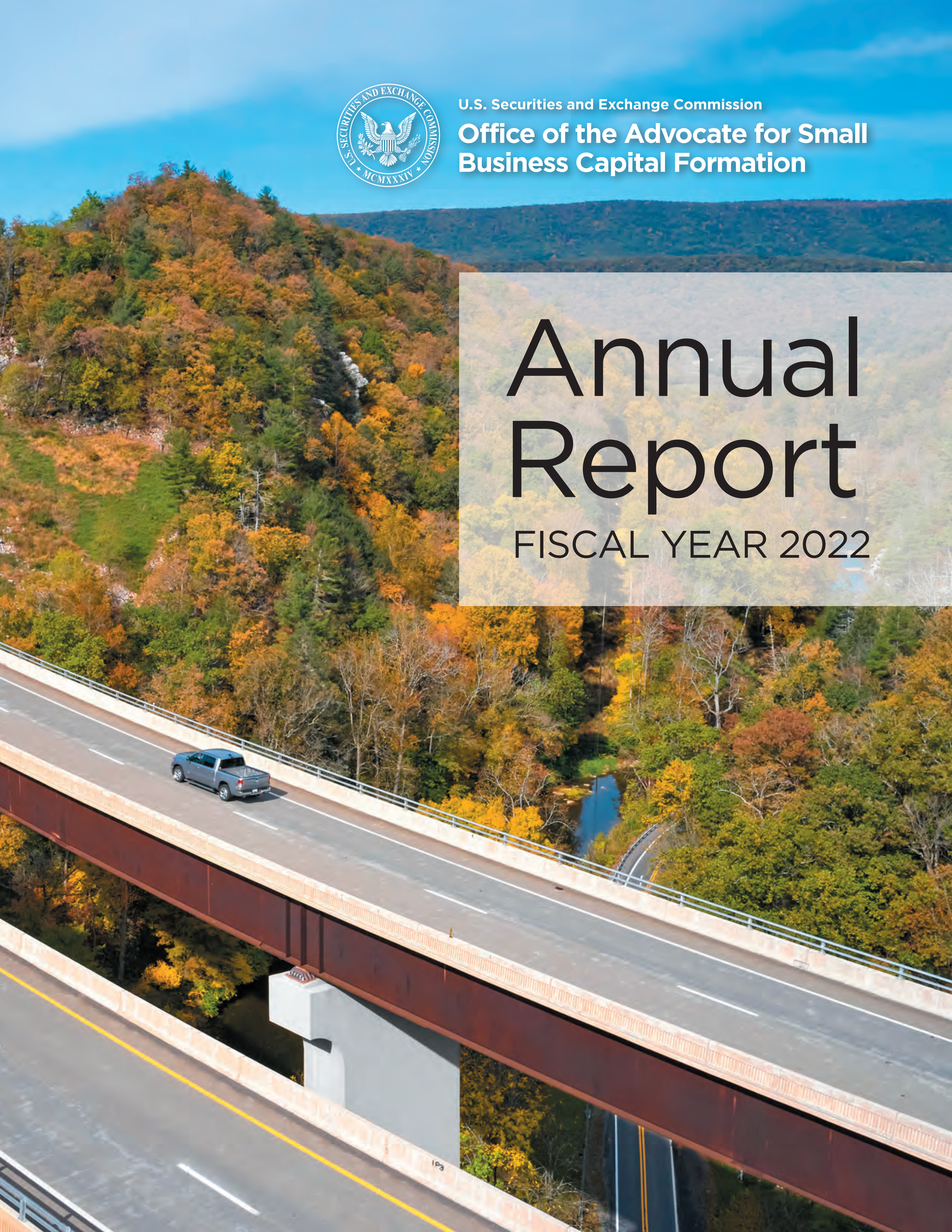
U.S. Securities and Exchange Commission

Office of the Advocate for Small Business Capital Formation

Annual Report

FISCAL YEAR 2022



ABOUT THIS REPORT + ACKNOWLEDGEMENTS

This annual report of the Office of the Advocate for Small Business Capital Formation for Fiscal Year 2022 is being delivered to the Committee on Banking, Housing, and Urban Affairs of the U.S. Senate and the Committee on Financial Services of the U.S. House of Representatives in accordance with Section 4(j) of the Securities Exchange Act of 1934 (the Exchange Act), as amended by the SEC Small Business Advocate Act of 2016, 15 U.S.C. § 78d(j)(6).

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

The work of the Office is possible only through the support of our talented and passionate colleagues across the agency. The Office owes special thanks to our colleagues who provided resources for this Report, including the Division of Economic and Risk Analysis for providing data to quantify the state of small business capital formation and contextualize issues, and the Office of Public Affairs for making our written product for this report visually engaging. We particularly thank the following individuals: [Names to be provided].

Message from the Small Business Advocacy Team

It has been another challenging year for small businesses. While the most significant hardships brought by COVID-19 appeared to lessen, many small businesses were simultaneously forced to confront a host of new issues. This year has brought an acute awareness of disruptions to supply chains, rising interest rates, inflationary pressures, a constrained labor market, and heightened geopolitical conflicts.

For small businesses looking to raise capital, the "banner year" we discussed in our 2021 annual report quickly faded away. Raising investment capital became harder at every stage of the capital raising cycle. The challenges for underrepresented founders were even further magnified.

Now, more than ever, it is important to focus on the need for strong connections between founders and the investors looking to support them, as reflected in the visual theme of this year's annual report: building bridges. We call on Congress, the Commission, and our partners to support small businesses and their investors, with a particular focus on underrepresented founders and their investors.

On a more personal note, this year brought the departure from the SEC of Martha Legg Miller, the inaugural Director of the Office. Martha brought wisdom, vision, and creativity, all of which have come to define the work of the Office. Each of our annual reports has endeavored to embody those qualities. Martha's legacy is extensive and wide ranging—from our novel and interactive educational resources that break down the securities laws and empower entrepreneurs and their investors, to behind-the-scenes advocacy for policy changes that gave a voice within the Commission to entrepreneurs and investors alike. Thank you, Martha, for your public service. We hope this year's report shows that we are proud to continue passionate advocacy for small businesses and their investors!

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

Breaking Down Our Long Title

An independent office housed within the U.S. Securities and Exchange Commission, created by Congress

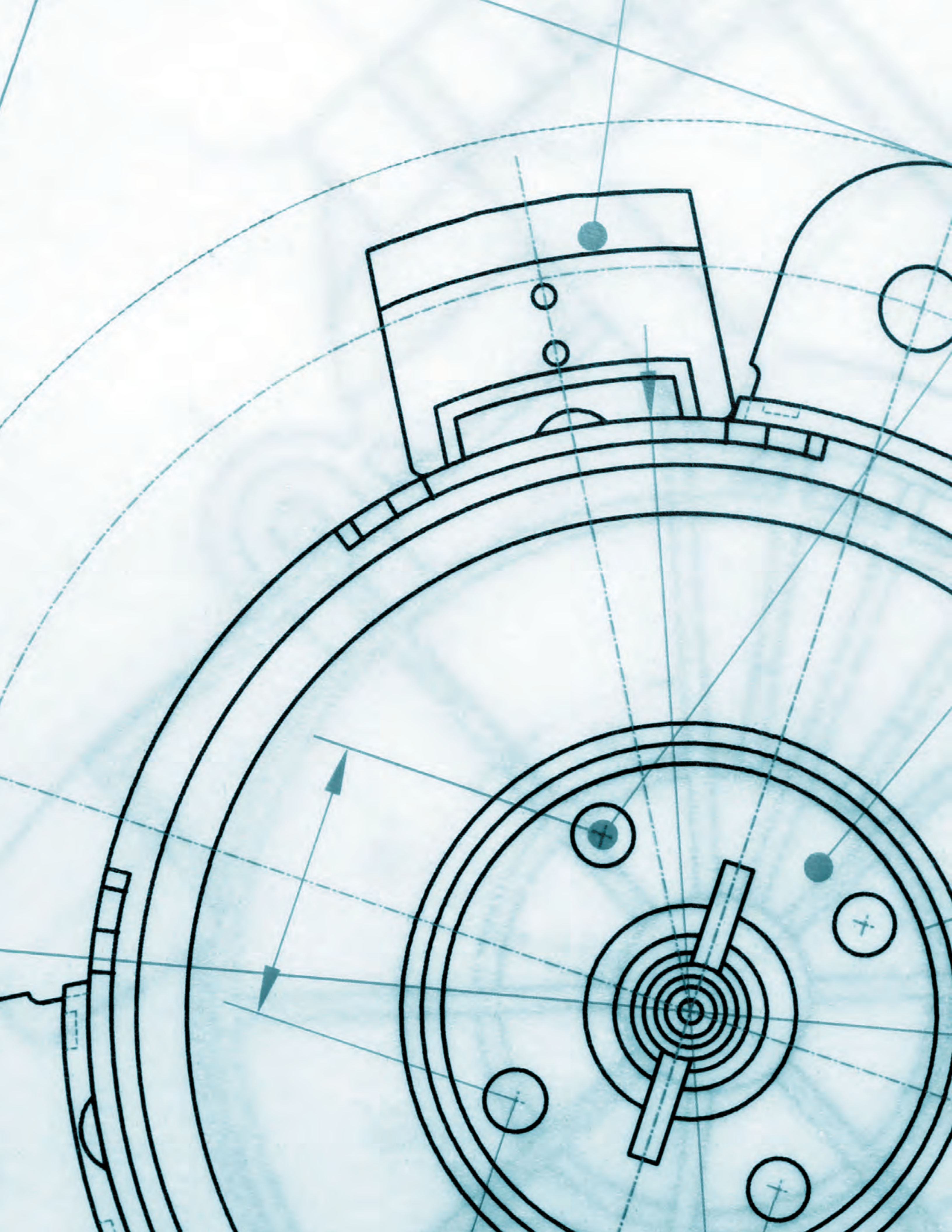
One called to use your voice for others, derived from Medieval Latin

Office of the Advocate for Small Business Capital Formation

From startups to small cap, "small" is relative for the Office, which supports emerging, privately-held companies up to small public companies

The deployment of productive capital by informed investors to create economic growth

Contents



About the Office

The Office advocates for solutions to address challenges faced by small businesses and their investors raising and deploying capital. "Small business" for the Office spans from early-stage startups raising seed capital, to later-stage private companies whose founders and investors are seeking liquidity in the public markets, all the way to smaller public companies. Congress established the Office via the bipartisan SEC Small Business Advocate Act of 2016 as an independent office within the U.S. Securities and Exchange Commission (SEC) that reports to the entire Commission as well as to multiple committees of Congress.

The Office approaches its advocacy mission by:

- Engaging with small businesses and their investors to understand their most pressing capital raising issues;
- Identifying unique capital raising challenges faced by minority-owned, women-owned, rural, and natural disaster-affected small businesses and their investors;
- Analyzing the potential impact of policy changes likely to significantly affect small businesses and their investors; and
- Advocating to Congress and the Commission for policy changes.

Mission

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

Core Values

- **ACCESSIBILITY** — We engage with both small businesses and their investors, as well as with the SEC, SROs, Congress, and other agencies on a regular basis through a variety of channels.
- **INCLUSIVITY** — We encourage people to speak openly and contribute authentically to facilitate greater trust and collaboration.
- **PRAGMATISM** — We approach problems with a solution-oriented mindset to make practical recommendations.
- **EFFICIENCY** — We operate like a lean startup, maximizing resources and focusing activities where the Office can have a meaningful impact.

Our Advocacy Team

SEBASTIAN GOMEZ ABERO
Deputy Director

JOHN CAVANAGH
Special Counsel

JENNY J. CHOI
Special Counsel

JULIE ZELMAN DAVIS
Senior Special Counsel

KIM DINWOODIE
Engagement Specialist

COURTNEY HASELEY
Special Counsel

SARAH R. KENYON
Capital Formation Analyst

JEPHTE LANTHIA
Special Counsel

VIKKI PORTER
Visual Design Strategist

AMY REISCHAUER
Strategic Engagement Advisor

JENNY RIEGEL
Policy Manager

MALIKA SULLIVAN
Executive Assistant

TODD VANLAERE
Law Clerk

FY2022 at a Glance

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.

Our reach extends coast to coast, across media platforms, and to a range of partners and organizations.

32 EVENTS
1/3 in person

68 SPEAKERS

36 HOURS of content

85+ @SECGov TWEETS and 2MM+ IMPRESSIONS across our social media platforms

2K+ ATTENDEES

24+ PARTNERS collaborated on events

52 U.S. STATES and territories, 10 TRIBAL NATIONS, and 25 COUNTRIES represented

Our educational resources cover a range of topics, are easily accessible, and are expanding.

1 CAPITAL RAISING HUB for all SEC small business resources

24K+ VISITS to the CAPITAL RAISING HUB

119K+ views of our EDUCATIONAL TOOLS and SMALL BUSINESS RESOURCES

1 NAVIGATOR TOOL to explore many pathways to capital

10 BUILDING BLOCKS

68 TERMS in our expanded CUTTING THROUGH THE JARGON glossary

3 YEARS OF DATA in our interactive CAPITAL TRENDS MAPS

8 new EDUCATIONAL VIDEOS

Outreach and Engagement

This year, we had opportunities to connect in person at outreach events and in small group gatherings. We also continued to leverage the benefits of remote engagement by reaching diverse audiences across the small business ecosystem and across the country through virtual events and speaking engagements. We found opportunities to share information about our Office's resources, programs, and services and to hear from small businesses, their investors, and other thought leaders in the market.

Entrepreneurs shared their challenges and successes building and funding their businesses.

> [Starting a business] is very tough. You have to have a passion for it. You have to believe in yourself and never accept no for an answer.
>
> — **DOKMAI WEBSTER**, *Founder and CEO*, Pivotal Point LLC

We heard from women and minority entrepreneurs about the unique challenges they face and how obstacles to capital raising are heightened for underrepresented groups.

> One struggle for a lot of underrepresented founders is that many don't have mentors. If only two percent of venture dollars are going to Black and minority founders, then there aren't that many to get advice from. Without that network and the advice of people who have been there before, [new founders] can't get there.
>
> — **DAVE LU**, *Founder and Managing Partner*, Hyphen Capital

Founders and investors across the country shared insights about the challenges and opportunities of raising capital outside of the traditional hubs.

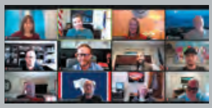
> As [local entrepreneurial ecosystems] develop and the number of firms increase over time in an area, you develop a critical mass that then makes it easier to attract subsequent investment.
>
> — **MARYANN FELDMAN**, *Watts Endowed Professor*, Arizona State University

We engaged with fund managers, investors, and entrepreneurs on how to increase diversity among capital allocators and the impact it could have on underrepresented founders.

> As a woman who has had success and came from very humble beginnings, it's my responsibility to recruit more women and people of color to invest. Because research shows that if you have more women and people of color investing, more women and people of color get funded.
>
> — **CAROLINE CUMMINGS**, *CEO*, Regional Accelerator & Innovation Network (RAIN)

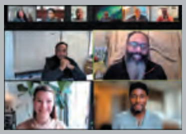
Highlights from FY2022

Some of the events in which we have engaged this year include:



Joined Wyoming founders, investors, and small business leaders for an engaging conversation hosted by **gBETA** about capital raising for early-stage Wyoming companies.

Joined **UNC's Black Technology Ecosystem Investors Certificate Program** to discuss rules on early-stage investing, focusing on building ecosystem capacity through the equitable inclusion of Black investors.



Showcased our Office's Capital Raising Navigator tool and other educational resources on a podcast with **Dave Lynn of TheCorporate Counsel.net**.

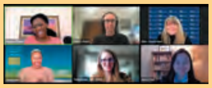
Discussed the SEC's role in expanding DE&I in capital formation and equity ownership with investors and entrepreneurs at the **Carta Equity Summit**.

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

Joined the **U.S. Small Business Administration** and the **Department of Treasury** for #NatlEshipWeek's **Funding & Financing Friday** event highlighting the wide array of government programs and resources available to entrepreneurs seeking to launch and grow a business.

Discussed diversity among capital allocators and entrepreneurs and bridging the divides at **Kenan's Frontiers of Entrepreneurship** Series.

Engaged in discussion on challenges women face when raising capital, especially women of color, at Phoenix, AZ event hosted by **Prestamos CDFI Women's Business Center**.



Shared challenges and insights on how historically under-financed entrepreneurs may seek to build investor networks and access capital raising resources at event hosted by **William Factory Small Business Incubator**.

Shared an overview of the SEC and capital raising pathways with cohort of **Florida International University MBA** students interested in entrepreneurial ventures.

Q1 FY2022

Q2 FY2022

Hosted the SEC's 41st annual **Small Business Forum**.

Engaged with students from **University of Missouri-Kansas City**'s executive MBA program on the SEC's rulemaking and regulatory processes.

Delivered the keynote presentation at the **Michigan Celebrates Angels** annual event celebrating the success of angel investors in Michigan startups and early-stage technology-based companies.

Joined the **Department of Treasury** and state and tribal representatives for an overview of how federal securities laws apply to investment capital raising—specifically for State Small Business Credit Initiative equity program investments.

Featured in the **National Diversity Coalition's** town hall panel discussion highlighting the need to bridge access to educational and legal resources for minority-owned small businesses—with specific focus on empowering the AAPI community.

Joined the **Capital Region Minority Supplier Development Council** for a panel discussion on the challenges facing minority business owners.

Participated in a roundtable hosted by **Engine** during **#StartupAdvocacyWeek** on innovative endeavors by entrepreneurs across the country.

Joined the **University of Houston C.T. Bauer College of Business** for a series of discussions on entrepreneurship, capital raising, and the importance of diversity, equity, and inclusion.

Led a webinar on equity capital raising hosted by **Small Business Majority** on challenges facing women and minority business owners and demonstrated SEC tools to empower entrepreneurs.

Shared SEC tools and resources for empowering business owners to learn more about capital raising at a workshop hosted by **KiwiTech**.

Q3 FY2022

Q4 FY2022

41st 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.[11] The Forum covers a broad range of issues affecting small businesses and their investors, from early-stage entrepreneurial ventures to smaller public companies.

This year marked the 41st Forum, which the Office hosted virtually over four days from April 4-7, 2022. Each day featured speakers with in-depth knowledge of the issues facing small businesses across the country, spotlighting the following topics:

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 July 28, 2022, the Commission delivered the 2022 Forum Report to Congress, which summarizes the Forum proceedings, including the recommendations developed by participants for changes to the capital raising framework and the Commission's responses to those recommendations.

CAPITAL RAISING HUB

Educational Tools and Resources

In the fall of 2021, in partnership with other SEC offices and divisions, we launched our Capital Raising Hub,[2] a centralized portal for educational tools and resources for entrepreneurs and their investors. We have continued to expand and update the Capital Raising Hub in response to feedback from small businesses and investors to make it easier to find all of our small business resources. In addition, the Capital Raising Hub is now directly accessible under the "Education" tab on the SEC's homepage. Visitors to the Hub will find resources to support each phase of the capital raising journey.

Getting Started: Understanding the Fundamentals

Navigate Your Options

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

Cutting Through the Jargon

We also have expanded our curated glossary of key terminology that makes the language of capital raising more accessible to small businesses and their investors.

Building Blocks

This year, we launched the first of several installments of our suite of educational materials that break down fundamental securities law concepts into plain language. We have continued to expand this collection of resources based on feedback received directly from prospective users through our outreach efforts.

Capital Raising Video Gallery

As part of the expansion of our Capital Raising Hub, we launched our new Capital Raising Video Gallery, where users can find a number of educational videos, including our Capital Raising 101 series and other videos highlighting pertinent capital raising topics and data.

Continuing the Journey: Exploring Pathways to Raise Capital

Exempt Offerings

Through the more comprehensive Capital Raising Hub, users can find our resources on common capital raising pathways—like how to raise capital from investors without registering the offer and sale of those securities with the SEC.

Going Public

The expanded Capital Raising Hub also directs users to resources on how to prepare for and raise capital through a registered public offering.

Rulemaking Video Gallery

In our efforts to monitor the potential impact of policy changes on small businesses and their investors, we launched several videos that provide a high-level summary of relevant policies or rulemaking initiatives that the Commission is considering.

The Landscape:
Data, Research, and Other Resources

Capital Trends Maps

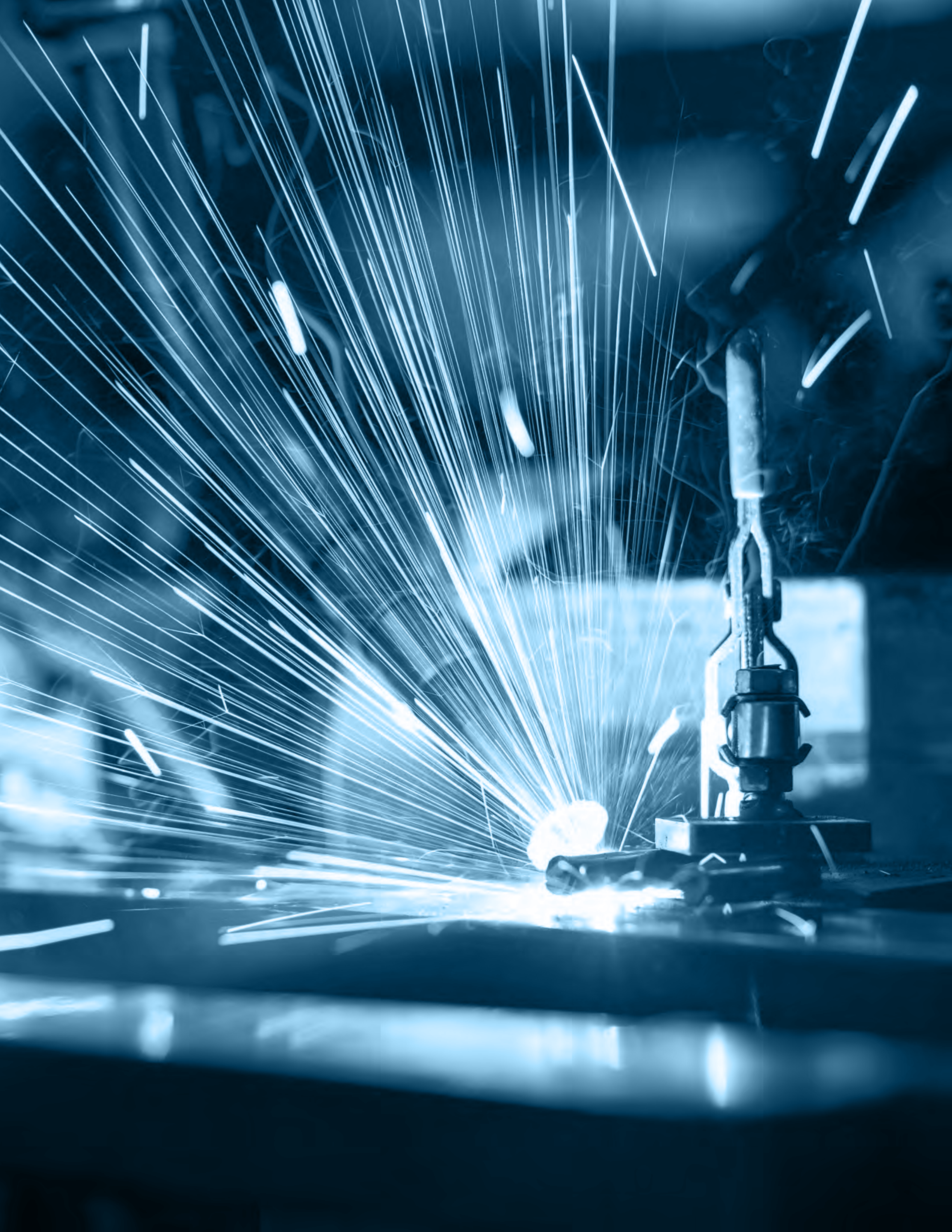
We regularly update the data available through our interactive maps to allow users to stay informed about how and where capital is being raised across the country.

Research Reports

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

Small Business Compliance Guides

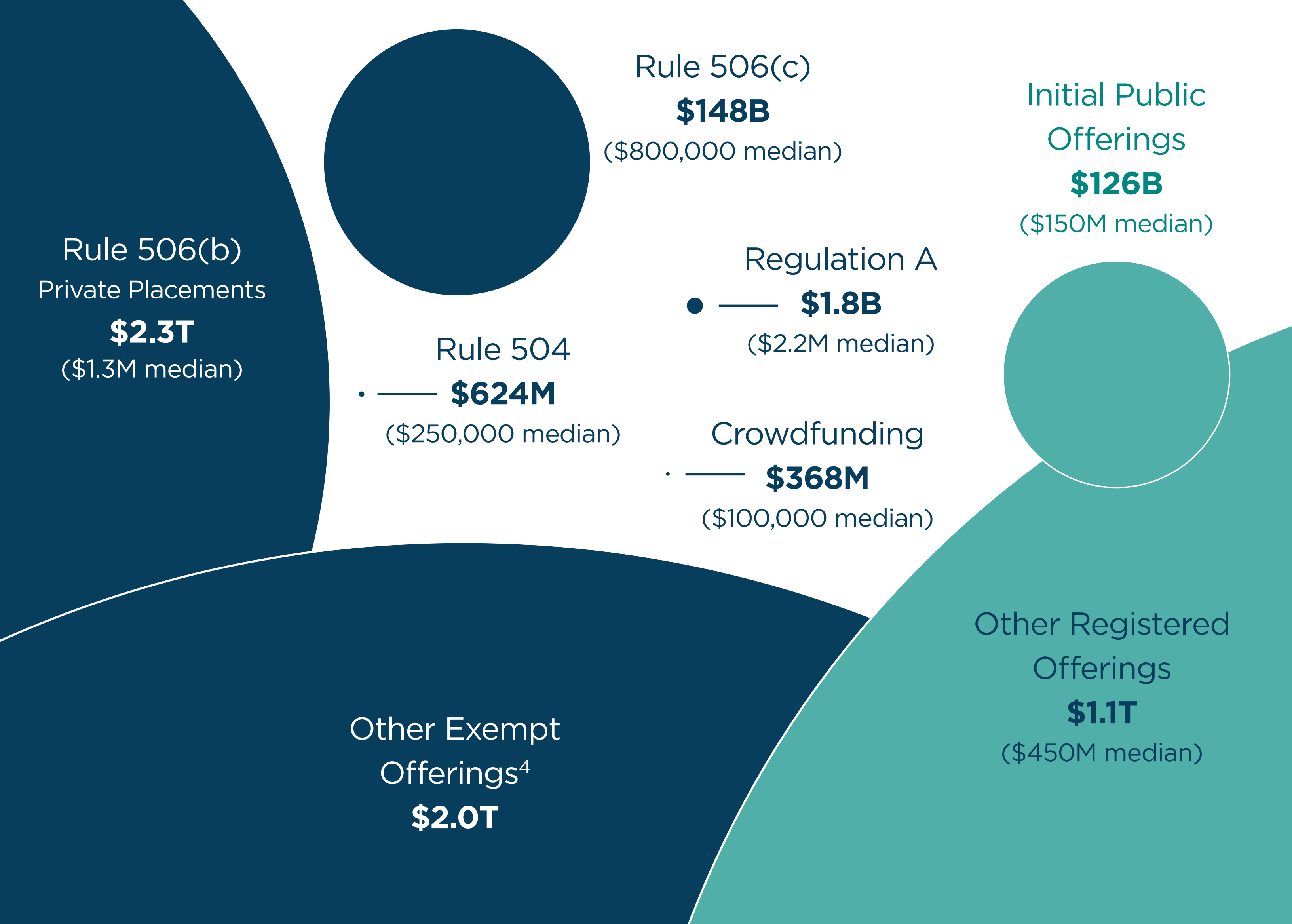
Our comprehensive Capital Raising Hub affords easy access to the SEC's small business compliance guides, which provide valuable information on SEC rules on offering and selling securities and financial and other reporting by public companies and how they may affect smaller businesses.



State of Small Business Capital Formation

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 figures and findings from third parties. We hope this approach provides a comprehensive snapshot of the state of U.S. small business capital formation, amalgamating 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. The data supplements anecdotal evidence and helps quantify the successes and challenges in small business capital formation nationwide. Unless otherwise indicated, the data period for DERA data is July 1, 2021 to June 30, 2022. Using data, we can better identify what tools, strategies, and approaches would be most helpful in crafting policy solutions.

What regulatory pathways are companies using to raise capital?[3]



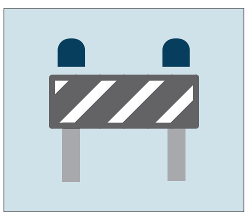
What pathways are available to raise capital from investors?

EXEMPT OFFERINGS

Offerings conducted pursuant to an exemption from registration are often referred to as exempt offerings. There are multiple exemptions available for small businesses looking to raise capital from investors.

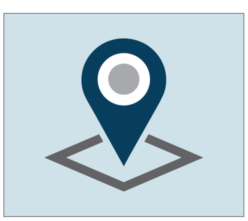
Rule 506(b) Private Placements allow companies to raise unlimited capital from investors with whom the company has a relationship and who meet certain wealth thresholds or have certain professional credentials. A company cannot use general solicitation in a 506(b) private placement.[5]

Rule 506(c) General Solicitation Offerings allow companies to raise unlimited capital by broadly soliciting investors who meet certain wealth thresholds or have certain professional credentials.[6]



Rule 504 Limited Offerings allow companies to raise up to $10 million in a 12-month period, in many cases from investors with whom the company has a relationship.[7]

Regulation Crowdfunding Offerings allow eligible companies to raise up to $5 million in investment capital in a 12-month period from investors online via a registered funding portal.[8]



Intrastate Offerings allow companies to raise capital within a single state according to state law. Many states limit the offering to between $1 million to $5 million in a 12-month period.[9]

Regulation A Offerings (sometimes called a "mini-IPO") allow eligible companies to raise up to $20 million in a 12-month period in a Tier 1 offering and up to $75 million in a 12-month period in a Tier 2 offering through a process similar to, but less extensive than, a registered offering.[10]

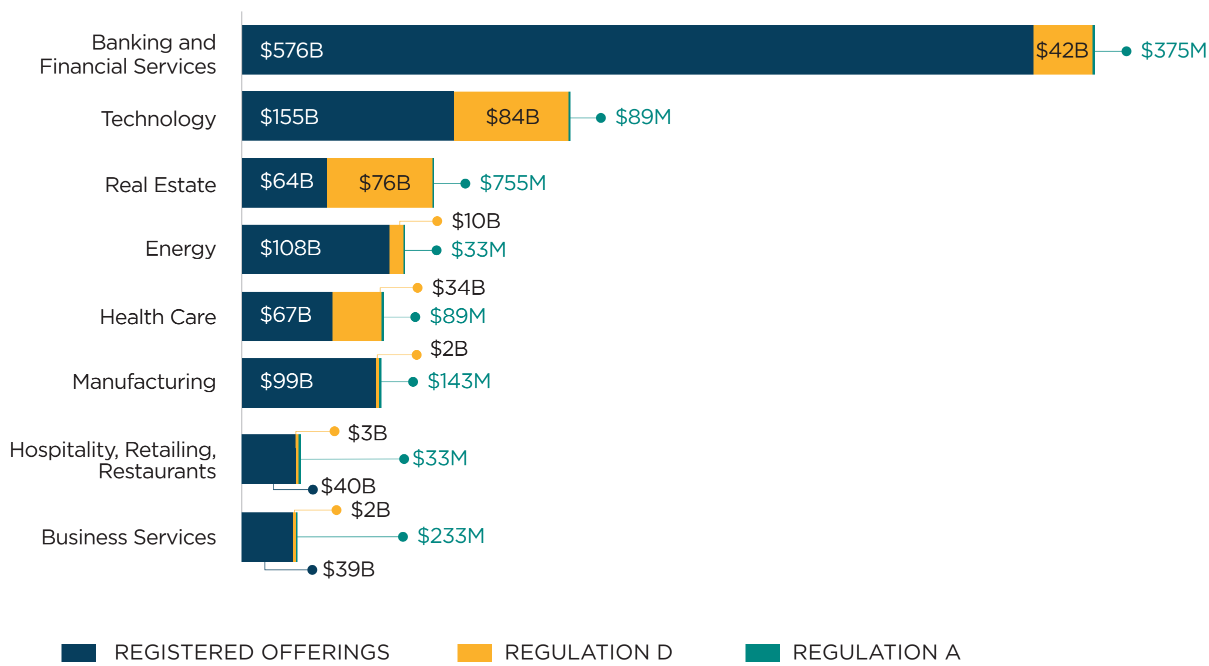
REGISTERED PUBLIC OFFERINGS

A registered public offering is commonly used to describe an offer and sale of securities that has been registered under the Securities Act. Companies must file a registration statement with the SEC and may not sell the securities until the SEC declares the registration statement effective.

