

Startup Policy Seminar

Policies and Resources Impacting Startup Investment

October 24, 2022

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

Roadmap

-  MEET THE SEC'S SMALL BUSINESS ADVOCACY TEAM
-  HOW DO COMPANIES RAISE CAPITAL FROM INVESTORS?
-  WHAT ARE THE OBSTACLES TO ACCESSING CAPITAL?
-  EMPOWERING ENTREPRENEURS TO OVERCOME BARRIERS





MEET THE SEC'S SMALL BUSINESS ADVOCACY TEAM



U.S. Securities and Exchange Commission

Three-part Mission



Protect investors



Maintain fair, orderly and efficient markets



Facilitate capital formation





Office of the Advocate for Small Business Capital Formation



Mission: Champion pragmatic solutions so small businesses—from startups to smaller public companies—and their investors can build great companies together using our capital markets.



Special Focus: Identify and address unique capital raising challenges faced by minority-owned, women-owned, rural, and natural disaster-affected small businesses and their investors.





Office of the Advocate for Small Business Capital Formation



How?

- Education and outreach
- Review rules and regulations
- Recommend policy changes to Congress and the Commission



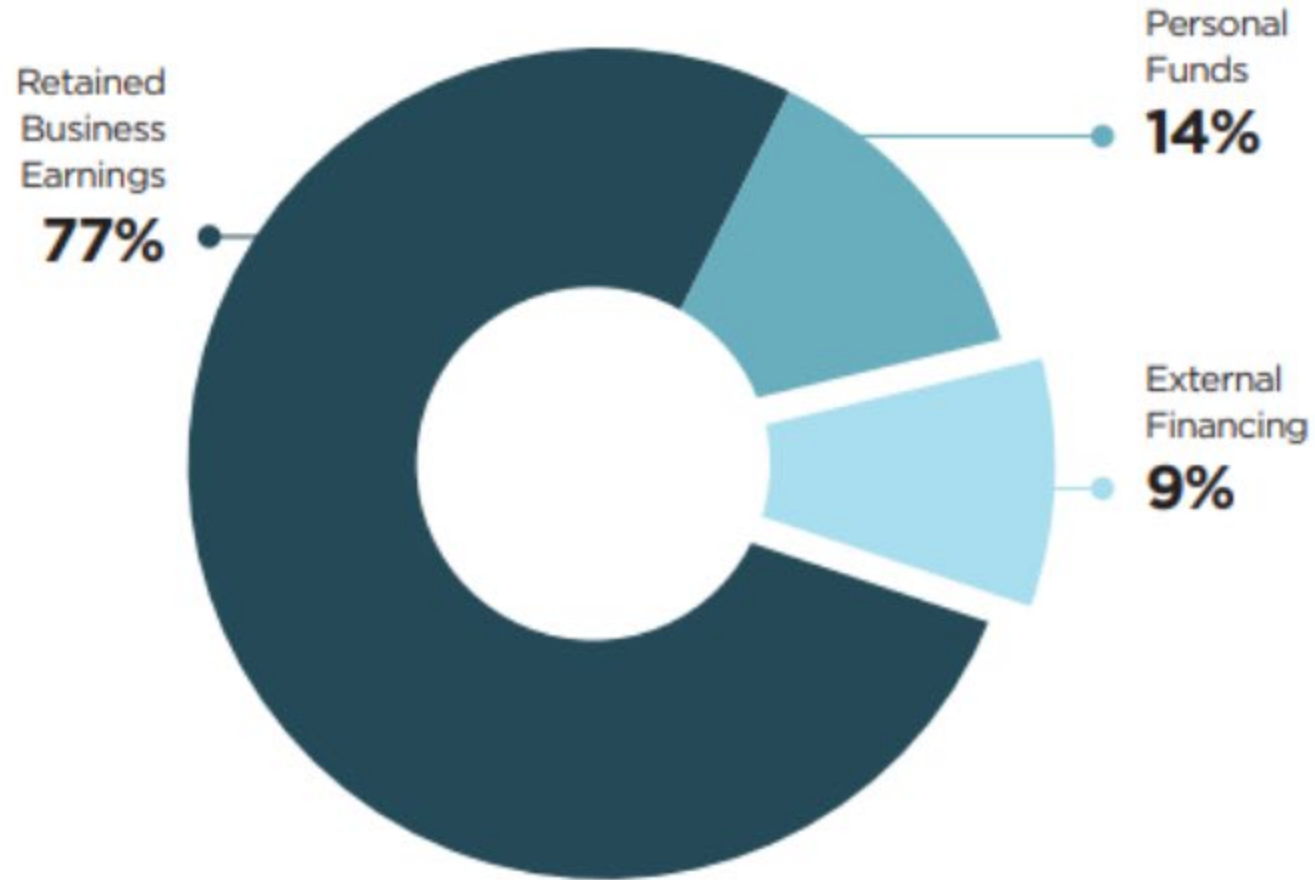


HOW DO COMPANIES RAISE CAPITAL FROM INVESTORS?





