

# Michigan Celebrates Angels

## Empowering Entrepreneurs and Their Investors

May 3, 2022

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**Office of the Advocate for  
Small Business Capital Formation**

# Roadmap

- ✓ CAPITAL IS FLOWING
- ✓ WHERE IS CAPITAL GOING?
- ✓ WHERE ARE THE OBSTACLES?
- ✓ EMPOWERING ENTREPRENEURS TO OVERCOME BARRIERS



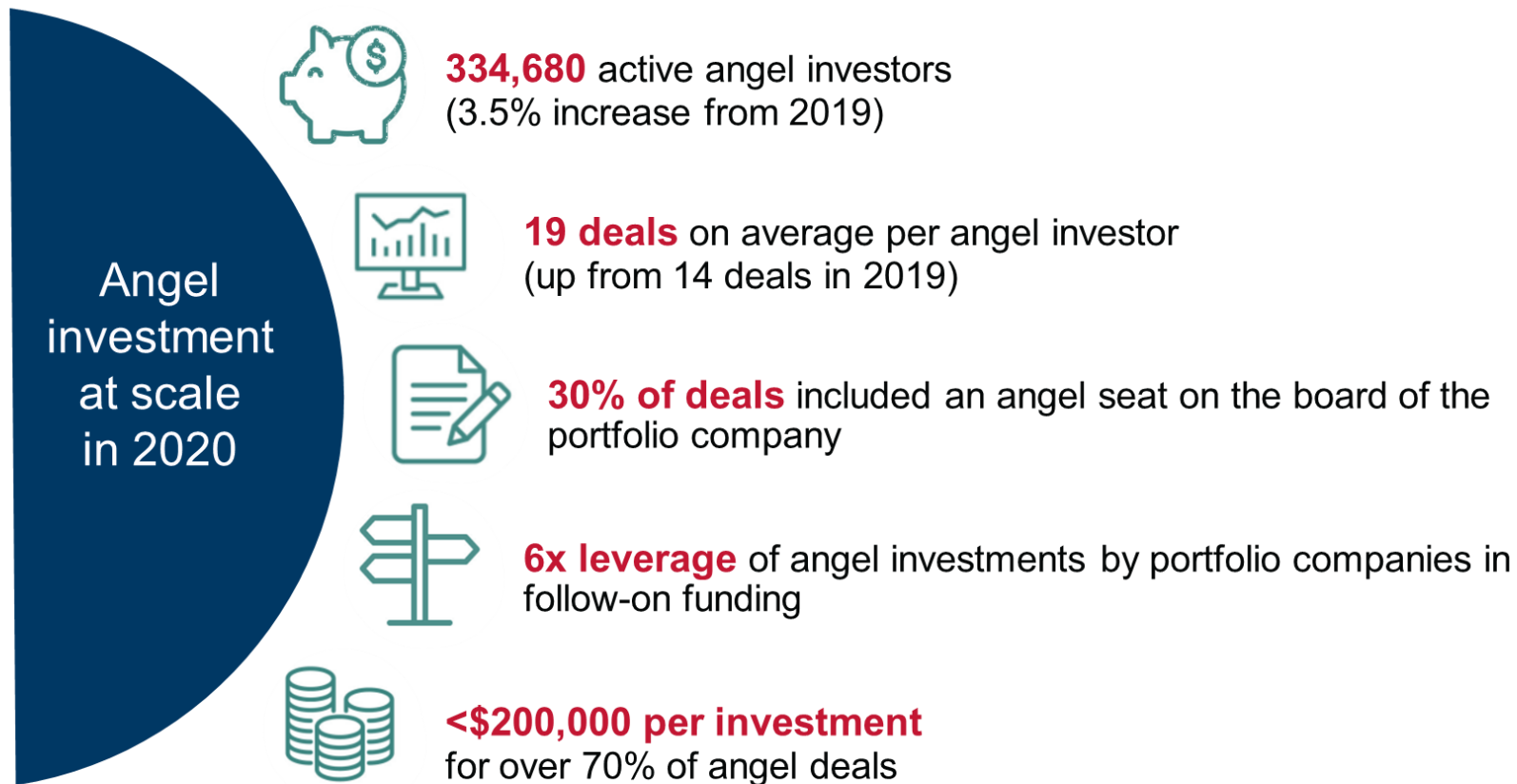


CAPITAL IS FLOWING



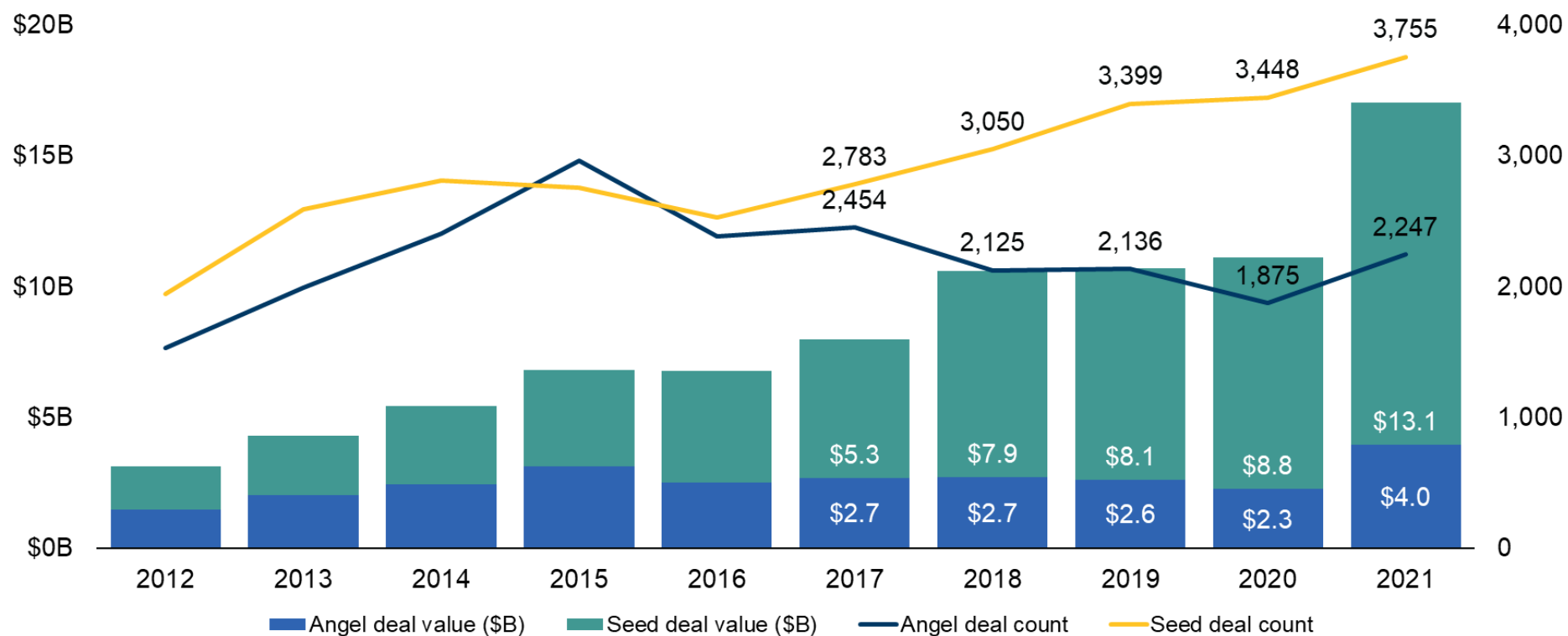
# Angel and Seed Financings

Angel investors are a significant source of early stage capital.