Initial Public Offerings (IPOs) provide an initial pathway for companies to raise unlimited capital from the general public through a registered offering. After its IPO, the company will be a public company with ongoing public reporting requirements.[11]

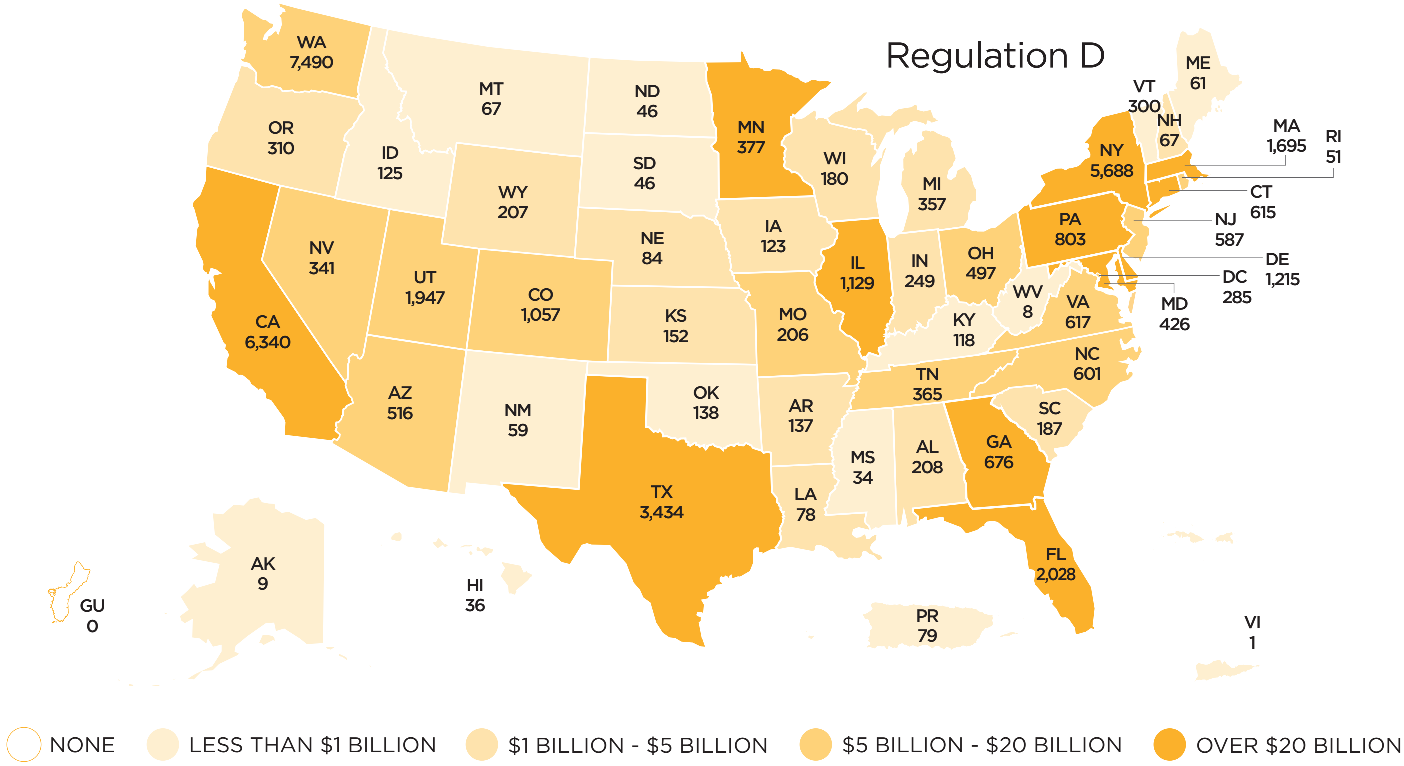
Secondary Registered Offerings allow companies to raise unlimited capital through secondary offerings using a registration statement filed with the SEC.[12]

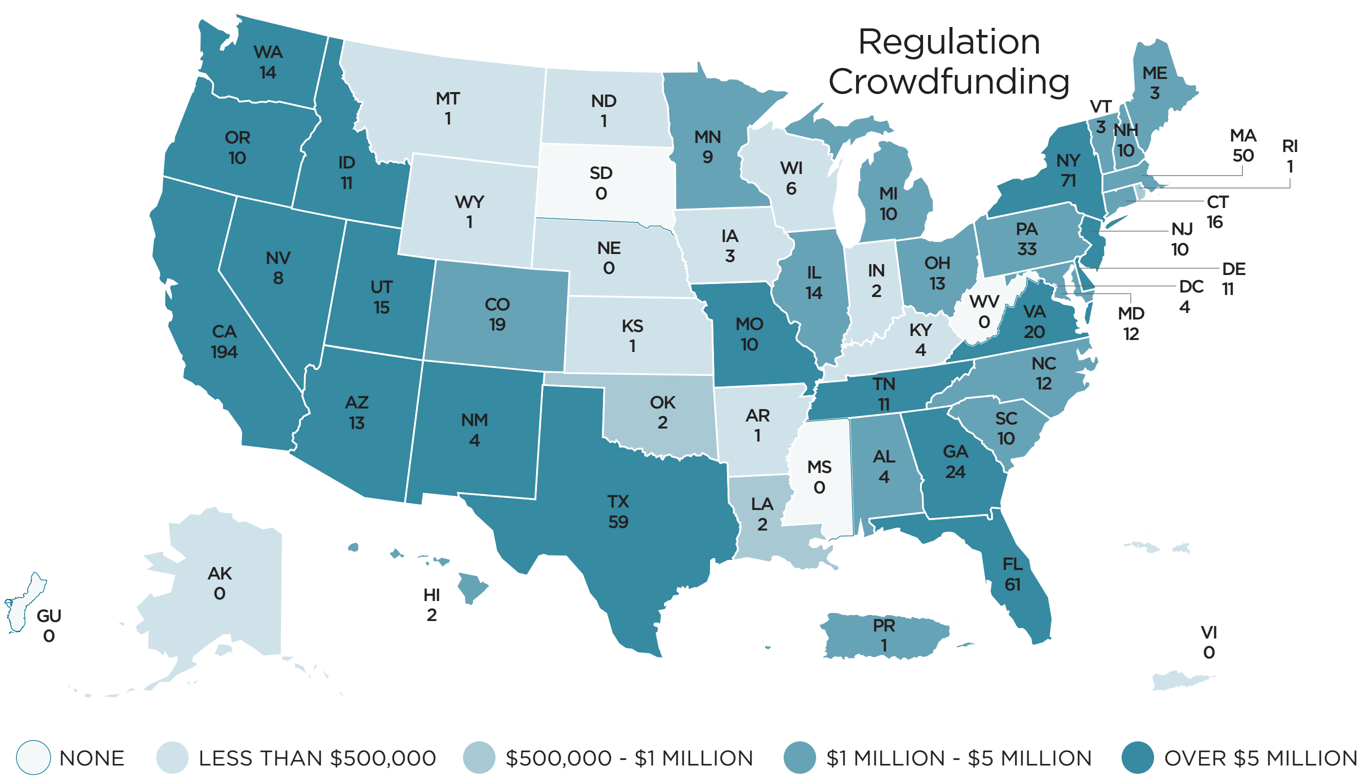
How are different industries using the top 3 offering pathways to raise capital (excluding pooled funds)?[13]

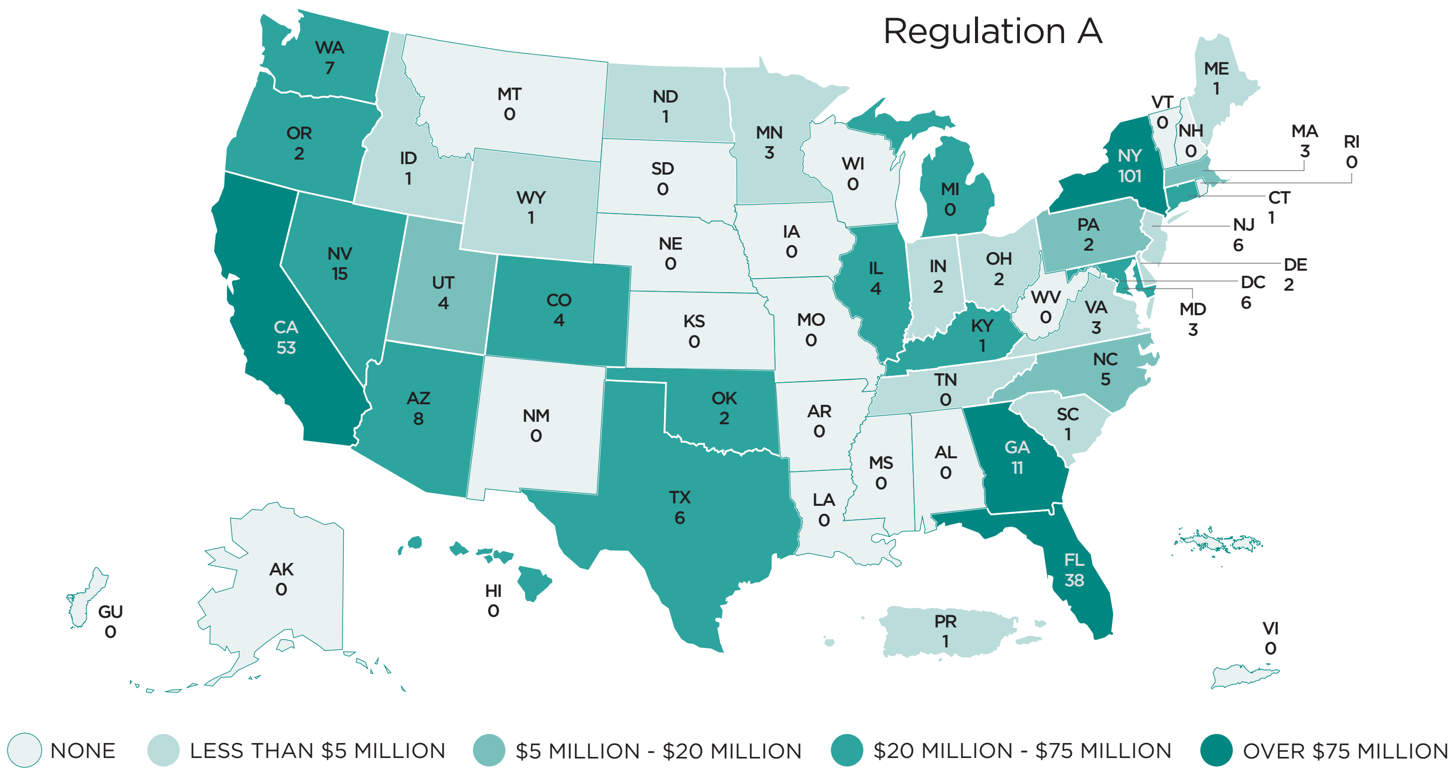


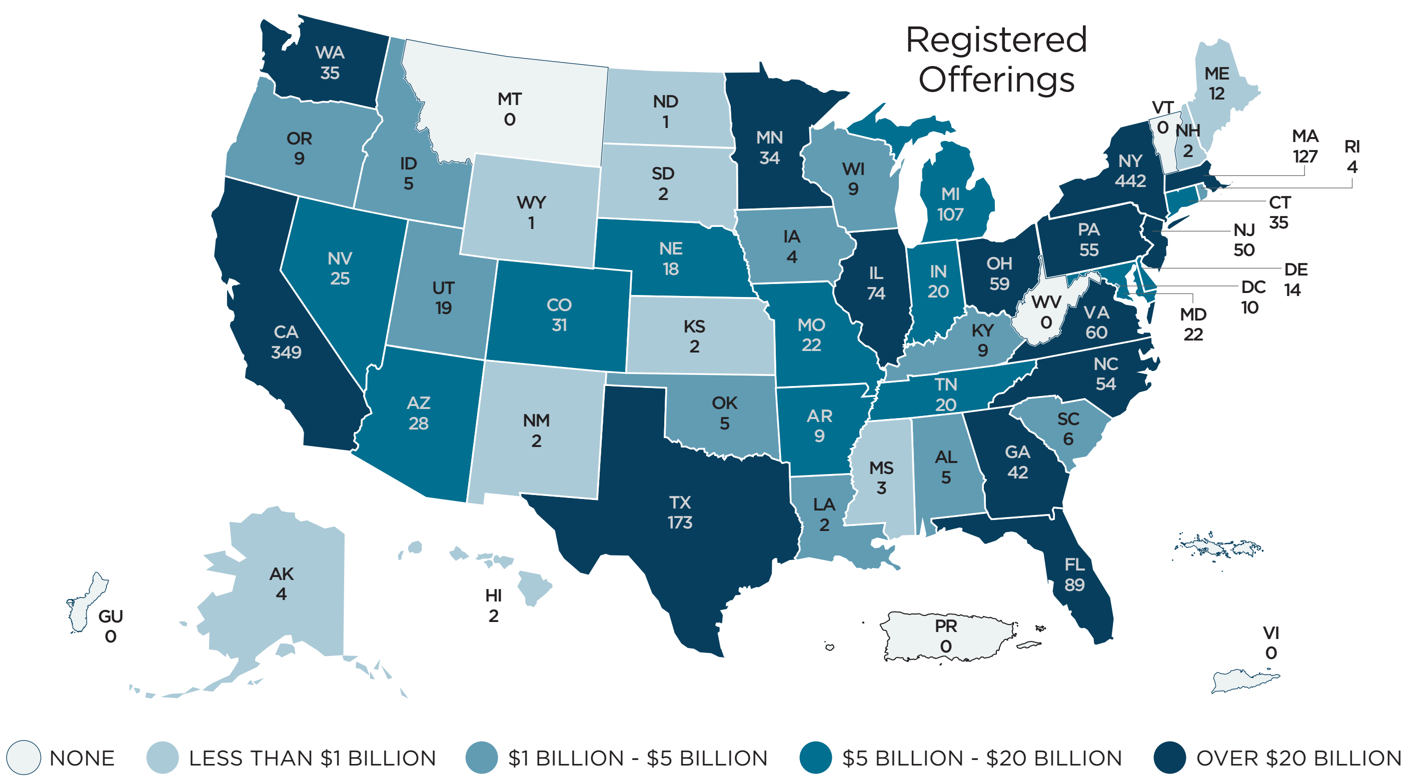
Where are companies raising capital?[14]

The following maps illustrate the concentration of estimated total capital raised under various offering types by issuers that report a primary location in the U.S., with the number of offerings conducted indicated on each state.



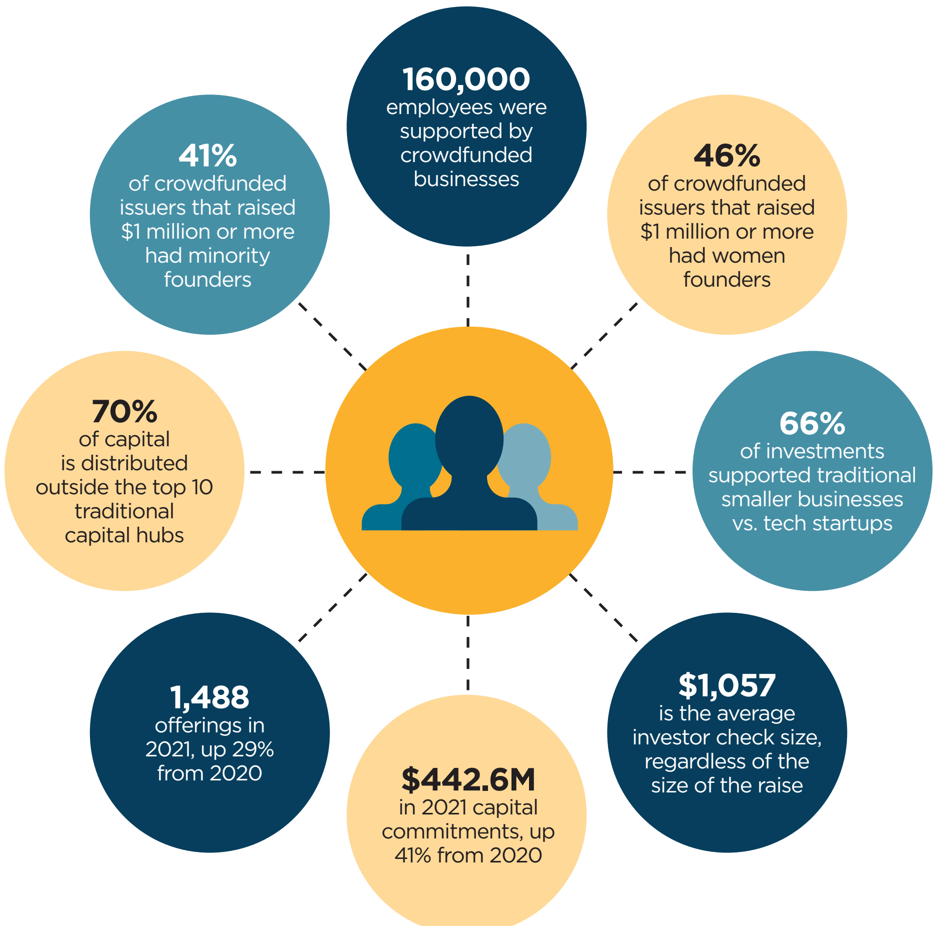



Regulation A
WA 7
OR 2
CA 53
NV 15
ID 1
MT 0
WY 1
UT 4
AZ 8
CO 4
NM 0
ND 1
SD 0
NE 0
KS 0
OK 2
TX 6
MN 3
IA 0
MO 0
AR 0
LA 0
WI 0
IL 4
MI 0
IN 2
OH 2
KY 1
TN 0
MS 0
AL 0
GA 11
FL 38
SC 1
NC 5
VA 3
WV 0
PA 2
NY 101
VT 0
NH 0
ME 1
MA 3
RI 0
CT 1
NJ 6
DE 2
DC 6
MD 3
AK 0
HI 0
GU 0
PR 1
VI 0
NONE
LESS THAN $5 MILLION
$5 MILLION - $20 MILLION
$20 MILLION - $75 MILLION
OVER $75 MILLION

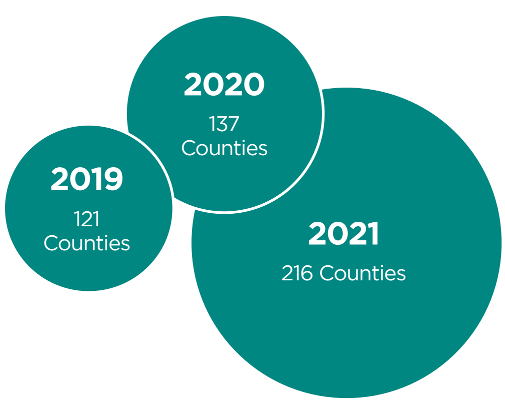

Registered Offerings
WA 35
OR 9
CA 349
NV 25
ID 5
MT 0
WY 1
UT 19
AZ 28
CO 31
NM 2
ND 1
SD 2
NE 18
KS 2
OK 5
TX 173
MN 34
IA 4
MO 22
AR 9
LA 2
WI 9
IL 74
MI 107
IN 20
OH 59
KY 9
TN 20
MS 3
AL 5
GA 42
FL 89
SC 6
NC 54
VA 60
WV 0
PA 55
NY 442
VT 0
NH 2
ME 12
MA 127
RI 4
CT 35
NJ 50
DE 14
DC 10
MD 22
AK 4
HI 2
GU 0
PR 0
VI 0
NONE
LESS THAN $1 BILLION
$1 BILLION - $5 BILLION
$5 BILLION - $20 BILLION
OVER $20 BILLION

What is happening with Regulation Crowdfunding offerings?

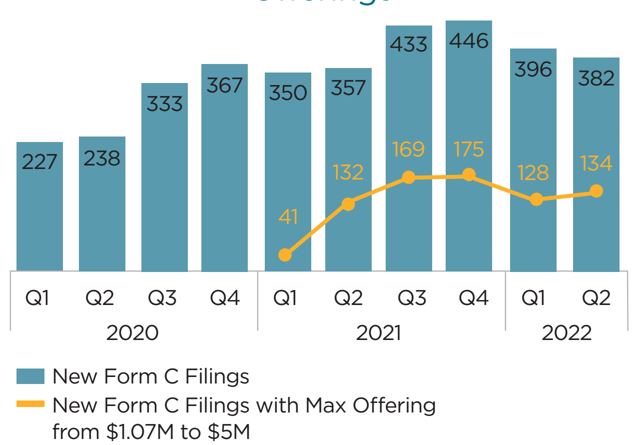
The number and amount of crowdfunding offerings continue to increase, supporting more women-founded, minority-founded, and geographically diverse companies across the U.S.[15]



U.S. Counties with Crowdfunded Companies[16]

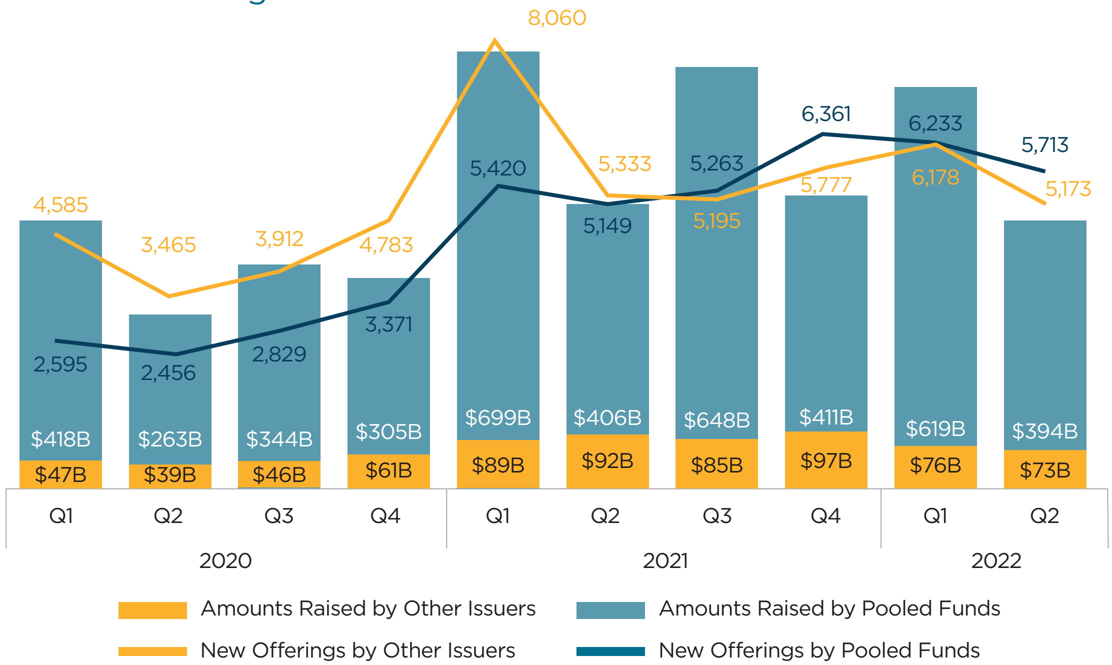


Quarterly New Crowdfunding Offerings[17]

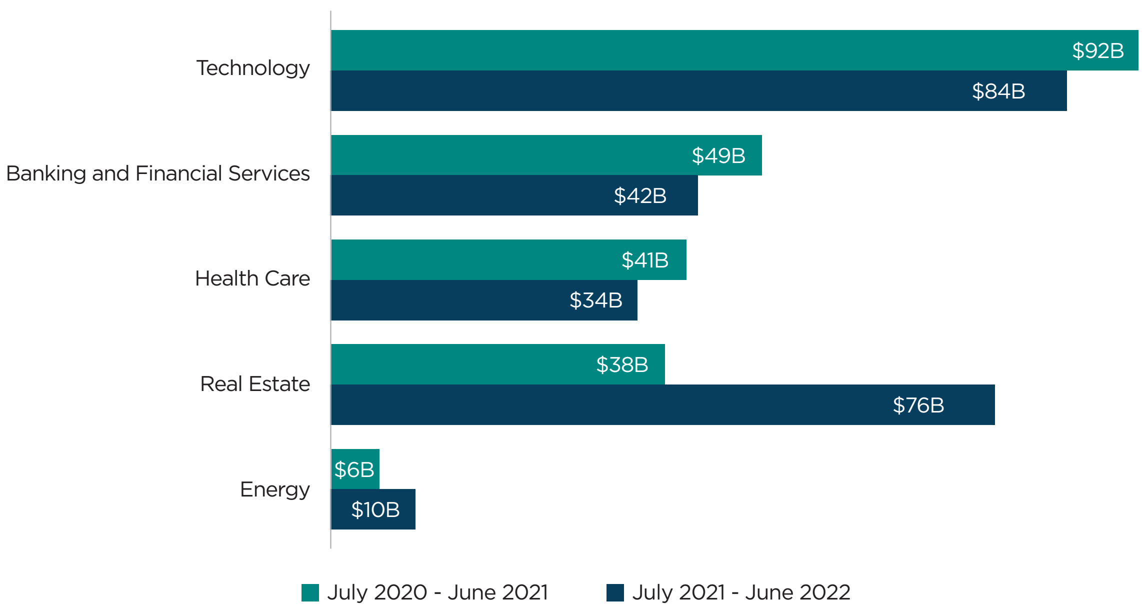


What is happening with Regulation D offerings?

Pooled funds continue to account for over 85 percent of the funds raised under Regulation D.[18]

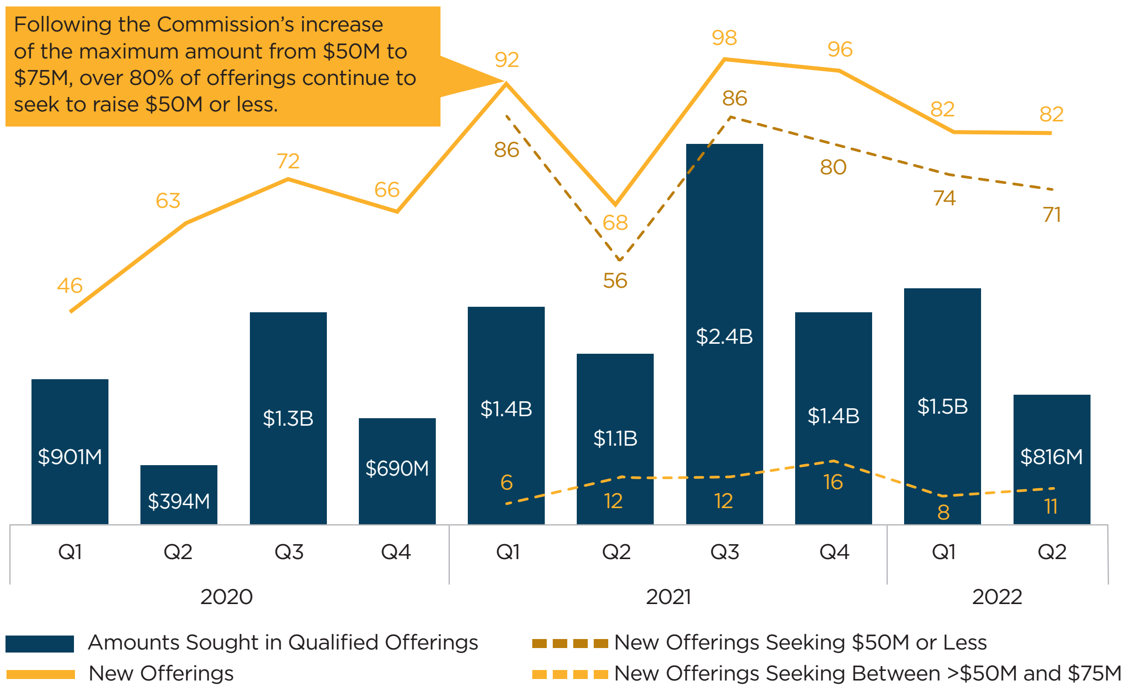


What are the top industries raising capital through Regulation D (excluding pooled funds)?[19]

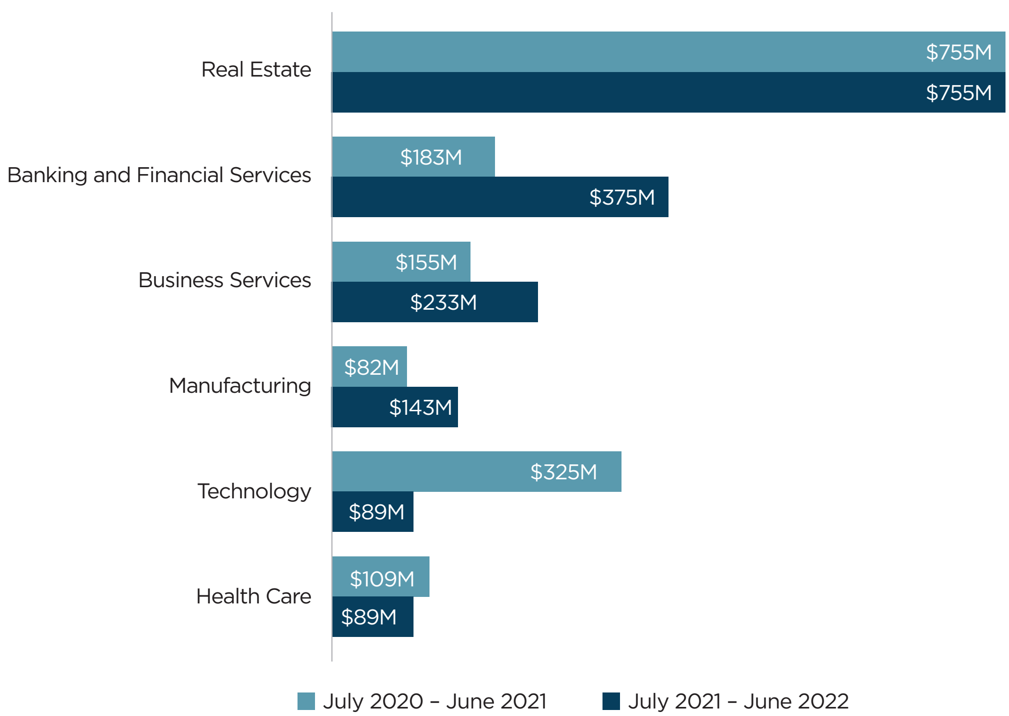


What is happening with Regulation A offerings?

The amounts sought have declined following the peak in the third quarter of 2021.[20]

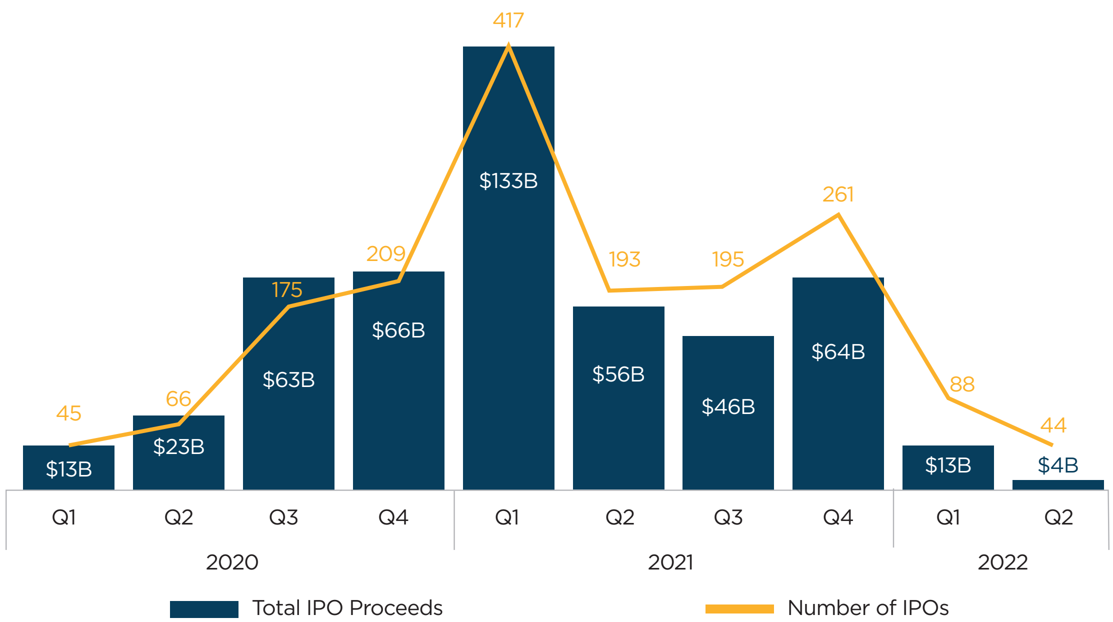


What are the top industries seeking capital through Regulation A?[21]

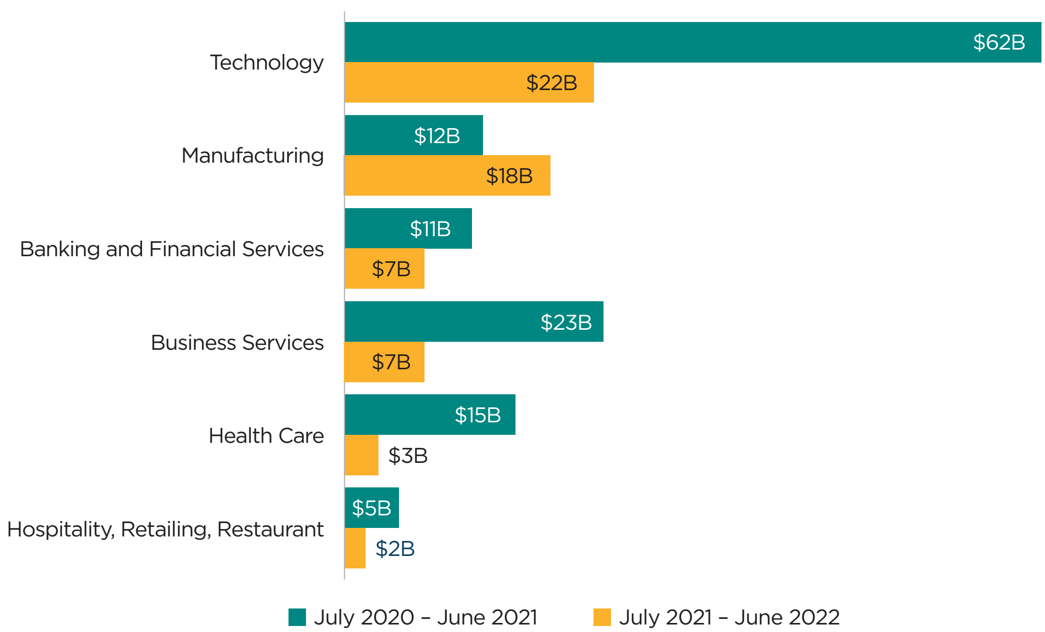


What is happening with IPO activity?

While 2020 and 2021 were busy years for the IPO market, there has been a downward trend in the first half of 2022 in terms of both volume and amount of initial public offerings and other public offerings.[22]



What are the top industries raising capital in IPOs (excluding pooled funds)?[23]

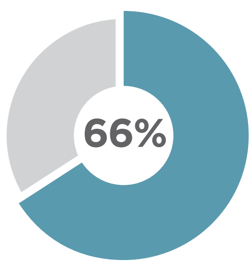


Small and Emerging Businesses

This segment of companies includes both high-growth startups that raise capital to get off the ground and launch early prototypes, as well as small businesses that create local jobs but may not fit the high-growth model that is the typical target of venture capital (VC) investments.[24]

Why is access to capital for small and emerging businesses so important?

Small businesses have an outsized impact on job creation.



Small businesses
have accounted for 66% of employment growth over the past 25 years.[25]

61.7 million Americans
are employed by a small business (46.4% of U.S. employees).[26]

Small businesses remain central to our society and the American dream. For the third year in a row, **the public has the most confidence in small businesses** out of 16 categories of major institutions in American society.[27]

> "Capital remains among the most impactful ways to strengthen access to entrepreneurship ... When business owners do not have access to personal funds or quality capital, they are less able to take the risks necessary to grow their businesses, artificially stifling the marketplace.
>
> EWING MARION KAUFFMAN FOUNDATION[28]

Early-stage entrepreneurs report struggles and need support as they build new companies

Access to capital remains a persistent barrier to growth for all entrepreneurs.

Access to capital was the **number one barrier** to company survival.[29]

75% of entrepreneurs have experienced **challenges in obtaining capital**.[30]

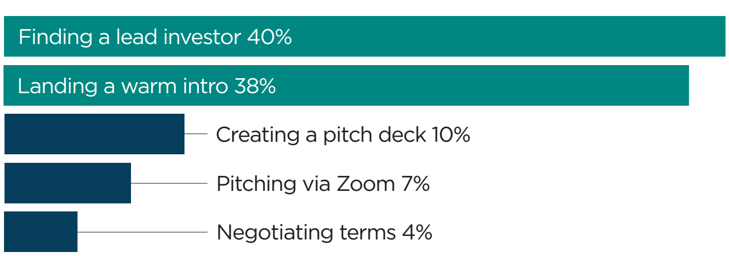
89% of entrepreneurs say access to capital is **limiting their business growth potential**.[31]

78% of entrepreneurs say access to capital is **limiting their day-to-day operations**.[32]

Entrepreneurs need support in accessing capital.

73% of owners are looking for support in preparing to apply for and using business financing.[33]

Bridging gaps between entrepreneurs and investors remains the biggest challenge for early-stage startups when raising capital.[34]



Robust ecosystems add to the success of early-stage startups.

Individuals with a mentor are **5X** more likely to plan to start a business than those who do not have a mentor.[35]

The introduction of **accelerators** to a region has a significant impact on the **number of early-stage deals** for new businesses.[36]

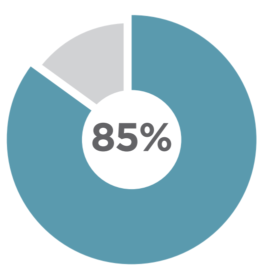
Several metrics of entrepreneurship have improved, but many small businesses have not recovered to prepandemic levels

In 2021, **5.4 million new business applications** were filed—more than 20% higher than any previous year on record.[37]

74% of all counties had more business establishments in Q3 2021 than they did prior to the pandemic.[38]

82% of new startups survived one year after founding (up from 78% in 2020 and 79% in 2019).[39]

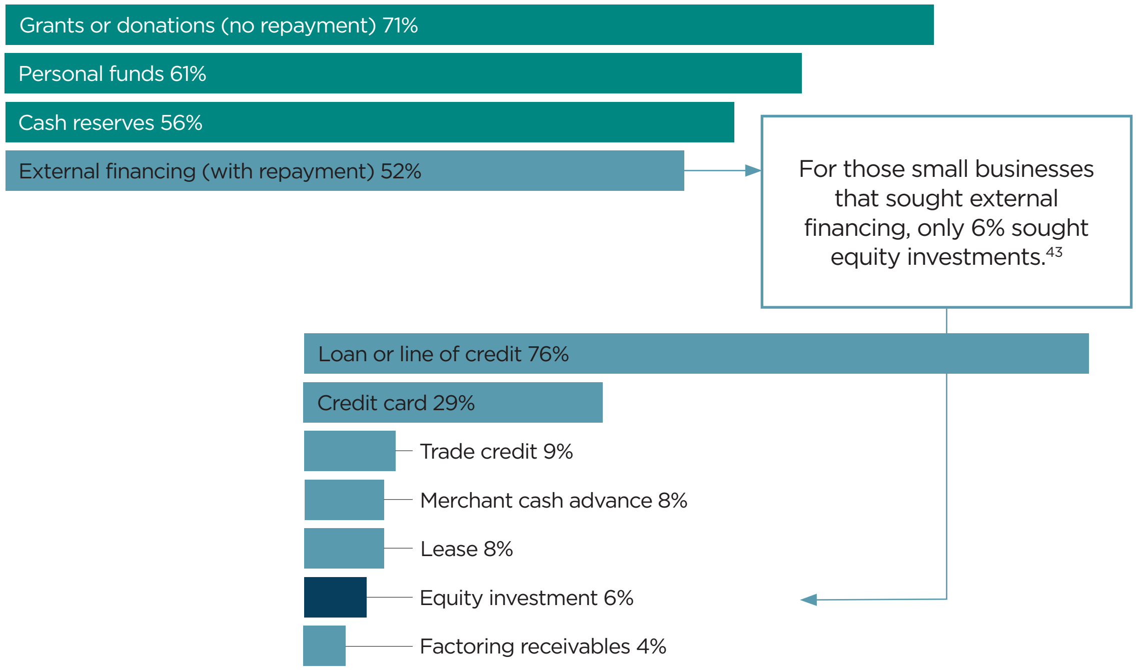
An increasing percentage of small businesses are experiencing financial challenges.[40]



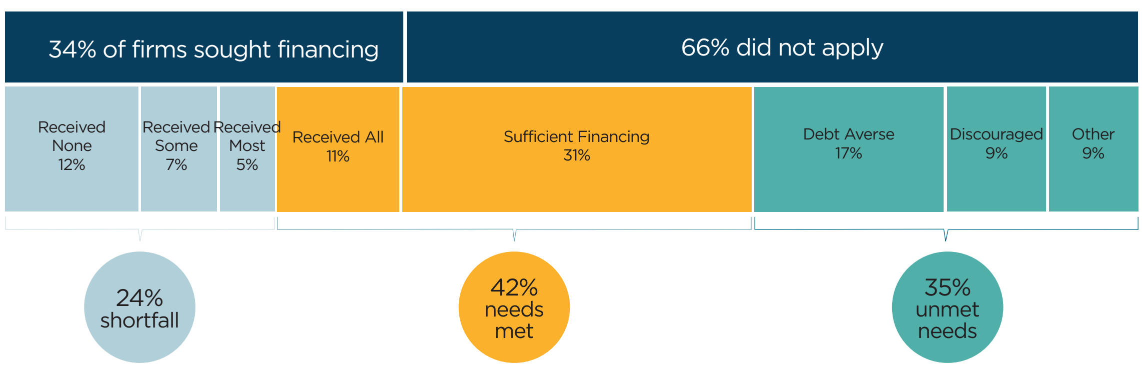
of small businesses **experienced financial challenges** in 2021 (up from 81% in 2020 and 66% in 2019).

> Many small businesses have not recovered to prepandemic levels, in terms of both revenue and employment, with the effects of the pandemic hitting disproportionately hard among firms in the leisure and hospitality sector, smaller firms, and firms owned by people of color.
>
> FEDERAL RESERVE BANKS[41]

What are common sources of capital for small and emerging businesses when facing financial challenges?[42]



In 2021, fewer small businesses than in prior years received all of their requested funding or met their financing needs.[44]



Zooming in on the 34% of businesses that sought financing, **only 31% of these applicants received all of the funding they sought** (down from 36% in 2020 and 51% in 2019).[45]

Angel investors continue to be a significant source of early-stage capital

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

Angel investment in 2021

363,460 active angel investors[46]
(8.6% increase from 2020)

69,060 entrepreneurial ventures received angel funding[47]
(7.1% increase from 2020)

$29.1 billion in total angel investments[48]
(15.2% increase from 2020)

$421,675 average angel funding round[49]
(7.6% increase from 2020)

17.7 deals on average per angel group[50]
(down from 19.5 deals in 2020)

32% of seed capital came from angel investments
(compared to 19% in 2020)[51]

4.4 jobs are created per angel investment
(up from 3.9 jobs per deal in 2020)[52]

1 in 4 chance of an entrepreneur securing an angel investment
(in 2021 the yield rate declined to 24.1% from 30.8% in 2020)[53]

26% of angel deals included an angel seat on the board of the portfolio company[54]

Over 80% of angel deals and investments are in seed and Series A rounds, where angels have the greatest impact[55]

What is happening with seed fundraising?

