

Rural Entrepreneurship and the Challenges Accessing Financial Capital: An Overview of Funding in Rural America*

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TABLE OF CONTENTS

I.	Introduction	1
II.	Types and Sources of Funding Available and Utilized by Entrepreneurs in Rural Communities	1
	A. Overview	1
	B. SBIR/STTR	2
	C. Credit	3
	D. Crowdfunding	9
	1. Rewards Based	9
	2. Debt	10
	3. Equity	10
	E. Angel Investment	13
	F. Venture Capital	19
	1. Traditional	19
	2. Community Development Venture Capital	30
	3. Rural Business Investment Companies	31
	G. Public Offerings	32
III.	Gender Gaps	33
	A. Venture Capital	33
	B. Angel Investment	34
	C. Crowdfunding	37
IV.	Racial/Ethnic Gaps	37
	A. Venture Capital	37
	B. Angel Investment	37
	C. Crowdfunding	40
V.	Real World Examples	40
	A. Appalachian Investor Alliance	40
	B. Greater Colorado Venture Fund and Pitch Competition	43
	C. Stony Creek Colors	47
	D. NC IDEA	50
VI.	Conclusions and Policy Recommendations	54
VII.	References	55
VIII.	Appendices	59
	A. Urban and Rural Details, COVID Relief, and PPP	59
	B. Venture Capital Deals and Investments by State	65
	C. Certified Rural Business Investment Companies	67

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I. INTRODUCTION

Rural America is home to around 46 million people. Before the onset of the COVID-19 pandemic, rural America was showing modest signs of a strengthening economy even while underperforming its urban counterpart; the rural population grew by 0.02 percent in 2018-19, well below the urban growth rate of 0.6 percent. And while rural counties have been adding jobs every year during the last decade, they have been doing so at half the rate of their urban counterparts. Rural poverty rates are dropping, but the rural rate of 16.1 percent in 2018 was still substantially higher than the urban poverty rate of 12.6 percent (USDA 2021).

There is growing interest in improving the livelihoods of our rural residents, not only to slow the rural-urban migration to our increasingly crowded urban areas, but because the indicators from rural areas tend to lag those in urban areas from everything from educational attainment to income and many things in between.

One area that has garnered more attention more recently is entrepreneurship, given its role in both job creation and wealth creation. Because rural areas are more remote to markets, infrastructure, and other resources, such as human capital and financial capital, starting a business in a more rural area can be more challenging than doing so in an urban one. Yet the benefits to communities of having a thriving entrepreneurial ecosystem are many. Thus, more attention has been paid to how communities can proactively begin to build more dynamic ecosystems in their areas to foster entrepreneurship, mobilize investment, and create jobs and wealth in their communities. Data from the U.S. Census Bureau indicate that approximately 15 percent of firms are located in rural areas. See Tables 1 and 2 in Appendix A for more details about the characteristics of urban and rural firms.

Researchers have highlighted a number of essential policy inputs/contributors that are closely associated with robust and effective regional ecosystems. They include policies that support:

- **Market Access:** Helping entrepreneurs identify and access markets
- **Capital:** Providing diverse sources of capital to help firms both start and grow

- **Workforce/Human Capital:** Building a regional talent base for hiring needs
- **Business Assistance:** Providing easy access to technical assistance
- **Community Culture:** Honoring and embracing entrepreneurship
- **Effective Regulation:** Cutting red tape and promoting flexibility¹

In a study of successful rural communities, researchers found that eight critical factors—recruitment and entrepreneurship, manufacturing and services, progressive firms, ongoing local economic development efforts, a “pro-growth” attitude, finances and infrastructure, local leadership, and support from outside the community—explain the majority of the success (Dewitt et al. 2014).

This report focuses on financial capital and how entrepreneurs in rural areas finance their businesses and the challenges they face in obtaining the capital they need in ways that work for them. While the report briefly addresses grants and debt financing, it is focused on a subset of firms, early-stage growth-oriented-companies accessing investment capital through crowdfunding, angel investment, and venture capital. After reviewing the financing sources and investment patterns generally, we’ll also examine the data that are available for funding female and minority entrepreneurs specifically. The report includes several real world examples of funders who are successfully mobilizing capital in underserved areas, as well as entrepreneurs in rural areas who have successfully raised capital from investors. Finally, some policy implications for supporting rural entrepreneurs concludes the report.

II. TYPES AND SOURCES OF FUNDING AVAILABLE AND UTILIZED BY ENTREPRENEURS IN RURAL COMMUNITIES

A. Overview

There is a myriad of funding sources available to entrepreneurs, even those located in rural areas, however some can be more challenging to obtain than others. Funding sources range from grants to loans to equity capital. There are many grant opportunities from a number of different government agencies, such as the Department of Commerce (Economic Development Association) and United States Department of

Agriculture (USDA), such as for example the Value-Added Producer Grant (VAPG) program. A number of other agencies have grant programs, such as the Small Business Innovation Research (SBIR) and Small Business Technology Transfer (STTR) programs, which encourage research and development by early stage companies with the potential for commercialization.

Credit in the form of business loans may be obtained by a variety of private and public sources. Business loans are offered by private banks and credit unions, as well as community development financial institutions (CDFIs), online lenders, and finance companies. There are also numerous lending programs government agencies, such as the Treasury and the Small Business Administration (SBA). In addition, the USDA's Rural Development mission area (RD) implements several loan programs to specifically support businesses in rural areas.

Crowdfunding, raising funds from a “crowd”, is a growing source of capital for businesses and can range from rewards-based (platforms such as Kickstarter.com and Indiegogo.com) to loans (platforms such as Prosper.com and Lendingclub.com) to Investment/Equity (platforms such as Wefunder.com and Republic.co). Entrepreneurs can fund production runs by having a supportive crowd pre-purchase the items through rewards-based crowdfunding, crowdsource a loan for equipment or some other use, or sell equity in the company by allowing individuals to invest as little as \$100 through an equity crowdfunding platform. Equity investment can be also obtained from angel investors, traditional venture capitalists, and community development venture capitalists.² Federal support has also helped spur creation of a number of new funding sources that make equity or equity-like investments in entrepreneurial ventures. These programs include the Community Development Financial Institutions (CDFI) program, the Small Business Investment Company (SBIC) program, the Rural Business Investment Company (RBIC) program, and a number of programs that were created and supported by the Treasury Department's State Small Business Credit Initiative (SSBCI). (ARC 2014). However, rural businesses typically aren't the main beneficiaries. One program evaluation of the original SSBCI program³ found that approximately 94 percent of all SSBCI venture capital investment transactions were made in urban areas.⁴ The USDA's Rural Business Investment Program (RBIC) is one of the few that specifically target businesses in rural areas.

B. SBIR/STTR Awards

In examining the 2020-2021 award data through the first half of 2021, it is possible to delineate between projects in urban and rural areas⁵. These data indicate that of the more than 7,600 awards, about 4.5 percent were projects located in rural areas.⁶ Of the \$3.2 billion dollars of funding, rural projects received about 4.2 percent. While the population in rural areas is much less than the urban population, the data suggest rural projects are very much underrepresented compared with urban projects. About 11 percent of the projects went to female project leaders, regardless of whether they were in urban or rural areas, but rural areas had a much smaller percentage of projects led by leaders that were defined as socially or economically disadvantaged, compared with urban areas (5.5 percent and 8.5 percent respectively). The majority of the projects were SBIR projects (79 percent for rural and 84 percent for urban) and STTR projects were far fewer (21 percent for rural and 16 percent for urban). Finally, about two thirds of the projects were Phase I awards for both urban and rural, while about one-third were Phase II projects.

Table 1. SBIR/STTR Awards (2020-2021)

	Awards (#)	Award Amount (\$)
Rural	343	\$ 135,872,265
Urban	7272	\$ 3,098,611,528
Total	7615	\$ 3,234,483,793
% Rural	4.5%	4.2%
	Phase I	Phase II
Rural	65.0%	35.0%
Urban	67.0%	33.0%
	SBIR	STTR
Rural	79.0%	21.0%
Urban	83.7%	16.3%
	% Women	% Socially or Economically Disadvantaged
Rural	11.4%	5.5%
Urban	11.1%	8.5%

Source: <https://www.sbir.gov/sbirsearch/award/all>
Downloaded in August 2021.

The median award amount was about \$200,000 for both urban and rural projects, while the average award amount was \$396,129 for rural projects and \$426,102 for urban projects.

The Department of Defense was the agency responsible for more than half of the awards in 2020 and 2021, while the Department of Health and Human Services was responsible for between 12 and 19 percent of awards for rural and urban projects respectively. NASA funded nearly 11 percent of the rural projects and 7.4 percent of urban projects. The Department of Energy funded about 9 percent of the urban projects and seven percent of the rural ones. The USDA funded nearly five percent of the rural projects but only 1.6 percent of the urban projects. The only other agency that funded a substantial amount of projects was the National Science Foundation, which funded about seven percent of the urban projects and five percent of the rural projects.

The 2020 SBCS indicates that banks are the most common source of financial services for both rural and urban firms. However, rural businesses are more likely to use small banks, while urban business are more likely to use large banks. Businesses used business financial services companies next most frequently, followed by credit unions and nonbank online lenders. CDFIs were used very infrequently by businesses, regardless of whether or not they were in a rural area.

Access to financial capital is an important factor in business formation and growth and, more specifically, local capital is important for local business formation in rural areas (Carpenter et al. 2019). Local community banks often rely on soft information through their relationships with their customers that larger, distant banks cannot access (Dudley, 1996; DeYoung et al., 2012; Gilbert and Wheelock, 2013). This is one reason why banks are a more relied-upon form of start-up and expansion capital for business owners in

Table 2. SBIR/STTR Awards by Agency (2020-2021)

Agency	Urban	Rural	Total
Department of Agriculture	1.6%	4.7%	1.8%
Department of Commerce	0.9%	1.2%	0.9%
Department of Defense	53.6%	55.7%	53.7%
Department of Education	0.3%	0.3%	0.3%
Department of Energy	8.8%	7.0%	8.7%
Department of Health and Human Services	18.6%	12.5%	18.4%
Department of Homeland Security	1.0%	1.8%	1.0%
Department of Transportation	0.6%	0.6%	0.6%
Environmental Protection Agency	0.4%	0.9%	0.4%
National Aeronautics and Space Admini..	7.4%	10.8%	7.5%
National Science Foundation	6.8%	4.7%	6.7%
Total	100%	100%	100%

Source: <https://www.sbir.gov/sbirsearch/award/all>, Downloaded in August 2021.

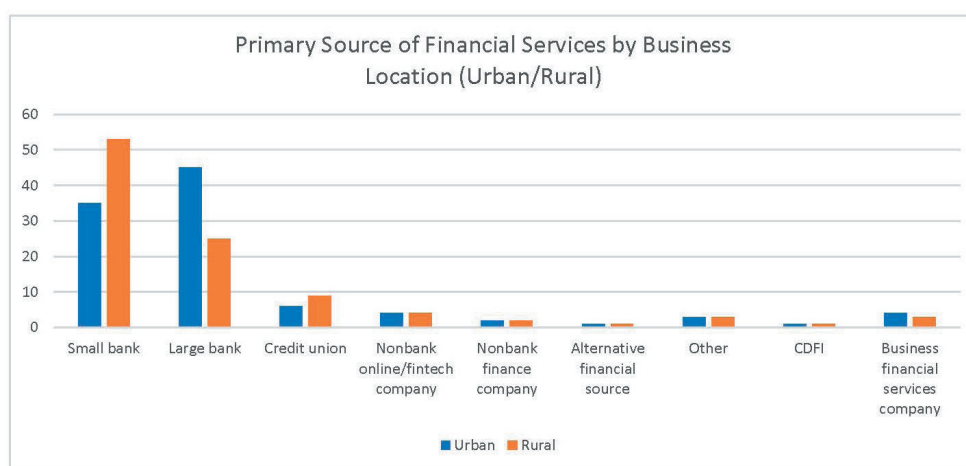
C. Credit

While this report is mainly focused on investment capital from crowdfunding, angel investors, and venture capitalists, it's useful to first examine the sources of financing used overall by businesses in rural areas, especially the funding that comes from banks and other financial institutions. The Federal Reserve System conducts an annual Small Business Credit Survey (SBCS), which provides detail on the financing patterns, sources, and products used by small businesses in the United States.⁷

rural areas, compared with similar businesses in metro areas (Mencken and Tolbert (2016, 2018)). So, the consolidation of the banking sector and the loss of locally-owned financial institutions that has been occurring over the last several decades may disproportionately disadvantaged businesses in rural areas (Tolbert et al., 2014; Flora et al., 2015; Mencken and Tolbert, 2018, DeYoung et al., 2012; Gilbert and Wheelock, 2013)

The percentage of financial institutions in rural counties that were independent local banks declined from 80 percent in 1976 to less than 25 percent in 2010, which mirrored a contemporaneous decline in the share of business owners obtaining a conventional start-up business loan from a bank, which declined from 21 percent to 12 percent in rural areas. (Carpenter et al. 2019). This is consistent with findings from Mencken and Tolbert (2018) who found that the likelihood of rural business owners to use conventional business loans to start or expand a business increased as the proportion of local banks increased.

The reasons for applying for financing were broadly similar; the most common reason was to meet operating expenses and the next most common reason was to expand the business or take advantage of a new business opportunity. Rural businesses were slightly more likely than urban businesses to cite the former and urban businesses were slightly more likely than rural businesses to cite the latter. Rural businesses were more likely to state that they applied for financing to replace capital assets, make repairs, or to refinance or pay down existing debt, compared with urban businesses.



As shown in Table 3 below, rural businesses are more likely than urban businesses to rely on small banks and credit unions, as well as to have these sources as their primary source of financial services. A similar percentage of businesses had outstanding debt regardless of location; 80 percent for businesses in urban areas and 79 percent for businesses in rural areas. While they also had similar levels of debt, urban businesses were slightly more likely to have more than \$100,000 in debt and rural businesses were slightly more likely to have less than \$100,000 in debt.

The following table provides an overview of the demand for financing, including the reasons for seeking financing versus not applying for financing, the amount of financing sought, credit challenges, and funding outcomes. One notable point is that there are a lot of similarities between rural and urban firms. 36 percent of rural firms applied for financing in the previous 12 months, compared with 38 percent of urban businesses.

For businesses that did not apply for financing, more than half stated they did so because they had sufficient financing. Rural firms were slightly more likely than urban firms to state this. Urban businesses were slightly more likely to be discouraged than rural businesses. Among discouraged businesses, urban businesses were much more likely to state they had low credit scores or weak business performance, compared with rural businesses.

In terms of outcome, for those that applied, 64 percent of urban businesses did not receive all that they sought, compared with 58 percent of rural businesses. 42 percent of rural firms that applied for funding received all of the financing they sought, compared with 36 percent of urban businesses. The total amount of funding sought was similar for both urban and rural businesses. Just under half sought \$100,000 or less, while just over half of businesses sought more than \$100,000. However, nearly 30 percent of urban firms sought \$250,000 or more, compared with just over a quarter of rural businesses.

Table 3. Debt Financing

	URBAN		RURAL	
	%	n	%	n
Share of businesses with prior debt outstanding	80	8415	79	1115
Amount of debt outstanding				
\$25K or less	13	6744	15	892
\$25,001-\$50K	12	6744	13	892
\$50,001-\$100K	17	6744	19	892
\$100,001-\$250K	26	6744	22	892
\$250,001-\$1M	21	6744	21	892
More than \$1M	11	6744	10	892
Use of financial services by Source of Financing				
Large bank	52	8521	33	1125
Small bank	42	8521	59	1125
Credit union	11	8521	16	1125
CDFI	2	8521	2	1125
Nonbank online/fintech lender	11	8521	11	1125
Nonbank finance company	8	8521	8	1125
Alternative financial source	2	8521	3	1125
Business financial services company	23	8521	19	1125
Other financial service provider	6	8521	7	1125
Business does not use financial services	7	8521	7	1125
Primary source of financial services				
Small bank	35	7923	53	1052
Large bank	45	7923	25	1052
Credit union	6	7923	9	1052
Nonbank online/fintech company	4	7923	4	1052
Nonbank finance company	2	7923	2	1052
Alternative financial source	1	7923	1	1052
Other	3	7923	3	1052
CDFI	1	7923	1	1052
Business financial services company	4	7923	3	1052

Source: 2020 Small Business Credit Survey, Federal Reserve System.

Data Appendix from the 2021 Report on Employer Firms.

<https://www.fedsmallbusiness.org/survey/2021/report-on-employer-firms>

The types of financing sought and the rates of application are shown in Table 5. A loan or line of credit was the most common product applied for, with nearly 90 percent of businesses, regardless of urban or rural location, seeking one. The most common type of loan applied for was a standard business loan. Half of rural businesses applied for a business loan, compared with 45 percent of urban businesses. The next most common type was an SBA loan or line of credit, with

42 percent of urban businesses seeking one of these and 38 percent of rural businesses. A line of credit was the third most common, with 36 percent of urban businesses and 31 percent of rural businesses applying for one. Rural businesses were more likely to apply for an auto loan, equipment loan, or personal loan, compared with urban businesses, but in all cases they applied to these kinds of loans at much lower rates than the other three.

Table 4. Demand for Financing

	URBAN		RURAL	
	%	n	%	n
Share that applied in prior 12 months	38	8312	36	1095
Reasons for seeking financing				
Meet operating expenses	57	3153	60	398
Expand business/ new opportunity	38	3153	35	398
Replace capital assets or make repairs	21	3153	27	398
Refinance or pay down debt	31	3153	37	398
Other reason	4	3153	3	398
Primary reason for not applying				
Had sufficient financing	52	4950	56	675
Discouraged	13	4950	10	675
Debt averse	25	4950	25	675
Credit cost high	4	4950	4	675
Application process too difficult	4	4950	2	675
Other	2	4950	2	675
Total amount of financing sought				
\$25K or less	15	3150	20	397
\$25,001-\$50K	14	3150	12	397
\$50,001-\$100K	19	3150	17	397
\$100,001-\$250K	23	3150	26	397
\$250,001-\$1M	19	3150	17	397
More than \$1M	10	3150	9	397
Discouraged firms' credit challenges				
Low credit score	35	601	20	70
Insufficient credit history	23	601	23	70
Insufficient collateral	41	601	38	70
Too much debt already	37	601	34	70
Weak business performance	45	601	33	70
Other	8	601	10	70
Funding needs and outcomes				
Financing received=None	9	8058	9	1067
Financing received=Some	14	8058	11	1067
Financing received=All	13	8058	15	1067
Nonapplicants=Sufficient financing	33	8058	36	1067
Nonapplicants=Discouraged	8	8058	7	1067
Nonapplicants=Debt averse	16	8058	16	1067
Nonapplicants=Other	7	8058	6	1067
Share of firms that did not receive all financing sought	64	3108	58	392
Share of firms that received all financing sought	36	3108	42	392

Source: 2020 Small Business Credit Survey, Federal Reserve System.

Data Appendix from the 2021 Report on Employer Firms.

<https://www.fedsmallbusiness.org/survey/2021/report-on-employer-firms>

In terms of the sources of the loans and lines of credit applied to, rural businesses were much more likely to apply to small banks and urban businesses were most likely to apply to large banks. About 20 percent of firms applied to online lenders, and slightly less to

finance companies. Only a small proportion of firms applied to credit unions or CDFIs, but rural businesses were more likely to apply to credit unions compared with urban firms and urban businesses were more likely than rural businesses to apply to a CDFI.

Table 5. Financing Sought

	URBAN		RURAL	
	%	n	%	n
Financing and credit products sought				
Loan or line of credit	89	3003	88	379
Merchant cash advance	8	3002	7	379
Credit card	22	3002	17	379
Trade	8	3002	7	379
Equity investment	6	3002	6	379
Factoring	3	3002	4	379
Leasing	8	3002	7	379
Other	2	3002	5	379
Application rate for loans/lines of credit				
SBA loan or line of credit	42	2261	38	304
Business loan	45	2261	50	304
Line of credit	36	2261	31	304
Home equity line of credit	10	2261	10	304
Personal loan	10	2261	14	304
Mortgage	6	2261	6	304
Auto or equipment loan	11	2261	16	304
Other	5	2261	4	304
Credit sources applied to				
Large bank	45	2270	30	304
Small bank	41	2270	49	304
Online lender	20	2270	19	304
Finance company	14	2270	18	304
Credit union	8	2270	11	304
CDFI	4	2270	1	304
Other	10	2270	11	304
Approval rate by source				
Large bank	64	975	49	94
Small bank	73	848	77	147
Online lender	69	408	*	*
CDFI	68	84	*	*
Credit union	53	162	*	*
Finance company	74	329	71	52
Approval rate by product				
SBA loan or line of credit	66	833	58	87
Business loan	58	922	56	141
Line of credit	71	731	71	104
Any loan, LOC, or MCA product	76	2152	73	296

Note: * indicates sample size was too small to provide estimates.

Source: 2020 Small Business Credit Survey, Federal Reserve System.

Data Appendix from the 2021 Report on Employer Firms.

<https://www.fedsmallbusiness.org/survey/2021/report-on-employer-firms>

Finally, in terms of approval rates, urban businesses had higher rates of approval at large banks than rural businesses and rural businesses had higher rates of approval at small banks than large banks. However, urban businesses were still more likely to be approved by small

banks than large banks. Urban businesses had slightly higher approval rates for SBA loans and business loans, compared with rural businesses, but they were equally likely to be approved for lines of credit.

Table 6. Financing Challenges

	URBAN		RURAL	
	%	n	%	n
Financial challenges				
Making payments on debt	44	8520	46	1125
Paying operating expenses	65	8520	62	1125
Paying rent	44	8520	36	1125
Purchasing inventory to fulfill contracts	31	8520	37	1125
Accessing credit	33	8520	27	1125
Other financial challenge	9	8520	8	1125
No challenges	19	8520	23	1125
Actions taken by firms reporting financial challenges, prior 12 months				
Made a late payment or did not pay	38	7027	33	870
Cut staff, hours, and/or downsize operations	55	7027	54	870
Used personal funds	62	7027	62	870
Took out debt	50	7027	52	870
Obtained funds through grants, crowdfunding, donations, etc.	52	7027	54	870
Other action	9	7027	8	870
No action	3	7027	3	870
Financial challenges on the primary owners' personal finances				
Did not draw or reduced salary	63	5979	62	815
Paid business expenses with personal funds	51	5979	54	815
Borrowed against home or retirement account	17	5979	14	815
Late payments causing downgraded credit score or loss of personal assets	26	5979	24	815
Borrowed funds from family/friends	20	5979	22	815
Worked a second job or extra hours outside of this business	13	5979	15	815
Other challenge	8	5979	9	815
No challenges/impact on personal finances	19	5979	23	815

Source: 2020 Small Business Credit Survey, Federal Reserve System.

Data Appendix from the 2021 Report on Employer Firms.

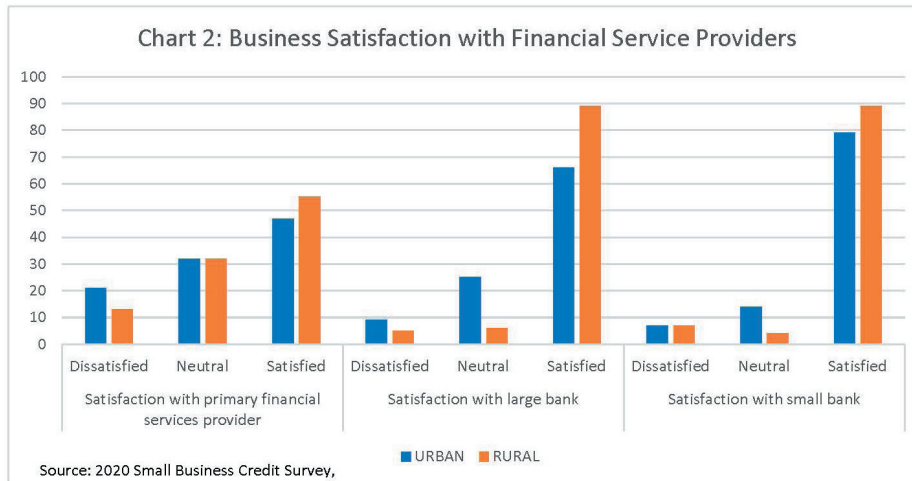
<https://www.fedsmba.com/survey/2021/report-on-employer-firms>

After loans and lines of credit, the only other product sought with double-digit frequency was credit cards, with 22 percent of urban businesses and 17 percent of rural businesses applying for a credit card. Trade credit, factoring, and leasing were all used by a small percentage of companies. The SBCS also asks whether the business sought equity investments and only six percent of businesses, urban or rural, sought out this type of investment.

Yet, even though only a small fraction of companies seek equity financing, it is these kinds of companies that are responsible for a disproportionate share of employment generation, innovation, and revenues. For example, one report estimated that venture capital-backed businesses employed 11% of the private sector workforce, had growth rates 50% higher than the total private sector, had employment growth eight times

higher than the average private company, and drove 21% of US GDP⁸. Due to their important impact on our economy, they receive an outsized share of attention from researchers and the media as well.

The SBCS provides some additional insights into financing challenges and lender satisfaction between businesses located in urban versus rural locations. Most notably that rural businesses were more likely than urban businesses to state that they didn't have any financial challenges (23 percent versus 19 percent respectively). More than half of businesses that reported experiencing financial challenges indicated that they had obtained funds through grants, crowdfunding, and/or donations. Please see Tables 3 and 4 in Appendix A, which have some additional details on how urban and rural businesses fared during COVID and their use the Paycheck Protection Program (PPP).



