young children found that lack of adequate childcare **negatively impacted** their business.¹⁷⁹

The childcare price ranges for:

ONE child = **8% to 19%** of median family income

TWO children > the **average mortgage** in 45 states.¹⁸⁰

Growing businesses in low-revenue industries

½ of all **women-owned businesses** are concentrated in **less capital-intensive** industries that have **lower-revenues**, such as beauty, professional or administrative services, and healthcare and social assistance.¹⁸¹

Over the last 5 years, average revenue of **men-owned** businesses' was **nearly 4X** that of women-owned businesses.¹⁸²

However, the average revenue of **women-owned businesses grew by 12%** (compared to 8% growth by men-owned businesses).¹⁸³

Women often have **smaller networks** and **more significant obstacles to accessing capital**.¹⁸⁴

Networks and access to capital

Providing networking opportunities for women entrepreneurs can help them connect with other entrepreneurs and mentors, learn from others' experiences, and build relationships that lead to business opportunities. These opportunities need to be tailored specifically to women-owned businesses.

WELLS FARGO 2024 IMPACT OF WOMEN-OWNED BUSINESSES REPORT¹⁸⁵

Contents

MISSION | Who We Are

DATA | State of Capital Formation

Introduction

Small and Emerging Businesses and Exempt Offering Data

Mature and Later-Stage Businesses

Initial Public Offerings and Small Public Companies

Women Founders and Investors

Diverse Founders and Investors

Natural Disaster Areas

Rural Communities

POLICY | Recommendations

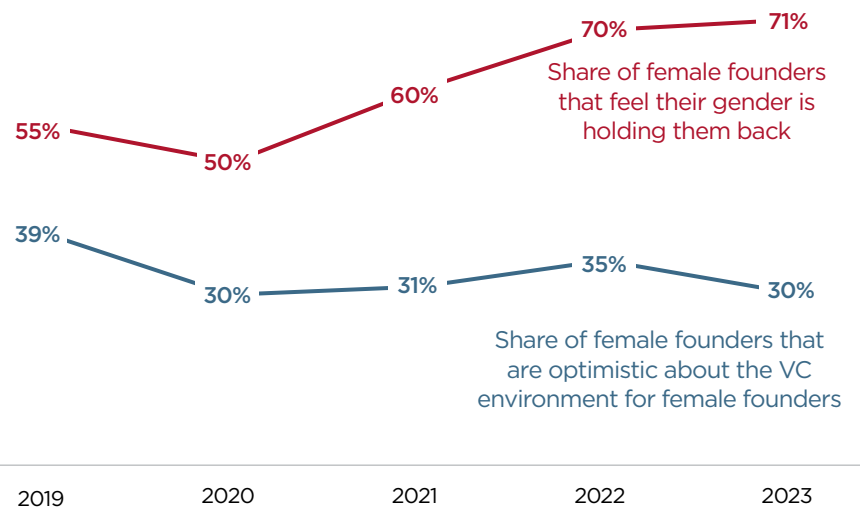
ADVOCACY | What We Do

COMMITTEE | Highlights

ENDNOTES | All the Details

OFFICE | Meet the Team

Female founder optimism about VC funding for women remains low, particularly for women of color.¹⁸⁶



Only **19%** of founders that identify as women of color **were optimistic** about the environment for racially and ethnically diverse founders.¹⁸⁷

To overcome challenges, women entrepreneurs prioritize mentorship.

When evaluating accelerator participation, women tend to prioritize mentorship from business experts.¹⁸⁸

Mentors can provide:

- tailored technical assistance,
- networking opportunities, and
- increased awareness of and access to financing opportunities.¹⁸⁹



Contents

MISSION | Who We Are

DATA | State of Capital Formation

- Introduction
- Small and Emerging Businesses and Exempt Offering Data
- Mature and Later-Stage Businesses
- Initial Public Offerings and Small Public Companies
- Women Founders and Investors**
 - Diverse Founders and Investors
 - Natural Disaster Areas
 - Rural Communities

POLICY | Recommendations

ADVOCACY | What We Do

COMMITTEE | Highlights

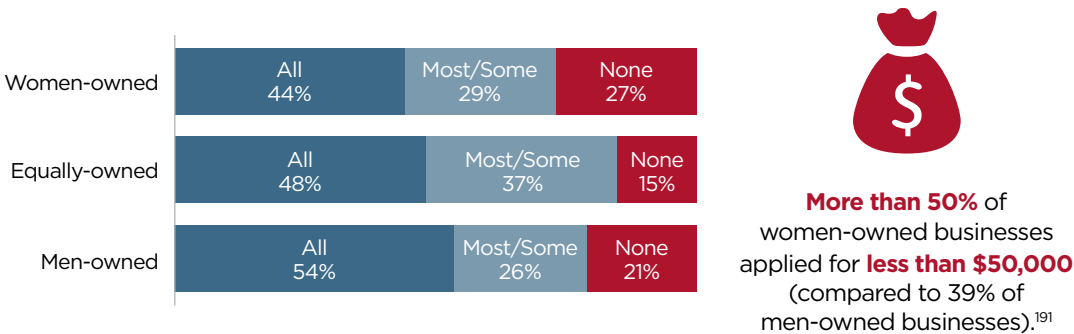
ENDNOTES | All the Details

OFFICE | Meet the Team

Capital-Raising Trends for Women-Owned Businesses

Women-owned businesses face greater challenges accessing capital.

In applying for loans, lines of credit, or cash advances, women-owned businesses were least likely to receive all of the requested funding.¹⁹⁰



2023 was another strong year for women entrepreneurs seeking angel capital.¹⁹²



Women constituted **46%** of **entrepreneurs seeking angel capital** (up from 37% in 2022 and 29% in 2021).¹⁹³



Angel investors invested in **29%** of those **investment opportunities** (up from 26% in 2022 and 20% in 2021).¹⁹⁴

While the proportion of women entrepreneurs using Regulation Crowdfunding has increased, women-only teams still raise less than men-only teams.



The **proportion of women** entrepreneurs using Reg CF has increased from **17%** in 2016 to **23%** in 2022.¹⁹⁵



During this same time, the average funding amount for men-only teams was **1.5 to 2.0X** that of women-only teams.¹⁹⁶

Contents

MISSION | Who We Are

DATA | State of Capital Formation

- Introduction
- Small and Emerging Businesses and Exempt Offering Data
- Mature and Later-Stage Businesses
- Initial Public Offerings and Small Public Companies
- Women Founders and Investors**
- Diverse Founders and Investors
- Natural Disaster Areas
- Rural Communities

POLICY | Recommendations

ADVOCACY | What We Do

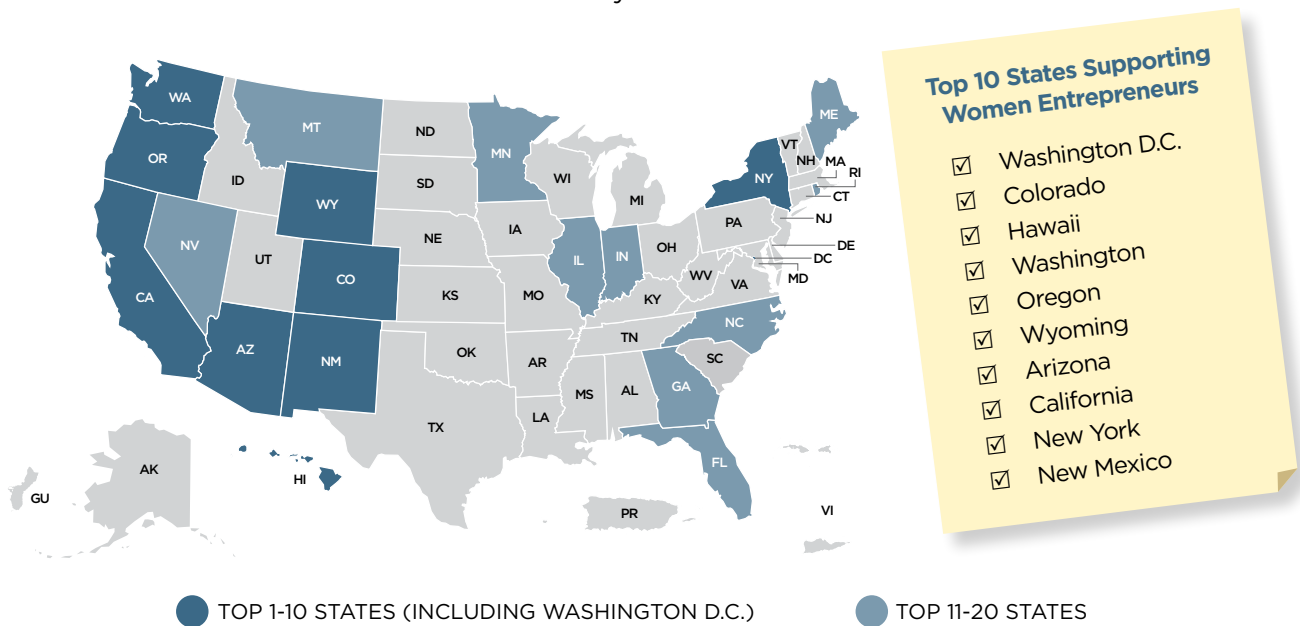
COMMITTEE | Highlights

ENDNOTES | All the Details

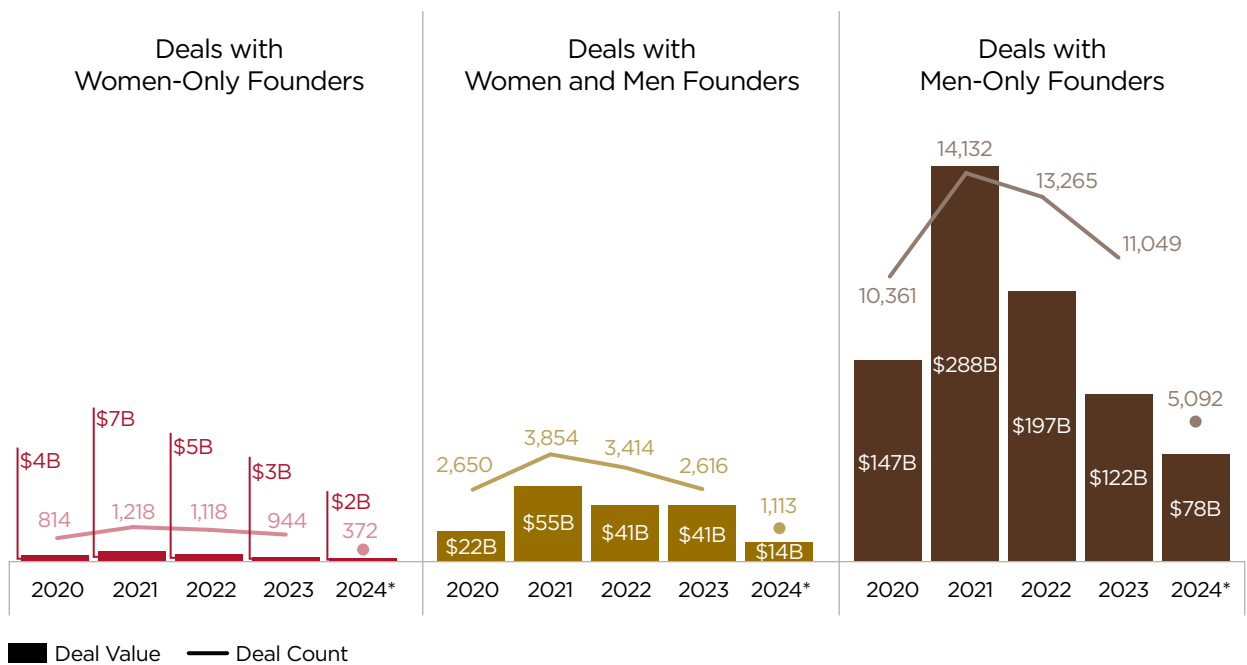
OFFICE | Meet the Team

Local ecosystems and states play an important role in entrepreneurial success.

When more women founders in a state achieve economic success, the state also sees an increased number of women VC-ready founders.¹⁹⁷



As VC funding continued to contract in 2023, wide gaps remained between deals with all-women, women and men, and all-men founders.¹⁹⁸



Contents

MISSION | Who We Are

DATA | State of Capital Formation

- Introduction
- Small and Emerging Businesses and Exempt Offering Data
- Mature and Later-Stage Businesses
- Initial Public Offerings and Small Public Companies

Women Founders and Investors

- Diverse Founders and Investors
- Natural Disaster Areas
- Rural Communities

POLICY | Recommendations

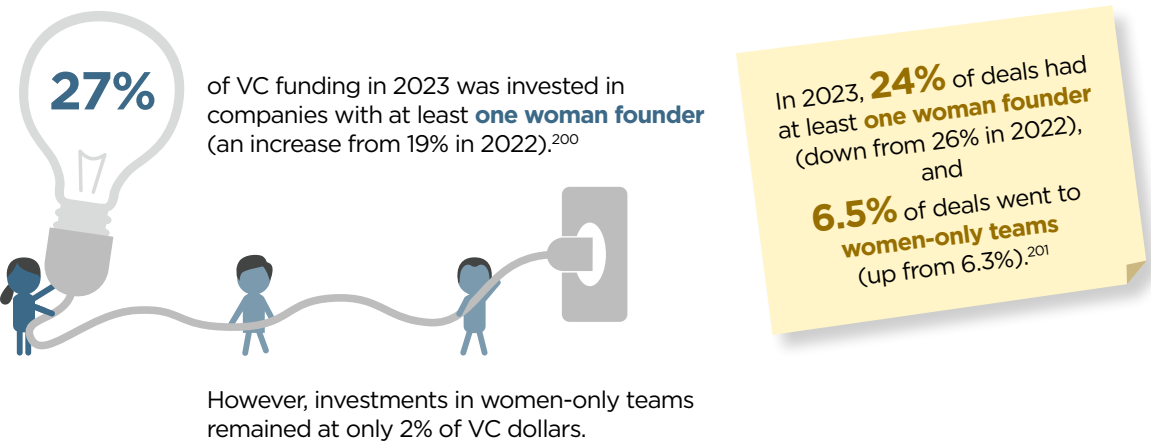
ADVOCACY | What We Do

COMMITTEE | Highlights

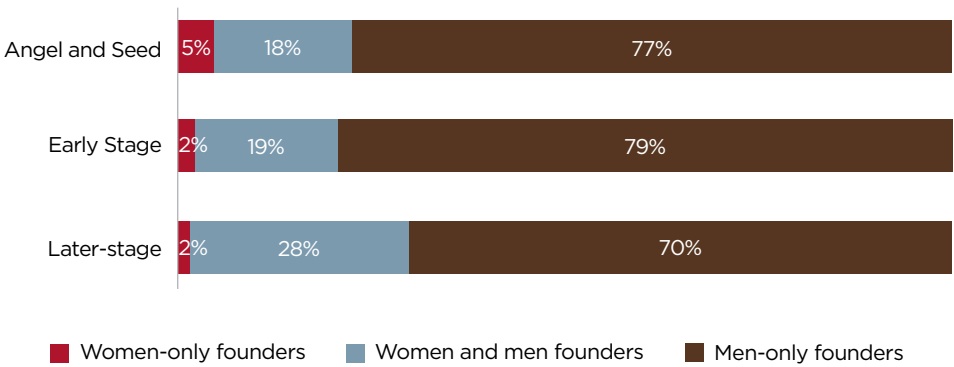
ENDNOTES | All the Details

OFFICE | Meet the Team

For women founders on teams with men, their share of VC funding dollars reached a new peak, but their share of the VC deal count continued to decline.¹⁹⁹



In 2023, while women-only founder teams received a declining percentage of overall deal value in each progressive funding round, mixed founder teams saw an increase.²⁰²



[Women founders] are hitting—or fear hitting—a funding wall, an obstacle they say has been heightened by a rollback in diversity, equity and inclusion efforts and a general downturn in start-up investing.

NELL GALLOGLY, THE NEW YORK TIMES²⁰³

Contents

MISSION | Who We Are

DATA | State of Capital Formation

- Introduction
- Small and Emerging Businesses and Exempt Offering Data
- Mature and Later-Stage Businesses
- Initial Public Offerings and Small Public Companies
- Women Founders and Investors
 - Diverse Founders and Investors
 - Natural Disaster Areas
 - Rural Communities

POLICY | Recommendations

ADVOCACY | What We Do

COMMITTEE | Highlights

ENDNOTES | All the Details

OFFICE | Meet the Team

The 2023 fundraising climate was more challenging than 2022, and all-women teams faced the strongest headwinds.²⁰⁴



While fundraising time increased for nearly all teams, **all-women teams** experienced the **largest increase**.²⁰⁵



All-women teams had **24% fewer investor meetings** and **raised 36% less**.²⁰⁶



Diverse all-women teams raised the least and held the **fewest meetings** of any demographic.²⁰⁷

In 2023, when reviewing funding pitch slide decks from companies with all-women founders vs. companies with all-men founders, VC investors:

- ➔ **more heavily scrutinized** the **team** and **business model** slides, and
- ➔ spent **less time** on the company's **product** slides.²⁰⁸

Women founders face an uphill battle in funding successive ventures.²⁰⁹

Compared to their men co-founders:



women are **28% less likely to be VC-backed** for their next startup.



women raise **53% less VC funding** for their next startup.

Women founders comprise:



Contents

MISSION | Who We Are

DATA | State of Capital Formation

- Introduction
- Small and Emerging Businesses and Exempt Offering Data
- Mature and Later-Stage Businesses
- Initial Public Offerings and Small Public Companies
- Women Founders and Investors**
- Diverse Founders and Investors
- Natural Disaster Areas
- Rural Communities

POLICY | Recommendations

ADVOCACY | What We Do

COMMITTEE | Highlights

ENDNOTES | All the Details

OFFICE | Meet the Team

Companies with a woman founder stretched investor dollars further.²¹⁰



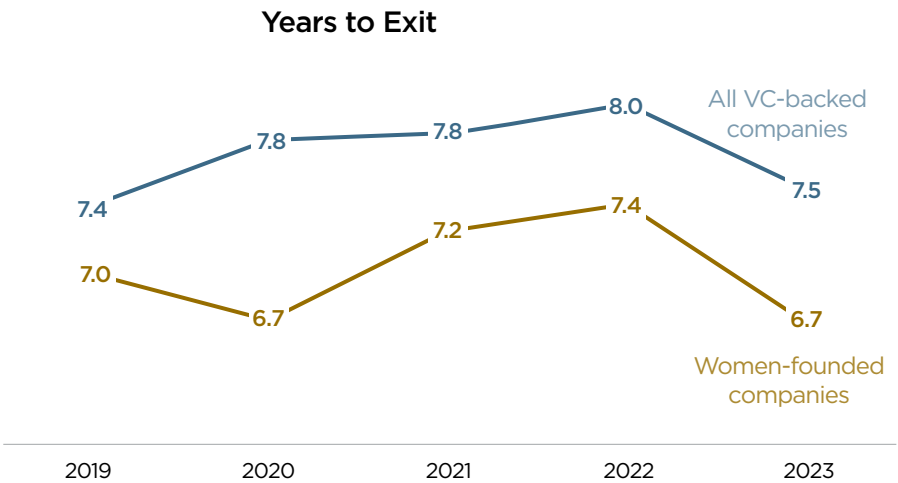
The median burn rate for VC-backed companies with a **woman founder is consistently lower** than all U.S. VC-backed companies. (\$260,000/mo., as compared to \$290,000/mo. for all US VC-backed companies).

What is burn rate?
Burn rate is the rate at which a company spends its cash over time, frequently quoted as a monthly rate.

Women-founded companies consistently exited faster than other companies.²¹¹



Women-founded companies comprised **23%** of exits in 2023 (up from 21% in 2022).



Companies with more women on their executive teams were more likely to outperform companies with fewer women.²¹²

Companies in the top-quartile of **women executive representation** had a

39%

greater likelihood of financial outperformance

(as compared to the companies in the bottom-quartile of women representation).

Contents

MISSION | Who We Are

DATA | State of Capital Formation

- Introduction
- Small and Emerging Businesses and Exempt Offering Data
- Mature and Later-Stage Businesses
- Initial Public Offerings and Small Public Companies
- Women Founders and Investors**
- Diverse Founders and Investors
- Natural Disaster Areas
- Rural Communities

POLICY | Recommendations

ADVOCACY | What We Do

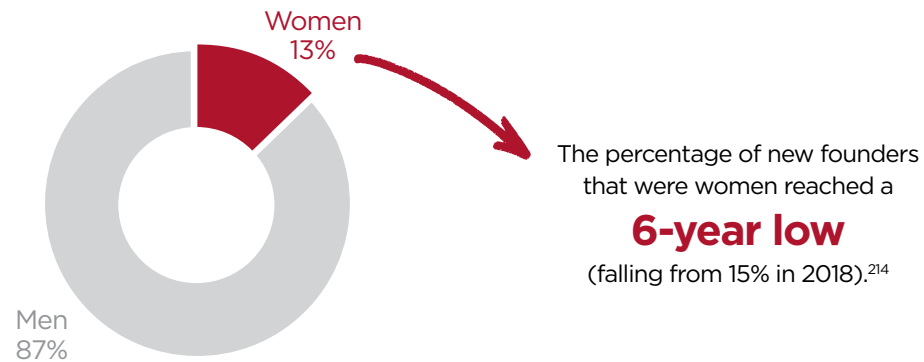
COMMITTEE | Highlights

ENDNOTES | All the Details

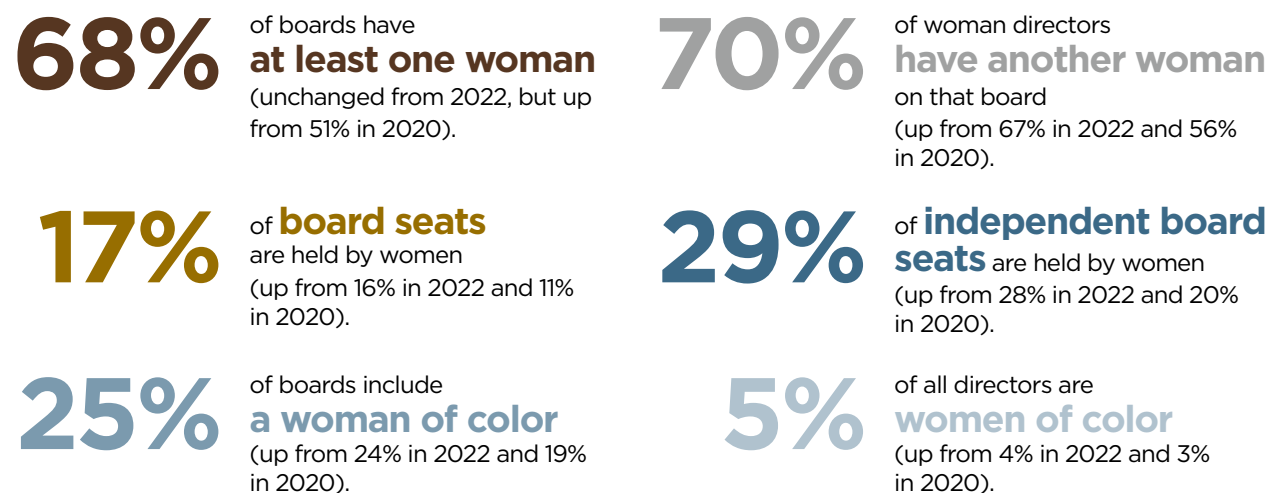
OFFICE | Meet the Team

Women in Leadership Roles

Women remain underrepresented as founders in VC-backed companies and are losing traction.²¹³

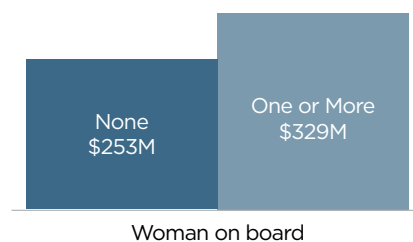


Gains at the director level have slowed for women, who remain underrepresented in board roles at VC-backed companies.²¹⁵



Gender-diverse boards are associated with higher levels of VC funding and better financial performance.²¹⁶

Private companies with at least one woman director raised **29% more** than those without a woman director.²¹⁷



Companies in the top-quartile of **women representation on boards** had a



Contents

MISSION | Who We Are

DATA | State of Capital Formation

Introduction

Small and Emerging Businesses and Exempt Offering Data

Mature and Later-Stage Businesses

Initial Public Offerings and Small Public Companies

Women Founders and Investors

Diverse Founders and Investors

Natural Disaster Areas

Rural Communities

POLICY | Recommendations

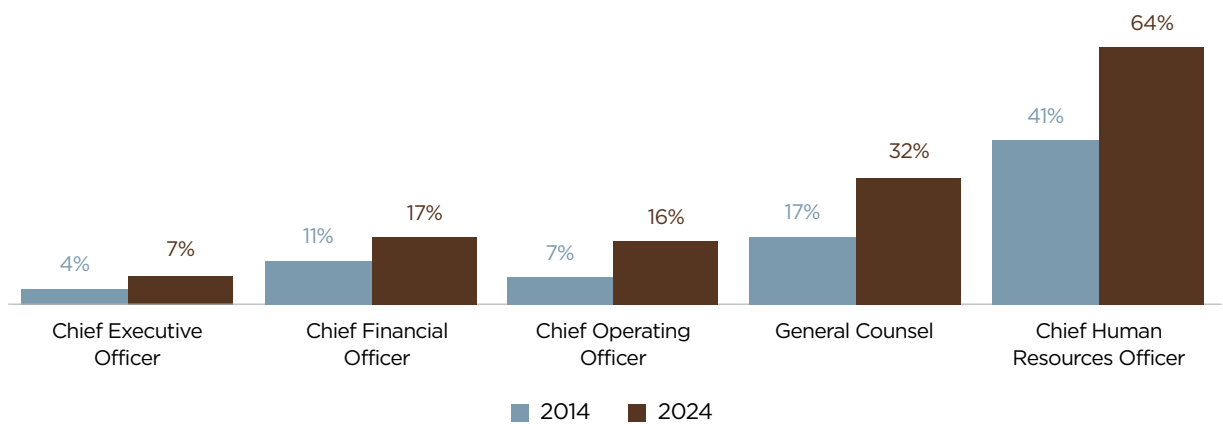
ADVOCACY | What We Do

COMMITTEE | Highlights

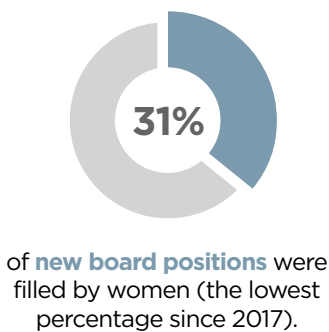
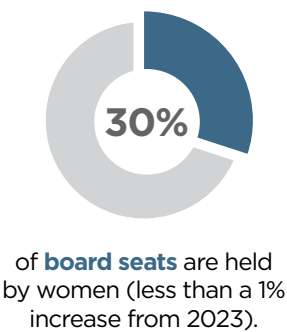
ENDNOTES | All the Details

OFFICE | Meet the Team

In public companies, women are holding a greater share of executive positions in the Russell 3000 over the last decade, however, they remain drastically underrepresented as CEOs and CFOs.²¹⁹



Increases in the percentage of women in the boardrooms of Russell 3000 companies nearly stalled in 2023, and fewer new women directors were appointed.²²⁰



“

Companies and their boards have once again been given permission to ignore the systemic issues that have always held women back: the glass cliff, the glass ceiling, the motherhood penalty, unconscious bias, etc. It’s not simply enough to hire women into high-powered jobs and expect them to be successful if corporate boards and company executives fail to acknowledge and address the forces undermining them.

BETH KOWITT, BLOOMBERG²²¹

Contents

MISSION | Who We Are

DATA | State of Capital Formation

- Introduction
- Small and Emerging Businesses and Exempt Offering Data
- Mature and Later-Stage Businesses
- Initial Public Offerings and Small Public Companies
- Women Founders and Investors**
- Diverse Founders and Investors
- Natural Disaster Areas
- Rural Communities

POLICY | Recommendations

ADVOCACY | What We Do

COMMITTEE | Highlights

ENDNOTES | All the Details

OFFICE | Meet the Team

Trends in Women Investors in Small Businesses

As a percentage of active investors, women angel investors continue to increase, surpassing last year’s record high.



VC decision-making remains dominated by men.²²³

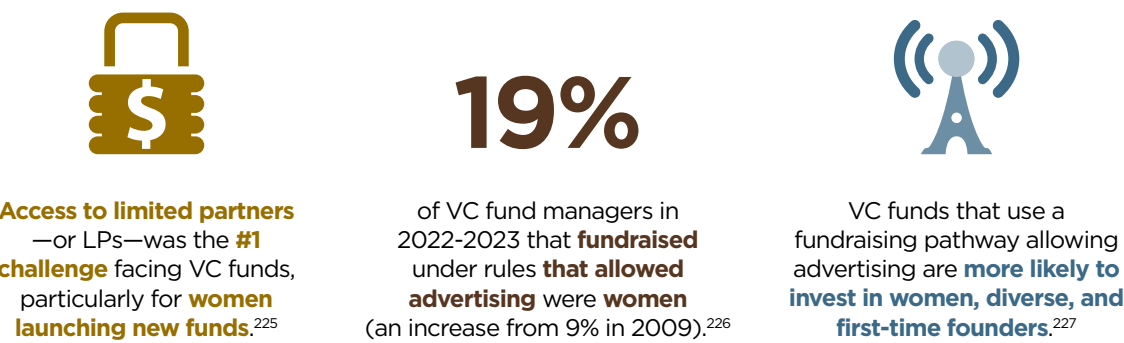
About **18%** of VC decision makers are **women**.

“

The lack of representation directly affects funding for startups with female-only founders, which remains abysmal at around 2%. Couple this with a significant reduction in VC funding, and the road to gender parity in VC remains a steep uphill climb.

PAIGE HENDRIX BUCKNER, ALL RAISE²²⁴

Access to capital is a top challenge for women-led VC firms, and some have found success through offering pathways that allow advertising.



Contents

MISSION | Who We Are

DATA | State of Capital Formation

- Introduction
- Small and Emerging Businesses and Exempt Offering Data
- Mature and Later-Stage Businesses
- Initial Public Offerings and Small Public Companies
- Women Founders and Investors**
- Diverse Founders and Investors
- Natural Disaster Areas
- Rural Communities

POLICY | Recommendations

ADVOCACY | What We Do

COMMITTEE | Highlights

ENDNOTES | All the Details

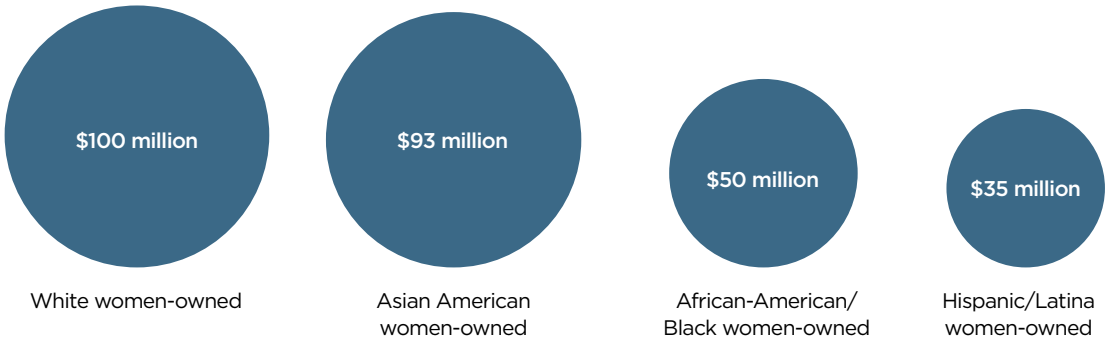
OFFICE | Meet the Team

VC funds with women decision makers tend to be smaller by dollar-size, often focusing investments in early funding rounds.²²⁸



46% of firms who have women decision makers have assets under management of **\$100M or less**.²²⁹ As fund size increases, the number of women decision-makers drops precipitously.²³⁰

Women of color face additional hurdles raising a fund, which is reflected in the lower median fund sizes across funds owned by women of color.²³¹



Despite challenges, women-owned VC firms are growing.



3% of global investments in **VC funds** in 2023 went to women-led VC firms (up from 2% in 2022).²³²



The number of **women-led VC firms grew** to 167 in 2023 (up from 150 in 2022).²³³



Women-led VC firms raised \$3.5B in 2023, (up from \$3.0B in 2022).²³⁴



The positive spin—LPs are realizing the real outperformance women-led funds deliver and are doubling down on their investments into these GPs. The negative spin—we are going through a cycle where we are seeing many women in the legacy firms realize that there is a ceiling for them, and they’re today betting on themselves instead.

