

The Cost of Financial Disclosure for Start-Up Firms

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Abstract:

While there exists a vast literature exploring the benefits of mandated financial disclosure, few have documented the direct cost of issuing financial statements. Using a sample of start-up firms where the costs of financial reporting may be most material, we examine entrepreneurs' willingness to sacrifice further invested capital during a securities offering in order to avoid financial disclosure. First, we show a dramatic increase in offering closures immediately before their deadline to file updated financials. Then, we estimate a model of entrepreneurs' offering closure decisions to recover the distribution of financial disclosure costs. We find that the reporting requirement curtails aggregate offering time by 6.1 percent, reducing investment in our Regulation Crowdfunding sample by an estimated \$53 million. Behind these aggregates lies a pronounced willingness to forgo fundraising time whereby 70 percent of issuers are willing to close their offering at least six weeks early to avoid disclosure, and 18 percent of issuers are willing to close at least twenty weeks early.

Keywords: financial reporting, disclosure cost, offering amendment, equity crowdfunding (ECF), Form C/A, Regulation Crowdfunding (Reg CF), Securities and Exchange Commission (SEC), JOBS Act Title III, KingsCrowd

JEL classification: G18, G24, G32, K22, M13, M41

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I. INTRODUCTION

Understanding the economic cost of financial disclosure remains one of the central questions and most enduring challenges in accounting research. While studies consider various components of financial disclosure costs, including direct [e.g., Coates and Srinivasan 2014] and indirect costs [e.g., Verrecchia 1983], the literature offers little direct evidence on the total costs firms incur to produce financial disclosures [Leuz and Wysocki 2016]. This lack of evidence is particularly acute for small, private firms, where such costs are most material. Yet, despite interest in quantifying these costs, to our knowledge no academic studies estimate them among start-up firms. This paper addresses this gap by directly answering the question: What is the cost of financial disclosure for an early-stage firm?

The timeliness of this question is underscored by the current regulatory climate. In May 2026, the Securities and Exchange Commission (SEC) formally proposed permitting semiannual rather than quarterly reporting for public companies, as part of the SEC's stated effort to reduce reporting burdens that many argue stifle long-term investment and deter firms from entering public markets [Driebusch 2026, Ho 2026, SEC 2026]. Simultaneously, advocacy groups like the Crowdfunding Professional Association (CfPA) continue to push for simplified disclosure rules to ensure that the regulatory cost of transparency does not overwhelm the benefits of capital formation for the smallest issuers [CfPA 2025]. These developments highlight an urgent need for empirical evidence on reporting costs and how such costs influence firm behavior.

To answer our research question, we utilize the US Regulation Crowdfunding (Reg CF) market, which provides us with a unique laboratory where start-up firms face a discrete disclosure deadline. Unlike IPOs, where securities are typically sold within a short enough window that the offering statement does not require updating with new financials, Reg CF offerings are open for

months, often necessitating an amendment (Form C/A) with updated financial statements to remain open. Because this deadline follows mechanically from an issuer's launch date and the age of its financial statements rather than being directly chosen, it creates a natural experiment in revealed preference: an issuer must choose between filing updated financial statements or closing the offering, thereby sacrificing potential capital. By observing where offerings close relative to this disclosure deadline and with the help of our structural model, we estimate the offering time an issuer is willing to forgo to avoid financial disclosure. Further, by studying closures due to a straightforward disclosure deadline, our study captures a holistic measure of disclosure costs, including preparatory and proprietary costs, among others. By estimating a firm's willingness to forgo additional external capital, we provide an initial estimate of financial disclosure costs among start-up firms.

We begin our analysis by documenting a striking pattern of offering closures bunching just before the financial reporting deadline. Specifically, over ten times as many offerings close in the week prior to the deadline relative to the week following. Given evidence that issuers close their offerings to avoid this mandated reporting deadline, we estimate a model of offering closure decisions to recover the distribution of issuer willingness-to-close-early. Following Benzarti [2020] and the bunching literature in public economics more broadly [Kleven 2016, Kleven and Waseem 2013], we use the excess closures just before and the missing mass of closures just after the deadline to identify how much offering time issuers are willing to forgo to avoid disclosure.

