

The background of the slide is a lush green forest scene. In the foreground, a small, young plant with two leaves stands on a mossy log. The rest of the image is filled with out-of-focus green foliage, creating a sense of depth and nature.

U.S. Securities & Exchange Commission's Office of the Advocate for Small Business Capital Formation

Overview of FY 2019 Annual Report

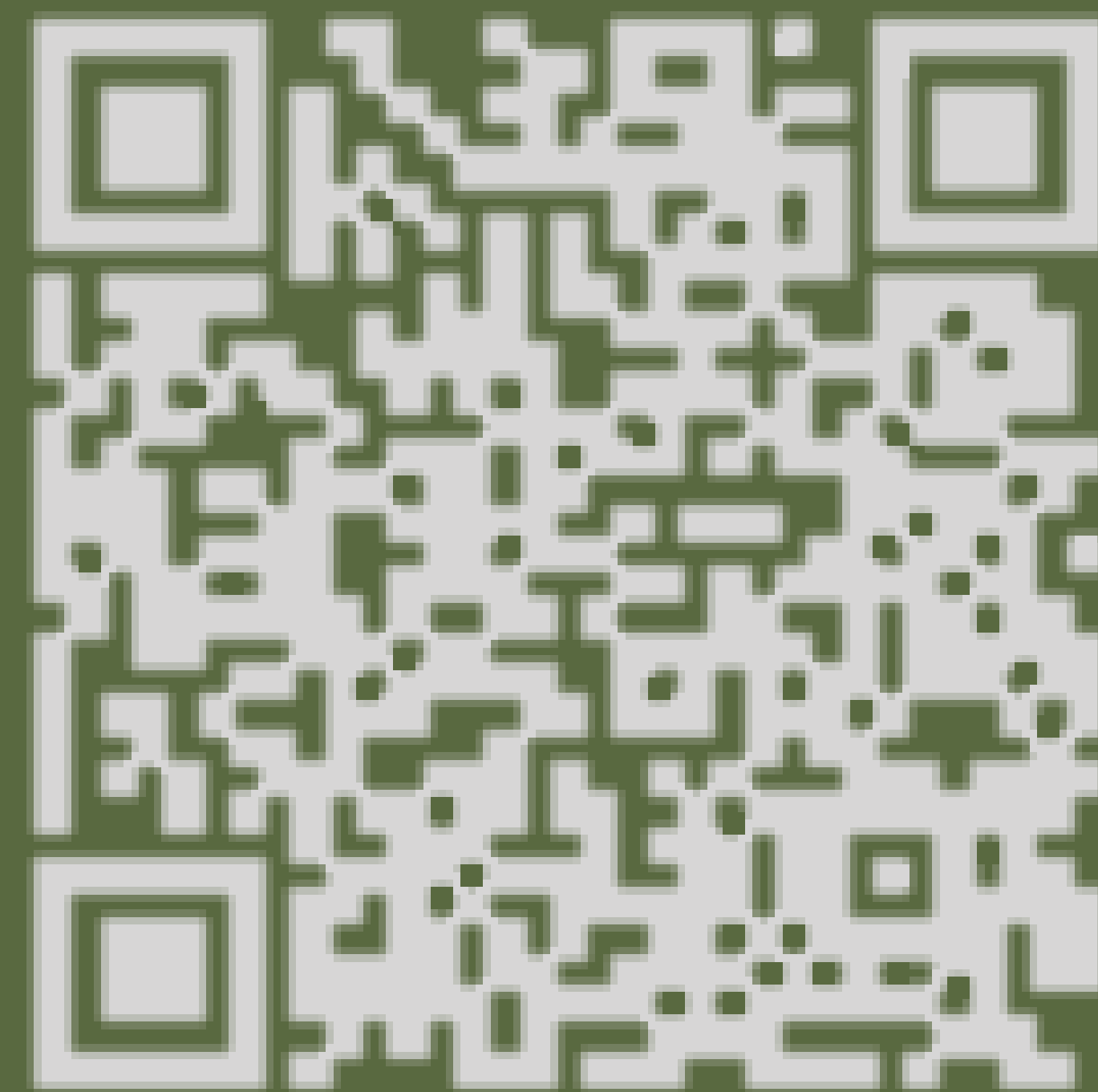
February 4, 2020

Disclaimer: The views expressed in this presentation are the speakers' own and do not necessarily reflect those of the Commission, Commissioners, or Commission Staff.

ANNUAL REPORT FOR FISCAL YEAR 2019

Office of the Advocate for Small Business Capital Formation

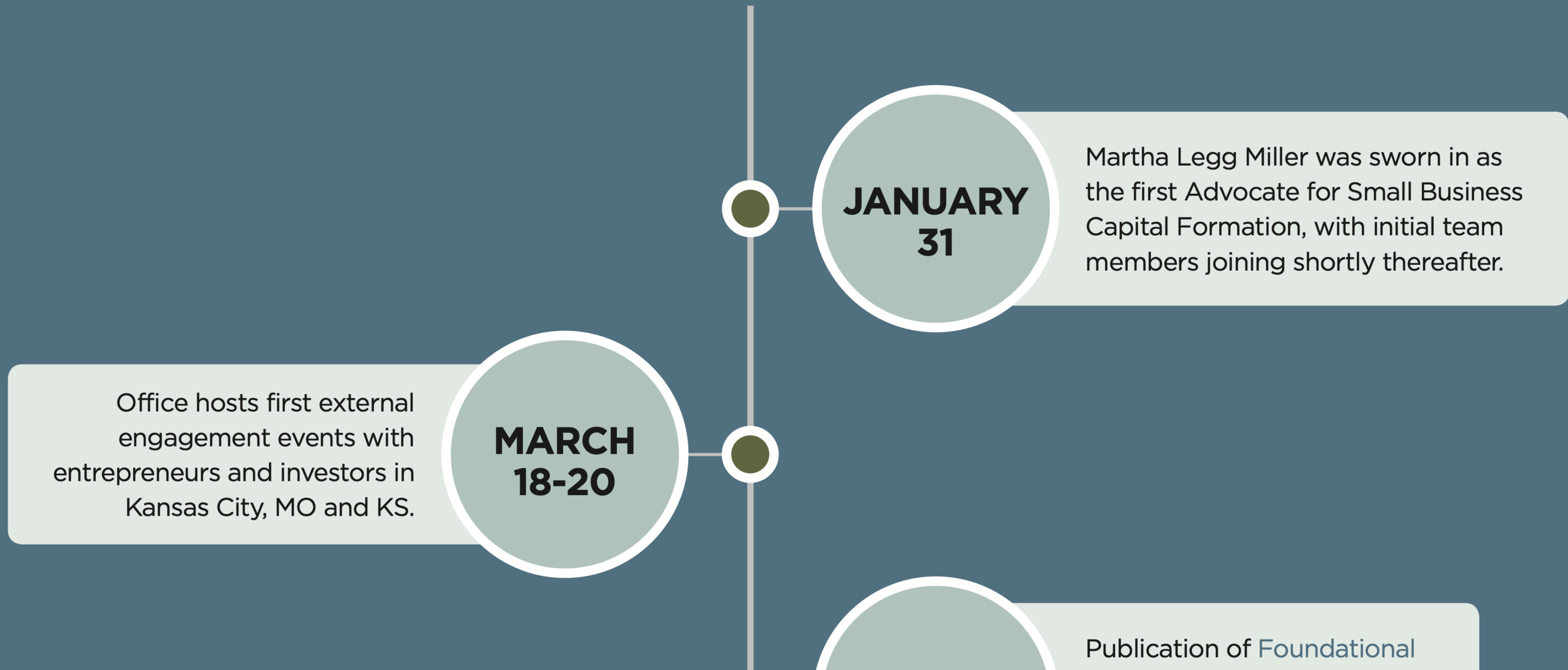
U.S. SECURITIES AND EXCHANGE COMMISSION

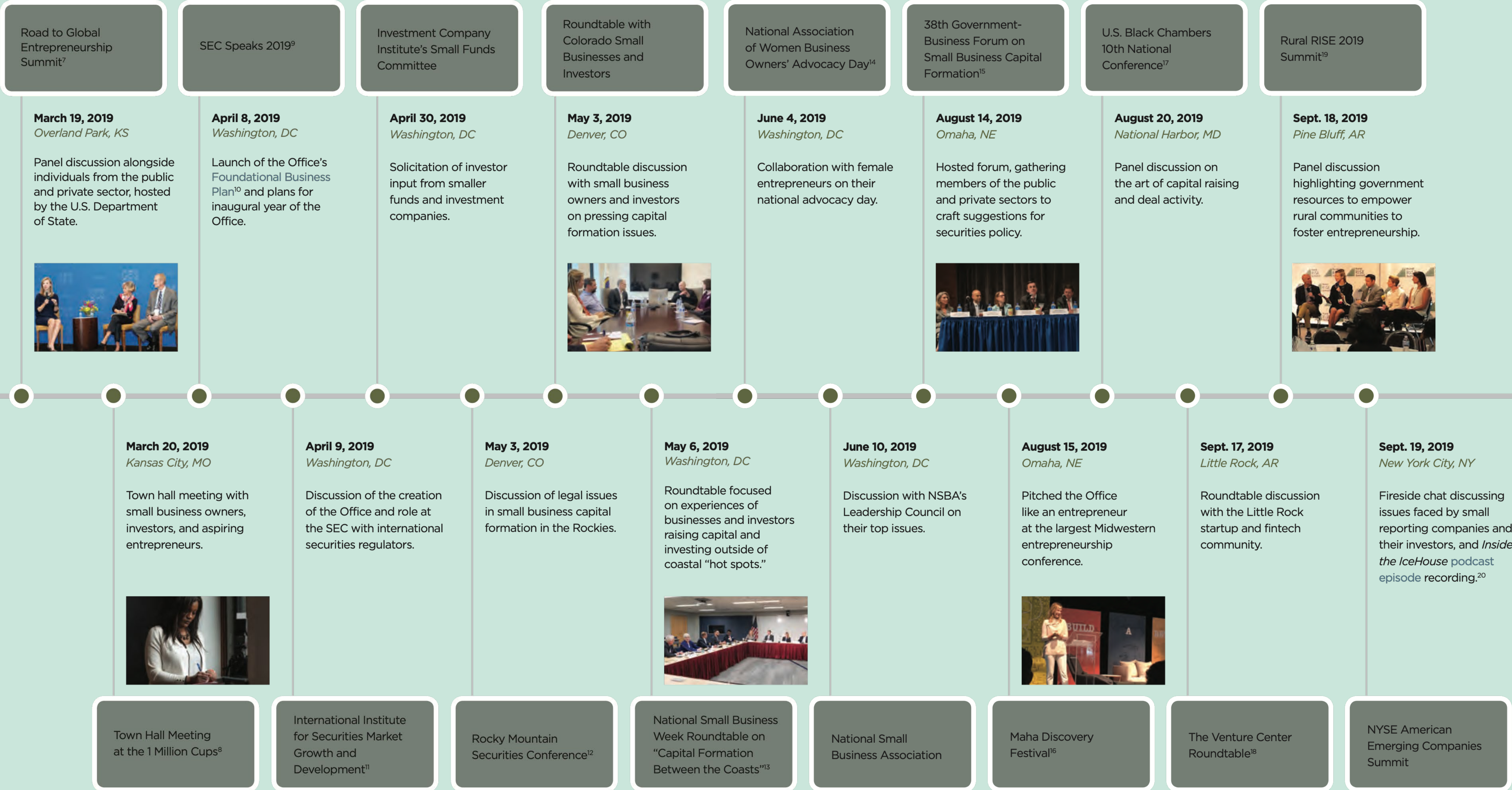


Available at www.sec.gov/oasb

Inaugural Year of the Office in Review

LAUNCH OF THE SEC'S NEWEST OFFICE





www.sec.gov/oasb

?