SARAH CHEN-SPELLINGS, BEYOND THE BILLION²³⁵

Contents

MISSION | Who We Are

DATA | State of Capital Formation

- Introduction
- Small and Emerging Businesses and Exempt Offering Data
- Mature and Later-Stage Businesses
- Initial Public Offerings and Small Public Companies
- Women Founders and Investors**
- Diverse Founders and Investors
- Natural Disaster Areas
- Rural Communities

POLICY | Recommendations

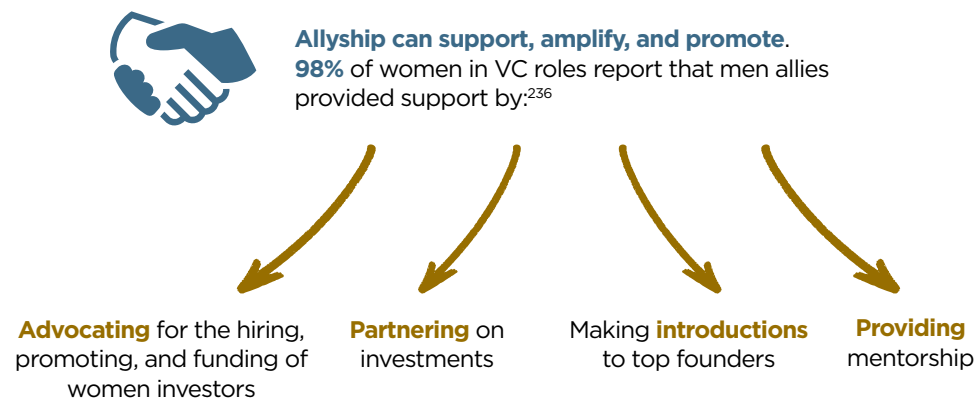
ADVOCACY | What We Do

COMMITTEE | Highlights

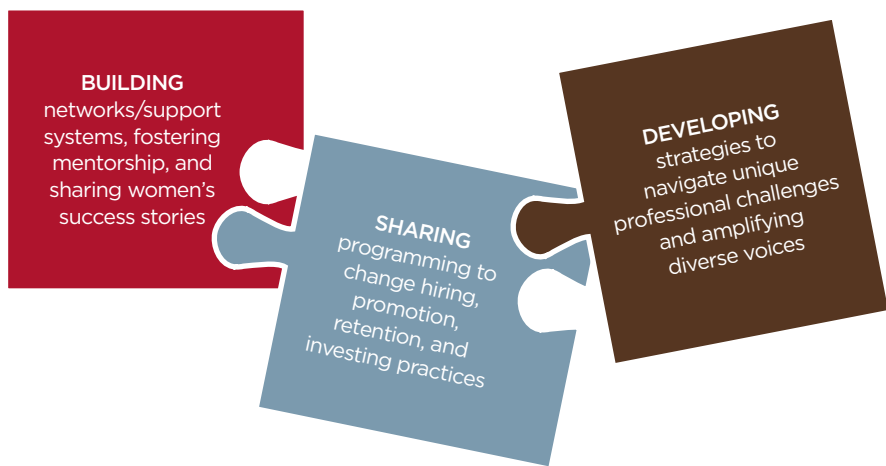
ENDNOTES | All the Details

OFFICE | Meet the Team

Progress on gender equity and inclusion in the VC industry requires an all-hands approach.



Allyship comes in many forms and can help close the gender gap by:²³⁷



“

It shouldn't just be up to women investors to even the playing field.

KAISA SNELLMAN, PROFESSOR AT INSEAD²³⁸

Contents

MISSION | Who We Are

DATA | State of Capital Formation

- Introduction
- Small and Emerging Businesses and Exempt Offering Data
- Mature and Later-Stage Businesses
- Initial Public Offerings and Small Public Companies
- Women Founders and Investors**
- Diverse Founders and Investors
- Natural Disaster Areas
- Rural Communities

POLICY | Recommendations

ADVOCACY | What We Do

COMMITTEE | Highlights

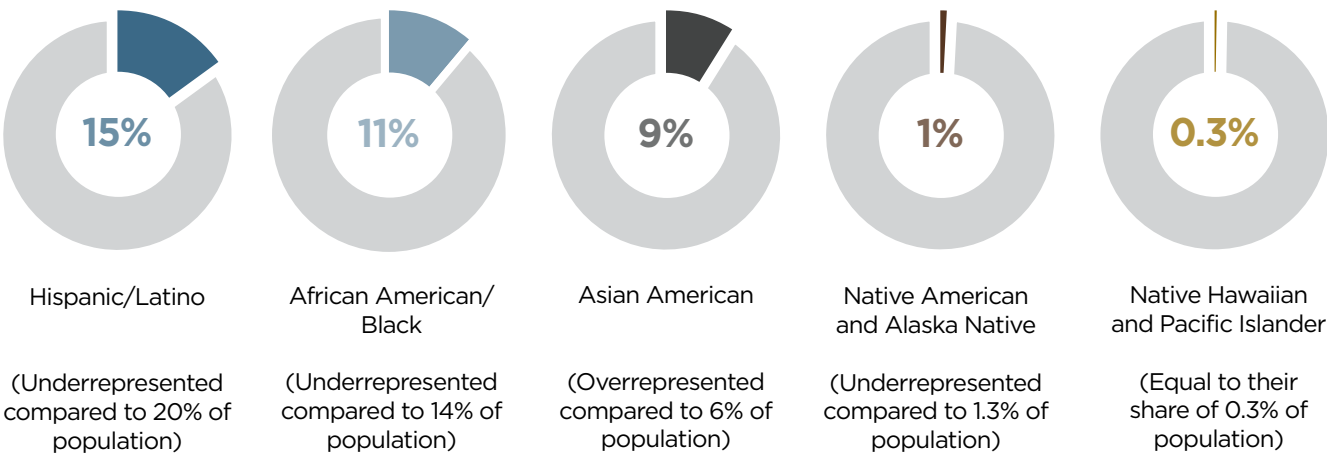
ENDNOTES | All the Details

OFFICE | Meet the Team

Diverse Founders and Investors²³⁹

Business Formation and Ownership Trends

Diverse business owners make up about 34% of all business owners.²⁴⁰



Diverse businesses fuel sales and jobs across the country.²⁴¹

Asian American-and Pacific Islander-owned businesses: <ul style="list-style-type: none">had \$1 trillion in salesemployed 5 million people	Hispanic/Latino-owned businesses: <ul style="list-style-type: none">had \$767 billion in salesemployed 3 million people	African American/Black-owned businesses: <ul style="list-style-type: none">had \$293 billion in salesemployed 1.4 million people	Native American/Alaska Native-owned businesses: <ul style="list-style-type: none">had \$13 billion in salesemployed 52 thousand people
--	---	--	--



Contents

MISSION | Who We Are

DATA | State of Capital Formation

- Introduction
- Small and Emerging Businesses and Exempt Offering Data
- Mature and Later-Stage Businesses
- Initial Public Offerings and Small Public Companies
- Women Founders and Investors
- Diverse Founders and Investors**
- Natural Disaster Areas
- Rural Communities

POLICY | Recommendations

ADVOCACY | What We Do

COMMITTEE | Highlights

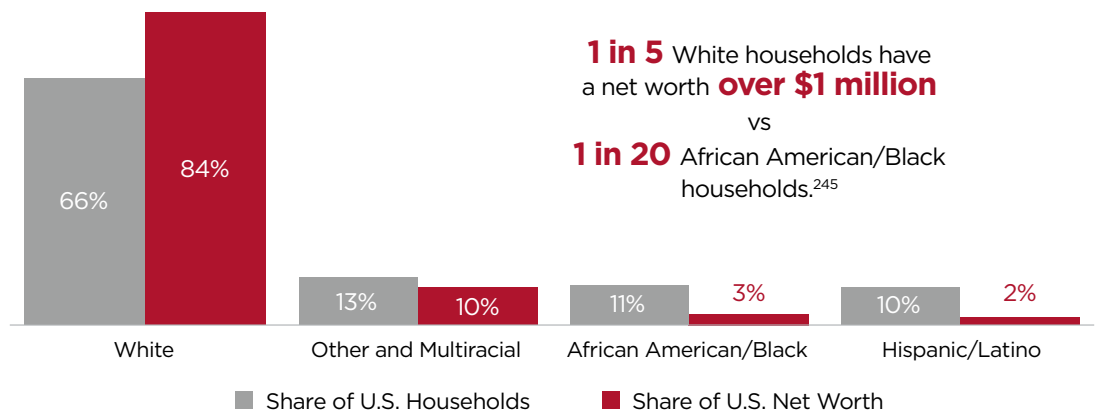
ENDNOTES | All the Details

OFFICE | Meet the Team

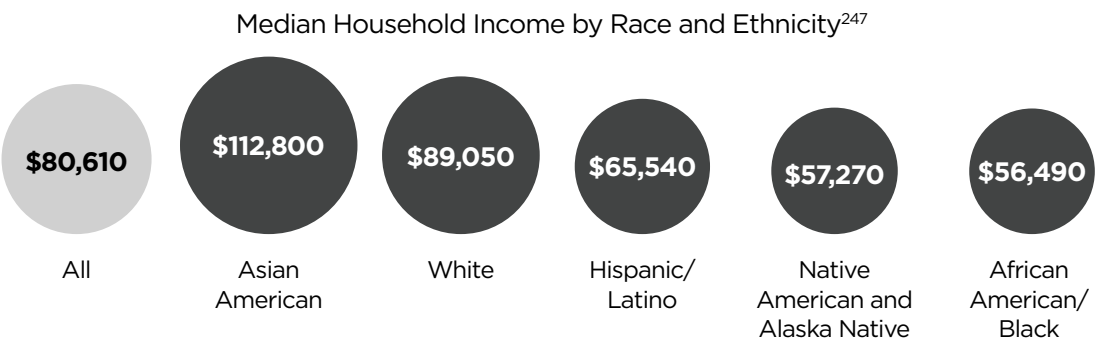
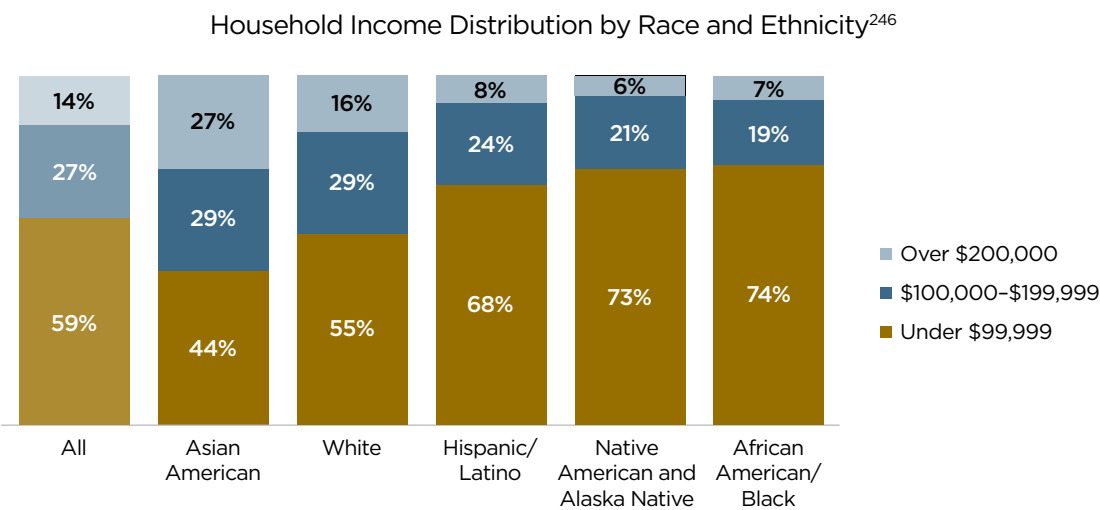
Precursors to Accessing Capital

Disparities in wealth, income, and home ownership contribute to the wealth gap, adding additional burdens for potential entrepreneurs.²⁴²

The racial and ethnic wealth gap has changed very little over the past few decades.²⁴³ The large wealth gap can limit the ability of underrepresented entrepreneurs to start businesses.²⁴⁴



Income disparities may affect whether diverse founders are able to grow personal wealth and savings and self-fund a business.



Contents

MISSION | Who We Are

DATA | State of Capital Formation

- Introduction
- Small and Emerging Businesses and Exempt Offering Data
- Mature and Later-Stage Businesses
- Initial Public Offerings and Small Public Companies
- Women Founders and Investors
- Diverse Founders and Investors
- Natural Disaster Areas
- Rural Communities

POLICY | Recommendations

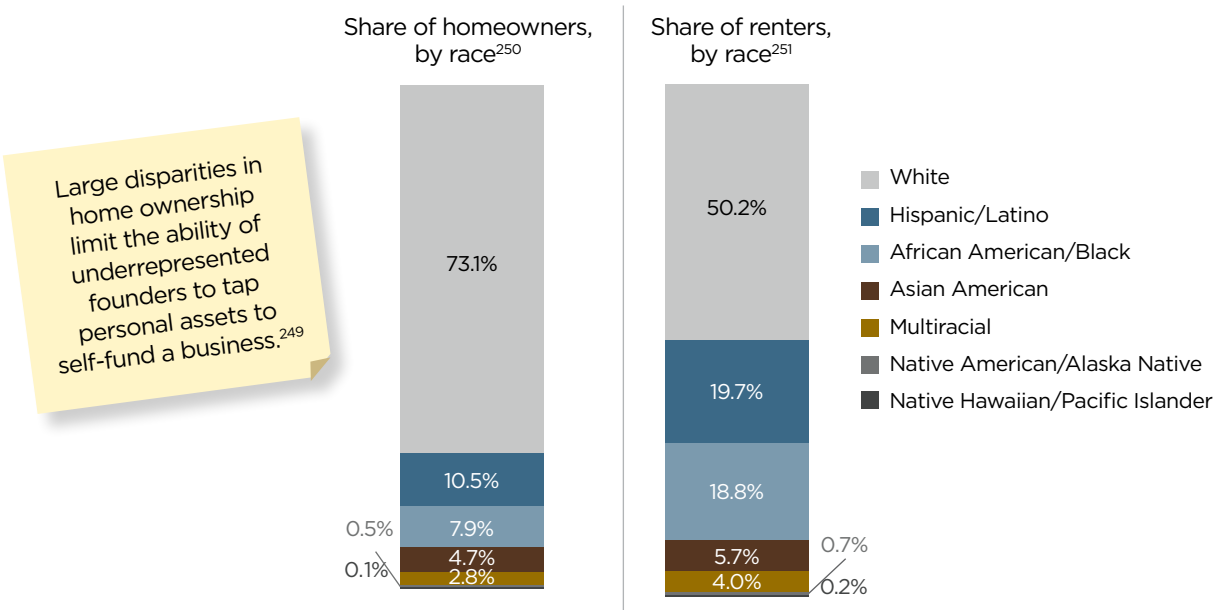
ADVOCACY | What We Do

COMMITTEE | Highlights

ENDNOTES | All the Details

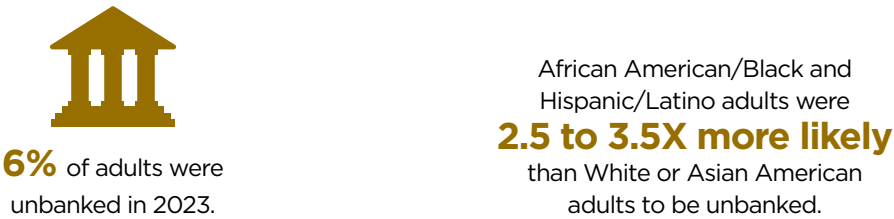
OFFICE | Meet the Team

Home ownership, a source of wealth and generational wealth creation, can provide opportunities for entrepreneurs to borrow against the equity in their home to access capital.²⁴⁸

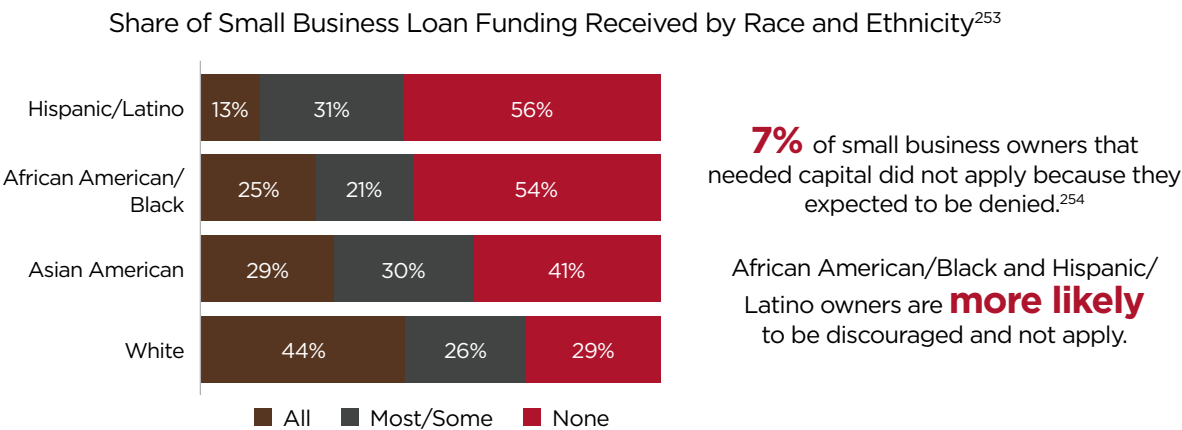


Challenges in Accessing Capital

Limited access to traditional financial services affects some diverse founders’ abilities to secure capital investments.²⁵²



Entrepreneurs of color are less likely to receive requested funding from small business loans



Contents

MISSION | Who We Are

DATA | State of Capital Formation

- Introduction
- Small and Emerging Businesses and Exempt Offering Data
- Mature and Later-Stage Businesses
- Initial Public Offerings and Small Public Companies
- Women Founders and Investors
- Diverse Founders and Investors**
- Natural Disaster Areas
- Rural Communities

POLICY | Recommendations

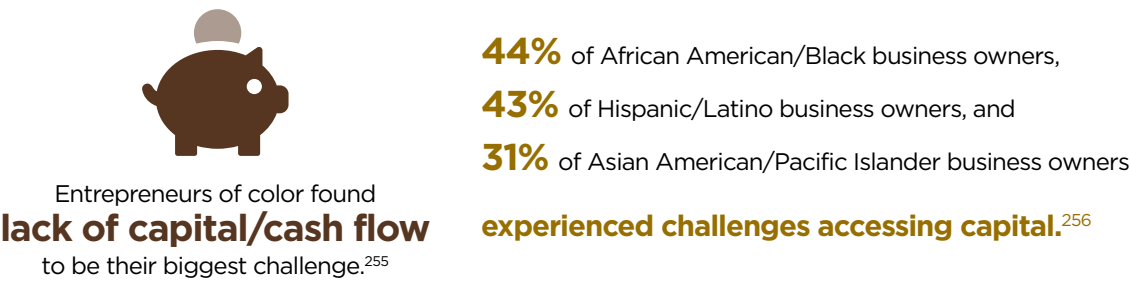
ADVOCACY | What We Do

COMMITTEE | Highlights

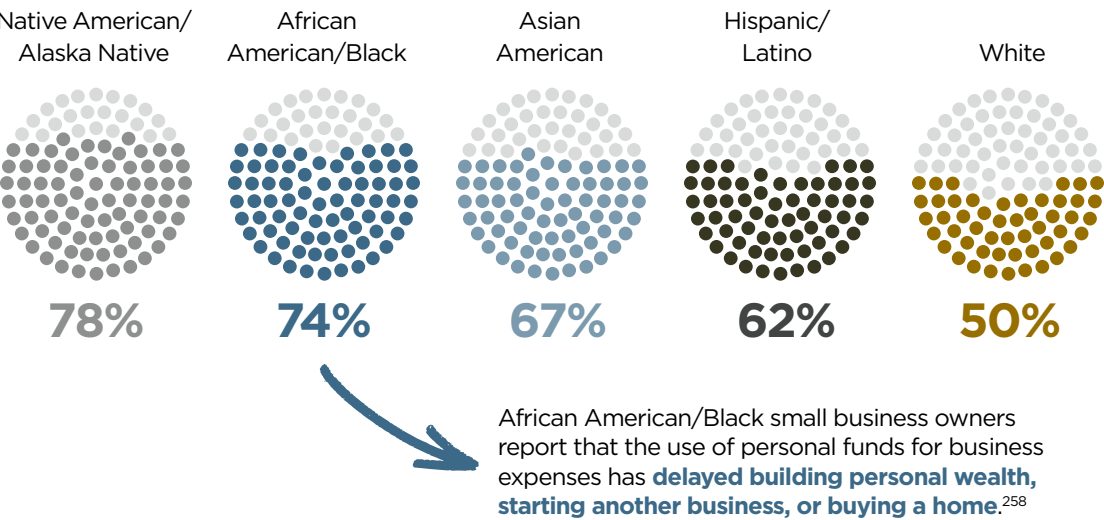
ENDNOTES | All the Details

OFFICE | Meet the Team

Access to capital remains a challenge for entrepreneurs of color.



Diverse entrepreneurs use personal funds for business expenses in the face of financial challenges at a higher rate than White entrepreneurs.²⁵⁷



Many diverse business owners need capital, but many of them are seeking relatively small amounts.



Contents

MISSION | Who We Are

DATA | State of Capital Formation

- Introduction
- Small and Emerging Businesses and Exempt Offering Data
- Mature and Later-Stage Businesses
- Initial Public Offerings and Small Public Companies
- Women Founders and Investors
- Diverse Founders and Investors**
- Natural Disaster Areas
- Rural Communities

POLICY | Recommendations

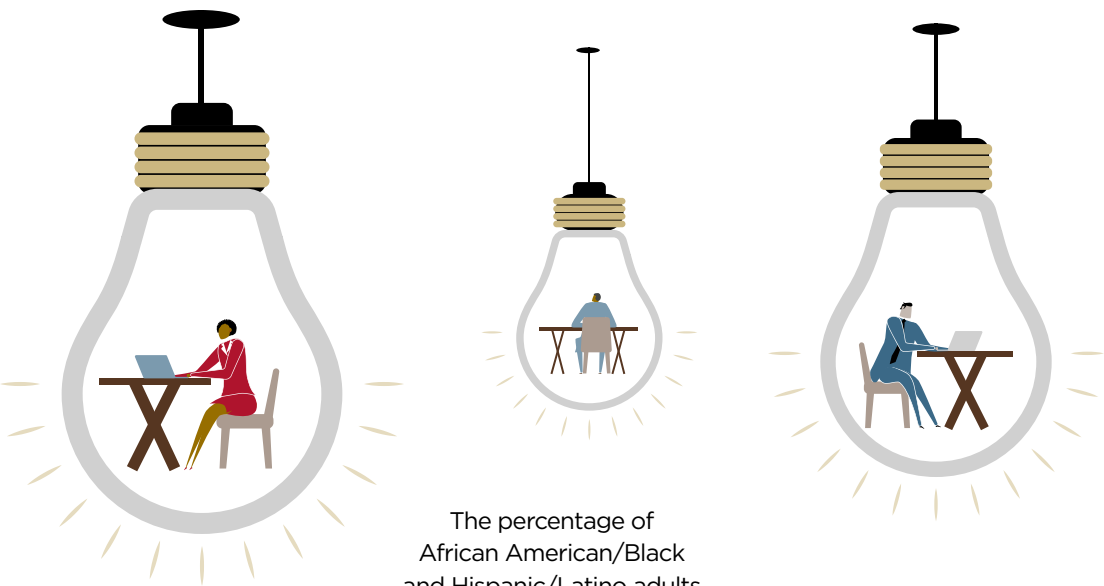
ADVOCACY | What We Do

COMMITTEE | Highlights

ENDNOTES | All the Details

OFFICE | Meet the Team

Mentorship and networking are critical to entrepreneurs’ success, but some diverse founders do not have access to entrepreneurship networks.²⁶¹

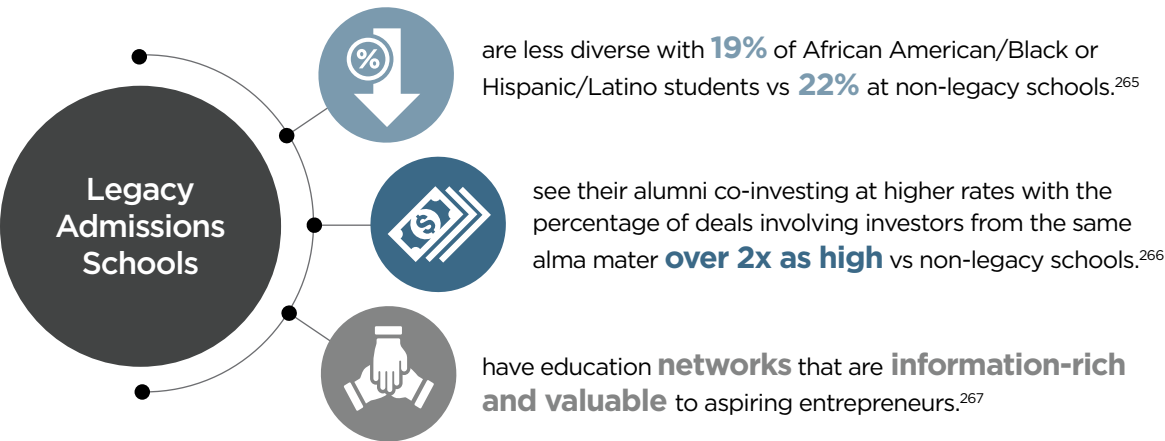


The percentage of African American/Black and Hispanic/Latino adults **who know an entrepreneur decreased** to 56% in 2023 (from 77% in 2021) and 48% in 2023 (from 70% in 2021), respectively.²⁶²

These connections are important as they provide inspiration, guidance, and advice to prospective entrepreneurs.

Well-developed alumni networks provide significant advantages for founders seeking venture funding.²⁶³

Disparities in access to key alumni networks, like those at schools with a legacy admissions process that can consider the applicant’s familial relationship to alumni, in turn limit who has access to critical pathways to capital.²⁶⁴



Contents

MISSION | Who We Are

DATA | State of Capital Formation

- Introduction
- Small and Emerging Businesses and Exempt Offering Data
- Mature and Later-Stage Businesses
- Initial Public Offerings and Small Public Companies
- Women Founders and Investors
- Diverse Founders and Investors**
- Natural Disaster Areas
- Rural Communities

POLICY | Recommendations

ADVOCACY | What We Do

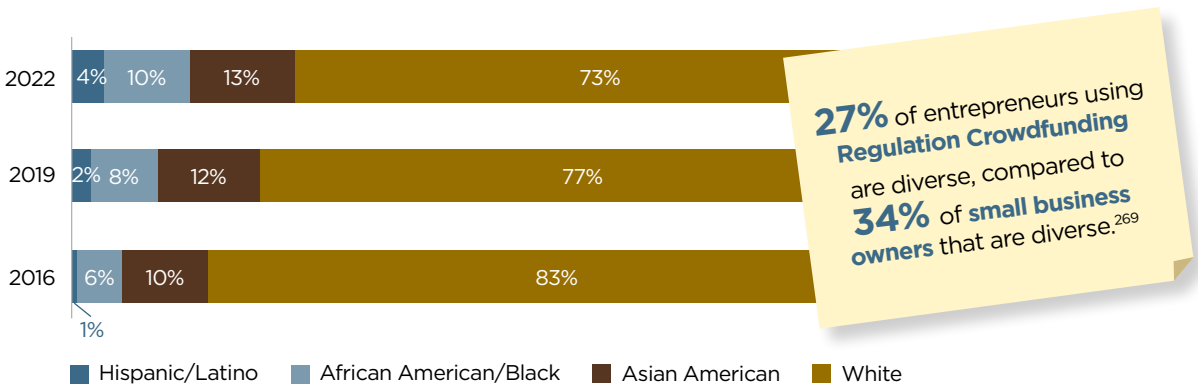
COMMITTEE | Highlights

ENDNOTES | All the Details

OFFICE | Meet the Team

Capital-Raising Trends

The diversity of entrepreneurs participating in Regulation Crowdfunding has increased over time.²⁶⁸

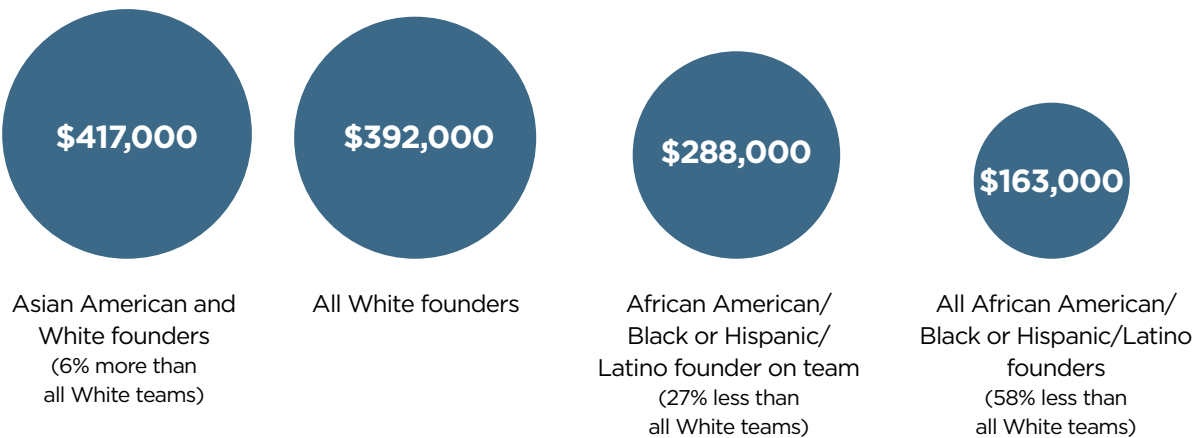


While founder diversity has increased, African American/Black and Hispanic/Latino founders received less funding under Regulation Crowdfunding than other founders.²⁷⁰



In 2019, the average amount raised by African American/Black or Hispanic/Latino founders using Regulation Crowdfunding was **4% less than** teams with White or Asian American founders.

By 2022, there were substantial gaps in the average amounts raised by different founding teams using Regulation Crowdfunding:

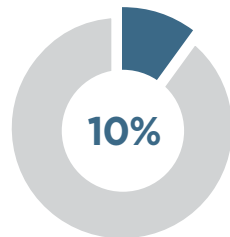


Contents

- MISSION | Who We Are
- DATA | State of Capital Formation
 - Introduction
 - Small and Emerging Businesses and Exempt Offering Data
 - Mature and Later-Stage Businesses
 - Initial Public Offerings and Small Public Companies
 - Women Founders and Investors
 - Diverse Founders and Investors
 - Natural Disaster Areas
 - Rural Communities
- POLICY | Recommendations
- ADVOCACY | What We Do
- COMMITTEE | Highlights
- ENDNOTES | All the Details
- OFFICE | Meet the Team

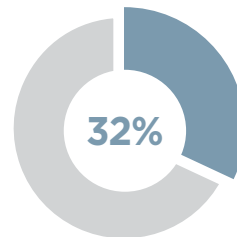
The number of founders of color seeking angel capital decreased as the rate of founders of color receiving angel capital remained above the overall market rate.

Founders of color constituted



of **entrepreneurs seeking angel capital** in 2023 (decrease from 15% in 2022 and 13% in 2021).²⁷¹

Angel investors invested in



of **those investment opportunities** brought to their attention (decrease from 33% in 2022 and increase from 31% in 2021, but higher than the overall market rate of 24% in 2023, 27% in 2022, and 24% in 2021).²⁷²

Cutbacks in funding and a decrease in overall VC engagements for early-stage startups disproportionately affected diverse founders.²⁷³



Diverse teams raised **26% less** on average than all-white teams.²⁷⁴

VC investors continue to prioritize different sections of pitch decks depending on the demographic make-up of the team.²⁷⁵

When pitching to early-stage VC investors, diverse teams experienced:²⁷⁶



20% more time spent on the **team section** than for all-white teams.



45% less time spent on the **product section**. For all-white teams, investors spent the most time here.



29% less time spent on the **business model section**.

Contents

MISSION | Who We Are

DATA | State of Capital Formation

Introduction

Small and Emerging Businesses and Exempt Offering Data

Mature and Later-Stage Businesses

Initial Public Offerings and Small Public Companies

Women Founders and Investors

Diverse Founders and Investors

Natural Disaster Areas

Rural Communities

POLICY | Recommendations

ADVOCACY | What We Do

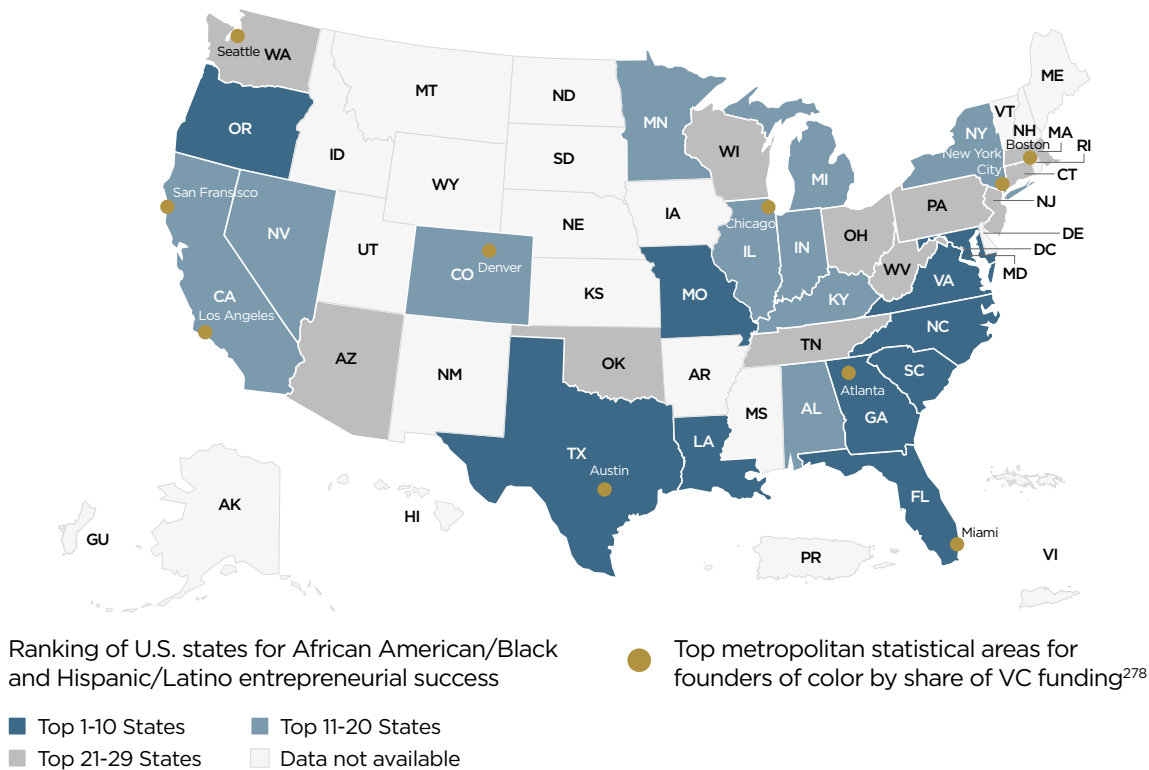
COMMITTEE | Highlights

ENDNOTES | All the Details

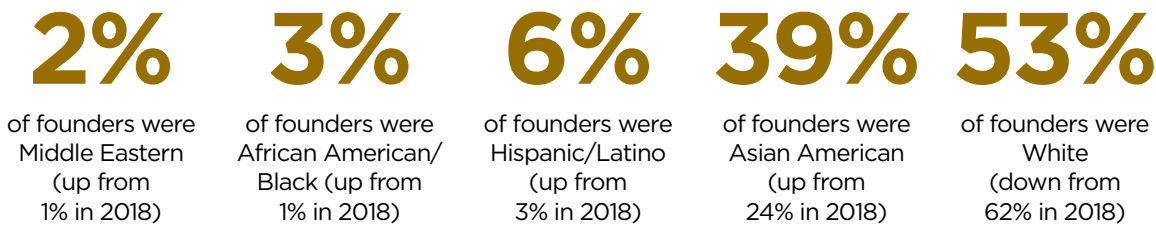
OFFICE | Meet the Team

Local ecosystems and states play an important role in entrepreneurial success.²⁷⁷

When more diverse founders in a state achieve economic success, the state also sees an increased number of diverse VC-ready founders.