We find that the reporting requirement measurably shortens offerings. On average, offerings are 6.1 percent shorter than they would be in the absence of a reporting requirement, and in the aggregate this curtailment costs the offerings in our estimation sample approximately \$53 million in forgone investment from May 2016 through March 2024, a likely lower bound for the

market. These aggregates are driven by a pronounced willingness to sacrifice fundraising time. We estimate that 70 percent of issuers are willing to close at least six weeks early, with 18 percent willing to forgo at least twenty weeks of capital raising. Because the average offering would otherwise remain open for roughly 21 weeks, these figures imply that many issuers would give up a substantial share of their fundraising window rather than prepare financial statements. Valued at the rate issuers typically raise, the median issuer's willingness corresponds to roughly \$36,000 of forgone fundraising. This is a measure of preference rather than realized loss. It captures the most an issuer would surrender rather than file, while what issuers actually surrender depends on when their deadline falls, resulting in a median realized cost of \$4,350.

Beyond the average issuer, we allow our structural parameters to vary with offering characteristics. This serves two purposes: it improves the precision of our estimates, and it yields a set of stylized facts about which issuers face the greatest disclosure costs. We find that disclosure costs are unevenly distributed, correlated more with how and where an issuer raises capital than with the quality of its underlying business. The issuers who sacrifice the most capital, however, are not always the ones who find disclosure most costly, with offerings that would otherwise be open longer or raise capital more quickly being more exposed to the reporting requirement. In short, a uniform reporting deadline does not impose a uniform cost.

This paper adds to the existing literature studying financial reporting of small (private) businesses. While prior work examines the determinants and benefits of voluntary financial reporting [e.g., Allee and Yohn 2009, Minnis and Shroff 2017, Minnis *et al.* 2024], none, to our knowledge, have estimated a holistic measure of financial disclosure costs. We respond to the call from Lisowsky and Minnis [2020] to estimate the direct economic costs of producing GAAP financial statements by using a structural model of issuers' reporting decision identified by

exogenous variation in their reporting deadline. Unlike Gassen and Muhn [2025], who show that private firms restrict access to already-public financial statements, we recover a distribution of disclosure costs from an avoidance margin, the length of a capital raise, that we can denominate in dollars.

Our approach connects to a literature that infers the costs of regulation from the real actions firms take to avoid it. For example, public firms manage their float to postpone SOX 404 compliance [Gao *et al.* 2009], private European firms manage size to avoid disclosure thereby revealing proprietary costs [Bernard *et al.* 2018], and other firms bunch below the public-float cutoff that triggers accelerated-filer status [Ewens *et al.* 2024]. While sharing the revealed-preference logic of this work, we differ on two dimensions that make our setting attractive. First, we exploit a temporal margin, a reporting deadline set by launch date and financial statement age, rather than a size threshold (e.g., assets or revenues). While firms can manipulate their size through accounting and operational choices, calendar time elapses independently of managerial discretion. Consequently, while the choice to close early is endogenous, the rate at which time elapses remains strictly exogenous. Second, while prior work primarily isolates a single cost in settings stripped of confounds, we recover a more holistic measure of disclosure costs, including preparation, proprietary, enforcement, and intermediary frictions, since this bundle of costs (versus one cost alone) is what governs a firm’s (dis)closure decision.¹ We view this aspect of our setting as a feature and the policy-relevant object, inviting follow-on work to decompose its components. Methodologically, we show that bunching designs, developed to recover structural parameters

¹ While our paper relies on the revealed preferences of early-stage firms to estimate a holistic measure of disclosure costs among start-ups, Cheynel and Liu-Watts [2020] structurally estimate voluntary disclosure costs from observed patterns among public firms, recovering a theoretical construct tied primarily to proprietary costs.

from responses to tax and regulatory thresholds, can be adapted to estimate the costs of financial reporting, a technique we expect is transferable to other disclosure settings.

Beyond bunching at thresholds, disclosure costs have been inferred from other firm decisions. Firms exit the SEC-mandated reporting system when the costs of continued reporting exceed the benefits of remaining a reporting entity [Bushee and Leuz 2005, Leuz *et al.* 2008], and IPO volume responds to reductions in mandated disclosure, particularly among firms with high proprietary costs [Chaplinsky *et al.* 2017, Dambra *et al.* 2015]. We apply this logic to a new margin, offering time, which converts directly into dollars of external capital forgone. This also shifts the outcome from the internal investment and financing decisions the real-effects literature more often studies [Aghamolla and Thakor 2022, Dambra and Gustafson 2021, Roychowdhury *et al.* 2019]. Because our measure comes from realized closures it also avoids the self-reporting and projection errors that affect survey- or fee-based estimates of reporting costs.

