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CROWDFUNDING AND RULE 506(c): DO HISTORICALLY DISADVANTAGED ENTREPRENEURS PREFER DEMOCRATIZING OFFERING EXEMPTIONS?

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ABSTRACT

The U.S. adopted a crowdfunding registration exemption partly to democratize access to exempt capital markets for historically disadvantaged entrepreneurs by allowing online solicitations and imposing virtually no investor qualifications. Minority and female entrepreneurs have embraced crowdfunding's promise; they are 14 to 161 percent more likely to choose crowdfunding than are white and male entrepreneurs. Another exemption under Rule 506(c) that permits sales only to wealthy investors but allows public solicitation is also preferred by some minority but not female entrepreneurs. However, entrepreneurs' preferences are highly heterogeneous and inconsistent among minority groups and between genders. Female entrepreneurs' preference for crowdfunding rises in the local female-to-male income ratio but there is otherwise no evidence that minority and female entrepreneurs' Reg CF or Rule 506(c) preferences rise in the same race/ethnicity or same-gender share of local retail investors or population. More weaker offerings by minority and female entrepreneurs appear to migrate to crowdfunding, which implies biased sorting between exemptions and militates for caution in assessing discrimination in exempt capital markets.

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I. Introduction

A major impetus for the U.S. crowdfunding exemption created in 2016 was the expectation that it would improve access to capital for historically disadvantaged entrepreneurs. The Obama Administration and leaders in politics, industry, the financial press and academia frequently characterized crowdfunding as a "democratizing" force that would level the playing field for minority and female entrepreneurs.[1] Despite the exemption's being engineered to promote this goal, there was no empirical basis for believing that they would embrace crowdfunding's democratizing promise. This paper evaluates how entrepreneurs respond to the introduction of crowdfunding under Regulation Crowdfunding (Reg CF) and Rule 506(c) under Regulation D (Reg D). As expected, minority and female entrepreneurs have a strong preference for Reg CF, but minority entrepreneurs' perception of unrestricted access to crowdfunding's large, diverse market is highly segmented. This heterogeneity among minority and female entrepreneurs increases when accounting for Rule 506(c), another exemption created 3 years before crowdfunding that permits public solicitation of wealthy investors. This paper launches a line of inquiry in the corporate finance literature on the engineering of securities offering exemptions to promote social justice goals and expands the broader literature on the role of race/ethnicity and gender in capital markets.

[1] Burke 2023, Andrews 2018, Ibrahim 2018, Block et al. 2018, Project Entrepreneur 2017, Kalil & Rand 2016, McBride & Somerville 2016, Mollick & Robb 2016, Schwartz 2016, Stricherz 2016, Vismara et al. 2016, CSQ 2015, Hurt 2015, Komes 2015, Mathews 2015, Obama 2015, Rand 2015, Habib et al. 2014, Saunders 2014, Fouse 2013, Schwartz 2013, Blossom 2012, Bradford 2012, Cunningham 2012, Ferrence & Gjurgevich 2012, Kalil & Rand 2011, Wroldsen 2013.

For almost four decades, the exempt offering market has been (and still is) dominated by Rule 506(b), which generally exempts from registration only offerings to venture capital firms and wealthy investors (collectively, accredited investors) with whom the entrepreneur has a preexisting relationship. Some believe that Rule 506(b) is less hospitable to minority and female entrepreneurs, who are underrepresented in the predominantly white, male social/business networks to which accredited investors belong (Berdejó 2021, Lichtenstern 2021, Pantin 2021). Reg CF potentially democratizes exempt offerings by permitting online offers and sales to almost anyone. Rule 506(c) limits sales to accredited investors but is also potentially more democratic than Rule 506(b) because it allows them to be publicly solicited by any means; no preexisting relationship is required. Rule 506(c) became effective in 2013, followed by Reg CF in 2016, which sets up a kind of natural experiment testing first the effect of allowing public solicitation of accredited investors under Rule 506(c) and subsequently the effect of also removing the accredited investor requirement under Reg CF.

An analysis of offerings from the inception of crowdfunding in 2016 through 2023 shows that the exemption does have special appeal to minority and female entrepreneurs. Using a categorical name score variable for identifying entrepreneur race/ethnicity, I find that non-white,[2] Black, Hispanic and Asian entrepreneurs are, respectively, 67.5 160.9, 59.6 and 22.0 percent more likely to choose crowdfunding than are white entrepreneurs. Female entrepreneurs are 13.9 percent more likely to choose crowdfunding than are male entrepreneurs. It appears that

[2] "Non-white" entrepreneurs comprise all entrepreneurs who are not white, that is, this category includes Pacific Islanders and other minorities who are not classified as Black, Hispanic or Asian.

minority and female entrepreneurs have embraced crowdfunding's promise of democratizing capital markets.

However, this narrative is oversimplified. Preferences between minority groups differ significantly, with Black entrepreneurs being 63.5 and 113.7 percent more likely to choose Reg CF than are, respectively, Hispanic and Asian entrepreneurs. These effects imply a high-to-low, significant ordering of Reg CF preferences by race/ethnicity: Black to Hispanic/Asian to white entrepreneur. Such heterogeneous effects bely expectations that entrepreneurs' perception of crowdfunding's benefits would break along binary, non-white/white lines.

A narrower minority entrepreneur preference for Rule 506(c) also manifests after crowdfunding becomes available. Non-white and Hispanic entrepreneurs are, respectively, 30.0 and 100.8 percent more likely than are white entrepreneurs to choose Rule 506(c) over Rule 506(b). Before Reg CF becomes effective, no such effects are found. These results imply that many minority entrepreneurs find advantage in unrestricted access to accredited investors, although possibly only after the advent of Reg CF has drawn their attention to the exempt capital markets. What puts off these entrepreneurs from Rule 506(b) may be its pre-existing relationship requirement; they apparently are more inclined to approach accredited investors they do not know than are white entrepreneurs. Hispanic entrepreneurs are 172.4 and 74.6 percent more likely to choose Rule 506(c) than are, respectively, Black and Asian entrepreneurs, while Asian entrepreneurs are 56.1 percent more likely to choose Rule 506(c) than are Black entrepreneurs, consistent with the heterogeneous crowdfunding preferences noted above but partially reversing the ordering to Hispanic to Asian to white to Black.

Rule 506(c) preferences thus further confound a homogeneous crowdfunding narrative of exemption preferences between minority and white entrepreneurs. It appears that Black entrepreneurs have a stronger preference for crowdfunding, and a weaker preference for Rule 506(c), than any other racial/ethnic group, despite the exemptions sharing the common structural advantage of allowing public solicitation of investors. Female entrepreneurs exhibit a preference for Reg CF but none for Rule 506(c). Entrepreneurs' perception of accredited investors' receptivity to public solicitation under Rule 506(c) varies by race/ethnicity and gender, as does their perception of the potential benefits of democratized access to investors under Reg CF. These insights are qualified further by the absence of any *pre*-crowdfunding preference for Rule 506(c), which implies that preferences for both new exemptions may depend on the public fanfare attached to the rollout of crowdfunding.

Entrepreneurs' exemption preferences may also reflect an expectation that they would find more investors looking to invest in offerings by same-race/ethnicity and same-gender entrepreneurs, thereby promoting a kind of homophilous democratization of exempt capital markets (Andrews 2018; Cunningham 2012). Using the local share of same-race/ethnicity retail investors ($50,000 to $200,000 in income) and population as measures of the size of the potentially homophilous local retail investor market, I find no evidence that these measures relate to minority entrepreneurs' preference for Reg CF or Rule 506(c) in small offerings. Although Black entrepreneurs' preference for Rule 506(b) in large offerings rises significantly in the local share of Black accredited investors, there is little evidence of a relation between entrepreneurs' expectations of homophilous and their choice of exemption. In contrast, female entrepreneurs'

Reg CF preference rises in the ratio of local female-to-male income. The literature shows that investment preferences reveal investors' homophilous motivations; conversely, this paper provides evidence that entrepreneur's choice of the capital market in which they seek capital may be related to perceived investor homophily.

Minority and female entrepreneurs' exemption preferences give reason to suspect bias in the sorting of offerings between exemptions. I use predictors of quality to test for differences between minority and female entrepreneurs' offerings and white and male entrepreneurs' offerings before and after the advent of crowdfunding. Some results imply that disproportionately more weak offerings by minority and female entrepreneurs opt for Reg CF than is the case for weak offerings by, respectively, white and male entrepreneurs. Although mixed, the evidence is sufficient to show a potential bias in the sorting of offerings between exemptions that must be accounted for in any analysis of, for example, discrimination in exempt capital markets (Agrawal & Lim 2023, Cumming et al. 2021, Geiger & Oranburg 2018, Malaga et al. 2018).

The Reg D and crowdfunding markets are important and of increasing interest. The amount of capital raised in exempt offering markets for years has substantially exceeded capital raised in public markets (McCann et al. 2023, SEC 2020). The SEC estimates that the amount that operating firms raise in Reg D offerings is approaching half that raised in registered equity offerings (SEC 2023a). Reg D offerings have grown steadily, with 2023's total being more than five times the amount raised in 2009 (McCann 2023). Exempt offering markets are crucial for small firms, as they are effectively denied access to public markets due to the attendant costs and

burdens of registration and reporting (Haft et al. 2021, Rossi et al. 2020). Small firms are crucial to the U.S economy. They generate a disproportionate share of new jobs, account for about half of private firm employment, and innovate more per employee than large firms (Small Business and Entrepreneurship Council 2023, Plehn-Dujowich 2013).

I find that the amount raised under Reg CF increased 9.5-fold from 2016 ($28.1 million) to 2020 ($266.8 million), while McCann et al. (2023) find that Reg D offerings increased only about 8.6 percent ($1.4 trillion to $1.52 trillion) over that period. Reg CF growth is likely to accelerate with the increase in the raise limit from $1.07 to $5 million in 2021. From 2020 to 2021, the first full year of Reg CF's new $5 million limit, the crowdfunding total more than doubled from $209 million to $496 million (Belley 2024). Recent literature reviews document an explosion in crowdfunding papers (Correia et al. 2024, Mora-Cruz & Palos-Sanchez 2023, Mochkabadi & Volkmann 2020), which reflects the rapidly growing interest in understanding the crowdfunding market.

This paper establishes a path for literature on structural bias in rules governing exempt offerings and contributes novel findings to the broader literature on the relationship between the operation of capital markets and entrepreneur race/ethnicity and gender. It presents uniquely framed findings that link entrepreneurs' choice of offering exemption to their perception of structural bias in the exempt offering market. It is also one of the first in the finance literature to consider the Rule 506(c) market in any context.

This paper also provides novel guidance regarding the use of data reported in Reg CF and D offerings. An analysis of revenues voluntarily reported in Reg D offerings suggests that the

sorting of firms between reporting and non-reporting firms is biased. Offerings by firms reporting revenue are almost 3 times more likely to fail. Additionally, the total offering amount reported by both Reg CF and Reg D firms is not a reliable indicator of the amount sought in an offering. Basing analysis on either revenues or the amount raised may bias results (Agrawal & Lim 2023). Finally, prior analysis of Reg D offerings includes only successful offerings, ignoring a large cohort of unsuccessful offerings in which no capital was raised that this analysis addresses.

Part II of this paper discusses the academic literature relevant to the intersection of race/ethnicity and gender and private capital markets. Part III discusses the data and Part IV the methodology. Part V presents the analysis and results. Part VII assesses robustness issues, and Part VIII concludes.

II. Literature: Race/Ethnicity, Gender and Private Capital Markets

This paper fits within the broader inquiry regarding whether the effects of facially neutral financial services regulation vary based on the race/ethnicity or gender of entrepreneurs and investors. For example, such structural bias has been found in the Federal Emergency Management Administration's home-ownership documentation requirements (Pippin et al. 2017) and the SBA-administered Paycheck Protection Program (Chernenko & Scharfstein 2021; Mills & Battisto 2020; SBA 2020).

The literature is replete with evidence of discrimination in the capital markets. Lyons-Padilla et al. (2019) find that asset allocators rank the participants ranked the white male-led

teams more highly than African American male-led teams. Paglia and Robinson (2016) present strong evidence of bias among asset managers in the SBA's lending program for Small Business Investment Companies. A 2005 CALSTRS survey of investment professionals found that 11 percent of respondents indicated that they would not rely on women or minorities for their personal investment needs (CALSTRS 2005). Bias against minority and female entrepreneurs has also been found in reward-based crowdfunding[3] (Howell et al. 2021, Rivenna 2019, Younkin & Kuppuswamy 2018, 2019, Rhue & Clark 2018). A sizeable body of work finds that Blacks and Hispanics are underrepresented among all entrepreneurs and are less likely to obtain funding and raise less.[4]

This paper's primary contribution is to the minimal research on entrepreneurs' exemption preferences. In the U.K. market, Cumming et al. (2021) find that younger and more remote entrepreneurs are more likely to launch an equity crowdfunding, but no evidence of such a preference for female entrepreneurs. Correia et al. (2024) provide an exhaustive summary of the literature on tactical and strategic business reasons to opt for equity crowdfunding, and specifically relative to VC/Angel funding, but they do not reflect entrepreneur demographics or speaks to the choice of exemption per se.

[3] Reward-based crowdfunding is similar to investment crowdfunding in that both entail online requests by businesses for monetary support, but reward-based crowdfunding differs in that no securities are issued and investments may, in fact, be essentially donative (Boudreau et al. 2021). "Investors" often receive rewards such as merchandise but acquire no financial interest in the business.

[4] Cosgrove et al. 2023, NVCA 2021, Gompers & Kovalli 2018, Gompers & Wang 2017, Sohl 2015, Fairlie & Robb 2010, Bates & Bradford 2008, Yago & Pankratz 2000.

Cumming et al. (2021) find that minority entrepreneurs' U.S. crowdfunding campaigns are less likely to succeed but insufficient evidence of the same effect for female entrepreneurs' campaigns. Geiger & Oranburg (2018) find that female entrepreneurs raised less in a sample of 243 successful U.S. crowdfunding offerings. In the German equity crowdfunding market, Prokop and Wang (2022) find that offerings by firms with female directors are less likely to succeed than are offerings by firms led solely by men. However, on a leading U.K. equity crowdfunding platform Horvat & Papamarkou (2021) find that female entrepreneurs have higher success rates, and Coakley et al. (2023) find that female entrepreneurs draw more investors, have a higher amount/goal ratio and are more often overfunded. Two surveys suggest that the presence of women among firm leadership enhances the probability of success in the U.S. crowdfunding market (Abate 2018, Brandt 2017). Others find no entrepreneur gender effect on investors in foreign (Cumming et al. 2021, Bapna & Ganco 2021, Giudici et al. 2019) and U.S. equity crowdfunding (Malaga et al. 2018). In the Reg D market, Agrawal and Lim (2023) find that firms with at least one Black executive raise 22 percent less than firms with none.

This paper presents new research on the role of investor homophily in the capital markets. Venture capital (VC) professionals and angel investors, the primary source of private capital for entrepreneurs, are dominated by white male professionals who tend to invest in firms run by white male entrepreneurs.[5] The effects of homophily may be heightened because of the

[5] Calder-Wang & Gompers 2023, Howell & Nanda 2023, Pitchbook 2022, Sohl 2022, NVCA 2021, Edelman et al. 2018, Gompers & Kovvali 2018, Gompers & Wang 2017, Huang et al. 2017, Gompers et al. 2016, Fleming & Sorenson 2016, Bengtsson & Hsu 2015, Schulz 2015, Kerby 2015, Sohl 2015, Hegde & Tumlinson 2014, NVCA 2016, Fairlie & Robb 2010, Robb & Coleman (2010).

outsized role that networking plays among Angel and VC investors.[6] For example, a higher overlap in the ethnicity of VC and start-up management predicts a higher probability of the VC firm's investing in a company (Gompers et al. 2016, Bengtsson & Hsu 2015). Hegde and Tumlinson (2014) find that the strength of VC ethnicity bias rises in the early-stage start-ups that predominate in the crowdfunding market.

Minority and female investors may favor same-race/ethnicity or same-gender entrepreneurs, as has been the case on Kickstarter, the largest US reward-based crowdfunding site (Gafni et al. 2019, Greenberg & Mollick 2017). In the VC and angel markets, female investors have shown a stronger preference for female entrepreneurs.[7] Helman et al. (2021) and Vismara et al. (2016) find that female investors are more likely to favor female entrepreneurs in the UK equity crowdfunding market. Bapna and Ganco (2021) find that less experienced female investors have a stronger preference for equity and reward-based crowdfunding offerings by women than do male investors. Venturelli et al. (2020) find that female investors' preference for female-led firms on the U.K. equity crowdfunding firm Crowdcube rises in entrepreneurs of the same ethnic minority group. Agrawal and Lim (2023) find that firms with at least one Black executive that are located in counties with a proportionally large Black population raise 73 percent more in Reg D offerings where the amount raised is not limited. Homophilous tendencies

[6] Pitchbook 2022, Pantin 2021, Gompers et al., 2020, Berdejó 2021, Pollman 2019, Howell & Nanda 2023, Gompers et al. 2017, Brandt 2017, Tucker 2017, Mollick & Robb 2016, Finney 2015, Robb & Coleman 2010.
[7] Raina 2022, Howell et al. 2021, West & Sundaramurthy 2020, Ewens & Townsend 2020, Becker-Blease & Sohl 2007, Harrison & Mason 2007.

may be particularly strong within minority groups (Greenberg & Mollick 2017, Wimmer & Lewis 2010, Mollica et al. 2003, Shrum et al. 1988).

Minority and female entrepreneurs' offerings may be preferred regardless of the race/ethnicity or gender of the investor (Vismara et al. 2016), a propensity that Greenberg and Mollick (2017) call "activist choice homophily." Crowdfunding investors often seek nonpecuniary benefits, such as social justice goals, or a sense of participatory engagement with a community of investors with shared interests (Burtch et al. 2015, Belleflamme et al. 2014). Experimental research and studies of the U.K. crowdfunding market find that ventures with minority leadership found more support among investors (Cumming et al. 2021, Zamurd-Butt 2020, Younkin & Kuppuswamy 2019). Two U.S. crowdfunding portals have claimed to have hosted a higher percentage of minority entrepreneurs' firms than have been funded by VC firms (Wefunder 2021, Deutsch 2018).

Minorities and women may be drawn to nontraditional capital markets such as crowdfunding. The literature finds that minorities have greater distrust of traditional sources of financing (Edelman 2021), consistent with evidence that fintech lenders are more likely to approve loans to minority firms than are banks (Chernenko & Scharfstein 2021, Howell et al. 2021, Erel & Liebersohn 2020). Crowdfunding proponents have suggested that the technology used by online providers benefits minorities because it is more objective (Jamal et al. 2014), notwithstanding evidence of discrimination in other online marketplaces such as Craigslist, eBay, Facebook, Airbnb and Prosper.com (Gaddis et al. 2020, Edelman et al. 2017, Ayres et al. 2015, Hebl et al. 2012, Herzenstein et al. 2008).

This paper adds to research on the role of local investors in capital formation. Investors' tendency to invest in firms that are geographically closer to their location is well-established (Ardalan, Kavous 2019; Engelberg & Parsons 2011; Huberman 2001). Venture capital firms and angel investors have frequent contact with the start-ups in which they invest (Gompers et al. 2020; Pollman 2019; Huang et al. 2017) and prefer local start-ups (Howell & Nanda 2023; Steiner 2017; D'Ambrosio & Gianfrate 2016; Mathews 2015). In the crowdfunding market, some find that online offerings facilitate reaching non-local investors (Greenberg & Mollick 2017, Cumming et al. 2021, Lin & Viswanathan 2016, Jamal et al. 2014, Agrawal et al. 2015). However, many start-ups typically rely on investments by friends and family (Agrawal et al. 2015; NSBA 2012), who are predominantly located near the businesses in which they invest (Agrawal et al. 2015). Minority-owned businesses are more likely to have a local clientele (Fairlie & Robb 2010).

Asian entrepreneurs may exhibit different preferences from those of other minority groups. Gornall and Strebulaev (2020) find that emailed investment pitches by East Asian-named entrepreneurs (e.g., excluding "Shah" and "Patel") were more likely to receive a positive response than entrepreneurs with "white-sounding" names. Others find that Asian-owned firms are more likely to succeed than are white-owned firms (Fairlie & Robb 2007), Asian VC entry rates are twice their proportional representation (Gompers et al. 2017, NCVA 2011), and Asian respondents exhibit lower negative associations with traditional finance than do Black and Hispanic respondents (Edelman 2021).

III. Data

A. Choice of Exemption and Control Variables

Each of the main models used in the analysis regresses the choice of either Reg CF or Rule 506(c) over Rule 506(b) on following controls, each by ZIP Code Tabulation Area (ZCTA) and year: "Retail Investors" and "Accredited Investors," each as a raw number of total households with income, respectively, from $50,001 to $200,000 and greater than $200,000; "Total Population," the population divided by 1,000; "Population Density," the number of residents per square mile; "Unemployment Rate;" "High Home Values," the percentage of homes worth with at least $1 million; "Age 65 and Over" and "Age 18 to 64," each the population percentage in that age band; "Bachelor's Degree," the population percentage with a terminal bachelor's degree; "Post-Graduate Degree," the population percentage with a terminal masters, professional degree or doctorate. Controls also include "Personal Loan Rate," the monthly 3-month lagged personal loan rate; and "S&P 500 Index," the 3-month lagged raw S&P 500 Index value; and "Metro Area," coded "1" for non-metropolitan areas as of 2020. Some control variables are not linear in the log, an important criterion for the use of continuous variables for a well-fitted logit. Some control variables are transformed as necessary to receive a passing Box-Tidwell grade. These transformed variables are used in all main regressions. Descriptive statistics for untransformed control variables appear in Table 1.

[Table 1]

B. Reg CF Data

The analysis of Reg CF preferences covers offerings commenced from Reg CF's effective date, May 16, 2016, through Dec. 31, 2023. There is no minimum wealth requirement for investors, although the amount an investor may invest in crowdfunding offerings in a 12-month period is capped. The 12-month raise limit was $1,000,000 from May 16, 2016, through April 11, 2017; $1,070,000 through March 15, 2021; and $5,000,000 thereafter. Crowdfunding data is: (1) collected from publicly available SEC datasets derived from the SEC's Electronic Data Gathering, Analysis and Retrieval system (EDGAR); (2) electronically downloaded from EDGAR filings; and (3) hand-collected from firm filings, Portal websites and third-party sources, and (4) vetted against data from third-party data aggregator Kingscrowd. Most crowdfunding offering outcomes and amount raised are manually verified based on: firm financial statements, disclosures in other offerings, data on the hosting Portal's archived webpages, data aggregators (e.g., Kingscrowd) and news reports. Table 2 shows the number of crowdfunding filings and unique filers. After excluding foreign and financial firms and inadvertent offerings, 6,356 offerings by 5,497 unique firms remain.

[Table 2]

Notably, any crowdfunding preference is sailing against the wind. Reg CF is far more burdensome than Reg D, as it requires the filing of a quasi-registration statement, annual reporting, audited financial statements for offerings exceeding $500,000, the use of an intermediary and the managing of hundreds of times the number of shareholders per dollar raised. Reg CF may impose higher expenses per dollar raised than under other exemptions

(Treasury Department 2017, Abate 2016). Thus, evidence of a Reg CF preference gains purchase by the additional burdens that its adopters choose to tackle.

C. Reg D Data

Firms conducting exempt offerings under certain SEC rules are required to file Form D with the Commission within 15 days of the first sale, although the availability of the exemption does not depend on having filed. Some have estimated a filing noncompliance rate of 9 to 11 percent (SEC 2013); potential bias arising from noncompliance is discussed in the Internet Appendix. Data for offerings under Reg D are derived from publicly available SEC datasets collected from EDGAR. The sample includes offerings initiated from either September 23, 2013 (the Rule 506(c) effective date) or May 16, 2016, through Dec. 31, 2023 (respectively, pre-crowdfunding and post-crowdfunding). I exclude foreign issuers, financial services firms, investment pools and real estate investments, as well as transactions involving business combinations and property held as tenants in common. Investment pools include firms designated as such as well as those that claim an exemption for investment pools under Investment Company Act Section 3(c).

The Reg D sample is limited to offerings under Rule 506(b) or Rule 506(c). While Reg D also covers offerings under Rules 504 and 505, neither is a substitute for Reg CF because both trigger state-by-state regulation and therefore are generally eschewed by issuers; moreover, Rule 505 was repealed in 2017.[8] Rule 506(b) prohibits advertising and public solicitation in

[8] Rule 504 generally allows anyone to invest and permits limited general solicitation, but sales within any 12-month period are limited to $1 million prior to May 22, 2017, $5 million prior to March 15, 2020, and $10 million thereafter (SEC 2020, SEC 2016). Rule 505 essentially mirrors Rule 506(b) except that sales are limited to $5

connection with the offering. In order to demonstrate the absence of public solicitation, the issuer must show evidence of a preexisting relationship between the issuer or its intermediary and the investor (SEC 2022; SEC 2000). Although Rule 506(b) permits up to 35 non-accredited investors,[9] less than 5 percent of offerings report including any such investors. Rule 506(c) allows public solicitation provided that securities are sold only to accredited investors. This means that firms need not have a preexisting relationship with investors; they can approach wealthy investors they do not know using any form of communication, including through unsolicited mailings, cold calls or an Internet site. However, all investors in a Rule 506(c) offering must be "verified" as accredited investors, which may increase liability risk.

Table 3 shows pre- and post-crowdfunding Form D filings. To better match the size of Reg CF firms, I exclude from the main regressions Reg D offerings in which more than $5,000,000 is raised, which leaves 53,459 offerings in the post-crowdfunding sample. No amount raised is provided for failed reg D offerings, of course, which requires a different metric to match them to comparably sized Reg CF firms. I use the total offering amount for this purpose, excluding all failed Reg D offerings with an offering amount of greater than $6 million. The rationale for this amount is discussed in the Internet Appendix. This screen leaves 10,043 unsuccessful small offerings in the sample.

million an any 12-month period. The SEC repealed Rule 505 effective May 22, 2017 (SEC 2016), meaning that it was not an option for 4.7 of the 10.3 years in the period from September 13, 2013, through 2023 and for 4.7 of the 7.7 years in the post-crowdfunding period.

[9] Accredited investors include, inter alia: (1) natural persons with either (a) at least $1 million in investments or (b) $200,000 in income ($300,000 for a couple) in the preceding two fiscal years and expected in the current year, (2) entities with at least $5 million in investments and (3) a wide variety of financial entities.