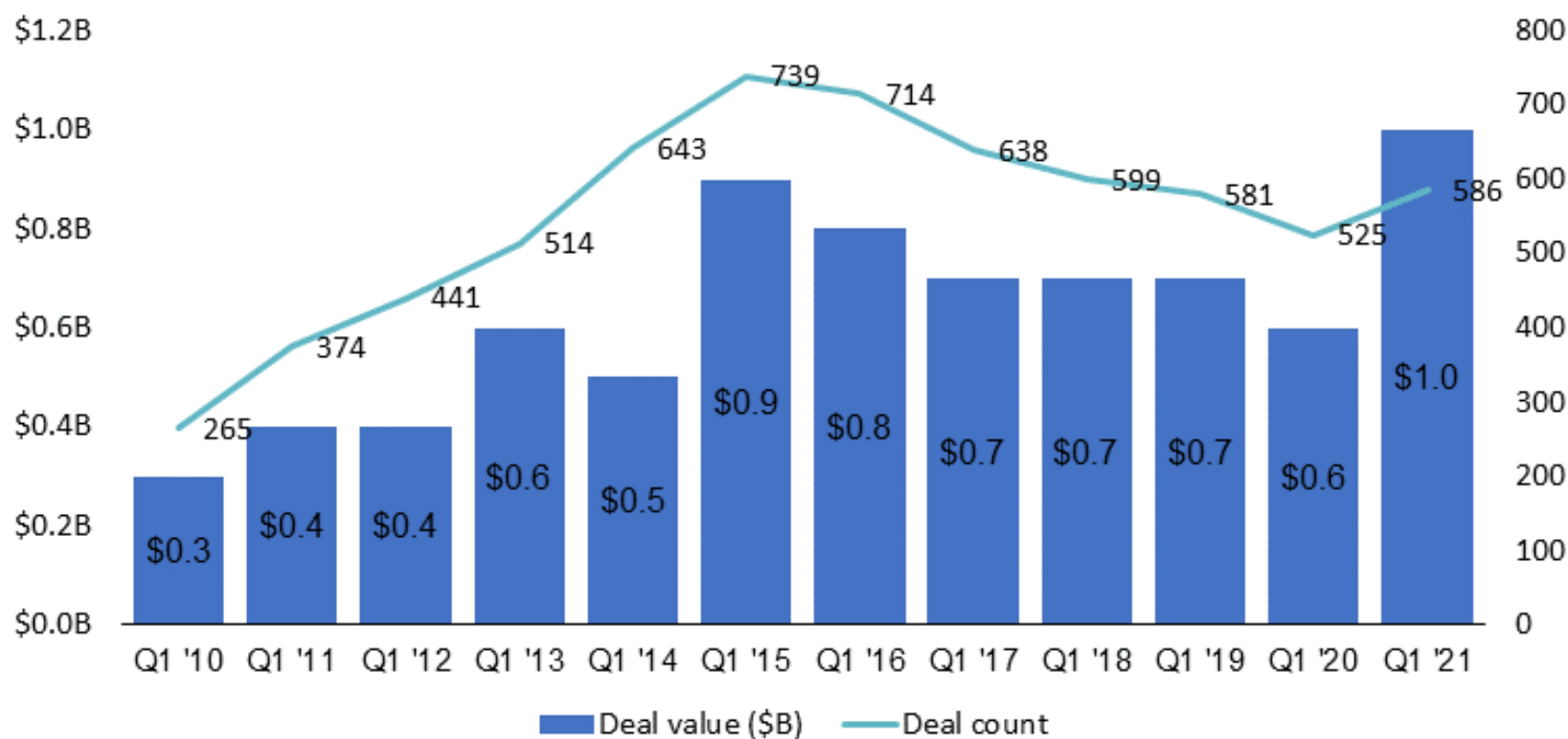
# Angel and Seed Financings

By deal count and value, angel and seed activity increased in 2021.



