Arkansas Capital Scan

2023

UNIVERSITY OF ARKANSAS | Entrepreneurship and Innovation

Northwest Arkansas Council

TABLE OF
Contents

EXECUTIVE Summary

The 2023 capital landscape in Arkansas reveals significant trends and shifts in angel, venture capital (VC), non-dilutive funding, and crowdfunding investments. While overall funding has declined, demographic diversification and regional differences present notable insights.

Angel and Seed Funding

Nationally, angel and seed funding dropped by over 30%, with Arkansas seeing 21 deals in 2023 totaling $14.7 million—a 16.9% decrease from 2022. Despite the decline, there is a positive trend toward increased diversity across angel and seed funding allocations, with 23.8% of investment dollars directed toward non-white male founders, up from 13.9% in 2022. Arkansas, though aligned with national trends, is showing increased sector diversification, which could potentially signal a more sustainable investment environment.

Despite the challenges in 2023, Quinn Robertson shares a perspective that Arkansas is building momentum for long-term startup growth through local capital sources, partnerships, and capital bridges, with efforts like the 412 Angels program driving Arkansas' entrepreneurial development.

Venture Capital

Nationally, VC investments hit their lowest since 2017 and $1 out of every $3 went into AI companies. In Arkansas, there were 12 VC deals totaling $106.3 million. Regional differences are stark, with Central Arkansas seeing a 45.9% decrease in deal size, while Northwest Arkansas fared better. Investments in Arkansas were concentrated in IT (41.7% of deals) and healthcare (33.3% of deals). Arkansas experienced substantial increase in investment parity, with 25% of deals and 24.5% of dollars going to diverse founders, mirroring a national trend towards diversification; regardless, efforts must continue to ensure equitable access to capital for all entrepreneurs.

StartupNWA's Serafina Lalany shares her perspective on the venture capital landscape in the state. Dr. Kristy Carter and Camille Gilmore analyze how Tennessee's recent venture capital successes with Women of Color founders highlight the potential for Arkansas to replicate inclusive funding models, but systemic gaps in data collection and capital access for diverse entrepreneurs must be addressed to drive similar progress.

Non-Dilutive Funding

In 2023, Arkansas saw a total of 21 awards totaling $11.5 million. Northwest Arkansas continues to be a hub for innovation and entrepreneurship, with 15 awards totaling $7,390,806. The top agencies to award grants to Arkansas-based businesses included the Department of Health and Human Services, Department of Defense, and Department of Energy.

Esperanza Massana Crane dives into how the Arkansas Economic Development Commission (AEDC) consolidated resources in 2023 to create a "one-stop shop" for small businesses and entrepreneurs, offering support for science and technology initiatives, minority and women-owned businesses, and entrepreneurial ecosystem development.

Through the historical efforts of organizations like Accelerate Arkansas and the creation of investment funds, James Hendren shares how Arkansas has made significant strides over the past decades in supporting entrepreneurs and fostering high-tech startups

Crowdfunding

In 2023, Arkansas saw continued support for crowdfunding endeavors in the state, with 93 crowdfunding campaigns totalling $1,787,444. This fell short of the $2,832,300 raised in 2022, which was likely driven by a steep decline in equity crowdfunding campaigns. Crowdfunding in Arkansas is heavily concentrated in Northwest Arkansas, where 53.8% of campaigns took place and 57.2% of total dollars were raised. Regulation Crowdfunding (Reg CF) in the Fayetteville-Springdale-Rogers metro lags behind most comparators, but is on par with Madison, Wisconsin and Des Moise, Iowa. There are notable gender disparities across crowdfunding campaigns, with women-led campaigns averaging significantly lower funding than those led by men.

Overall, while Arkansas faces challenges in terms of funding activity, the growing diversification of investments and regional strengths indicate opportunities for continued innovation and growth.

Methodology

The report on angel, seed, and venture capital investments in Arkansas primarily utilizes data from PitchBook, a leading and comprehensive source for tracking capital flows to startups. PitchBook's classifications for angel, seed, and venture stages are generally adhered to in the report, except where these classifications differ from a founder's self-reported data.[1] Despite its utility, PitchBook has certain limitations, such as the limited identification of individual angel investors and the aggregation of data in "rounds" instead of individual investments, which complicates the assessment of investor numbers and their respective investment levels.

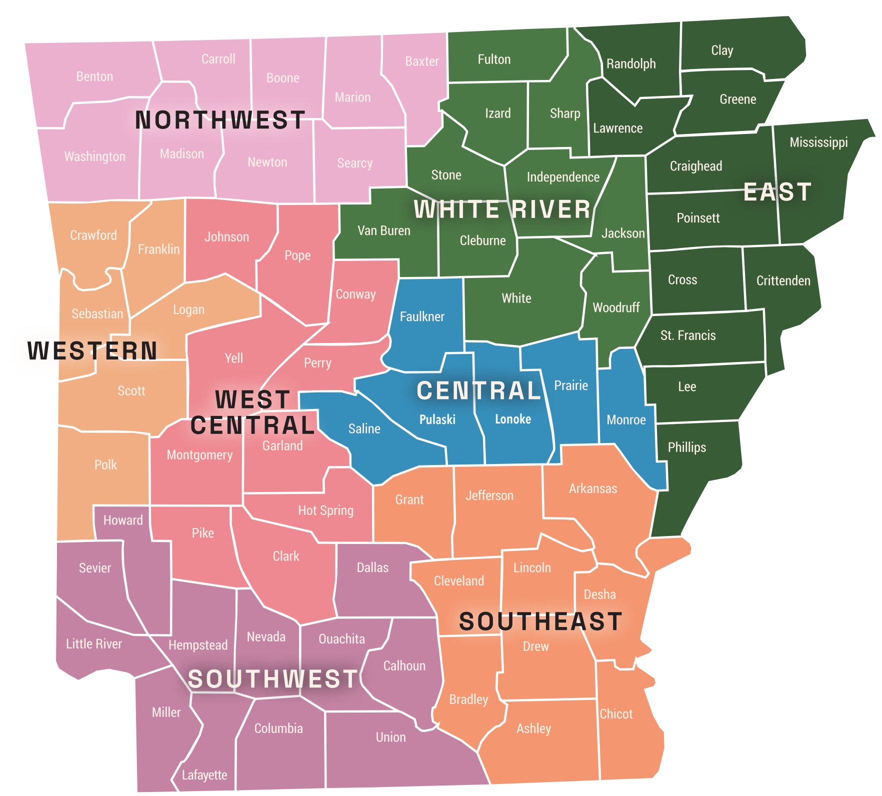
To mitigate these challenges, the Arkansas Capital Scan team supplemented PitchBook data with additional research conducted by University of Arkansas staff. This included collaboration with knowledgeable local investors to capture deals not included in PitchBook and surveys of entrepreneurs about their 2023 fundraising activities. In most instances where there were discrepancies between PitchBook data and self-reported data from founders or investors, the report prioritized the self-reported data. While the investor data in the report provides a general reflection of investment activity in Arkansas, it is not exhaustive.

For comparative analysis, the report also examines investment activities in Oklahoma, Missouri, and Tennessee, states selected for their geographic and demographic similarities to Arkansas. These states were selected as benchmarks during the development of the 2020 Arkansas Capital Scan. The purpose of these comparators was to serve as benchmarks for both Arkansas' performance in 2020 and for similar geographies that would have aspirational metrics for where Arkansas was lagging. It is important to note that the data for these comparator states is solely sourced from PitchBook and may share the same limitations regarding completeness and accuracy mentioned above. For the 2024 report, the team may consider reassessing the best comparator states.

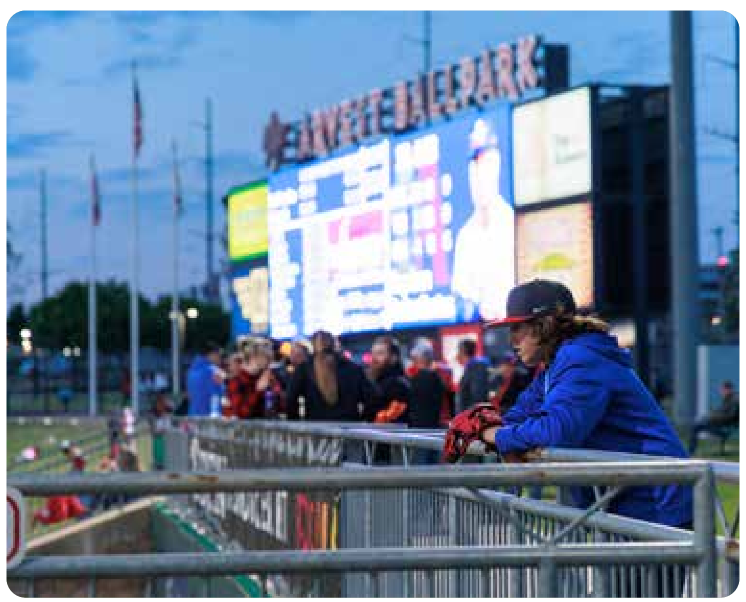
Arkansas Economic Regions

When possible, the data analysis in the Arkansas Capital Scan includes information disaggregated by economic region. Arkansas is split into eight economic development districts that each cover between six and 19 counties. Each district creates its unique regional development strategy, called the Comprehensive Economic Development Strategy (CEDS), based on the strengths and opportunities of that region.

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

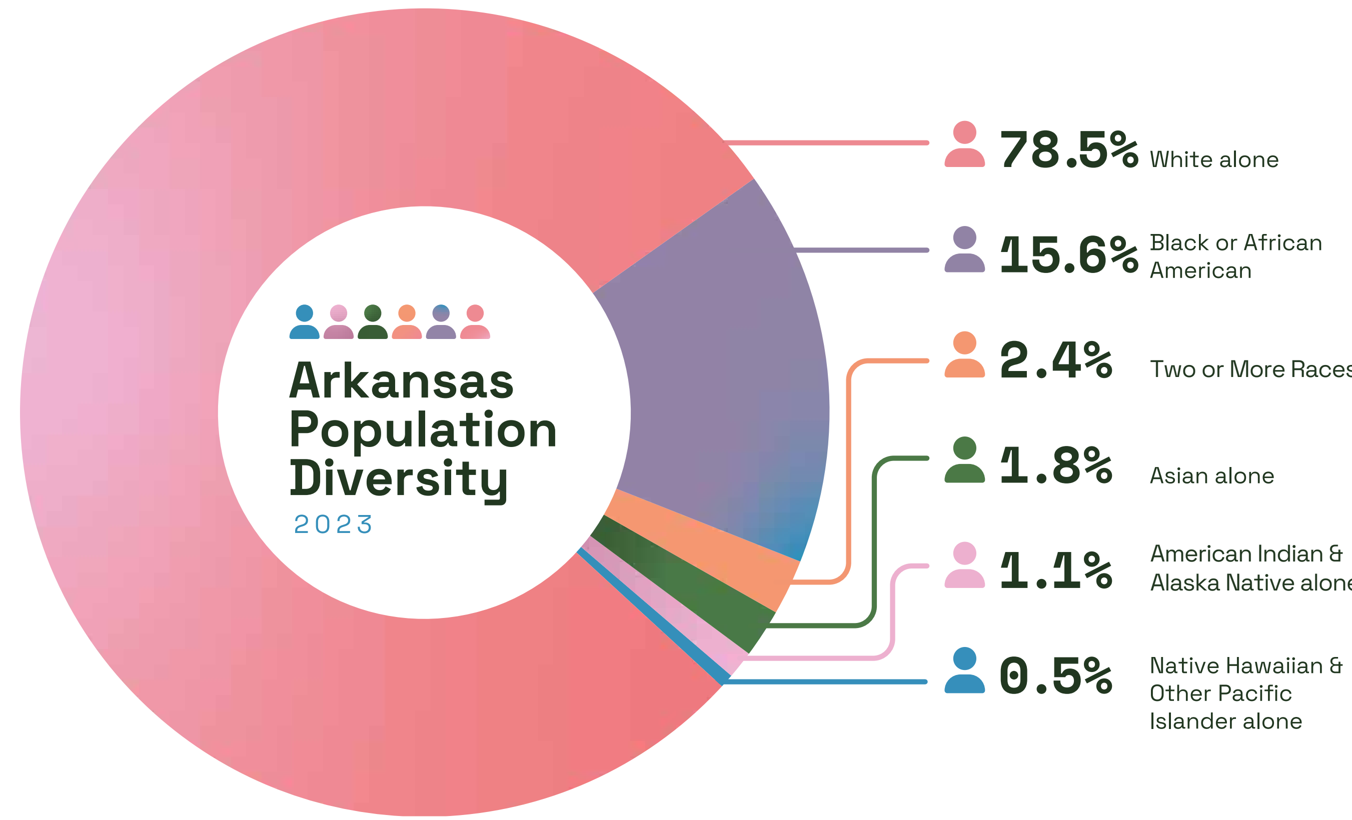


ARKANSAS Economy



Over the past several years Arkansas has maintained a population of just over three million people. Between 2020 and 2023 the region experienced a population growth of 1.65 percent. While this rate was slower than the best performing comparator states of Oklahoma (2.45 percent) and Tennessee (4.36 percent), it was slightly higher than the national rate (1.02 percent) and the comparator state of Missouri (0.96 percent). The primary driver of this growth was likely Northwest Arkansas, or the Fayetteville-Springdale-Rogers metro area which was listed as the 18th fastest growing U.S. metropolitan area, growing by 2.3 percent in 2023 alone.

Demographically, Arkansas has remained fairly unchanged over the past year. Arkansas is largely white, with 78.5 percent of the population identifying as white alone. The next largest percentage population group is 15.6 percent identifying as Black or African American alone. The state's Hispanic or Latino population is 8.6 percent, up significantly from 6.4 percent in the 2010 Census. Benton County, in Northwest Arkansas, has the most Hispanic residents, with 54,415 or 18 percent, of the county's population.[6] Similar to other states in the region, Arkansas has seen its population slowly diversify, with the share of the population identifying as something other than white growing from 23 percent to 29.8 percent between 2010 to 2020.[7*]



Source: U.S. Census Bureau

Population Estimates, July 1, 2023	**3,067,732**
White alone, not Hispanic or Latino	71.0%
Hispanic or Latino	8.6%

**The Census categorizes Hispanic and Latino as an ethnicity, while the other categories are classed as races. For practical purposes in this report, we classify both ethnicity and race under Entrepreneurs of Color, reflective of the similar experiences of entrepreneurs in these spaces.*

Gross Domestic/State Product

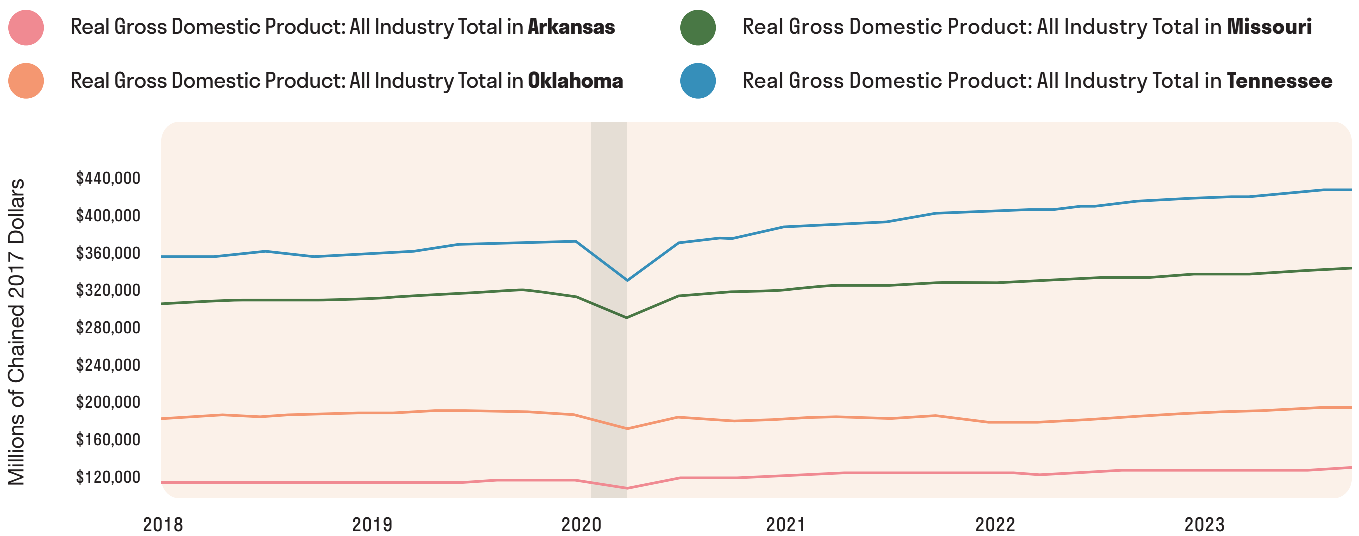
In 2023 according to IBISWorld, Arkansas' inflation-adjusted Gross State Product (GSP) from 2018-2023 was $127.3 billion, marking a 1 percent increase from $126 billion in 2022. Although this growth rate is slower than the 2.5 percent experienced in 2022, it still reflects positive progress amid the state's ongoing recovery from the COVID-19 pandemic.[9]

According to Federal Reserve Economic Data (FRED), Arkansas' State Gross Domestic Product (GDP) is lagging behind its neighboring states. In 2023, Arkansas ranked 34th out of the 50 U.S. states in GDP growth at $140.8 billion. In comparison, Oklahoma ranked 29th at $201.7 billion, Missouri ranked 22nd at $344.1 billion, and Tennessee ranked 16th at $425.4 billion.*[10]

The manufacturing sector is the largest contributor to Arkansas' GSP, with an annualized growth rate of 1.5 percent. Alongside manufacturing, the real estate, healthcare, and social assistance sectors were significant contributors, together accounting for 37.2 percent of the state's GDP in 2023.[11] Companies like Tyson, Simmons Food, Baptist Health, and UAMS are significant contributors to the state's GDP.

According to the U.S. Department of Commerce's Bureau of Economic Analysis, Gross State Product (GSP) is the state counterpart of the Nation's Gross Domestic Product (GDP), the Bureau's featured and most comprehensive measure of U.S. economic activity. GSP for a state is derived as the sum of the GSP originating in all the industries in the state.[8]

Gross Domestic/State Product – 2018-2023



Shaded areas indicate U.S. recessions. Source: U.S. Bureau of Economic Analysis

When examining Arkansas' economic output per person using GDP per capita, the state's figure for 2023 was $45,892. Although this is lower than its comparator states of Missouri ($55,537) and Tennessee ($59,694), it is steadily growing to be on par with them. Oklahoma's GDP per capita did not see much growth over 2023, but remained higher than Arkansas' at $49,745.[12]

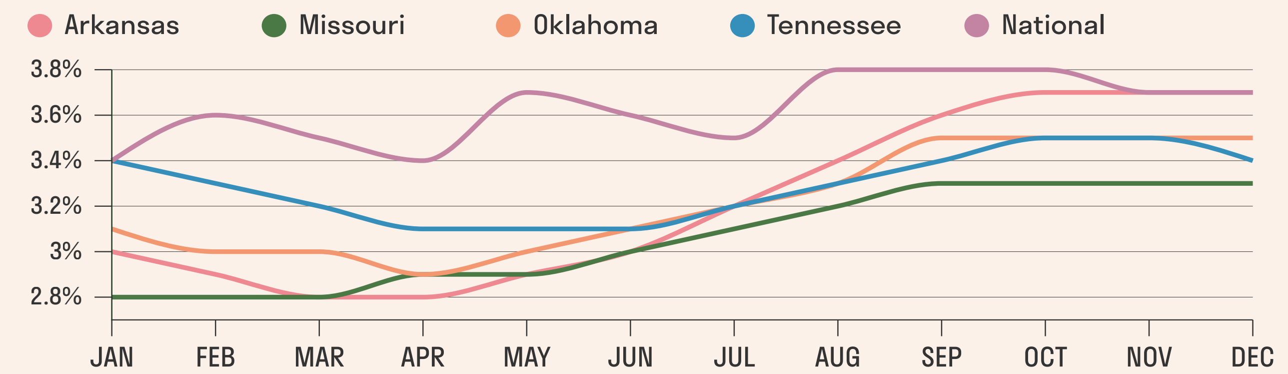
**Despite the calculation differences between IBIS World data and FRED data, the general comparison trend remains the same: AR is ranked at the 34th place among all U.S. states.*

Employment

Businesses in Arkansas employed a total of 1,290,817 people in 2023, which ranks it 34th out of all 50 U.S. states.[13] Employment in Arkansas has grown at an average annual employment growth rate of 2.4 percent over the last five years, outperforming the national average of 1.2 percent. This indicates a growing economy for Arkansas over this time, outpacing both Missouri's 1.6 percent growth rate and Tennessee's 2.2 percent growth rate and only slightly behind Oklahoma's 2.8 percent growth rate. Major sectors by employment in Arkansas include Healthcare and Social Assistance, Manufacturing, and Retail Trade, which employed 202,247, 165,171 and 161,476 people in 2023, respectively. In fact, these three sectors contributed the most to employment in Arkansas in 2023, representing a combined 41.0 percent of state employment.

According to FRED, in 2023, Arkansas' unemployment rate was 3.2 percent, slightly lower than its 2022 rate of 3.3 percent. Similarly, Tennessee experienced a decrease in its unemployment rate, dropping from 3.4 percent in 2022 to 3.3 percent in 2023, while Missouri and Oklahoma saw increases in their unemployment rates. Missouri's rate rose from 3.0 percent in 2022 to 3.1 percent in 2023, and Oklahoma's rate increased from 3.0 percent in 2022 to 3.2 percent in 2023. Despite these changes, all four states — Arkansas, Tennessee, Missouri, and Oklahoma — maintained unemployment rates below the national average of 3.6 percent in 2023.

Unemployment Rates – States vs. National



Source: U.S. Bureau of Labor Statistics

Prolonged periods of low unemployment rates, typically under 5 percent, can lead to negative effects on inflation, productivity, and the labor market.[14] However, the low unemployment rates in 2023 may also reflect the lingering impact of the pandemic, which has resulted in fewer people seeking full-time, traditional employment. Additionally, unemployment figures do not account for workers who have left full-time jobs to join the growing gig economy. This sector is vital for many entrepreneurs, allowing them to launch and sustain their own businesses.

The National Bureau of Economic Research highlights that the expansion of the gig economy increases entrepreneurial activity by providing a supplementary income for entrepreneurs as they develop their businesses. The gig economy offers a safety net, enabling entrepreneurs to have a fallback income if their primary business ventures fail. This has been particularly influential in fostering entrepreneurship in cities with lower average incomes and education levels.[15]

However, the gig economy's role in empowering entrepreneurs to create successful, job-growing businesses in economically-underserved regions, such as rural areas in Arkansas, remains uncertain.[16] Many gig jobs do not offer family-supporting wages, which limits their potential impact. Nearly half of gig workers also maintain full-time jobs, 24 percent lack health insurance, and 29 percent earn less than their state's minimum wage. This highlights the mixed potential of gig work to drive substantial economic development in areas facing economic challenges.[17]

Business Creation & Economic Growth

According to the U.S. Chamber of Commerce, In 2023 Arkansas received 39,048 new business applications.

This number lags far behind Missouri at 90,384 and Tennessee at 96,903 and is much closer, yet still behind Oklahoma at 58,195. While there is a discrepancy in the actual number of new business applications, looking at the state rankings of business applications per capita Arkansas is ranked 34th, while Oklahoma is ranked 22nd, Missouri is ranked 23rd, and Tennessee is ranked 30th.[18]

One area in which Arkansas outpaces the comparator states is the percentage of companies poised to hire staff and become employers at 7.1 percent, compared to Oklahoma at 6.5 percent and Missouri and Tennessee at 6.7 percent.[19] This is especially important because a surge in applications to start new businesses on the surface might seem like a strong signal that the economy is bouncing back from the pandemic-era recession, but these new applications may represent forms of self-employment like being a ride-share driver that has a limited impact on the overall economy of the state. However, new businesses that are likely employers have the ability to drive economic growth in the state and they are most likely to receive investments from sources both inside Arkansas and outside of the state. These small businesses are such a significant factor within Arkansas because they encompass almost half (47.1 percent) of all employment in the state, which aligns closely to Tennessee at 41.9 percent, Oklahoma at 51 percent, and Missouri at 44.8 percent.[20]

Understanding on a state level how Arkansas compares to its comparator states is helpful overall, but it does not explain the full picture of business creation and economic growth within the state. For instance, in 2023 a significant portion of the economic growth in Arkansas was driven by the Northwest Region of the state, encompassing the Fayetteville-Springdale-Rogers metro area in Benton and Washington counties. This is significant because most other states have a more even distribution of growth amongst its counties with very few having this level of concentrated geographic growth versus the rest of the state. Nationally, 85 percent of counties saw positive net business establishment growth (2,652 out of 3,141 counties) in 2023. This is in contrast to only 33 percent of counties in Arkansas (25 of 75 counties) seeing an increase in business establishments as compared to the prior year. Only one region in Arkansas saw an average increase in the percentage change amongst all the counties in the region (Northwest Arkansas) – everywhere else saw a reduction.[21] However, Central Arkansas outperformed most other similar sized metro areas in the U.S. South Central region during the 2017–2022 period. Growth in the region's logistics capacity is likely the primary driving force, although its finance sector is an important engine. Additionally, the region has seen gains in corporate management.

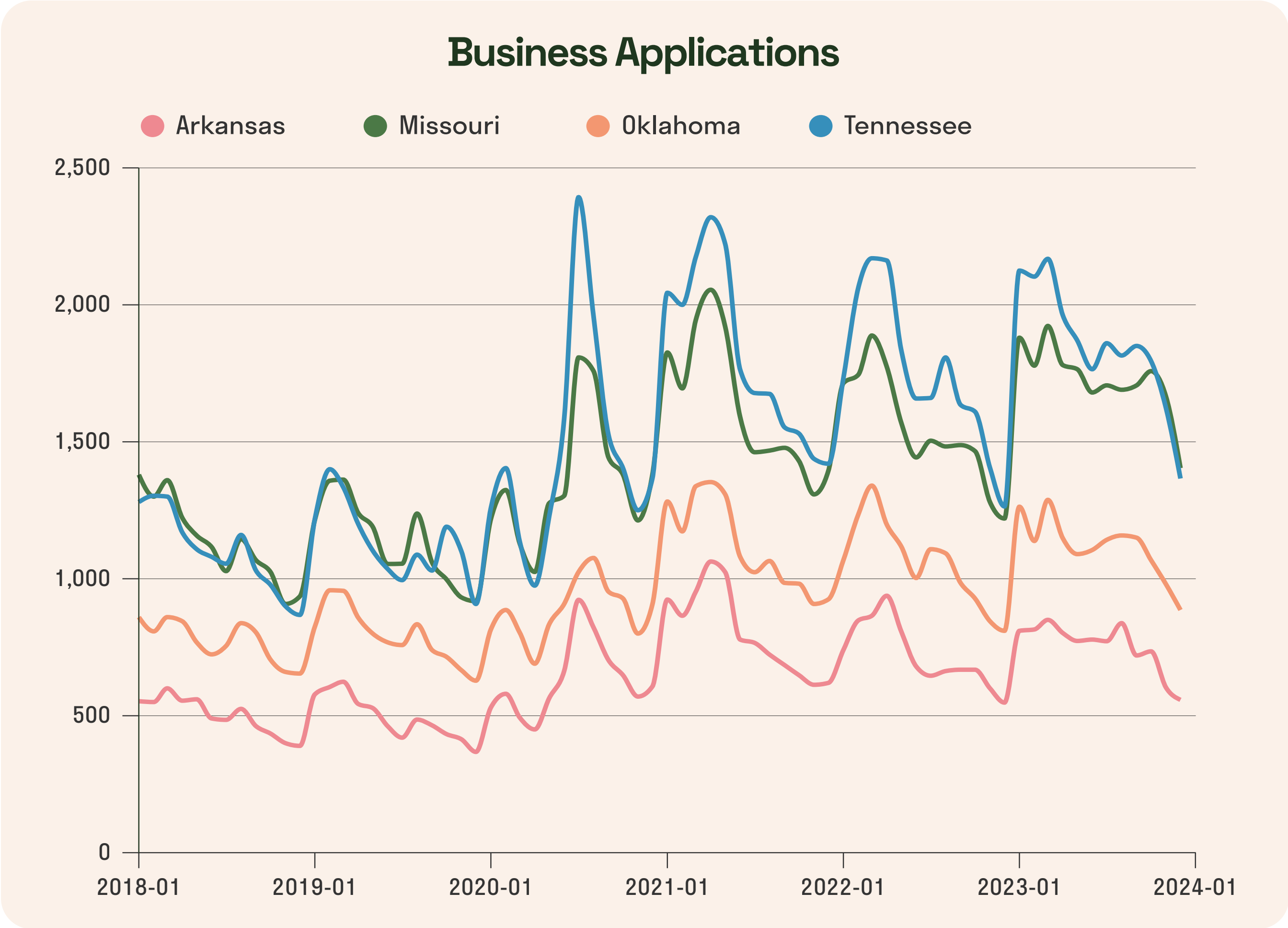
Access to financing is crucial for translating new knowledge into innovations, serving as a foundational element for economic growth and technological advancement. Northwest Arkansas exemplifies this dynamic, having emerged as a burgeoning innovation hub. The interplay between innovation and economic growth is evident in two key areas: access to financing and the number of utility patents.

Venture capital is a vital indicator of innovation since investors typically fund companies with innovative products that have strong market potential. Research by Lerner and Nanda (2020) highlights that venture capital-backed firms are more likely to report Research and Development expenditures when they go public compared to those that were not venture-backed.[22] This underscores the critical role of venture capital in fostering innovative activities. Data from PitchBook on U.S. and global venture capital investment trends thus serves as a leading indicator of the expected innovative output from startups and early-stage investments.

Utility patents also serve as a significant measure of innovation. These patents are granted for new and useful inventions or discoveries, such as processes, machines, or compositions of matter. In the Fayetteville metro area, the number of patents granted per 100,000 residents surged from 10.2 in 2012 to 24.9 in 2022, marking a 144.1 percent increase according to the U.S. Patent and Trademark Office.[23]

This rise in patent activity underscores the region's growing technological potential and attractiveness to venture capital, reinforcing its status as a new innovation hotspot.

Looking ahead, several factors are poised to significantly impact Arkansas' economy. Firstly, the two cuts to the state income tax implemented by Governor Sarah Huckabee Sanders in her first year are expected to stimulate business growth across the state. These tax cuts could attract new businesses and encourage existing ones to expand, leading to job creation and increased economic activity. Another crucial factor is the Southwest Arkansas region's location atop the Smackover Formation, a massive subterranean lithium deposit.



Lithium is essential for batteries used in electric vehicles, laptops, and other technologies. Currently, about 95 percent of the world's lithium supply comes from Australia, Chile, China, and Argentina. The National Renewable Energy Laboratory (NREL) reports that only 1 percent of the lithium used in the United States is sourced domestically, from a lithium brine operation in Nevada.[24] The discovery of lithium deposits in Arkansas presents a significant opportunity for the state to attract enormous investments and create jobs, potentially positioning Arkansas as a national leader in lithium production.[25] The development of the lithium industry could also lead to a more balanced distribution of economic growth across Arkansas, transforming the Southwest Region into a hub of employment and investment
.

Minority-Owned Businesses

In Arkansas, People of Color constitute 21.4 percent of the workforce yet own only 13.8 percent of businesses, while people who identify as Hispanic constitute 7.4 percent of the workforce and own only 5.6 percent of businesses. Digging into the data further uncovers the fact that while 21 percent of Arkansas businesses without employees are owned by People of Color or people who identify as Hispanic, only 9.5 percent of businesses with employees are owned by People of Color and people who identify as Hispanic. Looking at this from another angle, 19.2 percent of white and non-Hispanic business owners in Arkansas have employees, while only 8.6 percent of the total number of businesses owned by People of Color or people who identify as Hispanic have employees.[26]

"Founders of Color"

Defined as American Indian and Alaska Native, Asian, Black or African American, Native Hawaiian and Other Pacific Islander

As previously stated, businesses with employees are primary drivers of economic growth across the state, and for minority-owned businesses, this discrepancy bears remark.

These trends, however, are not unique to Arkansas as nationally 42 percent of new minority-owned businesses versus 52 percent of new white-owned businesses have more than $100,000 in revenue. Also nationally, only 28 percent of new minority-owned businesses receive capital from financial institutions or lenders compared to 48 percent of their white counterparts. Similarly, 9 percent of minority-owned businesses reported receiving no capital from sources outside of the business while only 4 percent of white-owned businesses reported the same.[27]

Fortunately, several organizations in Arkansas are working to provide support systems for small businesses owned by People of Color. In Northwest Arkansas, where the racially and ethnically diverse population increased from 24 percent to 29 percent in the past decade and is expected to grow to over 32 percent by 2026[28], the organization Black-Owned NWA (BONWA) is playing a crucial role. BONWA holds business expos and curates a guide to Black-owned businesses, raising awareness and support for these enterprises in the NWA region. BONWA's efforts extend beyond visibility; they also highlight non-traditional sources of capital for small businesses. One such source is Huntsville, Arkansas' Forge Community Loan Fund, which provides businesses in low-income and rural communities with pathways to credit. Another initiative is the local KIVA offices, which offer a rapidly growing crowdfunding loan platform designed to unlock capital for underserved populations, with a particular focus on Women of Color.[29]

The NWA Council is also working through its Engage NWA program to document and publicize data on systemic racism in the region and to act as a convener to engage small businesses and regional leaders in taking action to undo those inequities.[30] Their 2022 Engage the Future report "documents the region's diverse population growth over the last several decades, provides comparative analysis with several peer regions, zooms in on the demographics of our regional school districts, and highlights local organizations that are making diversity, equity, and inclusion a priority." [31] Another NWA Council program, Diversity NWA, publishes the Northwest Arkansas Diversity Resource Guide, a continuously updated online guide to diverse-owned businesses and organizations across the region.[32]

Women-Owned Businesses

Nationally, 39.1 percent of all businesses are women-owned (a 13.6 percent increase from 2019 to 2023), and 10.2 percent of all women-owned businesses are employers. Arkansas' figures on these data points are consistent with these national averages with 43.7 percent of all businesses being owned by women and 9.9 percent of all women-owned businesses being employers.[33]

In Arkansas, the highest percentages of women-owned businesses are found in the eastern part of the state, with 36.6 percent of businesses in the Southeast Region owned by women and 34.3 percent in the Northeast Region. Of the 16 counties with the highest percentage of women owned businesses, 12 are in eastern Arkansas amongst the lowest-income counties in the state. In Northwest Arkansas the current boom of businesses has included women, with new women-owned businesses increasing 40 percent in 2023. The Arkansas Economic Development Commission has also seen an increase in minority- and women-owned business certifications, opening them up to new networking and business procurement opportunities.

Angel & Seed
INVESTMENT

Following the informal “friends and family” round that often capitalizes new startup companies at their earliest stages, angel investment typically serves as the first form of equity funding for a business. Angel investors are generally high-net-worth individuals who qualify for accredited investor status by meeting criteria established by the U.S. Securities and Exchange Commission.

Many accredited investors find investment 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 past 15 years. Notable recent networks include the Ark Angel Alliance, established in 2020, and 412 Angels, founded in 2022.

Regarding the data, across both angel/seed and venture capital, our team verified and added additional deals known in the Arkansas venture capital community that were not available on PitchBook, a private equity database company. In 2023, we identified an additional five deals worth $4.69 million that were not accounted for in PitchBook and we also removed a $250,000 deal from PitchBook after validation. Similar to prior years, we corrected any miscategorized deals and surveyed the angel/seed communities to find any deals not captured in PitchBook. Despite these efforts, it is possible that a small number of deals may still be missing from this report in the comparator states. This report should be taken as broadly representative of the angel/seed activity of Arkansas, and not exhaustive.