We also contribute to the growing literature on US equity crowdfunding (ECF), providing the first evidence of how financial reporting regulations affect the duration and cost of Reg CF offerings. This literature has largely studied investors' response to how issuers disclose information [Aland 2023, Burke and Fisher 2026, Cade *et al.* 2023] and issuers' compliance with the assurance and reporting requirements [Bogdani *et al.* 2022, Burke and League 2026, Burke *et al.* 2025]. We depart from this work in two ways. First, while this literature largely asks how disclosure affects funding outcomes, we ask what it costs issuers to produce it. Second, while most studies focus on the initial offering statement, we study the mid-offering amendment triggered by a stale-financials deadline and recover its cost from issuers' willingness to close early rather than file it. In doing so, we show that financial reporting distorts offering length and suppresses capital formation in a market designed specifically to lower the cost of raising capital for start-up firms.

In addition to informing the aforementioned academic literatures, our findings may provide insights to the SEC and market participants. Given that financial reporting requirements cause issuers to curtail their offering periods, the SEC may consider adjustments to the Reg CF financial reporting rules, particularly among issuers who launch their offering with relatively stale financial statements. For investors, understanding issuer behavior in response to filing requirements may inform their participation in offerings surrounding a financial reporting deadline, whereby a disproportionate number of offerings may be soliciting investment in April with few offerings available in May. Such behavior may also call investor attention to the timeliness of the financial statements in the initial offering statement, Form C.

II. INSTITUTIONAL SETTING

Regulation Crowdfunding (Reg CF) provides entrepreneurs with the regulatory framework to issue unregistered securities to a broad set of investors without the costly and onerous initial public offering (IPO) process. However, while disclosure requirements are relatively less stringent than traditional public markets, issuers must provide current financial statements in their offering documents (Form C), which are made publicly available on EDGAR and host platforms.

Critically, unlike IPOs that generally close before financial statements become stale, Reg CF offerings frequently remain open for months. To continue offering securities, the offering statement must be amended via Form C/A with updated financial statements no later than 120 days after the fiscal year end. For the vast majority of Reg CF issuers with a December 31st year end, this imposes a hard deadline by the beginning of May. The window of time an issuer has until this deadline varies significantly based on their initial launch date and offering statement. For example, an offering launching on January 1, 2025, using 2024 financials would not face a reporting deadline until May 2026, a maximum span of 485 days. Conversely, an offering launching in late

April with year-old financials might face a window of only a few days before the deadline triggers reporting. At this juncture, to remain in compliance with securities law issuers must either file updated financials or close their offering.

This reporting deadline provides a unique laboratory to estimate the cost of financial reporting for start-up firms, as we can directly observe the decision of entrepreneurs who must either prepare financial statements or close their offering, sacrificing capital formation. Although closing before the deadline technically does not eliminate ongoing reporting requirements [Burke and League 2026], industry intermediaries, including platforms and marketers, often advise issuers to close offerings specifically to avoid the immediate burden of the Form C/A filing.² Given this advice, managers of start-up firms must weigh the cost of providing updated financial statements against the potential capital gained by remaining open for investment.

From the investor’s perspective, financial disclosure is particularly important in this market because these companies are typically privately held with little operating history and minimal media/analyst attention. In many cases, the financial statements in Form C are the sole source of structured financial information available to retail investors. By contrast, registered firms benefit from a robust information environment, including detailed financial reporting via Form S-1, years of operating history, higher levels of media/analyst attention, and significant participation by institutional investors. While prior evidence exists for public company regulatory costs [Ewens *et al.* 2024], there is no evidence, to our knowledge, of financial disclosure costs among US start-up

² Conversations with stakeholders, including professional marketers, platforms, analysts, and other industry leaders, confirmed this phenomenon. It is also widely believed (and likely true) that external parties, such as platforms, face higher regulatory risk during an active offering relative to after the offering closes. Burke and League [2026] find ongoing reporting non-compliance, and such advice is likely at least partially explained by the lack of regulatory risk from violating ongoing disclosure requirements when not actively raising funds.

firms where such costs, and the resulting loss of capital formation, are most acute to firms and benefits to investors are most material.

III. DATA AND SAMPLE SELECTION

Our data are compiled from three sources. First, we obtain the SEC’s Crowdfunding Offerings Data Sets, which include details from all Form C submissions, including amendments, withdrawals, updates, annual reports, and terminations of annual reporting. Second, we collect Form C filings to identify the fiscal year end associated with the initial offering disclosure.³ Third, we obtain data on all Reg CF offerings from KingsCrowd, Inc. (KC) which include offering, entrepreneur, and issuer-level variables.

Table 1 outlines the sample selection process. Starting with all Reg CF offerings followed by KC, we exclude offerings that cannot be linked to an SEC Form C, were withdrawn, or did not successfully close by April 1, 2024. Finally, we exclude offerings that launch with non-compliant fiscal year-end dates. The resulting sample includes 5,916 offerings from 5,062 unique firms. Summary statistics are reported in Table 2.

