2021

ARKANSAS capital SCAN

UNIVERSITY OF ARKANSAS | Sam M. Walton College of Business

TABLE OF CONTENTS

ACKNOWLEDGENTS

The Arkansas Capital Scan project would not have been possible without the collaboration of a large number of people who share a commitment to the development of Arkansas's knowledge-based economy and to supporting a diverse and thriving community of entrepreneurs across the state.

2021 ARKANSAS CAPITAL SCAN TEAM

SARAH GOFORTH

Executive Director of the Office of Entrepreneurship and Innovation at the University of Arkansas - Sam M. Walton College of Business

... co-leads the Arkansas Capital Scan project. A former science communications executive, entrepreneur, and experienced educator, she oversees a team responsible for serving "idea to launch"-stage innovators and entrepreneurs at the University of Arkansas and across the state. She oversees the U of A's nationally ranked graduate entrepreneurship program, serving as the lead instructor for New Venture Development I & II, whose alumni have formed ventures across the software, biotech, fintech, agriculture, and edtech sectors. Goforth holds an M.A. in science journalism from the University of Wisconsin–Madison. Her research has been published in the Journal of Neuroscience, and her writing has been published in the Times of Entrepreneurship, The Scientist, Popular Science, Discovery.com, and Smithsonian magazine. She brought her knowledge of the Arkansas entrepreneurial ecosystem and analysis of angel and venture capital-stage investments to this project.

CASH ACREY

Managing Director of the Master of Science in Finance program at the University of Arkansas - Walton College

...co-leads the Arkansas Capital Scan. Dr. Acrey received his Ph.D. in Finance and his MBA from the University of Arkansas. He is the founder and director of Arkansas Impact Investing, an industry outreach initiative of the Walton College that infuses private capital markets with impact principles to fund social and environmental entrepreneurship in the state. He recently developed two new courses in entrepreneurial finance, and he teaches a broad variety of courses in undergraduate and graduate finance. He is also active in consulting in the for-profit and nonprofit spaces and brings his experience and perspective on banks and debt capital to this project.

TIFFANY HENRY

Instructional Designer, Office of Entrepreneurship and Innovation, University of Arkansas,

...provided project management support for the 2020 Arkansas Capital Scan. She has a background in entrepreneurship ecosystem building with a specific focus on rural and underserved founders. Tiffany holds a master's degree in psychology from Arkansas Tech University and brings her advocacy for equitable geographic representation to this project.

SYDNEY GRAY

Principal at GRAY Ink

...supported the data collection and analysis and led the technical writing of the 2020 Arkansas Capital Scan. Gray has a M.Sc. from Tulane University and brings a decade of experience working with entrepreneurs and entrepreneur support organizations throughout the Gulf South. She also brought her knowledge of non-dilutive investments and experience with racial and gender lens data analysis to this project.

CATHERINE MICHNA

Consultant at GRAY Ink

...supported the analysis and writing of the 2021 Arkansas Capital Scan. Michna has a Ph.D. in English/American Studies from Boston College. She brought her communications knowledge as well as her knowledge of economic development, Southern U.S. histories, and racial and gender analysis to the project.

TIM YEAGER

Professor of Finance and Arkansas Bankers Association Chair in Banking at the Sam M. Walton College of Business at the University of Arkansas

...is a prolific researcher in community banking issues, and previously served as Economist and Assistant Vice President at the Federal Reserve Bank of St. Louis. He supported the project with queries of large volumes of bank call report data.

ADDITIONAL STUDENT RESEARCHERS SUPPORTING THE 2021 ARKANSAS CAPITAL SCAN INCLUDED:

Chelsea Arrick, a M.S. candidate in Finance

Rose Chambers, a MS candidate in Finance

Andrew Hreha, a M.S. candidate in Finance

Levi Jones, a M.S. candidate in Finance

Carson Kee, a M.S. candidate in Finance

Austin Kersey, a M.S. candidate in Finance

Christopher Morgan, a M.S. candidate in Finance

Rebecca Sizelove, a M.S. candidate in Finance

William Tate, a M.S. candidate in Finance

Brandi Taylor, a M.S. candidate in Finance

Leonardo Tellez, a M.S. candidate in Finance

Katherine Ulmer, a M.S. candidate in Finance

Jake Vanderglas, a M.S. candidate in Finance

Roxana Zamora Castellanos, a M.S. candidate in Finance

Zachary Zotti, a M.S. candidate in Finance

CAPITAL SCAN ADVISORY BOARD

This report presents information on startups, angel and venture capital investments, crowdfunding, grants from governmental and philanthropic bodies, and banks and credit unions in the state. The level of granularity in the data that we can access depends on how well we demonstrate value to the various funding bodies in the area. To that end, we assembled an advisory board to aid our team in steering the inquiries in meaningful ways and to facilitate the collection of data. We are grateful for the advice and introductions they provided our team, and there is no question that their support improved the quality of this report.

THE ADVISORY BOARD FOR THE 2021 ARKANSAS CAPITAL SCAN INCLUDED:

Alese Stroud, Board Chair, Ark Angel Alliance; CEO, Issac.ai

Amy Hopper, Program Manager, Arkansas Research Alliance

Andrea Allen, Executive Director of the Delta Center for Economic Development, Arkansas State University

Ann Bordelon, Vice Chancellor for Finance & Administration, University of Arkansas

Bob Kucheravy, Director of Small Business and Entrepreneurship, Arkansas Economic Development Commission

Brad Henry, Managing Partner, Natural Capital

Bryn Bagwell, Director of Lending, Communities Unlimited

Clete Brewer, Managing Partner, NewRoad Capital Partners

David Lewis, Equity Officer, Winthrop Rockefeller Foundation

David Moody, Executive Director, Ark Angel Alliance

David Shideler, Chief Research Officer, Heartland Forward

Eileen Jennings, Director of Lending and Community Investment, Arvest Bank

Emma Willis, Heartland Director, Venture Noire

Grace Rains, Executive Director, The Conductor

Jeannette Balleza Collins, Community Engagement Consultant, Northwest Arkansas Council

Jeff Amerine, Managing Director, Startup Junkie Consulting

Kenya Davenport, Chief of Staff and Senior Vice President of Stakeholder Engagement, Southern Bancorp

Kristy Carter, Director of Marketing, University of Central Arkansas

Leslie Lane, President, Arkansas Capital Corporation Group

Mervin Jebaraj, Director, Center for Business and Economic Research, University of Arkansas

Michael Eggleston, Senior Community Development Advisor, Federal Reserve Bank of St. Louis

Mike Preston, Executive Director, Arkansas Economic Development Commission

Ramsay Ball, Principal Broker, Cignus Real Estate

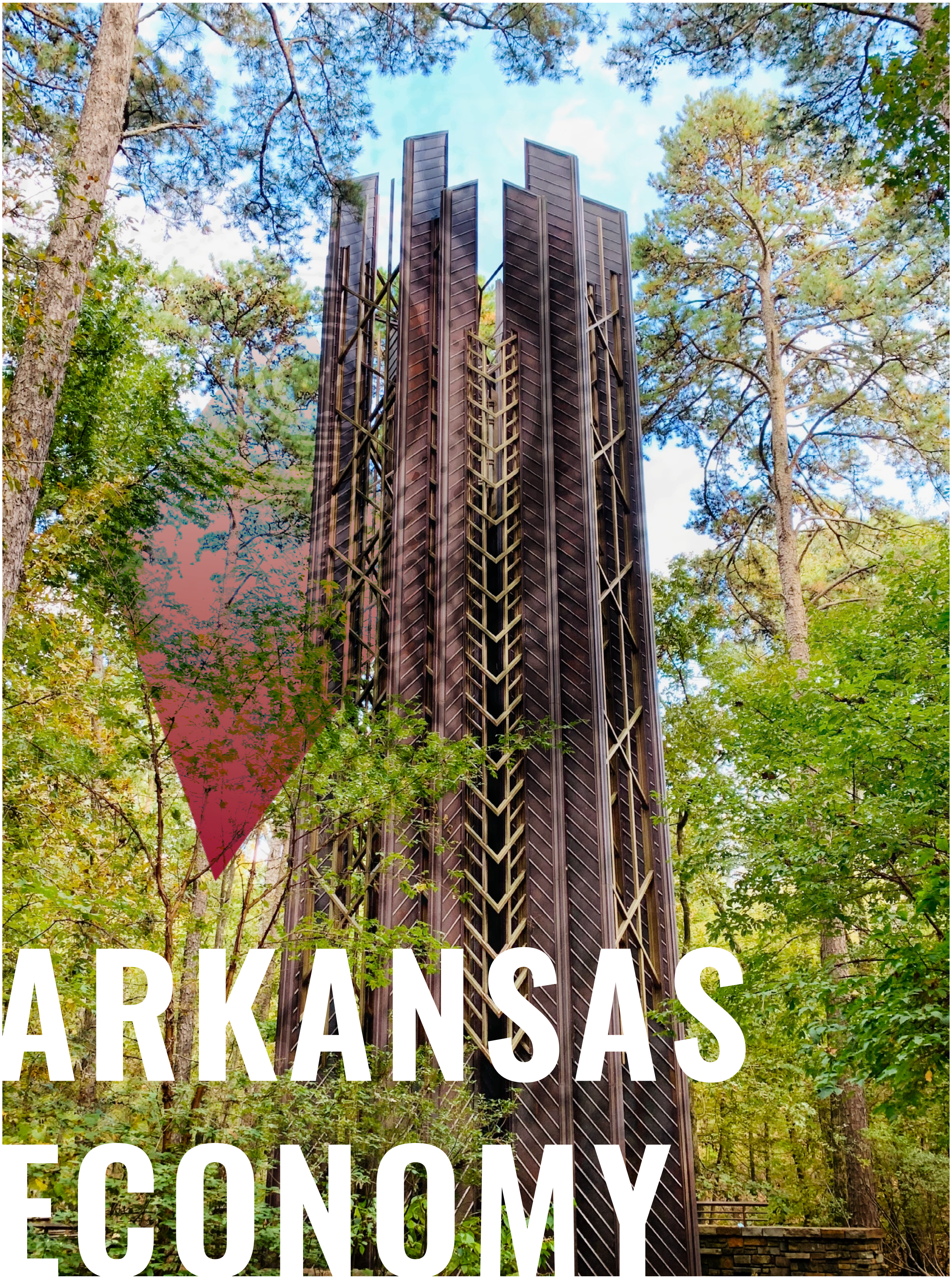
Yee-Lin Lai, Program Officer for Entrepreneurial Development, Walton Family Foundation and Fellow, Heartland Forward

As university people, naturally, when we released the 2020 Arkansas Capital Scan we were conducting an experiment. As we set out to gather and analyze available data about capital flows into Arkansas-based companies, and to compare that data with the state of capital in surrounding states, our hypothesis was that we would inspire meaningful dialogue about gaps and opportunities to better support Arkansas-based small businesses and startups. In doing so, we wanted to help our market for early-stage capital become more transparent and efficient while telling the stories of founders and funders who decide to grow their business here.

We knew we were starting with an anomalous year, given the impacts of COVID-19 on the business community and the many relief programs funded by the government and private philanthropists. Yet we were glad to establish an objective baseline that allows those across the educational, government, private, and philanthropic sectors to ensure that all entrepreneurs in our state have access to needed funding. The 2020 report showed some positive trends but was largely not good news. Arkansas is behind other states in its ability to capitalize young firms, with striking demographic and geographic disparities.

Yet, we would not have started down this path if we believed we would only paint a grim picture each year. With the release of the 2021 Arkansas Capital Scan, we report both significant improvements in capital flows and persistent challenges for entrepreneurs in the state.

The 2021 report follows national trend lines in terms of growth—both the number and size of equity-based investments grew significantly compared with the previous year—but also reveals that this growth was not equally accessed by all. Our hope in sharing this data is that you will apply your own analytical lens and share and discuss your insights with us and others.



ARKANSAS ECONOMY

INTRODUCTION

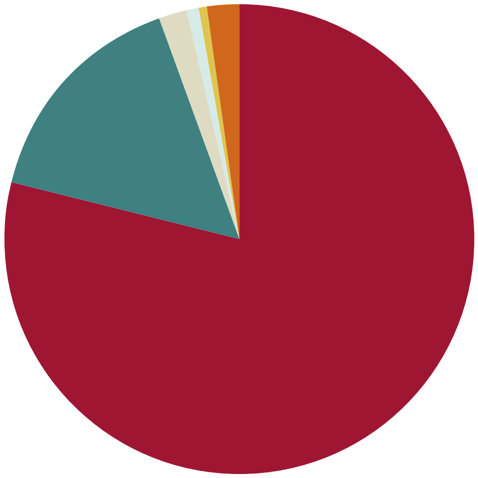
2021 was a year of recovery and rebound for Arkansas. The state saw unprecedented growth: personal finance website WalletHub ranked the state #2 in the nation for pandemic-proof small businesses. The Arkansas Economic Development Commission attributes this rapid rebound partly to business-friendly tax changes that "make Arkansas an attractive spot for business investment and expansion." This seems accurate, as the region experienced growth across multiple industries in 2021, including steel, timber, and forest products, food and beverage, electric vehicles, and manufacturing.

In comparison to our 2020 report, which tempered the analyses of the region's economic realities with attention to the year's unpredictable and unprecedented context, this year's report serves both as a baseline for understanding Arkansas's recovery from the pandemic and for observing economic trends.

ARKANSAS DEMOGRAPHICS

According to the 2020 U.S. Census, Arkansas has a population of 3,025,891 people, a number that grew annually by an average of 3.3% between 2010 and 2020. Of the 3,000,000 people who call the state home, 57.9% are in the civilian labor force, compared with 61.9% nationally.

Demographically, Arkansas is largely white, with 79% of the population identifying as white alone. Arkansas ranks 12th among all states in terms of the size of its Black or African American population, with 15.7% identifying as Black or African American alone. Similar to other states, Arkansas has seen its population slowly diversify, with the share of the population identifying as something other than white growing from 19.6% to 21% over the last decade.



WHITE ALONE - 79%

BLACK OR AFRICAN AMERICAN ALONE - 15.7%

ASIAN ALONE - 1.7%

AMERICAN INDIAN AND ALASKAS NATIVE, ALONE - 1.0%

NATIVE HAWAIIAN AND OTHER PACIFIC ISLANDER, ALONE - 0.4%

TWO OR MORE RACES - 2.2%

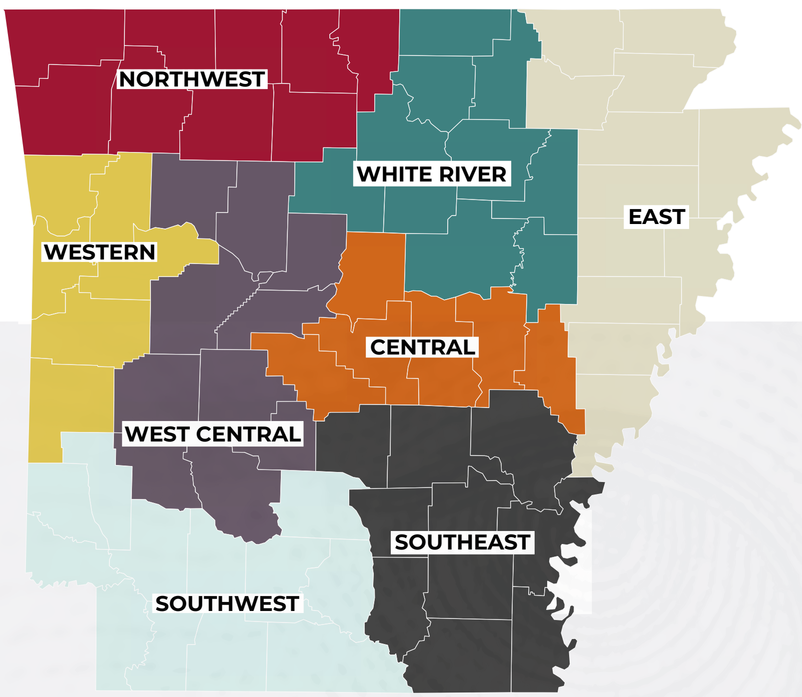
HISPANIC OR LATINO - 7.8%

WHITE ALONE, NOT HISPANIC OR LATINO - 72.0%

ARKANSAS ECONOMIC REGIONS

Wherever possible, the analysis of data for the Arkansas Capital Scan includes information disaggregated by economic region. The state of Arkansas is split up into eight economic development districts, each covering between six and nineteen counties. Each district creates its own regional development strategy—more formally known as the Comprehensive Economic Development Strategy (CEDS)—based on the strengths and opportunities of that region.

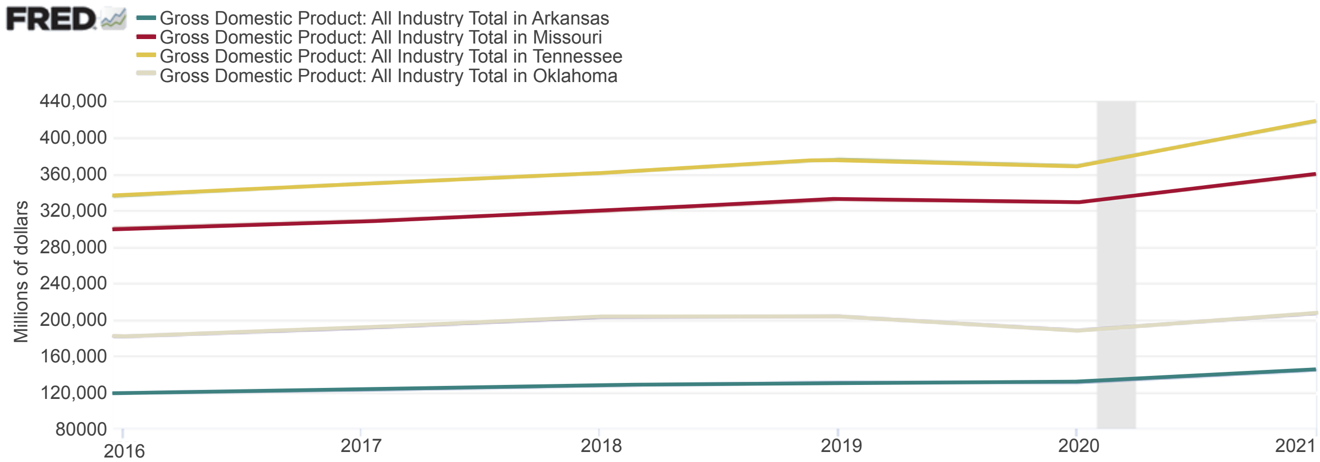
More information about the economic planning and development districts of Arkansas can be found at: https://arkansaseconomicregions.org/.



POST-COVID REBOUND

The state's GDP growth rate testifies to its rapid rebound: in the fourth quarter of 2020, Arkansas's GDP was $134,539 million. By the end of 2021, it stood at $150,482 million, an 11.9% increase, enabling Arkansas to more than catch up with its pre-COVID growth rate. Consequently, from 2016 to 2021, the Arkansas GDP has grown by 21.3%.

While these numbers are encouraging, Arkansas's rate of growth in 2021 was slower than the neighboring states referenced as comparators—Oklahoma, Tennessee, and Missouri. Tennessee's GDP increased at the highest rate among the four states, growing by 13% in 2021 alone.



Among the factors helping Arkansas survive and thrive in the face of the pandemic, as pointed out by the Arkansas Economic Development Commission in a blog post in July 2021, are Governor Asa Hutchinson's policies. His push to declare the entire state a federal disaster zone in March 2020 allowed businesses to apply for the U.S. Small Business Association's Economic Injury Disaster Loan program. Additionally, he deployed funding for businesses through the Community Development Block Grant program, the Quick-Action Closing Fund, and the Arkansas Ready for Business Grant Program, which provided federal CARES Act funding to businesses and nonprofits to mitigate the impact of health and safety costs imposed by the pandemic. These efforts not only supported businesses during the pandemic but also helped prevent unemployment.

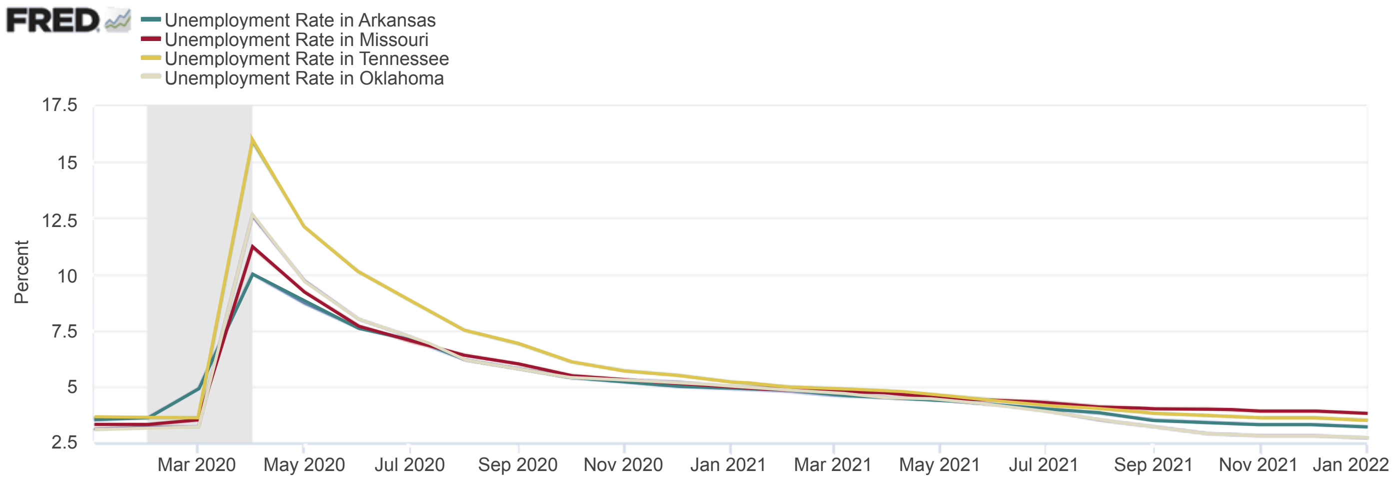
UNEMPLOYMENT

Arkansas residents did not experience lingering unemployment due to the pandemic. By January 2021, the unemployment rate was already returning to pre-pandemic rates (4.6%). It steadily declined as more people returned to the workplace and dropped to 3.3% by the end of the year, beating the national average of 4.2%.

First Half of 2021: Arkansas vs. U.S. Employment Recovery

Year	Month	Arkansas Unemployment Rate	U.S. Unemployment Rate
2021	January	4.6	6.3
2021	February	4.5	6.2
2021	March	4.4	6.0
2021	April	4.4	6.1
2021	May	4.4	5.8
2021	June	4.4	5.9
2021	July	4.3	5.4

(Source: Arkansas Division of Workforce Services, 2021)



These encouraging figures are complicated by a few factors, however. First, since unemployment statistics only measure people who have been laid off and are actively looking for work, they overlook the large numbers of people who left jobs during the pandemic because of child care, health concerns, or other urgent needs that prevented them from working. Second, unemployment numbers also fail to account for the many Americans who chose early retirement in the face of the pandemic. Finally, they do not capture changes to the workforce represented by the nation's record-breaking "quit rate," which was higher in December 2021 than ever before in the 20 years since researchers began tracking it (Gittleman, 2022). Some workers who participated in the Great Resignation switched jobs, but others left the workforce altogether.

Quit rates tend to rise during economic expansions, such as that which Arkansas and the U.S. more broadly experienced in 2021. During periods of business expansion, tight labor markets mean that workers are more likely to find better jobs and thus more likely to leave their current positions. That said, researchers have noted that the 2021 quit rate was more than merely a function of a tightening labor market and was significantly higher than in previous periods of expansion (Gittleman, 2022). The reasons for this are likely related to the social and emotional toll of the pandemic, the economic shifts that resulted from it, and the cultural and social changes it birthed, including increased stimulus payments, health concerns, child-care issues, and changing attitudes toward work.

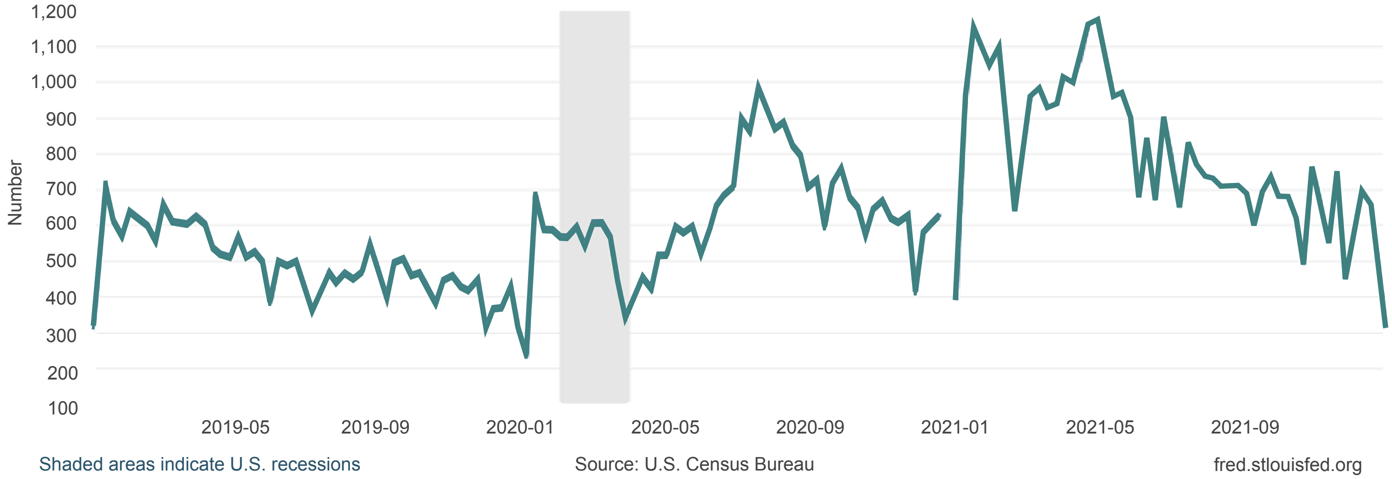
The tightening labor market may also be leading some companies to find themselves overstretched, which some experts say could contribute to an oncoming recession. Competition for employees led to a steep rise in employment costs in 2021: wages rose 5% for private industry workers in just one year (less than the 2021 inflation rate of 7%), and benefits rose 2.9% (Miller, 2022).