Global & National Trends

In 2023, global startup funding experienced a significant decline, dropping to $285 billion, a 38 percent decrease from the $462 billion invested in 2022. Specifically, seed funding fell by just over 30 percent, early-stage funding fell by over 40 percent, and late-stage funding fell by 37 percent. This marked the lowest level of equity funding in the last five years. However, compared to pre-pandemic levels, the overall funding in 2023 was down by less than 20 percent, suggesting a return to more typical investment levels. Nationally, the decline in startup funding was driven by several macroeconomic factors, including a drop in tech stock values, a slowdown in the initial public offering (IPO) market, and a general shift towards less risky investment strategies by investors.[34]

Despite these declines, certain sectors, such as artificial intelligence (AI), manufacturing, and cleantech, performed relatively well. AI funding increased by 9 percent from 2022, reaching nearly $50 billion. Manufacturing and cleantech startups saw less than a 20 percent decrease in funding, outperforming the broader market declines. Conversely, financial services, e-commerce and shopping, and media and entertainment faced significant declines in funding, with drops of over 50 percent, 60 percent, and 64 percent, respectively.[35]

North American startup investors also faced challenges in 2023. The year ended with the weakest quarter and a 37 percent decline in total investment, amounting to $144.3 billion.[36] The United States, which remained the largest startup investment market, saw funding for U.S.-based startups fall to $138 billion, a 37 percent year-over-year decline.[37] In 2023, the total investment into companies was $170.6 billion (15,766 deals), about half the amount invested in 2021. In comparison, 2021 saw 19,025 deals and $348 billion in investments. This sharp decline highlights a significant shortage of available capital for private companies.[38]

Venture capital (VC) funding in the U.S. also saw a significant drop. Following a record year in 2022, only $66.9 billion was committed to VC funds in 2023, the lowest since 2017. This reduction in capital is expected to impact dealmaking activities in 2024, even though high levels of “dry powder” suggest that investors have ample capital but are cautious about deploying it.[39]

Despite the decline in overall funding, demographic diversification has emerged as a notable positive trend. This trend is crucial for unlocking capital for underfunded founders and promoting economic growth. By funding early-stage companies, VC firms contribute to job creation, wealth generation, increased competition, and the diversification and growth of the U.S. economy. Diversity strategies in venture capital began in the early 2000s and gained significant momentum during the #MeToo and Black Lives Matter movements. Diversity, equity, and inclusion (DEI) have proven to be not only socially impactful but also a business imperative, with investors who embrace diversity reaping financial rewards.[40]

Angel/Seed Investments in Arkansas

In 2023, Arkansas experienced notable activity in seed and angel investments. A total of 21 deals amounted to $14,720,000, involving 20 companies, with one company securing a follow-on round within the same year. The average investment size was $700,952, with individual investments ranging from $10,000 to $2,560,000. Despite these investments, the per capita investment dropped to $4.80 per person, down from $5.82 the previous year.

Several key trends emerged in 2023. There was a slight increase in the number of investments, up from 20 in 2022. However, the total investment amount decreased from $17,721,000 in 2022, marking a 16.9 percent reduction from the previous year and a 38.9 percent decrease from 2020. The largest single investment in 2023 accounted for only 17.4 percent of all angel investments in the state, indicating a trend toward greater diversification and fewer high-dollar investments. This reduced concentration of investment is seen as a positive economic trend, suggesting a healthier and more sustainable investment landscape. High-dollar raises in recent years have often been followed by economic downturns, so the shift towards more evenly distributed investments may help mitigate such risks in the future.

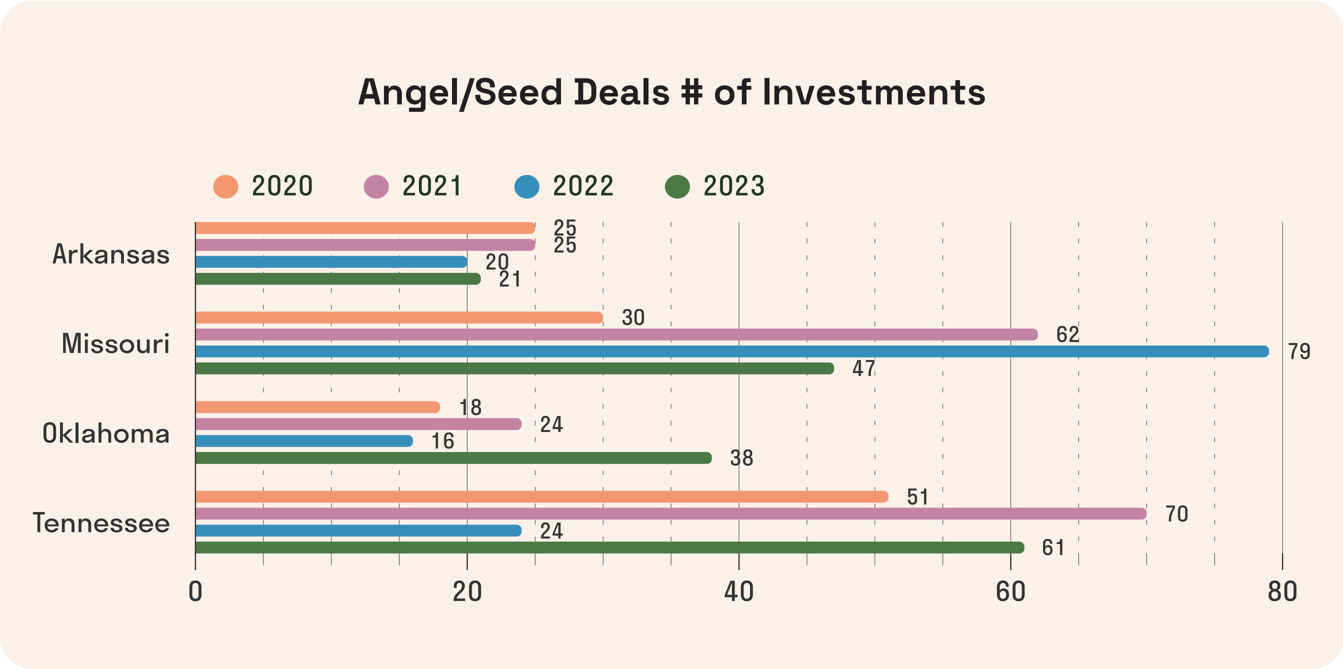
In terms of investment characteristics, data from PitchBook indicates that almost all companies receiving angel/seed investment in 2023 were already generating revenue (11 of 14 companies, for which information is available). This reflects Arkansas' entrepreneurs' observations about the difficulty of accessing seed funding at the earliest stages and the increasing requirement from investors for evidence of traction, such as revenue, before committing. In addition, most investments in 2023 were the first round of investment for the companies, with many structured as convertible debt. However, data limitations prevent determining the exact amount of each round allocated to convertible debt.

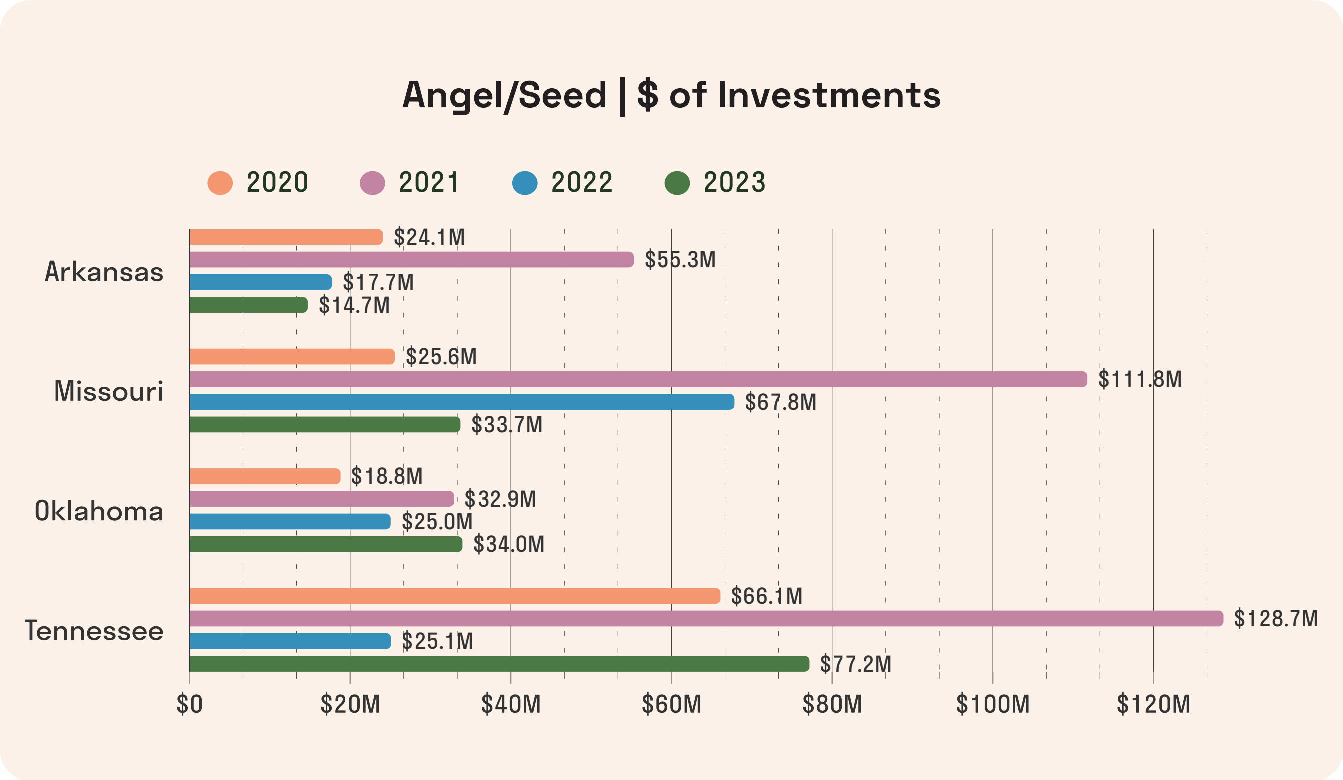
Further community insights we received from local angel investors highlight that the overall level of investment has remained fairly constant outside of a few outliers that inflated numbers in previous years. In addition, there have been more opportunities for local investors in the real estate space in Arkansas, potentially diverting funds away from angel investments. Another insight is that elevated interest rates are influencing investors to allocate funds toward more stable assets, reducing the appeal of higher-risk angel investments. This shift aligns with a decrease in pre-revenue investments, as highlighted by PitchBook's Venture Monitor, which indicates that an elevated interest rate environment substantially impacts the risk/reward profile of venture investing.[41]

Arkansas lagged behind the comparator states of Oklahoma, Missouri, and Tennessee in both the number and total amount of deals, by a little over half. While these comparator states saw an increase in investments both in number and aggregate dollars since 2020, Arkansas experienced a decrease. Arkansas also has significantly fewer investor groups compared to surrounding states. For instance, Oklahoma has 135 investor groups, whereas Arkansas has less than ten, including corporate groups like Tyson Ventures. In a nascent market, changes within any single entity, such as leadership changes at 412 Angels, can have a pronounced impact on the state's investment landscape.

In 2021, all four states experienced a substantial spike in angel investments. However, Oklahoma and Tennessee continued to increase their angel investments in 2023 compared to 2022, while Arkansas saw a decrease. The average deal sizes were similar between Arkansas, Missouri, and Oklahoma and while there was a drop in average deal size across all three states, Arkansas had fewer investments overall. Per capita investment trends reflect aggregate trends, showing a gap between Arkansas and comparators, but this gap is smaller.

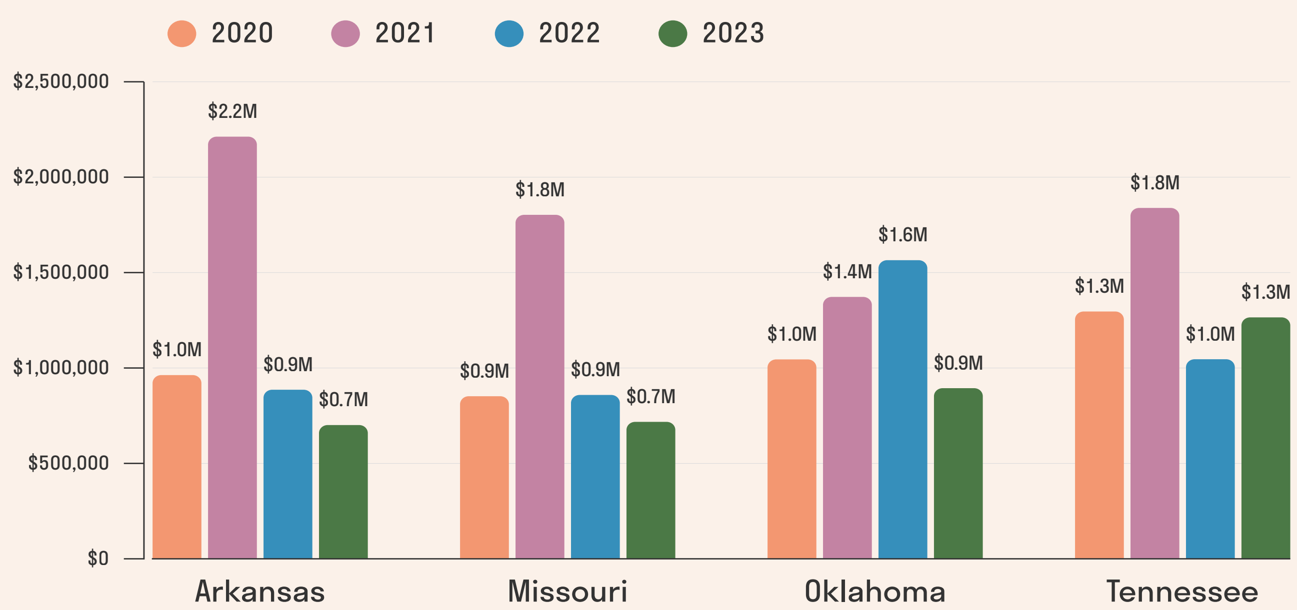
In alignment with national trends, Arkansas experienced a challenging year in 2023 with decreases in the number of investments and aggregate investment amounts. However, the state is seeing greater industry sector diversification in investments, which could lead to a more stable and sustainable investment environment. The presence of a smaller number of investor groups means that changes within these groups can significantly impact the market. 2023 proved to be a challenging year for angel and seed investments in Arkansas, as well as nationally, and 2024 is looking to be challenging as well. Nevertheless, the entrepreneurs and investors in the startup ecosystem remain hopeful long-term based on the structures and supports for business growth across Arkansas.



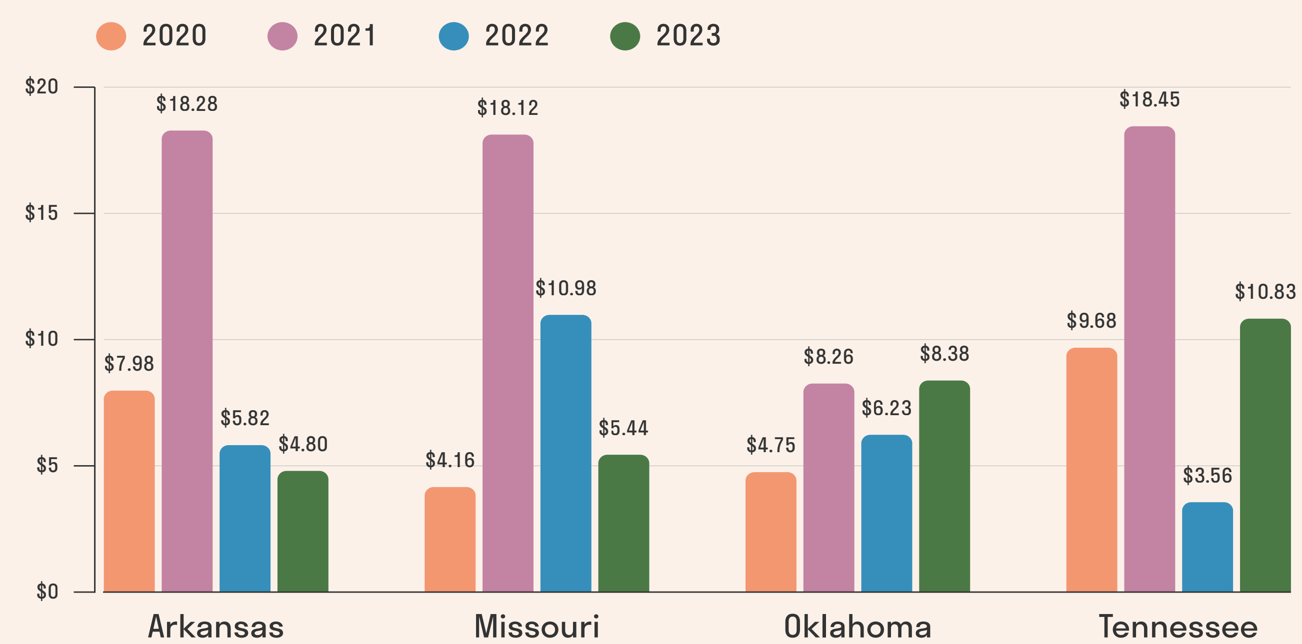


ANGEL & SEED INVESTMENT

Average Angel/Seed Deal Size



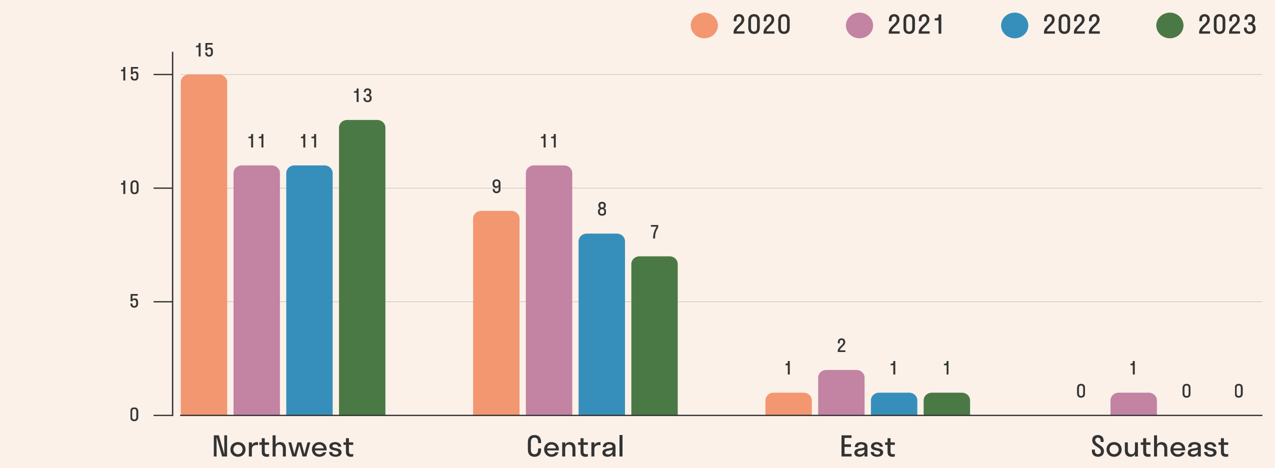
Angel/Seed Investment Per Capita



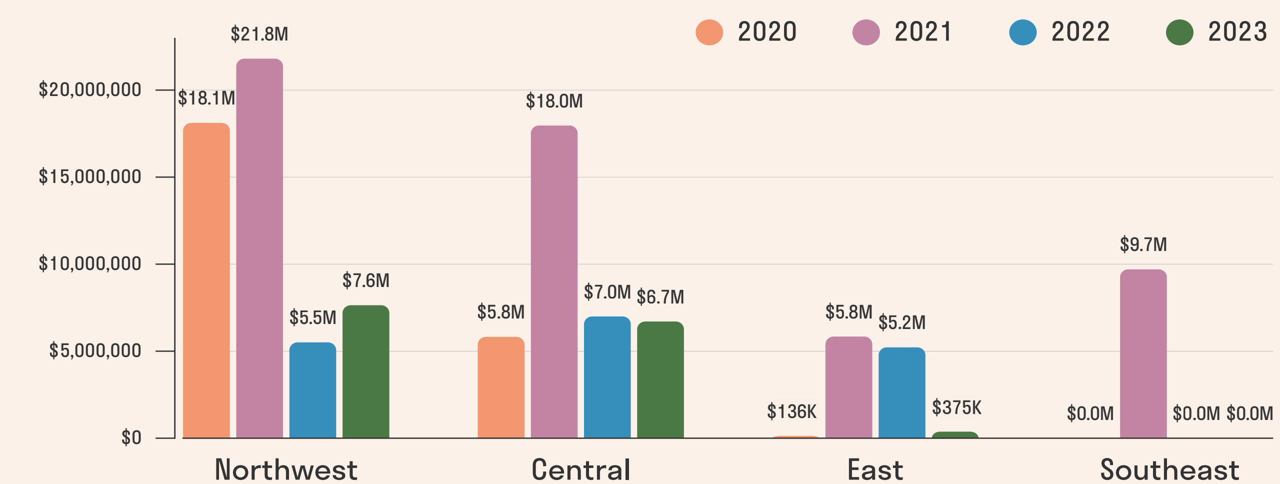
Angel/Seed Investment Comparisons by Arkansas Regions

In 2023, Northwest Arkansas saw 13 deals with total investments amounting to $7,640,000. This represents an increase from 2022, which had 11 deals totaling $5,506,000. In 2021, there were also 11 deals, but with a significantly higher total investment of $21,805,000, largely due to a few large investments that skewed the data. Central Arkansas experienced a slight decrease in the number of deals in 2023, with 7 deals compared to 8 in 2022, but the total investment dollars remained roughly the same, indicating a balance despite the reduction in the number of deals. In East Arkansas, there was only one deal recorded each in 2023 and 2022, but there was a sharp decrease in total investment amounts from $5,220,000 in 2022 to $375,000 in 2023. Overall, these regional trends highlight the variability and impact of individual large investments on the broader investment landscape in Arkansas.

Angel/Seed Deals # by Region



Angel/Seed Deals $ by Region

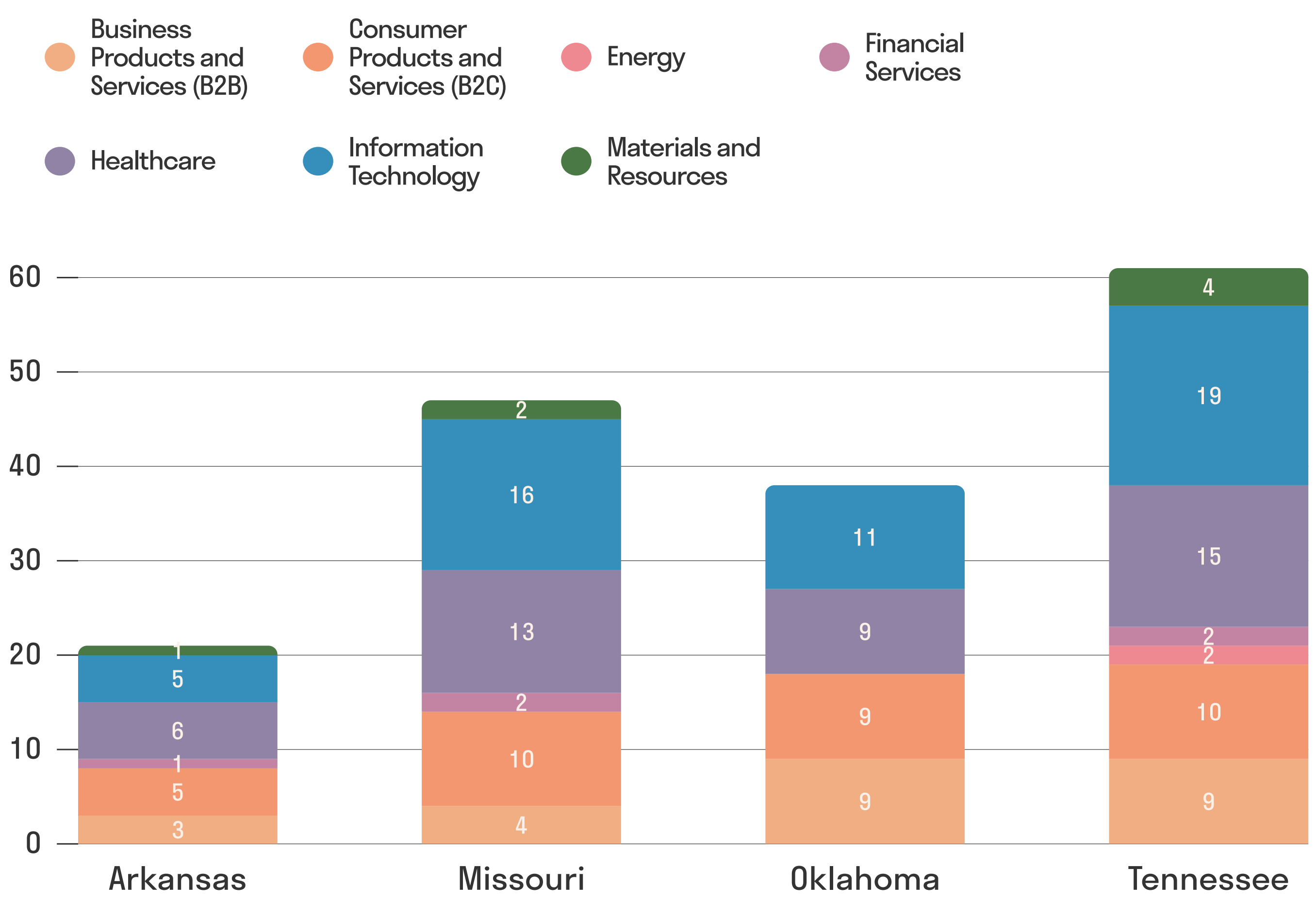


Angel/Seed Investments in Arkansas by Industry

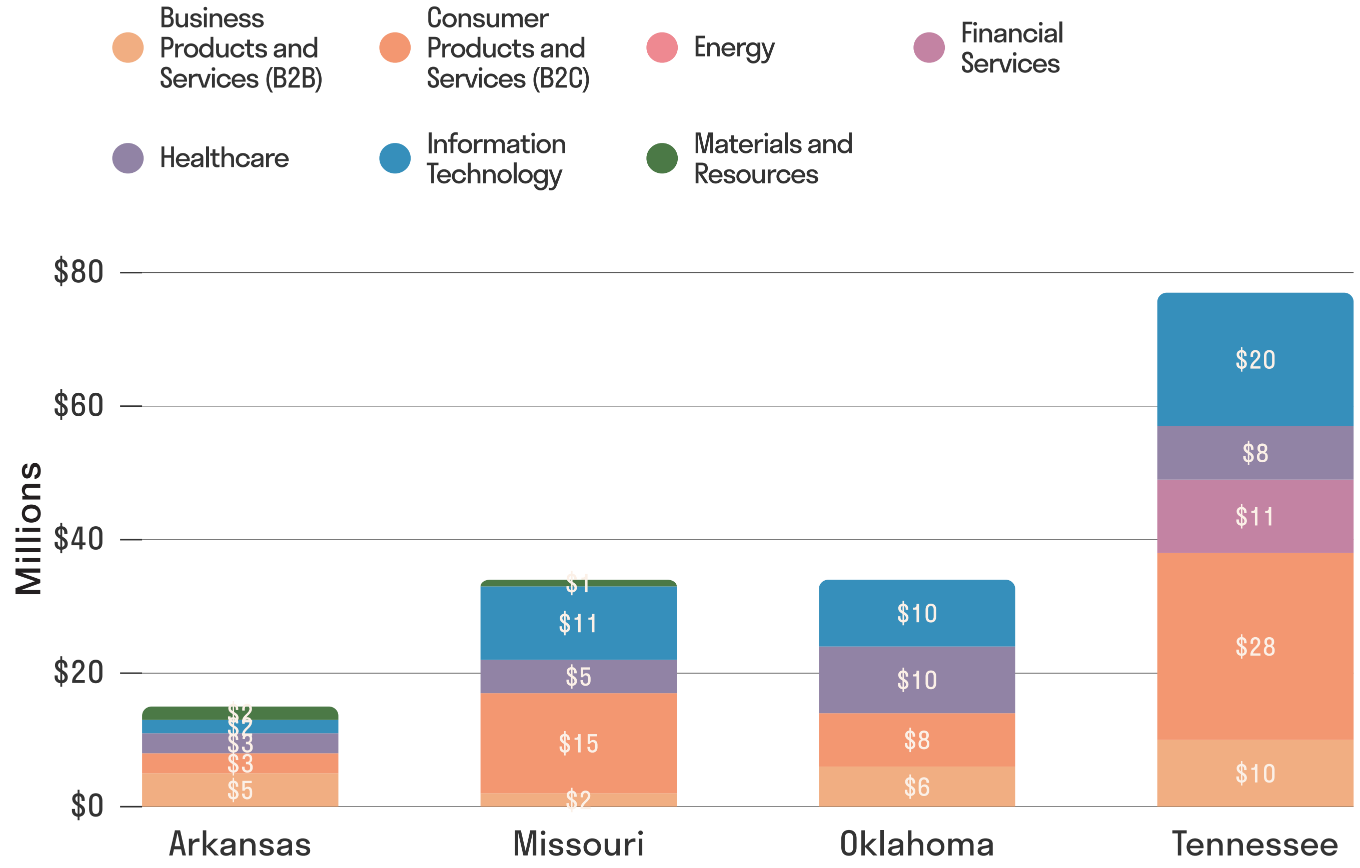
In 2023, Arkansas' industry distribution of investments included 6 investments in Healthcare, 5 investments in Consumer Products and Services, and 5 investments in Information Technology. Arkansas had a diverse industry profile, with no single industry dominating the number of investments. This is similar to the investment distribution in comparator states (Missouri, Oklahoma, and Tennessee) for 2023. In 2022, Information Technology drove the majority of investments in all comparator states, marking a notable shift in 2023 towards a more balanced industry distribution. The diversity in industry profiles indicates a broad interest in various sectors in Arkansas, reducing dependency on a single industry and potentially providing a more resilient investment ecosystem.

Despite Healthcare, Consumer Products and Services, and Information Technology leading in the number of investments, the majority of the actual dollar amount invested in Arkansas was in the Business Products and Services sector. In contrast, Consumer Products and Services made up the majority of investments in terms of dollar amounts in Missouri and Tennessee. The dominance of Business Products and Services in terms of investment dollars suggests that larger investments were directed towards business-oriented services and products, which could indicate confidence in the growth and scalability of these companies. Finally, the shift away from Information Technology dominance in 2023 aligns Arkansas more closely with broader trends seen in comparator states, indicating a regional trend towards diversification in investment focus.

Angel/Seed Investments # by Industry and State



Angel/Seed Investments $ by Industry and State



Angel/Seed Investment Comparisons by Arkansas Demographics

There has been increased diversification across all four comparator states of Arkansas, Oklahoma, Tennessee, and Missouri in terms of angel and seed investments, indicating a broader distribution of funds among different demographics. In 2023, 55.1 percent of investment deals in these states went to companies founded by white men, compared to 60.4 percent in 2022. Similarly, in 2023, 76.2 percent of the total investment dollars went to companies founded by white men, compared to 86.7 percent in 2022. Despite increased diversification, there is still a significant gap between the number and amount of investments.

Across all four states, 45 percent of angel/seed investments went to women founders and/or founders of color, accounting for 23.8 percent of the investment dollars. In Arkansas, 38.1 percent of investments and 20 percent of investment dollars went to founders who were not white men, indicating a similar trend within the state. However, there is still a large disparity, both against the demographics of Arkansas and in parity between the number and amount of investments.

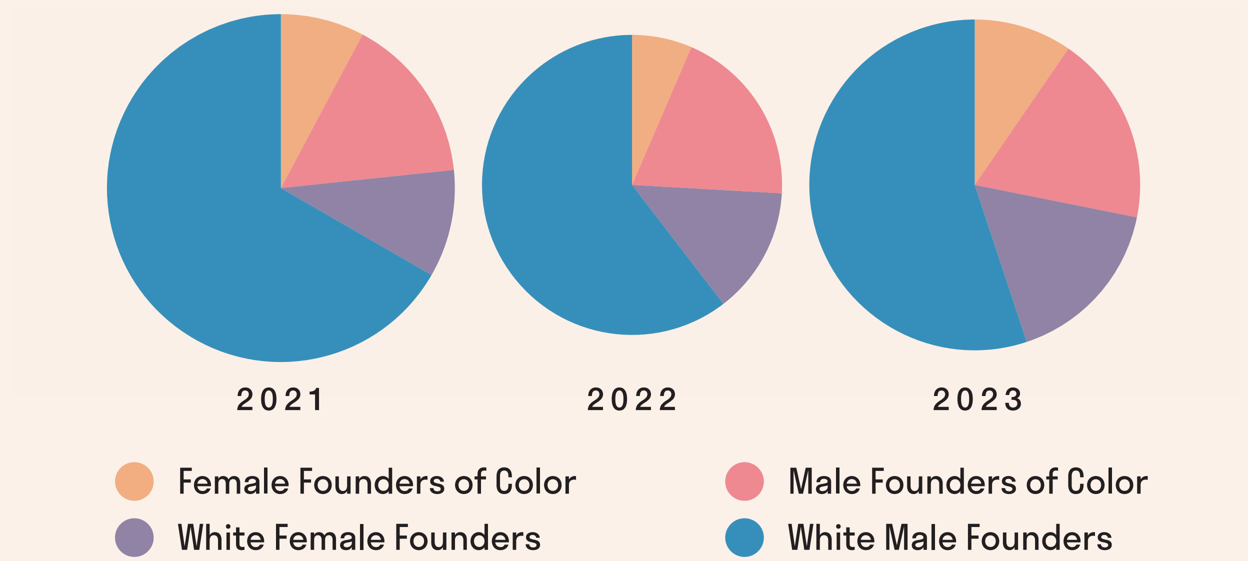
In 2023, the share of investment dollars directed toward non-white male founders in Arkansas was 20 percent, a notable increase from 13.9 percent in 2022 and 10.6 percent in 2021. This upward trend in the share of investment dollars reflects a growing recognition and support for diversity in the entrepreneurial landscape. The proportion of investments by non-white male founders has also shown a rise over the past few years, from 28 percent in 2021 to 38.1 percent in 2023. This increase indicates an ongoing commitment to fostering a more inclusive investment environment.

The average angel investment size by demographic varied greatly across the years due to the limited number of investments in non-white male founders. In 2023, the average investment size across all four states was as follows: Women of Color: $195,625; Men of Color: $521,774; White women: $668,036 and White men: $1,321,739. In 2023, white men received 575.6 percent more in angel/seed investment than Women of Color.

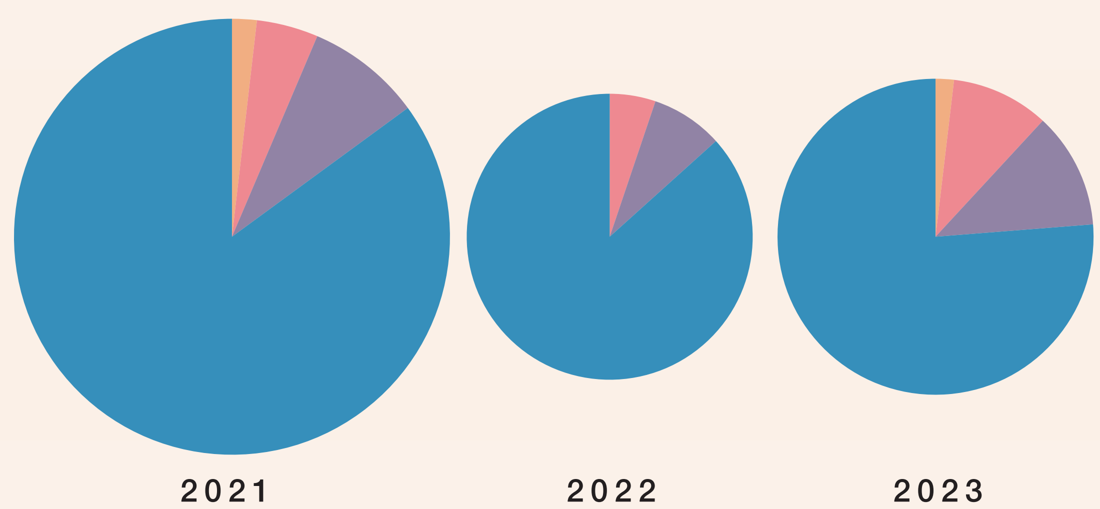
While 2021 saw higher average deal sizes across every demographic due to being a supercharged year, 2021 and 2023 were roughly the same in terms of distribution. The growth in the share of investments captured by Women Founders and Founders of Color reflects an increase in the number of investments they have received, rather than a shift in the amount they are awarded.

Overall, despite increased diversification, there is still a significant disparity in angel and seed investments among different demographic groups across the four states. While the share of investments going to Women Founders and Founders of Color has been increasing, they still receive substantially less investment compared to white male founders. Addressing this disparity and promoting more equitable distribution of investments remains a challenge for the venture capital industry.