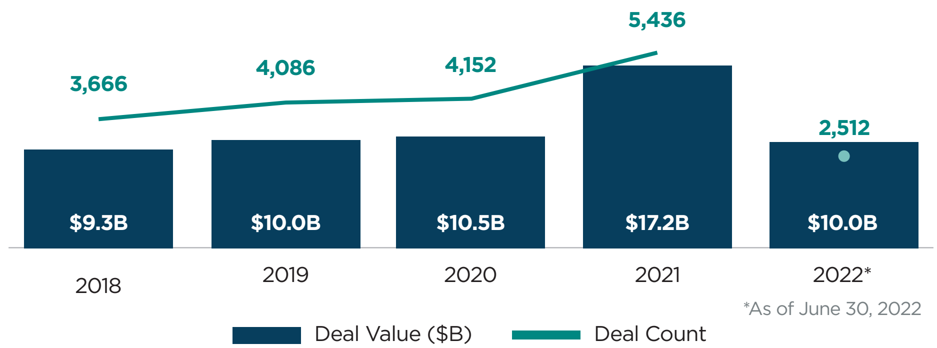
A pre-seed or seed round is typically a company's first funding round. This round may include funding from friends and family, angel investors, or early-stage funds. Capital at this stage is often used for product development and market research.[56] Given the early stage, businesses in an angel or seed round are the furthest from the public market, insulating those companies from challenges arising in later stages of financing.[57]

In recent years, the number of seed rounds and seed firms have increased.

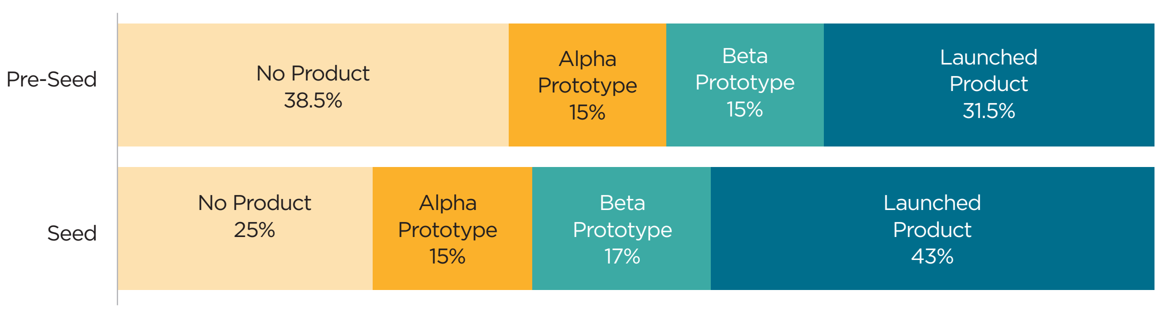
The **number of seed rounds** in 2015-2019 reflected a **10X increase** compared to the five-year period a decade earlier.[58]

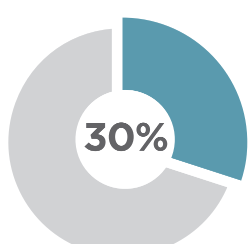
The **number of seed firms** in the U.S. in 2022 is estimated to exceed **2,000** (in 2012, there were 112 active U.S. seed firms).[59]

Seed activity remained strong, despite a slight drop in deal counts.[60]



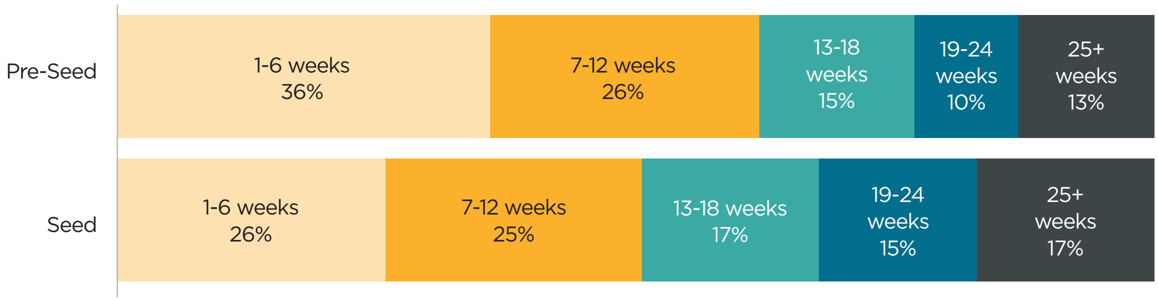
Early-stage businesses seeking pre-seed and seed funding are at different stages of product readiness.[61]





of pre-seed companies raised funding in 2021 and 2022 before launching a product (up from 8% in 2020).[62]

In 2021, how long did it take to fund pre-seed and seed rounds?[63]



The average pre-seed fundraising time **increased to 15 weeks** in the first half of 2022 (compared to 13.5 weeks in 2021).[64]

Since early 2022, pre-seed fundraising is becoming more competitive for founders in an investor-friendly market.[65]

Investors

↓ 23%

Less time engaging with pitch decks

Founders

↑ 30%

More pitch decks sent per week

What are the average costs of seed fundraising?[66]

19.7%

Average percent of equity sold to investors

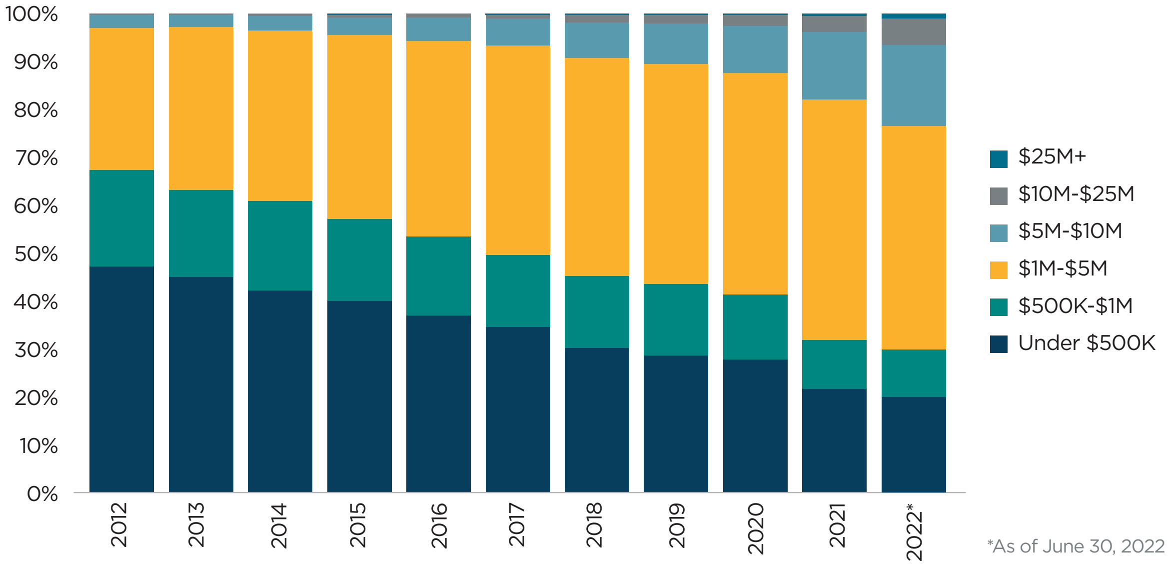
10.1%

Average amount of the equity allocated to the employee options pool

$28,800

Average closing costs

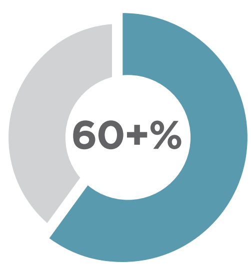
While the average angel deal size in 2021 was $421,675,[67] the vast majority of seed deals exceeded $1 million.[68]



Micro funds – funds raising $50 million or less – continue to strengthen seed activity.[69]

Over 1,600 micro funds have closed since the beginning of 2018, including nearly 200 in the first half of 2022.[70]

From 2018 to 2021, micro funds raised between $4 and $5 billion annually (representing 4% of the deal value but 40% of the deal count).[71]

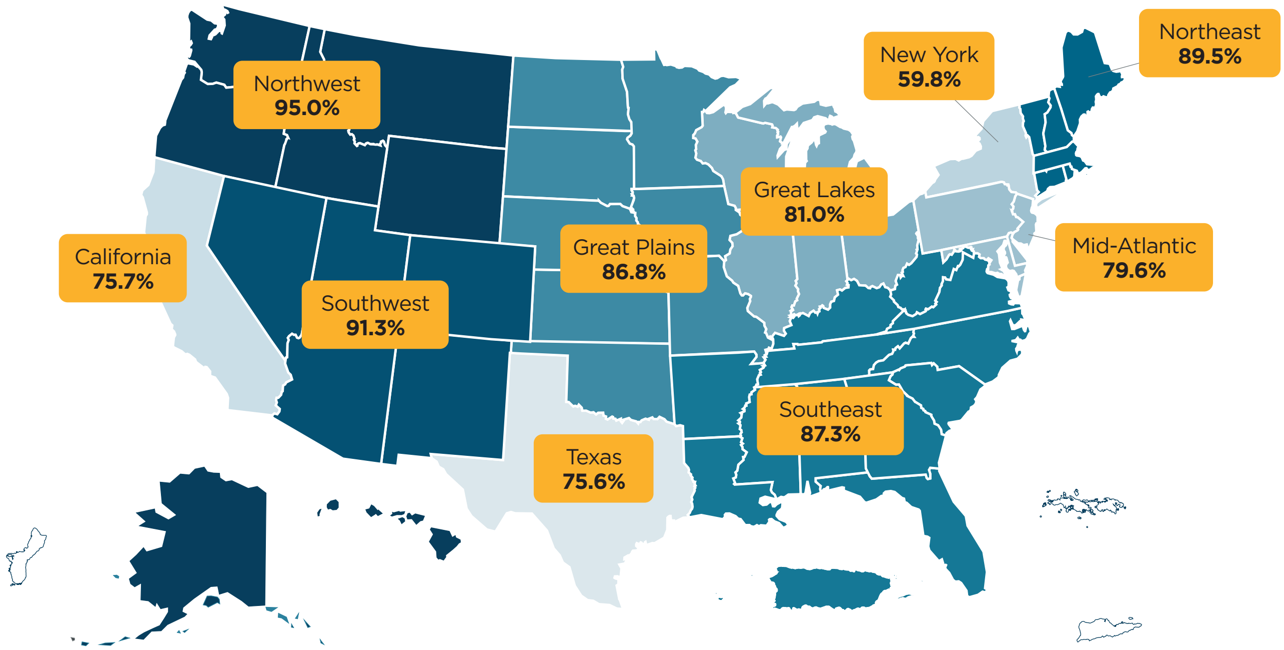


of micro funds are raised by emerging managers.[72]

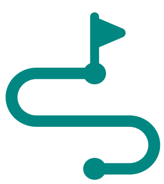
> [T]he investment power of these small funds is multiplied by the networks they bring into new ecosystems. As more companies receive local investment, the growing cohort of companies will be able to draw capital from larger funds located in other areas. This itself is a major reason for needing local capital, as those firms will have a larger network and reach than many of the founders needing to raise capital.
>
> KYLE STANFORD, PITCHBOOK[73]

Many early-stage investors continue to fund companies within their region[74]

The percentage of angel investments remaining within their region continues to increase.[75]



Seed funding has expanded into smaller ecosystems, but remains localized.[76]



The median distance between a company and a seed lead investor is **94 miles**.[77]

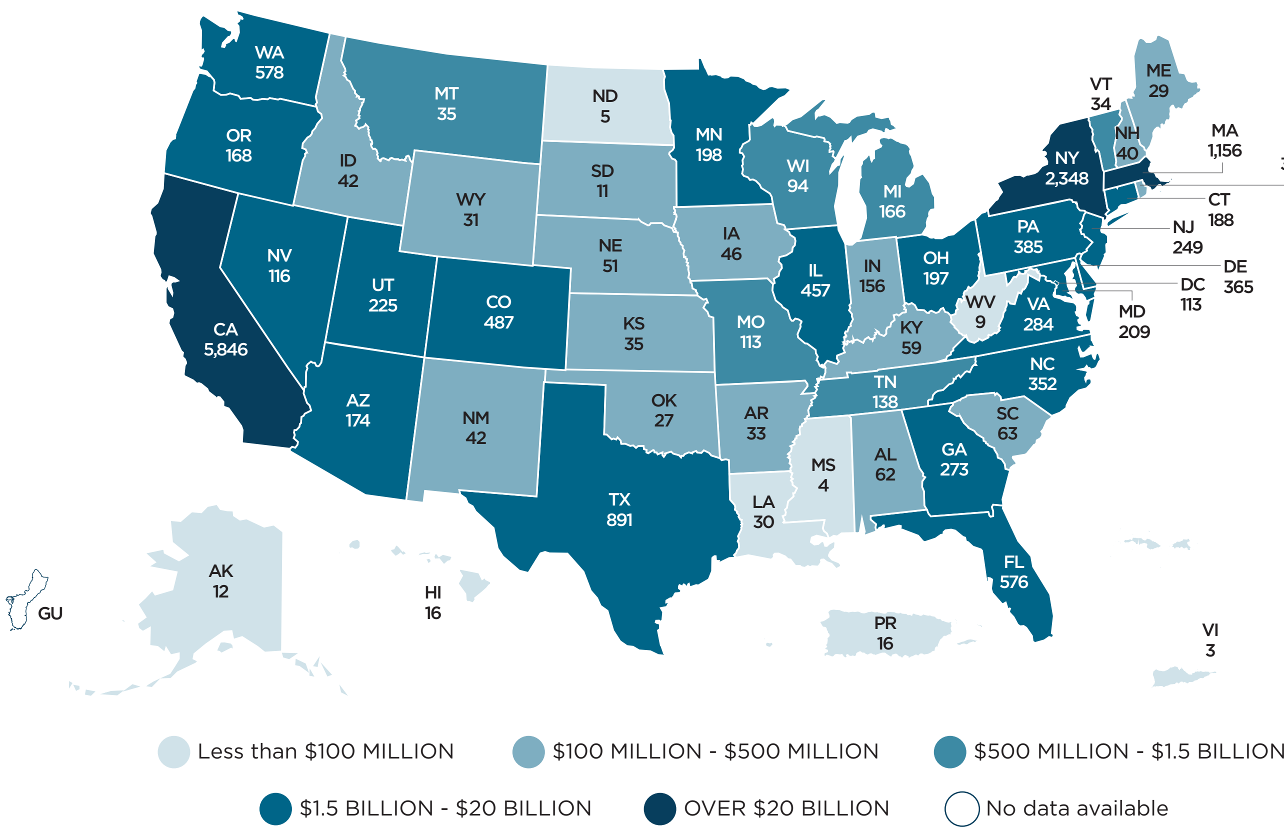
> Access to capital is still fairly localized . . . Entrepreneurs and fundraisers outside of top-tier funding hubs often still face high capital-raising hurdles, and it becomes increasingly difficult to raise capital the farther you are from a city hub. Despite their smaller share of total investment dollars, however, regions outside these top 10 funding hubs accounted for more than a third of the number of angel and seed deals, representing a broad base of startup environments and untapped potential.
>
> KENAN INSTITUTE OF PRIVATE ENTERPRISE[78]

Mature and Later-Stage Businesses

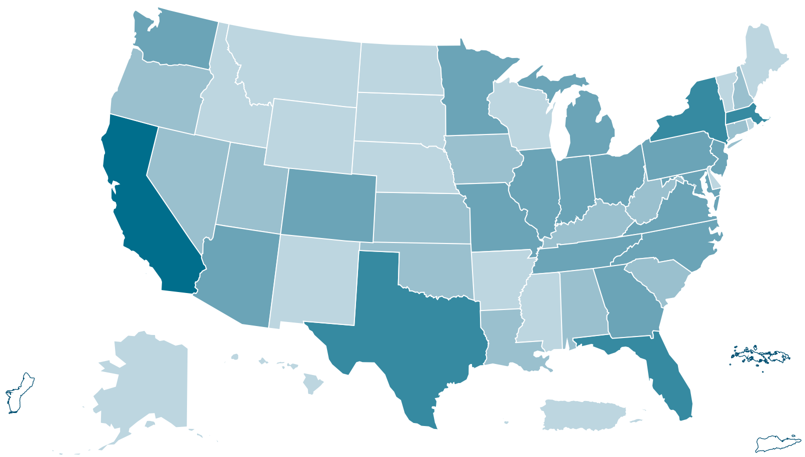
Companies within this segment of the market are generally growing and looking for larger amounts of capital that can fund operations of scale, ventures into new product lines, and preparation for public markets. Most often, their investors are institutional in nature, whether VC funds, private equity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

VCs fund growth startups across the country but untapped markets remain

The below map illustrates the concentration of estimated VC deal value in 2021, with the number of VC deals indicated on each state.[79]



While 73% of VC funding remains concentrated in the top three states,[80] VC-backed jobs are more broadly distributed across the US[81]



63% of **VC-backed jobs** are outside the states of California, New York, and Massachusetts.

- Less than 0.5%
- 0.5% - 1.5%
- 1.5% - 4%
- 4% - 10%
- Over 10%
- No data available

What is the typical VC cycle?[82]

How Venture Capital Works

Fundraising

VCs typically raise capital via capital commitments from their investors. The **median size** of a U.S. venture fund closed in 2021 was **$50 million**.[83] A fund's closing is the time when investors commit to an investment in the fund.

Investment

VCs tend to invest in early-stage, high-growth companies. VC funds will often reserve three or four times the initial round of funding for **follow-on financing**.[84]

Company Growth

VCs are often engaged advisors, **receiving a board seat 44%** of the time. The probability of receiving a board seat is higher in earlier rounds.[85]

Exit

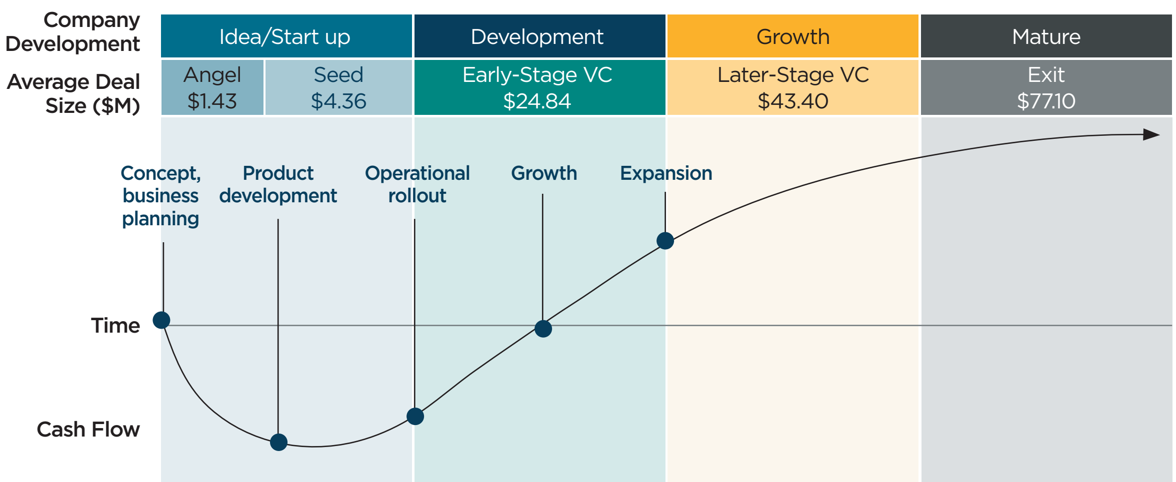
The life span of a VC fund is typically **10 years**.[86] VCs generally exit their positions through an IPO or a merger or acquisition. From 2014-2020, there were approximately **1,100 exits** per year.[87]

Re-investment

The fund ends when proceeds from all investments have been distributed to fund investors. Many investors reinvest in new funds. **New fundraises** for US VC managers occur on average less than **two and a half years** apart.[88]

How do VCs fund businesses across their lifecycle?

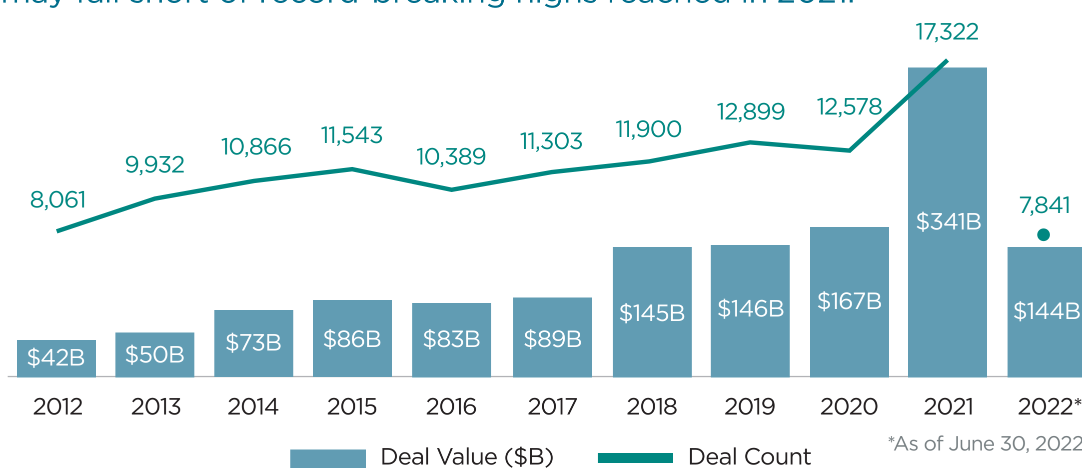
For any business that receives VC funding, the business's development will generally progress with its funding rounds.[90]



How is VC investment activity changing?

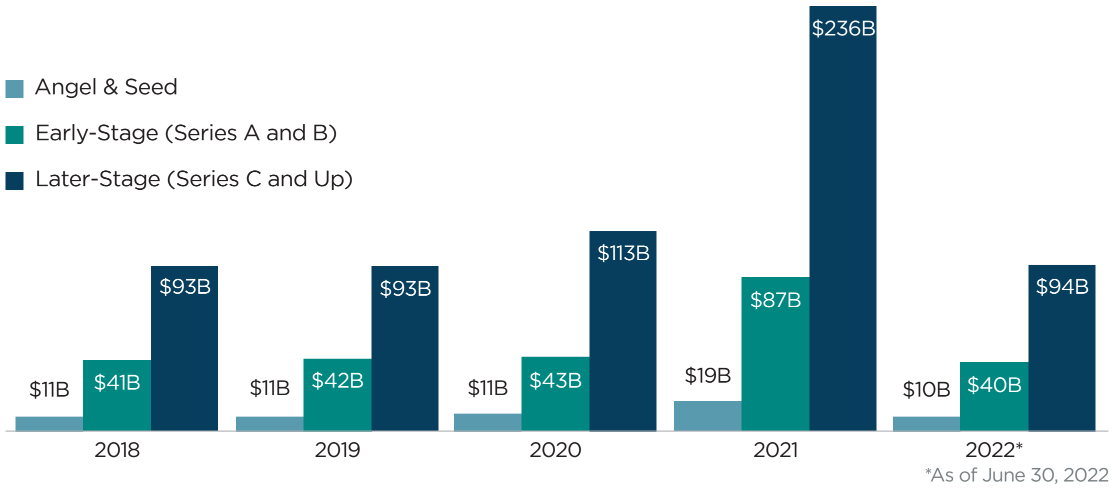
VC funding reached record highs in 2021. 2022 has brought a variety of changes and challenges affecting companies and investors in the U.S. VC ecosystem, including concerns about inflation, rising interest rates, and a slowdown in the U.S. public markets.[91]

2022 VC deal value and deal count are historically high, even as they may fall short of record-breaking highs reached in 2021.[92]

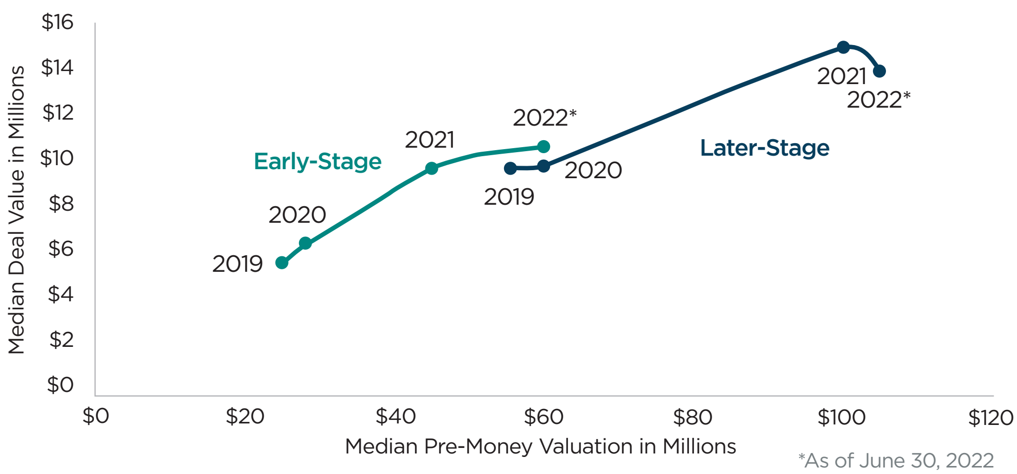


Later-stage investment volume peaked in 2021 but remains at heightened levels through the first half of 2022.[93]

VC investments in later-stage businesses over the first half of 2022 are approximately equal to investments made over the course of the full year in each of 2018 and 2019.



Later-stage pre-money valuations may have plateaued after a rapid rise in 2021.[94]

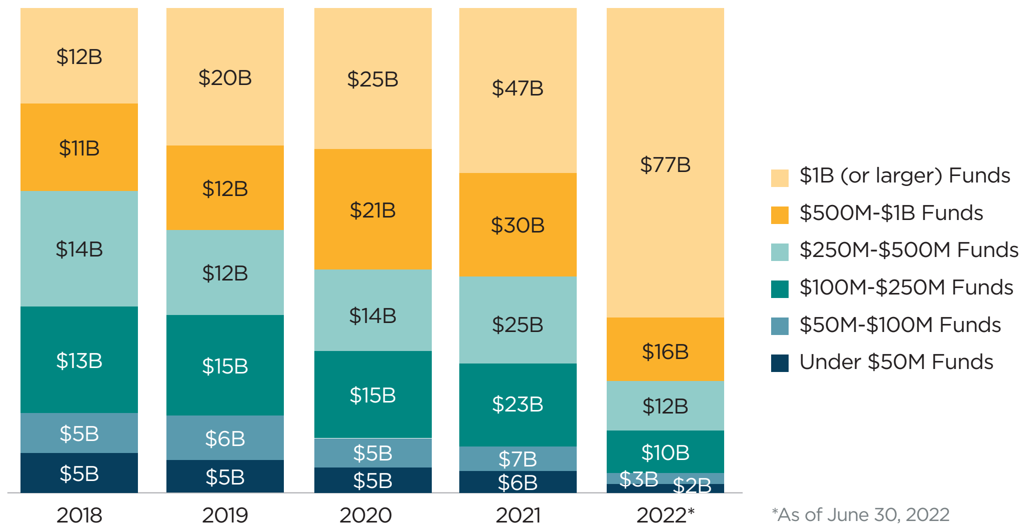


> "[M]any companies are buying time with bridge rounds, allowing them to extend their runways without a down round (a primary round at a lower valuation). These companies are waiting until their fundamentals or wider market conditions improve enough to have their valuation expectations met in an IPO or primary financing round.
>
> LIAN CHANG, CARTA[95]

How is VC fundraising activity changing?

Billion dollar funds account for almost two-thirds of capital raised so far in 2022—already the second highest year on record for VC fundraising.[96]

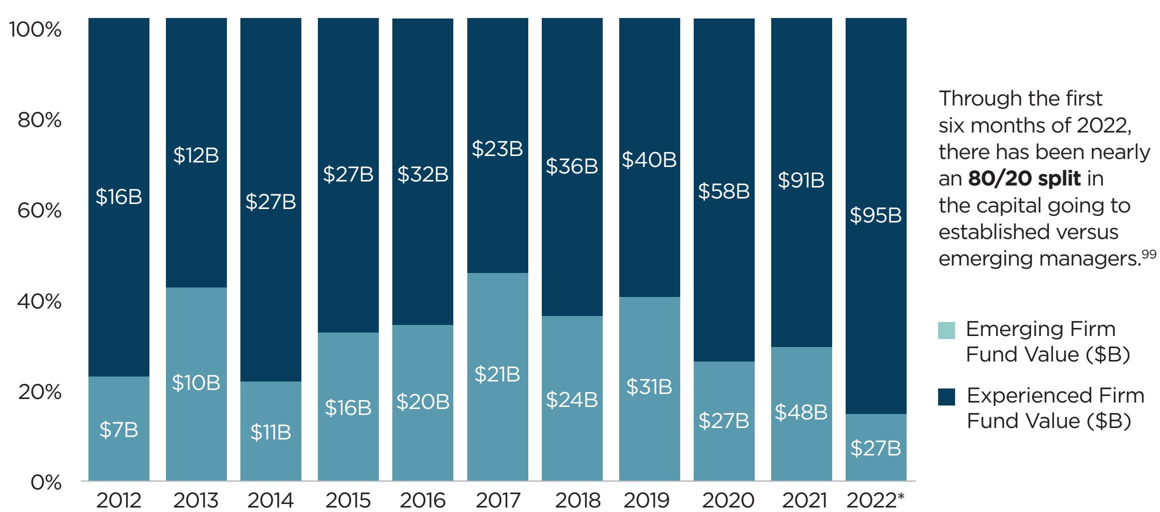
The below graph illustrates the amounts raised by VC funds of various sizes.



*As of June 30, 2022

> We expect emerging managers to have a more difficult time raising new funds over the near term as LPs rebalance their portfolio and allocate to known, or more established, investors and managers.
>
> PITCHBOOK[97]

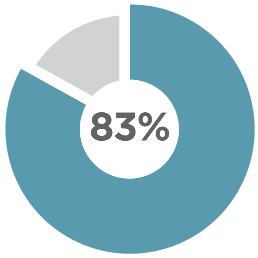
The percentage of capital going to emerging managers has declined to a new decade low.[98]



Through the first six months of 2022, there has been nearly an **80/20 split** in the capital going to established versus emerging managers.[99]

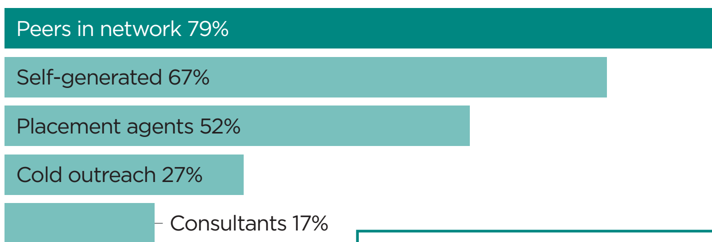
*As of June 30, 2022

How are LPs considering, meeting, and evaluating new fund managers?



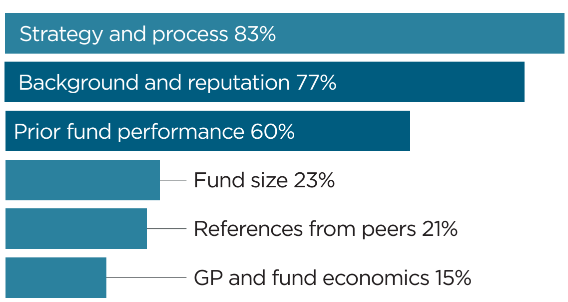
of LPs are open to or actively seeking new manager relationships.[100]

While many LPs are seeking new manager relationships, network connections remain the dominant pathway LPs use to meet new fund managers.[101]



Emerging managers by nature tend to have less extensive networks and often come from more diverse backgrounds than established managers. This can make it difficult for LPs to find new emerging managers when many rely on their networks.[102]

What are the top factors LPs consider in evaluating new fund managers?[103]



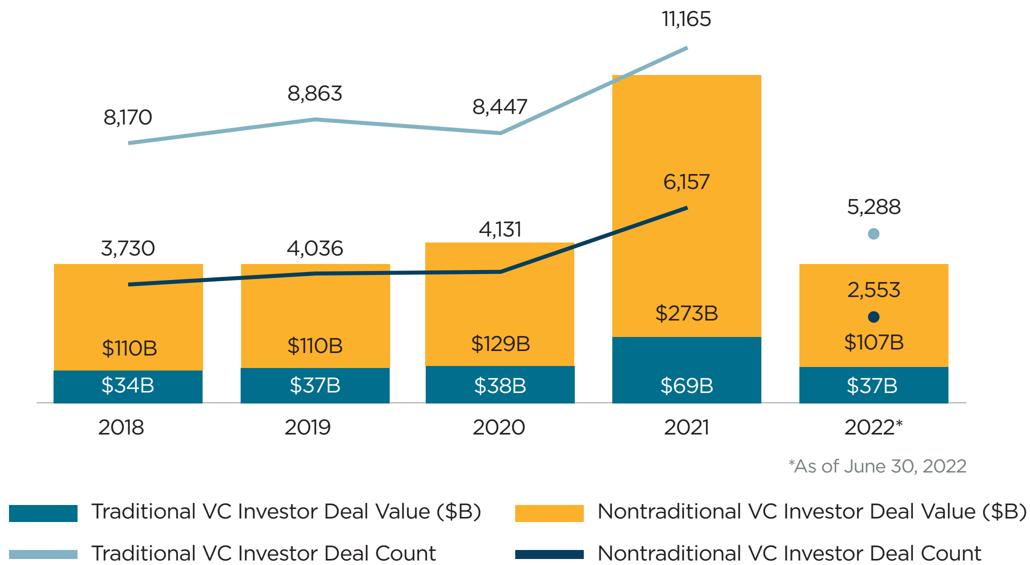
Attributes such as background, reputation and prior fund performance typically benefit established managers, as compared to emerging managers.[104]

Emerging managers often differentiate themselves through in-demand strategies or a particular focus on a region or demographic. As more managers enter the ecosystem, finding out-of-network connections may become increasingly challenging.[105]

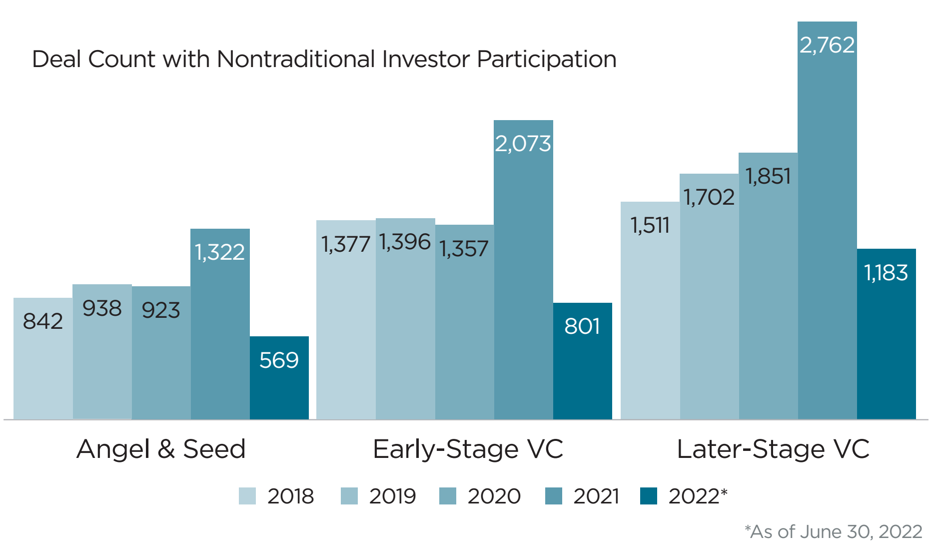
What is the impact of nontraditional investors on mature and later-stage fundraising?