IV. OFFERING CLOSURES & THE REPORTING DEADLINE

The key insight motivating our estimation strategy is that entrepreneurs close offerings prematurely to avoid filing updated financial statements when marginal disclosure costs exceed the expected capital benefits of remaining open. Consistent with non-negligible disclosure costs, Figure 1 reveals a significant excess mass of closures immediately prior to the reporting deadline, with seventeen times as many offerings closing on the day of the reporting deadline as the day after ($p < 0.001$) and over ten times as many closing in the seven days before versus after ($p < 0.001$).

³ We convert all filings to text to use a script that identifies dates across all filing documents. We assign the fiscal year-end based on the highest frequency of dates corresponding to month-end dates in close proximity to fiscal year keywords or phrases.

Because the vast majority of issuers in our sample face a deadline around May 1st, this bunching should be most evident in April. Figure 2 Panel A reports the number of active offerings by month, showing a precipitous drop-off in May relative to preceding months. Figure 2 Panel B demonstrates that this phenomenon is driven by elevated closure rates in April rather than fewer launches in May. Specifically, April closures account for 18.4 percent of annual closures, more than twice the frequency expected under a uniform distribution ($p < 0.001$) and more than four times the frequency observed in May ($p < 0.001$). Conversely, the launch rate in April is economically indistinguishable from surrounding months. To formally test for excess mass, we estimate a quartic polynomial allowing for a discontinuity at the deadline. Figure 2 Panels C and D plot openings and closures by week, respectively. We find statistically significant bunching in offering closures ($p < 0.001$), but only weak evidence for openings ($p = 0.071$) at the deadline. Taken together, Figures 1 and 2 suggest managers close offerings strategically to avoid issuing updated financial statements, indicating that disclosure costs are economically material.

V. MODEL

In this section, we derive and estimate a structural model of financial disclosure costs. To do so, we estimate an issuer's willingness to close their offering early as a proxy for the expected investment capital sacrificed to avoid these costs.

Theoretical Framework

The key choice we model is duration time, T_i , for offering i .⁴ Given evidence in Figure 2 that launch timing is not strategically determined, the launch decision is treated as exogenous, such

⁴ To improve generalizability, we do not require a specific measure of offering duration. However, we use weeks in our estimation.

that issuers face a fixed interval from launch to the deadline D_i .⁵ If an offering remains active past the deadline ($T_i > D_i$), the issuer must file updated financials and incur a disclosure cost C_i .

Each offering i is endowed with an optimal duration O_i , which is known to the issuer and determined by factors such as capital requirements, expected investor interest, and the time value of money [Salahaldin *et al.* 2019]. Deviating from O_i imposes a cost $f_i(T_i - O_i)$ where $f_i()$ is an arbitrary function that is increasing for $T_i > O_i$, decreasing for $T_i < O_i$, and minimized at $T_i = O_i$.

Thus, the issuer chooses offering duration, T_i , to maximize

$$\max_{T_i > 0} -f_i(T_i - O_i) - 1[T_i > D_i] \times C_i.$$

The payoff maximizing duration T_i^* is

$$T_i^* = \begin{cases} D_i & \text{if } f_i(D_i - O_i) < C_i \text{ and } D_i < O_i \\ O_i & \text{if } f_i(D_i - O_i) \geq C_i \text{ or } D_i \geq O_i \end{cases}$$

This implies the issuer never chooses a duration past its optimal but may close prematurely at the deadline D_i , which occurs when the lost investment from closing early is less than the disclosure cost (i.e., $f_i(D_i - O_i) < C_i$). Otherwise, the offering remains open until reaching its optimal duration, O_i .

Identification and Parameterization

The key parameter of interest is the distribution of financial disclosure costs which is expressed as the time an issuer is willing to forgo to avoid issuing updated financial statements. We denote the share of offerings whose issuer is willing to close at least t periods early (i.e.,

⁵ We define D_i as the time-to-deadline, specifically, the duration from the offering launch to the financial reporting deadline. For brevity, we also refer to D_i simply as the deadline.

$P[f_i(t) < C_i]$) as c_t .⁶ Additionally, we estimate the distribution of optimal durations, O_i , denoting the share of offerings with an optimal duration of t ($O_i = t$) as o_t .⁷

Our estimation strategy exploits variation in the time-to-deadline, D_i , which is a function of the launch date and the timeliness of the financial statements included in the initial offering documents. We assume D_i is independent of the optimal offering duration, O_i , the cost of closing $f_i()$, and the disclosure cost C_i . In other words, we assume that while the proximity of the reporting deadline may induce a decision to close, it is not systematically related to the optimal duration, closing cost, or disclosure cost. We provide evidence for this assumption in the next subsection.