Angel/Seed Investments $ by Ownership Across All Comparable States

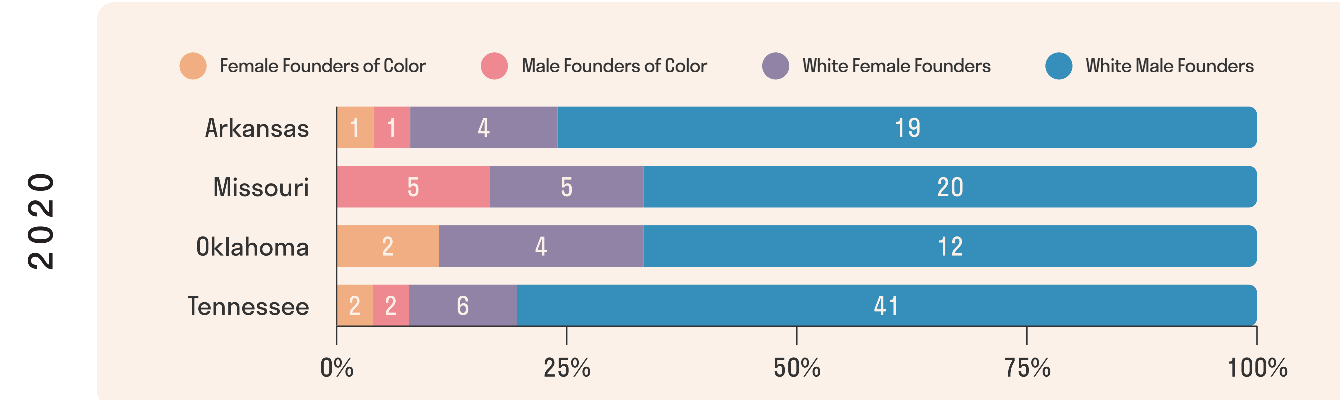


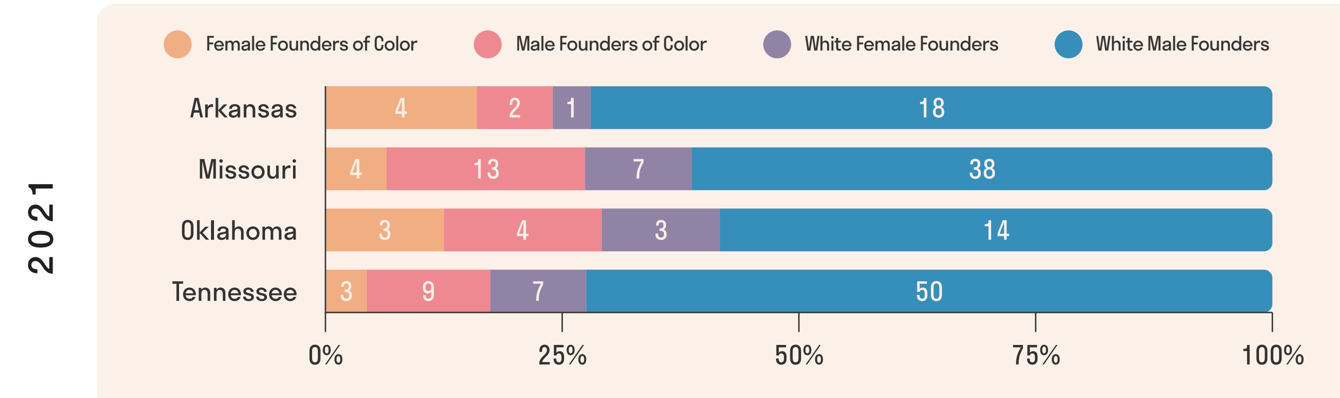
Venture Capital Investments # by Ownership Across All Comparable States

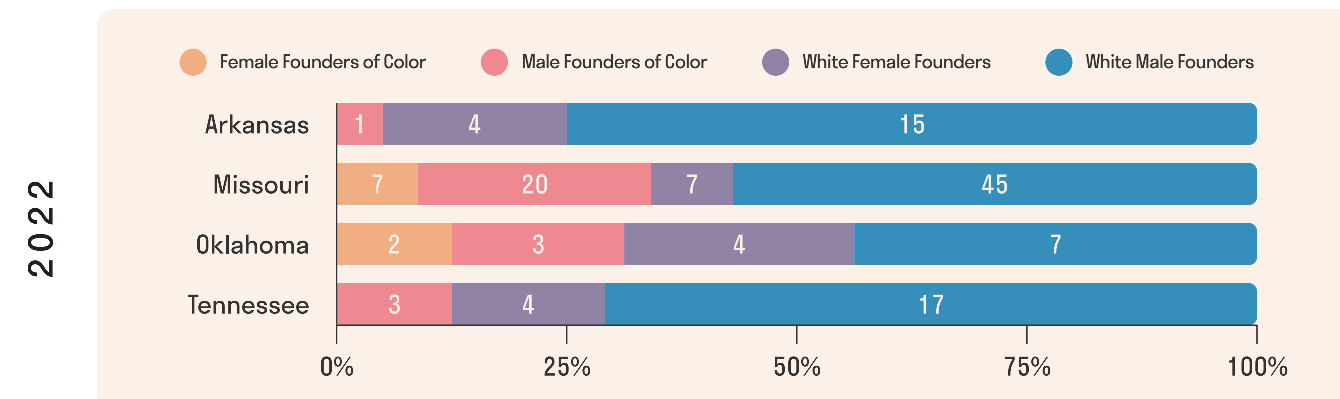


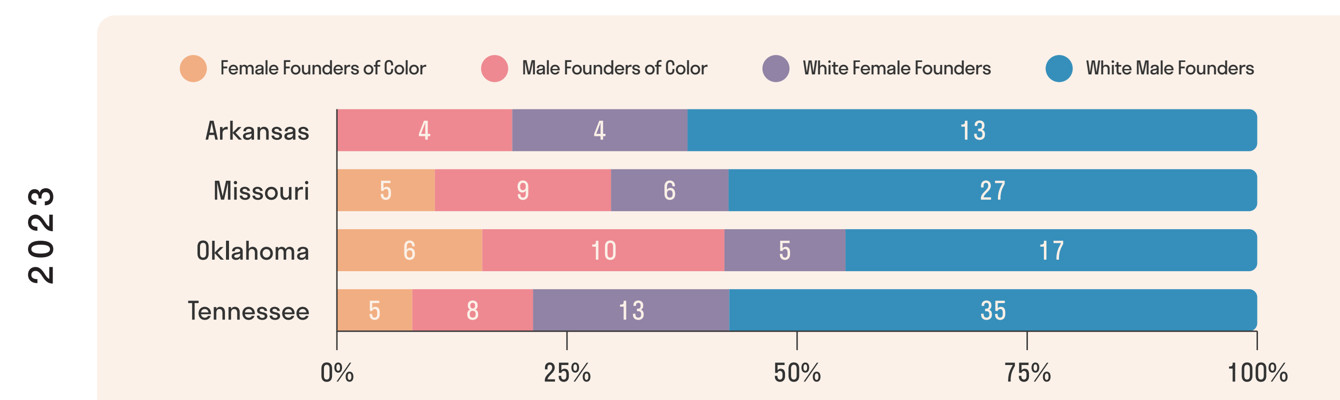
Sizes of Above Graphs Represent Relative to Investments Year Over Year

Percent Share of Angel/Seed Deals # by Demographic and State

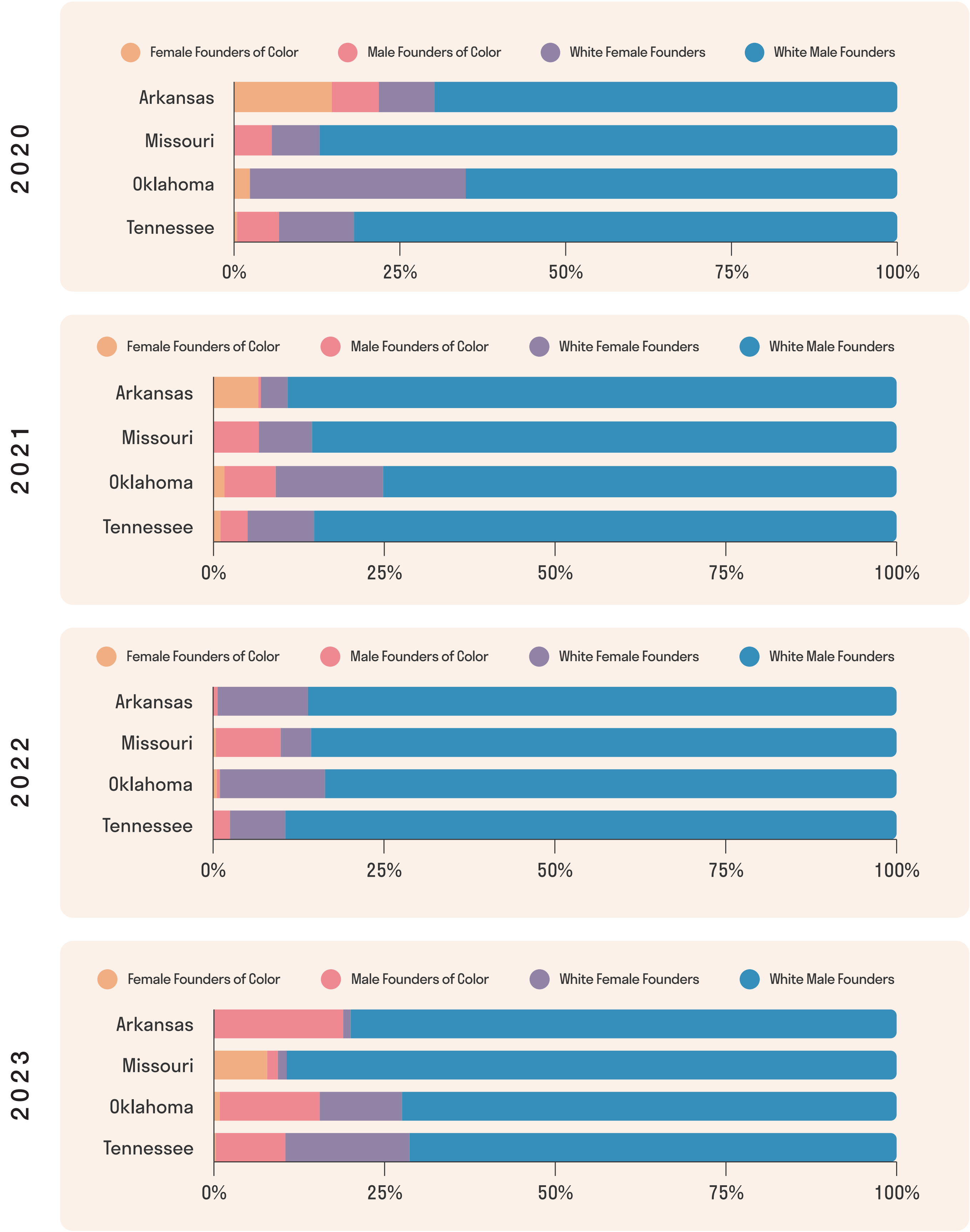






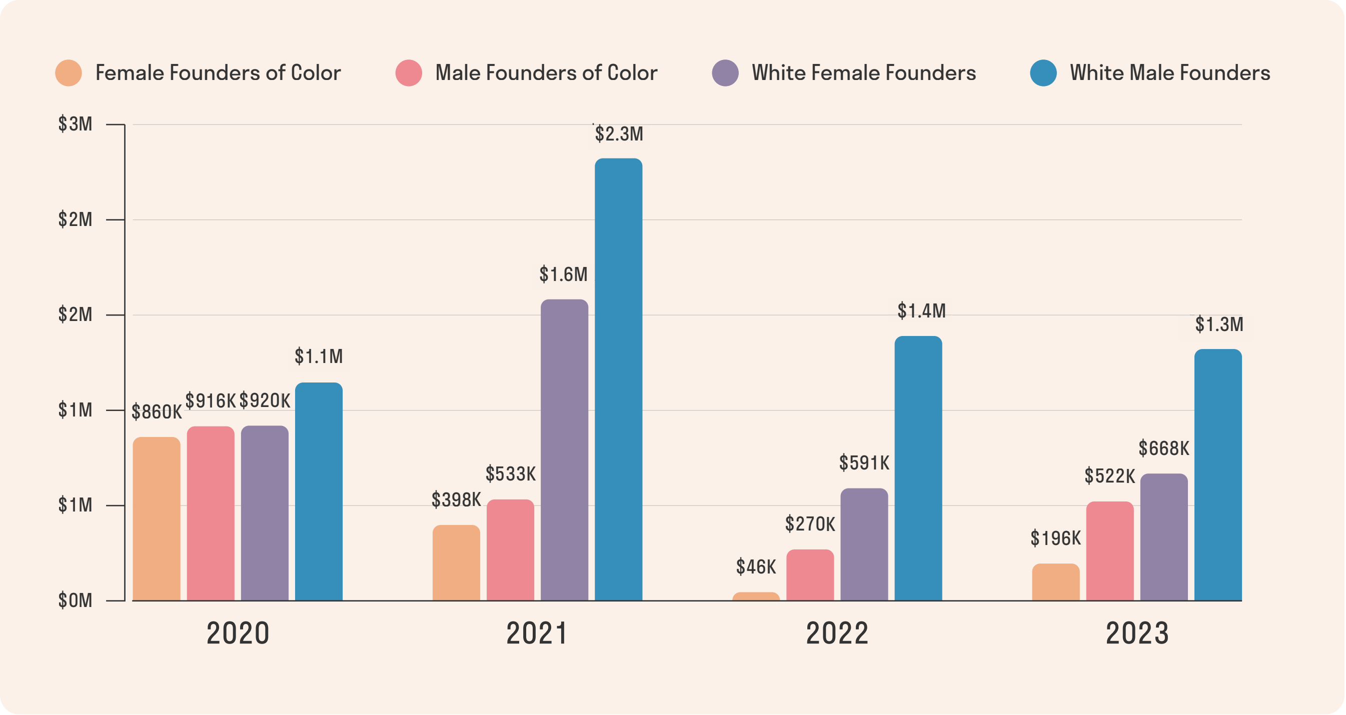


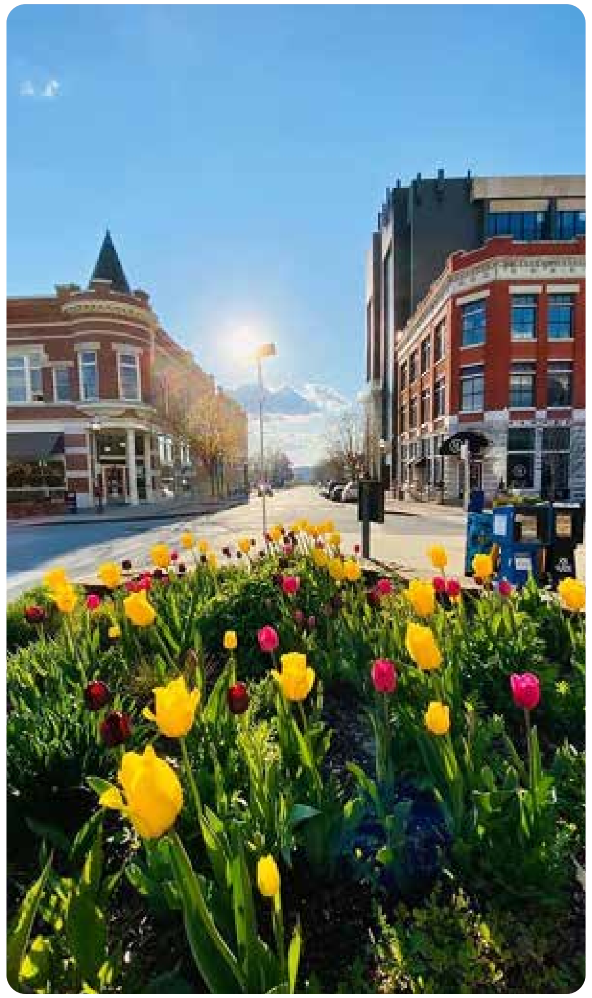
Percentage Share of Angel/Seed Deals $ by Demographic & State



ANGEL & SEED INVESTMENT

Average Angel/Seed Deal Size by Demographic Across All Comparator States





CASE STUDY

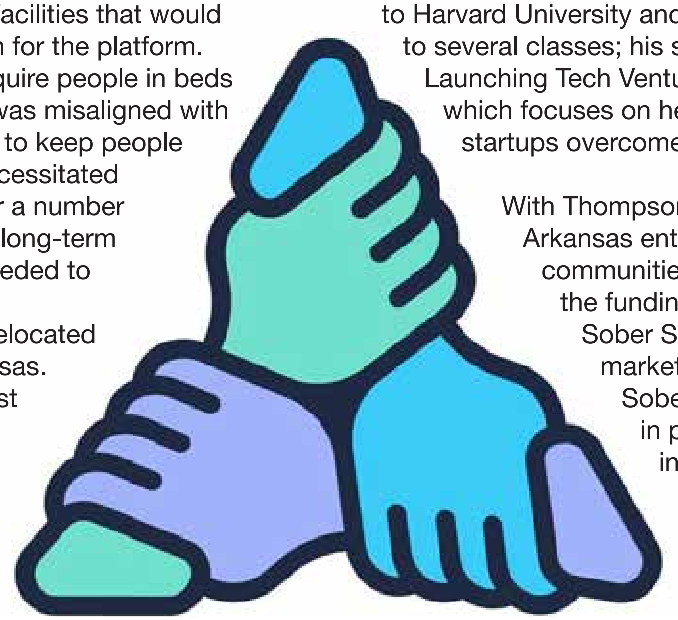
Sober Sidekick

From Concept to Community with Chris Thompson

Chris Thompson launched Sober Sidekick five years ago with a mission: to create a connected, supportive space for those in recovery. Struggling with addiction himself, isolation and other issues challenged Thompson on his road to sobriety. He founded Sober Sidekick to build a supportive community for other people struggling with the same battles.

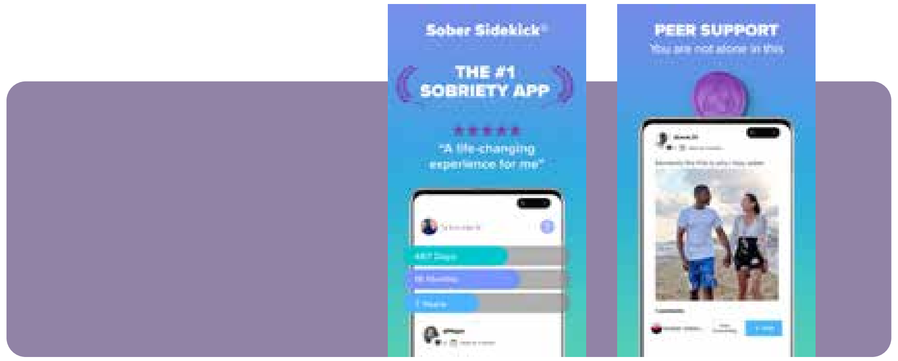
After teaching himself to code, Thompson built and launched a platform focused on peer-to-peer connections. Unlike in-person Alcoholics Anonymous meetings, Sober Sidekick's digital platform allows for multiple, instant connections, providing essential, immediate support that is crucial for its members. This "empathy algorithm" is key to proactive recovery, helping people find the right resources at the right time.

Thompson launched Sober Sidekick in 2019 while living in Los Angeles. Initially, Thompson aimed to partner with rehabilitation facilities that would pay a monthly subscription for the platform. However, those entities require people in beds to operate a profit, which was misaligned with the goal of Sober Sidekick to keep people out of those beds. That necessitated Thompson to bootstrap for a number of years while building the long-term healthcare partnerships needed to build a revenue stream.
In early 2022, Thompson relocated from Los Angeles to Arkansas. Facilitated by the Northwest Arkansas Council's "Life Works Here" program and introductions through Venture Noire, Thompson moved to connect into the community and find traction. Because of Arkansas' approachable and accessible community, intentional and rapid growth, and focus on innovation, Thompson believed Arkansas would be a welcoming environment to scale Sober Sidekick and expand its reach.



The impact of Sober Sidekick was quickly recognized when Thompson won the EY NWA Innovator of the Year Award at the 2022 NWA Tech Summit. In March 2023, the Validation Institute confirmed the efficacy of Sober Sidekick and it was later a finalist in the Health Validation Awards. Thompson was also connected to Harvard University and spoke about his journey to several classes; his story is now featured in the Launching Tech Ventures course at the university, which focuses on helping early-stage tech startups overcome management challenges.

With Thompson's connection into the Arkansas entrepreneurial and investment communities, he was also able to find the funding he needed to expand Sober Sidekick's features and marketing efforts. In late 2023, Sober Sidekick raised $2,100,000 in pre-seed funding. This round included $725,000 from Nina Capital, $500,000 from Ikagi Growth Partners - a Denver-based venture capital firm, $250K from the American Heart Association, and Arkansas-based angel investors. This funding is represented in this report. In 2024, Sober Sidekick raised an additional $2,500,000. This funding will be represented in the next edition of the Arkansas Capital Scan.
Today, Sober Sidekick is nearing 500,000 downloads in over 150 countries and is ranked at the top of Google Play's Health & Fitness apps in at least five countries. Looking ahead, it aims to broaden its reach and refine its platform to better serve its users. Plans include integrating advanced technologies like AI to provide personalized support, expanding the user base globally, and forming partnerships with healthcare providers and organizations to offer comprehensive support services. Chris Thompson envisions Sober Sidekick as a cornerstone in the journey towards sobriety for millions, fostering a connected and supportive global community.



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Perspective

Rough Roads, Bright Horizons: Arkansas' Long-Term Capital Growth

Quinn Robertson

Director,
412 Angels at Endeavor Heartland

Can I get a collective "woof, glad that's over"? This year was rough for fundraising, no question about it. Significant macro shifts on multiple fronts led to startups having a hard time knocking down key milestones and investors being conservative checkwriters. The bar to get risk capital continued to rise along with the difficulty and length of doing so.

And yet for me, it was a perfect time to jump into the startup community that I want to help build and see grow for 20, 30, 50 years to come. Nothing worthwhile ever came easy.

Having only been in the Arkansas capital community for a year now - though I've been admiring it from afar in Kansas for the nearly five years prior - it's incredible to see the momentum and targeted effort right now, specifically on capital availability. There seems to be a core focus not only on building up further local capital sources for startups, with the 412 Angels program being just one product of this, but seeing non-local capital sources start to invest time and resources into the area (looking at you High Street Equity, Hivers and Strivers, and plenty of others) as well as building capital bridges to non-local capital sources (take a bow StartupNWA and many more). Risk capital: grow it, import it, and connect it. You're seeing this "from-all-angles" strategy getting launched in real time. The long-term play makes sense: a deep bench of capital covering all stages should drive significant startup activity in the coming years, both in a "grow your own" fashion and attracting founders from other ecosystems. I don't pretend to assume every program, every capital source, every capital bridge will bear long-term sustained fruit, but the shots on goal right now are commendable and don't happen everywhere across the country.

And now more than ever is the time to double down. Looking at stats relative to our sister states across the Heartland, we're the only one that hasn't yet fully rebounded to pre-pandemic levels of funding at the earliest stages. This needs to be solved, and can only be done through thoughtful collaboration across the ecosystem.

As I look 10Y out to 2033 and what "good" looks like, we've got work to do for sure. We need more local sources of capital at the earliest stages from idea to sub-Series A. We need a broader diversity of capital types available to Arkansas entrepreneurs beyond just VC, and a better foundational knowledge for what the right capital type is at the right time for the right outcomes. We need a larger density of local, investable startups. It's probably not a unique perspective: we need more, and more options, on both sides of the table.

In the near-term, to the entrepreneurs seeking to raise capital, a couple pieces of advice. Firstly, make your business impossible to pass up as an investment opportunity by knocking down milestones and continually solving a problem for your customers. It'll help you with fundraising, but should be a goal regardless of if you're seeking capital.

> **"Nothing worthwhile ever came easy."**

Secondly, while capital gaps still exist, know that (1) there are a multitude of efforts focused on actively getting them filled and, most importantly, (2) bridges to capital sources, both locally, regionally, and nationally, exist today. There are plenty of folks around town that can and want to connect you to the right investor to help scale your business.

On a personal note, I'm excited to see the 412 Angels program that I run building a new partnership with local (and global) support organization Endeavor. The 412 Angels program, as a part of Endeavor, is designed to bring awareness and education to the local angel investor community, with the intent to activate and build a community of new angel investors in the region. We provide connections to investment opportunities–including those we bring to the angel membership directly and from other companies in our orbit that are raising capital–and we facilitate connections between our members and VC fund managers. We're excited to bring the resources and value that exist with Endeavor's network and programs to 412-connected entrepreneurs and also really excited to connect with companies in their network that can make the 412 corridor even more transformative than it is today.

Difficult year? Yep. 2024 likely showing signs to be difficult? Also yep! But based on the work being done, I'm so incredibly hopeful and excited for the future of this community!

Venture Capital

INVESTMENT

Regarding the data, our team verified and added additional deals that were known in the Arkansas venture capital community but were not available on PitchBook. We corrected any deals that were incorrectly categorized to ensure accuracy in the data analysis. In 2023, there was $700,000 that was not accounted for in PitchBook. Similar assessments were conducted in prior years to ensure comprehensive coverage of the venture capital landscape.

While efforts were made to capture all relevant deals, it is possible that a small number of deals may not have been captured in this report, especially in the comparator states. Seed and angel deals are more likely to not be captured compared to VC deals due to differences in reporting and tracking mechanisms.

Ultimately, the data verification process aimed to enhance the accuracy and completeness of the venture capital data analyzed in this report. While some deals may still be missed, this process ensures a more comprehensive understanding of the venture capital landscape in Arkansas and the comparator states.

National Trends

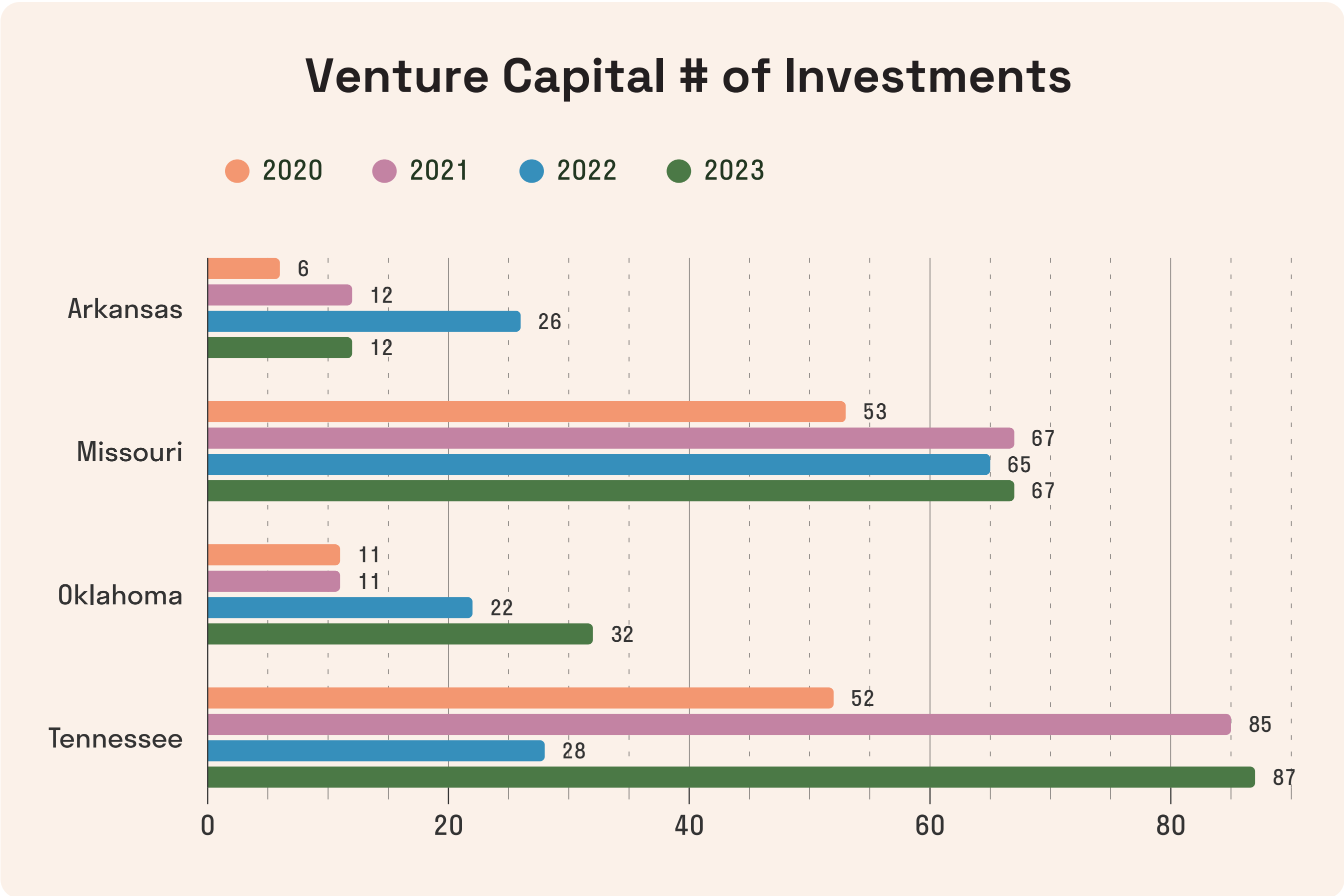
Nationally there was a known spike in Venture Capital (VC) investments in 2021 and 2022, contributing to higher levels of investment during those years. VC investments in 2023 were on par with 2020 levels, however, the availability of capital did not meet the demands for capital. In 2023, the increase in investments was primarily driven by late-stage VC investments, which were higher than 2020 levels, but still lower than prior years. The increase in investments was not due to a higher number of deals but rather a decrease in the average deal size. This trend was particularly notable in late-stage investments.

Nationally, early-stage VC investments were at their lowest levels since 2017, despite the deal count remaining relatively stable compared to 2022, implying that while the frequency of deals has not significantly changed, the amount of money being invested in each deal has decreased. The share of early-stage rounds at or above $10 million dropped from 42 percent in 2022 to 36.1 percent in 2023, indicating a shift towards smaller early-stage investments. In addition, $1 out of every $3 invested in VC in 2023 went into AI companies, highlighting the significant investment focus on this sector.

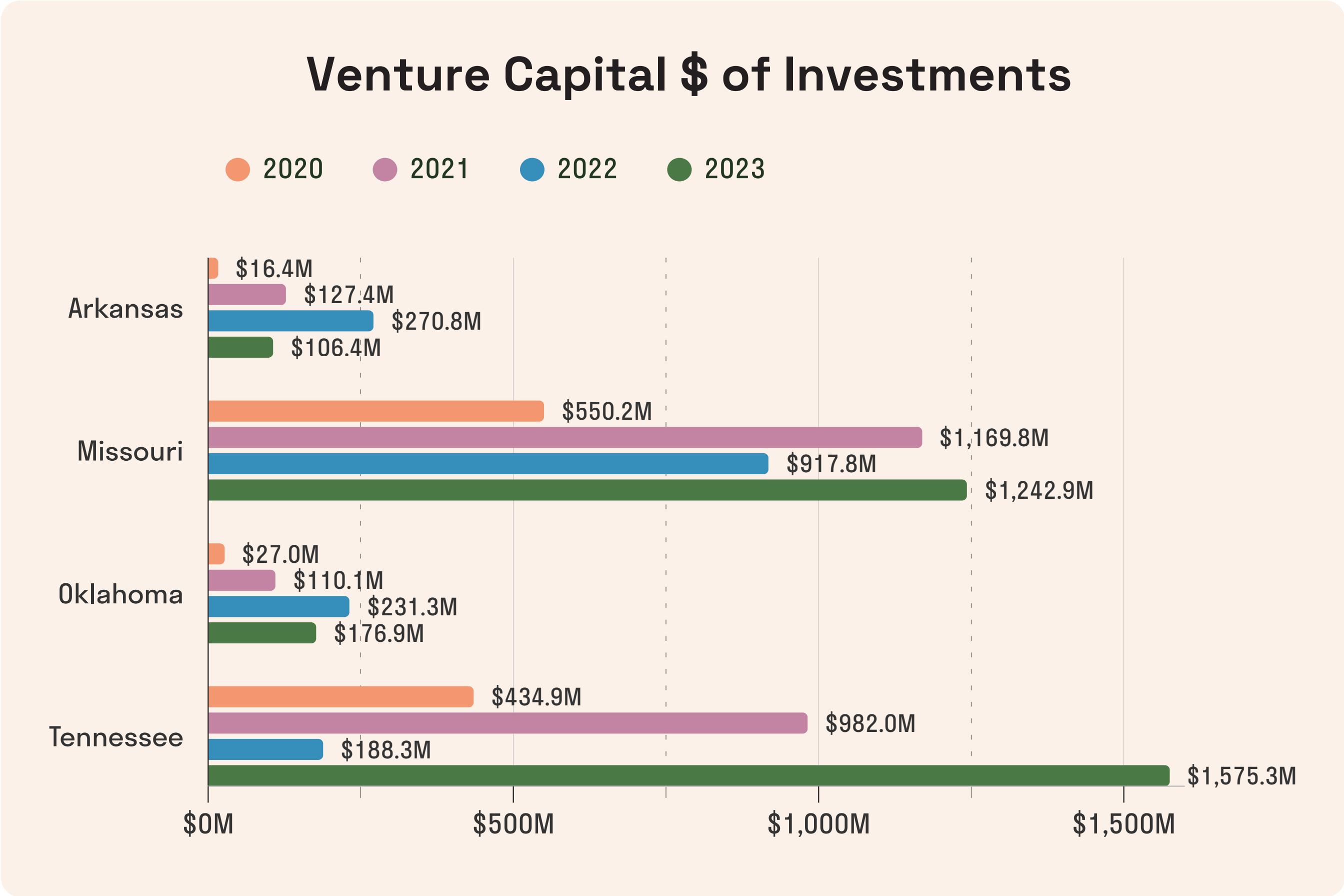
VENTURE CAPITAL INVESTMENT

Venture Capital Investments in Arkansas*

In 2023, Arkansas experienced 12 venture capital deals totaling $106,380,000. The average investment size for these deals was $8,865,000, with a range from $240,000 to $38,380,000. Despite a slight downturn compared to 2022, Arkansas still demonstrated substantial growth in VC compared to 2020. Arkansas has shown overall improvement in VC investments over the years covered by this report and the spike in VC investments in 2022, driven by a few large deals, is broadly reflective of national trends. Between 2020 and 2023, per capita VC dollars in Arkansas increased by 536.5 percent, indicating significant growth in VC activity.



Encore Bancshares, a Fayetteville-based financial institution, received a $190M growth equity investment in 2023 from investors, including Cadron Capital. This deal is not included in the Venture Capital dataset.

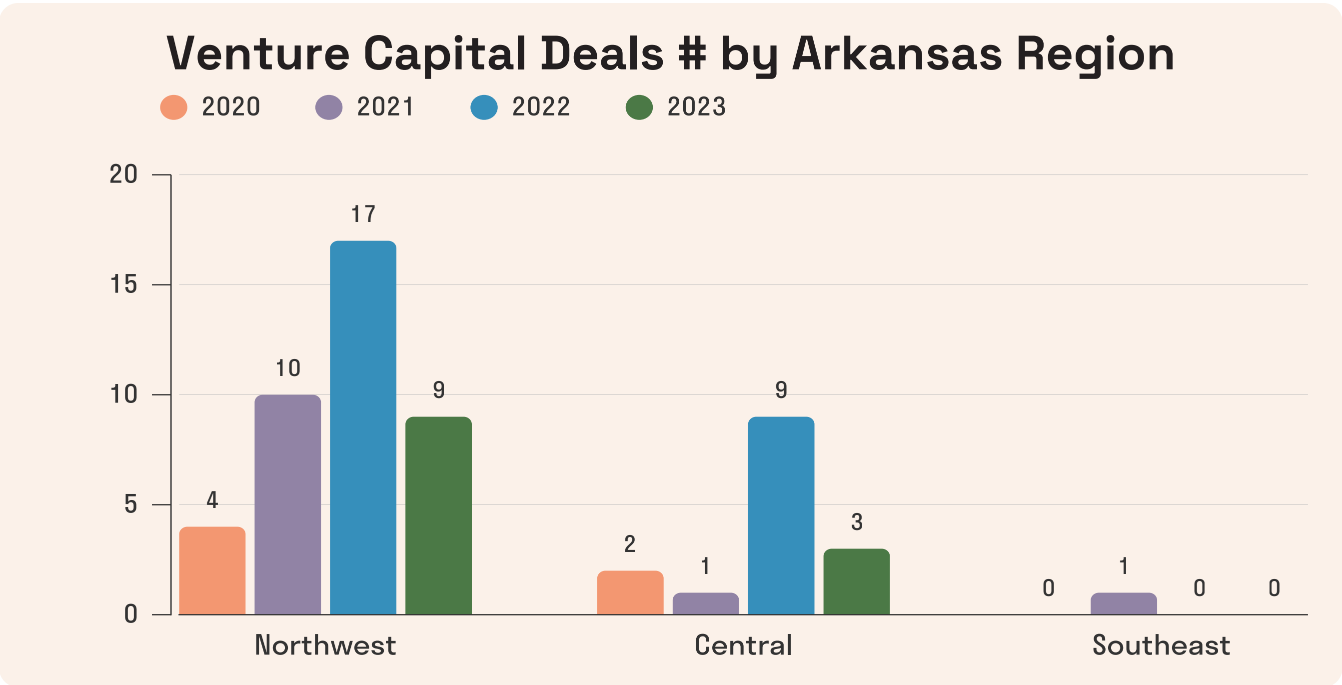


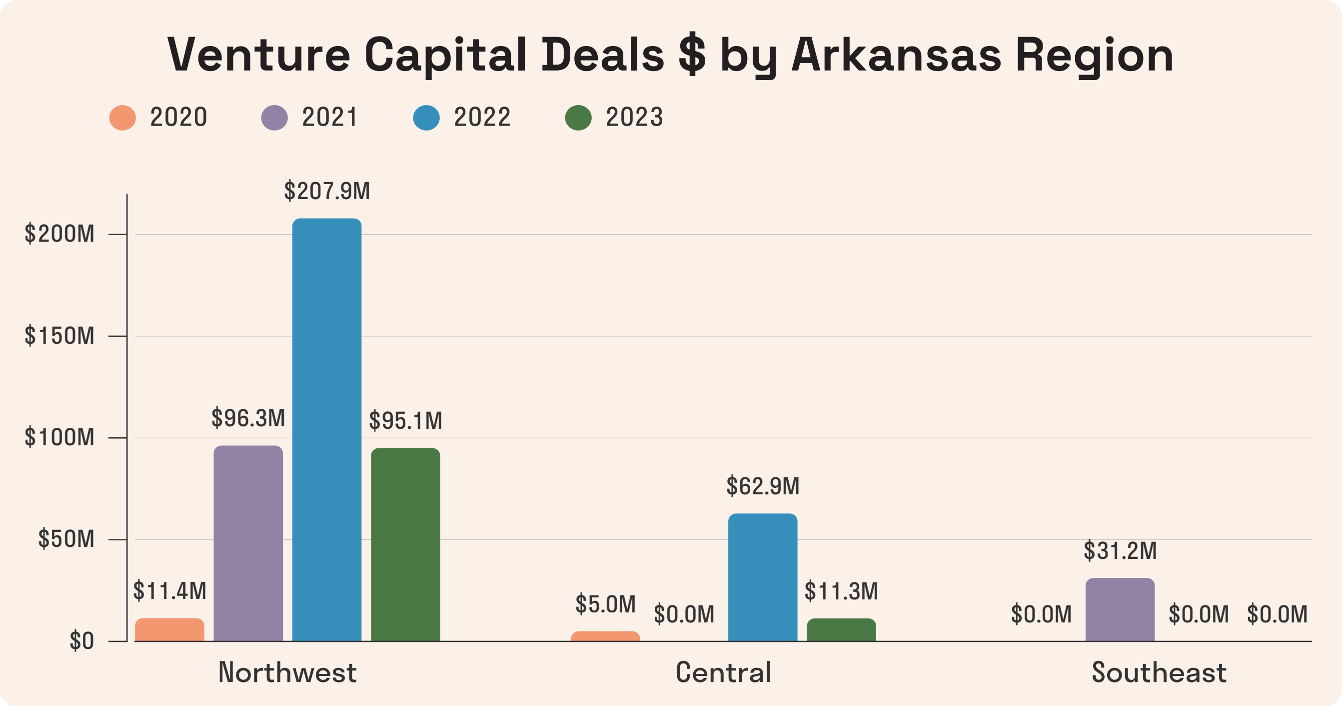
Arkansas is the closest among the comparator states of Oklahoma, Missouri, and Tennessee to reflecting national trends in VC investments. However, unlike other states, Arkansas experienced a VC spike in 2022 instead of 2021. While Arkansas maintained investment levels similar to 2021, Oklahoma improved from 2021 levels, and Missouri and Tennessee had their best years in 2023, outperforming 2021. The number of deals increased for all comparator states, contrasting with the slight decrease nationally. However, Arkansas saw a substantial decrease in the number of deals.