U.S. SECURITIES AND
EXCHANGE COMMISSION

Search SEC.gov



COMPANY FILINGS | MORE SEARCH OPTIONS

ABOUT | DIVISIONS & OFFICES | ENFORCEMENT | REGULATION | EDUCATION | FILINGS | NEWS

Office of the Advocate for
Small Business Capital
Formation

Small Business Capital
Formation Video Gallery

Small Business Forum

Small Business Capital
Formation Advisory
Committee

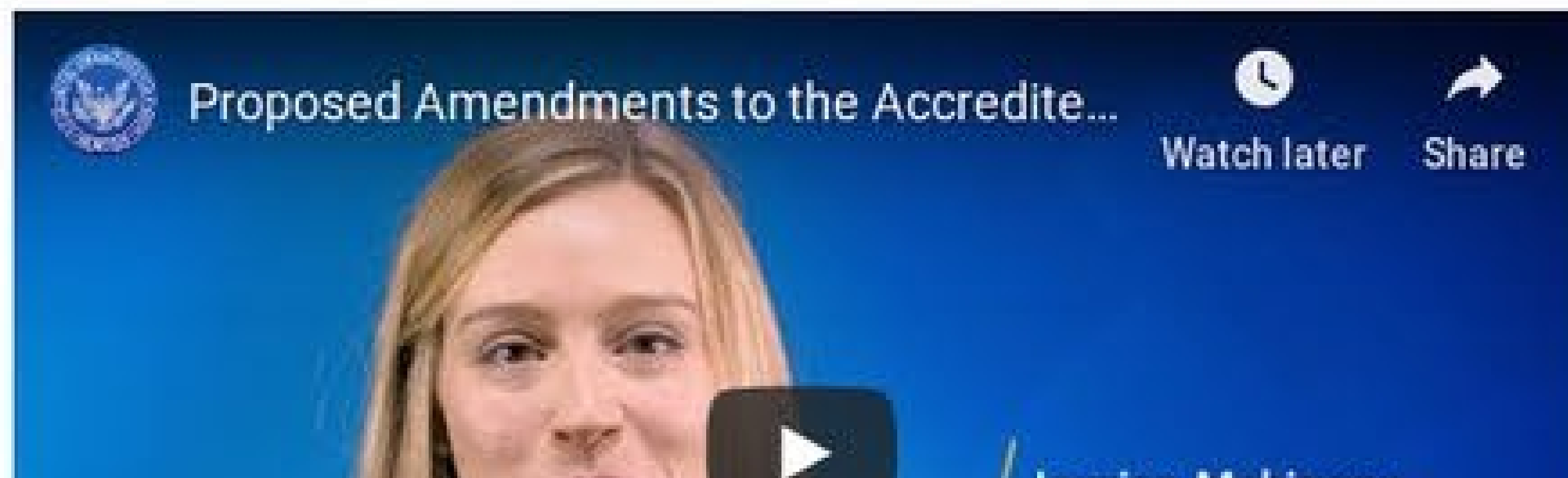
Resources on How to
Raise Capital

Small Business Capital Formation Video Gallery



Following are videos from the Office of the Advocate for Small Business Capital Formation and are meant to provide a high-level summary of relevant rulemakings or events.

Proposed Amendments to the Accredited Investor Definition





STATE OF SMALL BUSINESS CAPITAL FORMATION

Data Sources

Unless otherwise indicated, data is derived from public filings with the SEC, as analyzed by the SEC's Division of Economic and Risk Analysis.

Full citations, explanations of, and links to referenced data are provided in the annual report, available at www.sec.gov/oasb.