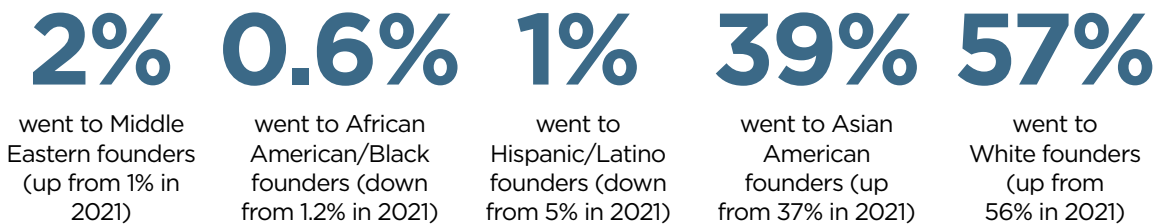


The percentage of diverse founders in the startup ecosystem has increased in recent years.²⁷⁹



Despite that increase, African American/Black and Hispanic/Latino founders receive a disproportionately small and declining share of venture capital funding.²⁸⁰

Founders received the following percentages of equity venture funding in 2023:



Contents

MISSION | Who We Are

DATA | State of Capital Formation

- Introduction
- Small and Emerging Businesses and Exempt Offering Data
- Mature and Later-Stage Businesses
- Initial Public Offerings and Small Public Companies
- Women Founders and Investors
- Diverse Founders and Investors**
- Natural Disaster Areas
- Rural Communities

POLICY | Recommendations

ADVOCACY | What We Do

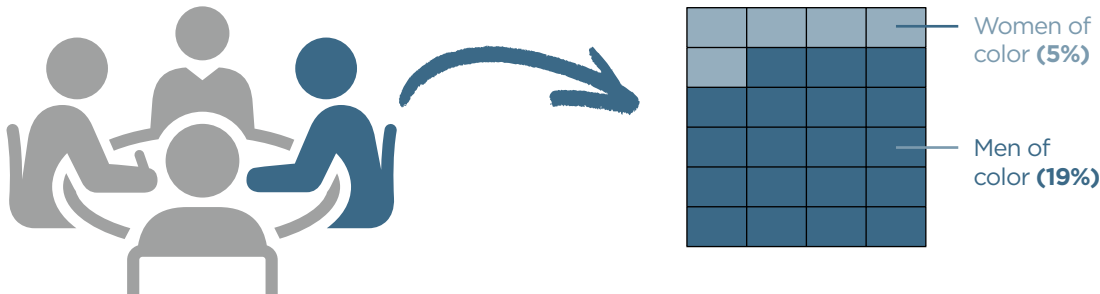
COMMITTEE | Highlights

ENDNOTES | All the Details

OFFICE | Meet the Team

Diverse Founders in Leadership Roles

Directors of color occupy roughly one in four seats on private company boards, the majority of which are held by men of color.²⁸¹



When a private company has a diverse board, that diversity persists strongly after the company goes public.²⁸²



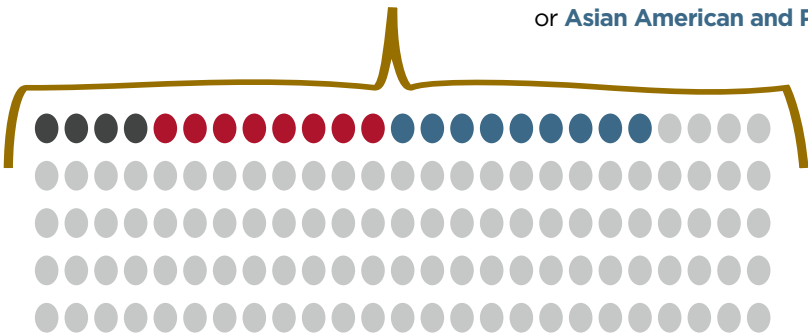
Private companies that have at least **one underrepresented director** at the time of their IPO have a **5 to 7X** higher share of underrepresented directors on their board in the 5 years following their IPO.²⁸³

Diversity on Russell 3000 public company boards remained relatively unchanged from 2018 to 2023.²⁸⁴

About 21%

of small public company boards that disclosed director diversity were diverse, compared to 22% in 2018.

Directors were **Hispanic/Latino (4%)**, **African American/Black (8%)**, or **Asian American and Pacific Islander/Native Hawaiian (9%)**.



The Russell 3000 Index is comprised of the largest 3,000 public companies, representing 98% of the U.S. equity market.²⁸⁵

Contents

MISSION | Who We Are

DATA | State of Capital Formation

- Introduction
- Small and Emerging Businesses and Exempt Offering Data
- Mature and Later-Stage Businesses
- Initial Public Offerings and Small Public Companies
- Women Founders and Investors
- Diverse Founders and Investors**
- Natural Disaster Areas
- Rural Communities

POLICY | Recommendations

ADVOCACY | What We Do

COMMITTEE | Highlights

ENDNOTES | All the Details

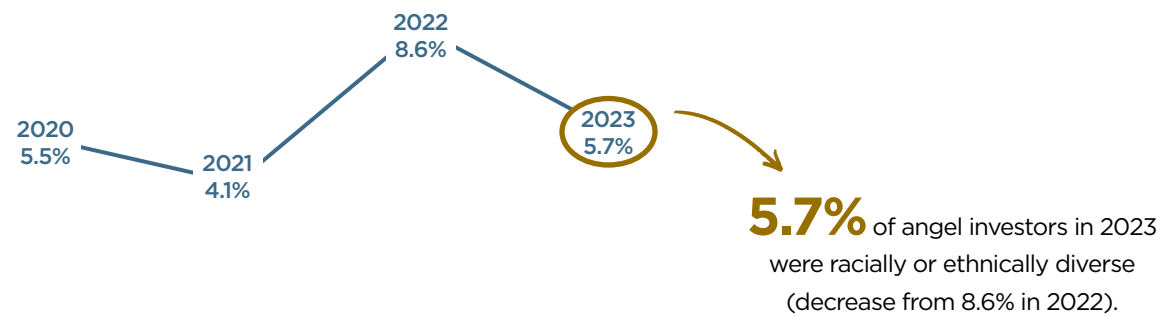
OFFICE | Meet the Team

Companies with more diverse executive teams and boards were more likely to outperform those with less diversity.²⁸⁶

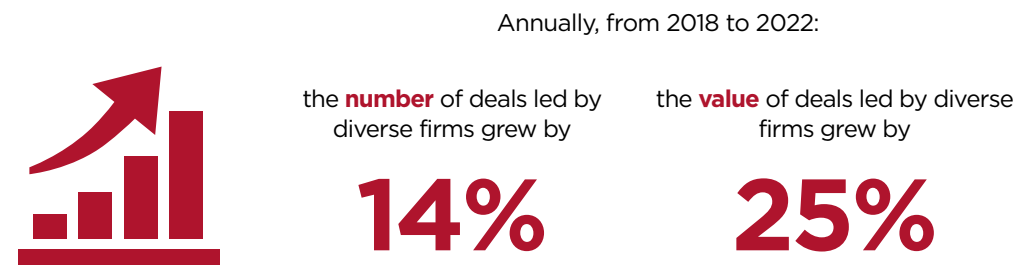


Diverse Investors and Allies

In 2023, diversity among angel investors decreased from a peak in 2022, but remains above the share of diverse angels in 2020 and 2021.²⁸⁸



The number and value of VC and private equity deals led by diverse-owned firms has continued to grow in recent years.²⁸⁹



Contents

MISSION | Who We Are

DATA | State of Capital Formation

- Introduction
- Small and Emerging Businesses and Exempt Offering Data
- Mature and Later-Stage Businesses
- Initial Public Offerings and Small Public Companies
- Women Founders and Investors
- Diverse Founders and Investors
 - Natural Disaster Areas
 - Rural Communities

POLICY | Recommendations

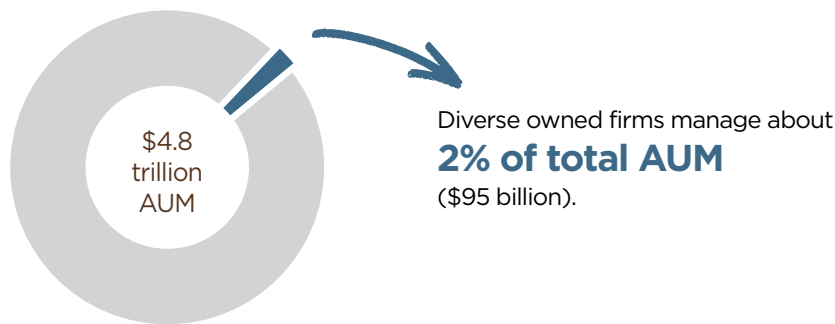
ADVOCACY | What We Do

COMMITTEE | Highlights

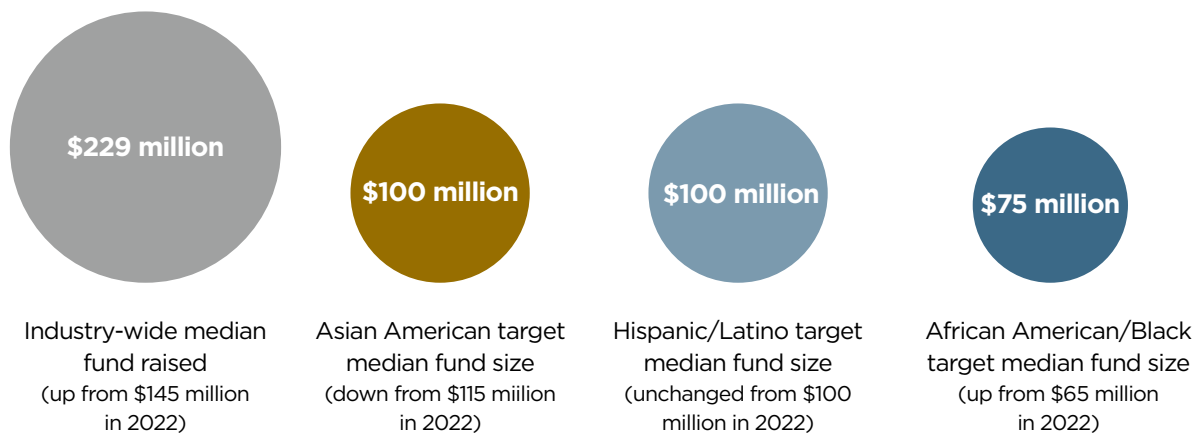
ENDNOTES | All the Details

OFFICE | Meet the Team

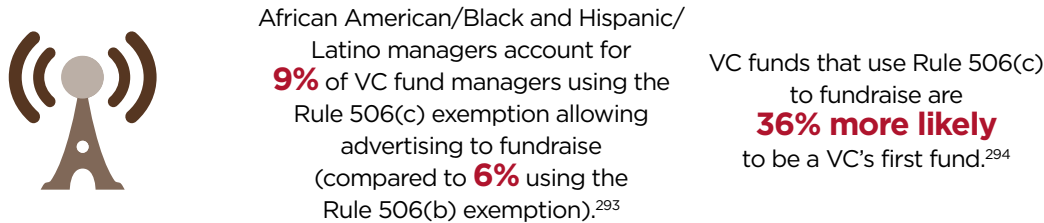
Despite growth, diverse-owned investment firms control a tiny slice of assets under management, also called AUM.²⁹⁰



Despite an uptick in fund size for African American/Black-owned firms in 2023, diverse-owned firms continue to raise smaller funds than the industry as a whole.²⁹¹



A higher share of underrepresented VC fund managers relied on a fundraising exemption that allows advertising rather than the traditional Rule 506(b) private placement exemption, but the share remains low.²⁹²



Contents

MISSION | Who We Are

DATA | State of Capital Formation

- Introduction
- Small and Emerging Businesses and Exempt Offering Data
- Mature and Later-Stage Businesses
- Initial Public Offerings and Small Public Companies
- Women Founders and Investors
- Diverse Founders and Investors
- Natural Disaster Areas
- Rural Communities

POLICY | Recommendations

ADVOCACY | What We Do

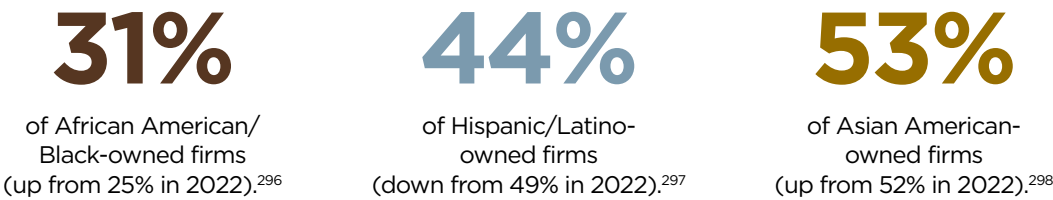
COMMITTEE | Highlights

ENDNOTES | All the Details

OFFICE | Meet the Team

Diverse-owned firms are continuing to raise successor funds.²⁹⁵

Successor funds were being raised by:



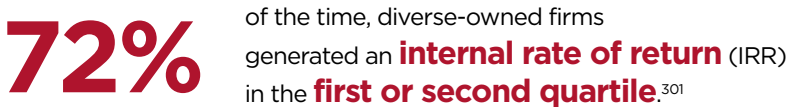
Diverse-owned firms are more likely to invest in early-stage and diverse founders, including deals overlooked by nondiverse firms.²⁹⁹



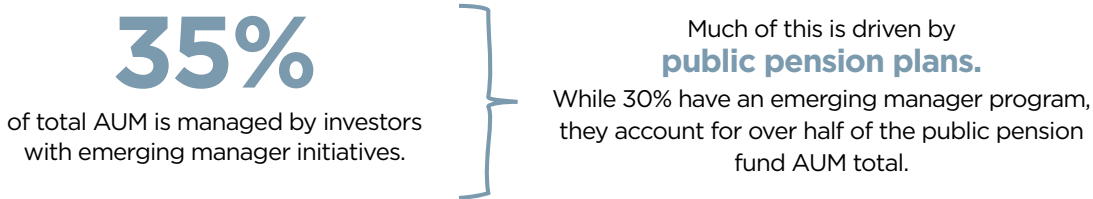
About **30%** of deals by diverse-owned firms are done exclusively with other diverse-owned asset management firms.

This trend is especially pronounced among African American/Black- and Hispanic/Latino-owned firms where two-thirds of their deals lie outside the deal pool of nondiverse asset managers.

Diverse-owned firms outperform benchmarks.³⁰⁰



Emerging manager programs are more common among larger institutional investors.³⁰²



Contents

MISSION | Who We Are

DATA | State of Capital Formation

- Introduction
- Small and Emerging Businesses and Exempt Offering Data
- Mature and Later-Stage Businesses
- Initial Public Offerings and Small Public Companies
- Women Founders and Investors
- Diverse Founders and Investors**
- Natural Disaster Areas
- Rural Communities

POLICY | Recommendations

ADVOCACY | What We Do

COMMITTEE | Highlights

ENDNOTES | All the Details

OFFICE | Meet the Team

LGBTQ+ Entrepreneurs

LGBTQ+ business owners are more likely to use personal funds and seek bank financing for their businesses, but are less likely to receive all requested funding.³⁰³

5% of small businesses are owned by members of the LGBTQ+ community.³⁰⁴

42% of LGBTQ+ business owners applied for bank financing (vs 36% of non-LGBTQ+ owners).³⁰⁵

45% of LGBTQ+ owners received all of the requested funding (vs 52% of non-LGBTQ+ owners).³⁰⁶

53% of LGBTQ+ adults own a home (vs 72% of non-LGBTQ+ adults).³⁰⁷

62% of LGBTQ+ business owners used personal funds (vs 54% of non-LGBTQ+ owners).³⁰⁸

69% of LGBTQ+ entrepreneurs feel it's important their businesses have a positive impact in communities (vs 56% of all founders).³⁰⁹

Since 2000, LGBTQ+ entrepreneurs:³¹⁰



received

\$16.1 billion



created

110,000 jobs



had

274 exits

“

The potential is great.... ‘The problem is getting the support. Being a founder can be a very lonely place, and having access to a community of founders who can relate is invaluable. It’s the sauce that holds it all together.

TARIK PERKINS, STARTOUT³¹¹

Contents

MISSION | Who We Are

DATA | State of Capital Formation

Introduction

Small and Emerging Businesses and Exempt Offering Data

Mature and Later-Stage Businesses

Initial Public Offerings and Small Public Companies

Women Founders and Investors

Diverse Founders and Investors

Natural Disaster Areas

Rural Communities

POLICY | Recommendations

ADVOCACY | What We Do

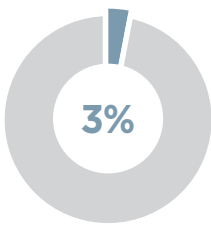
COMMITTEE | Highlights

ENDNOTES | All the Details

OFFICE | Meet the Team

Entrepreneurs with Disabilities³¹²

More than
1 in 4
adults in the U.S.
have a disability
(over 70 million people).³¹³



of businesses **are owned** by
a person with a disability.³¹⁴


Persons with a disability are more likely to start a business than non-disabled persons, and those disabled entrepreneurs earn more than disabled non-entrepreneurs.³¹⁵

8%
of workers with a disability are
self-employed compared to
6% of those with no disability.³¹⁶

Entrepreneurs with
disabilities earn
14% more
than disabled
non-entrepreneurs.³¹⁷

Over time, however, disabled entrepreneurs' earnings grow at a slower rate than all other groups, including disabled non-entrepreneurs and non-disabled individuals.³¹⁸

Limited access to financial services affects the starting line for many founders with disabilities.³¹⁹



11% of adults with a disability are
unbanked, compared to 5% of people who
do not have a disability.³²⁰



55% of adults with a disability **are doing**
"at least okay" financially, compared to
76% of non-disabled adults.³²¹



Entrepreneurs with disabilities also face unique challenges that extend beyond financing. The lack of mentorship opportunities and entrepreneurship programs specifically tailored to meet their needs is a significant hurdle. Furthermore, specific requirements for accommodations—such as language assistance or the provision of assistive technology—add another layer of complexity for these entrepreneurs in navigating the entrepreneurial landscape.

AARTI SAHGAL, SYNERGIES WORK & SYNERGIES SEED FUND³²²

Contents

MISSION | Who We Are

DATA | State of Capital Formation

Introduction

Small and Emerging Businesses
and Exempt Offering Data

Mature and Later-Stage Businesses

Initial Public Offerings and Small
Public Companies

Women Founders and Investors

Diverse Founders and Investors

Natural Disaster Areas

Rural Communities

POLICY | Recommendations

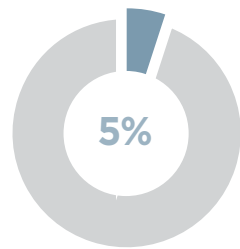
ADVOCACY | What We Do

COMMITTEE | Highlights

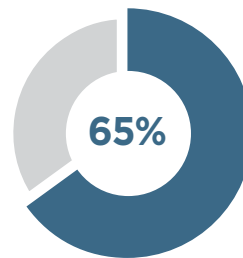
ENDNOTES | All the Details

OFFICE | Meet the Team

Veteran Entrepreneurs



of businesses are **owned by veterans** (1.8 million businesses).³²³



of veterans **considered starting a small business** when leaving military service.³²⁴

As veterans grow their businesses, they need support to help fuel their growth.³²⁵

Top challenges for veteran-owned businesses by lifecycle stage



Less than \$250,000 in revenues:

- **applying for loans** and
- effective **resource management**.³²⁶



\$250,000 to less than \$1 million in revenues:

- finding a local **business incubator** or nonprofit and
- **maintaining funding rounds** to fuel growth.³²⁷



\$1 million to \$5 million in revenues:

- finding a local **business incubator** or nonprofit,
- finding **time to network**, and
- exploring **strategic partnerships**.³²⁸

Veteran investors bring a unique skillset, but many face obstacles transitioning to civilian life.³²⁹

Veteran investors face challenges such as:

- ➔ accessing pipeline programs designed for underrepresented groups and
- ➔ networking with and fundraising from traditional/institutional investors unfamiliar with their military experience.



Veterans bring a wealth of skills and expertise to the VC ecosystem. Their distinct training, abilities and experiences are invaluable in evaluating many startups seeking capital. Often, veterans gain firsthand exposure to cutting-edge technologies during their service, arming them with unique insights into emerging trends.

IKRAM MANSORI, VETSINTECH³³⁰

Contents

MISSION | Who We Are

DATA | State of Capital Formation

Introduction

Small and Emerging Businesses
and Exempt Offering Data

Mature and Later-Stage Businesses

Initial Public Offerings and Small
Public Companies

Women Founders and Investors

Diverse Founders and Investors

Natural Disaster Areas

Rural Communities

POLICY | Recommendations

ADVOCACY | What We Do

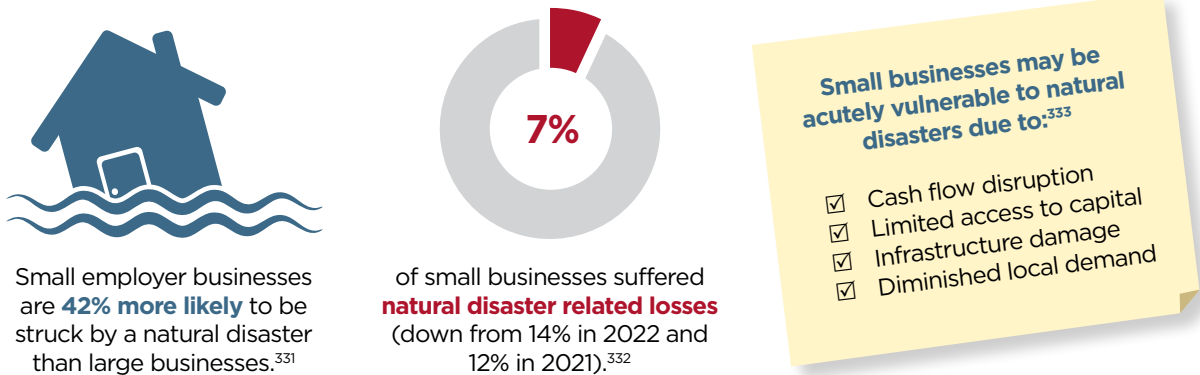
COMMITTEE | Highlights

ENDNOTES | All the Details

OFFICE | Meet the Team

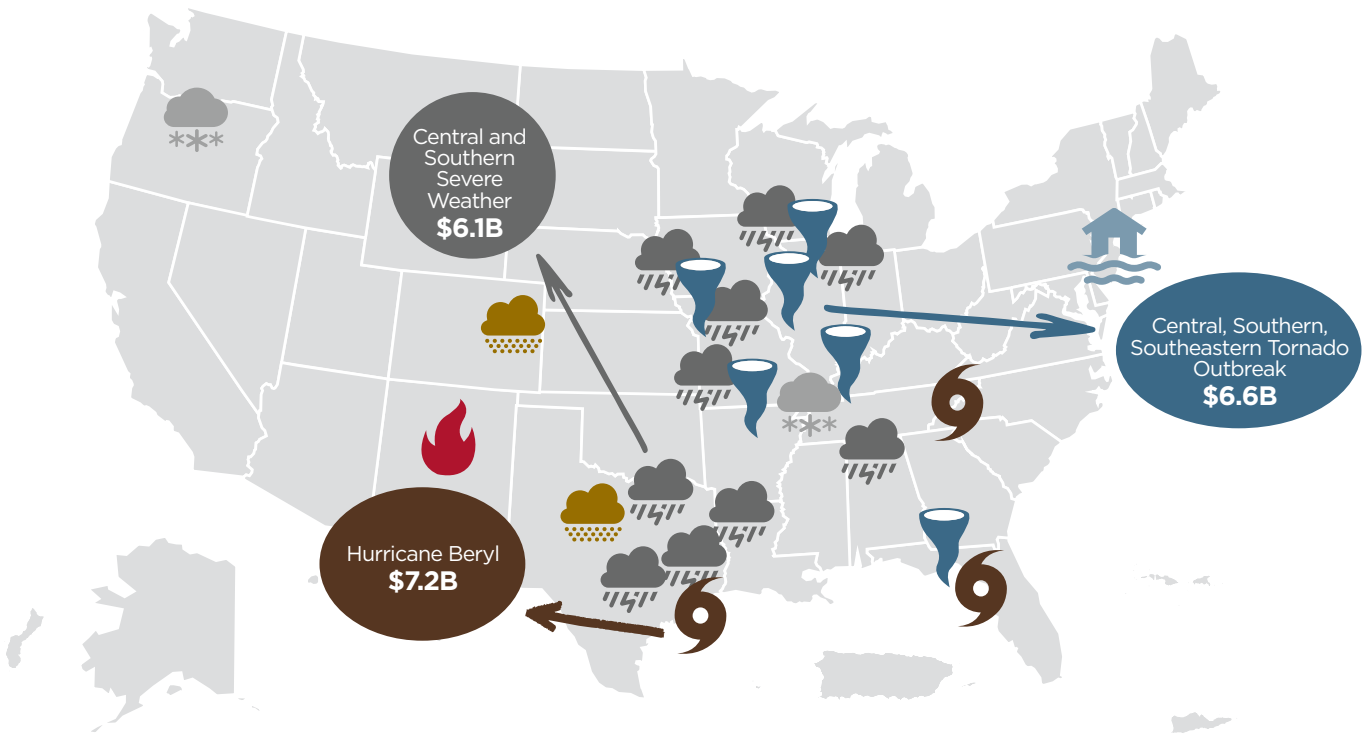
Natural Disaster Areas

How do natural disasters affect small businesses?



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

Between October 1, 2023 and September 30, 2024, there were 24 natural disaster events with losses exceeding \$1 billion.³³⁴



Contents

MISSION | Who We Are

DATA | State of Capital Formation

- Introduction
- Small and Emerging Businesses and Exempt Offering Data
- Mature and Later-Stage Businesses
- Initial Public Offerings and Small Public Companies
- Women Founders and Investors
- Diverse Founders and Investors

Natural Disaster Areas

Rural Communities

POLICY | Recommendations

ADVOCACY | What We Do

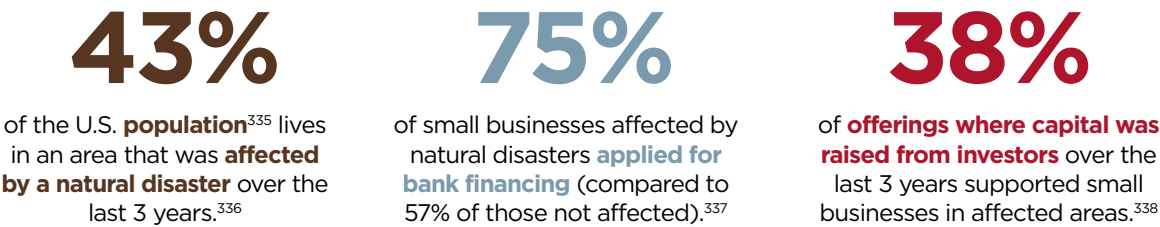
COMMITTEE | Highlights

ENDNOTES | All the Details

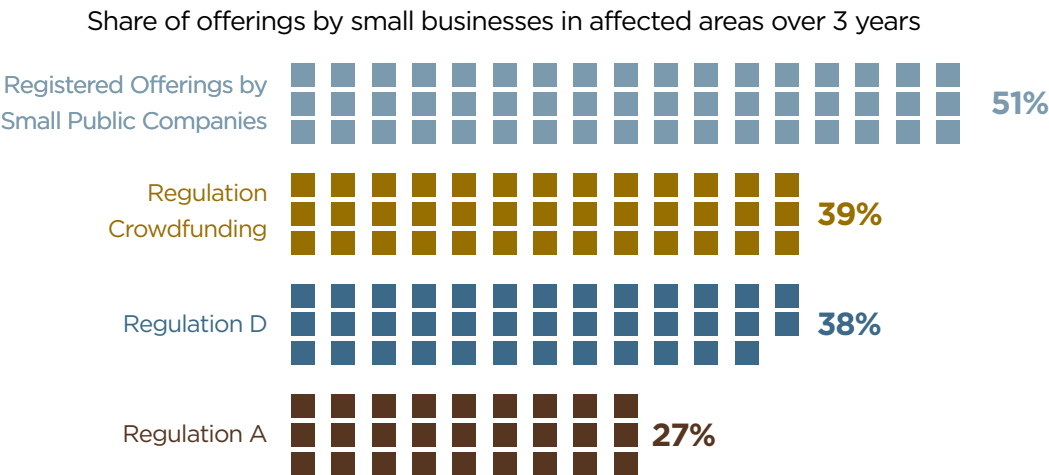
OFFICE | Meet the Team

How do capital-raising trends differ for small businesses affected by natural disasters?

Small businesses in areas affected by natural disasters often seek access to capital through bank financing and capital from investors.

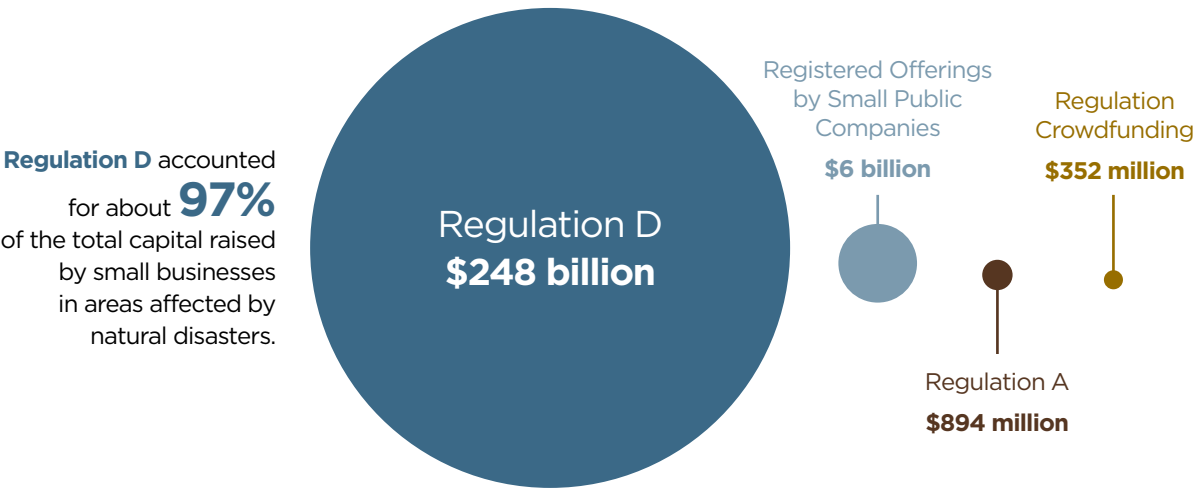


Small businesses in areas affected by natural disasters accounted for 27% to 51% of the offerings where capital was raised from investors, by offering type.³³⁹



While small businesses in affected areas used various pathways, the vast majority of capital was raised under Regulation D.³⁴⁰

Capital raised from investors by small businesses in affected areas over the last 3 years:



Contents

MISSION | Who We Are

DATA | State of Capital Formation

- Introduction
- Small and Emerging Businesses and Exempt Offering Data
- Mature and Later-Stage Businesses
- Initial Public Offerings and Small Public Companies
- Women Founders and Investors
- Diverse Founders and Investors

Natural Disaster Areas

Rural Communities

POLICY | Recommendations

ADVOCACY | What We Do

COMMITTEE | Highlights

ENDNOTES | All the Details

OFFICE | Meet the Team

Rural Communities

Small businesses are a vital part of rural economies and communities across the country.³⁴¹

Small businesses are the economic engines for rural economies.