Despite a slight downturn in VC investments in 2023 compared to 2022, Arkansas has demonstrated substantial growth in VC activity over the years. The increase in VC investments in non-traditional investment centers suggests a potential geographic diversification of investment dollars, which could continue to shape investment trends in the coming years.

Investments by Arkansas Geography*

Venture Capital investments in 2023 were concentrated in Northwest Arkansas and Central Arkansas. In Northwest Arkansas there was a 13.6 percent decrease in the average deal size from 2022 to 2023. Similarly, the average deal size in Central Arkansas decreased substantially by 45.9 percent from 2022 to 2023. This data highlights the importance of regional analysis in understanding venture capital trends.



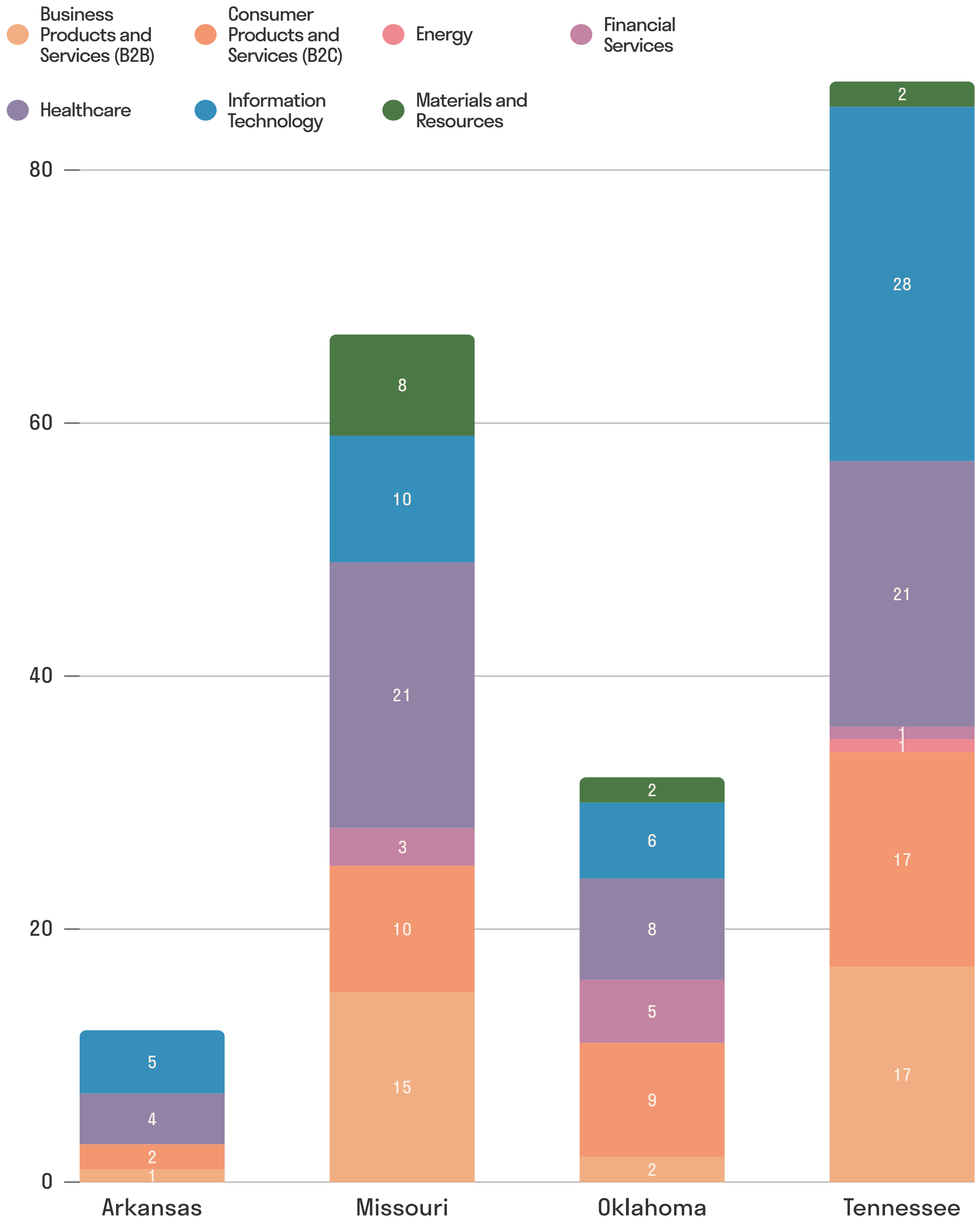


Venture Capital Investments by Arkansas Industry

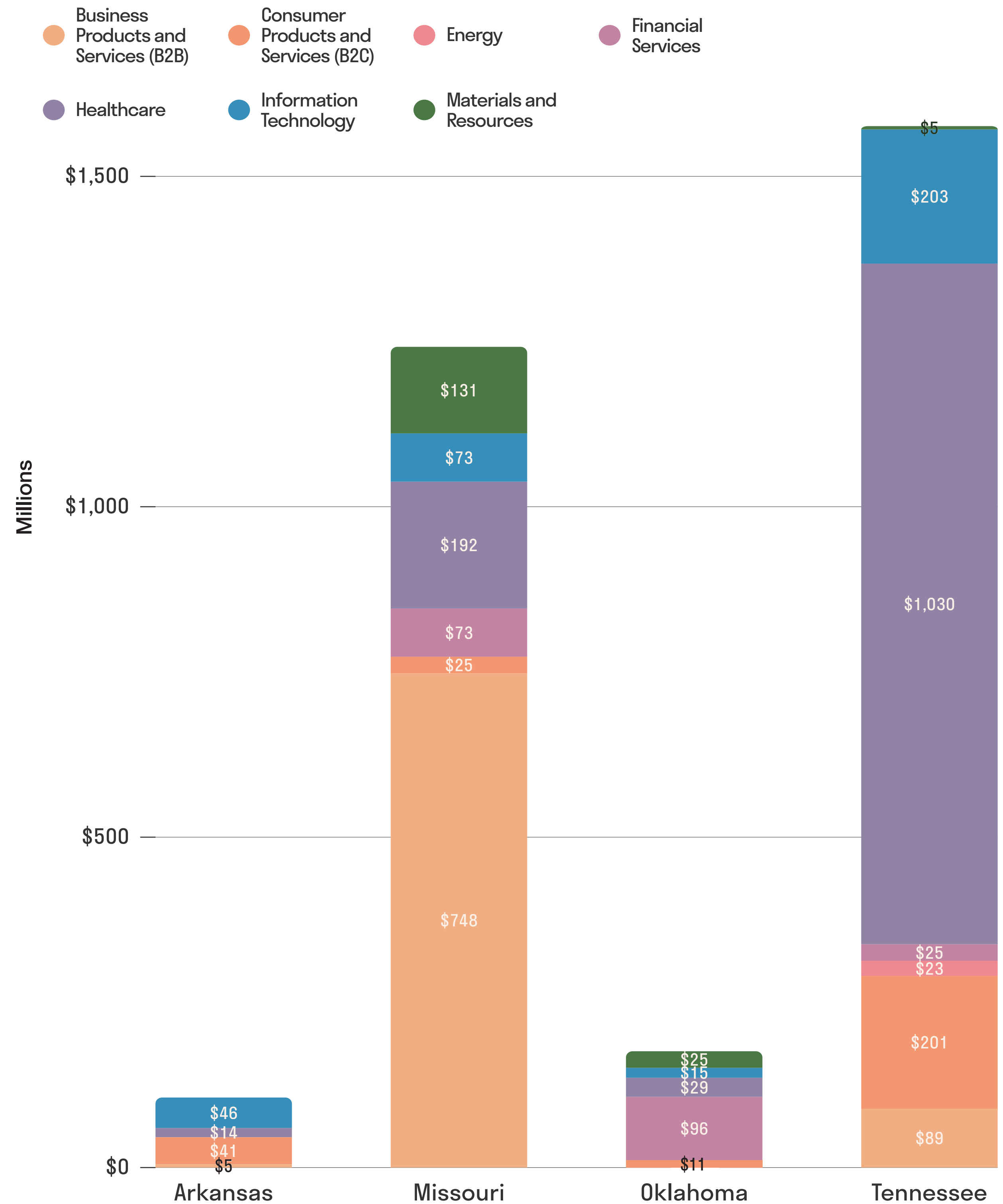
In 2023, VC investments in the comparator states of Arkansas, Oklahoma, Missouri, and Tennessee were largely driven by the Healthcare and Information Technology (IT) industries. However, the distribution of investment dollars varied across different industries, with some states showing more concentration in specific sectors. The IT industry accounted for 41.7 percent of all deals and 43.3 percent of investment dollars. It was a significant driver of both deal volume and investment amount across the comparator states. The Healthcare industry contributed to 33.3 percent of all deals, but only 13.6 percent of investment dollars. Despite a notable number of deals, it represented a smaller share of total investment amounts. The Consumer Products and Services industry comprised 16.7 percent of all deals but contributed to a larger share of investment dollars, accounting for 38.5 percent of total dollars invested. This indicates that Consumer Products and Services industry startups attracted larger investment amounts despite fewer deals.

With regards to the comparators, Oklahoma had more than half (54.2 percent) of investment dollars in 2023 come from the Financial Services industry, despite representing only 15.6 percent of deals. This suggests a high concentration of investment dollars in this sector.[45] In Missouri, the Business Products and Services industry accounted for 60.2 percent of investment dollars, with only 22.4 percent of deals. This indicates significant investment in Business Products and Services startups, with a higher average deal size. Finally, in Tennessee the Healthcare industry dominated with nearly two-thirds (65.4 percent) of investment dollars, despite representing only 24.1 percent of deals. Two outlier deals at $300M+ each significantly contributed to the total investment amount, combining to be 43.8 percent of total investments in Tennessee. In 2023, the distribution of investment dollars varied across industries and states, with some industries attracting larger amounts of investment despite fewer deals. Understanding these industry dynamics is crucial for investors and policymakers to identify trends and opportunities in the venture capital landscape.

Venture Capital Investments # by Industry and State



Venture Capital Investments $ by Industry and State



Venture Capital Investments by Demographic

In 2023, venture capital investments showed a notable improvement in equity across comparator states, with 26.6 percent of deals and 24.5 percent of investment dollars directed towards Founders who are Women and/or Founders of Color. This is a significant increase from previous years. However, disparities remain, as only 18.2 percent of deals and 10.6 percent of dollars went to businesses owned by Women, and merely 7.4 percent of dollars went to businesses owned by People of Color. Arkansas experienced the most substantial increase in investment parity, with 25 percent of deals and 13.2 percent of dollars going to diverse founders, mirroring a national trend towards diversification. A highlight of this progress is Meagan Kinmonth Bowman, founder and CEO of Stonehenge Technology Labs, who secured $2 million in Venture Capital in February 2023 for her software platform STOPWATCH, designed to help consumer packaged goods companies optimize data management.

Most notably, with six deals across all comparator states (mostly Tennessee), Women of Color received the highest average investment size in 2023, with an average of $24.26 million. Prior years were substantially lower, with Female Founders of Color receiving an average VC investment of $672,857 in 2022 and $100,000 in 2021. This unprecedented increase represents the first time Women of Color have received higher average equity investments compared to any other demographic group. This includes Charu Thomas, CEO and Founder of Ox, the world's first Human-Centered Automation company based in Bentonville, Arkansas, which raised $12.6 million in venture funding in April 2023.[47] Also notable is that the majority of these investments were in companies started by Black Female Founders, highlighting a shift in investment patterns and a recognition of the untapped potential in this demographic. However, the number of deals for Women of Color remains disproportionately low, with only 8 out of 194 deals across all four states in 2023.

VENTURE CAPITAL INVESTMENT

Perspective

Heartland's Hidden Potential:

Can Arkansas Mirror Tennessee's VC Success?

Dr. Kristy Carter
Researcher and Social Impact Scientist

Camille Gilmore
PhD, Candidate | University of Arkansas

The recent upsurge in venture capital for Female Founders of Color marked by significant deals with companies like Luna Physical Therapy, Candesant Biomedical, and Uncle Nearest— all in Tennessee – signals a potential shift in investment trends favoring diversity. Despite these successes involving only a few deals, they represent a recognition of diverse entrepreneurial talent. Yet, this trend must be approached with cautious optimism as it does not yet indicate a widespread change across the broader venture capital landscape, especially given the historical underfunding of businesses led by Women of Color.

Highlighting the need for a more inclusive approach to ecosystem development, it is crucial to address significant gaps, such as the inadequate collection and reporting of data by entrepreneurial support organizations, particularly concerning Women of Color in technology. Leveraging Gines' 5C's of Entrepreneurial Ecosystems, which includes conducive culture, policy, access to capital, human capital, and markets, is crucial for fostering environments where diverse entrepreneurs can thrive (Carter, 2021). The underrepresentation of these women in data might not imply direct exclusion. Still, it should raise concerns about their visibility and support, highlighting the need for enhanced data collection and strategic ecosystem-building practices.

Additionally, a data review raises pertinent questions about minority entrepreneurs' awareness of venture capital grants as a primary funding source. For instance, Charu Thomas of Ox in Arkansas was primarily funded with grants in the later VC stage, highlighting the role of social capital—or networking—in accessing unrestrictive capital and fluid resources. This situation exemplifies the critical barrier of limited access to capital, which is closely linked to the challenges faced by minority business entrepreneurs.

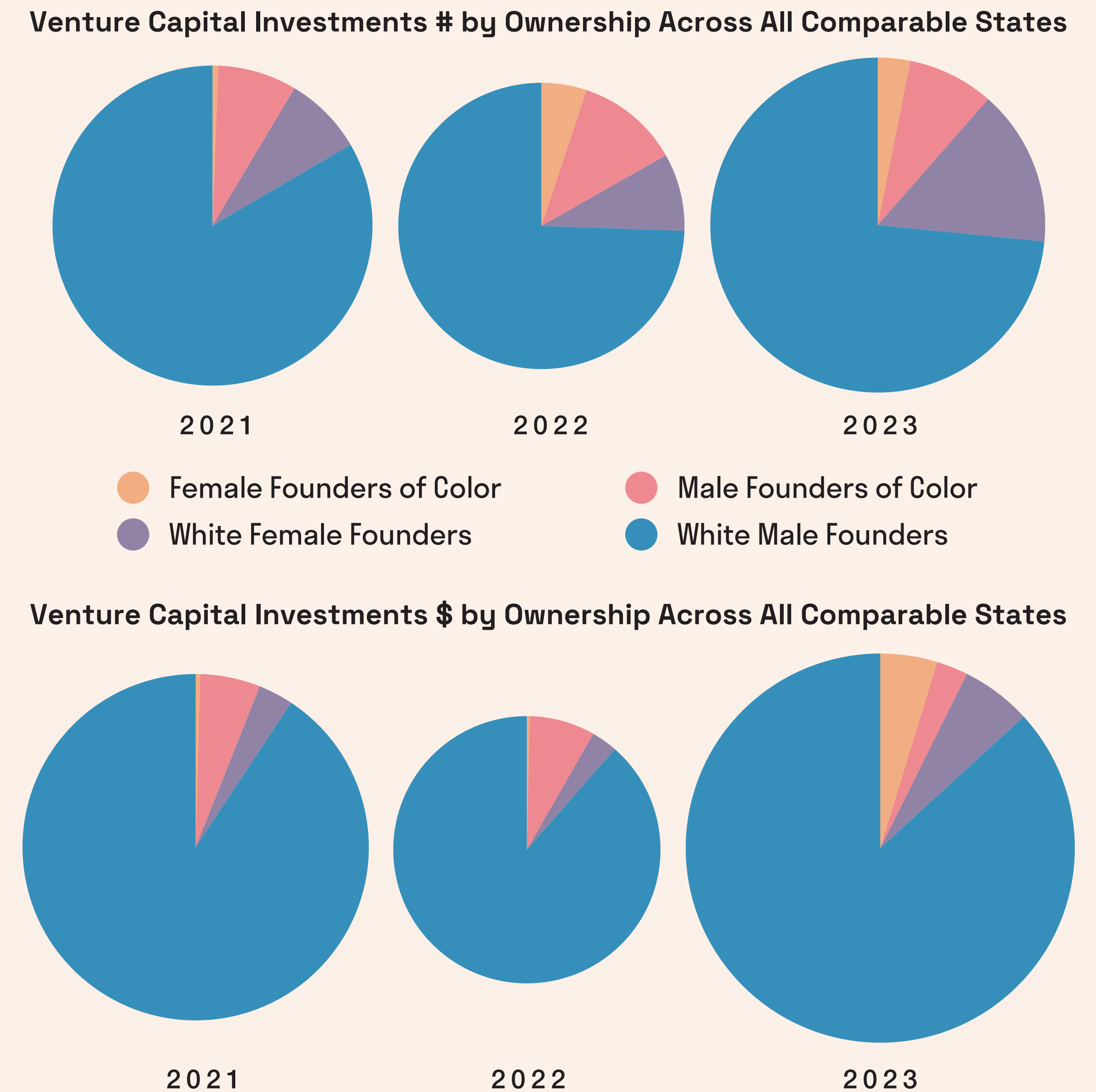
This trend in Tennessee offers a model for other states, particularly Arkansas, prompting questions about VC proximity and the potential replication of such funding successes. The data also suggests a real opportunity to learn from Tennessee's initiatives to support and expand funding opportunities for minority women in business. Such momentum could catalyze systemic change, encouraging investors to recognize and support the untapped potential of diverse entrepreneurs.

Addressing these challenges through improved data collection, analysis, and inclusive ecosystem practices can support individual entrepreneurs and enrich the entire entrepreneurial ecosystem in Arkansas and throughout the Heartland. This dynamic approach ensures that Women of Color founders receive the

Leveraging Gines' 5C's of Entrepreneurial Ecosystems, which includes conducive culture, policy, access to capital, human capital, and markets, is crucial for fostering environments where diverse entrepreneurs can thrive.

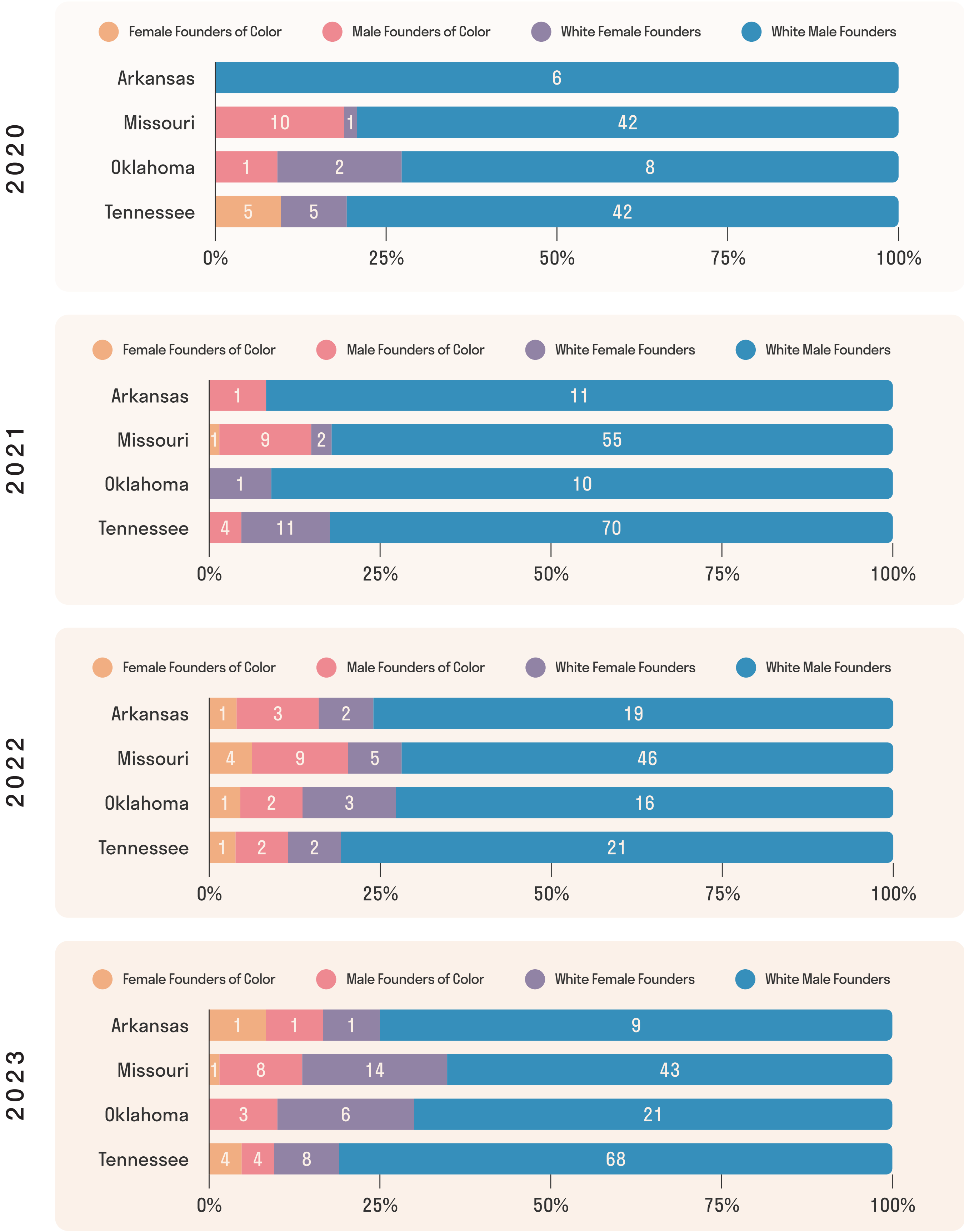
Venture Capital Investments by Demographic

While there has been progress in diversifying venture capital investments across the comparator states, there is still work to be done to achieve parity. Historic investments in businesses owned by Women of Color represent a positive step forward, but efforts to address disparities in investment distribution must continue to ensure equitable access to capital for all entrepreneurs. Monitoring investment trends and supporting underrepresented founders will be crucial in driving further progress in the venture capital landscape.

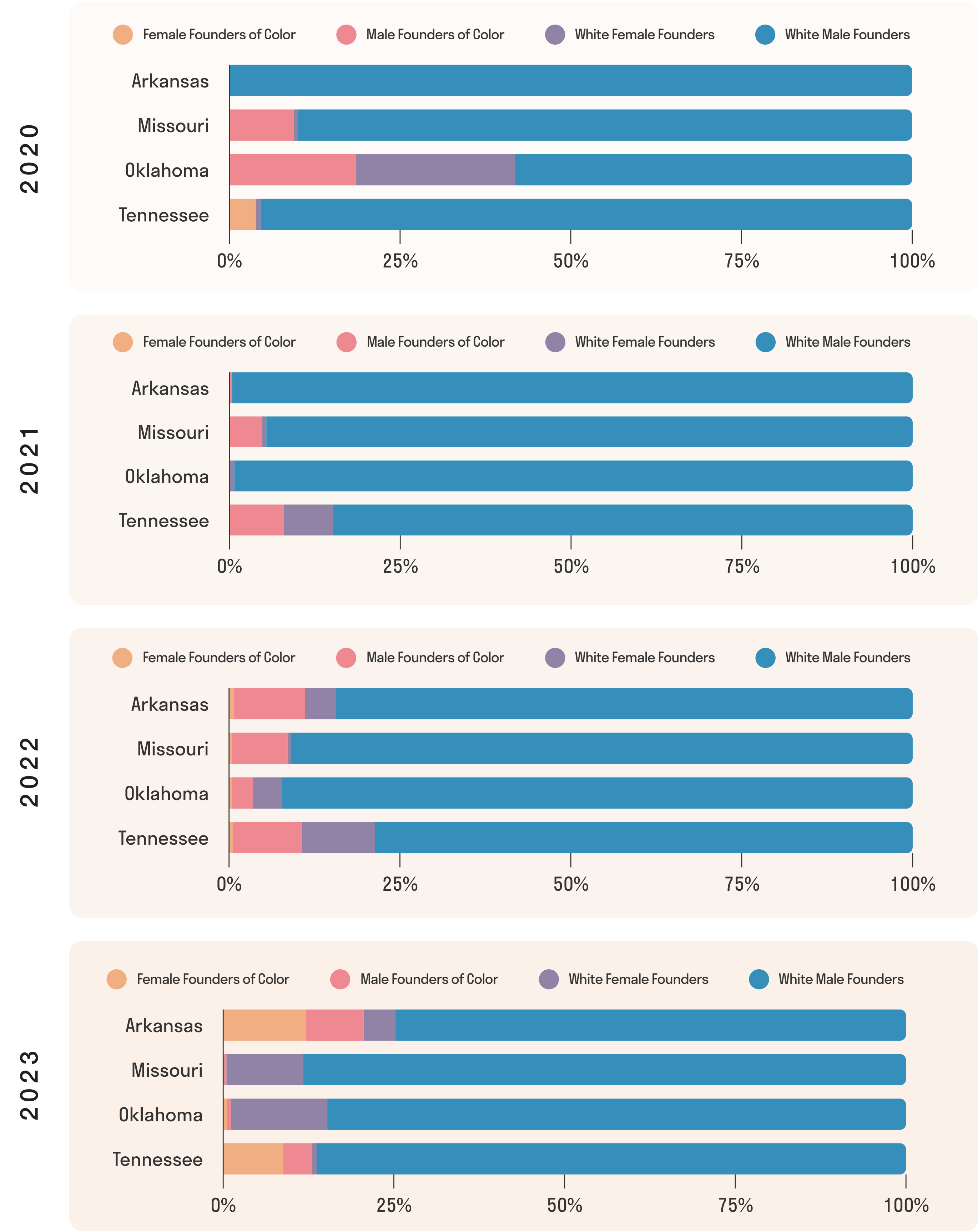


Size of the Above Charts Reflects the Relative Size of Total Funding

Percentage Share of Venture Capital Deals # by Demographic & State



Percentage Share of Venture Capital Deals $ by Demographic & State



CASE STUDY

Apptegy

Apptegy was founded in 2013 by Jeston George in Little Rock. He had been struggling to keep up with the events at his nephew's school, so he met with Arkansas school superintendents where he learned that there was a widespread need for a basic platform where schools could manage information and community engagement. While not his first company, Apptegy was George's first technology venture. He started the company with just two employees—himself and one developer.

In summer 2015, Apptegy launched Thrillshare, a proprietary digital communication platform for schools to develop and distribute news and stories. That was also the year that Apptegy pursued its first round of funding. Apptegy first received investment from Hayseed Capital in Fayetteville for $100,000. During this time, Fund for Arkansas' Future also provided a seed investment of an undisclosed amount through their second fund, FAF2.

In addition to the seed investments received from Arkansas-based angels, Apptegy leveraged an Arkansas state program to incentivize these early investments. The Equity Investment Tax Credit program is a discretionary state incentive program that provides investors an income tax credit equal to 33.3% of their investment into technology-based businesses. In 2015, Apptegy was approved to offer the credit on $800,000 in investments.

The **Arkansas Venture Capital Investment Trust** is an equity fund administered by the Arkansas Development Finance Authority. Arkansas-based technology companies can apply to the Trust for a matching investment of up to $1,000,000.

In 2016, Apptegy applied for and received a direct equity investment of $300,000 from the Arkansas Venture Capital Investment Trust, another Arkansas state program to incentivize investment in Arkansas-based technology companies.

In 2017, Apptegy raised $5.7M through a Series A round from Five Elms Capital. Five Elms cited the rapid adoption of the product by customers as their reason for investing. As a part of this investment, shares purchased by the Arkansas Development Finance Authority through their investment were bought back, creating financial return to the state in addition to the jobs created through the investments.

In 2019, Apptegy raised an additional $13.2M through a Series B round from Five Elms Capital. They added an additional 50 employees that year, aiming to leverage the investment to feed the top-line revenue triple-digit growth.

In 2020, Apptegy raised an additional $5M in growth-stage debt from Toronto-based CIBC. It has been incorrectly labeled as equity funding in Pitchbook, which was noted in the 2020 Capital Scan. In 2020 and in 2021, Apptegy was also selected as one of Forbes Magazine's Top 500 Startup Employers. Also in 2021, Apptegy was named to the Inc. 5000 as one of the fastest growing companies in Arkansas and in the U.S., growing from two to 140 employees in five years. In 2022, Inc. also named Apptegy to its list of Best Workplaces in the U.S.

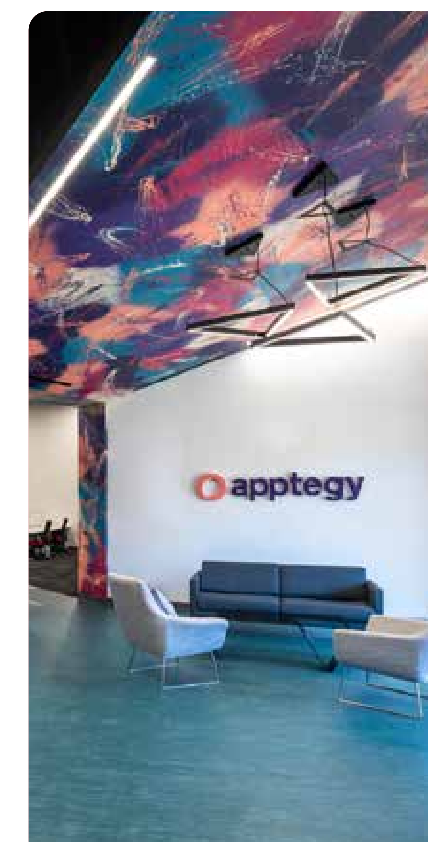
In May 2023, Apptegy received a strategic growth investment from JMI Equity. This exit allowed the Fund for Arkansas' Future to exit from the position provided by their seed investment, disbursing $3M+ to the angels who invested in the FAF2 fund.

Today, Apptegy offers an all-in-one brand and communications platform serving 4,500 public schools in all 50 states and hundreds of municipalities, prioritizing intuitive user experiences for school and civic leaders reaching their communities.

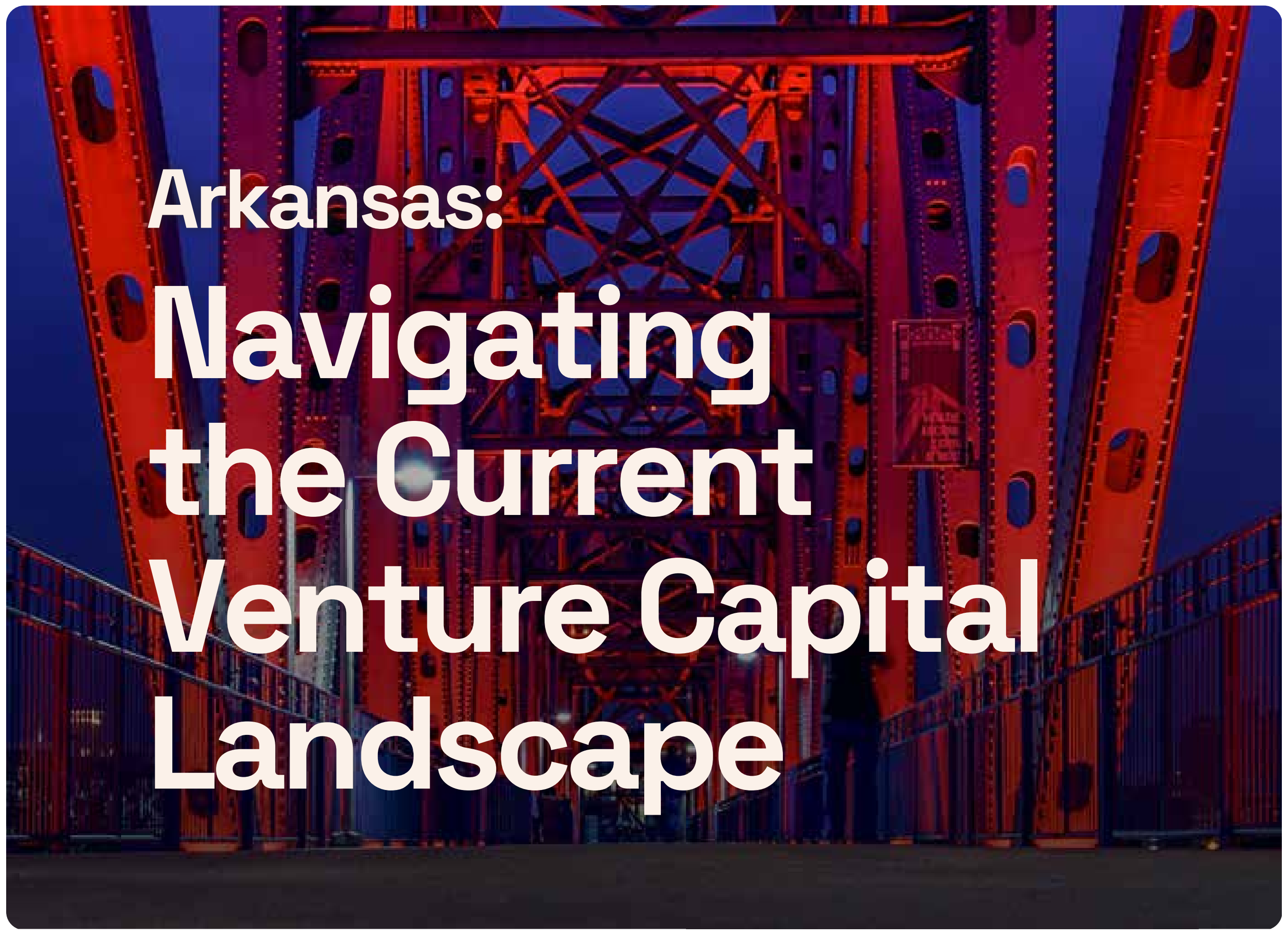
apptegy.com/thrillshare/

thrillshare®

Arkansas Democrat-Gazette/Colin Murphey



Perspective



Arkansas: Navigating the Current Venture Capital Landscape

Serafina Lalany

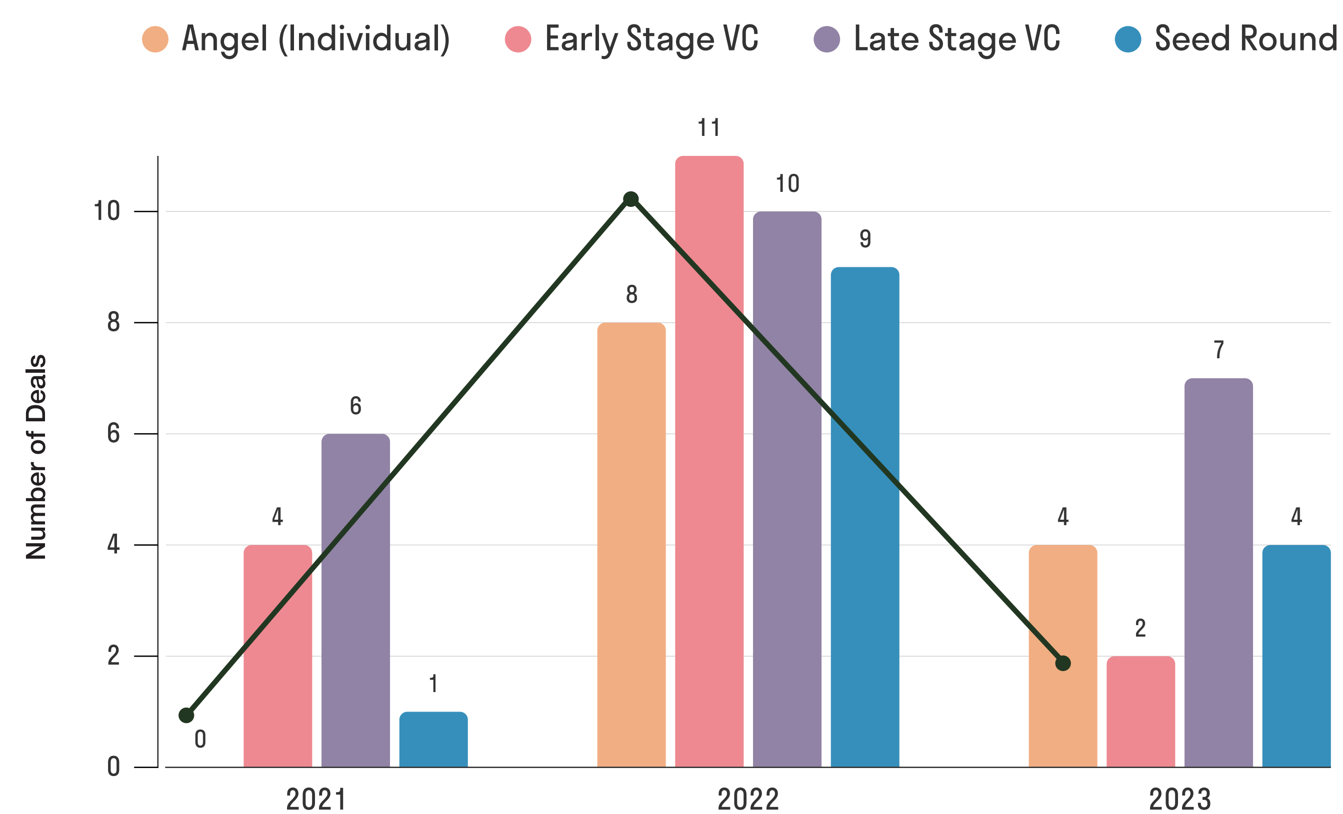
Executive Director, *StartupNWA*

VENTURE CAPITAL INVESTMENT

There's no question that 2023 was a tough year for Venture Capital, with $71.6 billion less invested compared to 2022. Arkansas wasn't immune to these challenges, reflecting the national trend of declining funding activity. However, the state's entrepreneurial spirit remains resilient, buoyed by a decade of solid investments in ecosystem development. Right now, Arkansas is at a critical juncture where targeted investments in capital access are crucial to maintaining and enhancing its current momentum.