Wage increases are said to both contribute to and compete with inflation. However, even as workers increasingly demand livable wages, better benefits, and flexible work options, these increased costs did not lead to a 2021 reduction in corporate profits. Not only in Arkansas but in the U.S. at large, corporations saw record profits in 2021 (U.S. Department of Commerce, 2022). While this might be counterintuitive, it is often achieved when companies pass increased labor costs on to consumers, as exhibited by the high inflation rate (Daniel, 2022).

BUSINESS CREATION

2021 saw a 28% rebound in business applications compared to 2020. Astoundingly, since 2019 (pre-COVID), Arkansas business applications have grown 63% (from 25,195 in 2019 to 41,165 in 2021).

The data we provide throughout this report strongly suggests that Arkansas has a rapidly expanding business culture that is exciting and enticing to entrepreneurs. In fact, the Kauffman Foundation's Indicators of Entrepreneurship report (2022) ranks Arkansas the #1 state for the percentage of new entrepreneurial ventures created by choice instead of necessity. In 2021, startups in Arkansas created an average of 3.92 jobs in their first year, and 80.54% survived to see a second year and continued growth. Arkansas's startup job-creation rate is slightly lower than the national average of 4.74 but on par with the national average for startup survival into the second year. Generally, startups in Arkansas tend to be on the smaller side. The state's entrepreneurial environment is successful in helping them survive, but there is room for improvement in supporting them to grow large enough to impact job creation in the region.



Business Applications for Arkansas 2019–2021

MINORITY-OWNED BUSINESSES

The previous economic indicators all look at the Arkansas economy from a race-blind perspective. As previously mentioned, however, Arkansas ranks 32nd in population but 12th among all states in terms of the size of its Black or African American population; further, 28% of the population identifies as a minority race or ethnicity. Data on diversity is important as it impacts economic outcomes. Nationally, we have seen that minority business owners have different economic outcomes and a harder time accessing capital than white-owned businesses. According to a 2019 report by the Ewing Marion Kauffman Foundation, entrepreneurs of color start their businesses with almost three times less capital than white businesses (Hwang et al., 2019). This is especially true for women of color.

The 2021 Women's Foundation of Arkansas report Women of Color Business Owners and Entrepreneurs in Arkansas notes that while Black women outpace any other demographic in business creation in Arkansas, their businesses and those of all women of color continue to experience an enormous wealth gap compared to the companies of white men (Women's Foundation of Arkansas, 2021). This report reminds us that nationally, women of color outpace all other demographic groups in venture creation.

Of the 152 businesswomen and entrepreneurs interviewed and/or surveyed by the University of Central Arkansas authors of the WFA report, 39.5% reported that bias has been a barrier to their business growth. Further, 38% perceived accounting and credit barriers as significant barriers in addition to a lack of access to resources, mentorship, training, marketing support, and credit.
Survey participants advised that women of color would benefit from loans "without lofty collateral requirements" as well as "business startup grants" and "support from business incubators and accelerator programs." Participants saw universities as their largest source of support other than their families. Astoundingly, despite Arkansas's exploding rates of venture capital and angel investor funding, as well as the expanding reach of crowdfunding and accelerators that this report will later describe, only 1.9% of women of color surveyed in the report benefitted from venture capital funding, 0.9% from angel investors, 4.6% from crowdfunding, and 7.4% from accelerators or incubators.

Organizations such as the Arkansas Small Business and Technology Development Center and Atento Capital's 412 Angels angel-funding network, among others, are working to close racial and gender gaps in business funding. However, the data contained in this report shows that much remains to be done to address the staggering disparity in revenue for minority business owners compared to other business owners.

In this report, wherever possible, we will be disaggregating the Arkansas Capital Scan data and analysis by demographics to ensure we fully assess the strengths and weaknesses in our capital ecosystem for all Arkansas businesses.

ANGEL + SEED INVESTMENT

INTRODUCTION

Following the informal “friends and family” round that often capitalizes new startup companies at their earliest stages, angel investment is typically the first form of equity funding for a business. Angel investors are usually high net-worth individuals who qualify for accredited investor status by meeting criteria governed by the U.S. Securities and Exchange Commission. Many accredited investors find opportunities through networks that vet businesses and provide professional management services. In Arkansas, angel investment networks have periodically formed and deployed organized capital into the entrepreneurial ecosystem over the last 15 years. 2020 saw the launch of a new statewide angel group–the Ark Angel Alliance.

In 2021, due to the nationwide surge in investments and the regional growth in angel and venture funding, equity-based investments across all stages (seed, angel, early-stage venture capital, and late-stage venture capital) significantly eclipsed 2020 in both size and number. Seed and angel investments in Arkansas grew 130% in just one year. Arkansas-based startups received $55,310,000 in seed/angel capital.

LIMITATIONS WITH INVESTING DATA

For this report, the majority of data on company investments was obtained from PitchBook (www.pitchbook.com), widely considered to be among the most comprehensive sources of capital flows to startup companies. However, as a data source it is not perfect—relatively few individual angel investors are identified by name, and much of the data is provided in investment “rounds” instead of single investments, making it difficult to assess how many investors are funding and at what levels. Given this challenge, we report on the data available while recognizing that there may be more angel investors actively investing in Arkansas than reported here, even though this data was also reviewed by knowledgeable investors working in the state who helped identify missing deals.

In Arkansas, we identified missing deals through the Capital Scan Survey. For the data comparing the investments in Arkansas to comparator states, it is important to note that the comparator states’ data comes only from PitchBook and could be missing deals or reflect inaccuracies as outlined above. Given these limitations, the investor data here should be evaluated as generally reflective of the activity in Arkansas but not exhaustive in nature.

2021 ANGEL AND SEED INVESTMENTS

In 2021, angel and seed investments were deployed across 25 deals in Arkansas, representing 25 different companies, with investments ranging from $10,000 to $9.7 million. This was the same number of deals as in 2020, but in 2021, angel and seed investments tended to be far larger. Twelve of the 25 deals were over $1 million, and the top five deals represented 59.7% of all angel investments this year. Six angel investments topped $5 million. In comparison, the largest seed investment in 2020 was $4 million.

The largest investment in 2021 ($9.7 million) went to Good Day Farm, a medical cannabis grower and manufacturer that also raised the second largest round of venture capital funding ($31.2 million) later in the year.

PERSPECTIVE:

GRAHAM COHEN, ATENTO CAPITAL

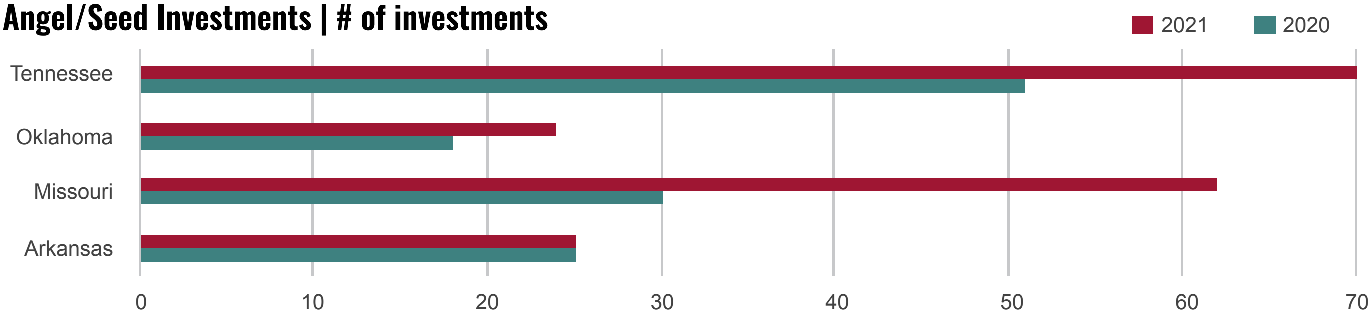
Atento Capital is new to Northwest Arkansas, and we think we're coming at the perfect time. Northwest Arkansas has all of the necessary ingredients to establish itself as a thriving tech ecosystem that can rival markets across the country. When we look at the potential of this region, we see: top-tier educational institutions like the University of Arkansas producing smart and diverse talent, local Fortune 100 companies eager to consume products and services from local startups, and a community flourishing with industry experts and funders eager to get involved. When we look a little deeper, we see: vibrant verticals for high-growth markets like autonomous vehicles and alternative energy, engaged tech talent that has migrated from coastal markets after looking for more livable places, and a companion city in Tulsa, which wants to collaborate, not compete, with Northwest Arkansas for the good of the region. The most recent example of this collaboration is in the launch of the 412 Angels Network, a first-of-its-kind partnership between Tulsa and Northwest Arkansas offering our corridor's founders, entrepreneurs, and corporate executives opportunities to learn and invest together.

For all of the strengths, there are also opportunities. Our region has made significant strides in fostering an entrepreneurial ecosystem, yet we know we need more capital and partnerships to continue to build on our current momentum. Atento Capital is here to be helpful in this effort: by investing in startups early and helping them get ready for the next stage of funding from VCs in our nationwide network.

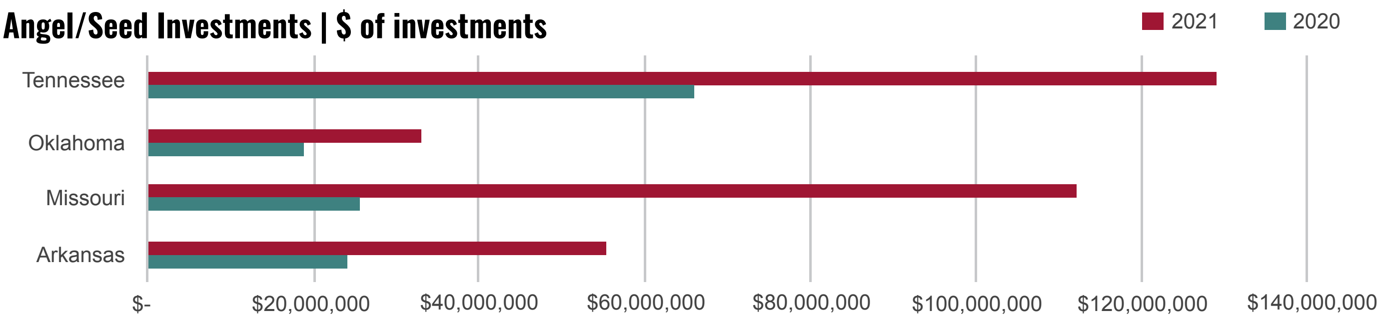
ANGEL AND SEED INVESTMENTS IN THE COMPARATOR STATES

Arkansas, Missouri, Tennessee, and Oklahoma all saw increases in the number of angel and seed investments as compared to 2020. Tennessee led the region with 70 deals; Missouri was not far behind, with 62. However, Arkansas's average deal size outpaced the other state averages. For example, while Arkansas and Oklahoma had an almost identical number of deals (25 and 24, respectively), the average deal size in Arkansas was 61.2% higher. Taking population into account, at $18.28 per capita, Arkansas's early-stage funding was on par with those of Tennessee and Missouri.

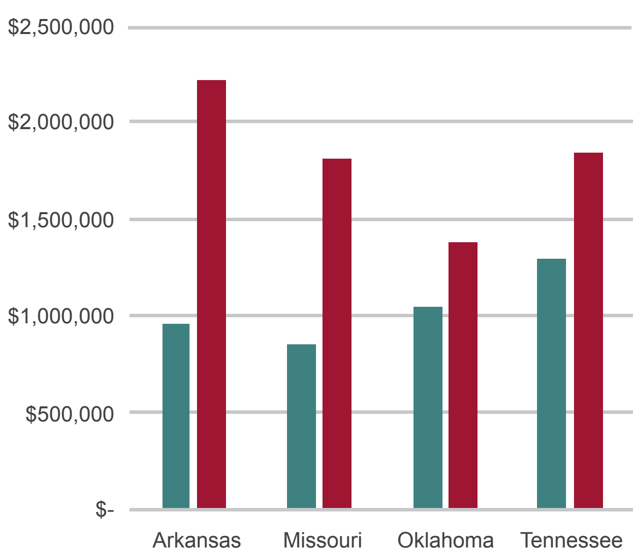
Angel/Seed Investments | # of investments



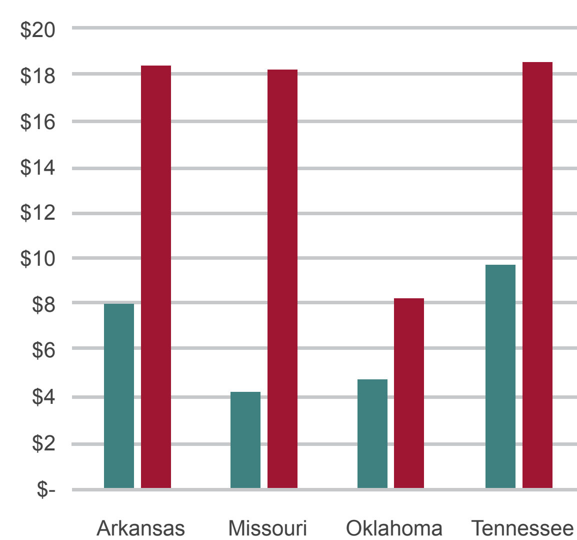
Angel/Seed Investments | $ of investments



Average Angel/Seed Deal Size



Angel/Seed Investment Per Capita



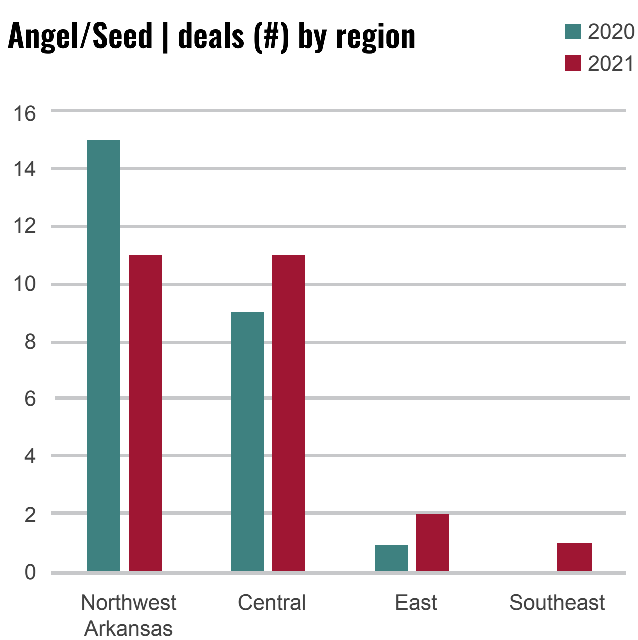
# OF DEALS	2020	2021	% Increase
Arkansas	25	25	0.0%
Missouri	30	62	106.7%
Oklahoma	18	24	33.3%
Tennessee	51	70	37.3%

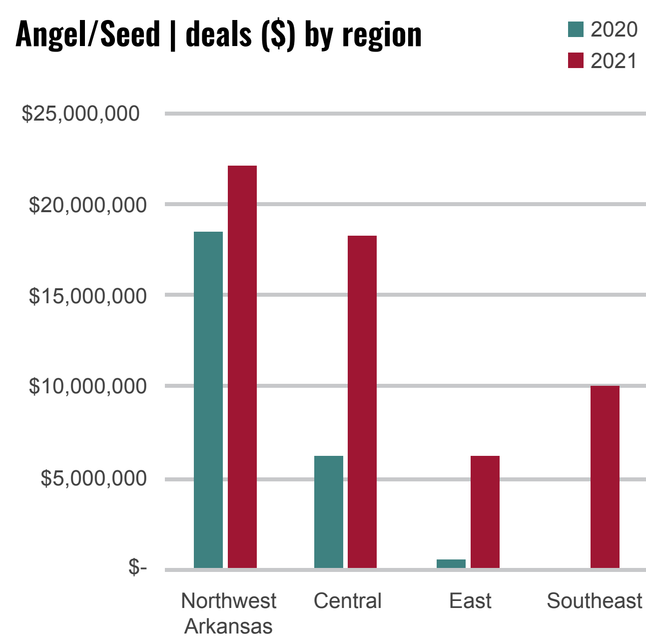
$ ANGEL / SEED CAPITAL	2020	2021	% Increase
Arkansas	$24,070,500	$55,310,000	129.8%
Missouri	$25,560,000	$111,770,000	337.3%
Oklahoma	$18,810,000	$32,940,000	75.1%
Tennessee	$66,100,000	$128,720,000	94.7%

ANGEL AND SEED INVESTMENTS BY ARKANSAS REGION

In 2021, as in 2020, Northwest and Central Arkansas dominated the angel and seed investment ecosystem, with each region individually representing 44% of all deals made. Companies in Northwest Arkansas received 39.4% of all dollars invested. Central Arkansas companies received 32.5%.

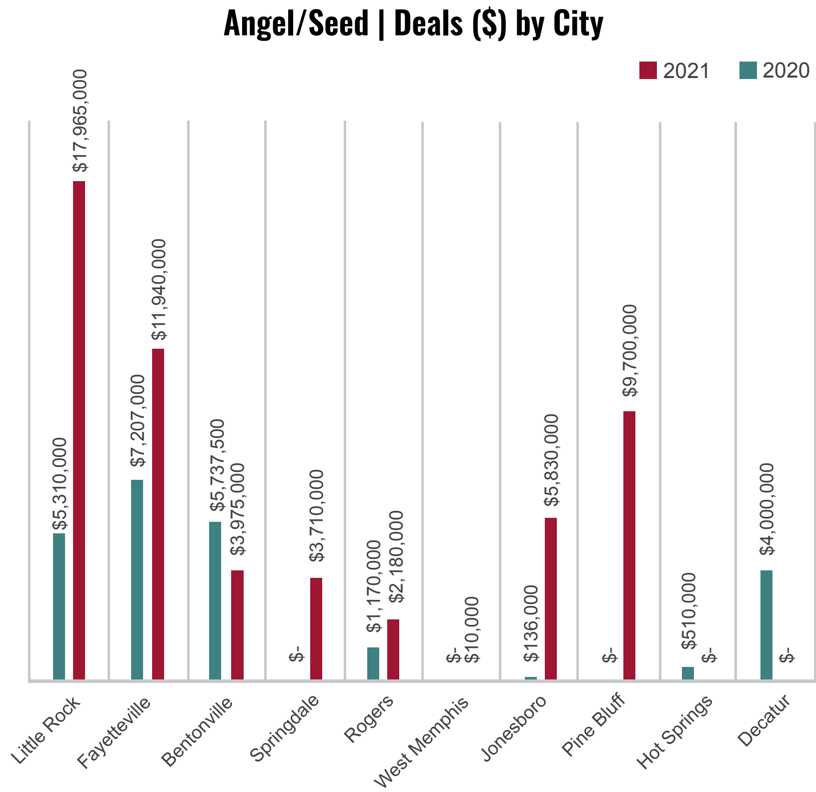
Notably, the total angel and seed funding going to Central Arkansas firms more than tripled this year—growing from $5.8 million to nearly $18 million, distributed among eleven companies. Because of the size of the deals for Good Day Farm, the Southeast also saw significant growth, increasing from $0 in 2020 to $9.7 million in 2021.

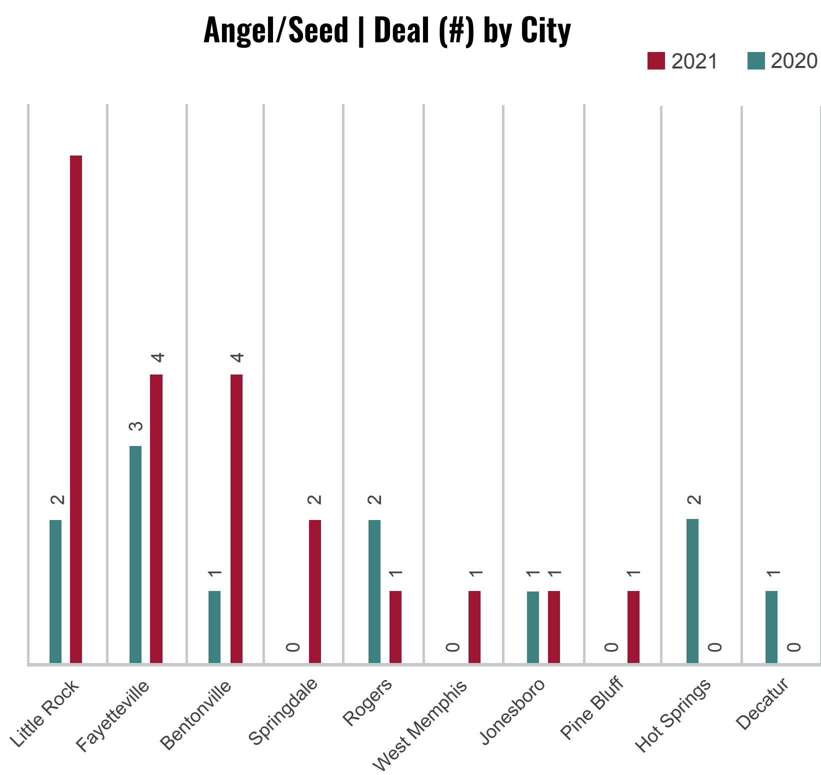




ANGEL AND SEED INVESTMENTS BY CITY

Little Rock received a huge bump in startup investments in 2021 compared to previous years. Eleven Little Rock companies received a total of $17.97 million in angel/seed investments—32.5% of the state's total funding. Jonesboro and Pine Bluff also saw significant growth; however, those investments went to just one company in each city. Pine Bluff saw the largest overall deal in the form of $9.7 million in seed funding to Good Day Farm, as mentioned above.





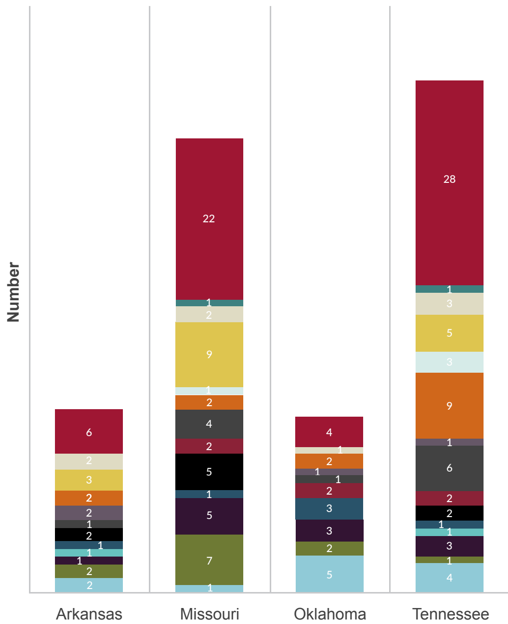
ANGEL AND SEED INVESTMENTS BY INDUSTRY

Compared to the comparator states in the region, angel investments in Arkansas go to diverse industries. The largest number of investments (24%) go to companies with Software as a Service (SaaS) products, representing 20.7% of the funding invested. The agriculture and agricultural technology sector represented only 8% of the deals (two deals total), but these industries received 28.1% of investment dollars as each investment exceeded $5 million. The remaining deals were spread out among 10 additional industries.

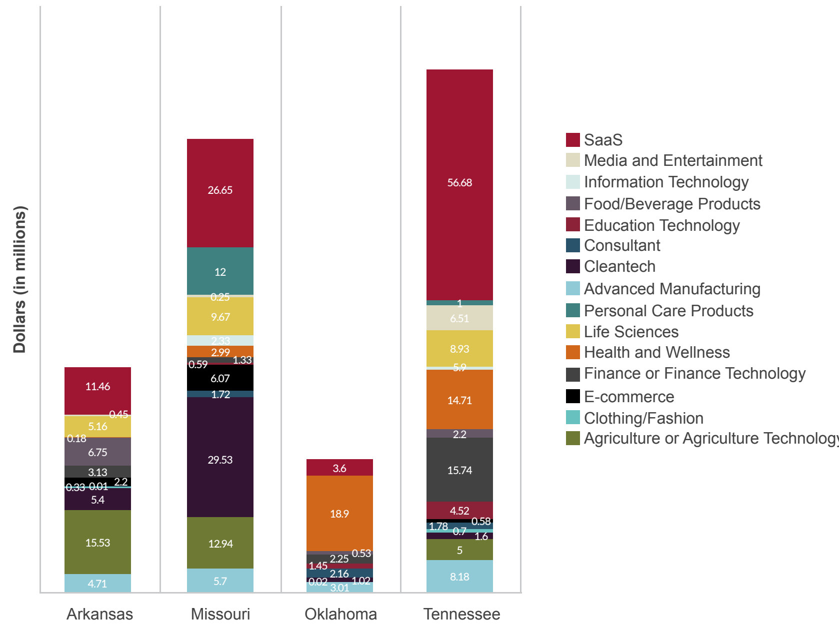
Missouri saw a comparable percentage of angel and seed funding go to SaaS companies (23.8%). The state's cleantech industry also received significant investments—26.4% of total state funding. In Tennessee, SaaS companies received an even larger percentage (44%) of total angel/ seed investments, outpacing all other industry sectors in the state. In Oklahoma, investment dollars were driven by the health and wellness sector, which received 57.4% of total funds.