17% of the U.S. population lives in a rural area.³⁴²



Small businesses account for:



96% of businesses located outside of metropolitan areas (4.1 million small businesses).³⁴³



57% of employment outside of metropolitan areas (compared to 47% of employment in metropolitan areas).³⁴⁴

Rural small businesses often play a key role in their local community.³⁴⁵

89% of rural small businesses support and volunteer in their local community.

70% of rural small businesses believe they are having a positive impact on the social well-being of their local community.



Contents

MISSION | Who We Are

DATA | State of Capital Formation

Introduction

Small and Emerging Businesses and Exempt Offering Data

Mature and Later-Stage Businesses

Initial Public Offerings and Small Public Companies

Women Founders and Investors

Diverse Founders and Investors

Natural Disaster Areas

Rural Communities

POLICY | Recommendations

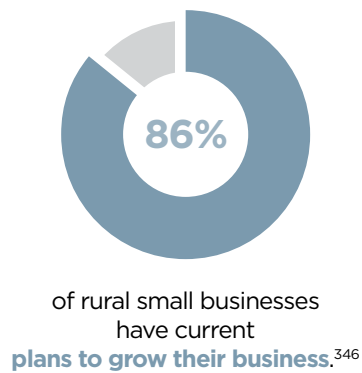
ADVOCACY | What We Do

COMMITTEE | Highlights

ENDNOTES | All the Details

OFFICE | Meet the Team

While many rural small businesses have plans to grow their business, access to capital remains a paramount concern.

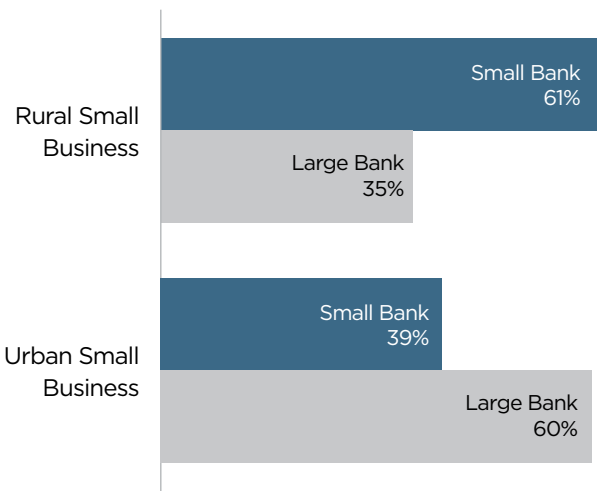


How do capital-raising trends differ for rural small businesses?

Many rural small businesses seek access to capital through bank financing, while a smaller share seek capital from investors.



Many rural businesses rely on small banks for financial services.³⁵¹



Since 2019, the number of banks has decreased by 15%, however, the number of small banks has decreased by 34%.³⁵²

Contents

MISSION | Who We Are

DATA | State of Capital Formation

- Introduction
- Small and Emerging Businesses and Exempt Offering Data
- Mature and Later-Stage Businesses
- Initial Public Offerings and Small Public Companies
- Women Founders and Investors
- Diverse Founders and Investors
- Natural Disaster Areas

Rural Communities

POLICY | Recommendations

ADVOCACY | What We Do

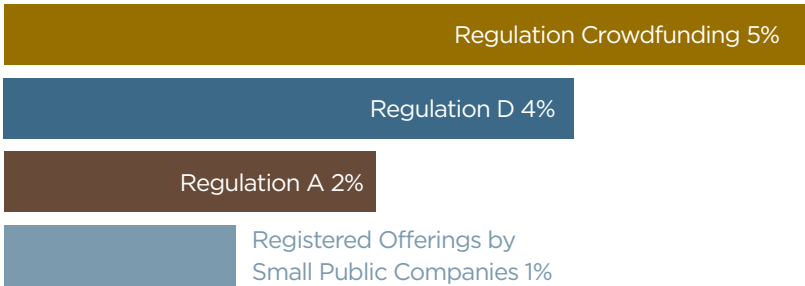
COMMITTEE | Highlights

ENDNOTES | All the Details

OFFICE | Meet the Team

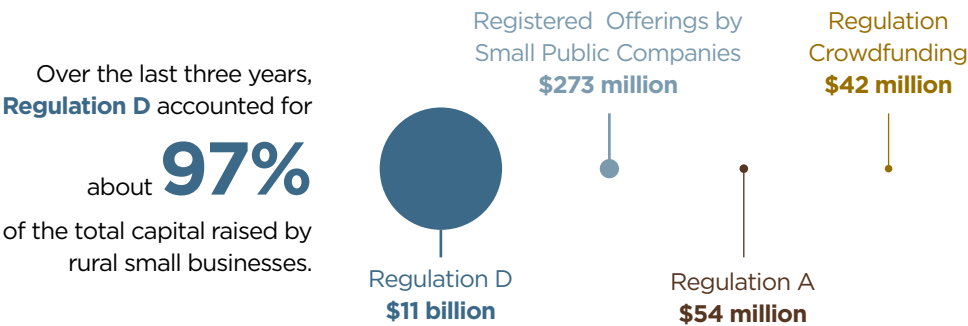
Rural small businesses are raising a smaller share of capital relative to their population and share of small businesses, across all offering types.³⁵³

Share of offerings by rural small businesses over 3 years

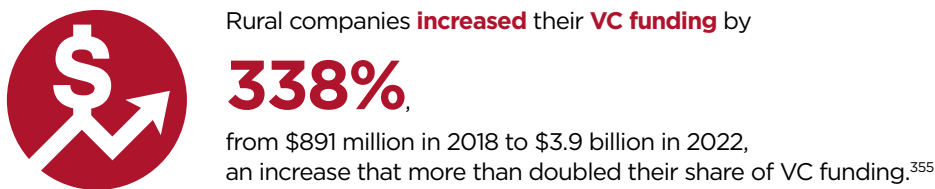


While rural small businesses used various pathways to raise capital, the vast majority of capital from investors was raised under Regulation D.³⁵⁴

Capital raised from investors by rural small businesses over the last 3 years:



Access to VC funding is expanding in rural areas.



“

Some investors have already begun to see rural areas as an emerging market with untapped potential in many innovative rural startups. Rural communities offer a diverse array of experiences and viewpoints that can be critical in driving advances in innovation. This diversity can lead to more creative problem-solving and novel ideas, enhancing the quality of work and output across various industries including tech.

MAY EROUART, THE CENTER ON RURAL INNOVATION³⁵⁶

Contents

MISSION | Who We Are

DATA | State of Capital Formation

- Introduction
- Small and Emerging Businesses and Exempt Offering Data
- Mature and Later-Stage Businesses
- Initial Public Offerings and Small Public Companies
- Women Founders and Investors
- Diverse Founders and Investors
- Natural Disaster Areas

Rural Communities

POLICY | Recommendations

ADVOCACY | What We Do

COMMITTEE | Highlights

ENDNOTES | All the Details

OFFICE | Meet the Team



POLICY Recommendations

Contents

MISSION | Who We Are

DATA | State of Capital Formation

POLICY | Recommendations

Introduction

Expand educational resources

Support efforts to foster mentorship

Support small businesses using crowdfunding

Clarify pathways to connect founders
and investors

Support diverse capital allocators

Support small public companies

ADVOCACY | What We Do

COMMITTEE | Highlights

ENDNOTES | All the Details

OFFICE | Meet the Team

Based on feedback we have received through our engagement with small businesses, their investors, and allies who support them, the Office has developed the following policy recommendations for Congress and the Commission. We have distilled this feedback into six key areas for action to address the issues we hear most frequently about small business capital formation.

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 effective solutions that support both small businesses and their investors. For each recommendation, we include background context, impacts on particular demographic groups, and proposed general solutions.

We welcome further engagement by Congress and the Commission regarding these recommendations so that entrepreneurs and their investors can continue to work together, through transparent relationships, to bring growth and innovation to the market.



Throughout the year our Office heard feedback from founders, investors, advisors, and mentors involved in different lifecycle stages of the market.

Contents

MISSION | Who We Are

DATA | State of Capital Formation

POLICY | Recommendations

Introduction

Expand educational resources

Support efforts to foster mentorship

Support small businesses using crowdfunding

Clarify pathways to connect founders and investors

Support diverse capital allocators

Support small public companies

ADVOCACY | What We Do

COMMITTEE | Highlights

ENDNOTES | All the Details

OFFICE | Meet the Team

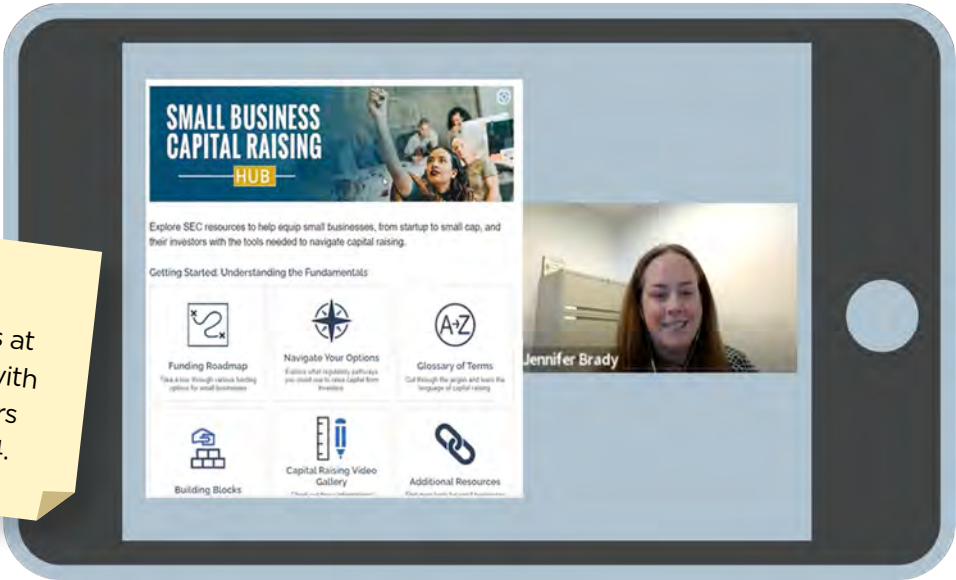
Entrepreneurs and their investors need user-friendly, accessible tools and educational resources to help them understand and navigate securities laws.



Background Context

Throughout the year, we met with entrepreneurs and investors from across the country with a broad range of capital-raising experience, as well as third parties who assist and support them. Many of the entrepreneurs we met—no matter how business savvy or technologically sophisticated—noted that the capital-raising rules are often complex and expressed the need for user-friendly, accessible resources to help them understand capital formation terminology and the capital-raising pathways that may be available to them. Others conveyed that they were in early stages and unaware of all available capital-raising options or were unsure how to begin the funding journey. We also heard requests for resources in multiple languages.

Our Office shared educational resources at a StartOut gathering with LGBTQ+ entrepreneurs and allies in May 2024.



Our Office has continued to partner with other SEC offices and divisions to expand and enhance our [Resources for Small Businesses](#), a centralized portal of educational resources for small businesses and their investors on the capital-raising journey. Since we launched the SEC portal in 2021, these resources have received over 1.5 million views. This year we continued to add content based on feedback received through our outreach efforts. We are also in the process of translating many of our resources into multiple languages.

Contents

MISSION | Who We Are

DATA | State of Capital Formation

POLICY | Recommendations

Introduction

Expand educational resources

Support efforts to foster mentorship

Support small businesses using crowdfunding

Clarify pathways to connect founders and investors

Support diverse capital allocators

Support small public companies

ADVOCACY | What We Do

COMMITTEE | Highlights

ENDNOTES | All the Details

OFFICE | Meet the Team



Demographic Impacts

The federal securities laws and regulations provide an important legal framework for businesses and investors alike. Yet that framework is complex, and navigating it often requires experienced mentors and advisors. Women and diverse founders often lack access to the same networks and support as their counterparts and therefore face an uneven playing field.³⁵⁷



Proposed Solution

We will continue to engage with diverse audiences of small businesses, investors, federal and state agencies, entrepreneurial support organizations, and other thought leaders in the market. Through this engagement, we will aim to expand and improve the SEC's small business educational resources, including their accessibility, and to promote awareness of those resources and the role of the Office. We will also continue to seek feedback and welcome suggestions on topics and formats for future resources and programming.

We continue to receive requests for more accessible tools and additional topics, formats, and languages. To respond to these calls for action, we will need the Commission's support of, and dedication of resources to, our Office's efforts in this area as well as those of our colleagues throughout the agency, including the Office of Public Affairs digital media and desktop publishing teams, the Office of the General Counsel, and the expert teams in the agency's rulemaking divisions, whose contributions have been invaluable. This support is critical to ensuring that entrepreneurs and their investors at every stage, as well as those advisors and organizations who support them, have access to tools and educational resources to understand and comply with the securities laws and to access the U.S. capital markets in an effective and compliant manner.



Our Office heard feedback on the importance of educational resources at an October 2023 panel discussion "From Idea to Investment: Capital Strategies for Vermont Entrepreneurs."

Contents

MISSION | Who We Are

DATA | State of Capital Formation

POLICY | Recommendations

Introduction

Expand educational resources

Support efforts to foster mentorship

Support small businesses using crowdfunding

Clarify pathways to connect founders and investors

Support diverse capital allocators

Support small public companies

ADVOCACY | What We Do

COMMITTEE | Highlights

ENDNOTES | All the Details

OFFICE | Meet the Team

Connecting small business founders and investors with mentorship opportunities is vital to their success.



Background Context

Mentoring is an integral part of the startup ecosystem, particularly during the early stages of entrepreneurship and fundraising, as founders face numerous challenges and obstacles to growing and sustaining their businesses.³⁵⁸ Both founders and investors require a network of support to thrive. During the fiscal year, many of the entrepreneurs and emerging fund managers our Office met—no matter where they were on their business journey—lauded the value of mentorship and the importance of building community.

Mentors play a crucial role in guiding and supporting founders and can offer unbiased feedback and impart relevant industry specific knowledge and expertise,³⁵⁹ all of which can have a significant and positive impact on a small business’s trajectory. Seasoned mentors can leverage their experience to help founders avoid common challenges by implementing advice at the right time and limiting mistakes as the business scales.³⁶⁰ Yet many founders lack personal connections to these sorts of mentors or do not know where to look for support.



We frequently heard about the importance of mentorship, including when the Office hosted “Incubate, Accelerate, Ignite.” a virtual panel discussion in February featuring leaders from entrepreneurial support organizations.

Contents

MISSION | Who We Are

DATA | State of Capital Formation

POLICY | Recommendations

- Introduction
- Expand educational resources
- Support efforts to foster mentorship**
- Support small businesses using crowdfunding
- Clarify pathways to connect founders and investors
- Support diverse capital allocators
- Support small public companies

ADVOCACY | What We Do

COMMITTEE | Highlights

ENDNOTES | All the Details

OFFICE | Meet the Team



Demographic Impacts

Startups are innately risky, but having a deep pool of mentors for their founders and investors plays a pivotal role in supporting growth and increases the likelihood that those startups succeed. Mentorship is especially useful for women, rural, and underrepresented founders who navigate more and higher barriers to entrepreneurship and who often lack access to the same networks, experienced mentors and advisors, or supportive entrepreneurial communities as their counterparts, and face additional challenges raising capital.³⁶¹ Emerging fund managers and early-stage investors, especially women and racially and ethnically diverse funders, face similar challenges. Yet, women and diverse investors are more likely to invest in underrepresented founders,³⁶² so connecting both investors and founders with mentors can play an important role in diversifying access to capital.



The Office heard from entrepreneurs and investors on the role of networks, mentorship, and entrepreneurial support organizations including during a visit to Central Florida's National Entrepreneur Center in April.

Contents

MISSION | Who We Are

DATA | State of Capital Formation

POLICY | Recommendations

Introduction

Expand educational resources

Support efforts to foster mentorship

Support small businesses using crowdfunding

Clarify pathways to connect founders and investors

Support diverse capital allocators

Support small public companies

ADVOCACY | What We Do

COMMITTEE | Highlights

ENDNOTES | All the Details

OFFICE | Meet the Team



Proposed Solution

Data shows that local ecosystems and states play an important role in entrepreneurial success.³⁶³ Throughout the year we have heard calls of support for public/private collaborations and how those can play an important role in fostering mentorship.³⁶⁴ We are supportive of this type of collaboration and enhanced dedication of resources to build bridges within entrepreneurial ecosystems.

Further, our Office supports intra- and inter-agency collaborations with the aim of providing clear communication about available government resources to support early-stage entrepreneurs, investors, and support organizations, including a focus on accessible and prominent placement of this information on SEC.gov and other government websites. We also support continued development of expanded resources,³⁶⁵ mentorship opportunities, and other support for startups, underrepresented founders, and emerging fund managers. This support is critical to ensuring that small businesses and their investors, particularly at the early stages, know how to access mentors and resources to grow their businesses and understand and comply with the securities laws.



Always find a way to give more than you take.

DONALD HAWKINS, KINLY³⁶⁶

Contents

MISSION | Who We Are

DATA | State of Capital Formation

POLICY | Recommendations

Introduction

Expand educational resources

Support efforts to foster mentorship

Support small businesses using crowdfunding

Clarify pathways to connect founders and investors

Support diverse capital allocators

Support small public companies

ADVOCACY | What We Do

COMMITTEE | Highlights

ENDNOTES | All the Details

OFFICE | Meet the Team

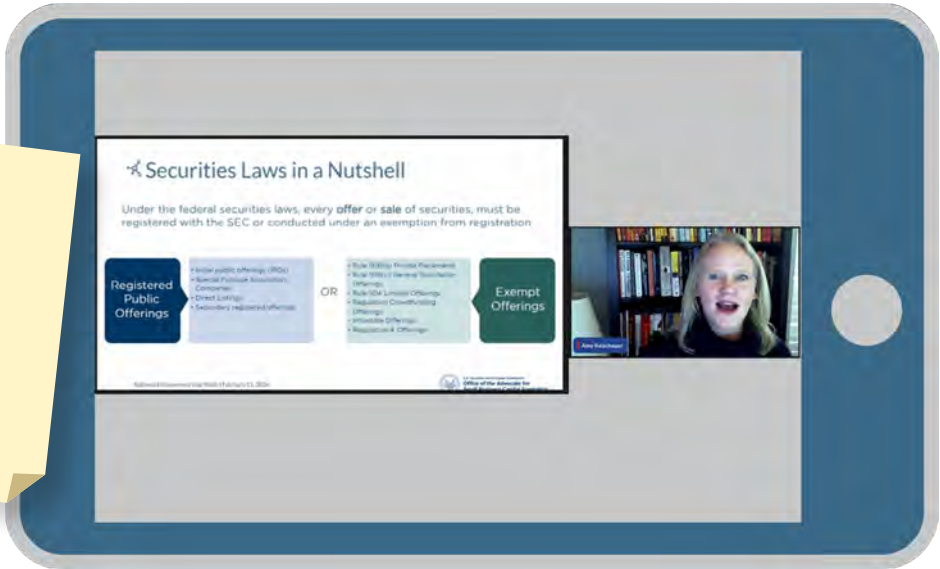
Support for small businesses that rely on Regulation Crowdfunding to raise capital is essential.



Background Context

Operating companies need capital to build, grow, and scale. When that capital does not come from retained earnings of the business, personal savings, loans, or grants, companies may look to raise capital from investors. Regulation Crowdfunding serves as one pathway to raise capital from investors and can provide an alternative source of capital where the presence of community banks has decreased or for founders who struggle to secure necessary funds through other capital-raising pathways, like Regulation D offerings to sophisticated or accredited investors. Regulation Crowdfunding can help to bridge the gap for founders who may not have extensive personal investor networks.³⁶⁷

The Office joined National Entrepreneurship Week in February to talk about various funding pathways, including Regulation Crowdfunding, and share our educational resources.



In previous years, the Office has recommended that the Commission make targeted regulatory changes to exempt offering pathways to improve their utility, including through amendments to Regulation Crowdfunding. In the past year, the Commission has not taken action, and rulemaking related to Regulation Crowdfunding is not on the Commission’s current regulatory agenda.³⁶⁸

Contents

MISSION | Who We Are

DATA | State of Capital Formation

POLICY | Recommendations

- Introduction
- Expand educational resources
- Support efforts to foster mentorship
- Support small businesses using crowdfunding**
- Clarify pathways to connect founders and investors
- Support diverse capital allocators
- Support small public companies

ADVOCACY | What We Do

COMMITTEE | Highlights

ENDNOTES | All the Details

OFFICE | Meet the Team



Demographic Impacts

Data highlights that women, rural, and racially and ethnically diverse founders struggle to raise capital during not just early-stage, but all lifecycle stages, of the company.³⁶⁹ The wealth gap also places constraints on underrepresented founders' abilities to fund their ventures through personal wealth or friends and family.³⁷⁰ Yet, many women and diverse founders have found funding opportunities through Regulation Crowdfunding, which often enables them to raise capital from their local community and other non-accredited investors.³⁷¹ This pathway has also been attractive to small businesses located outside of the traditional capital hubs.³⁷²



The Office joined a number of events to share our educational resources on capital-raising pathways and related rules, including the U.S. Minority Business Development Agency's Access to Capital Summit in July.



Proposed Solution

We encourage Congress and the Commission to explore initiatives to make Regulation Crowdfunding a more attractive capital-raising pathway for small businesses and their founders. This could include considering ways to minimize costs associated with Regulation Crowdfunding offerings. We also encourage Congress and the Commission to explore various solutions to support underrepresented founders, including women, rural, and racially and ethnically diverse founders, who rely on Regulation Crowdfunding to fund their business endeavors.

Contents

MISSION | Who We Are

DATA | State of Capital Formation

POLICY | Recommendations

Introduction

Expand educational resources

Support efforts to foster mentorship

Support small businesses using crowdfunding

Clarify pathways to connect founders and investors

Support diverse capital allocators

Support small public companies

ADVOCACY | What We Do

COMMITTEE | Highlights

ENDNOTES | All the Details

OFFICE | Meet the Team

Small businesses need a defined pathway to establish networks with sophisticated investors for raising capital.



Background Context

Many small businesses and their founders struggle to connect with sophisticated investors who have the appropriate risk tolerance, industry experience, business connections, and investing objectives for their business’s model and stage of maturity. Connecting with sophisticated investors, who often bring relevant experience and know-how, can positively impact a company’s growth and success through mentorship, business relationships, strategic guidance, and future support.³⁷³ Businesses seeking to raise smaller dollar amounts are seldom able to attract attention from registered broker-dealers,³⁷⁴ who have connections to sophisticated investors, and there is significant uncertainty in the marketplace about unregistered “finders” who offer to fill the void with their connections.

We have previously recommended that Congress or the Commission provide additional regulatory clarity for these “finders.”³⁷⁵ In the past year, the Commission has not taken action and providing regulatory clarity in this area is not on the Commission’s current regulatory agenda.³⁷⁶



Demographic Impacts

Many entrepreneurs do not have potential sophisticated investors in their personal networks, which can create additional barriers to entry.³⁷⁷ Women, racially and ethnically diverse, and rural founders often start with a smaller network of accredited, angel, and VC investors.³⁷⁸ In addition, women and diverse founders often report challenges accessing mentors, role models, and professional support.³⁷⁹ These challenges can limit the ability of small businesses to raise capital and potentially impede the company’s survival and growth.³⁸⁰

Contents

MISSION | Who We Are

DATA | State of Capital Formation

POLICY | Recommendations

- Introduction
- Expand educational resources
- Support efforts to foster mentorship
- Support small businesses using crowdfunding
- Clarify pathways to connect founders and investors**
- Support diverse capital allocators
- Support small public companies

ADVOCACY | What We Do

COMMITTEE | Highlights

ENDNOTES | All the Details

OFFICE | Meet the Team



The Office engaged with entrepreneurs and investors throughout the year on the importance of networks, including at the Angel Capital Association's Women's Investor Forum in Boston in September.



Proposed Solution

The feedback received from small businesses, investors, entrepreneurial support organizations, and other market participants demonstrates a desire for a defined pathway for small business founders and sophisticated investors to connect. Market participants have consistently asked for clarity about the legal obligations of unregistered “finders” who offer their connections. We continue to encourage Congress and the Commission to consider clarifying ways for small business founders and sophisticated investors to connect, while also protecting businesses and investors from unscrupulous actors by empowering them to identify actors with hidden conflicts of interest.

Contents

MISSION | Who We Are

DATA | State of Capital Formation

POLICY | Recommendations

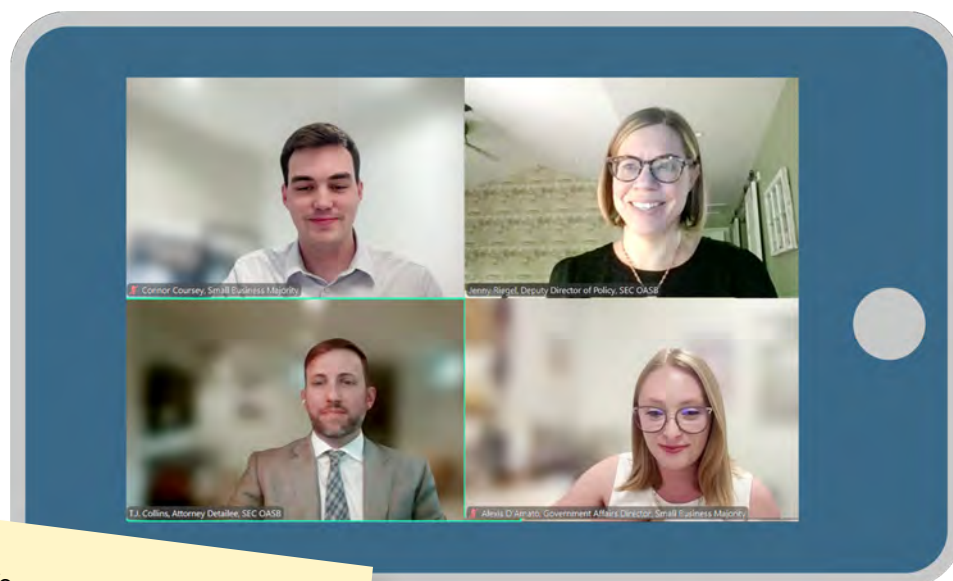
- Introduction
- Expand educational resources
- Support efforts to foster mentorship
- Support small businesses using crowdfunding
- Clarify pathways to connect founders and investors**
- Support diverse capital allocators
- Support small public companies

ADVOCACY | What We Do

COMMITTEE | Highlights

ENDNOTES | All the Details

OFFICE | Meet the Team



We engaged in discussions with small businesses and their investors about making capital more accessible to startups at events like our June webinar with Small Business Majority.



Nobody builds companies alone. You're going to need investors. You're going to need employees. You're going to need customers... Networks can give you access to potential investors, to capital allocators, community banks, and customers' pilot opportunities. But not everybody has access to those, especially if you come from a completely different background.

ERIKA LUCAS, STITCHCREW³⁸¹

Contents

MISSION | Who We Are

DATA | State of Capital Formation

POLICY | Recommendations

Introduction

Expand educational resources

Support efforts to foster mentorship

Support small businesses using crowdfunding

Clarify pathways to connect founders and investors

Support diverse capital allocators

Support small public companies

ADVOCACY | What We Do

COMMITTEE | Highlights

ENDNOTES | All the Details

OFFICE | Meet the Team

Diversifying access to capital is essential for robust markets and requires supporting diverse capital allocators.



Background Context

Operating companies require capital to grow, build, and potentially scale. For companies that may consider going 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 be public companies, capital is essential for their development and job creation.

Many early-stage companies start with internal funding, such as personal savings or retained earnings from the business, or traditional bank loans.³⁸² For those that decide to seek investments, which is an important piece of the capital-raising journey, the most commonly used pathway is to seek funding from business owners, friends and family, or angel investors.³⁸³ Startups may also seek capital from private funds of sophisticated pooled capital.³⁸⁴

Emerging fund managers and smaller funds play a key role in capital formation for startups, particularly for women- and diverse-led startups.³⁸⁵ Yet the increasing concentration of capital in large private funds³⁸⁶ poses challenges for entrepreneurs looking for seed and early-stage capital.³⁸⁷ The percentage of capital invested in emerging fund managers continues to decline, resulting in smaller funds and potentially limiting the number of companies in which these funds can invest and the size of the check they are able to write.³⁸⁸



In June, our Director joined a panel discussing the unique challenges faced by Black-owned businesses at the Brookings Institution.

Contents

MISSION | Who We Are

DATA | State of Capital Formation

POLICY | Recommendations

- Introduction
- Expand educational resources
- Support efforts to foster mentorship
- Support small businesses using crowdfunding
- Clarify pathways to connect founders and investors
- Support diverse capital allocators**
- Support small public companies

ADVOCACY | What We Do

COMMITTEE | Highlights

ENDNOTES | All the Details

OFFICE | Meet the Team

We previously recommended that the Commission make targeted regulatory changes to improve the utility of the exempt offering pathways and support emerging fund managers and their important role in funding startups.³⁸⁹ In the past year, the SEC staff issued a report on the accredited investor definition.³⁹⁰ In addition, 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.³⁹¹ Further, in September 2024, the Commission inflation adjusted the dollar threshold to meet the definition of a qualifying venture capital fund from \$10 million to \$12 million.³⁹²



Demographic Impacts

Data highlighted in this report shows the limited amount of capital raised by companies founded by women and racially and ethnically diverse entrepreneurs.³⁹³ Diversifying capital allocators and decision-makers facilitates greater funding of diverse founders, as women and investors of color are more likely to invest in women and diverse founders.³⁹⁴

An example of demographic impacts can be seen with the definition of accredited investor, which largely determines the pool of potential investors for small businesses, and whether an investor is eligible to invest in many early-stage companies.³⁹⁵ African American/Black and Hispanic/Latino investors are excluded from the accredited investor definition at higher rates than other ethnicities as a result of the historic wealth gap.³⁹⁶ In addition, many women and diverse founders do not have pre-existing accredited investor networks, which may impede their ability to raise capital.³⁹⁷ Racial and ethnic diversity among angel investors also decreased in 2023,³⁹⁸ resulting in diverse capital allocators remaining underrepresented.

Beyond individual investors, many women and diverse fund managers report added challenges raising capital from institutional investors, often resulting in smaller funds and smaller investments.³⁹⁹ Data highlights that women and diverse fund managers are more likely to invest in women and diverse founders.⁴⁰⁰ As a result, challenges faced by women and diverse fund managers can create additional capital-raising challenges for these founders.

Contents

MISSION | Who We Are

DATA | State of Capital Formation

POLICY | Recommendations

Introduction

Expand educational resources

Support efforts to foster mentorship

Support small businesses using crowdfunding

Clarify pathways to connect founders and investors

Support diverse capital allocators

Support small public companies

ADVOCACY | What We Do

COMMITTEE | Highlights

ENDNOTES | All the Details

OFFICE | Meet the Team



In September, we met with founders, investors, and advisors in El Paso. Events like these provide opportunities to hear how policies affect diverse businesses.



Proposed Solution

We encourage Congress and the Commission to explore initiatives to increase diversity among investment decision-makers and emerging and small fund managers to continue to facilitate early-stage capital investments for small businesses, including those with women and diverse founders. We also encourage Congress and the Commission to explore various solutions to support emerging fund managers given the critical role these managers play in supporting small businesses. We further encourage Congress and the Commission to explore the definition of accredited investor and consider whether additions or changes may be made to the definition to diversify access to capital and promote inclusivity and equity in the entrepreneurial ecosystem.



What I found over and over again is that these huge markets were going untapped with solutions, because the people that were impacted by the problem were never at the table to make investments.

TRISH COSTELLO, PORTFOLIA⁴⁰¹

Contents

MISSION | Who We Are

DATA | State of Capital Formation

POLICY | Recommendations

Introduction

Expand educational resources

Support efforts to foster mentorship

Support small businesses using crowdfunding

Clarify pathways to connect founders and investors

Support diverse capital allocators

Support small public companies

ADVOCACY | What We Do

COMMITTEE | Highlights

ENDNOTES | All the Details

OFFICE | Meet the Team

Support existing small public companies and foster an environment that makes the public markets an attractive goal.



Background Context

The public markets are a core component of the overall capital-raising ecosystem. The U.S. securities laws allow companies to access the public markets in exchange for certain required disclosures to investors about relevant financial and operating information. While IPO activity had a slight uptick during the first half of 2024, activity remains significantly below the 2021 peak, and the number of exchange-listed IPOs remains historically low.⁴⁰² Despite the slow IPO environment, market capitalization for large exchange-listed public companies continued to thrive.⁴⁰³ However, the aggregate market capitalization of small exchange-listed companies has continued to decline.⁴⁰⁴

To maintain robust U.S. public markets, it is essential that companies view participating in those markets as a desirable goal. In assessing the attractiveness of our public markets, companies generally consider not only the process of going public, but also what it takes to remain a public company. We continue to engage in conversations with small businesses in or considering the public markets, as well as their investors and advisors. When deciding whether to embark on an IPO, companies weigh the benefits of accessing public capital against the regulatory compliance costs associated with the offering.⁴⁰⁵ We often hear that many of those costs can be burdensome on smaller public companies.⁴⁰⁶ Small public companies also report that, once public, they often struggle with stock prices trading down, attracting institutional investors, liquidity challenges, and limited research coverage.⁴⁰⁷ Fostering a regulatory environment that encourages small companies to remain public is as important as helping them go public.

