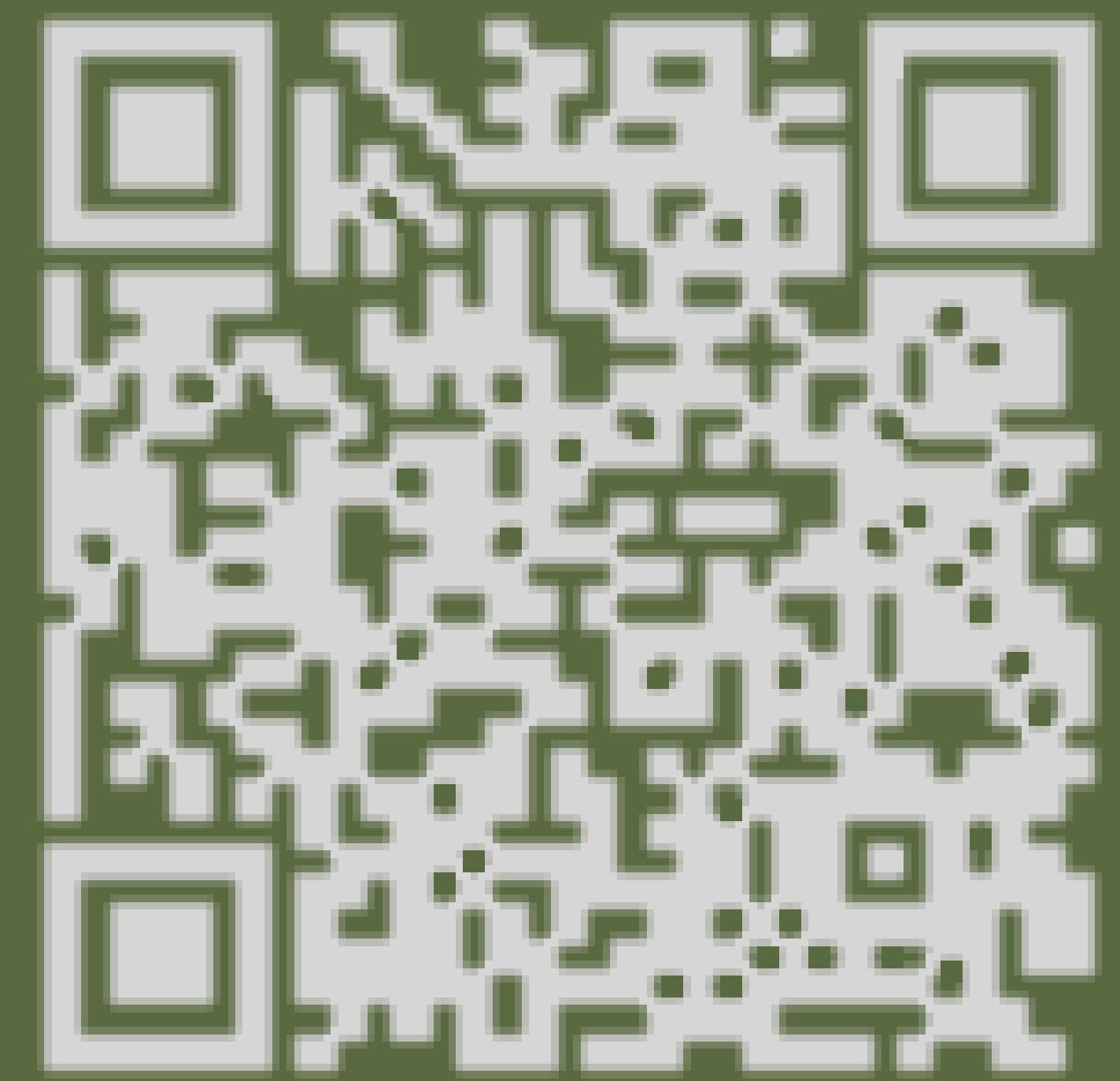
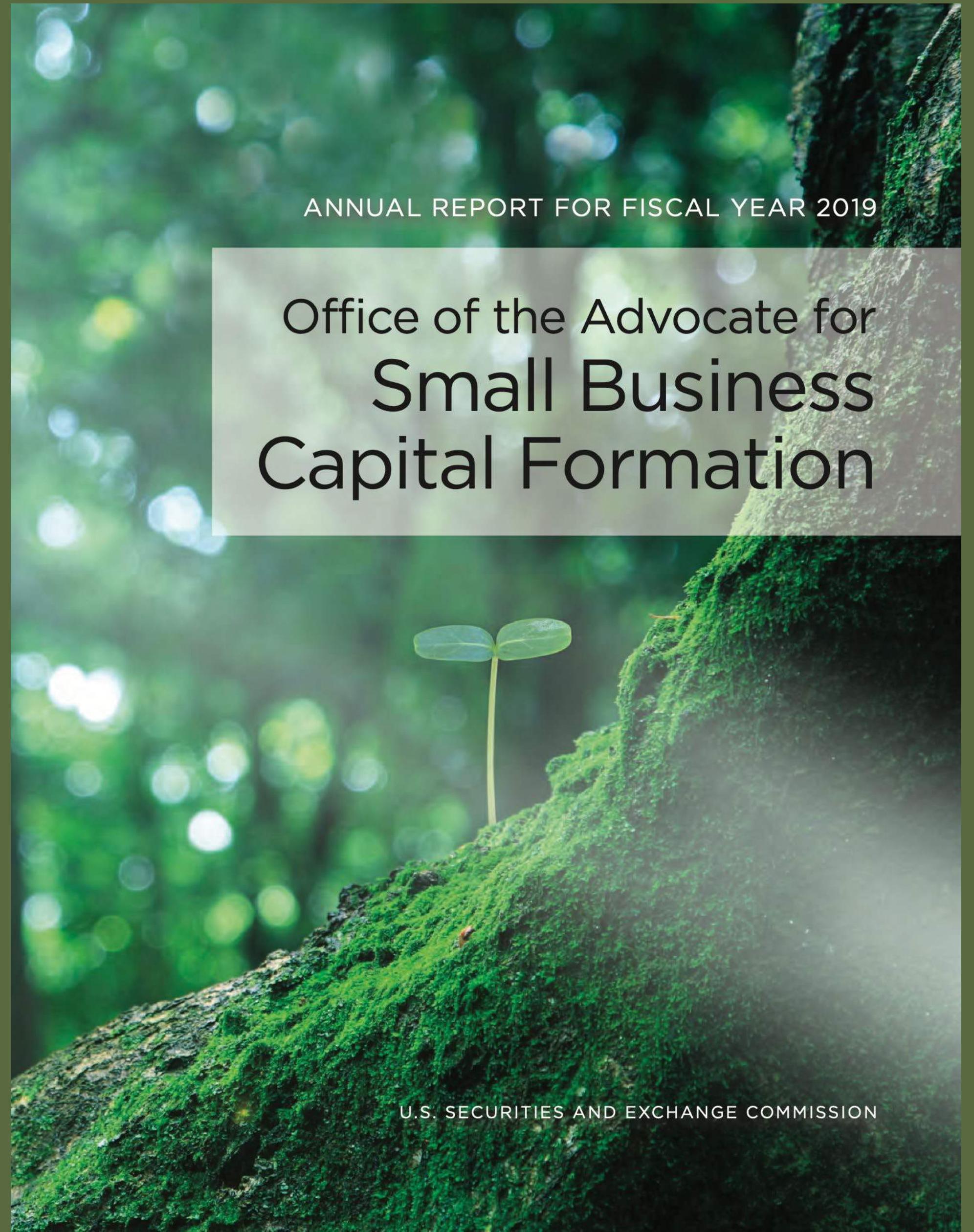


U.S. Securities & Exchange Commission's
**Office of the Advocate for Small
Business Capital Formation**

Overview of FY 2019 Annual Report

February 4, 2020

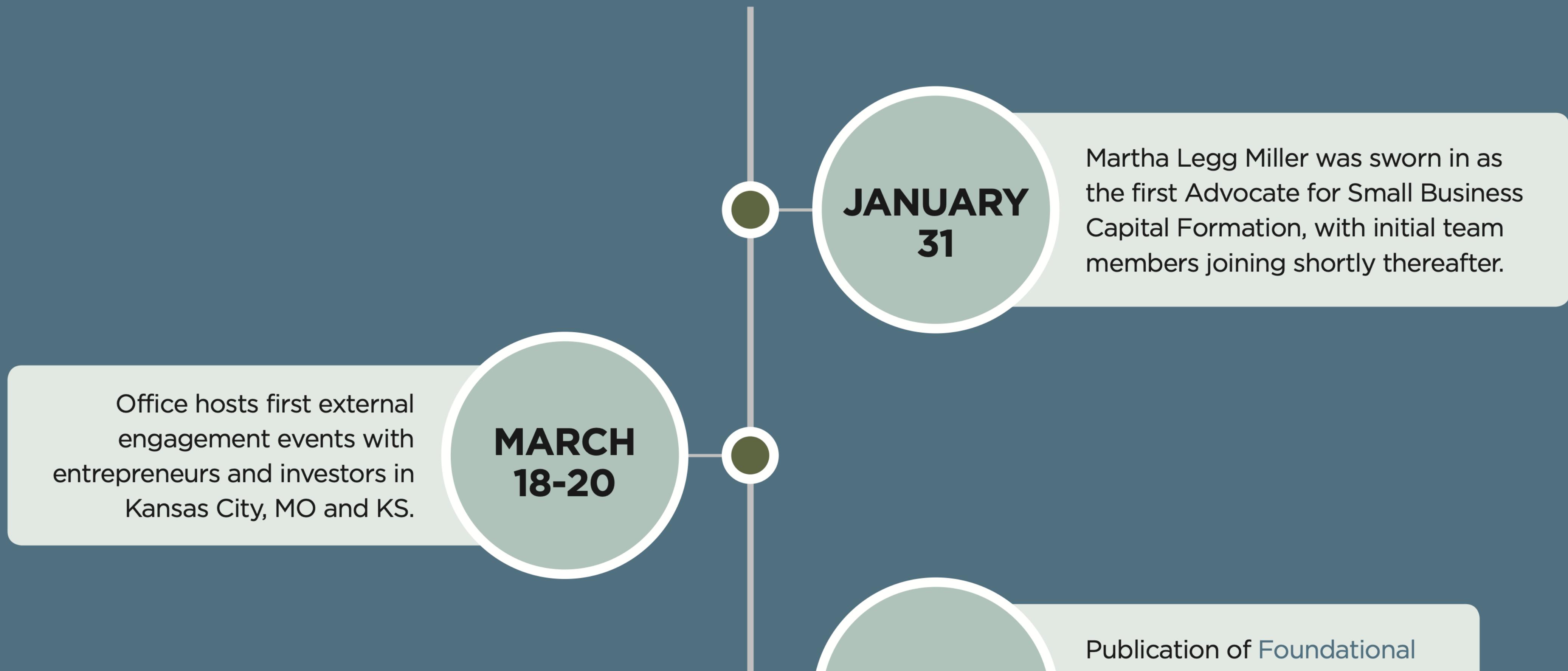
Disclaimer: The views expressed in this presentation are the speakers' own and do not necessarily reflect those of the Commission, Commissioners, or Commission Staff.



Available at www.sec.gov/oasb

Inaugural Year of the Office in Review

LAUNCH OF THE SEC'S NEWEST OFFICE



Road to Global Entrepreneurship Summit⁷

March 19, 2019
Overland Park, KS

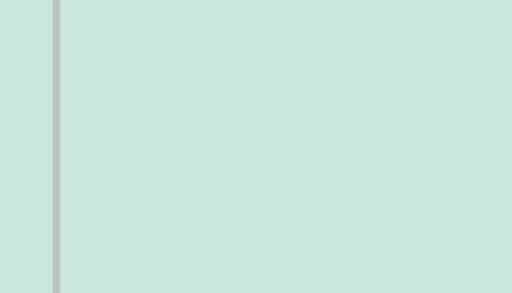
Panel discussion alongside individuals from the public and private sector, hosted by the U.S. Department of State.



SEC Speaks 2019⁹

April 8, 2019
Washington, DC

Launch of the Office's Foundational Business Plan¹⁰ and plans for inaugural year of the Office.



Investment Company Institute's Small Funds Committee

April 30, 2019
Washington, DC

Solicitation of investor input from smaller funds and investment companies.