Given that nearly every company that receives significant venture capital funding first receives funding from angel or seed investments, the industry representation will reflect the potential follow-on investments for venture capital in the coming years. In the venture capital section, industry is identified as a potential area for consideration in the investment gaps between Arkansas and the comparator states.

Angel/Seed Investments (#) by Industry and Region



Angel/Seed Investments ($) by Industry and Region

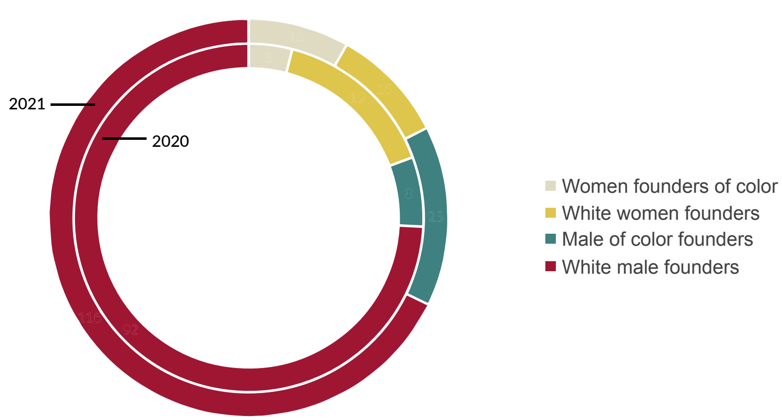


ANGEL AND SEED INVESTMENTS BY DEMOGRAPHIC

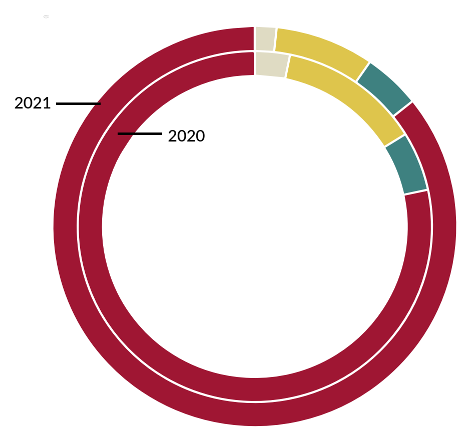
PitchBook does not provide detailed information on the ownership demographics of companies receiving investments. Given that these deals also change the structure of ownership for these companies, demographic analytics are particularly difficult to assess.

In lieu of information about ownership shares by demographics, we assessed the demographics of the listed founders of the companies and self-reported demographics by the companies that responded to our survey. Further information about our data collection process can be found in the data sources section. Any data presented here should be considered reflective of investments in Arkansas and not exhaustive.

Angel/Seed (#) by Ownership Across all States



Angel/Seed ($) by Ownership Across all States



Angel/seed funding increased across all demographic categories in 2021, reflecting that year's supercharged investment atmosphere. These increases in funding, however, were not evenly distributed.

As in previous years, in 2021 the vast majority of angel and seed investments in Arkansas and surrounding states went to companies owned and founded by white men. However, across all four states, the diversity in the number of deals increased. Of those, 32.2% went to companies owned by a woman and/or entrepreneur of color, up from 25.8% in 2020. Even as the deals were diverse, the percentage of total investment dollars going into these companies decreased. Companies owned by women and/or entrepreneurs of color represented merely 14.2% of all dollars invested this year (compared to 21.6% in 2020).

2021's unequal distribution of funds was driven by the increase in deal size for white male founders. Whereas the number of deals for white male founders increased by 26.1% in 2021, the total dollars invested rose by 161.6%. By comparison, male founders of color saw a 212.5% increase in the number of deals but only a 101.5% increase in the amount raised. Female founders of color saw a 180% increase in the number of deals, but only a 29.7% increase in investment dollars.

White women also saw an increase in deal size this year. The number of deals decreased for white female founders (-15.8%), but the dollars invested increased by 45.7%.

Percentages give us a good framework to understand how to compare demographic categories, but the context of the disparity between these groups must be highlighted. In the four-state region, white male founders went from receiving 92 deals in 2020 to 116 in 2021. By comparison, while female founders of color received only five deals in 2020 and 14 in 2021; while this represents a 180% increase, it still reflects a very small number of deals.

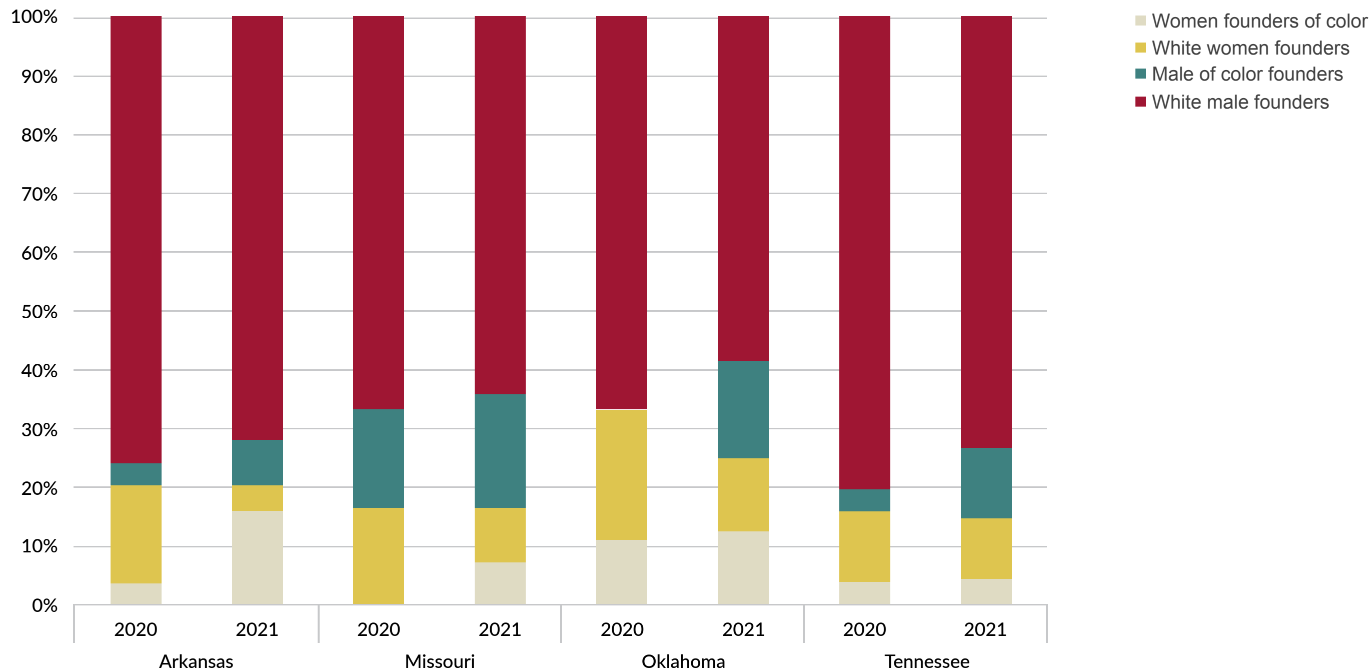
# of Deals Across All States	2020	2021	% Increase
Women of color	5	14	180.0%
White women	19	16	-15.8%
Men of color	8	25	212.5%
White men	92	116	26.1%

Looking at Arkansas alone, there was not much of a change in the distribution of deals. White male founders represented 72% of all deals. Their share of the investment dollars in Arkansas also rose considerably—from 69.8% in 2020 to 89.4% in 2021. Female founders of color gained traction in the number of deals (a 300% increase) but saw virtually no change in the amount raised between 2020 and 2021 (a 2.7% increase). One investment in a company founded by a woman of color drove the majority of the investment (96% of all dollars invested).

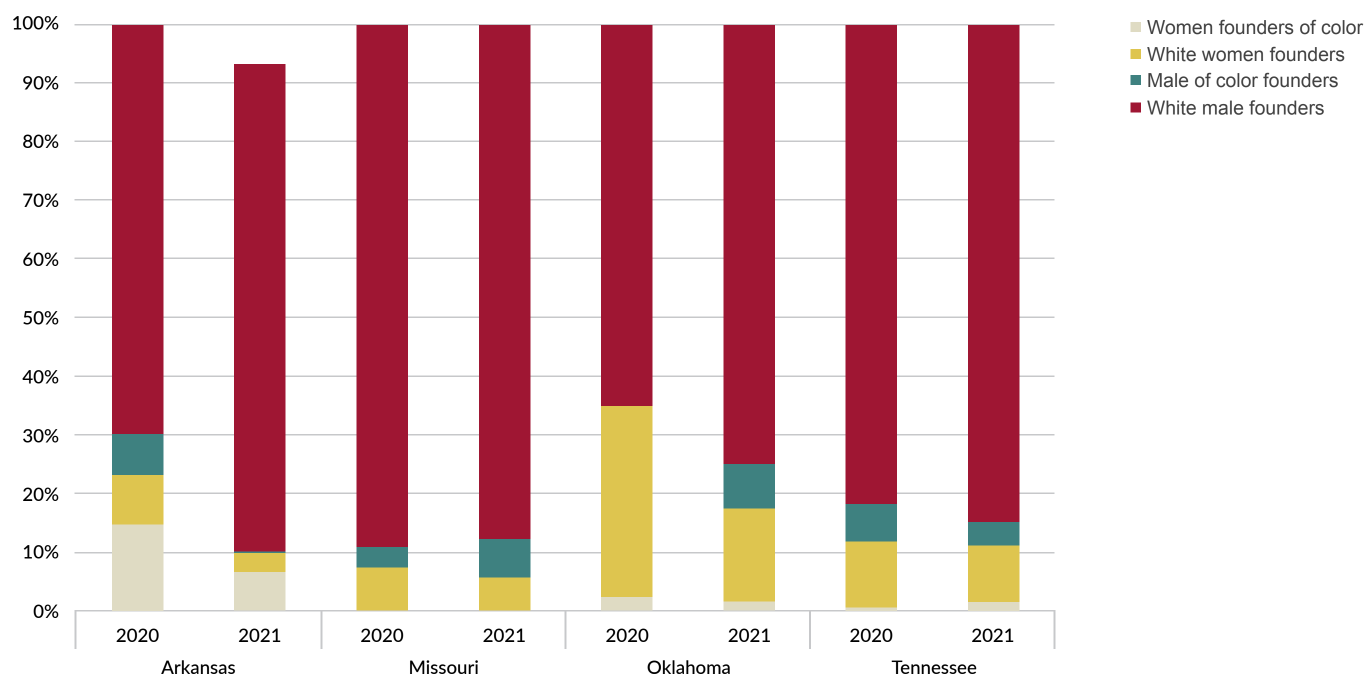
$ of Investment Across All States	2020	2021	% Increase
Women of color	$4,300,000	$5,575,000	29.7%
White women	$17,471,000	$25,450,000	45.7%
Men of color	$7,330,000	$14,770,000	101.5%
White men	$105,439,500	$275,855,000	161.6%

In the face of the region's lack of progress toward racial and gender equity in early-stage equity-based investments, one city in Arkansas is gaining recognition for its Black entrepreneurial ecosystem—Pine Bluff. Since 2017, Pine Bluff has embarked upon an urban renaissance supported by a local sales tax initiative that city leaders designed to spark downtown investments. In 2021, Angelica Perkins-Walton, a TikTok and YouTube influencer and graduate of the University of Arkansas at Pine Bluff, raised national awareness about the city's Black-owned businesses, its entrepreneurship generator, and its Black-led political leadership.

Percentage share of Angel/Seed Deals (#) by demographic



Percentage share of Angel/Seed Deals ($) by demographic



It remains to be seen if angel investors will find ways to support the entrepreneurial spirit that has led Perkins-Walton and others to predict that Pine Bluff may just become the next Black Wall Street (Fenner, 2021). So far, investors don't seem to have caught on: in 2021, Pine Bluff's total angel and seed investments went to just one white-owned company—Good Day Farm.

ANGEL FUNDING CASE STUDY:

In response to the COVID-19 pandemic, store owners are increasingly combining online purchasing with storefront shopping, allowing customers maximum flexibility in purchasing and delivery channels: from delivery, to buy-online-pickup-in-store (BOPIS), to in-app, in-store purchases and speedy pickup counters. While consumers value the time and effort saved by these innovations, they also value the experience of in-store shopping. Despite all its convenience, online shopping cannot match the appeal of wandering through a shop, making discoveries, and picking up essential goods along the way. Big box stores such as Walmart, Target, and Amazon/Whole Foods continue to have broad appeal precisely because they have the storage and inventory capacities to offer their customers a comprehensive in-store shopping experience in addition to online ordering. But smaller retailers often struggle to offer both as this requires expanding both their space and staff capacities, both of which require significant investment.

Bentonville's Ox Fulfillment Solutions (Ox) offers a solution to close this gap, empowering smaller retailers to expand their inventory and customer service capacities without great expense. Ox's founder, Charu Thomas, discovered that supply chain efficiency is key to enabling smaller stores to offer customers high-quality in-store and online shopping experiences. Ox uses state-of-the-art machine learning to analyze processes for workforce optimization and provide businesses with tools to make orders visible to employees and thus maximize their productivity.

Retailers' supply chains were traditionally set up for store fulfillment, which is the inverse of online shopping's focus on individual item fulfillment. Inventory systems work differently if they are designed to fill customers' individual orders rather than fill up the shelves of a store. Retailers today don't need to fill shelves so much as they need to curate and display their wares attractively and make it easy for customers to acquire the items they decide to purchase. Ox's revolutionary supply chain analytics allow small and medium-sized businesses to function (like mini-IKEAs) both as storefronts and distribution centers, equipping them with order fulfillment capabilities similar to those of mega-retailers, thus increasing their competitiveness in the globalized online shopping environment.

Thomas founded Ox while a graduate student at Georgia Tech. An industrial and systems engineer with an industry/warehouse design background, she was determined to solve the problems that outdated fulfillment strategies pose for today's retailers. In 2019, Thomas relocated Ox to Bentonville after receiving support from Fuel Accelerator. Fuel Accelerator's focus on AI and machine learning gave Ox a much needed environment of growth and support. According to Thomas, Bentonville's central location also allows Ox to be closer to more clients.

In 2021, Ox raised $3.5 million in seed funding from leading investors including California-based MaC Venture Capital and Oklahoma-based Cortado Ventures. Ox was also the pitch competition winner at Groceryshop 2021. Michael Palank, General Partner at MaC Venture Capital, explains what drew MaC's interest: "When seeking out next-generation investments, we look for technology capable of disrupting antiquated industries. Very few companies are capitalizing on supply chain logistics and order fulfillment for simple but crucial tasks such as online grocery shopping. Ox is disrupting the retail industry by not only helping companies make the most of tools they already have, but giving them the tools they need to work smarter than the competition." Ox has already proven to be an unmatched investment: after only a year on the market, Ox reported that its platform had a 3600% return.

Two years after Forbes chose Thomas for its 2020 "30 Under 30" list, she continues to grow the company's roots in Bentonville, recruiting and hiring talent from around Northwest Arkansas.

A REGIONAL INVESTMENT FIRM MAKING A DIFFERENCE:

CADRON CAPITAL PARTNERS

If you dig into who's making innovations in supply chain, healthcare, agritech, and other Arkansas industries possible, you'll immediately discover Cadron Capital Partners. Based in Conway and Fayetteville, Cadron Capital has helped to transform Arkansas's startup culture in the last few years. In fact, they served as lead seed funders for several of the case studies highlighted in this report, including Ox and AcreTrader.

Thanks to Cadron Capital, Arkansas increasingly offers fertile ground for innovators in the supply chain industry interested in transforming the customer shopping experience to maximize its efficiency and quality. Perhaps most notably, in 2021, Cadron led a $750,000 seed funding campaign for EasyBins, an Arkansas-based grocery delivery app that seeks to develop online shopping solutions focused on suburban shopping patterns. EasyBins addresses the issue that most online grocery delivery platforms leave hanging: traditionally car-reliant, suburban shoppers are accustomed to shopping at multiple stores during the same shopping trip. Using an app that's akin to an online strip mall, EasyBins offers suburban customers Instacart-like delivery from multiple stores simultaneously. Customers can shop Trader Joe's, Whole Foods, Target, Petco, Sam's Club, and Walmart on the same interface. EasyBins' regional micro-distribution centers allow them to fulfill orders from these and other stores at once. The company minimizes food and packaging waste by placing products into temperature-controlled, reusable bins. The bins maintain cool temperatures for four to six hours, allowing EasyBins to deliver at lower-traffic times of the day, maximizing delivery efficiency.

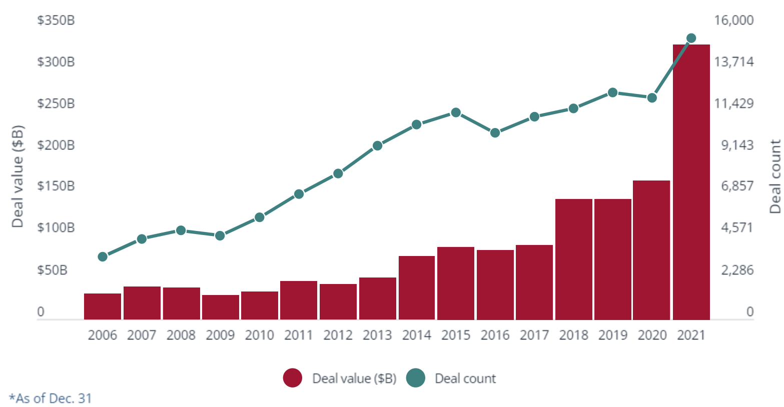
Cadron Capital's Jeff Amerine is excited that Arkansas's entrepreneurial ecosystem is proving able to help grow companies with potential for global reach, such as EasyBins, AcreTrader, and Ox. He notes, "Some years back the process of syndicating a $1M seed round was incredibly painstaking. Today, funds such as Atento Capital, RZC, Rise of the Rest, and Cadron Capital along with crowdfunding platforms like WeFunder and angel groups like the Ark Angel Alliance and 412 Angels, work together to make the process much less painful for quality entrepreneurs looking to build scalable ventures. In addition, we have solid later-stage growth equity firms like NewRoad Capital Partners that are ready for later-stage investment opportunities as ventures scale." Yet, he adds, "There is still much to do. For the progress to continue, we need exits to be more frequent and larger, and we need many more skilled entrepreneurs and technical talent—especially full stack software engineers. If we can keep the momentum up across the four pillars—talent, entrepreneurial culture, community engagement, and access to capital—the general partners at Cadron Capital see no limits to how amazing the venture ecosystem can become."

VENTURE CAPITAL INVESTMENT

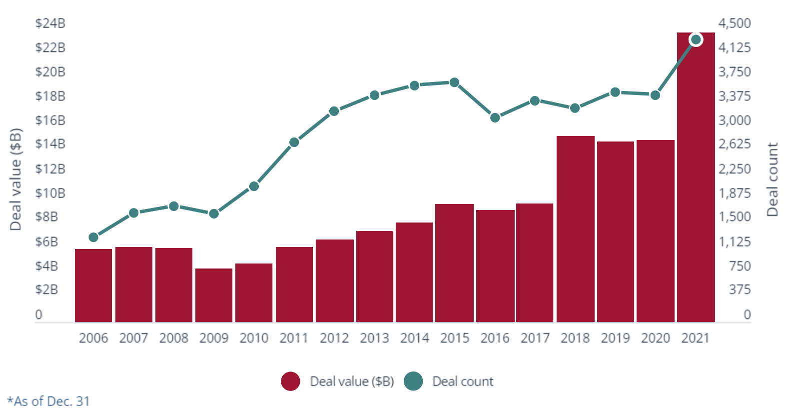
NATIONAL TRENDS

2021 was a record year for the venture capital industry in the United States and around the world. Venture capital deal-making, exits, and fundraising values all broke records in 2021 “by stunning amounts,” according to the PitchBook-NVCA Venture Monitor. Nearly $330 billion in venture capital was invested in the U.S. across more than 17,000 deals in 2021, roughly double the previous record set in 2020. Another record was set in the number of startups receiving their first financings in 2021, with 4,000 of these investments collectively resulting in $23.8 billion to new firms.

Venture capital investment nearly doubles year-over-year



First time financing on the rise



The high volume of capital and interest in early-stage venture investing is being driven by a high volume of entrepreneurship in the U.S. as well as increasing levels of competition in venture capital, which is driving investors toward earlier deal stages. These trends are likely to continue: PitchBook analysts predict that with the surge in opportunities for investors, first-time financings are likely to see strong growth in the near term.

The relative amount of venture capital invested in a given region is widely considered to be an important indicator of economic vitality. In Arkansas, equity-based investments across all stages (seed, angel, early-stage VC, and late-stage VC) significantly eclipsed 2020 in both size and number. Arkansas’s venture capital funding landscape is growing rapidly, especially in the northwest region of the state.

But as this report shows, the infusion of capital that venture funding has brought into the state has not been equally distributed. As in 2020, businesses founded by women and people of color received far less funding in 2021 than businesses founded by white men. This will have long-term repercussions on both the building of wealth and the overall vitality of the economy in Arkansas. A report generated for the McKinsey Institute for Black Economic Mobility found that the racial and gender wealth gaps impact the wider economy, costing the United States between 4 and 6% of projected GDP by 2028, or more than $1 trillion lost to our country (Noel et al., 2019).

PERSPECTIVE:

JEFF AMERINE, CADRON CAPITAL

Over the past 15 years, remarkable improvements in the Arkansas venture ecosystem have taken place. We've seen the rise of entrepreneurial talent that have built and in some cases exited fast-growing venture capital-backed businesses such as Rockfish Interactive, RevUnit, AcreTrader, Teslar, Ox, Supply Pike, Apptegy, and several others. Overall the health of the venture ecosystem can be assessed based on the four pillars of talent, entrepreneurial culture, community engagement, and access to capital. Dramatic improvements have been made in every area through aligned efforts of the state, the Walton Family Foundation, the University of Arkansas, and Entrepreneurial Support Organizations. As it relates to capital access, we have progressed from our meager beginnings a decade ago with only state investment programs and one angel fund, the Fund for Arkansas' Future. Today, Arkansas has two angel networks, a validation fund, micro VC funds, and several growth equity firms. At Cadron Capital Partners, we are currently on our second fund of this brand and are beginning to see the fruits of investments made in the Tonic funds and the first Cadron Creek fund.

Some years back the process of syndicating a $1M seed round was incredibly painstaking. Today, funds such as Atento Capital, RZC, Rise of the Rest, and Cadron Capital, along with crowdfunding platforms like WeFunder, and angel groups like the Ark Angel Alliance and 412 Angels, work together to make the process much less painful for quality entrepreneurs looking to build scalable ventures. In addition, we have solid later stage growth equity firms like New Road Capital Partners that are ready for later stage investment opportunities as ventures scale. That said, there is still much to do. For the progress to continue, we need exits to be more frequent and larger, and we need many more skilled entrepreneurs and technical talent–especially full-stack software engineers. If we can keep the momentum up across the four pillars–talent, entrepreneurial culture, community engagement, and access to capital–the general partners at Cadron Capital see no limits to how amazing the venture ecosystem can become.

LIMITATIONS WITH INVESTING DATA

For this report, the majority of data on company investments was obtained from PitchBook (www.pitchbook.com). The Arkansas Capital Scan team also worked with knowledgeable investors in the state to review the data and capture any deals that were unavailable in PitchBook. We also surveyed and interviewed entrepreneurs about their 2021 fundraising activities. We view survey results as the more accurate data source when they diverge from PitchBook results.

A number of investments that are important economically fall outside the scope of this report—notably, a $163 million private equity-stage investment in the Fayetteville-based software company Zenwork (the first outside capital accepted by the company, founded as Tech Atlantis in 2011). Despite falling outside the scope of this report, it offers Arkansas-based entrepreneurs strong validation that home-grown companies headquartered in Arkansas can be nationally attractive to major investors and acquirers.

As with the angel investments section of this report, the investor data here should be evaluated as generally reflective of the activity in Arkansas but not exhaustive in nature.

PERSPECTIVE:

KATE LYNN, 46VC

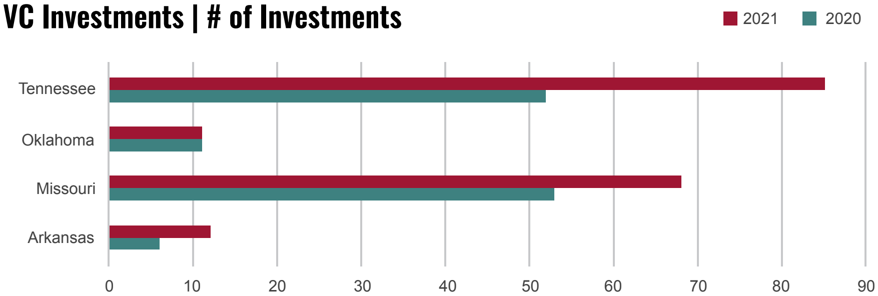
Venture capital has long been concentrated in three states: California, New York, and Massachusetts. As the Covid pandemic has demonstrated, innovation and talent aren't limited to the coasts. Innovation is happening within the Heartland, but investments aren't keeping pacing. Making venture capital more accessible in this part of the country is a crucial component of accelerating our ecosystem's growth.