[Table 3]

D. Entrepreneur Race/Ethnicity and Gender

Entrepreneur race/ethnicity and gender are assigned based on the first signature name in each filing (Geiger & Oranburg 2018). There is no publicly available data on the actual race/ethnicity of entrepreneurs. I use categorical race/ethnicity name scores from Rosenman et al. (2023), which are derived from self-identified Census and mortgage filings. The categorical variable Name Score assigns race/ethnicity to the race/ethnicity with the highest, combined first and last name probability, with first name probability counted twice when the last name probability is missing and vice versa. For gender, I use Raffo (2021) from the Harvard Dataverse, which estimates the probability that a first name belongs to a female or male. Gender is assigned based on the gender that has the higher probability. Filings with non-high-level executive titles tied to signature names are excluded, as well as filings with signature titles including "attorney" or a similar descriptor. Table 4 presents descriptive data for the entrepreneur race/ethnicity variables.

[Table 4]

IV. Methodology

The analysis seeks to determine whether race/ethnicity and gender affects entrepreneurs' exemption preferences. I regress the binary choice of exemption on the controls discussed above and the following firm- and offering-specific variables: (1) entrepreneur race/ethnicity and

gender variables ("[race/ethnicity] Name Score" and "Gender"), (2) a binary variable coded "1" if equity is offered based on the designation in Reg D filings and manual review of all Reg CF filings ("Debt-Equity"),[10] (3) a seven-level dummy variable coded "0" for firms formed in the same calendar year as the initial offering, 1 to 5 based on the number of years formed before the offering year, and 6 if formed more than five years before the offering year ("Offering Age"), (4) a 4-level categorical variable representing the total offering amount (under Reg CF, the offering amount is the minimum amount raised necessary to receive investor funds) in bands of $0 to less than $500,000, $500,000 to less than $1 million, $1 to less than $2 million, and at least $2 million ("Amount Sought"); firm industry category ("Industry"), (5) a binary post-Covid variable coded "1" for offerings initiated after March 13, 2020 (the date that the Covid National Emergency was declared) ("Post-Covid"), (6) year of the initial offering ("Year"), and (7) the region in which the firm is located (East, South, Midwest, West) ("Region"). Kingscrowd is the source of crowdfunding firms' industry category. Kingscrowd industry categories are matched to Form D industry categories as discussed in the Internet Appendix. Appendix Figure A-1 shows the distribution of offerings by state. The six states accounting for the most offerings are, in declining order, California, Texas, New York, Florida, Massachusetts and Colorado, representing in toto 54 percent of the sample.

My primary hypothesis is that minority and female entrepreneurs have a stronger preference for Reg CF relative to Rule 506(b) than do white and male entrepreneurs,

[10] Reg CF classifications are manually reviewed because of the high rate of inconsistent and inaccurate data.

respectively. I use the following equation for the minority entrepreneur regressions, with transformations of control variables shown as applicable.

$$ChoiceRegCF = \beta_o + \beta_1[NonWhite][Black][Hispanic][White]NameScore +$$
$$\beta_2 DebtEquity + \beta_3 AmountSought + \beta_4 OfferingAge + PostCovid +$$
$$\beta_5 RetailInvestors + \beta_6 AccreditedInvestors + \beta_7\left(\frac{HighHomeValue+1}{10000}\right)^{-.44} -$$
$$1.3502790319 + \beta_8\left(\frac{TotalPop}{100}\right)^{1.88} + \beta_9\left(\frac{PopDens}{100000}\right)^{0.33} +$$
$$\beta_{10}\left(\left(\frac{UnempRate+2.38418579102e-06}{10}\right)^{.5787} - .6373262598\right) + \beta_{11} Age65andOver +$$
$$\beta_{12} Age18to64 + \beta_{13} PostGrad + \beta_{14} Bachelors + \beta_{15} NotMetro +$$
$$\beta_{16} 3MoLagPersonalLoanRate^{11} + \beta_{17}((3MoLagS\&P500Index/1000)^{-3.87}) +$$
$$\beta_i Region + \beta_i Industry + \beta_i Year$$

In the female entrepreneur regressions, Gender replaces entrepreneur race/ethnicity Name Score.

My primary hypothesis is motivated by the expectations that: (1) minority and female entrepreneurs look to crowdfunding to provide a more hospitable environment for their offerings and (2) female and non-Asian minority entrepreneurs seek to exploit the more diverse demographics of investors eligible to invest in Reg CF offerings. The latter motivation does not apply to Asian entrepreneurs because Asian investors are not disproportionately represented among retail investors. In the locales of firms in the sample, the Black (Hispanic) share of households with Reg D-eligible income of at least $200,000 is only 9 (13) percent of the white

share, while the Black (Hispanic) share of households with income of at least $50,000 but not more than $200,000 ("Retail Investor Share") is 33 (28) percent of the white share. In contrast, Asian households have higher incomes than do Black and Hispanic (and white) households. Due to this difference, and the differences in Asians' perception of and presence in financial services firms discussed above, I expect weaker effects from Asian entrepreneurs.

> *Hypothesis 1A: non-white, Black, Hispanic and Asian entrepreneurs have a stronger preference for Reg CF relative to Rule 506(b) than do white entrepreneurs.*
>
> *Hypothesis 1B: Female entrepreneurs have a stronger preference for Reg CF relative to Rule 506(b) than do male entrepreneurs.*

I hypothesize further that the same entrepreneur race/ethnicity and gender preferences exist in favor of Rule 506(c) post-crowdfunding on the premise that minority and female entrepreneurs are less likely to belong to the social/business networks in which accredited investors may congregate, which means that they would be less likely to have the preexisting relationships with accredited investors that Rule 506(b) requires. However, I expect the effect to be weaker for Asian entrepreneurs in light of their disproportionately high representation among accredited investors and in VC firms.

> *Hypothesis 2A: Post-crowdfunding, non-white, Black, Hispanic and Asian entrepreneurs have a stronger preference for Rule 506(c) relative to Rule 506(b) than do white entrepreneurs.*
>
> *Hypothesis 2B: Post-crowdfunding, female entrepreneurs have a stronger preference for Rule 506(c) relative to Rule 506(b) than do male entrepreneurs.*

I expect no such preference for Rule 506(c) to manifest prior to the advent of crowdfunding. Although the same potential advantages are present – and competition from Reg CF is absent – I expect that the universal silence regarding the potential benefits of Rule 506(c) for minority and female entrepreneurs results in no notice being taken of these benefits until crowdfunding draws attention to the choice of exemption as one to which such entrepreneurs should pay heed.

Relatedly, I expect minority and female entrepreneurs' preferences in the small offering market to be mirrored in large offerings (> $5 million). Firms conducting large offerings are likely to be more sophisticated and attentive to differences in exemptions, which should mean that their preference exists from the inception of Rule 506(c).

> *Hypothesis 3A: Non-white-, Black-, Hispanic- and Asian-led firms that conduct large offerings have a stronger preference for Rule 506(c) relative to Rule 506(b) than do white-led firms.*
>
> *Hypothesis 3B: Female-led firms that conduct large offerings have a stronger preference for Rule 506(c) relative to Rule 506(b) than do male-led firms.*

A secondary set of hypotheses posit that minority and female entrepreneurs' preference for Reg CF and Rule 506(c) rises in the potential for local homophilous investing. The same motivations as above apply here, as well as the literature on homophilous investing based on race/ethnicity and gender. For the Reg CF analysis, the regressions are the same as those above except that entrepreneur race/ethnicity Name Score is interacted with, alternately, the same-race/ethnicity share of local retail investors, accredited investors and population. Gender is interacted with, alternately, local female-to-male median income and the local female population proportion. Asian entrepreneur effects are expected in relation to the local Asian population but

not in relation to the Asian retail investor population because Asian households are not disproportionately over-represented among retail investors.

> *Hypothesis 4A: Non-white, Black and Hispanic entrepreneurs' Reg CF preference rises in the local, same-race/ethnicity share of Retail Investors, and non-white, Black, Hispanic and Asian entrepreneurs' Reg CF preference rises in of the local same-race/ethnicity population share, in both cases relative to other-race/ethnicity entrepreneurs' Reg CF preference.*
>
> *Hypothesis 4B: Female entrepreneurs' Reg CF preference rises in local female/male income and the female proportion of the local population relative to male entrepreneurs' Reg CF preference.*

I expect that, post-crowdfunding, Rule 506(c) preferences also relate to the size of the potentially homophilous local market, except that here it is Rule 506(b), not (c), that should gain purchase in a rising same-race/ethnicity and same-gender *accredited* investor share. Accredited investors are determinative here because a larger population of local, potentially homophilous income-accredited investors should mean more preexisting relationships with them, which militates for Rule 506(b). Similarly, female entrepreneurs' Rule 506(b) preference should rise in local female/male income. Hence the following hypotheses:

> *Hypothesis 5A: Non-white, Black, Hispanic and Asian entrepreneurs' Rule 506(b) preference rises in the local, same-race/ethnicity Accredited Investor Share and population relative to other-race/ethnicity entrepreneurs' Rule 506(b) preference.*
>
> *Hypothesis 5B: Female entrepreneurs' Rule 506(b) preference rises in local female/male income relative to male entrepreneurs' Rule 506(b) preference.*

It should be noted that a confounding factor in the foregoing is the use of predictors that reflect *local* circumstances. This assumes that entrepreneurs' Reg CF and Rule 506(c) preferences manifest in local effects, notwithstanding that it is plainly public, national

distribution that both exemptions facilitate. I expect that the Rule 506(b) market is more local, which may suppress local Reg CF effects and thereby produce Type II errors.

A final hypothesis is that minority and female entrepreneurs' Reg CF preferences bias the sorting of offerings between Rule 506(b) and Reg CF, although the lack of data on Reg D offerings renders this inquiry more exploratory than empirical. This hypothesis is motivated by the expectation that Reg CF's promise of democratizing finance will result in weaker offerings by minority and female entrepreneur firms being disproportionately drawn to crowdfunding.

> *Hypothesis 6A: Non-white, Black, Hispanic and Asian entrepreneurs' Reg CF preference biases sorting between Reg CF and Rule 506(b) due to a disproportionate share of their weaker offerings' self-selecting crowdfunding.*
>
> *Hypothesis 6B: Female entrepreneurs' Reg CF preference biases sorting between Reg CF and Rule 506(b) due to a disproportionate share of their weaker offerings' self-selecting crowdfunding.*

No similar bias is expected in the sorting of offerings between Rule 506(c) and Rule 506(b) due to absence of popularizing rhetoric relating to Rule 506(c)'s potentially democratizing effect.

V. Analysis and Results

A. Choice of Exemption and Control Variables

Table 5 shows the results of regressing the choice of exemption only on the control variables. To facilitate the interpretation of effects for transformed variables, predicted probabilities for those with significant effects are presented in Figure 1. As the number of nonaccredited investors (those who are not income-eligible to invest in a Reg D offering) rises,

the appeal of Reg CF to entrepreneurs rises as well. The appeal of Reg CF declines in the number of local accredited investors, which is consistent with their providing a larger market of Reg D-eligible investors. These effects are consistent with expectations, but there are vanishingly small. Conversely, the effect of High Home Values, which is intended as a proxy for investors who are *asset*-eligible to invest in a Reg D offering, is positive, suggesting that the appeal of Reg CF rises in housing wealth. Population and Population Density predict a greater probability choosing Reg CF, which is consistent with entrepreneurs' believing the crowdfunding market to be more localized than is the market of accredited investors. However, the metropolitan area effect, which would capture higher population and population density outside of a firm's immediate locale, is negative. Entrepreneurs appear to expect a less financially sophisticated population to provide more fertile ground for crowdfunding, as the probability of choosing crowdfunding declines significantly in education.

The probability of choosing Rule 506(c) declines in Metro area, which is consistent with Rule 506(b) relationships to accredited investors being more likely in large urban areas, with Rule 506(c) facilitating outreach to accredited investors located further from the firm. Rule 506(c) also gains appeal in a rising older population – perhaps older investors are less active in accredited investor networks, necessitating the more overt outreach that Rule 506(c) allows – while losing appeal in an increasing proportion of post-graduate terminal degree-holders. The most educated local cohort appears to be more inclined to invest with entrepreneurs with whom they have preexisting relationships.

[Table 5 & Figure 1]

B. Entrepreneur Race/Ethnicity Exemption Preferences

Table 6 presents the results of regressing the choice of exemption on race/ethnicity name scores, Gender and the controls. The results are consistent with Hypothesis 1A that minority entrepreneurs have a stronger preference for Reg CF than do white entrepreneurs. A non-white, Black, Hispanic and Asian entrepreneur is, respectively, 67.5, 160.9, 59.6 and 22.0 percent more likely to choose Reg CF than is a white entrepreneur. These findings are consistent with minority entrepreneurs having embraced crowdfunding's promise to democratize capital markets. Table 6 also shows significant differences in preferences between minority groups. A Black entrepreneur is predicted to be 63.5 and 113.7 percent more likely choose Reg CF than is, respectively, a Hispanic or Asian entrepreneur. Using a more parsimonious model discussed in the Internet Appendix, the results are not materially different, as reported in Internet Appendix Table A-1. Nor are the main results materially different when using only untransformed variables, as reported in Internet Appendix Table A-2.

[Table 6]

Turning to Rule 506(c) preferences, Table 7 shows that, after crowdfunding becomes an option, non-white and Hispanic entrepreneurs conducting small offerings are predicted to be 30.0 and 100.8 percent more likely to choose Rule 506(c) over Rule 506(b) that are white entrepreneurs, which is consistent with Hypothesis 2A. However, Hypothesis 2A finds no support for Black or Asian entrepreneurs. As with Reg CF, the results reveal significant differences among minority groups, but with different ordering, implying that Hispanic entrepreneurs are 172.4 and 74.6 percent more likely to choose Rule 506(c) than are,

respectively, Black and Asian entrepreneurs. An Asian entrepreneurs is predicted to be 56.1 percent more likely than a Black entrepreneurs to choose Rule 506(c) (white entrepreneurs are 35.7 percent more likely than Black entrepreneurs to choose Rule 506(c) at the 10 percent confidence level).

[Table 7]

Table 8 shows that, for the pre-crowdfunding period between the effective dates for Rule 506(c) and Reg CF, no significant difference in preferences is predicted. Table 9 shows the results of regressing the choice of Rule 506(c) from its effective date on the interaction between Name Score and a binary variable, Post-CF, equal to 1 if an offering occurred on or after Reg CF's effective date. The sample includes only offerings initiated before January 9, 2019, in order to create equal periods pre- and post-crowdfunding. Post-CF effects for white entrepreneurs differ significantly from effects for non-white, Hispanic and Asian entrepreneurs, whose Rule 506(c) preferences rises in the post-crowdfunding period. The results reported in Tables 8 and 9 are consistent with minority entrepreneurs' Rule 506(c) preferences arising once the popularization of crowdfunding draws their attention to the democratizing potential of both exemptions. However, Black entrepreneurs bely that interpretation, as they embrace crowdfunding more strongly than any other group but are indifferent to Rule 506(c). They may have different expectations of support from accredited investors – whether known personally or not – or for them crowdfunding's especially strong appeal displaces Rule 506(c). Notably, Post-CF effects do not differ among minority groups, which implies a more binary racial/ethnic

response to the introduction of crowdfunding, in contrast with significant differences among minority groups' perception of the specific exemptions**.**

[Tables 8 & 9]

Finally, Table 10 shows the results of regressing the choice of Rule 506(c) with a sample restricted to large offerings. Non-White entrepreneurs are predicted to be more likely to choose Rule 506(c) than are white entrepreneurs, consistent with Hypothesis 3A. Otherwise, there are no significant effects. No differences in effects between minority groups manifest for large offerings.

[Table 10]

In summary, minority entrepreneurs' exemption preferences for small offerings are generally consistent Hypotheses 1A and 2A that they expect to find more hospitable reception in the Reg CF and Rule 506(c) markets than do white entrepreneurs. The evidence suggests that their Rule 506(c) preference is partly attributable to crowdfunding's introduction triggering greater interest in alternatives to highly network-dependent Rule 506(b). However, their preferences do not reflect a minority-white bifurcation of attitudes towards different exempt markets. Preferences among Black, Hispanic and Asian entrepreneurs are more often significantly different than not and are, in some cases, arguably inconsistent. Black entrepreneurs exhibit the strongest preference for crowdfunding but relative indifference toward Rule 506(c), despite both exemptions offering the democratizing advantage of public solicitation of investors with whom the entrepreneur has no preexisting relationship. The choice of exemption is highly sensitive to entrepreneur race/ethnicity.

C. Entrepreneur Gender Exemption Preferences

Regressing the choice of exemption on Gender suggests that female entrepreneurs have a stronger preference for Reg CF, but not Rule 506(c), than do male entrepreneurs. Returning to results reported in Table 6, a female entrepreneur is predicted to be 13.9 percent more likely to choose Reg CF than is a male entrepreneur, which is consistent with Hypothesis 1B. In contrast, coefficients in the Rule 506(c) regressions presented in Tables 7 to 10 show no significant gender effects, which offers no support for Hypotheses 2B or 3B. There is no evidence female entrepreneurs' Rule 506(c) preference changes with the advent of crowdfunding. Unlike non-Black minority entrepreneurs, female entrepreneurs appear to be unpersuaded by the potential advantage of freer access to accredited investors, preferring instead to access accredited investors through preexisting relationships. This explanation is consistent the Howell and Nanda (2023) finding that female participants in a new venture competition were less likely than male participants to contact VCs to whom they were exposed.

D. Race/Ethnicity*Gender Interaction Effects and Exemption Preferences

To control for the interaction of entrepreneur gender and race/ethnicity, I regress the choice of exemption on the interaction of Gender and Name Score. Results appear at Table 11. Non-white, Black and Hispanic entrepreneurs' Reg CF preference persists with no additive effect when the minority entrepreneur is female. White female entrepreneurs are significantly more likely to choose Reg CF than are white male entrepreneurs. No interaction effect is significant, which is consistent with gender producing no additive effect for minority entrepreneurs. The results show the same significant differences in effects between Asian and both Black and

Hispanic male entrepreneurs as discussed above. The main gender effects found above are similarly unaffected in the interaction regressions.

[Table 11]

Table 12 shows the results of regressing the choice of Rule 506(c) for small offerings on the interaction between entrepreneur race/ethnicity and gender. For non-white and Hispanic entrepreneurs, the Rule 506(c) preference remains with no interaction effects. The interaction coefficients are significant for both Black and Asian entrepreneurs, which implies a Rule 506(c) that is conditional on gender. Female Asian entrepreneurs are predicted to be more likely than female white entrepreneurs to choose Rule 506(c), which is conditionally consistent with Hypothesis 2A and 2B. However, the Black entrepreneur coefficient is negative, which implies conditional rejection of both hypotheses for female Black entrepreneurs. In fact, female entrepreneurs are also more likely to choose Rule 506(c) than are female Hispanic and Black entrepreneurs, which suggests an ordering of female Rule 506(c) preferences from Asian to Hispanic to white to Black.

[Table 12]

In summary, minority entrepreneurs' Reg CF preferences do not appear to vary in gender; nor does the female entrepreneur Reg CF preference appear to vary in race/ethnicity. However, Rule 506(c) preferences are sensitive to the interaction between race/ethnicity and gender. Figure x illustrates this interaction by showing the predicted probabilities of choosing when the sample is divided by gender. Entrepreneur race/ethnicity Reg CF preferences are fairly consistent between genders, but Rule 506(c) preferences vary significantly. Relative to female white

entrepreneurs, female Black entrepreneurs exhibit the strongest preference for Reg CF but the most negative preference for Rule 506(c). The former is striking because female white entrepreneurs already have a significant Reg CF preference. The former may explain the latter, as female Black entrepreneurs may choose Reg CF in lieu of Rule 506(c). Alternatively, differences in Reg CF and Rule 506(c) preferences may reveal differences in perceptions of the advantages of public distribution alone (Rule 506(c)) as opposed to public distribution plus access to more diverse, less affluent investors (Reg CF). That perception appears to vary in race/ethnicity for Black entrepreneurs and in gender for Asian entrepreneurs. The kind of gender-based networking frictions found by Howell and Nanda (2023) may vary in race/ethnicity and gender.

E. Homophilous Investor Expectations and Exemption Preferences

If minority and female entrepreneurs expect same-race/ethnicity or same-gender homophilous investing to rise in crowdfunding or Rule 506(c) markets, then their preferences for these exemptions should rise in larger same-race/ethnicity and same-gender homophilous populations. Table 13 shows the results of regressing the choice of Reg CF on the interaction between entrepreneur race/ethnicity and same-race/ethnicity Retail Investor Share, holding gender constant. Retail Investor Share captures local households that are likely to have enough disposable income to consider participating in a crowdfunding offering (at least $50,000) while also excluding those that are income-eligible to invest in a Rule 506(b) or (c) offering (no more than $200,000 or $300,000 for a couple). Relatedly, Yimfor (2023) finds that lower income is associated with brokers who participate in Reg D offerings being unregistered. As reported in

Table 13, regressing the choice of Reg CF on the interaction terms yields no significant interaction effects.

[Table 13]

Table 14 shows the results of regressing the choice of Reg CF on the interaction between Name Score and same-race/ethnicity local population proportion in the expectation that minority entrepreneurs' Reg CF preference rises in the size of the potentially homophilous local investor market. One interaction effect is significant, wherein the Asian entrepreneur Reg CF preference rises in Asian population relative to Black, but not white or Hispanic, entrepreneurs. This partial effect does not evidence a true expectation of homophilous investors in the Reg CF market, which would manifest with respect to all other entrepreneur race/ethnicity groups. The results do not support the hypothesis that minority entrepreneurs' Reg CF preference rises in same-race/ethnicity Retail Investor Share or Population.

[Table 14]

Turning to Rule 506(c), if entrepreneurs expect to find homophilous investors in their locale, then their Rule 506(c) preference should *decline* in the proportion of local, same-race/ethnicity accredited investors because a presence of such investors should be associated with a higher incidence of the pre-existing relationships required by Rule 506(b). Table 15 shows the results of regressing the choice of Rule 506(c) on the interaction between Name Score and same-race/ethnicity Accredited Investor Share, which includes local households with enough income ($200,000) to qualify as accredited investors under Reg D. The only significant interaction effects are partial. The probability that a Hispanic entrepreneur chooses Rule 506(b)

rises in Hispanic Accredited Investor Share relative to a white entrepreneur, but there is no such effect for Black or Asian entrepreneurs. Similarly, the probability that an Asian entrepreneur chooses Rule 506(b) rises in Asian Accredited Investor Share relative to a Hispanic entrepreneur, but there is no such effect for Black or white entrepreneurs.

[Table 15]

Entrepreneurs who conduct large offerings should also be more likely to choose Rule 506(b) in a rising population of local, same-race/ethnicity accredited investors. Table 16 shows the results of regressing the choice of Rule 506(c) on the interaction between Name Score and same-race/ethnicity Accredited Investor Share. A Black entrepreneur's Rule 506(b) preference rises significantly in Black Accredited Investor Share relative to every other race/ethnicity group's Rule 506(b) preference, which implies that a higher proportion of same-race/ethnicity local accredited investors enhances the appeal to soliciting those with whom the entrepreneur has a pre-existing relationship, as Hypothesis 3A predicts. However, the interaction effect for non-white entrepreneurs predicts that a non-white entrepreneur's Rule 506(b) preference *declines* in the non-white share of local accredited investors relative to white entrepreneurs' Rule 506(b) preference. The other significant effects are partial. A white entrepreneur's Rule 506(b) preference is expected to rise in White Accredited Investor Share in relation to an Asian entrepreneur's Rule 506(b) preference, but not in relation to a Black or Hispanic entrepreneur's Rule 506(b) preference. Conversely, an Asian entrepreneur's Rule 506(b) preference rises in Asian Accredited Investor Share only relative to a white entrepreneur's Rule 506(b). Thus, some effects are consistent with a higher same-race/ethnicity share of local, income-eligible accredited

investors predicting a greater likelihood of a same-race/ethnicity entrepreneur's choosing Rule 506(b) with its preexisting relationship requirement.

[Table 16]

Turning to female entrepreneurs, I regress the choice of exemption on the interaction between entrepreneur gender and (1) the natural log of the ratio of local female median income to local male median income ("Female/Male Income") and (2) local female population proportion. Unlike Retail Investor Share above, Female/Male Income Ratio does not isolate an income sweet spot for crowdfunding investors between $50,000 and $200,000, as income bands are not available by gender. As reported in Table 17, a female entrepreneur's Reg CF preference is predicted to rise in Female/Male Income relative to a male entrepreneur's Reg CF preference. Figure 3 shows that the female entrepreneur Reg CF preference persists independent of the effect of Female/Male Income. Otherwise, no interaction term coefficient for either interaction is significant.

[Table 17 & Figure 3]

There is little evidence that minority or female entrepreneurs' choice of exemption reflects an expectation of a more hospitable market of homophilous investors in Reg CF or Rule 506(c) offerings relative to 506(b) offerings. In the race/ethnicity regressions, the only pure evidence of homophilous expectations, that is, where the entrepreneurs' same-ethnicity preference is stronger than for each other racial/ethnic group, predicts that Black entrepreneurs' Rule 506(b) preference in large offerings rises in Black Accredited Investor Share. Additionally, female entrepreneurs' Reg CF preference rises in the local female/male income ratio, which is

consistent with Hypothesis 5B that female entrepreneurs expect to find homophilous investors in the Reg CF market. The literature provides evidence that female investors may favor female entrepreneurs (Helman et al. 2021, Bapna & Ganco 2021, Venturelli et al. 2020, Vismara et al. 2016); this paper finds that female entrepreneurs may take such favoritism by female investors into account when choosing the market in which to conduct an offering.

F. Biased Sorting Between Exemptions

Minority and female entrepreneur preferences for crowdfunding and Rule 506(c) beg the question of whether these preferences bias the sorting of firms between exemptions. I expect that the promise of crowdfunding's democratizing effect likely causes a higher proportion of weak offerings by minority and female firms to self-select into Reg CF.

If this is the case, then more weak minority and female entrepreneur offerings should migrate from Rule 506(b) once crowdfunding becomes available, which would be reflected in an increase in their post-crowdfunding success rate and amount raised under Rule 506(b) relative to white entrepreneurs' offerings. Table 18 reports the results of regressing, for Rule 506(b) offerings, a binary variable equal to 1 if an offering is successful on the interaction between Post-CF and, alternately, Name Score and Gender. The table shows a positive, significant interaction effect for Black Name Score, which is consistent with more weak Black entrepreneur offerings migrating away from Rule 506(b) post-crowdfunding than is the case for white entrepreneur offerings. However, neither Hispanic nor Asian entrepreneurs' probability of success rises post-crowdfunding. Table 18 also shows no interaction effects for Gender.