Over the last few years, nontraditional investors—generally firms and institutions not labeled as VCs—have increasingly crossed over from the public markets to invest in VC-backed companies.[106]

In recent years, the VC landscape has seen growth in deal sizes, valuations, and the number of mega-deals in which nontraditional investors participated.[107]



Nontraditional investor participation in later-stage VC deals remains high.[108]

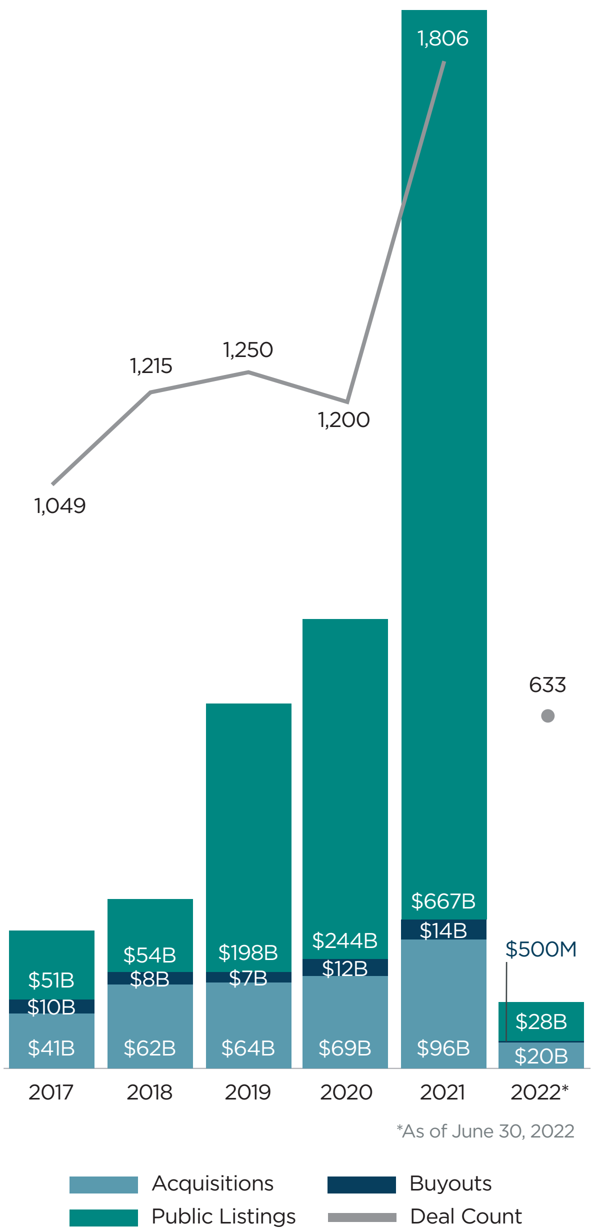


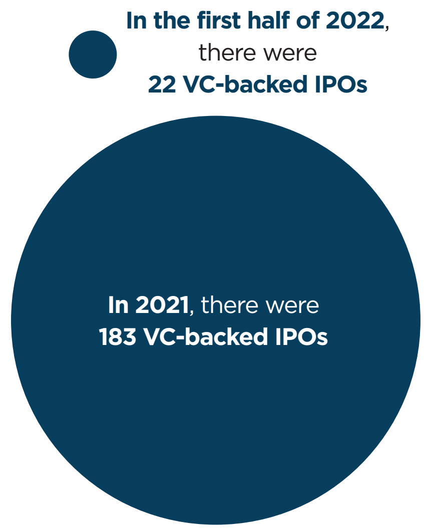
In 2021, later-stage deals with nontraditional investor participation reached a **median valuation of $200 million, representing a 2x growth over 2020.**[109]

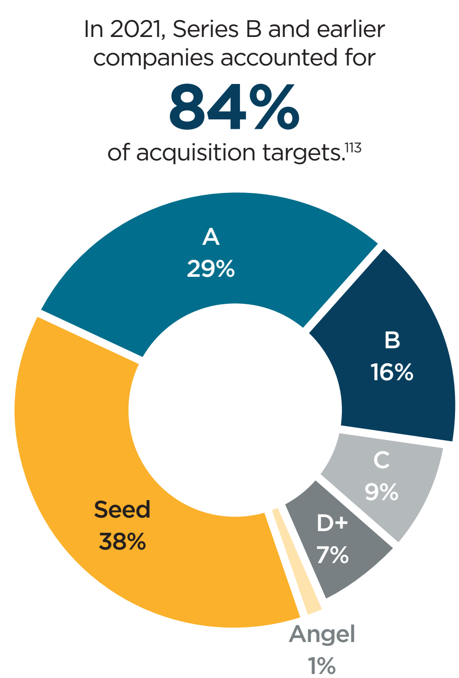
Portfolio company exits fuel reinvestments by LPs into new VC funds

Reduced distributions to LPs as a result of the slowdown in the IPO market may disproportionately affect emerging fund managers, as LPs may be more inclined to allocate a now smaller pool of available capital to established managers.[110] Likewise, lower public market valuations could lead to an overweighting in the portfolios of LPs to private market investments.[111]

Venture-backed exit activity in the first half of 2022 has seen a significant decline in valuations as well as deal counts from 2021—reverting to 2017 and 2018 levels—with public listings leading the downturn.[112]





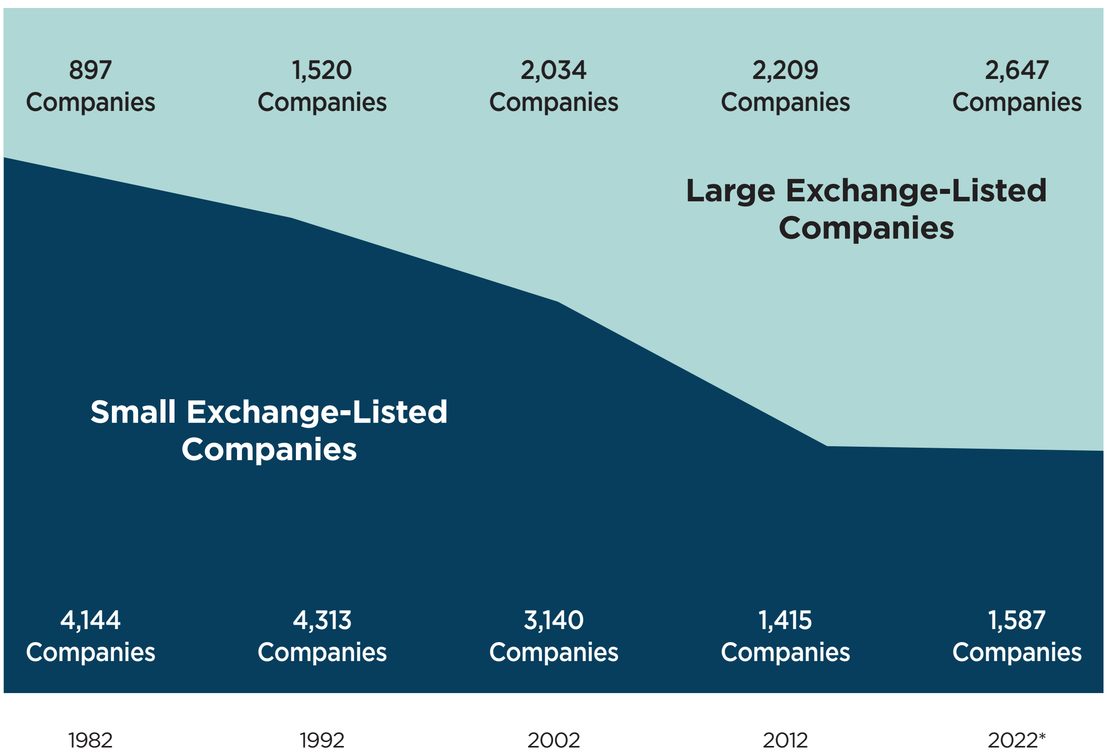


Small Public Companies

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

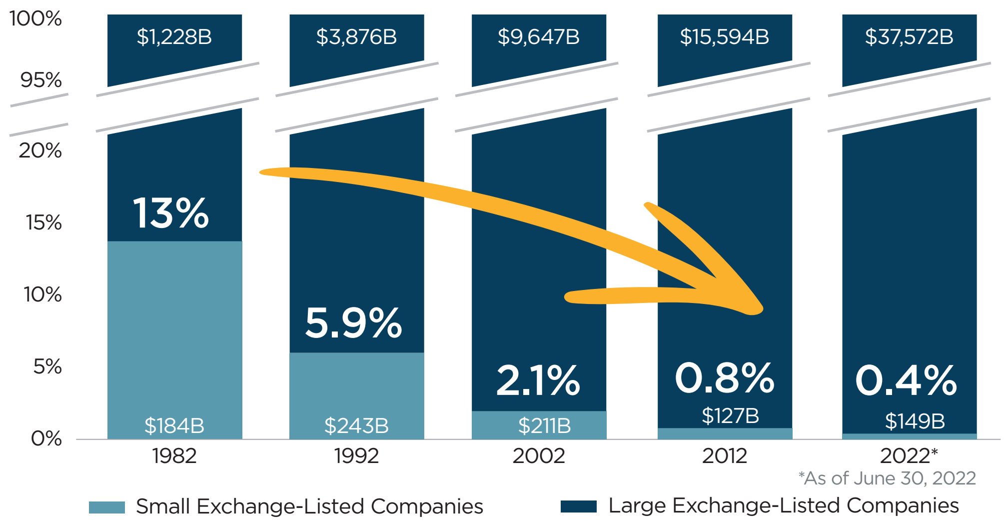
How have U.S. exchange-listed companies changed over time?

The number of **small exchange-listed companies**[114] has **drastically declined** over the last several decades, while the number of large exchange-listed companies continues to increase.[115]



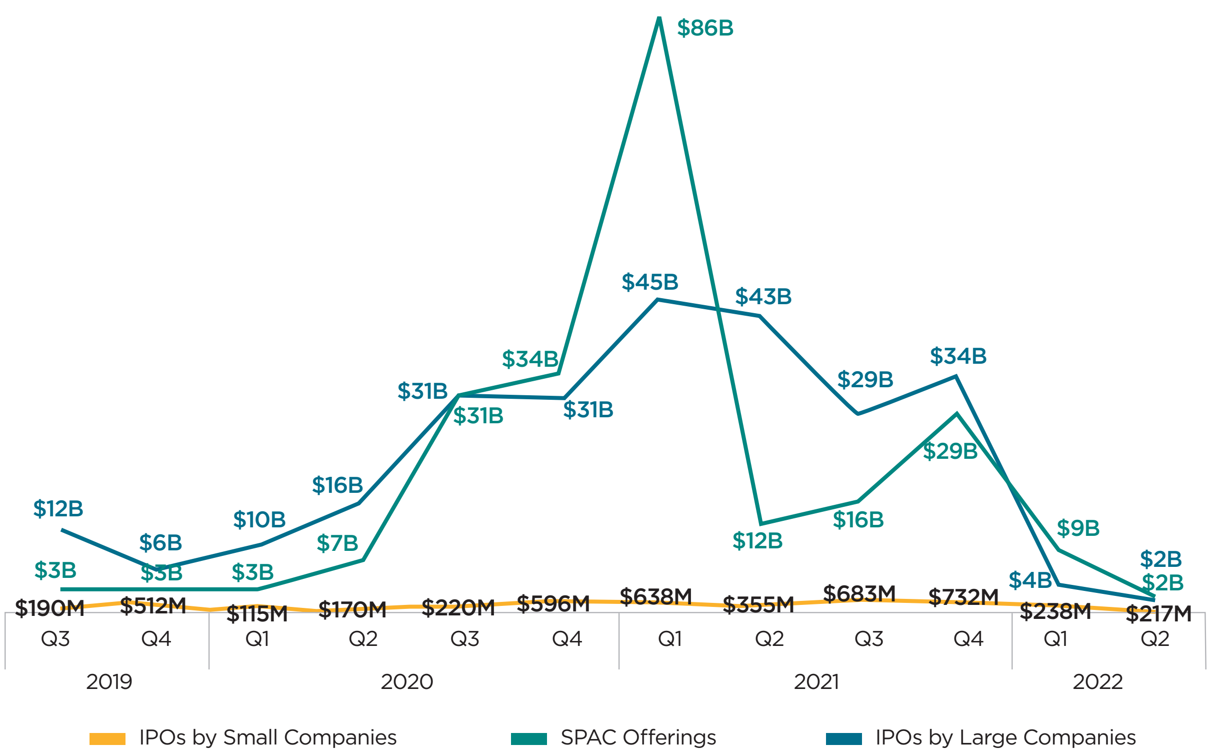
*As of June 30, 2022

The **aggregate market capitalization** of **small exchange-listed companies** has faced an even **steeper decline** as a proportion of the overall market—with the **percentage falling by half or more each decade**.[116]

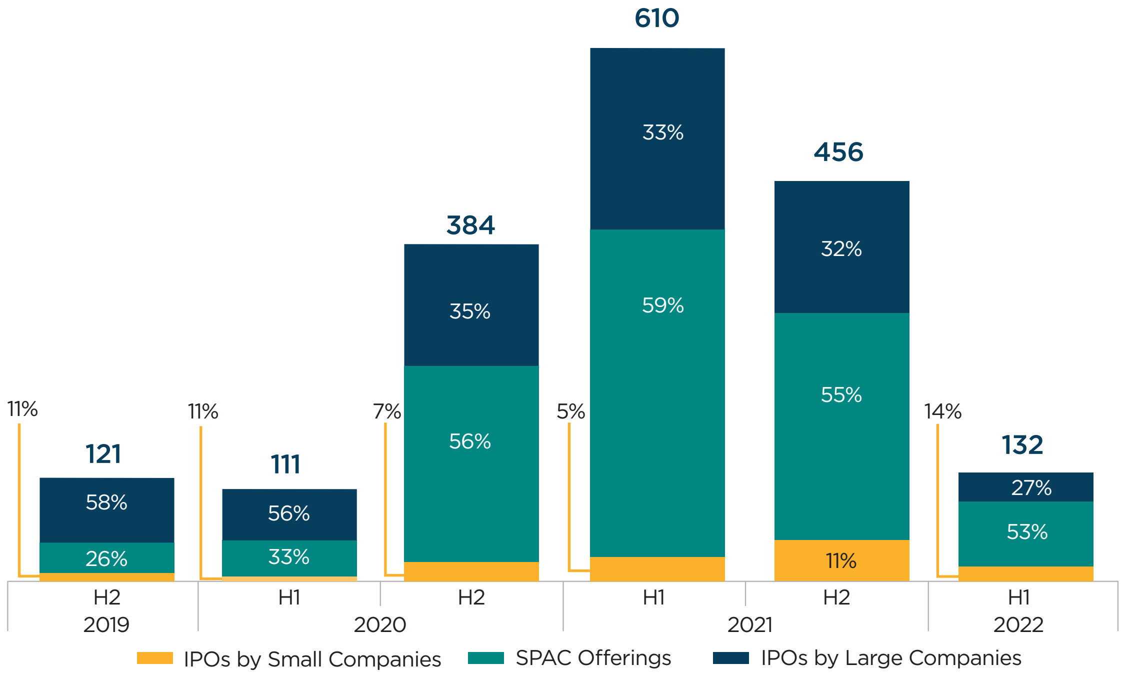


How are the dynamics changing for companies going public?

Much of the IPO market growth in 2020-2021 and decline in 2022 related to IPOs by large companies and SPAC offerings. The proceeds raised in an IPO by U.S. small companies consistently remain a **very small fraction** of the IPO market.[117]

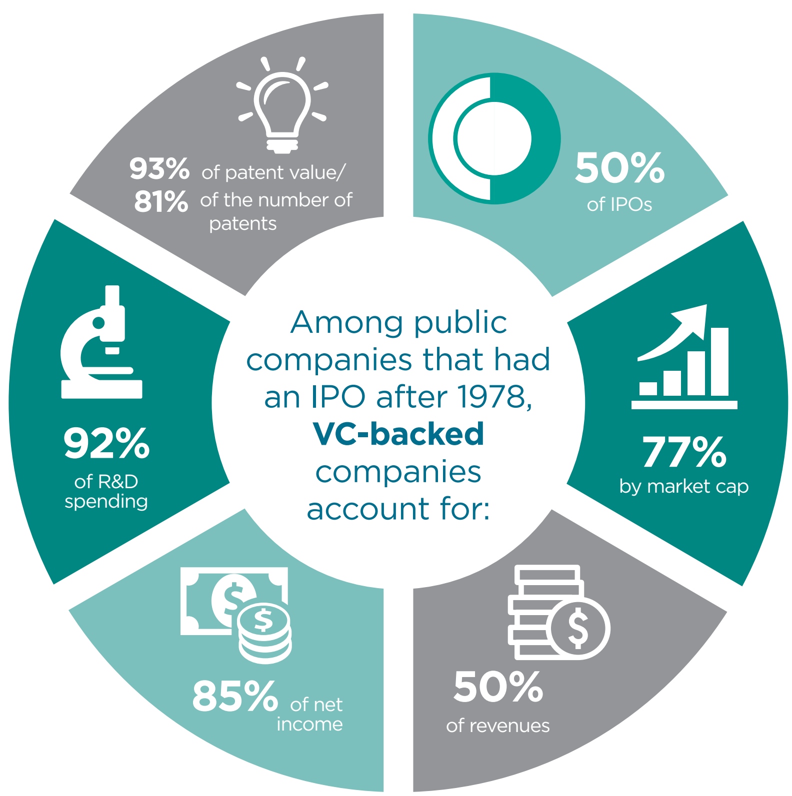


The significant decline in the number of IPOs by large companies and SPAC offerings has increased how much U.S. small companies account for in the overall IPO market.[118]



How has venture capital affected the public markets?[119]

On average, public companies that received VC funding are **more research and development (R&D) intensive** and **grow faster**—by **4.9 percentage points in employment**—than public companies that were not VC-backed.[120]



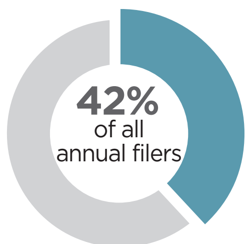
Deeper Dive into Small Public Companies

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

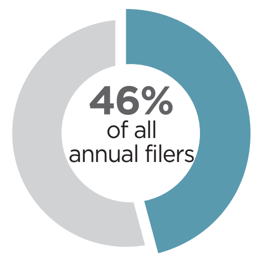
How has the number of smaller reporting companies changed since 2011?

Despite the SEC's 2018 expanded definition of smaller reporting companies (SRCs),[121] the number of SRCs has declined, although that number as a percentage of all reporting companies has risen slightly.[122]

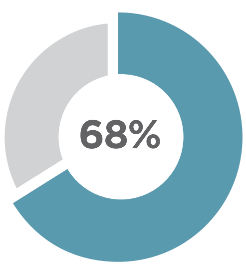
In **2011**, SRCs filed **3,750** annual reports



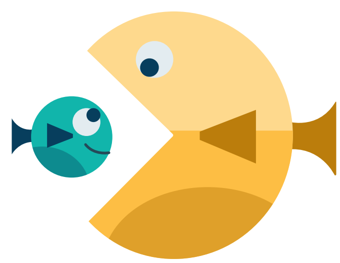
In **2021**, SRCs filed **3,289** annual reports



How are mergers and acquisitions affecting the number of small public companies?[123]

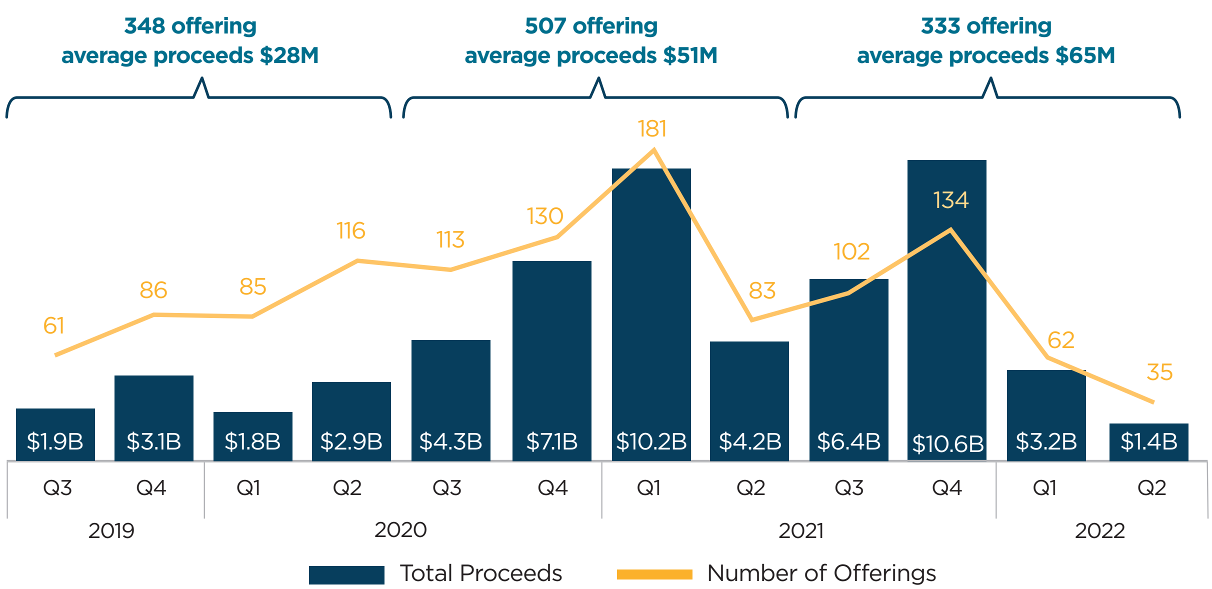


of public company acquisitions involved small-cap and micro-cap companies.

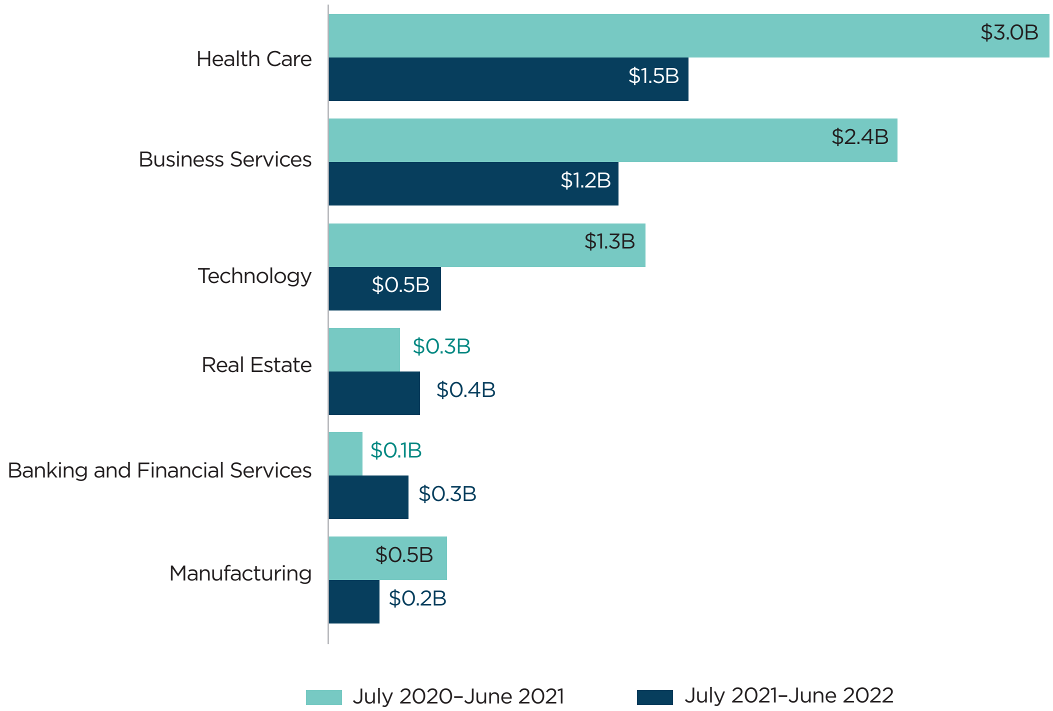


Small-cap and micro-cap companies are often easy targets for large companies to acquire.

How are U.S. small public companies raising capital through registered equity offerings?[124]



Several industries had significant changes among equity offerings by U.S. small public companies.[125]



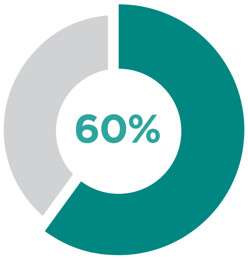
How are compliance costs affecting small public companies?

Compliance with regulatory requirements often include fixed costs that are not scalable for small public companies.[126] Some of those costs have disproportionally increased for smaller reporting companies. [127]

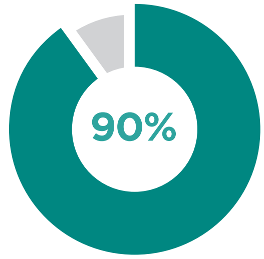
Average Internal Annual Sarbanes-Oxley Act Compliance Costs[128]

	2021	2022	Year-over-year trend	Percent change
Large accelerated filer	$1,328,300	$1,450,800	↑	9%
Accelerated filer (excluding SRCs)	$1,221,900	$1,232,400	↑	1%
Emerging growth company	$1,408,300	$1,370,200	↓	-3%
Smaller reporting company	**$1,126,000**	**$1,433,600**	↑	**27%**

The amount of research coverage and the number of analysts covering a company often correlate with a company's market capitalization.[129]



of **small public companies** received **research coverage**.



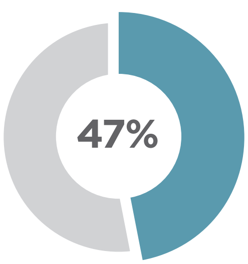
of **large public companies** received **research coverage**.

Small public companies are only covered by an average of **two analyst firms**.

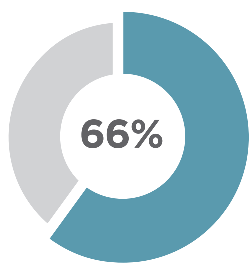
Large public companies are covered by an average of **nine analyst firms**.[130]

Less research coverage equates to additional **liquidity challenges** for smaller companies.

Small public companies and companies that are not able to obtain research coverage have lower levels of institutional ownership.[131]



of **small public companies** are held by **institutional investors** (up from 45% in 2020).

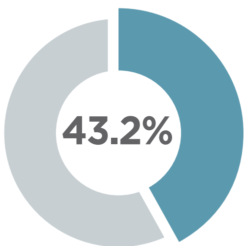


of **large public companies** are held by **institutional investors** (consistent with 2020).[132]

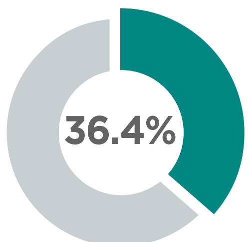
Women Businesses Owners and Their Investors

Women-Owned Business Formation and Ownership

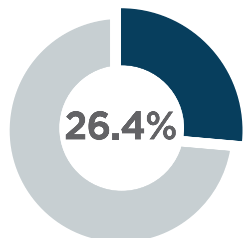
The portion of businesses owned by women decreases as the businesses move through the life cycle stages.



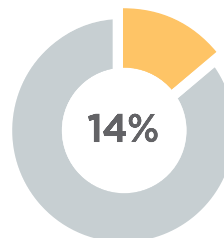
of **small businesses** are women-owned, representing **13.5 million businesses.**[133]



of **employer small businesses** are women-owned, representing **2 million businesses.**[134]

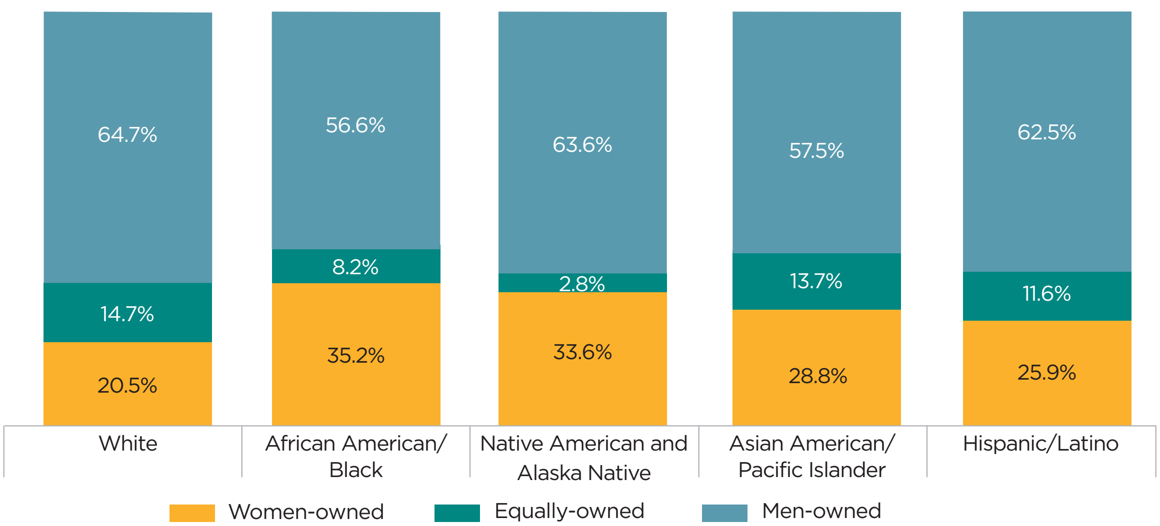


of **VC deals** in 2021 were with women-founded companies, representing **4,430 deals.**[135]



of **new founders** that created businesses and **received VC** funding in 2021 **were women.**[136]

By share of employer firms, women owners are underrepresented in every demographic group.[137]

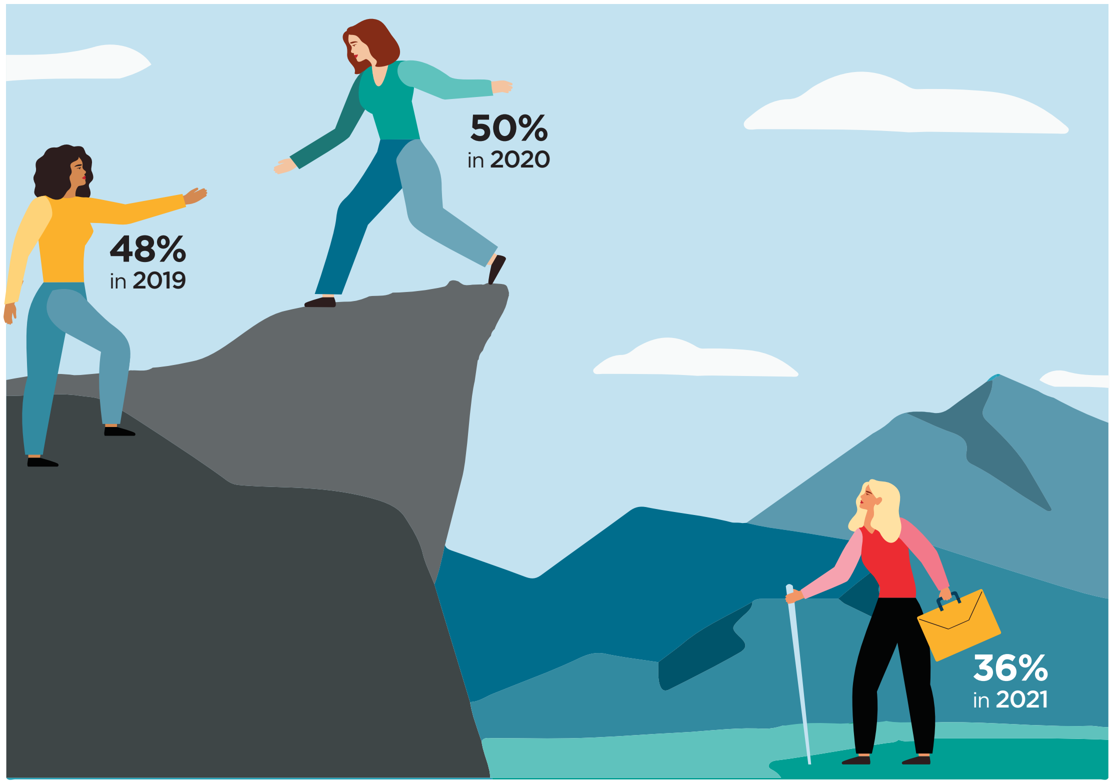


The gender gap in new entrepreneurs has been persistent over the past 25 years and continued in 2021.[138]

28 out of 10,000 women became new entrepreneurs, compared to **45** out of 10,000 men.

Women founders remain resilient but feel less supported than ever.

The percentage of women founders that feel supported by the entrepreneurial community has drastically declined.[139]



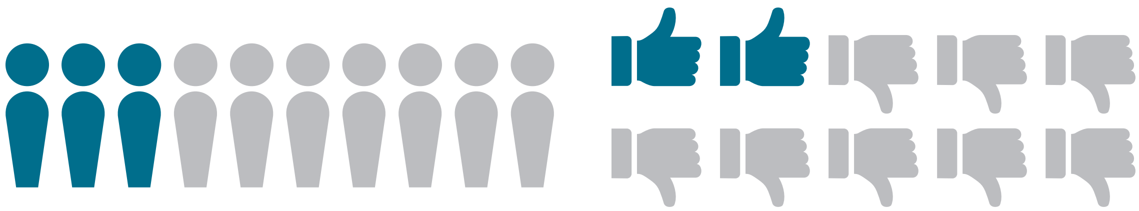
60% of **female founders feel held back** by their gender.

4% of **male founders feel held back** by their gender.[140]

> During the pandemic there were a number of women who left the workforce to start their own businesses—some out of necessity, some for the need of flexibility, being able to do remote work from home… what's going to be important are the resources that support that continued growth.
>
> TENE DOLPHIN, EXECUTIVE DIRECTOR OF THE NATIONAL WOMEN'S BUSINESS COUNCIL[141]

Capital Raising Trends for Women-Owned Businesses

Both the number of women entrepreneurs seeking angel capital and their investment yield rate declined year over year.



Women constituted

28.6%

of entrepreneurs seeking angel capital in 2021 (down from 33.6% in 2020).[142]

Angel investors invested in

19.7%

of those investment opportunities brought to their attention (notably down from 28.1% in 2020, but mirroring the overall market decline from 30.8% in 2020 to 24.1% in 2021).[143]

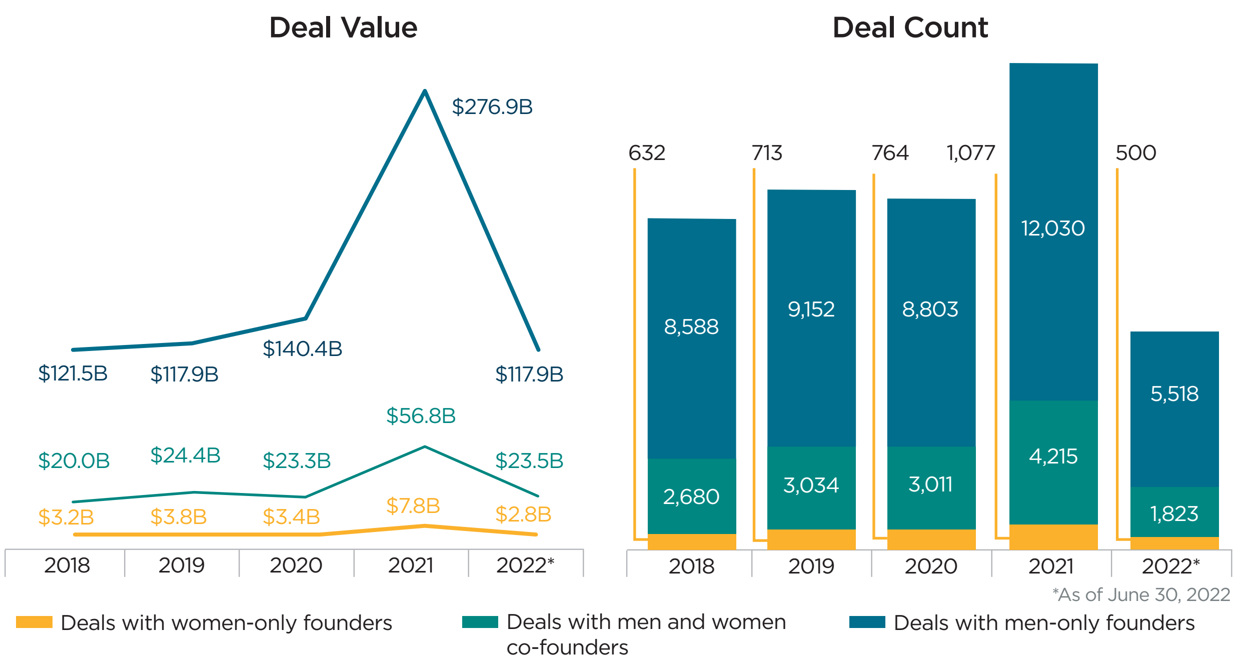
While the amount of VC investment has risen significantly, the share of funding to women founders continues to lag.

In 2021, women founders and co-founders raised a record.

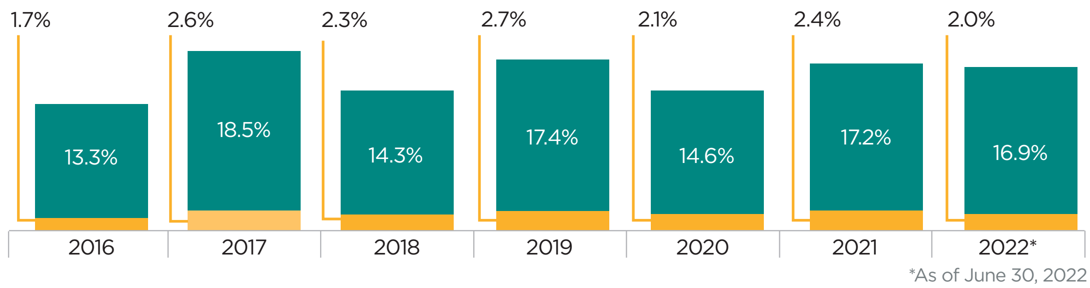
$64.6 billion in venture funding.[144]

Funding in the first half of 2022 remained historically high at $26.3 billion.[145]

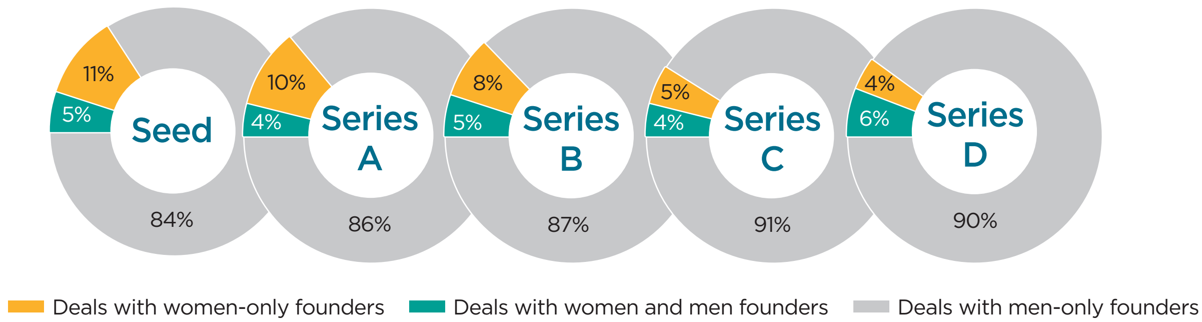
VC deal values and deal counts have trended up in recent years—peaking in 2021.[146]



Despite the record amount raised in 2021, women founders' share of VC funding remains a fraction of the overall capital raised.[147]

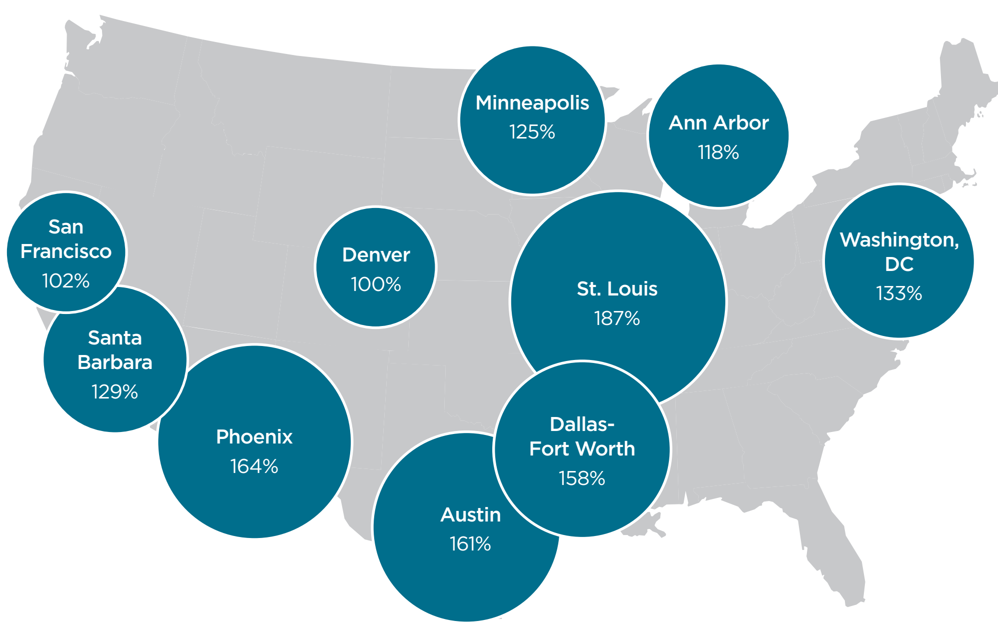


In 2021, women-only led teams received a declining percentage of overall invested capital in each progressive funding round.[148]



Some major metro areas have seen significant surges in capital raising for women founders.