In terms of lender satisfaction, rural businesses were more satisfied with their financial service provider than were urban businesses (55 percent versus 47 percent). Rural businesses were also far more likely to be satisfied with large banks than urban businesses (89 percent versus 66 percent) and also more likely to be satisfied by small banks than were urban businesses (89 percent versus 79 percent). Thus, even though we’ve seen a lot of consolidation of community banks, it appears that rural businesses are having their debt needs met as well as, or even better than, businesses in urban locations.

D. Crowdfunding

The vast majority of the seed funding going to entrepreneurs to help them get ideas into the marketplace is provided by angel investors and venture capitalists. However, this can be problematic if most of the investors are white, male, and in urban areas. Research from the Center for Talent Innovation found that having something inherently in common with the funder, decision-maker, or investor makes an enormous difference in fundraising success. In that study, 56 percent of decision-makers did not value ideas they didn’t personally see a need for, even when evidence suggests that it’s a good, marketable idea.⁹ The lack of diversity in the suppliers of equity financing is problematic on its face, but even more so if it leads to a failure to commercialize good ideas from non-traditional sources. This will be discussed later in the report. Crowdfunding has become a frequent route to raising capital for entrepreneurs with ideas and companies looking to scale. Crowdfunding is a way to democratize access to the capital

needed to commercialize and distribute innovation. There are several types of crowdfunding that are relevant here:

1) Rewards Based

These crowdfunding platforms allow individuals to raise funds for a specific project or product. Some of the largest platforms of this type are Kickstarter and Indiegogo. Indiegogo, which started in 2008, has had more than nine million backs and more than \$1 Billion raised. Since starting on April 28th, 2009, Kickstarter boasts more than 20 million backers, nearly seven million repeat backer, more than 74 million pledges and more than \$6 Billion pledged. As of August 2021, they’ve had 206,317 successfully funded projects totally more than \$5.4 Billion raised.

It’s interesting to look at the distribution of successful Kickstarter campaigns by size. While about two-thirds of campaigns raise less than \$10,000, more than 8,100 raised between \$100,000 and a million dollars and 579 campaigns raised more than a million dollars each.¹⁰

Table 7: Successful Campaign Statistics on Kickstarter.com

< \$1K	26,649	12.9%
\$1K-9.99K	110,423	53.5%
\$10K-19.99K	29,786	14.4%
\$20K-99.99K	30,754	14.9%
\$100K-999K	8,126	3.9%
\$1M+	579	0.3%
	206,317	100.0%

<https://www.kickstarter.com/help/stats?ref=press>
(pulled on August 6, 2021).

2) Lending

Lending platforms allow individuals to lend money, which is then pooled across a number of lenders, and distributed as loans across a number of borrowers. Some of the larger platforms in this category are Lending Club and Prosper, which both started in 2006, however, Lending club no longer offers the lending option to individuals. Kiva is a platform that also provides loans to individuals and groups, but the individuals who loan the funds do not earn any interest, whereas with the more traditional lending platforms they earn interest based on the risk level of the loans.

3) Equity

The number of Online Investment Platforms have been growing since the launch of Regulation Crowdfunding in 2016, which was authorized as part of Title III of the 2012 JOBS Act¹¹. The framework requires that issuers that wish to raise money under Reg CF do so on platforms that are registered with the Securities & Exchange Commission (SEC) and members of FINRA. There are currently 65 FINRA funding-portal members: <https://www.crowdfundinsider.com/2021/07/177979-reg-cf-the-number-of-finra-regulated-funding-portals-plateaus/>. Most of the early entrants continue to dominate the marketplace. About 90% of the industry volume being conducted on the top five platforms: Wefunder, StartEngine, Republic, Net Capital Funding, and SeedInvest¹².

The latest data available online indicate that there have been 754 campaigns so far in 2021, which have raised \$143,306,722 as of Wednesday, August 4th, 2021. And since investment crowdfunding started on May 16th, 2016, nearly a million investors (942,875) invested more than \$687,306,000 into these campaigns.¹³

While the geographical location of the companies raising on these platforms in terms of urban or rural location is not publicly available, the Reg CF data available on the SEC website do have information on the zip code of the companies raising capital, which allow us to map these companies into urban and rural areas.¹⁴ Taking the data from 2017 to 2021, we can see the number of firms raising capital has been increasing over the five year period and the amount of capital being raised is also up more than eight fold over the period.¹⁵

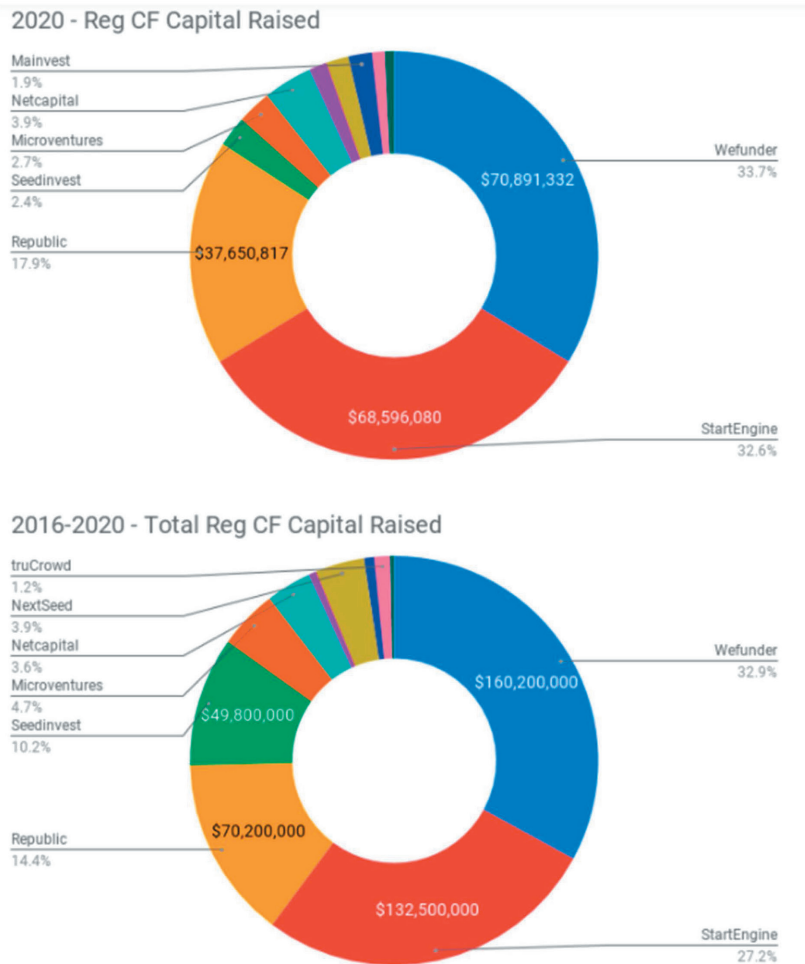
The next table provides the mean and medians of the amounts sought and raised over the 2017-2021 timeframe broken out by companies located in rural and urban areas. The amounts sought and raised were pretty comparable, so we'll just compare the amounts raised. For rural businesses, the mean amount sought in 2017 was about \$108,000, compared with nearly \$300,000 for urban firms. The median for urban firms was about \$100,000 lower than the mean, whereas the mean and median were the same for rural with just two firms raising from rural areas that year. By 2021,

Table 8. 2020 Equity Crowdfunding by Platform

		Number of Campaigns	Amount Raised	% of Raised Amount
	WeFunder	292	\$ 83,610,279	34.3%
	startengine	145	\$ 71,211,120	29.2%
	Republic	128	\$ 42,817,680	17.6%
	Netcapital	58	\$ 12,292,050	5.0%
	seedinvest	39	\$ 7,568,898	3.1%
	Microventures	41	\$ 7,420,794	3.0%
	Mainvest	134	\$ 3,724,350	1.5%
	Equifund	4	\$ 3,481,141	1.4%
	truCrowd	23	\$ 3,018,052	1.2%
	nextseed	17	\$ 2,966,450	1.2%
	Total by top 10	881	\$ 238,110,814	97.7%
Overall Total	1007	\$	243,780,261	100.0%

<https://cloud1.worldtv.io/fmi/webd/NextPitchTV>

Chart 3: Regulation Crowdfunding



Source: <https://crowdwise.org/funding-portals/top-10-equity-crowdfunding-sites-2020/>

the numbers were much closer to one another and rural businesses actually had a higher mean amount raised (\$429,389) than did urban businesses (\$325,586). However, the median amount was slightly higher for urban businesses (\$134,280) than it was for rural businesses (\$115,470).

The data indicate that rural companies continue to make up a small fraction of the companies seeking funding as well as the amount of funding sought. However, it's promising to note that rural businesses have increased their share of the funding raised significantly, from less than one percent in 2017 to more than six percent in 2021.

Crowdfund Capital Advisors maintains a database of all Regulation Crowdfunding Campaigns and is able to provide special tabulations of the data by urban and rural as defined above. These data generally show a slightly higher share of businesses in rural areas and a lower share in the amount raised by rural areas compared with the SEC data above. However, these data do show an increased share in the amount of funding going to businesses in rural areas over time, which is consistent with the SEC data.

Table 9. Regulation Crowdfunding (2017-2021)

Fiscal Year	Rural/Urban	# of Firms	Amount Sought	Amount Raised	Percent Raised (Sold/Sought)	% of firms that raised >50% of funds sought
2017	Urban	77	\$ 26,232,743	\$ 25,335,743	96.6%	98.8%
	Rural	2	\$ 216,754	\$ 216,754	100.0%	100.0%
	Total	79	\$ 26,449,497	\$ 25,552,497	96.6%	98.9%
2018	Urban	256	\$ 63,489,719	\$ 62,424,986	98.3%	97.6%
	Rural	13	\$ 2,466,134	\$ 2,466,134	100.0%	100.0%
	Total	268	\$ 65,955,854	\$ 64,891,121	98.4%	97.7%
2019	Urban	293	\$ 54,345,737	\$ 54,236,015	99.8%	99.4%
	Rural	8	\$ 1,423,297	\$ 1,417,297	99.6%	87.5%
	Total	301	\$ 55,769,033	\$ 55,653,311	99.8%	99.1%
2020	Urban	310	\$ 87,526,118	\$ 87,407,696	99.9%	98.8%
	Rural	6	\$ 2,502,662	\$ 2,502,662	100.0%	100.0%
	Total	316	\$ 90,028,780	\$ 89,910,358	99.9%	98.8%
2021	Urban	467	\$ 171,410,348	\$ 170,932,475	99.7%	98.1%
	Rural	24	\$ 11,164,105	\$ 11,164,105	100.0%	100.0%
	Total	491	\$ 182,574,453	\$ 182,096,580	99.7%	98.2%

Source: SEC Data (<https://www.sec.gov/dera/data/crowdfunding-offerings-data-sets>)

Table 10. Regulation Crowdfunding (2017-2021)

Fiscal Year	Rural/Urban	# of Firms	Mean of Amount Sought	Median of Amount Sought	Mean of Amount Raised	Median of Amount Raised
2017	Urban	77	\$ 308,621	\$ 184,363	\$ 298,068	\$ 183,000
	Rural	2	\$ 108,377	\$ 108,377	\$ 108,377	\$ 108,377
	Total	79	\$ 304,017	\$ 183,000	\$ 293,707	\$ 182,847
2018	Urban	256	\$ 215,951	\$ 104,650	\$ 212,330	\$ 104,650
	Rural	13	\$ 176,152	\$ 97,624	\$ 176,152	\$ 97,624
	Total	268	\$ 214,142	\$ 104,650	\$ 210,685	\$ 104,650
2019	Urban	293	\$ 166,705	\$ 84,668	\$ 166,368	\$ 84,668
	Rural	8	\$ 177,912	\$ 55,000	\$ 177,162	\$ 55,000
	Total	301	\$ 166,973	\$ 81,833	\$ 166,627	\$ 81,833
2020	Urban	310	\$ 266,037	\$ 107,000	\$ 265,677	\$ 107,000
	Rural	6	\$ 357,523	\$ 272,450	\$ 357,523	\$ 272,450
	Total	316	\$ 267,943	\$ 107,000	\$ 267,590	\$ 107,000
2021	Urban	467	\$ 326,496	\$ 134,280	\$ 325,586	\$ 134,280
	Rural	24	\$ 429,389	\$ 115,470	\$ 429,389	\$ 115,470
	Total	491	\$ 331,351	\$ 131,940	\$ 330,484	\$ 131,940

Source: SEC Data (<https://www.sec.gov/dera/data/crowdfunding-offerings-data-sets>)

Looking just at successful campaigns, we see that the lowest success rate was during the first year that crowdfunding was allowed, regardless of whether the business was in an urban or rural area. Success rates for 2021 were the highest ever with more than 80 percent of rural businesses succeeding and nearly three quarters of urban businesses. Depending on the year, sometimes

urban businesses were more successful in reaching their goal, while in other years rural businesses were more successful. As it turns out, in the odd years (2017,2019, 2021) rural businesses had higher success rates, while in the even years (2016,2018, 2020) urban businesses had the higher success rates. Overall the success rate was 65.7 percent over the 2016-2021 period.

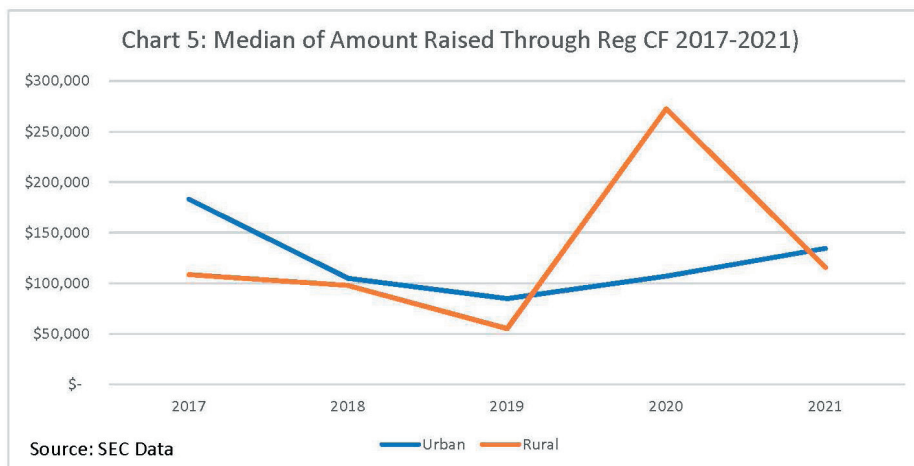
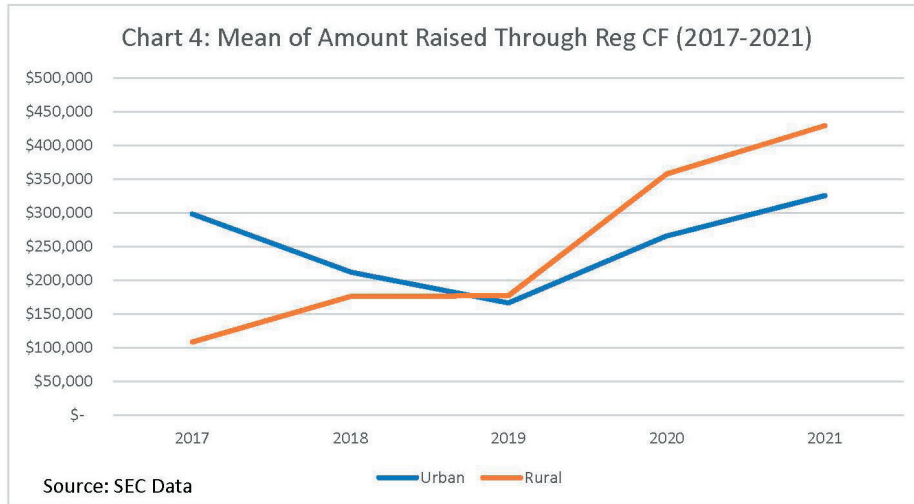


Table 11.A Regulation Crowdfunding (2017-2021)

Fiscal Year	Rural/Urban	# of Firms	Rural Share of Firms	Rural Share of Amount Raised	Rural/Urban Ratio of Mean of Amount Raised	Rural/Urban Ratio of Median of Amount Raised
2017	Urban	77			36.4%	59.2%
	Rural	2	2.5%	0.8%		
2018	Urban	256			83.0%	93.3%
	Rural	13	4.8%	3.8%		
2019	Urban	293			106.5%	65.0%
	Rural	8	2.7%	2.5%		
2020	Urban	310			134.6%	254.6%
	Rural	6	1.9%	2.8%		
2021	Urban	467			131.9%	86.0%
	Rural	24	4.9%	6.1%		

Source: SEC Data (<https://www.sec.gov/dera/data/crowdfunding-offerings-data-sets>)

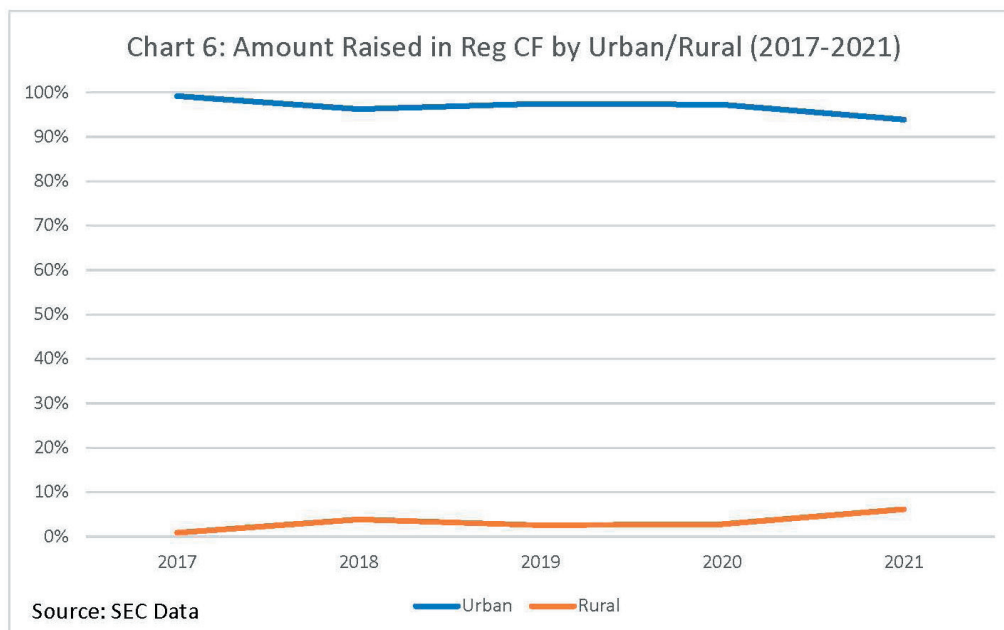


Table 11.B Total Number of Regulation Crowdfunding Campaigns by Urban/Rural (2016-2021)

Year	Rural		Urban		Total	
	Issuers	Amount	Issuers	Amount	Issuers	Amount
2016*	10	\$753,136	167	\$28,170,469	177	\$28,923,605
2017	16	\$1,181,314	475	\$76,726,587	491	\$77,907,901
2018	34	\$4,667,483	687	\$87,990,454	721	\$92,657,937
2019	20	\$5,459,945	674	\$141,682,889	694	\$147,142,834
2020	55	\$12,898,533	1,051	\$297,309,903	1,106	\$310,208,436
2021*	38	\$8,578,040	637	\$203,528,422	675	\$212,106,462
Total	173	\$ 33,538,451	3,691	\$ 835,408,724	3,864	\$868,947,175

Rural Share (as a Percentage of All)

2016*	5.6%	2.6%
2017	3.3%	1.5%
2018	4.7%	5.0%
2019	2.9%	3.7%
2020	5.0%	4.2%
2021*	5.6%	4.0%

Source: Special Tabulation by Crowdfund Capital Advisors

* Partial years. Date range 5/16/2016 - 6/30/2021

Table 11.C Total Successful Regulation Crowdfunding Campaigns (2016-2021)

Year	Rural			Urban		
	Issuers	Total Amount (\$)	Success Rate	Issuers	Total Amount (\$)	Success Rate
2016*	3	\$663,436	30.0%	84	\$27,294,893	50.3%
2017	11	\$1,112,560	68.8%	297	\$74,299,550	62.5%
2018	17	\$4,453,897	50.0%	417	\$85,484,030	60.7%
2019	13	\$5,402,503	65.0%	428	\$139,050,836	63.5%
2020	34	\$12,681,235	61.8%	735	\$292,531,181	69.9%
2021*	31	\$8,284,577	81.6%	467	\$200,138,382	73.3%
Total	109	\$32,598,208		2,428	\$818,798,872	
ALL	2,537	\$851,397,080	65.7%			

Source: Special Tabulation by Crowdfund Capital Advisors

* Partial years. Date range 5/16/2016 - 6/30/2021

E. Angel Investment

While there are several public sources for data on angel capital investment, all of them are limited, given the nature of angel investing and the lack of reporting by investors and companies. In addition, none of the publicly available sources break out the investment by urban and rural location of the companies receiving the investments. However, there is some information about the geography of angel investing in terms of the share of angels, share of deals, share of amounts, and some detail on the geographical diversity in angel investment by investors.

The Center for Venture Research from the University of New Hampshire publishes annual data on overall funding levels, number of deals, and number of investors for the United States. This source of data indicates that the amount of

funding has risen from about \$23.1 Billion in 2016 to \$25.3 Billion in 2020 while the number of angel deals has remained pretty similar at about 65,000 each year. The number of angel investors has hovered between about 300,000 and 335,000 over the same period.

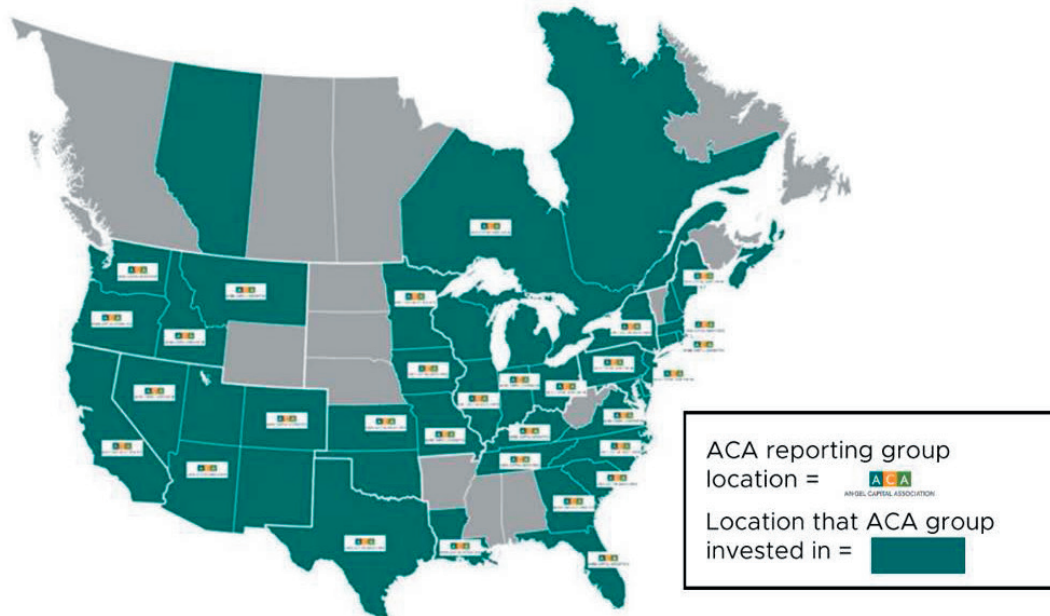
Another source of data is the Angel Capital Association, the main trade association for angel investors in the United States. In their 2019 Angel Funders report, they presented data from 68 angel groups and 1,170 investments in 905 companies totaling \$228 million dollars. The 905 companies received \$1.8 billion in syndicated investments from other angels and VCs as well. The 68 angel groups were located in 31 states and Canadian provinces, but they invested in companies from 42 different states as well as provinces in Canada.¹⁶

Table 12. The Angel Capital Ecosystem (2016-2020)

	Amount of Funding (\$billions)	Number of Angel Deals	Number of Angel Investors	Percentage of Angels that are People of Color	% of Companies Seeking Investment that are Minority-led
2016	21.3	64,380	297,880	4.9	15.3
2017	23.9	61,560	288,380	5.6	11.2
2018	23.1	66,110	334,565	5.3	10.7
2019	23.9	63,730	323,365	7.1	9.3
2020	25.3	64,480	334,680	5.5	5.3

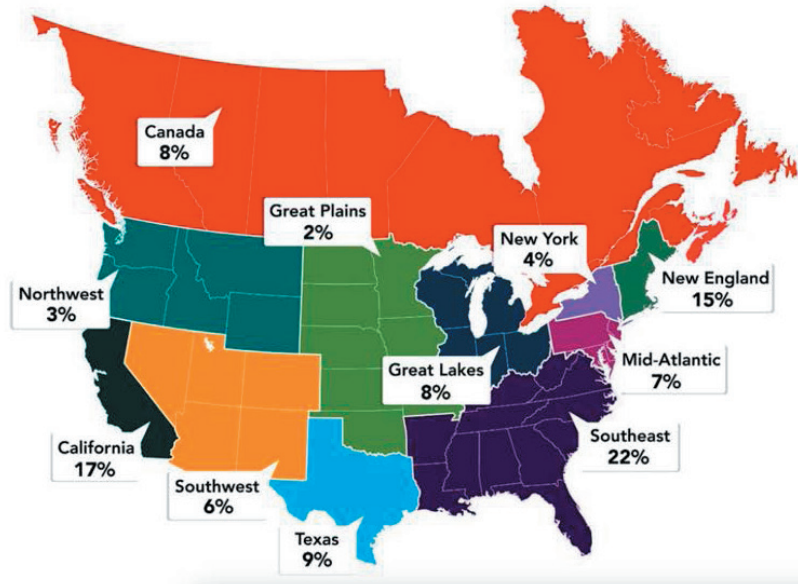
Source: Jeffery Sohl, Center for Venture Research: 2021, 2020, 2019, 2019, 2017.