Roundtable with Colorado Small Businesses and Investors

May 3, 2019
Denver, CO

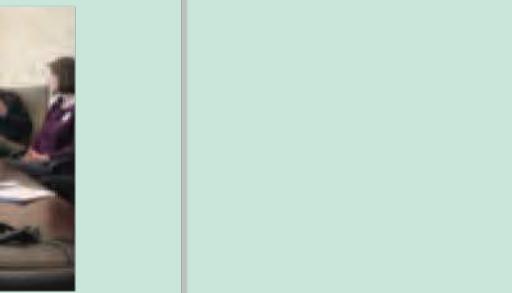
Roundtable discussion with small business owners and investors on pressing capital formation issues.



National Association of Women Business Owners' Advocacy Day¹⁴

June 4, 2019
Washington, DC

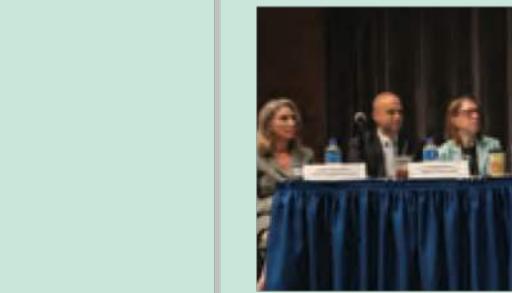
Collaboration with female entrepreneurs on their national advocacy day.



38th Government-Business Forum on Small Business Capital Formation¹⁵

August 14, 2019
Omaha, NE

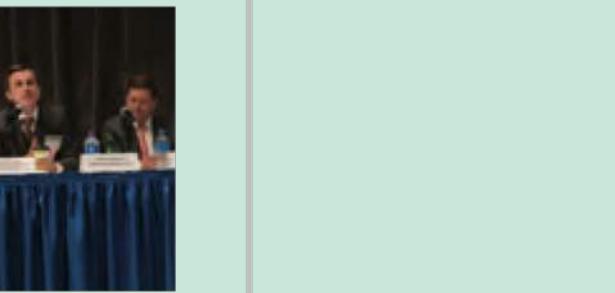
Hosted forum, gathering members of the public and private sectors to craft suggestions for securities policy.



U.S. Black Chambers 10th National Conference¹⁷

August 20, 2019
National Harbor, MD

Panel discussion on the art of capital raising and deal activity.



Rural RISE 2019 Summit¹⁹

Sept. 18, 2019
Pine Bluff, AR

Panel discussion highlighting government resources to empower rural communities to foster entrepreneurship.



March 20, 2019
Kansas City, MO

Town hall meeting with small business owners, investors, and aspiring entrepreneurs.



Town Hall Meeting at the 1 Million Cups⁸

April 9, 2019
Washington, DC

Discussion of the creation of the Office and role at the SEC with international securities regulators.

International Institute for Securities Market Growth and Development¹¹

May 3, 2019
Denver, CO

Discussion of legal issues in small business capital formation in the Rockies.

Rocky Mountain Securities Conference¹²

May 6, 2019
Washington, DC

Roundtable focused on experiences of businesses and investors raising capital and investing outside of coastal "hot spots."



National Small Business Week Roundtable on "Capital Formation Between the Coasts"¹³

June 10, 2019
Washington, DC

Discussion with NSBA's Leadership Council on their top issues.

National Small Business Association

August 15, 2019
Omaha, NE

Pitched the Office like an entrepreneur at the largest Midwestern entrepreneurship conference.



Maha Discovery Festival¹⁶

Sept. 17, 2019
Little Rock, AR

Roundtable discussion with the Little Rock startup and fintech community.

The Venture Center Roundtable¹⁸

Sept. 19, 2019
New York City, NY

Fireside chat discussing issues faced by small reporting companies and their investors, and *Inside the IceHouse* podcast episode recording.²⁰

NYSE American Emerging Companies Summit



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Office of the Advocate for
Small Business Capital
Formation

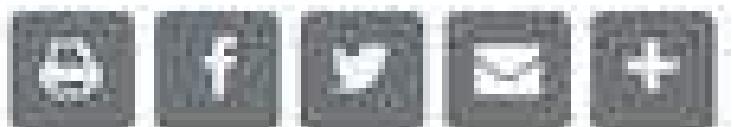
Small Business Capital
Formation Video Gallery