Although the ongoing decline in activity might seem discouraging, it's premature to label the market as being in crisis. Instead, it's fair to say the landscape has *shifted*. With changes in interest rates and global conflicts, the environment is vastly different from two years ago, presenting a new array of challenges that require innovative solutions.

VC funding down over 60% from 2022 to 2023



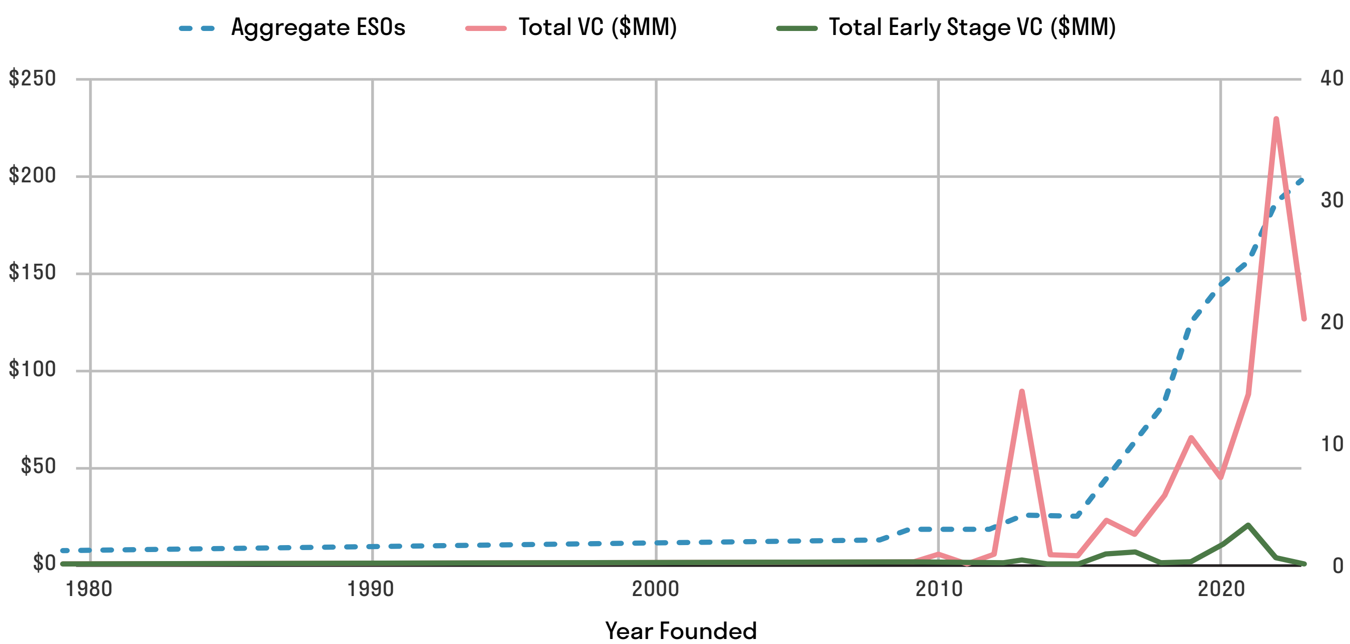
The Growing Chasm Between Early and Later-Stage Funding

In my role, I focus on building and supporting the development of the Northwest Arkansas ecosystem, with a particular emphasis on capturing data in the region. Since 2017, Northwest Arkansas has averaged 17 deals annually. However, there has been a notable skew towards later-stage investments, creating a growing gap between early and later-stage funding.

Although not all large investors have shifted away from their seed strategies, the departure or reduced activity of some firms has significantly impacted the 2023 annual deal value for pre-seed and seed investments. This trend has been particularly pronounced in Arkansas, where the lack of early-stage funding is felt more acutely. As a result, it's crucial for us to address this imbalance and foster a more supportive environment for early-stage entrepreneurs.

The stage has been set for an explosion in early-stage startup growth

Despite robust support resources boosting early-stage startup activity in Arkansas, only 7 percent of capital flows to Angel and Seed stages. We now need to attract more investment to sustain this growth.



Despite these challenges, a few key investments exemplify the state's potential:

- **HIVERY** [Retail Value Chain] Located in Bentonville, secured $20.24 million.
- **Ox** [Retail Value Chain] (IT, Business/Productivity Software): Also in Bentonville, led by a Female Founder of Color, garnered $12.60 million.

These companies highlight the potential over the next decade within Arkansas. However, the entrepreneurial ecosystem here is still maturing. With only 7 percent of capital flowing to Angel and Seed stages, there's a clear need for more early-stage funding to sustain growth.

Arkansas' Unfair Advantage in the Innovation Economy

The industry might have seen fewer deals and less capital in 2023, but it remains well-capitalized. Advances in life sciences and clean technology are attracting significant public and private investment. Companies are achieving economic and societal impacts on a scale never imagined before. I believe that we are on the brink of remarkable technology shifts that will transform industries, amplify human ingenuity, and generate significant economic growth. Arkansas' robust manufacturing base and industrial infrastructure make it a prime candidate for integrating these new technologies to transform traditional industries. These shifts are poised to drive significant economic changes, fostering a new era of innovation and growth in the state. For example, the application of advanced technologies in manufacturing can lead to smarter production processes, reduced waste, and improved product quality, significantly boosting the state's economic output.

Our state has the opportunity not just to benefit from this technological revolution but to **lead** it. With a robust ecosystem of over 1,400 suppliers and vendors around Walmart, cutting-edge semiconductor research and development at the Multi-User Silicon Carbide Research and Fabrication Facility (MUSiC), one of the largest lithium resources in the world, and the pioneering work of the Alice Walton School of Medicine in whole health innovation, Arkansas is uniquely positioned to capitalize on these advancements.

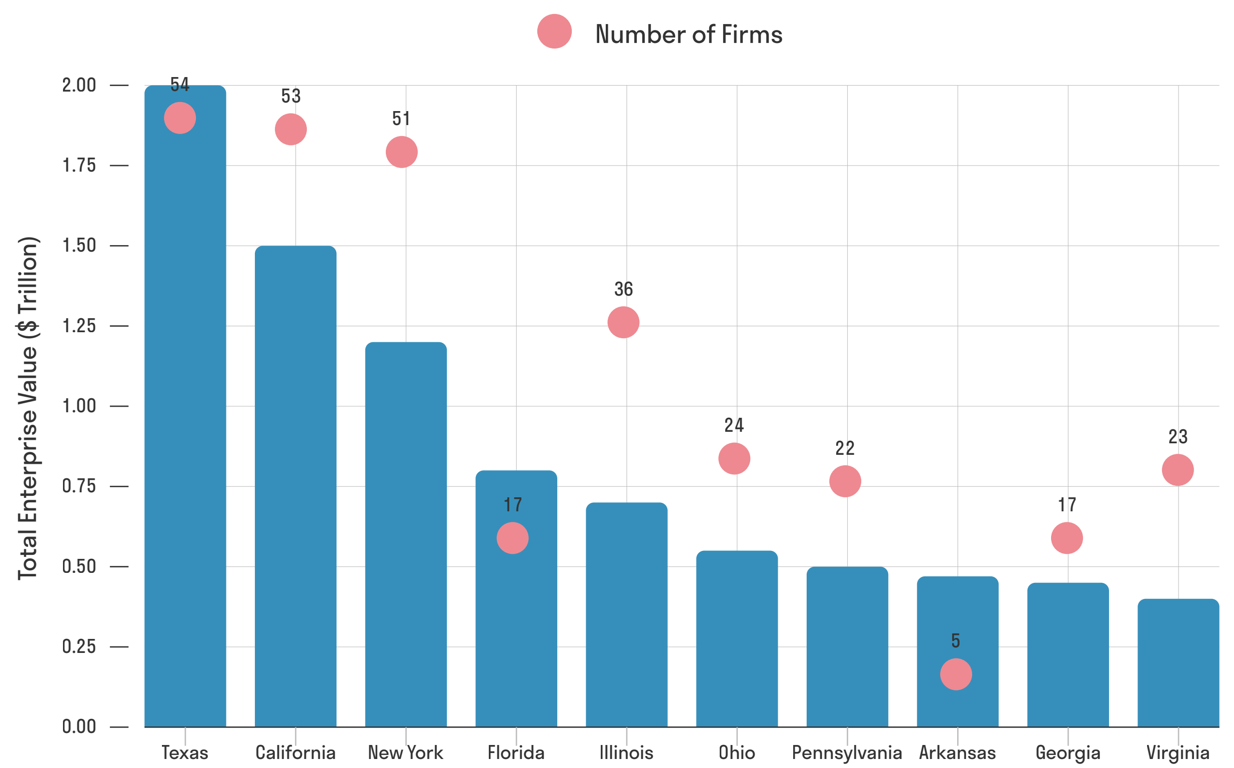
The Time is Now: Fostering Arkansas' Next Generation of Giants

Arkansas ranks 24th in the nation for headquartered Fortune 500 firms, with only five companies headquartered in the state. Despite this, our state punches well above its weight, ranking 8th in total enterprise value (TEV).

However, this achievement represents a double-edged sword. With 88 percent of companies having fallen from the Fortune 500 since 1955, the need for continuous innovation and growth is clear. The saturation risk necessitates the stimulation of the innovation economy to ensure continuous growth. We must foster an environment where new ventures can thrive, providing the necessary support and investment to transform promising startups into the next set of industry giants. By doing so, we can sustain our economic momentum and continue to build a vibrant, diverse business ecosystem in Arkansas.

By strategically increasing capital access, Arkansas is navigating today's challenges and emerging stronger. The state's focus on fostering innovation and supporting entrepreneurs is crucial in this journey. Organizations like the Office of Entrepreneurship and Innovation at the University of Arkansas, Endeavor, Startup Junkie, StartupNWA, The Venture Center, Walton Family Foundation, and countless others play vital roles in these efforts, providing the necessary support and resources to fuel growth.

Total Enterprise Value and # of Firms by State (Top 10 States in 2024)



Looking Ahead: A Resilient Future

The venture capital landscape in Arkansas is challenging yet ripe with potential. While the industry anticipates a revival, Arkansas is not resting on its laurels. The state is proactively forging new paths to unlock capital and drive the next wave of innovation, ensuring a resilient and prosperous future.

NON-DILUTIVE Grants

When a business owner looks at their options to fund their company's next stage or growth initiative, non-dilutive grant capital can be a very attractive option, particularly for small- to mid-sized companies that might not qualify for a traditional bank loan. Non-dilutive grants do not require the exchange of equity, like venture capital, nor repayment, like debt.

Entrepreneurs specifically looking to test and commercialize technological innovations can apply for non-dilutive grant funding for their research and development through the Small Business Innovation Research (SBIR) and Small Business Technology Transfer (STTR) programs at federal agencies. In addition to this annual funding influx from federal agencies, many states offer matching grants to companies that win federal funding for their innovation projects.

This section focuses on the SBIR and STTR funds made available through Congress for the advancement of innovation in the United States.

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 are typically below $275,000 and 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 agency, but it is generally $750,000 to $1,100,000 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 non-dilutive grant or may be structured 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 without a ceiling and comes with the right to establish sole-source contracts with the United States government.

2023 Arkansas SBIR and STTR Awards

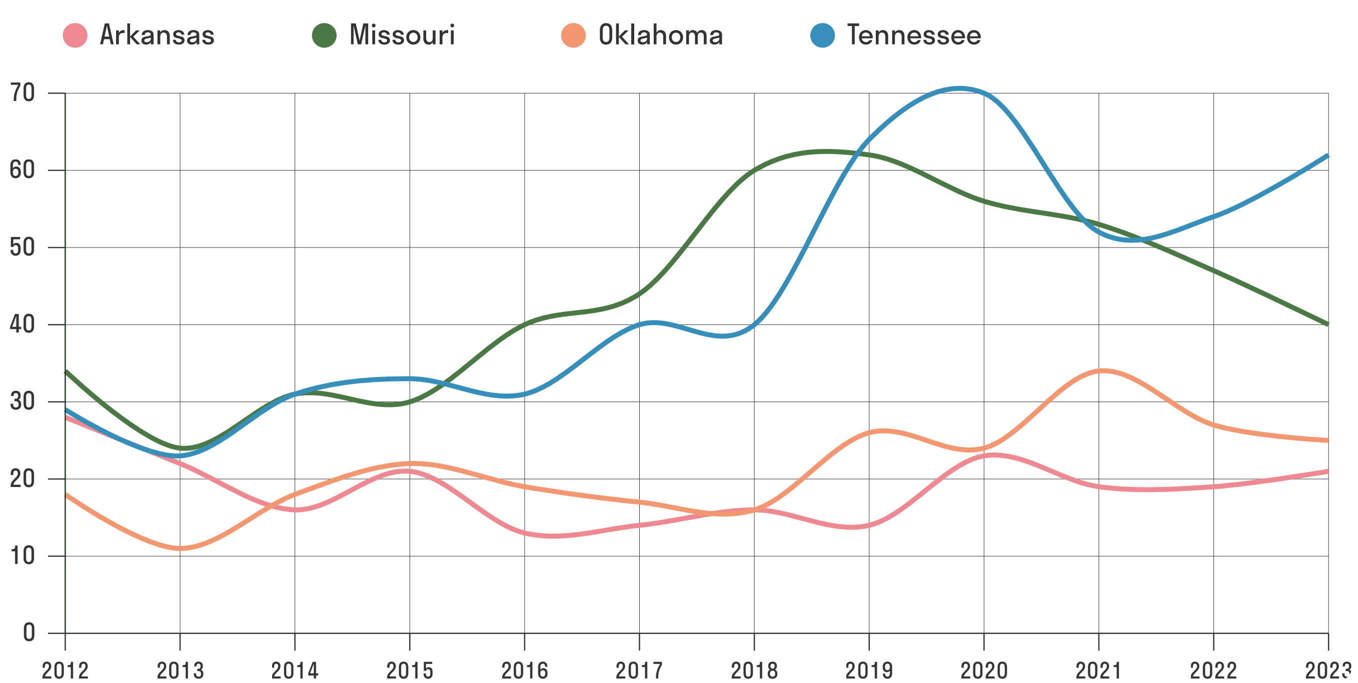
Arkansas companies secured a total of 21 SBIR/STTR awards in 2023. The total amount of these awards reached $11,480,943, marking the largest aggregate since 2012. While the number of awards remained largely steady, there was a notable increase in the amount awarded compared to 2022. Arkansas' per capita rose to $3.74 in 2023 from $2.50 in 2022, reaching similar levels as Missouri ($3.97), and maintaining parity with 2020 levels.

In 2023, Arkansas received nearly the same number of Phase I awards as in 2022. Of the total awards in 2023, 61.9 percent were Phase I awards, totaling 13 awards and $2,514,097. Phase II awards accounted for 38.1 percent of the 2023 awards, an increase from 26.3 percent in 2022, totaling 8 awards and $8,966,846, compared to $4,588,163 in 2022. The increase in Phase II awards is significant because these awards indicate maturing companies that are likely to create jobs and continue research and development efforts, advancing their projects towards market-ready products or services.

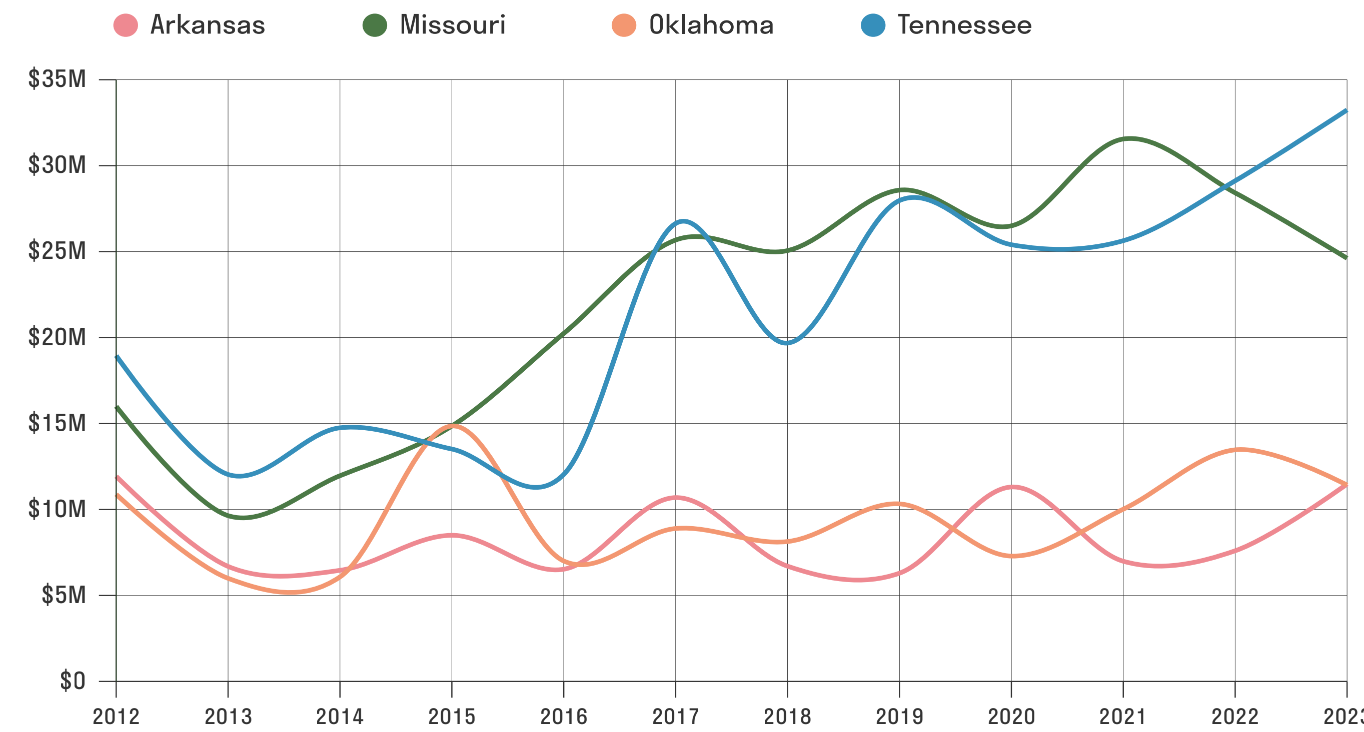
This increase in SBIR/STTR awards and per capita funding reflects a positive trend for Arkansas, indicating growing support for innovation and entrepreneurship within the state, as well as effective training for entrepreneurs to secure these grants. In 2023, 42.28 percent of the awarded amount in Arkansas was supported by Science Venture Studio, including contributions from technology mentors at the studio, totaling $4,854,568. Additionally, Science Venture Studio supported an NSF Phase 2B match of $500,000 in 2023. This highlights the importance of these awards in fostering technological advancement and economic development at both the state and national levels. Continued investment in research and development initiatives will be crucial in sustaining this momentum and driving further growth in the future. Supporting this effort, the Arkansas Economic Development Commission funds up to $3,750 for costs associated with transferring new or existing technology from a qualified applicant—such as a public or private enterprise, laboratory, college, or university—to an enterprise based in Arkansas. Additionally, the Commission matches SBIR Phase I grants up to 50 percent, not to exceed $50,000 and SBIR Phase II grants up to 50 percent, not to exceed $100,000.

SCIENCE VENTURE STUDIO

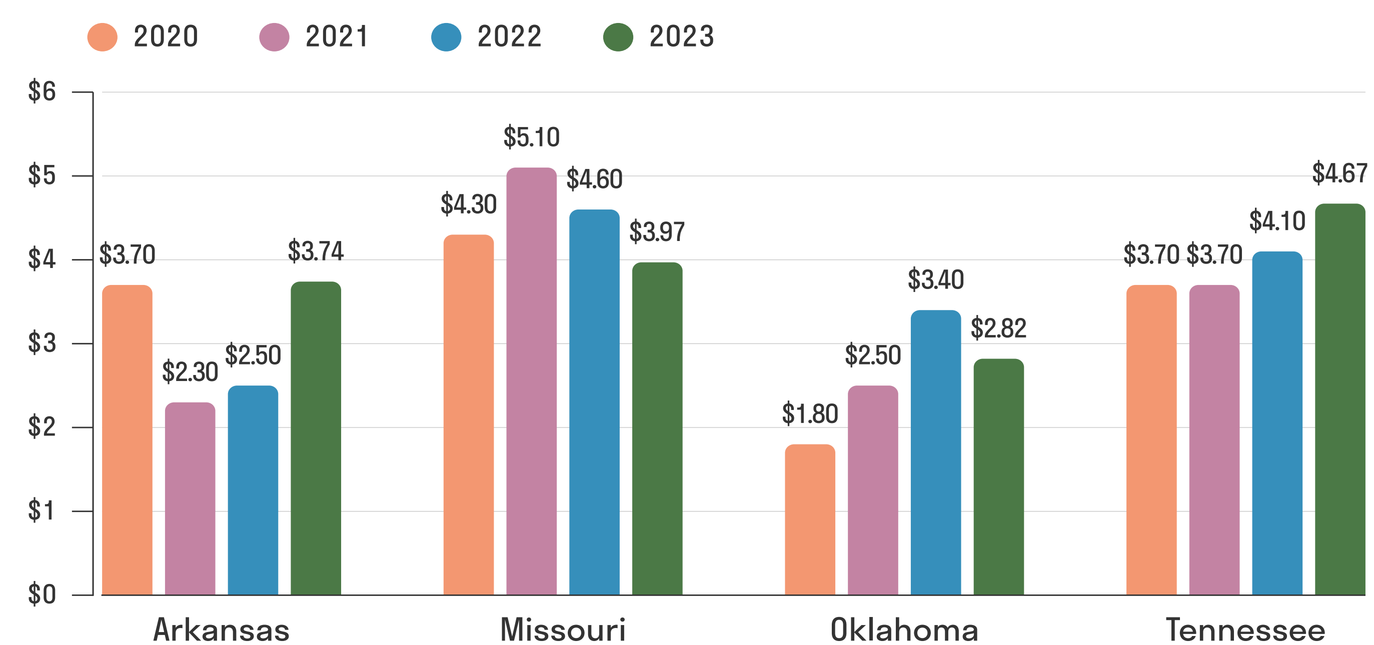
SBIR/STTR Awards | Number



SBIR/STTR Awards | Amount



SBIR/STTR Awards per Capita



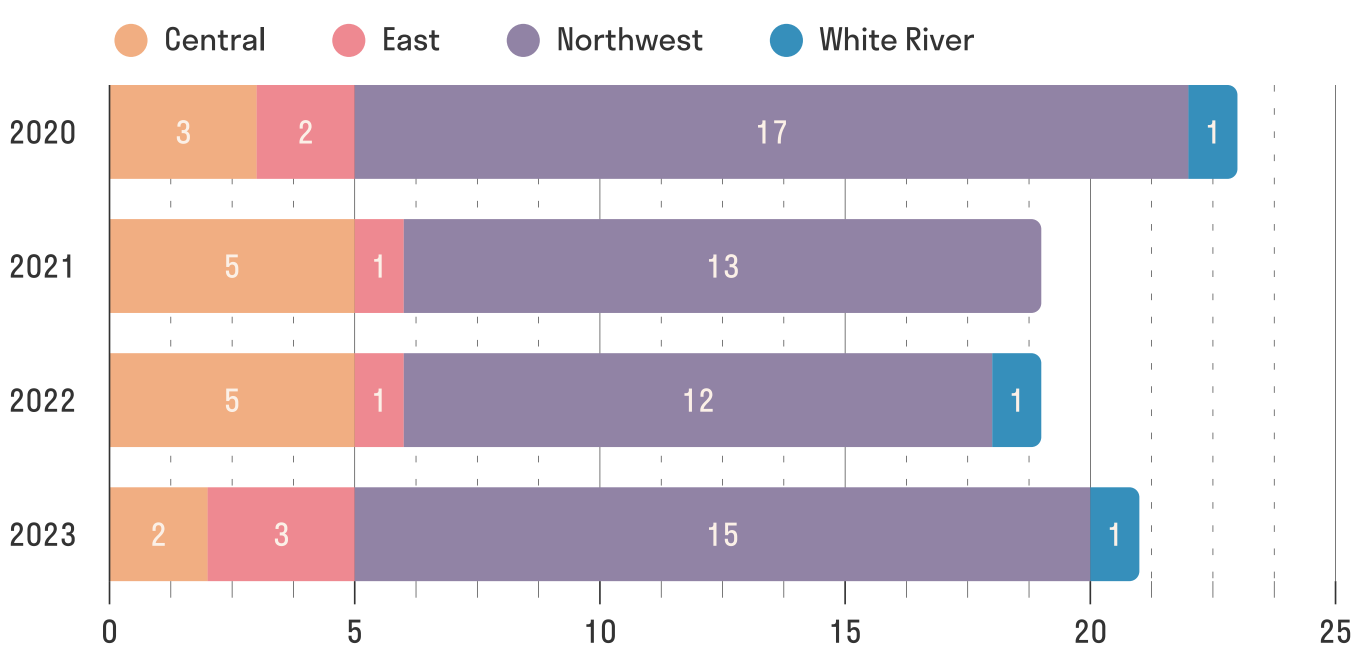
Regional Trends

In 2023, Northwest Arkansas secured 15 SBIR/STTR awards with a total value of $7,390,806, accounting for the majority of innovation grant investment in the region. East Arkansas received 3 awards totaling $1,970,820, indicating a moderate level of investment in innovation initiatives. Central Arkansas obtained 2 awards worth $1,138,149, contributing to the overall innovation landscape in the region. White River received 1 award amounting to $981,168, representing a noteworthy contribution to innovation efforts.[49]

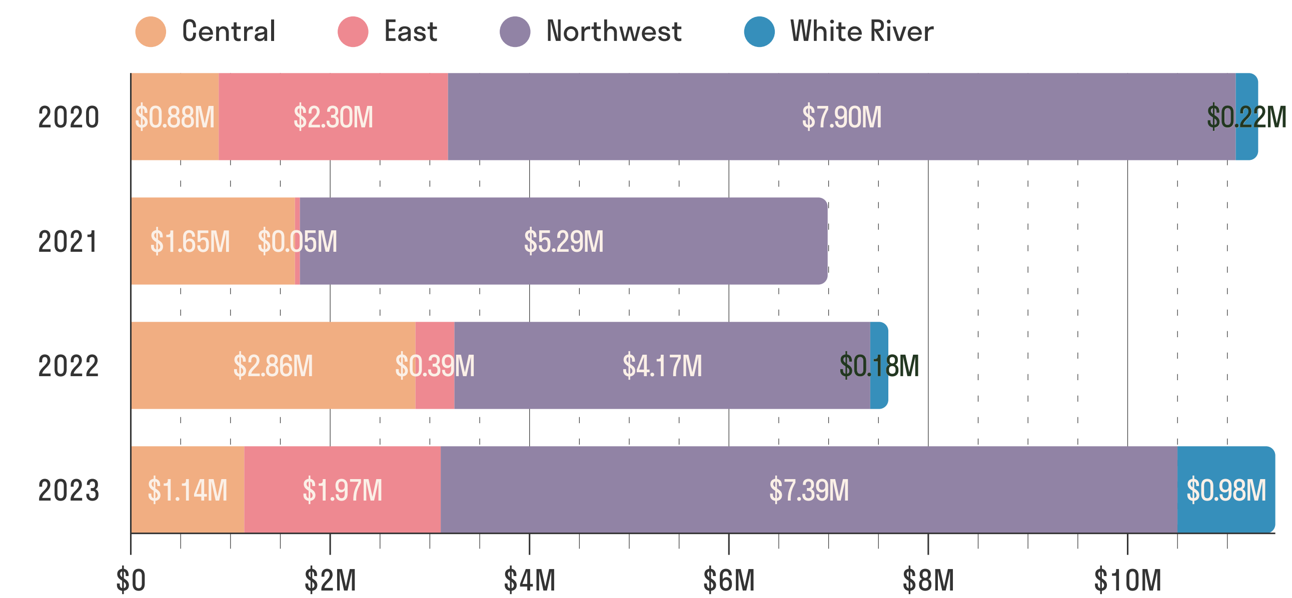
The distribution of SBIR/STTR awards across regions in Arkansas has remained relatively consistent over the past four years. Northwest Arkansas continues to lead in both the number of awards and the total dollar amount, highlighting its role as a hub for innovation and entrepreneurship. While other regions such as East Arkansas, Central Arkansas, and White River have received fewer awards, they nevertheless contribute to the state's innovation ecosystem. Maintaining this balanced distribution of awards ensures that innovation is fostered across various regions, promoting economic growth and development statewide.

Over roughly the last decade, Arkansas has seen the number of SBIR/STTR awards range from a low of 13 in 2016 to a high of 28 in 2012. In 2023, Arkansas increased the number of awards received to 21, up from 19 in 2021 and 2022. In two of the four comparison states there was a decrease in the number of awards: Missouri went from 47 to 40 SBIR/STTR awards, while Oklahoma went from 27 in 2022 to 25 in 2023. In contrast, the number of awards in Tennessee increased in 2023, from 54 to 62. In addition, across the four-state region, aggregate award amounts decreased in Missouri and Oklahoma. However, in 2023 Arkansas received an increase of $3.9 million in funding over 2022 and Tennessee received an increase of $4.1 million in funding over 2022.

SBIR/STTR | Deals # by Region



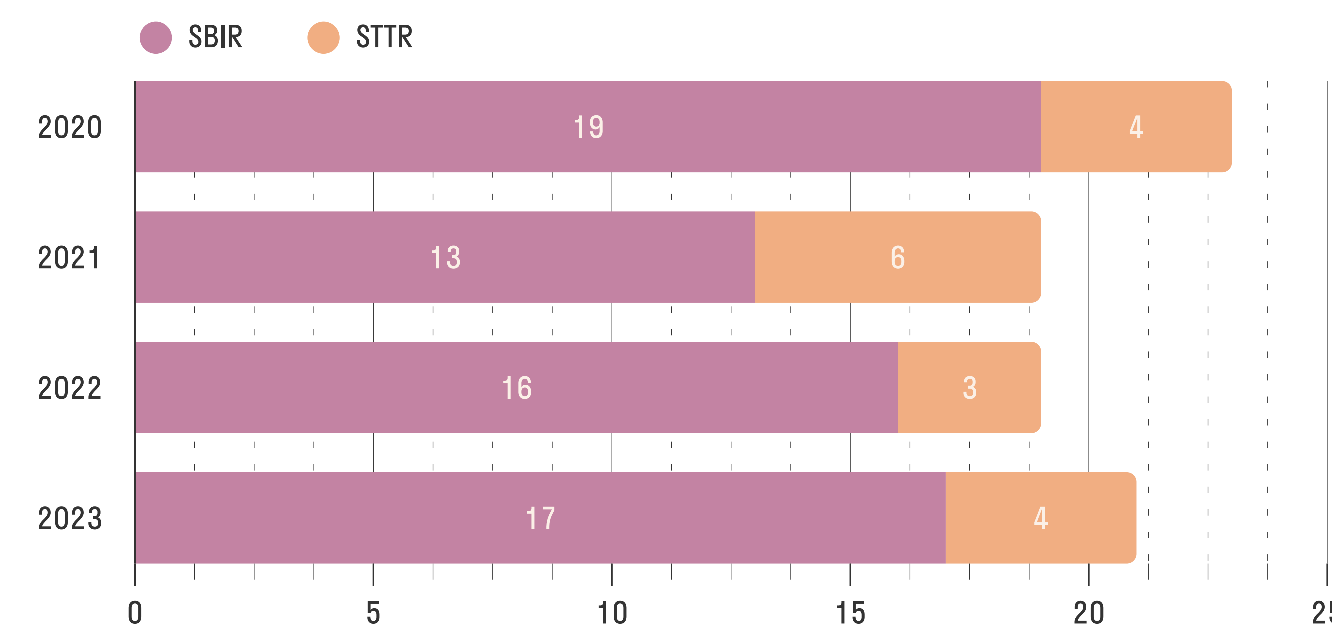
SBIR/STTR | Deals $ by Region



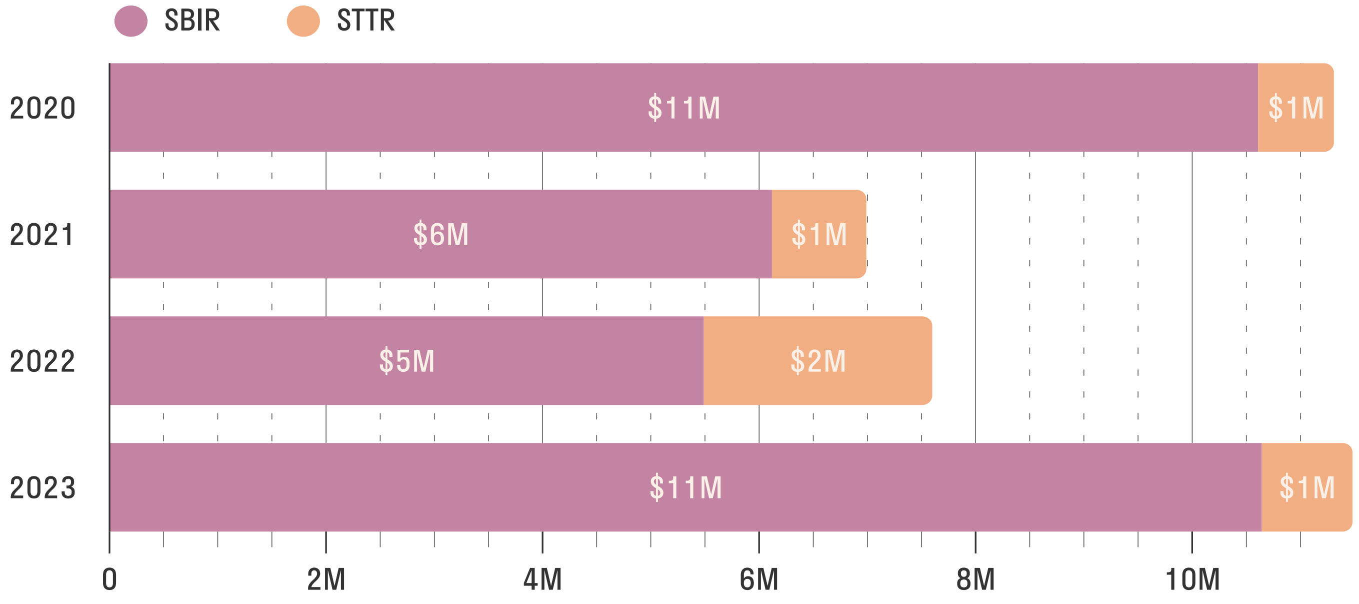
SBIR Awards accounted for the majority of awards, comprising 81 percent of all awards distributed. In terms of funding, SBIR awards represented 92.7 percent of the total dollars invested in innovation initiatives. STTR Awards made up the remaining 19 percent of awards, contributing to the diversity of funding sources. However, they constituted only a small fraction, 7.3 percent, of the total dollar amount invested in innovation projects.