2021 VENTURE CAPITAL INVESTMENTS IN ARKANSAS

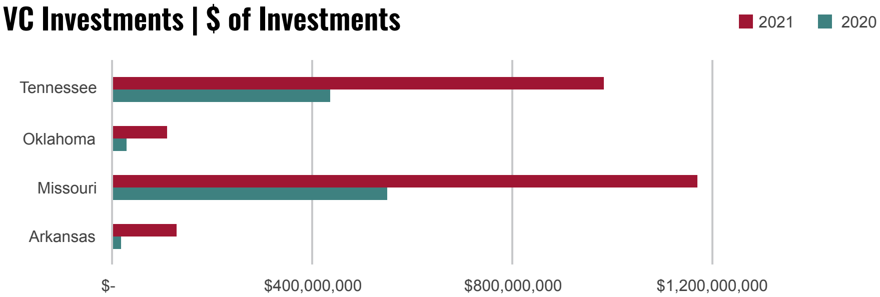
The number of venture capital deals in Arkansas doubled in 2021 as compared to 2020 (from 6 to 12). These 12 deals amounted to a total of $127.4 million invested across 10 companies (up 674% from 2020's total of $16.4 million). The aggregate investments grew disproportionately to the number of investments due to an increase in the average deal size. Compared to 2020, there was a 287.5% increase in average deal size. In 2020, the largest deal in the state was $10 million, and only two deals exceeded $1 million. By contrast, in 2021, seven deals exceeded $1 million.

Compared to 2020, Arkansas's venture capital funds this year were on par with those in Oklahoma in both the number of deals and size of investments. However, venture capital in Arkansas still lags significantly when compared to Tennessee and Missouri. Even so, Arkansas's gains in venture capital investments outpaced all three comparator states.

VC Investments | # of Investments



VC Investments | $ of Investments



# OF DEALS	2020	2021	% Increase
Arkansas	6	12	100.0%
Missouri	53	68	28.3%
Oklahoma	11	11	0.0%
Tennessee	52	86	65.4%

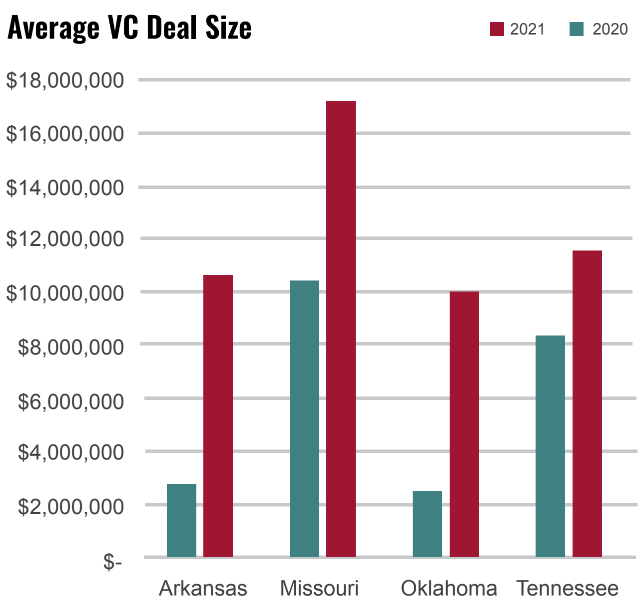
$ VENTURE CAPITAL	2020	2021	% Increase
Arkansas	$16,443,000	$127,420,000	674.9%
Missouri	$550,200,000	$1,169,750,000	112.6%
Oklahoma	$27,030,000	$110,100,000	307.3%
Tennessee	$434,870,000	$981,990,000	125.8%

The reasons for the increase in venture capital funding in Arkansas are tied both to the national economic rebound after COVID-19 as well as to a small number of highly successful companies in the state's agriculture and agriculture-adjacent industries. The top five venture capital deals in 2021 represent 96.6% of all the funding raised. All of these deals were in agriculture or agricultural-adjacent industries.

The top five deals of 2021 represent only three companies, with two companies raising two separate rounds in 2021 (AcreTrader and Cooks Venture). For Cooks Venture, these funds came in addition to their $10 million raise in 2020—the largest that year—and represented 60.8% of all the venture capital investment that flowed into the state that year.

VENTURE CAPITAL INVESTMENTS BY INDUSTRY

As noted above, the majority of the venture capital invested in Arkansas in 2021 went to agriculture or agricultural-adjacent industries. Of the 12 deals in 2021, 5 (41.7%) went to companies in that sector. These 5 deals alone were worth $123 million (96.6% of all funds). Companies in life sciences had 3 deals (25%) worth $3.45 million (2.7% of all funds). Companies in e-commerce, advanced manufacturing, and mobility collectively made up the remaining 4 deals (33.3%) worth $930,000 (0.7%).



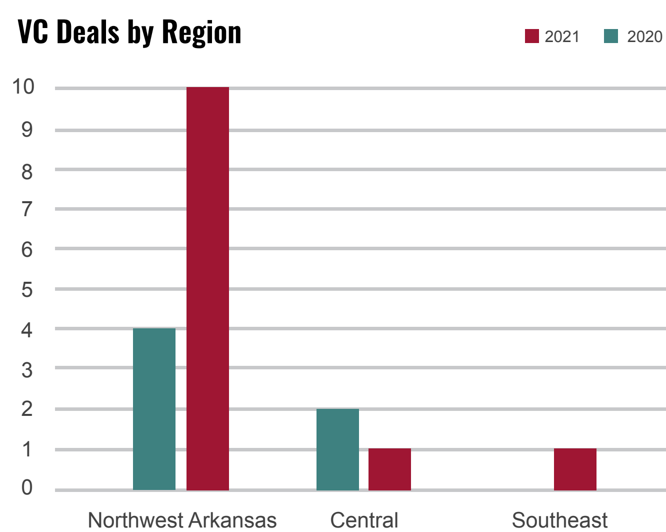
When looking at the comparator states, the most notable differences in investments are in the Software as a Service (SaaS) and life sciences industries. Missouri and Tennessee each had 35 and 28 deals for SaaS companies, which raised $517.7 and $109.7 million respectively. In the life sciences sector, Missouri and Tennessee each had 16 and 30 deals that raised $459.5 and $511.7 million respectively. E-commerce companies also did well in Tennessee, with 9 deals raising $242.4 million.

Companies with innovative high-tech, low-hardware innovations are particularly attractive to investors in the United States. The low capital expenditure requirements make these solutions highly scalable with largely fixed costs, leading to very large potential incomes for the company and increasing its valuation as it grows.

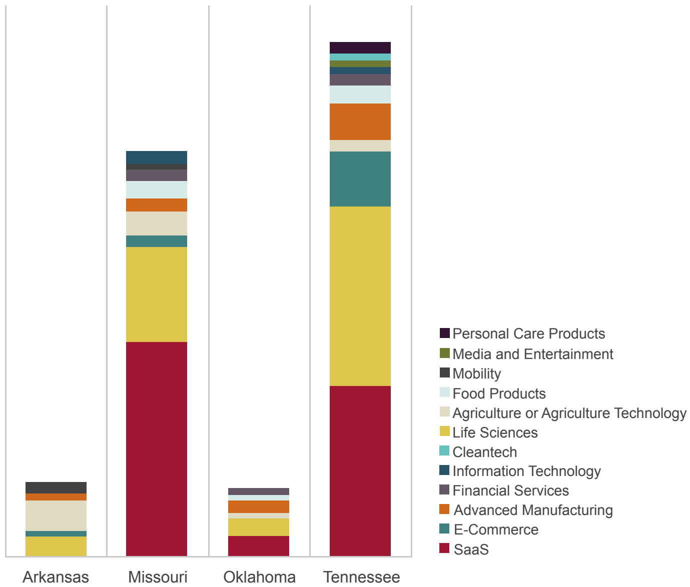
The scope of this report does not allow us to decipher the cause of the disparities in industry investment specifically for SaaS and e-commerce companies. It is possible that Arkansas lacks a large number of SaaS and e-commerce startups. Perhaps we have these startups but they are not considered investable, or there are investable SaaS and e-commerce companies that are just unable to access investors. This would be a key area for further exploration for initiatives looking to increase equity investment in Arkansas.

VENTURE CAPITAL INVESTMENTS BY REGION

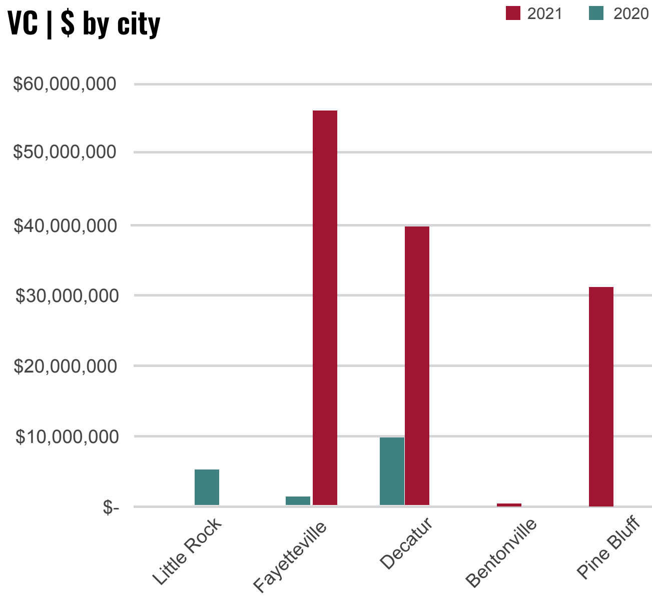
Northwest Arkansas continues to drive the majority of the state's venture capital funding, with 83.3% of all deals (10 out of 12) representing 75.5% of all funding. One deal (8.3% of all deals) was made in Central Arkansas, but the data on the value of the deal is not publicly available. One very large deal ($31.2 million) was completed in Southeast Arkansas, representing 24.5% of all venture capital in 2021.



VC Investments (#) by Industry and Region



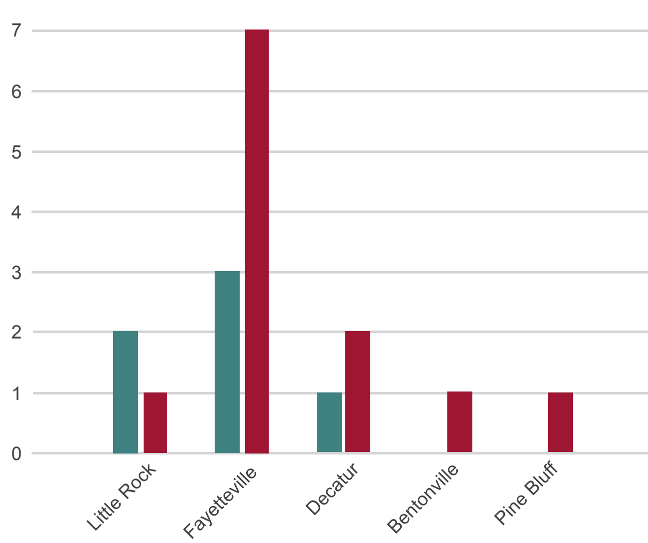
VC | $ by city



VENTURE CAPITAL INVESTMENTS BY CITY

Similarly to 2020, the majority of the venture deals (7 deals, 58.3%) went to companies located in Fayetteville. Fayetteville-based companies received 43.9% of all venture capital cash invested. One company accounted for two deals in Decatur, representing 16.7% of all deals but 31.3% of all dollars invested.

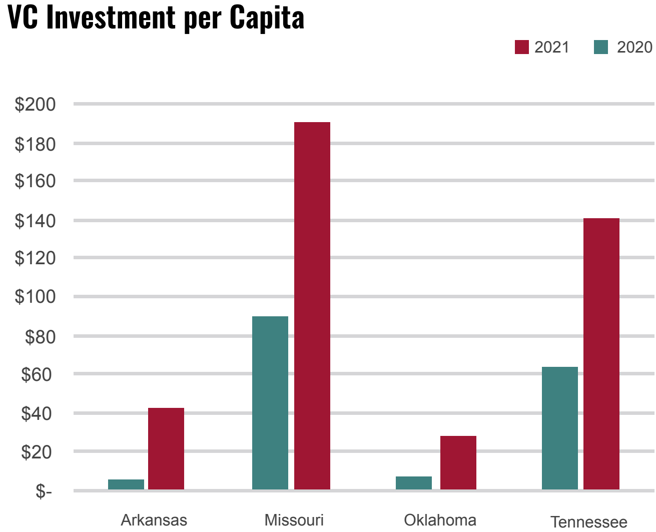
VC | deals by city



VENTURE CAPITAL INVESTMENTS PER CAPITA

When analyzed on a per capita basis, venture capital investments in Arkansas increased from $5 to $42 per state resident. Arkansas's per capita increase outpaced that of other states. Nevertheless, per capita venture capital amounts did increase significantly in the comparator states: from $90 to $190 in Missouri, $7 to $28 in Oklahoma, and $64 to $141 in Tennessee.

VC Investment per Capita



Per capita rates of investment in Arkansas increased partly because the number of venture capital deals increased. As noted above, Arkansas saw a 100% increase in the number of deals. Even more impactful was the 287.5% growth in average deal size, which resulted in the state's catapulting rate of per capita investment.

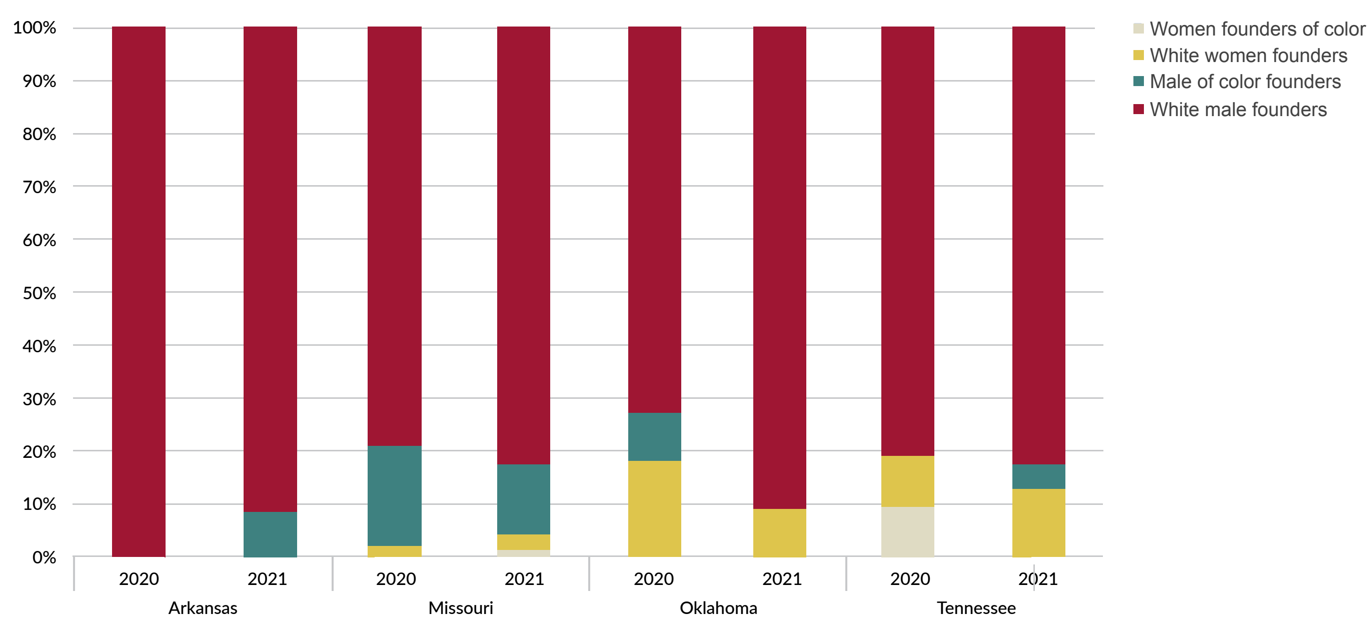
VENTURE CAPITAL INVESTMENTS BY DEMOGRAPHIC

The 674% increase in venture capital funding in Arkansas this year resulted in an influx of funds that went almost exclusively to white male business owners. This year was similar to 2020 in this regard. Whereas in 2020, 100% of the funding from the state's six venture capital deals went to businesses founded by white men, in 2021, eleven of the businesses receiving venture capital funding were founded and owned by white men, and one was founded and owned by a man of color. The amount of funding that went to the latter made up less than 1% of the total venture capital funds in the state. No women-owned businesses received venture capital funding in Arkansas in either year.

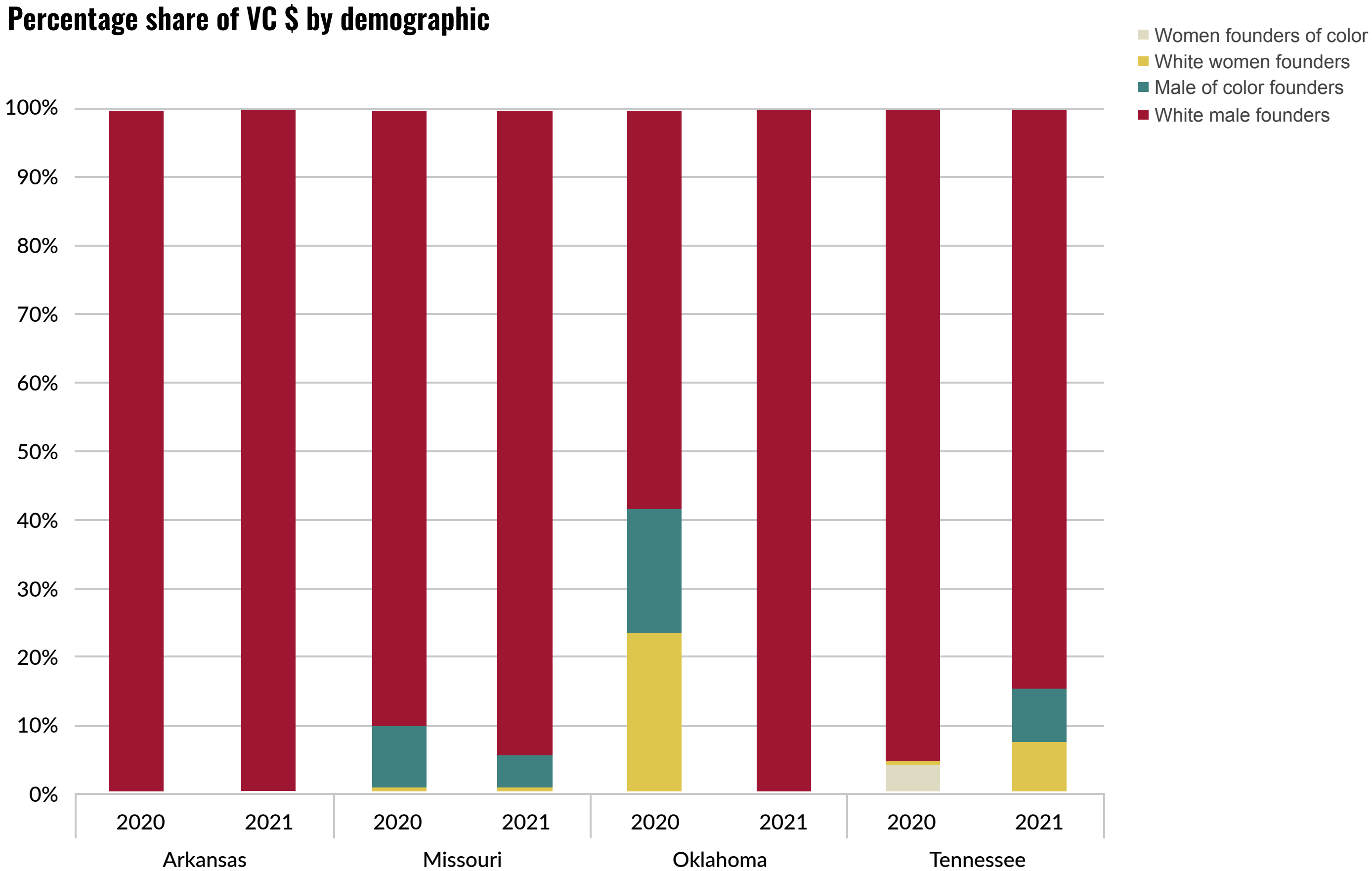
Inequalities in venture funding persist across the region: while Arkansas's rates of venture capital funding for businesses founded by people of color are significantly behind those of the comparator states, these states also show great inequities in venture funding. In the four-state region, businesses founded by white women and white men received an average increase of 245% and 54% in venture capital funding respectively. Meanwhile, female entrepreneurs of color received a mere $100,000 in venture capital funding in a single deal in the entire four-state region. This was a 97% decrease compared to 2020. It's important to note that 77% of funding to businesses owned by women of color in 2020 came from just one very large Series 3 deal in Tennessee.

Businesses founded by men of color received an increase in funding of 87% in 2021, bringing their venture capital raises over that of white women. However, in 2021, businesses founded by men of color in the four-state region continued to receive far less funding than businesses founded by white men: $9.6 million compared to $14.7 million.

Percentage share of VC # by demographic

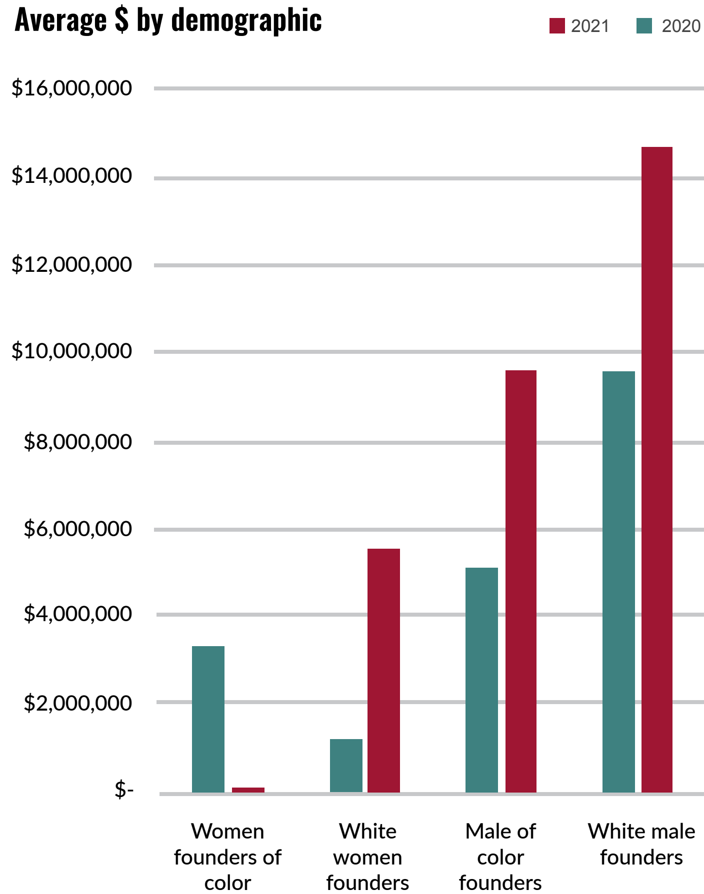


Percentage share of VC $ by demographic



In 2021, the Women's Foundation of Arkansas and the University of Central Arkansas released a report on the experiences of women business owners and entrepreneurs in Arkansas that offers recommendations for closing the substantial racial, ethnic, and gender gaps in venture capital funding in the state (this report was authored by Dr. Kristy Carter, whose Perspective is articulated below). The report noted that nationally, "entrepreneurs of color start their businesses with almost 3x less in capital than white businesses." UCA surveyed 108 women of color business owners to explore the underlying reasons, especially in Arkansas. Only 1.9% of the women entrepreneurs surveyed reported receiving venture capital funding. Most of their business capital came from loans and personal savings or connections. Of the women surveyed, 20% stated that they relied on bank loans for capital and more than 50% relied on self-funding.

Average $ by demographic



Like entrepreneurs everywhere, business founders who identified as women of color in Arkansas rely on social capital to develop support for their ventures: 71% received support from family contributions. However, since the leadership of banks and investment firms is often primarily white and male, women of color who participated in the survey noted that their social capital often did not extend to those spaces. In other words, they were largely unable to access the huge amounts of capital concentrated in white- and male-dominated banks and financial firms. The demographic most likely to have social connections in those spaces are white men. It is, therefore, no surprise that these connections lead them to have greater access to funding opportunities, which in turn leads to an ongoing increase in the concentration of funding in white male hands.

The WFA report offers recommendations to grow funding opportunities for female entrepreneurs of color that likely apply to businesses founded by men of color as well. Participants in the study reported that women of color would benefit from loans "without lofty collateral requirements" as well as "business startup grants" and "support from business incubators and accelerator programs." Participants saw universities as the largest source of support other than their families: 7.4% benefitted from accelerators or incubators, many of which are housed at universities. Comparably, only 0.9% of the women of color entrepreneurs surveyed benefited from angel investors, 4.6% from crowdfunding, and, as stated above, 1.9% from venture capital.

While increasing the targeted reach of accelerator and university-based innovation and entrepreneurship programs could help move the needle on access to business capital for women and entrepreneurs of color, it is not enough to bridge the gap. Venture capital remains a critical source of growth funding for high-potential companies, and until diversity in their investments becomes a priority, this gap will continue to widen.

PERSPECTIVE:

LET'S BAND TOGETHER, BY DR. KRISTY CARTER

These numbers might seem startling to some, yet not surprising to others. Historically, venture capitalists' (VCs) relationships with women and founders of color have been somewhat estranged. However, not just in Arkansas but in the world of venture capital in general, women and minorities are drastically underrepresented regarding investment funding power to being on the receiving end of the funds. Although these graphs paint a very dismal picture for women and founders of color, there are myriad opportunities to remedy gender and racial imbalances that tend to exclude female and minority entrepreneurs from the investment pipeline.

VCs are undeniably one of the biggest drivers of innovation and are vital to our economic success. In 2021, Pitchbook reported that VC-backed companies raised $329.9 billion in 2021, almost double the amount raised in 2020 ($166.6 billion). Women founders received 2.3% of the total investment, and Black founders raised 1.4% of all venture capital in the same year. VCs and entrepreneurial ecosystem builders have a tremendous opportunity to influence the playing field for women and ethnic minorities and can enhance the probability of innovation that engenders entrepreneurship.