Small Business Forum

Small Business Capital
Formation Advisory
Committee

Resources on How to
Raise Capital

Small Business Capital Formation Video Gallery



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

Proposed Amendments to the Accredited Investor Definition

Proposed Amendments to the Accredited Investor Definition

Watch later Share



STATE OF SMALL BUSINESS CAPITAL FORMATION

Data Sources

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

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

Private Offerings

Public Offerings

Regulation D

Rule 506(b)
Private Placements

Rule 506(c)
Accredited
Investor
Crowdfunding

Rule 504
Limited
Offerings

Regulation A
Mini IPOs

Regulation CF
Crowdfunding

**Initial
Public
Offerings**

**Other Registered
Offerings, including
Secondary Offerings**



\$1.4T
\$1.9M
median

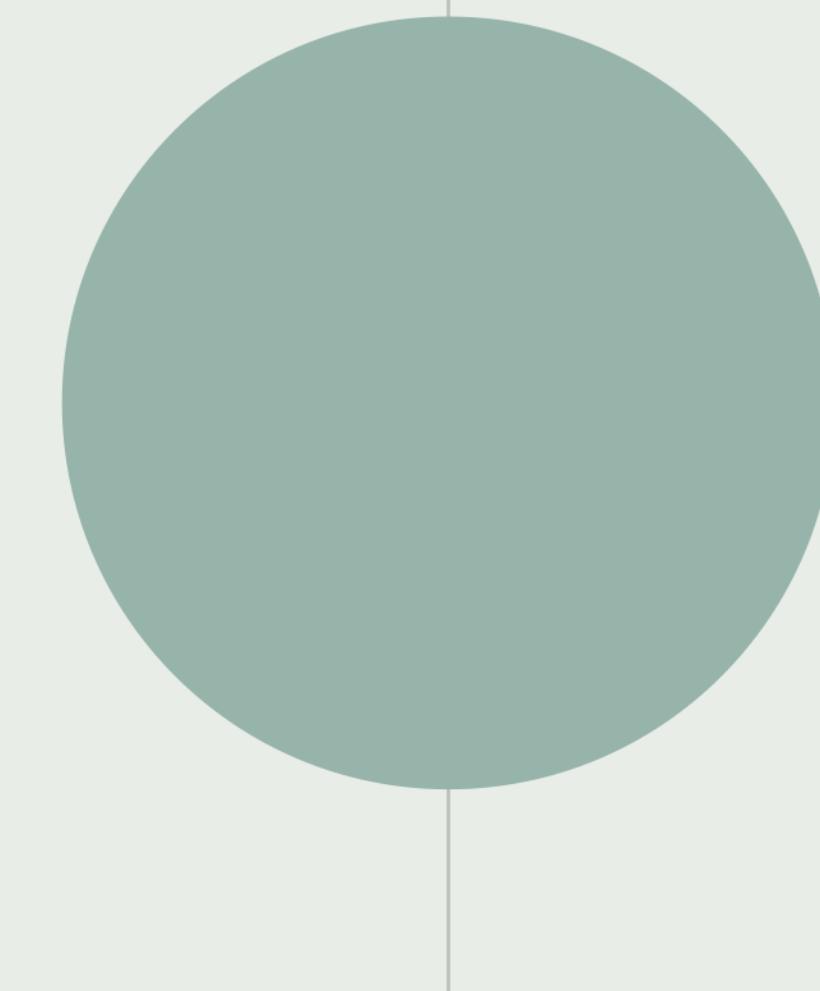
\$210B
\$1M
median

\$260M
\$200,000
median

\$800M
\$3.7M
median

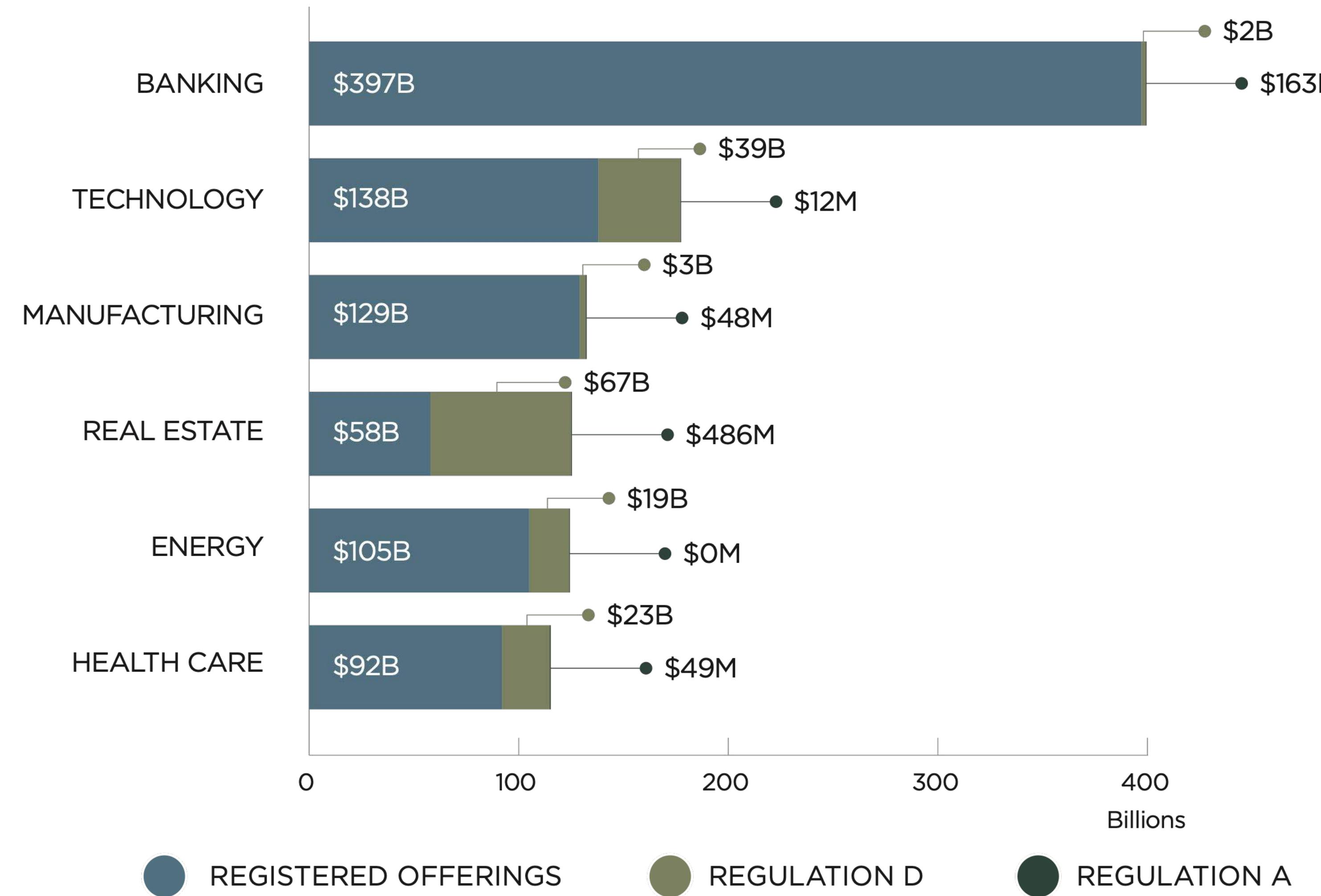
\$54M
\$80,000
median

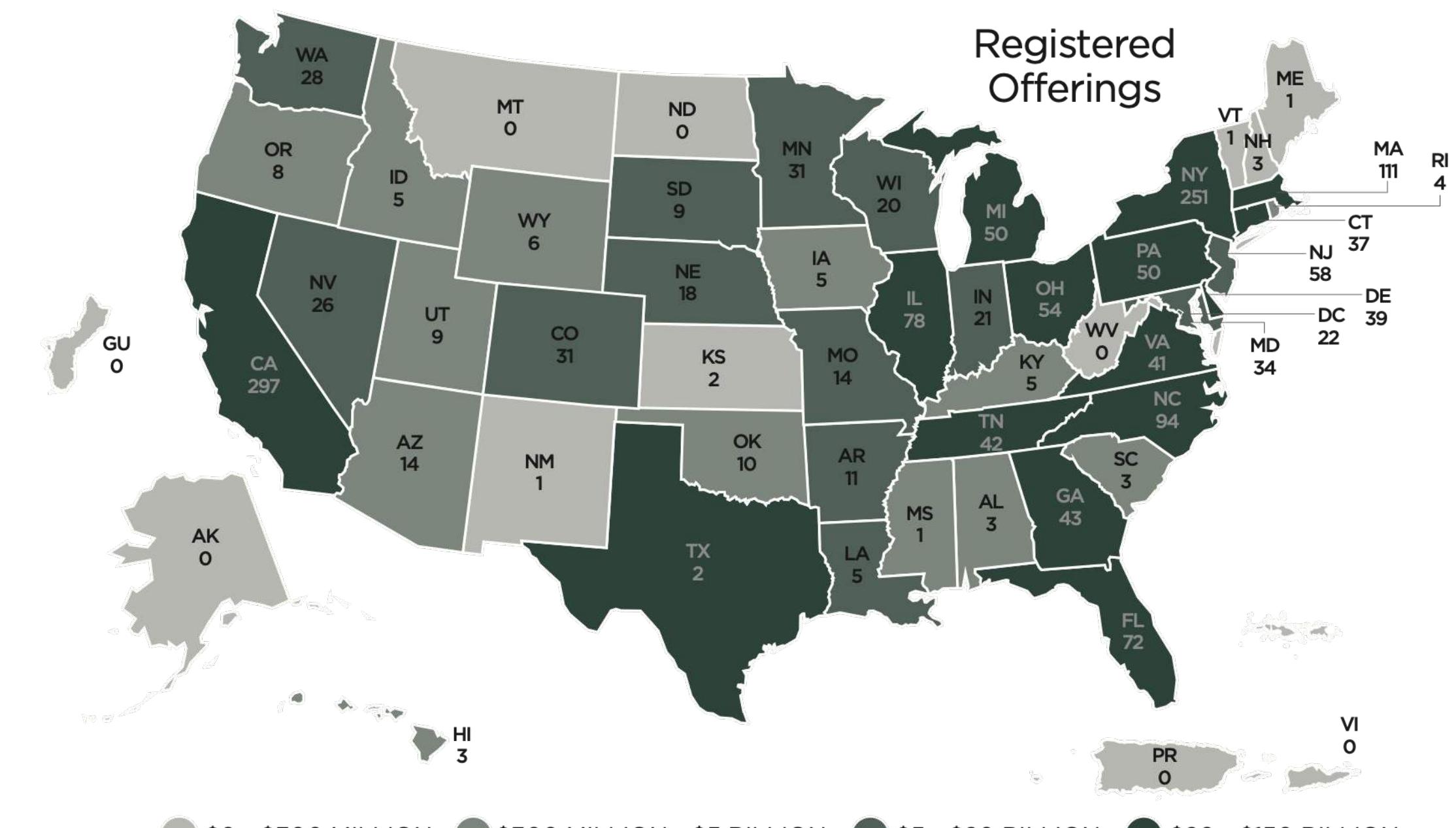
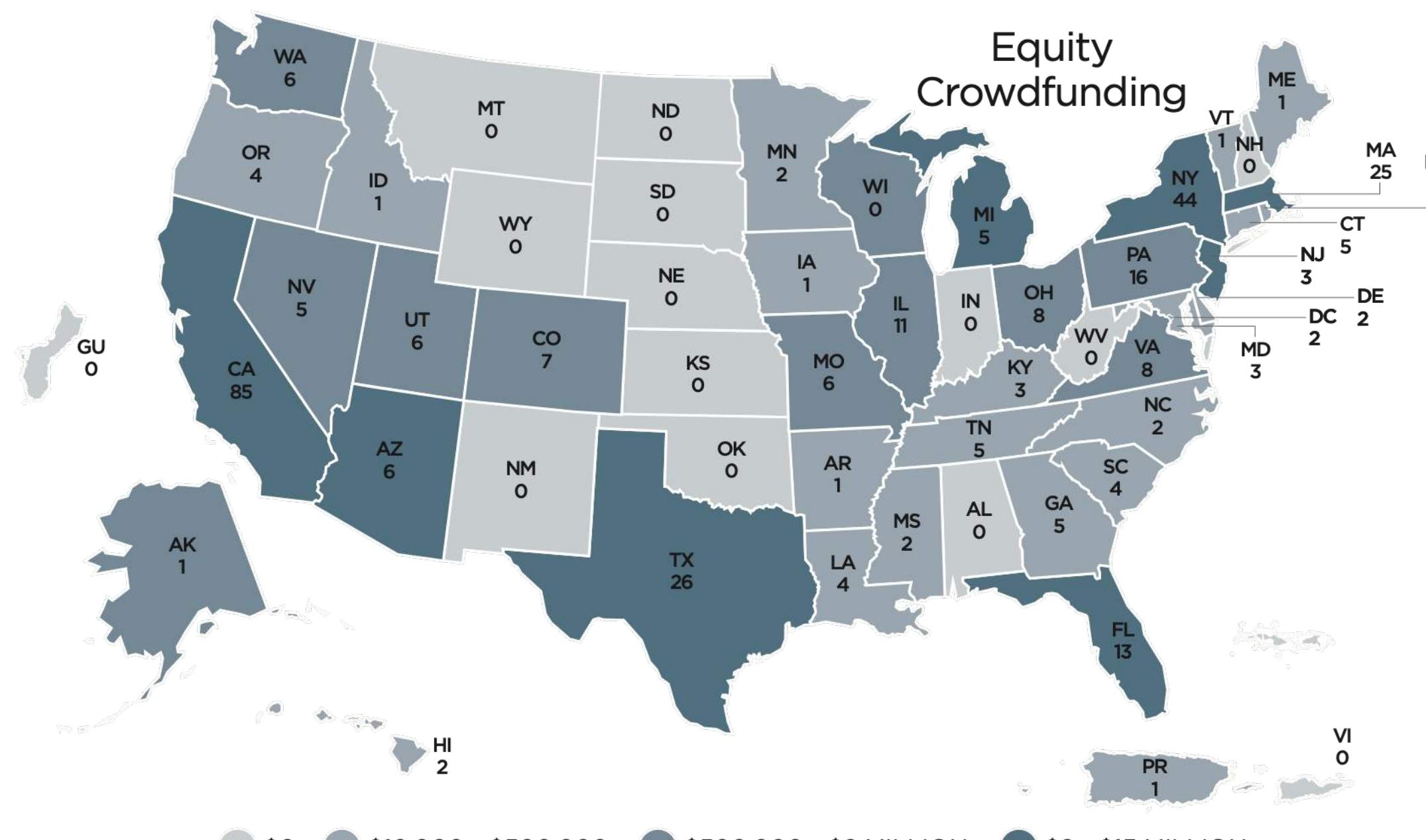
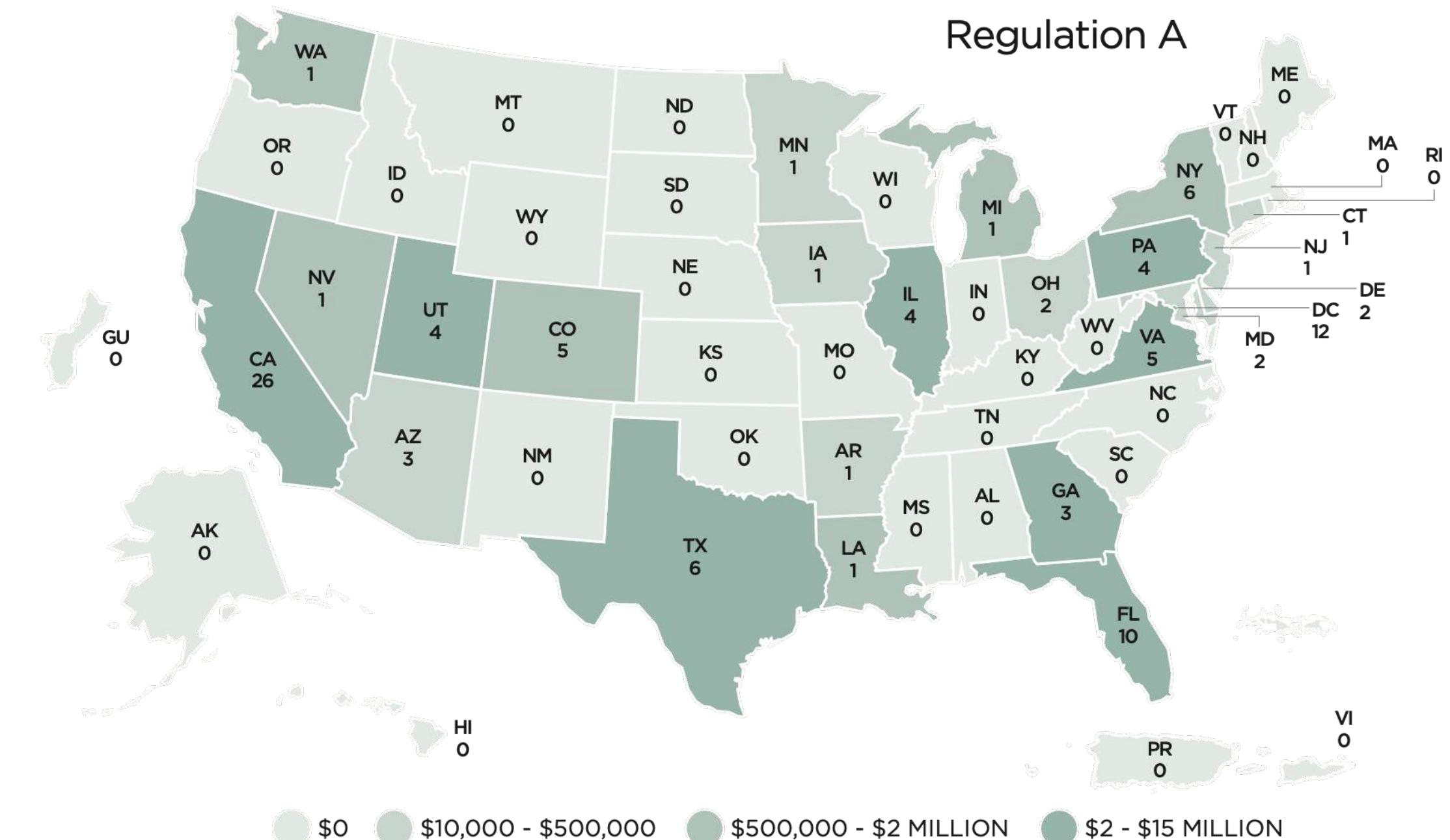
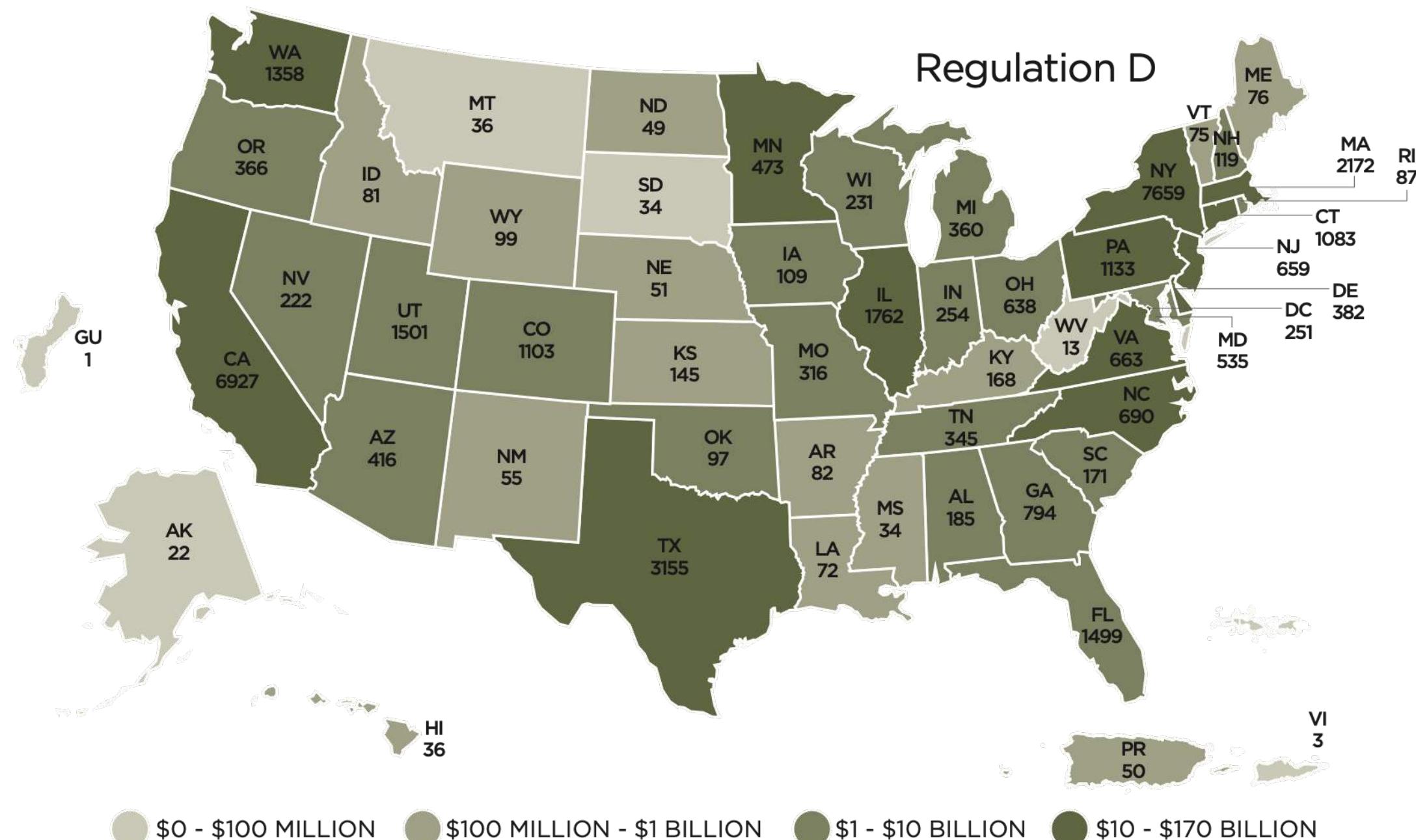
\$50B
\$90M
median