Only 5 out of 12 award-granting agencies allocate STTR awards, making SBIR awards more common than STTR awards. In 2023, there were 17 SBIR awards in Arkansas (totaling $10,643,311 in funding) and 4 STTR awards (totaling $837,632 in funding). The predominance of SBIR awards, both in terms of quantity and funding, reflects a trend observed nationally. SBIR awards typically dominate the funding landscape, often representing the majority of funding. This consistency underscores the significance of SBIR programs in driving innovation and research across various sectors, contributing to technological advancements and economic growth.

SBIR/STTR | Deals # by Type



SBIR/STTR | Deals $ by Type



Phase I & Phase II Awards

Due to the nature of the awards, there are a greater number of Phase I awards than Phase II. While Phase I awards are seed funds that give companies six to 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. Even more rare, 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.[50]

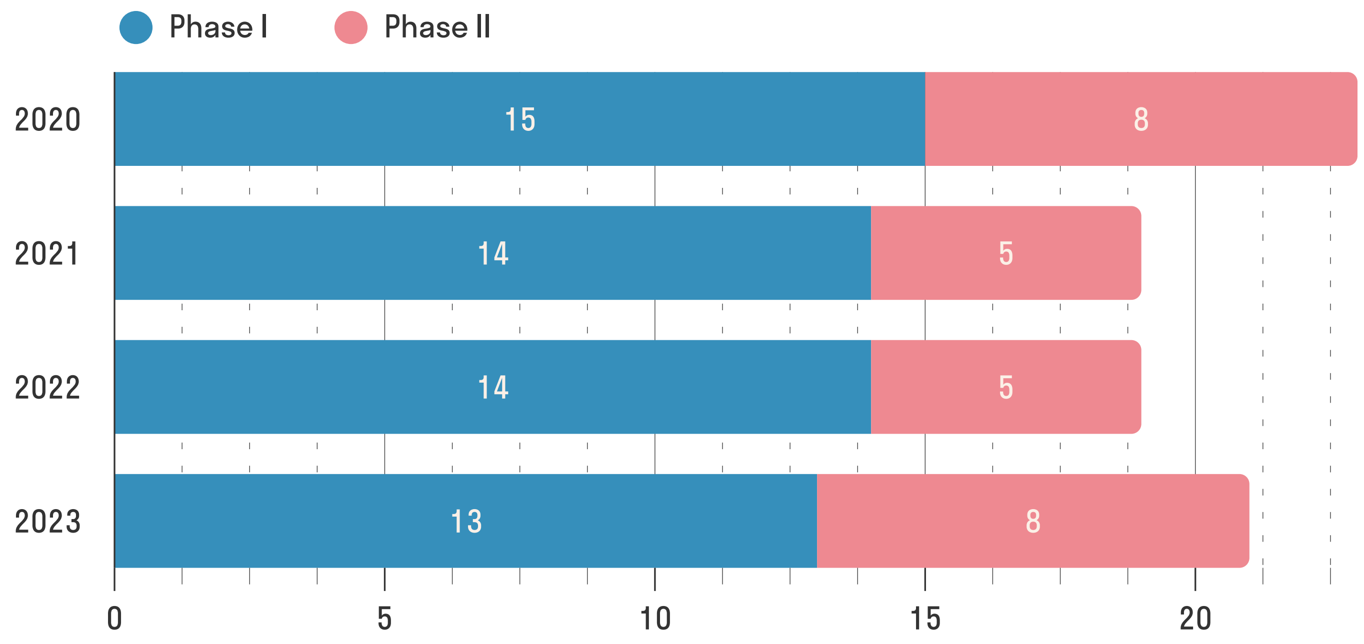
Phase III awards are particularly rare because they require a project to have successfully navigated the rigorous vetting and development stages of both Phase I and Phase II. Nationally, only a small fraction of companies progress to this stage, reflecting the high standards and significant milestones needed to reach commercialization. Typically, less than 10% of initial Phase I awardees advance to Phase III, highlighting the exceptional achievement it represents in the innovation and entrepreneurial landscape.[51]

In 2023, Arkansas secured 13 Phase I awards ($2,514,097), representing 61.9 percent of all deals in the state. Despite the majority of deals, Phase I awards accounted for 21.9 percent of the total dollars invested, indicating relatively smaller funding amounts per award. Arkansas obtained 8 Phase II awards ($8,966,846), constituting 38.1 percent of all deals. In contrast to Phase I, Phase II awards dominated in terms of dollar allocation, representing a significant portion of the total funding at 78.1 percent.

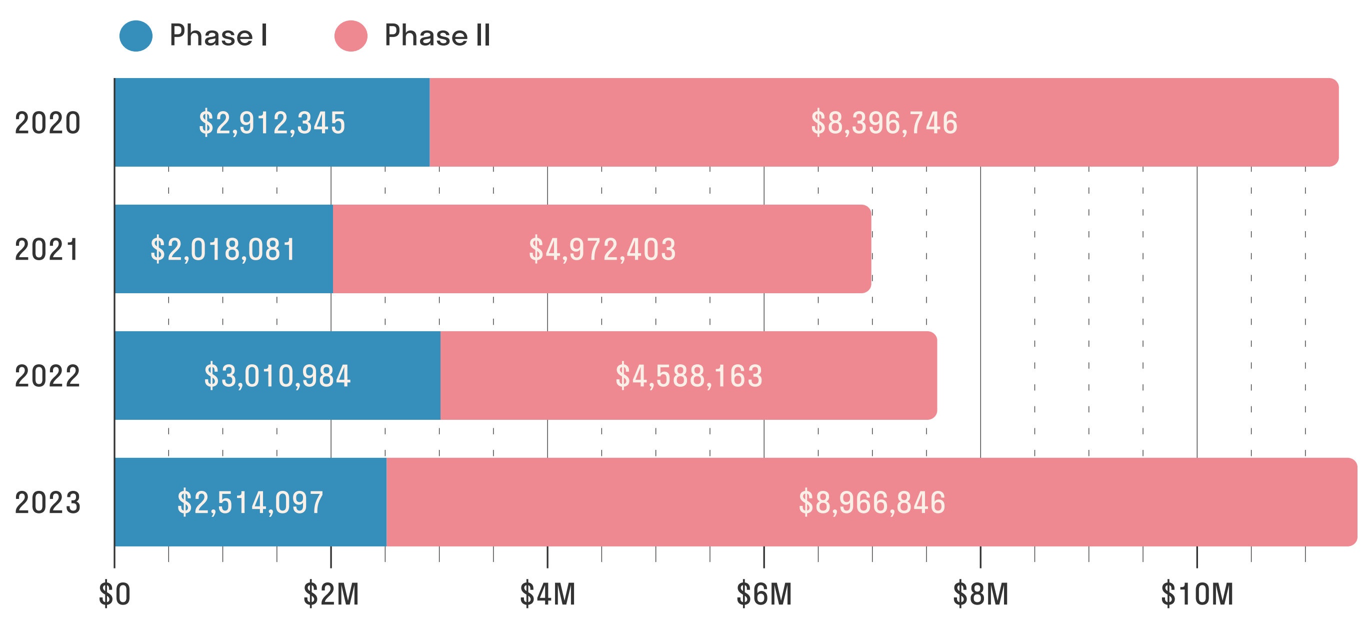
In 2023, the distribution of Phase I awards in Arkansas was similar to that of Missouri and Tennessee, while Oklahoma exhibited a higher proportion. However, when considering the distribution of investment dollars between phases, Arkansas was in line with comparator states.

The more the Arkansas ecosystem is able to support the growth of companies winning Phase I awards, the greater the likelihood that more companies will be competitive for larger, Phase II awards. Phase II funding is a powerful means of support to enable the successful commercialization of scientific research that results in growth of high-paying technology jobs.

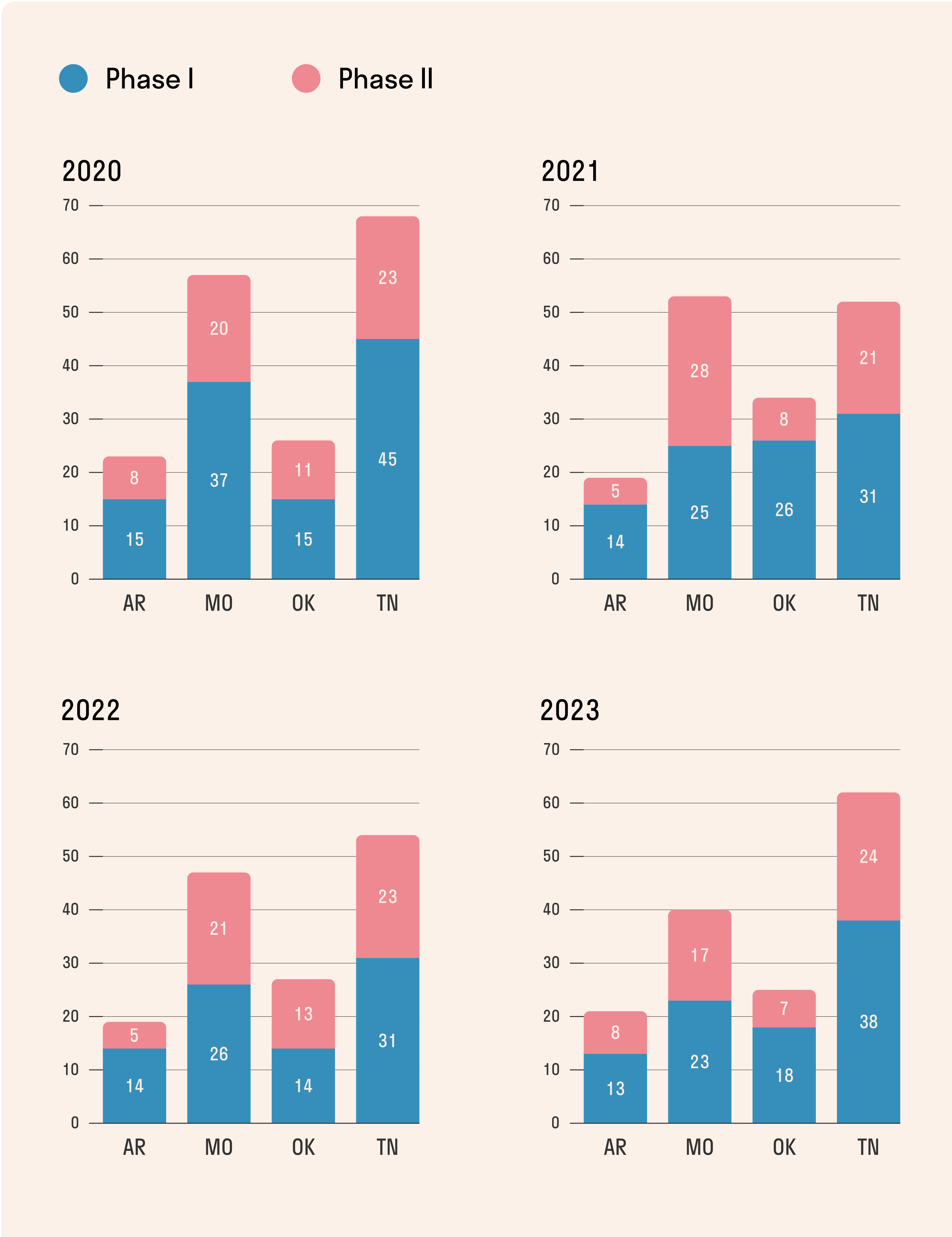
SBIR/STTR | Deals # by Phase



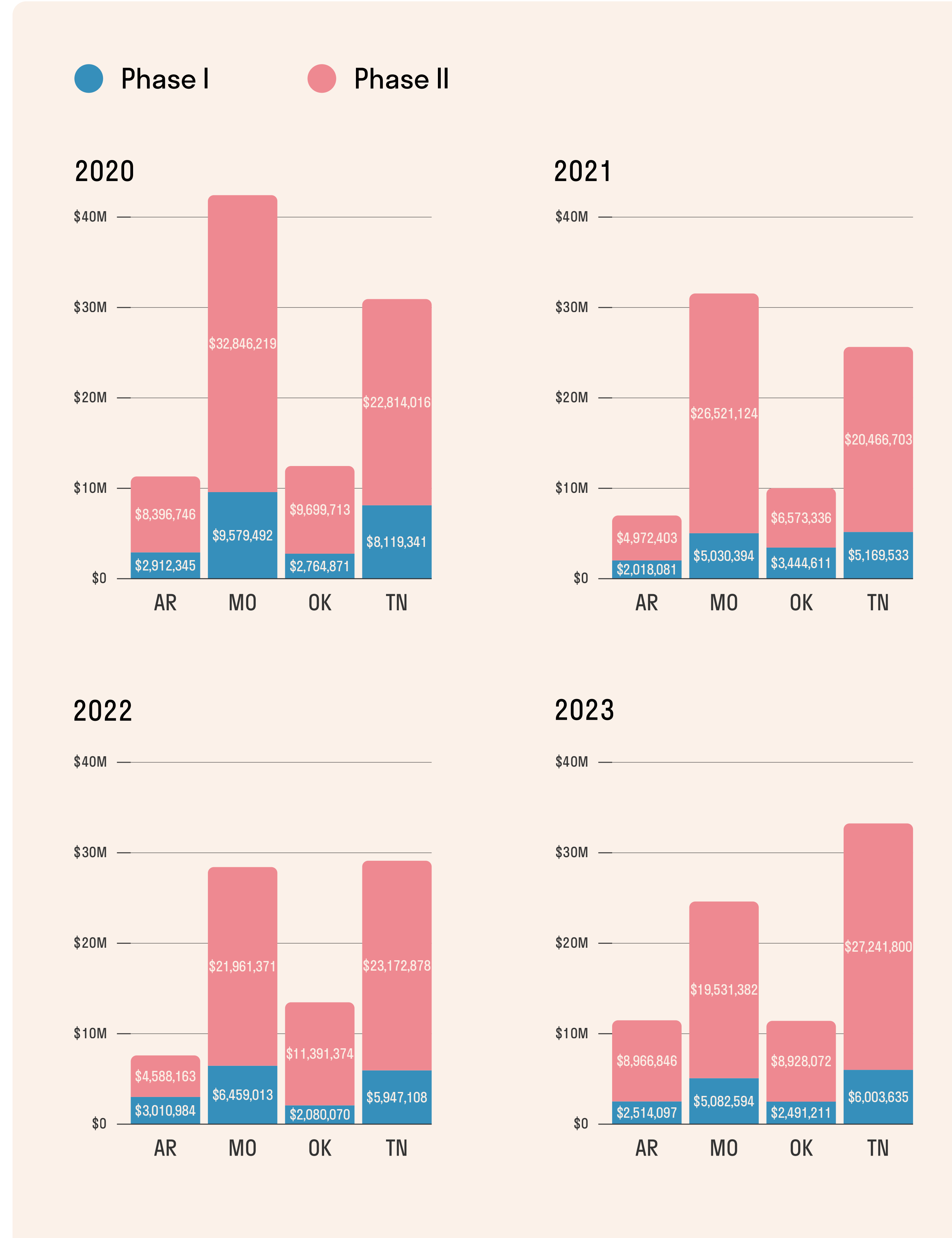
SBIR/STTR | Deals $ by Phase



SBIR/STTR | Deals # by Phase and State



SBIR/STTR | Deals $ by Phase and State

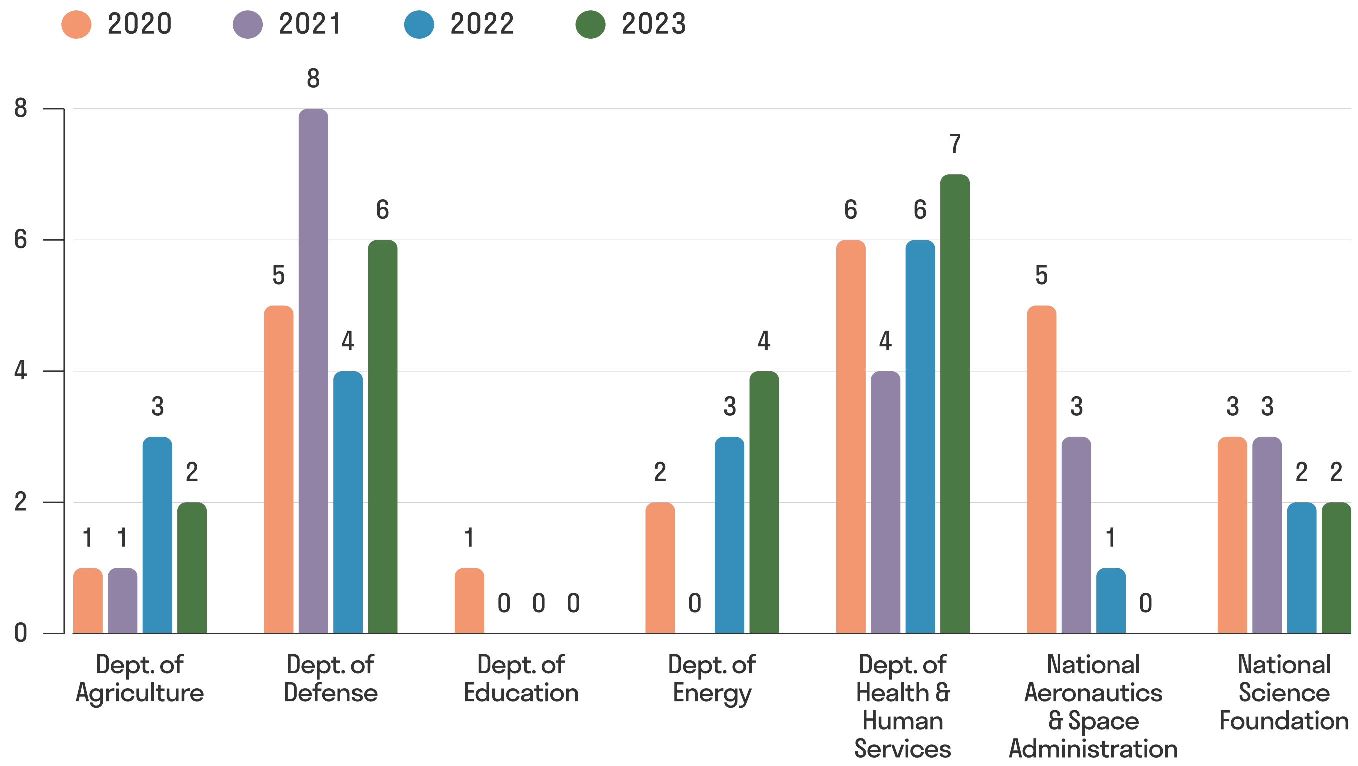


SBIR/STTR by Agency

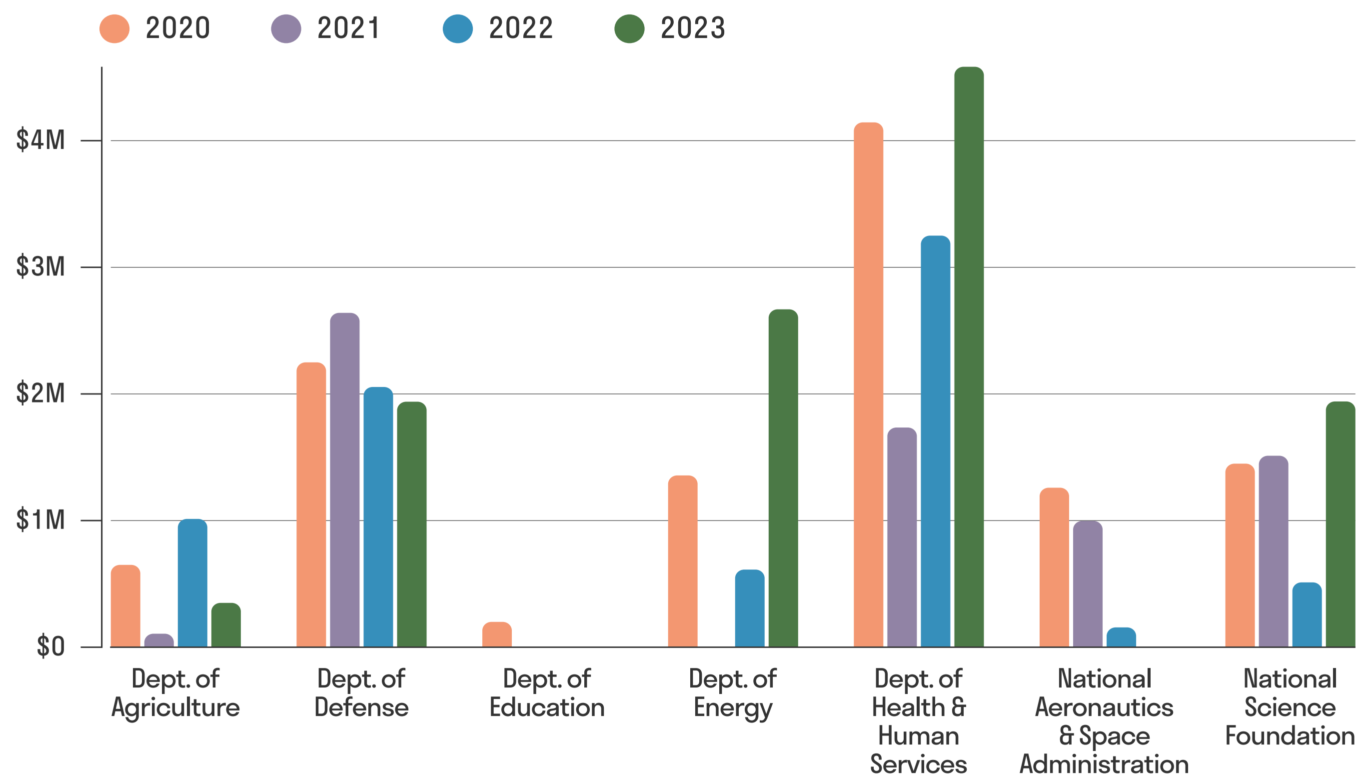
Nationally, the SBIR/STTR grantmaking landscape in 2023 was dominated by three agencies: the Department of Defense (DoD), the Department of Health and Human Services (HHS), and the Department of Energy (DoE). These three agencies collectively awarded 81 percent of all SBIR/STTR grants. However, Arkansas presents a more diverse funding distribution with its 21 awards, where only 68.4 percent of the total SBIR/STTR funding came from these top three agencies.

In Arkansas, the Department of Health and Human Services (HHS) was the leading agency, accounting for 33.3 percent of the state's total SBIR/STTR awards and 39.9 percent of the total funding, highlighting a strong focus on health-related initiatives. The Department of Defense (DoD) followed, providing 28.6 percent of all SBIR/STTR awards in Arkansas and 16.9 percent of the total funding, reflecting significant investment in defense projects. The Department of Energy (DoE) contributed 19 percent of the awards and 23.2 percent of the funding, further diversifying the funding landscape in Arkansas. Unfortunately, there has been a decline in the number of awards received from NASA, dropping from 5 in 2020, to 3 in 2021, to 1 in 2022, and to 0 in 2023. This decline appears to result from a shift in NASA's focus toward new companies rather than those working on maturing technologies. According to the data, NASA's strategy has increasingly targeted first-time recipients, with about 34% of selected companies in recent years being new to the program.[52] This trend is consistent with the broader observation that NASA has been emphasizing innovation and novel solutions, which often involves engaging new participants in their SBIR/STTR programs .

SBIR/STTR | Deals # by Agency



SBIR/STTR | Deals $ by Agency



SBIR/STTR by HUBZone

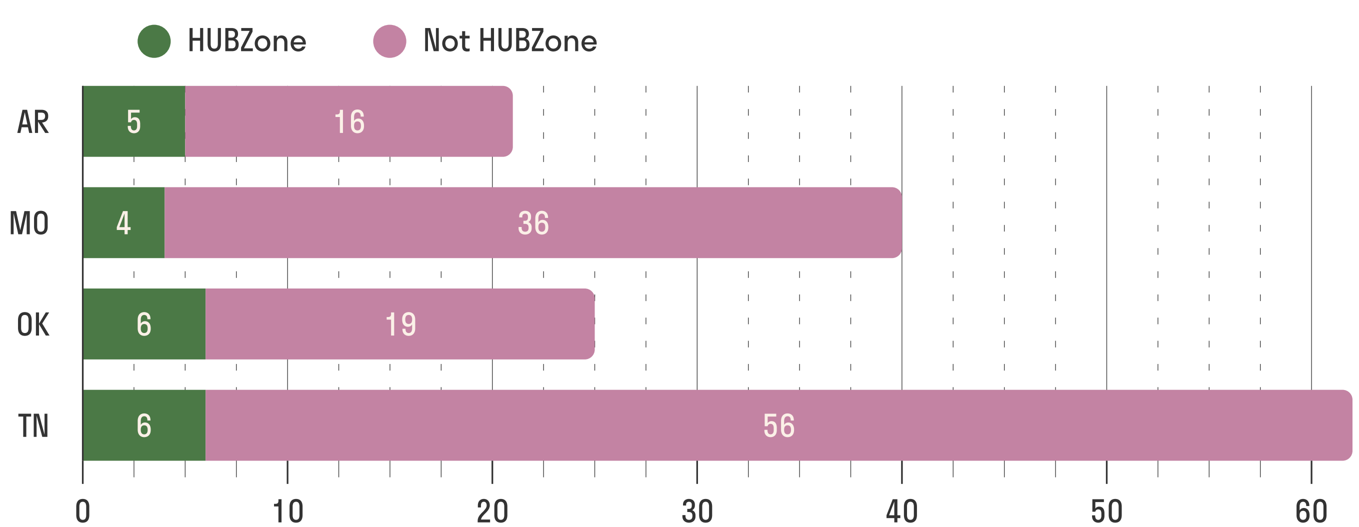
The Federal government's HUBZone program aims to stimulate small business growth in historically underutilized business zones by setting a target to award at least 3 percent of federal contract dollars to HUBZone-certified companies annually. In Arkansas, HUBZone companies have notably benefited from this initiative. They received 5 SBIR/STTR awards, which comprised 23.8 percent of all such awards in the state. These awards accounted for $2,351,252, representing 20.5 percent of the total SBIR/STTR dollars allocated in Arkansas.

When comparing these figures to neighboring states, Arkansas shows a greater proportion of awards going to HUBZone companies. This suggests that Arkansas's HUBZone-certified businesses are more effectively leveraging federal programs designed to support innovation and economic growth in underutilized areas compared to similar companies in Missouri and Tennessee. This success highlights the impact of the HUBZone program in fostering small business growth and innovation within the state.

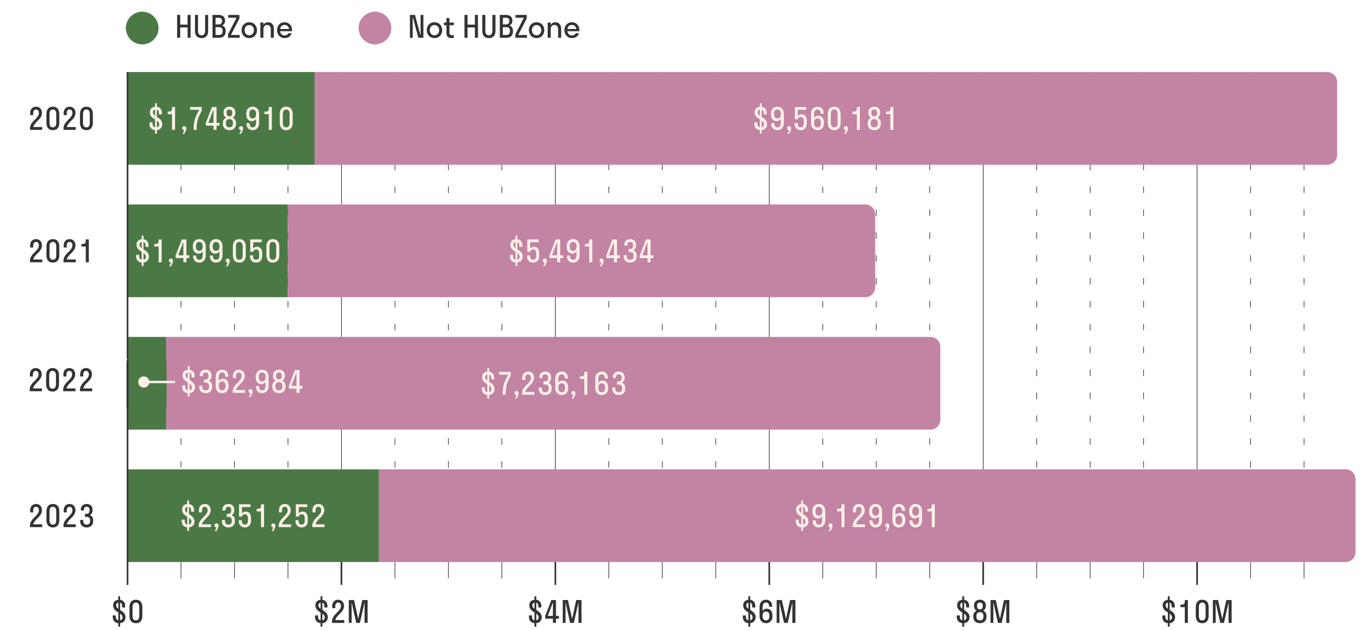
A significant factor in this success is the support provided by various state offices and programs that assist in educating business owners on applying for these grants. The Science Venture Studio supports early-stage science and technology companies in preparing successful grant applications. These companies collectively contribute to the robust participation of Arkansas businesses in the HUBZone and SBIR/STTR programs, driving innovation and economic development in the state. Additionally, the Arkansas Economic Development Commission plays a pivotal role by offering funding and resources to help businesses navigate the application process. The Arkansas Small Business and Technology Development Center (ASBTDC) provides personalized consulting and training to help small businesses develop competitive proposals. Additionally, the consistent involvement of these organizations has been crucial in maintaining and enhancing the state's engagement with federal grant programs.

HUBZones are designated based on economic and population data from the Census Bureau and other federal agencies, using definitions established by Congress. Every five years the HUBZone program is required to update the HUBZone designations to ensure the program continues to serve the communities most in need of assistance.

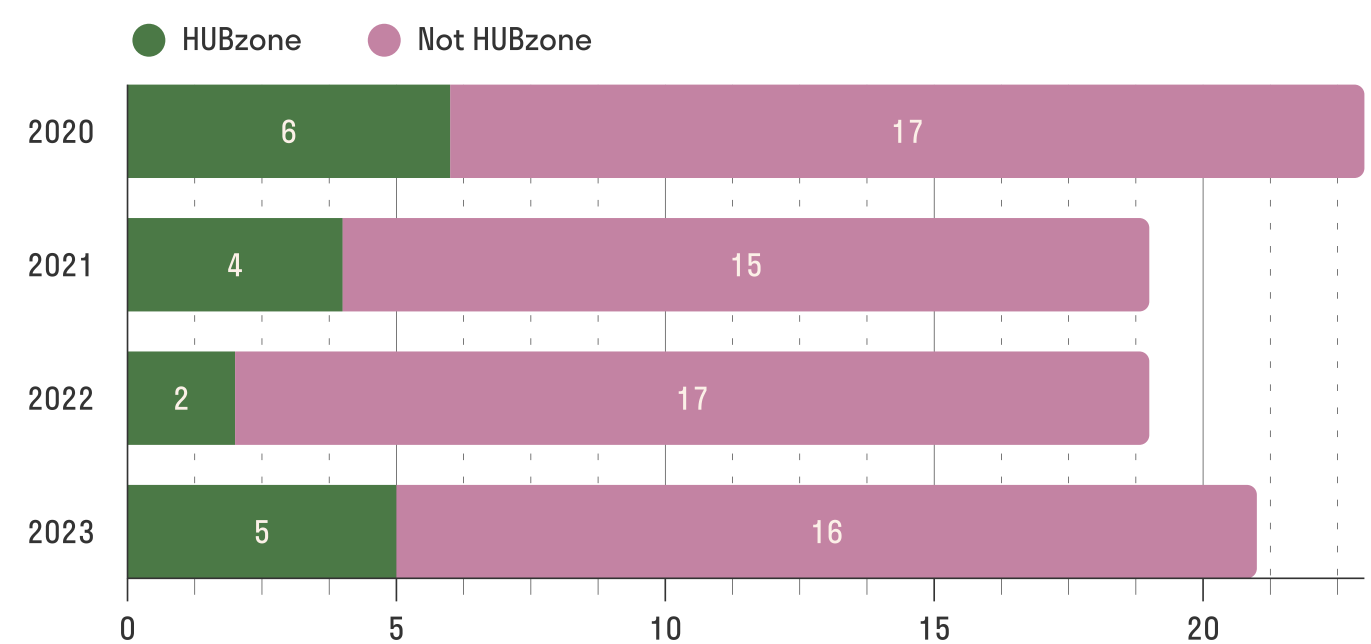
SBIR/STTR | Deals # by HUBZone & State



SBIR/STTR | Deals $ by HUBZone in Arkansas



SBIR/STTR | Deals # by HUBZone in Arkansas

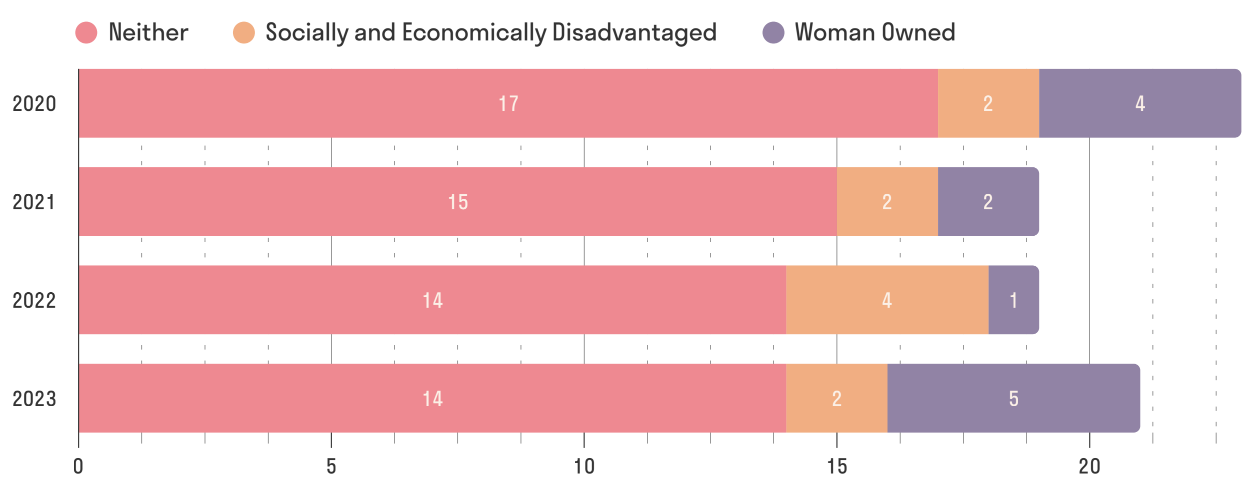


SBIR/STTR by Women-Owned Small Business and Socially and Economically Disadvantaged Small Businesses

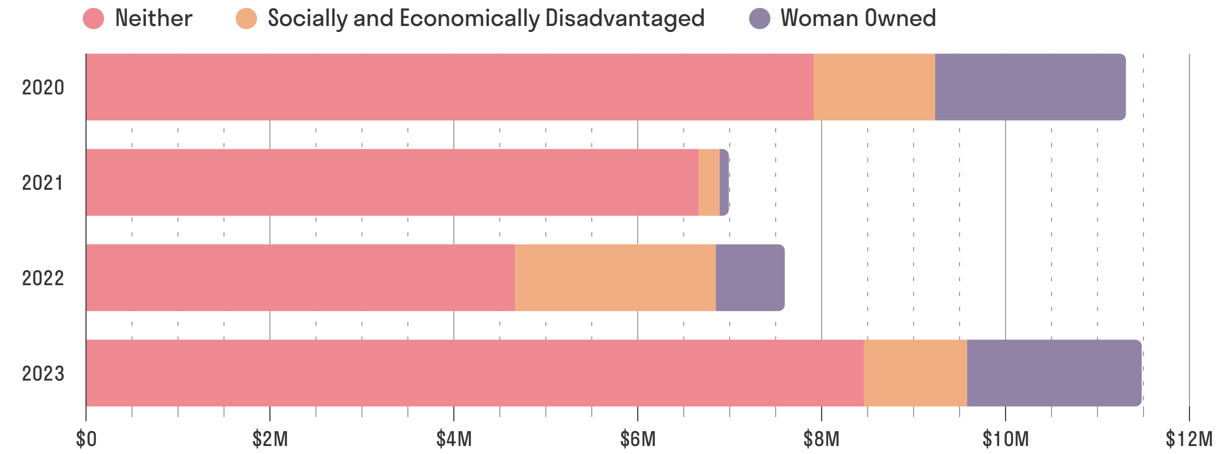
Regarding investments by Women-Owned Small Businesses (WOSB) and Socially and Economically Disadvantaged Small Businesses (SEDSB), WOSBs secured 5 awards worth $1,898,708, representing 23.8 percent of all awards and 16.5 percent of all dollars. In comparison, Arkansas had a larger share of awards going to WOSB compared to other states. SEDSBs received 2 awards totaling $1,121,376, comprising 9.5 percent of all awards and 9.8 percent of all dollars. In comparison, Arkansas was largely on par with comparators in terms of share. No awards were granted to companies that were both SEDSB and WOSB in Arkansas.