Despite the numbers, there is hope in the venture industry that great ideas and successful entrepreneurs can come from anywhere and that the best returns are achieved from more diverse and inclusive entrepreneurial ecosystems. I've seen a great example of a collaborative funding model homegrown in Arkansas called The Southern Capital Project. Also, entrepreneurial support organizations (ESOs) in neighboring states have very vibrant and inclusive ecosystems that embrace the diversity of their founder communities and are backing minority venture-ships. ESOs like #BuildTN, Missouri Sourcelink, VelocityOKC, and the OKC Innovation District. As you can see in the data, these ESOs are closing the knowledge gap by providing a valuable resource to entrepreneurs while contributing to their local economies.

We can turn the numbers around for women and founders of color in Arkansas by working together and creating more collaborations that will bolster or local economies. Looking to collaborate? You can find Dr. Kristy Carter and other ecosystem experts at connectingeconomies.com.

Dr. Kristy Carter is an inclusive ecosystem builder, researcher, social scientist and founder and lead consultant for Kristy Carter Consults, LLC. She is also a member of the AR Capital Scan Advisory Board and Minority Vendor Partnership Initiative at the University of Central Arkansas.

VC FUNDING CASE STUDY 1:

acretrader

Bill Gates and Warren Buffett aren't the only investors who diverted capital to farmland in response to 2021's increasingly rocky economic climate. Rising inflation and supply chain issues have exploded global investors' interest in opportunities that provide reliable, steady growth. Few investments are more reliable than farmland. What's more, few offer the increasing value that agritech provides within the shifting context of our warming planet.

Farmland returns have been positive every year since 1990, the first year of the U.S. Department of Agriculture's NASS index. Until recently, farmland hasn't been popular with investors. Traditionally, to invest in a farm, one needed a great deal of capital, knowledge of the land, and access to skilled labor. Founded in 2018, Fayetteville's AcreTrader erases these barriers by combining crowdfunding, refined investment analysis, and a user-friendly online platform to make farmland accessible to accredited investors. With the click of a button, one can become a shareholder in a cherry or olive orchard, a soybean farm, or even a wind energy farm. More than 2,700 investors from 48 states have purchased shares in AcreTrader farms, which spread across the country from California to Georgia to New York.

AcreTrader's reach is "growing like a weed," according to founder and CEO Carter Malloy. In 2021, the company raised $52 million in venture capital funding, including a Series A round of $12 million and a Series B round of $40 million. Malloy, like the majority of AcreTrader's senior staff, has farming roots. His family's eastern Arkansas farm gave Malloy a "sense of place" and connection to the land. He explains that Acre Trader allows him to give other people a chance to experience and benefit from connecting with the land that provides us with collective sustenance: "Most of us have some kind of emotional connection with land, yet land markets themselves can be incredibly opaque for people who want to own, access or invest in a piece of land––there's no clear starting point or process ... I knew how to participate in farmland investment because of my own background, but I realized how difficult it was for other people to access that information. So I started looking for ways to bring those resources together and make them more widely available."

AcreTrader's AcrePro land brokerage platform provides investors with a "streamlined customer experience" to purchase shares of farms (each share is worth approximately one-tenth of an acre), with minimum investments ranging from $8,000 to $12,000. Each share that an investor purchases pays 3 to 5% in annual dividends from rent in addition to an average 11% annual return. AcreTrader's research and financial staff follow strict review protocols, weeding out over 99% of the farms reviewed in favor of the ones with the most potential to benefit investors. They release one to two farms per week to investors.

Each time a farm is opened up for investment, AcreTrader shares knowledge about the opportunity with potential investors by facilitating webinars and Q&A sessions coupled with data to ensure they understand what they're buying into. AcreTrader also finds farmers with a proven track record to lease and work the land. In the medium term, the average return on farmland is 7 to 10%. That's why AcreTrader generally holds each farm for 7 to 10 years, enabling investors to benefit from market-based growth as well as AcreTrader's farm enrichment-based growth. Investors profit without having to lift a finger to manage the farm.

AcreTrader's benefits to farmers are threefold. First, the company's nationwide knowledge of innovations in agritech, legal and market concerns, and farm valuation enable the firm to advise farmers on best practices for land improvement and support them with capital for innovations and expansions. Second, AcreTrader supports farmers in the transition to organic farming wherever possible. Third, farmers can buy into partial ownership without taking out a loan, which allows them to benefit as landowners from the improvements that AcreTrader enables on their farms.

In 2021, AcreTrader invested in an Illinois corn and soy farm that features a wind turbine to maximize profitability and reduce energy costs. They also raised funds for water management improvements to assist a Minnesota family farm with the transition to organic production and partnered with a family farming operation in Nebraska to help them expand their organic grain production by more than 800 acres.

The company finds that by locating its home base in Northwest Arkansas, they're able to attract knowledgeable investors as well as top talent with agritech, business, and software expertise to continue to grow its platform. According to Arkansas Money & Politics, from April 2021 to April 2022, AcreTraders' "revenues have grown five times over, its customer base has tripled, and the amount of land going live on its platform has more than doubled" (Castrellon, 2022).

PERSPECTIVE:

CARTER MALLOY, ACRE TRADER

Raising capital in Northwest Arkansas has given our startup a distinct advantage because the region is a cross section between rural America and cutting edge tech businesses. Farmers and investors, as well as venture capital firms, are glad to know we're connected to the heartland geographically since it gives us more insight into our customer base and helps our company thrive. Northwest Arkansas is also an attractive location for talent acquisition as more brilliant tech workers move to the area.

VENTURE CAPITAL CASE STUDY 2:

The cultivation of cannabis has been a growing industry in Arkansas since the 2016 Arkansas Medical Marijuana Amendment began to allow seriously ill patients to use and safely obtain medical marijuana with their doctors' approval. In fact, the largest medical marijuana provider in the South, Good Day Farm, is based in Arkansas. Founded in 2020 and raising an impressive $31.5 million in venture capital in 2021 (in addition to their $9.7 million seed capital raise), Good Day Farm's executives call themselves the "self-declared Southern ambassadors of weed."

Good Day Farm originated in Tennessee but now operates farms and LLCs in Arkansas, Louisiana, and Missouri. Their new 100,000-square-foot Pine Bluff facility employs 150 people. Late 2021 saw Good Day Farm planning its first retail store in Little Rock, which made national news when it opened in March 2022 in partnership with Cookies, the most globally recognized cannabis brand.

The company's incredibly rapid growth stems from its approach to recruiting top national talent and its dedication to prioritizing its products' quality, consistency, and efficiency, making its vape pens, gummies, honeys, creams, and other products the best known cannabis commodities in Arkansas and throughout the South.

Good Day Farm's state-of-the-art cultivation practices allow the firm to consistently produce premium products at an efficient cost. As stated on its website, the company also embraces social responsibility and commitment to "lifting up the communities [they're] part of, especially those impacted by cannabis-related injustice." GDF's partnership with the Last Prisoner Project supports policy work on legislation that redresses the harms caused by cannabis prohibition and has helped distribute $800,000 in grants to people negatively affected by the criminalization of cannabis.

The company's partners and board members come from pharmaceutical, legal, major industry, and banking backgrounds. Chief Marketing Officer Laurie Gregory was a founding executive of Bath & Body Works, where she led the design, branding, product, and in-store experience that led to the growth of 1,600 stores and $2 billion in sales. In his home state of Colorado, President of Cultivation Greg Schneider developed a method for quantum growth in cannabis yields that placed him at the forefront of cultivating legal cannabis there. Perhaps best known is VP and Chief Strategy Officer Alex Gray—a Little Rock attorney who has written successful legislation packages leading to casino legalization in Arkansas. Gray believes Arkansas marijuana regulations are a great model for other states to work with since they have allowed the industry to grow more quickly in Arkansas than in other states. Good Day Farm's legal team currently advocates for and spreads knowledge about Arkansas's regulations as a model for medical marijuana laws.

Good Day Farm is currently focused on acquiring farms and retail stores in more states. In November 2020, Gray incorporated Good Day Farm LLCs in Alabama, Colorado, Florida, Kentucky, North Carolina, South Carolina, Tennessee, and Texas. As they expand, they create a Good Day Farm LLC in each new state to comply with each state's unique regulations. The LLCs share investors, many of whom are located in Arkansas.

ARKANSAS ENTREPRENEUR QUOTES: 2021 Startup Survey

ARKANSAS ENTREPRENEURS ON RESOURCES IN THE STATE'S STARTUP ECOSYSTEM:

"There is a lot of information available in Arkansas, just not enough money flowing to startups."

"Programs like Women's Foundation of Arkansas and The Venture Center gave us business visibility. This visibility led to business credibility to allow us exposure to untapped audiences outside of our regular industry, which led to more business. This also gave our businesses validation."

"We are Startup Junkie and Innovate Arkansas clients and have spoken with Endeavor. We have ties with the University of Arkansas entrepreneurship program as well. These groups have all been very helpful throughout the life cycle of our company."

"There are really very few AR-based resources."

"Delta i-Fund was the best [resource] by far."

"The problem for us is that we are not US Citizens and can't apply to SBIR or STTR grants. It is hard to find grant opportunities since the company is more than 50% owned by non-US citizens."

ARKANSAS ENTREPRENEURS ON RESOURCES IN THE STATE'S STARTUP ECOSYSTEM:

"In the early stages, access to local angel investors was very sparse."

"Raising venture capital requires personal connections. We are fortunate to have those, but I'm not sure how we would do it otherwise."

"As a minority female entrepreneur, I feel that access to capital is disproportionate when compared to male counterparts."

"There's a gap when it comes to women- & minority-led founders: we would like to see more opportunities for companies like ours. Not being able to apply to STTR or SBIR, or any government grants ... is hard and makes it difficult to get traction."

"Finding funding for a young entrepreneur that's an African American female [is difficult]."

"There is a lack of investor resources to help with understanding the investment portfolio landscape in Arkansas. What firms are raising funds, disbursing funds, and [what are the] focus areas of investment interest?"

"We are raising a $1M Series A right now (2022) and the potential investor pool here in Arkansas has been very limited. Our Series A is too small for most VC firms and the angel investor landscape here in Arkansas is very disorganized and almost non-existent."

"It's difficult to raise capital if your round is larger than $1 million or smaller than $5–$10 million. There are a very limited number of groups that will write $1–$2 million checks."

"There is a big gap for companies trying to raise $0 to $2 million. Venture capital is not generally interested in making investments of this size."

"Capital prerequisites require most of the items that you need startup capital to fund."

"My gaps are due to revenue requirements for most funding grants or loans."

"Access to certain funding programs is restricted based on having perfect credit scores or based on them understanding our business is not a risk. These gaps further show us that the criteria need to change when providing capital. The programs that I have been involved in only used my business model, my willingness to put in the work and receive technical training, and my skills. That gave us unrestricted funding without sending us through those traditional lending programs. These funding programs have truly allowed my business to reach the next level of success. Because of having that funding, my business is now ready to expand. Then when I do expand, more operating funds will come in, my salary will increase, and my debt to income ratio will increase, qualifying me for some of those traditional lending programs if needed. The biggest issue is that I won't need that funding by then. And those traditional programs will have missed an opportunity to be a part of some of our amazing journeys."

"I could use support knowing how and when to transition from bootstrap/pre-seed to angel/seed funding for the company."

"There are not many resources to guide first-time founders through the process or to explain the specific difficulties that will be faced."

NONDILUTIVE GRANTS

INTRODUCTION

When business owners look at their options to fund their company's next stage or growth initiative, nondilutive grant capital can be a very attractive option, particularly for small to mid-sized companies that might not qualify for a traditional bank loan. It does not require the exchange of equity characteristic to venture capital nor repayment associated with debt.

The United States government awards $200 million through a number of agencies in highly competitive, nondilutive grants to small businesses and entrepreneurs across the country to foster innovation and strengthen American businesses. In addition, as reported by the U.S. Small Business Association in a report on state funds for SBIR companies (2021), many states offer matching grants to companies that win federal funding for their innovation projects. Entrepreneurs specifically looking to test and commercialize technological innovations can apply for nondilutive grant funding for their research and development through the Small Business Innovation Research (SBIR) and Small Business Technology Transfer (STTR) programs. The SBIR and STTR programs are structured into three phases:

- Phase I establishes the technical merit, feasibility, and commercial potential of an innovation. These awards typically fall below $250,000 and subsidize project costs for 12 months or less.
- Phase II funding is typically based on the success of Phase I outcomes and focuses on finishing the research and development necessary to get an innovation ready for the market. The size of the award depends on the funding agency but it is generally $750,000 over two years.
- Phase III funding, if available, is designed for small businesses to pursue commercialization objectives resulting from the outcomes of Phase I and Phase II activities. This funding may be structured as a nondilutive grant or as contracts for products, processes, or services intended for use by the government. Phase III can be important for some companies and their growth, as it can be a significant source of funding with no ceiling and comes with the right to establish sole-source contracts with the United States government.

This section focuses on the SBIR and STTR funds made available through Congress for the advancement of innovation in the United States. There are a number of other smaller granting programs relevant to small businesses on which we aim to collect data in the coming years of this report.

2021 ARKANSAS SBIR AND STTR AWARDS

In 2021...

19 SBIR and STTR Awards...

were awarded to...

13 Arkansas companies.

These grants totaled

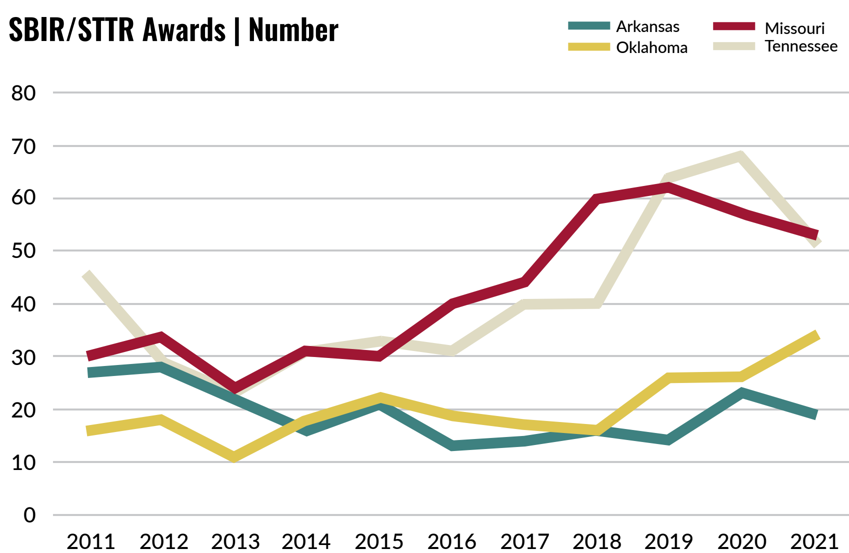
$6.99 million in investment.

Of these 19 awards, 14 (73.7%) were Phase I projects totaling $2,018,081 (28.9% of all dollars awarded). The Phase II awards (5 awards, 71.1% of all dollars awarded) totaled $4.97 million.

In addition to federal agency dollars, the Arkansas Economic Development Commission's (AEDC) Division of Science and Technology awarded matching funding for eight SBIR/STTR projects, including three

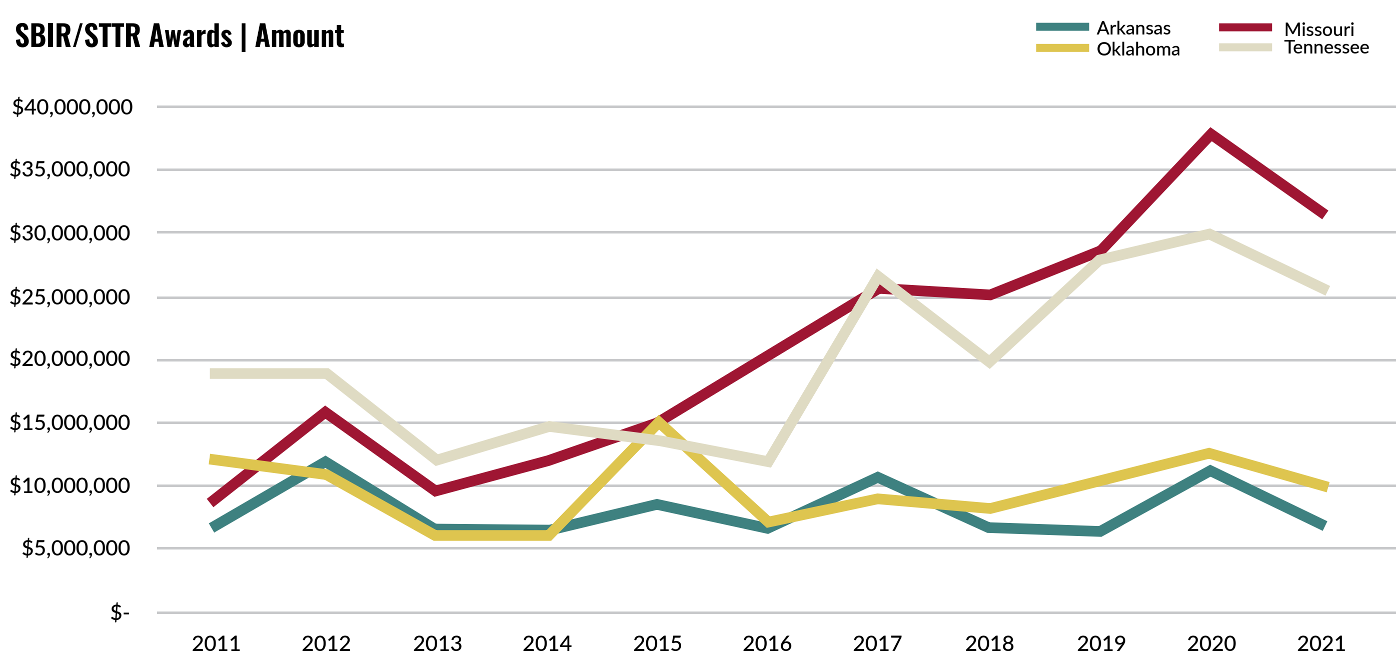
Phase II awards and five Phase I awards, for a total of $475,000 in grants. The AEDC grants are designed to stimulate innovation in Arkansas technology businesses and grow Arkansas companies so that they can create and retain high-tech jobs. In particular, these matching funds have helped Arkansas's Northwest corridor forge a growing national reputation for high-tech jobs since seven of the eight matching grants were in the greater Fayetteville region.

Despite this supportive climate, Arkansas's overall success with SBIR/STTR awards declined in 2021. Compared to 2020, federal agencies awarded four fewer SBIR/STTR grants in 2021, representing a 17.3% decrease. The size of the awards also decreased, with the aggregate awards decreasing by 38.2% for a total loss of $4.3 million in innovation investment.

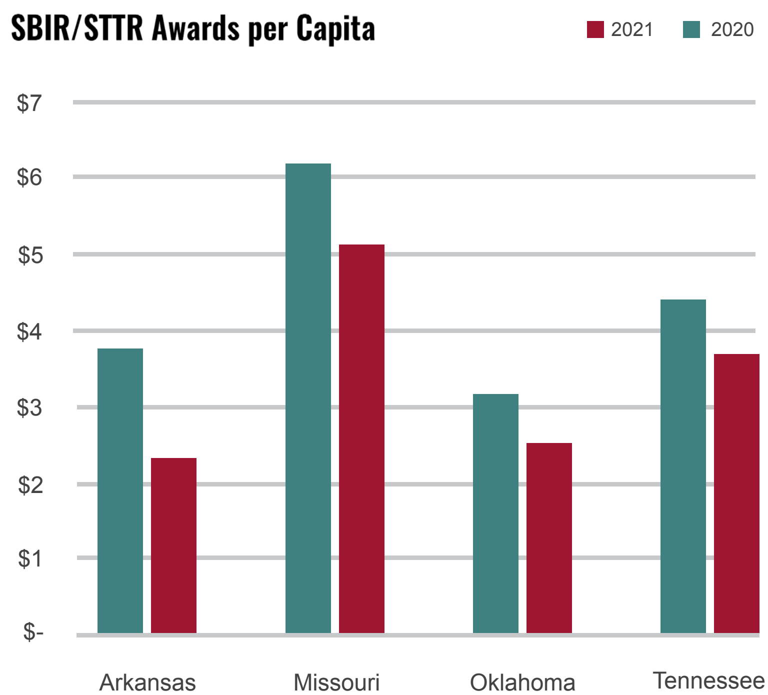


Currently, the number of awards fits in with the standard distribution we see for awards and does not necessarily represent a trend. Over the last decade, we have seen the number of awards range from a low of 13 to a high of 28 in Arkansas. But interestingly, the decrease in 2021 is also reflected in the comparator states, with Missouri (–7.0%) and Tennessee (–23.5%) also seeing decreases in 2021. By comparison, Oklahoma saw a 33.8% increase in the number of awards in 2021.

Aggregate awards, however, decreased across all four states. Arkansas saw the largest decrease (–38.2%), followed by Oklahoma (–19.6%), Missouri (–16.7%), and then Tennessee (–14.4%).

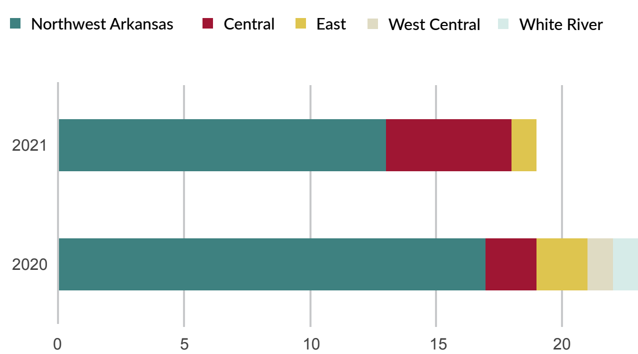


When we look at awards per capita, removing the population disparity, we get a better sense of how each state performed. Most notably, every state in our study saw a decrease in awards per capita between 2020 and 2021, reflecting the aggregate decrease seen above. When viewed per capita, while Arkansas still lags the comparator states, the disparity between awards notably decreases. While Missouri received five times the amount of SBIR/STTR funds as Arkansas, when adjusted for population size, their awards amounted to twice as much per person. While still a significant gap, the comparison better shows how far Arkansas needs to go to reach parity with the best performing comparator state.

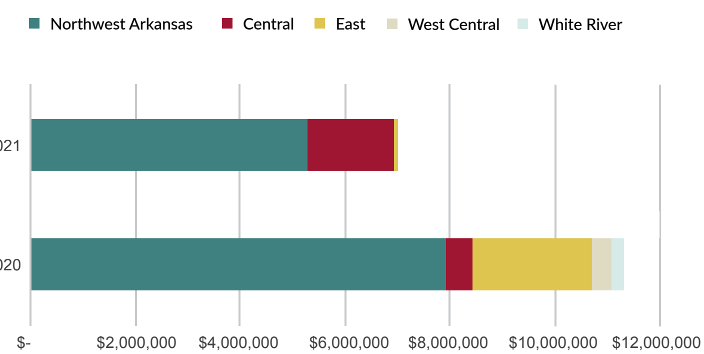


SBIR/STTR BY REGION

Similar to 2020, we saw a significant concentration of SBIR/STTR awards, with 68.4% of all awards, representing 75.7% of all dollars raised in Arkansas, going to companies headquartered in Northwest Arkansas. The number and value of awards in Central Arkansas increased between 2020 and 2021, while they decreased in every other region. All the awards in Central Arkansas went to companies headquartered in Little Rock.

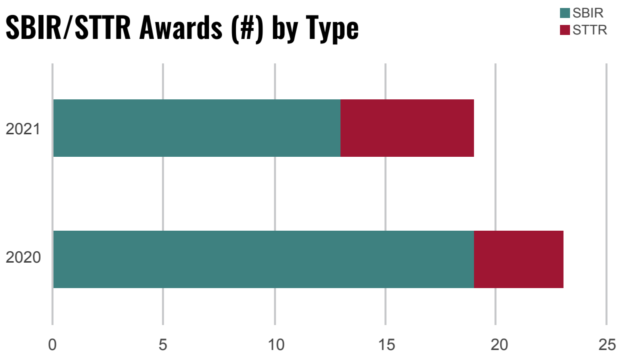


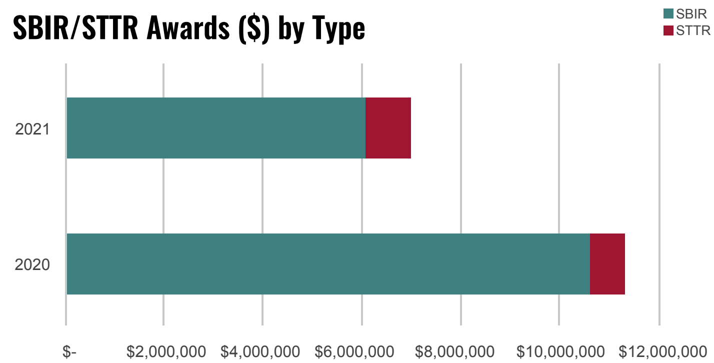
SBIR/STTR Awards ($) by Region



SBIR VERSUS STTR AWARDS

In 2021, 13 SBIR grants were awarded to Arkansas companies. SBIRs accounted for 68.4% of the total grants awarded and, with awards totaling $6,118,866, 87.5% of dollars awarded. By contrast, 6 Arkansas companies received STTRs, which made up 31.6% of funds awarded. STTR grants were smaller in amount as well as number, making up only 12.5% of all funding awarded (or $871,618). These numbers are not surprising—there is less overall federal funding available for STTRs, and funding is only available from five agencies.