Under this independence assumption, we use variation in D_i to identify c_t and o_t in an unbiased way. First, offerings with a distant deadline (large D_i) reveal the distribution of optimal (unconstrained) durations, o_t , for all periods preceding the deadline. With o_t in hand, we identify how early an offering closes to avoid the deadline, c_t , by comparing the observed distribution of closures on or after the deadline to the counterfactual distribution of optimal closures, o_t . For example, if observed closures one month past the deadline are half the optimal, o_t , we infer that issuers of half of offerings are willing to close at least one month early to avoid reporting.

In particular, the probability that an offering with a time-to-deadline of d periods ($D_i = d$) closes within t periods is given by

$$p_d^t = \begin{cases} \sum_{j=0}^t o_j & \text{if } t < d \\ \sum_{j=0}^t o_j + \sum_{j=t+1}^{\infty} c_{j-d} o_j & \text{otherwise} \end{cases}.$$

⁶ As a probability, c_t is bounded between 0 and 1. Further, because the cost of closing t periods early $f_i(t)$ is increasing in t , c_t is non-increasing in t . For example, the share of issuers willing to close at least four weeks early is (weakly) greater than the share willing to close at least five weeks early.

⁷ This means that o_t represents the probability density function of O_i . As such, o_t is bounded between 0 and 1.

The summation from 0 to t of o_t gives the share of offerings that would naturally close at or before t in the absence of a reporting deadline. For periods preceding the deadline ($t < d$), these “would-be” closures match observed closures. For periods at or beyond the deadline, the first term captures the offerings that would have closed by t absent the deadline while the second accounts for those that would have closed in future periods yet choose to close prematurely to avoid disclosure.

While not necessary for identification, we allow the parameter values to differ by offering characteristics for two purposes: First, it improves the precision of our estimates by mapping variation in our parameters of interest onto observable characteristics, thereby limiting unexplained variation.⁸ Second, it uncovers heterogeneity in the costs of disclosure along offering characteristics which allows us to characterize which issuers face the greatest disclosure burden. To ensure the offering characteristics we include are exogenous to the duration and reporting decision, they are all set at the time the offering opens, including the offering’s size (maximum goal), the platform hosting it, the type of security offered, whether the issuer has completed a successful prior offering, whether the issuer has professional backing (VC, angel, and accelerator), and whether the issuer owns a patent. We describe each of these choices, the economic reasoning behind them, and the heterogeneity they uncover in Section VII. Our results are similar when these covariates are not included in estimation.

To ensure the tractability of our model, we adopt two functional form assumptions. First, we assume that beyond some horizon τ , the share of offerings that would optimally close in period t is a constant fraction of the share that would optimally close in the previous period, such that $o_t = \alpha o_{t-1}$ for $t > \tau$. In other words, we assume a constant optimal closing hazard of α for $t > \tau$. These assumptions allow us to flexibly estimate o_t without functional form restrictions for $t \in$

⁸ Like in an OLS regression, including exogenous covariates improves the precision of the estimate of the coefficient of interest, even if including these covariates is unnecessary for identification.

$[1, \tau]$ while simultaneously recovering an estimate for α . In estimation, we set $\tau = 35$ weeks as this is the point at which the empirical closing hazard stabilizes. Second, to account for the abnormal rate of closures at month-end, as shown in Figure 2 Panel D by higher bars every four weeks, we assume a share of offerings, λ , opt to close at the nearest month-end rather than their precise optimal date. We estimate λ by calculating the ratio of excess month-end closures relative to a uniform distribution, allowing heterogeneity along the aforementioned offering characteristics. Doing so identifies the portion of closures shifted from other weeks to the month-end. The mean estimate is $\lambda = 10.6$ percent.

Model Validation

Our key identification assumption is that launch timing is independent of optimal duration, O_i , which is equivalent to stating that time-to-deadline, D_i , is independent of O_i , within our estimation sample. In this subsection, we provide empirical support for this assumption.

