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ONE YEAR OF EQUITY CROWDFUNDING: INITIAL MARKET DEVELOPMENTS AND TRENDS

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Introduction

On May 16, 2016, the U.S. Securities and Exchange Commission's new investment crowdfunding rule, Regulation Crowdfunding (Regulation CF), went into effect, marking an important step in the federal government embracing financial technology (FinTech) to increase access to capital for small businesses.[1] Regulation Crowdfunding enabled small businesses to raise up to $1,000,000 annually[2] by offering and selling securities through internet-based crowdfunding campaigns. This issue brief analyzes all crowdfunding filings made pursuant to Regulation CF during the first year of activity (May 16, 2016 – May 16, 2017). It highlights key attributes of the firms that have attempted to raise capital through this financing method, including firm location, legal structure, age, employment, and gender. This analysis also describes trends among the online intermediaries responsible for hosting the campaigns as well as transactional characteristics, such as the type of securities offered and the amount of capital sought and raised. The paper concludes with a discussion of policy implications for small businesses seeking capital through crowdfunding and other innovative financing methods.

[1] U.S. Securities and Exchange Commission, "Crowdfunding, Final Rule," Release Nos. 33-9974; 34-76324; File No. S7-09-13 (Oct. 30, 2015), available at http://www.sec.gov/rules/final/2015/33-9974.pdf.

[2] Effective April 12, 2017, the annual crowdfunding limit was adjusted for inflation from $1,000,000 to $1,070,000. In the same Release, the SEC also increased for inflation the annual individual investment limits. See U.S. Securities and Exchange Commission, "Inflation Adjustments and Other Technical Amendments Under Titles I and III of the JOBS Act," Final Rule, Release Nos. 33-10332; 34-80355; File No. S7-09-16 (March 31, 2017), available at https://www.sec.gov/rules/final/2017/33-10332.pdf.

Key Findings

Mandated under Title III of the Jumpstart Our Business Startups (JOBS) Act, Regulation Crowdfunding was designed to provide smaller businesses and startups with an innovative method of raising capital while still balancing investor protections. This study analyzes U.S. Securities and Exchange Commission (SEC) crowdfunding filing data from May 16, 2016 to May 16, 2017[3] to shed light on initial market trends and small business uptake during the first year of this new capital raising mechanism becoming available. Key findings are highlighted below.

- A total of 326 businesses attempted to raise capital through equity crowdfunding campaigns during the first twelve months of Regulation Crowdfunding taking effect. 17 businesses conducted more than one crowdfunding campaign, producing a total of 343 filings between May 16, 2016 and May 16, 2017.

- In aggregate, crowdfunding firms raised investments totaling more than $30 million dollars during this one year period.

- Crowdfunding firms reported employing a total of 1,574 people, with an average of five employees per firm.

- About 83 percent of crowdfunding businesses listed a male as the issuer's signing executive (with titles such as "Chief Executive Officer," "Founder," and "President"). 56 firms (17 percent) listed a female signing executive on their crowdfunding filing.

- 43 percent of crowdfunding businesses were as young as one-year-old when they filed paperwork to initiate a crowdfunding campaign, and 88 percent were five years or younger.

[3] Filings accessed via U.S. Securities and Exchange Commission's Electronic Data Gathering Analysis Retrieval System (EDGAR) Full Text Search, https://searchwww.sec.gov/EDGARFSClient/jsp/EDGAR_MainAccess.jsp.

Crowdfunding

What is crowdfunding? How does equity crowdfunding differ from other forms of crowdfunding?

Crowdfunding is a method of financing whereby an individual, business, or other entity raises small dollar contributions from a relatively large number of contributors over the internet. While this paper only examines equity or investment-based crowdfunding campaigns conducted pursuant to Regulation Crowdfunding (Regulation CF), other forms of crowdfunding that are not securities-based remain a prevalent and important source of small business capital. Each type of crowdfunding is described in greater detail below.

- Equity or investment-based crowdfunding: Equity crowdfunding, also known as investment-based crowdfunding, refers to the process whereby an entrepreneur, start-up, or established business raises funds over the internet by offering and selling securities in exchange for an investment in their company.[4] As will be discussed later in this paper, the securities offered in these transactions may include stock, debt, revenue sharing agreements, and other instruments. Prior to the promulgation of the SEC's Regulation CF, which took effect on May 16, 2016, there was no legal framework in the United States for small businesses to conduct a small dollar securities-based crowdfunding campaign over the internet.

- Rewards-based crowdfunding: Rewards-based crowdfunding is a small business financing mechanism through which entrepreneurs seek funding over the internet for a specific project or business venture from a relatively large number of customers or backers. If the entrepreneur's fundraising goal is reached, the project is funded and, in exchange, all contributors receive a tangible (non-financial) reward at a later time. Rewards are often tiered based on donation amounts. Examples of rewards include: steep discounts on the product or service, early access to the product or service, and customized or special editions of the product under development. The funds are not repaid and backers receive no financial stake in the venture. Kickstarter and Indiegogo are two well-known platforms that were active in the rewards-based crowdfunding space early on.

- Donation-based crowdfunding: Donation-based crowdfunding enables individuals, non-profits, and businesses to fundraise online by soliciting small donations from a relatively large number of individuals, often for a specific charitable cause. In contrast to rewards- and equity-based crowdfunding, donors receive no material or financial returns in exchange for their donation. This type of crowdfunding is commonly relied upon to raise money for medical expenses, memorials, natural disasters and emergencies, community events, and charities. GoFundMe and Crowdrise are two examples of donation-based crowdfunding platforms.

[4] Unless otherwise stated, the terms "crowdfunding," "equity crowdfunding," and "investment-based crowdfunding" are used interchangeably throughout this paper to refer to crowdfunding transactions conducted pursuant to the SEC's Regulation Crowdfunding (Regulation CF).