Contents

MISSION | Who We Are

DATA | State of Capital Formation

POLICY | Recommendations

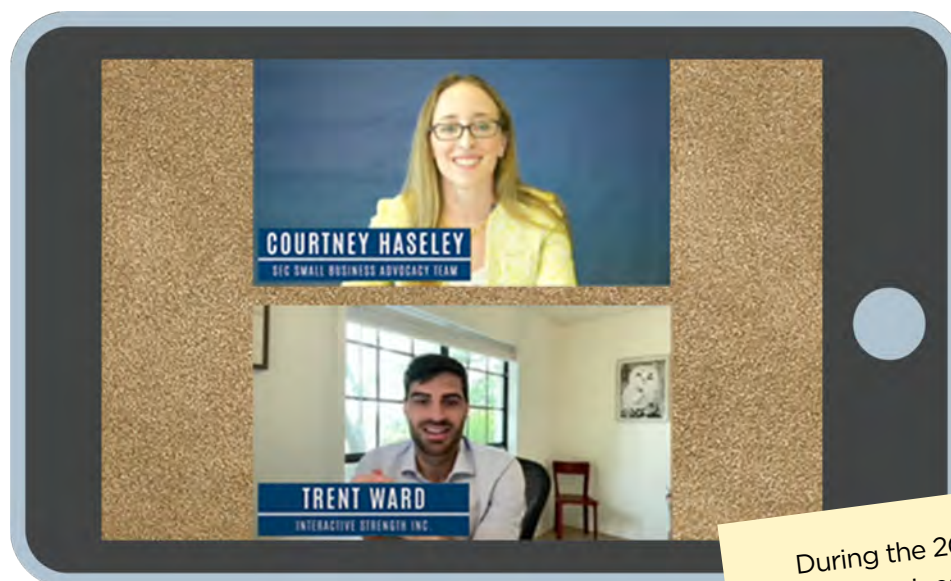
- Introduction
- Expand educational resources
- Support efforts to foster mentorship
- Support small businesses using crowdfunding
- Clarify pathways to connect founders and investors
- Support diverse capital allocators
- Support small public companies**

ADVOCACY | What We Do

COMMITTEE | Highlights

ENDNOTES | All the Details

OFFICE | Meet the Team



During the 2024 SEC Small Business Forum, panelists discussed what it takes to become and stay a public reporting company.

In our 2023 Annual Report, we recommended that the Commission scale disclosures, delay compliance, and harmonize requirements for small public companies to help them stay public. In the past year, the Commission has adopted two rules that impose—or would impose—new disclosure requirements on public companies. In each 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.⁴⁰⁸



Demographic Impacts

While racially and ethnically diverse businesses continue to grow, diverse owners still face additional challenges when trying to access capital.⁴⁰⁹ Similarly, while women founders had another relatively strong year in some capital-raising respects, they continue facing headwinds raising capital generally and remain underrepresented among founders and leaders in VC-backed companies, which are the most likely to go public.⁴¹⁰ This underrepresentation trend continues on public company management teams and on public company boards, where people of color and women remain underrepresented.⁴¹¹

Contents

MISSION | Who We Are

DATA | State of Capital Formation

POLICY | Recommendations

Introduction

Expand educational resources

Support efforts to foster mentorship

Support small businesses using crowdfunding

Clarify pathways to connect founders and investors

Support diverse capital allocators

Support small public companies

ADVOCACY | What We Do

COMMITTEE | Highlights

ENDNOTES | All the Details

OFFICE | Meet the Team



Throughout the year, the Office engaged with entrepreneurs and scientists seeking capital to fund innovations, including during a visit to Manchester, New Hampshire in October 2023.



Proposed Solution

We encourage Congress and the Commission to regularly evaluate the rules that encourage private companies to become public, as well as the rules that support the many existing small public companies who face challenges associated with remaining public. We encourage the Commission, when considering new disclosure obligations for public companies, to continue to consider scaling those obligations and phasing in compliance for small public companies. Scaling disclosures may better balance the costs and benefits of being a small public company, particularly the costs that are not necessarily scalable. Additionally, phasing in compliance obligations helps to promote better initial disclosures by small public companies and affords them the benefit of seeing the disclosures that larger public companies prepare in response to similar new requirements.



Limited research coverage on small cap companies also exacerbates [volatility, less liquidity, and potential stock price declines] ... So, it's wonderful you're public, you have money in the door, but now you're going to be spending all that money trying to stay public.

DAVINA K. KAILE, PILLSBURY WINTHROP SHAW PITTMAN LLP⁴¹²

Contents

MISSION | Who We Are

DATA | State of Capital Formation

POLICY | Recommendations

Introduction

Expand educational resources

Support efforts to foster mentorship

Support small businesses using crowdfunding

Clarify pathways to connect founders and investors

Support diverse capital allocators

Support small public companies

ADVOCACY | What We Do

COMMITTEE | Highlights

ENDNOTES | All the Details

OFFICE | Meet the Team



ADVOCACY

What We Do

Contents

MISSION | Who We Are

DATA | State of Capital Formation

POLICY | Recommendations

ADVOCACY | What We Do

Outreach and Engagement

43rd Small Business Forum

Educational Tools and Resources

COMMITTEE | Highlights

ENDNOTES | All the Details

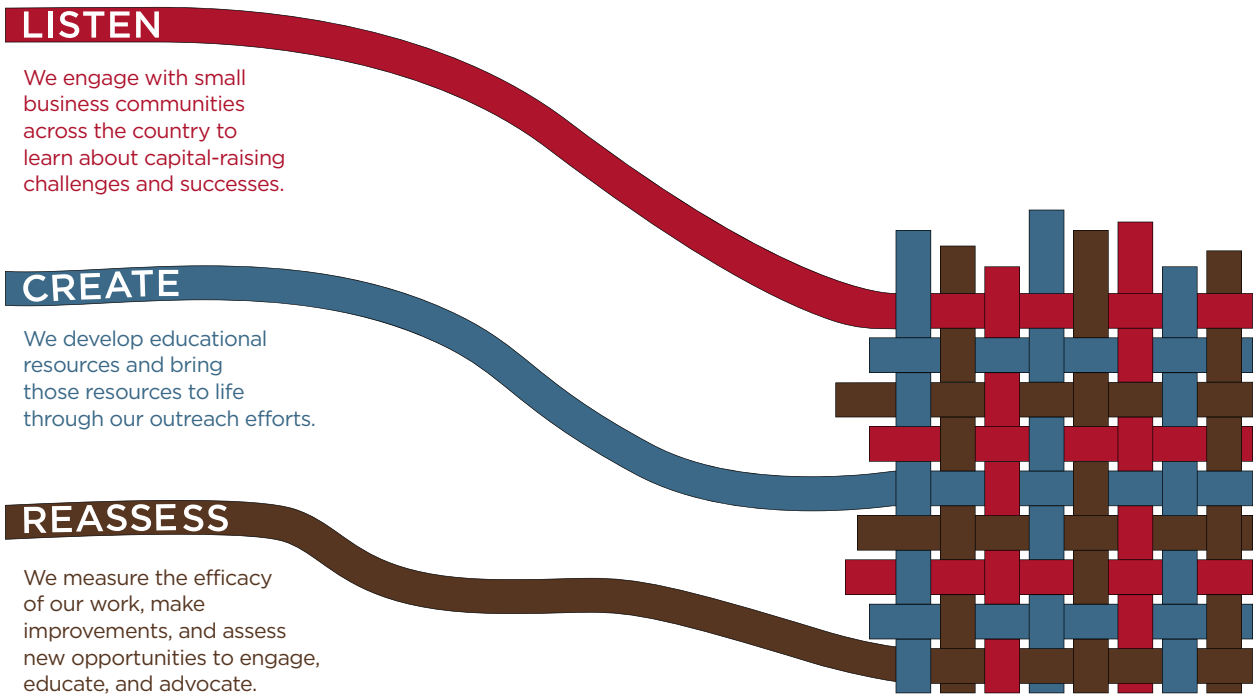
OFFICE | Meet the Team

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 those who support them 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 lifecycle. 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.



Contents

MISSION | Who We Are

DATA | State of Capital Formation

POLICY | Recommendations

ADVOCACY | What We Do

Outreach and Engagement

43rd Small Business Forum

Educational Tools and Resources

COMMITTEE | Highlights

ENDNOTES | All the Details

OFFICE | Meet the Team

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 the SEC's educational resources. Discussions provided insights on issues like the unique obstacles faced by women and diverse entrepreneurs and those outside of traditional capital-raising hubs, 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:





50+

EVENTS WITH
40+ PARTNER
ORGANIZATIONS

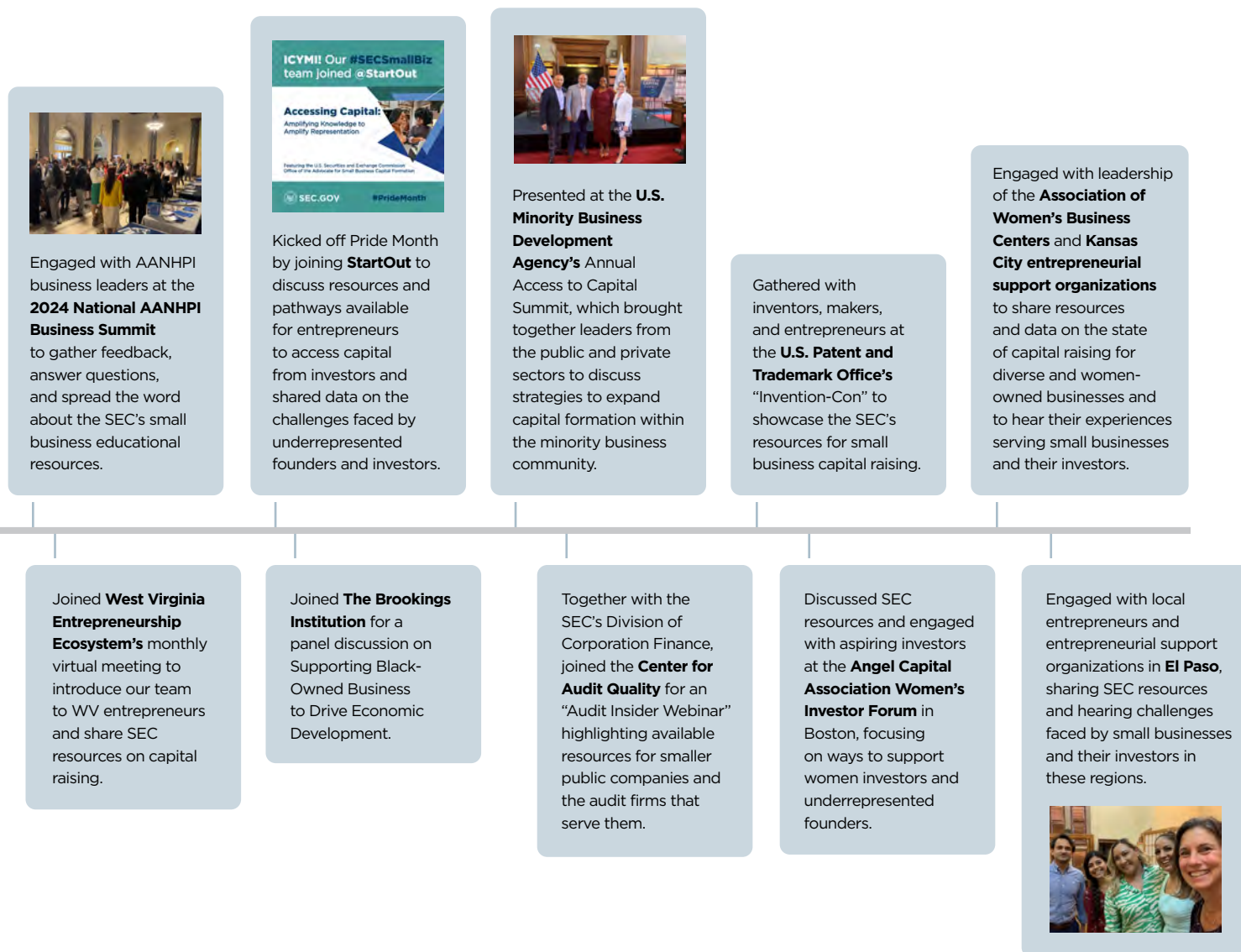


1.8K+

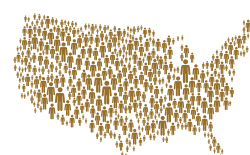
ATTENDEES

Contents

- MISSION | Who We Are
- DATA | State of Capital Formation
- POLICY | Recommendations
- ADVOCACY | What We Do
 - Outreach and Engagement
 - 43rd Small Business Forum
 - Educational Tools and Resources
- COMMITTEE | Highlights
- ENDNOTES | All the Details
- OFFICE | Meet the Team



 **55**
HOURS
OF **CONTENT**



ENGAGING WITH
ENTREPRENEURS
AND THEIR **INVESTORS**
AROUND THE COUNTRY.

Contents

MISSION | Who We Are

DATA | State of Capital Formation

POLICY | Recommendations

ADVOCACY | What We Do

Outreach and Engagement

43rd Small Business Forum

Educational Tools and Resources

COMMITTEE | Highlights

ENDNOTES | All the Details

OFFICE | Meet the Team

43rd Annual 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.⁴¹³ The Forum covers a broad range of issues affecting small businesses, from early-stage entrepreneurial ventures to smaller public companies, and their investors.



This year marked the 43rd Forum, during which the Office hosted three 90-minute virtual sessions from April 16-18, 2024, featuring appearances by each of the Commissioners and an exciting line-up of speakers with fresh perspectives on the following capital-raising topics:



AMPLIFYING EARLY-STAGE STORIES
Founders and Funders Share Their Successes and Challenges



OPENING THE DIALOGUE ON INVESTING
Investing in Early-Stage Companies and Building Ecosystems



CATCHING UP WITH SMALL CAPS
Lessons Learned Going Public and Staying Public

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 19, 2024, the Commission delivered the [2024 Small Business Forum Report](#) to Congress. The report summarizes the 43rd annual Forum proceedings, including the recommendations developed by participants for changes to improve the capital-raising framework and the Commission’s responses to those recommendations.

Contents

MISSION | Who We Are

DATA | State of Capital Formation

POLICY | Recommendations

ADVOCACY | What We Do

Outreach and Engagement

43rd Small Business Forum

Educational Tools and Resources

COMMITTEE | Highlights

ENDNOTES | All the Details

OFFICE | Meet the Team

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.

Updating Functionality: A New Look for our Online Resources

In 2024, the SEC implemented enhancements to its website. In connection with that initiative, the SEC launched a new look for our [Resources for Small Businesses](#), a centralized portal for educational tools and resources for small businesses and their investors. In addition, the site enhancements included changes intended to make it easier for users to find information about—and recordings of—our Office’s previous outreach events and informational webinars on a number of capital-raising topics.

Reaching our Audience: Visits to our Resources

We continue to increase our reach to the public via these [Resources for Small Businesses](#), with visits to the portal and views of our educational resources continuing to grow.



1.5M+

VIEWS OF OUR
RESOURCES
SINCE LAUNCHING
IN 2022



450K+

VISITORS ACROSS ALL
RESOURCES, OF WHICH
62% WERE
NEW USERS



20K+

SUBSCRIBERS
TO OUR
#SECSmallBiz
EMAILS

Contents

MISSION | Who We Are

DATA | State of Capital Formation

POLICY | Recommendations

ADVOCACY | What We Do

Outreach and Engagement

43rd Small Business Forum

Educational Tools and Resources

COMMITTEE | Highlights

ENDNOTES | All the Details

OFFICE | Meet the Team

Expanding our Suite of Resources: New Educational Materials

We continue to expand and update our educational resources to address questions and feedback collected through our outreach efforts. This year, we introduced three new topics in our Building Blocks suite of one-pager style overviews of commonly raised capital-raising questions, updated several others, and added printable versions of all of them. In addition, we added four new educational videos on various elements of the SEC’s rulemaking activity and launched the first three installments of our new Let’s Talk Small Business video series, where we interview individuals from across the small business ecosystem on their role in supporting entrepreneurs and their investors.

Our materials seek to address all aspects of the capital-raising lifecycle and include:



Funding Roadmap

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

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 short series of simple questions about their business, and expanding the resources available through the tool.



Capital-Raising Building Blocks

Our suite of educational materials breaks down fundamental securities law concepts into plain language, including new resources on the role of entrepreneurial support organizations as well as basic financial statements, like the balance sheet and income statement. We also added printable options for each Building Block tool to make them more accessible for users and the organizations that support them.

Contents

MISSION | Who We Are

DATA | State of Capital Formation

POLICY | Recommendations

ADVOCACY | What We Do

Outreach and Engagement

43rd Small Business Forum

Educational Tools and Resources

COMMITTEE | Highlights

ENDNOTES | All the Details

OFFICE | Meet the Team



Exempt Offerings

Users can also find more detailed resources on common capital-raising pathways—like how to raise capital from investors by offering and selling securities under an exemption from the registration requirements.

Going Public

In this section, we offer resources on how to prepare for and conduct a registered public offering as well as the reporting and other requirements for public companies.



Glossary

We continue to expand our curated glossary of key terminology that makes the language of capital raising more accessible to small businesses and their investors. This year, we continued to add new terms to the glossary and links to additional resources—like the latest Staff Compliance and Disclosure Interpretations—for users looking to learn more.

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.

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.

Contents

MISSION | Who We Are

DATA | State of Capital Formation

POLICY | Recommendations

ADVOCACY | What We Do

Outreach and Engagement

43rd Small Business Forum

Educational Tools and Resources

COMMITTEE | Highlights

ENDNOTES | All the Details

OFFICE | Meet the Team

Small Business Videos

We provide educational videos on common capital-raising topics as well as videos summarizing the potential impact of Commission policy or rulemaking initiatives on small businesses and their investors. This year, we added four new videos on rulemaking topics, including an updated tutorial on how to comment on proposed rules. In addition, we launched our Let's Talk Small Business series of fireside chat-style videos, where we engage with experts and innovators both within the Commission and around the small business ecosystem on their role and perspectives on small business capital raising.

Additional Government Resources for Small Business

In this section, users can find additional resources from the Commission and our colleagues at other government agencies to supplement our suite of small business capital-raising resources.

Small Business Events and Recordings

Users can find information on—and in many cases recordings of—webinars, panel discussions, and other events focusing on issues facing small businesses and their investors.



Contents

MISSION | Who We Are

DATA | State of Capital Formation

POLICY | Recommendations

ADVOCACY | What We Do

Outreach and Engagement

43rd Small Business Forum

Educational Tools and Resources

COMMITTEE | Highlights

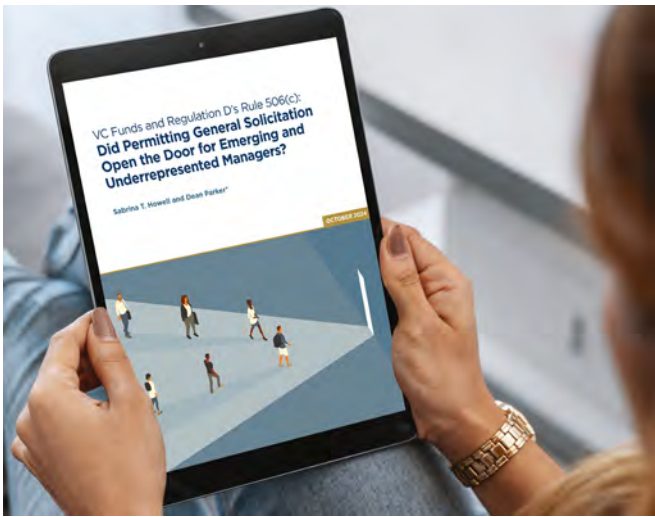
ENDNOTES | All the Details

OFFICE | Meet the Team

Exploring Capital-Raising Data and Trends: New Research Reports

We collaborate with academia to prepare research on key capital-raising trends.

We sponsored research by Melody Chang, Ph.D., who released a report in May 2024 on “Women and Minority-Owned Businesses in Regulation Crowdfunding.”



We also sponsored research by Sabrina T. Howell, Ph.D. and Dean Parker, who published a paper in October 2024 titled “VC Funds and Regulation D’s Rule 506(c): Did Permitting General Solicitation Open the Door for Emerging and Underrepresented Managers?”

Contents

MISSION | Who We Are

DATA | State of Capital Formation

POLICY | Recommendations

ADVOCACY | What We Do

Outreach and Engagement

43rd Small Business Forum

Educational Tools and Resources

COMMITTEE | Highlights

ENDNOTES | All the Details

OFFICE | Meet the Team

A background image showing a crowd of people with their hands raised in the air, suggesting a public meeting or a vote-taking session. The image is slightly blurred, focusing on the hands in the foreground.

COMMITTEE Highlights

Contents

MISSION | Who We Are

DATA | State of Capital Formation

POLICY | Recommendations

ADVOCACY | What We Do

COMMITTEE | Highlights

The Small Business Capital
Formation Advisory Committee

Committee Members During
the Fiscal Year

Summary of Committee Activities

Summary of Committee
Recommendations

ENDNOTES | All the Details

OFFICE | Meet the Team

The Small Business Capital Formation Advisory Committee

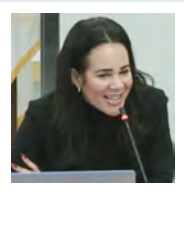
In addition to establishing the Office of the Advocate for Small Business Capital Formation, the [Small Business Advocate Act](#) also established the SEC’s [Small Business Capital Formation Advisory Committee](#). The Committee is designed to provide a formal mechanism for the Commission to receive 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.



Contents

- MISSION | Who We Are
- DATA | State of Capital Formation
- POLICY | Recommendations
- ADVOCACY | What We Do
- COMMITTEE | Highlights**
 - The Small Business Capital Formation Advisory Committee**
 - Committee Members During the Fiscal Year
 - Summary of Committee Activities
 - Summary of Committee Recommendations
- ENDNOTES | All the Details
- OFFICE | Meet the Team

Committee Members During the Fiscal Year⁴¹⁴



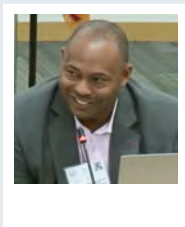
ERICA DUIGNAN
Chair
Founder and
General Partner,
Reign Ventures
New York, NY



SUE WASHER
Vice Chair
Founder & Former CEO,
Applied Genetic Technologies
Corporation
Gainesville, FL



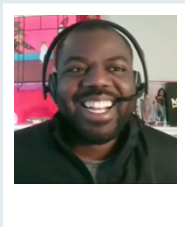
JASMIN SETHI
Secretary
Founder and CEO,
Sethi Clarity Advisers
Philadelphia, PA



DAVYEON ROSS
Assistant Secretary
Co-Founder and President,
DDSport/ShotTracker
Overland Park, KS



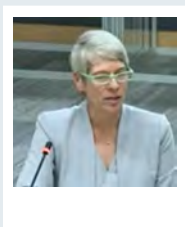
WEMIMO ABBEY
Co-Founder and
Co-CEO,
Esusu
Los Angeles, CA



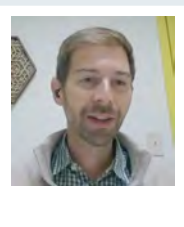
DONNEL BAIRD
Founder and CEO,
BlocPower LLC
Brooklyn, NY



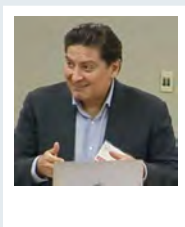
WILLIAM M. BEATTY*
Securities Administrator,
Washington State
Securities Division
Olympia, WA



STACEY BOWERS*
Director,
Office of the Advocate
for Small Business Capital
Formation, SEC
Washington, DC



GEORGE COOK
Co-Founder and CEO,
Honeycomb Credit
Pittsburgh, PA



VINCENT CORDERO
Partner, Co-CEO, and CBO,
Mucho Mas Media
Miami, FL

* Committee members include the SEC’s Advocate for Small Business Capital Formation and three non-voting members appointed by 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).

Contents

MISSION | Who We Are

DATA | State of Capital Formation

POLICY | Recommendations

ADVOCACY | What We Do

COMMITTEE | Highlights

The Small Business Capital
Formation Advisory Committee

**Committee Members During
the Fiscal Year**

Summary of Committee Activities

Summary of Committee
Recommendations

ENDNOTES | All the Details

OFFICE | Meet the Team



MARCIA DAWOOD
Venture Partner,
Mindshift Capital
Charlotte, NC



GREGORY J. DEAN*
Senior VP, Office of
Government Affairs, FINRA
Washington, DC



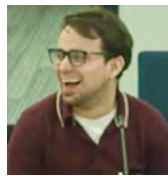
BAILEY DEVRIES*
Assoc. Administrator,
Office of Investment
& Innovation,
U.S. Small Business
Administration
Washington, DC



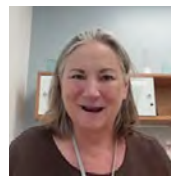
BART DILLASHAW
Partner,
Michael Best & Friedrich LLP
Lincoln, NE



HERBERT DRAYTON III
Founder and
Managing Partner,
HI Mark Capital
Charleston, SC



DIEGO MARISCAL
Founder, CEO,
and Chief Disabled Officer,
2Gether-International
Washington, DC



LAURA NIKLASON
Founder, President,
and CEO
Humacyte
Durham, NC



AREN SHARIFI
Attorney,
Kutak Rock LLP
Denver, CO



MARC OORLOFF
SHARMA*
Asst. Director &
Chief Counsel, Office of
the Investor Advocate, SEC
Washington, DC



DENNIS R. SUGINO
Founder,
Kansa Advisory LLC
Huntington Beach, CA

Contents

MISSION | Who We Are

DATA | State of Capital Formation

POLICY | Recommendations

ADVOCACY | What We Do

COMMITTEE | Highlights

The Small Business Capital
Formation Advisory Committee

Committee Members During the Fiscal Year

Summary of Committee Activities

Summary of Committee
Recommendations

ENDNOTES | All the Details

OFFICE | Meet the Team

Summary of Committee Activities

The Committee met four times during FY2024. Materials from the meetings, including agendas, transcripts, webcasts, and presentations are available on the Committee’s [webpage](#).

Meeting Date	Agenda Topics
November 29, 2023	Accredited Investor Definition; the Role of Diversity in the Investment Process
February 27, 2024	Accredited Investor Definition; the State of the IPO Market
May 6, 2024	Regulation Crowdfunding; the State of Angel Investing
July 30, 2024	Recent Changes to the Small Business Investment Company (SBIC) Program



Contents

MISSION | Who We Are

DATA | State of Capital Formation

POLICY | Recommendations

ADVOCACY | What We Do

COMMITTEE | Highlights

The Small Business Capital Formation Advisory Committee

Committee Members During the Fiscal Year

Summary of Committee Activities

Summary of Committee Recommendations

ENDNOTES | All the Details

OFFICE | Meet the Team

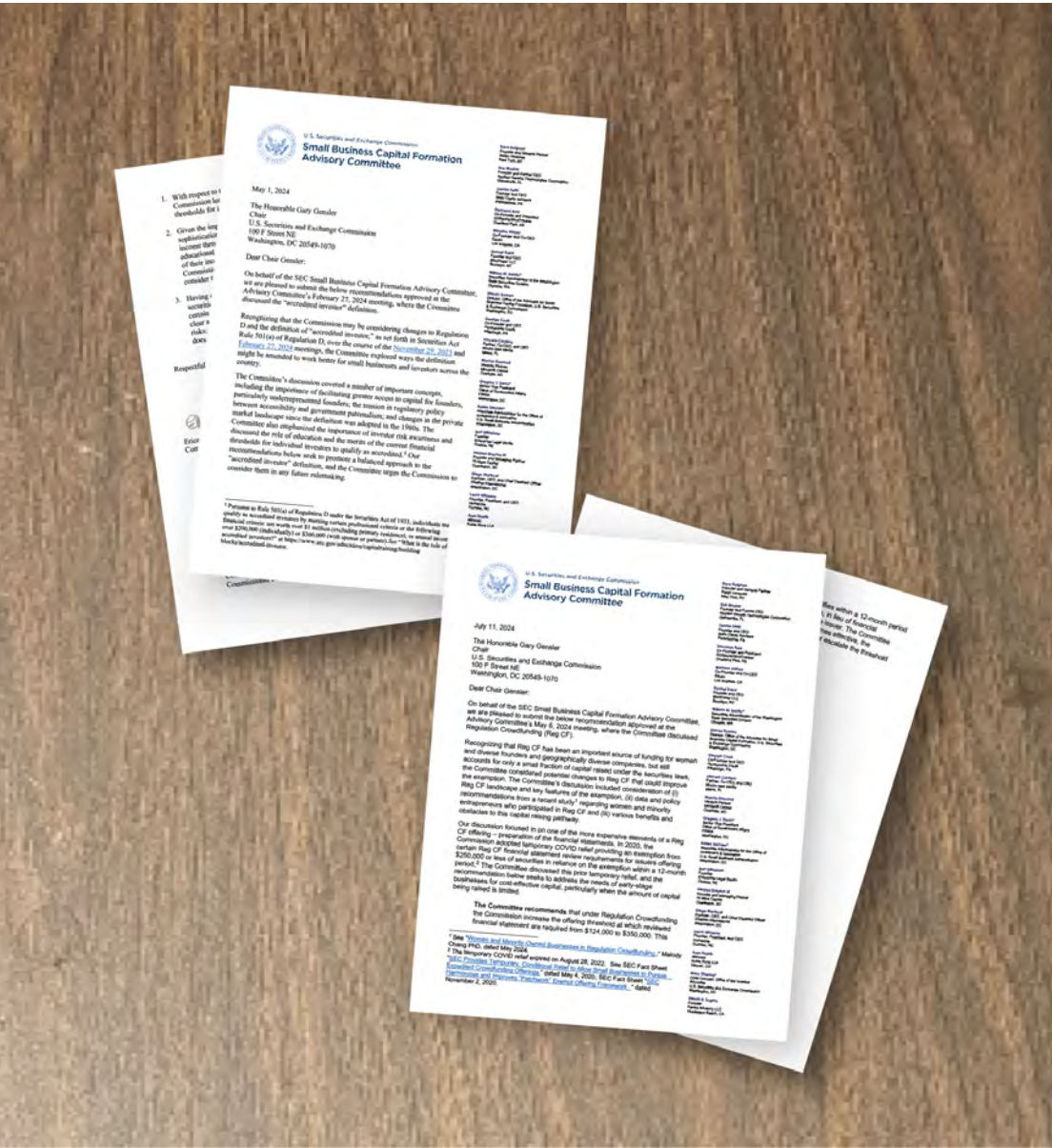
Summary of Committee Recommendations

During FY2024, the Committee put forward two recommendations to the Commission.

Recommendation Topic	Adoption Date
Accredited Investor	February 27, 2024
Regulation Crowdfunding	May 6, 2024

SCAN FOR MORE INFO

SMALL BUSINESS
CAPITAL FORMATION
ADVISORY COMMITTEE



Contents

- MISSION | Who We Are
- DATA | State of Capital Formation
- POLICY | Recommendations
- ADVOCACY | What We Do

COMMITTEE | Highlights

The Small Business Capital Formation Advisory Committee

- Committee Members During the Fiscal Year
- Summary of Committee Activities

Summary of Committee Recommendations

- ENDNOTES | All the Details
- OFFICE | Meet the Team



ENDNOTES

All the Details

Contents

MISSION | Who We Are

DATA | State of Capital Formation

POLICY | Recommendations

ADVOCACY | What We Do

COMMITTEE | Highlights

ENDNOTES | All the Details

1-18 212-240

19-43 241-253

44-52 254-281

53-69 282-302

70-96 303-328

97-124 329-341

125-152 342-355

153-163 356-385

164-187 386-414

188-211

OFFICE | Meet the Team

- 1 See NVCA, “2024 Yearbook,” (Apr. 8, 2024) at 22, *available at* <https://nvca.org/wp-content/uploads/2024/05/2024-NVCA-Yearbook.pdf> for the mature and later-stage business industries. 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 50 and 161 for a description of how these amounts were estimated.
- 2 *Id.* at 7-8 (noting that VCs invest in high growth companies) and 10 (noting that VC backed companies are job creators).
- 3 See Right to Start, “Entrepreneurial Dreams. Key Findings from Right to Start’s Bipartisan Voter Poll on Entrepreneurship,” (Sept. 26, 2022) at 4, *available at* <https://www.righttostart.org/poll>.
- 4 See Robert Press, “All Grown Up: How Small Business Jobs Transition through the Economy,” *U.S. Small Business Administration Office of Advocacy*, (June 11, 2024) at 1, *available at* <https://advocacy.sba.gov/2024/06/11/all-grown-up-how-small-business-jobs-transition-through-the-economy/>.
- 5 See Global Entrepreneurship Monitor, “GEM 2023/2024 Global Report - 25 Years and Growing,” (Feb. 12, 2024) at 15, *available at* <https://www.gemconsortium.org/report/global-entrepreneurship-monitor-gem-20232024-global-report-25-years-and-growing>.
- 6 See Federal Reserve Banks, “2024 Report on Employer Firms: Findings from the 2023 Small Business Credit Survey,” (Mar. 7, 2024) at i and Excel tab “Employer firms,” question “financial challenges, prior 12 months,” *available at* <https://www.fedsmallbusiness.org/reports/survey/2024/2024-report-on-employer-firms>. In addition, 77% increased costs of goods, services, and/or wages, 52% paying operating expenses, 49% uneven cash flow, 44% weak sales, 34% making payments on debt/interest rates, 29% credit availability, 0% other. *See also* Federal Reserve Banks, “2023 Report on Employer Firms,” (Mar. 2023) Excel tab “Employer firms,” *available at* <https://www.fedsmallbusiness.org/reports/survey/2023/2023-report-on-employer-firms>.
- 7 See Federal Reserve Banks, “2024 Report on Employer Firms: Findings from the 2023 Small Business Credit Survey,” *supra* note 6, at 4 and Excel tab “Employer firms,” question: “financial challenges, prior 12 months.” In addition, 77% increased costs of goods, services, and/or wages, 52% paying operating expenses, 49% uneven cash flow, 44% weak sales, 34% making payments on debt/interest rates, 29% credit availability, 0% other.
- 8 See Goldman Sachs, “Glass Half Full: Small Business Owners Optimistic About 2024 Despite Challenging Business, Lending Environment,” (Feb. 1, 2024) *available at* <https://www.goldmansachs.com/pressroom/press-releases/2024/small-business-owners-optimistic-about-2024-despite-challenging-business-lending-environment>.
- 9 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.
- 10 See Susan Laborde, “40 Key Startup Statistics 2023 [Success & Failure Rates],” *Tech Report*, (July 3, 2024) *available at* <https://techreport.com/statistics/business-workplace/startup-statistics/>.
- 11 See Federal Reserve Banks, “2024 Report on Employer Firms: Findings from the 2023 Small Business Credit Survey,” *supra* note 6, at 9 and Excel tab “Employer firms,” question: “Total amount of financing sought in prior 12 months.” In addition, 23% sought \$25,000 or less, 18% sought \$25,001-\$50,000, 19% \$50,001-\$100,000, 19% sought \$100,001-\$250,000, 14% sought \$250,000-\$1 million, and 7% sought more than \$1 million.
- 12 *Id.* at 9 and Excel tab “Employer firms,” question: “Reason for seeking financing.” In addition, 1% sought financing for other reasons.
- 13 *Id.* at 4 and Excel tab “Employer firms,” question: “Actions taken in response to financial challenges.” “External funds (with repayment)” are “Obtained funds that must be repaid.” In addition, 54% raised prices the business charges, 34% cut staff, hours, and/or downsized operations, 23% made a late payment or did not pay, 6% no action, 3% other.
- 14 *Id.* at 10 and Excel tab “Employer firms,” question: “Type of financing applied for.”
- 15 *Id.* at 21 and Excel tab “Employer firms,” question: “Other types of funding received.” In addition, 23% funds from owner, 5% grant, and 1% fundraising or donations.
- 16 *Id.* at 21 and Excel tab “Employer firms,” question: “Other types of funding received.” In addition, 23% funds from owner, 5% grant, and 1% fundraising or donations.
- 17 *Id.* at 21.
- 18 See January Ventures, “Early Stage Founders Sentiment Report 2023” (Oct. 19, 2023) at 4, *available at* <https://www.january.ventures/research>. “Other” was listed as 7% but is not illustrated.