Chart 7: Geographical Distribution of Angel Groups and Investments



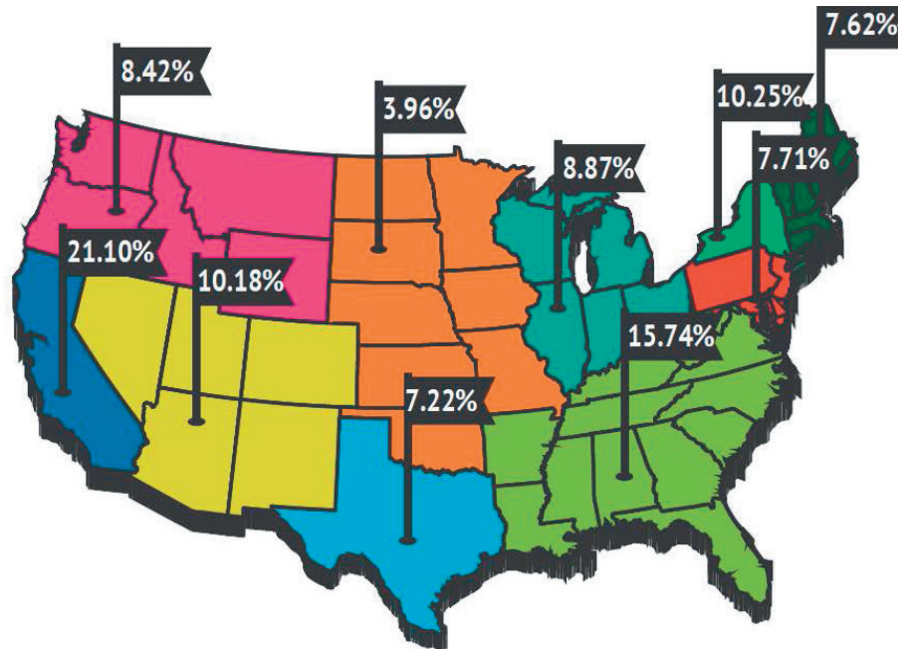
Source: 2019 Angel Capital Association Angel Funders Report:
<https://www.angelcapitalassociation.org/angel-funders-report/>

Chart 8. Geographical Distribution of Angel Investment



Source: 2019 Angel Capital Association Angel Funders Report

Chart 9: Geographical Distribution of Angel Investments

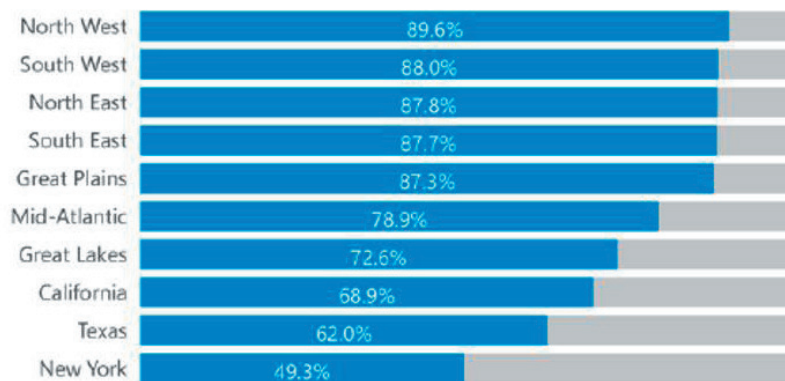


Source: 2020 Halo Report, Angel Resource Institute

The Halo Report is an annual publication from the Angel Resource Institute, which uses data from a survey of angel groups on their investment activities. The data from their 2020 report represent nearly 2,200 angel deals and \$4.6 billion in investment, of which \$2.8 billion was in pre-seed and seed round investments. They investigate the geography of those deals and found that 21 percent of the deals were into companies located in California, while nearly 16 percent of the deals were into companies in the Southeast, followed by just over 10 percent into companies in New York.

The Angel Resource Institute also reported that 75 percent of the deals stayed within the investors' home regions, up from 60 percent in 2019.¹⁷ This, however, ranged from a low of 49.3 percent for New York (less than half of the deals from New York were by investors in New York) to nearly 90 percent of the deals in the North West.

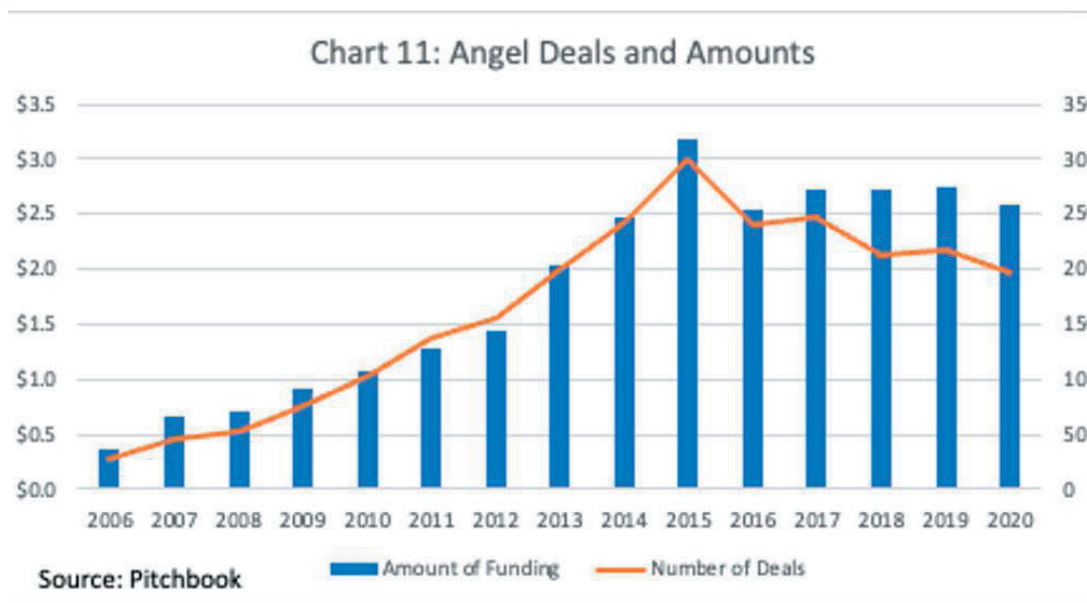
Percentage Deals In Region



Source: 2020 Halo Report, Angel Resource Institute

Pitchbook, which provides detailed data on the venture capital sector, also publishes data on angel deals. Using their framework, these data indicate there have been about 2,000 to 3,000 of angel deals each year since 2013 and the amount of funding has varied from around two to three billion dollars annually over the same period.

The Angel Capital Association shared some preliminary numbers from their forthcoming 2021 Angel Funders Report that can be broken out by urban, rural, and “undetermined” (when there was not zip code level data on the company receiving investment)¹⁹. However, it’s important to note that these are raw numbers and haven’t been weighted to reflect



An analyst brief from Pitchbook also showed that early stage investing is very locally oriented:

“Both individual angels and angel groups tend to focus on their local areas. Hyde Park Angels (Chicago) invests in Great Lakes-region companies, with 84% of those investments going into Illinois-based companies. Tech Coast Angels (San Diego) has built a network of five regional locations serving entrepreneurs in Southern California. The Central Texas Angel Network has been one of the most active angel groups in the US over the past decade, focusing most of its investments on Texas companies. A comparison of the combined statistical areas (CSAs) with most active angel networks and the CSAs with the highest VC activity shows them to be very similar... The distance between lead investors and the target company averages only 37 miles at the angel and seed stage.”¹⁸

different response rates between small groups (low response) and large groups (high response) rates reporting their data. Rural groups are relatively small and the underreporting of small groups in general probably undercounts rural angel groups and their investments. These data are also being reported by only those groups that are members of the Angel Capital Association, which tend to be larger and more urban groups.

That said, it’s interesting to note that while the share in the number of deals in rural areas has been growing over the 2018-2019 period, the share of dollars has been relatively stable. In both cases, they make up a very small percentage of deals and dollars of angel investment by ACA member groups. Even if these numbers are lower bounds, the reality is most of the angel funding is going to companies in more urban areas.

Table 13. Angel Investment by Urban/Rural 2018-2020

Number of Deals	2018	2019	2020	Total
Undetermined	39.7%	48.8%	36.8%	41.6%
Rural %	0.6%	0.9%	1.2%	0.9%
Urban %	59.7%	50.3%	62.0%	57.5%
Investment Dollars				
Undetermined	36.7%	50.1%	44.3%	44.1%
Rural %	0.5%	0.7%	0.7%	0.6%
Urban %	62.8%	49.2%	55.0%	55.3%
	100%	100%	100%	100%

Source: Preliminary Findings from the 2021 Angel Funders Report, Angel Capital Association

Further analysis of these preliminary data showed that, of the 96 ACA member groups who submitted data for at least one year between 2018 and 2020, 14 of them, or 15 percent, funded at least one rural company. On average, seven percent of the deals for these groups involved at least one rural investment, ranging from a high of 89 percent to a low of one percent. Only two of the groups were principally rural investors, the group with 89 percent of their investments in rural companies and one that had 50 percent of their investments in rural companies. The other 94 groups either did zero investing or it was a minority of their investing.

While these data reflect actual investments, not the number of companies that applied for funding from angel groups, it is clear that it will be necessary to make a concerted effort to build and grow the angel investor community in rural areas to make this kind of financial capital, as well as the human capital of the investors that comes with it, in the forms of mentoring, advising, and board membership, more widely available to businesses in rural communities.

F. VC investment

Traditional Venture Capital

Information asymmetry between new companies and venture capital firms can be a challenge for both venture capital companies as they vet investment opportunities and monitor investments and the geographic distance between them and their investees can exacerbate that challenge. Frequent face-to-face meetings both before and after the investment are often required and the larger the physical distance, the more difficult it can be to adequately due diligence a potential investment, monitor a company post investment, and conduct activities that support the company, such as

taking a board seat (Gompers and Lerner, 1999; Lerner, 1995; Cumming and Dai, 2010). This is one reason that venture capital is concentrated in three main areas, Silicon Valley, New England, and New York. There are even some venture capitalists that have a so-called '20-minute rule', that they will only consider investments if the company is within a 20-mile driving radius from their offices.²⁰

The concentration of venture capital and the corresponding entrepreneurial clusters can benefit the businesses in terms of resource acquisition beyond just financial capital investment in the forms of knowledge acquisition, communication, and knowledge spillovers (Agarwal et al., 2007; Audretsch and Dohse, 2007; Venkataraman, 2004 Cumming and Dai, 2010). Research has shown significant local bias by venture capital firms when making investments across industries and stage, and within each industry sector, they exhibit significantly greater local bias with investments at their early stage, compared with their later stage (Cummings and Dai, 2010; Sorenson and Stuart, 2001).

More precise estimates come from Cummings and Dai (2010), who found about 50% of the new ventures are located within 233 miles from their VCs, an analysis by Pitchbook found that in 2019 the median distance between a target company and lead investor was about 400 miles, while the median distance for seed deals was about 100 miles²¹; and Sorenson and Stuart (2001) who found that venture capitalists invest in companies 10 miles from their offices at twice the rate of ones situated 100 miles away.

Given the institutional venture capital industry is heavily concentrated in few regions and targets investments in a few core industries, traditional venture capital is in short supply

in rural America (ARC, 2018).²² In testimony to the House Committee on Small Business researchers stated that only 1% of VC went to rural entrepreneurs.²³ In an assessment of rural capital markets, researchers found a mismatch between traditional sources of capital and capital needs across the entire lifecycle of the business (Markley et al., 2014).

for nearly eighty percent of the venture deals and more than ninety percent of the venture financing. This has been remarkably consistent over time. Detailed data by state from the 2013-2020 period can be found in Appendix B, which show this pattern has been very persistent over time.

Table 14. US VC deals and amounts for top 10 states (2020)

	Deals	Amount \$		
1 California	34.3%	52.6%		
2 New York	12.3%	10.8%		
3 Massachusetts	7.2%	10.3%	53.8%	73.6%
4 Washington	3.5%	3.1%		
5 Texas	5.2%	2.9%		
6 North Carolina	1.8%	2.1%		
7 Illinois	2.7%	1.8%		
8 Colorado	3.1%	1.6%		
9 Minnesota	1.1%	1.5%		
10 Florida	2.6%	1.3%		
11 Pennsylvania	2.6%	1.3%		
12 Georgia	1.8%	1.2%		
	78.2%	90.4%		

Source: Pitchbook and National Venture Capital Association

Table 15. Assets Under Management (2007-2020)

	2007	2013	2020
# of VC Firms in Existence	931.0	952.0	1,965.0
# of VC Funds in Existence	1,614.0	1,554.0	3,680.0
# of First Time VC Funds Raised	34.0	38.0	54.0
# of VC Funds Raising Money this Year	192.0	266.0	339.0
VC Capital Raised this Year (\$B)	34.6	20.7	74.5
VC AUM (\$B)	227.6	266.7	548.2
Avg VC AUM per Firm (\$M)	224.2	245.5	281.3
Avg VC Fund Size to Date (\$M)	128.1	131.0	129.7
Avg VC Fund Size Raised this Year (\$M)	205.7	91.3	229.2
Median VC AUM per Firm (\$M)	69.6	60.7	47.5
Median VC Fund Size to Date (\$M)	55.0	52.0	45.0
Median VC Fund Size Raised this Year (\$M)	115.5	28.9	75.0
Largest VC Fund Raised to Date (\$M)	3,000	1,100	3,750

Source: National Venture Capital Association 2020 Pitchbook Venture Yearbook

* Number of firms in existence is based on a rolling count of firms that raised a fund in the last 8 vintage years

* Number of VC funds in existence is based on a rolling count of funds that have closed in the last 8 vintage years

* AUM is calculated by adding together a firm's total remaining value and their total dry powder.

Data from Pitchbook show the concentration of venture capital continues to the present day. California alone received more than a third of the venture deals and more than half of the venture financing in 2020. If New York and Massachusetts are included, those three states account for more than half of the venture deals and nearly three-fourths of the venture financing. The top dozen states accounted

The following tables come from the National Venture Capital Association's 2021 Yearbook and use data from Pitchbook. These data show that the venture capital industry is growing, both in terms of the number of firms as well as the assets under management (AUM). The number of firms and funds has more than doubled over the period from 2007 to 2020, and a similar increase has occurred for assets under management, which when from \$227 billion in 2007 to \$548 billion in 2020.

Table 16. Top 5 States by Assets Under Management (AUM) in 2020 (\$B)

AUM	
California	313.38
New York	76.58
Massachusetts	74.73
Illinois	12.07
Washington	10.14

Source: National Venture Capital Association 2020 Pitchbook Venture Yearbook

The five top states for venture capital under management are California, New York, Illinois, and Washington. However, it's interesting to note that California has more assets under management than the other four states combined, at nearly double. In fact the two main Metropolitan Statistical Areas that make up Silicon Valley (San Francisco-Oakland-Fremont and San Jose-Sunnyvale-Santa Clara) made up 38.1 percent of the venture capital deal flow in terms of funding amount and 22.5 percent of the venture deals in 2020.

California also ranked first in terms of investor count by investor headquarters state, followed distantly by New York, and then, again distantly, by Massachusetts. Those states were the only three that had more than 100 active VC investors. Texas ranked slightly above Washington at 98, and Illinois rounded out the top five at 94. Many states had less than 10 active venture capital investors.

The rankings for active investors counts were similar when measured by company headquarters state. California again dominated, followed by New York and Massachusetts, which all had significantly more than Texas and Washington, which rounded out the top five.

California was responsible for 34 percent of the VC deals in 2020 and more than half of the capital invested (51.3 percent). New York was next with 12.3 percent of the VC deals and 11.1 percent of the capital invested. Massachusetts only did 7.2 percent of the deals, but invested 10.6 percent of the capital. Texas did five percent of the deals, but only invested three percent of the capital. Rounding out the top five, Washington did 3.6 percent of the deals and invested three percent of the capital.

Table 17: 2020 VC Deals & Company Counts by State

State	Company Count	% of Total	Capital Invested (\$M)	% of Total
California	3672	33.81%	84,189.26	51.33%
New York	1333	12.27%	18,151.73	11.07%
Massachusetts	784	7.22%	17,367.10	10.59%
Washington	386	3.55%	4,851.24	2.96%
Texas	545	5.02%	4,818.01	2.94%
North Carolina	221	2.03%	3,636.52	2.22%
Michigan	133	1.22%	3,332.70	2.03%
Colorado	341	3.14%	2,624.51	1.60%
Illinois	303	2.79%	2,588.41	1.58%
Pennsylvania	281	2.59%	2,137.26	1.30%
All Others	2863	26.36%	20,316.14	12.39%
Total	10862		164,012.89	

Source: National Venture Capital Association 2020 Pitchbook Venture Yearbook

Table 18: Active Investor count in 2020 deals by Investor HQ State

Investor HQ State or Province	Investor Count
California	1043
New York	429
Massachusetts	163
Texas	98
Illinois	94
Washington	65
Florida	58
Colorado	44
Virginia	44
Pennsylvania	43
Georgia	42
Maryland	41
Michigan	29
New Jersey	28
Connecticut	27
North Carolina	27
Ohio	25
Tennessee	24
Utah	23
Minnesota	22
Missouri	21
Wisconsin	20
Indiana	19
District of Columbia	18
Oregon	12
Arizona	11
Kentucky	11
Iowa	10
Nevada	9
Kansas	9
New Hampshire	8
Delaware	6
New Mexico	6
Alabama	6
Oklahoma	6
South Carolina	5
Rhode Island	5
Maine	4
Louisiana	4
Idaho	3
Wyoming	2
North Dakota	2
West Virginia	2
Montana	2
Vermont	1
Arkansas	1
Puerto Rico	1
Nebraska	1
Hawaii	0
South Dakota	0

Source: National Venture Capital Association 2020 Pitchbook Venture Yearbook

Table 19: Active Investor count in 2020 deals by HQ state

Company State	Investor Count
California	1757
New York	625
Massachusetts	346
Texas	181
Washington	121
Pennsylvania	74
Illinois	73
Colorado	72
Florida	71
North Carolina	58
Delaware	56
Georgia	55
Utah	53
Virginia	52
Maryland	51
Minnesota	40
Ohio	38
Oregon	32
Connecticut	31
New Jersey	31
District of Columbia	30
Missouri	25
Arizona	24
Tennessee	23
Michigan	21
Indiana	21
Wisconsin	19
Iowa	11
New Mexico	10
Oklahoma	10
Kentucky	10
Nevada	9
Maine	8
New Hampshire	8
Alabama	6
South Carolina	6
Louisiana	5
Montana	4
Rhode Island	4
Nebraska	4
Idaho	3
Hawaii	3
Wyoming	3
Kansas	3
South Dakota	2
Puerto Rico	1
Arkansas	1
West Virginia	0
Vermont	0
North Dakota	0

Source: National Venture Capital Association 2020 Pitchbook Venture Yearbook

Table 20: Assets Under Management by State (\$ Millions)

State	2020
Alabama	110.63
Arizona	886.72
Arkansas	21.44
California	313,380.36
Colorado	4,162.05
Connecticut	6,224.21
Delaware	105.88
District of Columbia	7,257.16
Florida	3,785.81
Georgia	1,769.87
Hawaii	18.41
Idaho	106.71
Illinois	12,067.42
Indiana	214.11
Iowa	162.55
Kansas	116.05
Kentucky	74.27
Louisiana	237.74
Maine	188.08
Maryland	1,621.68
Massachusetts	74,728.49
Michigan	2,459.82
Minnesota	1,397.14
Missouri	1,920.05
Montana	75.70
Nebraska	96.16
Nevada	85.93
New Hampshire	396.55
New Jersey	2,653.29
New Mexico	144.75
New York	76,578.10
North Carolina	1,804.44
North Dakota	100.43
Ohio	2,832.52
Oklahoma	1,257.47
Oregon	328.98
Pennsylvania	2,580.38
Rhode Island	3.51
South Carolina	72.33
South Dakota	22.10
Tennessee	1,844.83
Texas	5,728.30
Utah	2,881.86
Vermont	52.31
Virginia	3,504.80
Washington	10,139.31
Wisconsin	1,836.92
Wyoming	102.45

Source: National Venture Capital Association 2020 Pitchbook Venture Yearbook

There is ample investment activity by investments firms that happen outside of the state where the VC firm is headquartered. While many venture firms have multiple locations, most do not. California is the state that has the most states invested in at 47, which means venture capital firms with California headquarters invested in companies located in almost every state in the country! New York and Illinois were not far behind at 42 and 39 respectively. Massachusetts rounded out the top four at 37 and Maryland and Texas tied for fifth by investing in companies from 35 states.

In terms of the states where companies raised capital from investors outside of their own state, Delaware ranked first with 98 percent of investors coming from outside of Delaware. The District of Columbia ranked second with 84 percent of investors coming from outside of D.C. Nevada and New Jersey also had more than 80 percent of their investment coming from investors outside of their states at 83 percent and 82 percent respectively. South Carolina rounded out the top five at 78 percent.

Table 21: Number of States Invested into by Investor HQ State (2020)

Investor HQ State	# of States Invested in
California	47
New York	42
Illinois	39
Massachusetts	37
Maryland	35
Texas	35
District of Columbia	30
Florida	30
Colorado	30
Georgia	29
Washington	29
Missouri	29
Tennessee	28
Connecticut	27
Pennsylvania	26
Virginia	26
New Hampshire	25
New Jersey	25
North Carolina	24
Wisconsin	22
Kentucky	21
Minnesota	21
Michigan	20
Ohio	19
Iowa	18
Kansas	18
Utah	17
Oregon	17
Arizona	16
South Carolina	16
Louisiana	16
Indiana	15
Delaware	15

Source: National Venture Capital Association 2020 Pitchbook Venture Yearbook

It's interesting to note that investing outside of one's headquarters state has been increasing over time. For example, in 2007 California investors invested into companies from 37 different states, which increased to 43 states in 2013 and then 47 by 2020.

Finally, in terms of the top states that featured the highest percent of investors from that state, Indiana ranked first at 75 percent, followed by California at 69 percent. Michigan and Iowa followed closely behind at 68 percent and 65 percent respectively, while Connecticut rounded out the top five at 60 percent.

Table 22: Investment Details by Geography

# of States California Investors Invested into by Year	
Year	# of States Invested In
2007	37
2013	43
2020	47

Top 5 States by Percentage of 2020 Deals Done in State Which Feature Investor(s) from Outside State

Company HQ State	% Invested From Outside State
Delaware	98%
District of Columbia	84%
Nevada	83%
New Jersey	82%
South Carolina	78%

*This ranking is inclusive of states with 20 or more investments

Top 5 States by Percentage of 2020 Deals Done in State which Feature Investor(s) from that State

Company HQ State	% Invested From Within State
Indiana	75%
California	69%
Michigan	68%
Iowa	65%
Connecticut	60%

*This ranking is inclusive of states with 20 or more investments

Source: National Venture Capital Association 2020 Pitchbook Venture Yearbook

While many investors, especially later stage, frequently invest across state lines, early stage companies are more likely to rely on investors closer to home. Thus, they benefit immensely from growth in local capital availability. But even at the later stage, companies in the three regions that dominate venture capital activity benefit from being near these areas. The median distance between the lead investor and target company in the Bay Area, Boston, and New York from 2015-2019 was just 32 miles, while for the other ecosystems it was about ten times that at 323 miles²⁴. Since venture capital investing can be a very hands-on investment strategy, smaller distances between companies and investors is beneficial to both sides. Thus, if the goal is to grow less prominent ecosystems, especially rural areas, a growth in the local investor networks as well as wrap around support services and mentoring for businesses in these areas will be needed as well, especially those at the earliest stages. However, research has shown that venture capital firms based in locales that are venture capital centers outperform, regardless of the stage of the investment. This outperformance arises from outsized performance outside of the venture capital firms' office loca-

tions, including in peripheral locations. (Chen et al 2009). This suggests that one pathway to 'better' venture capital investment in underserved areas, especially rural ones, would be for policy makers to mitigate costs associated with established venture capitalists investing in their geographies rather than encouraging the establishment of new venture capital firms.

While Pitchbook does not provide data broken out by business location in terms of urban and rural, the SEC provides publicly available data by zip code, which can then be mapped to urban and rural location.²⁵ Several pathways are available²⁶ to companies are seeking to raise capital but this report focuses on Reg D offerings, which totaled more than a trillion dollars last year.²⁷ Reg D filings include private placements (Rule 506(b)), general solicitation (Rule 506(c)) and Rule 504, which allows companies to raise up to five million dollars from wealthy investors with whom they have a prior relationship. The cap for 504 increased to \$10 million in 2021, but the amount raised from 504 is small, compared with 506 offerings.

The following table aggregates 504 and 506 offerings under Reg D. Some firms may have more than one offering. The data include offerings conducted by pooled investment vehicles, which are allowed in Rule 506(b) and 506(c) of Regulation D offerings. These are fiscal year numbers, which, for example, means that FY2021 is quarters one and two from 2021 and quarters three and four from 2020.

The amount sought from companies rose from \$1.7 trillion dollars in 2017 to more than \$3 trillion in 2021, an overall growth rate of 80 percent. Companies that could be classified as urban sought \$1.3 trillion in 2017 and more than \$2 trillion in 2021, a growth rate of 52 percent. Companies that could be classified as rural sought about \$7.5 billion in 2017 but that increased to nearly \$58 billion by 2021, an increase of 675 percent. In terms of the amounts raised, urban firms raised about \$1.1 trillion in 2017 and more than \$1.7 trillion in 2021, an increase of about 58 percent. On the other hand, rural firms raised \$3.2 billion in 2017 and more than \$42.5 billion in 2021, an increase of 1228 percent.