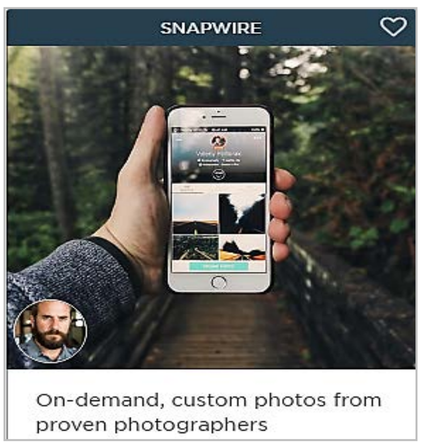
Crowdfunding Issuers

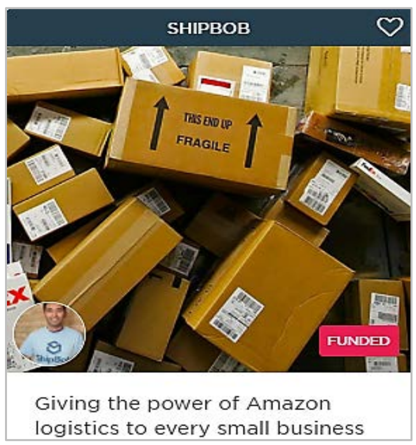
Which businesses relied on equity crowdfunding during the first year of activity?

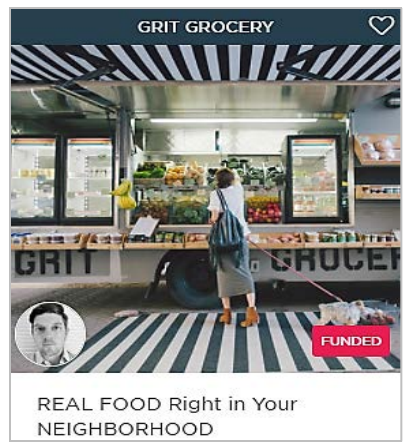
In the first year after equity crowdfunding became permissible, 326 businesses (known as "crowdfunding issuers"), located across 40 states, the District of Columbia, and one foreign country, filed documentation with the SEC to initiate a crowdfunding campaign under Regulation CF.[5] Of those 326 businesses, 17 conducted more than one crowdfunding campaign, producing a total of 343 Regulation CF filings between May 16, 2016 and May 16, 2017.[6]

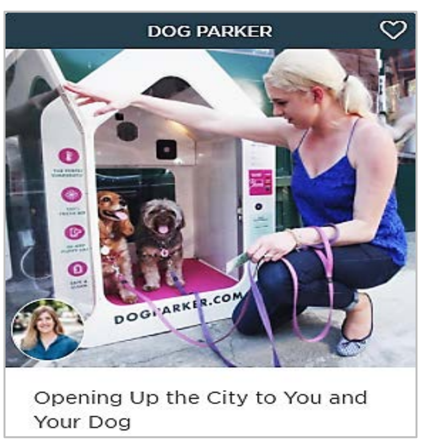
The 326 businesses identified in this analysis offer a diverse range of products and services, but have some key characteristics in common. Many tend to be consumer facing, are often community or locally oriented, and frequently have a civic or socially conscious mission. Customizable and high-tech products were prevalent, as were restaurants, breweries, and fine arts/entertainment-oriented businesses.

Pictured below are five examples of companies that have leveraged equity crowdfunding to raise money in support of their business.









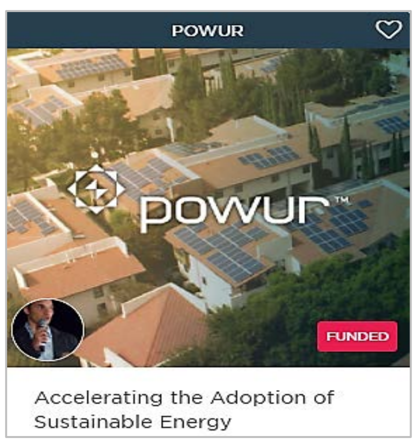


Photo source:
WeFunder Portal, 2018. Used with permission from the website administrator. The use of these photos does not imply any endorsement by The Office of Advocacy.

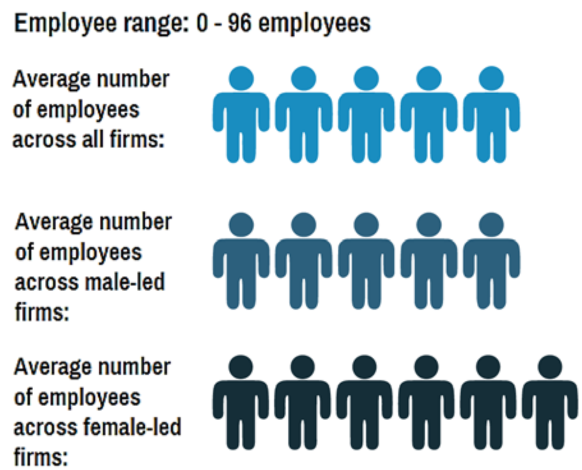
[5] One filing was submitted by an Argentina-based firm incorporated in Delaware. U.S. Securities and Exchange Commission, EDGAR Full Text Search, Form C, https://searchwww.sec.gov/EDGARFSClient/jsp/EDGAR_MainAccess.jsp?search_text=*&sort=ReverseDate&formType=FormC&isAdv=true&stemming=true&numResults=100&numResults=100.

[6] The total of 343 Regulation Crowdfunding filings refers to the number of Form Cs filed with the SEC between May 16, 2016 and May 16, 2017. It does not include filings for the purpose of amendment or withdrawal. This count also excludes one test filing.

Do crowdfunding firms have employees?