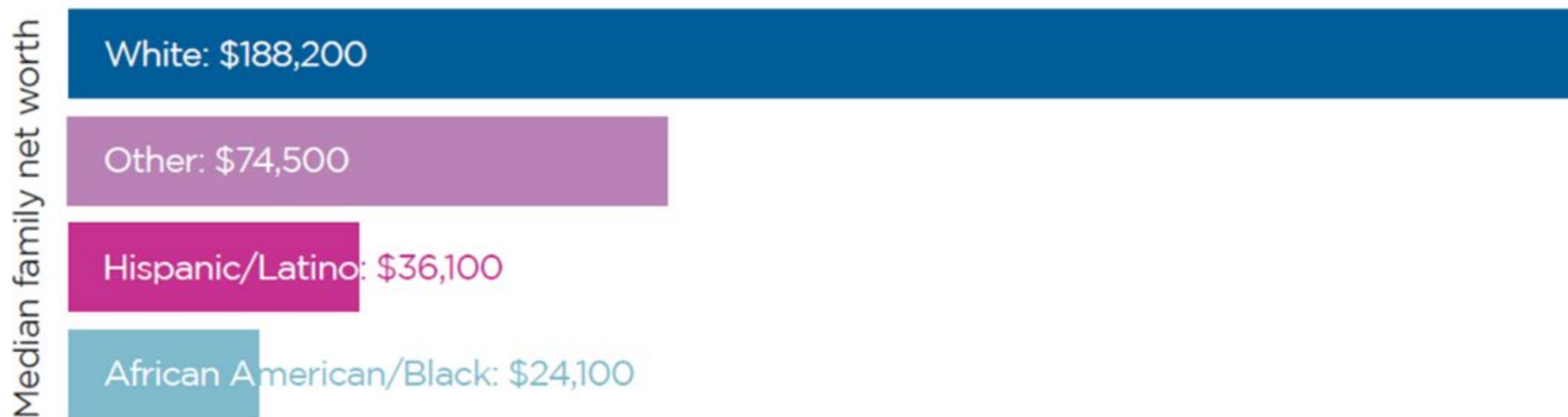
Sources of Capital





Internal Sources of Capital

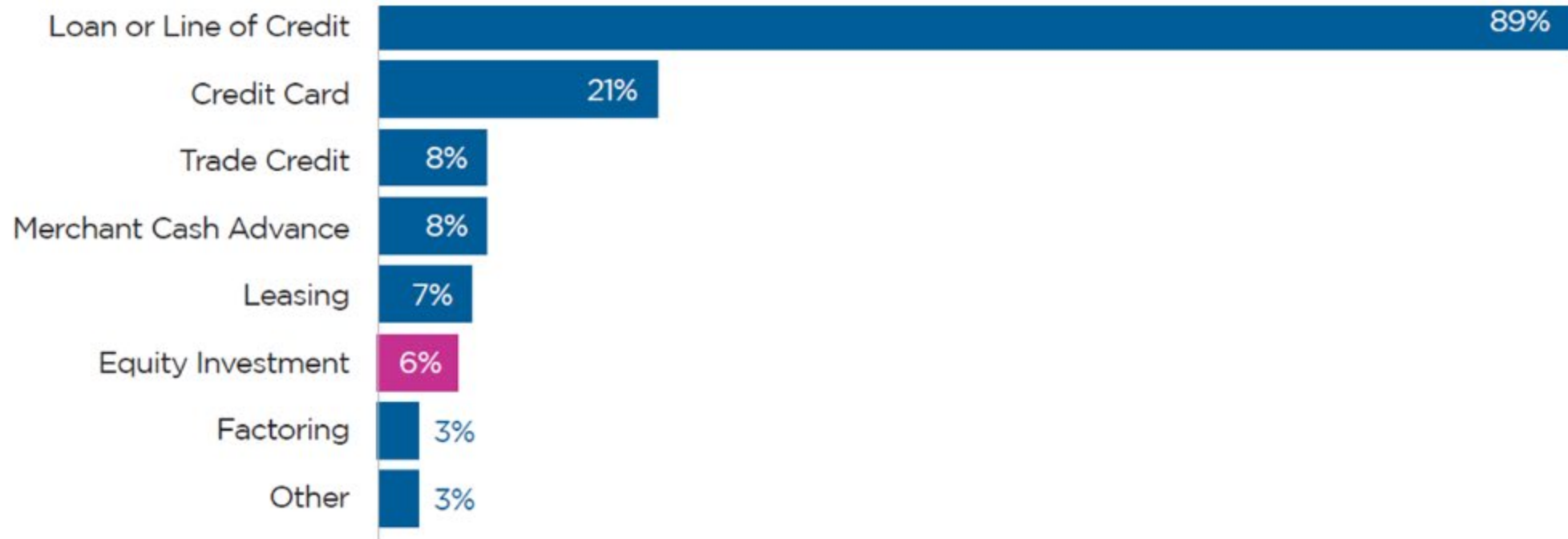
Personal wealth dictates the financial starting line for many entrepreneurs - funding is often more