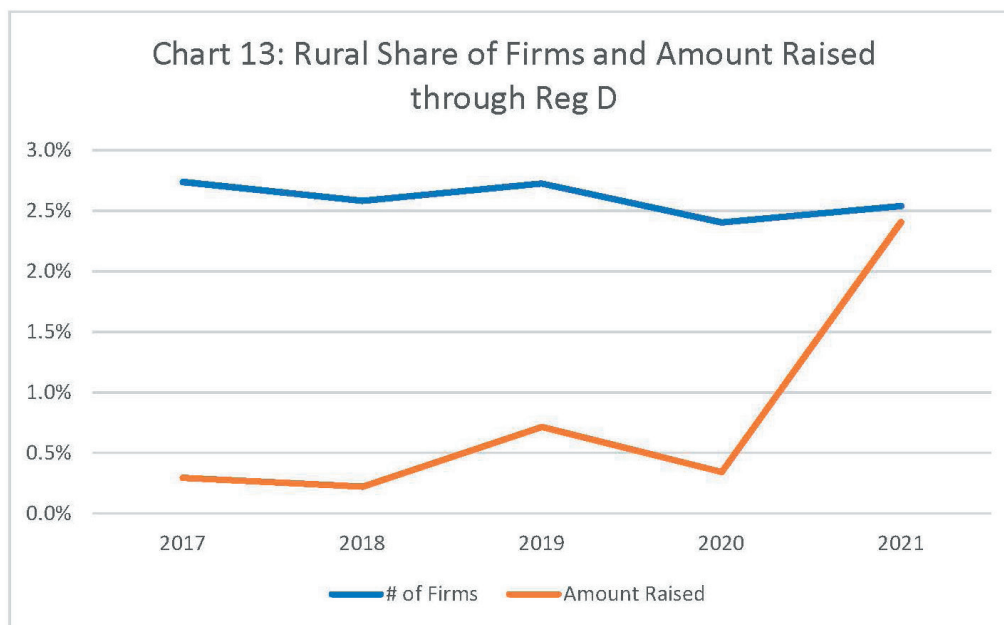
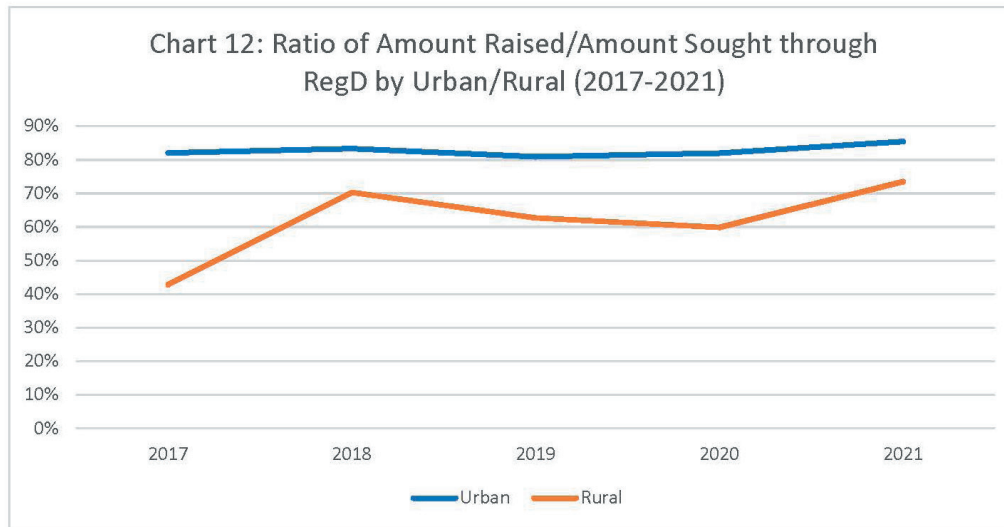
Rural firms only raised about 43 percent of what they sought in 2017, but that increased to more than 73 percent by 2021. Urban firms raised about 82 percent of what they sought in 2017 and just over 85 percent in 2021. And while 2017 looks like an anomaly for rural companies, compared with other years, with just 43 percent, rural companies raised a much smaller percentage of funds than the sought compared with urban firms, although that difference dropped to its lowest level by 2021. The share of companies that raised at least half of the funds sought rose over the 2017-2021 period for both urban and rural companies. Urban firms were more likely to have raised at least half of what they sought, compared with rural firms.

Whether we look at amount raised or number of firms raising capital, companies in rural areas made up a small fraction of the companies and funding that could be classified by urban and rural locations.

Table 23. Regulation D Filings by Urban/Rural (2017-2021)

Fiscal Year	Rural/Urban	# of Firms	Amount Sought	Amount Raised	Percent Raised (Sold/Sought)	% of firms that raised >50% of funds sought
2017	Urban	18,732	\$ 1,332,017,200,000	\$ 1,092,350,300,000	82.01%	76.35%
	Rural	527	\$ 7,488,329,315	\$ 3,204,948,816	42.80%	64.43%
	Missing	2,189	\$ 378,085,115,464	\$ 324,839,884,388	85.92%	86.01%
	Total	21,433	\$ 1,717,590,600,000	\$ 1,420,395,200,000	82.70%	77.01%
2018	Urban	19,920	\$ 2,039,011,000,000	\$ 1,698,146,000,000	83.28%	77.55%
	Rural	528	\$ 5,327,822,312	\$ 3,739,747,223	70.19%	72.27%
	Missing	2,325	\$ 432,337,862,021	\$ 373,175,778,586	86.32%	86.12%
	Total	22,757	\$ 2,476,676,700,000	\$ 2,075,061,600,000	83.78%	78.27%
2019	Urban	21,195	\$ 1,777,494,900,000	\$ 1,437,063,100,000	80.85%	77.64%
	Rural	593	\$ 16,435,968,082	\$ 10,306,347,503	62.71%	65.00%
	Missing	2,287	\$ 529,490,811,051	\$ 496,263,875,511	93.72%	86.78%
	Total	24,051	\$ 2,323,421,700,000	\$ 1,943,633,300,000	83.65%	78.20%
2020	Urban	21,257	\$ 1,978,812,600,000	\$ 1,621,031,600,000	81.92%	78.05%
	Rural	523	\$ 9,259,160,748	\$ 5,540,879,795	59.84%	65.39%
	Missing	2,322	\$ 315,132,565,026	\$ 272,065,660,195	86.33%	85.67%
	Total	24,079	\$ 2,303,204,400,000	\$ 1,898,638,100,000	82.43%	78.52%
2021	Urban	26,602	\$ 2,024,348,000,000	\$ 1,728,391,600,000	85.38%	81.93%
	Rural	693	\$ 57,991,933,326	\$ 42,588,505,671	73.44%	70.26%
	Missing	2,758	\$ 1,011,395,500,000	\$ 962,256,161,412	95.14%	85.73%
	Total	30,026	\$ 3,093,735,400,000	\$ 2,733,236,300,000	88.35%	82.02%

Source: SEC Data (<https://www.sec.gov/dera/data/form-d>)



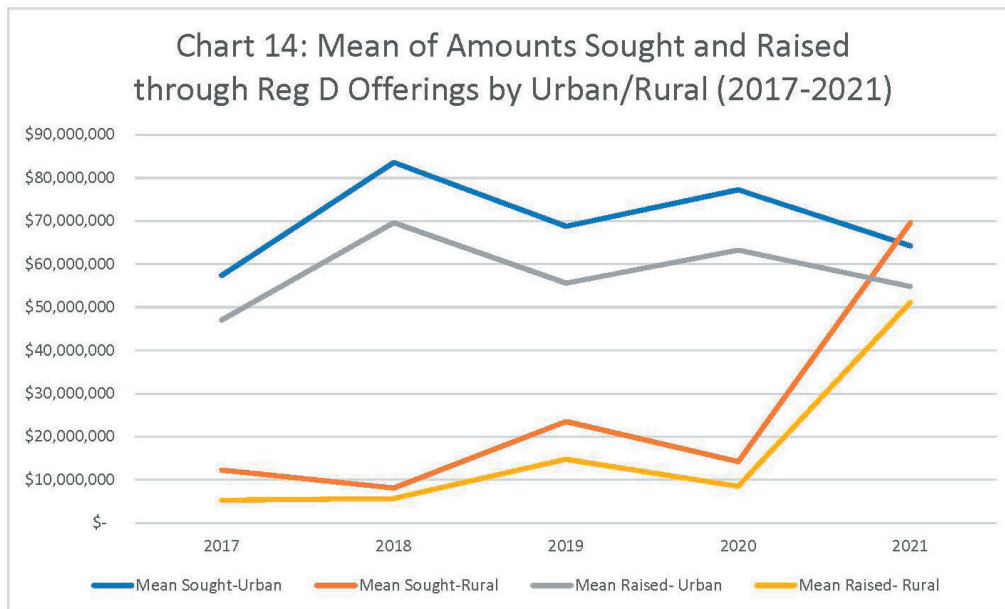
The following table provides the means and medians sought and raised over the 2017-2021 period broken out by urban and rural companies. The chart afterwards shows quite clearly the convergence in 2021 in terms of the mean amounts sought and raised. The mean amount sought was slightly larger for rural firms than urban firms (\$69.5 million versus \$64.2 million respectively), but the mean amount raised was slightly higher for urban firms than rural ones (\$54.8 million versus \$51.1 million).

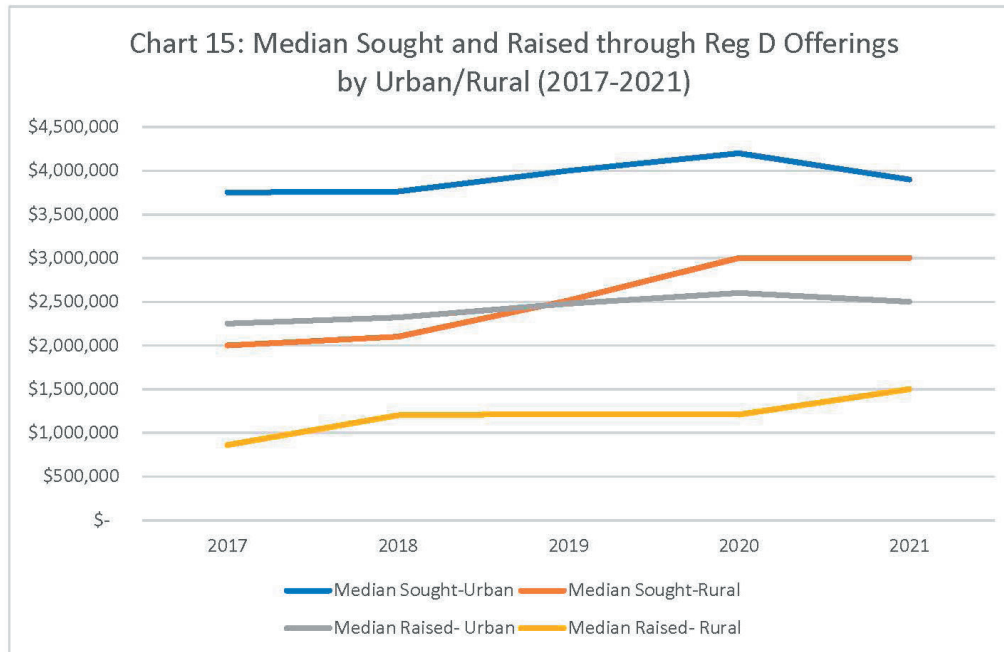
The medians were much lower, but they also show a convergence over time. In 2017 the median sought was \$3.75 million for urban firms and \$2 million for rural firms, but by 2021 the median was \$3.9 million for urban firms and \$3.0 for rural firms. In terms of amount raised, the median hovered around \$2.5 million for urban firms, but nearly doubled for rural firms, from \$860,000 in 2017 to \$1.5 million by 2021.

Table 24. Regulation D Filings by Urban/Rural (2017-2021)

Fiscal Year	Rural/Urban	# of Firms	Mean of Amount Sought	Median of Amount Sought	Mean of Amount Raised	Median of Amount Raised
2017	Urban	18,732	\$ 57,318,180	\$ 3,750,000	\$ 47,005,049	\$ 2,250,000
	Rural	527	\$ 12,275,950	\$ 2,000,000	\$ 5,254,014	\$ 860,000
	Missing	2,189	\$ 148,559,967	\$ 10,000,000	\$ 127,638,461	\$ 8,682,440
	Total	21,433	\$ 65,075,041	\$ 3,982,359	\$ 53,815,078	\$ 2,400,000
2018	Urban	19,920	\$ 83,552,326	\$ 3,759,953	\$ 69,584,742	\$ 2,320,000
	Rural	528	\$ 8,072,458	\$ 2,100,000	\$ 5,666,284	\$ 1,198,375
	Missing	2,325	\$ 157,557,530	\$ 10,000,000	\$ 135,997,004	\$ 7,414,293
	Total	22,757	\$ 89,063,458	\$ 3,995,309	\$ 74,621,029	\$ 2,440,000
2019	Urban	21,195	\$ 68,751,254	\$ 4,000,000	\$ 55,583,781	\$ 2,478,454
	Rural	593	\$ 23,479,954	\$ 2,515,470	\$ 14,723,354	\$ 1,217,500
	Missing	2,287	\$ 191,844,497	\$ 10,000,000	\$ 179,805,752	\$ 8,370,000
	Total	24,051	\$ 79,259,797	\$ 4,202,435	\$ 66,303,926	\$ 2,574,457
2020	Urban	21,257	\$ 77,215,930	\$ 4,200,000	\$ 63,254,833	\$ 2,600,000
	Rural	523	\$ 14,179,419	\$ 3,000,000	\$ 8,485,268	\$ 1,210,000
	Missing	2,322	\$ 110,109,212	\$ 7,295,932	\$ 95,061,377	\$ 5,000,000
	Total	24,079	\$ 79,033,846	\$ 4,327,662	\$ 65,151,264	\$ 2,700,000
2021	Urban	26,602	\$ 64,228,313	\$ 3,900,000	\$ 54,838,238	\$ 2,500,000
	Rural	693	\$ 69,534,692	\$ 3,000,000	\$ 51,065,355	\$ 1,500,252
	Missing	2,758	\$ 293,413,253	\$ 6,017,641	\$ 279,157,575	\$ 4,610,000
	Total	30,026	\$ 86,419,603	\$ 4,000,000	\$ 76,349,514	\$ 2,555,000

Source: SEC Data (<https://www.sec.gov/dera/data/form-d>)





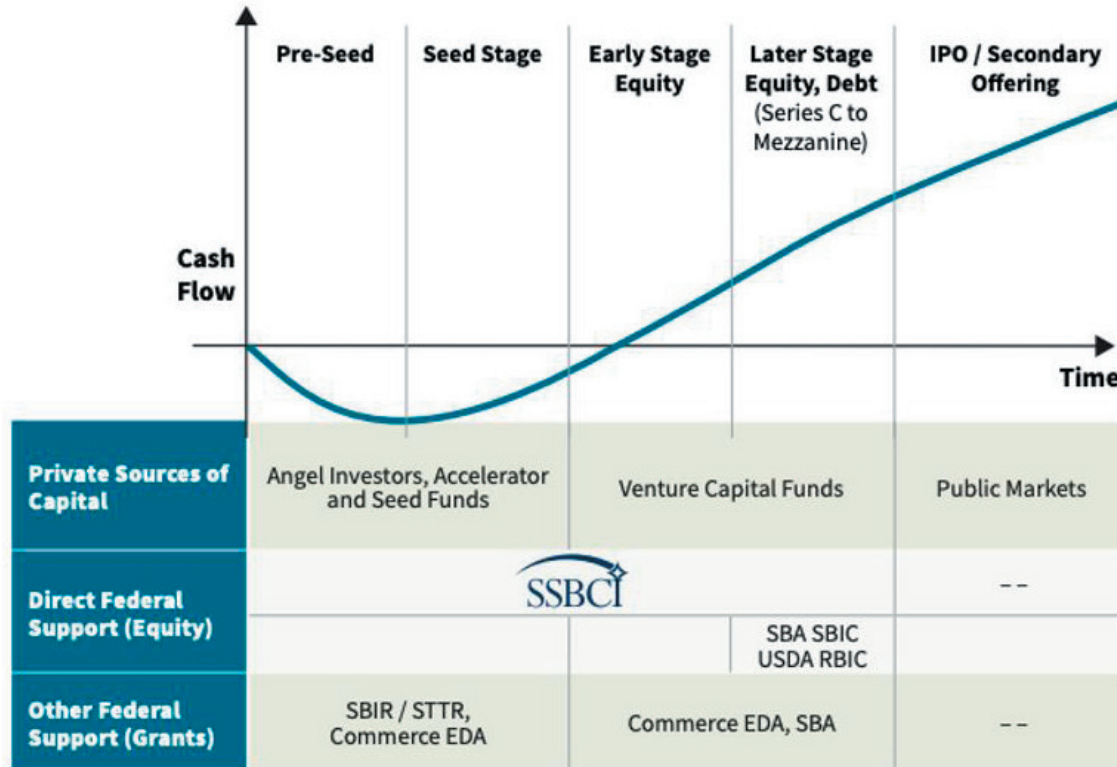
Community Development Venture Capital

Businesses in rural areas are much less likely to attract traditional venture capital, which is very concentrated in urban areas generally and in specifically a select group of geographies that have a critical mass of potential investment opportunities and the supporting infrastructure in the form of technological, managerial, legal and financial expertise necessary to take ideas to market (Rubin 2001, Lipper and Moncrief 2001). Since rural areas offer much more limited deal flow, fewer supporting infrastructures, and longer distances for VCs to travel for screening and monitoring, businesses are far less likely to be attractive candidates for traditional venture capitalists and more likely to attract developmental capital in the form of community development venture capital. Community development venture capital (CDVC) is one form of developmental venture capital that has evolved in rural areas where investors are evaluating a company's potential for high-quality job creation and its likelihood of rapid economic growth. As a result of this dual-bottom-line, CDVCs are willing to invest in companies in numerous industries, stages of development, and locations (Rubin 2001). The need for subsidy in many cases has limited both the growth of new CDVC funds and the capitalization levels of existing ones. However, some of the newer funding opportunities have expanded the investment theses to include more early stage companies.

The State Small Business Credit Initiative (SSBCI) was established by the Small Business Jobs Act of 2010, and provided nearly \$1.5 billion to state small business financing programs. In a departure from federal credit programs with uniform requirements, SSBCI gave states significant flexibility to design programs that met local market conditions. Thirty-eight states directed approximately \$450 million, or 31 percent of total SSBCI funds, to venture capital programs. Between 2011 and 2015, venture capital programs supported over 1,300 equity investments with \$278 million in SSBCI funding, generating \$3.1 billion in new investment. States with less access to venture capital tended to use SSBCI for equity programs: States outside the historically dominant venture capital hubs were more likely to allocate SSBCI funds to venture programs. (Center for Regional Economic Competitiveness and Cromwell Schmisser, 2016).

The SSBCI program's ability to leverage private capital made it both cost effective and highly impactful: 80 percent of all SSBCI loans and investments went to businesses with 10 or fewer employees, and 42 percent went to businesses in low- and moderate-income communities. More than 16,900 small businesses in the U.S. received financial support from SSBCI, resulting in the creation or retention of 190,000 American jobs. The original SSBCI expired in 2017, however, SSBCI reauthorization was included in the American Rescue Plan, which was signed into law in March 2021. When the American Rescue Plan was passed, it reauthorized \$10 billion in funding for SSBCI 2.0.²⁸

Chart 16. Equity-based Capital Continuum for High-Growth Businesses



source: https://www.treasury.gov/resource-center/sb-programs/Documents/SSBCI_pe2016_Full_Report.pdf

Rural Business Investment Program

The 2002 Farm Bill created the Rural Business Investment Program (RBIP), designed to promote developmental venture capital investments in smaller enterprises located in rural areas. The USDA program provides Rural Business Investment Company (RBIC) licenses to newly formed developmental capital organizations (profit developmental capital funds) in order to meet the equity capital investment needs in rural communities. Originally, the U.S. Department of Agriculture (USDA) and the U.S. Small Business Administration (SBA) signed a collaborative agreement to implement RBIP. Under the agreement, the SBA provided

the day-to-day management and operation of the program. Only one venture fund was licensed under the original program, Meritus Ventures, which made investments in rural areas throughout Kentucky, Tennessee, Ohio, West Virginia, Virginia, North Carolina, South Carolina, Georgia, Alabama, Mississippi, and Arkansas. However, since then the program was extended and there are currently 10 Certified RBICs, which are listed below and show the year certified, the state in which they are headquartered, the assets under management, and geographical focus, if any. Appendix C provides more details on each of them including their investment theses in terms of sector, stage, and geography.

Table 25. List of Certified Rural Business Investment Companies

RBIC Name	Year Certified	HQ State	\$AUM	Geog. Focus
Advantage Capital Agribusiness Partners	2014	MO	\$154.5M	US
Azalea Capital RBIC Fund	2021	SC	\$59.5M	SE/Mid Atl.
Blue Highway Growth Capital	2018	MA	\$41.6M	NE/Mid Atl.
Innova Ag Innovation Fund IV	2015	TN	\$31M	US
Lewis & Blark RBIC Fund II	2020	MO	\$100M	Midwest, Gulf Coast, SE
Meritus Ventures	2006	TN	\$36.4M	Appalachia
Midwest Growth Partners II	2018	IA	\$113.5M	Midwest.
Open Prairie Rural Opportunities Fund	2017	IL	\$81M	Midwest
Pharos Capital Partners IV-A	2020	TN	\$150M	US
Rural American Fund III RBIC	2020	IL	\$50M	US

G. Public Offerings

Few public offerings are made by rural companies, however PureCycle Technologies is one exception. They are currently considered a Florida company, they are building out a \$360 million facility near Athens, OH in the Appalachian region of Ohio. They are renovating three buildings on 23 acres that will serve as the company's North American operations center.

Homestead Funds, a \$2.7 billion mutual-fund company, recently launched the mutual fund Rural America Growth & Income Fund (HRRLX), which seeks to invest in companies and sectors with roots in the rural economy, defined as having at least 10% of its capital expenditures, or at least 10% of its total revenue, coming from rural America, such as agribusiness, consumer products, financial services, health care, transportation, technology and infrastructure.²⁹

III. GENDER GAPS

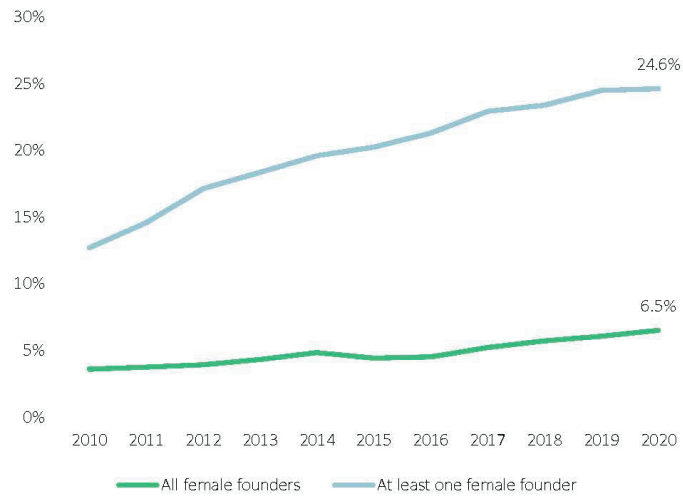
A. Venture Capital

The Pitchbook data on venture capital funding to female CEOs has been persistently stuck at dismal levels. Only 6.5 percent of the VC deals were led by all-female-led teams or

sole female founders. And those companies received only about 2.3 percent of the venture capital financing. For mixed teams, those with at least one female on the founding team, the numbers are better: about 25 percent of the deals and 15 percent of the funding.