As shown in Figure 1, the crowdfunding issuers in this analysis reported employing between 0 and 96 employees at the time of filing, with an average of five employees per firm. In aggregate, these businesses reported employing a total of 1,574 people. Female-led firms employed an average of six employees while male-led firms had an average of five employees.

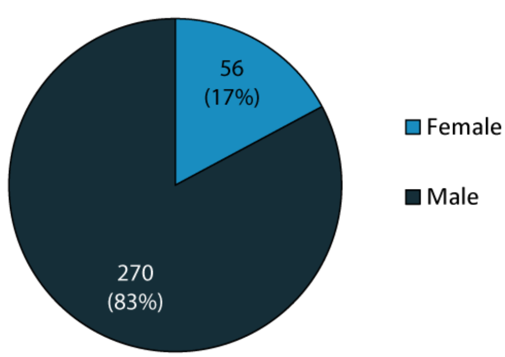
Figure 1: Employment among Crowdfunding Firms



Are women participating in crowdfunding campaigns?

Based on an analysis of the business owners and executives who signed crowdfunding offering statements on behalf of their firms, male-led firms were far more prevalent than female-led firms during the first year of equity crowdfunding activity. As shown in Figure 2, 270 crowdfunding issuers (83 percent) had a male representative sign on the company's behalf, and only 56 issuers (17 percent) listed a female signing executive on the Form C filing.[7]

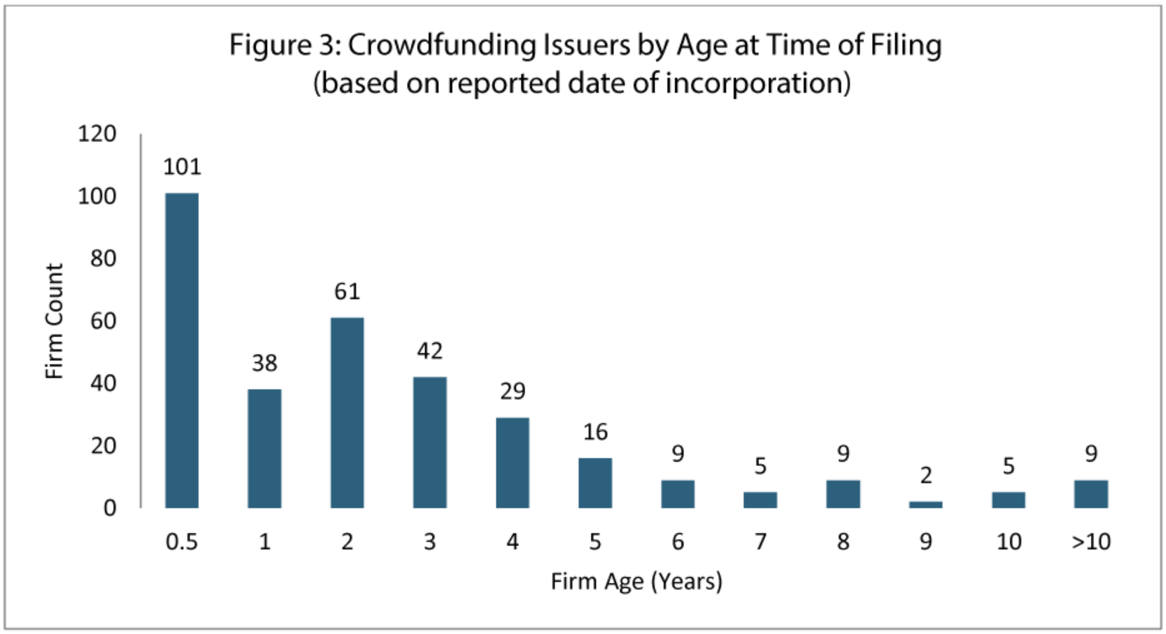
Figure 2: Crowdfunding Issuers by Gender



[7] Both ownership and owner gender are difficult to determine from the information provided on the Form C filings. Refer to the "Data and Methods" section on page 14 of this report for clarification on how these numbers were determined.

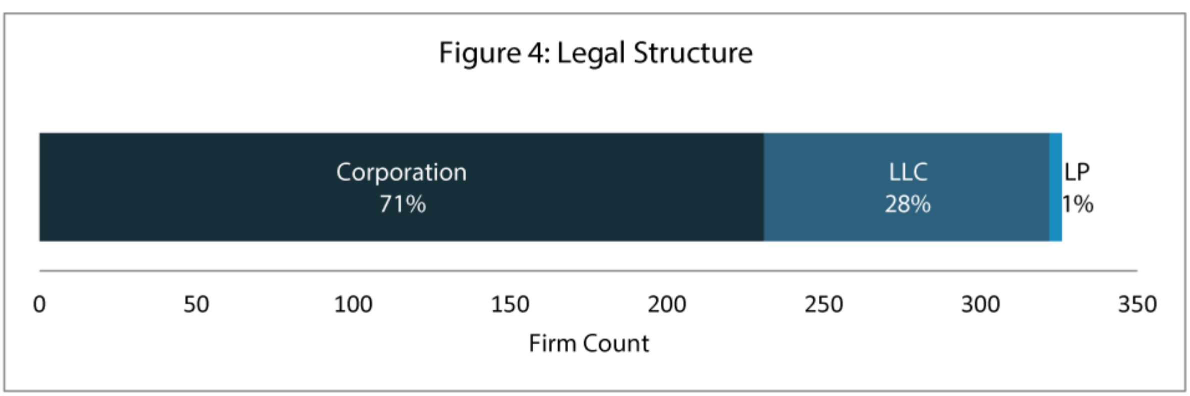
How old are the businesses that are attempting to raise money through crowdfunding?