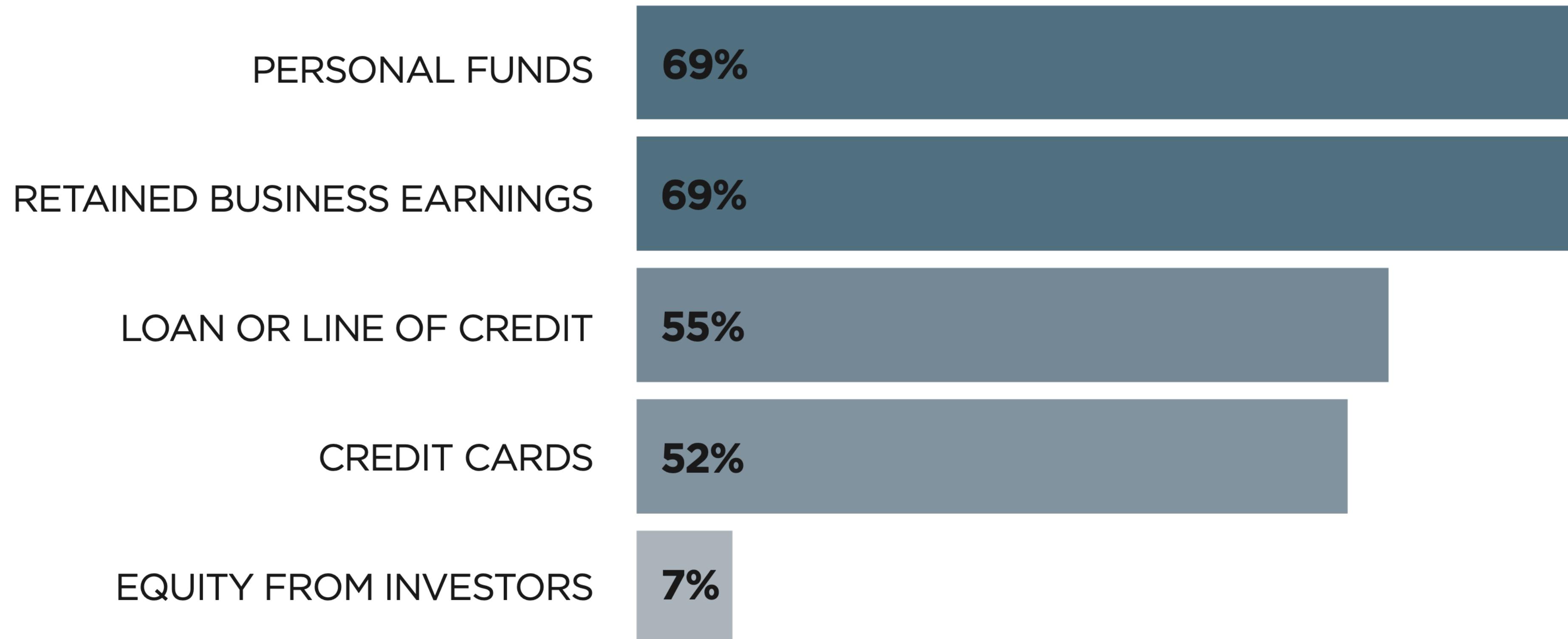
\$1.2T
\$313M
median

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

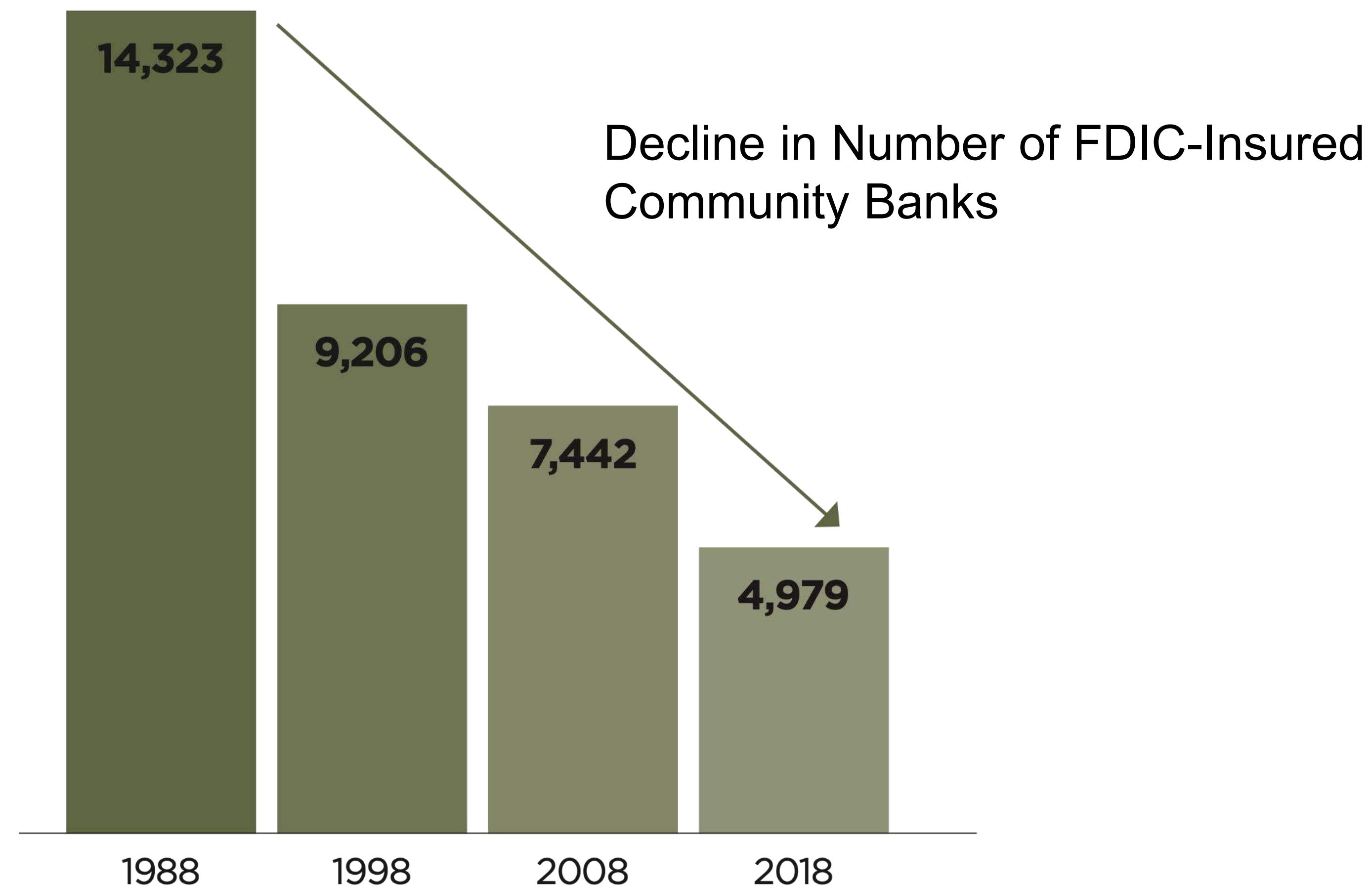




How are early stage small businesses accessing capital?



How have community banking trends impacted emerging businesses?



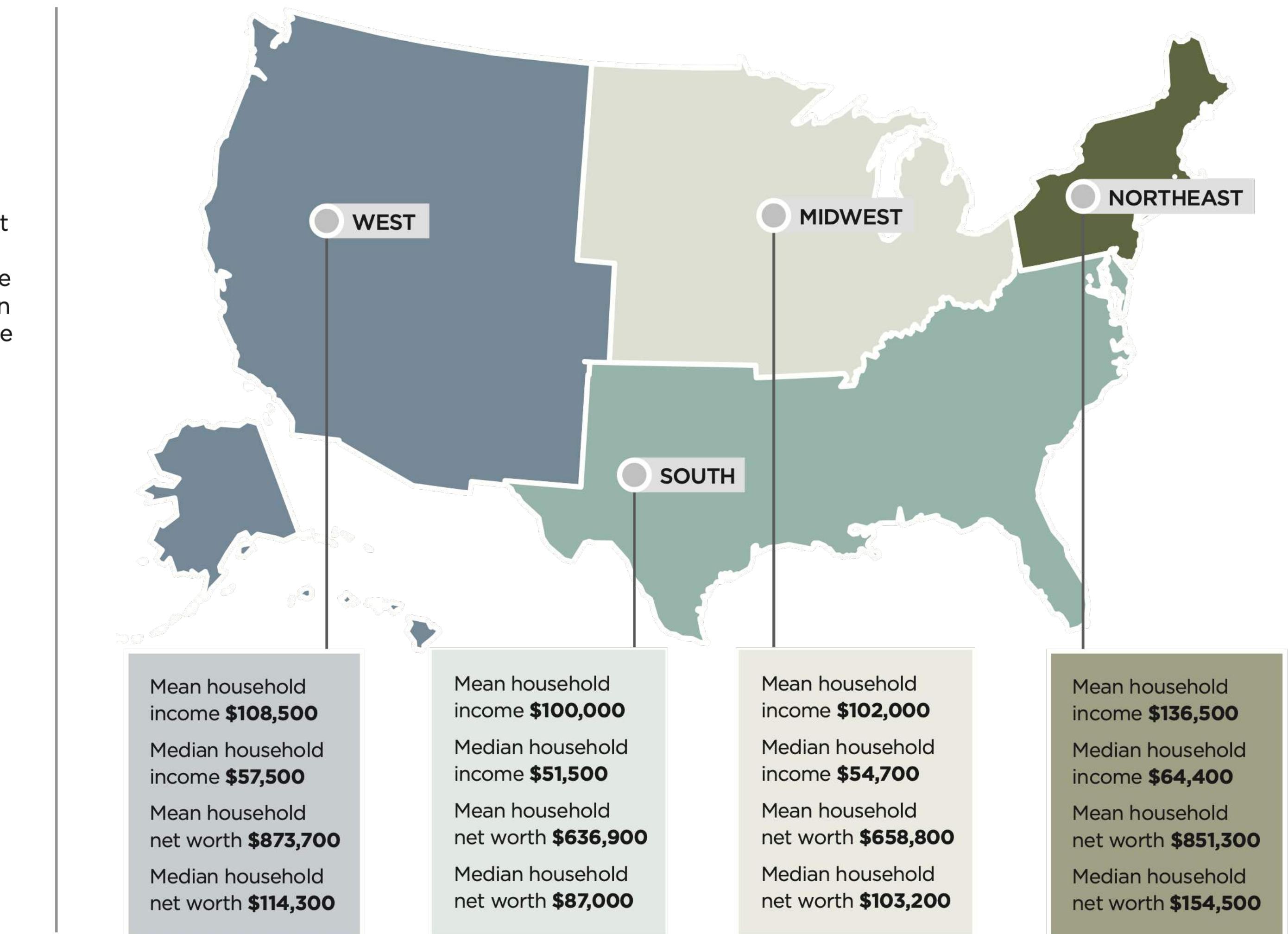
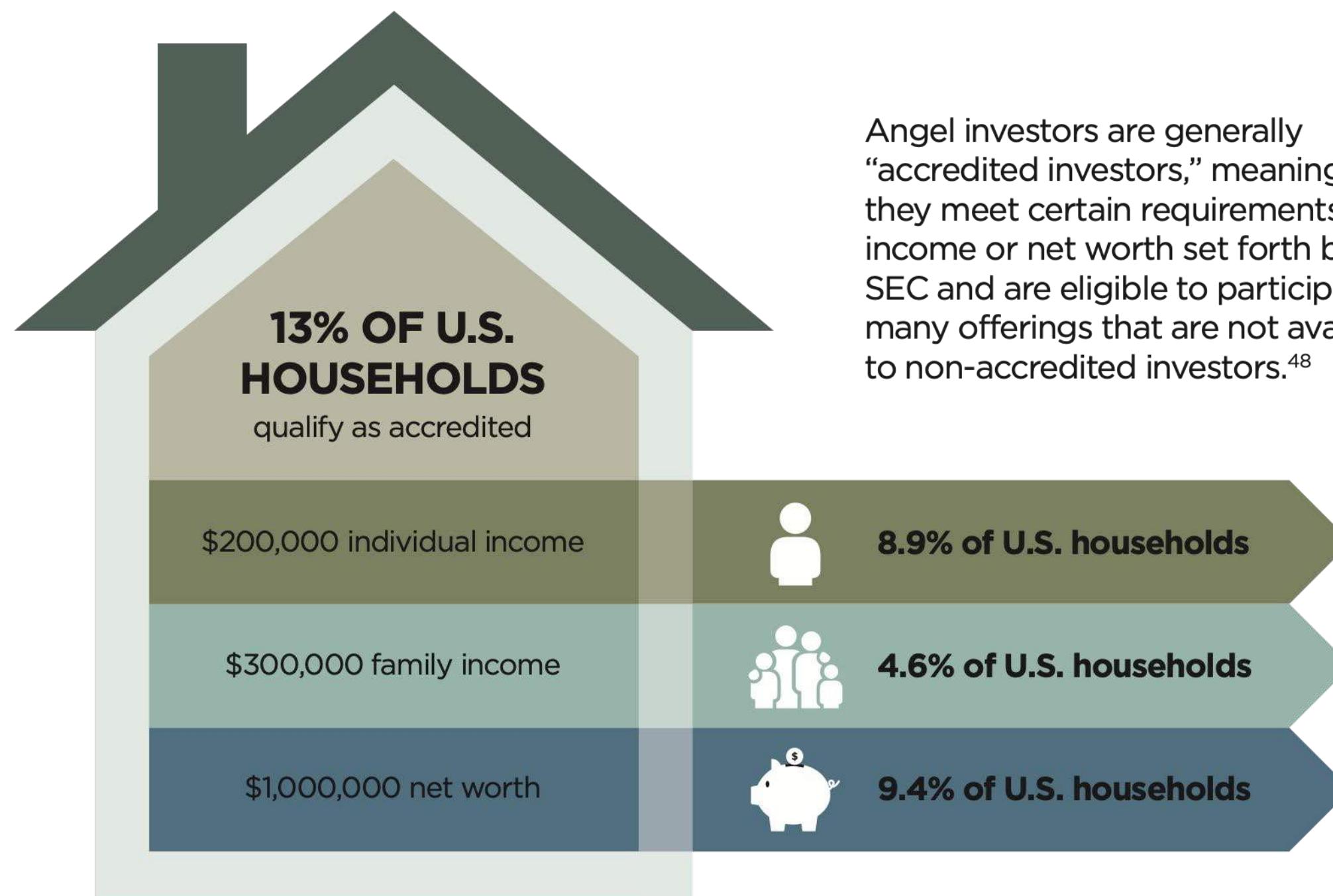
What is the scale of angel investing in early-stage companies?