Table 26. Female-founded companies as a proportion of total US VC deals (#)

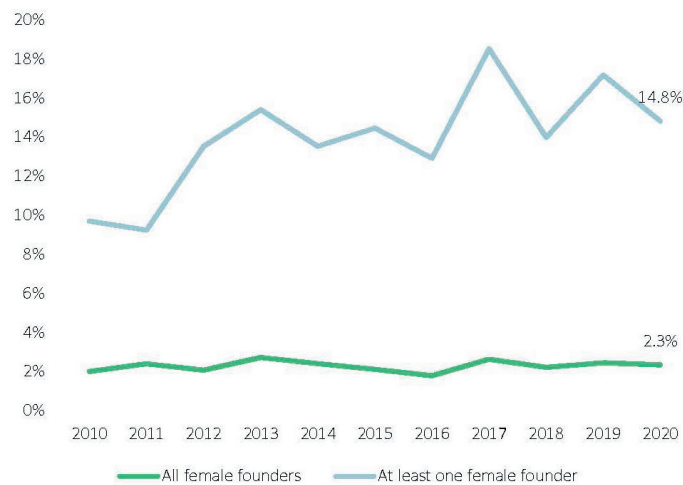
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
All female founders	3.6%	3.8%	3.9%	4.3%	4.8%	4.4%	4.5%	5.2%	5.7%	6.1%	6.5%
At least one female founder	12.7%	14.6%	17.1%	18.3%	19.6%	20.2%	21.3%	22.9%	23.4%	24.5%	24.6%



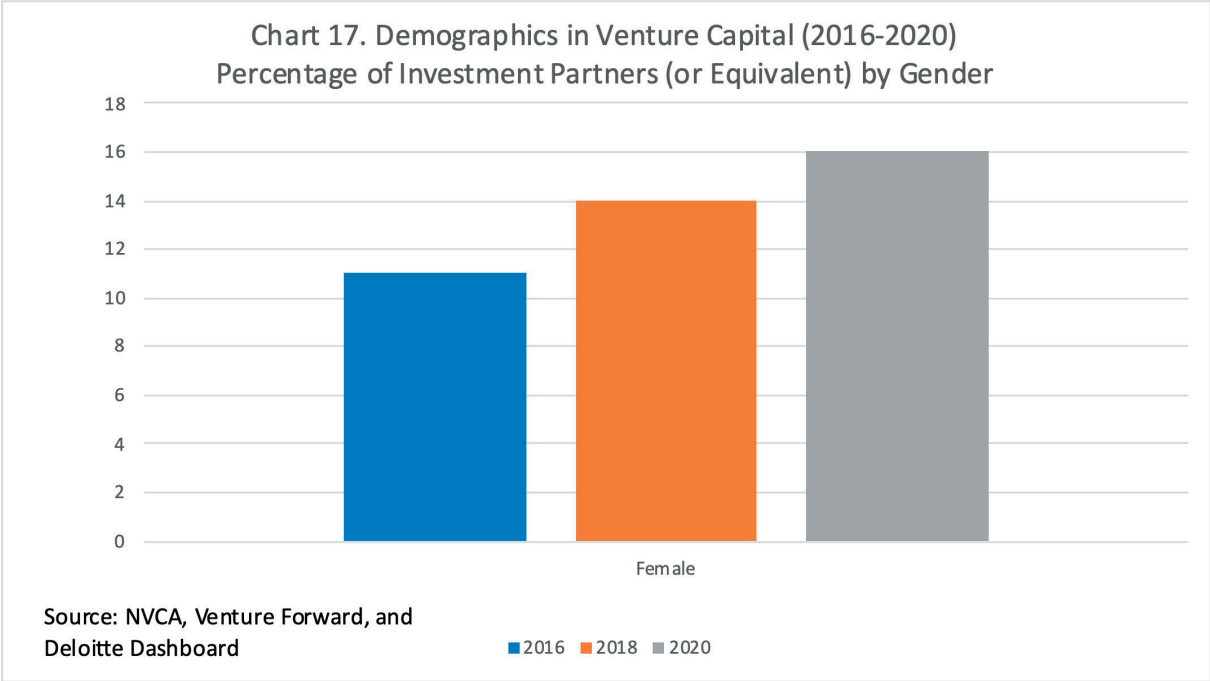
Source: Pitchbook and National Venture Capital Association

Table 27. Female-founded companies as a proportion of total US VC deals (\$)

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
All female founders	2.0%	2.4%	2.1%	2.7%	2.4%	2.1%	1.8%	2.6%	2.2%	2.4%	2.3%
At least one female founder	9.7%	9.2%	13.5%	15.4%	13.5%	14.5%	12.9%	18.5%	14.0%	17.2%	14.8%



Source: Pitchbook and National Venture Capital Association



However, it’s notable that the numbers are pretty flat overall. The importance of female investment decision makers cannot be overstated. Research has shown they are twice as likely to invest in female founders as their male counterparts.³⁰ While the percentage of investment partners that are female is slowly rising, they still only make up about 16 percent of the venture capital decision makers in the US.³¹

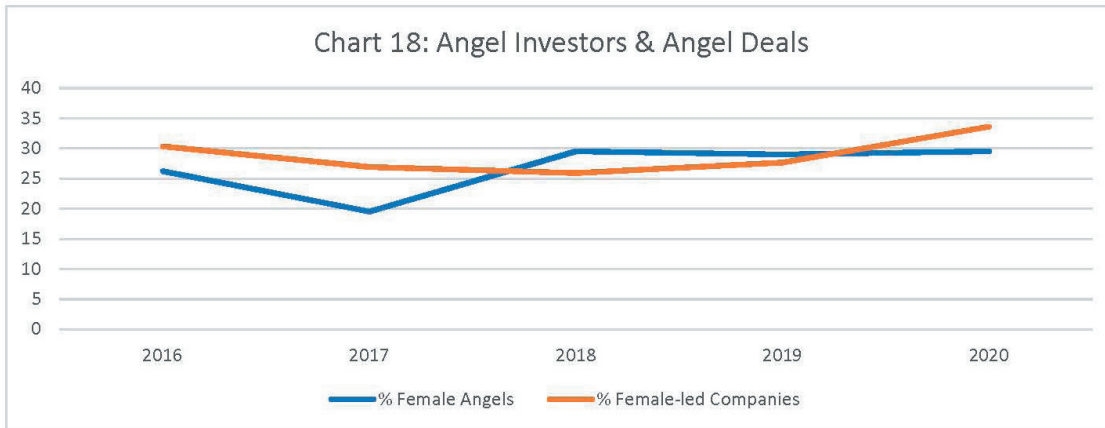
B. Angel Investment

The data on gender for angel investing is more promising. Close to 30 percent of angel investors are women and more than a third of the companies seeking investment are women led, according to the Center for Venture Research. However, these numbers are relatively flat as well.

Table 28. Gender & The Angel Capital Ecosystem (2016-2020)

	Amount of Funding (\$billions)	Number of Angel Deals	Number of Angel Investors	Percentage of Angels that are People of Color	% of Companies Seeking Investment that are Minority-led
2016	21.3	64,380	297,880	4.9	15.3
2017	23.9	61,560	288,380	5.6	11.2
2018	23.1	66,110	334,565	5.3	10.7
2019	23.9	63,730	323,365	7.1	9.3
2020	25.3	64,480	334,680	5.5	5.3

Source: Jeffery Sohl, Center for Venture Research: 2021, 2020, 2019, 2019, 2017.



Data from the 2020 Halo report found that only 16 percent of the angel capital investment went to companies with a female CEO. The 2019 Angel Capital Angel Funders report indicated that 21 percent of the companies receiving angel investment had a female CEO. This report also examined the average angel investment by CEO experience and found that while experienced male CEOs raised \$279,483, nearly twice the level of experienced female CEOs, those without experience, male or female, raised about \$200,000 on average. Experienced male CEOs raised nearly \$70,000 more than their inexperienced counterparts, while female CEOs without experience raised more than \$50,000 more

than their experienced counterparts. It's also worthwhile to note that male CEOs without experience raised more than the female CEOs, experienced or not. So clearly, we are a long way from parity.

Table 29. Angel Capital Investment by CEO Gender

	Number	Percentage
Female	303	15.8%
Male	1615	84.2%
Total	1918	100%

Source: 2020 HALO Report

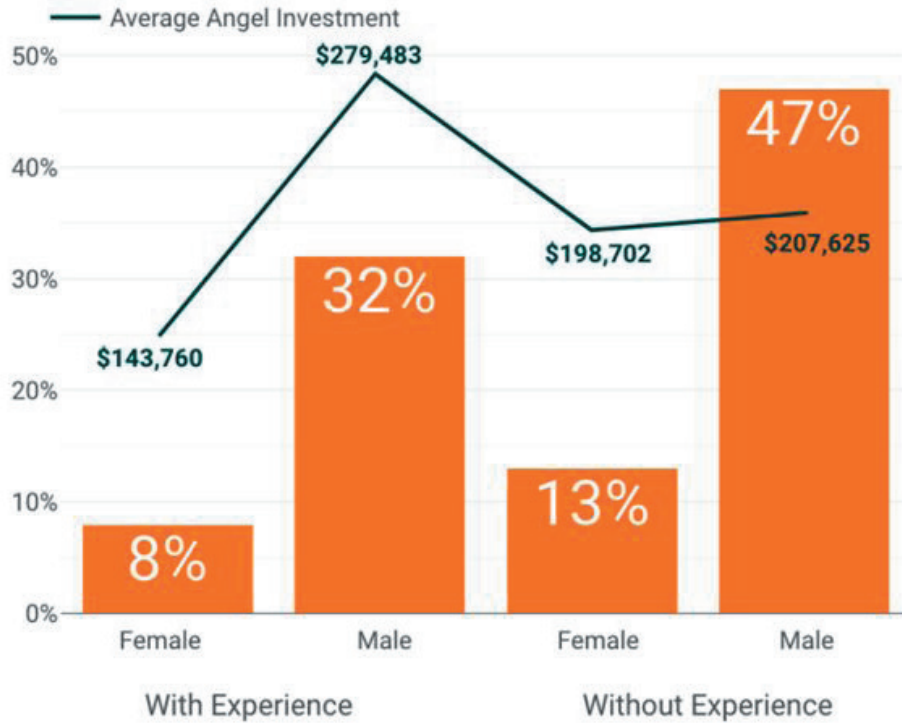
Chart 19: Angel Funding by CEO Gender



Source: 2019 Angel Funders Report, Angel Capital Association

Chart 20: Angel Funding by CEO Gender and Experience

CEO Experience Makes a Difference

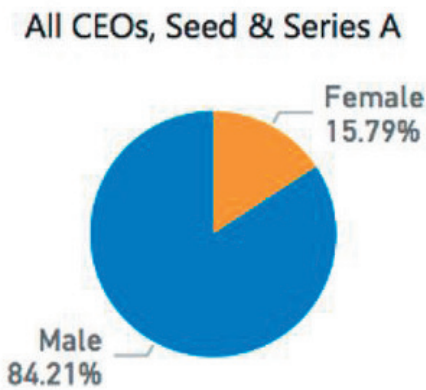


Source: 2019 Angel Capital Association Angel Funders Report

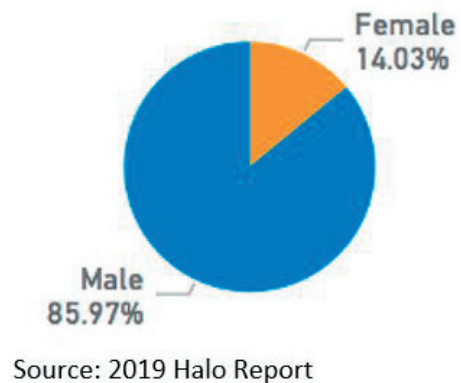
The 2019 Halo report showed that female CEOs led about 16 percent of the companies raising seed and series A

funding, and about 14 percent of the later stage funding (series B and later).

Chart 21: Series Seed and Series A Funding by CEO Gender



All CEOs, Series B & Later



Source: 2019 Halo Report

C. Crowdfunding

WeFunder, the largest equity crowdfunding platform, indicates that 33 percent of the companies that raised funding on their platform has female CEOs, which is very promising. This is clearly a promising area for future research. Perhaps researchers can partner with the leading platforms to examine if and how crowdfunding is easing the gender gap in investment capital.

IV. RACIAL AND ETHNIC GAPS

A. Venture Capital

Using data provided by Crunchbase, Fortune reported that “Black and Latino founders accounted for less than 4% of all venture capital deals and only 2.3% of all venture dollars raised in the U.S in 2019. This lack of diversity among venture-backed founders has spurred numerous calls to action

in recent years.³² Another study found that only about one percent of venture-backed founders were Black or Latinx.³³ Over the period 2009-2017, Only 0.32% of VC went to Latinx female founders³⁴ while 0.0006% went to Black female founders³⁵.

The lack of diversity in Venture Capital Partners is surely driving some of this glaring gap in the amount of capital going to diverse founders.

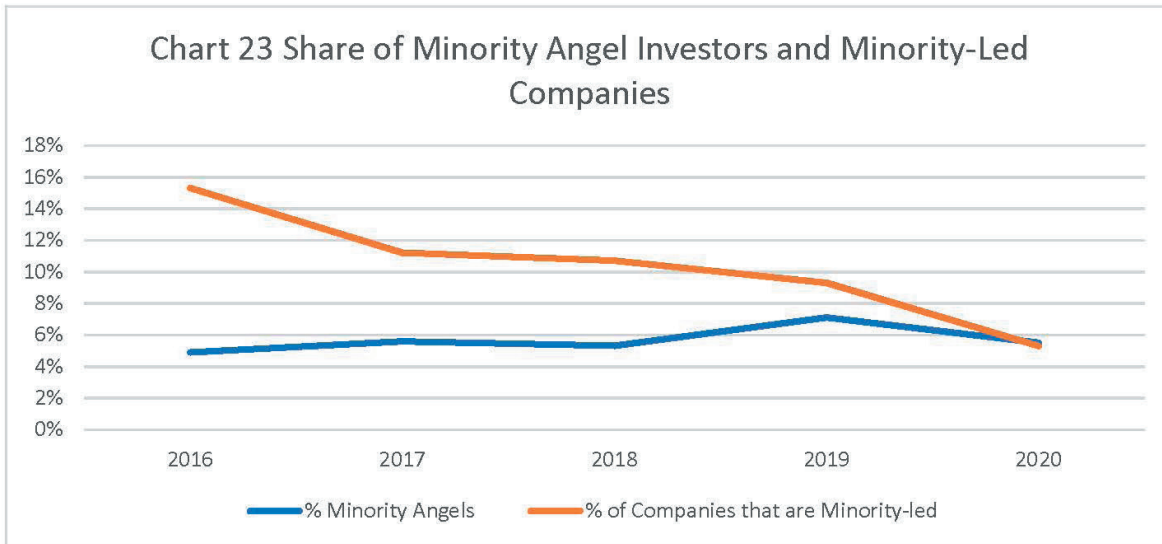
B. Angel Investment

The data from the Center from Venture Research that there is a similar dearth in the share of angel investors that are people of color. While the share of angels that are people of color has remained pretty stable at around 5.5 percent, the percentage of companies that have been seeking investment had dropped considerably over the 2016-2020 period, from more than 15 percent in 2016 to single digits in later years.

Table 30. Race/Ethnicity & The Angel Capital Ecosystem (2016-2020)

	Amount of Funding (\$billions)	Number of Angel Deals	Number of Angel Investors	Percentage of Angels that are People of Color	% of Companies Seeking Investment that are Minority-led
2016	21.3	64,380	297,880	4.9	15.3
2017	23.9	61,560	288,380	5.6	11.2
2018	23.1	66,110	334,565	5.3	10.7
2019	23.9	63,730	323,365	7.1	9.3
2020	25.3	64,480	334,680	5.5	5.3

Source: Jeffery Sohl, Center for Venture Research: 2021, 2020, 2019, 2019, 2017.



However, the 2020 Halo report has data that are a bit more promising. They show that about 15 percent of the companies that received investment from angels were led by people of color. Their 2019 report showed that minority-led businesses were about 19 percent of the early stage deals (seed and series A) and about 10 percent of later stage deals (series B and later). For companies led by people of color, female CEOs made up 19.4 percent of the companies who received early stage capital (seed and series A) and 18.5 percent of the later stage deals.

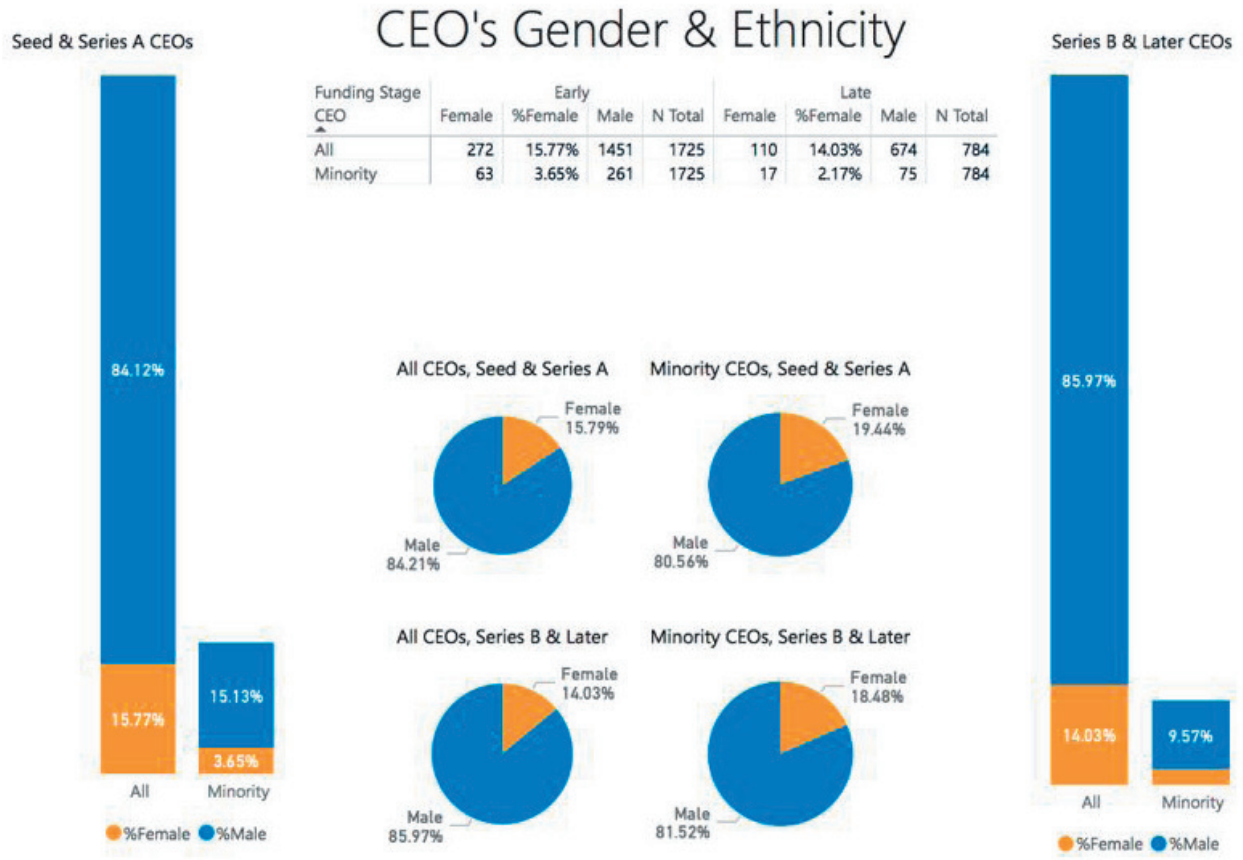
The 2019 Angel Funders report from the Angel Capital Association showed data that were also a bit more positive than the Center for Venture research. Their data indicated that about 11.5 percent of the venture deals went to companies led by founders of color.

Table 31. Angel Capital Investment by CEO Race/Ethnicity

	Number	Percentage
Black	57	3.0%
Asian/Pacific Islander	201	10.5%
Hispanic	44	2.3%
White	1616	84.3%
Total	1918	100%

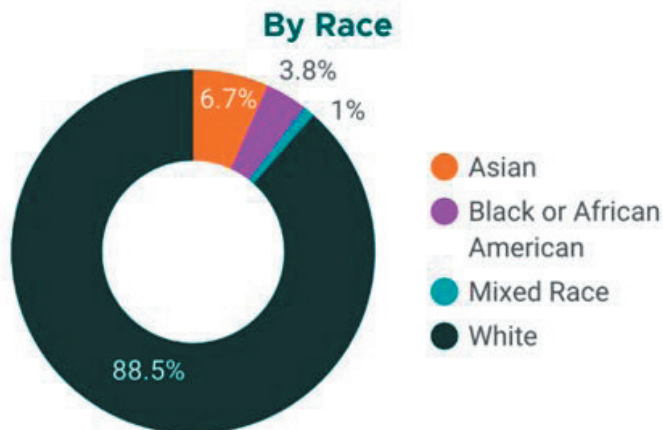
Source: 2020 HALO Report

Chart 24: Series Seed and Series A Deals by CEO's Gender and Ethnicity



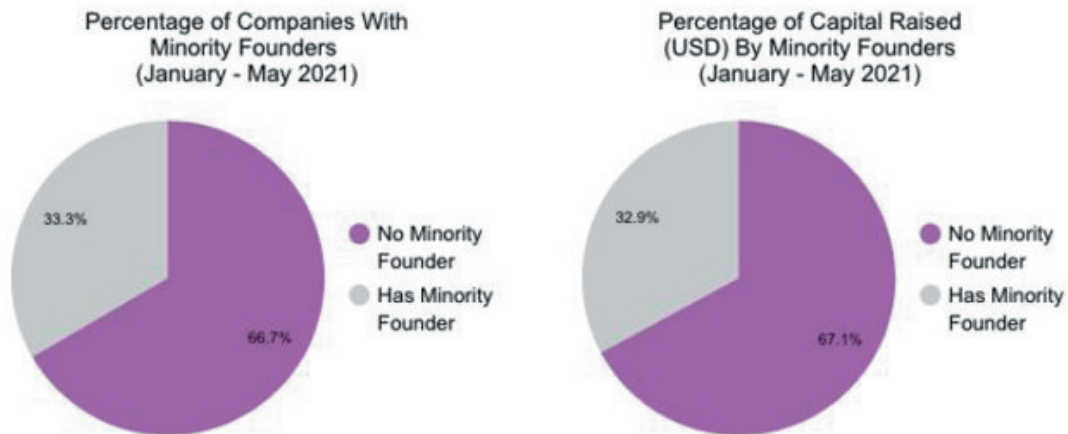
Source: 2019 Halo Report, Angel Resource Institute

Chart 25: Venture Deals by Founder Race



Source: 2019 Angel Capital Associations Angel Funders Report

Chart 26: Deals and Funding by Race/Ethnicity/Gender



C. Crowdfunding

Kingscrowd, an online platform, recently broke down both the percentage of minority-founded companies that raise via equity crowdfunding as well as the percentage of total capital raised that went to companies with one or more minority founders and found that crowdfunders are investing far more in minority founders than VCs are.³⁶ Their data indicated that in the first five months of 2021, about one-third of the deals and one-third of the capital invested went to minority founders.

WeFunder, which is the largest equity crowdfunding platform, indicated that one-third of their companies were led by women and 4.4 percent were led by black founders. And while they don't provide detailed data on the geography of the companies that raise money on their platform, it is interesting to note that 87 percent of the companies are outside of Silicon Valley.

Table 32. VC versus Equity Crowdfunding

	VC	WeFunder
Female	3.0%	33.0%
Black	1.0%	4.4%
Outside Silicon Valley	58.0%	87.0%

Source: Wefunder.com

Thus, it does appear that crowdfunding is creating more access to women and minority founders, but it is unclear if it is benefitting female founders or founders of color is rural areas. That would be an interesting avenue for future research.

V. REAL WORLD EXAMPLES

For rural communities, building a robust entrepreneurial ecosystem is key to supporting the formation and growth of entrepreneurs. This means access to financial capital (angel investor groups, funds, grants, debt capital, crowdfunding), human capital (mentors, advisors, board members, networks), and access to broader markets. The following three examples highlight what groups are doing to mobilize capital to businesses in rural areas and how businesses are meeting the challenge of raising growth capital to scale their companies.

A. Appalachian Investors Alliance

The [Appalachian Investor Alliance \(AIA\)](#) is a non-profit corporation that is dedicated to growing access to organized capital in Appalachia. They help groups organize capital by forming microventure funds structured as member managed LLCs and providing these groups with various kinds of technical assistance, such as due diligence support, accounting, and fund reporting. The Alliance also helps member groups with additional training and workshops around early stage investing. The Alliance currently supports 12 funds with nearly 300 investors, and has a pipeline of several more funds that they are currently onboarding.

Table 33. Appalachian Investor Alliance (2017-2021)

	Rural	Urban	Total
Number of investments	11	39	50
Amount of investment	\$ 4,322,001	\$ 17,132,183	\$ 21,454,184
Amount of syndicated Investment	\$ 301,864,199	\$ 365,562,984	\$ 667,427,183
% of investments (#)	22.0%	78.0%	100%
% of investment (\$)	20.1%	79.9%	100%
% of syndicated Investment (\$)	45.2%	54.8%	100%

Since 2017, they've investment more than \$21.5 million into fifty companies, with more than \$4.3 million (22 percent) going to businesses in rural areas (defined as non-metro). These rural companies were able to raise an additional \$302 million from other investors. So while the rural companies only accounted for about 20 percent of the investment dollars that AIA invested, they accounted for more than 45 percent of the \$667 million of investment dollars leveraged from other investors.

The Appalachian Investor Alliance promotes a blended investment thesis, which takes into account the resources and characteristics of the business population that is located

throughout the Appalachian region, and focuses on supporting the businesses where they are at, rather than imposing an ultra-high growth thesis on the business, which is what most venture capital firms do. As can be seen by the tables below, they invest in a wide range of industries, from hotels to medical device companies and everything in between. There are 22 industries represented in the portfolios of AIA. Nearly 100 unique industries were represented in their applications and the companies that went through due diligence came from 43 different unique industries.

Table 34. Industries of Companies that went through due diligence with and/or were invested in by AIA

1	Advertising		
2	Apparel	1	Advertising
3	Beverage (S	2	Aerospace/Defense
4	Business &	3	Apparel
5	Chemical (S	4	Beverage (Soft)
6	Computers/	5	Building Materials
7	Drugs (Biot	6	Business & Consumer Services
8	Environmer	7	Chemical (Specialty)
9	Farming/Ag	8	Computers/Peripherals
10	Financial Sv	9	Construction Supplies
11	Healthcare	10	Drugs (Biotechnology)
12	Healthcare	11	Drugs (Pharmaceutical)
13	Hotel/Gami	12	Education
14	Household	13	Electrical Equipment
15	Metals & M	14	Electronics (Consumer & Office)
16	Real Estate	15	Electronics (General)
17	Restaurant/	16	Engineering/Construction
18	Retail (Spec	17	Entertainment
19	Software (E	18	Environmental & Waste Services
20	Software (Ir	19	Farming/Agriculture
21	Software (S	20	Financial Svcs. (Non-bank & Insurance)
22	Transportat	21	Food Processing
		22	Green & Renewable Energy
		23	Healthcare Information and Technology
		24	Healthcare Products
		25	Healthcare Support Services
		26	Hotel/Gaming
		27	Household Products
		28	Machinery
		29	Metals & Mining
		30	Publishing & Newspapers
		31	Real Estate (Development)
		32	Real Estate (Operations & Services)
		33	Recreation
		34	Restaurant/Dining
		35	Retail (General)
		36	Retail (Online)
		37	Retail (Special Lines)
		38	Semiconductor
		39	Software (Entertainment)
		40	Software (Internet)
		41	Software (System & Application)
		42	Telecom Equipment
		43	Transportation

B. Greater Colorado Pitch Series, A Funding Event for Rural Colorado Growth Businesses

The Greater Colorado Venture Fund (GCVF) is a venture capital fund that is focused on investing in businesses in Rural Colorado. For the purposes of GCVF, rural is defined as any county with a population of less than 150,000, which means, in essence, any company located outside the front range, which is the area from Fort Collins to Colorado Springs. The fund was launched in 2018 with state funds and about 20 investors, mostly high net worth individuals and family offices, joining in as limited partners. The fund manages assets of \$17.5 million, with more than half coming from state funds. They currently have 23 companies in their portfolio, all of which are located in rural areas as defined above. Eight of the companies have at least one female in leadership and 15 of them had previously raised funding prior to the fund's investments. They were across a number of industries and 10 were consumer based, 12 were direct to business, and three focused on government clients.