The firms that initiated crowdfunding campaigns in the one year period of analysis tended to be very young (based on the difference between their initial filing date and reported date of incorporation). As shown in Figure 3, of the 326 unique issuers that initiated crowdfunding campaigns, 101 (31 percent) were six months or younger at the time of filing. 139 issuers (43 percent) were one year or younger at the time of filing, and 287 issuers (88 percent) were less than or equal to five years old at the time of filing. Only 9 issuers (3 percent) had been operating for 10 or more years when they filed paperwork to initiate a crowdfunding campaign.



What types of entities are conducting equity crowdfunding campaigns?

Crowdfunding issuers varied in terms of legal form, with corporations, limited liability companies (LLCs), and limited partnerships (LPs) all being represented in this sample. As shown in Figure 4, nearly three quarters of crowdfunding firms were structured as corporations, while just over a quarter were structured as LLCs. Only 1 percent of the 326 issuers reported being organized as a limited partnership (LP).



Where are crowdfunding issuers located and incorporated?

As noted above, 326 unique businesses filed documentation to initiate a crowdfunding campaign within the first year of the Regulation CF exemption becoming available. Of those 326 businesses, 325 reported a physical location within the United States, representing 40 states and the District of Columbia. The sole non-U.S. issuer, though incorporated in Delaware, reported a physical address in Buenos Aires, Argentina. As shown in Table 1 and Figure 5, more issuers were located in California than any other state (113 issuers or 35 percent). A substantial number of issuers were also based in Florida (26 issuers), Texas (22 issuers), and New York (22 issuers). In terms of the jurisdictions in which these firms were incorporated or organized, 43 percent of firms (139) reported being incorporated or organized in Delaware. As shown in Table 2, California, Florida, and Texas were also common states for crowdfunding firms to incorporate or organize.

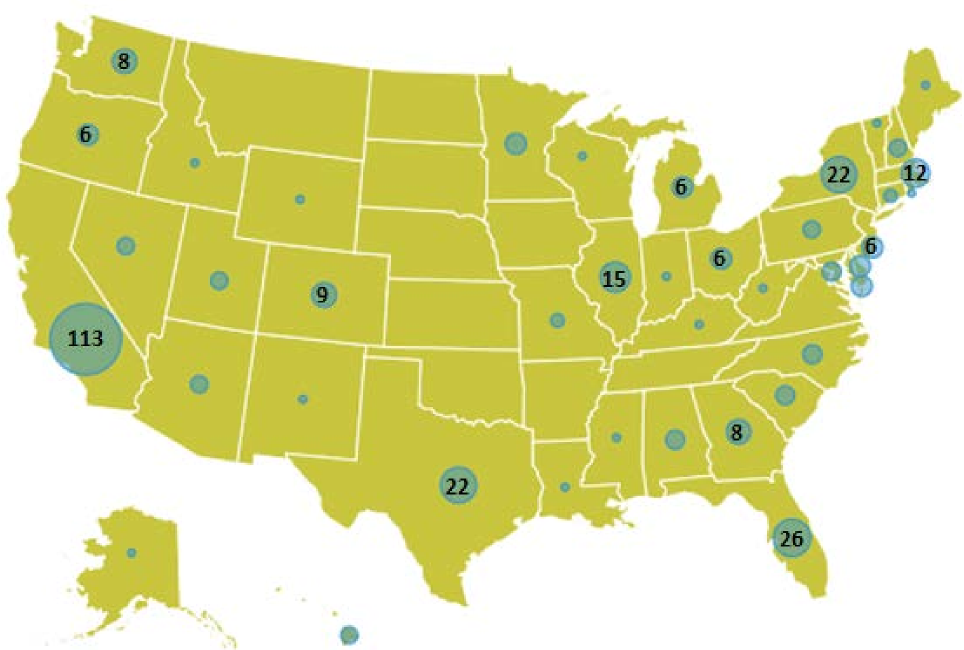
Table 1:
Top Five States where Crowdfunding Issuers are Located

State	Firms Located	Percent of Total
California	113	35%
Florida	26	8%
Texas	22	7%
New York	22	7%
Illinois	15	5%
Other	128	39%
Total	326	100%

Table 2:
Top Five States where Crowdfunding Issuers are Organized/Incorporated

State	Firms Incorporated	Percent of Total
Delaware	139	43%
California	43	13%
Florida	22	7%
Texas	18	6%
New York	10	3%
Other	94	29%
Total	326	100%

Figure 5: Prevalence of Crowdfunding Issuers across States
(Based on Issuer's Physical Location)



Crowdfunding Transactions

How much capital can businesses raise in a crowdfunding campaign?

Under Regulation Crowdfunding, businesses can raise a maximum aggregate amount of $1,070,000 per year through equity crowdfunding campaigns.[8] If a business would like to exceed that amount, they may conduct offerings under other securities exemptions (such as Regulation A or Regulation D).[9]

How much can an investor invest in crowdfunding campaigns in a one-year period?

The amount that an investor may invest in crowdfunding campaigns depends on their income and net worth but may never exceed $107,000 across all crowdfunding investments during a one-year period.

- If an investor's annual income or net worth is less than $107,000, they may invest the greater of $2,200 or 5 percent of the lesser of their annual income or net worth.
- If both an investor's annual income and net worth are greater than or equal to $107,000, they may invest 10 percent of the lesser of their annual income or net worth, not exceeding $107,000 across all crowdfunding transactions.[10]

How much capital have firms attempted to raise through crowdfunding campaigns?

When a firm initiates a crowdfunding campaign, they are required to set a minimum ("target") offering amount that must be met or exceeded by the conclusion of the crowdfunding campaign in order to receive the pledged investor funds. Firms may also opt to accept investments beyond their targeted fundraising goal, known as a "maximum offering amount." As stated earlier, a firm may raise up to $1,070,000 in a one year period across all Regulation Crowdfunding campaigns.