Amounts raised since 2020 as a percentage of aggregate amounts raised 2008–2019.[149]



Despite more investor meetings for all-women teams, all-men and mixed teams continue to get more funding.[150]

All-women teams had the **most investor meetings** in 2021 after averaging the **fewest in 2020**.

However, **all-women teams raised less per meeting** ($32,600) than all-men ($46,500) or mixed ($39,500) teams.

All-women teams with minority members had **57% more meetings** with VC investors in 2021 than in 2020, but **raised less money** than any other demographic.[151]

VC investors more heavily scrutinized the team, traction, and business model in pitch decks by all-women teams, compared to all-men teams.

All-women teams experienced:[152]

130% more time spent on the **team slide**. For all-men teams, this was one of the least important slides.

76% more time spent on the **business traction section**.

43% more time spent on the **business model**.

Less time spent on the **product slide**. For all-men teams, the most time was spent on this slide.

> "I hope a statistic like this prompts investors to examine their own biases more closely. For many investors, this extra scrutiny on the team slide is coming from a place of skepticism. They're wondering if a particular all-female team can really build a product and whether they have the right experience to do so. Female founders face a higher bar for questions like these, especially in male-dominated sectors.
>
> ADRIANNA SAMANIEGO, FEMALE FOUNDERS FUND[153]

Executive teams with women produce better financial returns, exhibit more innovation, and outperform on time to exit.[154]

Executive teams with women:

are **21% more likely to be profitable** than all-men teams, and

correlated with **increased innovation**. Diverse women-led teams are **more likely** to **capture new market share**.

For example, **women-led technology companies** were more capital-efficient, achieving **35% higher ROI** and, when venture-backed, achieved **12% higher revenues** than startups run by men.[155]

2022 is on pace to be the **12th straight year** that women-founded companies are **exiting and returning capital to investors faster** than the overall market:[156]

YEARS **7.2** for women-founded companies

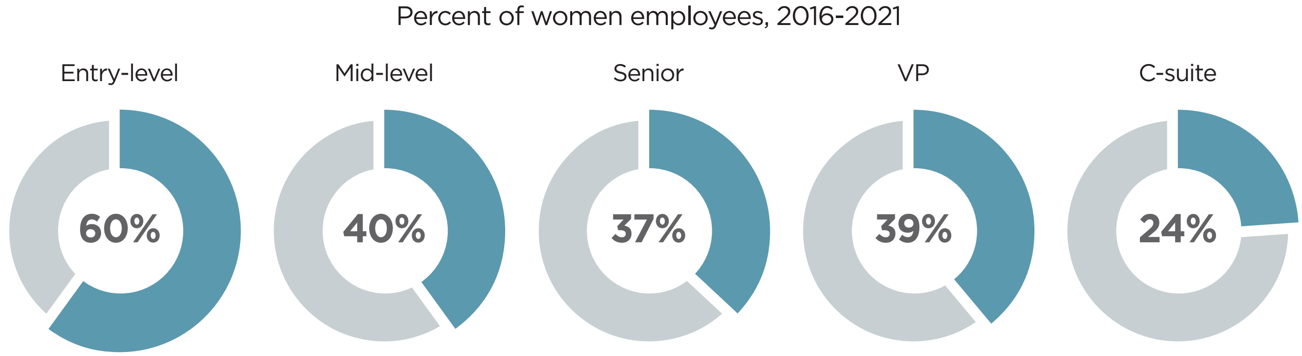
VS.

YEARS **8.1** for all VC-backed companies.

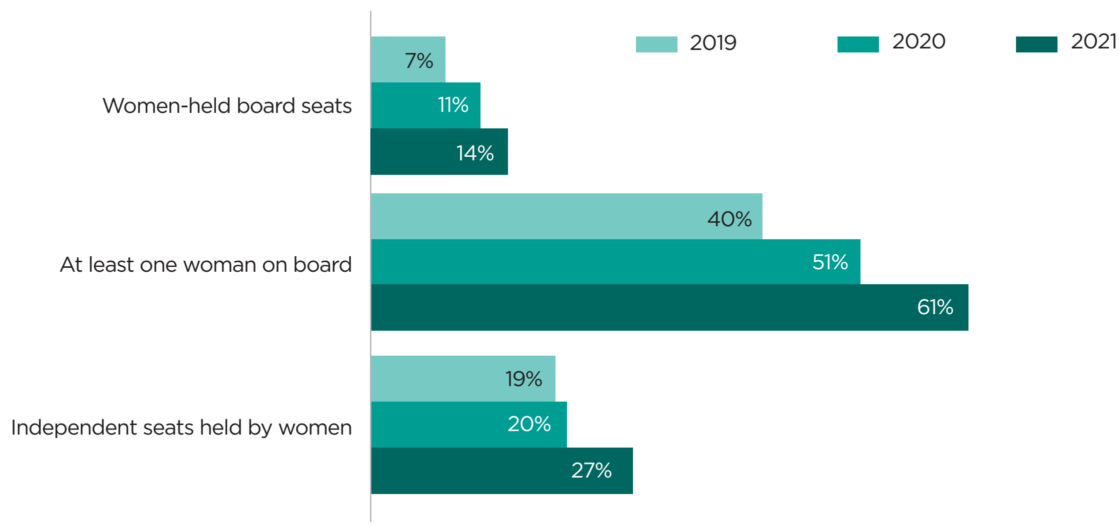
> Firms that retain female managers by introducing policies that balance work and family, and that actively hire more female executives have superior performances than those firms that do not.
>
> CHENGWEI LIU, ET AL[157]

Women in Leadership Roles

Women remain underrepresented in leadership roles among VC-backed companies.[158]



While underrepresented, the share of women in board roles at VC-backed companies continues to increase.[159]



Women-led IPOs increased in 2021, but remain a small share of the overall market.[160]

IPOs with a **woman founder or co-founder more than doubled** to **48** in 2021 (up from 22 in 2020), but represented only **16%** of all public listings last year.

Board gender diversity among small public companies continues to improve, but progress is slowing.[161]

Women held **28%** of the Russell 3000 board seats (up from 18% in 2018).

40% of **new directors** in the first half of 2022 were women.

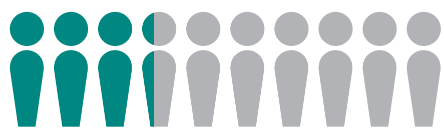
The number of women-held seats **increased** **2.4%** from 2021 (down from 3% in 2020).

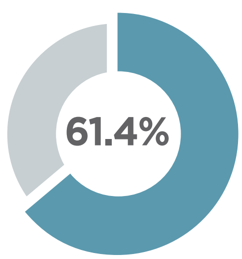
In the first half of 2022, the share of new seats going to women **declined** **17%**.

Trends in Women Investors in Small Businesses

2021 was a record high for active women angel investors.[162]

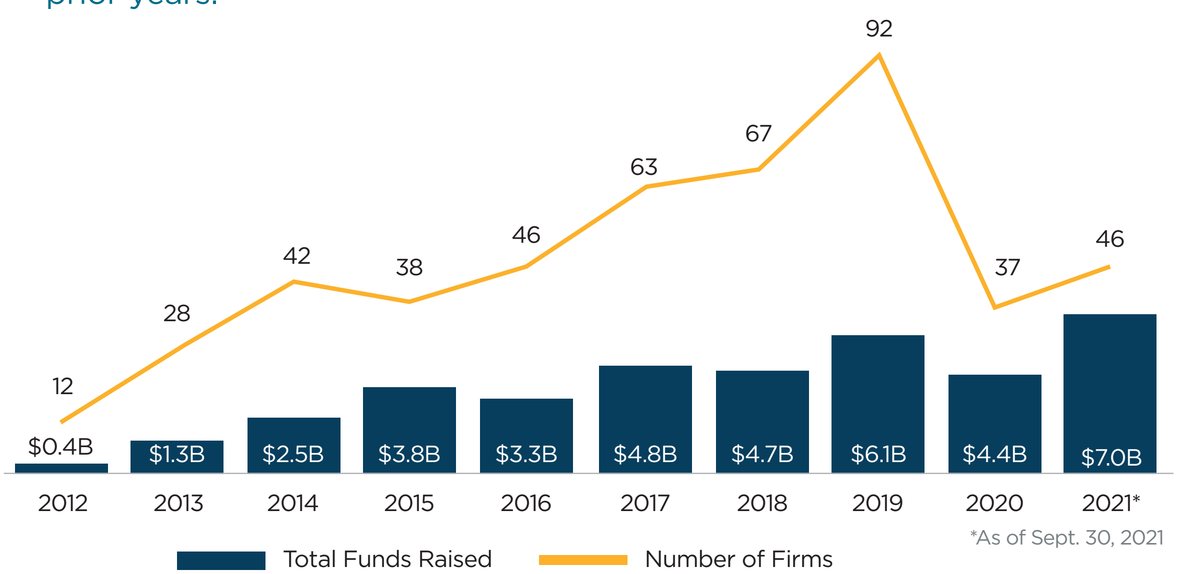
33.6% of angel investors in 2021 were women (an increase from 29.5% in 2020).[163]



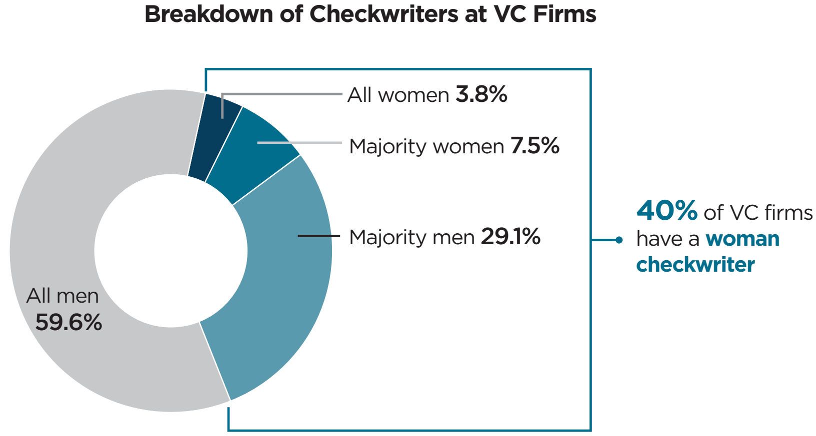


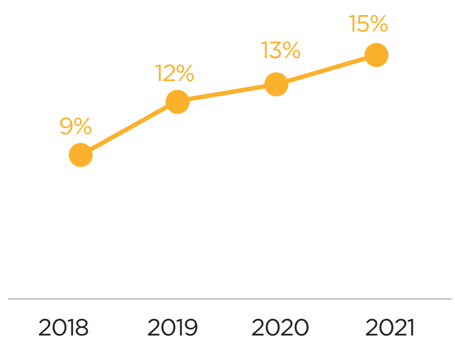
of women angel investors were active investors, compared to just 43.7% of angels in the overall market.[164]

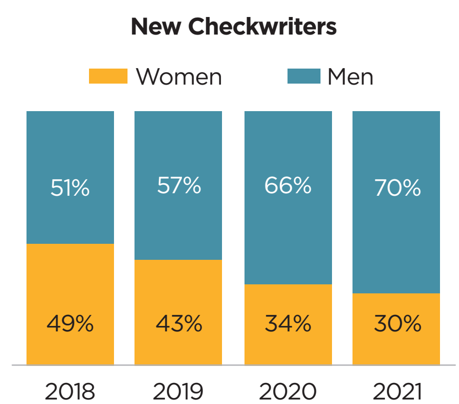
Fundraising by women-founded VC and micro funds in 2021 outpaced prior years.[165]



Women remain underrepresented among VC and micro fund checkwriters.[166]







Women-led funds facilitate greater funding of diverse founders.

Women VC partners were **3x more likely to invest** in startups with **women CEOs** and often yielded superior returns.[167]

Promoting and recruiting **women checkwriters** can open doors for **more women founders** and **diversify portfolios**.[168]

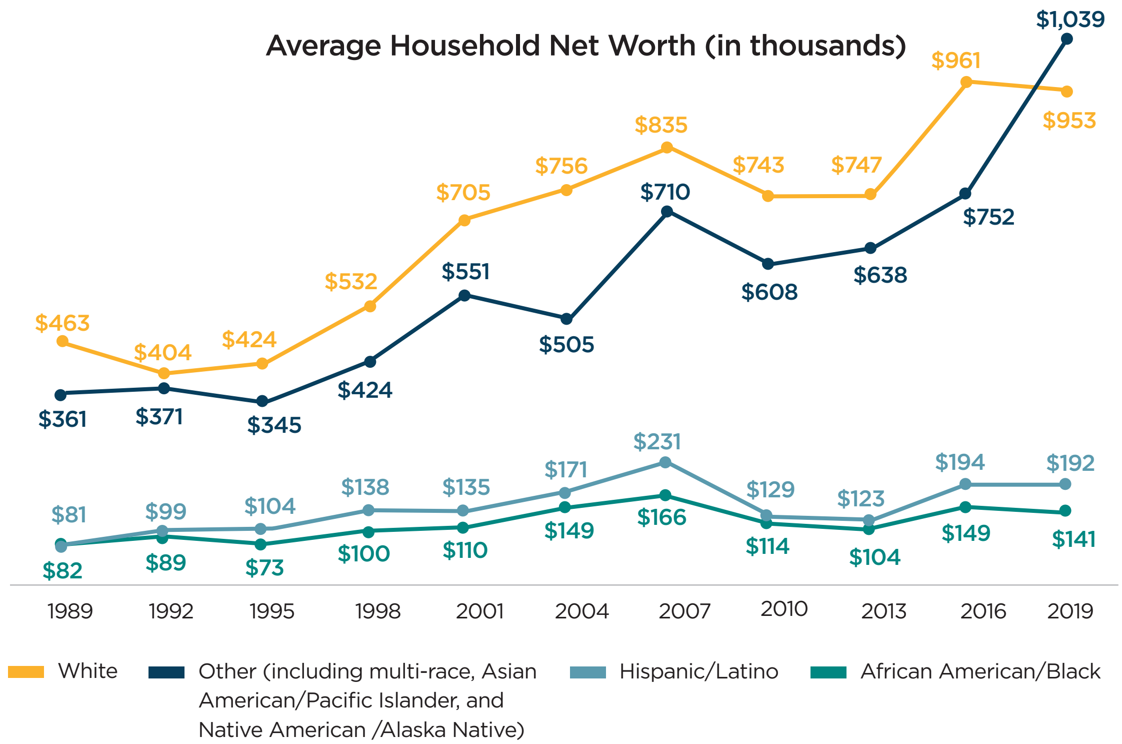
> "When women and minorities are underrepresented as investment partners, our economy reaps just a fraction of the full potential that could be gained from companies founded by these communities.
>
> IMANI AUGUSTUS, DIRECTOR OF THE ALLIANCE FOR ENTREPRENEURIAL EQUITY[169]

Minority-Owned Businesses and Their Investors

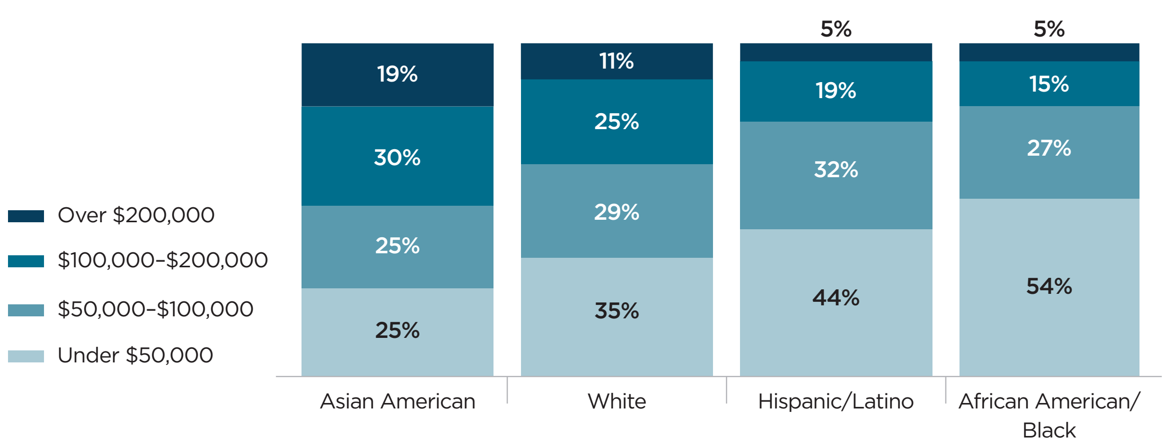
Precursors to Accessing Capital

Inequalities across demographic groups impact the starting line for many entrepreneurs.[170]

Entrepreneurs who are African American/Black or Hispanic/Latino face additional barriers to entry because the increasing wealth gap affects their ability to tap personal assets as a funding source.[171]

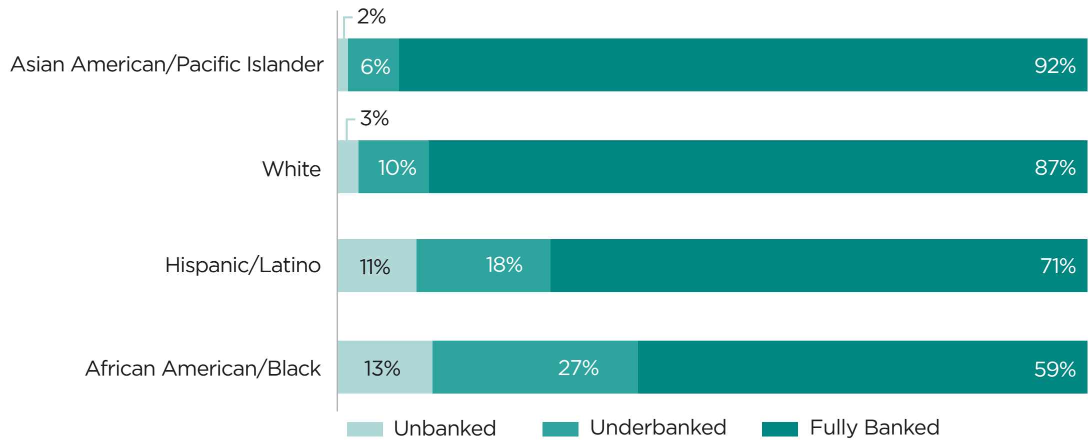


Disparities in income distribution add additional hurdles to overcome.[172]

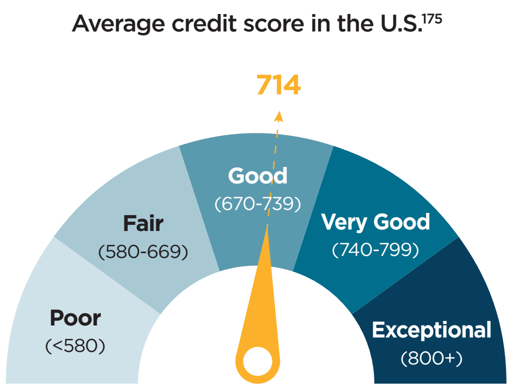


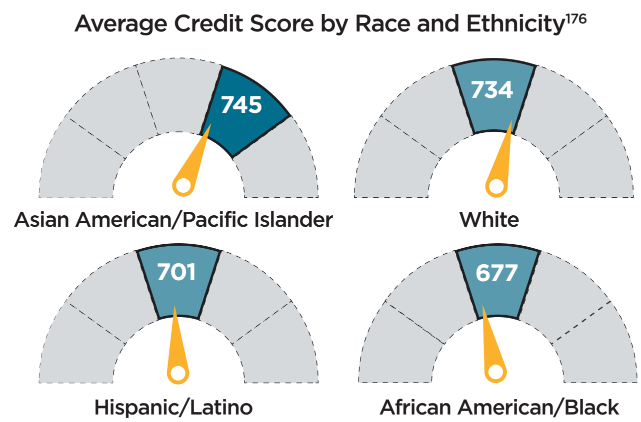
Minority entrepreneurs are less likely to have access to credit.

Hispanic/Latino and African American/Black households are more likely to be unbanked, meaning that no one in the household has a checking or savings account at a bank or credit union.[173]

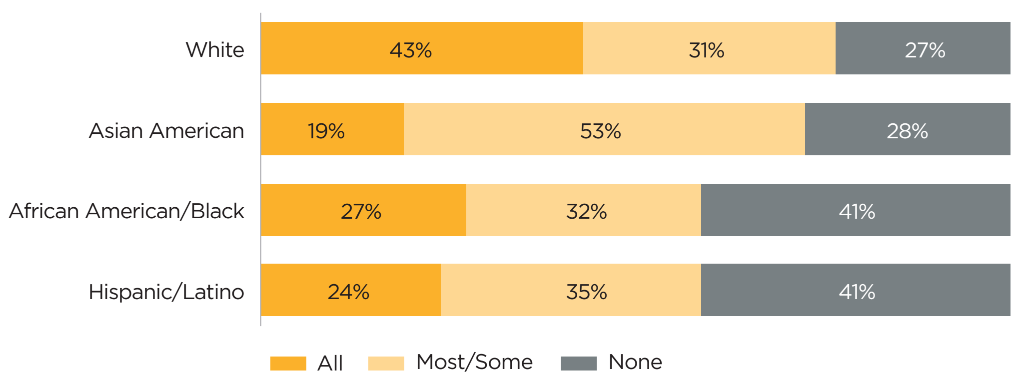


Less access to traditional financial institutions means greater reliance on alternative financial services, like check cashing counters and payday lenders, which can adversely affect financial health and ability to build a credit history.[174] A person with limited credit history or a lower credit score is less likely to qualify for personal and business loans.



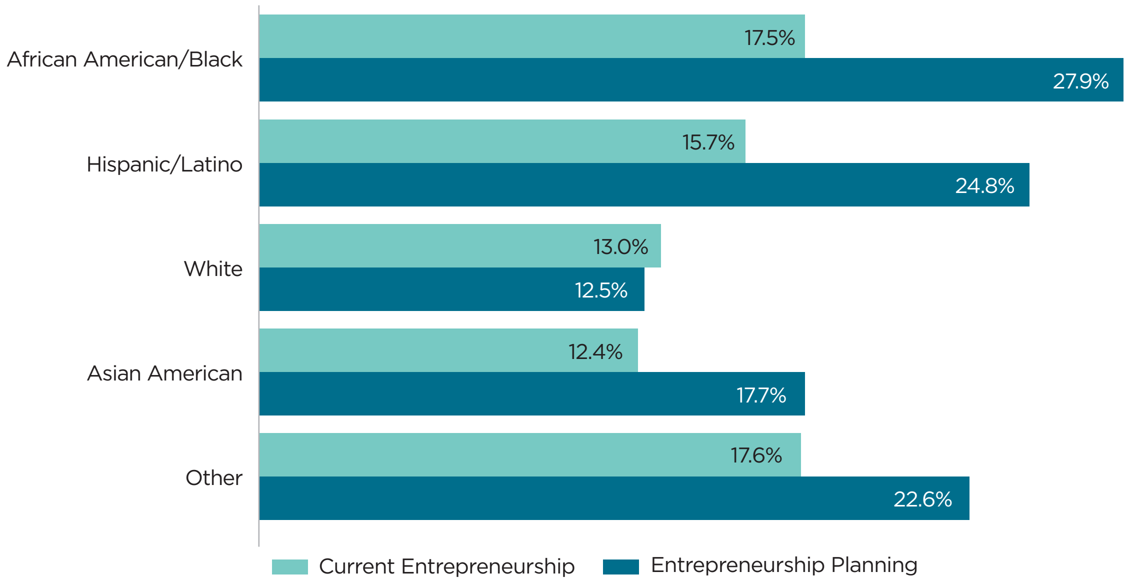


Minority entrepreneurs are less likely than White entrepreneurs to receive all the financing they seek, even when comparing applicants with similarly low-credit-risk.[177]



Business Formation and Ownership Trends

Entrepreneurial activity remains high across minority groups.[178]



Minority entrepreneurs perceive entrepreneurship positively, but further resources are needed to support minority businesses' growth.[179]

African American/Black and Hispanic/Latino adults intend to **create new businesses** at **2X** the rate of White adults.

1/3 of working age African American/Black adults are **starting or running a new business**.

White adults own established businesses[180] at almost **2X** the rate as African American/Black and Hispanic/Latino adults.

> "Achieving equity in entrepreneurship has the potential to unleash a new era of businesses, hiring, and generational wealth."
>
> MARC H. MORIAL, PRESIDENT AND CEO OF THE NATIONAL URBAN LEAGUE AND JON COWAN, PRESIDENT OF THIRD WAY[181]

Capital Raising Trends

VC investors more heavily scrutinized particular deck slides of teams with minority members compared to all-White teams.

Teams with minority members experienced:[182]

78% more time spent on the **competition slide**. For all-White teams, this was one of the least important slides.

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

20% more time spent on the **product slide**.

Less time spent on the **business model.** For all-White teams, this was the most important slide.

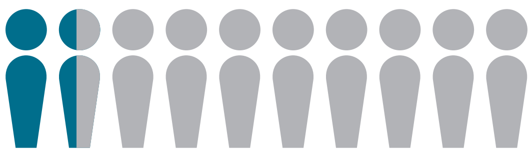
> The discrepancies in viewing times that correlate with less funding suggest to me that investors have a harder time believing facts and statements from underrepresented founders within their pitch decks. The pre-seed round is where we're seeing these biases emerge strongly and where founders are being overlooked the most."
>
> DARREL FRATER, THECLUB APP AND VISIBLE HAND VC[183]

At the pre-seed stage, the funding process often requires more effort and more meetings for teams with minority members.

Average number of investor meetings per pre-seed fundraising:[184]

All-White teams			Teams with Minority Members		
All men	Women and men	All women	All men	Women and men	All women
MEETINGS 37	MEETINGS 37	MEETINGS 35	MEETINGS 45	MEETINGS 71	MEETINGS 74

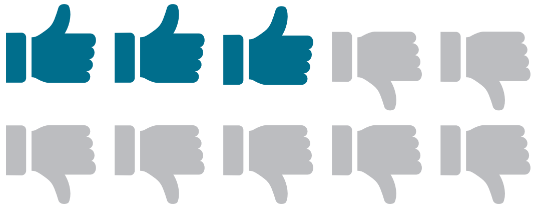
The number of minority entrepreneurs seeking angel capital is up, but underrepresentation persists.



Minorities constituted

12.8%

of entrepreneurs seeking angel capital in 2021 (a robust increase from 5.3% in 2020 and 9.3% in 2019).[185]

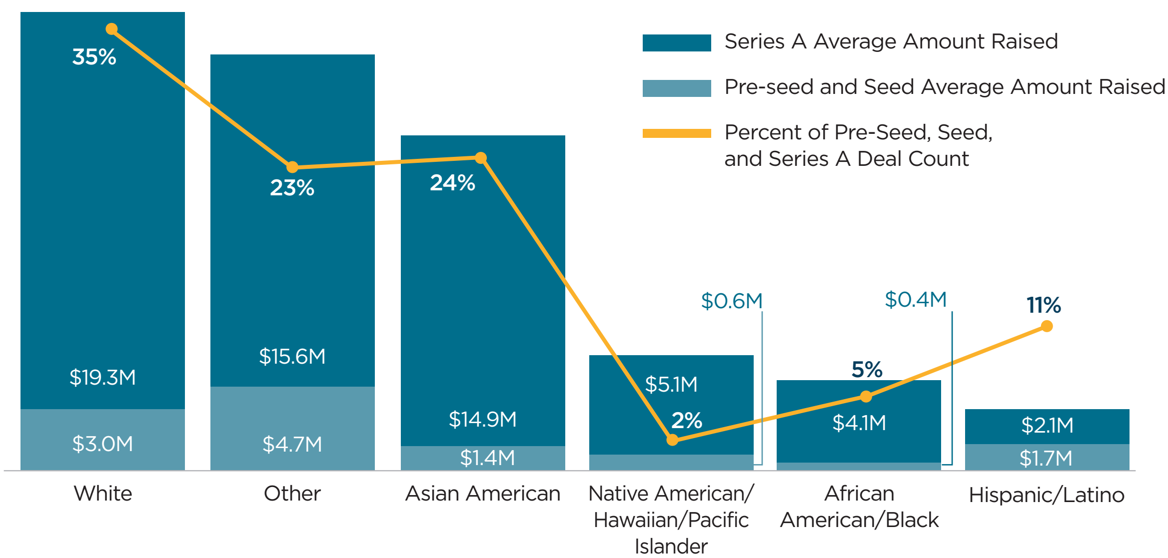


Angel investors invested in

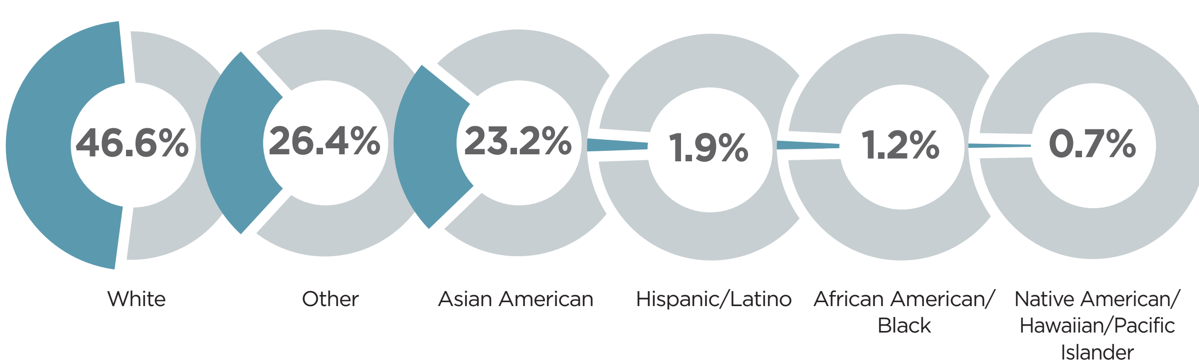
30.5%

of those investment opportunities brought to their attention (down slightly from 33.0% in 2020).[186]

Funding for seed and early-stage funding remains inequitably distributed as reflected in average amounts raised in 2021, broken down by race and ethnicity.[187]



The inequitable distribution can also be seen across the share of seed and early-stage funding in 2021, broken down by race and ethnicity.[188]



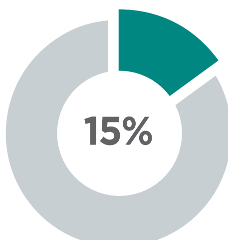
LGBTQ+ founders similarly report challenges accessing capital.

Nearly **3 out of 4** entrepreneurs say **LGBTQ+ entrepreneurs face more challenges** than non-LGBTQ+ owned businesses.[189]

93% of LGBTQ+ entrepreneurs say **access to capital** is **limiting** their **growth** potential.[190]

46% of LGBTQ+ entrepreneurs **received none of the financing** that they applied for compared to 34% of non-LGBTQ+ businesses.[191]

Entrepreneurs with disabilities also face obstacles accessing capital.[192]



of the adult population has a disability (about **40 million** people).[193]

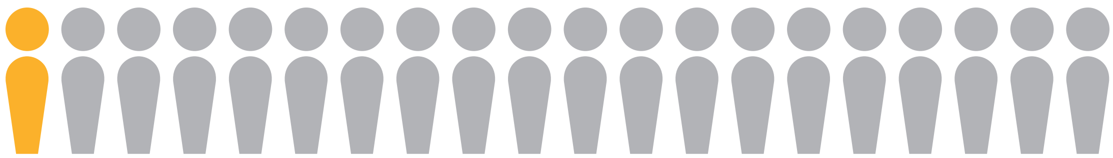
1.8 million of them own a small business.[194]

About **1 out of 4** of those entrepreneurs did **not apply for credit** because they did not think they would be approved.[195]

> “A massive obstacle disabled founders face is access to capital, as is the case for all underestimated entrepreneurs. Women, Black, and Latino entrepreneurs each receive less than 3% of venture capital funding... However, when it comes to disabled entrepreneurs, the data on funding doesn’t even exist.”
>
> DIEGO MARISCAL, FOUNDER AND CEO OF 2GETHER-INTERNATIONAL[196]

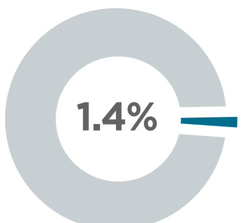
Minority Investors and Allies

Minorities among angel investors have decreased for the last three years.



4.1% of angel investors in 2021 were minorities (down from 5.3% in 2020 and 7% in 2019).[197]

Minorities remain vastly underrepresented among asset managers, but they are more likely to fund minority founders.



of the total assets under management in the U.S. are in **minority-owned funds**, but they are **3x to 4x** more likely than non-minority-owned funds to **fund minority entrepreneurs**.[198]

The representation of minority partners in the VC industry has remained steadily low—although the number of emerging funds launched by African American/Black partners has grown by record amounts in recent years.[199]

53% **of the decision-making roles** at the top U.S. **VC firms** are **held by White men** (down from nearly 64% of such roles in 2018).[200]

2% of VC investment partners are Hispanic/Latino.[202]

59% of **Hispanic/Latino VC investment professionals** work at **smaller VC funds**.[204]

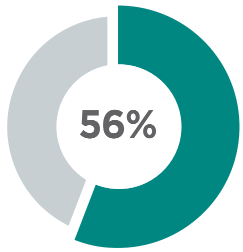
3X **Follow-on funds** raised by **African American/Black-led** and **Hispanic/Latino-led funds** are **3X more sensitive to past performance**—with investors more harshly punishing poor performance.[206]

27% of **African American/Black VC partners launched funds** within the **past two years** barely keeping pace with the overall growth.[201]

3.5X Since 2018, the number of **African American/Black partners** who make **investment decisions and lead deals** at top U.S. VC firms **increased 3.5 times** (to over two dozen from 7).[203]

1/2 **African American/Black-led first-time funds** were nearly **half the size of the first-time funds** raised by everyone else (averaging $30.5 million compared to $57 million).[205]

In addition to investing in minority entrepreneurs at a higher rate, minority-led VC funds can create ripple effects within the investor community.

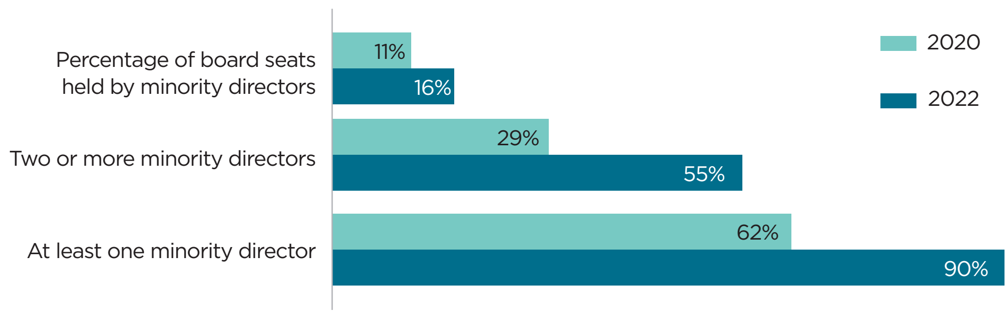


of **African American/Black VC partners** are actively **mentoring other investors** in the Black VC community.[207]

25.3% of funds that **allocate** part of their capital to **diversity**, **equity and inclusion (DEI)** or **minority investments** had a **minority VC partner**, compared to 5.9% of funds that don't have a DEI or minority investment allocation.[208]

Public Company Board Leadership

Diversity has increased on public company boards.[209]

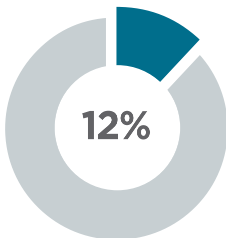


Minority representation on public company boards still lags behind the overall population.