For three years now, the Greater Colorado Venture Fund has sought to mobilize additional investment into the rural ecosystem by hosting the Greater Colorado Pitch Series, a pitch competition where companies pitch for investment. It is part of the West Slope Startup Week, a week-long event, which offers dozens of workshops, webinars, and fireside chats for anyone interested in the entrepreneurial ecosystem in Western Colorado.

In 2020 there were nearly 100 applicants from throughout Colorado, more than half of which had no revenue or less than \$50,000 in revenue the prior year and 42 percent had received no prior outside investment. One third had a female CEO, while two-thirds had a male CEO. Just over a third were technology companies, and, given Colorado's reputation having a very outdoorsy and active population, more than a third of the companies were in the outdoors industry.

More than \$2 million was invested in the seven finalists after they presented, one finalist secured a loan via a referral from GCVF, and two finalists were accepted into accelerator programs.

Building on the first year, GCVF reached out to other capital providers to partner with for the 2021 event and created four different capital tracks for the event, which reflected the reality that there are different types of startup companies with different capital needs. Companies were able to select up to two tracks in their application. GCVF also ensured each track's selection committee was diverse. Of the 91 applicants, 42 had at least one woman on the founding team. The founding teams also had 10 Hispanic/Latino founders, three black founders, seven Asian and Pacific Islander founders, and two Native American founders. Four of the founders identified as LGBTQIA. 39 of the applicants had not raised any funding previously and 44 of the companies were pre-revenue. Two finalists were selected for each track and the winners of the investments were selected at the pitch competition.

Chart 27: Greater Colorado Pitch Statistics (2020)

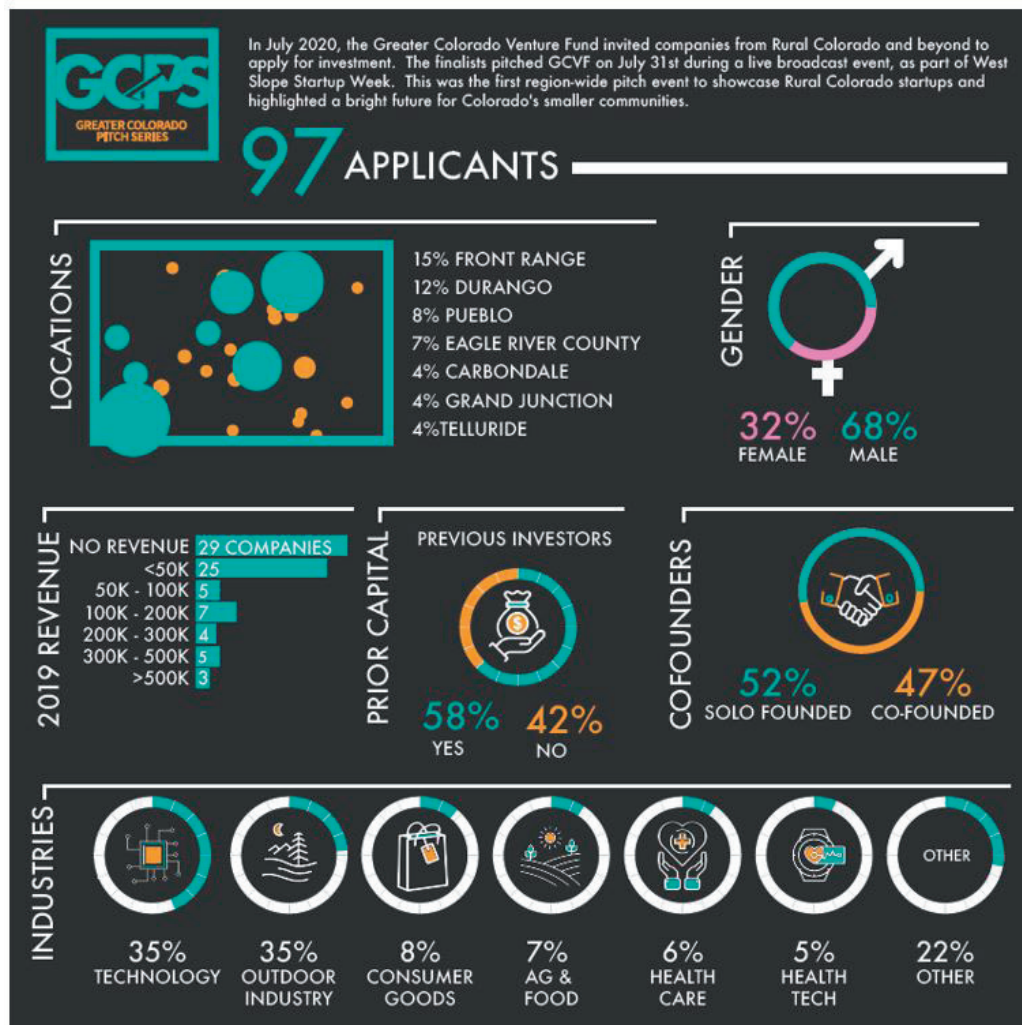
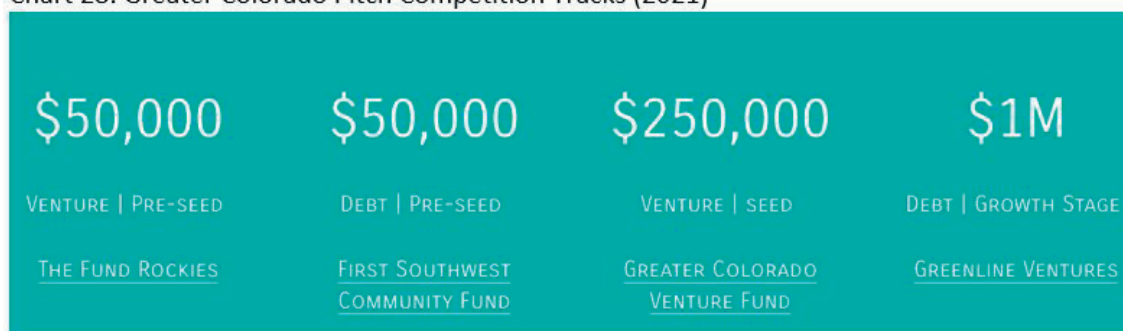


Chart 28: Greater Colorado Pitch Competition Tracks (2021)



Pre-Seed Debt Track

The pre-seed debt track was led by First Southwest Community Fund (FSWCF) (<https://www.fswcf.org/>), which was created in 2015 by First Southwest Bank to provide risk mitigating gap funding. FSWCF is headquartered in Alamosa, CO but serves rural Colorado in its entirety. FSWCF has a primary mission of supporting tangible economic opportunities throughout rural Colorado by making much needed non-traditional capital (loans) available to emerging and existing businesses, which in turn create, retain and grow jobs. Often times, it is the FSWCF loan that enables a bank to get to a “yes” while staying within the parameters of its loan policy. By promoting economic development in distressed communities, First Southwest Community Fund helps create and retain jobs while encouraging the development of critical community infrastructure.

FSWCF selected SheFly as the winner of the pre-seed debt track and doubled their planned initial investment of \$50K to \$100K. SheFly started in January 2018 as part of an entrepreneurship class at Middlebury College where the two female founders were students. By August of 2018, they had formed an LLC. After they raised \$20K from the Dorm Room Fund, which is a fund focused on startups led by college students, and \$55K from a Kickstarter campaign that had an initial goal of \$15K, they knew they were on to something.

They came to Colorado as part of an accelerator program, which was focused on startups in the outdoors sector.³⁷ The eight-week program included one week in Boulder and five weeks at the ICELab, which is located at Western Colorado University in Gunnison. The accelerator offered business mentoring, connections to potential investors, and introductions to a large outdoor recreation network. It also offered a product launch on Moosejaw.com and in Moosejaw stores with a complete marketing and social media package. Two of the four companies selected were from out of state and both are seriously considering or have committed to relocating to Colorado.

When I spoke with them, they had already lined up additional debt financing for their next manufacturing run and generated a lot of interest from angel investors. They are also participating in the MassChallenge accelerator in Boston in a virtual cohort.

Pre-Seed Venture Track

The Fund Rockies (<https://thefund.vc/community/rockies/>) led the pre-seed venture track. The Fund Rockies invests in mission-driven, technology enabled companies at the earliest stages. They focus on teams that care about people and our collective future, who are using technology to turn big ideas that move the world forward into tangible businesses. They focus on leveraging their community and they’ve pooled their capital, networks, and expertise to grow the startup ecosystem in a new way that builds on community.

The Fund invested \$50K into Konbit, which is focused on building community microfarms, predominantly with Native American tribes on native American lands, as well as building out food forests on the community micro-farms. They are doing their first pilot microfarm with the Colville nation in Eastern Washington on a third of an acre. They plan to do four to eight microfarms in the area because the Colville Nation is made up of 12 tribes in four districts. Konbit seeks to address food insecurity, food sovereignty, health, and entrepreneurship by building a model where locals will become farm managers and do outreach and education in their communities. The male founder is originally from India and they currently have two other employees, one female and one Native American. They are moving from Superior, which is near Boulder and Denver, to Southwest Colorado near Durango, ideally near the Southern Ute tribal land where they anticipate installing future microfarms. They received a USDA grant to pilot the model (SBIR funding) using the innovation of an integrated bottom line business model. To scale, they are raising a \$500K pre-seed round and investments are structured into a SAFE (Simplified Agreement for Future Equity). They have begun reaching out to angel investors and impact funds that invest along their theses of food insecurity, health, and Native Americans.³⁸

A few interesting facts:

- *Konbit is a public benefit corporation enabling food sovereignty and equity in Native American lands. They foster cultural hubs through our network of community farms and our smart farming digital platform. They empower indigenous social-cultural entrepreneurs by localizing year-round nutrient-dense food production, thus kindling pride, spreading prosperity, and building resiliency in the community.*

- *Konbit (pronounced Cone-beet) is a Creole word with origins in West Africa that means coming together for the public commons and community good.*
- *NREL and Konbit are inking a 3-year agreement to further Agrivoltaics.*
- *Konbit is exploring with DOE to further carbon sequestration and carbon capture through biochar that becomes food for the traditional crops.*
- Konbit's USP, Regenerative Renaissance — Planet, People, Prosperity. Together.™ enables food sovereignty and equity through whole-system thinking:
 1. Catalyzing social-cultural entrepreneurs/farm managers network;
 2. Harnessing indigenous wisdom, guild-based bio-intensive farming practices;
 3. Localizing 4-season food production in geodesic structures;
 4. Enabling smart farming of nutrient-dense foods;
 5. Providing digital tokens for value exchange.

With climate change upon us and erratic weather patterns, structures are essential to protect food sources from the elements. Konbit products and services include infrastructure and technologies for 4-season food production. Konbit snap-to-grow simple yet unique geodesic dome farm designs incorporate locally available material assembled on-site. True to the meaning of Konbit -- coming together for community good — they also create local temporary jobs as the structure comes together. Konbit also provides the technologies to manage the Konbit farms smartly. It considers various macro- and micro-conditions to enable the network of social-cultural entrepreneurs-food producers to control and manage their food production across the network of Konbit farms.

Konbit received an SBIR Phase 1 USDA NIFA grant to pilot the Regenerative Renaissance — Planet, People, Prosperity. Together.™ business model at Confederate Colville Tribes. They are in active discussion across Indian country include Yurok, Coeur d'Alene, Nez Perce, Southern Ute, Ute Mountain, Navajo, and Kalispell and the Nation of Hawai'i.

Seed Venture Track

The Greater Colorado Venture Fund (<https://www.greater-colorado.vc/>) led the Seed Venture Round and selected Sky Peak Technologies as the winner in that category, which

received a \$250,000 investment from them. Sky Peak Technologies is a tech company led by a male CEO, a male COO, and a female Chief Marketing Officer (CMO) who is their Vice President of Business Development. The woman was the one who presented the company and did the pitch for the competition. The company has built a Software as a Service (SaaS) product called CORA (short for Content Optimization and Routing Algorithms) that optimizes and shapes mobile content *before* it is transmitted to the device thereby reducing data costs dramatically.

As mentioned previously, DCVF is a \$17.5M that started investing in 2018 and invests solely in rural areas. They usually invest about half of any investment round and have a network of other investors that co-invest with them. In addition to investing in Sky Peak Technologies, they previously invested in Barn Owl, a female founded tech company that was the other finalist in the pre-seed venture track, as well as Agile Space Industries and Western Rise, the two finalists from the Growth Stage Debt track.

Growth Debt Track

The Growth Stage Debt Track was led by Greenline Ventures, which is an impact-focused investment management firm that specializes in providing creative and flexible capital to underserved businesses and communities that are often neglected by traditional capital providers. (<https://www.greenlineventures.com/>). Their mission is to improve the flow of capital into underserved communities and motivate market rate capital to invest in community priorities. We place high importance on our relationships with our borrowers/investees and seek to partner with businesses that can generate positive impacts in their respective local communities, as well as strong risk-adjusted returns for our investors. Since their inception in 2004, Greenline has raised over \$1.8 billion of capital and has invested over \$2.5 billion in businesses and projects in high distress census tracts throughout the country. They operate as both a Community Development Entity ("CDE") and Community Development Financial Institution ("CDFI"). Greenline was also one of the first CDEs to receive a New Markets Tax Credit ("NMTC") allocation award at the inception of the NMTC program. To date, Greenline has been the recipient of eight NMTC allocation awards totaling \$547 million, making them one of the most active CDEs in the NMTC program.

Greenline Ventures ended up investing in both finalists in their track. One was Agile Space Industries, a leading developer of propulsion engines for spacecraft. Founded in 2009 it started life by developing a rocket engine testing site in Southern Colorado, not far from the town of Durango. Three years ago, Agile announced an expansion into design and manufacturing and won contract to supply 12 thrusters for a lunar lander for a 2023 NASA mission to the moon's South Pole.³⁹ They are also doing work for the Air Force, other Department of Defense Agencies, as well as defense contractors.

While it may seem unusual for a leading player in aerospace propulsion technology to be based in rural Colorado instead of the traditional center of the aerospace sector in Los Angeles, the lifestyle in the Durango area has turned out to be instrumental in attracting talented people to the business, with the area's outdoor pursuits, from skiing and mountain biking to fishing and trekking. "The quality of life here is so enviable," Jeffrey Max, the company's CEO said, "That's been hugely interesting to many of our team, and even more so in the context of the Covid-19 pandemic." Max himself relocated to the area in 1997 from London and was recruited in 2018 to lead the company's growth.⁴⁰ Greenline gave the company a \$2.1 million loan after the competition.

The other winner was Western Rise, a men's active clothing company, which is based in Telluride and led by Kelly Watters, who is the CEO, and her husband who is the creative director. They were outdoor guides in Vail, Colorado and became tired of carrying around multiple changes of clothing for each activity throughout the day. So, they created the company to create an alternative clothing option that was more versatile and stylish so that people could own less and experience more. Greenline Ventures approved loans totaling more than \$3.6 million for the two companies.

Thus, the investment by the four funding partners totaled nearly four million dollars into five of the companies that pitched at the event. Western Rise and SheFly are led by women, Konbit, Sky Peak, and Agile Space Industries were led by men, and Konbit was also led by a non-white founder.

When asked about the challenges of raising capital from a non-urban area, Kelly Watters replied,

"The short answer is it is both easier and harder. The communities that we are building in have a strong population of successful individuals, many of whom want to reinvest into the local ecosystem with both monetary resources and knowledge. That combined with the small pool of startups in the community makes access to early seed funding relatively easy. We also have access to alternative financing that would be more challenging to access if we were in more populated communities. The pitch event was a great example of this. However, it is harder to access larger institutional investors. There are very few located in, our or focused on, our communities. We have to spend more time building digital relationships and traveling than we would if we were located in Boulder, Austin, LA, SF, NY, or Seattle. We also miss networking events that help strengthen those relationships because of our location."

C. Stony Creek Colors

Stony Creek Colors is an example of a growth company from a rural area that has successfully raised a number of rounds of investment capital, as well as other nondilutive capital from various government programs. The founder, Sarah Bellos, started the company in 2012 and they have grown to more than fifty employees across multiple states. Stony Creek Colors is based in Springfield, Tennessee and produces natural indigo dye. They have created a full value chain for its production, from seed production, contracting farmers to produce biomass, formulating an innovative drying process, and creating a new scientific process of extraction. They have intellectual property around plant variety, the extraction process, and dyeing methods. They are currently the only company producing high purity plant-based indigo at industrial scale and quality globally. The first market they are tackling is the textile market and specifically denim, with a mission to catalyze the transition from unsustainable synthetic dyes to renewable plant-based dyes in textiles.⁴¹ Their goal is to be the global supplier of choice for socially and environmentally responsible natural colors and help fashion brands move toward a circular and regenerative economy and reduce the toxic chemicals typically used. The company is also actively engaged in helping farmers transition from crops such as tobacco and to more sustainable and regenerative production practices. The indigo varieties they have created are nitrogen-fixing, climate beneficial crops which also increase soil fertility and health.⁴² Other target markets include food and beauty.

100% Plant-Based Indigo

Stony Creek Colors produces the world's only 100% certified bio-based indigo by USDA. This global certification ensures denim brands and artisans get the traceable, plant-derived product consumers demand, free of the toxic inputs like aniline and cyanide found in synthetic indigo and adulterated "natural" indigo.



Over the first several years, she successfully obtained a number of grants from the USDA NIFA (SBIR Award Phase I and II) and National Science Foundation (NSF) STTR program. She also initially received a USDA Rural Development Value Added Producer Grant (VAPG), which is part of a program that helps agricultural producers enter into value added activities related to the processing and/or marketing of bio-based, value-added products. Generating new products, creating and expanding marketing opportunities, and increasing producer income are the goals of this program.⁴³ She also received grants from the Tennessee Economic and Community Development, the Tennessee Department of Agriculture, and the TVA.

Her first investment capital investment came at the end of 2013 from an angel investor on the west coast who was connected with a friend of hers. With this funding and her grant funding, she was able to begin to build the company and undertake R&D. Her next round of seed funding of just over two million dollars was in 2016 and was a combination of investments from angels that were connected to her initial investor, as well as family offices and other investors that were in the network of the accelerator program she went through and received investment from, Village Capital. With this funding she was able to start to build out a factory in rural Tennessee and buy additional equipment. Her next round of funding was her series A round, which totaled \$3.3 million of equity capital from a number of investors, as well as a \$2 million loan as part of the New Markets Tax Credit. She worked with Capital One Bank and Amcref (a community development loan fund) as partners for these tax credit funds.

From Seed To Closet: Our Whole Systems Approach



Source: www.stonycreekcolors.com

She raised a small series A2 equity round in early 2020 from previous investors in order to maximize an NSF match of funds and then did a series B round of equity with an expanded set of investors in the latter part of 2020, which totaled \$6.7 million including the conversion of \$1.1 million in convertible notes. With these funds she has been able to aggressively grow the company, adding acreage and processing capabilities in Florida as well as continuing to expand in Tennessee and Kentucky. Sarah got connected to Lewis and Clark Agrifood, who led their series B round, at an agtech conference in 2018 and kept in touch with them over time. As one of the main funders in the agtech space, she wanted to build a relationship with them before she was actually raising funds. Other investors in the round included JumpFund, Next Wave Impact, Innova Ag Innovation Fund IV, and The Nature Conservancy (TNC), in what was one of TNC’s first private company investments through their soil health initiative.

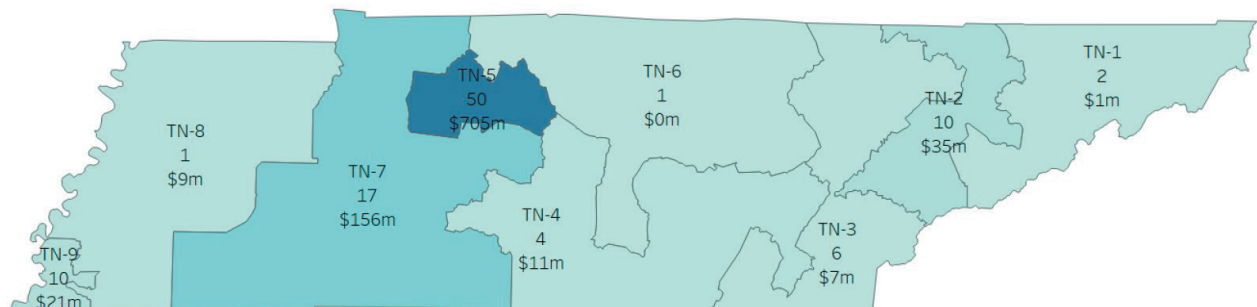
Interestingly, for the first three rounds of funding, only JumpFund, a fund focused on female entrepreneurs in Chattanooga, was based in Tennessee. There were no angel investors from the state of TN in Stony Creek Colors early funding. An additional Tennessee investor joined the Series B round, but it’s clear some founders are needing to reach outside their states for investment funding from early stage investors in order to scale.

However it is important to note that there are funders in every state. The National Venture Capital Association partnered with Venture Forward to produce some state level analyses for venture capital activity by congressional districts and one state analysis available is Tennessee.⁴⁴

That report indicated that from 2014-2019 there were 481 Tennessee-based startups that raised venture funding, raising more than \$3 Billion. The map below shows that in 2019, 103 companies raised \$946 million, which ranked them 24th in the U.S. in terms of deals and 17th in the U.S. in terms of funds raised.

Since Stony Creek Colors didn’t raise an equity round in 2019, their investment rounds are not part of the following map, which lists the number of deals and amount raised by each of the congressional districts. However, it’s interesting to note that Stony Creek Colors is located in the Sixth Congressional District, which shows one deal of less than a million dollars in all of 2019. Nearly half of the deals and \$705 million of the \$946 raised were in Congressional District Five, which contains the City of Nashville. Another 17 deals and \$156 million of investment were located in Congressional District Seven, which is directly next to District Five. Memphis, which is located in District Nine, had only 10 deals worth \$21 million of investment. Of the 101 deals and \$945 million that could be assigned to a congressional district, The top two districts in venture capital activity accounted for 66 percent of the deal activity and 91 percent of the investment dollars.

The top 10 venture deals in Tennessee in 2019 are listed below. Nine of the ten are in or near Nashville, TN, but one is located in Shelbyville, TN in a rural location. Ranking ninth, Uncle Nearest raised \$13 million in venture capital that year. The other state maps that are available show similar findings; the number of deals and amount of funding are concentrated in a few urban areas of the states.



Largest 2019 Venture Investments

Company	Location	Sector	Industry Group	Industry Code	Investment Size (\$M)
Groups360	Brentwood, TN	Information Technology	Software	Business/Productivity Software	\$50
Contessa	Nashville, TN	Healthcare	Healthcare Technology Systems	Other Healthcare Technology Systems	\$33
i2i Population Health	Franklin, TN	Healthcare	Healthcare Services	Practice Management (Healthcare)	\$30
Stratasan	Nashville, TN	Healthcare	Healthcare Technology Systems	Enterprise Systems (Healthcare)	\$26
Wellvana	Nashville, TN	Healthcare	Healthcare Technology Systems	Enterprise Systems (Healthcare)	\$25
JourneyPure	Nashville, TN	Healthcare	Healthcare Services	Clinics/Outpatient Services	\$20
Virtuoso Surgical	Nashville, TN	Healthcare	Healthcare Devices and Supplies	Surgical Devices	\$20
Tithe.ly	Nashville, TN	Information Technology	Software	Financial Software	\$15
Uncle Nearest	Shelbyville, TN	Consumer Products and Services (B2C)	Consumer Non-Durables	Beverages	\$13
Amytrx Therapeutics	Nashville, TN	Healthcare	Pharmaceuticals and Biotechnology	Drug Delivery	\$11

But back to Tennessee, Digging deeper, it turns out that [Uncle Nearest Premium Whiskey](#) is the fastest-growing American whiskey brand in U.S. history and the most-awarded Bourbon of 2019, 2020, and 2021 worldwide. The founder of Uncle Nearest is Fawn Weaver, a black woman, two rarities in a very white, male dominated industry. On June 1st of this year, she announced a \$50 million fund that was created specifically to invest in rapidly growing, minority-founded and owned spirit brands. The announcement of the fund was timed to coincide with the 100th anniversary of the destruction of Black Wall Street.

"On June 1, 1921, an entire community of wealthy and successful African Americans was wiped out in a matter of hours. We are talking about 35 square blocks known as Black Wall Street," said Weaver. "As an African American, learning about that history broke my heart because we, as a people, were really onto something in Tulsa, Oklahoma. We were lifting one another up and creating wealth within our own community, and then showing others how to do it for themselves. We cannot go back and undo the past, but I do believe we have full power over our future, and that recreating a Black Wall Street of sorts within the spirits industry is a great place to start."⁴⁵

This is a promising direction forward and one that hopefully other successful entrepreneurs will emulate. This has the potential to increase the flow of capital to underserved regions and entrepreneurs in the United States.