A Socially and Economically Disadvantaged Small Business (SEDSB) is one that is at least 51% owned and controlled by one or more socially and economically disadvantaged individuals, or an Indian tribe, including Alaska Native Corporations (ANCs), a Native Hawaiian Organization (NHO), or a Community Development Corporation (CDC). Control includes both the strategic planning (as that exercised by boards of directors) and the day-to-day management and administration of business operations.

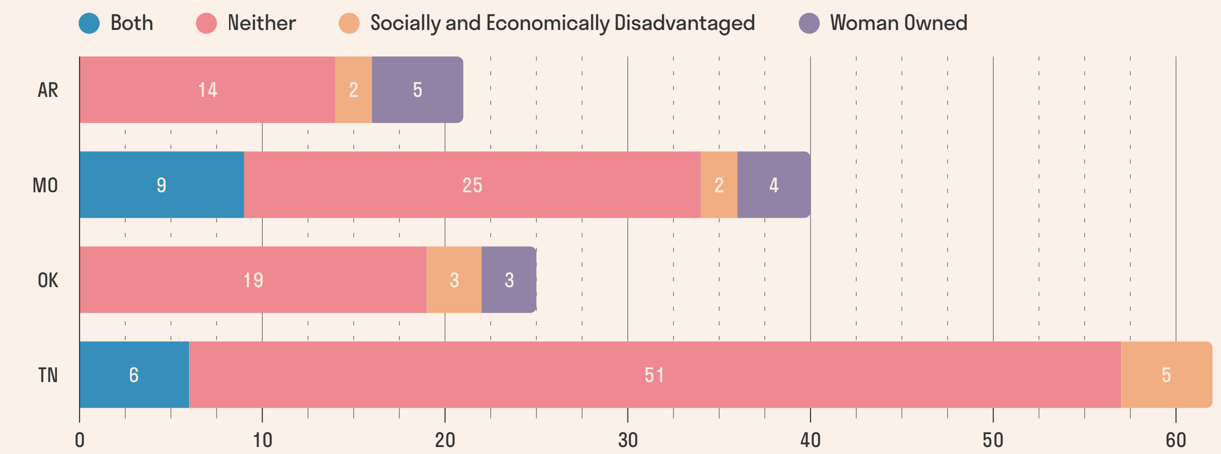
SBIR/STTR | Deals # by Demographic



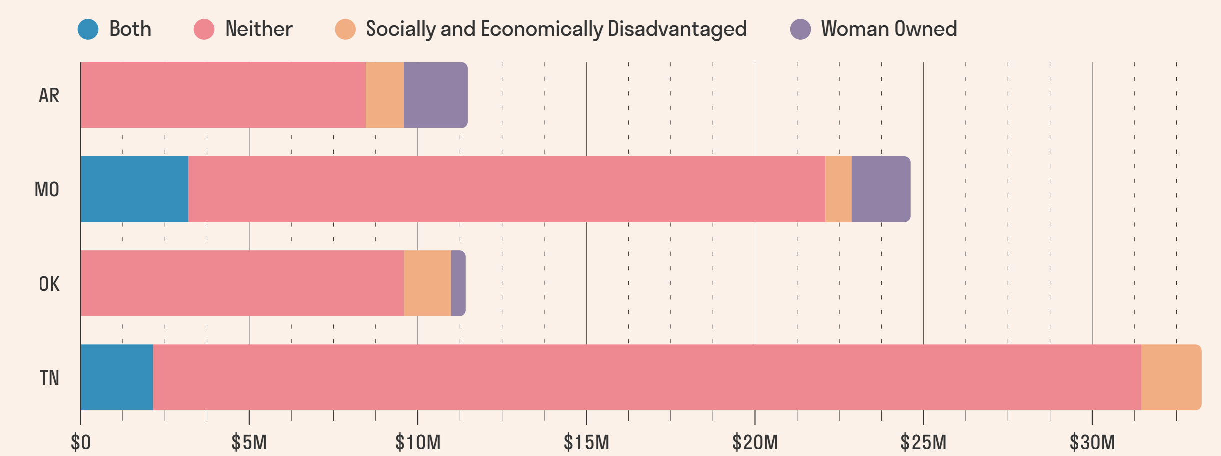
SBIR/STTR | Deals $ by Demographic



SBIR/STTR | Deals # by Demographic and State



SBIR/STTR | Deals $ by Demographic and State



CASE STUDY

SFC fluidics

Current Panda Pod

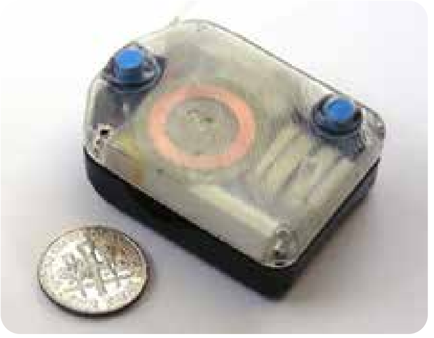
SFC Fluidics, Inc. was founded in 2003 by Calvin Goforth and Ingrid Fritsche as a VIC Technology Venture Development portfolio company. SFC Fluidics has a mission to advance healthcare and improve quality of life through their enabling microfluidic technologies. The company's vision is to become a recognized global leader in the drug delivery, with a focus on insulin, and health monitoring markets where their unique product lines improve lifestyle and affordability.

As a medical technology company, SFC Fluidics has leveraged the non-dilutive capital opportunities available through the U.S. federal government, most notably the SBIR program. Over the last 20 years, SFC Fluidics has won $8,691,931 in SBIR and STTR funding to drive the development of their innovations.

Early on, many of their awards were STTRs, the majority of which were done in partnership with the University of Pennsylvania. Since 2008, they have focused on SBIRs, indicating that they are completing the research in-house and retaining the intellectual property. In the last few years, they have shown advancement of innovations from Phase I to Phase II, indicating an advancement in technologies with potential for commercialization. In 2008, they also raised $8M through a Series A.

In 2018, SFC Fluidics and Breakthrough T1D (formerly JDRF), a global organization leading in the funding of Type-1 diabetes research, announced a partnership. The two-year funding commitment aimed to accelerate the development and regulatory submission of an open-protocol patch pump system to enable seamless, secure connectivity with other devices, including interoperable continuous glucose monitors.

The support from Breakthrough T1D saw results two years later in 2020, when SFC Fluidics' product, the PandaTM, received Breakthrough Device Designation (BDD) by the Food and Drug Administration. The PandaTM is an interoperable insulin delivery



Next Generation

pod which provides subcutaneous delivery of insulin at set and variable rates. The BDD program targets novel devices with the potential to provide patients with a more effective treatment for life-threatening or irreversibly debilitating diseases.

While SFC Fluidics has found traction leveraging non-dilutive funding to develop and commercialize innovative health technologies, they also have raised equity funds to accelerate their growth.

In 2014, SFC Fluidics announced the completion of a Series B, raising $2M to enable the commercialization of an innovative insulin patch pump. They anticipated that they would launch clinical studies in 2015, testing the pump on up to 50 patients. In 2020, SFC Fluidics raised $650,000 in angel investment and in 2022 Pitchbook listed the company's valuation at $30.96M. In 2023, SFC Fluidics raised a Series C round of $9M, led by their manufacturing partner, Asahi Polyslider. In addition, they secured a $2M SBIR Phase II from the National Institute of Health to advance the development of the wearable Gemini™ Dual Hormone Artificial Pancreas Pod (Gemini-DHAP). Only $1M is represented in the 2023 grant data as the second half was approved for 2024.

Headquartered in Fayetteville, **VIC Technology Venture Development** provides turn-key support at a low cost to their portfolio companies. They select technologies with significant commercial opportunities and high potential for social impact to form new companies. In addition to operational support, each new VIC portfolio company receives between $250,000 and $500,000 seed investment from the VIC Investor Network to establish proof-of-concept and position for follow-on investment.

NON-DILUTIVE GRANTS

The History of Awards by **Year**, **Agency**, **Type** & **Phase** for SFC Fluidics

YEAR	AGENCY	TYPE	PHASE	AMOUNT
2004	National Aeronautics and Space Administration	STTR	PHASE I	$69,200
2004	National Science Foundation	SBIR	PHASE I	$100,000
2005	Department of Defense	STTR	PHASE I	$100,000
2006	National Science Foundation	STTR	PHASE I	$100,000
2006	National Science Foundation	SBIR	PHASE I	$100,000
2007	National Science Foundation	STTR	PHASE I	$150000
2008	National Science Foundation	SBIR	PHASE II	$500,000
2008	National Science Foundation	SBIR	PHASE I	$100,000
2008	National Science Foundation	STTR	PHASE II	$500,000
2009	National Science Foundation	SBIR	PHASE II	$500,000
2011	National Institutes of Health	SBIR	PHASE I	$165,780
2014	National Institutes of Health	SBIR	PHASE II	$1,987,208
2015	National Institutes of Health	SBIR	PHASE I	$215,003
2016	National Institutes of Health	SBIR	PHASE I	$255,000
2017	National Institutes of Health	SBIR	PHASE II	$1,452,213
2018	National Institutes of Health	SBIR	PHASE II	$1,397,527
2023	National Institutes of Health	SBIR	PHASE II	$1,000,000
			TOTAL FUNDING	$8,691,931*

* with the $1M commitment for 2024 for this award, the aggregate number rises to $9,691,931

Perspective

Your One-Stop Shop

AEDC Empowers Small Businesses and Entrepreneurs

Esperanza Massana Crane

Director Of Small Business And Entrepreneurship Development, *Arkansas Economic Development Commission*

ARKANSAS INC

NON-DILUTIVE GRANTS

Arkansas has a long history of successful entrepreneurs, stretching back decades. Some of the most successful companies in the world have roots right here in the Natural State.

At the Arkansas Economic Development Commission, we always say that economic development does not happen by accident. We take intentional and strategic steps to work with businesses and communities, helping to create new economic opportunities for Arkansans.

We strive to create those economic opportunities in three ways: attracting new businesses to the state, helping existing companies expand, and helping small businesses and entrepreneurs grow.

Supporting small businesses and entrepreneurs is vital for our economy in Arkansas. By providing resources and assistance to small business owners and entrepreneurs, we can help innovative companies scale and add jobs to our economy; we can help grow our tech industry and other key industry sectors; and we can help develop a skilled workforce in Arkansas.

This is where AEDC's Small Business and Entrepreneurship Development Division comes into play.

In 2023, the AEDC consolidated agency resources to better support small businesses and entrepreneurs. This restructuring is a key part of Governor Sarah Huckabee Sanders' and Secretary of Commerce Hugh McDonald's vision for elevating Arkansas small businesses and entrepreneurs. By consolidating resources, we aim to enhance our focus on small business and entrepreneurship and add more value to the resources that we provide.

Our division has three focus areas: science and technology, minority and women-owned businesses, and entrepreneurial ecosystem support. Bringing all these resources under the umbrella of the Small Business and Entrepreneurship Development Division has created new efficiencies at AEDC and provides a hub for small business and entrepreneurship resources – a one-stop shop where small business owners and entrepreneurs can receive assistance and find resources.

The Science and Technology team oversees multiple incentive and grant programs aimed at stimulating innovation and growth in the state's technology sector. Some of these programs include:

- **Seed Capital Investment Program (SCIP) –** Fosters the formation and development of innovative, technology-based enterprises.
- **Technology Development Program (TDP) –** Assists in commercializing new, technology-based products and processes created or developed by inventors, businesses, Arkansas-based colleges or universities, and federal laboratories located in Arkansas.
- **Technology Transfer Assistance Grant Program (TTAG) –** Increases Arkansas industry's competitiveness through technical and operational advancements by providing funds for the transfer or deployment, or both, of innovative technology to Arkansas-based enterprises to resolve identified technology-based, industry-driven problems, issues, or concerns.
- **SBIR Matching Grants –** Provides discretionary matching grants for federal Phase I and Phase II Small Business Innovation Research (SBIR) grants.
- **Accelerator Grant Program –** Provides discretionary grants to organizations to mentor technology-based startup companies around the state.

Minority and women-owned businesses also have many resources available to them, including our Minority and Women-Owned Business Enterprise Certification Program and our annual Matchmaking Event, which provides the opportunity for 15-minute meetings with public and private sector buyers. Our team also helps entrepreneurial support organizations (ESOs) through our Entrepreneurial Ecosystem Support initiative, providing introductions and connections to companies, and helping facilitate projects with companies.

As for the impact we're excited to see in 2024, one of our division's biggest initiatives is our new contract for the Arkansas Statewide Technology Commercialization Center. AEDC awarded the contract to Startup Junkie Consulting, which will provide services to assist technology-based entrepreneurs turn inventions and high-tech concepts into viable businesses.

This commercialization program, rebranded as ARise, is designed to catalyze technological innovation in Arkansas and empower tech companies to create high-wage jobs in our state. We are looking forward to working with Startup Junkie on this initiative and helping tech entrepreneurs scale their companies.

We are also excited about partnering in the launch of the Arkansas Business Resource Hub, an EcoMap and new online platform that will be a hub for small business and entrepreneur resources in Arkansas. This platform, administered by the University of Arkansas' Office of Entrepreneurship and Innovation, will be a valuable tool for both entrepreneurs and the ESOs that service them.

Small business owners and entrepreneurs are creating exciting new companies in Arkansas, and AEDC's Small Business and Entrepreneurship Development Division is ready to assist them. I encourage entrepreneurs and those interested in starting a new business to reach out to our team to find out what resources are available to them.

ARKANSAS
BUSINESS RESOURCE HUB

ARISE

Perspective

A Bold Shift

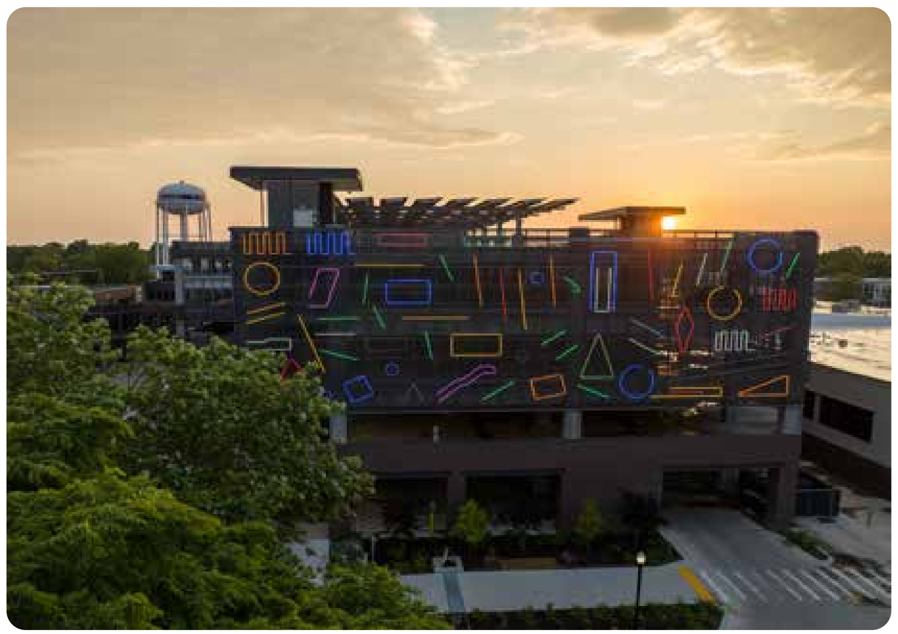
New Directions in Arkansas' Entrepreneurism

James K Hendren

Chairman and Founder,
The Venture Center

In the late 1980s, a growing software company in Little Rock went to the Arkansas Industrial Development Commission, now the Arkansas Economic Development Commission (AEDC), to ask for help relative to its growing employment and facility's needs. What may come as a surprise is that they were told that the AIDC did not offer that kind of support, and that their main focus was to recruit manufacturing jobs to Arkansas.

Much has changed since then through the work of volunteers via several organizations such as Accelerate Arkansas, Blue Ribbon Committee on Higher Ed, and the Computer Science Taskforce, state governors from Clinton to Huckabee, and several legislators. The AEDC learned about new, statewide economic opportunities that could be created by entrepreneurs. The AEDC has recognized the meaningful economic impact and opportunity created by small business owners and entrepreneurs. Some hard working volunteers were myself, Charisse Childers, Jerry Adams, Jeff Amerine, John Ahlen, Watt Gregory, Gary Campbell, Mark Saviers, Morris Jenkins, and many more.



An organization called The Knowledge-Based Companies of Arkansas (1996-2003) set out to educate the public, state government, and educators about entrepreneurial opportunities, as well as how the state would fall further behind if it did not embrace this sector. Part of this organization's mission was to get representatives on several agency boards; they were successful in achieving that representation on the Arkansas Science and Technology Authority and the AEDC. It was from those platforms, in addition to presentations to and meetings with anyone who would listen, that the change began to happen.

A taskforce, led by myself, was set up within the AEDC to make recommendations on how this new sector could be implemented. After a significant list of suggestions was reported to AEDC, it became obvious that a long-term approach would be required to make significant, impactful changes. Thus, in 2003, this taskforce and other recruits created the non-profit 501C(3) known as Accelerate Arkansas to pursue these recommendations. The Accelerate Arkansas team reviewed existing incentives designed to recruit industry to Arkansas, and added new rules that would allow for the incentives to apply to early-stage, high-tech companies. The goal was to incentivize companies with the potential for significant growth and high-paying jobs, aiming to make a substantial impact on improving Arkansas' economy. Beyond that, they had another big mission to develop a strategic plan to raise the Arkansas average wage to the national average. The result? During the Accelerate Arkansas' effort, the average wage rose from the mid 80 percent to the low 90s. Significant movement like that had not been seen for nearly 40 years.

Accelerate Arkansas was responsible for getting over 27 bills passed through the legislature and signed by several gubernatorial administrations. The initiatives included the early development of workforce via the Arkansas STEM Coalition, supporting the development of Intellectual Property via the Arkansas Research Alliance, and mentoring entrepreneur candidates via Innovate Arkansas. Members of Accelerate Arkansas

THE VENTURE CENTER®

were highly involved in implementing the Computer Science initiative as well. The organization created the legislation and support organizations that were needed in order to accomplish this undertaking.

Perhaps most notably, Accelerate Arkansas can be credited with creating the first investment funds aimed at boosting the state's ecosystem. Several have since been very successful, such as Fund for Arkansas' Future and the Cadron Fund. Companies such as Apptegy and Teslar are a couple of the many that were helped.

Part of the commitment was also to move the development of entrepreneurs and supporting startup companies to the private sector. Members of Accelerate Arkansas helped the initial Entrepreneurial Support Organizations (ESOs), such as The Venture Center and Startup Junkie, by providing mentoring, accelerators, locating funding, and creating helpful connections.

But the work isn't done yet (one could argue it never will be!). Today in 2024, a taskforce is working to make the state incentive programs more effective and helpful for entrepreneurs.

While it may still seem like Arkansas has a lot of catching up to do to the likes of New York, California, and Texas, our state has done an incredible amount of work over the last few decades. We've come a long way and have no intent to stop.

Crowdfunding

When traditional avenues for capital investment are unavailable or unsuitable for innovators and entrepreneurs, crowdfunding emerges as a viable alternative for a founder to find traction. Crowdfunding enables entrepreneurs to raise funds from a diverse array of small backers, mitigating risk for both parties involved. This approach broadens the pool of potential investors and enables them to support compelling projects.

Crowdfunding campaigns break down broadly into three buckets:

1 **Product or Pre-Sales**
Common on platforms like Kickstarter and Indiegogo, these campaigns offer backers rewards in the form of products or services. This minimizes risk for both the entrepreneur and the investor, as funds are only invested once campaign goals are met.

2 **Debt**
Platforms like Kiva facilitate debt crowdfunding, enabling entrepreneurs to raise capital from numerous small investors. Debt crowdfunding provides an avenue for entrepreneurs to access favorable startup funds, particularly when traditional financing options are limited.

3 **Equity**
Equity crowdfunding allows investors to purchase securities such as equity, revenue shares, or convertible notes. With recent regulatory changes in the U.S., startups can now raise equity investments of up to $5 million from unaccredited investors within a one-year period. Sources for equity crowdfunding at this time include Wefunder or Republic, which enables small-scale investors to support local startups or projects of interest.

Limitations on Data

Crowdfunding data presents challenges in sourcing, as platforms vary and are not obligated to report to a centralized entity. The Arkansas Capital Scan team gathered data from common platforms and consulted with the entrepreneurial community to identify additional campaigns within Arkansas. However, the data may not capture all crowdfunding projects, and not all projects may evolve into viable companies.

While the inclusion of Crowdfund Capital Advisors data helps verify the equity crowdfunding bucket, the data for product and debt crowdfunding campaigns is more limited. In 2023, Kiva Little Rock was included by the Arkansas Capital Scan team as a new addition to the debt crowdfunding dataset. Although we did not include 2022 Kiva Little Rock data in comparisons due to different data granularity, there was nevertheless an impact as evidenced by the following numbers: In 2022, Kiva Little Rock dispersed $63,000 in loans to 9 recipients. Of these recipients, 7 were women ($50,500 - 4 African American, 3 Latinx) and 2 were men ($12,500 - 1 African American, 1 Latinx), with an average loan amount of $7,000.

While crowdfunding data offers insights into entrepreneurial activity in Arkansas, it should be viewed as indicative rather than comprehensive. Future assessments may explore incorporating comparators across crowdfunding sectors to provide a broader understanding of crowdfunding trends.

Crowdfunding Totals

In 2023, Arkansas saw a total of 93 crowdfunding campaigns, slightly more than the 90 campaigns in 2022 and surpassing the 77 campaigns in 2021. The total amount raised in 2023 was $1,787,444, demonstrating an increase from the $1,475,115 raised in 2021. However, it fell short of the total raised in 2022, which amounted to $2,832,300. This difference seems to have been driven by the impact of equity crowdfunding, which was significantly higher in 2022 compared to 2023.

The average size of a crowdfunding campaign in 2023 was $19,220, a decrease from the average deal size of $31,470 in 2022. Despite the slight decline in campaign numbers and average campaign size, crowdfunding activity in Arkansas remains robust, reflecting ongoing support for entrepreneurial endeavors within the state.

Crowdfunding Breakdown by Type in Arkansas

In 2023, crowdfunding in Arkansas encompassed three main types:

PRODUCT-BASED

DEBT-BASED

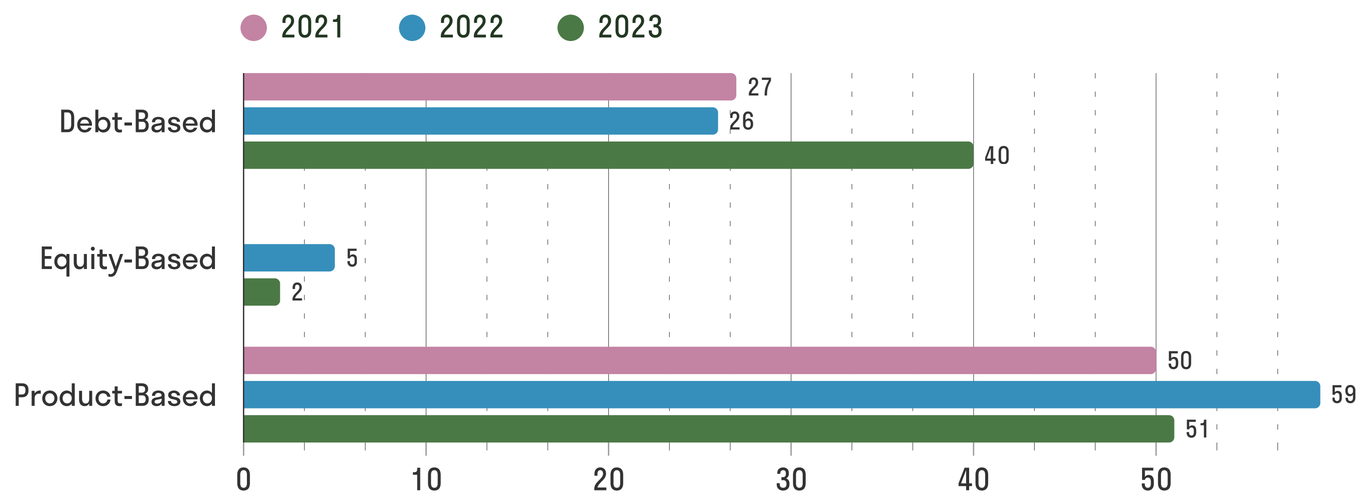
EQUITY-BASED

Product-based campaigns were the most prevalent, constituting 54.8 percent of all campaigns. They also raised the lion's share of total funds, amounting to 71.8 percent of the total amount raised. With 51 campaigns in 2023, they amassed a total of $1,283,214. Although there was a slight decrease of 13.6 percent in the number of campaigns compared to the previous year, the total amount raised increased by 7.9 percent. The average campaign size was $25,161, with notable contributions from companies like LIVSN, which has a track record of successful crowdfunding campaigns. Over the past few years, both the number of deals and the total amount raised in product-based campaigns have remained relatively flat.

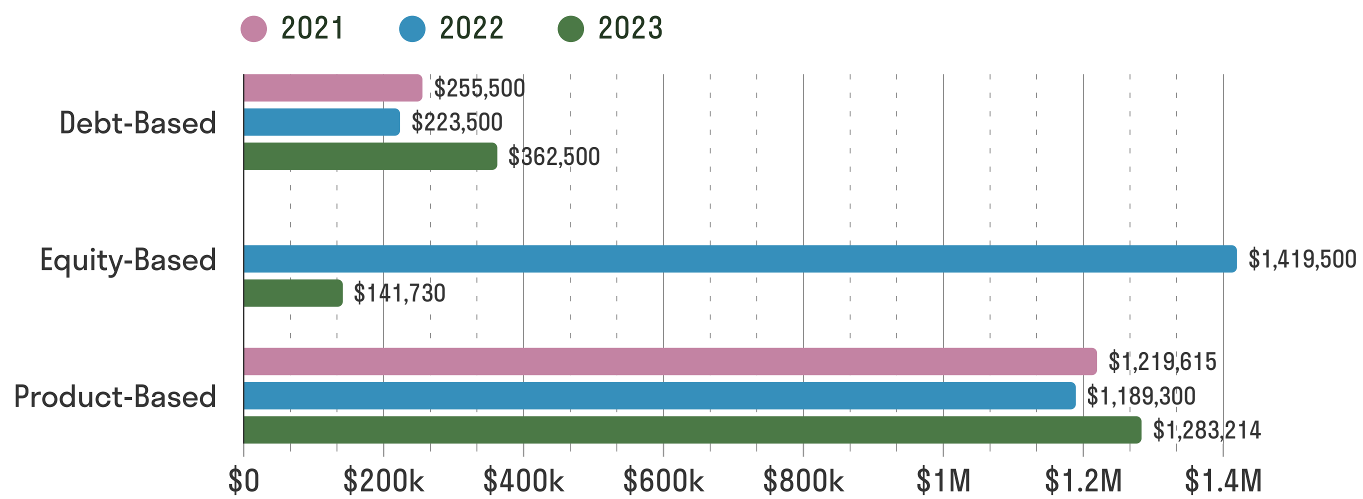
Debt-based campaigns are primarily sourced from KIVA hubs across the state. In 2023, the KIVA NWA hub officially surpassed $1 million in interest-free, debt-based campaigns raised since its establishment in December 2019. In 2023, there were 40 debt-based campaigns, totaling $362,500. This represents a 14.3 percent increase in the number of campaigns over 2022 and a 26.5 percent increase in the total dollar amount raised compared to the previous year. These increases are the result of including KIVA Little Rock office data in 2023, which was not included in the 2022 report. From 2021 to 2023, the average size of these campaigns remained relatively flat at approximately $9,000.

The Capital Scan data team had access to **equity-based crowdfunding** data only from 2022 onwards due to data limitations. In 2022, there were five equity-based campaigns in Arkansas, which decreased to two in 2023. The total dollar amount raised in 2023 saw a significant decrease of 94.7 percent, with $141,730 raised compared to $1,419,500 in 2022.

Crowdfunding Campaigns # by Type



Crowdfunding Campaigns $ by Type

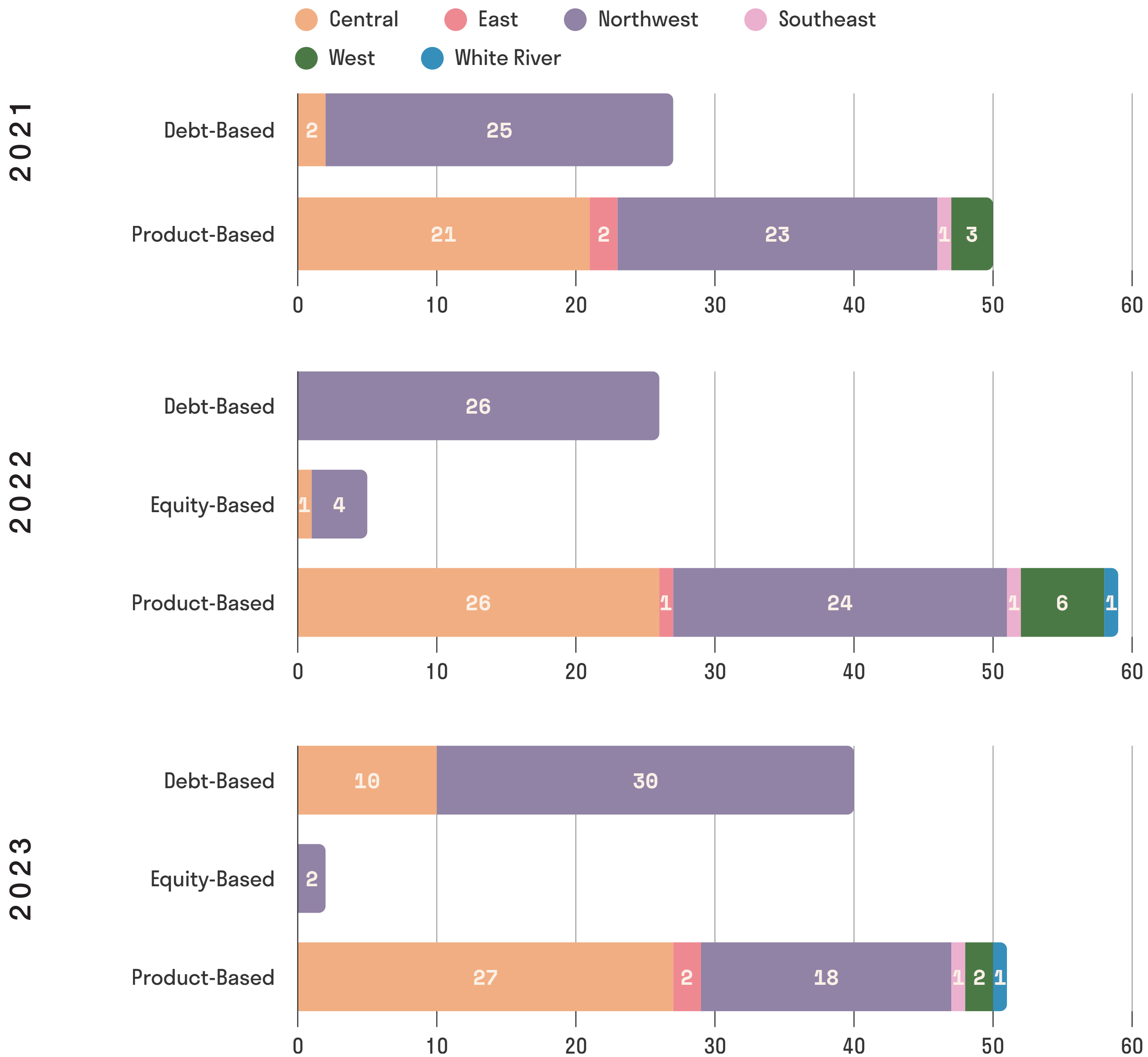


Crowdfunding Totals

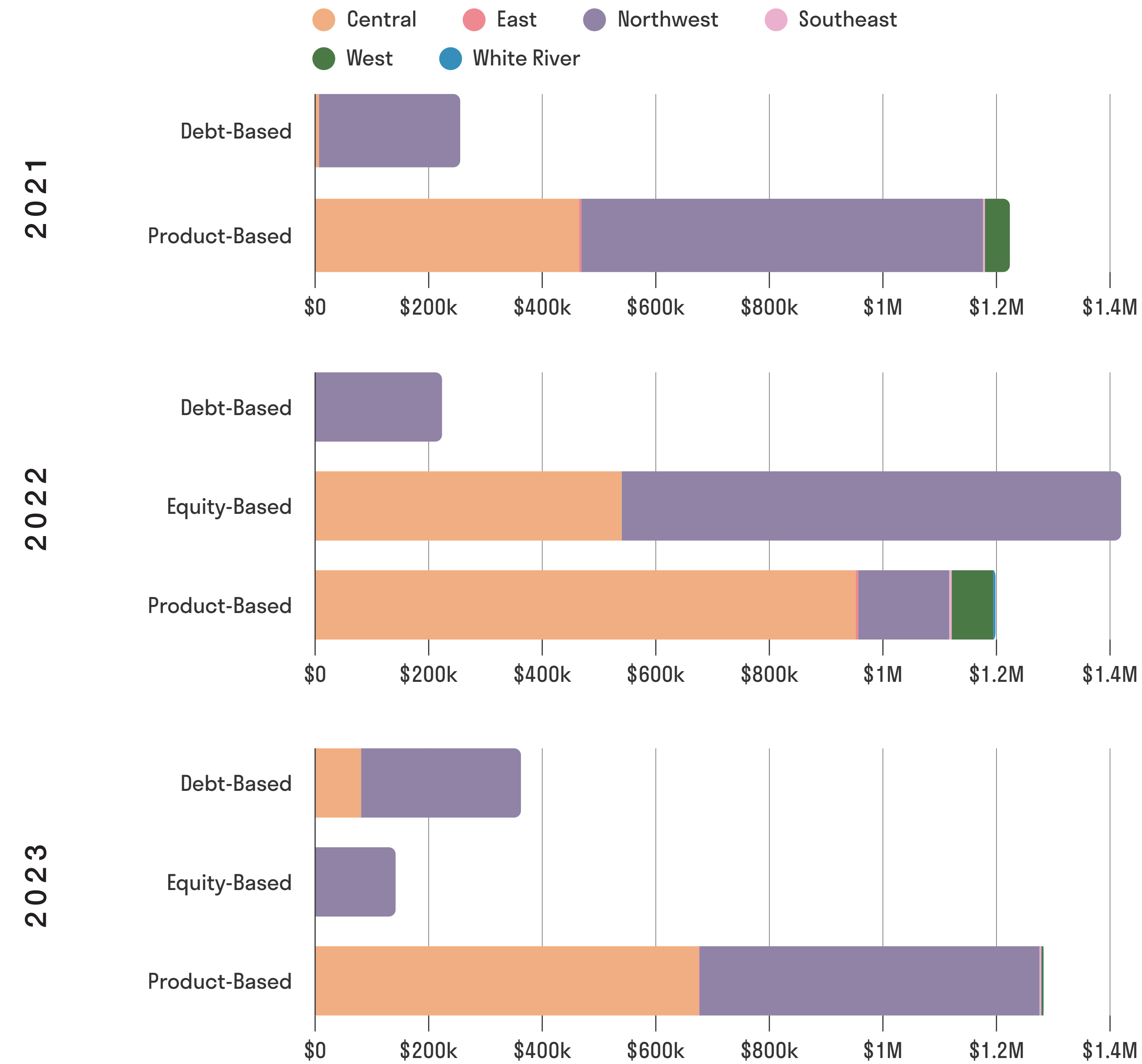
Crowdfunding in Arkansas is heavily concentrated in Northwest Arkansas, which accounted for 53.8 percent of all campaigns and 57.2 percent of all campaign dollars in 2023. Northwest Arkansas saw 75 percent of debt-based campaigns, which is not surprising given that one of the state's KIVA hubs is focused on this region.

For all categories, Northwest Arkansas remained a primary hub for crowdfunding activities within Arkansas in 2023. Central Arkansas played a significant role, particularly in product-based campaigns (52.9 percent) and debt-based campaigns (25 percent). Conversely, the West region saw a decline in crowdfunding activity, with fewer campaigns emerging from Fort Smith compared to previous years.