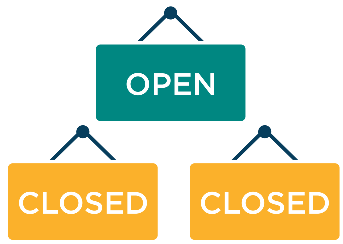
16% of small public company board members in 2022 are **Hispanic/Latino (3%)**, **African American/Black (6%)**, or **Asian American/Pacific Islander (7%)**, an aggregate increase from 11% in 2020.[210]

Natural Disaster Areas

How do natural disasters affect small businesses?



of small businesses were **affected by natural disasters**.[211]

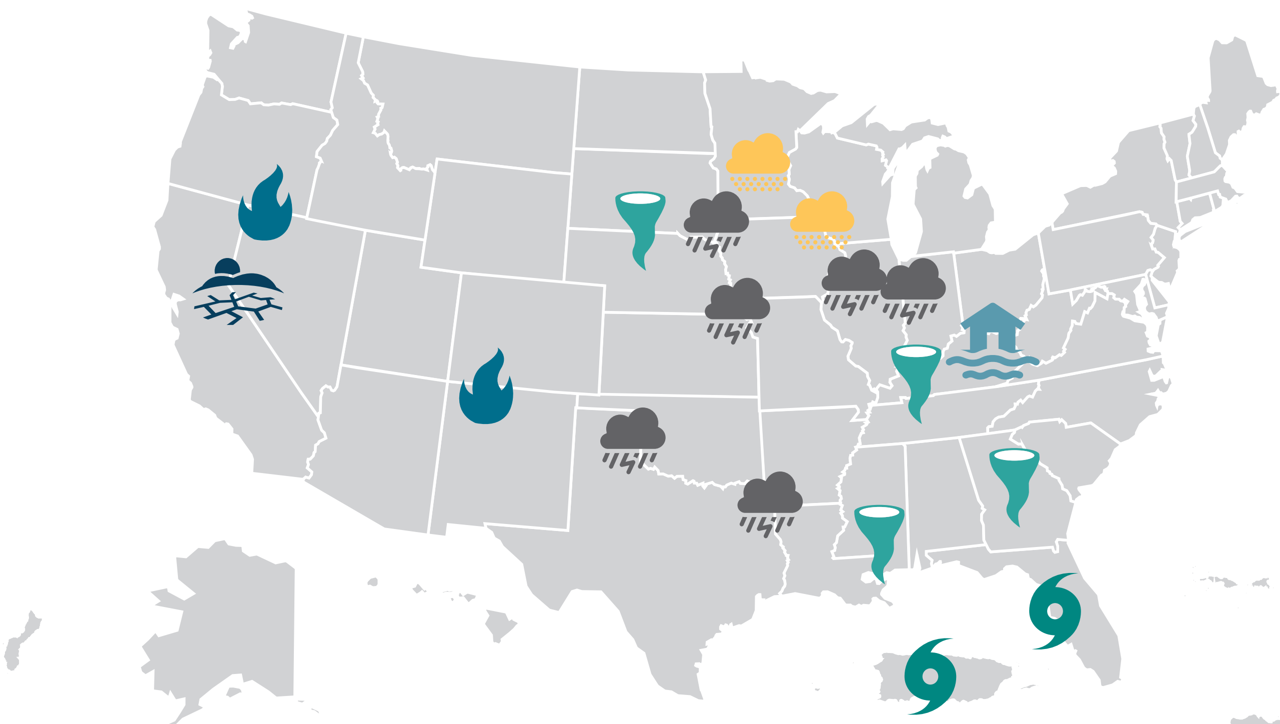


2/3 of small businesses that had **disaster-related losses** were **forced to close**, at least temporarily.[212]

The share of small businesses experiencing **disaster-related losses doubled** (from 7% in 2019 to 14% in 2021).[213]

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

Between October 1, 2021 and September 30, 2022, there were 18 natural disaster events with losses exceeding $1 billion.[214] The total estimated natural disaster-related losses in the U.S. exceeded $55 billion.[215]

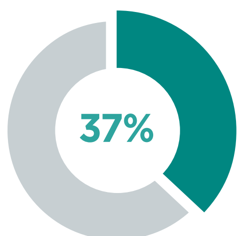


Capital from investors remains a small portion of funding

Similar to all small and emerging businesses, those affected by natural disasters used personal funds (66%), grants and other funds that do not need to be repaid (64%), and cash reserves (57%) before seeking external capital (with repayment) (53%).[216] Of those that applied for external capital:

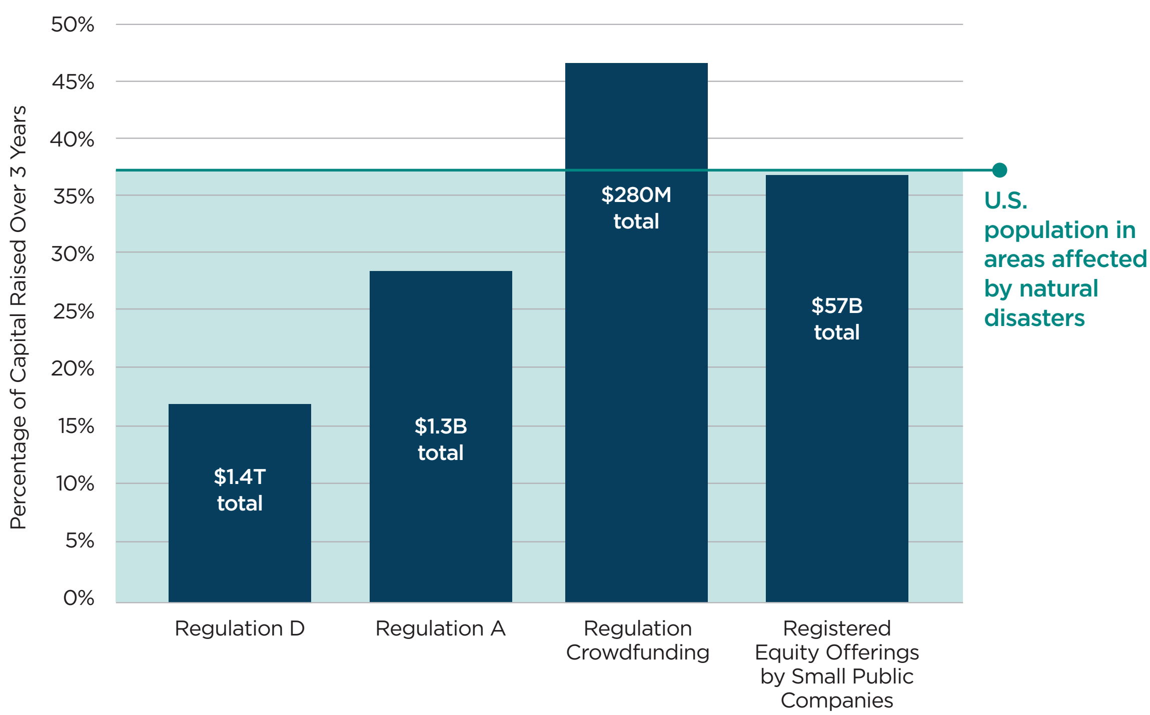
7% sought **equity financing** (compared to 6% of small businesses not affected).[217]

How does the percentage of the population affected by natural disasters compare to the amount of capital being raised?



of the U.S. population[218] lives in an area that was affected by a natural disaster during the three years ending June 30, 2022.[219]

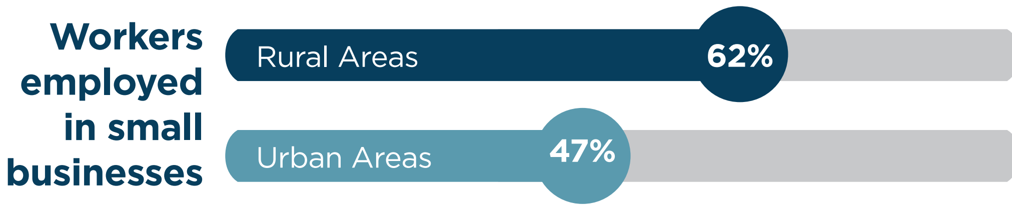
As a percentage of capital raised nationwide, capital raised by businesses in areas affected by natural disasters varied under different offering pathways.[220]



Rural Communities

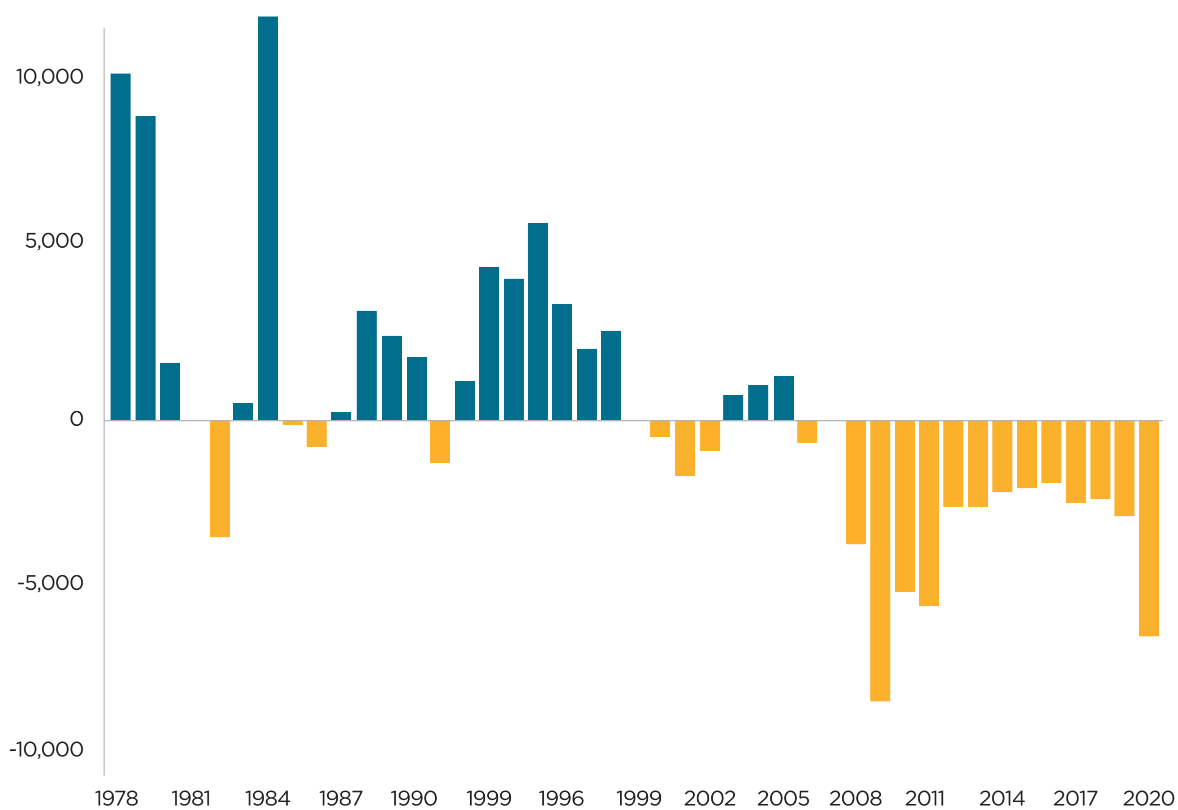
Small businesses drive employment in rural areas, despite the declining number of new small businesses

Small businesses are critical to rural communities, employing well over half of workers in rural areas.[221]



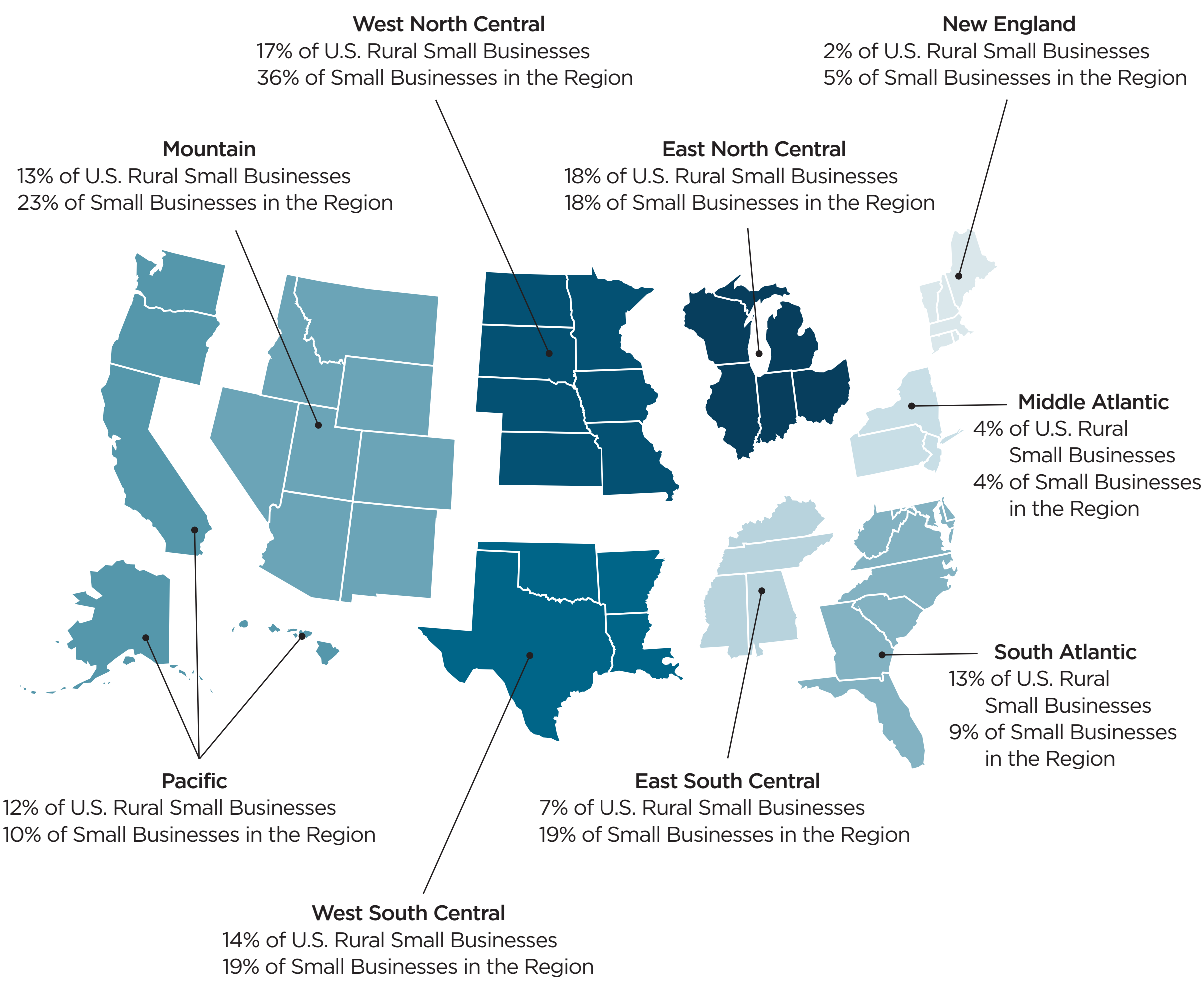
Since 2008, rural small business creation has fallen below the replacement level.[222]

Net Difference between Firm Starts and Closures in Nonmetropolitan Areas[223]

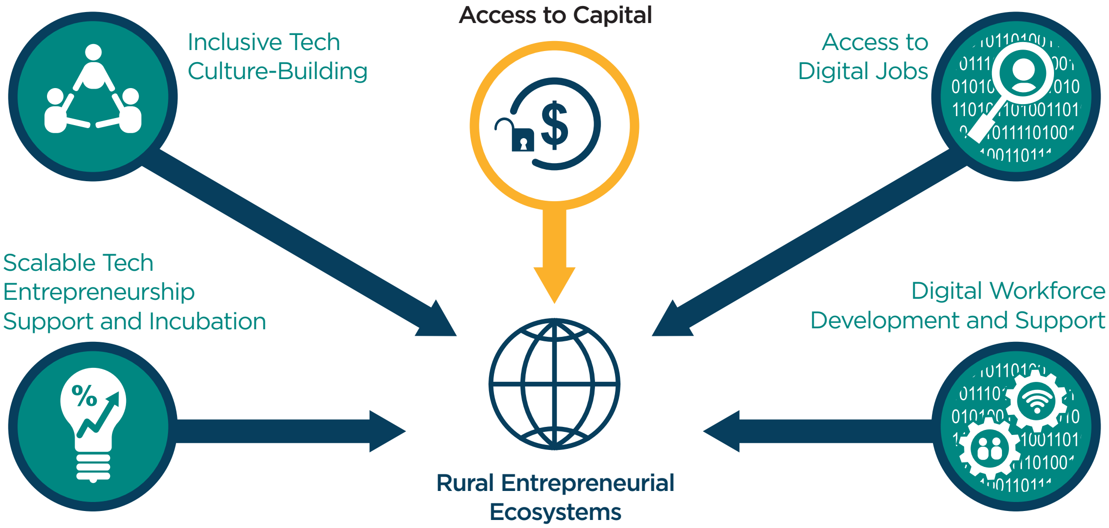


> “One element that is at the heart of virtually every development strategy that works well in rural communities is entrepreneurship. Every entrepreneur matters in rural communities—from the creative, home-based business, to the owner of a small Main Street business, to the larger potential growth company.”
>
> DEB MARTIN, GREAT LAKES COMMUNITY ACTION PARTNERSHIP[224]

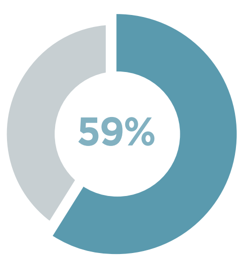
Rural small businesses are located coast to coast, with the majority in the middle of the country.[225] The below map illustrates the distribution of rural businesses across the U.S. by region, as well as the percentage of businesses within each region that are rural.



Access to capital is a direct driver in building rural entrepreneurial ecosystems[226]



Small banks remain the primary source of capital for rural small businesses, despite the decline in small banks and small business lending



of rural small businesses use **small banks** as their **primary source** of funding.[227]

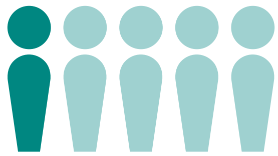
The **smallest banks** (up to $300M in assets) are the **only banking segment** that is **smaller** than it was in **1988**.[228]

The number of **small business loans declined 23% from 2008 to 2020** (despite an 11% increase from 2019 to 2020).[229]

Capital from investors remains a very small portion of funding

4% of **rural small businesses** seeking external capital sought **equity financing** (compared to 7% of urban small businesses).[230]

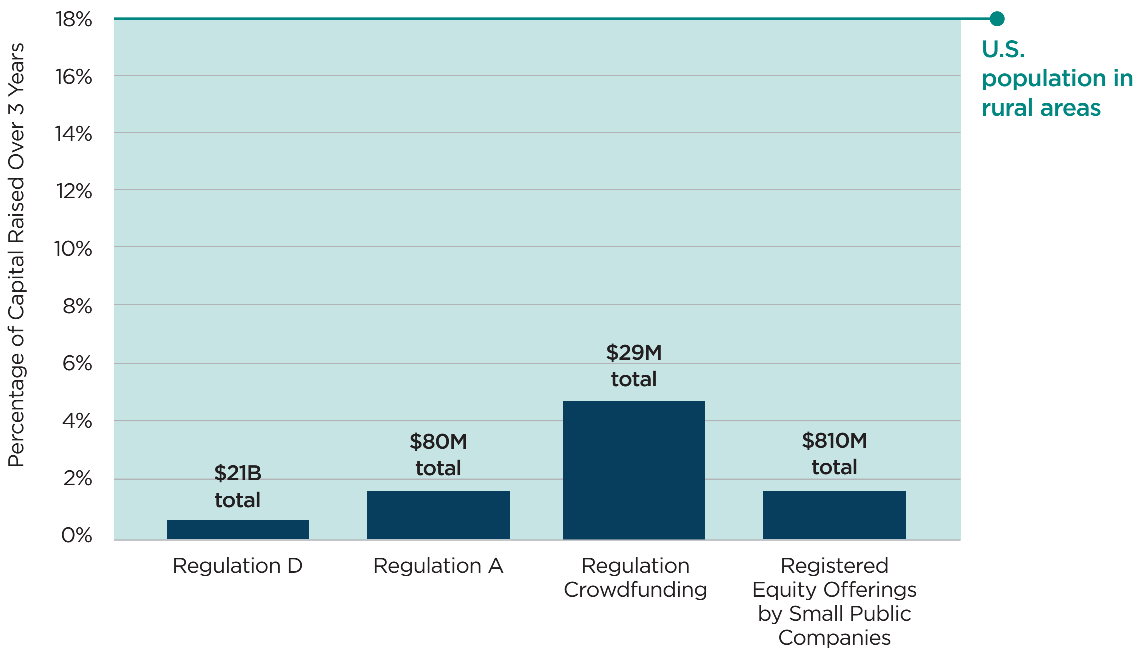
How does the rural population compare to the amount of capital being raised?



18%
of the U.S. population lives in rural areas.[231]

16%
of small employer firms are located in rural areas.[232]

However, businesses in rural areas[233] raised a notably smaller portion of overall capital relative to the rural share of population during the three years ending June 30, 2022:



Policy Recommendations

The Office developed the following policy recommendations for Congress and the Commission based on feedback from small businesses and their investors about our capital raising rules. We have distilled their feedback into five key areas for action to address the most significant issues raised.

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

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

On August 27, 2022, our Office and the Fort Worth Regional Office joined the University of Houston C.T. Bauer College of Business for a series of discussions with entrepreneurs on their successes and challenges in starting and growing their businesses and accessing funding.

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

Background Context

All businesses need capital to create jobs, grow, and innovate. Many entrepreneurs need support to access that essential capital.[234]

Throughout the last fiscal year, we met in-person and virtually with entrepreneurs and investors from across the country. We heard countless examples of hard work and perseverance that allowed small businesses and their investors to overcome the challenges brought by the COVID-19 pandemic. We met with many founders who have been able to fund their operations using personal savings, credit cards, retained business earnings, or grants. We also talked with many small businesses owners for whom those non-dilutive funding sources were unavailable or insufficient and who were looking to investors to help finance their operations and development.

Many of the entrepreneurs we met—no matter how business savvy or technologically sophisticated—noted that the capital raising rules are complex and expressed the need for accessible resources at every stage to help them navigate the capital raising process.

Demographic Impacts

Even as the regulatory pathways to raising capital have expanded in recent years, the complexity of our regulatory framework remains. In particular, women and minority entrepreneurs face an uneven playing field when navigating that complexity, as they do not have access to the same networks, experienced mentors and advisors, or supportive entrepreneurial communities as their counterparts.[235]

Related Developments

Over the last year, the Commission has supported our partnership with other SEC offices and divisions to launch the Capital Raising Hub, a centralized portal of educational resources for small businesses and their investors. The Capital Raising Hub provides resources for each phase of the capital raising journey, and we continue to expand and update the resources based on feedback we receive through our outreach efforts.

One of the most popular resources within the Capital Raising Hub is our Building Blocks suite of educational materials, akin to “one-pagers” that break down fundamental securities law concepts into plain language. Also popular are the Cutting through the Jargon glossary, which demystifies common terminology, and the Navigate your Options tool, a "choose-your-own-adventure" style resource to help users navigate through the capital raising options.

Proposed Solution

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

The Commission's continued support of our efforts in this area is critical to ensuring that entrepreneurs and their investors, at every stage, have access to tools and educational resources to understand and comply with the securities laws in order to access our capital markets effectively.

In October 2021, the Office joined Wyoming founders, investors, and other small business leaders for an engaging conversation about capital raising for early-stage companies. One participant noted the importance of accessible resources: "Entrepreneurs just want to run their business. We need to make the process simpler by using normal language that people use in their living rooms."

Targeted regulatory changes can improve access to capital.

Background Context

As we engage with small businesses, investors, and other thought leaders, many share details about successes in the capital raising process as well as areas of challenges. Overwhelmingly, small businesses and investors alike tell us that Regulation D works well for businesses that have access to accredited investors.

Many small businesses across the country, however, do not have pre-existing accredited investor networks—often resulting in additional layers of challenges and hurdles when seeking to capital raise. Market participants have identified a number of targeted regulatory changes to improve the capital raising process.

> "[Y]ou find that when you have a thriving capital market, you've got jobs."
>
> ARMEER KENCHEN, SMALL BUSINESS CREDIT INITIATIVE AND CORNERSQUARE COMMUNITY CAPITAL[236]

Demographic Impacts

Data highlighted in this report shows the dismal proportion of capital raised by small businesses founded by women and minority entrepreneurs. This is the case at all lifecycle stages—from startups through later-stage businesses seeking venture capital—leaving these businesses financially constrained and unable to reach their full potential.

Diversifying the pool of investors and capital allocators facilitates greater funding of diverse founders. Women VC partners were three times more likely than men VC partners to invest in women entrepreneurs.[237] Minority-owned funds were three to four times more likely than non-minority-owned funds to invest in businesses founded by minority entrepreneurs.[238] Therefore, policies that have a negative impact on underrepresented investors further impede investment in the next generation of diverse innovators working to grow their companies.[239]

For example, the accredited investor definition largely determines whether an individual is eligible to invest in many early-stage companies.[240] However, African American/Black and Hispanic/Latino investors are excluded from the accredited investor definition at higher rates than White and Asian American/Pacific Islander investors due, in large part, to historic wealth inequality.[241]

One area where data has shown progress has been Regulation Crowdfunding, where women and minority founders are finding more success raising capital than through other capital raising options.[242]

Related Developments

The Commission's most recent rulemaking agenda indicates that it will consider amendments to Regulation D, including updates to the accredited investor definition and Form D.[243]

Proposed Solution

Based on the feedback we have received, we recommend the following changes to the accredited investor definition and Regulation Crowdfunding. We also recommend proceeding with caution on any potential changes to Regulation D or Form D.

ACCREDITED INVESTOR DEFINITION:

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

The Commission also should consider the impact any change to the income and net worth thresholds would have on minorities and populations located in rural areas.

Rationale:

- As reflected in the data[244] on net worth and income inequality across demographic groups, raising the wealth thresholds would have a disparate impact on minorities, adding additional barriers to entry for minority entrepreneurs.

- In addition, increased thresholds would have a disparate impact on geographic areas with a lower cost of living, including rural areas. These regions already have less capital raising activity than urban areas.[245]

REGULATION CROWDFUNDING:

The Commission or Congress should amend Regulation Crowdfunding[246] to increase the offering size threshold under which an issuer may meet its financial statement requirements by providing financial statements and income tax return information certified by the principal executive officer.

Rationale:

- Crowdfunding offerings have been a successful source of funding for many women-founded, minority-founded, and geographically diverse companies.[247]

- However, the requirement to have financial statements reviewed by an independent public accountant[248] delays the ability to commence an offering and imposes an upfront cost without a guarantee that the offering will be successful. Under the Commission's COVID-19 relief in effect from May 4, 2020 through August 28, 2022, issuers offering $250,000 or less in a 12-month period could meet the Regulation Crowdfunding financial statement requirements by providing financial statements of the issuer and certain information from the issuer's Federal income tax returns, both certified by the principal executive officer.[249] The relief was available to companies that had been operating for six months or more prior to the commencement of the offering. A permanent extension of this relief would benefit small businesses that may look to meet urgent funding needs through a Regulation Crowdfunding offering.

Congress should amend Section 4A(f)(3) of the Securities Act to modify the provision that prohibits investment companies (or excluded companies under Section 3(b) or 3(c) of the Investment Company Act) from using the Regulation Crowdfunding exemption.[250]

Rationale:

- In 2020, in response to feedback, the Commission adopted Rule 3a-9 under the Investment Company Act to allow special purpose vehicles (SPVs) to conduct Regulation Crowdfunding offerings as co-issuers to a traditional issuer, provided that the SPV meets certain requirements.[251] Entrepreneurs and other thought leaders report that this SPV model has not worked as intended due to the prescriptive requirements and the statutory prohibition on investment companies.

REGULATION D AND FORM D:

When considering changes to Regulation D, we urge the Commission not to make the Form D notice and associated requirements more burdensome, particularly for small businesses.

Rationale:

- The Rule 506(b) safe harbor to the statutory exemption provided by Section 4(a)(2) is the most commonly used pathway to raise capital.[252] Any changes that deter businesses from relying on this safe harbor are likely to have a chilling effect on access to capital. In addition, such changes would be most pronounced on small businesses and those owned by women and minorities that are already facing some of the greatest challenges accessing capital.

On May 5, 2022, the Office joined National Diversity Council's Asian Love Town Hall, which focused on empowering the Asian American/Pacific Islander community and the need to bridge network gaps.

Connecting founders with savvy investors is essential to capital raising.

Background Context

Connecting with early-stage investors who bring relevant industry experience can have a significant and positive impact on a small business's trajectory through mentorship, business connections, strategic guidance, and follow-on financial support. Yet not all entrepreneurs have personal connections to sophisticated, early-stage investors with deep pockets and the right risk tolerance.[253] Registered broker-dealers tend to provide their matchmaking services for larger offerings,[254] but a company's need to connect with savvy investors applies regardless of the dollar-size of its offering.

Since our first Annual Report in 2019, our Office has been advocating for regulatory clarity on the role of finders in facilitating introductions between founders and investors.[255] This issue remains as timely today as ever.

Demographic Impacts

Women, minority, and rural founders often start with a smaller network of accredited, angel, and VC investors.[256] The lack of access to networks of potential investors has an impact that extends well beyond capital raising and into company survival and growth prospects, diversity among board leadership, and the mentoring that often comes from savvy investors. These barriers to company success in turn may affect founders' ability to build wealth and reinvest capital going forward.

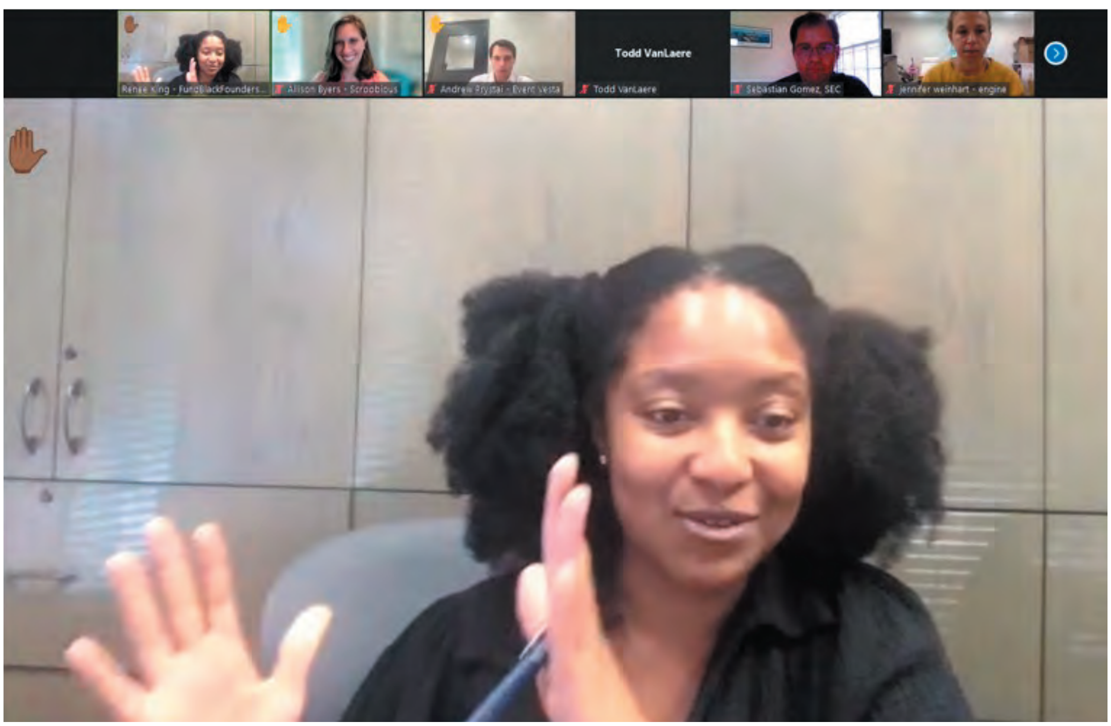
> "Inclusive, collaborative entrepreneurial ecosystems can help bridge these long-standing gaps and dismantle... the barriers to access—opportunity, funding, knowledge, and support.... [These barriers] get in the way of too many people starting businesses and spurring economic growth."
>
> PHILIP GASKIN, KAUFFMAN FOUNDATION[257]

Related Developments

In October 2020, the Commission proposed an order[258] that would permit natural persons to engage in certain limited "finders" activities involving accredited investors without registering with the Commission as brokers. The Commission has not taken further action on the proposal, and providing regulatory clarity for finders is not on the Commission's current regulatory agenda.[259]

Proposed Solution

We hear frequently that the lack of regulatory clarity on the role of finders in facilitating introductions between investors and founders harms both investors and the companies those investors are seeking to support. The lack of a clear framework makes it easier for unscrupulous intermediaries to solicit investors without disclosing hidden conflicts of interest. Further, to the extent an intermediary engages in unregistered broker-dealer activity, it could expose the company to rescission rights, which would require the company to return to investors their investment plus interest.[260] For decades, market participants have asked for clarity about the legal obligations of finders. We are supportive of those calls and recommend that Congress or the Commission provide additional regulatory clarity for finders.



On August 16, 2022, the Office joined a roundtable hosted by Engine where we heard about successes and challenges faced by entrepreneurs.

Emerging fund managers play a key role in small business capital formation and need support.

Background Context

Businesses that seek funding beyond friends and family or their local angel network often turn to private funds of sophisticated pooled capital, such as VC funds. Larger funds tend to target larger investments so they can maintain a reasonably sized portfolio of companies that they can actively manage. As a result, earlier-stage, smaller deals may get pushed aside in favor of later-stage, more mature companies. Founders looking for seed and early-stage capital often struggle to raise financing for their smaller, earlier rounds. While micro-funds have strengthened seed activity, the percentage of total capital going to micro-funds and emerging fund managers remains just a sliver of the overall pie, with the percentage going to emerging fund managers declining to a new decade low.[261] Founders seeking smaller amounts of capital—which are typically more regional rounds—are finding less funding before the large VC funds come to the table.[262] For those businesses that do receive early-stage VC funding, that capital tends to be key to meeting developmental milestones, including rolling out operations, growth, and expansion.[263]

Emerging fund managers play a key role supporting startups across the country, particularly for those seeking smaller, early-stage financing. Their funds tend to be smaller and more likely to invest in a more diverse pool of entrepreneurs as well as businesses located in geographic areas not traditionally served by more established fund managers.[264] However, emerging fund managers may be disproportionally affected by the recent slowdown in IPOs, as fewer IPOs mean fewer exits resulting in distributions to a fund's LPs, which in turn may result in those LPs allocating the now smaller pool of available capital to established, larger fund managers.[265]

Demographic Impacts

Diversity among those who make investment decisions results in more capital flowing to more diverse founders.[266]

During outreach events, we repeatedly hear that support from an institutional LP can significantly enhance a new fund's ability to attract other investors. While a number of LPs publicly pledged support for diverse fund managers following the 2020 murder of George Floyd, we hear that the amount of capital earmarked for diverse fund managers is still a tiny fraction of the total amount that institutional LPs are allocating to VC investments.[267]

> “[W]e can’t believe that we’re all fighting gladiator style or Hunger Games style to get a small sliver of the pie… Just because [we are] historically overlooked fund managers doesn’t mean we should be looked at differently and given different opportunities for smaller slices of the pie than others.”
>
> BRANDON BROOKS, OVERLOOKED VENTURES[268]

Related Developments

Last year, our Office recommended that Congress and the Commission explore regulatory solutions to support smaller, regional funds, including:

- Amending the “venture capital fund” definition under Rule 203(l)-1 of the Investment Advisers Act of 1940 to permit VC funds to invest in other VC funds as a “qualifying investment.”

- Improving the utility of the “qualifying venture capital fund” exemption in Section 3(c)(1) of the Investment Company Act of 1940.

The Commission has the authority to amend the “venture capital fund” definition. Congress would need to act to improve the “qualifying venture capital fund” exemption.

Proposed Solution

Given the role that emerging fund managers play in supporting startups, we reaffirm, and expand on, the recommendations in our 2021 Annual Report. Specifically, we recommend that:

- The Commission amend the “venture capital fund” definition under Rule 203(l)-1 of the Investment Advisers Act of 1940 to treat VC funds’ investments in other VC funds to be “qualifying investments.” This would allow these investments to be excluded from the 20% non-qualifying basket.

Rationale:

- This amendment would allow larger—and often more geographically concentrated—funds to invest in emerging fund managers who write smaller checks, increasing both the diversity of investment decision-makers and access to capital for founders seeking smaller VC funding rounds. As noted by the SEC's Small Business Capital Formation Advisory Committee, "larger funds tend to invest larger amounts in a handful of later-stage companies, while smaller funds tend to invest smaller amounts in a proportionate handful of earlier-stage companies. A fund-of-funds model—where a larger fund invests in smaller, regional funds—could unlock capital otherwise competing for late-stage allocations and benefit smaller companies in emerging entrepreneurial ecosystems."[269]

▪ Congress increase the current 100 beneficial owners limit for funds that rely on the exemption in Section 3(c)(1) of the Investment Company Act of 1940.

Rationale:

- Limiting a fund to 100 beneficial owners can make it more difficult to raise a sufficient amount of capital. Many managers tell us that this limitation is particularly challenging for new managers who may not have the networks, track record, or access to investors who can write large checks.

▪ Congress increase the limit on investors in, and expand the $10 million maximum size of, the "qualifying venture capital fund" exemption in Section 3(c)(1) of the Investment Company Act of 1940.

Rationale:

- As noted in our 2021 Annual Report, assuming a "2 and 20" fee structure by a fund, a $10 million (the maximum size under the definition) qualifying venture capital fund only has $200,000 per year to operate, inclusive of salaries, compliance, diligence, and portfolio management costs. Such a low amount sets these small funds up for failure. If Congress increases the $10 million cap, the current 250 investor limit may impede the ability of new managers to successfully raise a sufficient amount of capital, as we have seen in the case of traditional funds relying on the exemption in Section 3(c)(1) of the Investment Company Act of 1940.

Scaled disclosures for small public companies help them stay public.

Background Context

"Banner year for IPOs" was the headline last year. Fast forward 12 months, and we are in a very different environment. A combination of factors, including macroeconomic conditions, notably tighter monetary policy and inflationary pressures, geopolitical challenges, disruptions to supply chains, a tight labor market, the reassessment of company valuations, and recent SEC rulemakings, have contributed to the significant decline in the number of IPOs.[270]

Simply put, the vibrancy of our public markets depends on two key factors:

- Are private companies going public?
- Are public companies staying public?

Not only must we focus on ways to foster a robust IPO pipeline despite current macroeconomic headwinds, it is also critical that we address the challenges of staying public.

Demographic Impacts

The demographic impacts we identify in the four recommendations above have ripple effects and are some of the leading indicators for the demographic challenges we see in the public markets. After all, a public company starts its journey as a private company and needs capital in order to mature to the point that it is ready to go public. If we are not able to address the challenges that impede women and minority founders from accessing capital to grow their startups into public companies, we are not going to see progress in the next generation of public companies led by women and/or minorities. If savvy women and minority investors do not have a role in making investment decisions, either because they do not qualify as accredited investors or because they are not able to launch or lead a fund, companies will lose out on the guidance and perspective those investors could have brought to the table. For some companies, that insight and experience could make the difference in whether they succeed in becoming and remaining a public company.