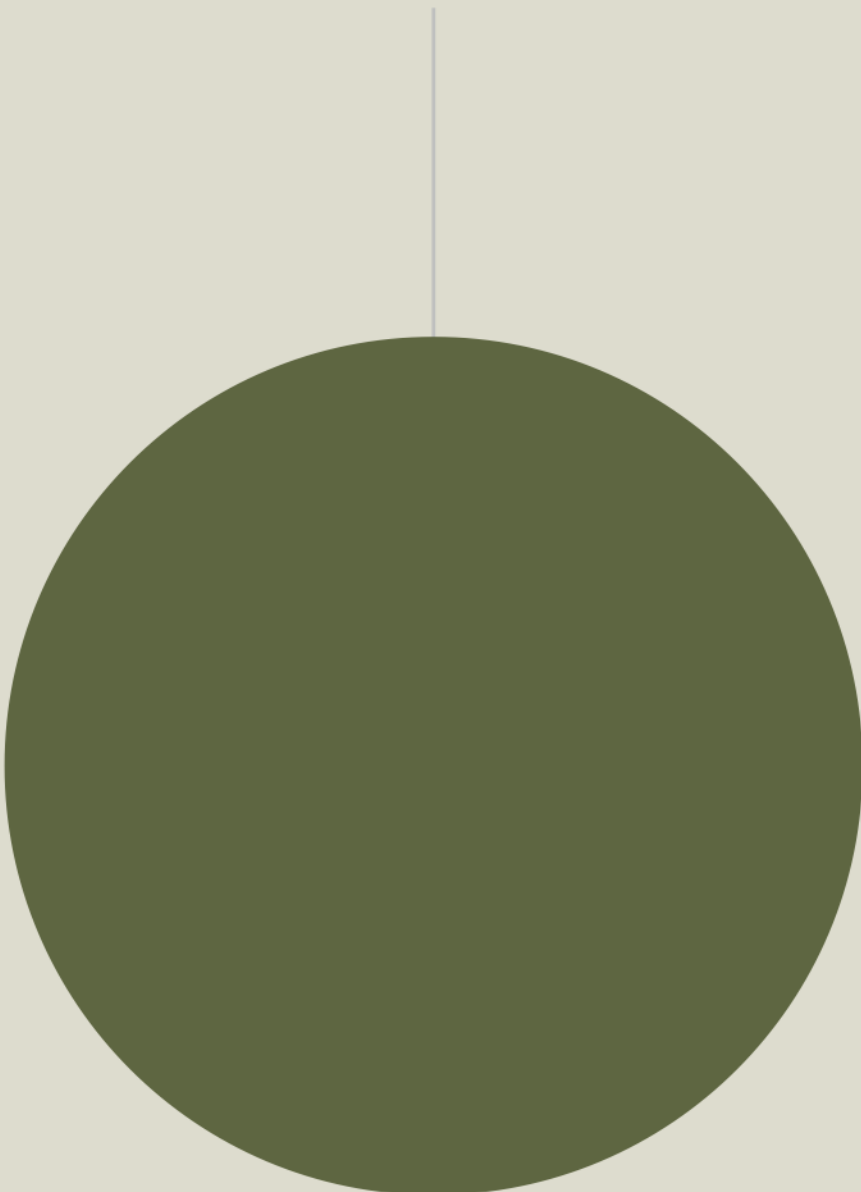
Private Offerings

Public Offerings

Regulation D



Rule 506(b)
Private Placements



\$1.4T
\$1.9M
median

Rule 506(c)
Accredited
Investor
Crowdfunding



\$210B
\$1M
median

Rule 504
Limited
Offerings



\$260M
\$200,000
median

Regulation A
Mini IPOs



\$800M
\$3.7M
median

Regulation CF
Crowdfunding



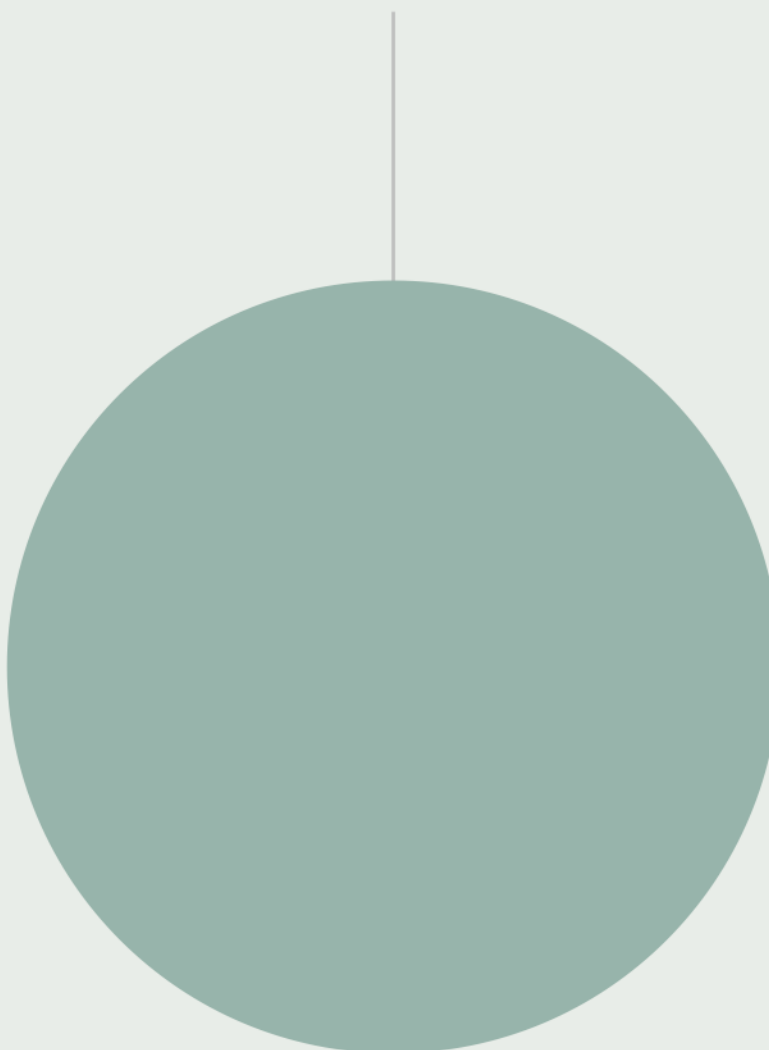
\$54M
\$80,000
median

**Initial
Public
Offerings**



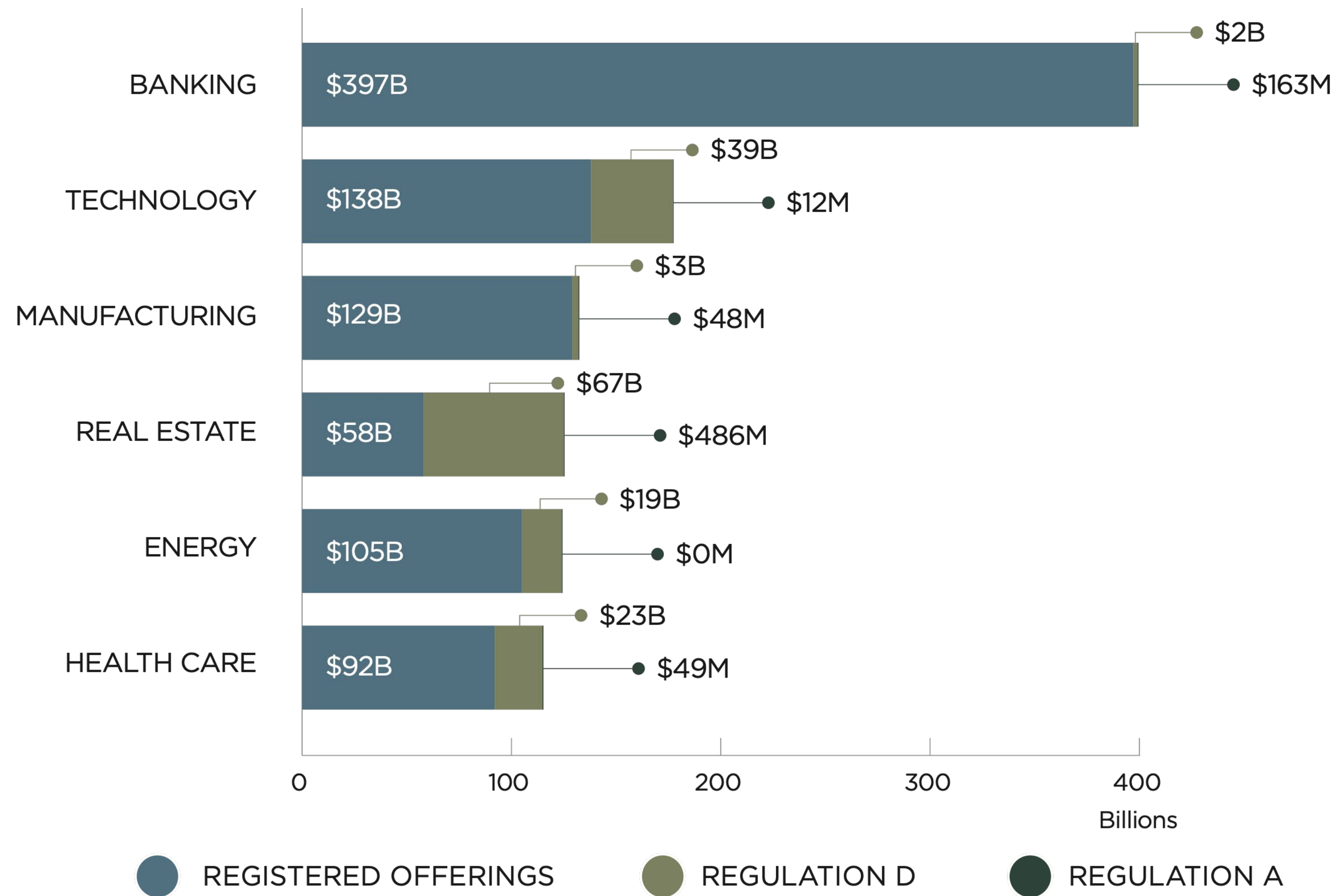
\$50B
\$90M
median

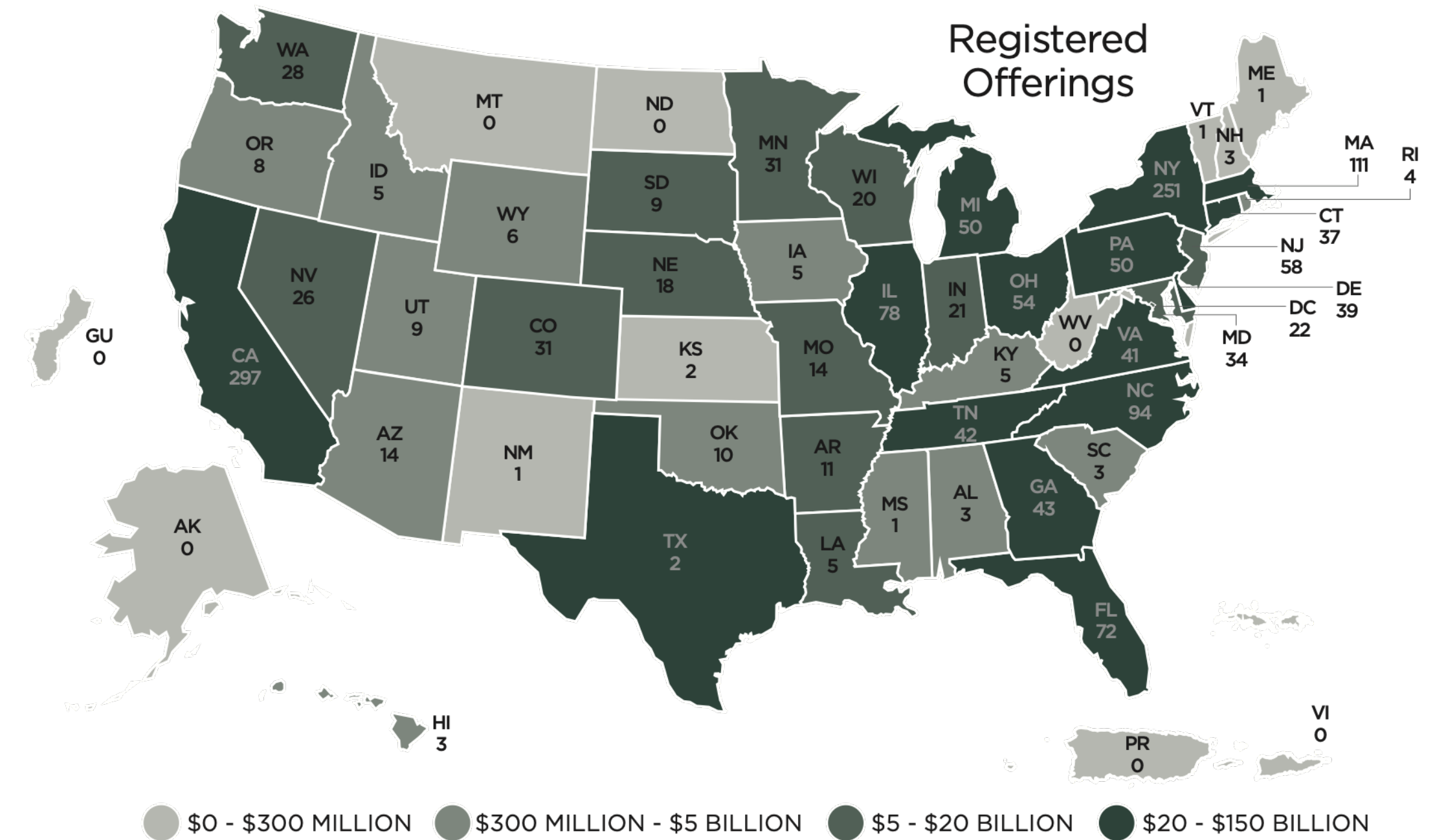
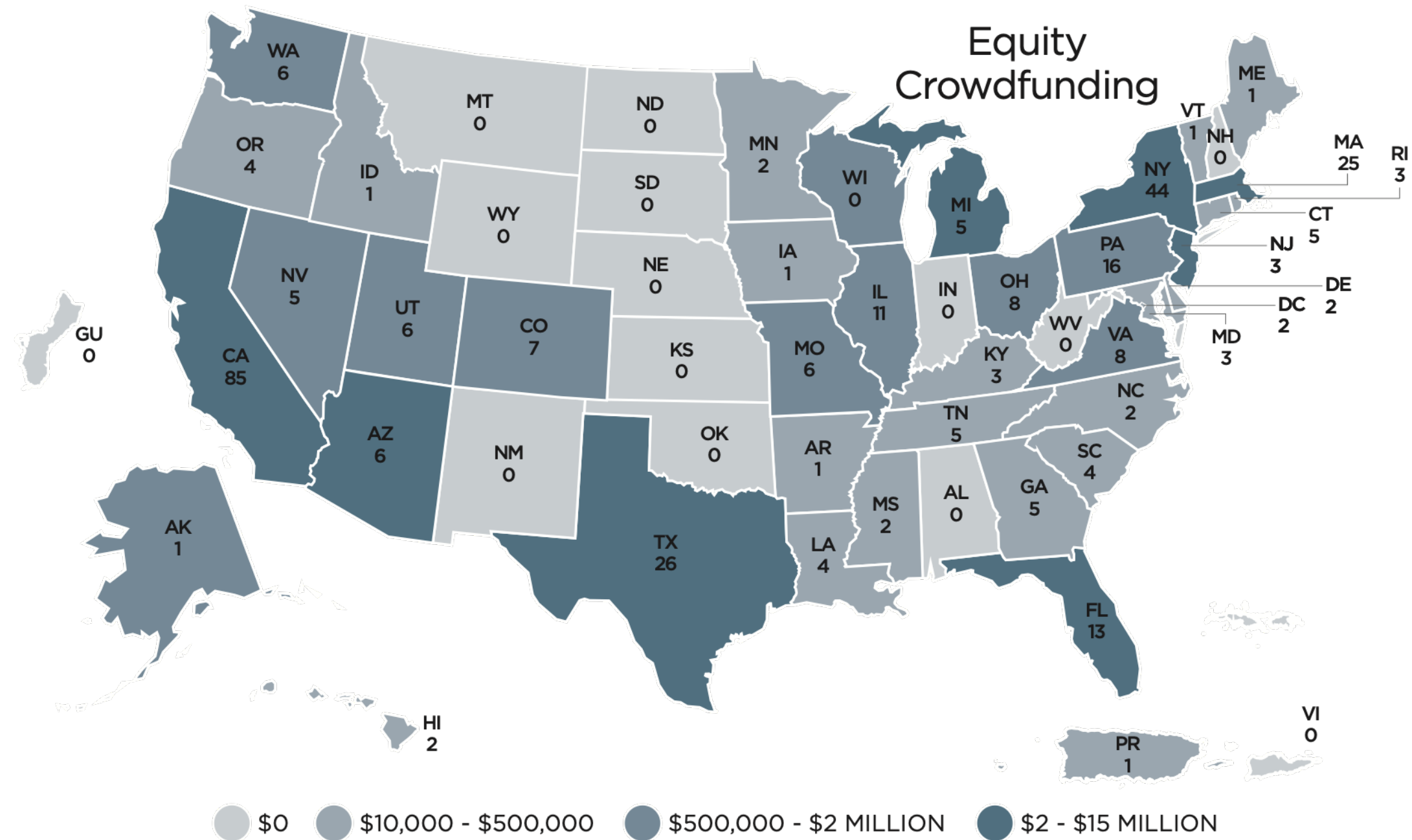
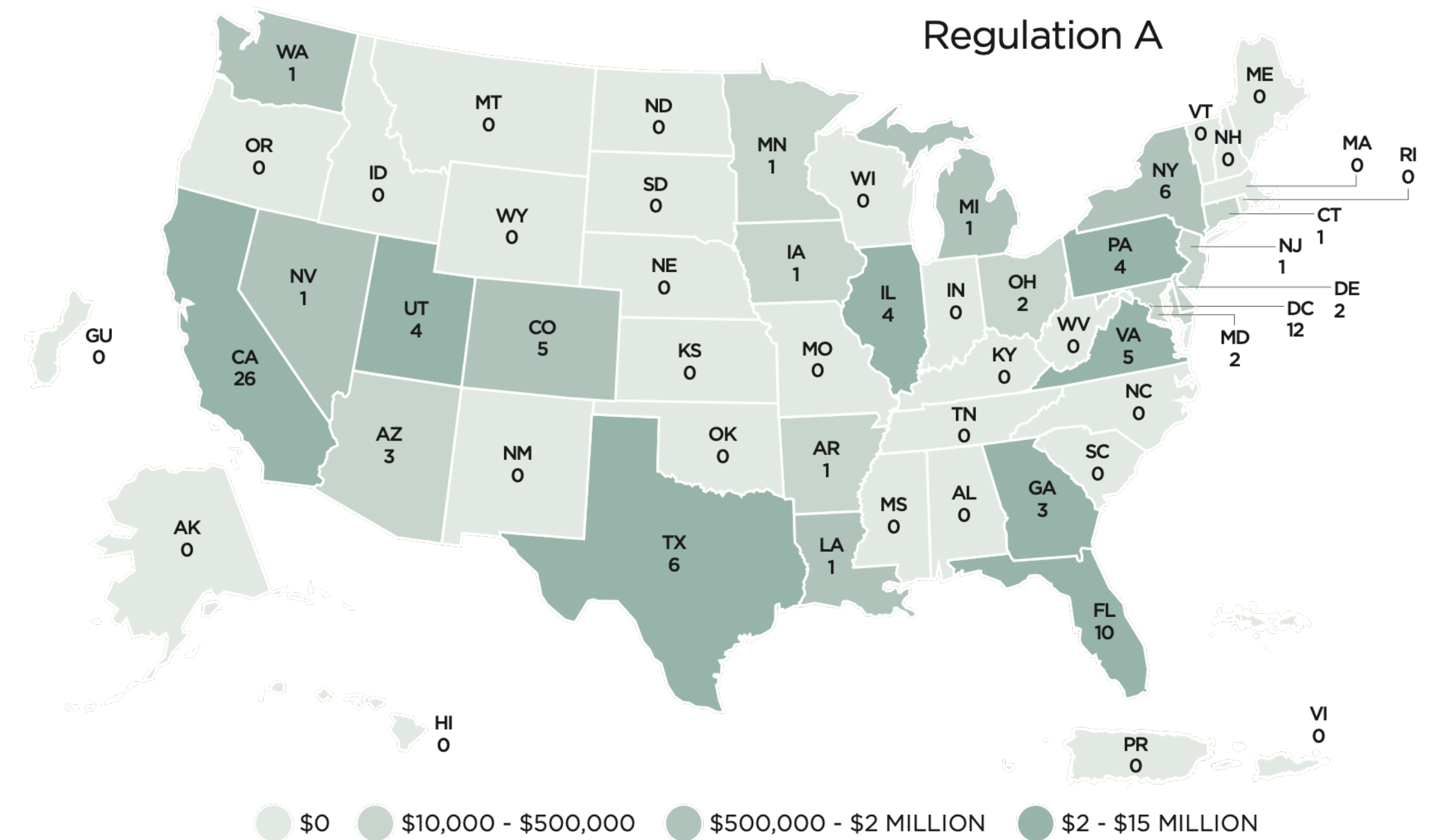
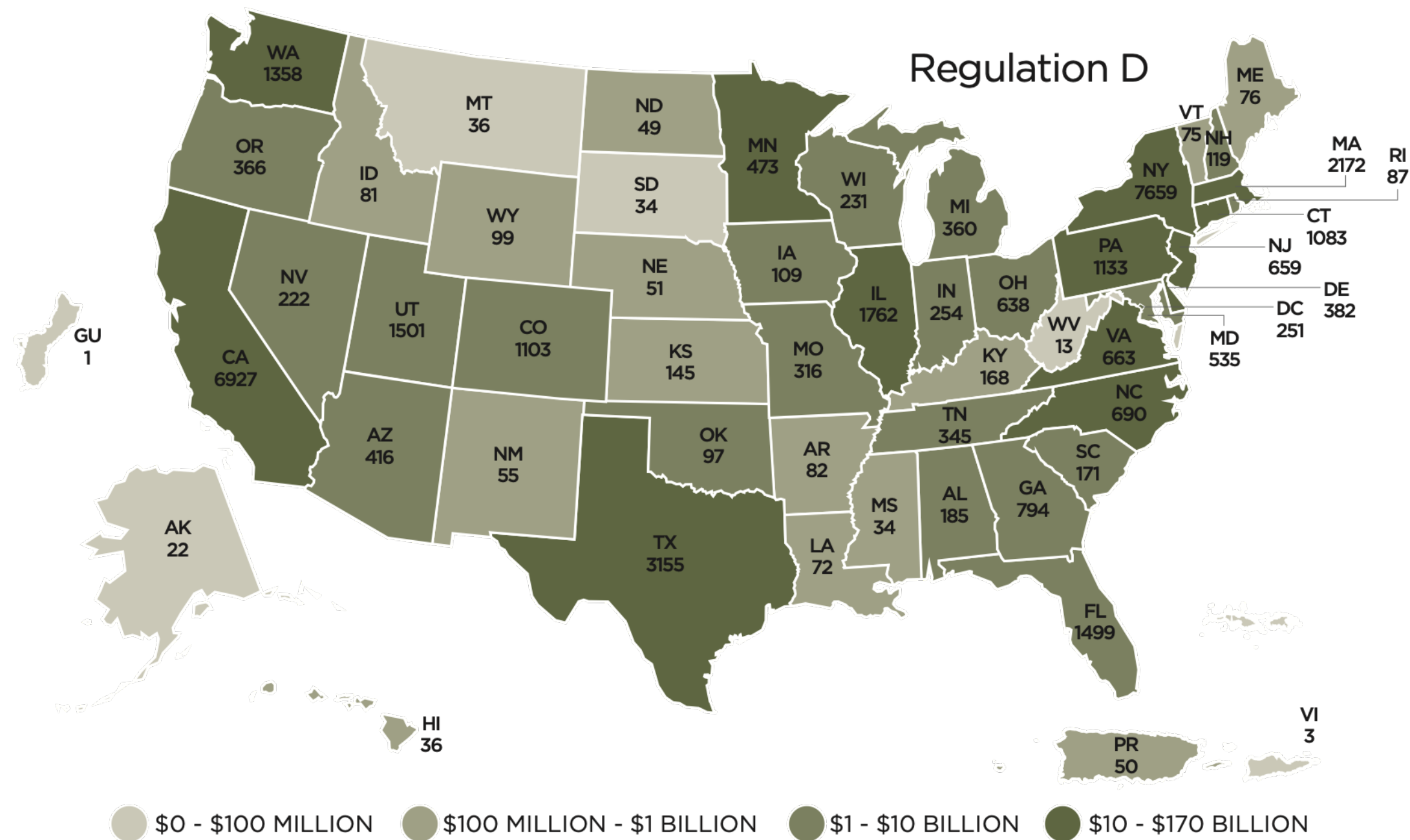
**Other Registered
Offerings, including
Secondary Offerings**