accessible for those who own a home or have family assets.





External Sources of Capital

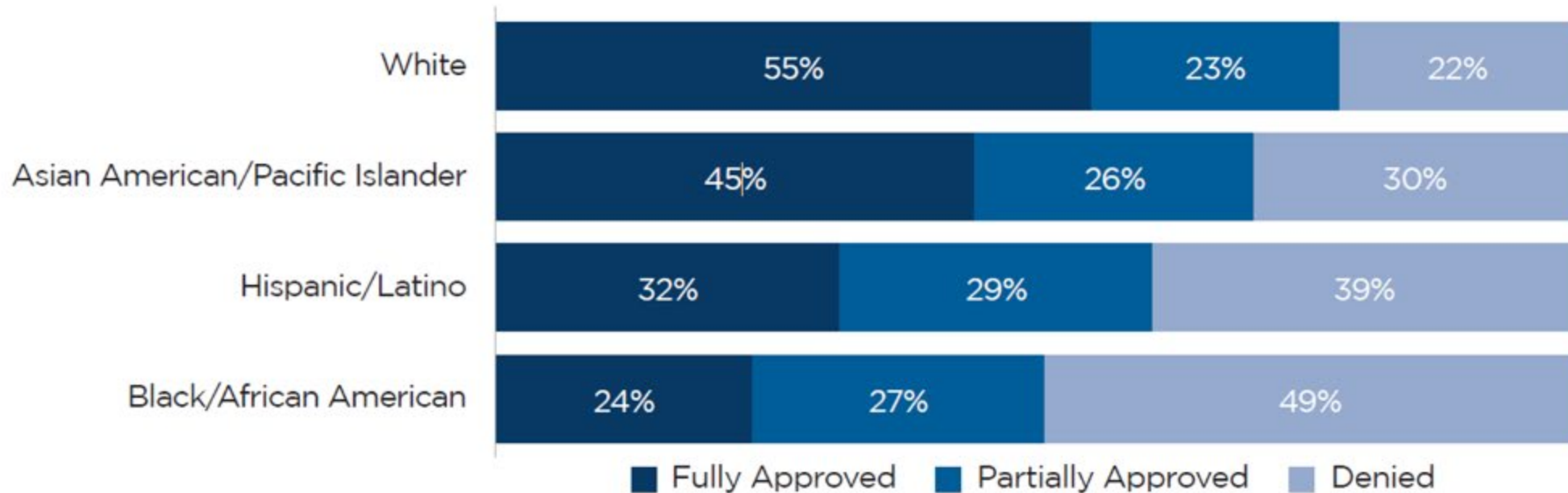
Equity investments remain only a small portion of external capital funding for small businesses.