Contents

MISSION | Who We Are

DATA | State of Capital Formation

POLICY | Recommendations

ADVOCACY | What We Do

COMMITTEE | Highlights

ENDNOTES | All the Details

1-18	212-240
19-43	241-253
44-52	254-281
53-69	282-302
70-96	303-328
97-124	329-341
125-152	342-355
153-163	356-385
164-187	386-414
188-211	

OFFICE | Meet the Team

- 19 See Valentina A. Assenova and Sandy Yu, “Which Benefits of Startup Accelerators do Founders Prioritize, and Why?,” (May 29, 2024) at 16 and Figure 1 at 33, *available at* https://papers.ssrn.com/sol3/papers.cfm?abstract_id=4516361. See also Mentorcam, “Is a Mentor Worth It for Founders? These 6 Statistics on Mentoring Say So,” (2024) *available at* <https://mentor.cam/articles/is-a-mentor-worth-it>; StartUp Blogpost, “16 Reasons Why a Mentor is a Must for Startup Businesses,” *available at* <https://startupblogpost.com/16-reasons-why-a-mentor-is-a-must-for-startup-businesses/>; Julio Arias, “The importance of Mentors for startups: how to leverage them,” *sketchnote*, (Mar. 03, 2023) *available at* <https://blog.sketchnote.co/how-a-mentor-can-be-crucial-for-your-new-startups-success/>; Rieva Lesonsky, “What is a business mentor and how do you find one?,” *Bank of America Center for Business Empowerment*, (Jan. 30, 2024) *available at* <https://business.bankofamerica.com/resources/how-to-find-a-business-mentor.html>.
- 20 See Valentina A. Assenova and Raphael Amit, “Poised for growth: Exploring the relationship between accelerator program design and startup performance,” *Strategic Management Journal*, (Jan. 5, 2024) at 1030, *available at* <https://onlinelibrary.wiley.com/doi/epdf/10.1002/smj.3581>.
- 21 *Id.* at 1050.
- 22 *Id.* at 1042. Data shows a comparison to entrepreneurs that are selected but did not participate in the accelerator program.
- 23 See Jon A. Garfinkel, *et al.*, “Alumni Networks in Venture Capital Financing,” (May 9, 2024) at 7, *available at* https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3970128.
- 24 *Id.* at 1.
- 25 *Id.* at 16.
- 26 *Id.* at 4. The percentage is based on averages.
- 27 *Id.* at 5.
- 28 *Id.* at 32.
- 29 See Jeffrey Sohl, “The Angel Market in 2023: An Inflection Point for Women Angels?,” *Center for Venture Research*, (June 20, 2024) at 1, *available at* <https://paulcollege.unh.edu/sites/default/files/media/2024-07/2023-full-year-analysis-report-final.pdf>.
- 30 *Id.* at 1.
- 31 *Id.* at 1.
- 32 *Id.* at 2.
- 33 See Rick Timmins, “Data Insights - Post-Pandemic Changes in Investor Sentiment,” *Angel Capital Association*, (Apr. 30, 2024) *available at* <https://angelcapitalassociation.org/blog/post-pandemic-changes-in-investor-sentiment/>.
- 34 See Jeffrey Sohl, *supra* note 29, at 1.
- 35 See Christopher Mirabile, “Deploying Angel ‘Human Capital’ to Enhance Outcomes and Returns,” *Angel Capital Association*, (June 3, 2024) *available at* <https://angelcapitalassociation.org/blog/deploying-angel-human-capital/>. Total value to paid in capital includes both realized and unrealized returns.
- 36 *Id.* Total value to paid in capital includes both realized and unrealized returns.
- 37 See “Review of the ‘Accredited Investor’ Definition under the Dodd-Frank Act,” (Dec. 14, 2023) at 21-23, *available at* <https://www.sec.gov/files/review-definition-accredited-investor-2023.pdf>. The report provides the SEC’s estimate of the number of U.S. households that would have qualified as accredited investors under the existing income and/or net worth criteria applicable to natural persons in 2022. The report relies on data from the SCF database where income is reported at the household level. As a result, accredited investor (household) estimates based on individual income thresholds are likely overestimated and would represent an upper bound estimate. A household can have multiple family members with independent sources of income that qualify them as accredited investors based on income. The report, however, only counted one accredited investor for each household. See page 21 (note 100) in the “Review of the ‘Accredited Investor’ Definition under the Dodd-Frank Act.”
- 38 *Id.* at 23 (note 106). Because some households qualify as accredited investors under two of the definitions (e.g., both the individual income threshold and the net worth threshold, or both the joint income threshold and the net worth threshold), the total number of qualifying households does not equal the sum of the number of households qualifying as accredited investors under the individual income threshold, the joint income threshold, and the number of households qualifying as accredited investors under the net worth threshold. This may result in over or undercounting. Households qualifying under the joint income threshold are a subgroup of the households qualified under the individual income thresholds.
- 39 See Internal Revenue Service, Statistics of Income Tax Stats - Adjusted gross income (AGI) percentile data by state, *available at* <https://www.irs.gov/statistics/soi-tax-stats-adjusted-gross-income-agi-percentile-data-by-state> at Table 1 tax year 2021.
- 40 The pre-seed round definition overlaps some with the seed round definition. 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. See <https://about.crunchbase.com/blog/what-is-pre-seed-funding/>.
- 41 See <https://www.sec.gov/jargon-z#S>.
- 42 See Kyle Stanford, *et al.*, “Venture Monitor Q2 2024,” *PitchBook-NVCA*, (July 10, 2024) at Excel tab “Pre-seed & Seed” *available at* <https://pitchbook.com/news/reports/q2-2024-pitchbook-nvca-venture-monitor>. Undisclosed deals were excluded.
- 43 *Id.* at Excel tabs “Pre-seed & Seed x Size.” Undisclosed deals were excluded.

Contents

MISSION | Who We Are

DATA | State of Capital Formation

POLICY | Recommendations

ADVOCACY | What We Do

COMMITTEE | Highlights

ENDNOTES | All the Details

1-18	212-240
19-43	241-253
44-52	254-281
53-69	282-302
70-96	303-328
97-124	329-341
125-152	342-355
153-163	356-385
164-187	386-414
188-211	

OFFICE | Meet the Team

44 *Id.* at Excel tab “Median Deal Size.” Undisclosed deals were excluded. This graph depicts median deal sizes for the Seed market.

45 See Olivia Strobl, “Founder Control in Startups: A Deep Dive into Early-Stage Ownership,” *KingsCrowd* (Jan. 29, 2024) available at <https://kingscrowd.com/founder-control-in-startups-a-deep-dive-into-early-stage-ownership/>.

46 See <https://www.sec.gov/resources-small-businesses/cutting-through-jargon-z#D>.

47 See Rosie Bradbury, “Paul Graham is right: Startups in ‘founder mode’ do have a competitive advantage,” *PitchBook*, (Sept. 5, 2024) available at <https://pitchbook.com/news/articles/founder-mode-valuation-growth-paul-graham>.

48 See Peter Walker, “Seed to A Quagmire,” *Carta Data Minute* (June 6, 2024) at 2.

49 *Id.* at 2. The first date listed is the date of the seed round and the second date listed is the period in which the Series A round occurred.

50 This graphic is based on DERA data. Unless otherwise indicated, the data period for DERA data is July 1, 2023 to June 30, 2024. 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 LSEG 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 excludes offerings conducted by pooled investment funds.

“Other exempt offerings” includes estimated amounts raised under Regulation S and Rule 144A for calendar year 2023. The data used to estimate the amounts raised in 2023 for other exempt offerings includes: (1) offerings under Regulation S that were collected from Refinitiv’s SDC Platinum service; and (2) resale offerings under Rule 144A that were collected from Refinitiv’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. The data excludes \$159 billion raised by asset-based issuers and \$31 billion raised by other issuers where there was not sufficient data to be able to categorize as non-pooled fund or pooled fund issuers. 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, 2024.

51 Assets listed for registered funds includes mutual funds, ETFs, closed-end funds, and money market funds. See SEC Division of Investment Management Analytics Office, “Registered Fund Statistics, Form N-PORT Data, period ending March 2024” (Aug. 6, 2024) at 5, Table 2.1, available at <https://www.sec.gov/files/investment/im-registered-fund-statistics-20240806.pdf>; SEC Division of Investment Management Analytics Office, “Money Market Fund Statistics, Form N-MFP Data, period ended January 2024,” (Feb. 16, 2024) at 1, Table 2, available at <https://www.sec.gov/files/investment/mmf-statistics-2024-01.pdf>; SEC Division of Investment Management Analytics Office, “Investment Adviser Statistics, Form ADV Data, period ending December 2023,” (May 15, 2024) at 10, Table 4.1 and 12, Table 5.1, available at <https://www.sec.gov/files/im-investment-adviser-statistics-20240515.pdf>.

52 See SEC Division of Investment Management Analytics Office, “Investment Adviser Statistics, Form ADV Data, period ending December 2023,” *supra* note 51, at 12, Table 5.1.

Contents

MISSION | Who We Are

DATA | State of Capital Formation

POLICY | Recommendations

ADVOCACY | What We Do

COMMITTEE | Highlights

ENDNOTES | All the Details

1-18	212-240
19-43	241-253
44-52	254-281
53-69	282-302
70-96	303-328
97-124	329-341
125-152	342-355
153-163	356-385
164-187	386-414
188-211	

OFFICE | Meet the Team

53 This graphic is based on DERA data. For offerings under Rule 506(b) and (c) of Regulation D and registered offerings, the data only includes offerings conducted by pooled investment funds. See *supra* note 50 for a description of how these amounts were reported or estimated. “Other exempt offerings” includes estimated amounts raised under Regulation S and Rule 144A for calendar year 2023, excluding offerings identified as non-pooled fund issuers. See *supra* note 50 for a description of how these amounts were reported or estimated. Total and net flows into registered funds are estimated based on flows provided in SEC Division of Investment Management Analytics Office, “Registered Fund Statistics, Form N-PORT Data, period ending March 2024” *supra* note 51, at 9, Table 3.1, and estimated flows for money market funds derived from amounts reported on Form N-MFP, each over the 12-month period of July 1, 2023 through June 30, 2024.

54 This graphic is based on DERA data. See *supra* note 50 for a description of how these amounts were reported or estimated.

55 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, 2023 through June 30, 2024. Offerings by non-pooled investment funds in other industries accounted for approximately \$30 billion, \$43 billion, and \$10 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 \$8 billion and \$1.9 trillion in registered offerings and Regulation D, respectively, are excluded from this graphic. See *supra* note 50 for a description of how these amounts were reported or estimated.

56 See Melody Chang, PhD, “Women and Minority-Owned Businesses in Regulation Crowdfunding,” (May 2024) at 8, available at <https://www.sec.gov/files/oasb-women-minority-businesses-crowdfunding-report.pdf>.

57 *Id.* at 8.

58 *Id.* at 7.

59 *Id.* at 7.

60 See Crowdfund Capital Advisors Media, “Celebrating 8 Years of Empowering Entrepreneurs: The Impact of Regulation Crowdfunding,” (May 18, 2024) at 2, available at <https://crowdfundcapitaladvisors.com/celebrating-8-years-of-empowering-entrepreneurs-the-impact-of-regulation-crowdfunding/>. Data covers the eight-year period from 2016 through 2024.

61 *Id.* at 2.

62 See Brian Belley, “Investment Crowdfunding Exits vs. Failures: A 2018-2024 Data Analysis,” (Apr. 1, 2024) available at <https://kingscrowd.com/investment-crowdfunding-exits-vs-failures-a-2018-2024-data-analysis/>. See also Melody Chang, PhD, *supra* note 56, at 35, Table 7 (noting that there were not any IPOs by a business that did a crowdfunding offering prior to 2018).

63 See Brian Belley, “Investment Crowdfunding Exits: How Long Will You Wait?,” *KingsCrowd* (Apr. 14, 2024) available at <https://kingscrowd.com/investment-crowdfunding-exits-how-long-will-you-wait/>.

64 See Léa Bouhelier-Gautreau, “A Closer Look at Startup Funding: Key Equity Crowdfunding Metrics Since 2020,” *KingsCrowd* (Jan. 15, 2024), available at <https://kingscrowd.com/a-closer-look-at-startup-funding-key-equity-crowdfunding-metrics-since-2020/>.

65 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/resources-small-businesses/regulation-crowdfunding-guidance-issuers>.

66 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.

67 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, 2023 through June 30, 2024. See *supra* note 50 for a description of how these amounts were reported or estimated.

68 This graphic is based on DERA data. See *supra* note 50 for a description of how these amounts were reported or estimated.

69 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, 2023 through June 30, 2024. See *supra* note 50 for a description of how these amounts were reported or estimated.

Contents

MISSION | Who We Are

DATA | State of Capital Formation

POLICY | Recommendations

ADVOCACY | What We Do

COMMITTEE | Highlights

ENDNOTES | All the Details

1-18	212-240
19-43	241-253
44-52	254-281
53-69	282-302
70-96	303-328
97-124	329-341
125-152	342-355
153-163	356-385
164-187	386-414
188-211	

OFFICE | Meet the Team

70 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 \$ million) 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/resources-small-businesses/regulation-guidance-issuers>.

71 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, 2023 through June 30, 2024. See *supra* note 50 for a description of how these amounts were reported or estimated.

72 See Nalin Patel and Charlie Farber, “Global VC Ecosystem Rankings. An update on our location-based VC Ecosystem Rankings,” *PitchBook* (Sept. 23, 2024) at 1, 9, 12, 14-17, available at <https://pitchbook.com/news/reports/q3-2024-pitchbook-analyst-note-global-vc-ecosystem-rankings>. The note provides three scores: Development, Growth, and Overall. The map includes only the “Overall” scores. The scores provide comparative rankings from one to 100 rather than highlighting areas that have the largest figures.

73 See NVCA, *supra* note 1, at 9 and NCVA, “2023 Yearbook,” (March 22, 2023) at 9, available at https://nvca.org/sdm_downloads/2023-yearbook/.

74 See NVCA, *supra* note 1, at 9.

75 Khaled Abdou and Paramita Gupta, “Limited partners’ contribution to venture capital fund returns: newbies versus experienced,” *Managerial Finance* (Apr. 12, 2024) at 15-16, available at <https://www.emerald.com/insight/content/doi/10.1108/MF-10-2023-0606/full/html>; see also NVCA, *supra* note 1, at 9.

76 See NVCA, *supra* note 1 at 8.

77 *Id.* at 8.

78 See Kyle Stanford, *et al.*, *supra* note 42, at 39.

79 See Michael Ewens and Nadya Malenko, “Board Dynamics over the Startup Life Cycle,” (May 2024) at 1, 34, available at <https://osf.io/preprints/socarxiv/t96yq>.

80 See Ann Shepherd, “2023 Him For Her And Crunchbase Study Of Gender Diversity On Private Company Boards,” *Crunchbase News*, (Mar. 26, 2024) available at <https://news.crunchbase.com/diversity/2023-gender-study-private-boards-him-for-her/>.

81 See Marina Temkin, “OpenAI tumult, FTX blowup help bring VC governance back in vogue,” *PitchBook*, (Nov. 30, 2023), available at <https://pitchbook.com/news/articles/vc-investors-startup-board-seats-ftx-openai-governance>.

82 *Id.*

83 See Ann Shepherd, *supra* note 80.

84 *Id.*

85 See Michael Ewens and Nadya Malenko, *supra* note 79, at 34.

86 *Id.* at 34.

87 See Kyle Stanford, *et al.*, *supra* note 42, at Excel tabs “Early stage Activity,” “Late Stage Activity,” and Venture Growth Activity.” Later-stage includes Series C and up – using PitchBook data it is a combination of both Late Stage and Venture Growth Activity. Early-stage includes Series A and B.

88 *Id.* at 13 and Excel tab “Median Deal Size.”

89 *Id.* at 6 and Excel tab “Capital Demand to Supply Ratio.” This graph does not include Angel and Seed Deals and Series E+ deals (categorized as “Venture Growth” by PitchBook starting in 2022).

90 See Kyle Stanford, “Q3 2023 Analyst Note: Accounting for the Overcapitalization of VC,” *PitchBook* (Aug. 11, 2023) at 3, available at <https://pitchbook.com/news/reports/q3-2023-pitchbook-analyst-note-accounting-for-the-overcapitalization-of-vc>.

91 *Id.* at 3.

92 See Yuliya Chernova, “LPs Doubt Venture Funds’ Startup Valuations,” *The Wall Street Journal*, (Jan. 2, 2024) available at <https://www.wsj.com/articles/lps-doubt-venture-funds-startup-valuations-598e31d0>; Kyle Stanford, *et al.*, *supra* note 90, at 10; Aumni Venture Insights Newsletter, “Down rounds are down in early stage,” (July 25, 2024) available at <https://www.aumni.fund/blog/down-rounds-going-down-in-some-parts-of-the-market>; Hamza Shad, “State of Private Markets: Q2 2024,” Carta (Aug. 8, 2024) available at <https://carta.com/data/state-of-private-markets-q2-2024/>.

93 See Hamza Shad, *supra* note 92. See also Rosie Bradbury, “Nearly 30% of VC deals are flat or down rounds,” *PitchBook* (Aug. 9, 2024), available at <https://pitchbook.com/news/articles/vc-startup-down-rounds-decade-high>.

94 See Silicon Valley Bank, “State of the Markets H1 2024. SVB’s Innovation Economy Outlook,” at 15, available at <https://www.svb.com/globalassets/trendsandinsights/reports/state-of-the-markets-h1-2024.pdf>.

95 See Kyle Stanford, *supra* note 90 at 5 and Kyle Stanford and Emily Zheng, “US VC Valuations Report Q2 2024,” *PitchBook*, (Aug. 27, 2024) at 17, available at <https://pitchbook.com/news/reports/q2-2024-us-vc-valuations-report>.

96 See Hamza Shad, *supra* note 92. Median time between Seed and Series A - 712 days; Median time between Series A and Series B – 856 days; Median time between Series B and Series C – 822 days.

Contents

MISSION | Who We Are

DATA | State of Capital Formation

POLICY | Recommendations

ADVOCACY | What We Do

COMMITTEE | Highlights

ENDNOTES | All the Details

1-18	212-240
19-43	241-253
44-52	254-281
53-69	282-302
70-96	303-328
97-124	329-341
125-152	342-355
153-163	356-385
164-187	386-414
188-211	

OFFICE | Meet the Team

- 97 See Kyle Stanford, *et al.*, *supra* note 42, at 39 and Excel “Fundraising Activity” tab. See also Yuliya Chernova and Marc Vartabedian, “Why Venture Capital is Weighed Down by Its 2021 Vintage,” *WSJ Pro Private Equity*, (June 25, 2024) available at <https://www.wsj.com/articles/why-venture-capital-is-weighed-down-by-its-2021-vintage-d120feb6>; George Hammond, “Venture capital reckons with the end of ‘megafund’ era,” *Financial Times*, (Apr. 3, 2024) available at <https://www.ft.com/content/db1f795d-05c9-4623-9578-29ab2d263346>.
- 98 See Kyle Stanford, *et al.*, *supra* note 42, at 39.
- 99 See Rosie Bradbury, “13% of VC firms aren’t planning to raise another fund,” *PitchBook*, (June 4, 2024) available at <https://pitchbook.com/news/articles/vc-firms-back-off-fundraising-plans>.
- 100 See Kyle Stanford, *et al.*, *supra* note 42, at 39 and Excel “Fundraising Activity” tab. See also Yuliya Chernova and Marc Vartabedian, *supra* note 97; George Hammond, *supra* note 97.
- 101 See Sabrina T. Howell and Dean Parker, “VC Funds and Regulation D’s Rule 506(c): Did Permitting General Solicitation Open the Door for Emerging and Underrepresented Managers?,” (Oct. 2024) at 4-5, 24, available at <https://www.sec.gov/files/howell-parker-sec-regulationd-report.pdf>.
- 102 *Id.* at 4, 20, 24.
- 103 *Id.* at 5, 26.
- 104 See Kyle Stanford, *et al.*, *supra* note 42, at 40; NVCA, *supra* note 1, at 17; Marc Vartabedian, “Venture Capital is Increasingly Becoming a Haves and Have-Nots Industry,” *WSJ Pro Venture Capital*, (July 3, 2024) available at <https://www.wsj.com/articles/venture-capital-is-increasingly-becoming-a-haves-and-have-nots-industry-5671a8ec>.
- 105 See Kyle Stanford, *et al.*, *supra* note 42, at Excel tabs “Fundraising Activity” and “First-Time Fundraising.” 49% fund count decrease and 26% first-time fund count calculated from 2023 US VC first-time fundraising activity and US VC fundraising activity.
- 106 See Lawrence Aragon, “LP Perspectives 2024: Investors in VC funds are super unhappy” *Venture Capital Journal* (Nov. 27, 2023) available at <https://www.venturecapitaljournal.com/lp-perspectives-2024-investors-in-vc-funds-are-super-unhappy/>.
- 107 See Max Navas, “Estimating US VC First-Time Manager Dropouts,” *PitchBook*, (Feb. 16, 2024) at 2, available at <https://pitchbook.com/news/reports/q1-2024-pitchbook-analyst-note-estimating-us-vc-first-time-manager-dropouts>.
- 108 See NVCA, *supra* note 1, at 17; Zane Carmean, *et al.*, “Establishing a Case for Emerging Managers,” *PitchBook*, (Apr. 29, 2024) at 2, available at <https://pitchbook.com/news/reports/q2-2024-pitchbook-analyst-note-establishing-a-case-for-emerging-managers>.
- 109 See Kyle Stanford, *et al.*, *supra* note 42, at Excel tab “Emerging vs. Experienced Funds.”
- 110 See Max Navas, *supra* note 107, at 3.
- 111 See SS&C IntraLinks, “2024 LP Survey. Insights on alternative investments,” (2023) at 12, available at <https://www.intralinks.com/resources/publications/ssc-intralinks-2024-lp-survey>.
- 112 See Zane Carmean, *et al.*, *supra* note 108, at 1.
- 113 See Khaled Abdou and Paramita Gupta, *supra* note 75, 15-16.
- 114 *Id.* at 8.
- 115 See Kyle Stanford, *et al.*, *supra* note 42, at 28 and Excel tabs “Deal Activity” and “NTI.”
- 116 *Id.* at 43.
- 117 *Id.* at 28 and Excel tabs “Deal Activity” and “NTI.”
- 118 *Id.* at Excel tab “Exit x Type.”
- 119 *Id.* at Excel tab “Exit x Type.”
- 120 *Id.* at Excel tab “Exit x Type.”
- 121 See James Thorne, “Venture’s asset growth has become an albatross around its neck,” *PitchBook*, (July 15, 2024) available at <https://pitchbook.com/news/articles/venture-capital-distributions-aum>; Peter Walker, *et al.*, “VC Fund Performance. Data as of Q1 2024,” *Carta*, (Aug. 16, 2024) at 11, available at <https://carta.com/data/vc-fund-performance-q1-2024/>.
- 122 This graphic is based on DERA data, including pooled funds. This data was collected from LSEG SDC Platinum database.
- 123 This graphic is based on DERA data, excluding IPOs filed by pooled funds. Pooled funds consist of issuers that are closed-end funds (including SPACs), commodity contracts broker-dealers, unit investment trusts, and business development companies. This graphic includes the top industries by IPO proceeds. Additional offerings by non-pooled fund issuers accounted for approximately \$3.2 billion in the twelve months ended June 30, 2024. Pooled investment funds, including SPACs, accounted for approximately \$4.0 billion in the twelve months ended June 30, 2024.
- 124 This graphic is based on DERA data, including pooled funds. This data was collected from LSEG 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 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, Bloomberg, and Compustat were used to fill in missing information from LSEG. 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. Revisions in the most recent estimates were due to the revisions in the source data.

Contents

MISSION | Who We Are

DATA | State of Capital Formation

POLICY | Recommendations

ADVOCACY | What We Do

COMMITTEE | Highlights

ENDNOTES | All the Details

1-18	212-240
19-43	241-253
44-52	254-281
53-69	282-302
70-96	303-328
97-124	329-341
125-152	342-355
153-163	356-385
164-187	386-414
188-211	

OFFICE | Meet the Team

- 125 See Ivan Lunegov, “From Small Caps to Big Gains: the Promise of Micro-Cap IPOs,” *Forbes*, (July 19, 2024) available at <https://www.forbes.com/councils/forbesfinancecouncil/2024/07/19/from-small-caps-to-big-gains-the-promise-of-micro-cap-ipos/>. Micro-cap IPOs typically have “viable products and annual revenues typically of \$5 million to \$10 million or clear potential to achieve this.”
- 126 See Jay R. Ritter, “Initial Public Offerings: Updated Statistics,” (Sept. 9, 2024) at 10-11, available at <https://site.warrington.ufl.edu/ritter/files/IPO-Statistics.pdf>.
- 127 *Id.* at 10-12. The only other years with lower IPO counts were 2008 (21 IPOs), 2009 (41 IPOs), and 2022 (38 IPOs).
- 128 *Id.* at 10-12.
- 129 *Id.* at 10-11.
- 130 See Rongbing Huang *et al.*, “Going Public with IPOs and SPAC Mergers,” (Oct. 20, 2023) at 19, available at <https://site.warrington.ufl.edu/ritter/files/going-public-with-IPOs-and-SPAC-mergers.pdf>.
- 131 See Anup Basnet, *et al.*, “Long-Run IPO Performance and the Role of Venture Capital,” (Nov. 2023) at 8, available at https://papers.ssrn.com/sol3/papers.cfm?abstract_id=4404904.
- 132 *Id.* at 1, 8.
- 133 *Id.* at 1-2, 35.
- 134 See Craig G. Dunbar and Michael R. King, “Syndicate structure and IPO outcomes: The impact of underwriter roles and syndicate concentration,” *Journal of Corporate Finance*, (Apr. 2023) available at <https://www.sciencedirect.com/science/article/pii/S0929119923000317#s0035>.
- 135 See Adam Hayes, “Underwriter Syndicate: What it is, How it Works,” *Investopedia*, (Updated Sept. 29, 2023) available at <https://www.investopedia.com/terms/u/underwriter-syndicate.asp>; Craig G. Dunbar and Michael R. King, *supra* note 134, at 1.
- 136 See Craig G. Dunbar and Michael R. King, *supra* note 134, at 3, 20-21, 24. Competition within the syndicate structure includes the number of underwriters in lead manager and co-manager roles and the distribution of shares underwritten across the underwriters.
- 137 *Id.* at 19-21.
- 138 *Id.* at 3, 24.
- 139 *Id.* at 18, 20-21. In addition, for small IPOs, there is less competition between underwriters/lead managers for future equity offerings post-IPO.
- 140 *Id.* at 19-21.
- 141 *Id.* at 3, 18. Small IPOs are defined as offerings under \$100 million.
- 142 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 2024 represents the number of listed firms and market capitalization as of June 28, 2024. Small exchange-listed companies includes companies with a market capitalization of \$250 million or less; large exchanged-listed companies includes companies with a market capitalization of more than \$250 million.
- 143 For the calculation of U.S. GDP, see Bureau of Economic Analysis, National Income and Product Accounts Interactive Data Application for 1980-2023 available at <https://apps.bea.gov/iTable/?reqid=19&step=2&isuri=1&categories=survey#eyJhcHBpZCI6MTksInN0ZXBzIjpbMSwyLDMsM10sImRhGEiOltbImNhdGVnb3JpZXMiLCJjdXJ2XCI6XScXbkl5JUEFfVGFibGVfTGldZCIsIjUiXSxbIkZpcnN0X1l1YXIlLCIOTgwll0sWyJMYXN0X1l1YXIlLCIyMDI0Il0sWyJTY2FsZSIsIi02Il0sWyJ TZXJpZXMiLCJBI1dfQ==> and Bureau of Economic Analysis, National Income and Product Accounts Interactive Data Application for 2024Q4 available at <https://apps.bea.gov/iTable/?reqid=19&step=2&isuri=1&categories=survey#eyJhcHBpZCI6MTksInN0ZXBzIjpbMSwyLDMsM10sImRhGEiOltbImNhdGVnb3JpZXMiLCJjdXJ2XCI6XScXbkl5JUEFfVGFibGVfTGldZCIsIjUiXSxbIkZpcnN0X1l1YXIlLCIOTgwll0sWyJMYXN0X1l1YXIlLCIyMDI0Il0sWyJTY2FsZSIsIi02Il0sWyJ TZXJpZXMiLCJBI1dfQ==>. See *supra* note 42 for the calculation of the market capitalization of small exchange-listed companies and large exchange-listed companies.
- 144 See *supra* note 142.
- 145 See Gabriele Lattanzio, *et al.*, “Dissecting the listing gap: Mergers, private equity, or regulation?,” *Journal of Financial Markets* (Sept. 2023) at 1 available at <https://www.sciencedirect.com/science/article/pii/S1386418123000344?via%3Dihub>.
- 146 *Id.* at 1-2.
- 147 *Id.* at 2.
- 148 *Id.* at 2-3, 26.
- 149 *Id.* at 2. The listing gap is defined as the difference between the actual number of listed firms and a predicted number that comes from a cross-country panel regression. The SOX Act, particularly Section 404, was associated with a 0.31% increase in the U.S. listing gap per year, equivalent to 1,752 companies between 2003–2007.
- 150 *Id.* at 2.
- 151 *Id.* at 2.
- 152 *Id.* at 10, 26.