Analyzing target and maximum offering amounts provides useful insight into how much capital these firms are attempting to raise through crowdfunding transactions. As shown in Figure 6, based on the 343 Regulation Crowdfunding filings submitted to the SEC during the one year period of analysis, the average target offering amount was about $102,000, and the median target offering amount was $60,000. The lowest reported target offering amount was $5,000, while the highest target offering amount was $1,000,000. With regards to maximum offering amounts, the average across all filings was about $616,000, and the median was $750,000. Maximum offering amounts ranged from $24,000 to $1,000,000. Importantly, this analysis does not incorporate amendments to the initial Form C filings, so the actual amounts sought may be

[8] When Regulation Crowdfunding took effect in May 2016, issuers were permitted to raise up to $1,000,000 across all Regulation Crowdfundingofferings in a one-year period. That limit has since been adjusted for inflation, allowing issuers to raise up to $1,070,000 annually. See U.S. Securities and Exchange Commission, "Inflation Adjustments and Other Technical Amendments Under Titles I and III of the JOBS Act," Final Rule, Release Nos. 33-10332; 34-80355; File No. S7-09-16 (March 31, 2017), available at https://www.sec.gov/rules/final/2017/33-10332.pdf.

[9] Regulation A, an alternative to an Initial Public Offering (IPO), enables smaller private companies to raise up to $50 million annually by offering and selling debt or equity securities. Regulation D is an SEC registration exemption that enables firms to raise funds by offering debt or equity securities to mostly accredited or institutional investors in a transaction that is exempt from SEC registration.

[10] These limits are higher than those in the Final Rule because they account for the April 2017 inflation adjustment. See U.S. Securities and Exchange Commission, "Regulation Crowdfunding, a Small Entity Compliance Guide for Issuers," April 5, 2017, https://www.sec.gov/info/smallbus/secg/rccomplianceguide-051316.htm.

slightly different if firms changed their target or maximum offering amounts subsequent to their initial SEC filing.

How much capital have firms successfully raised through crowdfunding campaigns?

After a crowdfunding campaign concludes, the offering firm must file a Form C-U with the Securities and Exchange Commission indicating how much money was raised during its crowdfunding campaign. The data show that many firms do not immediately comply with this filing requirement. As of August 16, 2017, three months after the one year period of analysis, only 118 Forms C-U had been filed.[11] Of the 118 C-U filings indicating that a crowdfunding campaign had concluded, 105 filings reported that the firm had successfully met its minimum fundraising goal. The other 13 filings stated that the crowdfunding campaign had ended but did not list specific information about the amount of capital raised, if any.

As shown in Figure 7, of the 105 campaigns (104 firms) that reported meeting their fundraising goal, the average investment raised was $289,000 and the median amount raised was $170,000. The lowest amount raised in a successful crowdfunding campaign was $11,800, and the highest amount raised was $1,070,000 (the inflation-adjusted annual limit). Across all 105 crowdfunding campaigns for which investments were reported, crowdfunding firms raised an aggregate amount of over $30 million dollars.

Figure 6: Target and Maximum Offering Amounts

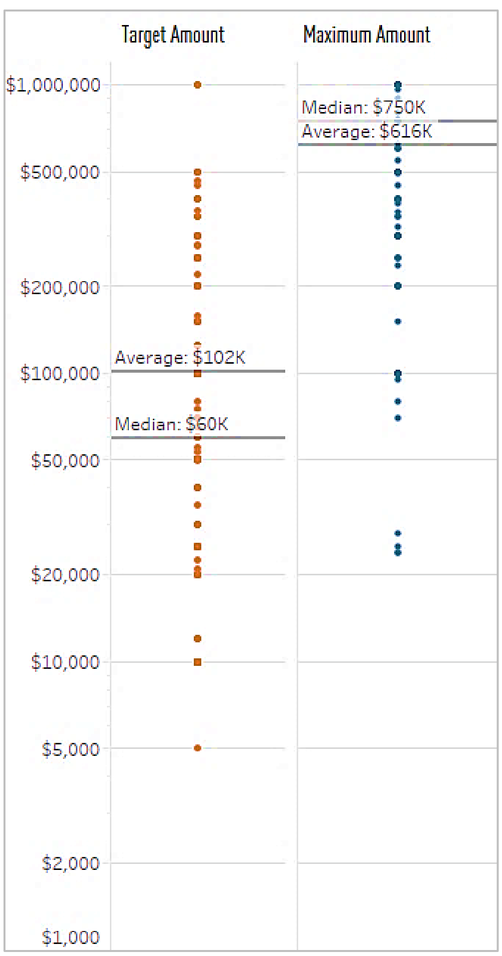
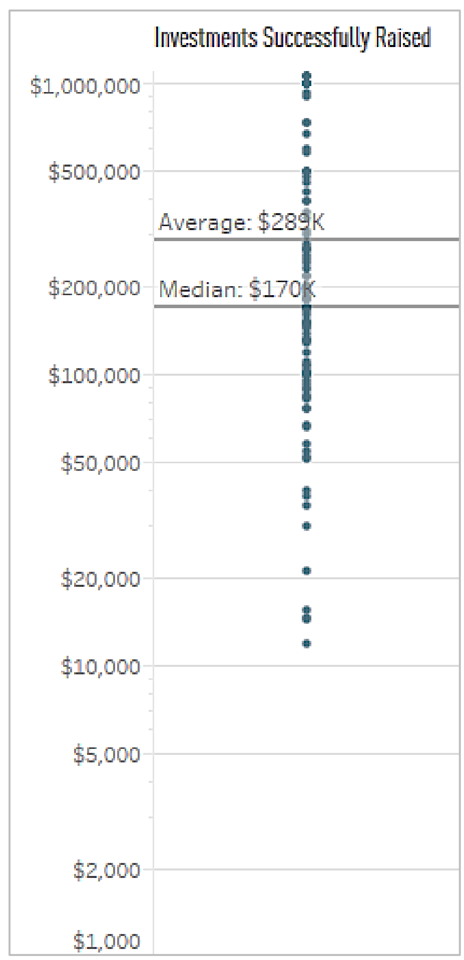


Figure 7: Investments Raised in Successful Campaigns



[11] The period of analysis for funds raised (Form C-U submissions) was extended three months beyond the one year period of analysis (August 16, 2017) to incorporate funds raised through campaigns initiated near the May 16 cutoff.