D. NC IDEA

NC IDEA is an independent private, 501(c)(3) foundation whose vision is to help North Carolinians achieve their entrepreneurial ambition to start and grow high potential companies. NC IDEA fosters sustainable economic development with competitive grants and programs for entrepreneurs and funding to strengthen the North Carolina entrepreneurial ecosystem. NC IDEA offers grant funding and support on the principles of diversity, equity, and inclusion (DEI).

North Carolina is nearly twice as rural as the national average at 39.8%, compared with 21% of the U.S. population. North Carolina's rural and under-served communities have deep roots and a wealth of untapped female and minority entrepreneurs. NC IDEA is focused on providing support to these entrepreneurs to help build successful businesses that will create new jobs in these communities. The expansion of their statewide footprint is allowing them to reach and support high potential startups to uplift distressed rural and under-served communities across the state.

While North Carolina is growing rapidly in terms of population, employment, and prosperity, the growth is not occurring evenly across the state. The most rapid growth has been in urban areas and cities; and not in the rural counties and these trends are predicted to continue over the next two decades, which will exacerbate the already large disparity between prosperous and distressed communities. The 2020 Distressed Communities Index from the U.S. Census Bureau's American

Community Survey estimates 20.2% of the North Carolina population lives in a prosperous community while 17.6% of our population lives in a distressed community.

NC IDEA’s programs target both entrepreneurs and ecosystems. The following chart outlines the different programs for each. Since 2006, NC IDEA has served more than 450+ companies and hundreds of communities and partners with more than \$13,400,000 in funding and tens of thousands of support programming hours. They deploy these resources through a strategic combination of grants, curricular programming, and mentoring.

The goal of NC IDEA is to expand North Carolina’s economic development efforts via entrepreneurship by empowering more people to pursue their entrepreneurial ambition to start and grow high potential companies, which will create the jobs and wealth that strengthen the economy and build diverse communities.

NC IDEA tracks the amount of funding going to more distressed areas, which are often in rural areas. Since the founding of the MICRO program in 2018, 25% of all MICRO grant recipients have resided in either a Tier 1 or Tier 2 county. Over the last five years, 20% of all SEED grant recipients have resided in either a Tier 1 or Tier 2 county. Finally, since the founding of each grant program, ECOSYSTEM (2016) and ENGAGE (2018), 30% of all grant recipients for each program have resided in either a Tier 1 or Tier 2 county. See below for a chart of the counties by Tier designation.

NC IDEA’s newest program, the North Carolina Black Entrepreneurship Council (NC BEC), was established in 2020 to specifically address the challenges of Black entrepreneurship in North Carolina. This council works closely with the Foundation to identify, recommend and support partners, grant recipients, and programs to serve the entrepreneurial aspirations and economic potential of North Carolina’s Black community.

PROGRAMS FOR ENTREPRENEURS

MICRO	Funding in the amount of \$10,000 to help entrepreneurs who are testing a big, new business idea.
SEED	Funding in the amount of \$50,000 to advance startups by helping them gain customers and/or attract future investment.
LABS	Helping entrepreneurs refine their business model and learn more about their customers.
SOAR	Serving and benefiting female founders of all NC IDEA companies.

PROGRAMS FOR THE ECOSYSTEM

MINDSET	Bringing the power of entrepreneurial thinking to the masses through deployment of the Ice House Entrepreneurship Program, with a bold ambition to educate 100,000 people in North Carolina.
ENGAGE	Funding to help entrepreneurship advocates offer programs, pilot new initiatives, and organize virtual and in-person events that bring people together to support entrepreneurial activity.
ECOSYSTEM	Strengthening the infrastructure for North Carolina’s entrepreneurs through regional ecosystem summits and grant funding to statewide partners executing creative programs.

NC IDEA FOUNDATION

\$13.4+ million in grants awarded to companies & partners

450+ companies served grants/programs	\$360+ million raised in funding
3,230+ jobs created*	57 companies raised \$1+ million
70% of companies in business today	20 companies raised \$5+ million
19 companies acquired	50% of companies supported under-served

ENTREPRENEUR PROGRAMS SUMMARY

MICRO 2018

- Nearly \$770,000 Awarded in 77 Grants
- \$6.8+ Million Raised in Funding
- 165+ Jobs Created
- 54% Female-Founded
- 47% Minority-Founded

SEED 2006

- \$7.1+ Million Awarded in 161 Grants
- \$319+ Million Raised in Funding
- 2,095+ Jobs Created
- 14 Companies Acquired
- 65% Still in Business

LABS 2012

- 240+ Companies Participated
- \$53+ Million Raised in Funding
- 1,240+ Jobs Created
- 6 Companies Acquired
- 26 Awarded SEED Grants
- 13 Awarded MICRO Grants

SOAR 2016

- 28% Companies Female-Founded
- \$17+ Million Raised in Funding by initial 25 Companies

ECOSYSTEM PROGRAMS SUMMARY

MINDSET 2018

- Entrepreneurial Mindset Education for the Masses via Ice House Curriculum
- 275+ Ice House Facilitators Trained
- 2,300+ Ice House Licenses Distributed

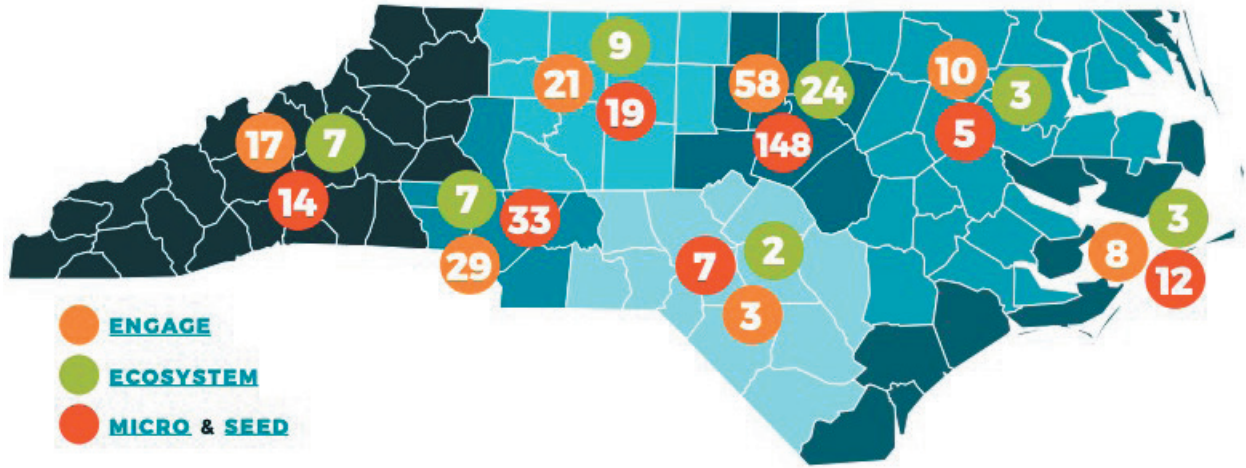
ENGAGE 2018

- \$724,000+ Awarded in 146 grants
- Emphasis on DEI
- Demographic Geographic Specific Programs

ECOSYSTEM 2016

- \$4.8+ Million Awarded in 55 grants
- 60% from Outside Research Triangle
- Emphasis on DEI
- Demographic Geographic Specific Programs
- 500 Attendees at 2019 Inaugural Ecosystem Summit

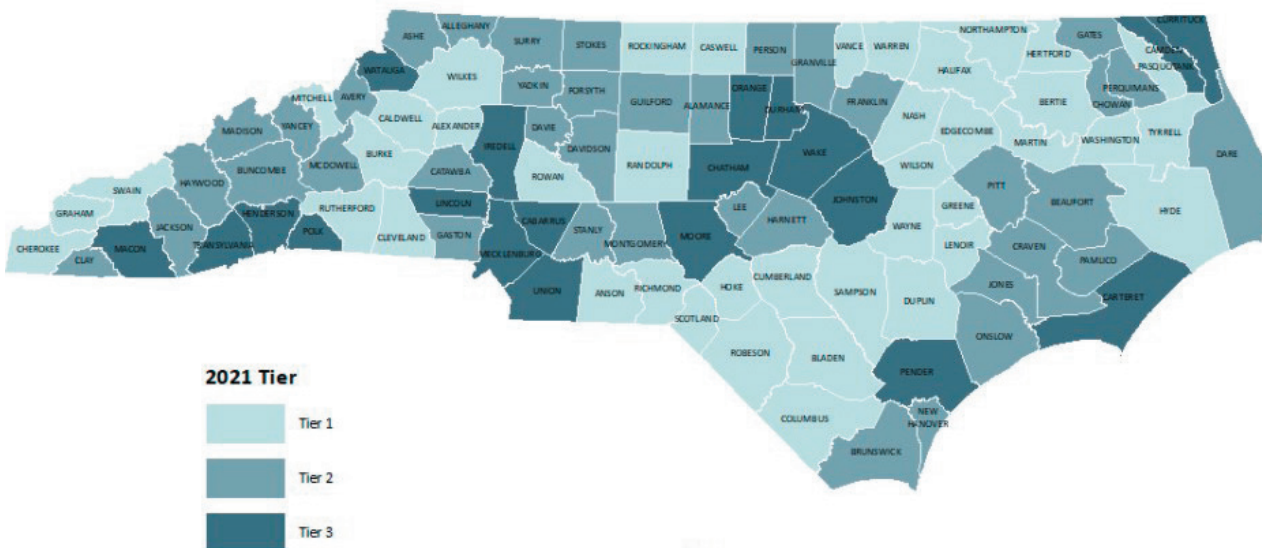
REGIONAL REPRESENTATION OF GRANT RECIPIENTS



NC IDEA tracks the amount of funding going to more distressed areas, which are often in rural areas. Since the founding of the MICRO program in 2018, 25% of all MICRO grant recipients have resided in either a Tier 1 or Tier 2 county. Over the last five years, 20% of all SEED grant recipients have resided in either a Tier 1 or Tier 2 county. Finally, since the founding of each grant program, ECOSYSTEM (2016) and ENGAGE (2018), 30% of all grant recipients for each program have resided in either a Tier 1 or Tier 2 county.⁴⁶ See below for a chart of the counties by Tier designation.

NC IDEA's newest program, the North Carolina Black Entrepreneurship Council (NC BEC), was established in 2020 to specifically address the challenges of Black entrepreneurship in North Carolina. This council works closely with the Foundation to identify, recommend and support partners, grant recipients, and programs to serve the entrepreneurial aspirations and economic potential of North Carolina's Black community.

2021 County Tier Designations



NC BLACK ENTREPRENEURSHIP COUNCIL

MICRO	Funding in the amount of \$10,000 to help Black entrepreneurs who are testing a big, new business idea. Program expected to launch in 2021.
SEED	Funding in the amount of \$50,000 to advance Black-founded startups by helping them gain customers and/or attract future investment. Program expected to launch in 2021.
ECOSYSTEM	Strengthening the infrastructure for North Carolina's Black entrepreneurs through grant funding to statewide partners executing on innovative and transformational ideas that elevate Black entrepreneurship.

VI. CONCLUSIONS AND POLICY RECOMMENDATIONS

Entrepreneurship plays an integral role in both job creation and wealth creation so it is a more frequent avenue being pursued by rural communities and local governments for economic development in these areas. Yet, because rural areas are more remote to markets, infrastructure, and other resources, such as human capital and financial capital, starting businesses and scaling businesses in rural areas can be especially challenging. However, since the benefits of having a thriving entrepreneurial ecosystem are many to these rural communities, increased attention is being paid to how communities can proactively build more dynamic ecosystems in their areas to foster entrepreneurship, mobilize investment, and create jobs and wealth in their communities.

With the technological innovations that have occurred over the last couple decades, there are more opportunities for companies to locate in rural areas, as well as hire more employees that can telecommute and live anywhere. Quality of life benefits in rural areas, such as cleaner air, less traffic, more space, outdoor recreational opportunities, and lower costs of living are attracting companies and workers to their communities.

Access to capital is a very important key to the success of such efforts. Ensuring that a diverse set of capital resources are available to entrepreneurs who wish to start and/or scale

business ventures has been a priority for the government and the private sector. The case studies highlighted some particularly successful programs and partnerships that have provided support and mobilized investment into companies with high growth potential. The government as well continues to innovate and expand the kinds of programs and offerings that are focused on supporting companies in rural areas. However, as the data in this report have shown, more work is necessary, especially in terms of equity capital.

There are a number of policies that the government could undertake and the national, state, or local level. Providing incentives for community development groups and funders to increase their presence and efforts in more rural areas could mobilize more capital, both financial and human, to support rural entrepreneurial ecosystems. The government could support and encourage different stakeholders: crowdfunding platforms could provide additional support and guidance to rural entrepreneurs; high net worth individuals and family offices could create new local angel groups and provide training and education for new angel investors, as well as investor readiness training for high growth potential startups; venture capital investments in rural areas could be encouraged through reducing risk and information asymmetries by providing education, training, and mentorship to their local entrepreneurs and building a pipeline of investable opportunities to showcase to investors. These are just some ideas for how policies and public-private partnerships could leverage the potential of entrepreneurs in rural America.

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IX. APPENDICES

A. Urban and Rural Details, COVID Relief, and PPP

Appendix A.1. Number of Firms by Urban Rural (2017)

All	Total	Percentage	Classified by
			Urban/Rural
Total	31,055,000		28,016,000
Urban	23,526,000	75.8%	84.0%
Rural	4,490,000	14.5%	16.0%
Unclassified	3,036,000	9.8%	
Employer			
Total	5,745,000		5,329,000
Urban	4,576,000	79.7%	85.9%
Rural	753,000	13.1%	14.1%
Unclassified	416,000	7.2%	
Nonemployer			
Total	25,310,000		22,687,000
Urban	18,950,000	74.9%	83.5%
Rural	3,737,000	14.8%	16.5%
Unclassified	2,620,000	10.4%	

Sources: 2018 Annual Business Survey, data year 2017, www.census.gov/programs-surveys/abs.html & 2017 New Annual Nonemployer Demographics Statistics (NES-D), www.census.gov/programs-surveys/abs/data/negd.html

Notes:

1) Employer estimates are survey-derived (2018 ABS) and nonemployer estimates are AR-based (2017 NES-D)

2) Nonemployer C-corporations are excluded from tabulations.

<https://www.census.gov/library/working-papers/2019/adrm/ces-wp-19-01.html>

3) The detail may not add to the total because the counts of nonemployer firms data are rounded according to disclosure avoidance rules.

The Census Bureau has reviewed this data product for unauthorized disclosure of confidential information and has approved the disclosure avoidance practices applied.

Approval ID: CBDRB-FY21-310

Table A.2. Firm Characteristics by Urban/Rural Location

	URBAN		RURAL	
	%	n	%	n
Number of Firms	88%	8564	12%	1129
Age of firm				
0-2 years	19	8564	20	1129
3-5 years	13	8564	13	1129
6-10 years	15	8564	15	1129
11-15 years	14	8564	10	1129
16-20 years	9	8564	9	1129
21+ years	30	8564	33	1129
Annual revenue				
\$100K or less	14	8357	20	1083
\$100K-\$1M	49	8357	52	1083
\$1M-\$10M	31	8357	25	1083
More than \$10M	5	8357	4	1083
Number of employees				
1-4 employees	54	8564	59	1129
5-9 employees	18	8564	19	1129
10-19 employees	13	8564	11	1129
20-49 employees	10	8564	7	1129
50-499 employees	5	8564	4	1129
Use of contract workers (% share that uses them)	44	8487	41	1120
Industry				
Non-manufacturing goods production & associated services	18	8564	20	1129
Manufacturing	4	8564	4	1129
Retail	12	8564	19	1129
Leisure & hospitality	11	8564	14	1129
Finance & insurance	6	8564	6	1129
Healthcare & education	13	8564	10	1129
Professional services & real estate	21	8564	14	1129
Business support & consumer services	15	8564	13	1129
Current financial condition				
Poor	24	8539	19	1125
Fair	34	8539	36	1125
Good	25	8539	25	1125
Very good	11	8539	13	1125
Excellent	6	8539	7	1125
Revenue change, prior 12 months				
Decreased	79	8449	74	1112
No change	8	8449	11	1112
Increased	13	8449	14	1112
Employment change, prior 12 months				
Decreased	46	8291	45	1101
No change	42	8291	45	1101
Increased	12	8291	10	1101
Expected revenue change, next 12 months				
Will decrease	41	8499	40	1117
Will not change	19	8499	19	1117
Will increase	40	8499	41	1117
Expected employment change, next 12 months				
Will decrease	17	8315	13	1097
Will not change	52	8315	58	1097
Will increase	31	8315	29	1097

Source: 2020 Small Business Credit Survey, Federal Reserve System.

Data Appendix from the 2021 Report on Employer Firms.

<https://www.fedsmb.org/survey/2021/report-on-employer-firms>

Table A.3. Impacts from COVID

	URBAN		RURAL	
	%	n	%	n
How has the COVID-19 Pandemic impacted your business?				
Temporarily closed	25	8532	29	1125
Reduced operations	56	8532	54	1125
Maintained operations, with modifications	48	8532	48	1125
Expanded operations	5	8532	4	1125
No significant impact	4	8532	6	1125
Firms that temporarily closed, reduced, or modified operations				
Government mandate affecting my business	56	7922	54	1027
Government mandate affecting clients' businesses	35	7922	30	1027
Change in demand for products/services	58	7922	56	1027
Worker availability	27	7922	26	1027
Needed to adapt to health/safety guidelines	53	7922	48	1027
Personal/family obligations	9	7922	10	1027
Supply chain disruption	24	7922	28	1027
Other reason	4	7922	6	1027
Expectations for COVID-19 effect on sales (decrease)				
Will decrease by <10%	6	7132	7	885
Will decrease by 10%-25%	25	7132	26	885
Will decrease by 26%-50%	33	7132	30	885
Will decrease by >50%	33	7132	31	885
Unsure	3	7132	5	885
Effect of COVID-19 on availability of goods and services				
Large decrease	20	8513	19	1123
Moderate decrease	42	8513	46	1123
Little or no effect	20	8513	20	1123
Moderate increase	2	8513	1	1123
Large increase	1	8513	2	1123
Business does not rely on suppliers	15	8513	13	1123
Share that took action to temporarily or permanently reduce employment				
Did not rehire	49	6029	47	818
Attempted to rehire	30	2970	30	395
Attempted to rehire	70	2970	70	395
Expected challenges business will face as a result of pandemic				
Limited credit availability	33	8523	27	1125
Supply chain disruptions	36	8523	43	1125
Weak demand for products/services	60	8523	55	1125
Government-mandated restrictions/closures	53	8523	52	1125
Labor shortages	26	8523	29	1125
Personal/family obligations	22	8523	21	1125
Other	13	8523	12	1125
No significant challenges	5	8523	6	1125
Most important expected challenge				
Limited credit availability	13	8149	10	1069
Supply chain disruptions	8	8149	11	1069
Demand for products/services	37	8149	34	1069
Government-mandated restrictions/closures	26	8149	26	1069
Labor shortages	6	8149	10	1069
Personal/family obligations	5	8149	4	1069
Other	5	8149	5	1069
Time until sales return to 2019 levels				
By end of 2020	4	6182	3	837
First half 2021	14	6182	14	837
Second half 2021	42	6182	39	837
2022 or later	29	6182	30	837
Sales at/above normal	11	6182	13	837
Likelihood of survival				
Very likely	26	5565	28	722
Somewhat likely	29	5565	30	722
Neither likely nor unlikely	14	5565	13	722
Somewhat unlikely	19	5565	20	722
Very unlikely	12	5565	9	722

Source: 2020 Small Business Credit Survey, Federal Reserve System. Data Appendix from the 2021 Report on Employer Firms.
<https://www.fedsmba.com/survey/2021-report-on-employer-firms>

Table A.4. Payroll Protection Program (PPP)

	URBAN		RURAL	
	%	n	%	n
Applications for emergency assistance funds				
Paycheck Protection Program	83	8451	76	1114
EIDL loan	48	8451	42	1114
EIDL grant	35	8451	34	1114
Loan from state/local government fund	8	8451	7	1114
Grant from state/local government fund	28	8451	26	1114
Grant from nonprofit or foundation	8	8451	8	1114
Main Street Lending Program loan	3	8451	3	1114
Other type of funding	2	8451	3	1114
Did not complete emergency assistance funding application	8	8451	13	1114
Reasons businesses did not apply for a PPP loan				
Unaware of program	9	1495	7	247
Confused by the program/process	25	1495	16	247
Could not find a lender to accept the application	15	1495	8	247
Would not qualify for the loan/forgiveness	38	1495	34	247
Had already laid off employees	11	1495	7	247
Uninterested in government aid	8	1495	8	247
Sought other funding instead	13	1495	11	247
Missed deadline	10	1495	6	247
Other reason	3	1495	4	247
Did not need funding	16	1495	26	247
PPP funding received				
None	4	6723	5	852
Some (1%-50%)	8	6723	7	852
Most (51%-99%)	11	6723	11	852
All	77	6723	77	852
Expectations for PPP forgiveness				
Full forgiveness	80	6424	78	819
Partial forgiveness	10	6424	10	819
Does not expect forgiveness	1	6424	2	819
Unsure	9	6424	10	819
PPP Applicant had an existing relationship with lender				
Large bank	95	3119	94	229
Small bank	81	3051	90	547
Credit union	79	348	*	*
Nonbank online/fintech lender	33	573	38	51
Nonbank finance company	30	199	*	*
CDFI	27	153	*	*
Other source	37	146	*	*
Plans to apply for additional government-provided emergency assistance				
Yes	65	8550	60	1129
Unsure	20	8550	22	1129

Note: * indicates sample size was too small to provide estimates.

Source: 2020 Small Business Credit Survey, Federal Reserve System. Data Appendix from the 2021 Report on Employer Firms.