# Angel and Seed Financings

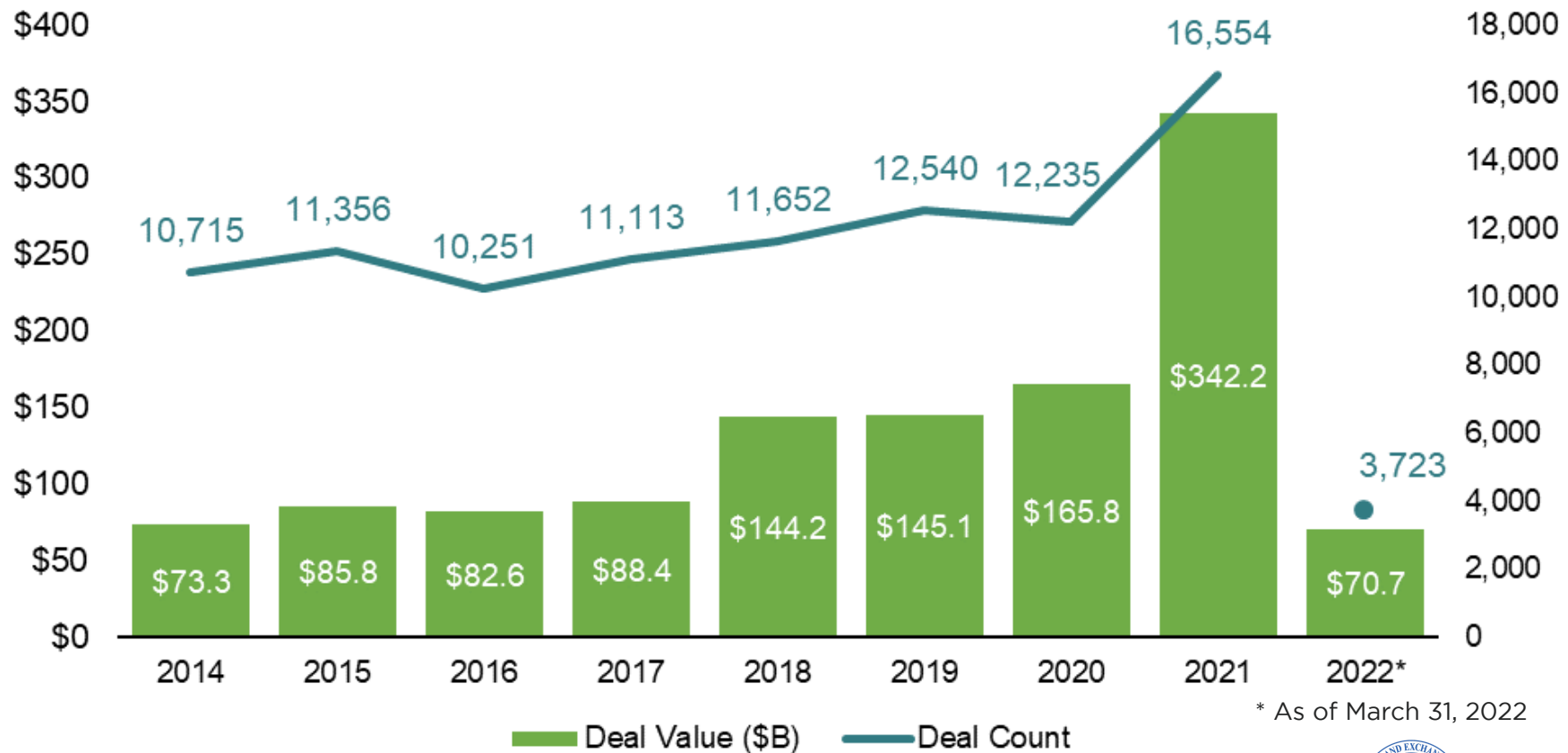
Q1 year-over-year angel and seed activity saw a similar increase in 2021.