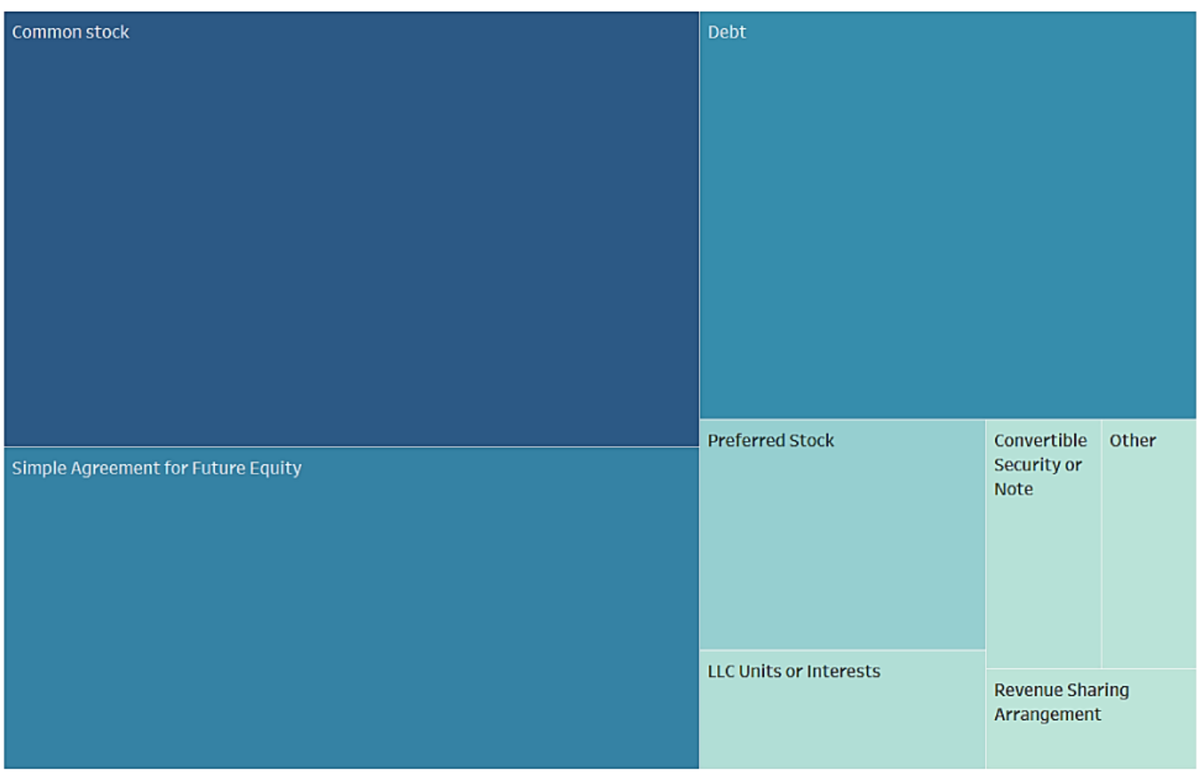
What types of securities are being sold?

Regulation Crowdfunding does not limit the type of securities that may be offered and sold in a crowdfunding transaction. Among the 343 crowdfunding offerings made between May 16, 2016 and May 16, 2017, the most common types of securities offered were common stock (34 percent), Simple Agreements for Future Equity (SAFE) (25 percent), and debt (22 percent), together representing over 80 percent of transactions. Table 3 and Figure 8 provide additional detail on the types of securities contracts relied upon in crowdfunding offerings.

Table 3:
Types of Securities Offered in Crowdfunding Campaigns

Security Type	Offering Count	Percent of Total
Common stock	115	34%
Simple Agreement for Future Equity (SAFE)	85	25%
Debt	77	22%
Preferred stock	25	7%
LLC units or interests	13	4%
Convertible security or note	11	3%
Revenue sharing arrangement	8	2%
Other	9	3%
Total	343	100%

Figure 8: Types of Securities Offered in Crowdfunding Campaigns



Who is facilitating crowdfunding campaigns?

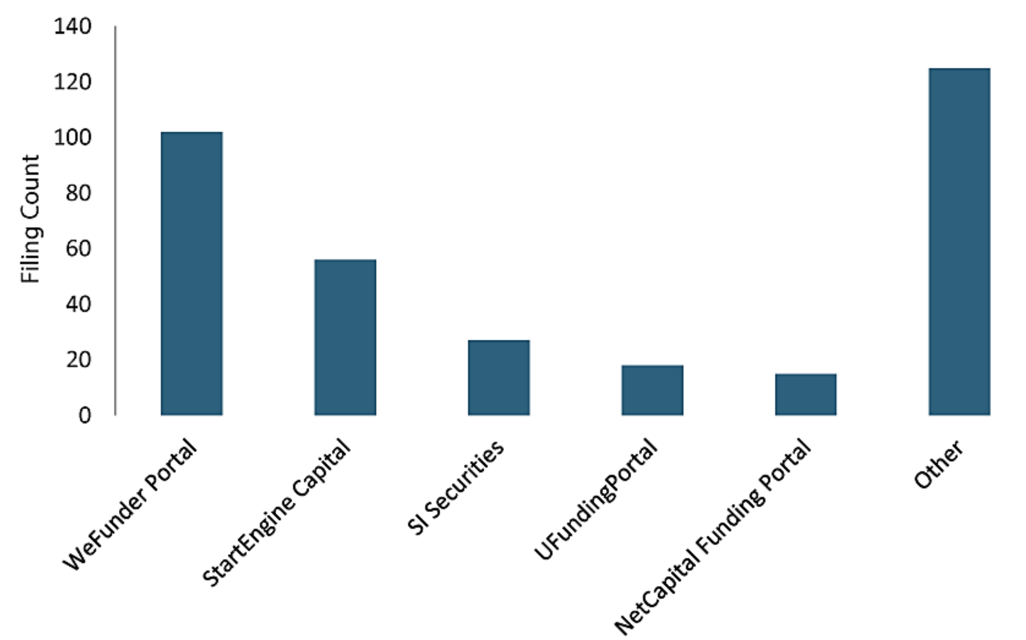
Equity crowdfunding campaigns must be conducted through an SEC-registered and Financial Industry Regulatory Authority (FINRA) regulated intermediary. Approved intermediaries include registered broker-dealers and "funding portals," a new type of entity created by the Regulation Crowdfunding rulemaking. As of May 16, 2017, 33 entities had registered with the SEC and FINRA to become funding portals.[12]