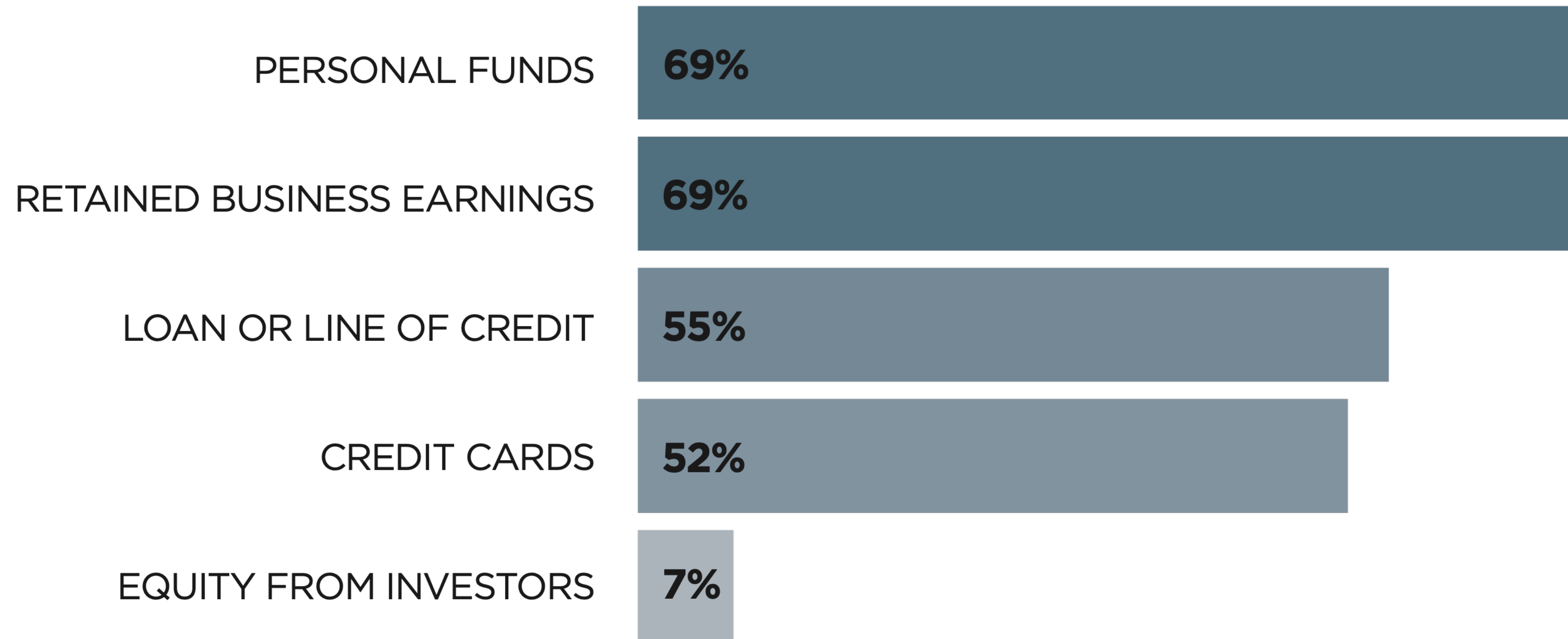
\$1.2T
\$313M
median

How are companies using the offering types in the industries that raise the most capital (excluding pooled funds)?

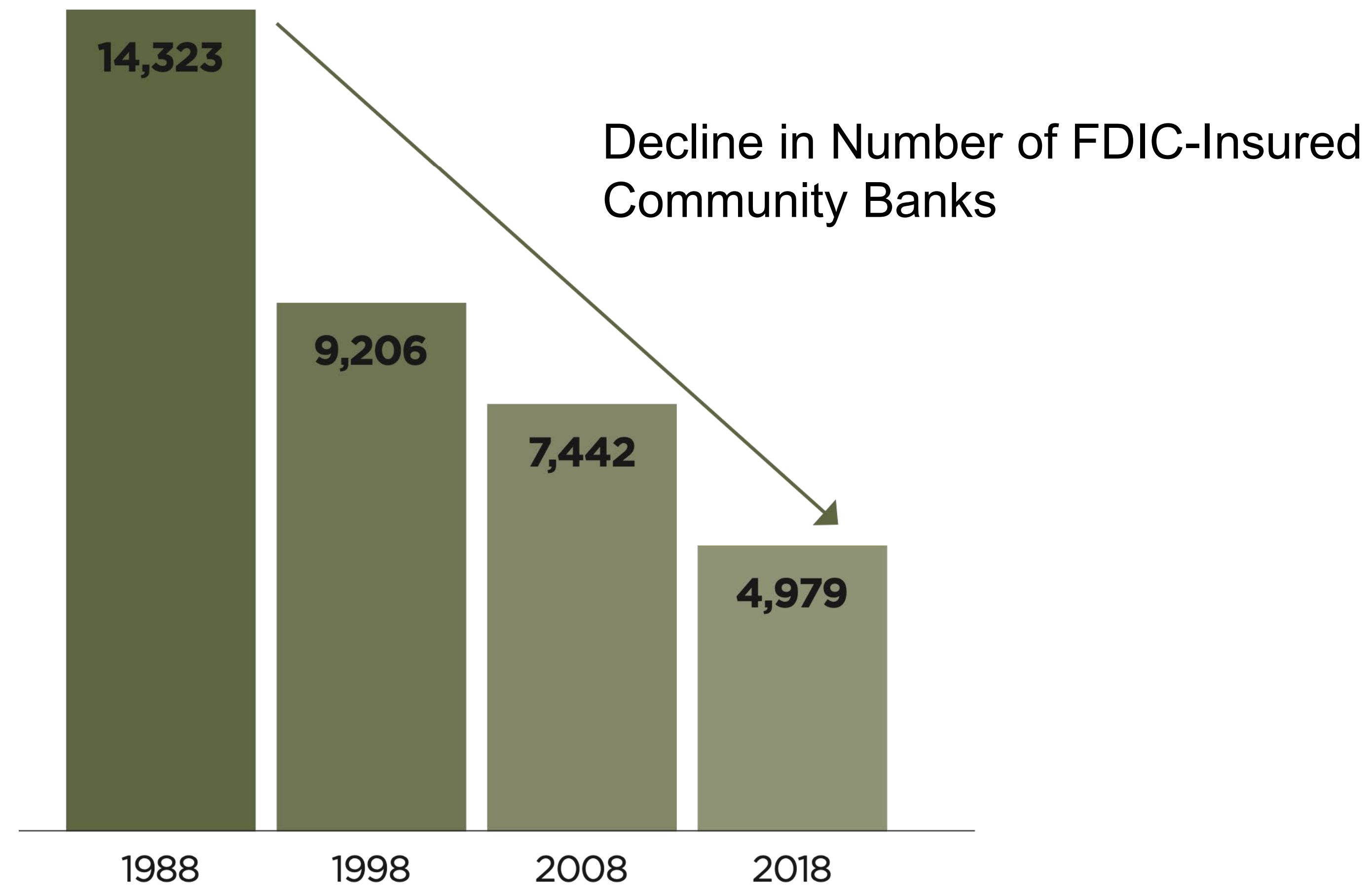




How are early stage small businesses accessing capital?



How have community banking trends impacted emerging businesses?



What is the scale of angel investing in early-stage companies?