[Table 18]

As reported in Table 19, the change in the amount raised post-crowdfunding in Asian entrepreneur Rule 506(b) offerings is significantly different from the change in white entrepreneur Rule 506(b) offerings. However, the effect is negative, which is consistent with *fewer* weak Asian entrepreneur offerings, relative to weak white entrepreneur offerings, migrating away from Rule 506(b) post-crowdfunding. No effects are significant in the gender interactions.

[Table 19]

Two disclosure items on Form D provide indirect predictors of success and/or the amount raised, as reported in Internet Appendix Table A-3. Reporting revenues appears to signal lower quality, as Rule 506(b) offerings that report revenues are predicted to be almost three times more likely to fail than are non-reporting offerings and to raise $203,101 less than are successful reporting offerings. (These findings cast doubt on whether using revenue to evaluate gender discrimination in Reg D offerings may bias results (Agrawal & Lim 2023)). Stating in the initial Form D filing that the first sale has "yet to occur" is almost dispositive of failure. These offerings are over 10 times more likely to fail than are other offerings.

If weak offerings by minority and female entrepreneur firms are more likely to migrate to crowdfunding, then the frequency of revenue reporting and yet-to-occur filings for their Rule 506(b) offerings should decline post-crowdfunding relative to, respectively, white and male entrepreneurs' offerings. Tables 20 and 21 report results from the same regressions as above except that the regressand is a binary variable equal to 1, respectively, if: (1) revenues are reported or (2) a sale has yet to occur ("Yet to Occur"). Table 21 shows that the Yet to Occur

interaction coefficient is significant and negative for both Non-White Name Score and Black Name Score, which implies that fewer yet-to-occur inclined non-white and Black entrepreneur firms conducted Rule 506(b) offerings post-crowdfunding relative to white entrepreneur firms. Both results are consistent with a disproportionate migration of weak minority entrepreneur offerings. No other interaction coefficient is significant in either regression for entrepreneur race/ethnicity or gender.

[Tables 20 & 21]

To summarize, there is some evidence that supports Hypothesis 6A that more weak minority entrepreneur offerings than white entrepreneur offerings abjure Rule 506(b) after crowdfunding becomes an option but no such evidence in support of Hypothesis 6B regarding weak female entrepreneur offerings. The evidence is sufficient to warrant caution in analyzing within-in exemption discrimination in exempt markets without accounting for possible biased sorting of entrepreneurs between exemptions (Agrawal & Lim 2023, Geiger & Oranburg 2018).

VI. Robustness

A. Alternative Name Scores

As noted, I follow the widely accepted practice of assigning race/ethnicity and gender to the highest probability race/ethnicity for a given name (Agrawal & Lim 2023, Geiger & Oranburg 2018), yet this practice is potentially problematic. Consider individuals A and B with names that imply, respectively, a 99 percent and 35 percent probability of their being Hispanic (and in the latter case all other probabilities are less than 35 percent). The conventional approach

treats them as equally likely to be Hispanic, which they are not.[11] I run the entrepreneur race/ethnicity exemption preference regressions using seven additional categorical variables and four additional continuous variables, which are described in the Online Appendix. Appendix Figure A-2 summarizes the direction of significant effects for each alternate name score variable regression including female entrepreneurs, with regression results reported in Appendix Tables A-9 to A-14. The results mirror the main results from above.

B. Amount Sought

The amount sought in an offering may be an important predictor, as minority and female entrepreneurs seek substantially less than, respectively, white and male entrepreneurs, as reported in Online Appendix Table A-15. However, the amount sought as disclosed in both Reg CF and Reg CF filings is problematic, as discussed further in the Online Appendix. Tables A-16 to A-18 report results from the main regressions using a potentially more accurate measure of Amount Sought and, alternatively, omitting the variable altogether. The results omitting Amount Sought do not upset prior findings in either the entrepreneur race/ethnicity or gender regressions.

C. Successful and Unsuccessful Offerings

As discussed further in the Internet Appendix, "unsuccessful" offerings include only those unsuccessful offerings that filed a Form D. The analysis may be biased by the omission of

[11] This problem with probabilistic gender-identification is not a concern in assigning gender, as 99 percent of gender probabilities fall between about 38 and 56 percent.

failed Reg D offerings for which no filing was made. Internet Appendix Table A-4 reports the results of the main regressions using, alternately, only successful offerings. Hispanic and Asian entrepreneurs are no longer predicted to be more likely than a white entrepreneur to choose Reg CF, which weakens support for Hypothesis 1A. Non-White and Hispanic entrepreneurs are no longer predicted to be more likely than white entrepreneurs to choose Rule 506(c), which undermines the case for Hypothesis 2A, while a Black entrepreneur is predicted to be less likely than a white entrepreneur to choose Rule 506(c), which contradicts Hypothesis 2A.

D. Amount Sought

The amount sought in an offering may be an important predictor. For example, female entrepreneurs seek substantially less than male entrepreneurs, as reported in Internet Appendix Table A-5. However, the amount sought as disclosed in both Reg CF and Reg CF filings is problematic, as discussed further in the Internet Appendix. Table A-6 report results from the main regressions using a potentially more accurate measure of Amount Sought (which reduces the sample size by almost two-thirds) and, alternately, omitting the variable altogether. When Amount Sought is omitted, the results show no Asian entrepreneur Reg CF preference relative to white entrepreneurs, while providing evidence of a positive Asian entrepreneur preference for Rule 506(c). The regressions also imply that female entrepreneurs are predicted to be less likely than male entrepreneurs to choose Rule 506(c).

When the abridged set of Amount Sought observations is used, neither Hispanic nor Asian entrepreneurs exhibit a Reg CF preference. The female entrepreneur Reg CF preference is no longer significant, and a female entrepreneur is now predicted to be less likely than a male

entrepreneur to choose Rule 506(c). Non-white and Hispanic entrepreneurs' Rule 506(c) preferences lose significance.

The import of these findings is unclear. In the regressions that omit Amount Sought, the results risk omitted variable bias, especially due to the known propensity of female entrepreneurs to seek less in exempt offerings. Where the abridged set of observations is used, the loss of effects may reflect the two-thirds reduction in sample size. However, this does not explain female entrepreneurs' negative Rule 506(c) preference. In any case, measurement issues and the regressions show that Amount Sought must be used with care in any analysis of exempt offerings (Agrawal & Lim 2023).

E. Non-Filing Reg D Offerings

Form D filing is not required in order for a firm to rely on Reg D (SEC 2023b), which raises the question of whether the omission of nonfilers in the sample may bias the analysis. Reg D nonfilers are not truly germane to the analysis because firms that conduct a Reg D offering but choose not to file are not firms for which crowdfunding is a viable alternative. Unlike Reg D, Reg CF *requires* filing as a condition of relying on the exemption. Additionally, there is no obvious reason why differences between Reg D filers and non-filers would bias minority or female entrepreneurs' exemption preferences. In any case, the SEC credibly estimates that the Form D filing compliance rate is high -- at least 89 to 91 percent (SEC 2013). However, certain papers have estimated the rate to be substantially higher based on an incomplete or inaccurate understanding of the operation of securities offering exemptions, as discussed in the Internet Appendix.

F. Amount Raised / Sought Screens

The analysis uses a cutoff of $5 million raised on the ground that many Reg CF filers would have raised more if they had conducted a Reg D offering. Table A-7 in the Internet Appendix shows the results of the main entrepreneur race/ethnicity and gender regressions using $2.5 million limit on the amount raised (and a $3 million limit on Amount Sought for failed Reg D offerings in place of $6 million). The only difference from the main results is that a Black entrepreneur is predicted to be less likely than a white entrepreneur to choose Rule 506(c).

G. CEO-Only Titles

Titles such as "founder" are treated as signaling to that the person with the title is likely to be substantially responsible for choosing the exemption used for an offering. To test a more conservative approach, the main regressions are run with a sample limited to filings where the signer's title is "Chief Executive Officer," "CEO," or something very similar. As reported in Internet Appendix Table A-8, the only results that differ materially from the main findings are that: the Asian entrepreneur Reg CF preference is not significant, the Asian entrepreneur Rule 506(c) preference becomes significant and positive, and the Black entrepreneur Rule 506(c) preference is significant and negative.

H. First-Offering Preferences

Finally, firms that conducted an offering before Reg CF became available may be biased when choosing an exemption post-crowdfunding. Including multiple offerings by the same firm

also might introduce bias. Internet Appendix Table A-9 report the results of the main regressions including only firms formed after 2015 and only their first offering thereafter. The main results reveal no material changes in effects.

I. Summary

These six robustness regressions -- Successful Only, Abridged Amount Sought, Omitted Amount Sought, Lower Amount Raised Screen, CEO Only and First-Offering Only -- militate for reconsideration of some effects found in the main regression. The Asian Reg CF effect is lost in the first three and fifth regressions, which not only undermines Hypothesis 1A as to Asian entrepreneurs but also casts doubt on the inclusion of Asian entrepreneurs in the non-white racial/ethnic category because doing so may bias non-white entrepreneur effects downward. As noted, Asian preferences are expected to differ from those of other minorities. A negative Black entrepreneur Rule 506(c) is found in the first, fourth and fifth regressions, which, when coupled with the negative female Black entrepreneur Rule 506(c) from above, further undermines Hypothesis 2A as to Black entrepreneurs and heightens the stark contrast between Black entrepreneurs' apparent perception of Reg CF and Rule 506(c).

VII. Conclusion

The U.S. crowdfunding exemption was created partly to improve minority and female entrepreneurs' access to capital markets. Rule 506(b), previously and still the dominant offering exemption, prohibits public solicitation of investors and generally permits sales only to wealthy (accredited) investors, while crowdfunding under Reg CF permits both public solicitation and

sales to virtually anyone. Historically disadvantaged entrepreneurs appear to have embraced crowdfunding's promise of democratizing the small-offering capital market, with non-white, Black, Hispanic, Asian and female entrepreneurs demonstrating a stronger preference for crowdfunding than do white and male entrepreneurs. Defying a binary characterization of non-white entrepreneurs' preferences, I find a significant ordering of strength of Reg CF preference from Black to Hispanic to Asian to white entrepreneurs.

Three years before Reg CF became effective, Rule 506(c) was adopted, which prohibits sales to non-accredited investors but permits public solicitation. I find evidence that non-white and Hispanic entrepreneurs, but not Black, Asian or female entrepreneurs, prefer Rule 506(c) once Reg CF becomes effective, but not before. It appears that minority entrepreneurs who may have recognized Rule 506(c)'s democratizing potential did not do so after the more prominent crowdfunding option became available. More striking is the reversal in the strength of Black entrepreneurs' preferences from first for crowdfunding to last for Rule 506(c), further accentuating the heterogeneity of entrepreneurs' attitudes toward the receptivity of different investor markets. Adding to the variety in entrepreneurs' exemption preferences, there is evidence that female (but not minority) entrepreneurs' Reg CF exemption preference rises in the size of the local, homophilous market.

Entrepreneurs' preferences may bias the sorting of offerings between exemptions. I find evidence that disproportionately more weak offerings by minority and female entrepreneur firms than, respectively, weak offerings by white and male entrepreneur firms migrate to crowdfunding. Findings of within-exemption discrimination therefore may be biased if self-

selection among exemptions is not accounted for. Overall, this paper demonstrates the importance of considering entrepreneurs' differing perceptions of offering exemptions when evaluating the operation of the increasingly important U.S. exempt capital market.

TABLES AND FIGURES

Table 1: Descriptive Statistics for Control Variables

The table shows mean, median, standard deviation, minimum and maximum for the control variables from 2016 through 2022 for the sample before any offering-specific screens. Where control variables are linked to offerings by ZCTA, only observations for ZCTAs are included that are in the Reg CF or Reg D data for offerings begun on or after Reg CF's effective date (May 16, 2016). In other words, the table does not include data for a given ZCTA if no Reg CF or Reg D offering was initiated by a firm located in that ZCTA. Data for population, income, unemployment rate, home values, gender, education level and age group are taken from the American Community Survey 5-year Estimates for each year. Population density is based on data from the 2010 Census and, for 2020, from Splitwise. A single population density is calculated for the entire period by prorating the change from 2010 to 2022 by the number of years from 2010 to the midpoint between 2016 and 2020 (e.g., if the population density in a ZCTA grew by from 1,000 in 2010 to 2,000 in 2020, that population density would be 1,800). Metropolitan statistical areas are derived from NBER's FIPS, CBSA and MSA County Crosswalk file. Personal loan rates are from the St. Louis Fed. S&P 500 Index values are from Robert Shiller. The foregoing descriptions apply to subsequent tables and figures unless stated otherwise.

	Observations	Mean	SD	Minimum	Maximum
Retail Investors	61,348	6,338	3,741	0	28,316
Accredited Investors	61,348	2,159	2,050	0	14,082
High Home Values	61,575	919	1,525	0	13,530
Population (000)	61,458	30	17	0	131
Population Density Rate (1000/sq. mi.)	60,074	8,039	15,476	0	129,698
Unemployment Rate	61,240	4.6%	2.7%	0.0%	68.7%
Age 65 and Over (%)	57,427	14.9%	6.7%	0.0%	100.0%
Age: 18 to 65 (%)	57,427	65.4%	13.2%	0.0%	100.0%
Bachelor's Degree (%)	61,321	21.8%	10.8%	0.0%	91.7%
Post-Graduate Degree (%)	61,321	9.0%	5.2%	0.0%	100.0%
Metro Area (non-metro = 1)	61,814	96.2%	19.2%	0.0%	100.0%
Personal Loan Rate (%)	61,814	9.8%	0.5%	8.7%	10.7%
S&P 500 Index	61,814	3,169	791	1,904	4,675

Table 2: Reg CF Filings and Offerings

The table includes all electronic Reg CF filings on the SEC's EDGAR databased from Reg CF's effective date (May 16, 2016) through December 31, 2022. Each firm's Central Index Key ("CIK") is used to tabulate the number of unique firms.

	Filings	Unique Firms
Reg CF Filings (to 12/31/22)	20,522	5,617
Form C Filings	6,564	5,617
Drop Non-U.S. Firms	6,548	5,607
Drop Financial & Insurance Products	6,398	5,497
Inadvertent Filings Removed	6,356	5,497
Amount Sold > 0	3,171	2,770

Table 3: Reg D Filings and Offerings

The table's first row includes all electronic Reg D filings included in SEC data sets derived from EDGAR from either the Rule 506(c) effective date (9/23/13) or the Reg CF effective date (5/16/16) through the end of 2022. The remaining rows screen the filings as indicated.

	9/23/13 - 12/31/22		5/16/16 - 12/31/22	
	Observations	Unique Firms	Observations	Unique Firms
All Electronic Reg D Filings	476,425	237,321	374,609	199,338
Form D Only	294,720	226,517	235,310	187,025
U.S. Firms Only	269,560	208,070	215,027	171,879
Drop Investment Pools, REITS, Business Combinations, Options, Tenants in Common, & Financial Firms	110,748	79,294	81,555	60,914
Rule 506(b) & (c) Only	103,672	74,304	77,078	57,704
Small Offerings (<= $5 million)	73,982	55,740	53,459	41,978
Large Offerings	28,305	22,117	22,575	18,181

Table 4: Descriptive Statistics for Entrepreneur Race/Ethnicity Name Scores

The table shows descriptive statistics for Nonwhite, Black, Hispanic, Asian, White and Female Name Scores for the main sample (small post-crowdfunding offerings with "attorney"-like titles excluded). For example, the average probability that the first signer of a filing is Black is 2.2%.

Variables	Observations	Mean	Std. Dev.
Non-White	74,672	12.5%	0.33
Black	74,964	2.2%	0.15
Hispanic	74,964	2.2%	0.15
Asian	74,964	6.1%	0.24
White	74,964	89.5%	0.31
Female	74,072	12.6%	0.33

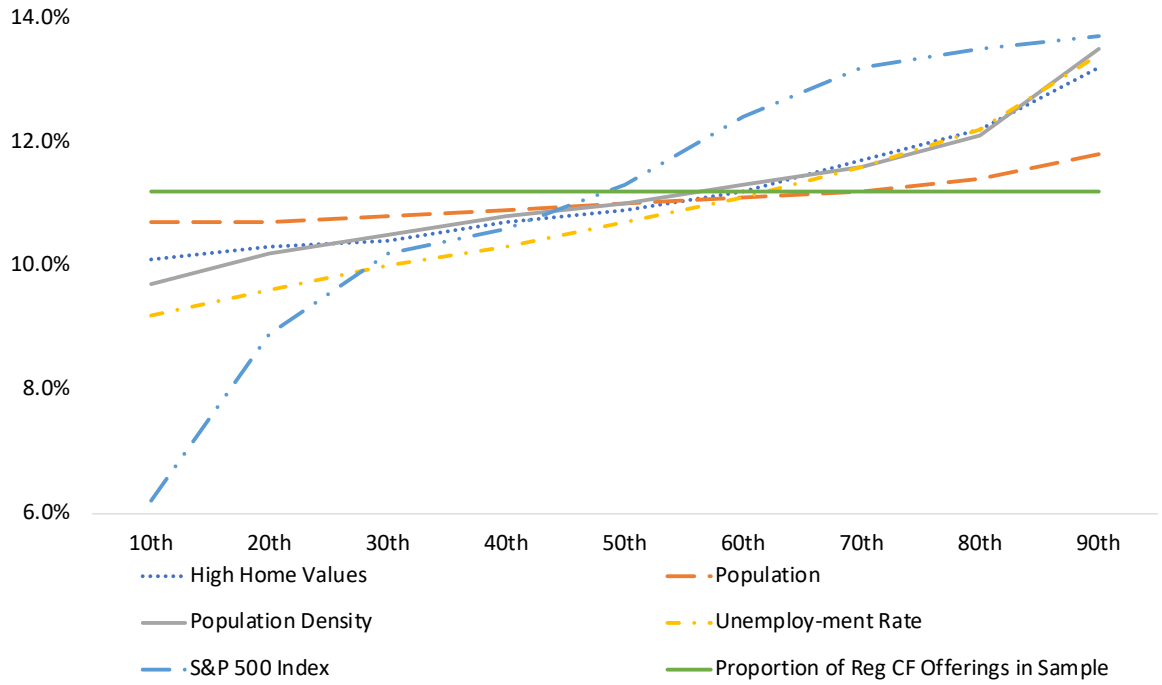
Table 5: Choice of Exemption Regressed on Controls

Coefficients and odds ratios with robust errors are shown for the regression of the choice of exemption on the control variables.

Variables	Rule 506(c)		Reg CF	
	Coefficient	Odds Ratio	Coefficient	Odds Ratio
Post-Covid = 1	-0.1097	0.8961	0.3416***	1.4072***
	(0.106)	(0.095)	(0.089)	(0.126)
Retail Investors	0.0000	1.0000	0.0000***	1.0000***
	(0.000)	(0.000)	(0.000)	(0.000)
Accredited Investors	-0.0000	1.0000	-0.0001***	0.9999***
	(0.000)	(0.000)	(0.000)	(0.000)
Home Values > $1m	-0.0076	0.9924	0.5599***	1.7506***
	(0.127)	(0.126)	(0.126)	(0.220)
Total Population	0.3974*	1.4879*	0.4153**	1.5149**
	(0.210)	(0.313)	(0.193)	(0.292)
Population Density	-0.3297***	0.7191***	0.8957***	2.4491***
	(0.125)	(0.090)	(0.106)	(0.261)
Unemployment Rate	0.2014*	1.2231*	0.9735***	2.6473***
	(0.106)	(0.129)	(0.092)	(0.243)
Age 65 and Over	0.0084**	1.0084**	-0.0044	0.9957
	(0.003)	(0.003)	(0.003)	(0.003)
Age 18 to 64	-0.0097***	0.9904***	-0.0166***	0.9836***
	(0.003)	(0.003)	(0.003)	(0.003)
Terminal Post-Graduate Degree	-1.0376***	0.3543***	-0.9109***	0.4022***
	(0.231)	(0.082)	(0.231)	(0.093)
Terminal Bachelor's Degree	-0.5884**	0.5552**	-1.1060***	0.3309***
	(0.256)	(0.142)	(0.262)	(0.087)
Metro Area = 1	0.2269***	1.2548***	-0.0777*	0.9252*
	(0.049)	(0.061)	(0.044)	(0.041)
Personal Loan Rate	0.0000	1.0000	0.0000	1.0000
	(0.000)	(0.000)	(0.000)	(0.000)
S&P 500 Index Level	-6.3539	0.0017	-19.4516***	0.0000***
	(3.883)	(0.007)	(4.451)	(0.000)
Observations	55,416	55,416	55,416	55,416
Year FE	YES	YES	YES	YES
Pseudo R2	0.0303	0.0303	0.0303	0.0303

Robust standard errors in parentheses
*** p<0.01, ** p<0.05, * p<0.1

Figure 1: Predicted Probabilities for Transformed Control Variables with Significant Effects



The figure shows the transformed variables that have a significant relationship with the choice of Reg CF in lieu of Rule 506(b) (see Table 5). Each value is the expected probability of choosing Reg CF at 10th percentile increments of the true (untransformed) value for each variable run in the transformed model. The horizontal line represents the actual proportion of Reg CF filings in the sample (11.2%).

Table 6: Choice of Reg CF Regressed on Minority Name Score & Gender

The table shows coefficients with robust standard errors from regressing the choice of Reg CF on, alternately, binary Non-White Name Score and categorical Name Score with the reference race/ethnicity as indicated, as well as on Gender and the controls.

Variables	Non-White		White	
Gender	0.5452***	0.1301**	0.5617***	0.1403**
	(0.036)	(0.061)	(0.036)	(0.061)
Non-White Name Score	0.5025***	0.5163***	--	--
	(0.036)	(0.060)		
Black Name Score	--	--	1.2211***	0.9588***
			(0.066)	(0.120)
Hispanic Name Score	--	--	0.6315***	0.4674***
			(0.076)	(0.130)
Asian Name Score	--	--	-0.0916	0.1992**
			(0.062)	(0.095)
Observations	56,626	44,631	56,428	44,486
Year FE	Y	Y	Y	Y
Controls	N	Y	N	Y
Pseudo R2	0.0208	0.301	0.0239	0.300

Variables	Black		Hispanic		Asian	
Gender	0.5617***	0.1403**	0.5617***	0.1403**	0.5617***	0.1403**
	(0.036)	(0.061)	(0.036)	(0.061)	(0.036)	(0.061)
Black Name Score	--	--	0.5896***	0.4914***	1.3127***	0.7596***
			(0.099)	(0.174)	(0.088)	(0.149)
Hispanic Name Score	-0.5896***	-0.4914***	--	--	0.7231***	0.2682*
	(0.099)	(0.174)			(0.095)	(0.157)
Asian Name Score	-1.3127***	-0.7596***	-0.7231***	-0.2682*	--	--
	(0.088)	(0.149)	(0.095)	(0.157)		
White Name Score	-1.2211***	-0.9588***	-0.6315***	-0.4674***	0.0916	-0.1992**
	(0.066)	(0.120)	(0.076)	(0.130)	(0.062)	(0.095)
Observations	56,428	44,486	56,428	44,486	56,428	44,486
Year FE	Y	Y	Y	Y	Y	Y
Controls	N	Y	N	Y	N	Y
Pseudo R2	0.0239	0.300	0.0239	0.300	0.0239	0.300

Robust standard errors in parentheses

*** p<0.01, ** p<0.05, * p<0.1

Table 7: Choice of Rule 506(c) Regressed on Minority Name Score & Gender

The table shows coefficients with robust standard errors from regressing the choice of Rule 506(c) during the post-crowdfunding period on, alternately, binary Non-White Name and categorical Name Score with the reference race/ethnicity as indicated, as well as on Gender and the controls.

Variables	Non-White		White	
Gender	-0.0701	0.0324	-0.0579	0.0503
	(0.047)	(0.055)	(0.047)	(0.055)
Non-White Name Score	0.0880**	0.2704***	--	--
	(0.044)	(0.052)		
Black Name Score	--	--	-0.3090**	-0.3050*
			(0.131)	(0.161)
Hispanic Name Score	--	--	0.4830***	0.6972***
			(0.085)	(0.096)
Asian Name Score	--	--	-0.0532	0.1397*
			(0.065)	(0.075)
Observations	56,626	44,631	56,428	44,486
Year FE	Y	Y	Y	Y
Controls	N	Y	N	Y
Pseudo R2	0.0208	0.301	0.0239	0.300

Variables	Black		Hispanic		Asian	
Gender	-0.0579	0.0503	-0.0579	0.0503	-0.0579	0.0503
	(0.047)	(0.055)	(0.047)	(0.055)	(0.047)	(0.055)
Black Name Score	--	--	-0.7920***	-1.0022***	-0.2559*	-0.4447**
			(0.154)	(0.185)	(0.145)	(0.175)
Hispanic Name Score	0.7920***	1.0022***	--	--	0.5362***	0.5574***
	(0.154)	(0.185)			(0.104)	(0.118)
Asian Name Score	0.2559*	0.4447**	-0.5362***	-0.5574***	--	--
	(0.145)	(0.175)	(0.104)	(0.118)		
White Name Score	0.3090**	0.3050*	-0.4830***	-0.6972***	0.0532	-0.1397*
	(0.143)	(0.413)	(0.104)	(0.388)	(0.087)	(0.379)
Observations	56,428	44,486	56,428	44,486	56,428	44,486
Year FE	Y	Y	Y	Y	Y	Y
Controls	N	Y	N	Y	N	Y
Pseudo R2	0.0239	0.300	0.0239	0.300	0.0239	0.300

Robust standard errors in parentheses

*** p<0.01, ** p<0.05, * p<0.1

Table 8: Choice of Rule 506(c) Regressed on Minority Name Score & Gender: Pre-Crowdfunding

The table shows coefficients with robust standard errors from regressing the choice of Rule 506(c) during the period between the effective dates of Rule 506(c) and Reg CF on, alternately, binary Non-White Name Score and categorical Name Score with the reference race/ethnicity as indicated, as well as on Gender and the controls.