> "[D]iversity is in the interest of businesses. A diverse board helps that business be more profitable. A diverse workforce helps that business be more profitable. The value proposition of diversity is there."
>
> PETER HOLT, THE JOINT CORPORATION[271]

Related Developments

The vibrancy of our capital markets depends on having companies of varying sizes. Last year, we recommended tailoring the SEC's disclosure and reporting framework to the complexity and size of operations of companies. In particular, we highlighted the need for scaling disclosure obligations or delaying compliance for small public companies.

Since then, the Commission has embarked on a number of initiatives that will affect the disclosures that public companies make. In some cases, the Commission has taken steps to scale obligations or delay compliance for small public companies,[272] and in other cases, small public companies will be subject to the same requirements at the same time as much larger companies.[273]

Proposed Solution

Small public companies, compared to larger ones, receive less research coverage, attract lower levels of institutional investors, and are more sensitive to fixed compliance costs.[274] It is imperative that we create an environment that nurtures and supports those small public companies staying public. Absent this, we will continue to see a declining number of small public companies,[275] which translates into fewer investment choices for investors.

On March 17, 2022, our Office met with women entrepreneurs in Phoenix, AZ where we heard about challenges they face raising capital.

With this in mind, we recommend that the Commission, when considering new disclosure obligations for public companies, scale those obligations and delay compliance for small public companies. Scaling disclosure obligations helps to better balance the costs and benefits of the rules, particularly because the proportional expense of costs that are not scalable is higher for small public companies. Delaying compliance for small public companies helps to promote better initial disclosure for those companies, as they will benefit from seeing the disclosure that large public companies prepare in response to similar new requirements.

> "[R]ules and exceptions out there for small reporting companies and emerging growth companies—that is really pivotal to what allowed SkyWater to become a public company when we did. Without that, we very likely would not have been able to capitalize on the opportunity to go to market and become a public company in 2021."
>
> STEVE MANKO, SKYWATER TECHNOLOGY, INC.[276]

Small Business Capital Formation Advisory Committee FY2022 Summary

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.

The Committee's membership includes company and investor representatives, and other thought leaders from across a diverse set of experiences, industries, geographies, and company life cycle stages. The Commission is grateful for their service and commitment to small businesses and their investors.

The members of the Committee as of the end of fiscal year 2022 were as follows:

CARLA GARRETT, *Chair*
Corporate Partner,
Potomac Law Group PLLC
Washington, DC

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

GREGORY YADLEY, *Secretary*
Partner, Shumaker,
Loop & Kendrick, LLP
Tampa, FL

YOUNGRO LEE,
Assistant Secretary
CEO and Co-Founder,
NextSeed
Houston, TX

DONNEL BAIRD
Founder and CEO,
BlocPower LLC
Brooklyn, NY

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

KESHA CASH
Founder and General Partner, Impact America Fund
Oakland, CA

GREG DEAN*
Senior Vice President of the Office of Government Affairs, FINRA
Washington, DC

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

ROBERT FOX
National Managing Partner, Professional Standards Group, Grant Thornton LLP
Chicago, IL

STEPHEN GRAHAM
Co-Chair, Fenwick & West LLP's Life Sciences Practice
Seattle, WA

SARA HANKS
CEO and Co-Founder, CrowdCheck, Inc.
Alexandria, VA

BRIAN LEVEY
Chief Business Affairs and Legal Officer, Upwork Inc.
San Francisco, CA

SAPNA MEHTA
General Counsel & Chief Compliance Officer, Rise of the Rest Seed Fund; Associate General Counsel, Revolution
Washington, DC

CATHERINE MOTT
Founder and CEO of BlueTreeCapital Group, BlueTree Allied Angels, and BlueTree Venture Fund
Pittsburgh, PA

JASON SEATS
Chief Investment Officer, Techstars
Austin, TX

MARC OORLOFF SHARMA*
Chief Counsel of the Office of the Investor Advocate, U.S. Securities & Exchange Commission
Washington, DC

HANK TORBERT
President, AltaMax, LLC
New Orleans, LA

SUE WASHER
President and CEO, Applied Genetic Technologies Corporation
Gainesville, FL

* Committee members include the SEC's Advocate for Small Business Capital Formation (vacant at the end of fiscal year 2022) 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).

Summary of Activities

The Committee met virtually four times during FY2022. Materials from the meetings, including agendas, transcripts, webcasts, and presentations, are available on the Committee's webpage.

Meeting Date	Agenda Topics
November 16, 2021	Rural Entrepreneurship and the Challenges Accessing Financial Capital and the U.S. Department of Treasury's State Small Business Credit Initiative
February 10, 2022	Accredited Investor Definition
May 6, 2022	Proposed Rules on Climate-Related Disclosures and SPACs, Shell Companies, and Projections
August 2, 2022	Secondary Market Liquidity for Investors in Regulation A and Regulation Crowdfunding Companies and Smaller Public Companies

Committee Recommendations

During fiscal year 2022, the Committee put forward the following four recommendations to the Commission:

Accredited Investor Definition

February 10, 2022

According to the Commission's rulemaking agenda, the Division of Corporation Finance is considering recommending that the Commission seek public comment on updates to the financial thresholds in the definition of "accredited investor" as set forth in Securities Act Rule 501(a) of Regulation D. The definition was most recently amended in 2020, and in connection with that rulemaking, the Committee made several recommendations in 2019.

The Committee recognizes the complexity of crafting a workable definition of accredited investor that balances protecting investors with facilitating capital formation and investment opportunities. As the Commission considers updating the definition's financial thresholds for individual investors' net worth and annual income, the Committee urges the Commission to avoid unintended consequences. It is also important for the Commission to recognize that a business's failure to succeed is not the same thing as fraud. And further, fraud occurs at the hands of bad actors regardless of regulatory thresholds. The Committee believes that the SEC should continue its robust enforcement program to root out fraud across markets of all sizes, while supporting investor education on the importance of portfolio diversification to mitigate risk of one investment's failure.

Accredited investors are a critical source of early-stage capital for small businesses in communities across the country, and changes that would shrink the pool of currently accredited investors would have a detrimental effect on small business capital formation. The ripple effects of limiting access to early-stage capital would negatively impact access to future rounds of financing from funds and other later-stage investors, rippling further into the companies that will one day go public.

The Committee is also concerned that raising the thresholds could have disproportionate impacts on various demographic groups, making the definition less inclusive and widening the nation's already wide racial wealth gap. The Committee discussed the wealth gap among different racial and ethnic groups, as well across different geographic communities. The Commission should be mindful of the disparate impacts that increases to the financial thresholds could have on the pool of accredited investors. A more homogeneous pool of accredited investors would negatively impact the diversity of entrepreneurs who raise capital, decreasing inclusion in capital formation.

Further, the Committee discussed the additional ripple effects that raised financial thresholds would have on companies whose shareholders may no longer qualify as accredited investors, inadvertently triggering the registration thresholds of Section 12(g).

In light of the foregoing and consistent with the Committee's 2019 recommendations, the Committee presents the following new recommendations to the Commission for consideration in connection with potential future rulemaking on the definition of accredited investor:

1. Do not increase the current financial thresholds for individual investors to qualify as accredited.
2. Going forward, consider indexing the financial thresholds for inflation on a periodic basis.
3. Given the imperfect proxy that financial thresholds provide for measuring investor sophistication, provide alternative methods for investors to qualify as sophisticated, which could include investment experience, knowledge gained through work experience or membership in associations, education credentials, additional professional certifications, or tests to demonstrate sophistication.

Lastly, given the impact of early-stage investors who tend to invest within their local communities, as well as regional differences in income and wealth, the Committee recommends that the Commission consider creating a new exemption for local and/or micro-investments that would not be limited to accredited investors.

Climate-Related Disclosures Proposal

May 6, 2022

On March 21, 2022, the Commission proposed rules on the Enhancement and Standardization of Climate-Related Disclosures for Investors (Release No. 33-11042). As the Commission works toward finalizing the proposed rules, while the Committee recognizes that climate is an important topic, the Committee urges the Commission to consider:

- Providing a more detailed cost-benefit analysis, including the impact that the proposed rules would have on smaller public and private companies;

- Scaling and delaying the compliance requirement for emerging growth companies, along with smaller reporting companies;
- Expanding the safe harbor for liability for Scope 3 emissions disclosures to include all climate-related disclosures;
- Eliminating the attestation requirement, as it would be costly and burdensome, and it will delay reporting;
- Requiring the information to be furnished, rather than filed;
- Tailoring the requirements for certain industries;
- Re-evaluating the timing for filing climate-related disclosures since the information may not be available in time for a company's annual report on Form 10-K; and
- Providing a longer implementation timeframe for the new rules, so that smaller companies would have more time to transition, work through implementation, and comply with the new requirements.

In addition, the Committee has the following observations and suggestions:

1. The Committee asks that the Commission consider incentives, rather than penalties, for companies that are providing climate-related disclosures. Companies that are moving in the direction of doing things that are more climate-friendly may, for instance, be deterred from putting together an analysis due to concerns of having to disclose it before it is finalized or concerns of being required to provide additional disclosures that could be financially costly and time-consuming.
2. The Committee urges the Commission consider how the climate-related disclosure requirements may deter private companies from going public. There should be a pathway for very small companies to become public reporting companies without hiring expensive climate-related consultants.
3. The Commission should consider the rule's impact on small companies that are suppliers or vendors for public companies. To the extent public companies are required to track and provide downstream greenhouse gas emissions, smaller suppliers and vendors that are unable or delayed in providing their greenhouse gas emissions may lose business to larger companies that can provide such metrics. Due to disadvantages arising from lack of resources and smaller operations scale, both small public and private companies may face greater challenges in accessing capital and generating revenue they need to sustain their businesses.

SPACs Proposal

May 6, 2022

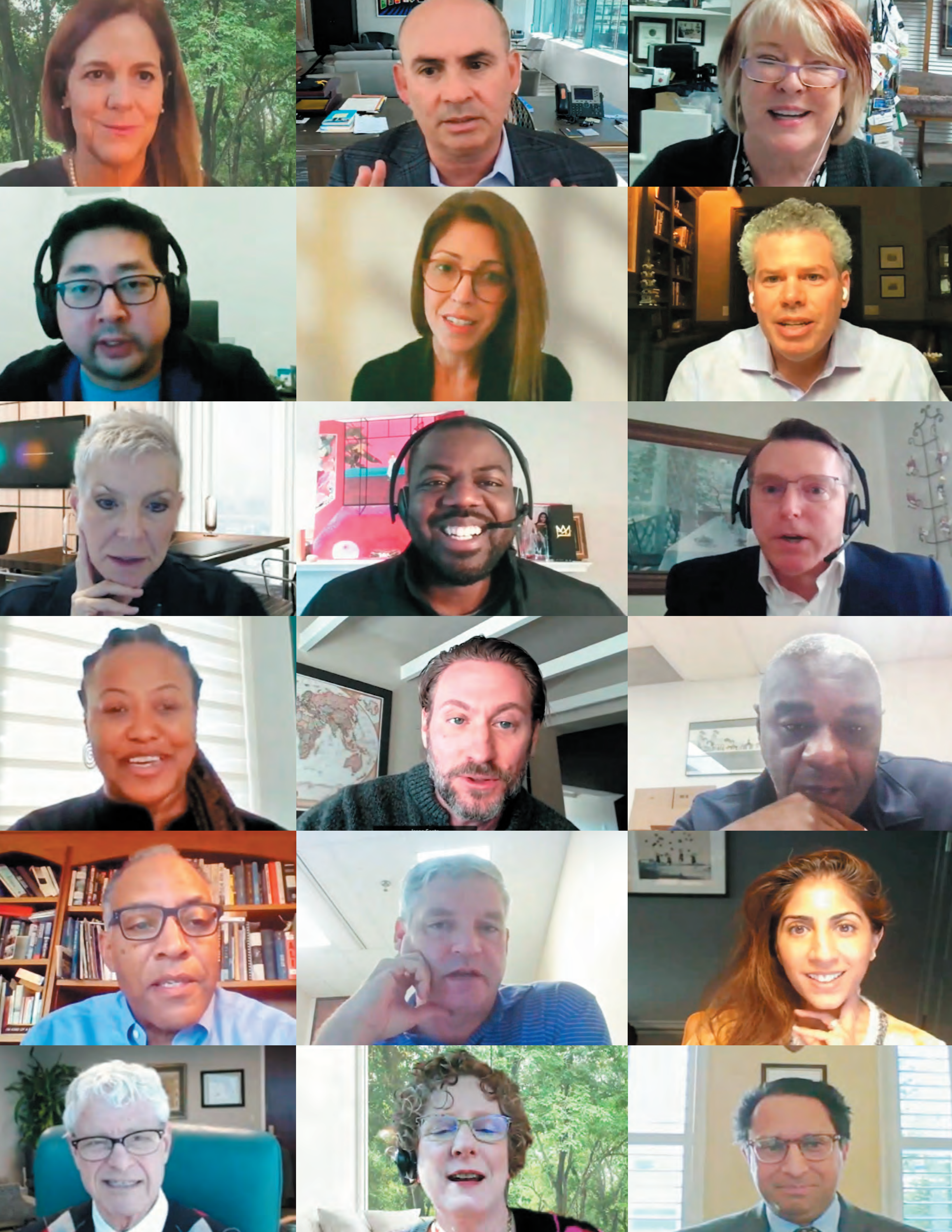
On March 30, 2022, the Commission proposed rules on Special Purpose Acquisition Companies (SPACs), Shell Companies and Projections (Release No. 33-11048). The Committee's recommendations related to this proposal are as follows:

1. The Committee would like for SPACs to remain a viable path for companies to pursue as a means of getting access to public market capital. The Committee is concerned that the proposed rules, as written, might render SPACs unusable as an alternative to IPOs.
2. The Committee is generally supportive of improving disclosures for SPACs, particularly in the period of time between the announcement of the merger and the closing of the de-SPAC transaction.
3. The Committee encourages the Commission to clearly identify which participants would have underwriter liability. Participants should be held accountable to the same extent they would be in traditional IPOs.
4. Management projections are an important part of the rationale for companies in determining whether to engage in a merger with a SPAC, and they are necessary when financial intermediaries provide fairness opinions related to de-SPAC transactions. As a result, the Committee recommends that the projections in de-SPAC transactions be covered by the liability safe harbor provisions of the Private Securities Litigation Reform Act when disclosed in the de-SPAC transaction.
5. The Committee recommends that the Commission expand or eliminate the 18 month and 24 month timelines provided in the Investment Company Act safe harbor for SPACs. The requirement to engage in a de-SPAC transaction within 18 months after its IPO and complete its de-SPAC transaction within 24 months could incentivize SPAC sponsors to engage in riskier acquisitions to complete the merger process within the artificially short periods.

Regulation A Secondary Market Liquidity

August 2, 2022

The Committee discussed secondary market liquidity issues. Provided that statutory authority can be established, the Committee recommends that the Commission, on a pilot basis, provide federal preemption from state regulation for secondary sales by investors of securities initially sold pursuant to Tier 2 of Regulation A. This recommendation is limited to issuers current in their ongoing reports and whose primary offering was subject to Staff review.



Endnotes

1 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))].

2 *See* https://www.sec.gov/education/capitalraising

3 This graphic is based on DERA data. This graphic depicts amounts reported or estimated as raised from July 1, 2021 through June 30, 2022. Data on offerings under Regulations D and Crowdfunding is based on information reported by companies and was collected from EDGAR filings (new filings and amendments) on Forms D and C, respectively. Data on registered offerings was collected from Thomson Financial's SDC Platinum database. For offerings under Regulation Crowdfunding, except where specified otherwise, estimates of the number of offerings are based on offerings completed during this period as shown on progress updates on Form C-U; estimates of amounts raised are based on proceeds reported in progress updates filed on Form C-U during the report period. For offerings under Regulation A, except where specified otherwise, estimates of the number of offerings are based on offerings qualified during this period, excluding post-qualification amendments; estimates of amounts raised are based on proceeds reported in filings made during the report period. Capital raised is based on information reported by companies in Forms 1-Z, 1-K, 1-SA, 1-U, and offering circular supplements pertaining to completed and ongoing Regulation A offerings and post-qualification amendments, and for companies whose shares have become exchange-listed, information from other public sources. Estimates represent a lower bound on the amounts raised given the timeframes for reporting proceeds following completed or terminated offerings and that offerings qualified during the report period may be ongoing. For the offerings that permit pooled investment funds, such as Rule 506(b) and (c) of Regulation D and registered offerings, the data includes offerings conducted by pooled investment funds.

4 "Other exempt offerings" includes estimated amounts raised under Regulation S, and Rule 144A for calendar year 2021. The data used to estimate the amounts raised in 2021 for other exempt offerings includes: (1) offerings under Regulation S that were collected from Thomson Financial's SDC Platinum service; and (2) resale offerings under Rule 144A that were collected from Thomson Financial's SDC New Issues database, the Mergent database, and the Asset-Backed Alert and Commercial Mortgage Alert publications, to further estimate the exempt offerings under Regulation S. We include amounts sold in Rule 144A resale offerings because those securities are typically issued initially in a transaction under Section 4(a)(2) or Regulation S but generally are not included in the Regulation S data identified above. These numbers are accurate only to the extent that these databases are able to collect such information and may understate the actual amount of capital raised under these offerings if issuers and underwriters do not make this data available. The data on Rule 144A debt offerings from Mergent is available only through September 30, 2021. We have extrapolated the data to obtain a full calendar year. 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, 2022.

5 17 C.F.R. § 230.506(b); *see* https://www.sec.gov/smallbusiness/exemptofferings/rule506b.

6 17 C.F.R. § 230.506(c); *see* https://www.sec.gov/smallbusiness/exemptofferings/rule506c.

7 17 C.F.R. § 230.504; *see* https://www.sec.gov/smallbusiness/exemptofferings/rule504.

8 17 C.F.R. § 227.100 et seq.; *see* https://www.sec.gov/smallbusiness/exemptofferings/regcrowdfunding.

9 Securities Act of 1933 § 3(a)(11), 17 C.F.R. § 230.147, and 17 C.F.R. § 230.147A; *see* https://www.sec.gov/smallbusiness/exemptofferings/intrastateofferings.

10 17 C.F.R. § 230.251 et seq.; *see* https://www.sec.gov/smallbusiness/exemptofferings/rega.

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

12 15 U.S.C. § 77a, *et seq*.; *see* https://www.sec.gov/smallbusiness/goingpublic.

13 This graphic presents capital raised in registered, Regulation D and Regulation A offerings across the top industries from July 1, 2021 through June 30, 2022. Offerings by non-pooled investment funds in other industries accounted for approximately $25 billion, $79 billion and $96 million in registered, Regulation D and Regulation A offerings, respectively. Regulation A and registered offerings were classified into industry groups based on the primary SIC code reported by the company. Industry groups were self-reported by companies on Form D. Differences in data sources and definitions may limit the comparability of industry data. Offerings by pooled investment funds, which accounted for approximately $63 billion and $2.1 trillion in registered offerings and Regulation D, respectively, are excluded from this graphic. *See supra* note 3 for a description of how these amounts were reported or estimated.

14 The maps included in this section depict 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, 2021 through June 30, 2022. *See supra* note 3 for a description of how these amounts were reported or estimated.

15 *See* Crowdfund Capital Advisors, "Investment Crowdfunding. Democratizing Access to Capital. 2021 Annual Report, "Feb. 2022" at 9, 12-13, 31-32 and 49, *available at* https://crowdfundcapitaladvisors.com/2021-investment-crowdfunding-year-in-review-report-released/.

16 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. *See supra* note 3 for a description of how these amounts were reported or estimated.

17 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. *See supra* note 3 for a description of the methodology used to calculate this data. 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* "Facilitating Capital Formation and Expanding Investment Opportunities by Improving Access to Capital in Private Markets," (Mar. 10, 2021) *available at* https://www.sec.gov/corpfin/facilitating-capital-formation-secg.

18 *See supra* note 3 for a description of the methodology used to calculate this data. Effective March 15, 2021, the maximum aggregate amount that an issuer is permitted to raise under Rule 504 of Regulation D in a 12-month period was raised to $10 million (from $5 million). *See* Facilitating Capital Formation and Expanding Investment Opportunities by Improving Access to Capital in Private Markets, *supra* note 17. Offerings under Rule 504 accounted for 0.9% of all new Regulation D offerings and 0.03% of the aggregate amounts raised under Regulation D. From March 15, 2021 through June 30, 2022, there were 12 offerings that raised between $5 and $10 million under Rule 504 for an aggregate of $77.6 million.

19 This graphic includes the top industries based on the reported amounts raised by non-pooled fund issuers during the respective periods. Offerings by non-pooled fund issuers in other industries accounted for approximately $62 billion and $86 billion in the twelve months ended June 30, 2021 and 2022, respectively. *See supra* note 3 for a description of the methodology used to calculate this data.

20 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. *See supra* note 3 for a description of the methodology used to calculate this data. 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* Facilitating Capital Formation and Expanding Investment Opportunities by Improving Access to Capital in Private Markets, *supra* note 17.

21 This graphic includes the top industries by aggregate amounts sought in qualified Regulation A offerings during the respective periods. Additional offerings accounted for approximately $81 million and $162 million in the twelve months ended June 30, 2021 and 2022, respectively. *See supra* note 3 for a description of the methodology used to calculate this data.

22 This graphic includes pooled funds. *See supra* note 3 for a description of the methodology used to calculate this data.

23 This graphic includes the top industries by IPO proceeds. Additional IPOs by non-pooled fund issuers accounted for approximately $9.6 billion and $7.6 billion in the twelve months ended June 30, 2021 and 2022, respectively. Pooled investment funds, including SPACs, accounted for approximately $179 billion and $60 billion in the twelve months ended June 30, 2021 and 2022, respectively. *See supra* note 3 for a description of the methodology used to calculate this data.

24 *See* NVCA, "2022 Yearbook," (Mar. 2022) at 10 (noting that VCs typically invest in young, high-growth companies in need of capital to grow) *available at* https://nvca.org/wp-content/uploads/2022/03/NVCA-2022-Yearbook-Final.pdf. *See also* Thomas Huckabee, "Not All Startups Are a Fit for the VC Funding Model: Why They Need Projected Revenues of over $25 Million," *Thomas Huckabee, Inc.*, (June 11, 2021) *available at* https://tehcpa.net/uncategorized/not-all-startups-are-a-fit-for-the-vc-funding-model-why-they-need-projected-revenues-of-over-25-million/.

25 *See* Daniel Wilmoth, Ph.D, "Small Business Facts. Small Business Job Creation," *U.S. Small Business Administration Office of Advocacy*, (Apr. 2022) *available at* https://cdn.advocacy.sba.gov/wp-content/uploads/2022/04/22141927/Small-Business-Job-Creation-Fact-Sheet-Apr2022.pdf.

26 *See* U.S. Small Business Administration Office of Advocacy, "2022 Small Business Profile," (2022) at 1, *available at* https://cdn.advocacy.sba.gov/wp-content/uploads/2022/08/30121338/Small-Business-Economic-Profile-US.pdf.

27 *See* Jeffrey M. Jones, "Confidence in U.S. Institutions Down; Average at New Low," (July 5, 2022) *available at* https://news.gallup.com/poll/394283/confidence-institutions-down-average-new-low.aspx (noting that 68% of Americans have confidence in small businesses). Major US Institutions included in survey: Small business, military, police, medical system, church or organized religion, public schools, organized labor, banks, large technology companies, U.S. Supreme Court, presidency, newspapers, criminal justice system, Big business, Television news, and Congress. *See* Gallup, "Confidence in Institutions," (2022) *available at* https://news.gallup.com/poll/1597/confidence-institutions.aspx.

28 *See* Ewing Marion Kauffman Foundation, "America's New Business Plan," (2022) at 12, *available at* https://www.startusupnow.org/wp-content/uploads/sites/12/2022/05/ANBP-Refresh-Final_v3.pdf#page=12&zoom=100,0,0.

29 *See* Nasdaq Entrepreneurial Center, "Pay Ownership Valuation (POV) Research Findings," (2022) at 7, *available at* https://evidence2impact.psu.edu/wp-content/uploads/2022/07/POV-Final_Research.pdf.

30 *See* Small Business Majority, "Survey: Small Businesses Optimistic About the Future, Despite Concerns about Inflation and Barriers to Capital, (Oct. 13, 2022) at 2, *available at* https://smallbusinessmajority.org/sites/default/files/research-reports/2022-SSTB-SBM-Network-Poll-Report.pdf.

31 *See* Hello Alice, "Capital Access Temp Check," (Apr. 2022) at 1, *available at* https://helloalice.com/wp-content/uploads/2022/05/APRIL-Capital-Access-Temp-Check-.pdf.

32 *Id.*

33 *Id.* at 3.

34 *See* January Ventures, "2021 Early Stage Founder Sentiment Report," (2021) at 9, *available at* https://34a0404e-3457-4b9f-8fcc-19732fc72efe.filesusr.com/ugd/8d7061_f955edaf79ba40bba50fcca2a2ebbd53.pdf.

35 *See* Ewing Marion Kauffman Foundation, *supra* note 28, at 20.

36 *Id.*

37 *See* The White House, "The Small Business Boom Under the Biden-Harris Administration," (Apr. 2022) at 1, available at https://www.cdfa.net/r/WhiteHouse_04-2022_Business-Boom-Under-Biden-Harris-Administration.html.

38 *See* Economic Innovation Group, "More Physical Places of Businesses Open Now than Pre-Pandemic, Led by Sun Belt Metros," (Apr. 5, 2022) *available at* https://indicators.kauffman.org/wp-content/uploads/sites/2/2022/03/2021-Early-State-Entrepreneurship-National-Report.pdf. By contrast, only 44 percent of counties had reached a similar milestone five full years after the onset of the Great Recession.

39 *See* Robert Fairlie, "National Report on Early-Stage Entrepreneurship in the United States: 2021," (Mar. 2022) at 19, *available at* https://indicators.kauffman.org/wp-content/uploads/sites/2/2022/03/2021-Early-State-Entrepreneurship-National-Report.pdf.

40 *See* Federal Reserve Banks, "Small Business Credit Survey. 2022 Report on Employer Firms," (Feb. 22, 2022) at 7, *available at* https://www.fedsmallbusiness.org/survey/2022/report-on-employer-firms.

41 *Id.* at i.

42 *Id.* at 7. In addition, 45% cut staff hours or downsized operations, 28% altered their payments or did not make a payment, and 2% reported no action in response to the challenges.

43 *Id.* at 19. Percentages add to more than 100 because respondents could select multiple options. Unlike prior years, the Federal Reserve's Small Business Credit survey did not include data about the use of retained earnings for ongoing business operations.

44 *Id.* at ii, 14-17. In 2021, 42% of businesses made their need met, a decline from 47% of businesses in 2020.

45 *Id.* at ii, 16-17.

46 *See* Jeffrey Sohl, "The Angel Market in 2021: Metrics Indicate Strong Market," *Center for Venture Research*, (May 20, 2022) at 1, *available at* https://paulcollege.unh.edu/sites/default/files/resource/files/fy_2021_analysis_report_final.pdf.

47 *Id.* at 1.

48 *Id.*

49 *Id.* at 2.

50 *See* Angel Capital Association, "Angel Funders Report 2022," (Nov. 2022) at 10, *available at* https://www.angelcapitalassociation.org/angel-funders-report-2022/.

51 *Id.* at 14.

52 *See* Jeffrey Sohl, *supra* note 46, at 1.

53 *Id.* at 2.

54 *See* Angel Capital Association, *supra* note 50, at 36.

55 *Id.* at 12.

56 *See* "Seed Round" *available at* https://www.sec.gov/jargon-z#S.

57 *See* PitchBook-NVCA, "Venture Monitor Q2 2022," (July 13, 2022) at 8, *available at* https://pitchbook.com/news/reports/q2-2022-pitchbook-nvca-venture-monitor.

58 *See* Samir Kaji, "Why Emerging Managers have Become a Staple of LP Portfolios," *Venture Unlocked* (Aug. 11, 2022) *available at* https://ventureunlocked.substack.com/p/why-emerging-managers-are-a-critical; *see also* Gené Teare, "How Seed Funding Has Exploded in the Past 10 Years," (Oct. 28, 2021) *available at* https://news.crunchbase.com/venture/seed-funding-startups-top-vc-firms-a16z-nea-khosla/.

59 *See* Samir Kaji, *supra* note 58 (providing 2022 estimate); see CBInsights, "The 106 Most Active Seed Venture Capital Firms," (Jan. 10, 2015) *available at* https://www.cbinsights.com/research/active-seed-venture-capital-firms-2014/ (providing number of active U.S. seed VC investors as of 2010-2014).

60 *See* PitchBook-NVCA, *supra* note 57, at 8. Excel "Angel & Seed Activity" tab.

61 *See* Dropbox DocuSend, "The Pre-Seed Round in 2021-22. Adapting the Pitch Deck for a New Market," (Aug. 17, 2022) at 10, *available at* https://try.docsend.com/fundraising-report; *see* Dropbox DocuSend, The Seed Round in 2021-22. Proving Market Fit and Monetization Amid Uncertainty," (Nov. 2022) at 11, *available at* https://try.docsend.com/seed-fundraising-report.
62 *See* Dropbox DocuSend, "The Pre-Seed Round in 2021-22. Adapting the Pitch Deck for a New Market," *supra* note 61, at 10.
63 *See* Dropbox DocuSend, "The Pre-Seed Round in 2021-22. Adapting the Pitch Deck for a New Market," *supra* note 61, at 21; *see* Dropbox DocuSend, "The Seed Round in 2021-22. Proving Market Fit and Monetization Amid Uncertainty," *supra* note 61, at 22.
64 *See* Dropbox DocuSend, "The Pre-Seed Round in 2021-22. Adapting the Pitch Deck for a New Market," *supra* note 61, at 18.
65 *Id*. at 3-4.
66 *See* Dropbox DocuSend, "The Seed Round in 2020-21. Make or Break Moment for Founders," (2021) at 19, *available at* https://try.docsend.com/seed-fundraising-report.
67 *See* Jeffrey Sohl, *supra* note 46, at 2.
68 *See* PitchBook-NVCA, *supra* note 57. Excel "Angel & Seed Activity" tab. This graph depicts the combined the Angel and Seed market. However, the angel market constitutes a small part of the combined market values. From 2018 to Jun. 30, 2022, the angel activity was between 13% and 5% of the combined angel and seed market value reflected in the graph.
69 *Id* at 8.
70 *Id*.
71 *See* PitchBook-NVCA, "Venture Monitor Q1 2022 (Apr. 13, 2022) at 9, *available at* https://pitchbook.com/news/reports/q1-2022-pitchbook-nvca-venture-monitor. Excel "Fundraising Activity" tab; *see* Kyle Stanford, "Micro-Funding Opportunity. Micro-Funds Proliferate in a Market Where Everything is Getting Larger," *PitchBook* (Apr. 5, 2022) at 2-3, *available at* https://files.pitchbook.com/website/files/pdf/Q2_2022_PitchBook_Analyst_Note_Micro-Funding_Opportunity.pdf.
72 *See* Kyle Stanford, *supra* note 71, at 8.
73 *Id*. at 6.
74 *See* Angel Resource Institute, "HALO Report. Annual Report on Angel Investments (2021) at 4, *available at* https://angelresourceinstitute.org/reports/HALO2021.pdf; *see* Kyle Stanford, *supra* note 71, at 5.
75 Regions that do not have data available are shown in white with an outline. *See* Angel Resource Institute, *supra* note 74, at 7. The overall percent of in-region investments was 75% in 2020 and 60% in 2019. *See* Angel Resource Institute, "HALO Report. Annual Report on Angel Investments," (2020) at 6, *available at* https://angelresourceinstitute.org/reports/HALO2020.pdf.
76 *See* Kyle Stanford, *supra* note 71, at 5.
77 *Id*.
78 *See* Kenan Institute of Private Enterprise, "Capital Ecosystems: Seeding Small and Regional Funds to Increase Opportunity," (June 1, 2022) *available at* https://kenaninstitute.unc.edu/kenan-insight/capital-ecosystems-seeding-smaller-and-regional-funds-to-increase-opportunity/.
79 *See* PitchBook-NVCA, *supra* note 57. Excel "Deals x State" tab.
80 *Id*. The top three states for VC funding are California, New York, and Massachusetts.
81 *See* Venture Forward, "Employment Dynamics at VC-Backed Companies in the United States: 1990 to 2020," (Feb. 15, 2022) *available at* https://ventureforward.org/resources/employment-dynamics/.
82 *See* NVCA, supra note 24, at 10; see also Venture Forward, "Venture 101," (2022) *available at* https://ventureforward.org/education/venture-101/.
83 *See* NVCA, *supra* note 24, at 10.
84 *Id*.
85 *See* Natee Amornsiripanitch *et al*., "More than Money: Venture Capitalists on Boards," *The Journal of Law, Economics, and Organization* (Apr. 11, 2019) at 5, *available at* https://papers.ssrn.com/sol3/papers.cfm?abstract_id=2586592.
86 *See* Jeremy Greenwood *et al*., "Venture Capital: A Catalyst for Innovation and Growth," (Apr. 21, 2022) at 3, *available at* https://files.stlouisfed.org/files/htdocs/publications/review/2022/04/06/venture-capital-a-catalyst-for-innovation-and-growth.pdf.
87 *See* PitchBook-NVCA, *supra* note 57, at 31.
88 *See* Marina Tempkin, "VCs Hit with 'Fundraising Pain' as LPs Deal with Venture Overexposure," *PitchBook* (May 5, 2022) *available at* https://pitchbook.com/news/articles/vc-fundraising-venture-capital-asset-allocations-LP-GP-diligence.

89 *See* Will Gornall and Ilya A. Strebulae, "The Economic Impact of Venture Capital: Evidence from Public Companies," (June 2021) at 7, *available at* https://papers.ssrn.com/sol3/papers.cfm?abstract_id=2681841 (noting that census data show 4.3 million business formations in 2020 (31 million over the past decade), while PitchBook data show 3,842 companies received their first VC financing in 2020 (35 thousand over the past decade)).

90 *See* NVCA, *supra* note 24, at 8. Data from PitchBook-NVCA, *supra* note 57. Excel "Median Deal Size" tab. Average exit value is calculated from the exit value and exit count. *See* Venture Forward, *supra* note 81.

91 *See* PitchBook-NVCA, *supra* note 57, at 3.

92 *Id*. Excel "Deal Activity" tab.

93 *Id*. Excel "Angel and Seed Activity", "Early Stage Activity" and "Late Stage Activity" tabs.

94 *Id*. at 14. Excel "Median Deal Size" tab; *see also* Lian Chang, "State of Private Markets," *Carta* (Aug. 19, 2022) *available at* https://carta.com/blog/state-of-private-markets-q2-2022/ (regarding the relative stagnation of post-money valuations at Series C, D and E+ levels).

95 *See* Lian Chang, *supra* note 94.

96 *See* PitchBook-NVCA, *supra* note 57. Excel "Fundraising x Size tab; *see* Priyamvada Mathur, "US Venture Capital Trends in Five Charts," *PitchBook*, (July 15, 2022) *available at* https://pitchbook.com/news/articles/venture-monitor-vc-trends-charts.

97 *See* PitchBook-NVCA, "Q1 2022 PitchBook NVCA Venture Monitor First Look. VC Industry Facing Market Full of Headwinds," (Apr. 5, 2022) at 2, *available at* https://files.pitchbook.com/website/files/pdf/Q1_2022_PitchBook_NVCA_Venture_Monitor_First_Look.pdf.

98 *See* PitchBook-NVCA, *supra* note 57, at 35. Excel "Emerging vs. Experienced Funds" tab. Emerging is defined as firms that have launched fewer than four funds and Experienced firms are defined as firms that have opened four or more funds.

99 *Id*.

100 *See* Silicon Valley Bank, "Global Fund Banking Outlook Report," (Q3 2022) at 12, *available at* https://www.svb.com/globalassets/trendsandinsights/reports/global-fund-banking-outlook/q3-2022/gfb-report-q3-2022-9722.pdf.

101 *Id*. Respondents to the survey can choose up to three options.

102 *Id*.

103 *Id*. Respondents to the survey can choose up to three options.

104 *Id*.

105 *Id*. See also Michael Maziar, "Rising Tech Hubs Mean New Opportunities for Emerging Managers," *Silicon Valley Bank* (Oct. 4, 2022) *available at* https://www.svb.com/emerging-manager-insights/scaling-for-success/rising-tech-hubs-for-emerging-managers; *see also* Waverly Deutsch, "Women and Minority Investors Are Taking Matters into Their Own Hands," *Chicago Booth Review* (May 10, 2021) *available at* https://www.chicagobooth.edu/review/women-and-minority-investors-are-taking-matters-their-own-hands.

106 *See* PitchBook-NVCA, *supra* note 57, at 19; *see also* James Thorne, "Corporate VC Firms Buck 'Tourist' Reputation with Pandemic Dealmaking," *PitchBook*, (Sept. 28, 2020) *available at* https://pitchbook.com/news/articles/corporate-vc-firms-pandemic-dealmaking-rate-bucks-tourist-reputation; *see also* James Thorne, "What's Driving Private Equity's March on VC?," *PitchBook*, (Sept. 8, 2021) *available at* https://pitchbook.com/news/articles/private-equity-nontraditional-investors-vc-deals; *see also* Cameron Stanfill *et al*., "Crossing Over Into Venture," *PitchBook*, (Apr. 20, 2021) at 2, *available at* https://pitchbook.com/news/reports/q2-2021-pitchbook-analyst-note-crossing-over-into-venture.

107 *See* PitchBook-NVCA, *supra* note 57. Excel "Alternative VC" tab.

108 *Id*. at 30. Excel "Alternative VC" tab; *see* Richard Waters, "Venture Capital's Silent Crash: When the Tech Boom met Reality," *Financial Times* (Aug. 1, 2022) *available at* https://www.ft.com/content/6395df7e-1bab-4ea1-a7ea-afaa71354fa0.

109 *See* PitchBook, "US VC Valuations Report," (Feb. 4, 2022) at 17, *available at* https://files.pitchbook.com/website/files/pdf/2021_Annual_US_VC_Valuations_Report.pdf.

