

PROTECTION & EQUITY IN ACCESS TO CAPITAL

AN ACT RELATIVE TO FAIR INVESTMENT PRACTICES (S978/H1708)

SEN. FRIEDMAN, REP. NGUYEN



Fair access to entrepreneurial funding, which includes venture capital and other forms of equity investment, is a serious problem that the Covid-era has further exacerbated; women and minorities only receive **1.9% of venture capital in 2022, down from 2.5% in 2018**. This 50:1 disparity is primarily due to a serious gap in our fair access statutes including protections against sexual harassment and gender or race discrimination.

Even today private investors such as venture capitalists, are not subject to federal or state sexual harassment and discrimination laws, which do apply to employers and debt capital, the latter through decades-old **Fair Lending Laws**. This is despite the majority of this funding being public in origin from public pension and retirement funds. Citibank and Morgan Stanley estimates this funding gap as a (1-2) **multi-trillion-dollar economic investing blind spot today** and it is both destroying women's and minorities' ability to earn livelihood and costing states an incredible amount of economic growth, progress and jobs that would result if these businesses were funded properly.

THIS BILL: S978/H1708

- Will extend workplace sexual harassment and gender discrimination protections to venture capital and equity investor relationships, beyond traditional employer-employee, landlord-tenant relationships or other forms of investment such as lending.
- Will make it unlawful for any person in the business of granting funds or engaging in investment transactions to **abuse investor power through sexual harassment**.
- Will create a compliance-based approach to discrimination regulation similar to the Federal Fair Lending Laws and provide affirmative defenses, thereby addressing a key concern of industry representatives and VC Lobbyists around enabling individual action in discrimination.
- Passage of this legislation will decrease instances of sexual harassment and discrimination as well as hold venture capitalist firms accountable, making it easier for women and minorities to get the funding they need, encourage more women and minorities entrepreneurs, and benefit the business community with greater economic growth.

THOUSANDS OF PERSONAL STORIES

I am the CEO of a high growth tech company. I have experienced this directly and personally, unfortunately. – Jules

The lack of VC funding for women is not based on reason; it is discrimination, pure and shameful. – Lous

As a male founder of a high-growth tech company, I have never had to think about discrimination based solely on my gender.— Andy

Contact:

capitalequityma@gmail.com

Join Letter of Support

<https://forms.gle/nDqYJ3mMzp7e9QZz6>

Share your story

<https://forms.gle/mREmqdEkFhDzER7k8>

Sign up newsletter

<http://eepurl.com/hr2ajr>

An early stage investor, I have seen egregious misuse of investing power to harass women.— Shereen

I'm sick of the lame excuses. I work just as hard or harder than my male colleagues. – Deborah

We can get them (diverse businesses) started, give them the tools to grow and connect them to markets and sales, but the keep getting stuck because of lack of cash. – Jen

THERE ARE NO LEGAL PROTECTIONS TODAY

- Harassment & discrimination are not unlawful in capital provision today. The capital gap is attributable to poor social norms such as discrimination and predatory practices such as sexual harassment.
- There have been hundreds of documented cases involving some of the top private investors, which have originated in Massachusetts firms and persisted unchecked for over a decade and continues despite #Metoo.
- There is additional research that shows where there isn't harassment, there is discrimination and misogyny, where investors regularly remove women or minorities from firms when they make investments.

THE ECONOMIC IMPACT IS DISASTROUS

- Despite the overwhelming number of women in state leadership, Massachusetts ranks at the bottom at 46th in the nation for the growth of women-owned businesses.
- Prior to COVID-19, companies founded by women received less than **2.5%** of venture capital funds in 2018 and only **0.2%** of funds were granted to women of color. The situation has worsened with COVID disproportionately hurting women and minority owned businesses and employment; in 2022 women received less than **1.9% of funds** and **minorities received 0.05%. In Massachusetts, the situation is far more dire, women only received 0.9% of the funding in 2022.**
- The stakes are so high and the reprisals are so onerous from the VC industry that without legal protections, not many even dare to speak up.

THE INDUSTRY IS UNABLE TO CHANGE ON ITS OWN

- Even with record increases in capital, the situation for women and minorities is deteriorating. Investment in organizations with diverse leadership teams has stagnated or potentially even decreased. Only about **1.87% of \$31 billion** held by 200 venture capital funds has been allocated to startups with diverse leaders, according to a 2022 report from the nonprofit Diversity VC
- According to a 2022 Forbes report, since 2011, the amount of VC dollars granted to teams of only women has ranged from **1.8% to 2.7%** and it currently sits at under **2.0%**.
- The broader \$4.5 Trillion private investment industry echoes the same dismal trends and patterns of the venture capital segment of private investment.

TOGETHER WE CAN MAKE THE DIFFERENCE

Sign Support Petition



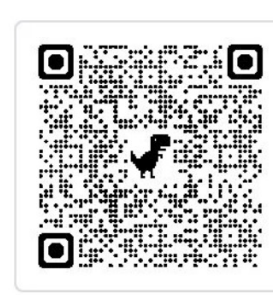
<https://forms.gle/nDqYJ3mMzp7e9QZz6>

Share your story



<https://forms.gle/mREmgdEkFhDzER7k8>

Sign-up for updates



<http://eepurl.com/hr2air>

Contact: capitalequityma@gmail.com with questions ,