First, we show that the distribution of offering durations unconstrained by the deadline does not vary by launch timing. Figure 3 Panel A plots the share of offerings that remain open for at least 4, 8, 12, 16, or 20 weeks (the five lines) by time-to-deadline, D_i (the number of weeks from launch to the deadline, so launches move closer to the deadline from left to right). Where a milestone falls before the deadline (the left portion of each line), an offering can reach it without filing updated financials, so the share reaching it reveals the distribution of optimal duration, O_i . For example, approximately 40 percent of offerings remain open for at least 20 weeks (purple line) among cohorts launching between 52 and 21 weeks prior to the deadline. Because these offerings can reach the 20-week milestone without triggering a reporting requirement, the share achieving it identifies the share of offerings for which the optimal duration, O_i , is at least 20 weeks. In support of our assumption, the probability of milestone achievement remains nearly constant across all

unconstrained launch cohorts. That is, among offerings that can reach a milestone without disclosing, launching earlier or later makes no difference to how long they stay open, supporting the assumption that launch timing is unrelated to optimal duration. Conversely, once achieving a milestone necessitates crossing the deadline (represented by the regions to the right of the corresponding dashed line), we observe a dramatic decline in the probability of reaching that duration (e.g., the 20-week share falls from about 40 percent to roughly 25 percent). This decline is indicative of strategic closures intended to avoid disclosure.

Second, we verify that observable offering characteristics are invariant to launch timing, even for offerings launching near the deadline. To construct a summary measure of these observables, we predict the probability of achieving duration milestones using offering characteristics and evaluate whether these predictions exhibit any systematic relationship with launch timing. We restrict our sample to offerings with a distant reporting deadline ($D_i \geq 25$ weeks) to ensure their closure behavior is unaffected by the deadline. We then regress an indicator for achieving each duration milestone on the covariates reported in Table 2 to generate predicted probabilities for the full sample, which we plot against launch timing in Figure 3 Panel B.

Supporting our key assumption, Figure 3 Panel B shows that the predicted probability of reaching each milestone is invariant to D_i . Importantly, the predicted likelihood an offering optimally remains open past a given milestone exhibits no systematic relationship with launch timing, even as cohorts approach the deadline. If optimal duration, O_i , were correlated with time-to-deadline, D_i , we would expect a precipitous decline in the *predicted* probability of reaching these milestones for cohorts launching near the deadline, as we observe in Panel A. For example, if D_i and O_i were related, offerings with an optimal duration exceeding twelve weeks would avoid launching within twelve weeks of the deadline as they would be unable to achieve their optimal

duration without disclosure. This behavior would result in a sharp drop in the predicted likelihood of a 12-week duration for cohorts launching immediately prior to the 12-week dashed line. We observe no such drops in Panel B. Table 3 confirms no statistically significant difference in the predicted probability between cohorts launching in the four weeks immediately before versus after the thresholds where disclosure becomes necessary.

Finally, we look for discontinuities in offering characteristics by comparing offerings that launch before versus after the deadline. Following the methodology in Figure 2 (Panels C and D), we estimate a quartic polynomial for the mean values of several offering characteristics, allowing the function to vary on either side of the deadline. The estimated discontinuity in each characteristic is shown in Table 4. Of the eleven characteristics tested, none exhibit a statistically significant discontinuity at the deadline.

Although the data support the assumption that launch timing is independent of optimal duration across the observed range of D_i , and it need only hold within our estimation sample, we restrict our sample in two ways to be conservative and further mitigate potential violations.

First, we exclude offerings launching four or fewer weeks before the deadline. While we find little evidence, these issuers may consider the impending disclosure requirement when launching. Figure 2 Panel C shows weak evidence of fewer launches in April ($p=0.071$), and Figure 3 suggests that late launchers may differ slightly in their propensity to remain open for long periods. While these patterns are consistent with noise in the data, we exclude these late-launching offerings from estimation to ensure our results are not driven by this subset.

Second, a small subset of offerings open with financial statements that are more current than the minimum regulatory requirement, effectively extending their deadline beyond one year. Because these issuers may possess idiosyncratic disclosure costs and our model does not account

for the decision to launch with more timely financials, we exclude these observations. Together, these restrictions limit our estimation sample to offerings that launch between 5 and 51 weeks prior to their disclosure deadline, yielding 4,189 offerings (see Table 1).

VI. ESTIMATION AND RESULTS

Optimal Duration Distribution

We begin our estimation by recovering the distribution of optimal durations, o_t , using the empirical closures of offerings that close with ample time prior to the deadline. As established in Section V, the empirical distribution of these unconstrained offerings serves as an unbiased signal of the latent distribution of optimal durations, o_t . Figure 4 illustrates this identification. To build intuition for our identification strategy, Panel A plots the empirical duration CDFs for two specific launch cohorts: those launching 20 and 36 weeks before their respective deadlines. As shown in Figure 3 Panel A and reflected in Figure 4 Panel A, both cohorts exhibit similar closing probabilities until the proximity of the deadline induces strategic closure (marked by the corresponding vertical dashed lines). This visual comparison confirms that until the deadline is reached, both groups follow the same latent closing rate. Consistent with this observation, we lighten the CDFs in Figure 4 Panel A starting four weeks prior to the deadline and exclude these regions from our estimation as they are likely confounded by disclosure avoidance rather than reflecting latent preferences.