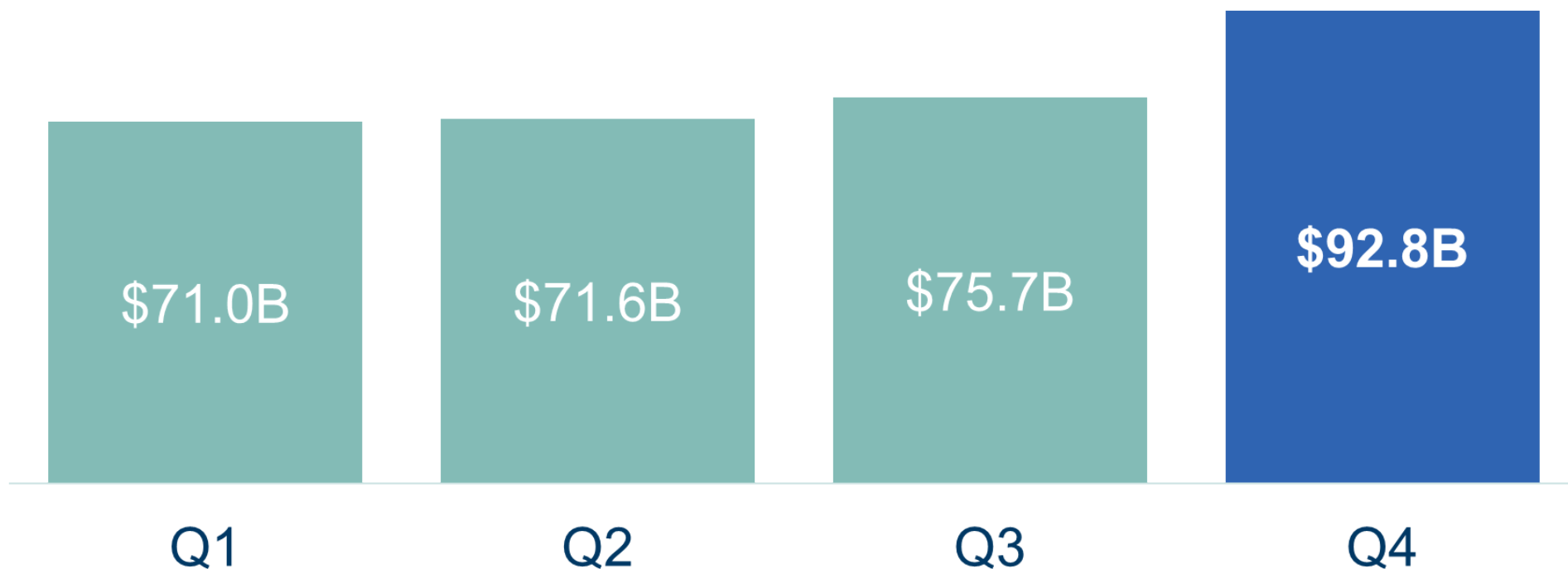
# Venture Capital Financings

Venture capital activity increased considerably in 2021, by deal count and value.



# Venture Capital Financings

In Q4 2021, venture capital funding hit an all time high.

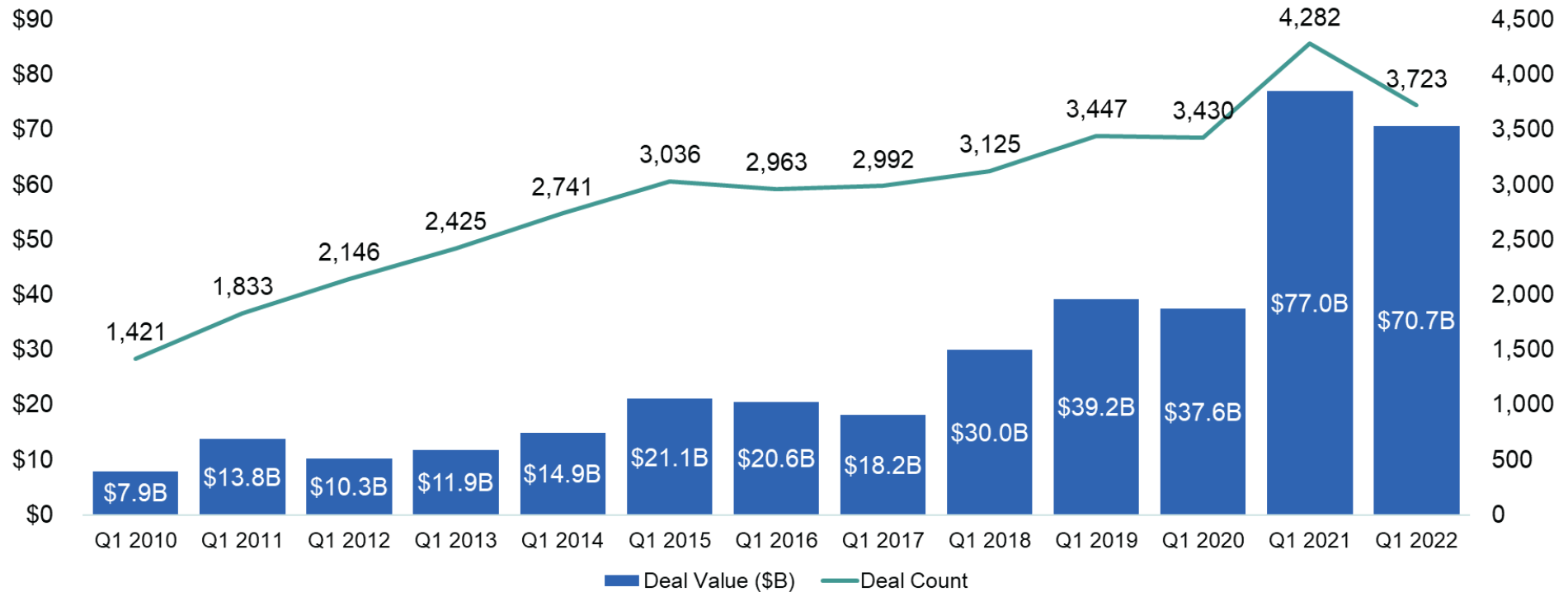






# Venture Capital Financings

In Q1 2022, venture capital activity dipped slightly year-over-year from 2021 but still well above prior years.