Contents

MISSION | Who We Are

DATA | State of Capital Formation

POLICY | Recommendations

ADVOCACY | What We Do

COMMITTEE | Highlights

ENDNOTES | All the Details

1-18	212-240
19-43	241-253
44-52	254-281
53-69	282-302
70-96	303-328
97-124	329-341
125-152	342-355
153-163	356-385
164-187	386-414
188-211	

OFFICE | Meet the Team

- 153 This map is based on DERA data. The map 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, 2023 through June 30, 2024. *See supra* note 50 for a description of how these amounts were reported or estimated.
- 154 This data is based on DERA data. Registered company and exchange 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 7/1/2023-6/30/2024. Issuers with missing exchange information and that filed for withdrawal of their securities on Form 15, Form 25 or Form RW have been removed from the issuer counts. Market cap information is as of 6/28/2024. When applicable, missing market cap data was filled in with Bloomberg first, CRSP, and then Capital IQ when available based on ticker-CUSIP information from WRDS. Small exchange-listed companies includes companies with a market capitalization of \$250 million or less; large exchanged-listed companies includes companies with a market capitalization of more than \$250 million. The list of exchanges can be found at <https://www.sec.gov/about/divisions-offices/division-trading-markets/national-securities-exchanges>.
- 155 *See* Mark Mushkin, “Do I need to make money to go public?,” *Harvard Law Forum on Corporate Governance*, (Aug. 25, 2024) available at <https://corpgov.law.harvard.edu/2024/08/25/do-i-need-to-make-money-to-go-public/>. “IPO data covers through June 30, 2024; IPO price movements as of July 26, 2024. Annual revenue calculated revenue on a trailing twelve-month (TTM) basis. Graph averages the numbers of companies in each of the large, mid-sized, and small categories for ease of the reader. Actual numbers are: Market Cap: >\$1B: 14 companies trading up; 6 companies trading down; Annual Revenue: >\$300M: 14 companies trading up; 7 companies trading down; Market Cap: \$500M-\$1B: 6 companies trading up; 6 companies trading down; Annual Revenue: \$50-200M: 5 companies trading up; 7 companies trading down; Market Cap: <\$500M: 8 companies trading up; 39 companies trading down; Annual Revenue: <\$50M: 8 companies trading up; 38 companies trading down.
- 156 *Id.* IPO data covers through June 30, 2024; IPO price movements as of July 26, 2024.
- 157 *Id.* IPO data covers through June 30, 2024; IPO price movements as of July 26, 2024.
- 158 *See* Jason Paltrowitz, “Still Awful: An Update on the Small-Cap IPO Cycle,” *OTC Markets*, (June 5, 2024) available at <https://blog.otcmarkets.com/2024/06/05/still-awful-an-update-on-the-small-cap-ipo-cycle/> and 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/>. Data includes IPOs from 2023 and the first quarter of 2024.
- 159 *Id.*
- 160 *Id.*
- 161 This graphic is based on DERA data. Registered offering data includes IPOs and registered secondary equity offerings and was collected from LSEG 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, Bloomberg, and Compustat were used to fill in missing information from LSEG. 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. Revisions in the most recent estimates were due to the revisions in the source data. *See supra* note 154 for additional information about the estimated number of small public companies and the percentage that raised capital through a registered equity offering.
- 162 Registered company data was collected from Intelligize database for public companies that report a primary location in the U.S., including U.S. territories. *See supra* note 154. *See supra* note 161 for a description of the methodology used to estimate registered equity offerings by small public companies.
- 163 This graphic is based on DERA data, excluding pooled funds. Pooled funds consist of issuers that are closed-end funds (including SPACs), commodity contracts broker-dealers, unit investment trusts, and business development companies. Registered company data was collected from Intelligize database for public companies that report a primary location in the U.S., including U.S. territories. *See supra* note 154. This graphic includes the top industries based on the number of small public companies in each industry, excluding pooled funds, as of July 1, 2024. There were 530 small public companies outside of these top industries and 231 small public companies that were pooled funds, including SPACs. *See supra* note 161 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 \$370 million in the twelve months ended June 30, 2024. Offerings by pooled funds, including SPACs, accounted for approximately \$1.8 billion in the twelve months ended June 30, 2024.

Contents

MISSION | Who We Are

DATA | State of Capital Formation

POLICY | Recommendations

ADVOCACY | What We Do

COMMITTEE | Highlights

ENDNOTES | All the Details

1-18	212-240
19-43	241-253
44-52	254-281
53-69	282-302
70-96	303-328
97-124	329-341
125-152	342-355
153-163	356-385
164-187	386-414
188-211	

OFFICE | Meet the Team

- 164 See Michael Ewens, *et al.*, “Regulatory Costs of Being Public: Evidence from Bunching Estimation,” (rev. Dec. 22, 2023) at 21, available at https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3740722. The costs are provided for a U.S. median-sized public company with a \$102 million public float.
- 165 See Matthew T. Gustafson and Jewon Shin, “Burdening the Young: Life Cycle Effects of Mandatory Disclosure on Investment,” *SC&P Global Market Intelligence*, (Nov. 30, 2024) at 3, 29, available at https://papers.ssrn.com/sol3/papers.cfm?abstract_id=4810437.
- 166 *Id.* at 2-3, 5, 29.
- 167 *Id.* at 2, 29.
- 168 See “The State of Investor Relations in 2024,” *Irwin*, (2024) at 23, available at <https://www.getirwin.com/blog/the-state-of-investor-relations>. Data is provided for companies with less than \$500 million in market cap – the study groups this category as nano-micro cap.
- 169 See Sitara Sundar, “Are overlooked small-and mid-cap stocks about to surge?,” *J.P. Morgan Wealth Management*, (June 25, 2024) available at <https://www.jpmorgan.com/insights/investing/investment-trends/are-overlooked-small-and-mid-cap-stocks-about-to-surge>; see also Badryah Alhusaini, *et al.*, “Analyst information about peer firms during the IPO quiet period,” (Apr. 30, 2024) at 13, available at https://papers.ssrn.com/sol3/papers.cfm?abstract_id=4780426.
- 170 See Sitara Sundar, *supra* note 169.
- 171 See “Catching Up With Small Caps: Lessons Learned Going Public and Staying Public,” *43rd Annual Small Business Forum*, (Apr. 18, 2024) at 41, available at <https://www.sec.gov/files/transcript-43rd-sb-forum-day3.pdf>.
- 172 See Wells Fargo, “The 2024 Impact of Women-Owned Businesses,” (2024) at 14, available at <https://smallbusinessresources.wf.com/wp-content/uploads/2024/04/wells-fargo-2024-impact-of-women-owned-businesses.pdf>. This includes non-employer businesses that are majority-owned by women (42.2% of non-employer businesses; 12.5 million businesses) and businesses equally owned by women and men (2.5% of non-employer businesses; 746,000 businesses).
- 173 *Id.* at 14. This includes employer businesses that are majority-owned by women (24% of non-employer businesses; 1.4 million businesses) and businesses equally owned by women and men (14% of employer businesses; 830,000 businesses).
- 174 *Id.* at 14.
- 175 *Id.* at 16-17. For the share of businesses, Black/African American and white Hispanic/Latino business owners are counted in both race and ethnicity segments. Demographic segments will therefore add up to more than the total number of firms, employment, and revenue. Share of population data is from Catalyst, “Women of Color in the United States (Quick Take), (Feb. 01, 2023) available at <https://www.catalyst.org/research/women-of-color-in-the-united-states>.
- 176 See Wells Fargo, *supra* note 172, at 5, 9. “Women’s businesses proved nimble, agile, and growth-oriented during the pandemic, despite being smaller than men’s and having fewer resources.”
- 177 *Id.* at 6; Wells Fargo, “The 2024 Impact of Women-Owned Businesses. A focus on Hispanic/Latino Women,” (Sept. 15, 2023) at 6, available at https://www.wippeducationinstitute.org/_files/ugd/5cba3e_d7a711eb3d514728aa4d3a7bd32a8b36.pdf. See also Rakesh Kochhar, “The Enduring Grip of the Gender Pay Gap,” *Pew Research Center*, (Mar. 1, 2023) available at <https://www.pewresearch.org/social-trends/2023/03/01/the-enduring-grip-of-the-gender-pay-gap/>.
- 178 See Sabrina T. Howell and Dean Parker, *supra* note 101, at 19; Wells Fargo, “The 2024 Impact of Women-Owned Businesses. A focus on Black/African American women,” (Aug. 28, 2023) at 6, available at https://www.wippeducationinstitute.org/_files/ugd/5cba3e_286af9cc74e7499897ea75dfead832f3.pdf; Wells Fargo, *supra* note 177, at 6.
- 179 See United We, “Care for the Economy. Women Entrepreneurs’ Experiences with Childcare,” (June 4, 2024) at 1, available at https://static1.squarespace.com/static/545815dce4b0d75692c341a8/t/665d42415178a24e7c5a0ef5/1717387843612/UW_report_CareEconomy_Childcare_05312024.pdf.
- 180 See Liana Christin Landivar, *et al.*, “Issue Brief: Childcare Prices in Local Areas. Initial Findings from the National Database of Childcare Prices,” *U.S. Department of Labor Women’s Bureau*, (Jan. 2023) at 2, 7-8, available at https://www.dol.gov/sites/dolgov/files/WB/NDCP/508_WB_IssueBrief-NDCP-20230213.pdf. The 2021 average annualized cost for two children in center-based care ranged from \$13,000 to \$46,000, based on state. Childcare Aware of America, “Price of Care: 2021 Child Care Affordability Analysis,” at 23, available at <https://info.childcareaware.org/hubfs/Child%20Care%20Affordability%20Analysis%202021.pdf>.
- 181 See Wells Fargo, *supra* note 172, at 5, 23-25. The four industries are: services such as beauty, pet care, and dry cleaners; professional, scientific, or technical services; administrative, support, and remediation services; and healthcare and social assistance.
- 182 *Id.* at 9, 20. Men-owned businesses had average annual revenues of \$754,000, compared to the average annual revenues of \$193,000 for women-owned businesses.
- 183 *Id.* at 9.
- 184 *Id.* at 9, 28. See also Engine and Ewing Marion Kauffman Foundation, “Innovation for All,” (June 2024) at 22, available at <https://static1.squarespace.com/static/571681753c44d835a440c8b5/t/6669e4736a441c77c26422d4/1718215797225/Innovation+for+All.pdf>.
- 185 *Id.* at 29.
- 186 See January Ventures, *supra* note 18, at 3.
- 187 *Id.* at 3.

Contents

MISSION | Who We Are

DATA | State of Capital Formation

POLICY | Recommendations

ADVOCACY | What We Do

COMMITTEE | Highlights

ENDNOTES | All the Details

1-18	212-240
19-43	241-253
44-52	254-281
53-69	282-302
70-96	303-328
97-124	329-341
125-152	342-355
153-163	356-385
164-187	386-414
188-211	

OFFICE | Meet the Team

188 See Valentina A. Assenova and Sandy Yu, *supra* note 19, at 21.

189 See Wells Fargo, *supra* note 172, at 28-29. See also Vitaly Gerko, “How Expert Mentoring Can Boost Startup Ventures Forward,” *Entrepreneur*, (Nov. 13, 2023) available at <https://www.entrepreneur.com/starting-a-business/how-expert-mentoring-fuels-startup-success/464762>; Startup Yard Accelerator, “Mentorship Matters: The Role of Expert Guidance in the Success of Your Startup,” available at <https://startupyard.com/mentorship-matters-the-role-of-expert-guidance-in-the-success-of-your-startup>; Meet Ventures, “The Role of Mentorship in Startup Success: Stories from the Frontlines,” (Oct. 1, 2024) available at <https://www.meetventures.com/post/the-role-of-mentorship-in-startup-success-stories-from-the-frontlines>.

190 See Federal Reserve Banks, “2024 Report on Employer Firms: Findings from the 2023 Small Business Credit Survey,” *supra* note 6, at 11 and Excel tab “Gender of owner(s)”. None (0%), Some (1-50%), Most (51-99%), All (100%). Women-owned businesses include businesses where the majority of the founders are women.

191 *Id.* at 11 and Excel tab “Gender of owner(s)”. None (0%), Some (1-50%), Most (51-99%), All (100%). Women-owned businesses include businesses where the majority of the founders are women.” Women-owned businesses include businesses where the majority of the founders are women.

192 See Jeffrey Sohl, *supra* note 29, at 1.

193 *Id.* and 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.

194 The investment opportunity rate includes the opportunities brought to the attention of the relevant angel investor. See Jeffrey Sohl, *supra* note 29, at 1. The yield rate for women-owned ventures exceeded the overall yield rate in 2023 of 24%. Jeffrey Sohl, *supra* note 193, at 1.

195 See Melody Chang, PhD, *supra* note 56, at 10.

196 *Id.* at 20-21.

197 See Nasdaq Entrepreneurial Center, Heartland Forward, and Penn State University’s Evidence-to-Impact Collaborative, “Revitalizing Innovation. Models of Equitable Entrepreneurship Across the United States,” *Venture Equity Project*, (Oct. 7, 2024) at 8, 22, 25, 31, available at <https://nasdaqcenter.org/venture-equity-project/>. Successful founders are defined as founders who have incorporated their business and are earning higher than the state’s average income. This ranking of U.S. states evaluates where women entrepreneurs, including venture-backed women, experience the highest rates of success. States 11-20 include Rhode Island, Florida, Indiana, Illinois, Minnesota, North Carolina, Montana, Georgia, Maine, and Nevada. Data is not available for Puerto Rico, Guam, and U.S. Virgin Islands.

198 See Kyle Stanford, *et al.*, *supra* note 42, at Excel tab “Female Founder Activity”. See also Annemarie Donegan and Sara Good, “US All In. Female Founders in the VC Ecosystem 2023,” *PitchBook*, (Mar. 6, 2024) at 4-6, Excel tab “VC deal activity x year,” available at <https://pitchbook.com/news/reports/2023-us-all-in-female-founders-in-the-vc-ecosystem>.

199 See Gené Teare, “The Portion of US VC Funding That Went to Female Founders Hit a New Peak in 2023, Thanks to Massive AI Deals,” *Crunchbase News*, (June 6, 2024) available at <https://news.crunchbase.com/diversity/us-vc-funding-female-founders-peaked-2023-ai-openai-anthropic/>; see also Kyle Stanford, *et al.*, *supra* note 42, at Excel tab “Female Founder Activity;” see also Annemarie Donegan and Sara Good, *supra* note 198, at 5.

200 See Kyle Stanford, *et al.*, *supra* note 42, at Excel tab “Female Founder Activity;” see also Annemarie Donegan and Sara Good, *supra* note 198, at 5. The 27% (calculated as of June 30, 2024) includes one company’s \$10 billion raise in Q1 2023 where its female founder left the company prior to this round. If this deal is excluded, approximately 23% of VC funding went to companies with at least one woman founder.

201 See Kyle Stanford, *et al.*, *supra* note 42, at Excel tab “Female Founder Activity”.

202 *Id.* at Excel tabs “Female Founder x Stage,” “Pre-seed & Seed,” “Early Stage Activity,” “Late-Stage Activity,” and “Venture-Growth Activity.” The 28% noted for later-stage deals with women and men founders includes one company’s \$10 billion raised in Q1 2023 where its female founder left the company prior to this round. If this deal is excluded, approximately 24% of later-stage VC funding went to companies with women and men founders. See Annemarie Donegan and Sara Good, *supra* note 198, at 5.

203 See Nell Gallogly, “Women Entrepreneurs Are Hitting a Funding Wall,” *The New York Times*, (Sept. 21, 2024) available at <https://www.nytimes.com/2024/09/21/business/women-entrepreneurs-are-hitting-a-funding-wall.html>.

204 See Dropbox Docsend, “The Funding Divide 2024. Turned down in the downturn: Funding gap grows for underrepresented founders,” (June 2024) at 2, available at <https://experience.dropbox.com/form/docsend/funding-divide-report>.

205 *Id.* at 7

206 *Id.* at 3.

207 *Id.* at 5. All-women teams with diverse founders experienced a 36% decrease in investor meetings and raised 31% less in 2023 than in 2022.

208 *Id.* at 9.

209 See Camille Hebert, *et al.*, “Financing the Next VC-Backed Startup: The Role of Gender,” (Aug. 14, 2024) at 2-3, available at https://papers.ssrn.com/sol3/papers.cfm?abstract_id=4784414.

210 See Annemarie Donegan and Sara Good, *supra* note 198, at 6.

211 *Id.* at 18.

Contents

MISSION | Who We Are

DATA | State of Capital Formation

POLICY | Recommendations

ADVOCACY | What We Do

COMMITTEE | Highlights

ENDNOTES | All the Details

1-18	212-240
19-43	241-253
44-52	254-281
53-69	282-302
70-96	303-328
97-124	329-341
125-152	342-355
153-163	356-385
164-187	386-414

188-211

OFFICE | Meet the Team

- 212 See McKinsey & Company, “Diversity Matters Even More. The case for holistic impact,” (Nov. 2023) at 12, *available at* <https://www.mckinsey.com/featured-insights/diversity-and-inclusion/diversity-matters-even-more-the-case-for-holistic-impact>.
- 213 See Peter Walker and Kiley Roache, “Annual equity report 2023,” *Carta*, (Mar. 20, 2024) *available at* <https://carta.com/equity-report/2023/#gender>.
- 214 *Id.*; Carta, “Annual Equity Report 2022,” (Mar. 10, 2023) *available at* <https://carta.com/equity-report/2022/>.
- 215 See Ann Shepherd, *supra* note 80.
- 216 *Id.*
- 217 *Id.*
- 218 See McKinsey & Company, *supra* note 212, at 15; *see also* Sue Whitbread, “Companies with gender diverse boards deliver 2-5% higher annual returns than companies with fewer women, finds Bloomberg Intelligence,” *IFA*, (Oct. 9, 2024) *available at* <https://ifamagazine.com/companies-with-gender-diverse-boards-deliver-2-5-higher-annual-returns-than-companies-with-fewer-women-finds-bloomberg-intelligence/>.
- 219 See Amit Batish, “Q2 2024 Equilar Gender Diversity Index,” *Equilar*, (Aug. 15, 2024) *available at* <https://www.equilar.com/reports/113-q2-2024-equilar-gender-diversity-index.html>.
- 220 See 50/50 Women on Boards, “Gender Diversity Index First Quarter 2024 Key Findings,” (Sept. 2024) at 1-2, *available at* <https://5050wob.com/quarterly-report-q1-2024/>.
- 221 See Beth Kowitz, “Corporate Women’s Gains Fall Victim to Anti-Woke Backlash,” *Bloomberg*, (June 24, 2024) *available at* <https://www.bloomberg.com/news/articles/2024-06-24/corporate-women-s-gains-fall-victim-to-anti-woke-dei-backlash>.
- 222 See Jeffery Sohl, *supra* note 29, at 1; Jeffrey Sohl, “The Angel Market in 2020: Return of the Seed and Start-Up Stage Market for Angels,” *Center for Venture Research*, (May 5, 2021) at 3, *available at* <https://scholars.unh.edu/cgi/viewcontent.cgi?article=1035&context=cvr>.
- 223 See Annemarie Donegan and Sara Good, *supra* note 198, at Excel tab “Decision-makers >=\$50 and Decision-makers <\$50.”
- 224 See All Raise, “2023 Annual Report,” (Sept. 19, 2024) at 5, *available at* <https://www.allraise.org/assets/main/downloads/2023-all-raise-annual-report-240903.pdf>.
- 225 *Id.* at 10.
- 226 See Sabrina T. Howell and Dean Parker, *supra* note 101, at 21. Study looked at offers and sales of securities by VC funds under Rule 506(c), which allows general solicitation and advertising, vs. Rule 506(b), which is the traditional private placement exemption. *See* page 26 of this annual report for more information about the study.
- 227 *Id.*
- 228 See Nell Gallogly, *supra* note 203; *see also* Ryan Hibbison, “Why we’re seeing more women-led VC firms,” *Venture Capital Journal*, (Feb. 8, 2024) *available at* <https://www.venturecapitaljournal.com/why-were-seeing-more-women-led-vc-firms/>.
- 229 See Annemarie Donegan and Sara Good, *supra* note 198, at Excel tab “Decision-makers >=\$50 and Decision-makers <\$50.”
- 230 *Id.* at Excel tab “Decision-makers >=\$50 and Decision-makers <\$50.”
- 231 See Fairview Capital Partners LLC, “2023 Market Review: Woman and Minority-Owned Private Equity and Venture Capital Firms,” (Feb. 25, 2024) at 17, *available at* <https://www.fairviewcapital.com/insights/2023-market-review>.
- 232 See Ryan Hibbison, *supra* note 228.
- 233 See Fairview Capital Partners LLC, *supra* note 231, at 17.
- 234 See Ryan Hibbison, *supra* note 228. Based on a study of 160 women-led VC firms.
- 235 *Id.*
- 236 See All Raise, *supra* note 224, at 9, 11. Survey was 92% women, 6% men, 0.3% nonbinary and 1.7% preferred not to answer.
- 237 See All Raise, *supra* note 236, at 3. *See also* Evie Rusman, “How mentoring can empower women working in private markets,” *Private Equity International*, (Oct. 1, 2024) *available at* <https://www.privateequityinternational.com/how-mentoring-can-empower-women-working-in-private-markets/>.
- 238 See Nell Gallogly, *supra* note 203.
- 239 In our office’s reports from 2019-2022, 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.” Starting in 2023, based on feedback we received, rather than use the word “minority,” we instead use “diverse.”
- 240 See U.S. Small Business Administration Office of Advocacy, “Frequently Asked Questions March 2024,” (July 23, 2024) *available at* https://advocacy.sba.gov/wp-content/uploads/2024/12/Frequently-Asked-Questions-About-Small-Business_2024-508.pdf and United States Census Bureau, “National Population by Characteristics,” (June 25, 2024) *available at* <https://www.census.gov/data/datasets/time-series/demo/popest/2020s-national-detail.html>. Population estimates are as of July 1, 2023. In addition, population estimates for White is 75% and two or more races is 3.1%.

Contents

MISSION | Who We Are

DATA | State of Capital Formation

POLICY | Recommendations

ADVOCACY | What We Do

COMMITTEE | Highlights

ENDNOTES | All the Details

1-18	212-240
19-43	241-253
44-52	254-281
53-69	282-302
70-96	303-328
97-124	329-341
125-152	342-355
153-163	356-385
164-187	386-414
188-211	

OFFICE | Meet the Team

241 See United States Census Bureau, “AB2100NESD01. Nonemployer Statistics for Demographics series (NES-D): Statistics for Employer and Nonemployer Firms by Industry, Sex, Ethnicity, Race, and Veteran Status for the U.S., Metro Areas, and Counties: 2021,” (acc. Dec. 3, 2024) [available at https://data.census.gov/table/ABS/NESD2021.AB2100NESD01?q=ab2100*](https://data.census.gov/table/ABS/NESD2021.AB2100NESD01?q=ab2100*). See also Stanford Graduate School of Business Latino Entrepreneurship Initiative, “State of Latino Entrepreneurship,” (Mar. 2024) at 9, [available at https://www.gsb.stanford.edu/faculty-research/publications/state-latino-entrepreneurship-2023](https://www.gsb.stanford.edu/faculty-research/publications/state-latino-entrepreneurship-2023).

242 See Jordan M. Fields, *et al.* “How the property tax systems harms Black homeowners and widens the racial wealth gap,” *Brookings*, (Aug. 22, 2023) [available at https://www.brookings.edu/articles/how-the-property-tax-system-harms-black-home-owners-and-widens-the-racial-wealth-gap/](https://www.brookings.edu/articles/how-the-property-tax-system-harms-black-home-owners-and-widens-the-racial-wealth-gap/); Rosanna Garcia, *et al.*, “Re-Conceptualizing Underrepresented Racial Minority Entrepreneurs, “Foundations and Trends in Entrepreneurship,” (Aug. 1, 2023) at 32-33, 43, [available at https://www.nowpublishers.com/article/Details/ENT-111](https://www.nowpublishers.com/article/Details/ENT-111); Federal Reserve Banks, “DFA: Distributional Financial Accounts,” (acc. Dec. 3, 2024) [available at https://www.federalreserve.gov/releases/z1/dataviz/dfa/distribute/table/#quarter:139;series:Net%20worth;demographic:race;population:1,3,5,7;units:shares](https://www.federalreserve.gov/releases/z1/dataviz/dfa/distribute/table/#quarter:139;series:Net%20worth;demographic:race;population:1,3,5,7;units:shares). Excel tab “DFA-race-shares-level.” Data from second quarter of 2024; Robert P. Singh and Saran Nurse, “Addressing the Racial Wealth Gap and Structural Racism Through Increased Black Entrepreneurship: An Entrepreneurial Ecosystem Perspective,” *The Review of Black Political Economy*, (Feb. 6, 2024) at 7, [available at https://journals.sagepub.com/doi/abs/10.1177/00346446231226402](https://journals.sagepub.com/doi/abs/10.1177/00346446231226402).

243 See Ana Hernandez Kent and Lowell R. Ricketts, “The State of U.S. Wealth Inequality,” *Federal Reserve Bank of St. Louis*, (Oct. 22, 2024) [available at https://www.stlouisfed.org/institute-for-economic-equity/the-state-of-us-wealth-inequality](https://www.stlouisfed.org/institute-for-economic-equity/the-state-of-us-wealth-inequality). The data from the graph is found in this source. Racial and ethnic groups are mutually exclusive; they are based on the primary race or ethnicity of the survey respondent. “Other and Multiracial” includes Asian Americans, Native Americans, Alaska Natives, Native Hawaiians, Pacific Islanders, other races and multiple racial identifications. Because the diversity of this category potentially masks great intragroup wealth variation, it is not a focus in The State of U.S. Wealth Inequality.

244 See Rosanna Garcia, *et al.*, *supra* note 242, at 43.

245 See Briana Sullivan, *et al.*, “Wealth by Race of Householder,” *United States Census Bureau*, (Apr. 23, 2024) [available at https://www.census.gov/library/stories/2024/04/wealth-by-race.html](https://www.census.gov/library/stories/2024/04/wealth-by-race.html).

246 See Gloria Guzman and Melissa Kollar, “Income in the United States: 2023,” *United States Census Bureau*, (Sept. 2024) at Excel Table A-1, [available at https://www2.census.gov/library/publications/2024/demo/p60-282.pdf](https://www2.census.gov/library/publications/2024/demo/p60-282.pdf). Each racial category is of that race individually and does not include people of that race that identify as Hispanic/Latino. Those that identify a Hispanic/Latino can also identify as any race.

247 *Id.* Each racial category is of that race individually and does not include people of that race that identify as Hispanic/Latino. Those that identify a Hispanic/Latino can also identify as any race.

248 See Don Layton, “The Homeownership Rate and Housing Finance Policy. Part 1: Learning from the Rate’s History,” *Harvard University Joint Center for Housing Studies*, (Aug. 2021) at 1, [available at https://www.jchs.harvard.edu/sites/default/files/research/files/harvard_jchs_homeownership_rate_layton_2021.pdf](https://www.jchs.harvard.edu/sites/default/files/research/files/harvard_jchs_homeownership_rate_layton_2021.pdf); Juana Summers, *et al.*, “How buying a home became a key way to build wealth in America,” *NPR*, (Jan. 4, 2023) [available at https://www.npr.org/2023/01/04/1146960942/how-buying-a-home-became-a-key-way-to-build-wealth-in-america](https://www.npr.org/2023/01/04/1146960942/how-buying-a-home-became-a-key-way-to-build-wealth-in-america); Robert P. Singh and Saran Nurse, *supra* note 242, at 7.

249 See Robert P. Singh and Saran Nurse, *supra* note 242, at 7; Jordan M. Fields, *et al.*, *supra* note 242.

250 See United States Census Bureau, “Homeownership by Race and Ethnicity of Householder,” (Sept. 28, 2023) [available at https://www.census.gov/library/visualizations/interactive/homeownership-by-race-and-ethnicity-of-householder.html](https://www.census.gov/library/visualizations/interactive/homeownership-by-race-and-ethnicity-of-householder.html).

251 *Id.*

252 See Federal Reserve Banks, “Report on the Economic Well-Being of U.S. Households in 2023,” (May 2024) [available at https://www.federalreserve.gov/publications/2024-economic-well-being-of-us-households-in-2023-banking-credit.htm](https://www.federalreserve.gov/publications/2024-economic-well-being-of-us-households-in-2023-banking-credit.htm). Unbanked means that neither they nor their spouse/partner had a checking, savings, or money market account. 4% of White adults, 4% of Asian American adults, 11% of Hispanic/Latino adults, and 14% of African American/Black adults were unbanked in 2023.

253 See Small Business Majority, “Digital transformation: Small businesses face obstacle opportunities in using digital accounting software,” (Nov. 7, 2023) at 4, [available at https://smallbusinessmajority.org/sites/default/files/research-reports/small-businesses-obstacles-opportunities-digital-accounting-software.pdf](https://smallbusinessmajority.org/sites/default/files/research-reports/small-businesses-obstacles-opportunities-digital-accounting-software.pdf); Federal Reserve Banks, “2024 Report on Employer Firms: Findings from the 2023 Small Business Credit Survey,” *supra* note 6, at Excel tab “Race, ethnicity of owner(s),” question: “Demand for financing.”

Contents

MISSION | Who We Are

DATA | State of Capital Formation

POLICY | Recommendations

ADVOCACY | What We Do

COMMITTEE | Highlights

ENDNOTES | All the Details

1-18	212-240
19-43	241-253
44-52	254-281
53-69	282-302
70-96	303-328
97-124	329-341
125-152	342-355
153-163	356-385
164-187	386-414
188-211	

OFFICE | Meet the Team

254 See Federal Reserve Banks, “2024 Report on Employer Firms: Findings from the 2023 Small Business Credit Survey,” *supra* note 6, at Excel tab “Race, ethnicity of owner(s),” question: “Best outcome across loan/LOC/merchant cash advance application(s).”

255 See Guidant, “2024 Small Business Entrepreneurs of Color: A Look at the State of Entrepreneurs of Color in 2024 (2024) available at <https://www.guidantfinancial.com/small-business-trends/people-of-color-business-trends/>.

256 See Bank of America, “2023 Women & Minority Business Owner Spotlight,” (Oct. 4, 2023) at 14, 18, 23, available at <https://about.bankofamerica.com/content/dam/about/report-center/sbor/2023/2023-women-and-minority-business-owner-spotlight.pdf>.

257 See Jamerlyn Brown, “Black History Month Survey: Innovation thriving, but signs of economic uncertainty,” *QuickBooks Blog*, (Feb. 1, 2024) available at <https://quickbooks.intuit.com/r/small-business-data/black-history-month-survey-2024/> and Federal Reserve Banks, “2024 Report on Employer Firms: Findings from the 2023 Small Business Credit Survey,” *supra* note 6, at Excel tab “Race, ethnicity of owner(s),” question: “Actions taken in response to financial challenges.”

258 See Jamerlyn Brown, *supra* note 257.

259 See Federal Reserve Banks, “2024 Report on Employer Firms: Findings from the 2023 Small Business Credit Survey,” *supra* note 6, at Excel tab “Race, ethnicity of owner(s),” question: “Demand for financing.” This type of financing excludes use of existing credit lines and funds from the owner(s), friends, family, grants, and equity investments.

260 *Id.* at Excel tab “Race, ethnicity of owner(s)” and “Employer firms,” question: “Total Amount of financing sought in prior 12 months.”

261 See Phillip W. Dunn, “The Crucial Role of Mentorship and Networking for Black Entrepreneurs,” Black Business Focus Group, (Feb. 26, 2024) available at <https://www.blackbusinessfocusgroup.com/post/the-crucial-role-of-mentorship-and-networking-for-black-entrepreneurs> and Somos, “State of Latino/a VCs in the US 2023 Annual Report,” (Apr. 24, 2024) at 20, available at https://assets-global.website-files.com/613a3a58a5faf7d03f5df48f/6629d418396f0a9dedecf600_SomosVC-2023-Annual-Report.pdf. See also Engine and Ewing Marion Kauffman Foundation, “Innovation for All,” *supra* note 184 at 22.

262 See Babson College, “Global Entrepreneurship Monitor 2023-2024 United States Report,” (Aug. 15, 2024) at 67, available at https://issuu.com/babsoncollege/docs/babson_gem_report_2024_final.

263 See Jon A. Garfinkel, *et al.*, *supra* note 23, at 30.

264 *Id.* at 28.

265 *Id.* at 30-31.

266 *Id.* at 29 (quoting page 40).

267 *Id.* at 30.

268 See Melody Chang, PhD, *supra* note 56, at 10.

269 *Id.*; U.S. Small Business Administration Office of Advocacy, “Frequently Asked Questions About Small Business,” (July 23, 2024) available at https://advocacy.sba.gov/wp-content/uploads/2024/12/Frequently-Asked-Questions-About-Small-Business_2024-508.pdf.

270 See Melody Chang, PhD, *supra* note 56, at 22-24, Figure 20.

271 See Jeffrey Sohl, *supra* note 29, at 1; Jeffrey Sohl, *supra* note 193, at 1; Jeffery Sohl, “The Angel Market in 2021: Metrics Indicate Strong Market,” *Center for Venture Research*, (May 20, 2022) at 3, available at <https://scholars.unh.edu/cgi/viewcontent.cgi?article=1036&context=cvr>.

272 *Id.*

273 See Dropbox Docsend, *supra* note 204, at 2.

274 *Id.*

275 *Id.* at 11.

276 *Id.* at 11, 13.

277 Nasdaq Entrepreneurial Center, Heartland Forward, and Penn State University’s Evidence-to-Impact Collaborative, *supra* note 197, at 8, 22, 25, 30. Successful founders are defined as founders who have incorporated their business and are earning higher than the state’s average income. This ranking of U.S. states evaluates where African American/Black and Hispanic/Latino entrepreneurs, including those that are venture-backed, experience the highest rates of success. States 1-10 include Florida, Oregon, Georgia, Missouri, Louisiana, Maryland, North Carolina, South Carolina, Virginia, and Texas. States 11-20 include Nevada, Colorado, Kentucky, Indiana, Alabama, California, Michigan, Minnesota, New York, and Illinois. Data is not available for Alaska, Arkansas, District of Columbia, Delaware, Hawaii, Iowa, Idaho, Kansas, Maryland, Maine, Mississippi, Montana, North Dakota, Nebraska, New Hampshire, New Mexico, Rhode Island, South Dakota, Utah, Vermont, Wisconsin, West Virginia, Wyoming, Puerto Rico, Guam, and U.S. Virgin Islands. States 21-29 include Ohio, Oklahoma, Pennsylvania, Washington, New Jersey, Tennessee, Massachusetts, Arizona, and Connecticut.

278 See Chicago: Blend, “Startup Diversity Report 2018-2023,” (Jan. 31, 2024) at 15, available at <https://www.chicagoblend.org/news-insights/startup-diversity-survey-2018-23>.

279 See Peter Walker and Kiley Roache, *supra* note 213, at 11. The percentage of non-white founders has increased from 38.5% in 2018 to 46.6% in 2023.