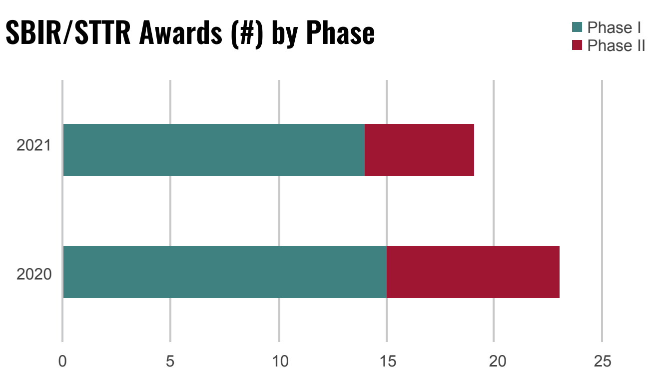
Arkansas saw an increase in both the number and percentage share of STTR awards between 2020 and 2021. In 2020, 4 of the 23 awards received were STTR (17.4%). In 2021, 6 of the 19 awards were STTR (31.6%). Arkansas also saw a greater diversity in companies receiving STTRs. In 2020, three out of four STTR awards received came from a single company, Nanomatronix. While Nanomatronix did receive another award in 2021, the remaining STTR awards went to five other companies: CelluDot, Stem Resources, Arktonics, Children and Family Evaluation Services, and Nephropathology Associates. As required by STTR, these companies partnered with a range of research institutions, including the University of Arkansas, the University of Arkansas for Medical Sciences, and Fayetteville State University in North Carolina.

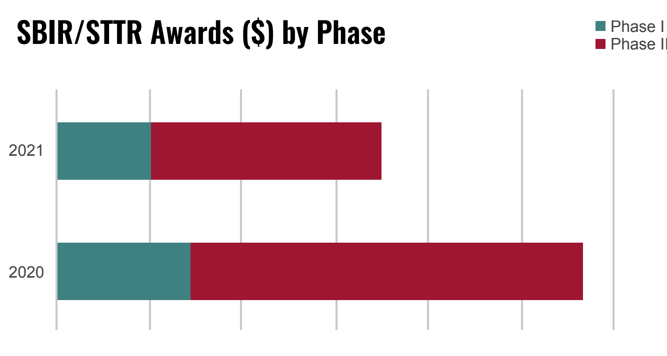
PHASE I AND PHASE II AWARDS

Due to the nature of the awards, a greater number of Phase I proposals are funded than Phases II or III. Phase I awards are seed funds that give companies twelve months of support to establish the technical merit, feasibility, and commercial potential of an innovation; to receive Phase II funds, a company must show evidence of successful Phase I outcomes. Phase III funds are targeted specifically at the commercialization of successful Phase II research and help a company bring an innovation to market or attain the right to a sole-source contract with the relevant U.S. government agency.

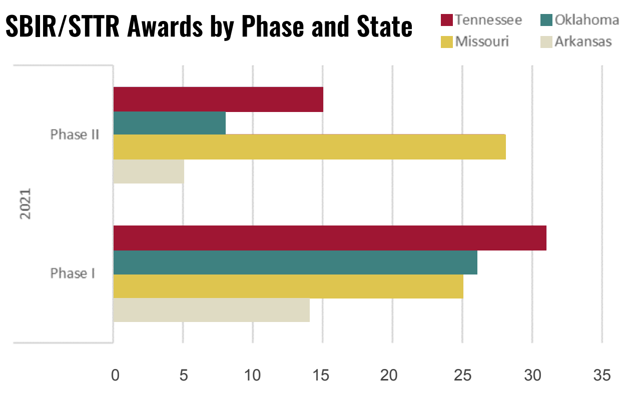
In 2021, 14 Arkansas SBIR/STTR awards (or 73.7% of the total awards) were Phase I, totaling $2,018,081 (28.9% of all dollars awarded), 5 awards (26.3%) were Phase II, totaling $4,972,403 (71.1% of all funding awarded). No Phase III awards were made to Arkansas companies in 2021.

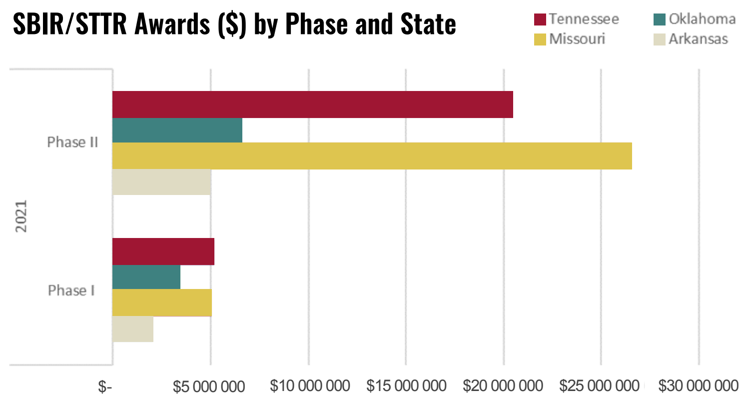
The Phase I totals remain similar to those in 2020. Phase II awards, however, dropped significantly this year—from 8 to 5—and reflected $3.42 million less in total Phase II funding. Given that Phase II awards are typically much larger, this drop in Phase II awards accounts for the significant drop in overall SBIR/STTR funding in 2021 compared to 2020.





The biggest differences between Arkansas's SBIR/STTR funding and that in comparable states are reflected in the number of Phase II investments. Phase II investments enable advanced innovations that have the potential to add significant job opportunities and impact a region's overall economic growth. Missouri and Tennessee's recent rapid increases in total SBIR/STTR funding result from companies pursuing Phase II funding after a successful Phase I. Missouri is approaching 50% Phase II awards, with Phase II award totals equaling five times the amount of Phase I totals. Arkansas only had 26% Phase II awards in 2021, hence far less total funding.

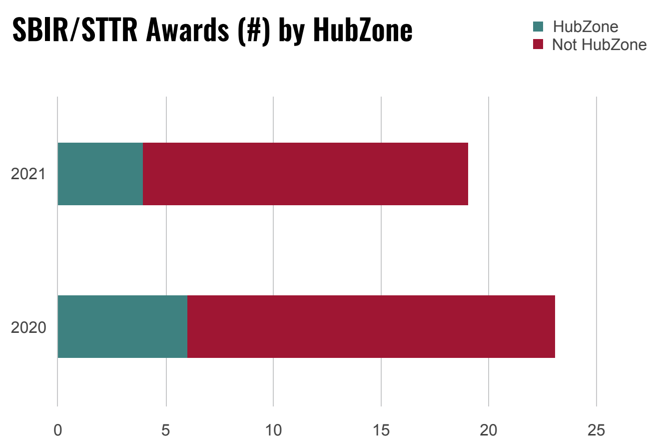


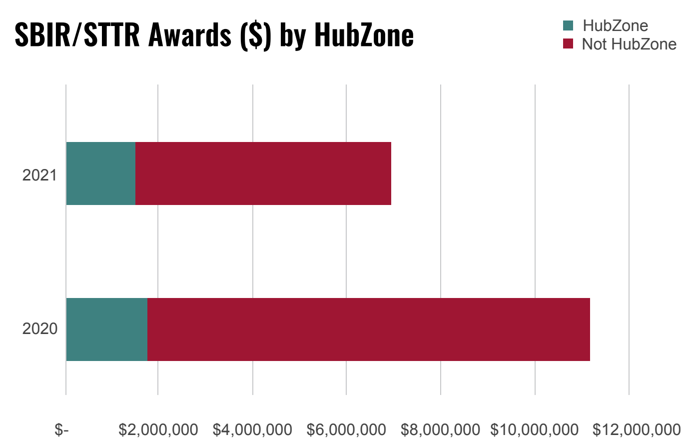


HUBZONE INCENTIVES

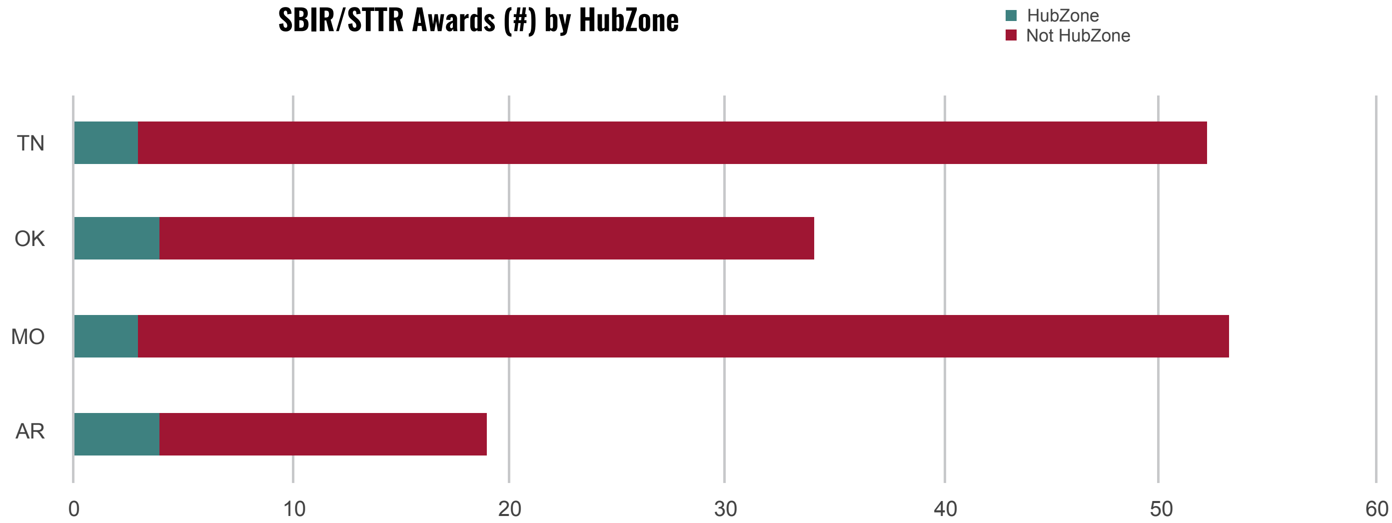
The federal government's HUBZone program is designed to fuel small business growth in historically underutilized business zones with a goal of awarding at least 3% of federal contract dollars to HUBZone-certified companies each year. Arkansas's nondilutive grant funding beat that goal, with 21.4% of all dollars awarded (equaling $1.5 million) going to businesses located in HUBZones. This percentage is comparable to the amount invested in HUBZones in 2020.

Yet, given Arkansas's large number of historically underinvested regions, there remains much room for improvement in business investment in HUBZones. In 2021, the federal government expanded the HUBZone program, allowing state governors to request Governor-Designated Covered Areas. Governor-Designated HUBZones are areas that state governors target as having potential for job creation and investment where small businesses have demonstrated interest, and/or areas for which the state has created an economic development strategy. The expanded opportunities represented by Governor-Designated zones should soon allow more businesses to become HUBZone certified.



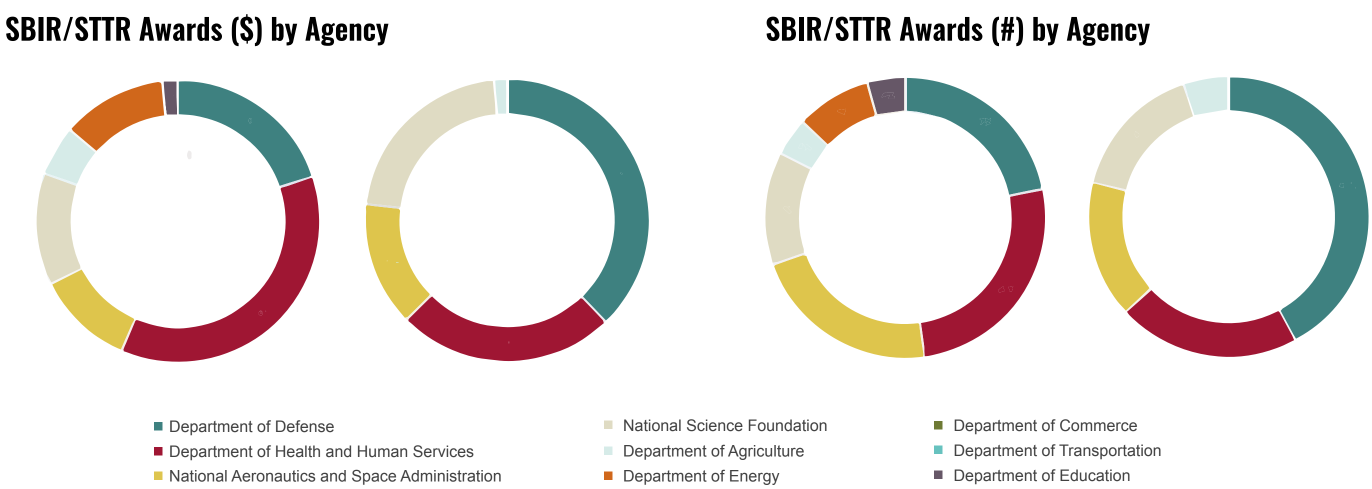


Arkansas's rate of HubZone SBIR/STTR awards is the highest in the region, at 21% of awards and 21% of total funding. Still, relatively few awards per year go to businesses in HubZones (as noted above, Arkansas had 4 in 2021).



SBIR/STTR BY AGENCY

In 2021, the distribution of nondilutive federal research grants was more concentrated than in 2020. Department of Defense awards formed 38% of Arkansas's 2021 SBIR/STTR funding, compared to 20% last year. Grants from the Department of Health and Human Services, NASA, and National Science Foundation rounded out the vast majority of the funds. Notably, no awards were made to Arkansas companies this year by the Departments of Energy, Transportation, Commerce, or Education.



SBIR/STTR BY DEMOGRAPHIC

Women-Owned Small Business | In 2021, only two of the SBIR/STTR awards were given to Arkansas women-owned small businesses. For purposes of SBIR/STTR tracking, businesses must self-report that they are at least 51% owned by one or more women and primarily managed by one or more women. This represents 10.5% of all awards, a drop from last year's 17.4%. Both awards were Phase I

Awards, and both were small (around $50,000 each). In 2021, women-owned businesses in Arkansas captured a mere 1.4% of the dollars awarded to Arkansas companies.

Nearby, Tennessee and Missouri saw similar rates of awards going to women-owned businesses (13.5% and 11.3% respectively), but in Missouri some of the awards were very large. In Oklahoma, however, only 2.9% of awards and 1.2% of total 2021 SBIR/STTR dollars went to women-owned small businesses.

Nationwide in 2019 (the most recent report available), 10% of SBIR/STTR grants went to women-owned small businesses, meaning Arkansas's rate is in line with the nation's overall rate (U.S. Small Business Association Office of Investment and Innovation, 2019). However, Arkansas's rate over time has been lower than average: since 2001, only 44 of the 548 awards (8%) to Arkansas companies have been granted to women-owned small businesses.

SOCIALLY AND ECONOMICALLY DISADVANTAGED SMALL BUSINESS

In 2021, only one SBIR/STTR award went to an Arkansas business classified as socially and economically disadvantaged (SDB). This award was a NASA Phase I STTR Award to Stem Resources, LLC for their Augmented Intelligence Cognitive Support Ecosystem (AICSE), a project in partnership with Fayetteville State University in North Carolina. This project aims to generate a community of learners composed of majority-minority students and STEM faculty working on cyberinfrastructure research.

To qualify as socially and economically disadvantaged, a small business must be:

- 51% or more owned and controlled by one or more disadvantaged persons, and
- the disadvantaged person or persons must be socially disadvantaged and economically disadvantaged.

The designation relies on self-reporting of ethnicity, including people who self-identify as or are identified by others as:

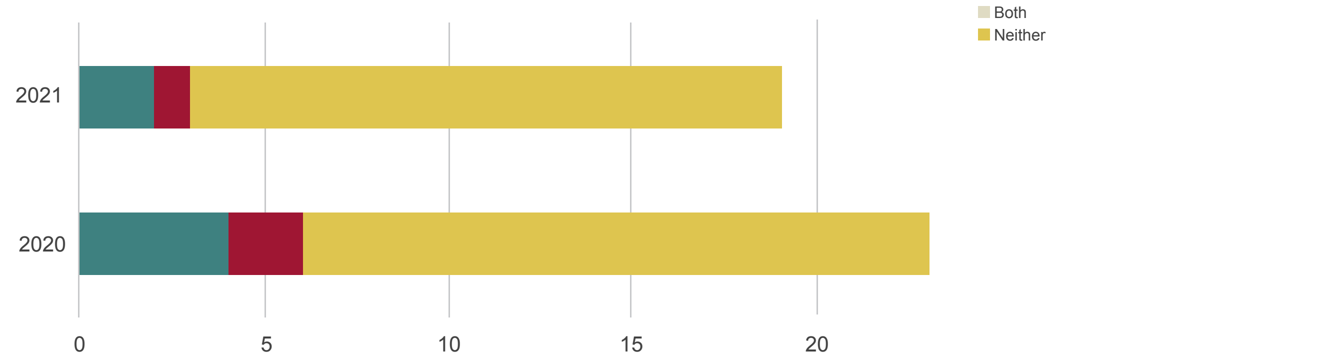
- Black Americans
- Hispanic Americans
- Native Americans
- Asian Pacific Americans
- Or SubContinent Asian Americans

Individual majority owners of a business who are not identified by the above ethnicities can qualify as socially disadvantaged by proving that either their gender, education levels, rural location, or physical handicaps have had a negative impact on their entrance into the business world.

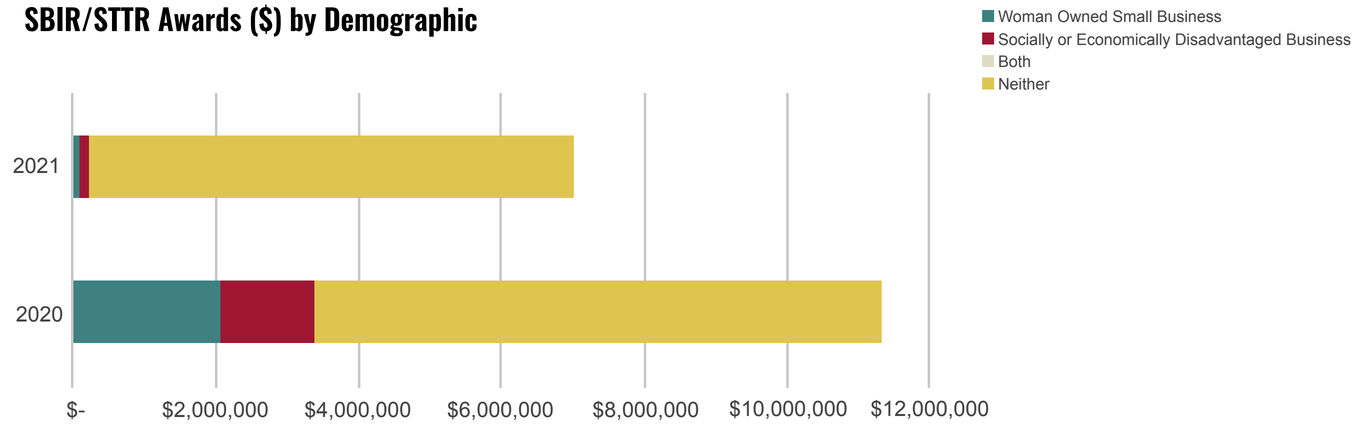
Economically disadvantaged status is proven via an analysis of majority owners' assets and/or net worth. Each federal agency has slightly different parameters, but generally business owners with a net worth of $750,000 or less (not including primary home) and/or less than a $250,000 annual income, and under $6 million in total assets can qualify.

This represents 5.3% of all awards, but only 1.7% of total SBIR/STTR funding for 2021. Part of the reason for this disproportionate share of funding is that zero Phase II awards were given to SBDs. Increasing Phase II awards to SBDs would lead to greater parity in both the award counts and the total amounts of awards to disadvantaged businesses.

SBIR/STTR Awards (#) by Demographic



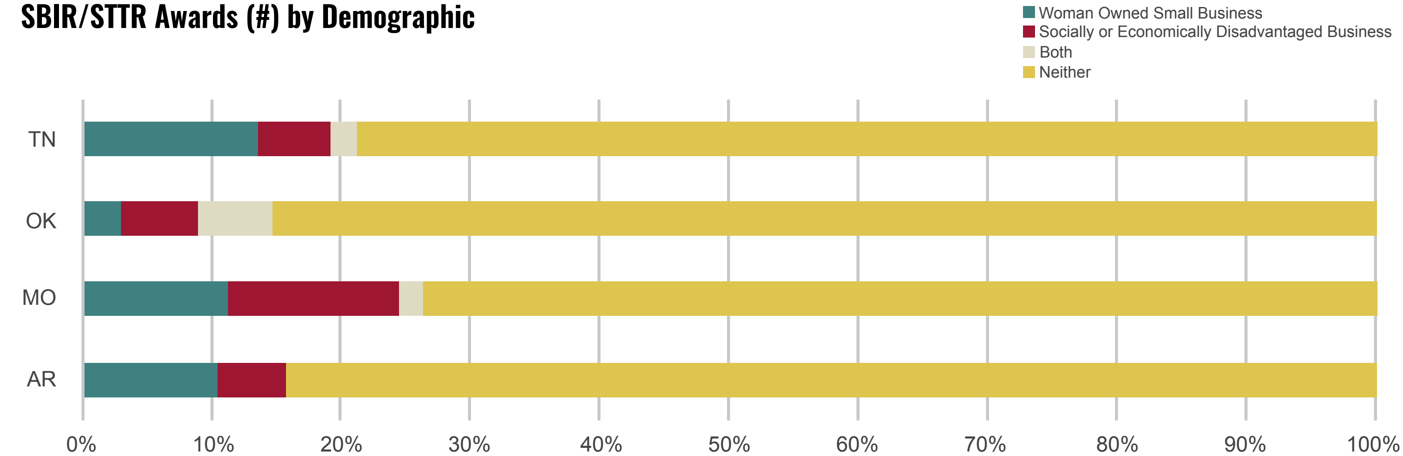
SBIR/STTR Awards ($) by Demographic



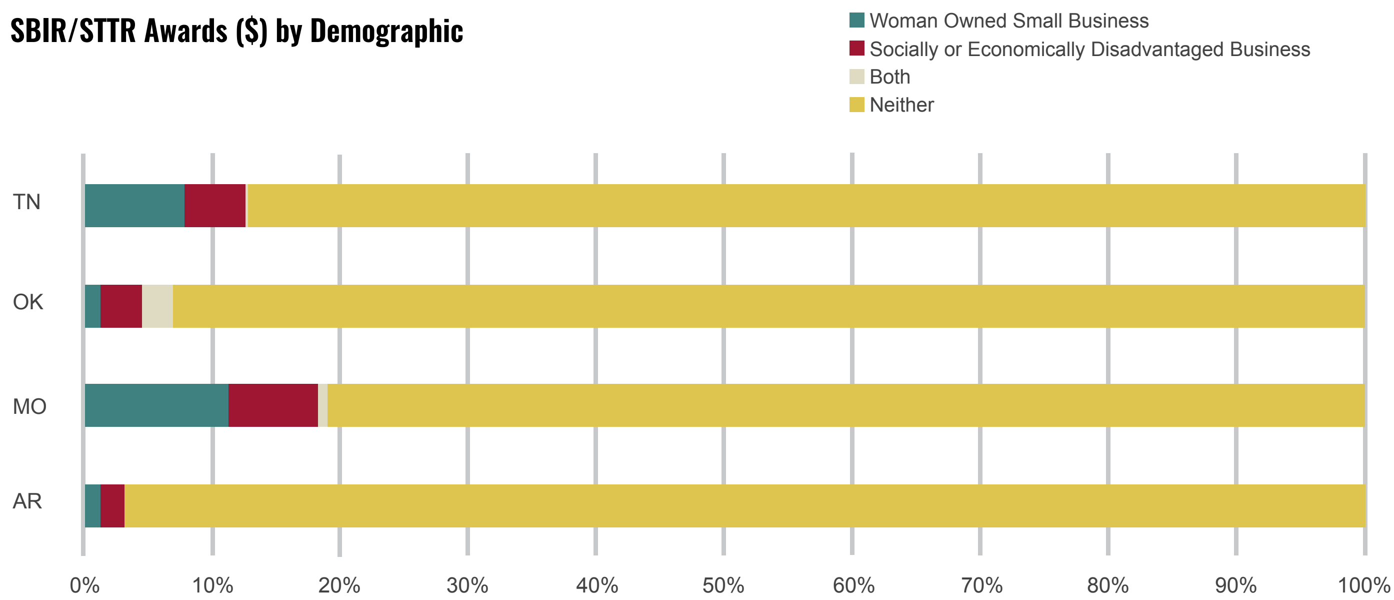
Nearby, Tennessee and Oklahoma show similar low levels of SBIR/STTRs going to SDBs, but Missouri's rate is significantly higher, with 13.2% of awards and 7% of total SBIR/STTR funding going to SDBs. Nationwide in 2019 (the most recent report available), 11% of SBIR/STTR grants went to SDBs, putting Arkansas and the whole mid-South region behind the rest of the nation (U.S. Small Business Association Office of Investment and Innovation, 2019).

Since 2001, only 6 of the 548 awards (1.1%) given to Arkansas companies have gone to socially and economically disadvantaged small businesses, including just two awarded in 2020. In the last 20 years, not a single company that identified as both women-owned and socially and economically disadvantaged received an SBIR or STTR award. This means that not one business owned by a woman of color or a low-income woman in Arkansas has received an SBIR or STTR award.