Variables	Non-White		White	
Gender	-0.0339	0.0734	-0.0293	0.0831
	(0.092)	(0.105)	(0.092)	(0.105)
Non-White Name Score	-0.1516	0.8594	--	--
	(0.098)	(0.084)		
Black Name Score	--	--	-0.3419	-0.5869*
			(0.268)	(0.327)
Hispanic Name Score	--	--	0.0580	0.1339
			(0.225)	(0.240)
Asian Name Score	--	--	-0.2913*	-0.3648*
			(0.149)	(0.187)
Observations	17,432	14,611	17,394	14,579
Year FE	Y	Y	Y	Y
Controls	N	Y	N	Y
Pseudo R2	0.000579	0.0385	0.000925	0.0390

Variables	Black		Hispanic		Asian	
Gender	-0.0293	0.0831	-0.0293	0.0831	-0.0293	0.0831
	(0.092)	(0.105)	(0.092)	(0.105)	(0.092)	(0.105)
Black Name Score	--	--	-0.3999	-0.7208*	-0.0507	-0.2221
			(0.348)	(0.402)	(0.304)	(0.372)
Hispanic Name Score	0.3999	0.7208*	--	--	0.3492	0.4987*
	(0.348)	(0.402)			(0.267)	(0.299)
Asian Name Score	0.0507	0.2221	-0.3492	-0.4987*	--	--
	(0.304)	(0.372)	(0.267)	(0.299)		
White Name Score	0.3419	0.5869*	-0.0580	-0.1339	0.2913*	0.3648*
	(0.268)	(0.327)	(0.225)	(0.240)	(0.149)	(0.187)
Observations	17,394	14,579	17,394	14,579	17,394	14,579
Year FE	Y	Y	Y	Y	Y	Y
Controls	N	Y	N	Y	N	Y
Pseudo R2	0.000925	0.0390	0.000925	0.0390	0.000925	0.0390

Robust standard errors in parentheses

*** p<0.01, ** p<0.05, * p<0.1

Table 9: Choice of Rule 506(c) Regressed on Minority Name Score/Gender*Post-CF Interaction

The table shows coefficients with robust standard errors from regressing the choice of Rule 506(c) on the interaction between Post-CF, a binary variable equal to 1 for offerings initiated on or after Reg CF's effective date, and each of Gender, binary Non-White Name Score and categorical Name Score with the reference race/ethnicity as indicated, as well as on the controls. To create equal pre- and post-crowdfunding periods, the sample comprises offerings initiated in the period between Rule 506(c)'s effective dates and January 9, 2019.

Variables	Non-White		White	
Non-White Name Score	-0.1515	-0.1147	--	--
	(0.098)	(0.115)		
Non-White Name Score*Post-CF	0.5135***	0.5855***	--	--
	(0.124)	(0.142)		
Black Name Score	--	--	-0.3410	-0.5140
			(0.268)	(0.331)
Hispanic Name Score	--	--	0.0576	0.1704
			(0.225)	(0.238)
Asian Name Score	--	--	-0.2915*	-0.3169*
			(0.149)	(0.184)
Black Name Score*Post-CF	--	--	0.0505	0.2366
			(0.359)	(0.439)
Hispanic Name Score*Post-CF	--	--	0.8805***	1.0019***
			(0.265)	(0.280)
Asian Name Score*Post-CF	--	--	0.5127***	0.6242***
			(0.186)	(0.220)
Gender	-0.0339	0.1003	-0.0293	0.1115
	(0.092)	(0.104)	(0.092)	(0.104)
Gender*Post-CF	0.0403	-0.0258	0.0667	0.0015
	(0.124)	(0.140)	(0.124)	(0.139)
Post-CF	-0.1882**	-0.2672**	-0.2006**	-0.2731**
	(0.093)	(0.109)	(0.092)	(0.108)
Observations	34,849	29,248	34,757	29,175
Year FE	N	Y	N	Y
Controls	Y	Y	Y	Y
Pseudo R2	0.00212	0.0433	0.00333	0.0451

Robust standard errors in parentheses

*** p<0.01, ** p<0.05, * p<0.1

Table 9 (continued)

Variables	Black		Hispanic		Asian	
Black Name Score	--	--	-0.3986 (0.348)	-0.6845* (0.404)	-0.0495 (0.304)	-0.1971 (0.375)
Hispanic Name Score	0.3986 (0.348)	0.6845* (0.404)	--	--	0.3491 (0.267)	0.4873* (0.296)
Asian Name Score	0.0495 (0.304)	0.1971 (0.375)	-0.3491 (0.267)	-0.4873* (0.296)	--	--
White Name Score	0.3410 (0.268)	0.5140 (0.331)	-0.0576 (0.225)	-0.1704 (0.238)	0.2915* (0.149)	0.3169* (0.184)
Black Name Score*Post-CF	--	--	-0.8300* (0.443)	-0.7653 (0.517)	-0.4621 (0.400)	-0.3876 (0.486)
Hispanic Name Score*Post-CF	0.8300* (0.443)	0.7653 (0.517)	--	--	0.3678 (0.319)	0.3777 (0.350)
Asian Name Score*Post-CF	0.4621 (0.400)	0.3876 (0.486)	-0.3678 (0.319)	-0.3777 (0.350)	--	--
White Name Score*Post-CF	-0.0505 (0.359)	-0.2366 (0.439)	-0.8805*** (0.265)	-1.0019*** (0.280)	-0.5127*** (0.186)	-0.6242*** (0.220)
Gender	-0.0293 (0.092)	0.1115 (0.104)	-0.0293 (0.092)	0.1115 (0.104)	-0.0293 (0.092)	0.1115 (0.104)
Gender*Post-CF	0.0667 (0.124)	0.0015 (0.139)	0.0667 (0.124)	0.0015 (0.139)	0.0667 (0.124)	0.0015 (0.139)
Post-CF	-0.1501 (0.367)	-0.0365 (0.448)	0.6799** (0.276)	0.7288** (0.295)	0.3120 (0.199)	0.3512 (0.238)
Observations	34,757	29,175	34,757	29,175	34,757	29,175
Year FE	N	Y	N	Y	N	Y
Controls	Y	Y	Y	Y	Y	Y
Pseudo R2	0.00333	0.0451	0.00333	0.0451	0.00333	0.0451

Robust standard errors in parentheses

*** p<0.01, ** p<0.05, * p<0.1

Table 10: Choice of Rule 506(c) Regressed on Minority Name Score & Gender: Large Offerings

The table shows coefficients with robust standard errors from regressing the choice of Rule 506(c) during the post-crowdfunding period on, alternately, binary Non-White Name and categorical Name Score with the reference race/ethnicity as indicated, as well as on Gender and the controls. The sample includes only large offerings (> $5 million).

Variables	Non-White		White	
Gender	-0.0569	0.1123	-0.0513	0.1285
	(0.068)	(0.079)	(0.068)	(0.079)
Non-White Name Score	-0.1624***	0.1748**	--	--
	(0.063)	(0.075)		
Black Name Score	--	--	0.2283	0.2237
			(0.155)	(0.196)
Hispanic Name Score	--	--	-0.0668	0.3473*
			(0.158)	(0.179)
Asian Name Score	--	--	-0.2912***	0.1092
			(0.086)	(0.101)
Observations	28,427	24,101	28,318	24,004
Year FE	Y	Y	Y	Y
Controls	N	Y	N	Y
Pseudo R2	0.00675	0.139	0.00715	0.139

Variables	Black		Hispanic		Asian	
Gender	-0.0513	0.1285	-0.0513	0.1285	-0.0513	0.1285
	(0.068)	(0.079)	(0.068)	(0.079)	(0.068)	(0.079)
Black Name Score	--	--	0.2951	-0.1236	0.5195***	0.1145
			(0.219)	(0.262)	(0.174)	(0.217)
Hispanic Name Score	-0.2951	0.1236	--	--	0.2245	0.2381
	(0.219)	(0.262)			(0.177)	(0.202)
Asian Name Score	-0.5195***	-0.1145	-0.2245	-0.2381	--	--
	(0.174)	(0.217)	(0.177)	(0.202)		
White Name Score	-0.2283	-0.2237	0.0668	-0.3473*	0.2912***	-0.1092
	(0.155)	(0.196)	(0.158)	(0.179)	(0.086)	(0.101)
Observations	28,318	24,004	28,318	24,004	28,318	24,004
Year FE	Y	Y	Y	Y	Y	Y
Controls	N	Y	N	Y	N	Y
Pseudo R2	0.00715	0.139	0.00715	0.139	0.00715	0.139

Robust standard errors in parentheses

*** p<0.01, ** p<0.05, * p<0.1

Table 11: Choice of Reg CF Regressed on Name Score*Gender Interaction

The table shows coefficients with robust standard errors from regressing the choice of Reg CF on the interaction of Gender and. alternately, Non-White Name Score and Name Score with white entrepreneurs as the reference race/ethnicity, as well on the controls.

Variables	Non-White		White	
Non-White Name Score	0.5367***	0.5391***	--	--
	(0.042)	(0.068)		
Black Name Score	--	--	1.2124***	0.9373***
			(0.079)	(0.136)
Hispanic Name Score	--	--	0.6731***	0.4610***
			(0.084)	(0.142)
Asian Name Score	--	--	-0.0010	0.2670***
			(0.069)	(0.103)
White Name Score	--	--	--	--
Gender	0.5913***	0.1456**	0.5953***	0.1579**
	(0.041)	(0.068)	(0.039)	(0.066)
Non-White Name Score*Gender	-0.1550*	-0.0950	--	--
	(0.086)	(0.153)		
Black Name Score*Gender	--	--	-0.0002	0.0721
			(0.146)	(0.287)
Hispanic Name Score*Gender	--	--	-0.2001	0.0323
			(0.192)	(0.361)
Asian Name Score*Gender	--	--	-0.3295**	-0.2590
			(0.144)	(0.245)
White Name Score*Gender	--	--	--	--
Observations	56,303	46,585	56,502	44,539
Year FE	Y	Y	Y	Y
Controls	N	Y	N	Y
Pseudo R2	0.0209	0.245	0.0244	0.301

Robust standard errors in parentheses

*** p<0.01, ** p<0.05, * p<0.1

Table 12: Choice of Rule 506(c) Regressed on Name Score*Gender Interaction

The table shows coefficients with robust standard errors from regressing the choice Rule 506(c) on the interaction of Gender and. alternately, Non-White Name Score and Name Score with white entrepreneurs as the reference race/ethnicity, as well as on the controls.

Variables	Non-White		White Omitted	
Non-White Name Score	0.0568	0.2632***	--	--
	(0.050)	(0.059)		
Black Name Score	--	--	-0.1979	-0.1069
			(0.140)	(0.165)
Hispanic Name Score	--	--	0.4606***	0.7392***
			(0.093)	(0.103)
Asian Name Score	--	--	-0.1876**	-0.0263
			(0.076)	(0.090)
Gender	-0.1108**	0.0057	-0.1143**	0.0109
	(0.053)	(0.063)	(0.051)	(0.061)
Non-White Name Score*Gender	0.2067*	0.1133	--	--
	(0.115)	(0.132)		
Black Name Score*Gender	--	--	-0.5805	-1.3449**
			(0.390)	(0.614)
Hispanic Name Score*Gender	--	--	0.1600	-0.3103
			(0.229)	(0.286)
Asian Name Score*Gender	--	--	0.5940***	0.6172***
			(0.151)	(0.168)
Observations	56,303	44,379	56,502	44,539
Year FE	Y	Y	Y	Y
Controls	N	Y	N	Y
Pseudo R2	0.0209	0.300	0.0244	0.301

Robust standard errors in parentheses

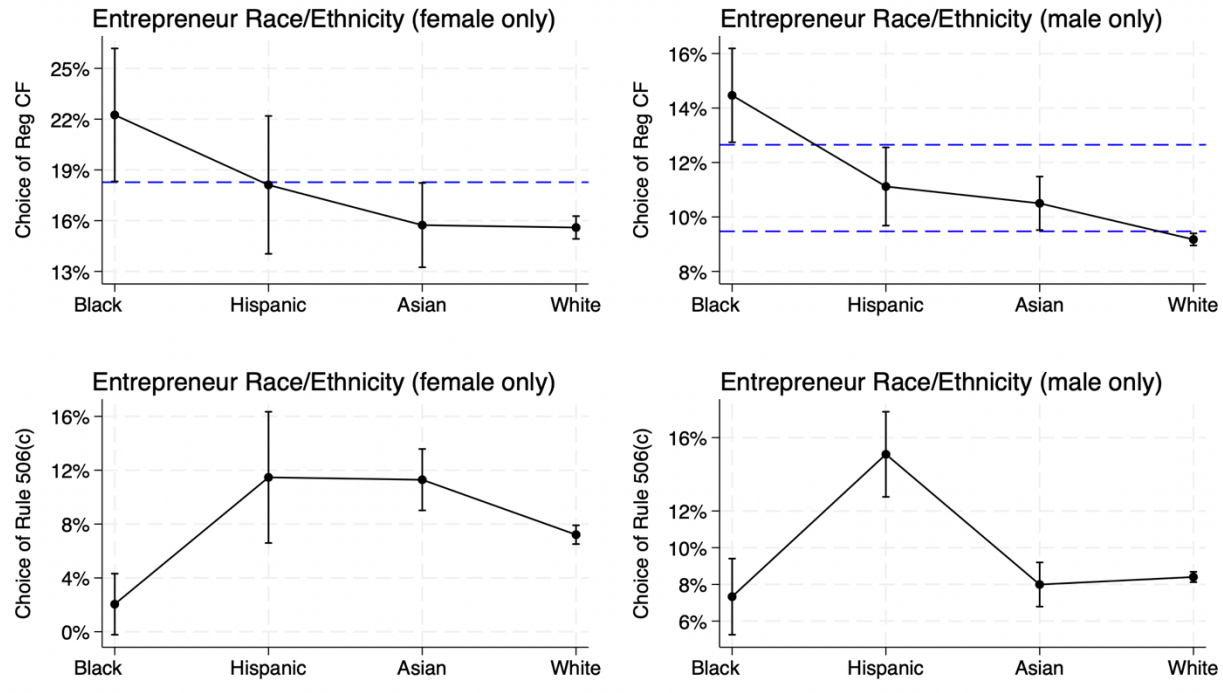
*** p<0.01, ** p<0.05, * p<0.1

Table 12 (continued)

Variables	Black Omitted		Hispanic Omitted		Asian Omitted	
Black Name Score	--	--	-0.6585***	-0.8461***	-0.0103	-0.0806
			(0.166)	(0.192)	(0.157)	(0.186)
Hispanic Name Score	0.6585***	0.8461***	--	--	0.6482***	0.7655***
	(0.166)	(0.192)			(0.117)	(0.133)
Asian Name Score	0.0103	0.0806	-0.6482***	-0.7655***	--	--
	(0.157)	(0.186)	(0.117)	(0.133)		
White Name Score	0.1979	0.1069	-0.4606***	-0.7392***	0.1876**	0.0263
	(0.140)	(0.165)	(0.093)	(0.103)	(0.076)	(0.090)
Gender	-0.6948*	-1.3340**	0.0457	-0.2995	0.4798***	0.6281***
	(0.387)	(0.611)	(0.223)	(0.280)	(0.142)	(0.156)
Black Name Score*Gender	--	--	-0.7405*	-1.0346	-1.1745***	-1.9621***
			(0.447)	(0.672)	(0.412)	(0.631)
Hispanic Name Score*Gender	0.6585***	0.8461***	--	--	-0.4340	-0.9276***
	(0.166)	(0.192)			(0.264)	(0.320)
Asian Name Score*Gender	0.0103	0.0806	0.4340	0.9276***	--	--
	(0.157)	(0.186)	(0.264)	(0.320)		
White Name Score*Gender	0.5805	1.3449**	-0.1600	0.3103	-0.5940***	-0.6172***
	(0.390)	(0.614)	(0.229)	(0.286)	(0.151)	(0.168)
Observations	56,502	44,539	56,502	44,539	56,502	44,539
Year FE	Y	Y	Y	Y	Y	Y
Controls	N	Y	N	Y	N	Y
Pseudo R2	0.0244	0.301	0.0244	0.301	0.0244	0.301

Robust standard errors in parentheses
*** p<0.01, ** p<0.05, * p<0.1

Figure 2: Predicted Probabilities from Regressing the Choice of exemption on Race/Ethnicity and Gender



Each of four figures shows the predicted probabilities of choosing, by race/ethnicity (Black, Hispanic, Asian and white), Reg CF (top two figures) or Rule 506(c) (bottom two figures, from regressing the choice of exemption on categorical Name Score with white entrepreneurs as the reference race/ethnicity and the controls. Each regression includes only female (left figures) or only male (right figures) entrepeneurs. The horizontal lines indicate non-overlapping confidence intervals.

Table 13: Choice of Reg CF Regressed on Name Score*Retail Investor Share Interaction

The table shows coefficients and robust standard errors from regressing the choice of Reg CF on the interaction between same-race/ethnicity Retail Investor Share and, alternately, Non-White Name Score and categorical Name Score with the reference race/ethnicity as indicated, as well as Gender and the controls.

Variables	Non-White		White	
Non-White Name Score	0.3568***	0.5339***	--	--
	(0.072)	(0.128)		
Black Name Score	--	--	1.5439***	0.2772
			(0.198)	(0.433)
Hispanic Name Score	--	--	0.3740*	0.6899*
			(0.198)	(0.382)
Asian Name Score	--	--	-0.3734**	-0.1566
			(0.172)	(0.307)
Race/Ethnicity Retail Investor Share	0.0103***	0.0087***	-0.0108***	-0.0092***
	(0.001)	(0.002)	(0.001)	(0.002)
Non-White Name Score*Retail Investor Share	0.0003	-0.0034	--	--
	(0.002)	(0.003)		
Black Name Score*Retail Investor Share	--	--	-0.0079***	0.0089
			(0.003)	(0.006)
Hispanic Name Score*Retail Investor Share	--	--	0.0018	-0.0043
			(0.003)	(0.006)
Asian Name Score*Retail Investor Share	--	--	0.0033	0.0028
			(0.003)	(0.005)
Gender	0.5381***	0.2379***	0.5507***	0.2480***
	(0.034)	(0.065)	(0.034)	(0.066)
Observations	54,975	42,539	54,770	42,402
Year FE	Y	Y	Y	Y
Controls	N	Y	N	Y
Pseudo R2	0.0279	0.317	0.0311	0.317

Robust standard errors in parentheses

*** p<0.01, ** p<0.05, * p<0.1

Table 13 (continued)

Variables	Black		Hispanic		Asian	
Black Name Score	--	--	0.3355**	0.4876*	1.5218***	1.1329***
			(0.133)	(0.267)	(0.126)	(0.250)
Hispanic Name Score	-0.3975***	-0.5055**	--	--	0.7131***	0.5454**
	(0.122)	(0.239)			(0.137)	(0.257)
Asian Name Score	-0.8758***	-0.6679***	-0.8733***	-0.5183**	--	--
	(0.105)	(0.208)	(0.126)	(0.236)		
White Name Score	-0.9084***	-0.8269***	-0.6929***	-0.4905***	0.1323	-0.0668
	(0.085)	(0.179)	(0.099)	(0.186)	(0.085)	(0.150)
Race/Ethnicity Ret. Inv. Sh.	0.0261***	0.0095	0.0036	0.0066	0.0009	0.0023
	(0.004)	(0.011)	(0.003)	(0.006)	(0.003)	(0.006)
Black Name Score*Ret. Inv. Sh.	--	--	0.0177***	-0.0051	-0.0297***	-0.0331*
			(0.006)	(0.010)	(0.008)	(0.018)
Hispanic Name Score*Ret. Inv. Sh.	-0.0049	0.0184	--	--	-0.0041	-0.0108
	(0.007)	(0.014)			(0.009)	(0.018)
Asian Name Score*Ret. Inv. Sh.	-0.0256***	-0.0130	0.0179***	0.0100	--	--
	(0.006)	(0.013)	(0.005)	(0.011)		
White Name Score*Ret. Inv. Sh.	-0.0117***	-0.0014	0.0106***	0.0026	-0.0049	0.0007
	(0.004)	(0.011)	(0.003)	(0.006)	(0.004)	(0.006)
Gender	0.5466***	0.2382***	0.5568***	0.2502***	0.5576***	-5.8387***
	(0.034)	(0.066)	(0.034)	(0.065)	(0.034)	(0.677)
Observations	54,770	42,402	54,770	42,402	54,770	42,402
Year FE	Y	Y	Y	Y	Y	Y
Controls	N	Y	N	Y	N	Y
Pseudo R2	0.0303	0.317	0.0305	0.317	0.0286	0.318

Robust standard errors in parentheses

*** p<0.01, ** p<0.05, * p<0.1

Table 14: Choice of Reg CF Regressed on Name Score*Population Share Interaction

The table shows coefficients and robust standard errors from regressing the choice of Reg CF on the interaction of same-race/ethnicity Population and, alternately, Non-White Name Score and categorical Name Score with the reference race/ethnicity as indicated, as well as Gender and the controls.

Variables	Non-White		White	
Non-White Name Score	0.2695***	0.4379***	--	--
	(0.083)	(0.147)		
Black Name Score	--	--	1.5493***	0.5860
			(0.164)	(0.367)
Hispanic Name Score	--	--	0.5581***	0.8026**
			(0.170)	(0.332)
Asian Name Score	--	--	-0.2387	0.0119
			(0.146)	(0.263)
Race/Ethnicity Population Share	0.0093***	0.0079***	-0.0097***	-0.0085***
	(0.001)	(0.002)	(0.001)	(0.002)
Non-White Name Score*Population Share	0.0021	-0.0005	--	--
	(0.002)	(0.003)		
Black Name Score*Population Share	--	--	-0.0095***	0.0049
			(0.003)	(0.006)
Hispanic Name Score*Population Share	--	--	-0.0014	-0.0069
			(0.003)	(0.006)
Asian Name Score*Population Share	--	--	0.0013	0.0003
			(0.003)	(0.005)
Gender	0.5262***	0.2399***	0.5367***	0.2478***
	(0.033)	(0.063)	(0.033)	(0.063)
Observations	57,751	44,573	57,543	44,433
Year FE	Y	Y	Y	Y
Controls	N	Y	N	Y
Pseudo R2	0.0278	0.316	0.0310	0.316

Robust standard errors in parentheses

*** p<0.01, ** p<0.05, * p<0.1

Table 14 (continued)

Variables	Black		Hispanic		Asian	
Black Name Score	--	--	0.3189**	0.5154*	1.5147***	1.1493***
			(0.135)	(0.271)	(0.121)	(0.235)
Hispanic Name Score	-0.3729***	-0.4112*	--	--	0.6856***	0.5491**
	(0.120)	(0.238)			(0.129)	(0.244)
Asian Name Score	-0.8790***	-0.6011***	-0.8512***	-0.4144*	--	--
	(0.104)	(0.207)	(0.127)	(0.236)		
White Name Score	-0.8643***	-0.7331***	-0.6549***	-0.4328**	0.1167	-0.0664
	(0.084)	(0.177)	(0.102)	(0.189)	(0.083)	(0.146)
Race/Ethnicity Population Share	0.0222***	0.0128	0.0053*	0.0084	-0.0010	0.0031
	(0.003)	(0.009)	(0.003)	(0.006)	(0.003)	(0.006)
Black Name Score*Population Share	--	--	0.0165***	-0.0050	-0.0320***	-0.0348**
			(0.005)	(0.010)	(0.008)	(0.015)
Hispanic Name Score*Population Share	-0.0047	0.0087	--	--	-0.0024	-0.0112
	(0.006)	(0.012)			(0.008)	(0.016)
Asian Name Score*Population Share	-0.0202***	-0.0140	0.0145***	0.0035	--	--
	(0.006)	(0.011)	(0.005)	(0.010)		
White Name Score*Population Share	-0.0134***	-0.0088	0.0078***	-0.0007	-0.0044	0.0003
	(0.003)	(0.009)	(0.003)	(0.006)	(0.003)	(0.006)
Gender	0.5372***	0.2422***	0.5396***	0.2499***	0.5425***	-5.6414***
	(0.033)	(0.064)	(0.033)	(0.063)	(0.033)	(0.660)
Observations	57,543	44,433	57,543	44,433	57,543	44,433
Year FE	Y	Y	Y	Y	Y	Y
Controls	N	Y	N	Y	N	Y
Pseudo R2	0.0292	0.315	0.0311	0.316	0.0286	0.316

Robust standard errors in parentheses
*** p<0.01, ** p<0.05, * p<0.1

Table 15: Choice of Rule 506(c) Regressed on Name Score*Accredited Investor Share Interaction

The table shows coefficients and robust standard errors from regressing the choice of Rule 506(c) on the interaction of same-race/ethnicity Accredited Investor Share and, alternately, Non-White Name Score and categorical Name Score with the reference race/ethnicity as indicated, as well as Gender and the controls.

Variables	Non-White		White	
Non-White Name Score	-0.0021	0.2355***	--	--
	(0.075)	(0.083)		
Black Name Score	--	--	-0.2659	-0.4057
			(0.573)	(0.778)
Hispanic Name Score	--	--	1.1121***	1.2059***
			(0.240)	(0.295)
Asian Name Score	--	--	-0.0318	-0.0853
			(0.211)	(0.227)
Race/Ethnicity Accredited Investor Share	0.0017	0.0026*	-0.0017	-0.0026**
	(0.001)	(0.001)	(0.001)	(0.001)
Non-White Name Score*Accred. Inv. Sh.	0.0026	0.0003	--	--
	(0.002)	(0.002)		
Black Name Score*Accred. Inv. Sh.	--	--	-0.0006	0.0016
			(0.008)	(0.010)
Hispanic Name Score*Accred. Inv. Sh.	--	--	-0.0094***	-0.0077*
			(0.003)	(0.004)
Asian Name Score*Accred. Inv. Sh.	--	--	-0.0005	0.0029
			(0.003)	(0.003)
Gender	-0.0676	0.0438	-0.0547	0.0622
	(0.048)	(0.056)	(0.048)	(0.056)
Observations	54,898	42,488	54,693	42,351
Year FE	Y	Y	Y	Y
Controls	N	Y	N	Y
Pseudo R2	0.0270	0.317	0.0303	0.317

Robust standard errors in parentheses

*** p<0.01, ** p<0.05, * p<0.1

Table 15 (continued)

Variables	Black		Hispanic		Asian	
Black Name Score	--	--	-0.9548***	-1.1926***	-0.2059	-0.3523
			(0.198)	(0.239)	(0.217)	(0.249)
Hispanic Name Score	0.7869***	1.0163***	--	--	0.0348	-0.1041
	(0.179)	(0.212)			(0.153)	(0.177)
Asian Name Score	0.2737	0.4409**	-0.6502***	-0.6521***	--	--
	(0.170)	(0.202)	(0.134)	(0.149)		
White Name Score	0.2942*	0.2913	-0.6596***	-0.9020***	0.1512	-0.1438
	(0.156)	(0.186)	(0.102)	(0.117)	(0.095)	(0.103)
Race/Ethnicity Accredited Investor Share	0.0049	0.0072	-0.0095**	-0.0192***	0.0021	0.0021
	(0.013)	(0.016)	(0.004)	(0.006)	(0.003)	(0.003)
Black Name Score*Accred. Inv. Sh.	--	--	0.0153	0.0165	-0.0027	-0.0044
			(0.016)	(0.020)	(0.012)	(0.014)
Hispanic Name Score*Accred. Inv. Sh.	0.0035	-0.0043	--	--	0.0345***	0.0456***
	(0.015)	(0.018)			(0.006)	(0.008)
Asian Name Score*Accred. Inv. Sh.	-0.0018	-0.0041	0.0085	-0.0017	--	--
	(0.015)	(0.018)	(0.010)	(0.011)		
White Name Score*Accred. Inv. Sh.	0.0044	0.0002	0.0161***	0.0153**	-0.0082**	0.0021
	(0.013)	(0.016)	(0.005)	(0.006)	(0.003)	(0.004)
Gender	-0.0573	0.0608	-0.0560	0.0591	-0.0491	0.0698
	(0.048)	(0.056)	(0.048)	(0.056)	(0.109)	(0.367)
Observations	54,693	42,351	54,693	42,351	54,693	42,351
Year FE	Y	Y	Y	Y	Y	Y
Controls	N	Y	N	Y	N	Y
Pseudo R2	0.0310	0.317	0.0296	0.317	0.0282	0.318

Robust standard errors in parentheses

*** p<0.01, ** p<0.05, * p<0.1

Table 16: Choice of Rule 506(c) Regressed on Name Score*Accredited Investor Share Interaction: Large Offerings

The table shows coefficients and robust standard errors from regressing the choice of Rule 506(c) for large offerings (> $5 million) on the interaction between same-race/ethnicity Accredited Investor Share and, alternately, Non-White Name Score and categorical Name with the reference race/ethnicity as indicated, as well as on Gender and the controls.