280 See Peter Walker and Kiley Roache, *supra* note 213, at 21; see also Chris Metinko and Gené Teare, “Drop in Venture Funding to Black-Founded Startups Greatly Outpaces Market Decline,” *Crunchbase News*, (Feb. 27, 2024) available at <https://news.crunchbase.com/diversity/venture-funding-black-founded-startups-2023-data/>.

281 See Ann Shepherd, *supra* note 80.

Contents

MISSION | Who We Are

DATA | State of Capital Formation

POLICY | Recommendations

ADVOCACY | What We Do

COMMITTEE | Highlights

ENDNOTES | All the Details

1-18	212-240
19-43	241-253
44-52	254-281
53-69	282-302
70-96	303-328
97-124	329-341
125-152	342-355
153-163	356-385
164-187	386-414
188-211	

OFFICE | Meet the Team

- 282 See Johan Cassel, *et al.*, “Venturing into Racial Diversity on Startup Boards,” *Columbia Business School*, (Nov. 30, 2023) at 4, *available at* https://papers.ssrn.com/sol3/papers.cfm?abstract_id=4622698.
- 283 *Id.* at 33, 43.
- 284 See Merel Spierings, “US Public Company Board Diversity in 2023: How Corporate Director Diversity Can Contribute to Board Effectiveness,” *Harvard Law School Forum on Corporate Governance*, (Nov. 24, 2023) *available at* <https://corpgov.law.harvard.edu/2023/11/24/us-public-company-board-diversity-in-2023/>; The Conference Board, “How Board Diversity Can Contribute to Board Effectiveness,” (Nov. 2, 2023) *available at* <https://conference-board.org/publications/how-board-diversity-can-contribute-to-board-effectiveness>; Merel Spierings, “Diversity, Experience, and Effectiveness in Board Composition,” *Harvard Law School Forum on Corporate Governance*, (June 14, 2022) *available at* <https://corpgov.law.harvard.edu/2022/06/14/diversity-experience-and-effectiveness-in-board-composition/>. Data is as of August 2023.
- 285 See Russell US Indexes (last updated Dec. 3, 2024) *available at* <https://www.lseg.com/en/ftse-russell/indices/russell-us#t-russell-3000>; see also Adam Hayes, “Russell 3000 Index: Stocks and Limitations,” (Sept. 19, 2024) *available at* https://www.investopedia.com/terms/r/russell_3000.asp.
- 286 See McKinsey & Company, *supra* note 212, at 13.
- 287 *Id.* 11 and 15.
- 288 See Jeffrey Sohl, *supra* note 29, at 1; Jeffrey Sohl, *supra* note 193, at 1; Jeffery Sohl, *supra* note 271, at 3; Jeffery Sohl, *supra* note 222, at 3.
- 289 See Kedra Newsom Reeves, *et al.*, “In Private Investment, Diverse Fund Management Teams Have Opened Doors,” *BCG*, (Mar. 6, 2024) *available at* <https://www.bcg.com/publications/2024/diversity-in-private-investment>. Asset management firms are considered nondiverse if ownership or executive leadership is less than half women, nonbinary, people of color or Hispanic/Latino. See also Jasmine N. Richards, CFA and Carolina Gómez, “In Private Management, Diverse Fund Management Teams Have Opened Doors,” *Cambridge Associates*, (Mar. 2024) *available at* <https://www.cambridgeassociates.com/insight/in-private-investment-diverse-fund-management-teams-have-opened-doors/>.
- 290 See Kedra Newsom Reeves, *et al.*, *supra* note 289. Asset management firms are considered nondiverse if ownership or executive leadership is less than half women, nonbinary, people of color or Hispanic/Latino. See also Jasmine N. Richards, CFA and Carolina Gómez, *supra* note 289.
- 291 See Fairview Capital Partners LLC, *supra* note 231 at 8, 13-15; Fairview Capital Partners LLC, “2022 Market Review: Woman and Minority-Owned Private Equity and Venture Capital Firms,” (2023) at 7, 12, *available at* <https://www.businesswire.com/news/home/20230317005191/en/Fairview-Capital-Releases-2022-Market-Review-Tracking-the-Growth-of-Woman-and-Minority-Owned-Private-Equity-and-Venture-Capital-Firms-in-the-United-States>.
- 292 See Sabrina T. Howell and Dean Parker, *supra* note 101, at 24-25. Study looked at offers and sales of securities by VC funds under Rule 506(c), which allows general solicitation and advertising, vs. Rule 506(b), which is the traditional private placement exemption. See page 26 of this annual report for more information about the study.
- 293 *Id.* at 18.
- 294 *Id.* at 22.
- 295 See Fairview Capital Partners LLC, *supra* note 231, at 13.
- 296 *Id.* at 13; Fairview Capital Partners LLC, *supra* note 291, at 10.
- 297 See Fairview Capital Partners LLC, *supra* note 231, at 15; Fairview Capital Partners LLC, *supra* note 291, at 12.
- 298 See Fairview Capital Partners LLC, *supra* note 231, at 14; Fairview Capital Partners LLC, *supra* note 291, at 13.
- 299 See Kedra Newsom Reeves, *et al.*, *supra* note 289. Asset management firms are considered nondiverse if ownership or executive leadership is less than half women, nonbinary, people of color or Hispanic/Latino; see also Jasmine N. Richards, CFA and Carolina Gómez, *supra* note 289; see also Somos, *supra* note 261, at 18.
- 300 See National Association of Investment Companies, “Examining the Returns 2023. Further Evidence of Diverse-Owned Private Equity Firm Outperformance,” (Feb. 20, 2024) at 9, 13, *available at* <https://naicpe.com/naic-research-and-reports/examining-the-returns-2023/>. Diverse investment firms include private equity firms that are women-owned and racially and ethnically diverse owned.
- 301 See National Association of Investment Companies, “Diverse- and Woman-Owned Private Equity Firms Exceed Benchmarks Again,” *PR Newswire*, (Dec. 19, 2023) *available at* <https://www.prnewswire.com/news-releases/diverse--and-women-owned-private-equity-firms-exceed-benchmarks-again-302018495.html> and National Association of Investment Companies, “Examining the Returns 2023. Further Evidence of Diverse-Owned Private Equity Firm Outperformance,” (Feb. 20, 2024) at 2, *available at* <https://naicpe.com/naic-research-and-reports/examining-the-returns-2023/>.
- 302 See AAAIM and Bella Private Markets, “AAPI-owned Firms’ Access to Emerging Manager Programs & Representation in Institutional Investor Portfolios,” (Oct. 2024) at 6, *available at* https://aaaim.org/wp-content/uploads/2024/10/AAAIM_Allocators_Report_100824.pdf.

Contents

MISSION | Who We Are

DATA | State of Capital Formation

POLICY | Recommendations

ADVOCACY | What We Do

COMMITTEE | Highlights

ENDNOTES | All the Details

1-18	212-240
19-43	241-253
44-52	254-281
53-69	282-302
70-96	303-328
97-124	329-341
125-152	342-355
153-163	356-385
164-187	386-414
188-211	

OFFICE | Meet the Team

303 See Federal Reserve Banks, “2024 Report on Employer Firms: Findings from the 2023 Small Business Credit Survey,” *supra* note 6, at Excel tab “LGBTQ Ownership.” Funding outcomes: Denied (0%), Some (1-50%), Most (1-99%), All (100%).

304 *Id.* at Excel tab “Employer firms;” Federal Reserve Banks, “2023 Firms in Focus. Findings from the 2022 Small Business Credit Survey. Chartbook on LGBTQ-owned firms,” (May 2023) *available at* <https://www.fedsmallbusiness.org/reports/survey/2024/2024-small-business-data-chartbooks>. Ownership includes small business that are owned by a majority of members that identify as LGBTQ+. 7% of small businesses are partially owned by members of the LGBTQ+ community.

305 See Federal Reserve Banks, “2024 Report on Employer Firms: Findings from the 2023 Small Business Credit Survey,” *supra* note 6, at Excel tab “LGBTQ Ownership.” Financing includes loan, line of credit, or a merchant cash advance.

306 *Id.*

307 See Ana Hernández Kent and Sophia Scott, “Homeownership Rates by Sexual Orientation, Gender Identity, Federal Reserve Bank of St. Louis, (June 24, 2024) *available at* <https://www.stlouisfed.org/on-the-economy/2024/jun/homeownership-rates-sexual-orientation-gender-identity>.

308 See Federal Reserve Banks, “2024 Report on Employer Firms: Findings from the 2023 Small Business Credit Survey,” *supra* note 6, at Excel tab “LGBTQ Ownership,” question: “Actions taken in response to financial challenge.” LGBTQ+ business owners include businesses that are majority LGBTQ+ owned.

309 See Nich Tremper, “LGBTQ+ Founders Started Nearly 1 in 10 New Businesses in 2023,” *Gusto*, (June 5, 2024) *available at* <https://gusto.com/company-news/LGBTQ-entrepreneur-report-2024>. Funding includes angel investments and venture funding, as well as other forms of risk capital.

310 See StartOut, “2023 State of LGBTQ Entrepreneurship Report,” (Sept. 2023) *available at* <https://startout.org/wp-content/uploads/2023/09/2023-State-of-LGBTQ-Entrepreneurship-Report.pdf>.

311 See J.P.Morgan, “LGBTQ+ founders and the challenges of finding funding-and community,” (July 26, 2024) *available at* <https://www.jpmorgan.com/insights/credit-and-financing/commercial-loans-and-lines-of-credit/lgbtq-founders-and-access-to-capital>.

312 See David Rosenblum and Christopher McLaren, “Entrepreneurship Among Disabled People by Industry and Age,” *U.S. Department of Labor Blog*, (July 29, 2024) *available at* <https://blog.dol.gov/2024/07/29/entrepreneurship-among-disabled-people-by-industry-and-age>; David Rosenblum and Christopher McLaren, “Business Ownership, Self-Employment and Entrepreneurship Among People with Disabilities,” *U.S. Department of Labor Blog*, (May 14, 2024) *available at* <https://blog.dol.gov/2024/05/14/business-ownership-self-employment-and-entrepreneurship-among-people-with-disabilities#>.

313 See CDC Newsroom, “CDC Data Shows Over 70 Million U.S. Adults Reported Having a Disability,” (July 16, 2024) *available at* <https://www.cdc.gov/media/releases/2024/s0716-Adult-disability.html>.

314 See David Rosenblum and Christopher McLaren, “Business Ownership, Self-Employment and Entrepreneurship Among People with Disabilities,” *supra* note 312.

315 See U.S. Small Business Administration Office of Advocacy, “An Examination of Entrepreneurship Among Americans with Disabilities. Demographics and Economic Outcomes Amid the COVID-19 Pandemic,” (Apr. 2, 2024) at 3, 32, 40-41, *available at* https://advocacy.sba.gov/wp-content/uploads/2024/04/Report_An-Examination-of-Entrepreneurship-Among-Americans-with-Disabilities.pdf.

316 See U.S. Bureau of Labor Statistics, “Persons with a Disability: Labor Force Characteristics Survey,” (Feb. 22, 2024) *available at* <https://www.bls.gov/news.release/disabl.nr0.htm>.

317 See U.S. Small Business Administration Office of Advocacy, *supra* note 315, at 32, 40-41.

318 *Id.* at 32.

319 See Federal Reserve Banks, *supra* note 252.

320 *Id.*

321 *Id.*

322 See Aarti Sahgal, “Empowering Disabled Entrepreneurs Through Inclusive Financial Solutions,” *MIT Solve*, (Apr. 21, 2024) *available at* <https://solve.mit.edu/challenges/2024-global-economic-prosperity-challenge/solutions/87043>.

323 See U.S. Small Business Administration Office of Advocacy, *supra* note 240, at 3. Veteran businesses include nonemployer and employer businesses that are majority owned by veterans.

324 See Mission Roll Call, “Starting a Business Poll,” (July 9, 2024) *available at* <https://missionrollcall.org/veteran-voices/polls/starting-a-business-poll/>.

325 See Clover, “The unique challenges of starting a veteran-owned business,” *available at* <https://blog.clover.com/the-unique-challenges-of-starting-a-veteran-owned-business/>.

326 See Rosalinda V. Maury and Adam Pritchard, “Military-Connected Small Business Profiles: Access to Capital and Resources Across Revenue Stages,” *SURFACE at Syracuse University*, (Mar. 2024) at 3-4, *available at* https://surface.syr.edu/cgi/viewcontent.cgi?article=1456&context=ivmf&_gl=1*1gyx4he*_gcl_au*MTIzNzI0MzMzMzMS4xNzI2NTkwNDcw*_ga*MjE0MzU2NDI4NS4xNzI2NTkwNDcw*_ga_QT13NN6N9S*MTcyNjU5MzIxOC4yLjEuMTcyNjU5NDM3OS4zNy4wLjA.

327 *Id.* at 6.

328 *Id.* at 8-9.

Contents

MISSION | Who We Are

DATA | State of Capital Formation

POLICY | Recommendations

ADVOCACY | What We Do

COMMITTEE | Highlights

ENDNOTES | All the Details

1-18	212-240
19-43	241-253
44-52	254-281
53-69	282-302
70-96	303-328
97-124	329-341
125-152	342-355
153-163	356-385
164-187	386-414
188-211	

OFFICE | Meet the Team

329 See Ikram Mansori, “From Battlefields to Boardrooms: The Rise of Military Veterans Turned Venture Capitalists,” *Crunchbase News*, (Apr. 18, 2024) available at <https://news.crunchbase.com/venture/military-veteran-vc-initiatives-mansori-vetsintech/>; Jonathan Bloom, “Investing in Veterans: Silicon Valley venture capitalists eye military veterans as tomorrow’s startup founders,” *NBC Bay Area*, (Nov. 11, 2023) available at <https://www.nbcbayarea.com/news/local/digital-originals/investing-veterans-silicon-valley-venture-capital-startup-founders/3368468/>.

330 See Ikram Mansori, *supra* note 329.

331 See Robert Press, “The Eye of the Storm: Small Businesses and Natural Disasters,” *SBA Office of Advocacy*, (Oct. 15, 2024) at 1, available at https://advocacy.sba.gov/wp-content/uploads/2024/10/Small-Businesses-and-Natural-Disasters_FINAL.pdf. This data covers natural disaster declarations between 2017 and 2021.

332 See Federal Reserve Banks, “2024 Report on Employer Firms: Findings from the 2023 Small Business Credit Survey,” *supra* note 6, at Excel tab “Employer firms.” See Federal Reserve Banks, “2023 Report on Employer Firms. Findings from the 2022 Small Business Credit Survey,” *supra* note 6, at Excel “Employer firms” tab, question: “Natural disaster related losses;” Federal Reserve Banks, “Small Business Credit Survey. 2022 Report on Employer Firms,” at Excel “Employer firms” tab, question: “Natural disaster-related losses,” available at <https://www.fedsmallbusiness.org/reports/survey/2022/2022-report-on-employer-firms>.

333 See Joy Tianjiao Tong, *et al.*, “Fired Up or Burned Down: Wildfires and VC Investment,” *Singapore Management University Lee Kong Chian School of Business*, (Apr. 25, 2024) at 24, available at https://papers.ssrn.com/sol3/papers.cfm?abstract_id=4807813.

334 See <https://www.ncei.noaa.gov/access/billions/> for events that occurred in 2024; see <https://www.ncei.noaa.gov/access/billions/events> for events that occurred in 2023. Note that NOAA tracks events on a calendar basis and we have combined natural disaster events that straddle calendar years. Total losses for these events were \$63 billion as of September 30, 2024, however, the damage for Hurricane Helene has not yet been calculated so this total loss number will be revised upward after the date of this report.

335 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 336. However, certain zip codes were identified as missing population values, so the percentage is likely underestimated.

336 This graphic is based on DERA data evaluated from July 1, 2021 to June 30, 2024 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, 2021 and June 30, 2024, updated on August 23, 2024. 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>.

337 See Federal Reserve Banks, “2024 Report on Employer Firms: Findings from the 2023 Small Business Credit Survey,” *supra* note 6, at Excel tabs “Employer firms” and “Disaster-impacted firms,” question: “Demand for financing.” Includes financing applications for loans, lines of credit, merchant cash advances, leases, trade credit, credit cards, and factoring.

338 Based on DERA data between July 1, 2021 through June 30, 2024 using zip codes affected by natural disasters as described in *supra* note 336 for offerings conducted under Regulation D, Regulation A, and Regulation Crowdfunding and registered equity offerings by small public companies. See *supra* note 50 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 161 for a description of how these amounts were estimated. In addition to the percent of offerings noted in the text, 33% of capital raised from investors over the last three years supported small businesses in areas affected by national disasters.

339 See *supra* note 338. Data excludes offerings by pooled funds.

340 See *supra* note 338. Data excludes offerings by pooled funds.

341 See Amanda Weinstein and May Erouart, “Swimming upstream on the path to thriving,” *Center on Rural Innovation*, (Mar. 28, 2024) available at <https://ruralinnovation.us/blog/rural-aperture-project-swimming-upstream-on-the-path-to-thriving/>.

Contents

MISSION | Who We Are

DATA | State of Capital Formation

POLICY | Recommendations

ADVOCACY | What We Do

COMMITTEE | Highlights

ENDNOTES | All the Details

1-18	212-240
19-43	241-253
44-52	254-281
53-69	282-302
70-96	303-328
97-124	329-341
125-152	342-355
153-163	356-385
164-187	386-414
188-211	

OFFICE | Meet the Team

342 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 2024 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>.

343 See U.S. Small Business Administration Office of Advocacy, “2024 Small Business Profile: Rural Areas,” (Aug. 13, 2024) at 1, *available at* <https://advocacy.sba.gov/2024/08/13/rural-areas-profile-2024/>. Data describing small business employment, establishments, and lending are available by county. The Office of Management and Budget groups counties encompassing large urban centers and exhibiting economic integration into Metropolitan Statistical Areas (MSAs). The MSA definitions published on July 15, 2015 are used throughout the profile. Totals for counties outside of metropolitan areas could not be calculated directly by summing across counties because of omissions from the published data. Rather, totals outside of metropolitan areas were estimated by starting with national totals and subtracting totals for metropolitan areas as well as totals that could not be associated with any county. Small businesses in metropolitan areas also account for 96% of businesses in the area.

344 *Id.*

345 See Goldman Sachs, “Investing \$100 million in the heart of rural communities,” *available at* <https://www.goldmansachs.com/community-impact/10000-small-businesses/us/news-and-program-information/investing-in-small-businesses-across-rural-communities#survey>; see also Holly Wade and Madeleine Oldstone, “2024 Small Businesses’ Contribution to the Community,” *NFIB Research Center*, (Nov. 2024) *available at* <https://nfib.com/wp-content/uploads/2024/11/2024-Small-Business-Contribution-to-the-Community-05.pdf>.

346 See Goldman Sachs, *supra* note 345.

347 *Id.*

348 See Federal Reserve Banks, “2024 Report on Employer Firms: Findings from the 2023 Small Business Credit Survey,” *supra* note 6 at 24 and Excel tab “Employer firms.”

349 *Id.* at Excel tab “Geography,” question: “Demand for financing.”

350 Based on DERA data between July 1, 2021 through June 30, 2024 for offerings conducted under Regulation D, Regulation A, Regulation Crowdfunding and registered equity offerings by small public companies. Classification of rural areas are based on the updates list of 2024 End of Year rural area zip codes from the Center for Medicare & Medicaid Services, as described in *supra* note 342. See note 161 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 50 for a description of how these amounts were estimated. In addition to the percent of offerings noted in the text, 2% of the capital raised from investors over the last 3 years supported small businesses in rural areas.

351 See Federal Reserve Banks, “2024 Report on Employer Firms: Findings from the 2023 Small Business Credit Survey,” *supra* note 6, at Excel tab “Geography,” question: “Financial Services Provider” for “Rural” and “Urban” firms. Large banks are defined as those with at least \$10B in total assets; small banks are those with less than \$10B in total assets. For applicable questions, respondents are shown a list of large banks operating in their state to assist them with proper classification of their institution. *Id.* at page iii.

352 See FDIC, “BankFindSuite: Customized Comparisons,” *available at* <https://banks.data.fdic.gov/bankfind-suite/peergroup/customized/search?commonSearchesExpand=true&comparisonType=&financials=ASSET&incomeBasis=YTD&maximumRange=300000000&minimumRange=&pageNumber=1&peerGroups=&pgcStep=step1&primaryRegulator=FDIC®ulatoryExpand=true&reportPeriod=20000630&savedPGCSearch=false&searchPush=true&sortField=CERT&sortOrder=ASC&unitType=%24>. Small banks include FDIC banks with at least \$300 million in total assets.

353 See *supra* note 350. Data excludes offerings by pooled funds.

354 See *supra* note 350. Data excludes offerings by pooled funds.

355 See May Erouart, “Bridging the gap: Empowering rural America through tech and innovation,” *Center on Rural Innovation*, (Dec. 8, 2023) *available at* <https://ruralinnovation.us/blog/bridging-gap-empowering-rural-america-tech-innovation/>.

Contents

MISSION | Who We Are

DATA | State of Capital Formation

POLICY | Recommendations

ADVOCACY | What We Do

COMMITTEE | Highlights

ENDNOTES | All the Details

1-18	212-240
19-43	241-253
44-52	254-281
53-69	282-302
70-96	303-328
97-124	329-341
125-152	342-355
153-163	356-385
164-187	386-414
188-211	

OFFICE | Meet the Team

356 *Id.*

357 *See, e.g.*, “Women Founders and Investors” section of the Report above, at 42, and “Diverse Founders and Investors” section of the Report above, at 58.

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

359 *See, e.g.*, “Women Founders and Investors” section of the Report above, at 42-43, and “Diverse Founders and Investors” section of the Report above, at 58.

360 *See, e.g.*, “Small and Emerging Businesses and Exempt Offering Data” section of the Report above, at 8, and “Women Founders and Investors” section of the Report above, at 42-43.

361 *See, e.g.*, “Women Founders and Investors” section of the Report above, at 42, “Diverse Founders and Investors” section of the Report above, at 58, and “Rural Communities” section of the Report above, at 72.

362 *See, e.g.*, “Diverse Founders and Investors” section of the Report above, at 65.

363 *See, e.g.*, “Diverse Founders and Investors” section of the Report above, at 61.

364 *See, e.g.*, Small Business Forum transcript “Opening the Dialogue on Investing,” at 25, 29, *available at* <https://www.sec.gov/files/transcript-43rd-sb-forum-day2.pdf>; “Incubate. Accelerate. Ignite. Supporting Startups and Founders,” *available at* <https://www.sec.gov/newsroom/meetings-events/incubate-accelerate-ignite-supporting-startups-founders-020624>.

365 This year, our Office launched new educational content devoted to entrepreneurial support organizations. *See* our Capital-Raising Building Block, “The 411 on Entrepreneurial Support Organizations,” *available at* <https://www.sec.gov/resources-small-businesses/capital-raising-building-blocks/entrepreneurial-support-organizations>.

366 *See* Transcript of the 43rd Annual Small Business Forum, “Amplifying Early-Stage Stories,” (Apr. 16, 2024) at 16, *available at* <https://www.sec.gov/files/transcript-43rd-sb-forum-day1.pdf>.

367 *See, e.g.*, “Diverse Founders and Investors” section of the Report above, at 59.

368 *See* Office of Information and Regulatory Affairs, Office of Management and Budget, U.S. Securities and Exchange Commission Agency Rule List (Spring 2024), *available at* https://www.reginfo.gov/public/do/eAgendaMain?operation=OPERATION_GET_AGENCY_RULE_LIST¤tPub=true&agencyCode=&showStage=active&agencyCd=3235&csrf_token=A318F164A593D6D0B8761068BB1EB5F44622C83C4E9F63A49E48568CA42DF3EC3626E2D98EBE774CCEBB3B6BA96DFA0ED95E.

369 *See, e.g.*, “Women Founders and Investors” section of this Report above, at 44-47, “Diverse Founders and Investors” section of the Report above, at 56-57 and “Rural Communities” section of the Report above, at 72-73.

370 *See, e.g.*, “Diverse Founders and Investors” section of the Report above, at 55-56.

371 *See, e.g.*, “Women Founders and Investors” section of this Report above, at 44 and “Diverse Founders and Investors” section of the Report above, at 59.

372 *See, e.g.*, “Rural Communities” section of the Report above, at 73.

373 *See, e.g.*, “Small and Emerging Businesses and Exempt Offering Data” section of the Report above, at 8-9, “Women Founders and Investors” section of the Report above, at 42-43, and “Diverse Founders and Investors” section of the Report above, at 55-56, and 58.

374 *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>.

375 *See* Office of the Advocate for Small Business Capital Formation Annual Report Fiscal Year 2023 at 78, *available at* <https://www.sec.gov/files/2023-oasb-annual-report.pdf>.

376 *See* Office of Information and Regulatory Affairs, Office of Management and Budget, U.S. Securities and Exchange Commission Agency Rule List (Spring 2024), *supra* note 368.

377 *See, e.g.*, “Women Founders and Investors” section of the Report above, at 42, “Diverse Founders and Investors” section of the Report above, at 55-56.

378 *See, e.g.*, “Women Founders and Investors” section of the Report above, at 42 and 47, “Diverse Founders and Investors” section of the Report above, at 58 and 61, and “Rural Communities” section of the Report, above at 72-73 (discussing the small share of rural small businesses that seek capital from investors, as compared to the share of rural small businesses that seek bank financing).

379 *See, e.g.*, “Women Founders and Investors” section of the Report above, at 42, and “Diverse Founders and Investors” section of the Report above, at 58 and 68.

380 *See, e.g.*, “Small and Emerging Businesses and Exempt Offering Data” section of the Report above, at 8-9, and “Diverse Founders and Investors” section of the Report above, at 58.

381 *See* Transcript of the 43rd Annual Small Business Forum, “Amplifying Early-Stage Stories,” (April 16, 2024) at 39, *available at* <https://www.sec.gov/files/transcript-43rd-sb-forum-day1.pdf>.

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

383 *See, e.g.*, “Small and Emerging Businesses and Exempt Offering Data” section of the Report above, at 7.

384 *See, e.g.*, “Small and Emerging Businesses and Exempt Offering Data” section of the Report above, at 15.

385 *See, e.g.*, “Mature and Later-Stage Businesses” section of the Report above, at 28, and “Diverse Founders and Investors” section of the Report above, at 65.

Contents

MISSION | Who We Are

DATA | State of Capital Formation

POLICY | Recommendations

ADVOCACY | What We Do

COMMITTEE | Highlights

ENDNOTES | All the Details

1-18	212-240
19-43	241-253
44-52	254-281
53-69	282-302
70-96	303-328
97-124	329-341
125-152	342-355
153-163	356-385
164-187	386-414
188-211	

OFFICE | Meet the Team

386 See, e.g., “Mature and Later-Stage Businesses” section of the Report above, at 26.

387 See, e.g., “Small and Emerging Businesses and Exempt Offering Data” section of the Report above, at 12, “Mature and Later-Stage Businesses” section of the Report above, at 24, and “Women Founders and Investors” section of the Report above, at 46.

388 See, e.g., “Mature and Later-Stage Businesses” section of the Report above, at 27-28.

389 See Office of the Advocate for Small Business Capital Formation Annual Report Fiscal Year 2023, *supra* note 375, at 72.

390 See e.g., “Review of the “Accredited Investor” Definition under the Dodd-Frank Act,” *supra* note 37.

391 See Office of Information and Regulatory Affairs, Office of Management and Budget, U.S. Securities and Exchange Commission Agency Rule List (Spring 2024), *supra* note 368.

392 See “Qualifying Venture Capital Funds Inflation Adjustment” Release No. IC-35305; File No. S7-2024-01 (Aug. 21, 2024), *available at* <https://www.sec.gov/files/rules/final/2024/ic-35305.pdf>.

393 See, e.g., “Women Founders and Investors” section of the Report above, at 44-47, and “Diverse Founders and Investors” section of the Report above, at 56-57 and 59-60.

394 See “Diverse Founders and Investors” section of the Report above, at 65.

395 See “Small and Emerging Businesses and Exempt Offering Data” section of the Report above, at 11.

396 See “Diverse Founders and Investors” section of the Report above, at 55-56.

397 See, e.g., “Women Founders and Investors” section of the Report above, at 42, and “Diverse Founders and Investors” section of the Report above, at 58.

398 See, e.g., “Women Founders and Investors” section of the Report above, at 51, and “Diverse Founders and Investors” section of the Report above, at 63.

399 See, e.g., “Women Founders and Investors” section of the Report above, at 52, and “Diverse Founders and Investors” section of the Report above, at 64.

400 See “Diverse Founders and Investors” section of the Report above, at 65.

401 See Transcript of the 43rd Annual Small Business Forum, “Opening the Dialogue on Investing,” (April 17, 2024) at 31, *available at* <https://www.sec.gov/files/transcript-43rd-sb-forum-day2.pdf>.

402 See “Initial Public Offerings and Small Public Companies” section of the Report above, at 31-32.

403 See “Initial Public Offerings and Small Public Companies” section of the Report above, at 34.

404 See “Initial Public Offerings and Small Public Companies” section of the Report above, at 34.

405 See “Initial Public Offerings and Small Public Companies” section of the Report above, at 35.

406 See “Initial Public Offerings and Small Public Companies” section of the Report above, at 39.

407 See “Initial Public Offerings and Small Public Companies” section of the Report above, at 37, 40.

408 See, e.g., “The Enhancement and Standardization of Climate-Related Disclosures for Investors,” Release Nos. 33-11275; 34-99678; File No. S7-10-22 (May 6, 2024), *available at* <https://www.sec.gov/files/rules/final/2024/33-11275.pdf>. On April 4, 2024, the SEC issued a stay of the rules pending judicial review of litigation on the rulemaking. See also, “Special Purpose Acquisition Companies, Shell Companies, and Projections,” Release Nos. 33-11265; 34-99418; IC-35096; File No. S7-13-22 (Jan. 24, 2024), *available at* <https://www.sec.gov/files/rules/final/2024/33-11265.pdf>.

409 See, e.g., “Diverse Founders and Investors” section of the Report above, at 56-57.

410 See, e.g., “Women Founders and Investors” section of this Report above, at 41, 44-47.

411 See, e.g., “Women Founders and Investors” section of this Report above, at 49-50 and “Diverse Founders and Investors” section of the Report above, at 62.

412 See Transcript of the 43rd Annual Small Business Forum, “Catching up with Small Caps: Lessons Learned Going Public and Staying Public” (April 18, 2024) at 41, *available at* <https://www.sec.gov/files/transcript-43rd-sb-forum-day3.pdf>.

413 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))].

414 Committee members include the SEC’s Advocate for Small Business Capital Formation 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.

Contents

MISSION | Who We Are

DATA | State of Capital Formation

POLICY | Recommendations

ADVOCACY | What We Do

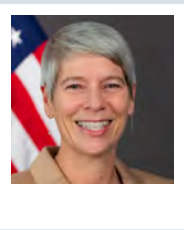
COMMITTEE | Highlights

ENDNOTES | All the Details

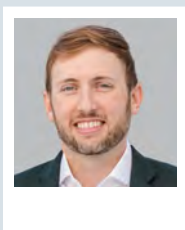
1-18	212-240
19-43	241-253
44-52	254-281
53-69	282-302
70-96	303-328
97-124	329-341
125-152	342-355
153-163	356-385
164-187	386-414
188-211	

OFFICE | Meet the Team

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



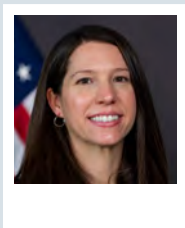
STACEY BOWERS
Director



T.J. COLLINS
Special Counsel



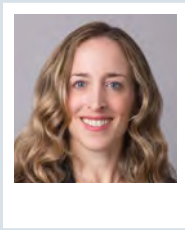
JULIE ZELMAN DAVIS
Senior Special Counsel



KIM DINWOODIE
Engagement Program Strategist



PABLO ECHEVERRI
Special Counsel



COURTNEY HASELEY
Special Counsel



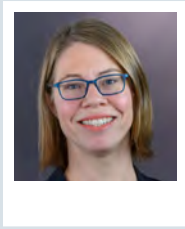
SARAH R. KENYON
Capital Formation Analyst



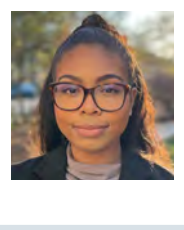
VIKKI PORTER
Visual Design Strategist



AMY REISCHAUER
*Deputy Director,
Outreach and Education*



JENNY RIEGEL
Deputy Director, Policy



MALIKA SULLIVAN
Executive Assistant



TODD VANLAERE
Law Clerk

Contents

- MISSION | Who We Are
- DATA | State of Capital Formation
- POLICY | Recommendations
- ADVOCACY | What We Do
- COMMITTEE | Highlights
- ENDNOTES | All the Details
- OFFICE | Meet the Team**

ABOUT THIS REPORT + ACKNOWLEDGEMENTS

This annual report of the Office of the Advocate for Small Business Capital Formation for Fiscal Year 2024 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 other Commission staff.

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, Angela Huang, Olga Itenberg, Vladimir Ivanov, Andy Kim, Rey-Er Lee, Wei Liu, Chris Onofre, Elizabeth Phillips, Zehra Sikandar, Brian Ward, and Huaiqiang (John) Zheng.

SECURITIES AND EXCHANGE COMMISSION OFFICE OF THE ADVOCATE FOR SMALL BUSINESS CAPITAL FORMATION FISCAL YEAR 2024 ANNUAL REPORT

OFFICE OF THE
ADVOCATE FOR SMALL
BUSINESS CAPITAL
FORMATION

U.S. Securities and
Exchange Commission

100 F Street NE
Washington, DC 20549

202.551.5407

www.sec.gov/oasb

smallbusiness@sec.gov