<https://www.fedsmallbusiness.org/survey/2021/report-on-employer-firms>

B. Venture Capital Deals and Investments by State

Table B.1. US VC deal count (#) by state

	2013	2014	2015	2016	2017	2018	2019	2020	2013	2014	2015	2016	2017	2018	2019	2020
Alabama	18	16	17	28	25	32	36	32	0.2%	0.1%	0.2%	0.3%	0.2%	0.3%	0.3%	0.3%
Alaska	4	4	4	5	9	5	12	6	0.0%	0.0%	0.0%	0.0%	0.1%	0.0%	0.1%	0.0%
Arizona	108	126	148	108	134	108	132	131	1.1%	1.2%	1.3%	1.1%	1.2%	0.9%	1.1%	1.1%
Arkansas	32	22	31	21	30	29	27	23	0.3%	0.2%	0.3%	0.2%	0.3%	0.3%	0.2%	0.2%
California	3306	3843	3892	3557	3854	4053	4283	4143	34.9%	36.0%	34.5%	35.0%	34.9%	35.2%	34.5%	34.3%
Colorado	236	315	349	299	375	342	420	380	2.5%	2.9%	3.1%	2.9%	3.4%	3.0%	3.4%	3.1%
Connecticut	122	108	110	85	112	123	120	136	1.3%	1.0%	1.0%	0.8%	1.0%	1.1%	1.0%	1.1%
Delaware	39	42	57	57	82	105	126	149	0.4%	0.4%	0.5%	0.6%	0.7%	0.9%	1.0%	1.2%
District of Columbia	68	74	69	72	71	76	82	87	0.7%	0.7%	0.6%	0.7%	0.6%	0.7%	0.7%	0.7%
Florida	233	302	299	284	320	315	322	317	2.5%	2.8%	2.6%	2.8%	2.9%	2.7%	2.6%	2.6%
Georgia	159	188	182	145	180	181	206	213	1.7%	1.8%	1.6%	1.4%	1.6%	1.6%	1.7%	1.8%
Hawaii	12	13	16	11	17	6	21	11	0.1%	0.1%	0.1%	0.1%	0.2%	0.1%	0.2%	0.1%
Idaho	29	20	28	23	28	29	31	29	0.3%	0.2%	0.2%	0.2%	0.3%	0.3%	0.2%	0.2%
Illinois	246	276	292	295	296	301	329	329	2.6%	2.6%	2.6%	2.9%	2.7%	2.6%	2.6%	2.7%
Indiana	57	82	87	86	101	116	135	142	0.6%	0.8%	0.8%	0.8%	0.9%	1.0%	1.1%	1.2%
Iowa	25	30	21	24	34	32	28	41	0.3%	0.3%	0.2%	0.2%	0.3%	0.3%	0.2%	0.3%
Kansas	37	36	51	27	37	31	36	20	0.4%	0.3%	0.5%	0.3%	0.3%	0.3%	0.3%	0.2%
Kentucky	36	42	51	43	40	44	43	49	0.4%	0.4%	0.5%	0.4%	0.4%	0.4%	0.3%	0.4%
Louisiana	19	23	25	32	24	19	25	18	0.2%	0.2%	0.2%	0.3%	0.2%	0.2%	0.2%	0.1%
Maine	20	24	22	23	23	26	34	36	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	0.3%	0.3%
Maryland	125	162	147	162	158	160	163	154	1.3%	1.5%	1.3%	1.6%	1.4%	1.4%	1.3%	1.3%
Massachusetts	681	673	772	660	755	773	814	866	7.2%	6.3%	6.8%	6.5%	6.8%	6.7%	6.5%	7.2%
Michigan	154	129	146	94	103	133	128	161	1.6%	1.2%	1.3%	0.9%	0.9%	1.2%	1.0%	1.3%
Minnesota	108	124	139	117	127	162	130	130	1.1%	1.2%	1.2%	1.2%	1.1%	1.4%	1.0%	1.1%
Mississippi	7	11	11	8	5	7	8	5	0.1%	0.1%	0.1%	0.1%	0.0%	0.1%	0.1%	0.0%
Missouri	79	97	102	83	78	92	79	83	0.8%	0.9%	0.9%	0.8%	0.7%	0.8%	0.6%	0.7%
Montana	9	19	15	22	16	18	25	26	0.1%	0.2%	0.1%	0.2%	0.1%	0.2%	0.2%	0.2%
Nebraska	31	29	33	33	25	27	32	28	0.3%	0.3%	0.3%	0.3%	0.2%	0.2%	0.3%	0.2%
Nevada	52	69	63	56	61	55	53	55	0.5%	0.6%	0.6%	0.6%	0.6%	0.5%	0.4%	0.5%
New Hampshire	40	30	44	32	23	29	38	32	0.4%	0.3%	0.4%	0.3%	0.2%	0.3%	0.3%	0.3%
New Jersey	120	129	146	118	140	161	177	157	1.3%	1.2%	1.3%	1.2%	1.3%	1.4%	1.4%	1.3%
New Mexico	27	33	35	12	29	22	30	26	0.3%	0.3%	0.3%	0.1%	0.3%	0.2%	0.2%	0.2%
New York	1085	1261	1350	1207	1292	1399	1562	1485	11.4%	11.8%	12.0%	11.9%	11.7%	12.2%	12.6%	12.3%
North Carolina	145	167	209	177	213	213	216	221	1.5%	1.6%	1.9%	1.7%	1.9%	1.9%	1.7%	1.8%
North Dakota	7	5	8	7	5	9	7	8	0.1%	0.0%	0.1%	0.1%	0.0%	0.1%	0.1%	0.1%
Ohio	183	164	172	175	173	170	165	163	1.9%	1.5%	1.5%	1.7%	1.6%	1.5%	1.3%	1.4%
Oklahoma	25	25	45	27	23	21	27	28	0.3%	0.2%	0.4%	0.3%	0.2%	0.2%	0.2%	0.2%
Oregon	106	126	126	140	145	132	147	136	1.1%	1.2%	1.1%	1.4%	1.3%	1.1%	1.2%	1.1%
Other US Territory	0	0	0	0	0	0	0	0	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Pennsylvania	248	288	288	274	277	282	296	315	2.6%	2.7%	2.6%	2.7%	2.5%	2.5%	2.4%	2.6%
Puerto Rico	0	1	4	2	3	4	9	6	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.1%	0.0%
Rhode Island	21	15	17	30	32	19	21	30	0.2%	0.1%	0.2%	0.3%	0.3%	0.2%	0.2%	0.2%
South Carolina	26	45	53	38	47	53	66	44	0.3%	0.4%	0.5%	0.4%	0.4%	0.5%	0.5%	0.4%
South Dakota	5	8	5	9	6	6	8	4	0.1%	0.1%	0.0%	0.1%	0.1%	0.1%	0.1%	0.0%
Tennessee	147	179	153	122	123	107	118	101	1.6%	1.7%	1.4%	1.2%	1.1%	0.9%	0.9%	0.8%
Texas	547	559	615	579	570	603	671	624	5.8%	5.2%	5.4%	5.7%	5.2%	5.2%	5.4%	5.2%
Utah	102	149	150	139	141	137	183	158	1.1%	1.4%	1.3%	1.4%	1.3%	1.2%	1.5%	1.3%
Vermont	18	17	18	27	22	24	30	24	0.2%	0.2%	0.2%	0.3%	0.2%	0.2%	0.2%	0.2%
Virgin Islands	0	0	1	0	0	1	1	0	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Virginia	165	178	174	167	182	205	219	176	1.7%	1.7%	1.5%	1.6%	1.6%	1.8%	1.8%	1.5%
Washington	330	322	388	322	399	416	474	417	3.5%	3.0%	3.4%	3.2%	3.6%	3.6%	3.8%	3.5%
West Virginia	9	1	3	6	2	2	3	4	0.1%	0.0%	0.0%	0.1%	0.0%	0.0%	0.0%	0.0%
Wisconsin	63	77	99	78	71	84	73	96	0.7%	0.7%	0.9%	0.8%	0.6%	0.7%	0.6%	0.8%
Wyoming	11	6	11	7	15	11	9	14	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%
	9,482	10,684	11,293	10,155	11,053	11,510	12,430	#####	100%	100%	100%	100%	100%	100%	100%	100%

Source: Pitchbook and National Venture Capital Association

Table B.2. US VC deal value (\$M) by state

	2015	2016	2017	2018	2019	2020	2015	2016	2017	2018	2019	2020
Alabama	\$76.1	\$53.4	\$84.0	\$46.5	\$101.7	\$108.3	0.1%	0.1%	0.1%	0.0%	0.1%	0.1%
Alaska	\$2.1	\$3.3	\$3.1	\$5.0	\$26.0	\$18.6	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Arizona	\$346.2	\$379.9	\$669.2	\$802.9	\$946.4	\$659.9	0.4%	0.5%	0.8%	0.6%	0.7%	0.4%
Arkansas	\$28.6	\$35.5	\$27.2	\$59.6	\$98.9	\$73.4	0.0%	0.0%	0.0%	0.0%	0.1%	0.0%
California	\$43,877.1	\$43,794.5	\$43,375.3	\$81,898.0	\$67,610.0	\$86,351.3	51.7%	53.6%	49.2%	57.2%	47.5%	52.6%
Colorado	\$1,422.1	\$2,030.7	\$1,286.6	\$1,709.0	\$2,733.4	\$2,688.3	1.7%	2.5%	1.5%	1.2%	1.9%	1.6%
Connecticut	\$503.8	\$293.8	\$733.6	\$840.9	\$929.3	\$1,078.9	0.6%	0.4%	0.8%	0.6%	0.7%	0.7%
Delaware	\$210.0	\$134.9	\$144.6	\$267.6	\$311.5	\$875.5	0.2%	0.2%	0.2%	0.2%	0.2%	0.5%
District of Columbia	\$453.3	\$392.7	\$649.7	\$634.3	\$539.7	\$866.7	0.5%	0.5%	0.7%	0.4%	0.4%	0.5%
Florida	\$1,011.5	\$1,782.5	\$1,228.3	\$2,979.6	\$2,528.5	\$2,211.5	1.2%	2.2%	1.4%	2.1%	1.8%	1.3%
Georgia	\$1,198.8	\$506.5	\$1,385.0	\$1,173.4	\$2,559.4	\$1,914.7	1.4%	0.6%	1.6%	0.8%	1.8%	1.2%
Hawaii	\$13.0	\$40.7	\$13.7	\$13.0	\$36.8	\$28.0	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Idaho	\$86.3	\$29.5	\$118.4	\$58.9	\$97.4	\$87.9	0.1%	0.0%	0.1%	0.0%	0.1%	0.1%
Illinois	\$1,506.5	\$1,575.6	\$1,987.2	\$1,949.2	\$2,178.9	\$2,939.9	1.8%	1.9%	2.3%	1.4%	1.5%	1.8%
Indiana	\$208.5	\$209.0	\$212.2	\$314.1	\$362.7	\$373.1	0.2%	0.3%	0.2%	0.2%	0.3%	0.2%
Iowa	\$34.5	\$42.5	\$56.4	\$97.9	\$26.9	\$142.5	0.0%	0.1%	0.1%	0.1%	0.0%	0.1%
Kansas	\$170.9	\$41.7	\$151.5	\$187.8	\$300.3	\$96.1	0.2%	0.1%	0.2%	0.1%	0.2%	0.1%
Kentucky	\$82.2	\$50.8	\$73.2	\$161.3	\$575.4	\$251.5	0.1%	0.1%	0.1%	0.1%	0.4%	0.2%
Louisiana	\$49.5	\$55.4	\$113.6	\$30.0	\$115.7	\$95.6	0.1%	0.1%	0.1%	0.0%	0.1%	0.1%
Maine	\$89.7	\$13.1	\$245.5	\$34.3	\$67.8	\$77.9	0.1%	0.0%	0.3%	0.0%	0.0%	0.0%
Maryland	\$835.0	\$537.7	\$720.4	\$1,383.6	\$907.8	\$1,261.6	1.0%	0.7%	0.8%	1.0%	0.6%	0.8%
Massachusetts	\$8,295.0	\$7,823.6	\$9,803.6	\$12,200.7	\$11,973.5	\$16,878.9	9.8%	9.6%	11.1%	8.5%	8.4%	10.3%
Michigan	\$539.7	\$180.6	\$346.4	\$419.2	\$707.2	\$936.9	0.6%	0.2%	0.4%	0.3%	0.5%	0.6%
Minnesota	\$715.2	\$585.4	\$716.6	\$1,248.4	\$1,220.7	\$2,403.6	0.8%	0.7%	0.8%	0.9%	0.9%	1.5%
Mississippi	\$8.4	\$13.4	\$8.8	\$10.7	\$9.1	\$0.4	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Missouri	\$315.8	\$230.5	\$331.7	\$674.4	\$430.8	\$517.0	0.4%	0.3%	0.4%	0.5%	0.3%	0.3%
Montana	\$45.6	\$53.1	\$109.9	\$60.4	\$80.5	\$106.1	0.1%	0.1%	0.1%	0.0%	0.1%	0.1%
Nebraska	\$196.2	\$54.9	\$86.5	\$151.8	\$61.3	\$107.7	0.2%	0.1%	0.1%	0.1%	0.0%	0.1%
Nevada	\$95.5	\$190.1	\$286.9	\$221.9	\$276.8	\$325.7	0.1%	0.2%	0.3%	0.2%	0.2%	0.2%
New Hampshire	\$295.4	\$182.7	\$91.3	\$110.9	\$186.4	\$142.3	0.3%	0.2%	0.1%	0.1%	0.1%	0.1%
New Jersey	\$1,288.2	\$733.6	\$754.0	\$1,144.2	\$1,068.2	\$1,685.0	1.5%	0.9%	0.9%	0.8%	0.8%	1.0%
New Mexico	\$131.2	\$19.2	\$112.7	\$114.0	\$247.6	\$135.6	0.2%	0.0%	0.1%	0.1%	0.2%	0.1%
New York	\$10,802.2	\$9,734.5	\$11,683.0	\$15,584.0	\$23,417.5	\$17,729.8	12.7%	11.9%	13.3%	10.9%	16.4%	10.8%
North Carolina	\$1,297.2	\$849.5	\$1,034.3	\$2,656.2	\$1,483.7	\$3,467.9	1.5%	1.0%	1.2%	1.9%	1.0%	2.1%
North Dakota	\$1.5	\$6.6	\$3.6	\$23.4	\$21.2	\$101.5	0.0%	0.0%	0.0%	0.0%	0.0%	0.1%
Ohio	\$510.3	\$479.7	\$412.4	\$1,085.5	\$933.0	\$1,113.6	0.6%	0.6%	0.5%	0.8%	0.7%	0.7%
Oklahoma	\$105.5	\$20.4	\$30.9	\$74.6	\$50.6	\$45.4	0.1%	0.0%	0.0%	0.1%	0.0%	0.0%
Oregon	\$342.1	\$390.4	\$453.3	\$851.0	\$923.3	\$744.3	0.4%	0.5%	0.5%	0.6%	0.6%	0.5%
Other US Territory	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Pennsylvania	\$871.8	\$1,641.6	\$1,129.9	\$1,706.8	\$3,687.9	\$2,115.8	1.0%	2.0%	1.3%	1.2%	2.6%	1.3%
Puerto Rico	\$4.2	\$1.4	\$0.4	\$4.9	\$3.0	\$16.8	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Rhode Island	\$112.8	\$50.9	\$114.1	\$51.1	\$63.0	\$93.2	0.1%	0.1%	0.1%	0.0%	0.0%	0.1%
South Carolina	\$75.9	\$58.7	\$110.0	\$112.0	\$145.9	\$112.1	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%
South Dakota	\$8.8	\$18.4	\$0.3	\$32.5	\$115.8	\$14.9	0.0%	0.0%	0.0%	0.0%	0.1%	0.0%
Tennessee	\$510.1	\$552.9	\$606.1	\$311.5	\$1,064.0	\$452.5	0.6%	0.7%	0.7%	0.2%	0.7%	0.3%
Texas	\$2,233.1	\$2,073.6	\$2,508.3	\$3,292.5	\$3,909.0	\$4,763.5	2.6%	2.5%	2.8%	2.3%	2.7%	2.9%
Utah	\$780.4	\$1,065.0	\$1,019.2	\$1,417.1	\$1,608.6	\$1,459.3	0.9%	1.3%	1.2%	1.0%	1.1%	0.9%
Vermont	\$20.8	\$74.5	\$39.3	\$41.2	\$91.7	\$48.4	0.0%	0.1%	0.0%	0.0%	0.1%	0.0%
Virgin Islands	\$29.6	\$0.0	\$0.0	\$0.0	\$0.2	\$0.0	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Virginia	\$647.9	\$819.9	\$766.5	\$932.0	\$1,181.6	\$1,153.1	0.8%	1.0%	0.9%	0.7%	0.8%	0.7%
Washington	\$2,208.3	\$1,572.4	\$2,080.1	\$3,512.7	\$4,132.6	\$5,074.2	2.6%	1.9%	2.4%	2.5%	2.9%	3.1%
West Virginia	\$4.4	\$15.7	\$1.5	\$5.5	\$0.2	\$1.0	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Wisconsin	\$203.3	\$227.8	\$132.2	\$483.1	\$219.1	\$283.4	0.2%	0.3%	0.2%	0.3%	0.2%	0.2%
Wyoming	\$22.0	\$2.7	\$31.9	\$23.8	\$8.5	\$9.7	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
	\$ 84,924	\$ 81,727	\$ 88,085	\$ 143,205	\$ 142,377	\$ 164,241	100%	100%	100%	100%	100%	100%

Source: Pitchbook and National Venture Capital Association

C. Certified Rural Business Investment Companies

Advantage Capital Agribusiness Partners, LP was certified in 2014. The fund is \$154.5 million with a focus on rural areas in the continental United States. The fund focuses its portfolio mostly on expansion and later stage growth businesses operating in agriculture related industries. For more information on Advantage Capital Agribusiness Partners please contact: Keith Freeman (415) 215-7256 kfreeman@advantagecap.com Damon Rawie (512) 409-7012 drawie@advantagecap.com 7733 Forsyth Blvd. Suite 1400 St. Louis, MO 63105

Azalea Capital RBIC Fund, L.P. The fund was certified on February 2021. The fund is capitalized at \$59.5 million. The fund focusses its portfolio mostly on later stage growth businesses operating in agriculture related industries. The focus of the fund is on rural areas in the south east and mid-Atlantic but will invest throughout the continental United States. For more information please contact: South Carolina, Ben Wallace (864) 568-0201 ben@azaleacapital.com 55 Beattie Place, Suite 1500 Greenville, SC 29601

Blue Highway Growth Capital, LLC. The fund was certified in November 2018. The fund is a \$41.6M fund with a focus mostly in rural areas in the Northeast and Mid-Atlantic States but will be Nationally oriented. The fund will focus its portfolio mostly on expansion and later stage growth business. For more information on Blue Highway Growth Capital please contact: Massachusetts, Karin Gregory (207) 571-9365 kgregory@bluehighwaycapital.com 4 13th Street Boston, MA 02129

Innova Ag Innovation Fund IV. LP Innova Ag Innovation Fund was certified in April 2015. The fund is \$31 million with a focus on rural areas in the continental United States. The fund focuses its portfolio mostly on early stage growth companies in agriculture related industries. For more information on Innova Ag Innovation Fund please contact: Nate Smith (901) 866-1433 nsmith@innovamemphis.com 20 Dudley St Suite 620 Memphis, TN 38103

Lewis & Clark RBIC Fund II, LP The fund was certified in March 2020. The fund is a \$100 million fund with a focus mostly in the Mid-West, Gulf Coast and Southeast but will

be Nationally oriented. The fund focuses its portfolio mostly on expansion and later stage growth businesses operating in agriculture related industries. For more information on Lewis & Clark RBIC Fund please contact: David L. Taiclet (314) 392-5264 info@lacpartners.com 120 S Central Avenue Suite 1000 Saint Louis, MO 63105

Meritus Ventures, L.P. The fund was licensed as a leveraged Rural Business Investment Company in September 2006. Meritus is a \$36.4M fund focused predominantly in rural areas in central and southern Appalachia. The fund is not investing in new businesses at this time but continues to manage its remaining portfolio. For more information on Meritus Ventures please contact Grady S. Vanderhoofven (865) 220-1714 grady@meritusventures.com 12640 Kingston Pike Knoxville, TN 37973

Midwest Growth Partners II, L.P. The fund was certified in November 2018. The fund is a \$113.5M fund with a focus on rural areas in the Mid-west but will invest throughout the continental United States. The fund focuses its portfolio mostly on expansion and later stage growth businesses operating in agriculture related industries. For more information on Midwest Growth Partners please contact: Iowa, John Mickleson (515) 421-4800 John.Mickelson@mgpfund.com 1080 Jordan Creek Parkway Suite 340N West Des Moines, IA 50266

Open Prairie Rural Opportunities Fund, LP Open Prairie Rural Opportunities Fund is in was certified in December 2017. The fund is a \$81 million with a focus on rural areas in the Mid-west but they will invest nationally. The fund focuses its portfolio mostly on expansion and later stage growth businesses in agriculture related industries. For more information on Open Prairie Rural Opportunities Fund please contact: Jason Wrone (217) 347-1000 jason@openprairie.com 400 East Jefferson Effingham, IL 62401

Pharos Capital Partners IV-A LP The fund was certified in March 2020. Pharos currently has \$150M in committed capital and anticipates adding and additional \$50M of capital with a focus on rural areas in the continental United States. The fund focuses its portfolio in rural healthcare industries. For more information on Pharos Capital Partners please contact: Joel Goldberg (615) 234-5522 jgoldberg@pharosfunds.

com 8 Cadillac Drive Suite 180 Brentwood, TN 37027
Rural American Fund III RBIC, L.P. The fund was certified
in October 2020. They anticipate having between \$50M and
\$75M in total capital targeting rural areas in the continental
United States. In particular, the fund focuses its portfolio
in Agribusiness industries. For more information on Rural
American Fund please contact: Thomas S. Karlson (312)
750-0662 ext. 1 tkarlson@raflp.com 115 S. LaSalle Street
Suite 2920 Chicago, IL 60603

RBIC program: <https://cdvca.org/public-policy/rbic-program/>
At least 75 percent of RBIC investments (measured both by
dollars invested and number) must be made in rural areas
(i.e., outside a standard metropolitan statistical area or with-
in a community with a population of 50,000 or less).

ENDNOTES

- 1 <https://www.arc.gov/wp-content/uploads/2018/09/EntrepreneurialEcosystemsLiteratureReview2018.09.pdf>
- 2 See Barkley (2003) <http://citeseerx.ist.psu.edu/viewdoc/summary?doi=10.1.1.152.1> and Markley (2001) for good reviews: <http://citeseerx.ist.psu.edu/viewdoc/download?doi=10.1.1.198.1821&rep=rep1&type=pdf>
- 3 The SSBCI was reauthorized in 2021.
- 4 https://www.treasury.gov/resource-center/sb-programs/Documents/SSBCI_pe2016_Full_Report.pdf
- 5 Classification of rural areas are based on the list of 2019 Q4 rural area zip codes from the Center for Medicare & Medicaid Services, available at <https://www.cms.gov/Medicare/Medicare-Fee-for-Service-Payment/FeeScheduleGenInfo>
- 6 A Brookings study over a different period found that three percent of the awards went to rural areas. <https://www.brookings.edu/blog/the-avenue/2019/06/04/is-america-seed-fund-investing-in-women-and-minority-owned-businesses/>
- 7 See <https://www.fedsmallbusiness.org/> for more information about the survey and methodology.
- 8 <https://www.brookings.edu/research/as-the-venture-capital-game-gets-bigger-the-midwest-keeps-missing-out/>
- 9 Center for Talent Innovation, “Innovation, Diversity, and Market Growth (9/1/2013) <http://www.talentinnovation.org>
- 10 <https://www.kickstarter.com/help/stats?ref=press> (pulled on August 6, 2021).
- 11 <https://www.sec.gov/spotlight/jobs-act.shtml>
- 12 <https://crowdfundcapitaladvisors.com/list-of-active-online-investment-platforms/>
- 13 <https://cloud1.worldtv.io/fmi/webd/NextPitchTV>
- 14 Classification of rural areas are based on the list of 2019 Q4 rural area zip codes from the Center for Medicare & Medicaid Services, available at <https://www.cms.gov/Medicare/Medicare-Fee-for-Service-Payment/FeeScheduleGenInfo>
- 15 The SEC presents data by fiscal year. The fiscal year is Q3 and Q4 of the prior year and Q1 and Q2 of the year, so fiscal year 2017 is Q3 and Q4 of 2016, just after crowdfunding went live, and Q1 and Q2 of 2017. The online crowdfunding data are calendar year data.
- 16 2019 Angel Capital Association Angel Funders Report: <https://www.angelcapitalassociation.org/angel-funders-report/>
- 17 https://angelresourceinstitute.org/reports/HALO2020_1.pdf
- 18 https://files.pitchbook.com/website/files/pdf/Q3_2020_PitchBook_Analyst_Note_Angels_Foundational_Investors_to_VC.pdf
- 19 Classification of rural areas are based on the list of 2019 Q4 rural area zip codes from the Center for Medicare & Medicaid Services, available at <https://www.cms.gov/Medicare/Medicare-Fee-for-Service-Payment/FeeScheduleGenInfo>
- 20 <https://www.nytimes.com/2006/10/22/business/yourmoney/22digi.html>
- 21 https://files.pitchbook.com/website/files/pdf/4Q_2019_PitchBook_Analyst_Note_The_Effect_of_Capital_Resources_on_Dealmaking.pdf
- 22 <https://www.arc.gov/wp-content/uploads/2018/09/EntrepreneurialEcosystemsLiteratureReview2018.09.pdf>
- 23 <https://www.kauffman.org/currents/3-trends-that-prevent-entrepreneurs-from-accessing-capital/>
- 24 https://files.pitchbook.com/website/files/pdf/4Q_2019_PitchBook_Analyst_Note_The_Effect_of_Capital_Resources_on_Dealmaking.pdf
- 25 Classification of rural areas are based on the list of 2019 Q4 rural area zip codes from the Center for Medicare & Medicaid Services, available at <https://www.cms.gov/Medicare/Medicare-Fee-for-Service-Payment/FeeScheduleGenInfo>.
- 26 One relatively new path is Reg A, sometimes called a mini-public offering since it allows companies to raise up to \$50M (which was increased to up to \$75 million in 2021), however, only about a billion dollars (\$1.3B) was raised through that pathway last year.
- 27 Annual report of the Office of the Advocate for Small Business Capital Formation for Fiscal Year 2020
- 28 <https://www.cdffa.net/p/SSBCI.html>
- 29 <https://www.marketwatch.com/story/rural-america-now-has-a-mutual-fund-dedicated-to-its-long-awaited-revival-11619999640>
- 30 <https://pitchbook.com/news/reports/2019-pitchbook-all-raise-all-in-women-in-the-vc-ecosystem>
- 31 <https://www2.deloitte.com/us/en/pages/audit/articles/diversity-venture-capital-human-capital-survey-dashboard.html>
- 32 <https://fortune.com/2021/04/23/venture-capital-diversity-equity-black-latino-startups-funding/>
- 33 Kauffman Foundation, 2018
- 34 DigitalUndivided, 2018 <https://projectdiane.digitalundivided.com/latinx/>
- 35 DigitalUndivided, 2018 <https://projectdiane.digitalundivided.com/>
- 36 The data was pulled from Regulation Crowdfunding equity deals that closed between January 1 and May 31, 2021. Minority founders were classified as non-white and/or LGBTQ+, regardless of gender <https://kingscrowd.com/chart-of-the-week-crowdfunders-are-investing-far-more-minority-founders-than-vcs-are/>
- 37 <https://www.moosejaw.com/content/moosejaw-outdoor-accelerator>
- 38 A link to their pitch presentation: <https://www.loom.com/share/c738b8867d80498bb1445fbd09a7987e>
- 39 <https://www.forbes.com/sites/davidprosser/2021/06/08/meet-jeffrey-max-the-entrepreneur-leading-colorados-agile-to-victory-in-the-space-race/>
- 40 <https://www.forbes.com/sites/davidprosser/2021/06/08/meet-jeffrey-max-the-entrepreneur-leading-colorados-agile-to-victory-in-the-space-race/>

- 41 More than 1.2 billion pairs of jeans are sold annually, and one input is the indigo shade of blue needed to create the necessary blue color. Historically, this has been done with synthetic indigo dye, made with chemicals such as cyanide, formaldehyde, and benzene. <https://agfundernews.com/fashion-tech-startup-stony-creek-colors-secures-9m-series-b-for-plant-based-dye.html>
- 42 <https://www.agandfoodfunders.org/featured-work/sustainable-fibers-and-textiles/case-studies-from-the-roadmap/>
- 43 https://www.rd.usda.gov/sites/default/files/factsheet/508_RD_FS_RBS_VAPG.pdf
- 44 <https://nvca.org/wp-content/uploads/2020/12/2020-Tennessee-TN-1-pager.pdf>
- 45 <https://www.prnewswire.com/news-releases/uncle-near-east-announces-50-million-venture-fund-to-invest-in-minority-founded-and-owned-spirit-brands-301302594.html>
- 46 The NC Department of Commerce ranks NC's 100 counties based on economic well-being and assigns it a Tier. It is considered a distress-level index. Typically, rural counties fall into the Tier 1 and Tier 2 designations. For more details see here: <https://www.nccommerce.com/grants-incentives/county-distress-rankings-tiers>