# WHERE IS CAPITAL GOING?



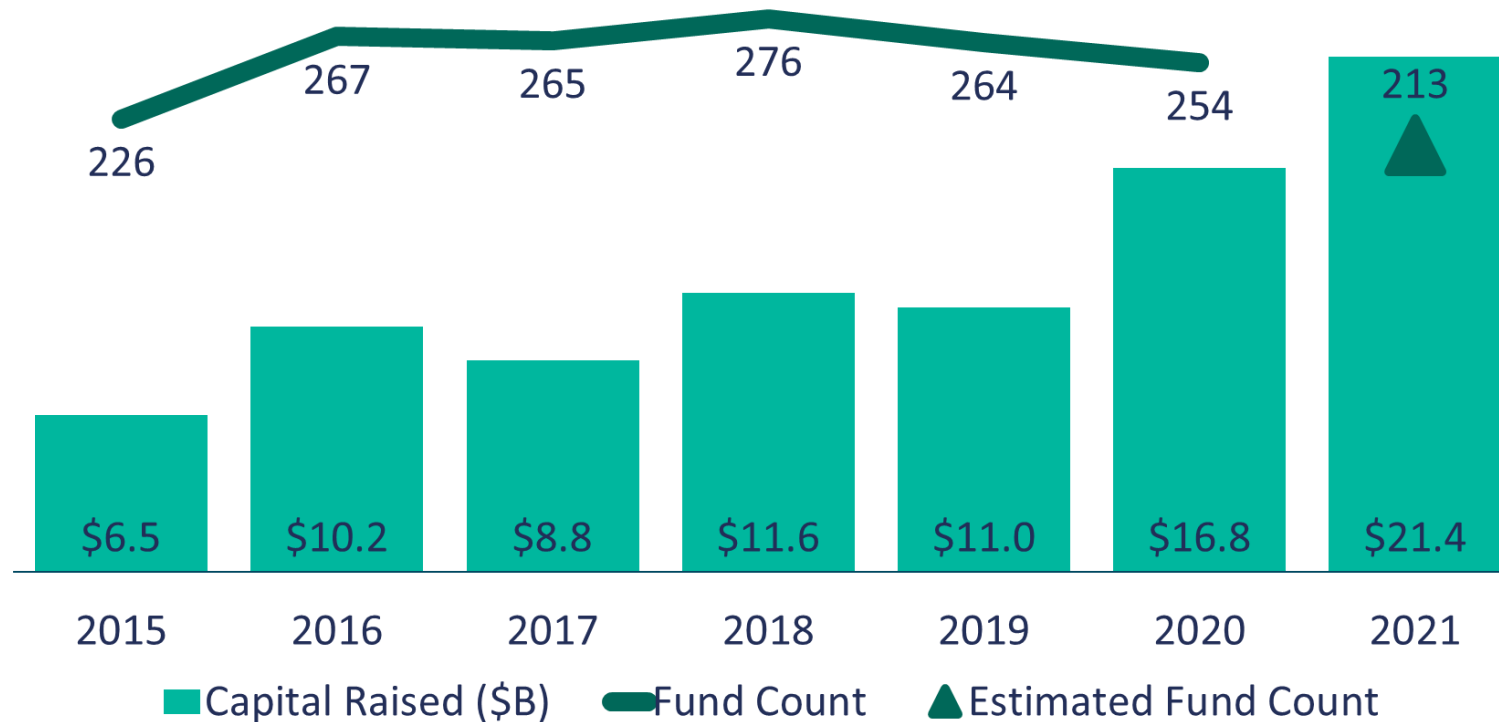
# Investments Remain Localized

The distance between lead angel investor and the target company averages



# Investments Beyond Traditional Hubs

Venture capital investment outside of Silicon Valley, Boston and New York continues to increase.



# Women Business Owners and Investors

Underrepresentation by gender persists.



For every dollar raised  
by men-CEOs in 2020,  
women-CEOs raised

**93 cents**



# Women Business Owners and Investors

Investment yield rate among women seeking angel funding has trended up.