Variables	Non-White		White	
Non-White Name Score	-0.5000***	-0.1317	--	--
	(0.129)	(0.140)		
Race/Ethnicity Accredited Investor Share	-0.0107***	-0.0039**	0.0103***	0.0037**
	(0.002)	(0.002)	(0.002)	(0.002)
Non-White Name Score* Accred. Inv. Sh.	0.0139***	0.0106***	--	--
	(0.000)	(0.000)		
Black Name Score	--	--	1.2873*	1.3283
			(0.664)	(0.826)
Hispanic Name Score	--	--	1.0206*	1.0699*
			(0.543)	(0.557)
Asian Name Score	--	--	0.8073**	0.8689**
			(0.334)	(0.349)
Black Name Score* Accred. Inv. Sh.	--	--	-0.0139	-0.0147
			(0.009)	(0.011)
Hispanic Name Score*Accred. Inv. Sh.	--	--	-0.0143*	-0.0100
			(0.008)	(0.008)
Asian Name Score*Accred. Inv. Sh.	--	--	-0.0151***	-0.0112**
			(0.005)	(0.005)
Gender	-0.0338	0.1225	-0.0253	0.1410*
	(0.070)	(0.080)	(0.070)	(0.080)
Observations	26,971	23,102	26,866	23,009
Year FE	Y	Y	Y	Y
Controls	N	Y	N	Y
Pseudo R2	0.0101	0.140	0.0106	0.140

Robust standard errors in parentheses

*** p<0.01, ** p<0.05, * p<0.1

Table 16 (continued)

Variables	Black		Hispanic		Asian	
Black Name Score	--	--	0.3798	0.0706	0.9954***	0.3457
			(0.284)	(0.356)	(0.286)	(0.336)
Hispanic Name Score	-0.0583	0.4612	--	--	0.6641**	0.5256*
	(0.253)	(0.298)			(0.300)	(0.291)
Asian Name Score	-0.3357*	0.1760	-0.1723	-0.1664	--	--
	(0.199)	(0.256)	(0.224)	(0.263)		
White Name Score	-0.0552	-0.0195	0.2055	-0.2239	0.6616***	0.2613*
	(0.175)	(0.218)	(0.198)	(0.234)	(0.149)	(0.156)
Race/Ethnicity* Accred. Inv. Sh.	0.0380***	0.0462**	0.0142**	0.0091	0.0019	0.0116**
	(0.014)	(0.019)	(0.007)	(0.008)	(0.005)	(0.005)
Black Name Score* Accred. Inv. Sh.	--	--	0.0004	-0.0126	-0.0307*	-0.0063
			(0.017)	(0.024)	(0.016)	(0.016)
Hispanic Name Score*Accred. Inv. Sh.	-0.0429	-0.0857**	--	--	-0.0288	-0.0110
	(0.030)	(0.038)			(0.019)	(0.015)
Asian Name Score*Accred. Inv. Sh.	-0.0380*	-0.0768**	0.0030	-0.0038	--	--
	(0.020)	(0.035)	(0.011)	(0.012)		
White Name Score*Accred. Inv. Sh.	-0.0306**	-0.0478**	-0.0059	-0.0070	-0.0273***	-0.0195***
	(0.014)	(0.019)	(0.007)	(0.008)	(0.005)	(0.006)
Gender	-0.0341	0.1288	-0.0360	0.1315	-0.0216	0.1348*
	(0.070)	(0.080)	(0.070)	(0.080)	(0.070)	(0.080)
Observations	26,866	23,009	26,866	23,009	26,866	23,009
Year FE	Y	Y	Y	Y	Y	Y
Controls	N	Y	N	Y	N	Y
Pseudo R2	0.00813	0.140	0.00838	0.139	0.0182	0.140

Robust standard errors in parentheses
*** p<0.01, ** p<0.05, * p<0.1

Table 17: Choice of Exemption Regressed on Gender*Female/Male Median Income and Female Population

The table shows coefficients with robust standard errors from regressing the choice of exemption on the interaction of Gender and (1) the natural log of the ratio of local female-to-male median income (columns 1 & 2) and local female population proportion (columns 3 & 4), Non-White Name Score and the controls. Panel A shows regressions for the choice of Reg CF, Panel B the choice of Rule 506(c) post-crowdfunding and Panel C the choice of Rule 506(c) for large offerings post-Rule 506(c).

Panel A

Variables	1	2	3	4
Gender	1.0193***	2.8362***	1.0448***	2.7846***
	(0.090)	(0.500)	(0.089)	(0.495)
Female/Male Median Income	0.9287***	3.2202***	--	--
	(0.091)	(0.503)		
Gender*F/M Median Income	1.5604***	3.8458***	--	--
	(0.088)	(0.518)		
Female Population	--	--	0.0043	-0.0090
			(0.004)	(0.008)
Gender*Female Population	--	--	0.0342***	0.0217
			(0.011)	(0.017)
Non-White	1.6720***	4.2892***	1.7056***	4.2345***
	(0.086)	(0.544)	(0.085)	(0.535)
Observations	55,954	43,361	57,751	44,573
Year FE	Y	Y	Y	Y
Controls	N	Y	N	Y
Pseudo R2	0.0236	0.315	0.0244	0.315

Robust standard errors in parentheses

*** p<0.01, ** p<0.05, * p<0.1

Table 17 (continued)

Panel B

Variables	1	2	3	4
Gender	0.2607***	0.0273	0.2649***	0.0447
	(0.072)	(0.161)	(0.070)	(0.158)
Female/Male Median Income	0.2305***	-0.0304	--	--
	(0.072)	(0.169)		
Gender*F/M Median Income	0.1726**	-0.1198	--	--
	(0.075)	(0.207)		
Female Population	--	--	0.0173***	0.0046
			(0.005)	(0.007)
Gender*Female Population	--	--	0.0290**	0.0249
			(0.014)	(0.017)
Non-White	0.3318***	-0.1371	0.3411***	-0.1148
	(0.071)	(0.241)	(0.069)	(0.237)
Observations	55,954	43,361	57,751	44,573
Year FE	Y	Y	Y	Y
Controls	N	Y	N	Y
Pseudo R2	0.0236	0.315	0.0244	0.315

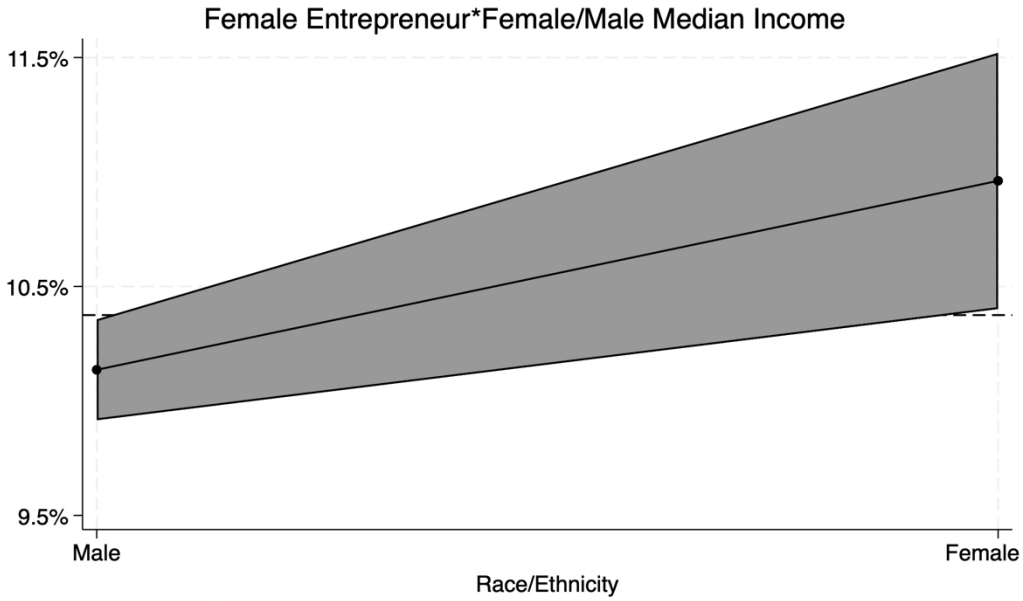
Panel C

Variables	1	2	3	4
Gender	-0.0248	0.1052	-0.8967	-0.6837
	(0.111)	(0.140)	(0.946)	(1.218)
Female/Male Median Income	0.3036***	0.2150*	--	--
	(0.088)	(0.110)		
Gender*F/M Median Income	-0.0612	-0.2077	--	--
	(0.290)	(0.381)		
Female Population	--	--	0.0360***	0.0173**
			(0.006)	(0.008)
Gender*Female Population	--	--	0.0169	0.0160
			(0.019)	(0.024)
Non-White	-0.1647**	0.1756**	-0.1688**	0.1669**
	(0.071)	(0.084)	(0.070)	(0.082)
Observations	26,130	22,438	28,151	24,101
Year FE	Y	Y	Y	Y
Controls	N	Y	N	Y
Pseudo R2	0.00786	0.143	0.00957	0.140

Robust standard errors in parentheses

*** p<0.01, ** p<0.05, * p<0.1

Figure 3: Choice of Exemption Regressed on Gender*Female/Male Median Income and Female Population: Predicted Probabilities



The figure shows predicted probabilities for the choice of Reg CF from regressing the choice of Reg CF on the interaction between Gender and the natural log of the ratio of local female-to-male median income (see Table 17). The graph shows a significantly higher probability of a female than male choosing Reg CF independent of the interaction effect. The dashed line highlights the non-overlapping confidence intervals.

Table 18: Rule 506(b) Offering Outcomes Regressed on Entrepreneur Race/Ethnicity/Gender*Post-Crowdfunding Interaction

The table shows coefficients with robust standard errors from regressing offering outcome (success = 1) on the interaction of Post-CF and, alternately, Non-White Name Score and categorical Name Score with white entrepreneurs as the reference race/ethnicity, as well as on Gender and the controls. The sample includes only Rule 506(b) offerings and only those initiated from Rule 506(c)'s effective date through January 9, 2019, which creates equal pre- and post-crowdfunding periods.

Variables	Non-White		White	
Non-White Name Score	0.5864***	0.2798**	--	--
	(0.099)	(0.116)		
Non-White Name Score*Post-CF	0.1390	0.3049*	--	--
	(0.141)	(0.167)		
Black Name Score	--	--	0.2371	-0.2085
			(0.218)	(0.239)
Hispanic Name Score	--	--	0.4918**	0.0162
			(0.242)	(0.287)
Asian Name Score	--	--	0.8801***	0.6365***
			(0.163)	(0.188)
Black Name Score*Post-CF	--	--	0.4154	0.7492**
			(0.328)	(0.369)
Hispanic Name Score*Post-CF	--	--	0.1739	0.6848
			(0.340)	(0.431)
Asian Name Score*Post-CF	--	--	-0.0534	-0.0298
			(0.223)	(0.261)
Gender	0.3500***	0.3739***	0.3526***	0.3656***
	(0.088)	(0.109)	(0.089)	(0.109)
Gender*Post-CF	-0.1974	-0.2257	-0.1796	-0.2030
	(0.121)	(0.147)	(0.121)	(0.147)
Post-CF	-0.0747	0.0927	-0.0714	0.0972
	(0.083)	(0.099)	(0.082)	(0.099)
Observations	31,792	26,871	31,708	26,804
Year FE	Y	Y	Y	Y
Controls	N	Y	N	Y
Pseudo R2	0.00697	0.103	0.00666	0.103

Robust standard errors in parentheses

*** p<0.01, ** p<0.05, * p<0.1

Table 19: Rule 506(b) Amount Sold Regressed on Entrepreneur Race/Ethnicity/Gender*Reg CF Interaction

The table shows coefficients with robust standard errors from regressing the amount sold in a successful offering on the interaction of a binary variable equal to 1 for Reg CF offerings (0 for Rule 506(b) offerings) and, alternately, Non-White Name Score and categorical Name Score with white entrepreneurs as the reference race/ethnicity, as well as on Gender and the controls. The sample includes only Rule 506(b) offerings and only those initiated from Rule 506(c)'s effective date through January 9, 2019, which creates equal pre- and post-crowdfunding periods.

Variables	Non-White		White	
Non-White Name Score	18,921	25,297	--	--
	(36,445)	(27,707)		
Non-White Name Score*Post-CF	3,157	-42,526	--	--
	(50,608)	(38,684)		
Black Name Score	--	--	-234,372***	-85,703
			(86,243)	(64,544)
Hispanic Name Score	--	--	-69,995	-95,927
			(84,199)	(71,537)
Asian Name Score	--	--	142,120***	141,345***
			(53,168)	(38,065)
Black Name Score*Post-CF	--	--	218,620*	79,429
			(123,209)	(94,454)
Hispanic Name Score*Post-CF	--	--	21,254	85,471
			(120,839)	(102,609)
Asian Name Score*Post-CF	--	--	-28,729	-128,265**
			(72,404)	(52,602)
Gender	-105,403***	-59,403**	-109,184***	-62,235**
	(34,648)	(26,680)	(34,790)	(26,728)
Gender*Post-CF	1,382	61,925*	3,425	62,765*
	(49,105)	(37,308)	(49,196)	(37,334)
Post-CF	121,781***	29,649	117,471***	29,553
	(37,333)	(30,205)	(37,358)	(30,202)
Observations	28,005	23,763	27,923	23,697
Year FE	Y	Y	Y	Y
Controls	N	Y	N	Y
R-squared	0.004	0.492	0.005	0.492

Robust standard errors in parentheses

*** p<0.01, ** p<0.05, * p<0.1

Table 20: Rule 506(b) Revenue Reporting Regressed on Entrepreneur Race/Ethnicity/Gender*Post-Crowdfunding Interaction

The table shows coefficients with robust standard errors from regressing revenue reporting (= 1) on the interaction of Post-CF and, alternately, Non-White Name Score and categorical Name Score with reference race/ethnicity as indicated, as well as on Gender and the controls. The sample includes offerings initiated from Rule 506(c)'s effective date through January 9, 2019, which creates equal pre- and post-crowdfunding periods.

Variables	Non-White		White	
Non-White Name Score	-0.4252***	-0.2582***	--	--
	(0.062)	(0.072)		
Non-White Name Score*Post-CF	0.0455	0.0207	--	--
	(0.088)	(0.102)		
Black Name Score	--	--	-0.0247	0.1440
			(0.145)	(0.171)
Hispanic Name Score	--	--	-0.2308	-0.0526
			(0.152)	(0.175)
Asian Name Score	--	--	-0.7170***	-0.4638***
			(0.097)	(0.106)
Black Name Score*Post-CF	--	--	-0.2828	-0.4027
			(0.209)	(0.253)
Hispanic Name Score*Post-CF	--	--	0.1974	0.0364
			(0.204)	(0.241)
Asian Name Score*Post-CF	--	--	0.1096	0.0781
			(0.137)	(0.152)
Gender	-0.2310***	-0.1152*	-0.2376***	-0.1187*
	(0.059)	(0.067)	(0.059)	(0.067)
Gender*Post-CF	0.0363	-0.0634	0.0406	-0.0594
	(0.084)	(0.096)	(0.084)	(0.096)
Post-CF	-0.0533	-0.1377**	-0.0539	-0.1347*
	(0.058)	(0.070)	(0.058)	(0.070)
Observations	31,894	26,858	31,810	26,791
Year FE	N	Y	N	Y
Controls	Y	Y	Y	Y
Pseudo R2	0.00887	0.0951	0.00950	0.0952

Robust standard errors in parentheses

*** p<0.01, ** p<0.05, * p<0.1

Table 21: Rule 506(b) Yet-to-Occur Sales Regressed on Entrepreneur Race/Ethnicity/Gender*Post-Crowdfunding Interaction

The table shows coefficients with robust standard errors from regressing the Form D indication that a sale has yet to occur (= 1) on the interaction of Post-CF and Non-White Name Score, categorical Name Score with reference race/ethnicity as indicated, as well as on Gender and the controls. The sample includes offerings from Rule 506(c)'s effective date through January 9, 2019, which creates equal pre- and post-crowdfunding periods.

Variables	Non-White		White	
Non-White Name Score	-0.5054***	-0.1799*	--	--
	(0.092)	(0.104)		
Non-White Name Score*Post-CF	-0.1472	-0.3190**	--	--
	(0.135)	(0.157)		
Black Name Score	--	--	-0.2430	0.1652
			(0.211)	(0.225)
Hispanic Name Score	--	--	-0.4251*	0.0636
			(0.226)	(0.255)
Asian Name Score	--	--	-0.7323***	-0.5112***
			(0.146)	(0.167)
Black Name Score*Post-CF	--	--	-0.4248	-0.7450**
			(0.328)	(0.366)
Hispanic Name Score*Post-CF	--	--	-0.0760	-0.5641
			(0.321)	(0.394)
Asian Name Score*Post-CF	--	--	-0.0217	0.0339
			(0.210)	(0.238)
Gender	-0.2930***	-0.2925***	-0.2952***	-0.2829***
	(0.083)	(0.100)	(0.083)	(0.100)
Gender*Post-CF	0.1623	0.1415	0.1460	0.1187
	(0.118)	(0.140)	(0.118)	(0.140)
Post-CF	0.0247	-0.1407	0.0218	-0.1479
	(0.080)	(0.095)	(0.079)	(0.095)
Observations	31,894	26,858	31,810	26,791
Year FE	N	Y	N	Y
Controls	Y	Y	Y	Y
Pseudo R2	0.00881	0.0783	0.00855	0.0784

Robust standard errors in parentheses

*** p<0.01, ** p<0.05, * p<0.1

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CROWDFUNDING AND RULE 506(c): DO HISTORICALLY DISADVANTAGED ENTREPRENEURS PREFER DEMOCRATIZING OFFERING EXEMPTIONS?

INTERNET APPENDIX

1. Contents

Part 2 of this Internet Appendix discusses how the sample of unsuccessful Reg D offerings is identified. Part 3 addresses measurement issues implicated by the use of Amount Sought in the regressions. Part 4 discusses the relationship between the Reg D filing rate and the analysis. Part 5 explains the reconciliation of industry designations between firms using Reg CF and Reg D. Part 6 discusses diagnostic tests. Tables and figures referenced in the main body of the paper begin at page A-14.

2. Sample of Unsuccessful Reg D Offerings

Reg D requires filing only *after* a sale of securities has occurred. Nonetheless, many firms submit filings despite having made no sale, with 93 percent of those firms indicating on Form D that the sale has "yet to occur." Of the 159,786 Reg D offerings from Rule 506(c)'s effective date through 2023, 24,056 (15.1%) report that a sale has yet to occur; 24,404 reports that zero funds were raised. Note that zero-funds-raised offerings include only unsuccessful offerings that *filed*. Many unsuccessful offerings certainly failed both unfiled and unnoticed, and omission of unfiled, unsuccessful offerings may insinuate unobservable bias into the sample. For example, the unsuccessful filers may be higher quality than unsuccessful non-filers because

almost all of the filers presumably have some basis for believing that a sale would eventually occur. The limited literature on Reg D previously has addressed only successful offerings.

The main analysis uses a $5 million raise limit on the amount sold to prune successful Reg D offerings to match the highest 12-month raise limit on Reg CF during the sample period. There is, of course, no amount sold for unsuccessful Reg D offerings, so an alternative screen is needed. The ratio of the total offering amount to amount sold in successful offerings should be similar to the same ratio for comparable failed offerings. I therefore use the total offering amounts for successful offerings to create a reasonably matching set of unsuccessful offerings and base the total offering amount cutoff for the latter on that that matching set. This approach yields a total offering amount cutoff of $6 million. As a rough check on the reasonableness of this cutoff, the success rate of operating companies included in and excluded from the final sample is very close: 87 v. 89 percent, respectively. Table A-10 shows descriptive statistics for total offering amount for successful and unsuccessful offerings in the sample.

[Table A-10]

3. Amount Sought

Amount Sought may be an important predictor, as female entrepreneurs are predicted to seek substantially less than male entrepreneurs, as reported in Table A-5 (there is also some evidence that Hispanic and Asian entrepreneurs seek less than do white entrepreneurs in small Reg D offerings). Hellman et al. (2021) find that female equity crowdfunders on the U.K. crowdfunding platform Seedrs set lower fundraising goals, but Geiger & Oranburg (2018) find no gender difference in the amount sought a sample of 243 successful U.S. crowdfunding

offerings. Coakley et al. (2023) find that no difference in female-male funding targets in equity crowdfundings on the U.K.'s Crowdcube platform. Relatedly, Prokop and Wang (2022) find that a female-director disadvantage in the German equity crowdfunding market disappears when female entrepreneurs set a higher funding minimum.

[Table A-5]

However, the offering amount as reported in Reg CF and Reg D filings is not a reliable measure of the amount an entrepreneur actually seeks to raise in the offering. In Reg CF offerings, firms report the maximum offering amount. In Reg D offerings, firms report the total offering amount. In neither case does the data reported consistently reflect a specific, bona fide target amount that necessarily mirrors the capital needs of the firm. Rather, the amount sought in crowdfunding offerings more often than not reflects the triggers for additional reporting requirements. Specifically, as shown in Figure A-2 it reflects either (1) the maximum allowable raise of $1,070,00 or (2) an amount just below the amount that triggers additional financial disclosure: (A) certified financial statements if greater than $107,000, (B) certified financial statements if greater $250,000 during the pendency of a temporary, Covid exemption, or (B) audited financial statements if greater than $535,000.

[Figure A-2]

The total amount sought in Reg D offerings is similarly problematic. First, 4,102 (5.2%) of the 78,749 Rule 506(b/c) Form D filings (the initial filing) do not include a total amount sought. Second, in many offerings it appears that the total offering amount is reflexively treated as the amount raised pursuant to the particular filing, as opposed to the amount sought over the

entire offering. Consider the illustrative Reg D filings in Table A-11. The first treats the total offering amount as the amount sought for the entire offering. The total amount raised falls just short of the $5,000,000 sought in the offering, as is repeated in every filing. The second treats the amount sought as the amount sold in the sale triggering the particular filing. Consistent with the second example, in 18.1 percent of Form Ds followed by an amendment, the initial amount sought equals the amount sold, despite additional funds subsequently being raised. Similarly, in 55.3 percent of amendments followed by another amendment in which an additional amount is raised, the offering amount in the first amendment nevertheless equals the amount sold. A bona offering amount should generally remain unchanged throughout an offering but 53 percent of amendments immediately following a Form D filing have an amount sought that is different from the initial amount sought, while 35.5 percent of follow-on amendments have a different amount sought from that appearing in the preceding amendment. Thus, in large percentage of offerings either no amount sought is reported or the total offering amount reflexively equals the amount sold in that filing despite additional amounts being raised. Basing a Reg D offering's "success rate" on the ratio of the amount sold to the total offering amount (Agrawal & Lim 2023) may produce biased results.

[Table A-11]

As reported in Table A-6, conducting the main regressions on samples that exclude Amount Sought yield no material difference in the results except that Asian entrepreneurs are not predicted to be more likely to choose Reg CF than are white entrepreneurs. Conversely, in the Rule 506(c) regression the Asian entrepreneur coefficient becomes significant and positive.

The same regressions are run using a sample in which only a limited set of Amount Sought observations are included. For Reg D offerings, observations are included only if Amount Sought is provided and it exceeds 105% of the amount sold and is less than 10 times the amount sold. Reg CF offerings are included only if the Amount Sought does not fall within a narrow band around each trigger amount for heighted financial statement verification requirements or are near the limit on the amount sold. These restrictions reduce the sample by almost two-thirds. Table A-6 shows that female, Hispanic and Asian entrepreneurs' Reg CF preference disappears, while the non-white and Black entrepreneur preference remains. In the Rule 506(c) regressions, the non-white and Hispanic preferences are no longer significant, while female entrepreneurs exhibit a significant negative preference for Rule 506(c).

4. Reg D Filing Compliance

This paper analyzes entrepreneurs' choices between Reg D or Reg CF on the assumption that reliance on either exemption would be reflected in federal filings. This assumption is reasonable for Reg CF because a firm cannot rely on the exemption without filing. However, a firm can rely on Reg D without filing (SEC 2023), which means that the analysis omits firms that rely on Reg D but that do not file Form D. Filing is not burdensome or intrusive; Form D minimal disclosure requirements are set forth in Table A-12.

[Table A-12]

Research on Form D filing compliance is sparse. The SEC's Office of Inspector General reviewed 18 of 323 S-1 registration statements filed between November 2002 and October 2023 and found that 16 engaged in at least one Reg D transaction that lacked a corresponding filing

(SEC 2009). However, that the finding does not clarify whether the missing filing was required, much less whether it was the initial Form D or an amendment that was missing, or the total number of Reg D offerings in which these filers engaged.