334,565
active angel investors



\$23.1 billion
in total angel investments

66,110
entrepreneurial ventures
received angel funding



\$349,620
average angel funding round

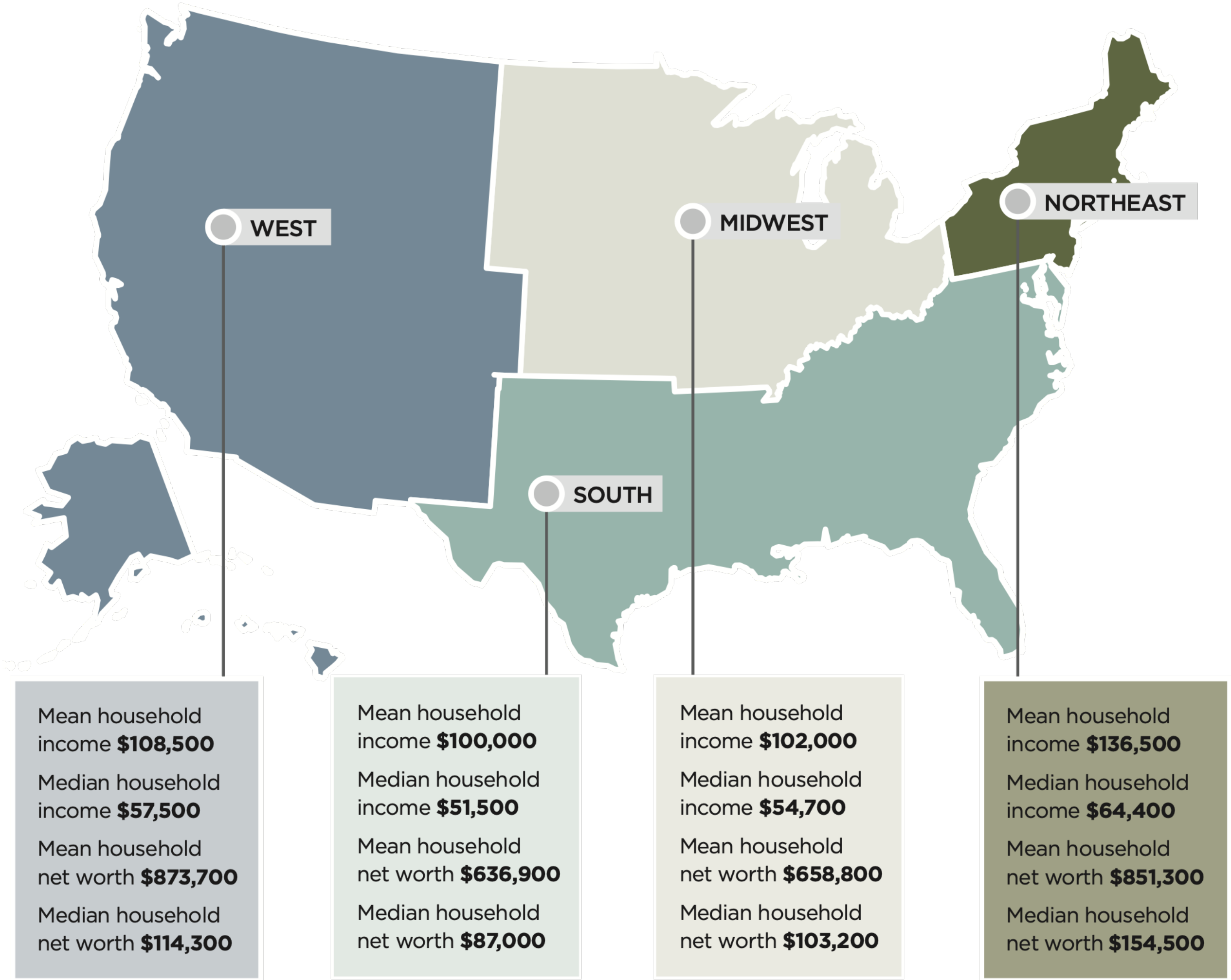
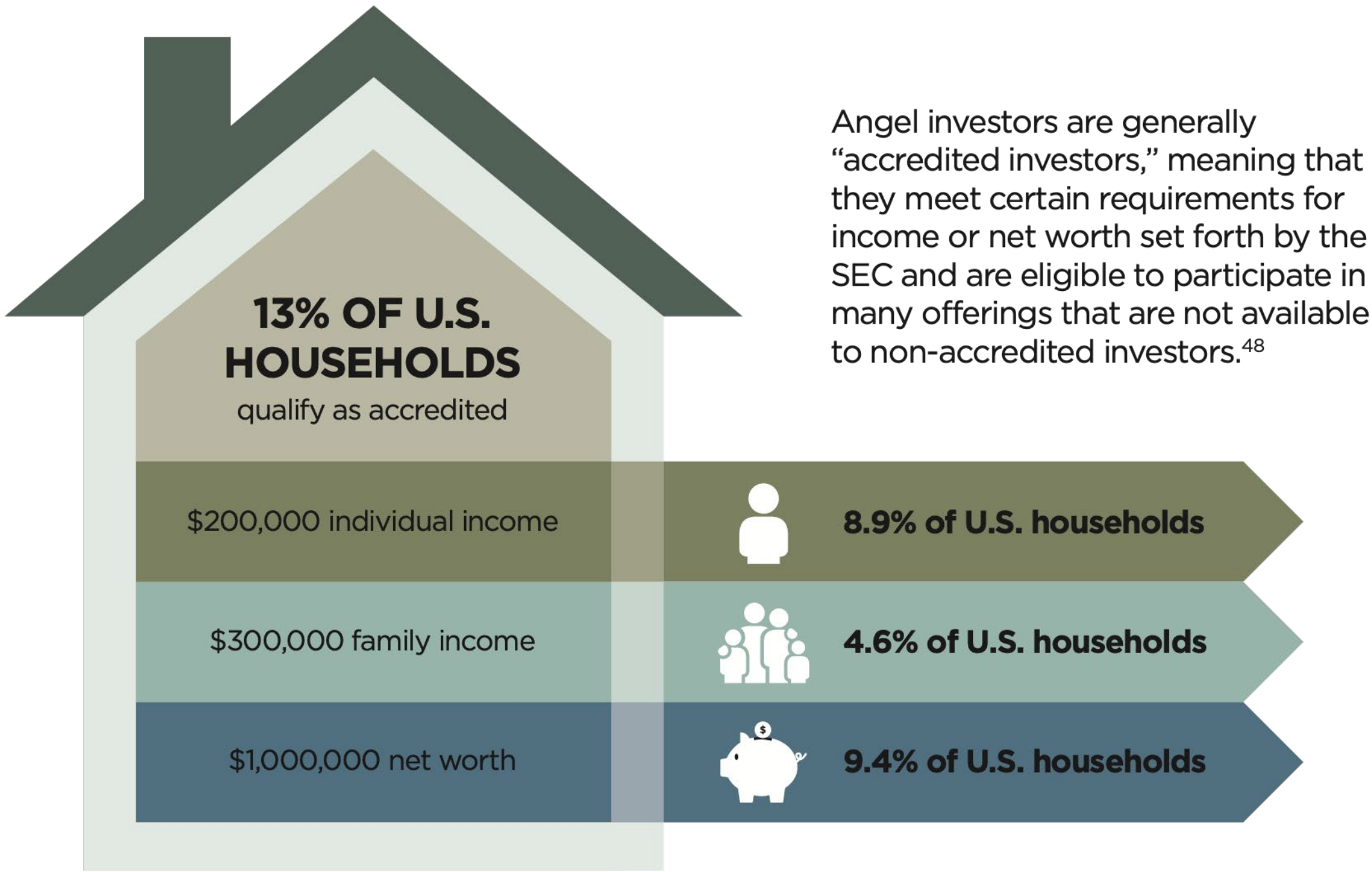
The average angel's individual investment is between:

\$5,000

and

\$100,000

How does the accredited investor definition impact access to angel funding?



What is the role of venture capital (VC) in funding mature and later-stage businesses?



18,228

VC deals in 2018,
up from 6,876 in 2009⁵⁷

1,087

VC-backed IPOs
from 2009-2018⁵⁸

What is the role of private equity (PE) in funding mature and later-stage businesses?



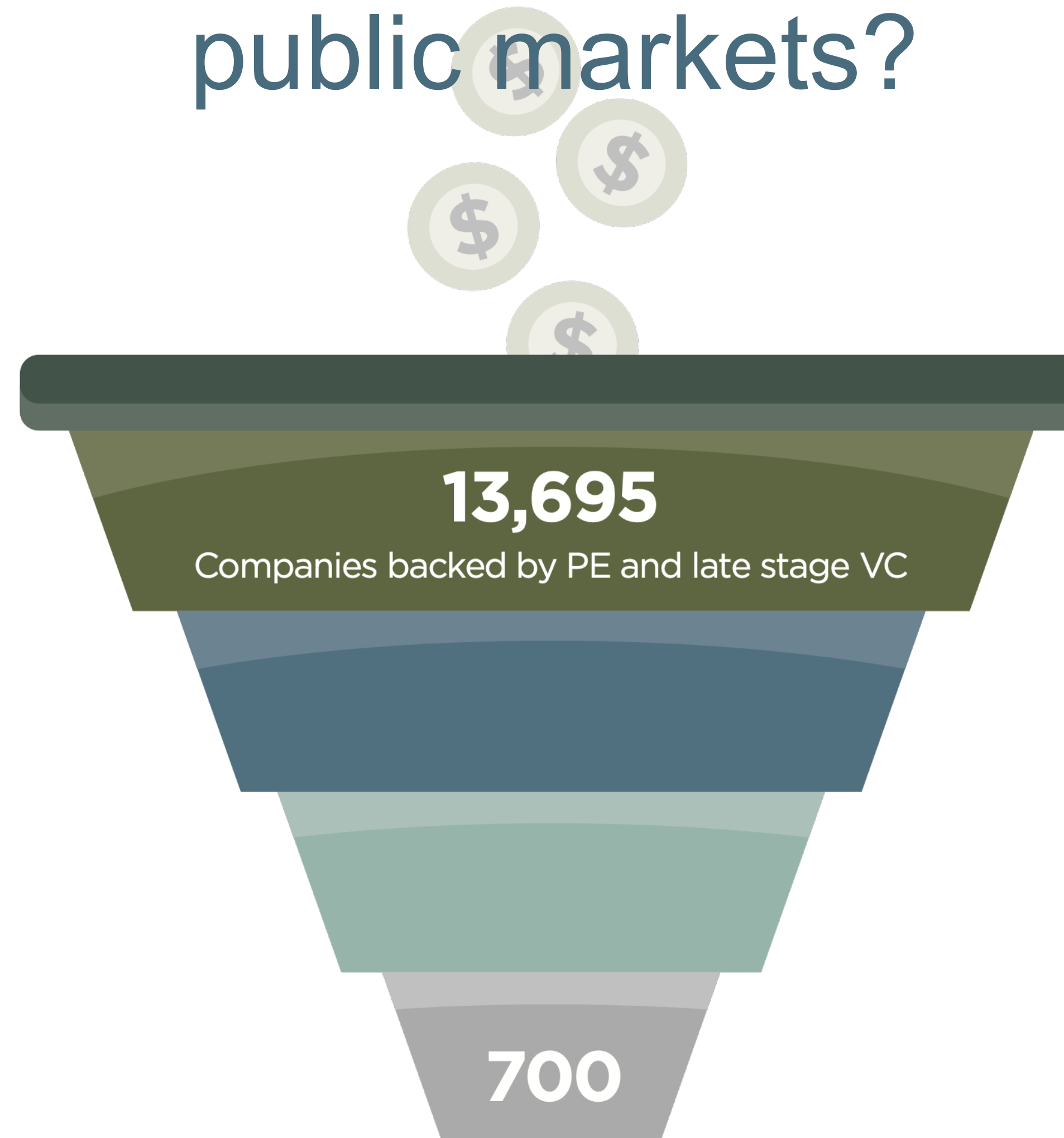
10,000

average PE yearly deal
count for the past 5 years⁶⁰

1,043

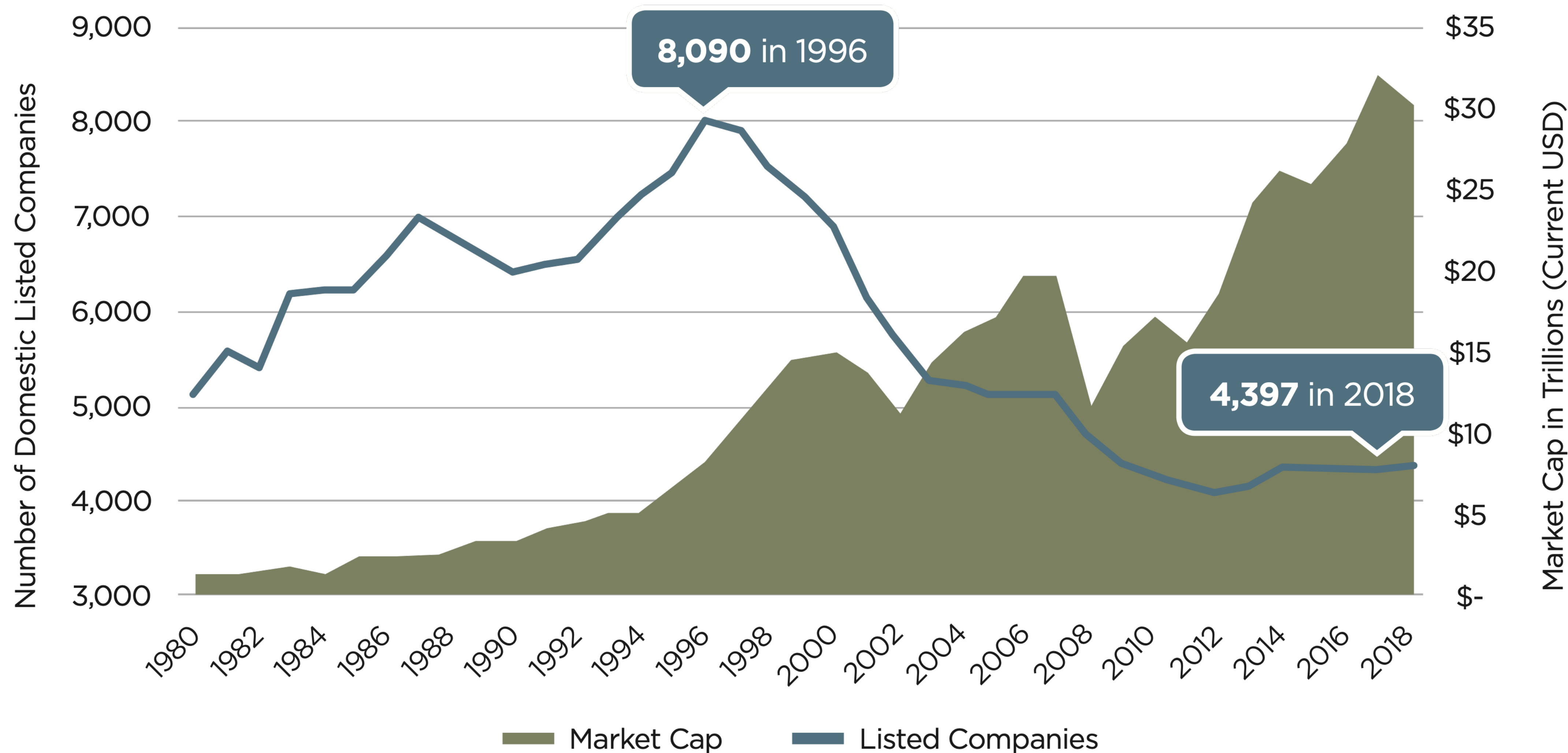
PE-backed IPOs
from 2009-2018⁶¹

In what ways do VC-and PE-backed companies enter the public markets?