Having established this illustrative example, after truncating our sample starting four weeks before the deadline, we estimate the latent distribution of O_i, o_t , in Panel B. We first plot the CDFs of all truncated weekly cohorts in light orange; the tight clustering of these distributions provides additional empirical support for our assumption that D_i and O_i are independent. Then, because the empirical closing hazard stabilizes at 35 weeks, we set $\tau = 35$. Next, for $t \leq \tau$, we

estimate the cumulative density of optimal closures (o_t) using the share of offerings that have closed by each duration. Conceptually, this requires taking the weighted average of the cohort-specific CDFs. However, to improve our estimates and allow for heterogeneity, we use logit regression to regress the probability of closing on observable offering characteristics and a series of week-of-duration indicators, with all weeks beyond 35 weeks pooled to a single fixed effect. These fixed effects report the closing hazard of offerings open at each duration, while the inclusion of offering characteristics allows for heterogeneity in these hazards. The resulting average estimates of o_t are represented by the solid blue line, with the shaded area denoting the 95 percent confidence interval.

For offerings active beyond τ , we separately estimate a constant closing hazard, α , of 0.034 with a standard error of 0.007. The long, smooth tail of the CDF beyond 35 weeks reflects the cumulative density implied by this constant hazard rate.

Willingness to Close

Next, we estimate the share of offerings willing to close early, c_t , by comparing the PDF of closures implied by the distribution of optimal duration to the observed PDF of actual closures following the deadline. The intuition is that if half of the offerings that would optimally close three weeks after the deadline instead close beforehand, we infer that the issuers of these offerings are willing to sacrifice at least three weeks of fundraising to avoid the disclosure cost, C_i . More generally, the share of offerings with deadline d that optimally would have closed at time t but instead close j weeks early identifies the share of offerings willing to sacrifice at least j weeks of fundraising to avoid disclosure. Given our identification assumptions, the share of offerings with deadline d willing to close at least j weeks early is:

$$(1) \quad c_j = 1 - \frac{p_d^t}{o_t}.$$

Figure 5 illustrates the share of offerings willing to close early. Panel A plots the observed density of post-deadline closures by week, p_d^t , in blue against the estimated counterfactual density of closures that would have occurred absent the disclosure requirement, in orange.⁹ Consistent with strategic acceleration of closures to avoid reporting, the empirical distribution of post-deadline closures is significantly depressed relative to the counterfactual distribution of optimal closures. For example, while we estimate that roughly 1.5 percent of offerings would optimally close in the week immediately following the deadline, the realized density is only 0.5 percent. This substantial missing mass, representing two-thirds of the expected density, indicates that most issuers are willing to sacrifice at least one week of fundraising to avoid the disclosure cost. To estimate the share of missing mass, we use maximum likelihood to estimate a scaled Bernoulli model, where an indicator for whether the offering closed (in the relevant time period) is multiplied by the predicted share of mass missing from a logit model using each offering characteristic and a series of duration indicators as predictors. We also incorporate our assumption that c_t is weakly decreasing in t (i.e., the share of issuers willing to close early declines as the required sacrifice increases) by imposing monotonicity on the duration fixed effects. The estimates then deliver both the mean share of offerings closing t units early, c_t , and heterogeneity by offering characteristics.

Estimates of the mean share of offerings willing to close to avoid reporting are presented in Panel B. We find that 70 percent of offerings are willing to close at least six weeks early to avoid the disclosure cost, C_i , with the median offering willing to sacrifice at least seven weeks of duration. This share falls to about 28 percent by 8 weeks and 18 percent by 13 weeks, and then remains roughly constant through 49 weeks. Beyond 47 weeks, our estimates are no longer

⁹ The spikes in both PDFs are from the bunching of offering closures at month ends.

statistically distinguishable from zero, suggesting that few, if any, issuers are willing to sacrifice nearly a year of fundraising to avoid disclosure.

Model Fit and Counterfactuals

To validate our estimates and assess model fit, we compare the observed closure densities to those predicted by the model. Figure 6 Panel A plots the observed and model-predicted CDFs for the full sample, while Panels B through D provide conditional plots for offerings with time-to-deadline at launch, D_i , of 8, 20, and 36 weeks, respectively. The close alignment between the predicted and observed CDFs demonstrates that our model successfully replicates the empirical closing dynamics, including the discontinuous jumps in closures as issuers reach their reporting deadline. This performance supports the model's ability to estimate an offering's willingness-to-close when faced with the trade-off between incurring disclosure costs and sacrificing capital formation.