The SEC has conducted two credible analyses that estimate that the filing compliance rate is *at least* 89% to 91% (SEC 2013). In one analysis, the agency matched Reg D offerings reported on registered investment advisers' Form ADV to Form D filings for the period from 2002 to 2012. It found matches for 89 percent of reported offerings, while noting that this estimate was a floor in light of certain matching issues and unobserved circumstances in which a filing would not be required. In another analysis, the agency matched 91 percent of private offerings reported by broker-dealers to FINRA. Again, this estimate is a floor because the agency could not determine whether an offering could have relied on another exemption that did not require filing. Both analyses involved only offerings that used an intermediary, the participation of which may increase the likelihood of filing.

Two papers may be read to imply that the Form D filing non-compliance rate is higher based on their analysis of the frequency with which VC-backed offerings are reflected in Form D filings (Ewens & Malenko 2020, Hanley & Lu 2023). In neither paper, however, is the non-filing estimate a reliable measure of Form D filing noncompliance. Nor does either paper acknowledge, much less discuss the SEC's findings of substantially higher filing compliance rates.

Ewens and Malenko (2020) consider a set of VC-backed startups in VentureSource that filed at least one Form D from 2002 through 2018. They find that the startups' filing rate per

offering in VentureSource rises from about 75 percent in 2003 to 85 percent in 2009 and then falls to 75 percent in 2018. They find reassuring these percentages in regard to the representativeness of their Form D-filing sample, which could be read to imply that the authors believe that 15 to 25 percent of firms that rely on Reg D did not file. However, most or all of these filings could have been made in reliance on Section 4(a)(2) – or any other available exemption (SEC 2013). The firms may have preferred a non-Reg D exemption for 25 percent of their offerings in 2003, 15 percent of their offerings in 2009, and 25 percent of their offerings in 2018, which would be consistent with a 100 percent Form D compliance rate. In other words, the data say nothing about Form D filing compliance.

Ewens and Malenko find that, of 14,064 VC-backed startups in VentureSource, 31.5 percent did not file a Form D or obtain a CIK from 2002 to 2017, with the pre-2010 proportion of 75 percent filing at least one Form D declining to 60 percent in the later period.[1] They report discussions with VCs and angel investors in which the investors claim that Form D filing declined when electronic filing began in 2009 due to concerns regarding greater transparency of who was raising capital (Hanley & Lu 2023; Denes et al. 2020). However, their data show that the filing percentage *increased* from 2009 to 2010, i.e., during the first year of electronic filing, followed by a precipitous decline in 2011. This decline may be partly explained by fewer Reg D offerings as a result of the reduction in the number of accredited investors that occurred after the Congress excluded the value of an investor's primary residence from the accredited investor net

[1] A firm that has filed Form D necessarily has a CIK, but having a CIK does not necessarily mean a firm has filed a Form D. This means that the percentage necessarily underestimates the proportion that did not file a Form D and that the change in the percentage is not necessarily attributable to a change in Form D filing frequency.

worth calculation effective July 21, 2010.[2] The increase from 2009 to 2010 could reflect the greater ease of compliance with both federal and state filing of Form D going online, as well as the greater likelihood of noncompliance detection with electronic filing. Moreover, Ewens and Malenko do not consider the possibility that changes in the rate of Form D filings may relate to changing exemption preferences, particularly where new exemptions have been eliminated (e.g., Rule 505 effective 2017) or created (e.g., Rule 506(c) effective 2013; Reg CF effective 2016; Rule 147A effective 2017), or existing ones have been materially amended (e.g., Reg A effective 2015 and 2021; Rule 504 effective 2016 and 2021; Rule 147 effective 2017; Reg CF effective 2017 and 2021).

Hanley and Lu (2023) raises similar issues. They find that 1,706 of 4,292 (40%) VC-backed firms in VentureXpert that filed at least one Form D conducted an offering in which no Form D is filed. They do not explain why they find Form D filings at only half the rate found in Ewens and Malenko. More importantly, their finding says nothing about actual filing compliance because, again, non-filing firms may have relied on Section 4(a)(2) or other non-Reg D exemption that does not require filing. They creatively address this issue by analyzing filings in California (the California Limited Offering Exemption Notice (LOEN)) that are required if a firm relies on the Section 4(a)(2) exemption. They find that 54 percent of VC rounds reported in VentureXpert that likely involved sales to California residents filed neither Form D nor a

[2] Lindsey & Stein (2020) estimate that the change reduced the percentage of U.S. accredited investor households from 10.4% to 8.4% and find a concurrent reduction in entrepreneurship. Xu (2020) presents similar findings but treats the date of the narrowing of the accredited investor definition as the effective date of minor SEC amendments rather than the actual effective date of the change per Section 413 of the Dodd-Frank Act.

California Limited Offering Exemption Notice (LOEN), apparently assuming that a firm that conducted an offering in California that filed neither a LOEN nor a Form D must have failed to comply with Reg D's filing requirement.

However, there is no reason to assume that a firm not relying on Section 4(a)(2) must have relied on Reg D. The authors state that "California requires that an issuer not relying on a Regulation D Section 506(b) exemption to file a Limited Offering Exemption Notice if they are selling securities within the state of California," but a firm could rely on Rules 506(c) or 504 (or Rule 505 prior to its repeal) without having to file a LOEN. Additionally, even if a firm did not rely on any rule under Reg D, there is no reason to conclude that they must have been required to file a LOEN because there are, in fact, other California exemptions that *do not* require filing a LOEN. For example:

- California Corporations Code § 25102(h) an exemption for small offerings that requires filing a legal opinion that the offering qualifies under the exemption (no LOEN is required and, again, reliance on the exemption is not contingent on filing the legal opinion).

- California Corporations Code § 25102(n) generally exempts offerings to "qualified purchasers" (which would include the venture capital firms on which the authors focus their analysis) for which a filing is required at the time of the initial offer or public announcement of the offering. No LOEN filing is required.

- As of January 2, 2022, California Corporations Code § 25102(r) exempts crowdfunded offerings that comply with the federal intrastate exemption under Section 3(a)(11) and either Rule 147 or Rule 147A thereunder. The filing of a California Crowdfunding Exemption Notice is required; filing a LOEN is not.

Finally, even if one could confirm that a firm relied *only* on either Reg D or Section 4(a)(2), but not both, in which case it is correct that filing either a Form D or LOEN would technically be

required, there is no reason to assume that a non-compliance must have been under Reg D. California Corporations Code § 25102(f) states that the exemption is not lost by reason of non-filing a LOEN. Thus, firms that rely on Section 4(a)(2) in California may simply have failed to file a LOEN, which would not be surprising given than a firm may be more likely to ignore a state requirement than a federal requirement. In short, the only way to determine non-compliance with the Form D filing requirement would be to exclude the possibility that the offering *could have relied on any other exemption* – a practical impossibility.

One way to gain insight into Form D compliance might be to consider whether firms that previously filed Form D do so at the same rate over a period of time (although this approach, as in Ewens and Malenko, does not account for changes in the market of exemptions). If firms become less compliant over time, then the proportion filing Form D for a follow-up offering should decline. Figure A-3 shows, for firms that filed a Form D from 2008 through 2015, the incidence of their filing a Form D one year after filing, two years after filing, and so forth through 7 years after filing. The figure shows, for example, that 16.9 percent of firms that filed a Form D in 2009 filed a Form D two years later in 2011, while 21.9 percent of firms that filed a Form D in 2013 filed a Form D two years later in 2015. On its face, the figure shows no decline over time in the likelihood that prior filers would file again. During the same period, the number of Reg D offerings and offering firms rose, and there is no reason why this increase would be paralleled by an increase the probability of a *repeat* filing, but it is possible that there were unobservable changes in repeat filing incentives during the period.

[Figure A-3]

In summary, the compliance rate for filing Form D is inherently indeterminate, as it requires knowing that Reg D is the *only* exemption on which a firm could only have relied for its offering to have been exempt. Even if there were an identifiable group of such firms, that group would not be relevant to an analysis of preferences between Reg D and Reg CF, as Reg CF would not legally be available for such firms that are bent on avoiding any filing. The immediate analysis evaluates the choice between Reg CF and Reg D, but for firms that are so averse to filing that they would not comply with Reg D's minimal filing requirement are not firms that *could* choose Reg CF, for which filing, and filing substantially more information, is legally required.

5. Alternate Race/Ethnicity Name Scores

As noted in the main text, I assign race/ethnicity and gender to the highest probability race/ethnicity for a given name (Agrawal & Lim 2023, Geiger & Oranburg 2018), but this approach arguably yields biased results. To illustrate, two individuals may be, respectively, a 99 percent and 35 percent likely to be Hispanic (and in the latter case all other probabilities are less than 35 percent), and they would be treated as equally likely to be Hispanic in the analysis. This problem is not a concern in assigning gender, as 99 percent of gender probabilities fall between about 38 and 56 percent.

As a robustness check, I run the entrepreneur race/ethnicity exemption preference regressions using seven additional categorical variables and four additional continuous variables. "Name Score 1x" follows the main approach except with no substitutions if either the first name or surname is missing. "Surname Score" is identical to Name Score 1x except that only surnames

are used. “Predicted Name Score” is based on the R “wru” package, which is built on generally the same surname probabilities used Surname, but with voter registration record analytics applied to improve accuracy. Four additional categorical variables are created that match Name Score, Name Score 1x, Surname Score and Predicted Name Score except that race/ethnicity designations are made only if the probability that entrepreneur belongs to a race/ethnicity is at least 50 percent. Finally, four continuous name score variables are created from Name Score, Name Score 1x, Surname Score and Predicted Name Score except that no race/ethnicity designation is made; race/ethnicity is treated as probabilistic based on raw probability scores. Figure A-4 provides descriptive statistics for the categorical name score variables.

[Figure A-4]

There are differences between different measures, but none stand out for purposes of the immediate analysis. As summarized in Figure A-2 and detailed in Tables A-9 to A-14, for Black entrepreneurs, both Surname Name Scores are about twice the magnitude of the other scores; while Predicted Name Score 50% is about one-fourth Surname Name Score 50%. The Predicted Name Scores and Surname Name Scores are much closer for both of the other minority groups, while white Predicted Name Scores are substantially higher than Surname Scores. If the predictive measure is more accurate, these differences suggest that surnames for Black and white entrepreneurs may be less reliable than for Asian and Hispanic entrepreneurs. The incidence of minority groups is greater with Name Score than with Name Score 1x, while the reverse is the case for white entrepreneurs (necessarily, as this is a zero relationship). Both measures are lower to much lower for minority groups than their Surname Scores. This combination of relationships

suggest that first names provide more information about minority entrepreneurs than about white entrepreneurs, although there is no way to determine whether this makes them more accurate.

[Tables A-9 to A-14]

6. Matching Kingscrowd and Reg D Filing Industry Categories

Firm industry is used as a firm-specific control variable for the regressions, but industry categories for Reg D and Reg CF offerings do not match. The former are based on categories designated by the SEC, while the latter are based on categories designated by Kingscrowd. Table A-15 shows how the categories are matched for the analysis and the distribution of industries by exemption. Each group is assigned a letter value for the dummy variable Industry.

[Table A-15]

7. Diagnostic Tests

Table A-16 shows the results of tests evaluating the models' predictive power. These reflect favorably on the models, but AICs and BICs, reported in Table A-17, raise underfitting and, particularly, overfitting concerns. Likelihood ratio and Wald test p values reported in Table A-18 reinforce the need to test a more parsimonious models. Diagnostic tests suggest that the optimal model would include both race/ethnicity name score and Gender, as well as Debt-Equity, Amount Sought, Offering Age, Population Density, Unemployment Rate, Postgraduate Degree, Bachelor's Degree, Region and Industry. I exclude Postgraduate Degree and Bachelor's Degree because, when calculating AICs and BICs using a binary dependent variable for the choice of either Reg CF or Rule 506(c), they produce no improvement in fit for one or both regressions. I also omit Population Density because that variable without the accompaniment of Population

would change give it very different meaning. Thus, as noted in the main text, the variables used in the alternate model are alternately, race/ethnicity name score or Gender, and Debt-Equity, Amount Sought, Offering Age, Unemployment Rate, Region, Industry and Year.

[Tables A-16 to A-18]

Multicollinearity tests help identify, for example, where two variables capture the same effect or standard errors are unnecessarily large and also may militate for a more parsimonious model without loss of significance. I use Stata's collin function to test for multicollinearity issues. The VIF and tolerance for the untransformed controls, Name Score and Gender are reported in Table A-19. No VIF exceeds 8.3 while tolerance is never less than 0.12. Correlations are reported in Table A-20.

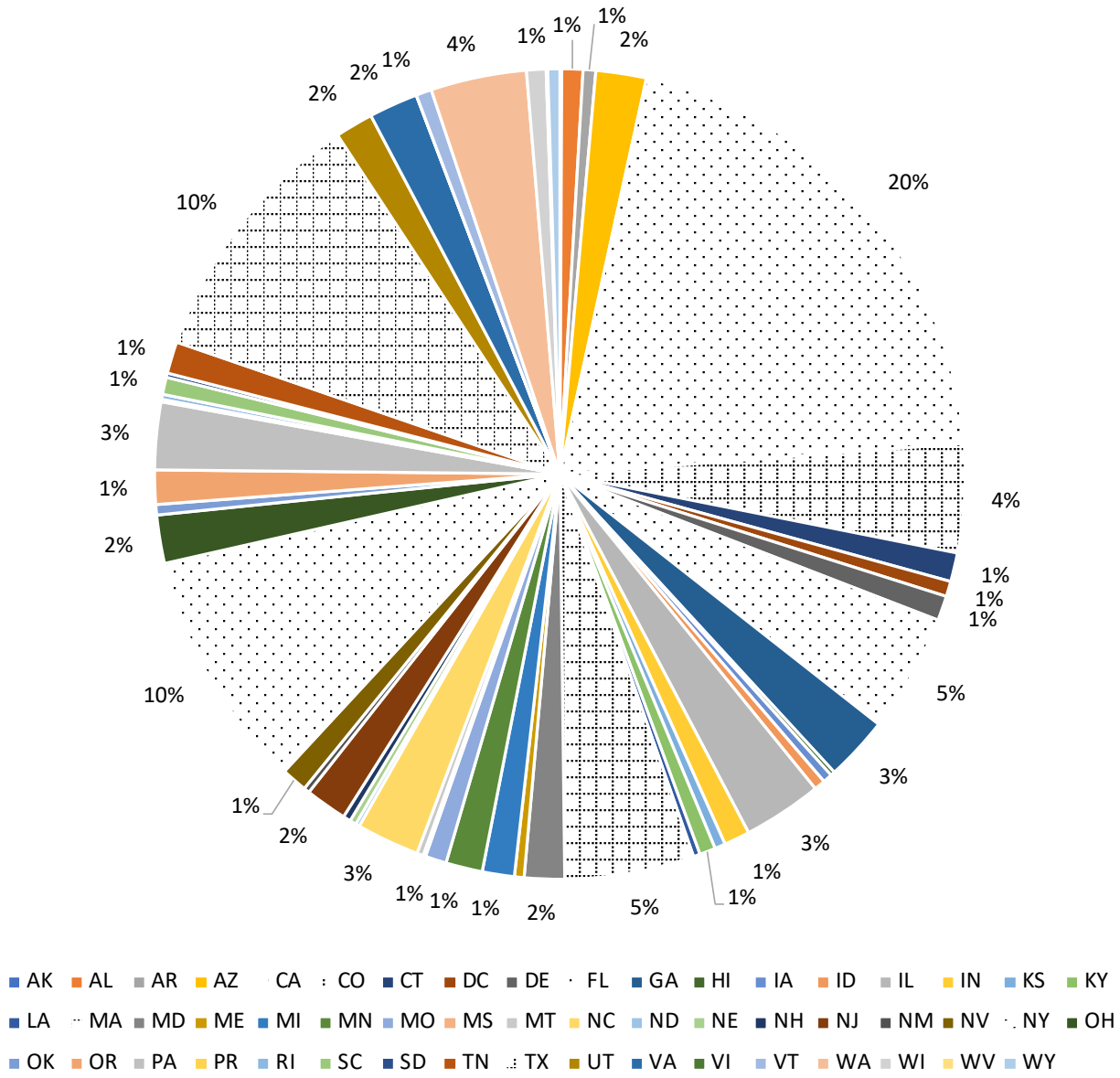
[Tables A-19 & A-20]

The sample sizes are ample for statistical purposes. Nor do the results appear to be distorted by outliers. The regressions are tested for influential observations by identifying the observations with the largest deviance residuals, as shown in Figure A-5. After removing the 155 most significant outliers, the results of the main regression are not materially different, as reported in Table A-21.

[Figure A-5 & Table A-21]

TABLES AND FIGURES REFERENCED IN MAIN BODY OF PAPER

Figure A-1: Offering Distribution by State



The figure shows the distribution of offerings by state, with those exceeding 0.5% with patterned, black-and-white fills. The six states with the largest shares are, rotating clockwise from the largest wedge: California, Colorado, Florida, Massachusetts, New York and Texas.

Table A-1: Choice of Exemption Regressed on Name Score & Gender: Restricted Model

The table shows coefficients with robust standard errors from regressing the choice of exemption on, alternately, Non-White Name Score or Name Score with the reference race/ethnicity as indicated, and Gender, Debt/Equity, Amount Sought, Offering Age, Unemployment Rate, S&P Index, Region, Industry and Year.

Variables	Non-White		White	
	Rule 506(c)	Reg CF	Rule 506(c)	Reg CF
Non-White Name Score	0.2237***	0.5293***	--	--
	(0.049)	(0.056)		
Black Name Score	--	--	-0.2573*	1.0500***
			(0.149)	(0.112)
Hispanic Name Score	--	--	0.6531***	0.3932***
			(0.091)	(0.125)
Asian Name Score	--	--	0.0775	0.2190**
			(0.072)	(0.088)
Gender	0.0045	0.1827***	0.0192	0.1863***
	(0.050)	(0.066)	(0.052)	(0.057)
Observations	51,579	51,579	48,851	48,851
Year FE	Y	Y	Y	Y
Pseudo R2	0.241	0.241	0.296	0.296

Variables	Black		Hispanic		Asian	
Black Name Score	--	--	-0.9103***	0.6568***	-0.3348**	0.8310***
			(0.173)	(0.164)	(0.163)	(0.138)
Hispanic Name Score	0.9103***	-0.6568***	--	--	0.5755***	0.1742
	(0.173)	(0.164)			(0.112)	(0.150)
Asian Name Score	0.3348**	-0.8310***	-0.5755***	-0.1742	--	--
	(0.163)	(0.138)	(0.112)	(0.150)		
White Name Score	0.2573*	-1.0500***	-0.6531***	-0.3932***	-0.0775	-0.2190**
	(0.149)	(0.112)	(0.091)	(0.125)	(0.072)	(0.088)
Gender	0.0192	0.1863***	0.0192	0.1863***	0.0192	0.1863***
	(0.052)	(0.057)	(0.052)	(0.057)	(0.052)	(0.057)
Observations	48,851	48,851	48,851	48,851	48,851	48,851
Year FE	Y	Y	Y	Y	Y	Y
Pseudo R2	0.296	0.296	0.296	0.296	0.296	0.296

Robust standard errors in parentheses

*** p<0.01, ** p<0.05, * p<0.1

Table A-2: Choice of Exemption Regressed on Name Score & Gender: Untransformed Variables

Panel A of the table shows coefficients with robust standard errors from regressing the choice of Reg CF on Gender and, alternately, Non-White Name Score and Name Score with white entrepreneurs as the reference race/ethnicity, as well as on the untransformed control variables. Panel B shows the results of the same regression except that the regressand is the choice of Rule 506(c).

Panel A

Variables	Non-White		White	
Gender	0.5508***	0.1361**	0.5664***	0.1458**
	(0.036)	(0.061)	(0.036)	(0.061)
Non-White Name Score	0.4963***	0.5239***	--	--
	(0.036)	(0.060)		
Black Name Score	--	--	1.2162***	0.9677***
			(0.066)	(0.120)
Hispanic Name Score	--	--	0.6289***	0.4778***
			(0.076)	(0.130)
Asian Name Score	--	--	-0.0925	0.2161**
			(0.061)	(0.094)
Observations	56,753	44,822	56,554	44,677
Year FE	Y	Y	Y	Y
Controls	N	Y	N	Y
Pseudo R2	0.0218	0.300	0.0248	0.299

Panel B

Variables	Non-White		White	
Gender	-0.0739	0.0223	-0.0619	0.0396
	(0.047)	(0.055)	(0.047)	(0.055)
Non-White Name Score	0.0817*	0.2677***	--	--
	(0.044)	(0.052)		
Black Name Score	--	--	-0.2999**	-0.2868*
			(0.130)	(0.159)
Hispanic Name Score	--	--	0.4841***	0.6975***
			(0.085)	(0.096)
Asian Name Score	--	--	-0.0644	0.1378*
			(0.065)	(0.074)
Observations	56,753	44,822	56,554	44,677
Year FE	Y	Y	Y	Y
Controls	N	Y	N	Y
Pseudo R2	0.0218	0.300	0.0248	0.299

Robust standard errors in parentheses

*** p<0.01, ** p<0.05, * p<0.1

Table A-3: Offering Outcome Regressed on Revenue Reporting & Yet to Occur

The table shows coefficients with robust standard errors from regressing offering outcome (success = 1) and the amount raised in Reg D offerings on, alternately, a binary variable equal to 1 if revenues are disclosed and a binary variable equal to 1 if the first sale has yet to occur.

Variables	Success/Failure		Amount Raised	
Revenue	-1.1980***	-1.0745***	-359,573***	-203,101***
Reporting	(0.024)	(0.032)	(12,984.534)	(11,820.045)
Non-White Name	--	0.2714***	--	-38,891***
Score	--	(0.056)	--	(14,159.912)
Gender	--	0.1146**	--	333,545***
	--	(0.051)	--	(12,951.343)
Observations	66,626	49,877	58,216	44,386
Year FE	Y	Y	Y	Y
Controls	N	Y	N	Y
R-squared	--	--	0.017	0.486
Pseudo R2	0.0477	0.116	--	--

Variables	Success/Failure		Amount Raised	
Yet-To-Occur	-6.5164***	-6.8622***	136,723***	-11,836
	(0.055)	(0.078)	(48,103.321)	(42,339.348)
Non-White Name	--	0.2141*	--	-37,705***
Score	--	(0.113)	--	(14,180.859)
Gender	--	0.1294	--	330,712***
	--	(0.110)	--	(12,973.752)
Observations	66,626	49,877	58,216	44,386
Year FE	Y	Y	Y	Y
Controls	N	Y	N	Y
R-squared	--	--	0.006	0.483
Pseudo R2	0.705	0.748	--	--

Robust standard errors in parentheses
*** p<0.01, ** p<0.05, * p<0.1

Table A-4: Choice of Exemption Regressed on Name Score & Gender: Successful Offerings Only

Panel A of the table shows coefficients with robust standard errors from regressing the choice of Reg CF on the interaction between offering outcome (success = 1) and, alternately, Non-White Name Score and Name Score white entrepreneurs as the reference race/ethnicity, as well as on Gender and the control variables. Panel B shows the results of the same regression with the choice of Rule 506(c) as the regressand.

Panel A

Variables	Non-White		White	
Gender	0.6483***	0.1333*	0.6666***	0.1364*
	(0.045)	(0.072)	(0.045)	(0.072)
Non-White Name Score	0.4063***	0.4076***	--	--
	(0.047)	(0.073)		
Black Name Score	--	--	1.1255***	0.9265***
			(0.084)	(0.145)
Hispanic Name Score	--	--	0.5212***	0.2568
			(0.100)	(0.160)
Asian Name Score	--	--	-0.1698**	0.1667
			(0.080)	(0.117)
Observations	47,428	38,163	47,272	38,044
Year FE	Y	Y	Y	Y
Controls	N	Y	N	Y
Pseudo R2	0.0215	0.280	0.0241	0.280

Panel B

Variables	Non-White		White	
Gender	-0.1668***	0.0096	-0.1627***	0.0173
	(0.057)	(0.064)	(0.057)	(0.064)
Non-White Name Score	-0.1243**	0.0280	--	--
	(0.055)	(0.063)		
Black Name Score	--	--	-0.5481***	-0.4869**
			(0.168)	(0.197)
Hispanic Name Score	--	--	-0.2367*	-0.0145
			(0.133)	(0.143)
Asian Name Score	--	--	-0.1371*	0.0195
			(0.076)	(0.087)
Observations	47,428	38,163	47,272	38,044
Year FE	Y	Y	Y	Y
Controls	N	Y	N	Y
Pseudo R2	0.0215	0.280	0.0241	0.280

Robust standard errors in parentheses

*** p<0.01, ** p<0.05, * p<0.1

Table A-5: Amount Sought Regressed on Name Score & Gender

The table shows coefficients with robust standard errors for the regression of Amount Sought in Reg CF (Panel A) and Reg D (Panel B) offerings on, alternately, Non-White Name Score and Name Score with white entrepreneurs as the reference race/ethnicity, as well as on Gender and the controls.

Panel A

Variables	Non-White	White	Black	Hispanic	Asian
Gender	-102,804***	-103,269***	-103,269***	-103,269***	-103,269***
	(31,289.788)	(31,401.135)	(31,401.135)	(31,401.135)	(31,401.135)
Non-White	-14,785	--	--	--	--
	(32,171.977)				
Black Name Score	--	-84,988	--	-101,535	-84,970
		(52,521.854)		(75,864.549)	(73,476.882)
Hispanic Name Score	--	16,547	101,535	--	16,565
		(59,417.481)	(75,864.549)		(78,776.968)
Asian Name Score	--	-18	84,970	-16,565	--
		(56,201.095)	(73,476.882)	(78,776.968)	
White Name Score	--	--	84,988	-16,547	18
		--	(52,521.854)	(59,417.481)	(56,201.095)
Observations	4,609	4,576	4,576	4,576	4,576
R-squared	0.203	0.205	0.205	0.205	0.205
Year FE	Y	Y	Y	Y	Y

Panel B

Variables	Non-White	White	Black	Hispanic	Asian
Gender	-471,528***	-476,495***	-476,495***	-476,495***	-476,495***
	(133,012.345)	(134,220.950)	(134,220.950)	(134,220.950)	(134,220.950)
Non-White	-232,854*	--	--	--	--
	(134,464.091)				
Black Name Score	--	270,025	--	961,969**	622,103
		(377,759.963)		(404,785.189)	(388,686.401)
Hispanic Name Score	--	-691,945***	-961,969**	--	-339,866*
		(186,614.345)	(404,785.189)		(192,123.373)
Asian Name Score	--	-352,079**	-622,103	339,866*	--
		(153,004.232)	(388,686.401)	(192,123.373)	
White Name Score	--	--	-270,025	691,945***	352,079**
			(377,759.963)	(186,614.345)	(153,004.232)
Observations	43,135	43,013	43,013	43,013	43,013
R-squared	0.005	0.005	0.005	0.005	0.005
Year FE	Y	Y	Y	Y	Y

Robust standard errors in parentheses

*** p<0.01, ** p<0.05, * p<0.1

Table A-6: Choice of Exemption Regressed on Name Score: Amount Sought Omitted/Abridged

The table shows coefficients with robust standard errors from regressing the choice of Reg CF (Panel A) or Rule 506(c) (Panel B) on, alternately, Non-White Name Score and Name Score with white entrepreneurs as the reference race/ethnicity, as well as on Gender and the control variables. Amount Sought is omitted in columns 1 and 3. When Amount Sought is included, Reg D offerings are included only if Amount Sought exceeds 105% of the amount sold and is less than 10 times the amount sold, and Reg CF offerings are included only if the Amount Sought does not fall within a narrow band around each trigger amount for heighted financial statement verification requirements or are near the limit on the amount sold (see Figure A-2). These restrictions reduce the sample size by about 63%.