SBIR/STTR Awards (#) by Demographic



SBIR/STTR Awards ($) by Demographic



ASBTDC SUPPORT FOR SMALL BUSINESS GROWTH AND COVID-19 RECOVERY

The Arkansas Small Business and Technology Development Center is helping to grow SBIR/STTR awards in Arkansas by offering support to small business applicants. In 2021, 23 companies, either first-time or previously unsuccessful applicants, took part in the center's eight-week virtual Lab2Launch accelerator. Leanne Mausell, PI for Children and Family Evaluation Services' (CAFES) successful Phase I application notes that with ASBTDC support, CAFES was able to "learn the SBIR process and get a proposal submitted" much more quickly and efficiently than they would have been able to otherwise.

One of the ASBTDC's central goals is to achieve greater equity in the number of women-led and socially and economically disadvantaged small businesses winning SBIR/STTR awards. In 2021, to increase their impact on SBIR/STTR equity in Arkansas, the ASBTDC expanded to four new sites in partnership with institutions of higher education, including two community colleges and an HBCU. Arkansas small businesses can also now go through the ASBTDC to join the accelerator program with the regional Four-State FAST Collaborative that helps small companies compete for National Science Foundation seed funding for innovative technologies.

The ASBTDC is part of a national network of Small Business Development Centers that have a tremendous impact across the nation. In addition to supporting clients with moving technological innovations to the marketplace, in 2021 the ASBTDC supported Arkansas businesses in attaining $95.5 million in capital investments and $70.3 million in COVID-19 relief funding. Their advocacy and programs supported 12,685 jobs, 181 new business starts, and $389 million in increased sales.

SHUTTERED VENUE OPERATORS GRANT

This year, Arkansas businesses also had the opportunity to apply for emergency assistance through the federal Shuttered Venue Operators Grant program. The grant's mission is to “support the ongoing operations of eligible live venues and operators, live venue promoters, theatrical producers, talent representatives, live performing arts organization operators, museums, and motion picture theaters during the uncertain economic conditions caused by the COVID-19 pandemic.” Eligible applicants are able to apply for grants equivalent to 45% of their gross revenue (up to $10 million) (U.S. Small Business Administration Office of Disaster Assistance, 2021).

Arkansas businesses applied for fewer Shuttered Venue Operators Grants and received less funding than their peers in nearby states. Arkansas companies received $53,221,135 in grants ($17.59 per capita) and 118 total grants averaging $451,027 each. The state received 3.9 grants per 100,000 residents, including 73 initial grants and 45 supplemental grants.

By comparison, not only was Missouri’s grant number per capita higher, but the average grant amount was significantly higher (38.9%, or $626,627). Oklahoma had a comparable grants-per-capita as Arkansas, but, again, the average grant size was 20.1% higher. Tennessee’s number of grants and average amount exceeded all three comparator states, with grants averaging 60.8% higher than those in Arkansas.

In summary, Arkansas received significantly less COVID relief from this grant in comparison to similar states. The reasons for this could have to do with the specific nature of each state’s economy (Tennessee’s strong entertainment and tourism climates, for example). However, since no geographic, industry, or demographic data has been made publicly available for this grant, it is difficult to be certain of the reasons for the differences in funding.

	Arkansas	**Missouri**	**Oklahoma**	**Tennessee**
Total award	$53,221,135	$226,212,405	$89,392,258	$361,097,249
Total # grants	118	361	165	498
Avg award	$451,027	$626,627	$541,771	$725,095
# per 100K	3.9	5.9	4.1	7.1
$ per capita	$17.59	$36.67	$22.42	$51.77
% more than Arkansas (avg award)		38.9%	20.1%	60.8%

DEBT

INTRODUCTION

Not all enterprises are funded with equity capital or nondilutive grant funding. While early-stage ventures often veer away from debt, given the potential for financial distress if they find themselves unable to repay the interest and principal of a loan, for other businesses it can be a wise funding option to expand or maintain a business. Entrepreneurs with a track record of stable cash flows in the business, or with the personal ability to collateralize a loan, may choose to borrow from a commercial lender rather than give up any equity to raise capital to grow their business. This section explores the available data on small business lending in the state of Arkansas.

PAYROLL PROTECTION PROGRAM LENDING IN ARKANSAS

The Payroll Protection Program (PPP) distorted our lending results in the 2020 Arkansas Capital Scan, and here we track the program's continued impact on the levels of commercial lending in the first two quarters of 2021, which is followed by a return to relatively normal levels of lending in the second half of the year after the conclusion of PPP.

PPP provides a rich source of demographic data that is typically lacking in bank lending data that we compile from Call Reports. We see that in 2021, the number of PPP loans in Arkansas and comparator states increased, though with substantially lower dollar volumes in each state (U.S. Small Business Administration Office of Capital Access, 2022).

PPP Totals (Dollar and Number of Loans)—2020 and 2021, state comparisons

	2020	2021	*Grand Total*
AR			
(#)	43,403	58,638	*102,041*
($)	$3,303,417,734	$1,693,165,832	*$4,996,583,567*
MO			
(#)	95,025	138,119	*233,144*
($)	$9,179,545,819	$4,535,210,262	*$13,714,756,081*
OK			
(#)	65,931	88,975	*154,906*
($)	$5,433,449,626	$2,892,580,501	*$8,326,030,127*
TN			
(#)	98,204	131,527	*229,731*
($)	$8,948,155,129	$4,421,161,885	*$13,369,317,014*
Total (#)	**302,563**	**417,259**	***719,822***
Total ($)	**$26,864,568,308**	**$13,542,118,481**	***$40,406,686,789***

We see that Arkansas Congressional Districts 2 and 3 (covering the Central Arkansas and Northwest Arkansas metro regions) received the most PPP funding by dollar amount and by number of loans, though AR-01 and AR-04 were competitive in 2021 on a per capita basis (U.S. Census Bureau, 2022).

District	2020	2021	Grand Total	2020 Per Capita	2021 Per Capita
AR-01					
(#)	10,836	16,735	27,571	0.015	0.023
($)	$636,541,942	$385,915,626	$1,022,457,568	$885	$537
AR-02					
(#)	12,021	15,979	28,000	0.016	0.021
($)	$1,082,829,587	$532,224,951	$1,615,054,537	$1,411	$693
AR-03					
(#)	12,176	11,570	23,746	0.015	0.014
($)	$1,003,958,569	$422,925,377	$1,426,883,946	$1,211	$510
AR-04					
(#)	8,359	14,353	22,712	0.012	0.021
($)	$579,785,596	$352,089,950	$931,875,546	$826	$502
Total (#)	**43,392**	**58,637**	**102,029**	**0.01**	**0.02**
Total ($)	**$3,303,115,693**	**$1,693,155,904**	**$4,996,271,598**	**$1,095**	**$561**

Interestingly, among PPP borrowers who revealed their demographic data, Black or African American business owners in Arkansas saw a dramatic uptick in the number and quantity of PPP loans in 2021 compared to the prior year, while Native Hawaiian or Other Pacific Islanders also doubled the amount of PPP dollars borrowed year-over-year. The rest of the demographic categories were relatively flat (or even declined), though this may be a reporting artifact given the large number of loans in the "Unanswered" category.

AR PPP Loans by Demographic	(#)	($)
2020	**43,403**	**$3,303,417,734**
American Indian or Alaska Native	598	$41,883,360
Asian	382	$13,582,824
Black or African American	511	$15,614,501
Native Hawaiian or Other Pacific Islander	7	$148,301
Unanswered	35,352	$2,714,770,026
White	6,553	$517,418,723
2021	**58,638**	**$1,693,165,832**
American Indian or Alaska Native	1,085	$44,988,151
Asian	509	$15,171,969
Black or African American	6,786	$112,071,200
Native Hawaiian or Other Pacific Islander	27	$334,093
Unanswered	40,959	$1,257,914,468
White	9,272	$262,685,951
Grand Total	**102,041**	**$4,996,583,567**

Female-owned Arkansas businesses more than doubled the number of PPP loans taken out in 2021 compared to 2020, while male-owned businesses increased but not as dramatically. The dollar amounts provided to female-owned Arkansas businesses declined slightly, while the PPP dollars taken in by self-reported male-owned Arkansas businesses declined at a more substantive pace in the second year of the program.

AR PPP by Gender	(#)	($)
2020	**43,403**	**$3,303,417,734**
Female Owned	4,021	$226,090,691
Male Owned	10,407	$841,242,102
Unanswered	28,975	$2,236,084,941
2021	**58,638**	**$1,693,165,832**
Female Owned	9,575	$204,412,760
Male Owned	15,350	$526,412,807
Unanswered	33,713	$962,340,265
Grand Total	**102,041**	**$4,996,583,567**

Hispanic or Latino businesses also saw an increase in both the number and overall size of lending between the two years, while the dollar volume for businesses reporting "Not Hispanic or Latino" declined in the second year of the program.

AR PPP Loans by Ethnicity	(#)	($)
2020	**43,403**	**$3,303,417,734**
Hispanic or Latino	338	$18,641,069
Not Hispanic or Latino	9,826	$749,206,792
Unknown/Not Stated	33,239	$2,535,569,874
2021	**58,638**	**$1,693,165,832**
Hispanic or Latino	725	$20,663,575
Not Hispanic or Latino	18,376	$529,014,983
Unknown/Not Stated	39,537	$1,143,487,274
Grand Total	**102,041**	**$4,996,583,567**

These general trends indicate that the second year of the PPP program was vital for women and BIPOC founders in the state of Arkansas who were able to increase their share of forgivable business loans through the PPP program in 2021.

COMMERCIAL BANK LENDING IN ARKANSAS

The commercial bank business in Arkansas has followed national trends of industry consolidation, with the top 10 commercial banks accounting for 76.4% of commercial loans by volume at the end of 2021.

Commercial Loan Concentration as of EOY 2021	Arkansas market share
Arvest Bank	23.96%
Simmons Bank	19.32%
Centennial Bank	13.30%
Bank OZK	4.90%
First Security Bank	4.68%
Farmers Bank & Trust Company	2.47%
First Community Bank	2.33%
Encore Bank	2.25%
First Arkansas Bank & Trust	1.61%
Southern Bancorp	1.58%

However, as we reported in the 2020 Arkansas Capital Scan, smaller rural and community banks play an outsized role in their communities in terms of commercial lending, as judged by the commercial loan percentage of their total loan portfolio. When we sort Arkansas commercial banks by their metropolitan statistical areas (MSA) and analyze a bank's average percentage of commercial loans in their loan portfolio, we see that the "Blank - NON-MSA" category (those banks whose headquarters is not associated with any metropolitan area) consistently are among the highest commercial loan shares in the loan portfolio.

Commercial Loans % of Total Loans by MSA	2021/03/31	2021/06/30	2021/09/30	2021/12/31	Grand Total
Arkadelphia AR	19.30	16.18	12.74	13.19	15.36
Batesville AR	15.07	12.80	11.88	11.31	12.77
Blytheville AR	19.46	16.18	13.73	14.31	15.92
Camden AR	11.28	11.05	11.14	10.50	10.99
El Dorado AR	9.86	8.90	9.17	9.14	9.27
Fayetteville-Springdale-Rogers AR-MO	13.02	12.72	11.35	11.50	12.18
Forrest City AR	17.18	14.94	13.26	14.80	15.05
Fort Smith AR-OK	13.99	13.37	11.68	11.38	12.61
Helena-West Helena AR	24.42	18.39	16.57	16.04	18.85
Jonesboro AR		12.69	11.48	11.71	11.96
Little Rock-North Little Rock-Conway AR	15.45	14.83	14.43	14.32	14.76
Magnolia AR	12.93	12.59	11.27	11.65	12.11
Memphis TN-MS-AR	15.09	16.61	13.94	13.84	14.89
Paragould AR	10.31	8.88	8.13	7.73	8.77
Pine Bluff AR	18.33	16.10	15.30	15.36	16.28
Russellville AR	13.58	14.36	14.16	13.19	13.82
Searcy AR	16.73	16.62	14.55	15.48	15.85
(blank - NON-MSA)	18.39	17.44	16.01	15.80	16.92
Grand Total	**16.52**	**15.58**	**14.35**	**14.25**	**15.18**

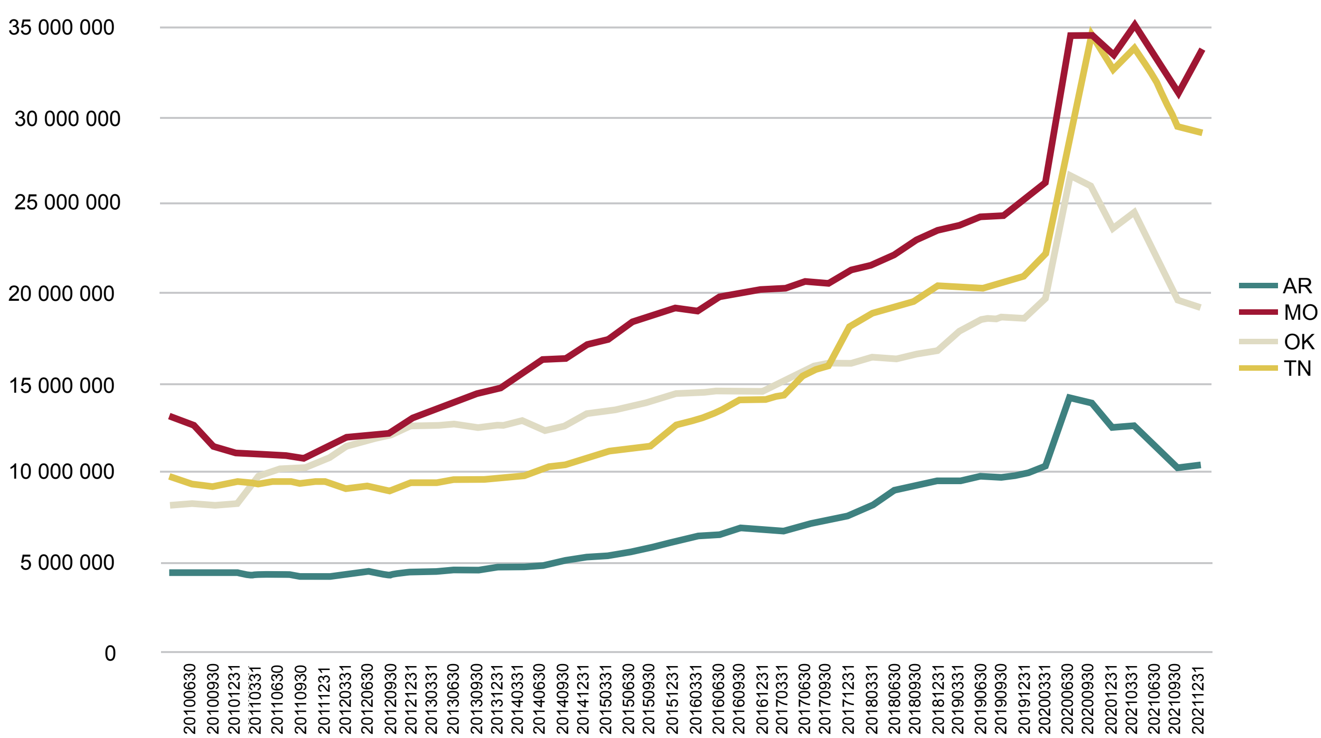
By dollar amounts, the MSAs of Fayetteville-Springdale-Rogers AR-MO and Little Rock-North Little Rock-Conway AR provide the highest volume of commercial loans.

Dollar amounts of commercial loans on the books of Arkansas banks by MSA	2021/03/31	2021/06/30	2021/09/30	2021/12/31	Grand Total
Arkadelphia AR	$226,468	$209,767	$163,078	$164,518	$763,831
Batesville AR	$366,215	$328,613	$310,651	$309,036	$1,314,515
Blytheville AR	$41,784	$36,314	$32,523	$30,824	$141,445
Camden AR	$6,958	$6,426	$6,316	$5,756	$25,456
El Dorado AR	$141,928	$119,289	$117,922	$115,720	$494,859
Fayetteville-Springdale-Rogers AR-MO	$3,452,663	$3,046,231	$2,739,786	$2,791,216	$12,029,896
Forrest City AR	$67,657	$68,751	$67,042	$72,033	$275,483
Fort Smith AR-OK	$265,839	$243,389	$207,669	$179,941	$896,838
Helena-West Helena AR	$60,627	$50,004	$49,519	$44,155	$204,305
Jonesboro AR		$20,880	$19,458	$19,117	$59,455
Little Rock-N. Little Rock-Conway AR	$3,070,776	$2,762,172	$2,477,493	$2,482,223	$10,792,664
Magnolia AR	$282,194	$266,724	$248,042	$266,436	$1,063,396
Memphis TN-MS-AR	$162,176	$140,596	$119,042	$129,908	$551,722
Paragould AR	$154,347	$137,602	$149,868	$140,697	$582,514
Pine Bluff AR	$2,604,076	$2,232,857	$1,976,825	$2,153,749	$8,967,507
Russellville AR	$130,028	$153,156	$153,322	$141,792	$578,298
Searcy AR	$513,221	$523,087	$450,658	$488,326	$1,975,292
(blank - NON-MSA)	$1,061,775	$1,016,371	$926,503	$888,935	$3,893,584
Grand Total	**$12,608,732**	**$11,362,229**	**$10,215,717**	**$10,424,382**	**$44,611,060**

Standing out when both tables are compared is the high percentage of commercial loans in the portfolio and correspondingly high dollar volume of commercial loans in total for the Pine Bluff MSA.

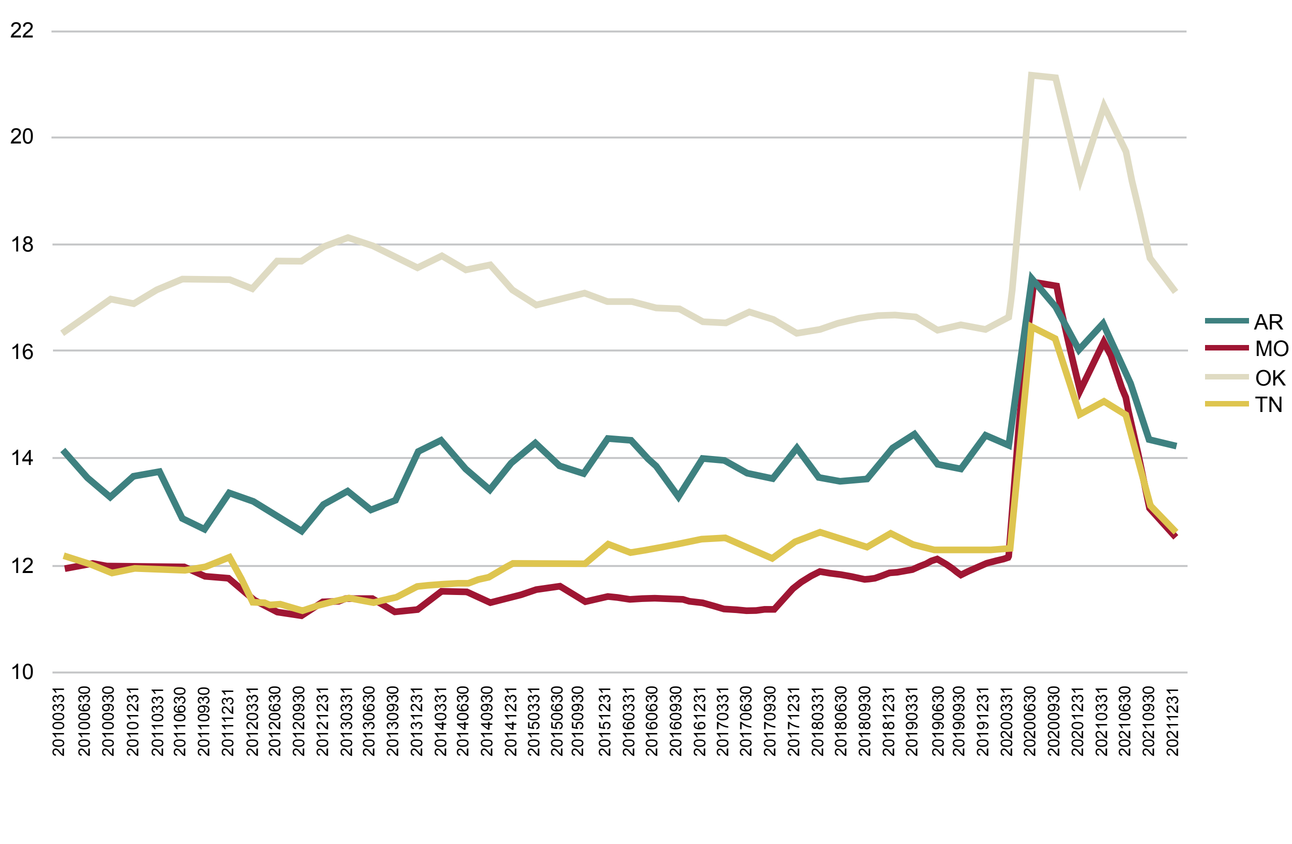
Compared to our neighboring states, we see that Arkansas trails behind in dollar amounts of commercial loans. When graphed, we can clearly see the pulse of capital from PPP beginning to taper off to normal in Q3 and Q4 of 2021. Commercial lending in Arkansas fell after the end of PPP to a level that might be predicted from 2019 levels, while Tennessee and Missouri experienced elevated levels of lending even after the end of PPP.

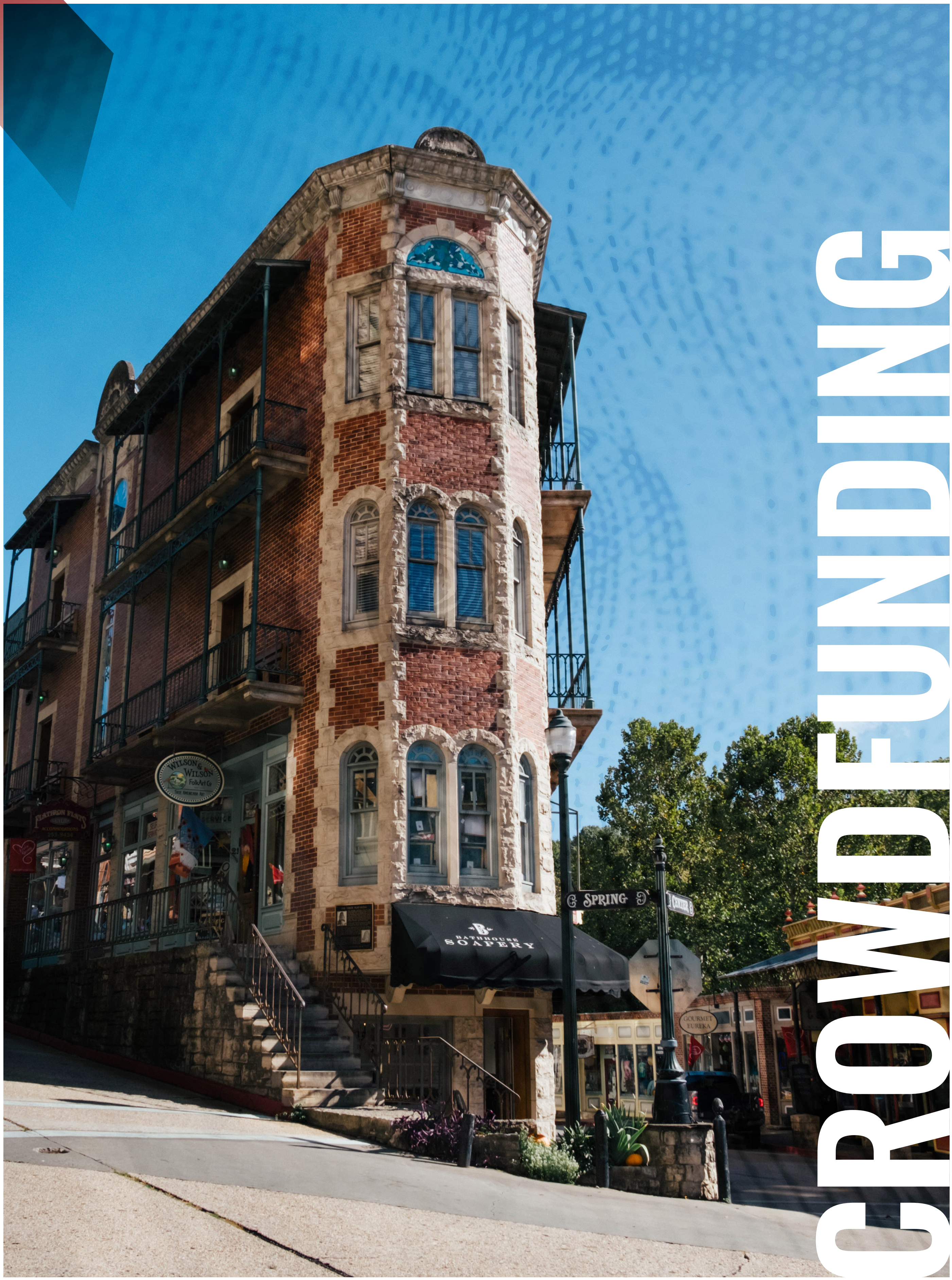
Commercial Lending - AR vs Nearby States



When commercial loans are viewed as a percentage of total bank loans, however, we see that Arkansas banks are performing more commercial lending than their peers in Missouri and Tennessee, with only Oklahoma showing higher commercial loan portfolio values than Arkansas. This ratio is roughly consistent with its pre-pandemic level in Arkansas.

Commercial Lending % of Total Loans AR vs Nearby States





CROWDFUNDING

INTRODUCTION

When an innovator or entrepreneur has an idea for a potential product or service that either might not be a good fit for a traditional source of capital due to the stage or market, or if the entrepreneur does not have the network or resources to secure seed or angel investment, they may turn to crowdfunding to secure the funds they need.

Crowdfunding allows entrepreneurs to raise funds from a broad pool of small backers, rather than a large sum from one main investor or a small group of large investors. This diversifies the pool of investors and minimizes the risk for any given investor. It also broadens the pool of potential investors, as someone interested in investing is not required to have accreditation.