External Sources of Capital

Minority entrepreneurs face greater challenges accessing debt financing, including loans, lines of credit, and cash advances





WHAT ARE THE OBSTACLES TO ACCESSING CAPITAL?



⊗ Capital Needs



Running out of cash and an inability to raise new capital is the **number 1 reason startups fail**



⊗ Networks



1/2 of newer entrepreneurs
report challenges with
networks and connections
compared to 1 in 3 entrepreneurs
with mature businesses.



⊗ Education



1/2 of new entrepreneurs
report challenges with
information, education,
or **knowledge** —
more than **2x**
the rate for entrepreneurs
with mature businesses.



⊗ Diversifying Capital Access

Diversity among investment professionals directly impacts how the funds operate, and importantly the founders in whom the funds invest





EMPOWERING ENTREPRENEURS TO OVERCOME BARRIERS





Resources and Tools

» LEARN MORE

www.sec.gov/capitalraising



Explore SEC resources to help equip small businesses, from startup to small cap, and their investors with the tools needed to navigate capital raising.

Getting Started: Understanding the Fundamentals



Navigate Your Options

Explore what regulatory pathways you could use to raise capital from investors.



Glossary of Terms

Cut through the jargon and learn the language of capital raising.



Building Blocks

Explore the fundamentals of capital raising.



Capital Raising Video Gallery

Check out these informational videos on the basics of capital raising.



Additional Resources

Find more tools for small businesses and their investors from the SEC and other agencies.



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Navigating Your Options

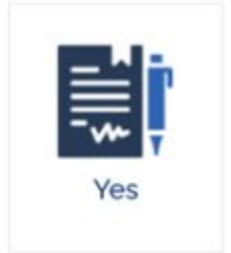

When raising capital, a business may not offer or sell [securities](#) unless the offering has been registered with the SEC or falls within an exemption from registration. Each exemption has specific requirements that a company must meet.

This interactive tool can help you navigate the many regulatory pathways to raise capital, based on the criteria that matter most to you. While this tool does not provide legal advice, it can help you better understand your options so that you make informed decisions. Let's get started!

1 of 8

Does your business already exist?

Have you formed your business under applicable state or territorial law and finalized organizational documents (such as bylaws or operating agreements)?

Fund(amental)s

Whether you are looking to a fund for financing or as an investment opportunity or you are forming your own fund, a familiarity with these commonly used terms will help guide your way.

3(c)(1) Fund

A 3(c)(1) fund is a *pooled investment vehicle* that is excluded from the definition of *investment company* in the *Investment Company Act* because it has no more than 100 beneficial owners (or, in the case of a *qualifying venture capital fund*, 250 beneficial owners) and otherwise meets criteria outlined in Section 3(c)(1) of the *Investment Company Act*.





Resources and Tools

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Explore the

BUILDING BLOCKS

of capital
raising



Explore the fundamentals of capital raising with the [Office of the Advocate for Small Business Capital Formation](#).



What pathways are available to raise capital from investors?



What is the role of accredited investors?



What is general solicitation?



How do private funds provide capital to early-stage companies?





Resources and Tools

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Small Business Rulemaking Video Gallery



The following videos are from the Office of the Advocate for Small Business Capital Formation and are meant to provide a high-level summary of the relevant policy or rulemaking.

How to Comment



How to Comment: Engage in the Rulemaking Process

The SEC's Office of the Advocate for Small Business Capital Formation breaks down how easy it can be to comment on proposed rulemakings.

Learn more about how to submit comments.

Recent Policy and Rulemaking Highlights



JOBS Act Inflation Adjustments

On September 9, 2022, the SEC adopted amendments to Regulation Crowdfunding and the definition of Emerging Growth Company to implement inflation adjustments mandated by the JOBS Act. [Read the press release.](#)

Related Information

- This infographic highlights the changes.



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