Panel A

Variables	Non-White		White	
	1	2	3	4
Gender	0.2025***	0.0469	0.2177***	0.0788
	0.0469	0.2177***	(0.055)	(0.145)
Non-White Name Score	0.4682***	0.8194***	--	--
	(0.057)	(0.154)		
Black Name Score	--	--	0.8996***	1.6618***
			(0.114)	(0.301)
Hispanic Name Score	--	--	0.4850***	0.4493
			(0.118)	(0.310)
Asian Name Score	--	--	0.1558*	0.3056
			(0.088)	(0.243)
Observations	46,585	17,365	46,748	17,428
Year FE	Y	Y	Y	Y
Amount Sought	N	Y	N	Y
Pseudo R2	0.245	0.506	0.246	0.507

Panel B

Gender	0.0140	-0.2671**	0.0307	-0.2675**
	(0.053)	(0.107)	(0.053)	(0.107)
Non-White Name Score	0.3029***	0.1060	--	--
	(0.051)	(0.098)		
Black Name Score	--	--	-0.2558*	-0.3937
			(0.151)	(0.309)
Hispanic Name Score	--	--	0.6630***	0.2946
			(0.092)	(0.185)
Asian Name Score	--	--	0.1876***	0.0891
			(0.072)	(0.130)
Observations	46,585	17,365	46,748	17,428
Year FE	Y	Y	Y	Y
Amount Sought	N	Y	N	Y
Pseudo R2	0.245	0.506	0.246	0.507

Robust standard errors in parentheses

*** p<0.01, ** p<0.05, * p<0.1

Table A-7: Choice of Exemption Regression on Name Score: $2.5 Million Raise

The table shows coefficients with robust standard errors from regressing the choice of Reg CF (Panel A) or Rule 506(c) (Panel B) on, alternately, Non-White Name Score and Name Score with white entrepreneurs as the reference race/ethnicity, as well as on Gender and the controls. Reg D offerings include only successful offerings that raised no more than $2.5 million and unsuccessful offerings that sought no more than $3 million.

Panel A

Variables	Non-White		White	
Gender	0.5145***	0.1279**	0.5280***	0.1372**
	(0.037)	(0.061)	(0.037)	(0.061)
Non-White Name Score	0.5253***	0.5217***	--	--
	(0.037)	(0.061)		
Black Name Score	--	--	1.2093***	0.9288***
			(0.069)	(0.121)
Hispanic Name Score	--	--	0.5948***	0.4890***
			(0.078)	(0.132)
Asian Name Score	--	--	-0.0181	0.2211**
			(0.063)	(0.096)
Observations	45,217	35,208	45,052	35,086
Year & Region FE	Y	Y	Y	Y
Controls	N	Y	N	Y
Pseudo R2	0.0255	0.299	0.0285	0.298

Panel B

Variables	Non-White		White	
Gender	-0.1081**	-0.0300	-0.0965*	-0.0156
	(0.053)	(0.063)	(0.053)	(0.063)
Non-White Name Score	0.0926*	0.2191***	--	--
	(0.051)	(0.060)		
Black Name Score	--	--	-0.3812**	-0.4949**
			(0.153)	(0.199)
Hispanic Name Score	--	--	0.5086***	0.6757***
			(0.093)	(0.108)
Asian Name Score	--	--	-0.0415	0.1005
			(0.076)	(0.089)
Observations	45,217	35,208	45,052	35,086
Year & Region FE	Y	Y	Y	Y
Controls	N	Y	N	Y
Pseudo R2	0.0255	0.299	0.0285	0.298

Robust standard errors in parentheses

*** p<0.01, ** p<0.05, * p<0.1

Table A-8: Choice of Exemption Regression on Name Score: CEO Only

The table shows coefficients with robust standard errors from regressing the choice of Reg CF (Panel A) or Rule 506(c) (Panel B) on, alternately, Non-White Name Score and Name Score with white entrepreneurs as the reference race/ethnicity, as well as on Gender and the controls. The sample includes only observations where the signer's title is "Chief Executive Officer" or something similar.

Panel A

Variables	Non-White		White	
Gender	0.6102***	0.2596***	0.6305***	0.2675***
	(0.038)	(0.066)	(0.038)	(0.066)
Non-White Name Score	0.3940***	0.4120***	--	--
	(0.038)	(0.064)		
Black Name Score	--	--	1.2115***	0.9208***
			(0.070)	(0.129)
Hispanic Name Score	--	--	0.5914***	0.3803***
			(0.080)	(0.139)
Asian Name Score	--	--	-0.2648***	0.0822
			(0.064)	(0.101)
Observations	41,941	33,187	41,784	33,064
Year FE	Y	Y	Y	Y
Controls	N	Y	N	Y
Pseudo R2	0.0243	0.335	0.0292	0.335

Panel B

Variables	Non-White		White	
Gender	-0.2295***	-0.0663	-0.2148***	-0.0352
	(0.063)	(0.071)	(0.063)	(0.071)
Non-White Name Score	0.1260**	0.3532***	--	--
	(0.052)	(0.061)		
Black Name Score	--	--	-0.1412	-0.0348
			(0.150)	(0.178)
Hispanic Name Score	--	--	0.6480***	0.8741***
			(0.096)	(0.106)
Asian Name Score	--	--	-0.0377	0.1801**
			(0.076)	(0.087)
Observations	41,941	33,187	41,784	33,064
Year FE	Y	Y	Y	Y
Controls	N	Y	N	Y
Pseudo R2	0.0243	0.335	0.0292	0.335

Robust standard errors in parentheses

*** p<0.01, ** p<0.05, * p<0.1

Table A-9: Choice of Exemption Regressed on Name Score: First Offering Only

The table shows coefficients with robust standard errors from regressing the choice of Reg CF (Panel A) or Rule 506(c) (Panel B) on, alternately, Non-White Name Score and Name Score with white entrepreneurs as the reference race/ethnicity, as well as on Gender and the controls. The sample includes only firms formed after 2015 and each firm's first post-crowdfunding offering.

Panel A

Variables	Non-White		White	
Gender	0.6204***	0.1916**	0.6320***	0.1958**
	(0.049)	(0.085)	(0.049)	(0.086)
Non-White Name Score	0.5724***	0.6180***	--	--
	(0.048)	(0.080)		
Black Name Score	--	--	1.3742***	1.2186***
			(0.086)	(0.155)
Hispanic Name Score	--	--	0.7984***	0.5759***
			(0.098)	(0.167)
Asian Name Score	--	--	-0.0164	0.3707***
			(0.081)	(0.127)
Observations	30,654	25,777	30,563	25,707
Year FE	Y	Y	Y	Y
Controls	N	Y	N	Y
Pseudo R2	0.0228	0.315	0.0271	0.316

Panel B

Variables	Non-White		White	
Gender	-0.0049	0.1042	0.0010	0.1171*
	(0.059)	(0.068)	(0.058)	(0.068)
Non-White Name Score	0.0282	0.2007***	--	--
	(0.056)	(0.065)		
Black Name Score	--	--	-0.3195*	-0.2482
			(0.163)	(0.197)
Hispanic Name Score	--	--	0.5617***	0.7694***
			(0.101)	(0.114)
Asian Name Score	--	--	-0.0998	0.0403
			(0.082)	(0.097)
Observations	30,654	25,777	30,563	25,707
Year FE	Y	Y	Y	Y
Controls	N	Y	N	Y
Pseudo R2	0.0228	0.315	0.0271	0.316

Robust standard errors in parentheses

*** p<0.01, ** p<0.05, * p<0.1

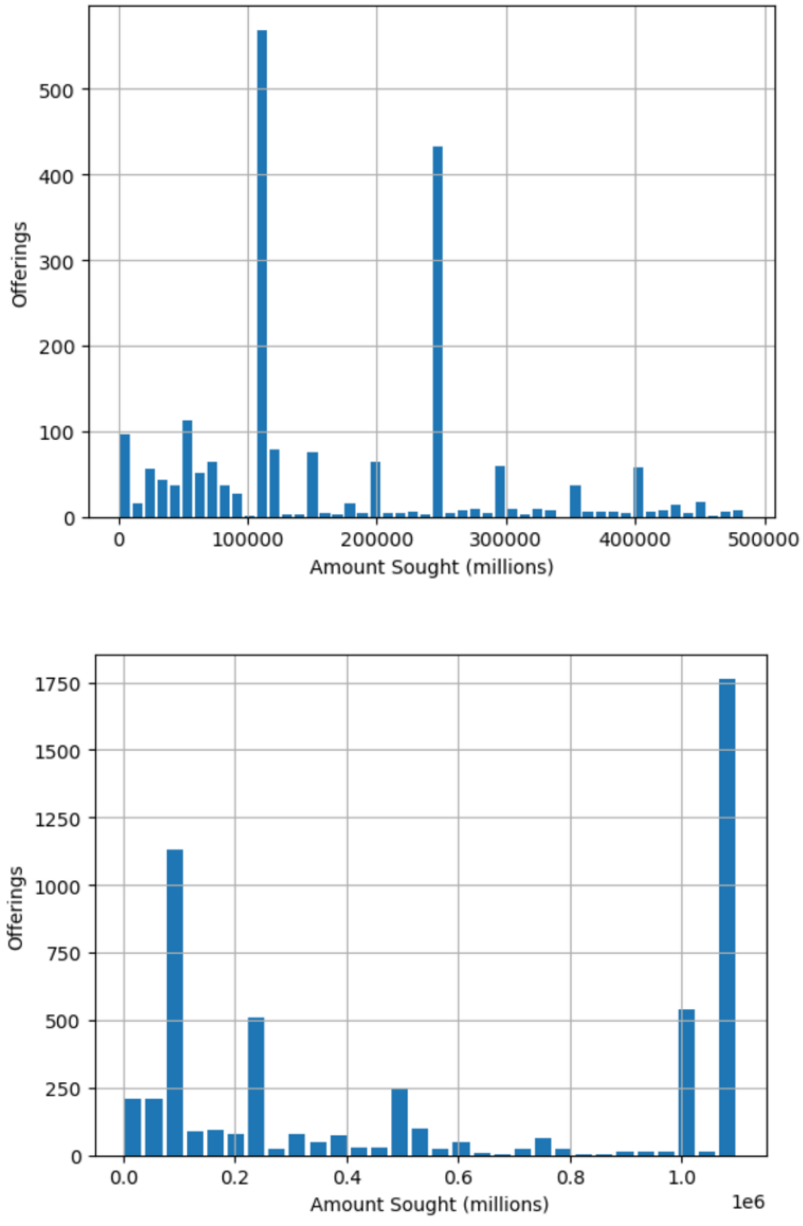
Table A-10: Identification of Matching Set of Unsuccessful Reg D Offerings

The table shows descriptive statistics for Amount Sought for successful (top) and unsuccessful (bottom) Reg D offerings.

	Percentiles	Smallest		
1%	0	0		
5%	15000	0		
10%	171435	0	Obs	92,151
25%	767000	0	Sum of wgt.	92,151
50%	2500000		Mean	1.95e+07
		Largest	Std. dev.	2.12e+09
75%	7649981	2.16e+10		
90%	2.13e+07	2.50e+10	Variance	4.49e+18
95%	4.15e+07	5.00e+10	Skewness	299.4933
99%	1.50e+08	6.40e+11	Kurtosis	90441.39

	Percentiles	Smallest		
1%	0	0		
5%	0	0		
10%	55000	0	Obs	16,607
25%	520000	0	Sum of wgt.	16,607
50%	2000000		Mean	3.59e+07
		Largest	Std. dev.	1.91e+09
75%	6000000	2.00e+10		
90%	1.93e+07	1.00e+11	Variance	3.64e+18
95%	3.50e+07	1.00e+11	Skewness	86.71083
99%	1.25e+08	2.00e+11	Kurtosis	8173.255

Figure A-2: Distribution of Amount Sought in Reg CF Offerings



The top chart shows the distribution of Amount Sought in Reg CF offerings. The amounts bunch around: (1) an amount just below the amount at which certified financial statements are required (> $107,000), (2) an amount just below the amount at which public accountant audited financial statements are required (> $535,000), or (3) the maximum allowable raise of $1,070,000 (the limit after April 11, 2017). The maximum prior to April 12 was $1,000,000. The bottom chart cuts off Amount Sought at $1,100,000 to show the clumping effect more clearly.

Table A-11: Illustrative Reg D Filings

The table shows illustrative Reg D filings data. The top example treats Total Offering Amount as the total amount sought in the offering. The bottom example treats the Total Offering Amount as the amount raised pursuant to each filing.

	Submission Form	Total Offering Amount	Total Amount Sold
Company A	D	$5,000,000	$1,200,000
Company A	D/A	$5,000,000	$750,000
Company A	D/A	$5,000,000	$1,800,000
Company A	D/A	$5,000,000	$500,000
Company A	D/A	$5,000,000	$100,000

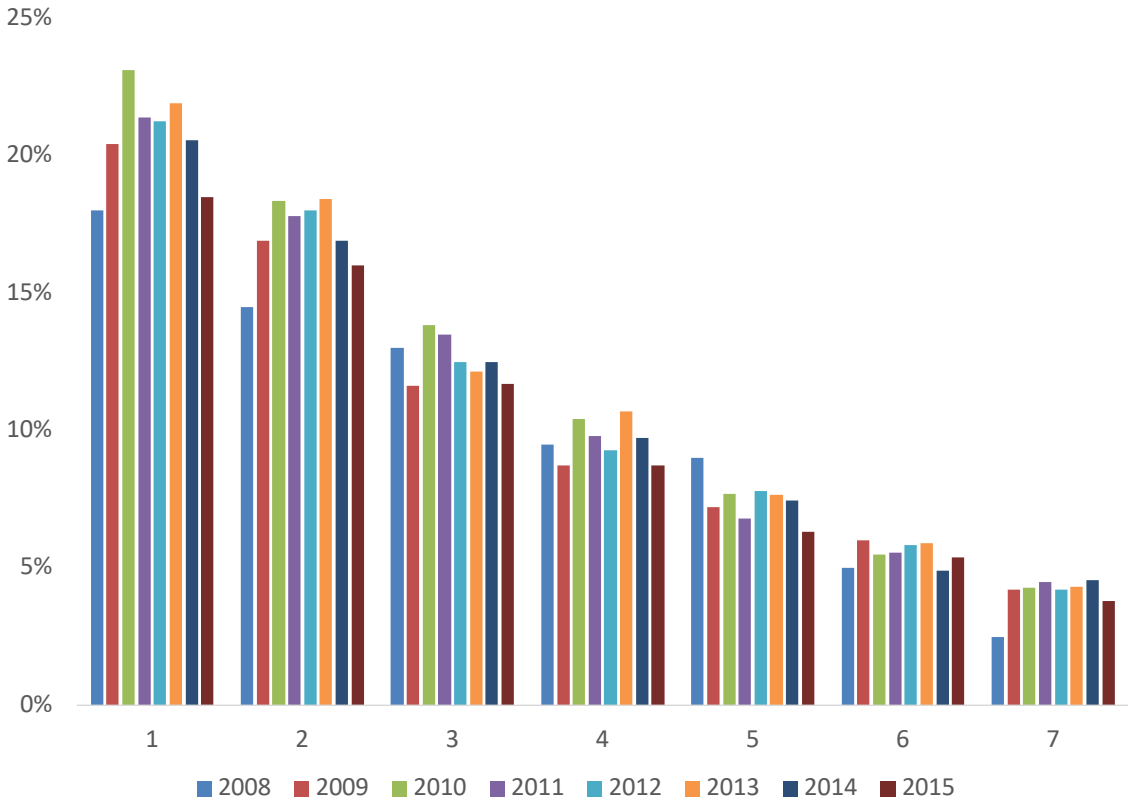
	Submission Form	Total Offering Amount	Total Amount Sold
Company A	D	$1,200,000	$1,200,000
Company A	D/A	$750,000	$750,000
Company A	D/A	$1,800,000	$1,800,000
Company A	D/A	$500,000	$500,000
Company A	D/A	$100,000	$100,000

Table A-12: Form D Disclosure Items

The table lists the information requested on Form D.

Current and prior name(s) and address
Industry group or fund type
Exemption claimed
Date of first offering
Amount sought (which can be marked "indefinite")
Sold (including mandatory commitments)
Minimum amount accepted
Form and state of organization
Names of directors and executive officers
Type of security offered
Type of transaction (e.g., combination)
Amount of sales compensation paid and identity and crd (as applicable) of the recipient (if more than 5, the name of the broker/dealer)
States in which solicitations are made
Sales commissions and finders' fee expenses
Revenue range or nav (which can be marked "decline to disclose")
Number of investors
Number of investors that are not "accredited" investors
Proceeds to be paid to disclosed directors and officers
Offering is expected to last for more than one year (yes or no)

Figure A-3: Repeat Form D Filers



Each bar represents all firms that filed a Form D in the labeled year. It illustrates the how the probability of a firm's submitting a subsequent Form D changes over time. The Y axis represents the probability that a firm that filed a Form D the given number of years prior as indicated by the X axis value. For example, the second column in the second group indicates that about 17% of firms that filed a Form D in 2009 also filed a Form D two years later in 2011. The column immediately to the right indicates that about 18% of firms that filed a Form D in 2010 also filed a Form D two years later in 2012.

Figure A-4: Name Score Weightings

The figure shows the representation of each race/ethnicity in sample of small offerings used for the Reg CF analysis.

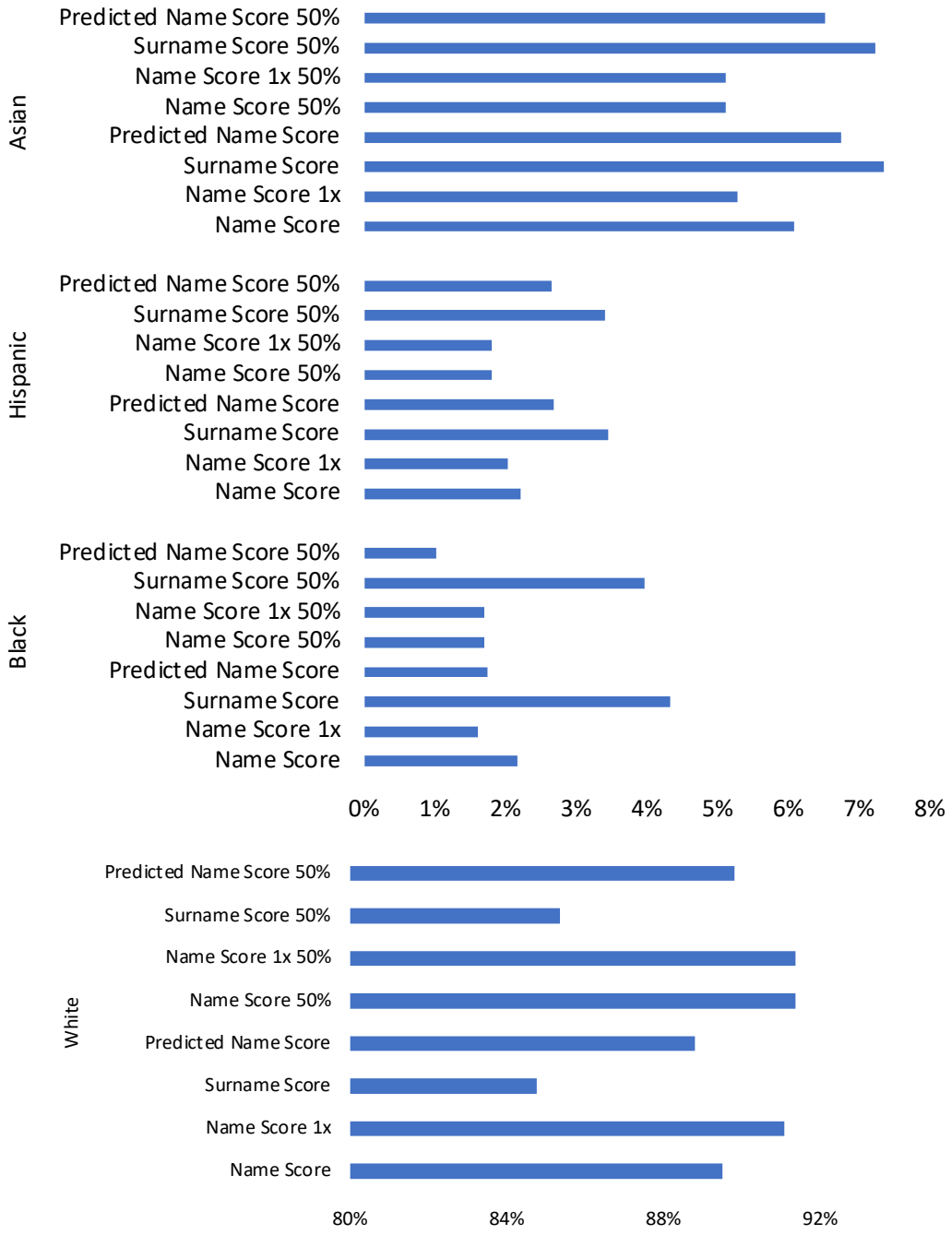


Figure A-5: Choice of Reg CF Regressed on Alternate Race/Ethnicity Name Scores

The figure shows the direction of significant entrepreneur race/ethnicity effects for the regression the choice of Reg CF and Rule 506(c) on, separately, eight alternate categorical variables and 4 continuous variables for determining race/ethnicity. Asterisks indicate a different result from the main regression. Detailed results appear in Tables A-9 to A-14.

Variable		Reg CF					Rule 506(c)				
		White	Black	Hispanic	Asian	Continuous	White	Black	Hispanic	Asian	Continuous
Name Score	Black	▲	X	▲	▲	▲	--	X	▼	▼	--
	Hispanic	▲	▼	X	--	▲	▲	▲	X	▲	▲
	Asian	▲	▼	--	X	▲	--	▲	▼	X	▲
	White	X	▼	▼	▼	▼	X	--	▼	--	▼
Name Score 1x	Black	▲	X	▲	▲	▲	▼*	X	▼	▼	▲*
	Hispanic	▲	▼	X	▲*	▲	▲	▲	X	--*	▲
	Asian	--*	▼	▼*	X	--*	▲*	▲	--*	X	▲
	White	X	▼	▼	--*	▼	X	▲*	▼	▼*	▼
Surname Score	Black	▲	X	--*	--*	▲	--	X	▼	▼	--
	Hispanic	▲	--*	X	--	▲	▲	▲	X	--*	▲
	Asian	▲	--*	--	X	--*	▲*	▲	--*	X	▲
	White	X	▼	▼	▼	▼	X	--	▼	▼*	▼
Predicted Name Score	Black	▲	X	--*	--*	▲	--	X	▼	▼	--
	Hispanic	▲	--*	X	--	▲	▲	▲	X	--*	▲
	Asian	▲	--*	--	X	▲	▲*	▲	--*	X	▲
	White	X	▼	▼	▼	▼	X	--	▼	▼*	▼
Name Score 50%	Black	▲	X	▲	▲		--*	X	▼	▼	
	Hispanic	▲	▼	X	--		▲	▲	X	▲	
	Asian	--*	▼	▼*	X		--*	▲	▼	X	
	White	X	▼	▼	--*		X	--*	▼	--	
Name Score 1x 50%	Black	▲	X	▲	▲		--	X	▼	▼	
	Hispanic	▲	▼	X	▲*		▲	▲	X	--*	
	Asian	--*	▼	▼*	X		▲*	▲	--*	X	
	White	X	▼	▼	--*		X	--	▼	▼*	
Surname Score 50%	Black	▲	X	--*	▲		--	X	▼	▼	
	Hispanic	▲	--*	X	--		▲	▲	X	--*	
	Asian	--*	▼	--	X		▲*	▲	--*	X	
	White	X	▼	▼	--*		X	--	▼	▼*	
Predicted Name Score 50%	Black	▲	X	--*	--*		--	X	▼	▼	
	Hispanic	▲	--*	X	--		▲	▲	X	--*	
	Asian	▲	--*	--	X		▲*	▲	--*	X	
	White	X	▼	▼	▼		X	--	▼	▼*	

Figure A-6: Choice of Reg CF Regressed on Alternate Non-White Name Scores

The figure shows the direction of significant effects for the regression the choice of Reg CF or Rule 506(c) on, alternately, eight alternate Non-White Name Score measures and four continuous Non-White Name Score measures, as well as on the controls. Detailed results appear in Tables A-9 to A-14.