***Crowdfunding (n.)*:**

The practice of funding a project or venture by raising money from a large number of people individually contributing a relatively small amount of money.

In March 2021, the power of crowdfunding greatly expanded in both Arkansas and across the country. New U.S. investment regulations went into effect that allow startups to raise equity investment up to $5 million in a one-year period from unaccredited investors (previously, the limit was $1.07 million). Crowdfunding platforms have experienced a rapid rise in activity in the months since. Total crowdfunding investment in Arkansas in 2021 was 450% greater than in 2020 ($1,475,115 compared to $268,210). 2022 totals promise to be even higher.

TYPES OF CROWDFUNDED INVESTMENTS

Typically, the funds from a crowdfunding campaign come in one of three forms:

Product or Pre-Sales: These are the most common campaigns on platforms such as Kickstarter and Indiegogo. These crowdfunding campaigns structure investment levels with “awards” of products or services that they will be creating with the seed investment. They minimize risk for the innovator, who will only invest time and money once they reach a certain level of investment. It also minimizes the risk for the investor, who typically invests a small amount and will often have that investment returned if the campaign goals are not met.

Debt: The most well-known platform in this field is Kiva, which allows innovators and entrepreneurs to raise debt capital from a large number of small investors. Debt crowdfunding can be a critical way to get the funds needed to start up at favorable terms, particularly for entrepreneurs who do not have access to traditional forms of capital.

Equity: This is the newest type of crowdfunding available to entrepreneurs. Equity crowdfunding allows the investor to purchase securities (either equity, revenue share, convertible note, SAFE, or other). While little data is currently available, since the March 2021 change in crowdfunding regulations, equity crowdfunding seems to be on the rise in Arkansas and around the nation. The best evidence we see of that rise is the growth of new crowdfunding investing platforms like Republic and Wefunder, which just opened an office in Northwest Arkansas. On these platforms, small-scale investors can support companies in their own communities or companies with products that interest them and inspire their confidence for as little as $100. Because of its newness, there were no equity crowdfunding rounds raised in 2021, and it will not be further discussed in this report. But with campaigns ramping up in 2022, we anticipate reporting on equity crowdfunding deals in the next report.

LIMITATIONS ON DATA

Data on these types of investments can be difficult to source, as the platforms are varied and are not required to report into a single entity, as is required for venture capital. The Arkansas Capital Scan team sourced the campaigns on the most common platforms by region and leveraged the entrepreneurial community to identify any additional campaigns done formally or informally within Arkansas.

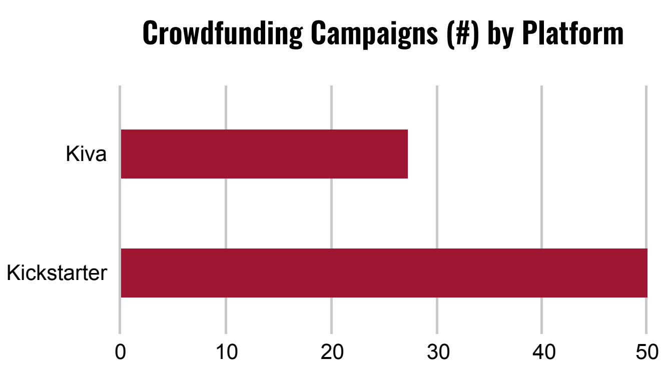
Crowdfunding data also reflects some individual projects or innovative ideas that are at the very beginning stages of becoming potential companies. Not all crowdfunding projects end up becoming companies or part of companies.

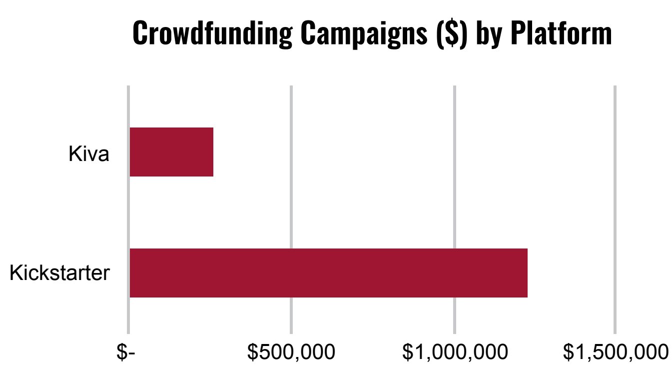
Given its limitations and complexities, the crowdfunding data here should be evaluated as generally reflective of the activity in Arkansas but not exhaustive in nature.

CROWDFUNDING TOTALS

In 2021, we have data on 50 product crowdfunding deals in Arkansas. In aggregate, they raised $1,219,615. Additionally, we know of 27 debt crowdfunding campaigns completed through Kiva totaling $255,500.

While Kiva campaigns made up 35.1% of the campaigns in Arkansas, they only accounted for 17.3% of the funds raised. The average campaign on Kiva was $9,463, compared to $24,392 on Kickstarter.

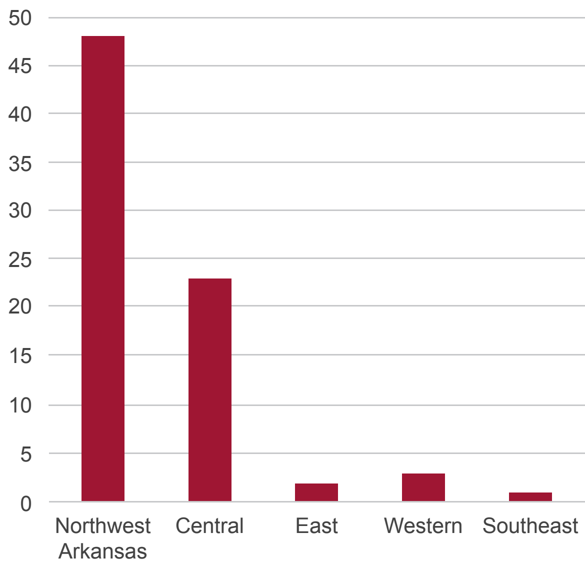




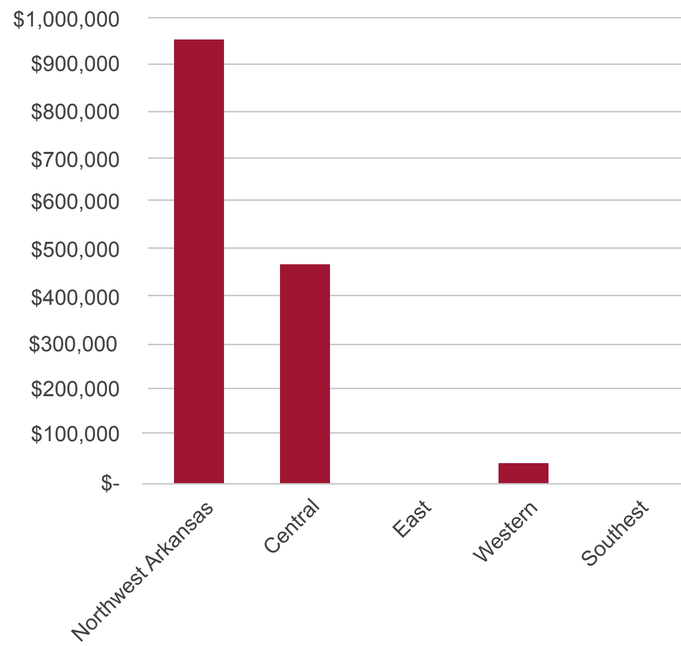
CROWDFUNDING REGIONS

With its expanded limits, crowdfunding is becoming a more and more powerful democratic investment tool, expanding opportunities for economic growth in every region. This year 62.3% of crowdfunding capital went to companies in Northwest Arkansas, while 29.9% went to companies in Little Rock and Conway (Central Arkansas). The remaining 7.8% of campaigns were completed by companies in other areas of the state, with a significant concentration in the Western region in and around Fort Smith.

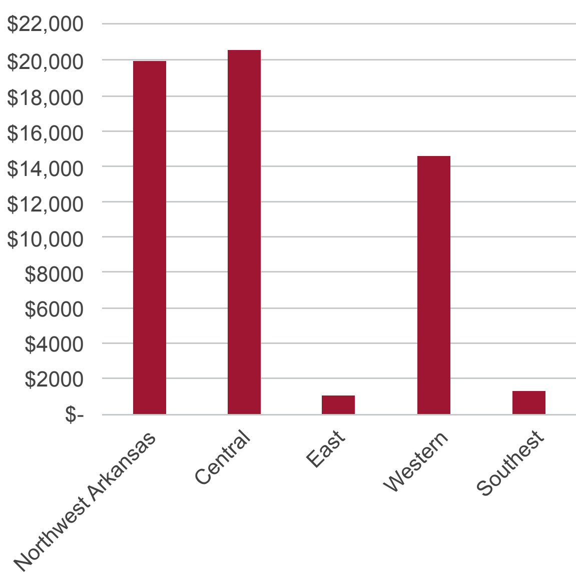
Crowdfunding Campaigns (#) by Region



Crowdfunding Campaigns ($) by Region



Crowdfunding Campaigns | Average Investment by Region



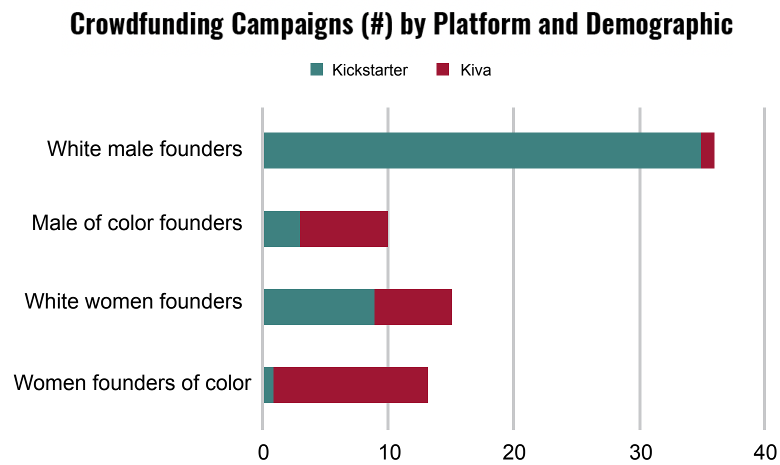
The dollars raised through these campaigns were largely proportional to the number of campaigns run in each region. Campaigns in Northwest Arkansas and Central Arkansas collectively raised 96.8% of all the crowdfunding dollars. The campaigns in East and Southeast Arkansas were all under $2,000.

While Northwest Arkansas dominates the crowdfunding dollars raised, it is important to note that one campaign (LIVSN Designs raising $514,624 for a product) represents 53.8% of all the dollars raised in the region and 34.9% of all dollars raised across the state. That significantly increases the average

DEMOGRAPHICS OF CROWDFUNDING IN ARKANSAS

Crowdfunding broadly reflects the uneven distribution seen across all sources of capital. Women of color owned 16.9% of the companies that received crowdfunding in Arkansas this year and received only 7.2% of total funding. White women owned 19.5% of companies (receiving 7.4% of total funding). Men of color owned 13% of the companies (receiving 22.5% of total funding). White men owned less than half—46.8%—of the companies funded by crowdfunding in 2021, but they received more than half of the funding (61.2%).

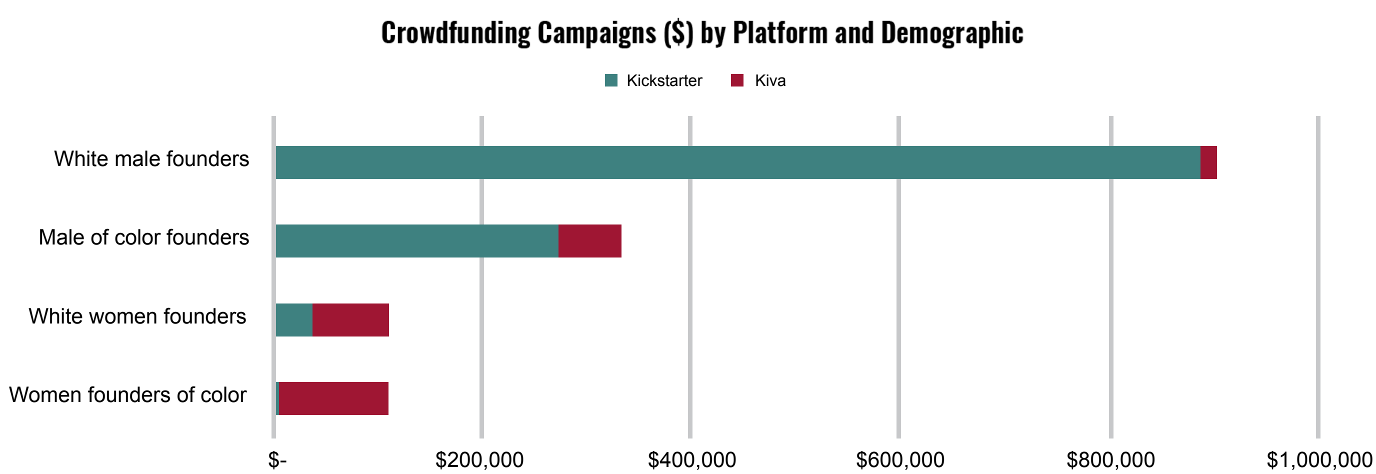
Contextualizing these percentages is important as well because several of the crowdfunding raises this year were exceptionally large. For example, 57% of the funds going to white male entrepreneurs went to one company (LIVSN Designs). Further, 77.3% of the funds going to entrepreneurs who are men of color went to Timothy Lim, a comic design artist and co-creator of two successfully crowdfunded comics—Black Hops: U.S.A.-*-G.I. and Kamen America.



Compared to angel/seed funding (the other most common form of early-stage business funding), women and entrepreneurs of color received a larger percentage of crowdfunding investments—37.1%, as compared to 14.2% of total angel/seed funding.

Crowdfunding was successful this year in supporting the launches of diversely owned companies. The ways in which these were funded, however, were different: companies owned by women relied much more heavily on debt crowdfunding than those owned by men.

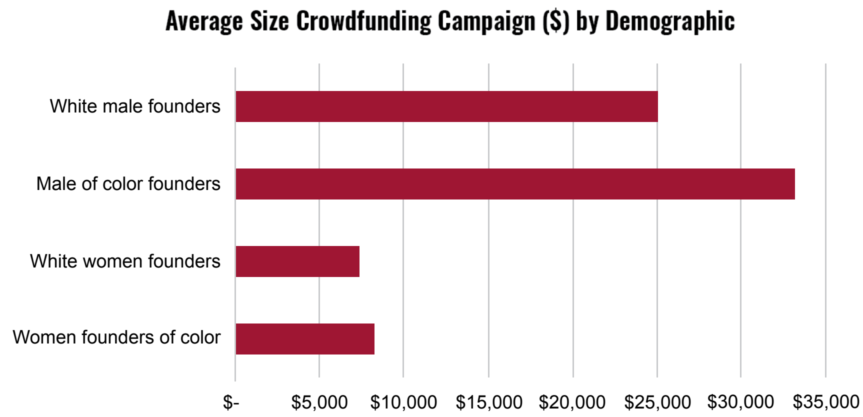
Of the total crowdfunding investments raised for white-male-owned companies, 98.3% occurred via product funding—be it pre-sales or awards (via Kickstarter). By contrast, 95.7% of the crowdfunding women of color raised came from debt while 64.7% of crowdfunding raised by white women came from debt (via Kiva).



Compared to other sources of investment, debt crowdfunding has a higher cost due to interest. Debt crowdfunding is therefore less beneficial to a company's ability to launch, scale, and sustain its work. Only 17.4% of funding for companies owned by men of color (and 1.7% for companies owned by white men) consisted of debt funding.

Either male founders strongly prefer and thus only choose to pursue product funding, or small investors feel more comfortable supporting pre-sales by male-owned businesses. This trend is evident on the national level. A targeted study on Kickstarter found that women make up a smaller share of the entrepreneurs on the platform (34.7%) and that both male and female backers of campaigns predominantly pledge projects led by male entrepreneurs (40% of pledges from female backers and 22.6% of pledges from male backers went to female-led projects) (Gafni et al., 2021).

In addition to debt versus product-funding disparities, the average amounts that each crowdfunding campaign raised differed by demographic. White male founders received an average of $25,079 per campaign, and male founders of color received an average of $33,133. These numbers are skewed by the small number of outsized deals mentioned above, but they are still significantly higher than the average raises that women received. In 2021, women founders of color received an average of $8,195 in (primarily debt) funding, and white women received $7,311.



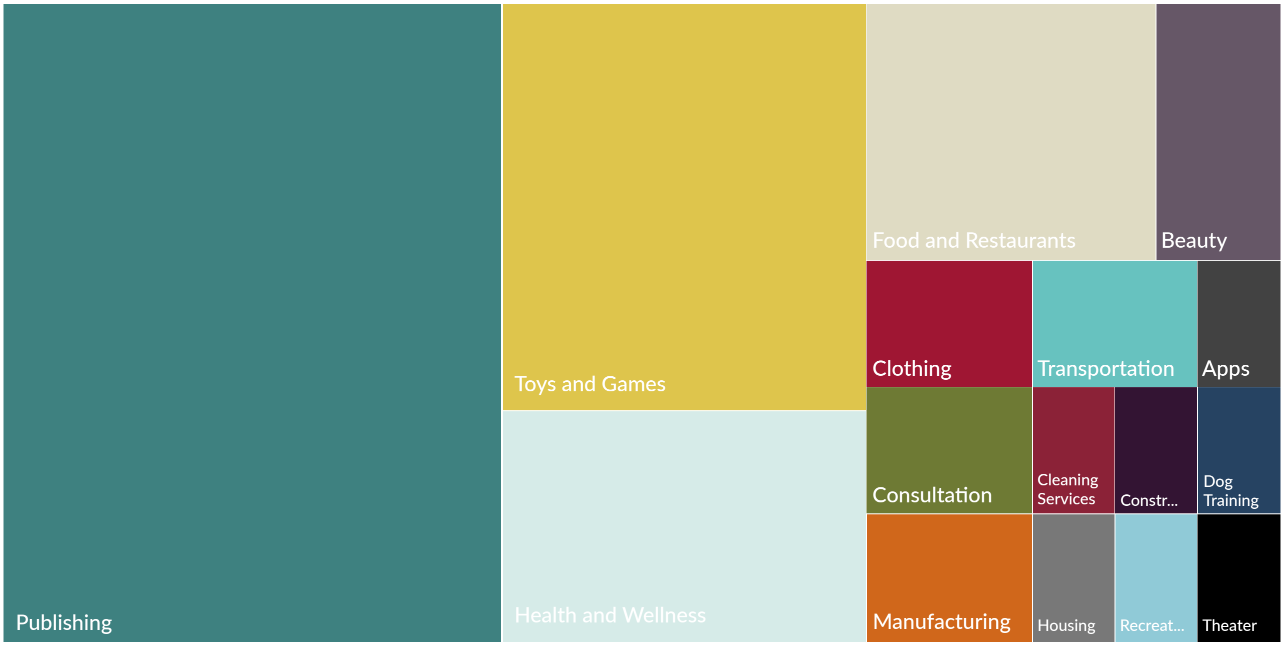
CROWDFUNDING INDUSTRIES

In terms of state totals, crowdfunding campaigns supported clothing companies more than any other industry this year. While those campaigns only represented 2.6% of campaigns in Arkansas, they brought in 35.2% of all dollars raised. Of the industry's $519,624 total, the vast majority went to one company, LIVSN Designs. In fact, LIVSN's campaign achieved the biggest single crowdfunding raise to date in Arkansas (Hale, 2021).

The publishing and toy/game industries also saw significant crowdfunding successes in 2021 (receiving 30.2% and 12.3% of state totals, respectively). Additionally, seven Arkansas food companies and restaurants launched through crowdfunding, averaging $10,800 in investments and 5.2% of the state total. Eight health and wellness companies got their initial investments through crowdfunding as well, receiving an average of $13,300 each, for 7.2% of the state total.

CROWDFUNDING ($) BY INDUSTRY

CROWDFUNDING CAMPAIGNS (#) BY INDUSTRY



2022 promises to be a big year for crowdfunding across these and other industries as Wefunder expands and Kickstarter and KIVA continue to grow as a result of crowdfunding's expanded limits.

DATA SOURCES

The conclusions that this study presents are based on a broad cross section of primary and secondary data from government offices, interviews with investors, and surveys from entrepreneurs. The goal for this study was to capture as much of the deal flow in Arkansas as we could within the constraints of the available data. Specific data limitations are discussed within the relevant sections of this report to contextualize the analyses, and the full list of data sources has been included below.

Arkansas Division of Workforce Services. (2021, January). Arkansas labor market report. https://www.discover.arkansas.gov/_docs/Publications/Arkansas-Labor-Market/2021/January-2021-LM-Report.pdf

Arkansas Economic Development Commission. (2021, July 7). Arkansas ranks 2nd for most pandemic-proof small businesses. https://www.arkansasedc.com/news-events/arkansas-inc-blog/post/active-blogs/2021/07/07/arkansas-ranks-2nd-for-most-pandemic-proof-small-businesses

Castrellon, Lindsey. (2022, April 22). Planting, cultivating, reaping: Farm investment startup experiencing record growth. Arkansas Money & Politics. https://www.armoneyandpolitics.com/planting-cultivating-reaping-farm-investment-startup-experiencing-record-growth/

Daniel, Will. (2022, March 31). U.S. companies post their biggest profit growth in decades by jacking up prices during the pandemic. Fortune. https://fortune.com/2022/03/31/us-companies-record-profits-2021-price-hikes-inflation/

Ewing Marion Kauffman Foundation. (2022). Kauffman indicators of entrepreneurship. https://indicators.kauffman.org/data-tables/earlystage

Fenner, Justin. (2021, June 18). Black Wall Street is alive and thriving—and America needs it now more than ever. The Robb Report. https://robbreport.com/lifestyle/news/black-wall-street-movement-1234619970/

Gafni, H., Marom, D., Robb, A., & Sade, O. (2021, March). Gender dynamics in crowdfunding (Kickstarter): Evidence on entrepreneurs, backers, and taste-based discrimination. Review of Finance 25(2), 235–274. https://doi.org/10.1093/rof/rfaa041

Gittleman, Maury. (2022, July). The "Great Resignation" in perspective. Monthly Labor Review. U.S. Bureau of Labor Statistics. https://www.bls.gov/opub/mlr/2022/article/the-great-resignation-in-perspective.htm

Hale, Tyler. (2021, March). LIVSN Design sets record for most funded Arkansas project on Kickstarter. Arkansas Money & Politics. https://www.armoneyandpolitics.com/livsn-design-sets-record-for-most-funded-arkansas-project-on-kickstarter/

Hwang, V., Desai, S., & Baird, R. (2019, May 20). Access to capital for entrepreneurs: Removing barriers. Ewing Marion Kauffman Foundation. https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3389924

Miller, Stephen. (2022, January 28). Wages and salaries up 5% for private industry workers in 2021, less than inflation. Society for Human Resource Management. https://www.shrm.org/resourcesandtools/hr-topics/compensation/pages/wages-and-salaries-up-5-percent-for-private-industry-workers-in-2021-bls-reports.aspx

Noel, N., Pinder, D., Stewart, S., & Wright, J. (2019, August 13). The economic impact of closing the racial wealth gap. McKinsey Institute for Black Economic Mobility. https://www.mckinsey.com/industries/public-and-social-sector/our-insights/the-economic-impact-of-closing-the-racial-wealth-gap

U.S. Census Bureau. My Congressional District webpage. https://www.census.gov/mycd/?st=05&cd=01.

U.S. Department of Commerce, Bureau of Economic Analysis. (2022, March 30). Gross domestic product (third estimate), corporate profits, and GDP by industry, fourth quarter and year 2021 [Press release]. https://www.bea.gov/sites/default/files/2022-03/gdp4q21_3rd.pdf

U.S. Small Business Administration. State funds for SBIR companies. (2021, July.) https://www.sbir.gov/sites/default/files/2021_State-Funds-for-SBIR-companies_0826.pdf

U.S. Small Business Administration Office of Capital Access. PPP FOIA data and resources webpage. https://data.sba.gov/dataset/ppp-foia

U.S. Small Business Administration Office of Disaster Assistance. (2021, December 27). Shuttered Venue Operators Grant public report. https://www.sba.gov/sites/default/files/2021-12/SVOG%20Public%20Report%20-%20Midday%2027%20Dec%202021_revised%5B508%5D%20%281%29.pdf

U.S. Small Business Administration Office of Investment and Innovation. (2019). Annual report: Fiscal year 2019. https://www.sbir.gov/sites/default/files/SBA_Final_FY19_SBIR_STTR_Annual_Report.pdf

Women's Foundation of Arkansas. (2021). Women of color business owners and entrepreneurs in Arkansas. http://www.arkansasedc.com/docs/default-source/women-and-minority/women-of-color-business-owners-report.pdf?sfvrsn=1acda252_2

THANK YOU FOR READING THE 2021 ARKANSAS CAPITAL SCAN.

This marked the second year of the Arkansas Capital Scan. Since this project began, we have endeavored to develop a landscape scan of the capital resources available to businesses in Arkansas in an effort to understand deal flow and identify gaps and opportunities for new programs and policies to attract investment to Arkansas businesses.

This report was only possible thanks to the advice and inputs of entrepreneurs, investors, and stakeholders like you. As we plan for the 2022 Arkansas Capital Scan, we welcome any questions, comments, or feedback on our findings for 2021. If you are an entrepreneur and interested in reporting capital raised, we invite you to email us to receive notification of the release of the 2022 survey.

EMAIL: oei@uark.edu
WEBSITE: https://entrepreneurship.uark.edu/capital-scan.php