of which are estimated to become the next
immediate generation of public companies

How has the prevalence of publicly traded companies changed over time?



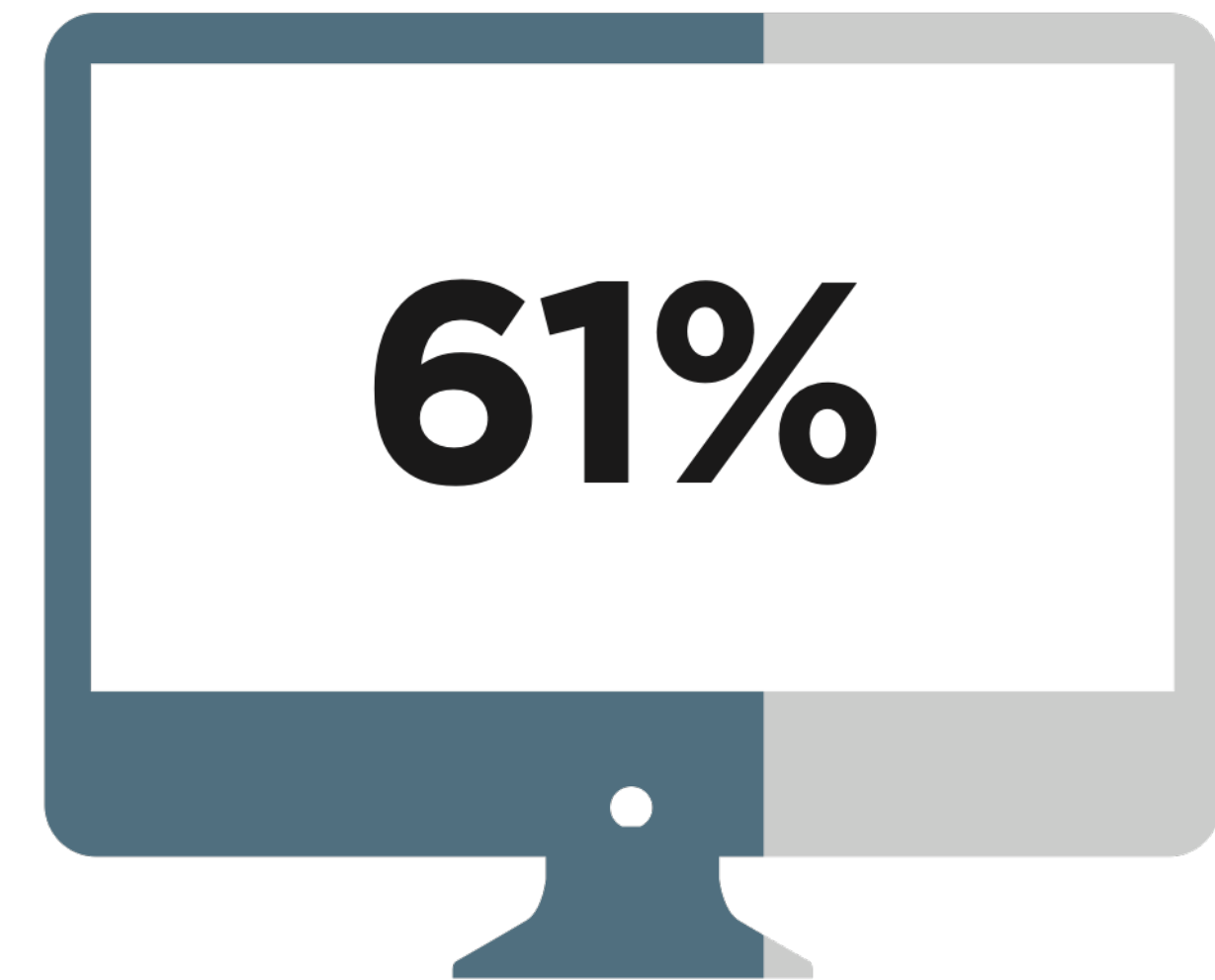
Source: World Bank Group Open Data, <https://data.worldbank.org/indicator/CM.MKT.LDOM.NO?locations=US>.

What trends are impacting initial public offerings (IPOs) and attractiveness of the public markets?

All IPOs from July 1, 2018 to June 30, 2019:



IPOS and other registered offerings by small public companies from July 1, 2018 to June 30, 2019:



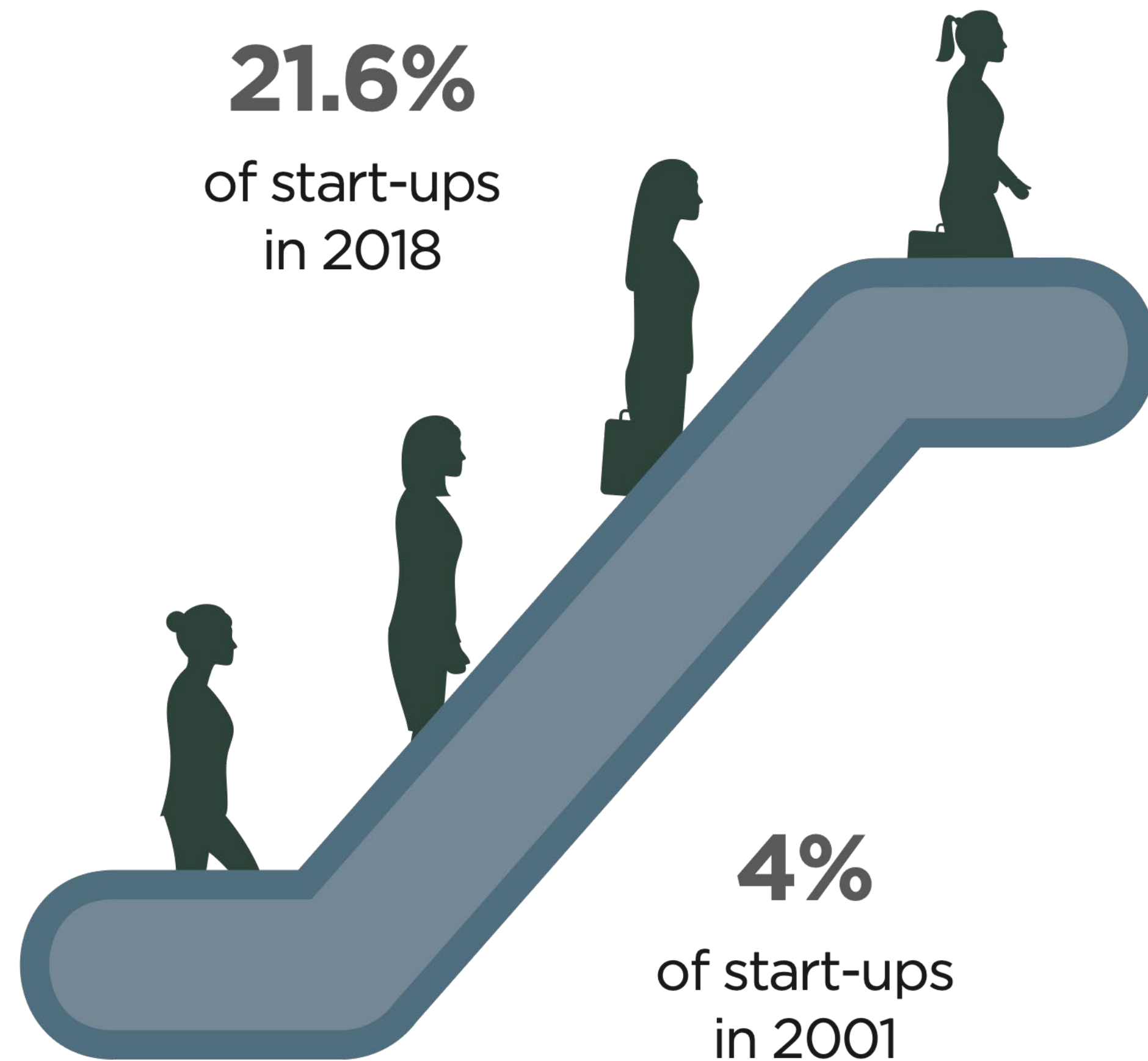
of exchange-traded companies with
<\$100 million market capitalization have
no research coverage⁷⁵

A photograph of a young plant with four bright green, oval-shaped leaves growing from a dark, textured tree trunk. The background is a dark, mossy forest floor with fallen leaves and other tree trunks. A semi-transparent white rectangular box is centered over the image, containing the text "FOUNDER DEMOGRAPHIC IMPACTS" in a bold, black, sans-serif font.

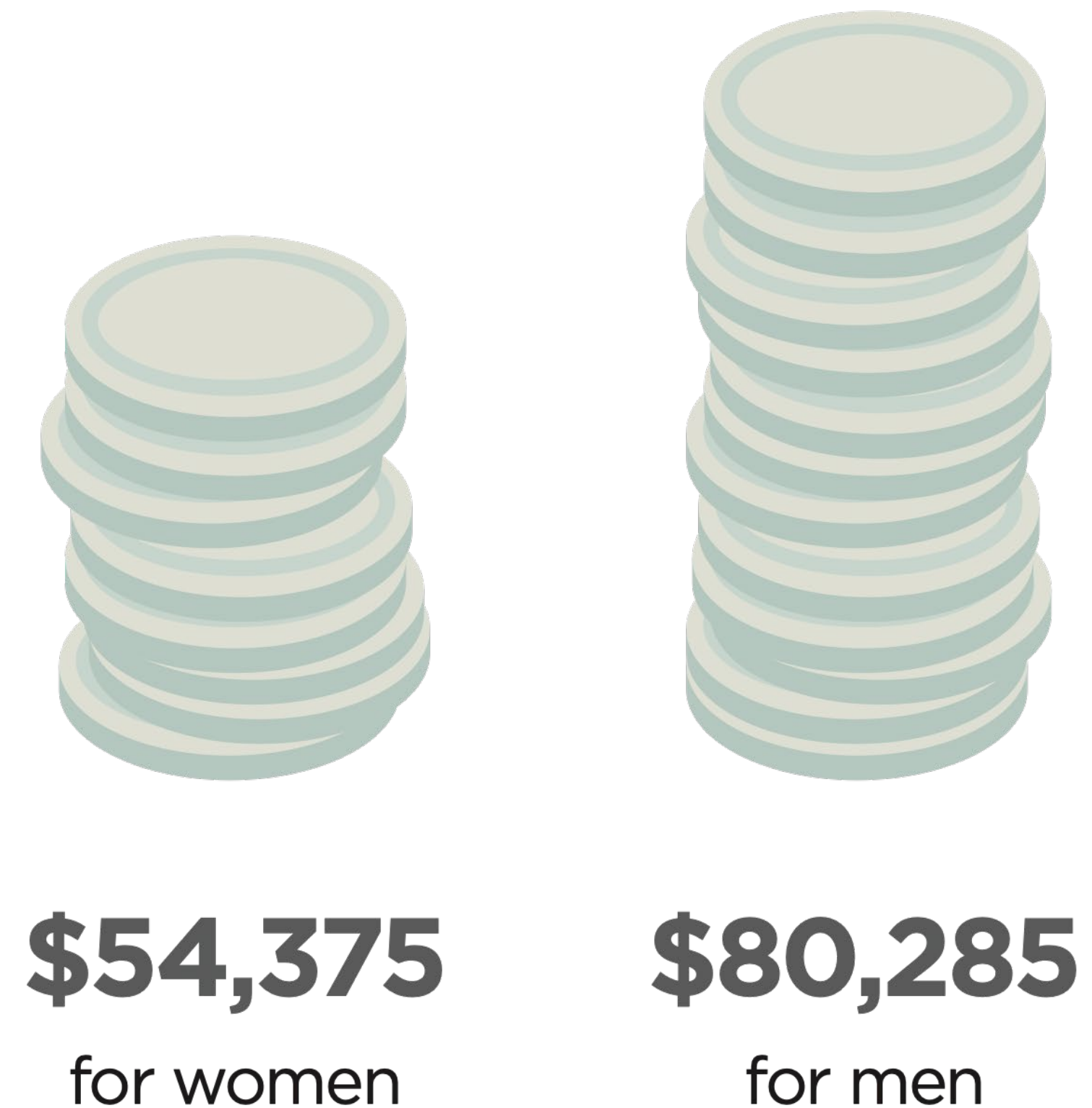
FOUNDER DEMOGRAPHIC IMPACTS

Women-Owned Businesses

Women are founding more start-ups:



Capital used at start-up varies by gender:



Women constituted
25.9%
of entrepreneurs seeking capital in 2018...



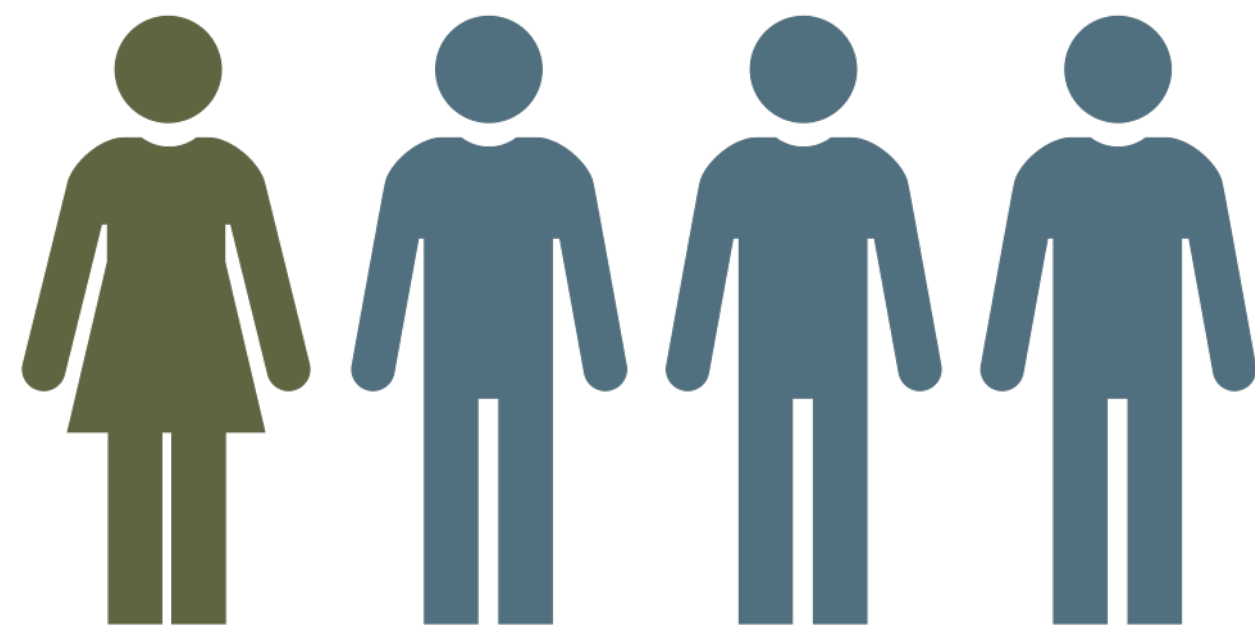
and had an investment yield rate of
17.5%



compared to a baseline rate of
23.2%

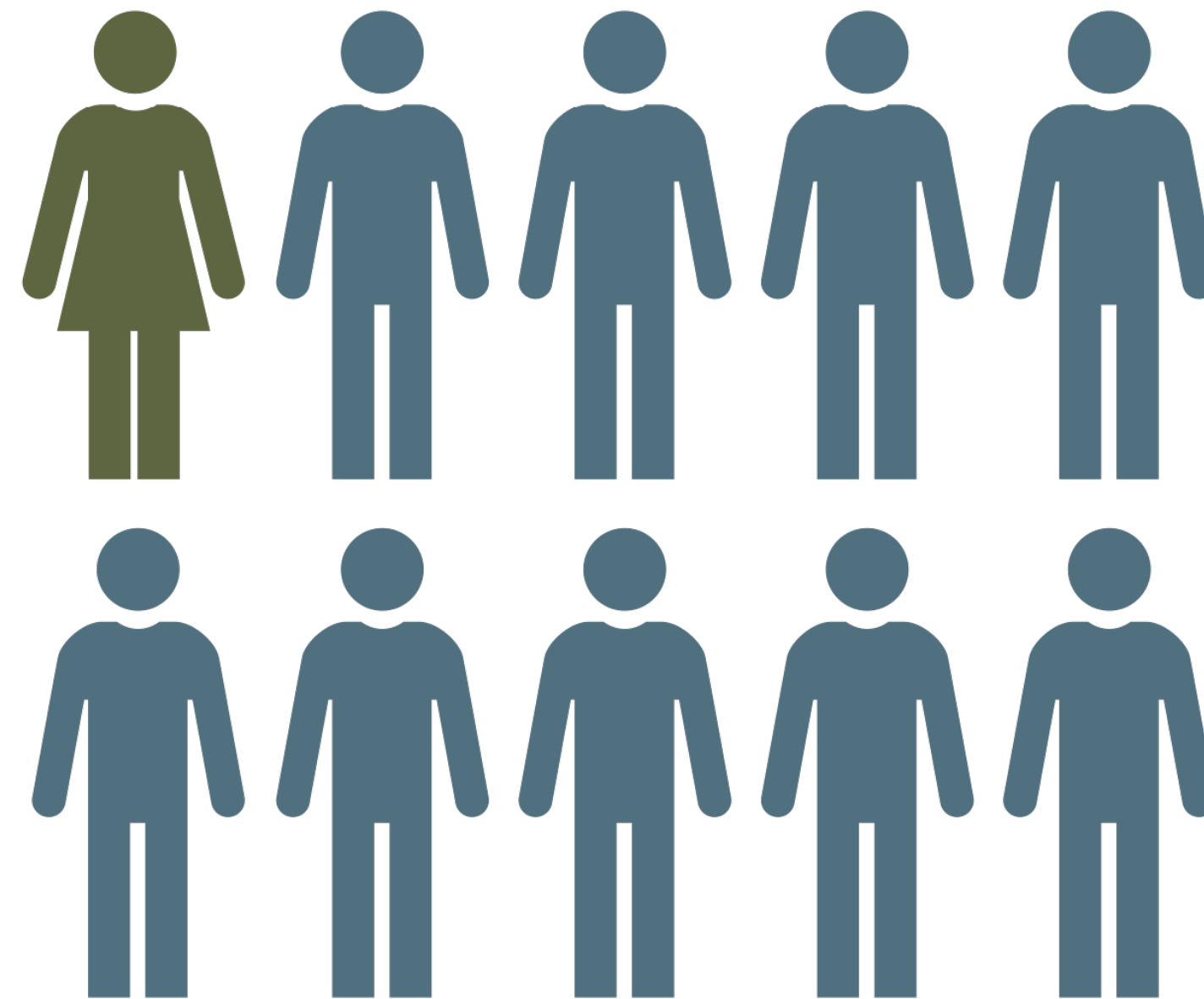


Women Investors



29.5%

of angel investors are women



only

11%

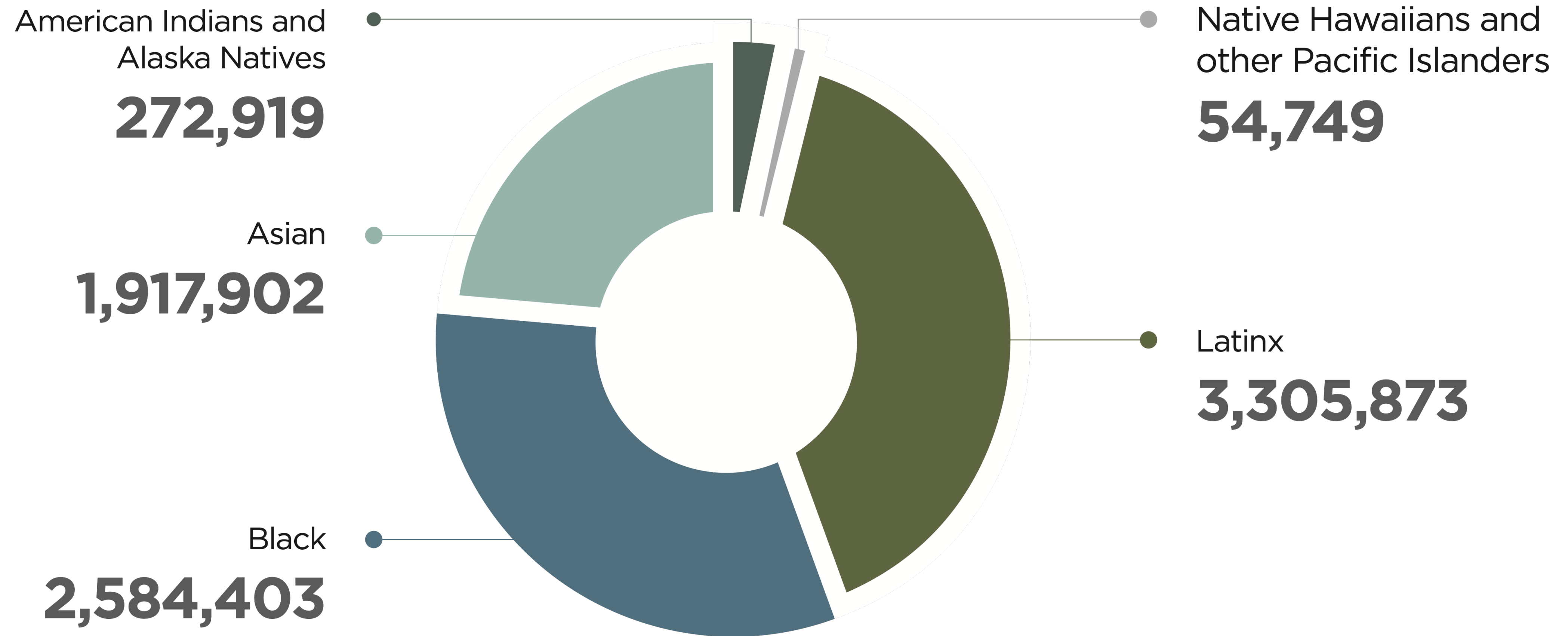
of VCs across the industry are women



71%

of VC firms have no female partners

Minority-Owned Businesses

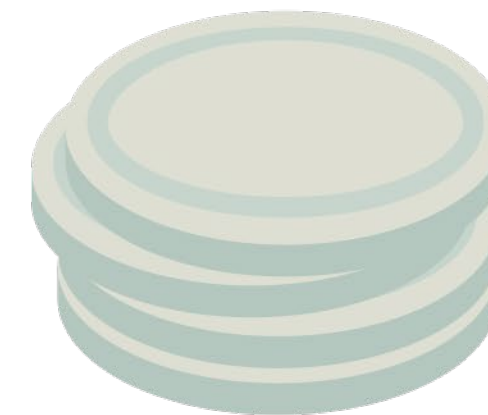


Despite growth in minority-owned businesses, many face challenges with access to capital

