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## **SEC Releases FY 2024 Report on Small Business Capital Formation**

On December 12, the Securities and Exchange Commission (SEC), the U.S. securities regulator, released its FY 2024 Annual Report on Small Business Capital Formation. A full copy of the report can be found [Here](#). In the report, SEC has compiled valuable statistics on registered and exempt-from-registration securities offerings for FY2024, ending June 30, 2024. Highlights include:

### ***Exempt-from-Registration Securities Offerings***

**Regulation D, Rule 506(b) (Private Placements)** was used to raise \$1.7 trillion by pooled investment funds and another \$170 billion by non-fund businesses, a total of 1.87 trillion (this is the first time that the Small Business Capital Formation report has separately broken out capital raised by funds and other types of business; see our "Forming Exempt Private Investment Funds" client advisory available [Here](#)).

**Regulation D, Rule 506(c) (General Solicitation Offerings)** was used to raise \$125 billion in capital by funds and \$12 billion by other types of businesses, a total \$147 billion.

**Regulation A/A+ (mini-IPOs)** was used to raise \$1.5 billion by non-fund businesses and essentially not used by funds.

**Regulation D, Rule 504 (Limited Offerings)** was used to raise \$246 million by non-fund businesses and essentially not used by funds.

**Regulation CF (Crowdfunding)** was used to raise \$249 million by

non-fund businesses and essentially not used by funds.

### **Other Exempt Offering Methods (Regulation S and Rule 144A)**

were used to raise \$949 billion by non-fund businesses and \$99 billion by funds, a total of over \$1.0 trillion.

### ***Registered Securities Offerings***

**IPOs, including SPACs** were used by non-fund businesses to raise \$28 billion and by funds to raise \$4 billion, a total of \$32 billion.

**Other Registered Offerings (Secondary and Debt Offerings)** were used to raise \$1.2 trillion by non-fund businesses and \$4 billion by funds.

### ***Takeaways***

First, exempt, non-registered placements and offerings continue to dominate the U.S. capital markets. Reg. D, Rule 506(b) alone was used to raise over 50 times the amount raised in IPOs, and the total of \$3.2 trillion raised in exempt offerings was over 250 times the amount raised in IPOs, including SPACs, as well as being the equivalent of nearly 10% of U.S. GDP. Put another way, IPOs, including SPACs, accounted for less than 1% of new capital formation, while exempt offerings accounted for over 99%. IPOs and SPACs get a lot of press, but the level of IPO/SPAC capital formation is dwarfed by that of Rule 506(b) and the exempt-from-registration capital markets generally. The U.S. public capital markets, now a fraction of the size of the private capital markets in both deal volume and size, have become almost exclusively the territory of large, mature companies, which account for over two-thirds of the approximately 3,600 public registrants.

Second, is the continued dominance of Reg. D, Rule 506(b) among exemptions. As discussed in our "Raising Capital through Private Placements" client advisory a copy of which is available [Here](#) (an update will issue in early January), the SEC has worked hard to amend other exemptions to make them more useful, available and less complicated and expensive. Reg. D, Rule 504, for example, which had an aggregate offering limit of \$1 million only a few years ago, was increased first to \$5 million and then to \$10 million. Crowdfunding has gone from \$1 million to \$5 million. Reg. A+ has been increased to a \$75 million aggregate offering limit and offers freely resalable shares. Nevertheless, Rule 506(b), which offers an unlimited aggregate offering limit, continues to dominate. The unlimited aggregate offering amount of Rule 506(b), easing of financial information required by Rule 502 to harmonize with that required by Reg. A, lower transaction costs compared to Reg. A, availability to both U.S. and foreign Issuers, limited general solicitation permitted by Rule 148 and increasing liberalization of resale

availability for Reg. D securities can be assumed to be responsible for Rule 506(b)'s continuing and even increasing popularity, while several other exemptions, such as Reg. A and Rule 504 have languished.

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