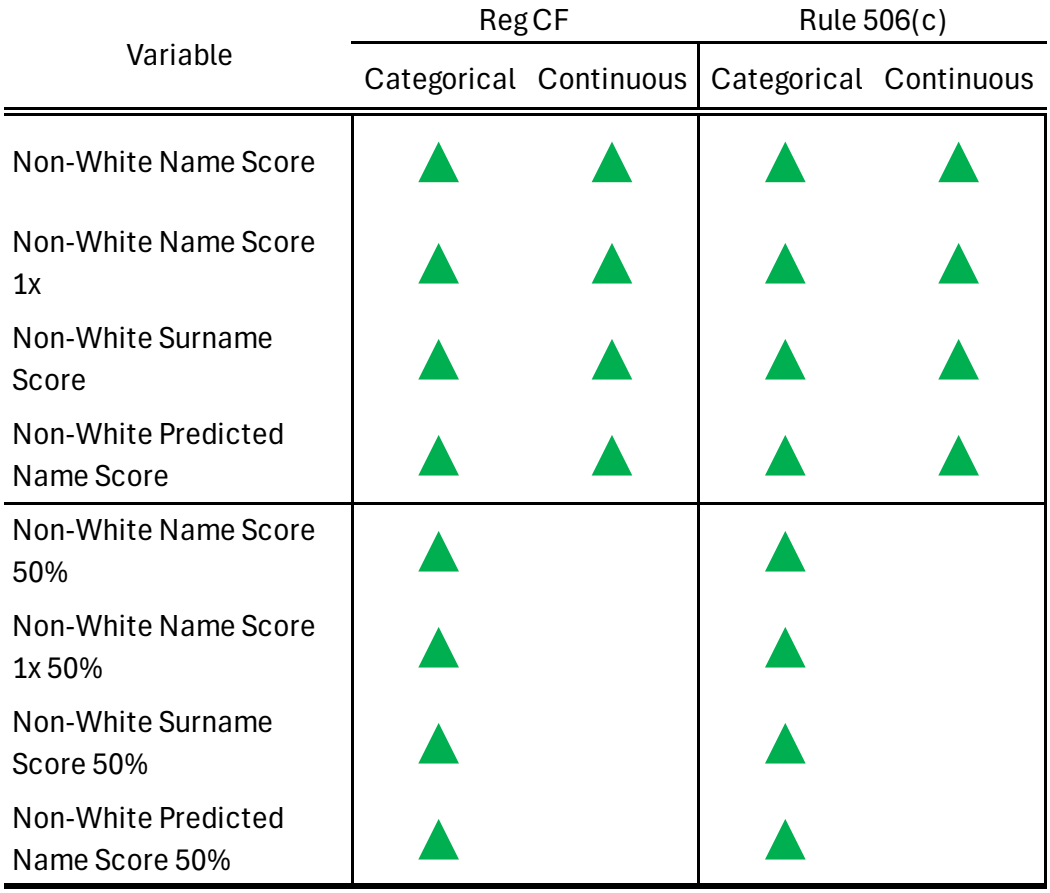


Table A-9: Choice of Reg CF Regressed on Alternate Categorical Name Scores

The table shows coefficients with robust standard errors from regressing the choice of Reg CF on, separately, four Non-White Name Score variables, and categorical race/ethnicity Name Scores with White Name Score as the reference level, as well as on the controls.

Variables	Name Score		Name Score 1x		Surname Score		Predicted Name Score	
Non-White	0.4967***	0.5193***	0.5186***	0.4926***	0.3196***	0.3277***	0.3123***	0.3943***
Name Score	(0.037)	(0.062)	(0.041)	(0.069)	(0.037)	(0.061)	(0.053)	(0.083)
Observations	56,303	44,379	47,249	37,235	47,417	37,388	32,595	26,987
Year FE	Y	Y	Y	Y	Y	Y	Y	Y
Controls	N	Y	N	Y	N	Y	N	Y
Pseudo R2	0.0208	0.300	0.0210	0.306	0.0193	0.305	0.0214	0.297
Black Name	1.2182***	0.9574***	1.4308***	1.2935***	0.5070***	0.4704***	0.6427***	0.5469***
Score	(0.066)	(0.120)	(0.078)	(0.149)	(0.063)	(0.107)	(0.120)	(0.211)
Hispanic	0.6311***	0.4663***	0.6846***	0.4688***	0.5516***	0.4177***	0.6228***	0.4988***
Name Score	(0.076)	(0.130)	(0.083)	(0.145)	(0.067)	(0.113)	(0.095)	(0.156)
Asian Name	-0.0888	0.2118**	-0.1467**	0.0180	-0.0063	0.2060**	0.1361*	0.3370***
Score	(0.061)	(0.094)	(0.070)	(0.108)	(0.059)	(0.092)	(0.074)	(0.115)
Observations	56,470	44,516	47,293	37,272	47,734	37,639	32,607	26,999
Year FE	Y	Y	Y	Y	Y	Y	Y	Y
Controls	N	Y	N	Y	N	Y	N	Y
Pseudo R2	0.0240	0.301	0.0249	0.307	0.0202	0.305	0.0222	0.298

Robust standard errors in parentheses

*** p<0.01, ** p<0.05, * p<0.1

Table A-10: Choice of Rule 506(c) Regressed on Alternate Categorical Name Scores

The table shows coefficients with robust standard errors from regressing the choice of Rule 506(c) on, separately, four Non-White Name Score variables, and categorical race/ethnicity Name Scores with White Name Score as the reference level, as well as on the controls.

Variables	Name Score		Name Score 1x		Surname Score		Predicted Name Score	
Non-White Name Score	0.0944**	0.2850***	0.0583	0.2315***	0.0430	0.1157**	0.2930***	0.3513***
	(0.045)	(0.053)	(0.051)	(0.059)	(0.043)	(0.050)	(0.055)	(0.062)
			0	0	0	0	0	0
Observations	56,303	44,379	47,249	37,235	47,417	37,388	32,595	26,987
Year FE	Y	Y	Y	Y	Y	Y	Y	Y
Controls	N	Y	N	Y	N	Y	N	Y
Pseudo R2	0.0208	0.300	0.0210	0.306	0.0193	0.305	0.0214	0.297
Black Name Score	-0.2957**	-0.2877*	-0.4413**	-0.4929**	0.0510	-0.0235	-0.1872	-0.3965*
	(0.130)	(0.159)	(0.176)	(0.217)	(0.082)	(0.093)	(0.176)	(0.219)
Hispanic Name Score	0.4832***	0.6977***	0.2828***	0.3894***	0.3085***	0.3576***	0.4759***	0.5811***
	(0.085)	(0.096)	(0.102)	(0.116)	(0.079)	(0.091)	(0.103)	(0.111)
Asian Name Score	-0.0558	0.1334*	-0.0606	0.1726**	0.0303	0.2494***	0.1881**	0.3449***
	(0.065)	(0.075)	(0.072)	(0.083)	(0.063)	(0.072)	(0.076)	(0.087)
Observations	56,470	44,516	47,293	37,272	47,734	37,639	32,607	26,999
Year FE	Y	Y	Y	Y	Y	Y	Y	Y
Controls	N	Y	N	Y	N	Y	N	Y
Pseudo R2	0.0240	0.301	0.0249	0.307	0.0202	0.305	0.0222	0.298

Robust standard errors in parentheses

*** p<0.01, ** p<0.05, * p<0.1

Table A-11: Choice of Reg CF Regressed on Alternate 50% Categorical Name Scores

The table shows coefficients with robust standard errors from regressing the choice of Reg CF on, separately, Non-White Name Score 50% variables, and categorical race/ethnicity Name Scores 50% with White Name Score 50% as the reference level, as well as on the controls.

Variables	Name Score		Name Score 1x		Surname Score		Predicted Name Score	
Non-White	0.4010***	0.4560***	0.4232***	0.3980***	0.3050***	0.3367***	0.3602***	0.3833***
Name Score	(0.042)	(0.069)	(0.048)	(0.081)	(0.040)	(0.065)	(0.058)	(0.093)
Observations	54,938	43,327	45,937	36,226	46,169	36,367	31,679	26,228
Year FE	Y	Y	Y	Y	Y	Y	Y	Y
Controls	N	Y	N	Y	N	Y	N	Y
Pseudo R2	0.0227	0.305	0.0228	0.310	0.0190	0.301	0.0211	0.296
Black Name	1.2125***	1.0522***	1.4091***	1.3317***	0.5415***	0.5179***	0.9191***	0.6737***
Score	(0.072)	(0.130)	(0.085)	(0.164)	(0.066)	(0.114)	(0.146)	(0.244)
Hispanic	0.6444***	0.4552***	0.6223***	0.3991***	0.5596***	0.4172***	0.6188***	0.4936***
Name Score	(0.080)	(0.136)	(0.089)	(0.150)	(0.069)	(0.115)	(0.097)	(0.160)
Asian Name	-0.1617**	0.1832*	-0.2187***	-0.0177	-0.0151	0.1620*	0.1037	0.2563**
Score	(0.065)	(0.098)	(0.077)	(0.117)	(0.061)	(0.095)	(0.078)	(0.121)
Observations	54,926	43,316	45,937	36,226	46,143	36,351	31,674	26,226
Year FE	Y	Y	Y	Y	Y	Y	Y	Y
Controls	N	Y	N	Y	N	Y	N	Y
Pseudo R2	0.0265	0.306	0.0268	0.312	0.0202	0.302	0.0224	0.296

Robust standard errors in parentheses

*** p<0.01, ** p<0.05, * p<0.1

Table A-12: Choice of Rule 506(c) Regressed on Alternate 50% Categorical Name Scores

The table shows coefficients with robust standard errors from regressing the choice of Rule 506(c) on, separately, Non-White Name Score 50% variables, and categorical race/ethnicity Name Scores 50% with White Name Score 50% as the reference level, as well as on the controls.

Variables	Name Score		Name Score 1x		Surname Score		Predicted Name Score	
Non-White	0.0672	0.2728***	-0.0157	0.2061***	0.0757*	0.1696***	0.2489***	0.3981***
Name Score	(0.055)	(0.063)	(0.066)	(0.074)	(0.046)	(0.054)	(0.063)	(0.070)
Observations	54,938	43,327	45,937	36,226	46,169	36,367	31,679	26,228
Year FE	Y	Y	Y	Y	Y	Y	Y	Y
Controls	N	Y	N	Y	N	Y	N	Y
Pseudo R2	0.0227	0.305	0.0228	0.310	0.0190	0.301	0.0211	0.296
Black Name	-0.3631**	-0.3549*	-0.4331**	-0.3924	-0.0653	-0.1415	-0.5138*	-0.4316
Score	(0.158)	(0.197)	(0.204)	(0.253)	(0.091)	(0.107)	(0.278)	(0.327)
Hispanic	0.5693***	0.8106***	0.2711**	0.4219***	0.3034***	0.3471***	0.4831***	0.5851***
Name Score	(0.093)	(0.103)	(0.116)	(0.125)	(0.080)	(0.093)	(0.106)	(0.114)
Asian Name	-0.0682	0.1412*	-0.0616	0.2116**	0.0182	0.2370***	0.2146***	0.3863***
Score	(0.073)	(0.084)	(0.084)	(0.094)	(0.064)	(0.074)	(0.078)	(0.087)
Observations	54,926	43,316	45,937	36,226	46,143	36,351	31,674	26,226
Year FE	Y	Y	Y	Y	Y	Y	Y	Y
Controls	N	Y	N	Y	N	Y	N	Y
Pseudo R2	0.0265	0.306	0.0268	0.312	0.0202	0.302	0.0224	0.296

Robust standard errors in parentheses

*** p<0.01, ** p<0.05, * p<0.1

Table A-13: Choice of Reg CF Regressed on Alternate Continuous Name Scores

The table shows coefficients with robust standard errors from regressing the choice of Reg CF on, alternately, a continuous Name Score variable for each race/ethnicity, as well as on the controls.

Variables	Name Score		Name Score 1x		Surname Score		Predicted Name Score	
Non-White	0.0073***	0.0081***	0.0074***	0.0076***	0.0048***	0.0050***	0.0065***	0.0077***
Name Score	(0.000)	(0.001)	(0.001)	(0.001)	(0.000)	(0.001)	(0.001)	(0.001)
Observations	57,989	45,684	48,380	38,109	48,892	38,525	32,704	27,075
Year FE	Y	Y	Y	Y	Y	Y	Y	Y
Controls	N	Y	N	Y	N	Y	N	Y
Pseudo R2	0.0242	0.308	0.0242	0.313	0.0231	0.312	0.0191	0.294
Black Name	0.0157***	0.0130***	0.0176***	0.0161***	0.0074***	0.0068***	0.0104***	0.0112***
Score	(0.001)	(0.002)	(0.001)	(0.002)	(0.001)	(0.001)	(0.001)	(0.002)
Hispanic	0.0094***	0.0059***	0.0092***	0.0054***	0.0062***	0.0030**	0.0077***	0.0052***
Name Score	(0.001)	(0.002)	(0.001)	(0.002)	(0.001)	(0.001)	(0.001)	(0.002)
Asian Name	-0.0013*	0.0026**	-0.0015*	0.0007	-0.0005	0.0014	0.0012	0.0032**
Score	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)
Observations	57,989	45,684	48,380	38,109	48,892	38,525	32,704	27,075
Year FE	Y	Y	Y	Y	Y	Y	Y	Y
Controls	N	Y	N	Y	N	Y	N	Y
Pseudo R2	0.0216	0.306	0.0218	0.311	0.0215	0.311	0.0168	0.292

Robust standard errors in parentheses

*** p<0.01, ** p<0.05, * p<0.1

Table A-14: Choice of Rule 506(c) Regressed on Alternate Continuous Name Scores

The table shows coefficients with robust standard errors from regressing the choice of Rule 506(c) on, alternately, a continuous Name Score variable for each race/ethnicity, as well as on the controls.

Variables	Name Score		Name Score 1x		Surname Score		Predicted Name Score	
Non-White	0.0020***	0.0042***	0.0021***	0.0039***	0.0020***	0.0032***	0.0033***	0.0049***
Name Score	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)
Observations	57,989	45,684	48,380	38,109	48,892	38,525	32,704	27,075
Year FE	Y	Y	Y	Y	Y	Y	Y	Y
Controls	N	Y	N	Y	N	Y	N	Y
Pseudo R2	0.0242	0.308	0.0242	0.313	0.0231	0.312	0.0191	0.294
Black Name	0.0031***	0.0020	0.0057***	0.0037**	0.0025***	0.0011	0.0006	-0.0011
Score	(0.001)	(0.001)	(0.001)	(0.002)	(0.001)	(0.001)	(0.001)	(0.002)
Hispanic	0.0061***	0.0082***	0.0032**	0.0037**	0.0035***	0.0035***	0.0048***	0.0060***
Name Score	(0.001)	(0.001)	(0.001)	(0.002)	(0.001)	(0.001)	(0.001)	(0.001)
Asian Name	-0.0003	0.0026**	-0.0003	0.0033***	0.0003	0.0034***	0.0021**	0.0043***
Score	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)
White Name								
Observations	57,989	45,684	48,380	38,109	48,892	38,525	32,704	27,075
Year FE	Y	Y	Y	Y	Y	Y	Y	Y
Controls	N	Y	N	Y	N	Y	N	Y
Pseudo R2	0.0216	0.306	0.0218	0.311	0.0215	0.311	0.0168	0.292

Robust standard errors in parentheses

*** p<0.01, ** p<0.05, * p<0.1

Table A-15: Matching Industry Categories

Firm industry for Reg CF offerings is based on Kingscrowd categories, while firm industry for Reg D offerings is derived from SEC categories.

Group	Reg D Categories	Kingscrowd Crowdfunding Categories	% of Sample	
			Reg CF	Reg D
A	Other Technology Computers Biotechnology Business Services	Marketing & Advertising Business Services, Software, & Applications Logistics, Delivery, & Supply Chain Security, Cybersecurity, & Defense	13.5%	29.8%
B	Other Health Care Pharmaceuticals Hospitals and Physicians Other Health Care	Healthcare & Pharmaceuticals	7.7%	7.9%
C	Manufacturing Commercial	Industrial Services Transportation, Automotive, Aviation, & Aerospace	6.0%	13.7%
D	Retailing	Beauty & Personal Care Consumer Products, Goods & Services Apparel & Fashion Retail Shops & Department Stores Arts & Crafts Pet Health, Food, and Services Alcohol, Tobacco, & Recreational Drugs	22.9%	3.2%
E	Oil and Gas Coal Mining Electric Utilities Energy Conservation Environmental Services	Energy, Power, & Natural Resources	3.7%	3.7%
F	Restaurants	Food, Beverage, & Restaurants	17.8%	2.3%
G	Agriculture	Farming & Agriculture	1.3%	0.9%
H	Telecommunications	Media, Entertainment & Publishing	11.8%	1.2%
I	Construction	Real Estate & Construction	4.1%	0.7%
J	Lodging and Conventions Tourism and Travel Services Airlines and Airports Other Travel	Travel and Hospitality	1.5%	0.6%
K	Other Real Estate Residential Other	Government Services Fitness & Wellness	4.0%	35.6%

Table A-16: Predictive Power

The table shows the results of Stata's LROC, estat classification and linktest tests for each model.

Model	Stata LROC	Stata Estat Classification			Stata Linktest p Values	
	ROC Curve	Correctly Classified	Sensitivity	Specificity	hat	hat_sq
Non-White Name Score	0.8737	0.7762	0.8076	0.7714	0.000	0.7520
Race-Ethnicity Name Score	0.8752	0.7762	0.8076	0.7714	0.000	0.786
Gender	0.8734	0.7736	0.8119	0.7677	0.000	0.786

Table A-17: Akaike & Bayes Inference Criterion

The table shows AIC and BIC (using Stata's estat ic test) for each variable from regressing the choice of Reg CF over Rule 506(b).

Omitted Variable*	AIC	BIC	Full Model is Better Fit
Debt-Equity	16391.5	16789.88	Y
Amount Sought	18533.33	18912.73	Y
Offering Age	15846.5	16197.46	Y
Post-Covid	15608.21	16003.03	N
Retail Investors	15608.57	16003.4	N
Accredited Investors	15614.65	16009.48	N
High Home Values	15613.21	16008.04	N
Population	15615.44	16010.27	N
Population Density	15973.95	16369.69	Y
Unemployment Rate	15649.78	16044.68	Y
Age 65 and Over	15608.34	16003.17	N
Age 18 to 64	15607.33	16002.16	N
Postgraduate Degree	15607.49	16002.32	N
Bachelor's Degree	15612.35	16007.18	N
Metropolitan Area	15608.35	16003.18	N
Personal Loan Rate	15609.61	16013.22	Y
Lagged S&P 500 Index	15629.77	16024.59	Y
Region	15694.64	16071.98	Y
Industry	24940.64	25257	Y

* Full Model: AIC = 15609.29; BIC = 16012.89

Table A-18: Goodness of Fit

The table shows the results of Stata's lrtest (likelihood ratio) and Wald tests for each variable.

Variable	Stata lrtest p Value	Wald (Stata test & testparm)
Debt-Equity	0.0000	0.0000
Amount Sought	0.0000	0.0000
Offering Age	0.0000	0.0000
Post-Covid	0.3812	0.3211
Retail Investors	0.1544	0.1554
Accredited Investors	0.0105	0.0142
High Home Values	0.0216	0.0259
Population	0.0010	0.0012
Population Density	0.3142	0.3150
Unemployment Rate	0.0000	0.0000
Age 65 and Over	0.3382	0.3425
Age 18 to 64	0.7502	0.7482
Postgraduate Degree	0.6547	0.6455
Bachelor's Degree	0.0247	0.0227
Metropolitan Area	0.4498	0.4375
Personal Loan Rate	*	*
Lagged S&P 500 Index	0.0000	0.0000
Region	0.0000	0.0000
Industry	0.0000	0.0000

* No difference in df due to de minims effect of variable.

Table A-19: Multicollinearity

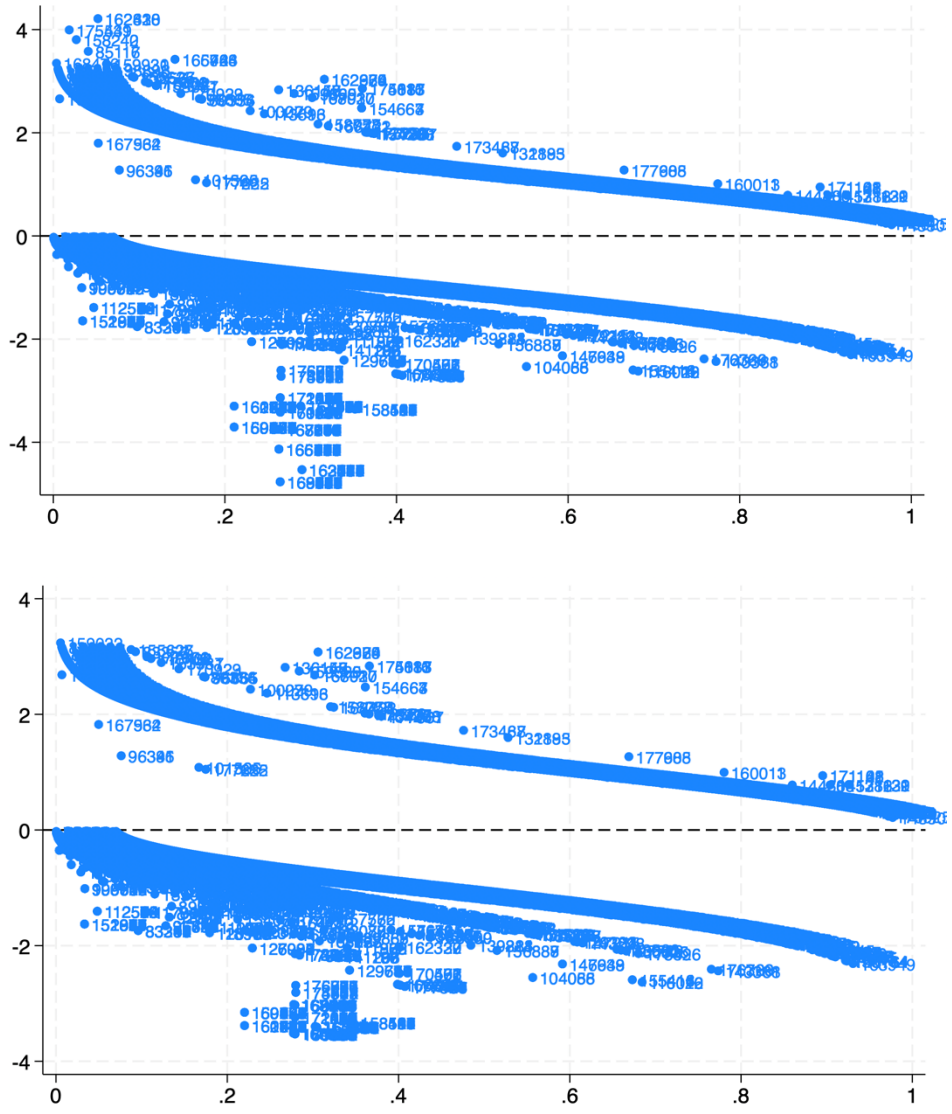
The table shows VIF and Tolerance values for independent variables used in the main regression.

Variable	VIF	Root VIF	Tolerance	R-Squared	Eigenvalue	Cond. Index
Retail Investors	9.69	3.11	0.1032	0.8968	11.0599	1.0000
Accredited Investors	5.97	2.44	0.1674	0.8326	1.1917	3.0464
High Home Values	2.74	1.66	0.3643	0.6357	0.5803	4.3658
Total Population	11.06	3.33	0.0904	0.9096	0.302	6.0519
Population Density	1.68	1.30	0.5939	0.4061	0.1785	7.8712
Unemployment Rate	1.35	1.16	0.7399	0.2601	0.1324	9.1397
Age 18 to 64	3.43	1.85	0.2919	0.7081	0.0842	11.4589
Age 65 and Over	2.66	1.63	0.3763	0.6237	0.044	15.8461
Bachelor's	2.63	1.62	0.3807	0.6193	0.0395	16.7422
Post-Graduate	2.57	1.60	0.3889	0.6111	0.0268	20.3034
Personal Loan Rate	1.42	1.19	0.7062	0.2938	0.0133	28.8085
S&P 500 Index	1.84	1.36	0.5427	0.4573	0.0035	56.5904

Table A-20: Variable Correlations

	Retail Investors	Accredited Investors	High Home Values	Total Population	Population Density	Unemploy-ment Rate	Age 18 to 64	Age 65 and Over	Bachelor's Degree	Post-Graduate Degree	Personal Loan Rate	S&P 500 Index
Retail Investors	1											
Accredited Investors	0.4641	1										
High Home Values	0.1475	0.741	1									
Total Population	0.9236	0.4968	0.2347	1								
Population Density	0.2275	0.4775	0.3457	0.1992	1							
Unemployment Rate	-0.0497	-0.1875	-0.1196	0.0144	-0.0082	1						
Age 18 to 64	-0.1163	0.0289	0.1457	-0.1453	-0.0122	-0.0871	1					
Age 65 and Over	-0.0385	-0.0057	-0.0851	-0.1357	0.288	0.0586	-0.647	1				
Bachelor's	-0.0883	0.3873	0.3719	-0.12	0.27	-0.3173	-0.0321	0.2432	1			
Post-Graduate	0.0592	0.3825	0.2872	-0.0462	0.2514	-0.3703	-0.1142	0.2902	0.6891	1		
Personal Loan Rate	-0.0309	-0.1178	-0.0344	-0.0279	0.0249	-0.1544	-0.0536	0.0402	0.146	0.1347	1	
S&P 500 Index	0.0499	0.2329	0.0978	0.0471	-0.0191	0.0573	0.119	-0.072	-0.183	-0.1738	-0.5231	1

Figure A-5: Residuals Versus Predicted Probabilities



The top figure shows plots for Deviance residuals versus predicted probabilities for the full sample. The bottom figure shows the same after removing 155 outliers.

Table A-21: Choice of Exemption Regressed on Name Score: Omitting Outliers

The table shows coefficients and odds ratios, each with robust standard errors, for the regression of the choice of Reg CF (Panel A) and Rule 506(c) (Panel B) , alternately, Non-White Name Score and Name Score with White Name Score as the reference level, as well as on Gender and the controls. The sample omits 155 outlier observations.

Panel A				
Variables	Non-White		White	
Gender	0.5545***	0.1249**	0.5661***	0.1439**
	(0.036)	(0.061)	(0.036)	(0.061)
Non-White Name Score	0.4967***	0.5193***	--	--
	(0.037)	(0.062)		
Black Name Score	--	--	1.2182***	0.9574***
			(0.066)	(0.120)
Hispanic Name Score	--	--	0.6311***	0.4663***
			(0.076)	(0.130)
Asian Name Score	--	--	-0.0888	0.2118**
Observations	56,303	44,379	56,470	44,516
Year FE	Y	Y	Y	Y
Controls	N	Y	N	Y
Pseudo R2	0.0208	0.300	0.0240	0.301

Panel B				
Gender	-0.0691	0.0304	-0.0588	0.0502
	(0.047)	(0.055)	(0.047)	(0.055)
Non-White Name Score	0.0944**	0.2850***	--	--
	(0.045)	(0.053)		
Black Name Score	--	--	-0.2957**	-0.2877*
			(0.130)	(0.159)
Hispanic Name Score	--	--	0.4832***	0.6977***
			(0.085)	(0.096)
Asian Name Score	--	--	-0.0558	0.1334*
			(0.065)	(0.075)
Observations	56,303	44,379	56,470	44,516
Year FE	Y	Y	Y	Y
Controls	N	Y	N	Y
Pseudo R2	0.0208	0.300	0.0240	0.301

Robust standard errors in parentheses

*** p<0.01, ** p<0.05, * p<0.1

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