Since 2007, there has been a



38% increase in the number of minority-owned businesses⁸⁸



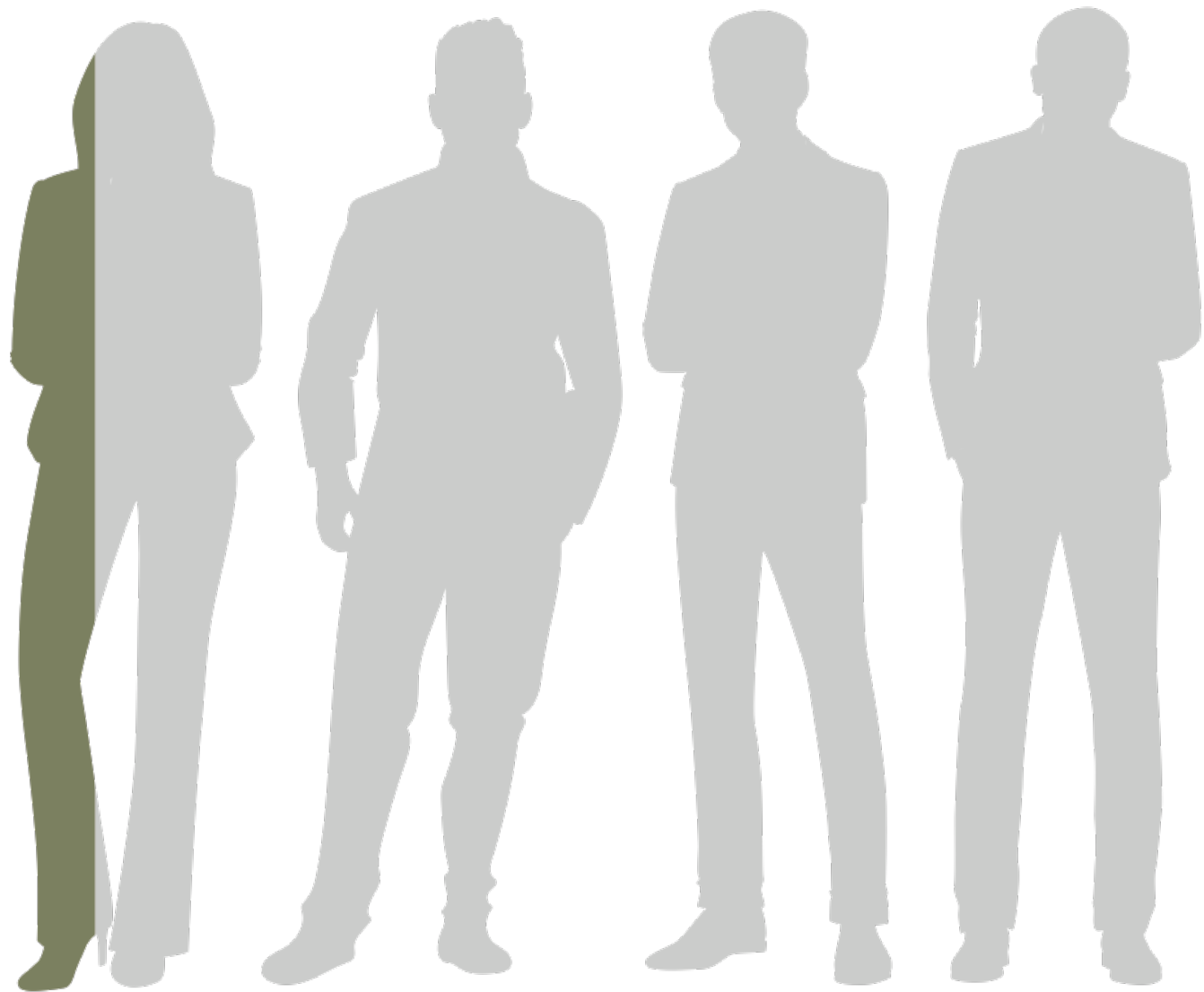
new black-owned businesses start with almost three times less in terms of overall capital

\$35,205



compared with new white-owned businesses

\$106,720



Minorities constitute
10.7%
of entrepreneurs seeking capital in 2018



and had an investment yield rate of
22%



compared to a baseline rate of
23.2%

Minority Investors



Only
5.3%
of angel investors are minorities



Venture Capital Investment Partners

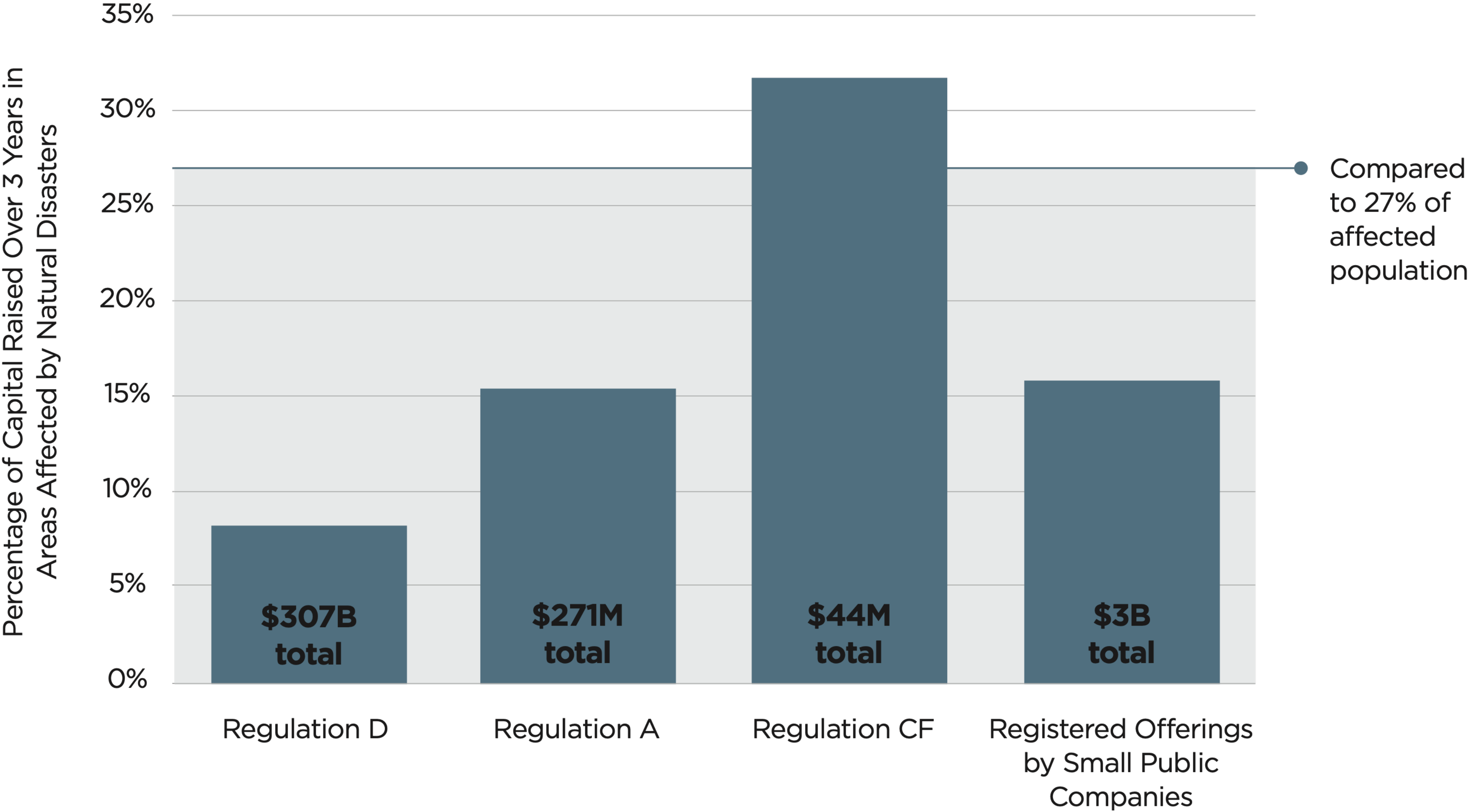
Black

Asian/Pacific Islander

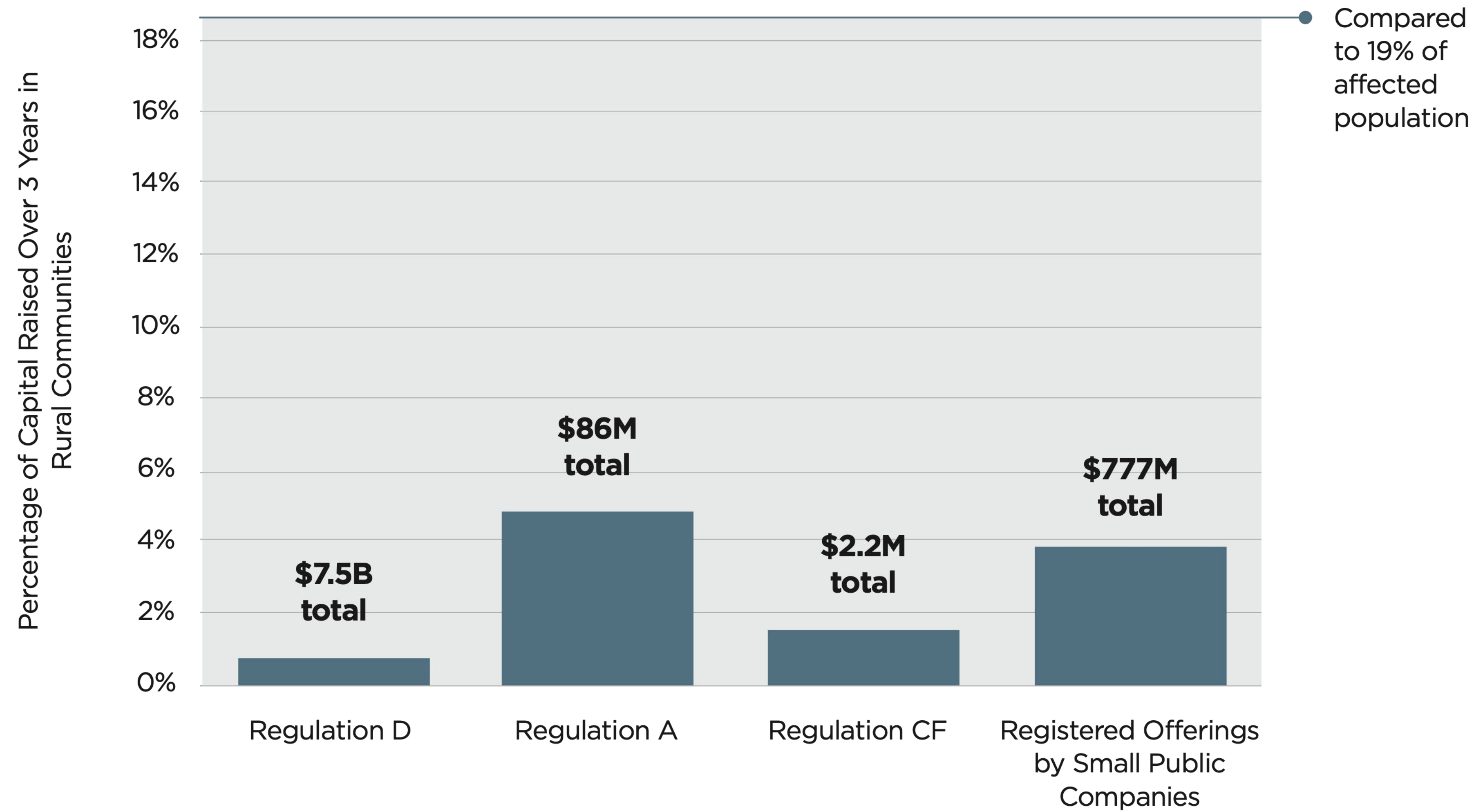
Latinx

White

Businesses in areas affected by natural disasters are generally raising less capital




Businesses in rural areas are also generally raising less capital



A photograph of a forest path. The path is made of dirt and gravel, winding through a dense forest. Tall, slender trees line the path, and the ground is covered with lush green ferns and other undergrowth. The lighting is soft, suggesting a dappled sunlight effect.

POLICY RECOMMENDATIONS

1. Harmonization
2. Investor Participation in Private Offerings
3. Engaging Investors via Finders
4. Crowdfunding
5. Scaled Obligations for Smaller, Less Complex Reporting Companies



Q&A



www.sec.gov/oasb



smallbusiness@sec.gov