Women constituted

**33.6%**

of entrepreneurs seeking  
angel capital in 2020  
(up from 27.6% in 2019)



and had an investment yield rate of

**28.1%**

(up from 21.4% in 2019),  
compared to a baseline  
rate of 30.8%.



# Women Business Owners and Investors

Women remain underrepresented among angel investors.



**29.5%** of angel investors in  
2020 were women,  
unchanged from 2019.

# Minority Business Owners and Investors

Investment yield rate among minorities seeking angel funding has trended up.



Minorities constituted

**5.3%**

of entrepreneurs seeking  
angel capital in 2020  
(down from 9.3% in 2019)



and had an investment yield rate of

**33.0%**

(up from 22.0% in 2019),  
compared to a baseline  
rate of 30.8%.



# Minority Business Owners and Investors

Minorities remain underrepresented among angel investors



**5.5%** of angel investors in  
2020 were minorities,  
down from 7% in 2019.



## WHERE ARE THE OBSTACLES?



# Capital Needs



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



# Networks



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



# Education



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



ANNUAL REPORT FOR FISCAL YEAR 2021

## Office of the Advocate for Small Business Capital Formation

U.S. SECURITIES AND EXCHANGE COMMISSION

# Download a copy of our FY2021 Annual Report

<https://www.sec.gov/oasb>



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**Office of the Advocate for  
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# EMPOWERING ENTREPRENEURS TO OVERCOME BARRIERS





# Resources and Tools

[www.sec.gov/capitalraising](https://www.sec.gov/capitalraising)



Explore SEC resources to help equip you with the tools you need to raise capital.



## Navigate Your Options

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



## Capital Trends

Survey where capital is being raised across the country with interactive maps



## Glossary of Terms

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



## Building Blocks

Explore the fundamentals of capital raising.



## Additional Resources

Check out resources to help small businesses navigate raising capital.



## Stay Connected

Join our email list to get updates on new content and resources.







# Resources and Tools



## Navigating Your Options

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

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

1 of 8

### Does your business already exist?

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



Yes



No



### Fund(amental)s

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

### 3(c)(1) Fund

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





# Resources and Tools



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

What pathways are available to raise capital from investors?

What is the role of accredited investors?

What is general solicitation?

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

How do I know when I am ready to raise capital from investors?

What different types of securities are issued to startup investors?

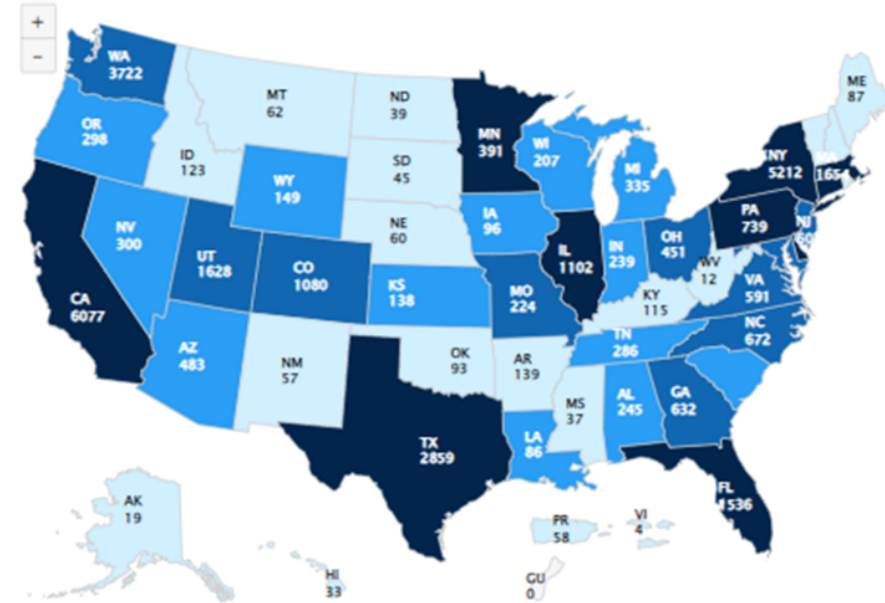
## Capital Trends



Mapping Investment in America: Where are Companies Raising Capital?

[Methodology](#)

Regulation D



**WHERE**  
States

**HOW**  
Regulation D

**WHEN**  
July 2020 to June 2021



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