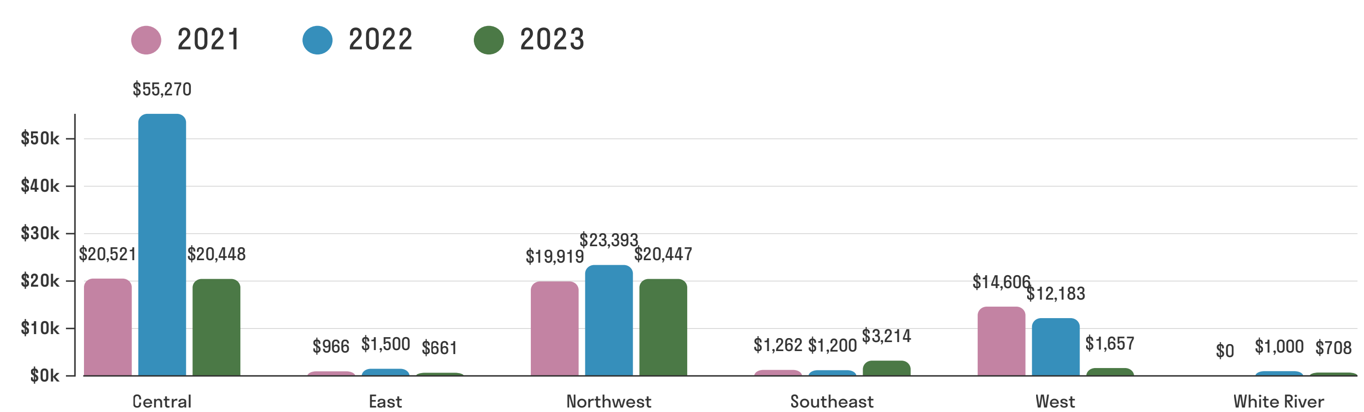
Crowdfunding Campaigns # by Region



Crowdfunding Campaigns $ by Region



Crowdfunding Campaigns | Average Investment by Region



CROWDFUNDING

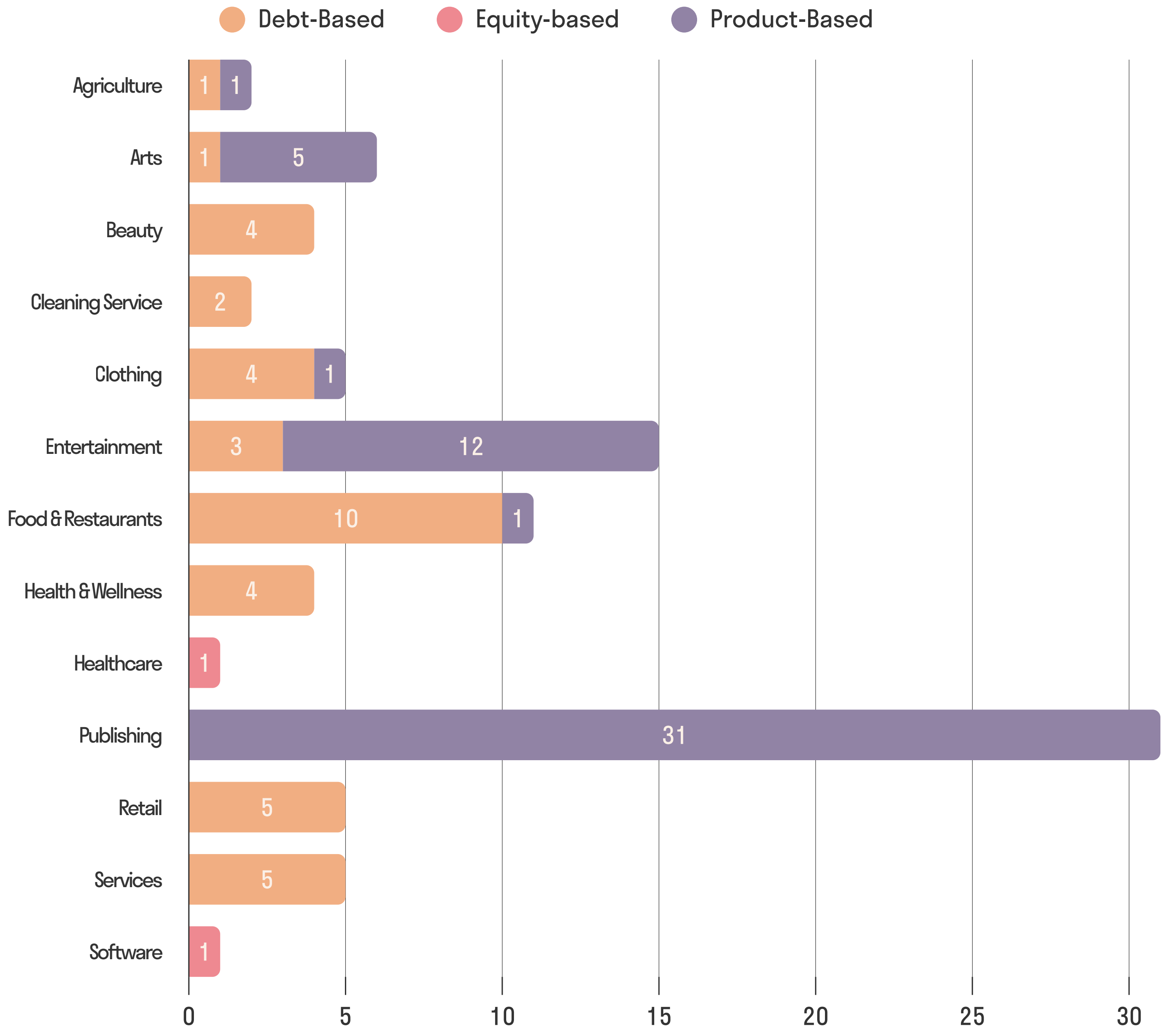
Crowdfunding by Industry

Crowdfunding in Arkansas shows distinct patterns, especially in **product-based crowdfunding**. The leading industries are publishing ($493,629), clothing ($456,355), and entertainment ($311,143), which collectively make up 98.3 percent of all product-based crowdfunding. Nationally, technology dominates due to innovative products and the integration of AI and blockchain, enhancing security and investor engagement.[56] Real estate also benefits significantly from crowdfunding, offering easier fund access compared to traditional banking.[57] Additionally, the food and beverage industry and gaming have seen substantial crowdfunding success, particularly on platforms like Kickstarter.[58]

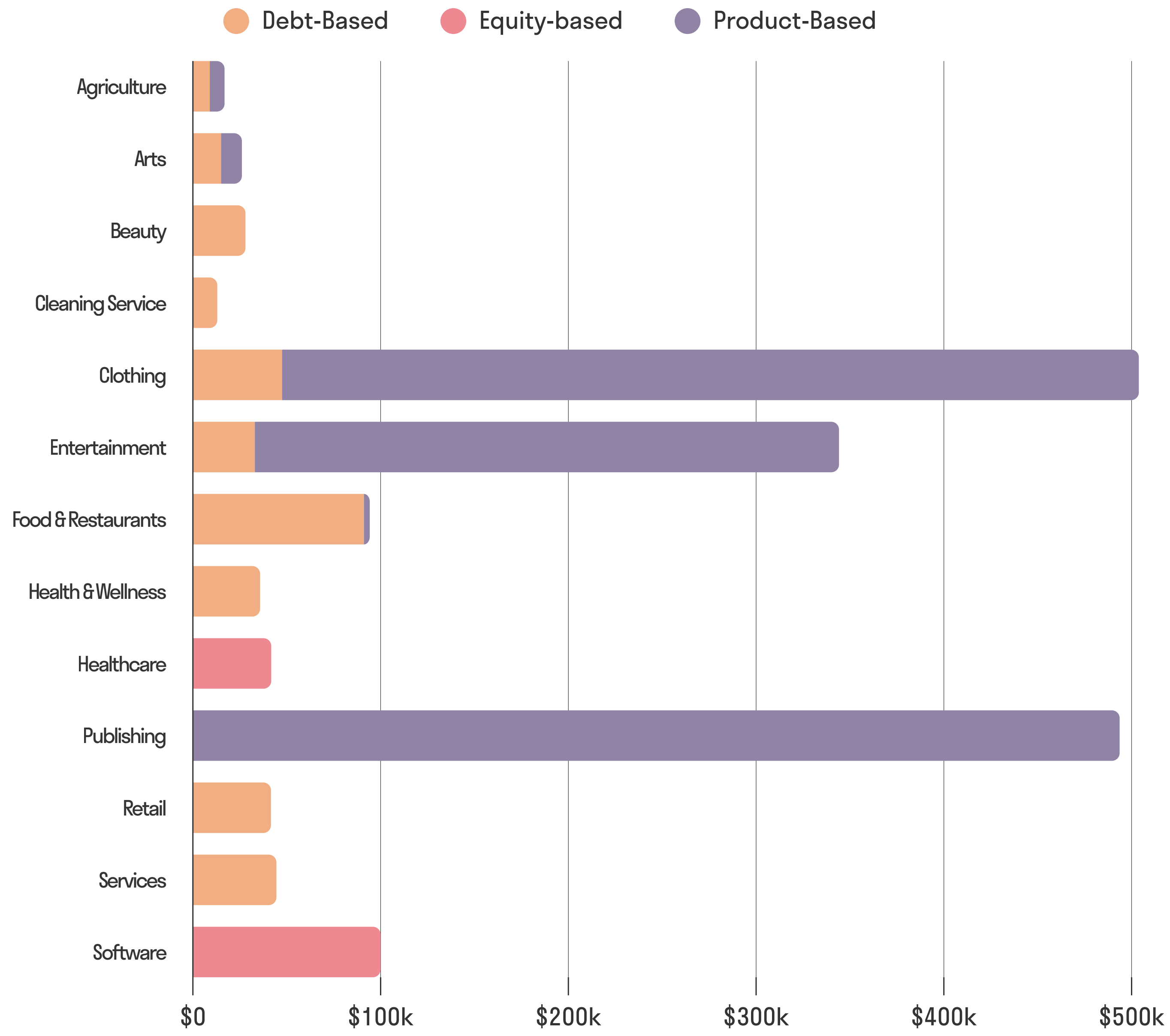
Conversely, **debt-based crowdfunding** in 2023 demonstrated a more balanced distribution of dollar amounts across different sectors compared to product-based crowdfunding. The top four industries by total funding amount in debt-based crowdfunding were food and restaurants ($91,100), clothing ($47,500), services ($44,500), and retail ($41,600). These four industries accounted for 62 percent of the total debt-based funding amount of $362,500. Overall, eleven industries were represented in the total amount, with the average funding amount per industry being $32,955.

Equity-based crowdfunding, on the other hand, saw involvement from only two industries: healthcare, with a total of $41,730, and software, with $100,000. This highlights a narrower focus within these sectors for equity-based crowdfunding campaigns in Arkansas.

Crowdfunding Campaigns # by Industry



Crowdfunding Campaigns $ by Industry



Demographics of Crowdfunding Campaigns and Campaign Types in Arkansas

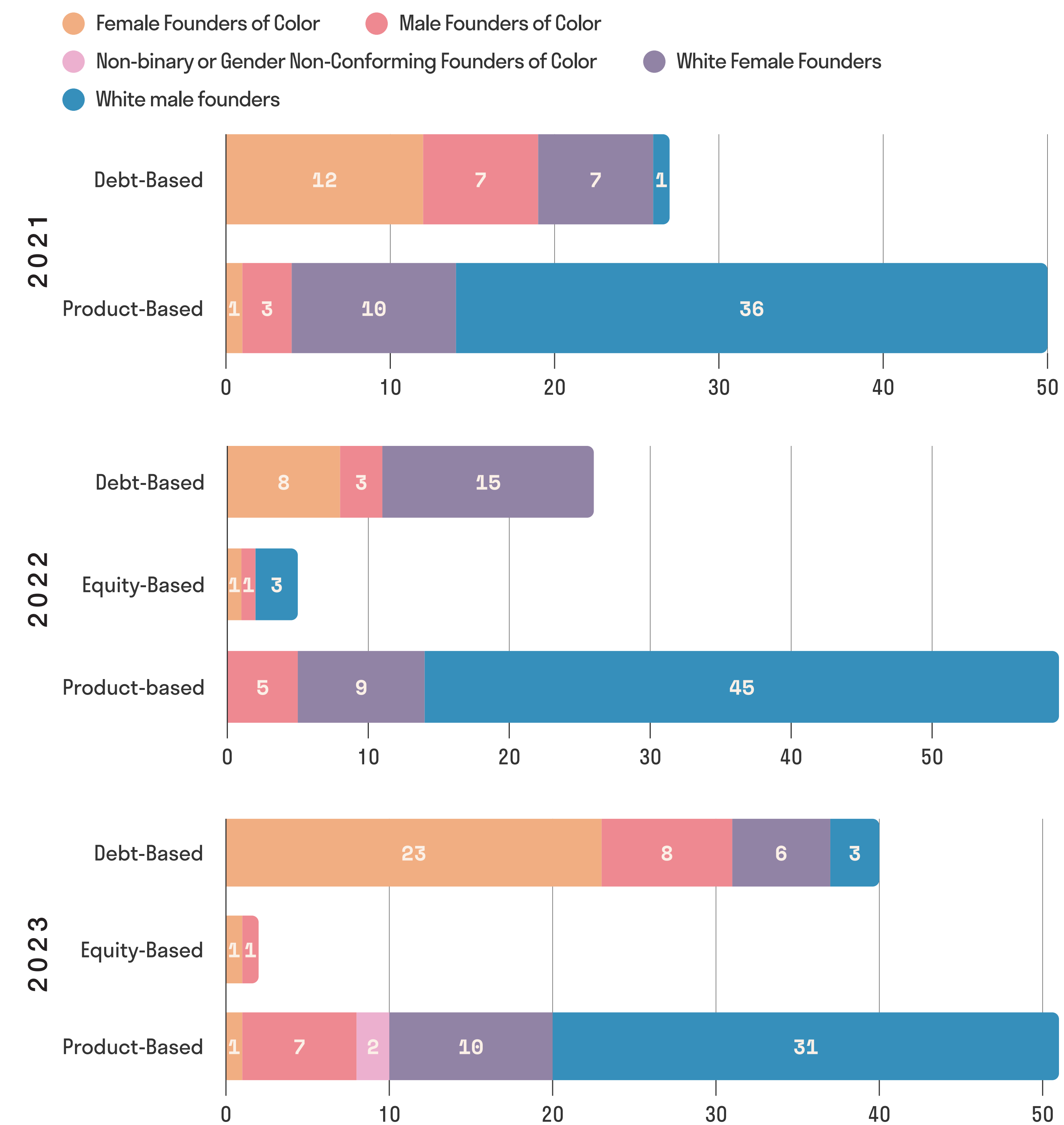
Last year's crowdfunding data in Arkansas continued to reflect demographic disparities, influenced by specific crowdfunding industries and the emergence of equity crowdfunding opportunities. In 2023, these trends persisted across all crowdfunding types. White Male Founders retained the majority stake, representing 41.5 percent of campaigns and raising 55.4 percent of total funds. In contrast, White Female Founders were involved in 19.5 percent of campaigns but secured only 2.4 percent of the funds. Female Founders of Color and Male Founders of Color each accounted for 18.3 percent of campaigns. However, of the two, Male Founders of Color were more successful in fundraising, obtaining 27.9 percent of total funds compared to 9.9 percent for Female Founders of Color. Non-Binary or Gender Non-Conforming Founders of Color constituted a smaller fraction, with only 2.4 percent of campaigns and 0.5 percent of total funds raised. These statistics underscore the disparities in fundraising success across different demographic groups in Arkansas' crowdfunding landscape.

Furthermore, the average campaign size was lower for women than for men, with campaigns led by women averaging $16,009, compared to $45,636 for men and $3,440 for Non-Binary or Gender Non-Conforming individuals. It's worth noting that a significant portion of the funds raised by Men of Color were attributed to specific individuals. For instance, a single Male Founder of Color collectively raised $346,142 in product crowdfunding campaigns. This data indicates that, despite some high-performing individuals, there remains a significant disparity in average campaign sizes between different demographic groups. Removing outliers reveals an even clearer disparity between White men and Non-White men.

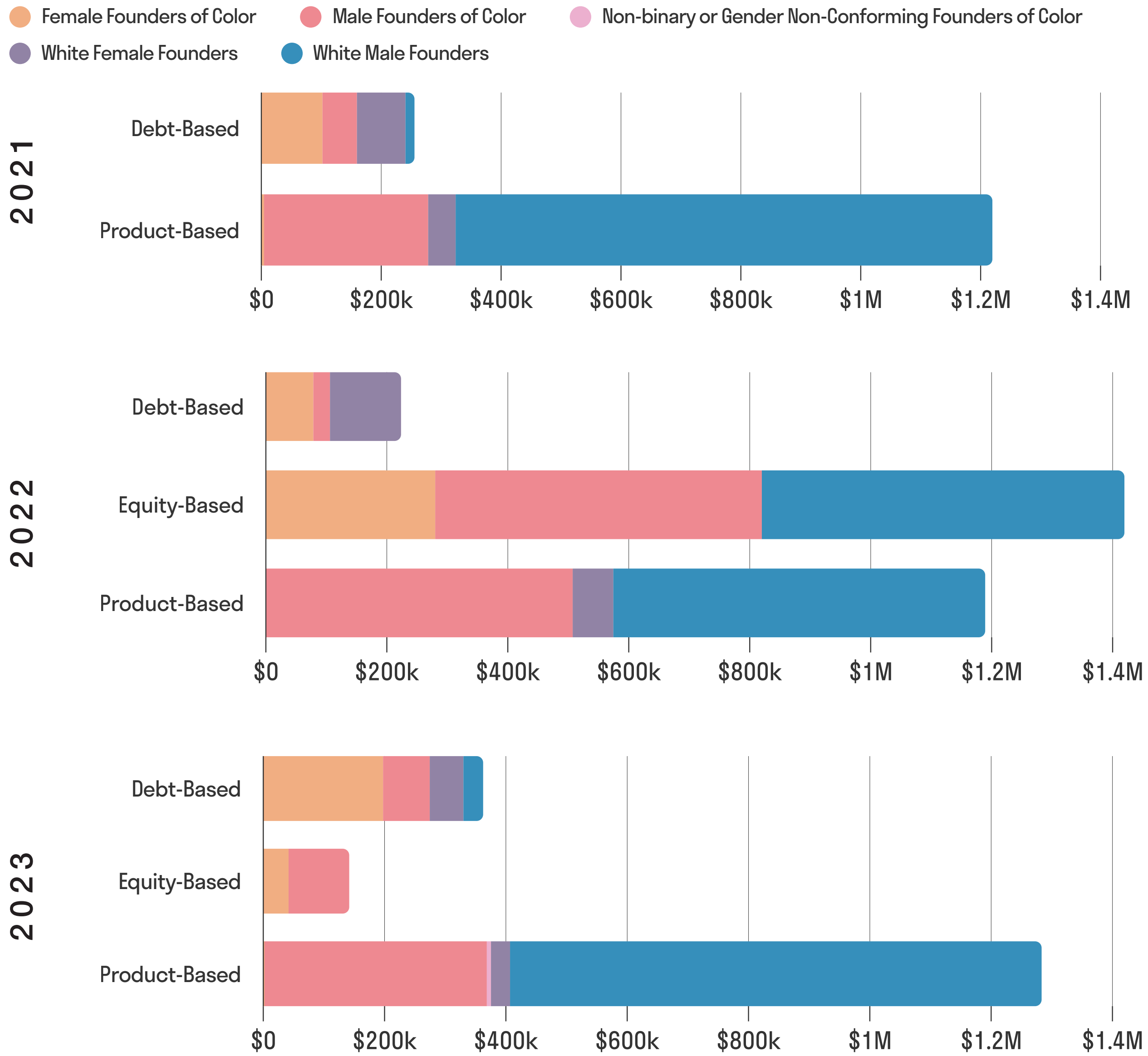
Similar to previous years, Female Founders of Color predominantly engaged in debt crowdfunding, with only one participating in product-based crowdfunding on Kickstarter. One of the equity crowdfunding campaigns was unique: femPAQ won a pitch competition through Level, who then awarded the prize money via WeFunder. The only other campaign that raised funds on the WeFunder platform was Hashku, led by a Male Founder of Color. Notably, in 2023, only Men and Women of Color participated in equity crowdfunding, highlighting a shift in participation trends within the crowdfunding ecosystem. This trend suggests that Founders of Color are increasingly turning to equity crowdfunding as a viable means of raising capital, despite broader demographic disparities.

As in prior years, the demographic distribution of crowdfunding campaigns has implications for economic growth. Debt-based funding must be repaid, which can place a financial burden on the founders. In contrast, equity crowdfunding involves selling a stake in the company, which does not require repayment and can provide a longer-term investment in the business. This type of funding can generate significant revenue without the immediate pressure of debt repayment, potentially leading to more sustainable business growth. This distribution highlights ongoing challenges and opportunities within the crowdfunding landscape for different demographic groups.

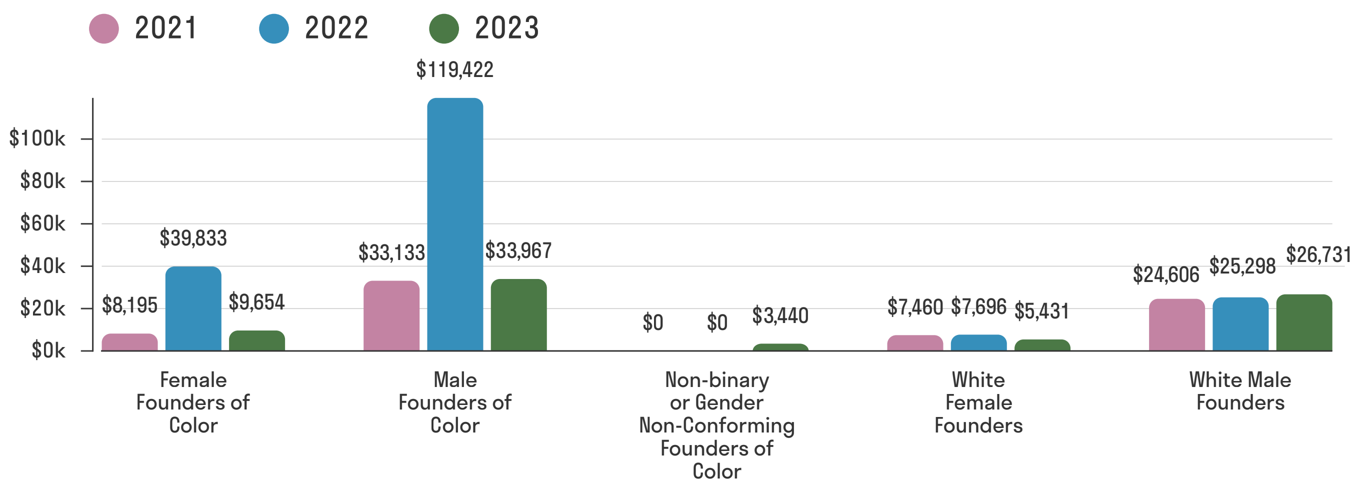
Crowdfunding Campaigns # by Type and Demographic



Crowdfunding Campaigns $ by Type and Demographic



Average Size Crowdfunding Campaigns $ by Demographic



Regulation Crowdfunding

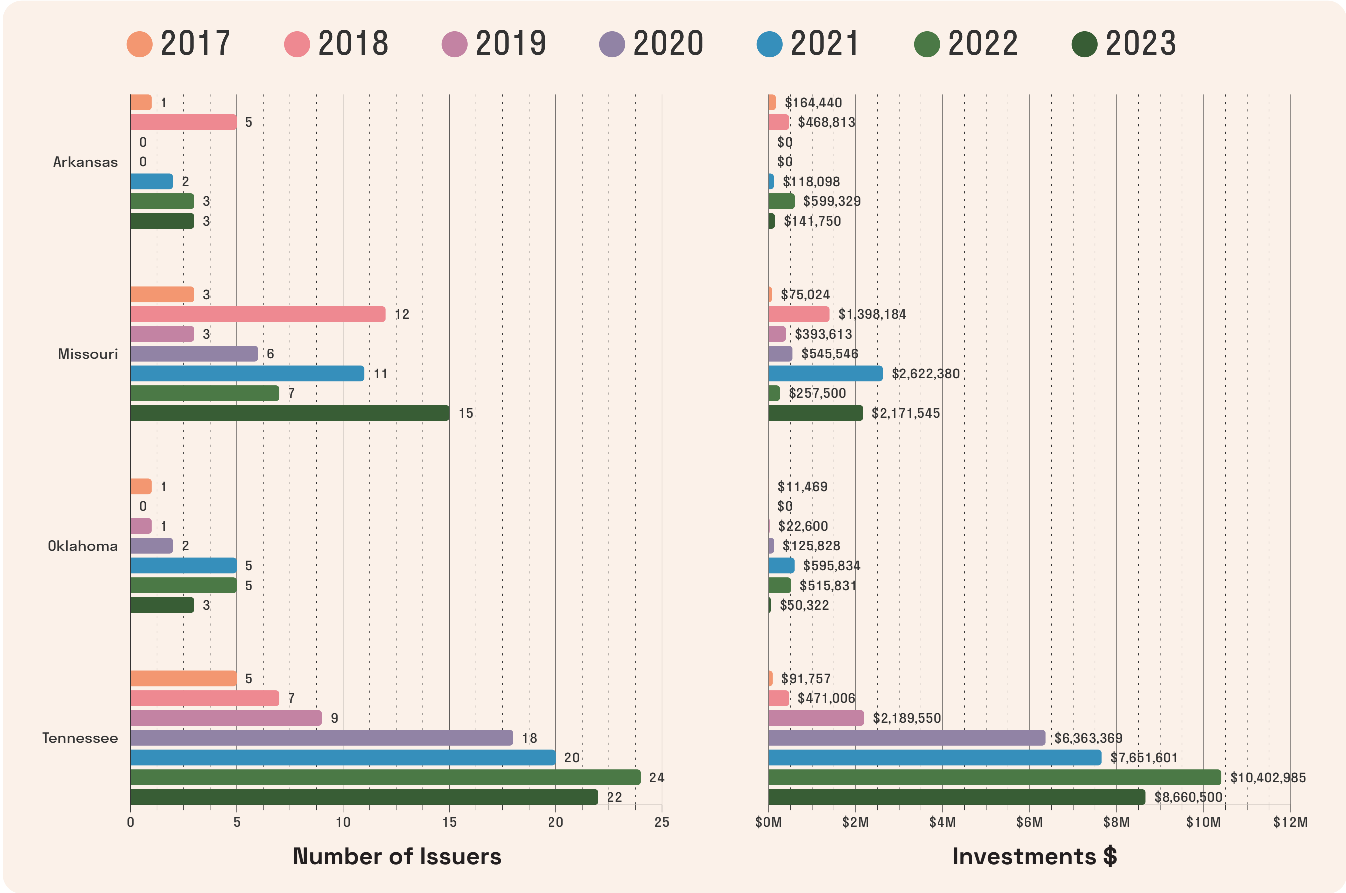
Regulation Crowdfunding, a method of raising funds through soliciting relatively small individual investments from a large number of people, provides an exemption from SEC registration requirements for securities-based crowdfunding. This allows companies to offer and sell up to $5 million of their securities without registering the offering with the SEC. While this offers the general public an opportunity to participate in early capital-raising activities, there are limitations on the amount one can invest based on their net worth and annual income due to the associated risks.

Arkansas has maintained a relatively stable level of activity in Regulation Crowdfunding over the past seven years, despite regulatory changes intended to increase accessibility. In 2022, the demographic profile shifted significantly, with sole participation from entrepreneurs of color, contrasting with previous years predominantly led by white men. Among the comparator states, Oklahoma exhibits a similar level of activity, while Missouri and Tennessee have experienced substantial growth in Regulation Crowdfunding.

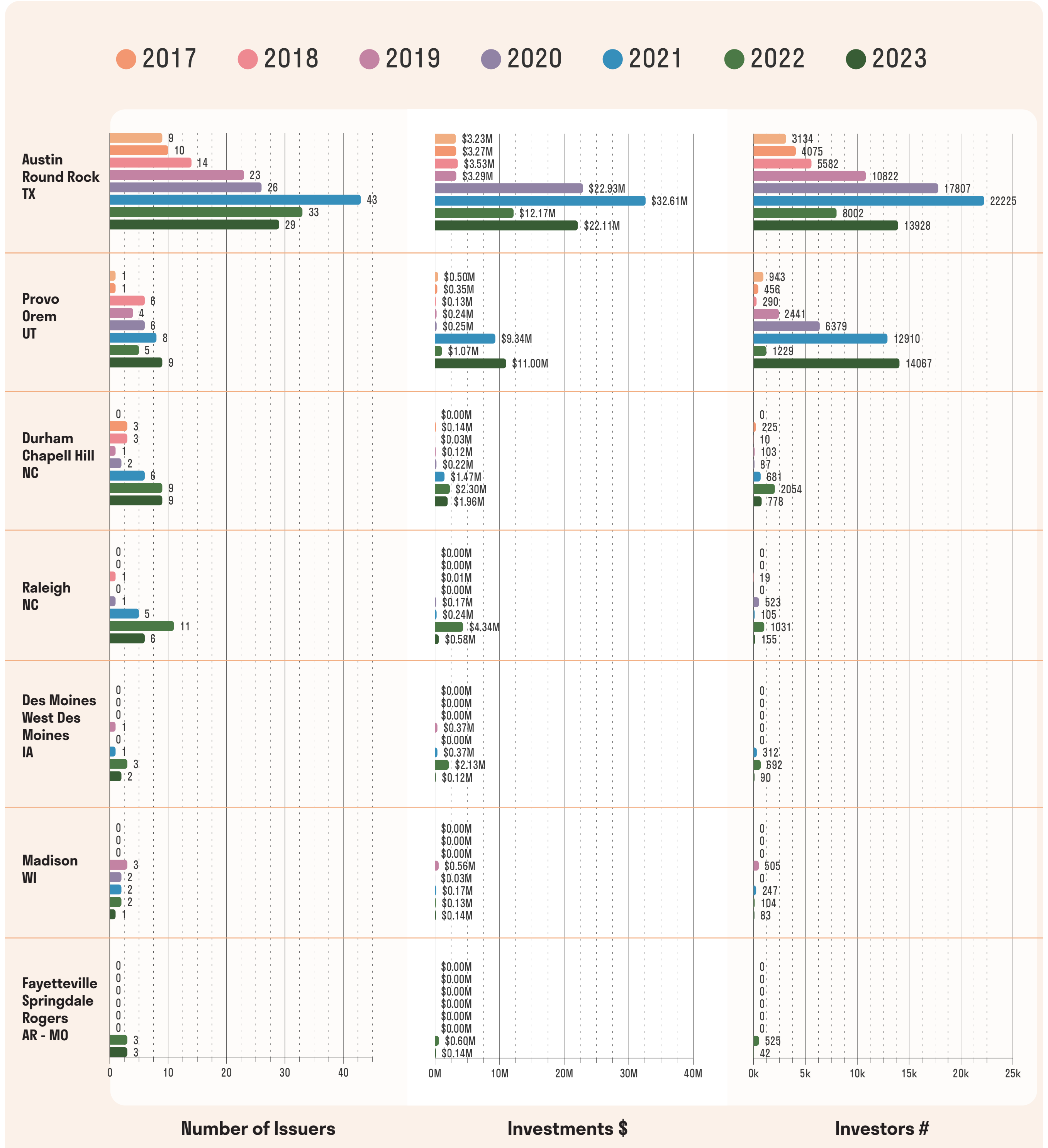
It is important to note that Regulation Crowdfunding remains a substantially smaller market compared to traditional equity deals. In terms of Metropolitan Statistical Areas, the Fayetteville–Springdale–Rogers area in Arkansas lags behind most comparators in both the number of campaigns and the amount raised, with $137,657 in investments and 42 investors. However, it is on par with Des Moines, IA, which had 90 investors and $116,676 in investments in 2023, and Madison, WI, which had 83 investors and $137,657 in investments in 2023. Austin, TX, is the leader in Regulation Crowdfunding in 2023 with $22 million in investments and 13,422 investors, although Provo-Orem, UT, has also shown success, raising $11 million with 14,033 investors in 2023.

Please note that any deals that may have subsequently been canceled are included in Crowdfunding Capital Advisors' dataset and could potentially skew the data. For instance, according to CCA, Arkansas had 3 deals in 2023, but after verifying the data with the entrepreneurs themselves, we report that one of those was canceled due to operational reasons.

Regulation Crowdfunding Across Comparator States



Regulation Crowdfunding Across Metropolitan Statistical Areas



Press release: NWA Kiva Hub raises $1 million in interest-free loans supporting local entrepreneurs | Kiva. (n.d.). Kiva. https://www.kiva.org/blog/nwa-kiva-1-million-milestone-2023

CASE STUDY
Hashku

The concept for Hashku was conceived out of Cartwheel Startup Studio, a new venture studio in Northwest Arkansas. Once the concept was market validated, a new business was formed in October 2022 as a partnership between Cartwheel Startup Studio and Joel Ponce, the new Chief Executive Officer and co-founder of Hashku.

A resident of Arkansas since 2013, Joel has over a decade of experience in the advertising industry. From his agency roots at Saatchi & Saatchi X, to leveraging social media data for market insights at DataRank, to most recently leading shopper marketing efforts at Paramount, Joel has developed expertise in the evolving media and entertainment industry as brands strive to stay top of mind with consumers.

"The jump from corporate to startup is never easy, but knowing that I had the support of the Cartwheel team, their extended network, and the entrepreneurial support organizations in the state of Arkansas made taking that leap a little bit easier. This is a special community that is working together to support, grow, and accelerate the entrepreneurial ecosystem; I'm grateful to be a part of it," said Joel.

HASHKU

Hashku is an agency focused on gaming advertising. They combine software and services to help brands leverage gaming to drive attention, engagement, and commerce.

Gaming is more than a niche pastime; it's mainstream. With approximately

Headquartered in Bentonville, **Cartwheel Venture Studio** ideates, validates, co-founds, accelerates, and funds B2B technology businesses focused on the Retain Value Chain. Since their founding in 2021, they have launched three companies, including Hashku. In addition to ideation and validation, Cartwheel Studio provides operational support, including bookkeeping, legal, and HR support to help startups gain traction.

3 billion gamers worldwide and over 200 million in the US alone, the potential for growth in gaming-related industries is immense. Despite this scale, gaming accounted for only about 5% of advertising budgets in 2022. However, as ad inventory increases on gaming platforms and marketers become more aware of the opportunities, gaming has become one of the fastest-growing categories in advertising. This channel allows marketers to reach multi-generational audiences, including Gen Z, who spend more time on gaming platforms than on traditional media.

Hashku's partnership with The Hershey Company, as seen on Roblox.

Joel emphasized the growing significance of gaming, stating that it is already one of the most important channels for reaching Gen Z. He added that gaming will soon play a crucial role in driving commerce more broadly, and that his team is committed to helping their brand, agency, and retail partners grow their businesses through gaming advertising.

Last year, Hashku brought The Hershey Company to life on Roblox, creating an experience for consumers to celebrate Halloween both in-game and in real life. Users claimed a free in-game wearable item and purchased additional items for their avatars.

Hashku executed an experience where attendees at Rewired Fest were able to redeem a free virtual in-game wearable item through an integration on Roblox. This extended the physical footprint of the event and gave attendees immediate value on a platform they know and love.

Hashku has established itself as a thought leader and trusted source in gaming advertising. In 2023, Joel spoke about gaming advertising on the *Doing Business in Bentonville Podcast* with Andy Wilson and *Beyond the Shelf* with Dave Feinleib.

In 2023, Hashku launched an equity crowdfunding campaign on WeFunder, aiming to raise $100,000 as a pre-revenue company. They met their goal in June 2023, raising $100,000 from 29 investors. Notably, Hashku closed its first deal with a Fortune 100 company in May 2023, before the WeFunder campaign was completed. By the time they secured an additional $50,000 in angel investments towards the end of 2023, they had already closed another deal with a Fortune 100 company. This made Hashku one of only two pre-revenue companies to receive equity investment in Arkansas that year.

And in 2024, Hashku joined the inaugural cohort of the Bounds Accelerator, an Arkansas-based emerging technology startup accelerator. The Bounds Accelerator was launched by Cartwheel Studio and the University of Arkansas' Office of Entrepreneurship and Innovation in partnership with the Arkansas Economic Development Commission, Coinbase Ventures, Haun Ventures, and the AI Foundation. At Demo Day, Hashku won $5,000 through the Audience Choice Award.

Bounds Accelerator Demo Day 2024 – Joel and his wife Stefani after Hashku won the Audience Choice Award

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CITATIONS

44 Not included in the Venture Capital data is a $190 M private equity investment in Fayetteville-based Encore Bank

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EXECUTIVE SUMMARY

Thank you for reading the 2023 Arkansas Capital Scan.

This year marks the continuation of our commitment to capturing the evolving landscape of capital resources available to businesses in Arkansas. Since launching the Arkansas Capital Scan, our goal has been to map out deal flow and identify gaps and opportunities to enhance investment in our state's businesses.

This report wouldn't have been possible without the invaluable insights and contributions from entrepreneurs, investors, and stakeholders like you. As we prepare for the next Arkansas Capital Scan, we welcome any questions, comments, or feedback on our 2023 findings. If you're an entrepreneur and have raised capital, we encourage you to report your data in PitchBook and to email us for notifications about our upcoming survey.

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