The average angel's individual investment is between:

\$5,000 and **\$100,000**

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



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



18,228

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

1,087

VC-backed IPOs
from 2009-2018⁵⁸

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



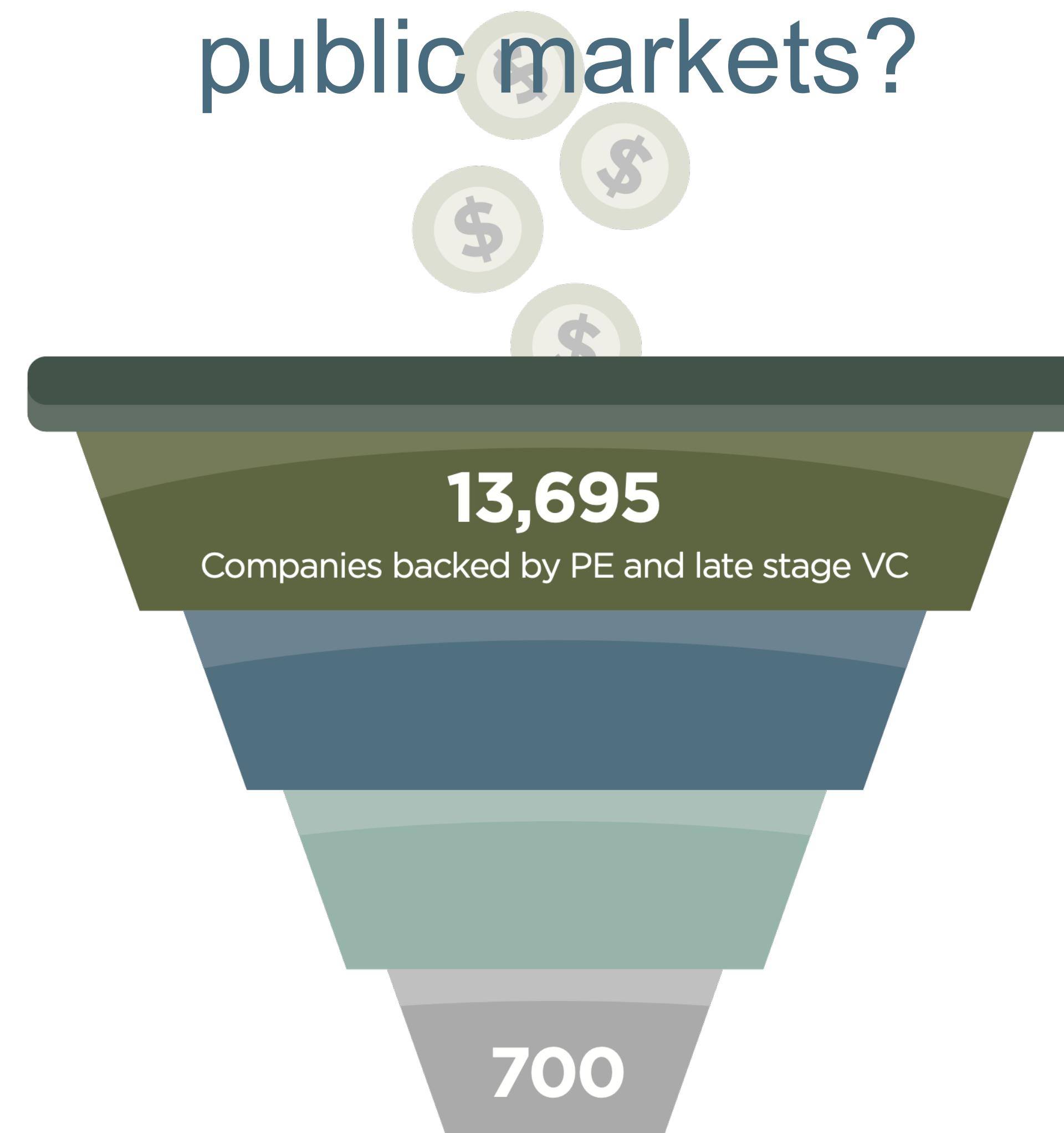
10,000

average PE yearly deal
count for the past 5 years⁶⁰

1,043

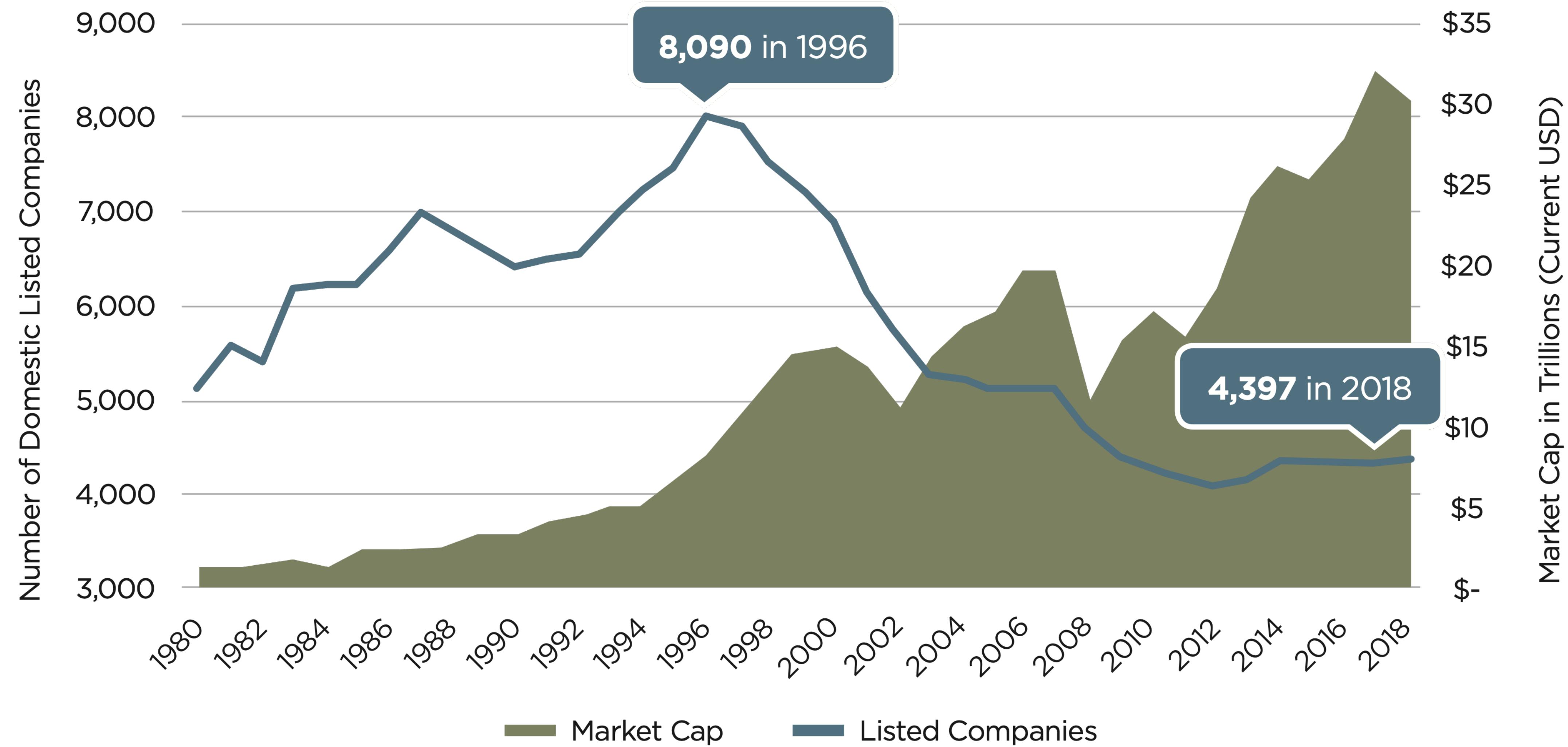
PE-backed IPOs
from 2009-2018⁶¹

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



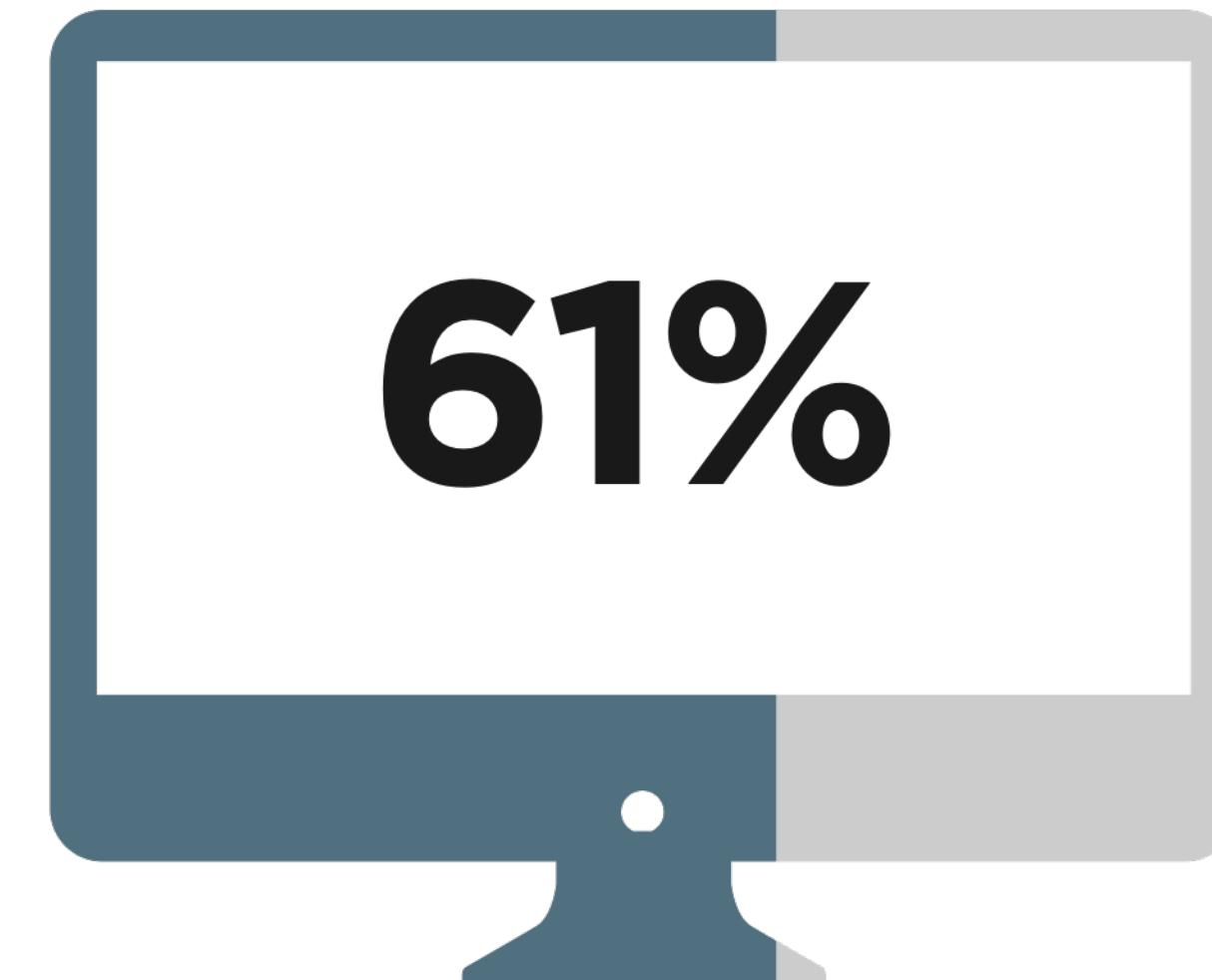
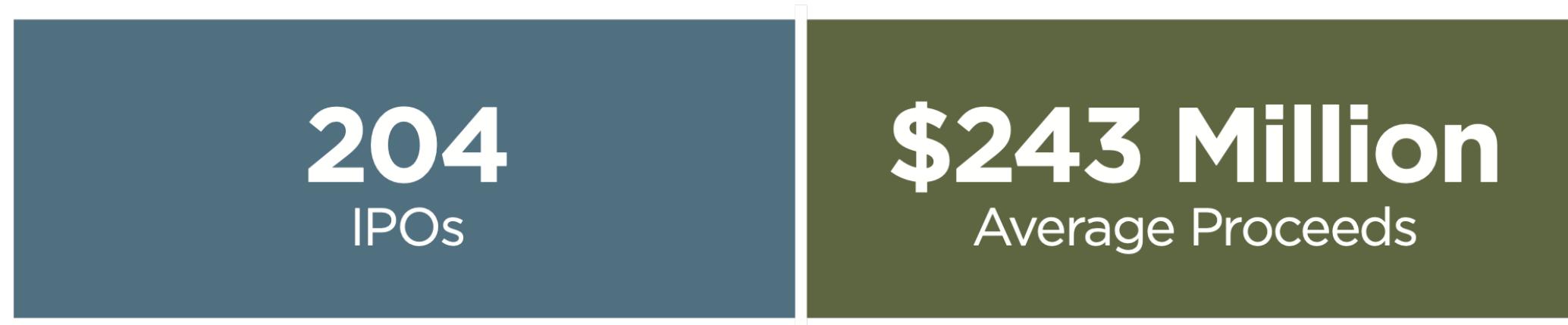
of which are estimated to become the next immediate generation of public companies

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



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

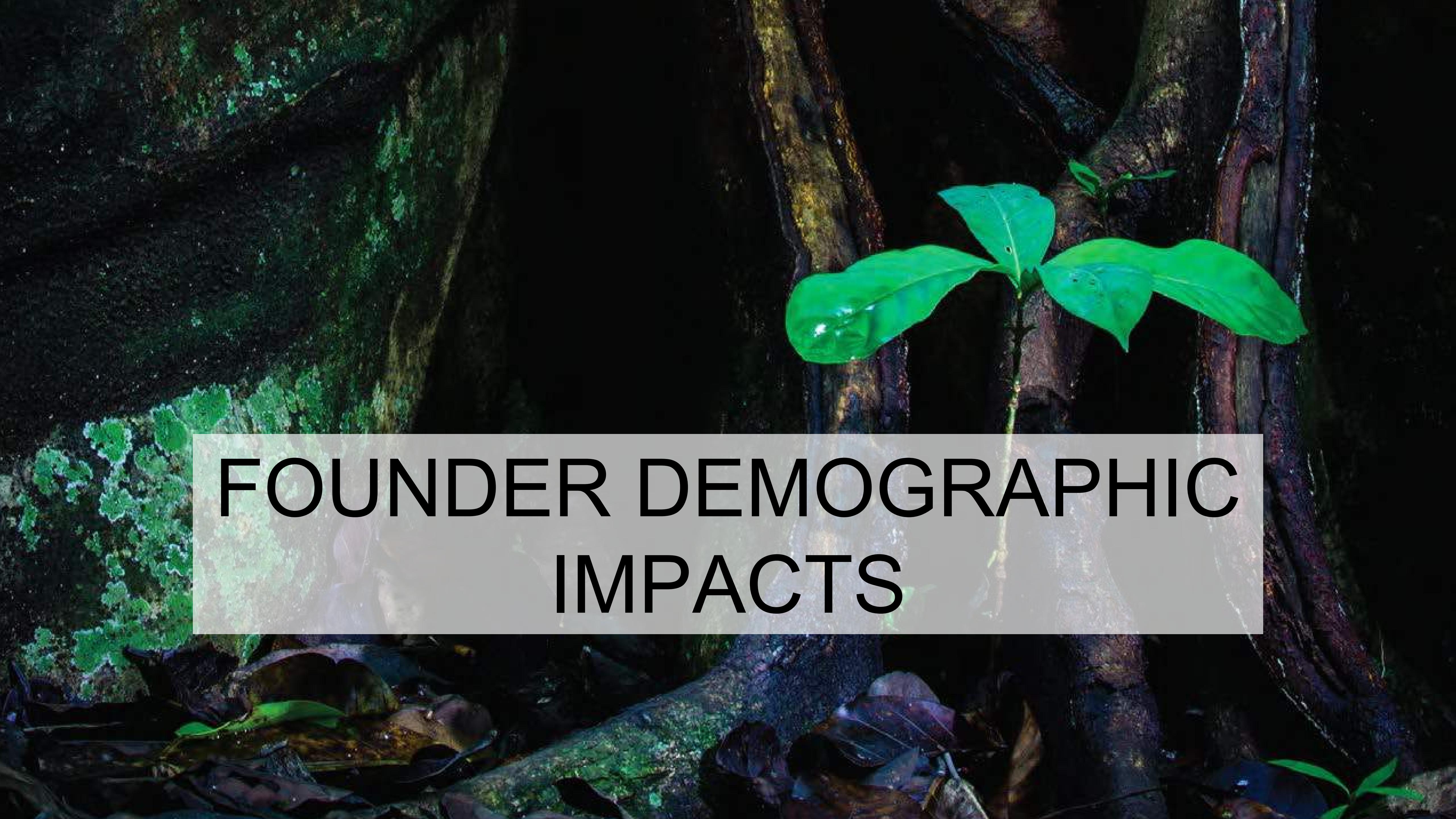
All IPOS from July 1, 2018 to June 30, 2019:



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



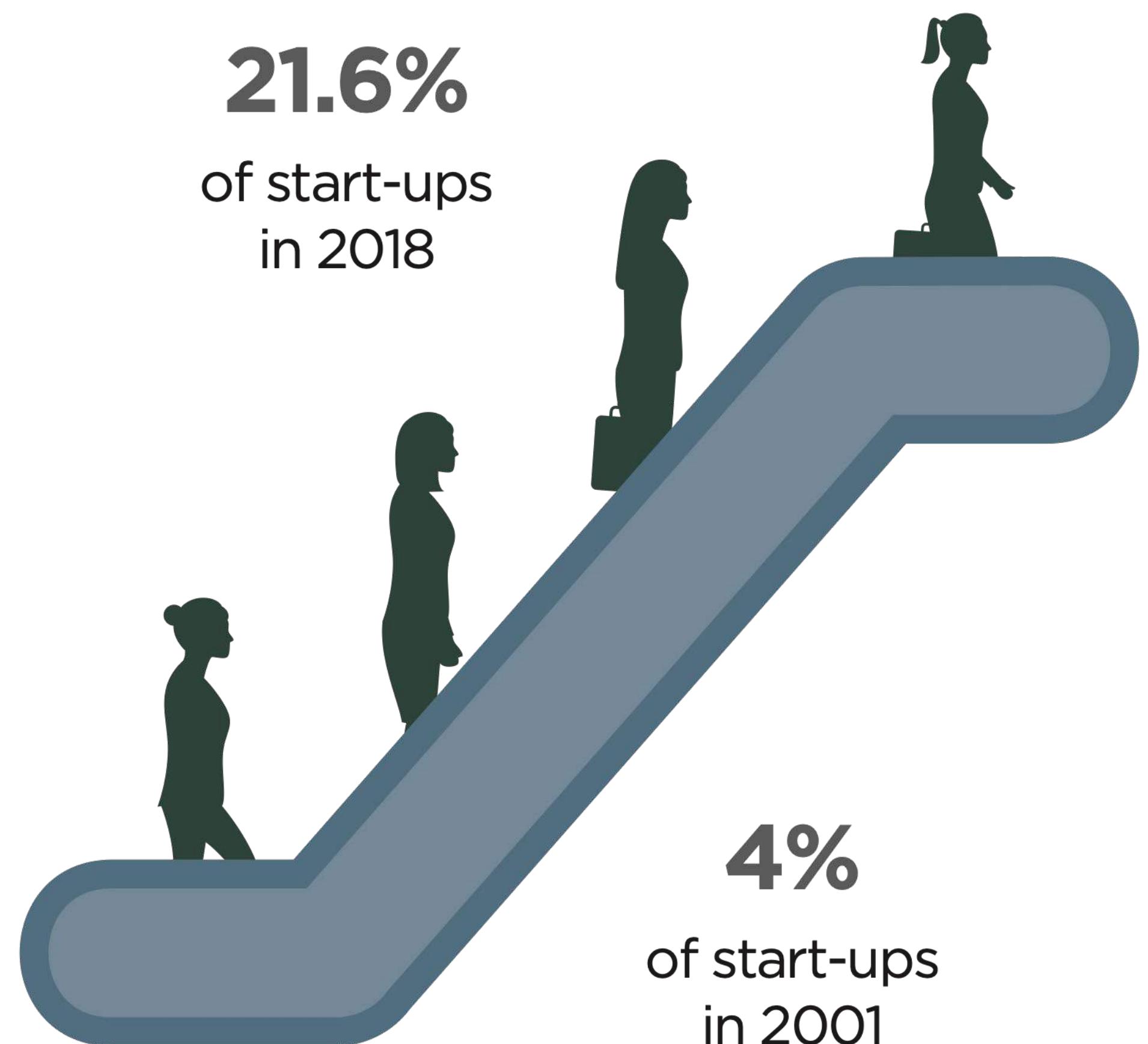
of exchange-traded companies with
less than \$100 million market capitalization have
no research coverage⁷⁵

A dense, dark forest floor with fallen leaves and a small green plant growing from a tree trunk.