110 *See* Miriam Gottfried and Laura Cooper, "Buyout Firms Seek $1 Trillion of New Funding Even as Markets Drop and Deal-Making Dries Up," *The Wall Street Journal* (July 18, 2022) *available at* https://www.wsj.com/articles/buyout-firms-seek-1-trillion-of-new-funding-even-as-markets-drop-and-deal-making-dries-up-11658136602.

111 *See* Marina Tempkin, *supra* note 88.

112 *See* PitchBook-NVCA, *supra* note 57, at 31. Excel "Exits x Type" tab.

113 *Id*. at 32. Excel "Exits x Previous Round" tab.

114 Includes issuers with a market capitalization of $250 million or less.

115 Data on U.S. listed domestic firms was estimated by DERA based on 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 codes 6722, 6726, 6798, and 6799). A company with several classes of shares is counted once. Data for 2022 represents the number of listed firms and market capitalization as of June 30, 2022.

116 *See supra* note 115 for a description of the methodology used to calculate this data.

117 This graphic is based on DERA data, including pooled funds. This data was collected from Thomson Financial's SDC Platinum database. IPOs by small companies include IPOs by U.S. companies that after the non-SPAC offering have a size less than or equal to $250 million, calculated by multiplying price of the company's stock at the close of the day of the offering by the number of outstanding shares on the day of the offering. IPOs by large companies include IPOs by companies that after the non-SPAC offering have a size greater than $250 million, calculated as described above. Data from the Center for Research in Securities Prices (CRSP), Dealogic, and Compustat were used to fill in missing information from SDC Platinum. Those companies with missing either (1) a stock price on the day of the offering or (2) a number of outstanding shares are not included in the statistics. The estimates provided in this graph for small public companies are based on the estimated market capitalization for the issuer on the date of the offering as provided in the above-listed databases. There have been significant downward revisions in the most recent estimates as the market capitalization of issuers are corrected in the databases.

118 *See supra* note 117 for a description of the methodology used to calculate this data. The number shown on the top of the bar represents the total number of IPOs. The percentages not illustrated are IPOs by small foreign companies. *See also* Tom Zanki, "Small IPOs Buck Trends in an Otherwise Cold Market," *Law 360*, (Aug. 24, 2022) *available at* https://www.law360.com/banking/articles/1523843/small-ipos-buck-trends-in-an-otherwise-cold-market.

119 *See* Will Gornall and Ilya A. Strebulae, *supra* note 89, at 17. The study used market capitalization and enterprise value as of December 31, 2020. All other variables, including research and development dollar amount and number of patents, are from Compustat as of 2020 or the most recent fiscal year. VC classifications are from PitchBook, Thomson ONE, VentureSource, and manual matching.

120 *See* Jeremy Greenwood *et al*., *supra* note 86, at 7. This study is based on U.S. public companies between 1970 and 2014.

121 *See* "Smaller Reporting Company Definition," Release Nos. 33-10513; 34-83550; File No. S7-12-16 (June 28, 2018) *available at* https://www.sec.gov/rules/final/2018/33-10513.pdf.

122 *See* "Pay Ratio Disclosure," Release Nos. 33-9452; 34-70443; File No. S7-07-13 (Aug. 5, 2015) at 89, *available at* https://www.sec.gov/rules/proposed/2013/33-9452.pdf (providing estimates of the number of annual reports on Form 10-K based on a review of EDGAR filings in 2011). For comparability with the 2011 data, DERA staff estimated the number of annual reports on Form 10-K filed in 2021 based on a review of EDGAR filings.

123 *See* Bill Hortz, "The Microcap Universe: Overview and Opportunities," Nasdaq, (June 7, 2022) *available at* https://www.nasdaq.com/articles/the-microcap-universe%3A-overview-and-opportunities; *see also*, Todd Lincoln, MBA, "What is Market Cap? Everything You Need to Know," *Medium*, (Jan. 15, 2021) *available at* https://medium.com/the-investors-handbook/market-cap-a474214c1368 (defining micro-cap as companies with market cap between $0M and $300 million, and small-cap as companies with market cap between $300M and $2 billion).

124 This graphic is based on DERA data. Registered offering data includes IPOs and registered secondary equity offerings, and was collected from Thomson Financial's SDC Platinum database. Registered debt offerings have been excluded. Small public companies include U.S. public companies with a size less than or equal to $250 million on the date of the offering, calculated by multiplying the price of the company's stock at the close of the day of the offering by the number of outstanding shares on the day of the offering. Data from CRSP, Dealogic, and Compustat were used to fill in missing information from SDC Platinum. Those companies with missing either (1) a stock price on the day of the offering or (2) a number of outstanding shares are not included in the statistics. The estimates provided in this graph for small public companies are based on the estimated market capitalization for the issuer on the date of the offering as provided in the above-listed databases. There have been significant downward revisions in the most recent estimates as the market capitalization of issuers are corrected in the databases.

125 *See supra* note 124 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 company during one of the respective periods, excluding offerings filed by pooled funds. Offerings for industries outside of these top industries accounted for approximately $0.9 billion and $0.3 billion in the twelve months ended June 2021 and 2022, respectively. Offerings by pooled funds, including SPACs, accounted for approximately $17 billion and $17 billion in the twelve months ended 2021 and 2022, respectively.

126 *See* "Accelerated Filer and Large Accelerated Filer Definitions," Release No. 34-88365; File No. S7-06-19," (Apr. 23, 2020) at 39, *available at* https://www.sec.gov/rules/final/2020/34-88365.pdf (amending the accelerated and large accelerated definitions).

127 *See* Protiviti Global Business Consulting, "SOX Compliance Amid Rising Costs, Labor Shortages and Other Post-Pandemic Challenges (June 9, 2022) at 5, *available at* https://www.protiviti.com/sites/default/files/2022-10/protiviti_2022-sox-compliance-survey_global.pdf.

128 *Id*. Excludes external audit-related fees.

129 *See* U.S. Securities and Exchange Commission, "Staff Report on the Issues Affecting the Provision of and Reliance Upon Investment Research Into Small Issuers," (Feb. 18, 2022) at 7, *available at* https://www.sec.gov/files/staff-report-investment-research-small-issuers.pdf; see *also* Todd Lincoln, MBA, *supra* note 123.

130 *See* U.S. Securities and Exchange Commission, *supra* note 129, at 7. The Congressional Research Report defines small issuers as companies with market capitalization ranging up to $250 million, and large issuers as companies with market capitalization above $250 million.

131 *Id*. at 11-12, 45-46.

132 *See* IR Magazine, "Sample: Retail Investors Research Report Sponsored by Broadridge," (Aug. 2021) at 3, 5, *available at* https://www.thecorporatecounsel.net/member/memos/Broadridge/08_21_report.pdf. *See* Garnet Roach, "Only Small Caps See Minority of Shares Held by Institutions, Research Shows," *IR Magazine*, (Jan. 18, 2022) *available at* https://www.irmagazine.com/small-cap/only-small-caps-see-minority-shares-held-institutions-shows-research.

133 *See* U.S. Small Business Administration Office of Advocacy, *supra* note 26, at 3. Ownership includes equal and majority ownership.

134 *Id*. Ownership includes equal and majority ownership.

135 *See* PitchBook, "All In. Female Founders in the US VC Ecosystem," (Nov. 2, 2022) at 4, *available at* https://pitchbook.com/news/reports/2022-all-in-female-founders-in-the-us-vc-ecosystem. Women-founded includes companies with at least one woman founder. Deal count is in Excel "VC deal activity" tab.

136 *See* Carta, "Annual Equity Report 2021," (Dec. 8, 2021) at 13, *available at* https://carta.com/equity-summit/reports/2021/.

137 *See* https://data.census.gov/table?q=ab1900*&tid=ABSCB2019.AB1900CSCB01&hidePreview=true&nkd=Q-DESC~B01. Percentages may not add to 100% due to rounding. Ownership includes majority ownership.

138 *See* Robert Fairlie, *supra* note 39, at 8. *See also* Ewing Marion Kauffman Foundation, "Who is the Entrepreneur? New Entrepreneurs in the United States, 1996-2021," (2022) at 1, *available at* https://www.kauffman.org/wp-content/uploads/2022/10/Kauffman_Trends-in-Entrepreneurship-Who-Is-The-Entrepreneur-2021.pdf (noting that 39.9% of new entrepreneurs in 2021 were women).

139 *See* January Ventures, *supra* note 34, at 7.
140 *Id*. at 10.
141 *See* Kate Davidson and Aubree Eliza Weaver, "We Have a Lot of Work to do: Women and the Economy," *Politico Morning Money* (June 29, 2022) *available at* https://www.politico.com/newsletters/morning-money/2022/06/29/we-have-a-lot-of-work-to-do-women-and-the-economy-00043029.
142 *See* Jeffrey Sohl, *supra* note 46, at 2.
143 *Id*.
144 *See* PitchBook-NVCA, *supra* note 57. Excel "Female Founder Activity" tab.
145 *Id*.
146 *Id*. Excel "Female Founder Activity" tab and "Deal Activity" tab.
147 *Id*. Excel "Female Founder Activity" tab.
148 *See* Carta, *supra* note 136, at 14.
149 *See* Jordan Rubio, "Check Out Where Female Founder Fundraising is Growing Fastest in the US," *PitchBook* (Sept. 6, 2022) *available at* https://pitchbook.com/news/articles/female-founders-metro-growth. The percentage illustrates the growth in capital raised from 2020 to present compared to 2008-2019.
150 *See* Dropbox DocSend, "The Funding Divide 2022. Underrepresented Founders Get More Attention, but for Most, the Dollars Don't Deliver," (2022) at 3, *available at* https://try.docsend.com/funding-divide-report.
151 *Id*. at 6. *See* Justin Izzo, "Gains in Fundraising Can't Shake Off the Losses for Female and Minority Founders in 2021," *Dropbox DocSend* (Mar. 29, 2022) *available at* https://www.docsend.com/blog/fundraising-gains-still-result-in-losses-for-female-and-minority-founders/.
152 *See* Dropbox DocSend, *supra* note 150, at 9-10.
153 *Id*. at 10.
154 *See* Engine, "Making the Startup Ecosystem More Equitable," (Nov. 2021) at "Introduction", *available at* https://static1.squarespace.com/static/571681753c44d835a440c8b5/t/6193d03ac7eb9c40442a6740/1637077051416/Making+the+Startup+Ecosystem+More+Equitable+11.15.pdf.
155 *See* All Raise, "Against the Odds: Underrepresented Founders Report Positive Outlook on Business Despite Extra COVID-19 Pressures," *available at* https://www.allraise.org/assets/gms069_infographic_desktop_1400px.jpg. *See also* Juliana Garaizer, "The Rising Tide: A "Learning-By-Investing" Initiative to Bridge the Gender Gap," *Kauffman Fellows Report*, (2016) at 53-54, *available at* http://www.kauffmanfellows.org/wp-content/uploads/KFR_Vol7/Juliana_Garaizar_vol7.pdf.
156 *See* Yahoo! Finance, "PitchBook Report on Women in VC Ecosystem Highlights Resilience and Strong Performance of Female Founders Amid Market Headwinds (Nov. 3, 2022) *available at* https://finance.yahoo.com/news/pitchbook-report-women-vc-ecosystem-040100985.html?guccounter=1; *see* PitchBook, *supra* note 135, at 21.
157 *See* Chengwei Liu *et al*. "The Case for Investing in Underdogs," *Harvard Business Review* (July 18, 2022) *available at* https://hbr.org/2022/07/the-case-for-investing-in-underdogs.
158 *See* Carta, *supra* note 136, at 10.
159 *See* Ann Shepherd, "2021 Study of Gender Diversity on Private Company Boards," *Crunchbase News*, (Mar. 29, 2022) *available at* https://news.crunchbase.com/business/him-for-her-2021-diversity-study-private-company-boards/; *see* Ann Shepherd and Gené Teare, "2020 Study of Gender Diversity on Private Company Boards," *Crunchbase News* (Mar. 1, 2021) *available at* https://news.crunchbase.com/diversity/2020-diversity-study-on-private-company-boards/.
160 *See* Priyamvada Mathur, "Charting Female Founders' Standout Year for VC Exits," *PitchBook* (Feb. 18, 2022) *available at* https://pitchbook.com/news/articles/female-founders-venture-capital-exits-charts. *See* PitchBook-NVCA, *supra* note 57. Excel "Exit x Type" tab.
161 *See* "50/50 Women on Boards, "2022 Gender Diversity Index Report," (Sept. 9, 2022) at 3-4, 7, 9, *available at* https://5050wob.com/wp-content/uploads/2022/09/5050WOB_Q2_2022_GDI_Annual_Report.pdf. *See also* Alexandra Olson and the Associated Press, "Women Hold a Record Number of Corporate Board Seats. The Bad News: It's Barely over 25%, and It's Slowing Down," *Fortune* (Sept. 30, 2022) *available at* https://fortune.com/2022/09/30/how-many-women-sit-corporate-boards-record-28-percent-russell-3000/. Data is as of June 30, 2022.
162 *See* Ryan Hibbison, "Female Founders Prove Resilient as They Seek Equal Share of VC Dollars," *Venture Capital Journal* (Nov. 3, 2022) *available at* https://www.venturecapitaljournal.com/female-founders-prove-resilient-as-they-seek-equal-share-of-vc-dollars/.
163 *See* Jeffrey Sohl, *supra* note 46, at 2.
164 *Id*.
165 *See* Gené Teare, "Something Ventured: Female-Founded U.S. Venture Firms on Track to Raise over $7B in 2021," *Crunchbase News* (Nov. 10, 2021) *available at* https://news.crunchbase.com/venture/female-founded-vc-firms-funds-data-2021-something-ventured/.

166 *See* All Raise, "All Raise x Crunchbase VC Checkwriter Dashboard", (as of 6/15/2022) *available at* https://allraise.org/all-raise-x-crunchbase-vc-checkwriter-dashboard. Per the All Raise x Crunchbase VC Checkwriter Dashboard, checkwriters are defined as those who can write checks, lead deals, and sit on boards. They are identified by their senior role within their firm (founder/co-founder, general partner, managing director or managing partner) and/or by a combination of the partner title and function as identified through board seats, press releases or deal association. This Dashboard tracks U.S.-based venture capital firms with over $25 million dollars in AUM.

167 *See* Imani Augustus, "Women Wanted: The Equity Gap in Venture Capital," *Alliance for Entrepreneurial Equity* (Mar. 22, 2022) *available at* https://www.aeequity.org/product/women-wanted-the-equity-gap-in-venture-capital. This article was published by Third Way *available at* (www.thirdway.org).

168 *See* Yahoo! Finance, *supra* note 156; *see also* PitchBook, *supra* note 135, at 25.

169 *See* Imani Augustus, *supra* note 167.

170 *See* Aditya Aladangady and Akila Forde, "Wealth Inequality and the Racial Wealth Gap," *Board of Governors of the Federal Reserve*, (Oct. 22, 2021) at Figure 1, *available at* https://www.federalreserve.gov/econres/notes/feds-notes/wealth-inequality-and-the-racial-wealth-gap-20211022.html#fig1. In this data set, primary residence is included in a household's net worth (see Figure 3). "White," "Black/African American" and "Other" excludes any respondents indicating Hispanic/Latino. "Other" includes Asian American/Pacific Islander, Native American/Alaska Native, Native Hawaiian, other race, and all respondents reporting more than one racial identification. Because of small sample sizes, there was not statistical power to further disaggregate this group of families. In 2019, families reporting more than one racial identification were the largest subgroup of the other or multiple race group (about 69 percent of families), followed by Asian families (about 23 percent of families). Because of the varied composition of the other group and changes in its composition over time, readers should exercise caution when making inferences. *See* Neil Bhutta *et al*., "Disparities in Wealth by Race and Ethnicity in the 2019 Survey of Consumer Finances," *Board of Governors of the Federal Reserve System*, (Sept. 28, 2020) at Figure 3, *available at* https://www.federalreserve.gov/econres/notes/feds-notes/disparities-in-wealth-by-race-and-ethnicity-in-the-2019-survey-of-consumer-finances-20200928.html.

171 *Id*.

172 *See* Kristen E. Broady, Ph.D and Cynthia Hester, Ph.D, "Reducing the Racial Financial Health Gap: The Opportunity for Responsible Fintech," *PayPal*, (Sept. 30, 2021) at 8, *available at* https://publicpolicy.paypal-corp.com/sites/default/files/2021-11/PP-Reducing-the-Racial-Financial-Health-Gap.pdf.

173 *See* Federal Reserve Banks, "Economic Well-Being of U.S. Households in 2021," (May 2022) at 43-44, *available at* https://www.federalreserve.gov/publications/files/2021-report-economic-well-being-us-households-202205.pdf. "Fully banked" households had a bank account and, in the past 12 months, did not use any of the alternative financial services asked about in the survey. "Underbanked" households are those for whom the banking services they accessed appear to have been insufficient to meet their financial service needs. "Unbanked" households had no bank account; Less than 50% of unbanked households used alternative financial services.

174 *See* Kristen E. Broady, Ph.D and Cynthia Hester, Ph.D, *supra* note 172, at 12. *See also* Federal Reserve Banks, *supra* note 173, at 43.

175 *See* Chris Horymski, "What Is the Average Credit Score in the U.S.?," *Experian* (Feb. 22, 2022) *available at* https://www.experian.com/blogs/ask-experian/what-is-the-average-credit-score-in-the-u-s/.

176 *See* Kristen E. Broady, Ph.D and Cynthia Hester, Ph.D, *supra* note 172, at 12.

177 *See* Federal Reserve Banks, "Small Business Credit Survey: 2022 Report on Firms Owned by People of Color," (June 29, 2022) at 15, *available at* https://www.fedsmallbusiness.org/survey/2022/2022-report-on-firms-owned-by-people-of-color. Note: Findings for Native American-owned firms are omitted from this report because sample sizes are too small to make precise estimates for most measures.

178 *See* Quentin Brummet and Katie Johnson, "Understanding the American Entrepreneurial Landscape: A New Resource," *Entrepreneurship in the Population (EPOP)* (Oct. 19, 2022) at 6, *available at* https://epop.norc.org/content/dam/epop/media/publications/pdf/epop2022-brief_american_entrepreneurship.pdf. Note: "Other" includes non-Hispanic multi-race, non-Hispanic other reported races, and not reported.

179 *See* Babson College, "Global Entrepreneurship Monitor (GEM) 2021/2022 United States Report," (2022) at 70-73, *available at* https://issuu.com/babsoncollege/docs/gem-2021-2022-us-report.

180 *Id*. at 72-73. "Established business activity" is defined as ownership/management of businesses more than three and a half years old.

181 *See* Marc Morial and Jon Cowan, "America's Entrepreneurial Equity Crisis is Hurting the Economy," *Fortune*, (May 25, 2022) *available at* https://fortune.com/2022/05/25/america-entrepreneurial-equity-crisis-hurting-economy-george-floyd-black-startups-business-discrimination-solutions-morial-cowan/.

182 *See* Dropbox DocSend, *supra* note 150, at 10-11.

183 *Id*. at 11.

184 *See* Dropbox DocuSend, *supra* note 61, at 14-15.

185 *See* Jeffrey Sohl, *supra* note 46, at 2; *see* 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 2, *available at* https://paulcollege.unh.edu/sites/default/files/resource/files/2020-analysis-report_.pdf; *see* Jeffrey Sohl, "The Angel Market in 2019: Commitments by Angels Increase with a Significant Rise in Deal Valuations," *Center for Venture Research*, (May 5, 2020) at 2, *available at* https://scholars.unh.edu/cgi/viewcontent.cgi?article=1032&context=cvr.

186 *See* Jeffrey Sohl, *supra* note 46, at 2. *See* Jeffrey Sohl, *supra* note 185, at 2.

187 *See* Yoon Sun Hur, "Analysis of Capital Access for Entrepreneurs of Color," *Nasdaq Entrepreneurial Center Venture Equity Project*, (2022) *available at* https://evidence2impact.psu.edu/project/pre-seed-and-seed-funding-for-entrepreneurs-of-color/.

188 *Id*. *See also* Nasdaq Entrepreneurial Center, "The Venture Equity Project," (2022) *available at* https://thecenter.nasdaq.org/vep/; *see also* Gené Teare, "Funding to Latine-Founded US Companies Falls Sharply in 2022," *Crunchbase News*, (Oct. 26, 2022) *available at* https://news.crunchbase.com/diversity/us-based-latine-founded-companies-funding-falls/ (noting that Hispanic/Latino founders received 2.5% of VC dollars); *see also* Gené Teare, "VC Funding to Black-Founded Startups Slows Dramatically as Venture Investors Pull Back," *Crunchbase News*, (June 17, 2022) *available at* https://news.crunchbase.com/diversity/vc-funding-black-founded-startups/ (noting that African American/Black founders received 1.3% of VC dollars).

189 *See* MetLife and U.S. Chamber of Commerce, "Special Report on Small Business and LGBTQ+ Inclusion," (June 9, 2022) at 5, *available at* https://www.uschamber.com/assets/documents/SBI_PulseSurvey_June2022_Final_v4.pdf.

190 *See* Hello Alice Report, "The LGBTQ+ Economy. A Closer Look at the Trends and Triumphs of New Majority Small Business Owners in 2022," (June 2022) at 11, *available at* https://helloalice.com/wp-content/uploads/2022/06/LGBTQ-Economy-Report_Update.pdf.

191 *See* "LGBTQ-Owned Small Businesses in 2021. The Financial Health & Needs of LGBTQ Firms in the Small Business Credit Survey," *Center for LGBTQ Economic Advancement & Research and Movement Advancement Project*, (July 20, 2022) at 10, *available at* https://lgbtq-economics.org/wp-content/uploads/2022/08/LGBTQ-Owned-Small-Businesses-in-2021-July-2022.pdf. The report defined LGBTQ-owned businesses as those where individuals who identify as lesbian, gay, bisexual, transgender, or queer own 50% or more of the business.

192 *See* Diego Mariscal, "Entrepreneurship is a Pathway for Founders with Disabilities to Address Wealth and Employment Gaps", *Ewing Marion Kauffman Foundation*, (Oct. 26, 2022) *available at* https://www.kauffman.org/currents/2gether-international-entrepreneurs-with-disabilities/.

193 *See* National Disability Institute, "Small Business Ownership by People with Disabilities: Challenges and Opportunities," (Apr. 2022) at 12, *available at* https://www.nationaldisabilityinstitute.org/wp-content/uploads/2022/07/ndi-small-business-research-report.pdf.

194 *Id*.

195 *Id*. at 24. Roughly 24% did not apply for a loan due to a belief that they would be denied.

196 *See* Diego Mariscal, *supra* note 192.

197 *See* Jeffrey Sohl, supra note 46, at 1-2. *See* Jeffrey Sohl, *supra* note 185, at 2.

198 *See* Johan Cassel *et al*., "Racial Diversity in Private Capital Fundraising," *National Bureau of Economic Research*, (Sept. 2022) at 2-3, *available at* https://www.nber.org/system/files/working_papers/w30500/w30500.pdf (citing https://knightfoundation.org/reports/knight-diversity-of-asset-managers-research-series-industry/).

199 *See* BLCK VC, "State of Black Venture. A Comprehensive Study of the Black Venture Ecosystem," (2022) at 13, *available at* https://www.blckvc.org/state-black-venture.

200 *See* Mahira Dayal, "The Most and Least Diverse Venture Capital Firms," *The Information's Diversity Index*, (Feb. 22, 2022) *available at* https://www.theinformation.com/articles/the-most-and-least-diverse-venture-capital-firms.

201 *See* BLCK VC, *supra* note 199, at 7.

202 *See* LATINX VC, "State of Latinx VCs. First Annual Report," at 3, *available at* https://uploads-ssl.webflow.com/613a3a58a-5faf7d03f5df48f/6157581069a40d7be7375a2d_LatinxVCs_state.pdf.

203 *See* Mahira Dayal, *supra* note 200.

204 *See* LATINX VC, *supra* note 202, at 4.

205 *See* BLCK VC, *supra* note 199, at 18.

206 *See* Johan Cassel *et al*., *supra* note 198, at 4, 6.

207 *See* BLCK VC, *supra* note 199, at 24.

208 *See* Diversity VC, "The Equity Record," (Nov. 9, 2022) at 16, *available at* https://diversity.vc/diversity-vc-report-2022-usa/.

209 Based on Russell 3000 company data. *See* ISS Insights, "Racial and Ethnic Diversity on U.S. Corporate Boards – Progress Since 2020 (July 26, 2022) *available at* https://insights.issgovernance.com/posts/racial-and-ethnic-diversity-on-us-corporate-boards/.

210 *Id*.

211 *See* Brianna Funderburk and Lucas Misera, "The Impact of Natural Disasters on Small Businesses," *Fed Small Business*, (Nov. 15, 2022) *available at* https://www.fedsmallbusiness.org/analysis/2022/the-impact-of-natural-disasters-on-small-businesses.

212 *See* Martin Hiti *et al*., "Small Business Recovery After Natural Disasters," (Sept. 6, 2022) *available at* https://libertystreeteconomics.newyorkfed.org/2022/09/small-business-recovery-after-natural-disasters/.

213 *See* Martin Hiti *et al*., "How do Natural Disasters Affect U.S. Small Business Owners," (Sept. 6, 2022) *available at* https://libertystreeteconomics.newyorkfed.org/2022/09/how-do-natural-disasters-affect-u-s-small-business-owners/.

214 *See* National Centers for Environmental Information, "Billion-Dollar Weather and Climate Disasters," (accessed December 6, 2022) *available at* https://www.ncei.noaa.gov/access/billions/events/US/2022?disasters[]=all-disasters. Note that NOAA tracks events on a calendar basis and we have combined natural disaster events that straddle calendar years.

215 The estimated losses cover the period from October 1, 2021 through September 30, 2022. *See* https://www.ncei.noaa.gov/access/billions/events. This estimate, however, does not include estimated losses from Hurricane Ian, which could cost insurers $40 billion or more. *See* Chris Isidore, "Hurricane Ian could be Florida's Costliest Storm Ever," *CNN*, (Sept. 30, 2022) *available at* https://www.cnn.com/2022/09/30/business/hurricane-ian-cost/index.html. *See* Max Zahn, "Hurricane Ian Could Cause $75 Billion in Damage," *ABC News*, (Oct. 3, 2022) *available at* https://abcnews.go.com/Business/hurricane-ians-damage-reach-65-billion/story?id=90693223.

216 *See* Federal Reserve Banks, *supra* note 40. Data from data appendix Excel tab "Disaster-impacted firms."

217 *Id*.

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

219 This graphic is based on DERA data. Evaluated from July 1, 2019 to June 30, 2022 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, 2019 and June 30, 2022. Given the trailing impact caused by natural disasters, each zip code affected in that three year period was included. Classification of disaster areas are based on FEMA Disaster Declaration Summaries data and FEMA Housing Assistance Program Data *available at* https://www.fema.gov/about/openfema/data-sets, updated on September 15, 2022. 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.

220 Evaluated from July 1, 2019 to June 30, 2022 using zip codes affected by natural disasters as described in *supra* note 219.

221 *See* Kenan Fikri, "Restoring Well-Being and Entrepreneurship in Rural America," *Federal Reserve Bank of St. Louis – "Investing in Rural Prosperity,"* (2021) at 99, *available at* https://www.stlouisfed.org/community-development/publications/invest-in-rural.

222 *Id*. at 97.

223 *See* U.S. Census, "2020 Business Dynamics Statistics Datasets" *available at* https://www.census.gov/programs-surveys/bds.html. Data pulled as of 11/15/2022. Specific data pulled: https://www.census.gov/data/datasets/time-series/econ/bds/bds-datasets.html. Metro/Non-Metro by Firm Age and Metro/Non-Metro.

224 *See* Deb Martin, "Fostering a Culture of Entrepreneurship and Innovation in Rural Communities," *Federal Reserve Bank of St. Louis – "Investing in Rural Prosperity,"* (2021) at 268, *available at* https://www.stlouisfed.org/community-development/publications/invest-in-rural.

225 *See* Federal Reserve Banks, *supra* note 40. Data from data appendix Excel "Geography" tab. The percentage of U.S. Rural Small Businesses is a percentage of the total U.S. rural small businesses broken down by Census division. The U.S. Rural Small Businesses will total 100%. The percentage of small businesses in the region is the percentage of small business that are rural as compared to all small businesses within each individual Census division. The small businesses in the region percentage was calculated based on the Fed Small Business Survey Employer Firms report data. Since the small businesses in the region percentage is based on a calculation within each Census region the aggregate percentages across the U.S. regions will not total 100%.

226 *See* Matt Dunne, "Small-Town Tech Towns: Where Scalable Entrepreneurship Is Propelling Rural Growth," *Federal Reserve Bank of St. Louis - "Investing in Rural Prosperity,"* (2021) at 320-322, *available at* https://www.stlouisfed.org/community-development/publications/invest-in-rural.

227 *See* Federal Reserve Banks, *supra* note 40. Data from data appendix Excel "Geography" tab.

228 *See* BankFind Suite: Institution and Peer Group Comparisons, FDIC, (accessed December 6, 2022) *available at* https://banks.data.fdic.gov/bankfind-suite/peergroup/standard?comparisonType=assetSize&incomeBasis=YTD%2CYTD%2CYTD%2CYTD%2CYTD%2CYTD%2CYTD%2CYTD%2CYTD%2CYTD%2CYTD&peerGroups=allInst%2ClessThan100M%2ClessThan100M%2C100Mto1B%2C100Mto1B%2C1Bto10B%2C1Bto10B%2C10Bto250B%2C10Bto250B%2CgreaterThan250B%2CgreaterThan250B&pgcStep=step2&reportPeriod=20220630%2C19920331%2C20220630%2C19920331%2C20220630%2C19920331%2C20220630%2C19920331%2C20220630%2C19920331%2C20220630&reportType=assets-and-liabilities&sortField=CERT&sortOrder=ASC&unitType=%24%2C%24%2C%24%2C%24%2C%24%2C%24%2C%24%2C%24%2C%24%2C%24%2C%24; *see also* Oscar Perry Abello, "Small Banks Save Small Businesses, So Why Aren't There More Small Banks?" *Next City*, (May 12, 2020) *available at* https://nextcity.org/urbanist-news/small-banks-save-small-businesses-so-why-arent-there-more-small-banks.

229 *See* CRA, "National Aggregate Reports," *FFIEC*, (accessed December 6, 2022) *available at* https://www.ffiec.gov/craadweb/national.aspx. Small business loans are defined as those whose original amounts are $1 million or less and were reported as either Loans secured by nonfarm or nonresidential real estate or Commercial and Industrial loans in Part I of the Consolidated Reports of Condition and Income (Schedule RC-C, Part II). *See also* Kenan Fikri, "Policy Responses to the Great Recession Failed Entrepreneurs; We Can't Make that Mistake Again," *Economic Innovation Group*, (Mar. 25, 2020) *available at* https://eig.org/lessons-from-the-great-recession/; *see also* Kenan Fikri, *supra* note 221, at 98.

230 *See* Federal Reserve Banks, *supra* note 40. Data from data appendix Excel "Geography" tab.

231 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 2022 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.

232 *See* Federal Reserve Banks, *supra* note 40 at 25.

233 This graphic is based on DERA data. Classification of rural areas are based on the updates list of 2022 End of Year rural area zip codes from the Center for Medicare & Medicaid Services, as described in *supra* note 231.

234 *See*, *e.g.*, "Small and Emerging Businesses" section of the Report above, at 23.

235 *See, e.g.*, "Women Business Owners and Investors" section of the Report above, at 45, and "Minority Business Owners and Investors" section of the Report above, at 56-57.

236 *See* Transcript of the 41st Annual SEC Small Business Forum, *Empowering Entrepreneurs: Tools to Navigate Capital Raising* (April 4, 2022) at 65, *available at* https://www.sec.gov/files/transcript-empowering-entrepreneurs.pdf.

237 *See*, *e.g.*, "Women Business Owners and Investors" section of the Report above, at 53.

238 *See, e.g.*, "Minority Business Owners and Investors" section of the Report above, at 60.

239 *See, e.g.*, "Women Business Owners and Investors" section of the Report above, at 52, and "Minority Business Owners and Investors" section of the Report above, at 53.

240 *See e.g.*, "What is the Role of Accredited Investors?" *available at* https://www.sec.gov/education/capitalraising/building-blocks/accredited-investor.

241 *See, e.g.*, "Minority Business Owners and Investors" section of the Report above, at 54.

242 *See e.g.*, "State of Small Business Capital Formation" section of the Report above, at 18.

243 *See* Office of Information and Regulatory Affairs, Office of Management and Budget, U.S. Securities and Exchange Commission Agency Rule List (Spring 2022) *available at* https://www.reginfo.gov/public/do/eAgendaViewRule?pubId=202204&RIN=3235-AN04.

244 *See, e.g.*, "Minority Business Owners and Investors" section of the Report above, at 54.

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

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

247 *See e.g.*, "State of Small Business Capital Formation" section of the Report above, at 18.

248 Currently, for offerings of greater than $124,000, but less than $618,000, the issuer must provide financial statements that have been reviewed by a public accountant that is independent of the issuer.

249 *See* "Temporary Amendments to Regulation Crowdfunding," Release No. 33-10781 (May 4, 2020), *available at* https://www.sec.gov/rules/interim/2020/33-10781.pdf.

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

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

252 *See e.g.*, "State of Small Business Capital Formation" section of the Report above, at 13.

253 *See, e.g.*, "Small and Emerging Businesses" section of the Report above, at 23.

254 *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.

255 Market participants look at staff guidance when trying to determine whether broker registration is require. *See* Notice of Proposed Exemptive Order, *supra* note 254 at 15.

256 *See, e.g.*, "Women Business Owners and Investors" section of the Report above, at 47-49, "Minority Business Owners and Investors" section of the Report above, at 57-58, and "Rural Communities" section of the Report above, at 66.

257 *See Ewing Marion Kauffman Foundation*, "Inclusive Entrepreneurial Ecosystems are our Moral and Economic Imperative," (Oct. 19, 2022) *available at* https://www.kauffman.org/currents/inclusive-entrepreneurial-ecosystems-moral-economic-imperative/.

258 *See* Notice of Proposed Exemptive Order, *supra* note 254.

259 *See* U.S. Securities and Exchange Commission Agency Rule List (Spring 2022), *supra* note 243.

260 *See* "What Happens if a Startup Does not Comply with Securities Laws?" *available at* https://www.sec.gov/education/capitalraising/building-blocks/noncompliance.

261 *See, e.g.*, "Small and Emerging Businesses" section of the Report above, at 23, and "Mature and Later-Stage Companies" section of the Report above, at 35.

262 *See, e.g.*, "Small and Emerging Businesses" section of the Report above, at 29 and 30.

263 *See, e.g.*, "Mature and Later-Stage Companies" section of the Report above, at 33.

264 *See* Transcript of the 41st Annual SEC Small Business Forum, *New Investor Voices: How Emerging Fund Managers Are Diversifying Capital* (April 6, 2022), *available at* https://www.sec.gov/files/transcript-new-investor-voices.pdf. *See, e.g.*, "Small and Emerging Businesses" section of the Report above, at 29, and "Mature and Later-Stage Companies" section of the Report above, at 36.

265 *See, e.g.*, "Mature and Later-Stage Companies" section of the Report above, at 36 and 38.

266 *See, e.g.*, "Women Business Owners and Investors" section of the Report above, at 53, and "Minority Business Owners and Investors" section of the Report above, at 60.

267 *See* Transcript of the 41st Annual SEC Small Business Forum, New Investor Voices, *supra* note 264 at 27-29.

268 *See* Transcript of the 41st Annual SEC Small Business Forum, New Investor Voices, *supra* note 264 at 29.

269 *See* Letter from the SEC Small Business Capital Formation Advisory Committee to Chair Gary Gensler (May 20, 2021) *available at* https://www.sec.gov/spotlight/sbcfac/encouraging-small-regional-funds-043021.pdf.

270 *See* Transcript of the Small Business Capital Formation Advisory Committee Meeting, Entrepreneurship Hubs and the IPO Market, (Oct. 13, 2022) *available at* https://www.sec.gov/info/smallbus/acsec/sbcfac-transcript-101322.pdf.

271 *See* Transcript of the 41st Annual SEC Small Business Forum, *Small Cap World: What to Know and How to Think Ahead* (April 7, 2022) at 46, *available at* https://www.sec.gov/files/transcript-small-cap-world.pdf.

272 *See, e.g.*, "Rule 10b5-1 and Insider Trading," Release Nos. 33-11013; 34-93782; File No. S7-20-21 (Jan. 13, 2022), *available at* https://www.sec.gov/rules/proposed/2022/33-11013.pdf (while the Commission did not propose to exempt smaller reporting companies from the new disclosures, those companies would be permitted to limit their disclosures consistent with the scaled approach to their executive compensation disclosures); "The Enhancement and Standardization of Climate-Related Disclosures for Investors," Release Nos. 33-11042; 34-94478; File No. S7-10-22 (Mar. 21, 2022), *available at* https://www.sec.gov/rules/proposed/2022/33-11042.pdf (proposing to exempt smaller reporting companies from some of the new disclosure requirements, and proposing a delayed compliance date); "Pay Versus Performance," Release No. 34-95607; File No. S7-07-15 (Aug. 25, 2022), *available at* https://www.sec.gov/rules/final/2022/34-95607.pdf (adopting scaled requirements for smaller reporting companies, but not delaying the compliance date for those companies).

273 *See, e.g.*, "Share Repurchase Disclosure Modernization," Release No. 34-93783; IC-34440; File No. S7-21-21 (Dec. 15, 2021), *available at* https://www.sec.gov/rules/proposed/2021/34-93783.pdf; "Cybersecurity Risk Management, Strategy, Governance, and Incident Disclosure," Release Nos. 33-11038; 34-94382; IC-34529; File No. S7-09-22 (Mar. 9, 2022), *available at* https://www.sec.gov/rules/proposed/2022/33-11038.pdf.

274 *See, e.g.*, "Small Public Companies" section of the Report above, at 43 and 44.

275 *See, e.g.*, "Small Public Companies" section of the Report above, at 39.

276 *See* Transcript of the Small Business Capital Formation Advisory Committee Meeting (May 6, 2022) at 53, *available at* https://www.sec.gov/info/smallbus/acsec/sbcfac-transcript-050622.pdf.

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