Which crowdfunding intermediaries were most active during the first year of equity crowdfunding activity?

In terms of campaign quantity, a few intermediaries emerged as key competitors during the first year of equity crowdfunding activity. WeFunder Portal, StartEngine Capital, and SI Securities hosted the most campaigns, together accounting for 54 percent of all Regulation Crowdfunding filings. As shown in Figure 9 below, of the 343 filings submitted to the SEC to initiate a crowdfunding campaign between May 16, 2016 and May 16, 2017:

- 102 campaigns (30 percent) were conducted through WeFunder Portal.
- 56 campaigns (16 percent) were conducted through StartEngine Capital.
- 27 campaigns (8 percent) were conducted through SI Securities.
- 18 campaigns (5 percent) were conducted through uFundingPortal.
- 15 campaigns (4 percent) were conducted through NetCapital Funding Portal.
- 125 campaigns (36 percent) were conducted through other intermediaries.

Figure 9: Crowdfunding Filings by Intermediary



[12] Financial Industry Regulatory Authority, "Funding Portals We Regulate," May 16, 2017, http://www.finra.org/about/funding-portals-we-regulate.

How much do crowdfunding intermediaries charge for their services?

Intermediary compensation is generally structured as a commission on the total amount of capital raised, paid at the conclusion of the campaign only if the fundraising target is met. Commissions generally range from 3 to 10 percent of the total offering amount and sometimes include equity as a form of payment. Some portals also charge an additional fixed or subscription fee to list a crowdfunding campaign on their website and/or for the provision of other services (such as filing preparation or due diligence).

Policy Considerations

This paper uses descriptive statistics to highlight equity crowdfunding trends for the first year of activity following the promulation of Regulation Crowdfunding. Although equity crowdfunding is still in an early stage of adoption, the data suggest that it is a potentially viable method of capital formation for small and young firms, especially those with innovative and/or locally oriented missions in certain industries.

According to SEC data, 326 businesses leaveraged equity crowdfunding during the one year period of analysis, and 17 businesses conducted more than one crowdfunding campaign. The average target offering amount was just over $100,000, which is about one tenth of the annual offering limit but similar to the financing amounts sought by small businesses through other methods. For comparison, the Federal Reserve's 2016 Small Business Credit Survey found that 55 percent of respondent firms sought $100,000 or less in financing in 2016 and 74 percent sought $250,000 or less.[13] With regards to the amount of capital successfully raised, equity crowdfunding produced more than $30 million dollars in investments across the 105 crowdfunding campaigns that were reported to have met their established fundraising target. The average investment raised in a successful crowdfunding campaign was $289,000, while the median investment raised was $170,000. In terms of geography, the data show that crowdfunding campaigns were utilized by businesses located in 40 states and the District of Columbia, but there was a particularly high concerntration in states such as California, Florida, and Texas, which together were home to 50 percent of all issuers. Finally, this analysis found that most of the firms conducting crowdfunding campaigns are quite young, with 43 percent having been incorporated within a year of initiating their crowdfunding campaign and 88 percent having been incorporated within five years. While these statistics suggest some initial adoption and success, they also illuminate potential challenges and barriers that could be addressed to further support small business access to capital in this space.

Further data collection and research will be necessary to determine which policy changes, if any, would be optimal, but this paper highlights a few areas for consideration. First, given the relatively limited reliance on equity crowdfunding in the first year, the SEC may want to consider whether certain aspects of the regulatory scheme are too complex or costly for small businesses to navigate and comply with. While investor protection should not be overlooked, exempting businesses seeking very small amounts of capital from certain requirements may make crowdfunding a more attractive and worthwhile option for small and young firms that are otherwise a good fit for this capital raising method. Second, the SEC and other

[13] "2016 Small Business Credit Survey: Report on Employer Firms," Federal Reserve Banks of Atlanta, Boston, Chicago, Cleveland, Dallas, Kansas City, Minneapolis, New York, Philadelphia, Richmond, St. Louis, and San Francisco, April 2017, p. 9, https://www.newyorkfed.org/medialibrary/media/smallbusiness/2016/SBCS-Report-EmployerFirms-2016.pdf.

small business oriented organizations may also want to focus on crowdfunding education initiatives, including both promotion and training. Educating firms about this novel method of fundraising could have the dual benefit of increasing adoption among firms with crowdfunding potential and may also improve the quality of firms' campaigns and marketing efforts, which could lead to better information for investors and higher success rates. Given that investment-based crowdfunding is still a relatively new phenomenon, the fundraising success rate may naturally increase over time as businesses become more aware of how to run a successful campaign and select the optimal fundraising goal. In addition, the SEC may want to consider raising the amount that an individual sophisticated or high net worth investor can invest in crowdfunding transactions in a single year, since this could potentially increase the total amount of capital available to firms in this market. While not covered in this report, additional research on crowdfunding investor attributes would help us better understand which investors are most active in this space and accordingly determine which protections are most appropriate.