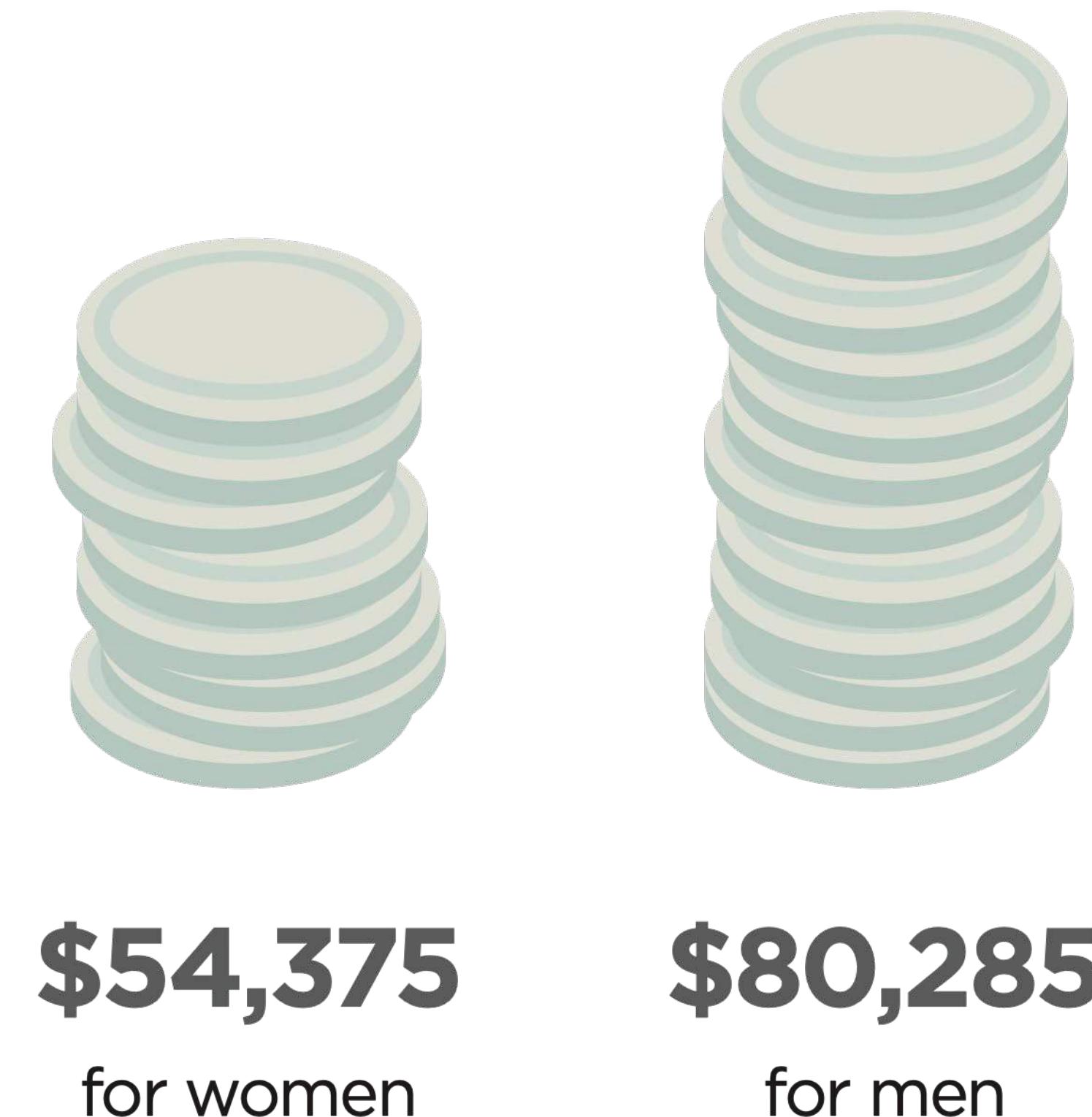
FOUNDER DEMOGRAPHIC IMPACTS

Women-Owned Businesses

Women are founding more start-ups:



Capital used at start-up varies by gender:



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



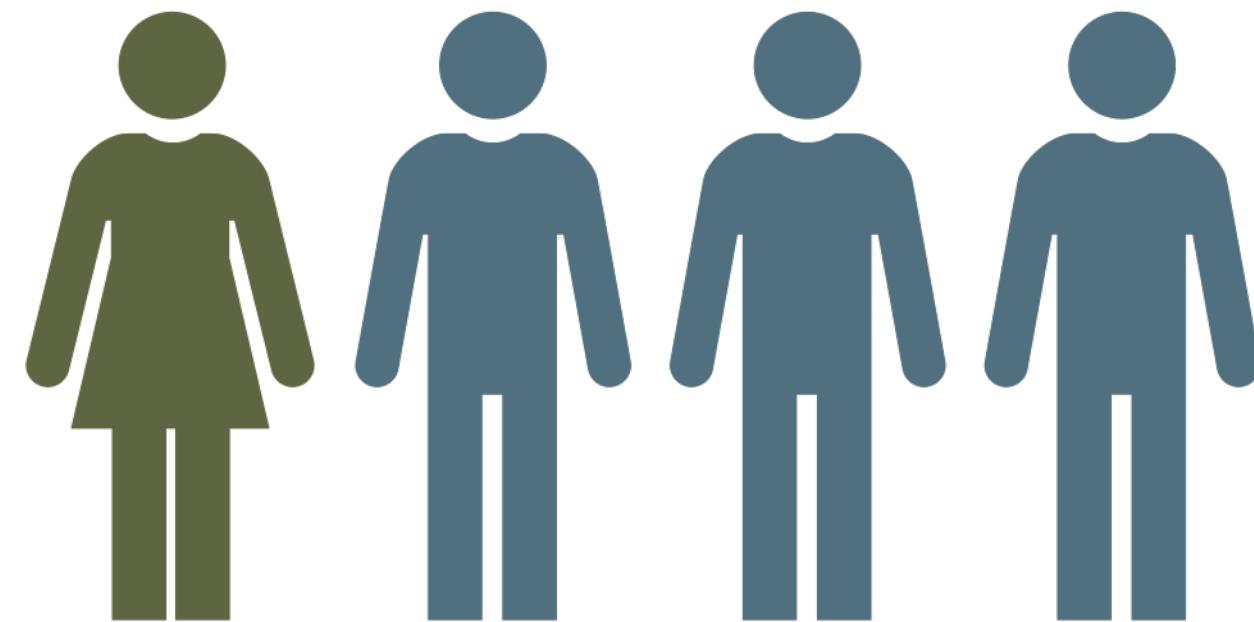
and had an investment yield rate of
17.5%



compared to a baseline rate of
23.2%

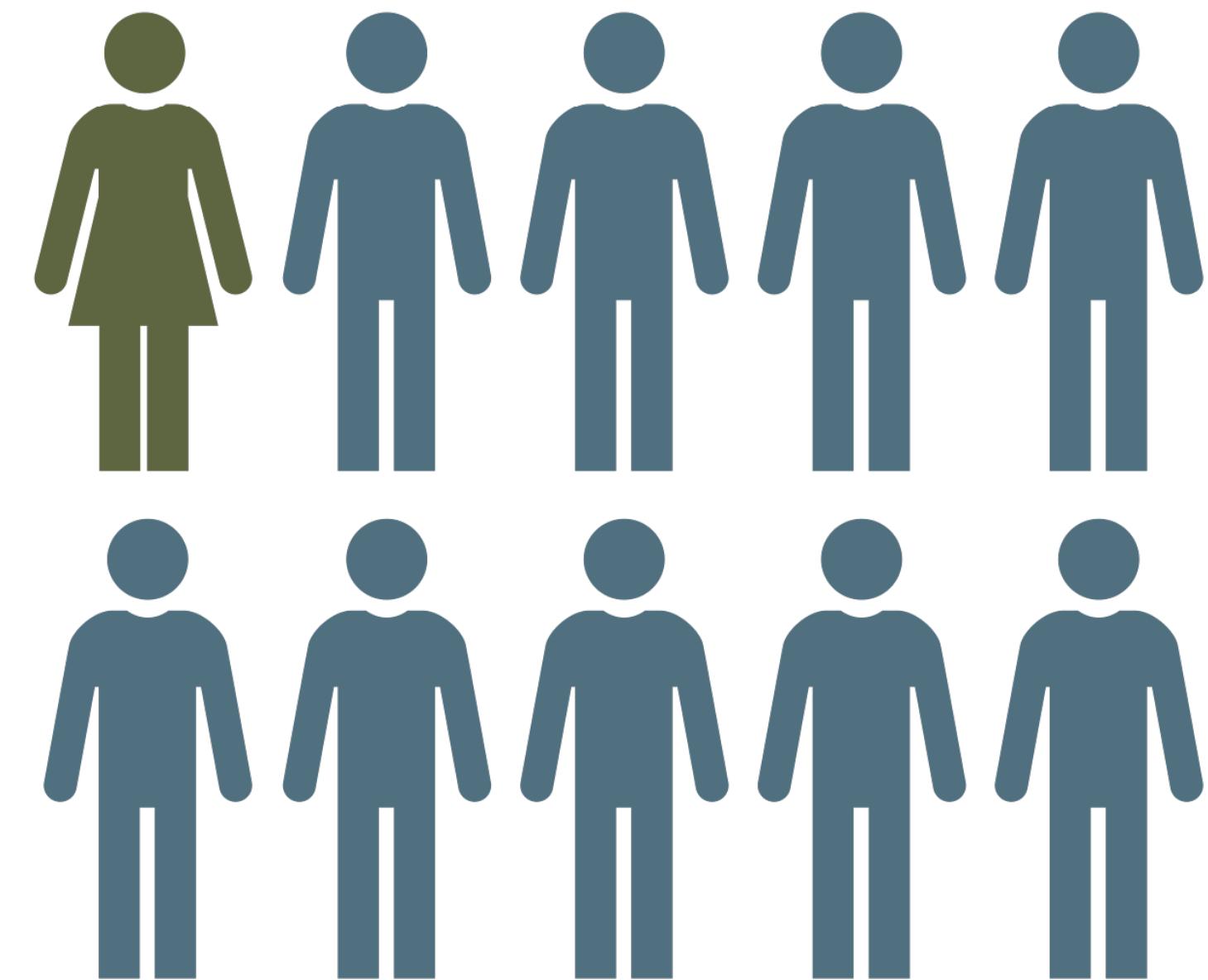


Women Investors



29.5%

of angel investors are women



only

11%

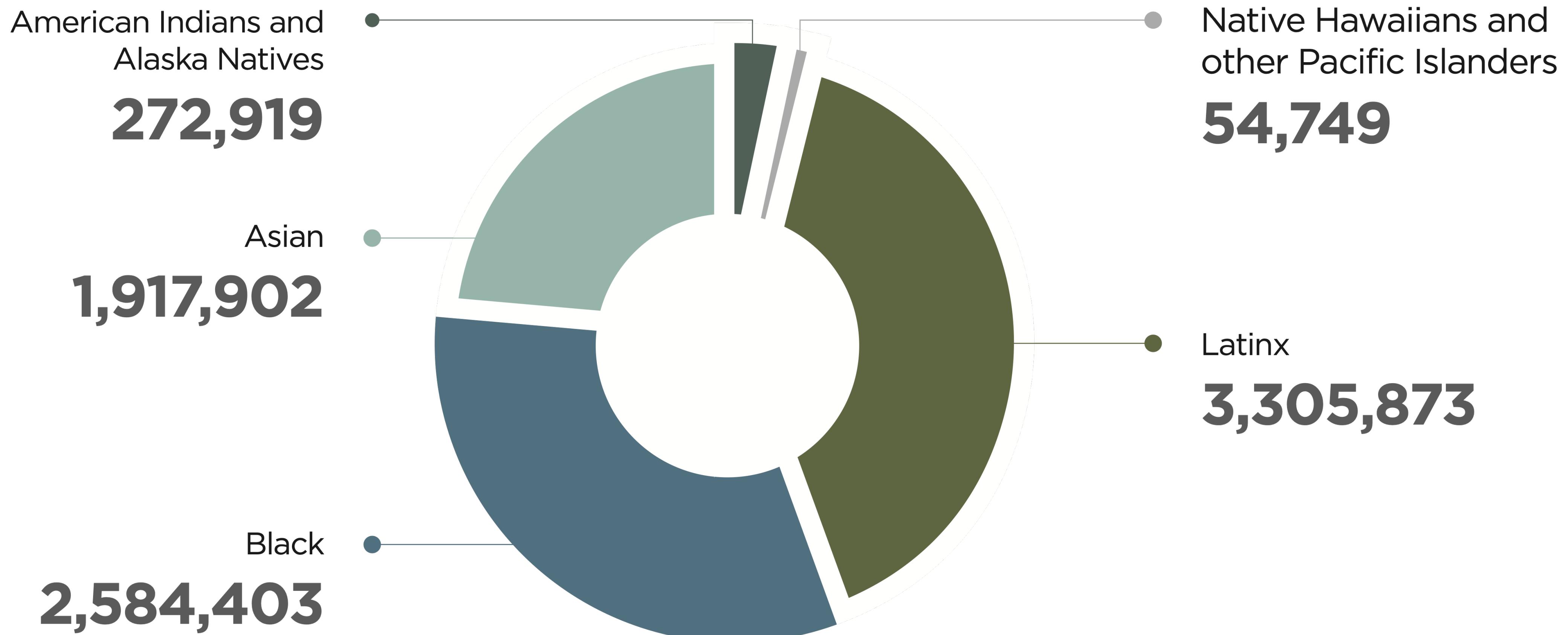
of VCs across the industry are women



71%

of VC firms have no female partners

Minority-Owned Businesses

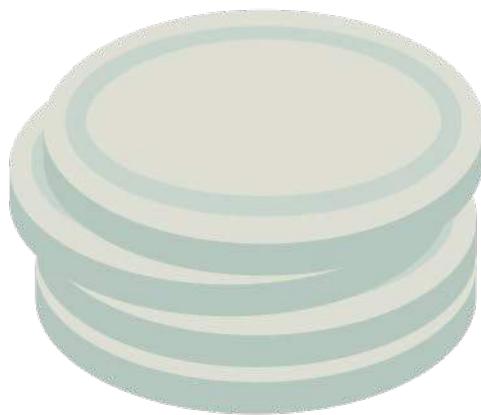


Despite growth in minority-owned businesses, many face challenges with access to capital

Since 2007, there has been a



38% increase in the number of minority-owned businesses⁸⁸



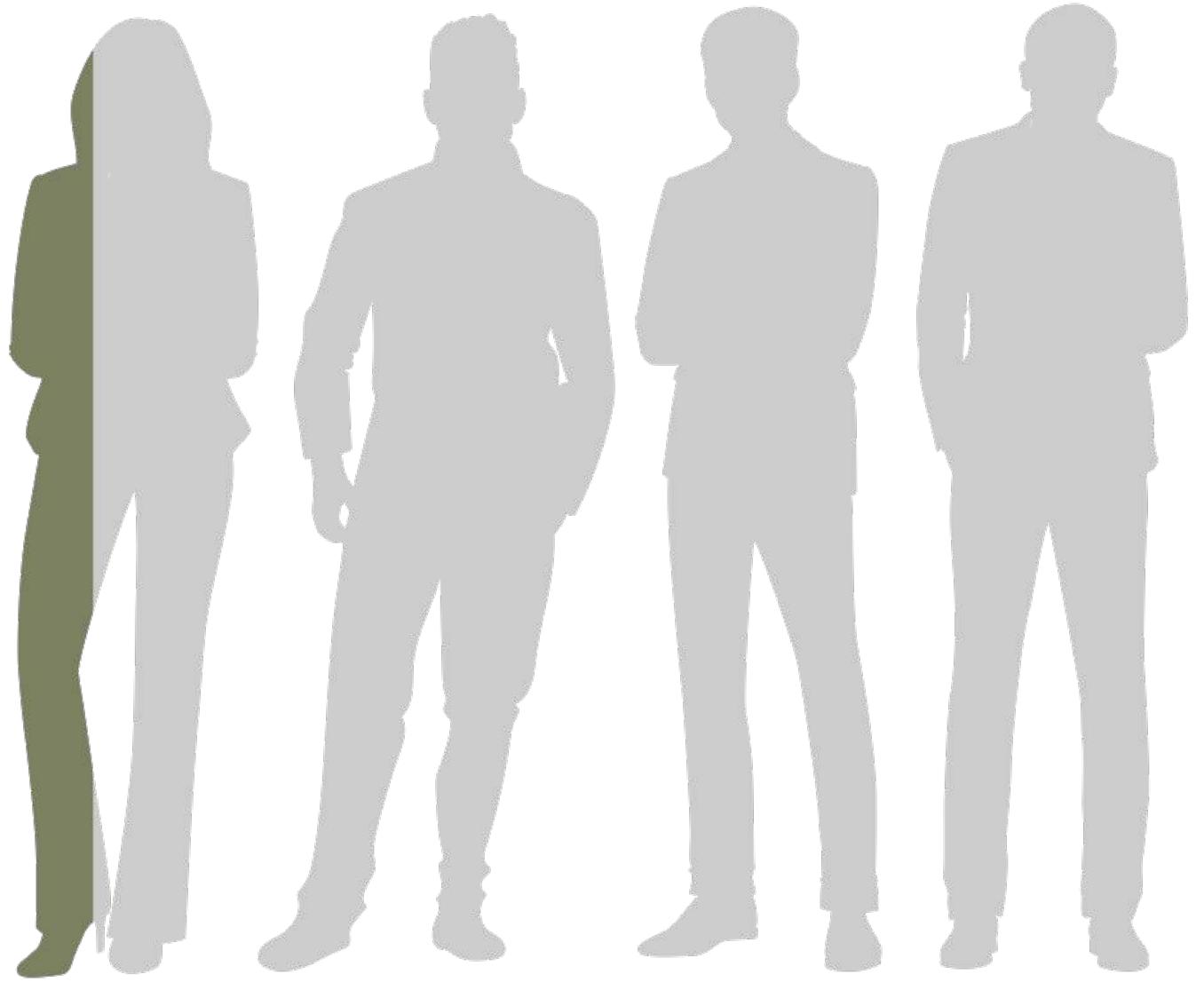
new black-owned businesses start with almost three times less in terms of overall capital

\$35,205



compared with new white-owned businesses

\$106,720



Minorities constitute

10.7%

of entrepreneurs seeking capital in 2018



and had an investment yield rate of

22%



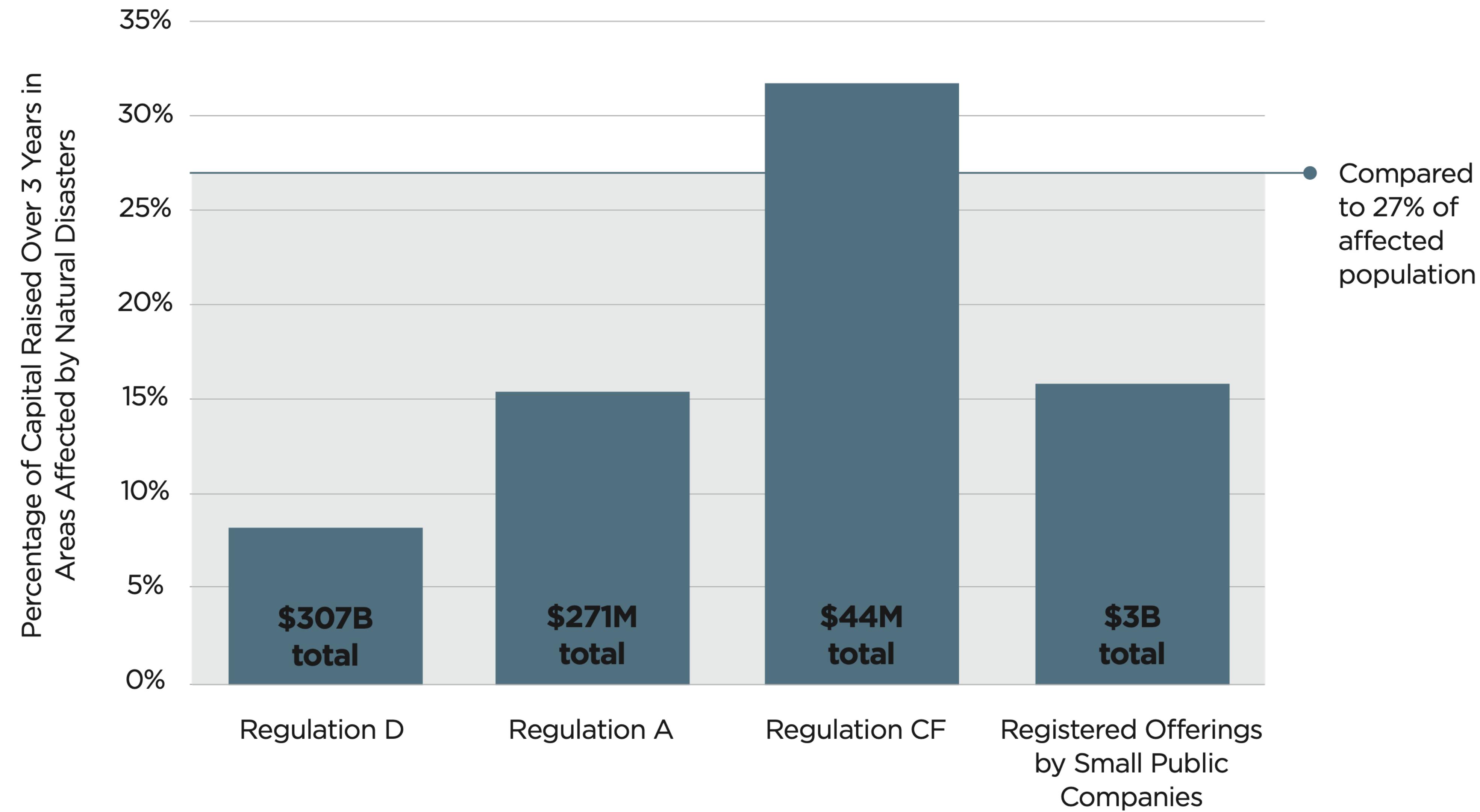
compared to a baseline rate of

23.2%

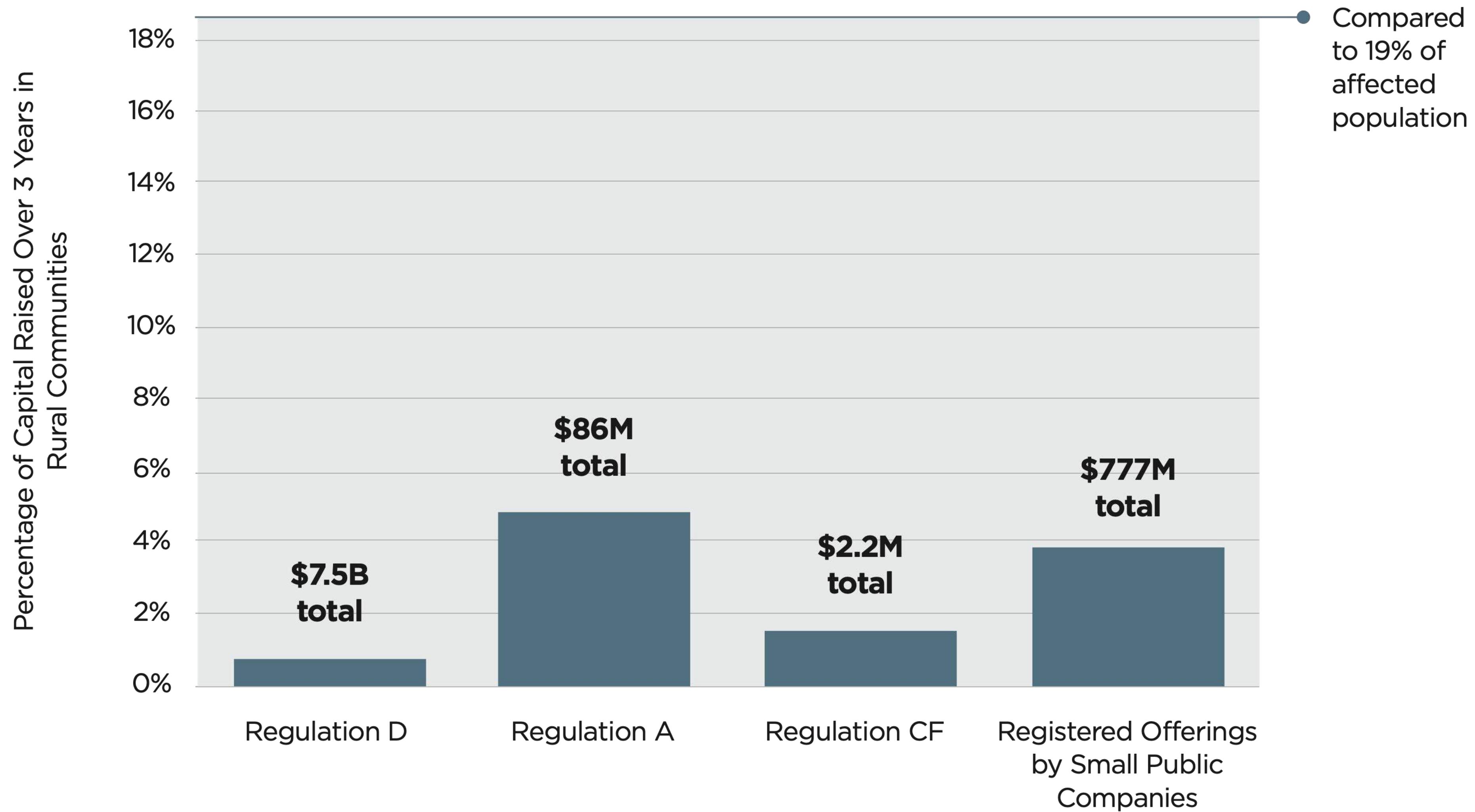
Minority Investors



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



Businesses in rural areas are also generally raising less capital





POLICY RECOMMENDATIONS

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

Q&A



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