A final concern identified in this report relates to increasing crowdfunding participation among firms that are currently underrepresented. For example, there was less crowdfunding activity among businesses located in states and metropolitan areas that are not already considered technology and finance hubs. Given the comparatively high adoption in urban areas and coastal states, policymakers may want to consider how to better support rural businesses who need capital and could potentially benefit from crowdfunding. The data also indicate that women were underrepresented among equity crowdfunding issuers in this one year sample. Previous research has found that female entrepreneurs have been both well represented and successful in rewards-based crowdfunding,[14] so it would be helpful to understand how lessons from that space can be translated to greater representation in the equity crowdfunding market. Lastly, due to data limitations, it is currently difficult to measure crowdfunding participation among minority- and veteran-owned businesses, or among businesses in specific industries. While the SEC should be cautious in requiring crowdfunding issuers to report significantly more information, this data would help researchers and policymakers better understand how this new regulation has affected access to capital among firms of different demographic and industry profiles.

[14] Jason Greenberg and Ethan Mollick, "Activist Choice Homophily and the Crowdfunding of Female Founders," Administrative Science Quarterly 2017, Vol. 62(2) 341-374.

Data and Methods

This project relied on data from filings submitted to the SEC by businesses and crowdfunding intermediaries who engaged in equity crowdfunding activities within the first twelve months of Regulation Crowdfunding taking effect (May 16, 2016 through May 16, 2017). The SEC makes all crowdfunding filings available to the public via its online filing system known as the Electronic Data Gathering Analysis and Retrieval System (EDGAR).[15] All data were reviewed and collected manually for filings initiated during this one year period of analysis as detailed below.

Issuer and transaction data

Data relating to the businesses seeking to raise capital through equity crowdfunding campaigns ("crowdfunding issuers") were harvested from issuers' Form C filings. Form C is the offering statement that all crowdfunding issuers must file with the SEC before initiating a crowdfunding campaign under Regulation Crowdfunding. Form C requires issuers to report a wide variety of information, including but not limited to the company's legal form, date and state of incorporation, physical location, and current number of employees. The issuer is also required to disclose the amount of capital it is seeking to raise through the crowdfunding campaign (known as target and maximum offering amounts), the type of securities being offered, the intermediary through which the crowdfunding campaign will be conducted, and the amount and form of intermediary compensation. The business must also report a range of other financial and personnel information. Key information for all initial Form C filings was reviewed and collected, and filing observations were not changed to account for subsequent amendments.[16]

The gender distribution among crowdfunding issuers was also of interest. While the gender of the issuing firms' owner(s) is not explicitly reported, Form C requires a member of the firm's leadership to sign the offering statement and identify their position within the company (referred to in this paper as the "signing executive"). Of the 326 issuers identified in this sample, a high proportion of signing executives self-identified as "Chief Executive Officer" or "CEO." Most other signing executives had comparable titles, such as "President," "Founder," and "Managing Member," leading us to feel confident that signing executives are generally representative of the issuer's leadership for the purpose of gender identification. After recording the signing executives' names, we reviewed each one to determine the likely gender as a proxy for male-led and female-led issuers. If there was uncertainty about the signing executive's gender based on their name, we located their biography and/or photo on the issuer's website, intermediary's website, or elsewhere on the internet, which enabled us to confirm the signing executive's gender in all cases. If two or more people signed on behalf of the issuer, and both genders were represented, the firm was counted as having female leadership. It should be noted that the genders of some signing executives may have been misidentified based on their names. Given the additional research we conducted, such misclassification is likely to be rare.

Finally, other variables that were not explicitly reported on the Form C, such as issuer race and ethnicity, and the industry in which the business operates, were also of interest. However, Form C does not require

[15] U.S. Securities and Exchange Commission, EDGAR, https://searchwww.sec.gov/EDGARFSClient/jsp/EDGAR_MainAccess.jsp.

[16] We also took note of any withdrawal statements submitted during that period, but did not remove the initial Form C filing from our dataset simply because it was withdrawn at a later time. If a Form C filing was explicitly identified as a test filing and was withdrawn on the same day—as it was for one filer—we did not include it in our sample.

information regarding an issuer's industry, either by broad description or by specific NAICS code, and as a result could not be collected. Similarly, Form C does not ask issuers to identify the race or ethnicity of the firm's owner(s) or leadership, leading us to lack information about trends among different owner demographics.

Intermediary data

Intermediary data were primarily collected via the Form C filings described above as well as other SEC filings required of funding portals, such as Form CF Portal and Form CF Portal-W, which must be submitted to the SEC when a funding portal would like to initiate or cease operations. The Financial Industry Regulatory Authority (FINRA), which shares oversight responsibilities with the SEC over crowdfunding intermediaries, also maintains a list of current and former funding portal members.

Related Research

- Interest Rates and Non-Bank Lending to Small Businesses, August 2017
  https://www.sba.gov/sites/default/files/advocacy/Interest-rates-non-bank-lending.pdf
- What is Alternative Finance?, September 2016
  www.sba.gov/sites/default/files/advocacy/What-Is-Alt-Fi.pdf
- Peer-to-Peer Lending: A Financing Alternative for Small Businesses, September 2015
  www.sba.gov/sites/default/files/advocacy/Issue-Brief-10-P2P-Lending_0.pdf
- Equity-based Crowdfunding: Potential Implications for Small Business Capital, April 2015
  www.sba.gov/sites/default/files/advocacy/Issue-Brief-5-Equity-Based-Crowdfunding_2.pdf

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