Forgone Offering Time

Figure 7 plots the average forgone offering time attributable to the disclosure mandate as a function of time-to-deadline at launch, D_i , which we compute from the estimated model for every time-to-deadline, including horizons outside our 5-to-51-week estimation sample. Forgone time is largest (about 3.4 weeks) for offerings launched at the deadline, which must close almost immediately to avoid filing. This falls steadily as the deadline becomes less binding (to under half a week beyond 30 weeks) because, for these offerings, most close before the distant deadline binds. Averaging across all offerings, our estimates indicate that in the absence of the deadline, the average offering duration would be 20.9 weeks (the mean of the optimal duration distribution in Figure 4 Panel B), which the deadline reduces by an average of 1.3 weeks (the offering-weighted average of Figure 7). Consequently, aggregate offering time is curtailed by 6.1 percent due to the

reporting deadline. Aggregating across the 4,189 offerings in our estimation sample from May 2016 through March 2024, the disclosure mandate results in 5,387.5 cumulative weeks, or 103.6 years, of forgone offering time. Of this total, 2,685.7 weeks are attributable to offerings launching with stale financials (those launching after year-end with the prior year's financials, which leaves at most 18 weeks until the deadline). For these specific cohorts, the mandate truncates offering duration by 13.4 percent relative to the counterfactual, more than twice the average effect.

To translate these time-based sacrifices into dollars, we perform a back-of-the-envelope calculation. We first regress the (log) amount raised per week on offering characteristics, then multiply each offering's predicted weekly capital raised by the estimated amount of time it is willing to forgo to avoid financial disclosure, yielding \$36,000 for the median issuer at the mean set of offering characteristics.¹⁰

While the median issuer is *willing* to forfeit \$36,000 to avoid disclosure, most do not have to make this decision because the deadline often falls well after the offering would otherwise close. Therefore, to calculate *realized* costs we apply the same weekly dollar rate to the weeks an offering actually loses, which is zero for offerings that would have closed before the deadline anyway. Accordingly, the *realized* capital formation sacrificed is smaller than the average willingness, with a mean realized loss of \$12,563 and a median of \$4,350 per offering. Aggregating these realized disclosure costs across offerings, we estimate the offerings in our estimation sample sacrificed \$53 million in aggregate capital formation from May 2016 through March 2024, reducing capital formation by 3.8 percent. Because estimation requires excluding some offerings, these market-level figures represent a lower bound for the full market over our sample period.

¹⁰ For example, an offering predicted to raise \$10,000 per week that is willing to close four weeks early is assigned \$40,000.

Two features of this translation of forgone offering time into forgone capital formation warrant emphasis. First, we assume that disclosure itself does not independently stimulate investment. If it does, our estimate of forgone offering time would remain correct, but the implied costs of disclosure would be larger, as offerings closing early would be forgoing more capital than they were raising before the deadline. Second, we assume that forgone weeks would have raised the same amount as the offering raises in an average week. Capital arrives unevenly over a crowdfunded campaign [Vismara 2018], meaning that to the extent inflows change as an offering matures, a marginal week for an offering may raise more or less than the average week and our estimate of the per-offering costs would be under- or over-stated, accordingly.

VII. HETEROGENEITY IN DISCLOSURE COSTS

Sources of Heterogeneity

Our estimates so far describe the average issuer. To provide some additional stylized facts, we now ask how disclosure costs vary across issuers. As previously mentioned, we estimate the model allowing its parameters to vary with characteristics that are observable when an offering opens. Doing so improves the precision of our estimates and allows us to characterize which issuers bear the greatest disclosure costs. This conditioning is not required for our identification and estimating the model without these variables yields the same qualitative conclusions. Therefore, when selecting characteristics, we favor a small set of economically interpretable measures over a larger set chosen to maximize explanatory power, including the offering's size (maximum goal), the platform hosting it, the type of security offered, whether the issuer has completed a successful prior offering, whether the issuer has professional backing (VC, angel, or accelerator), and whether the issuer owns a patent. We discuss each characteristic in turn below.¹¹

¹¹ A smaller set of variables also ensures we do not run out of degrees of freedom when estimating our model.

The offering's maximum goal proxies for its *ex ante* size and is linked mechanically to both its duration and the cost of complying with the reporting requirement. Larger raises take longer to fill and require larger weekly capital inflows, so offering size shapes both the optimal duration and the dollars at stake in each forgone week. Further, offering size determines the required level of assurance, meaning larger offerings have increased preparatory costs [Bogdani *et al.* 2022]. We measure offering size as the natural log of the maximum offering goal.

Next, we include indicators for the platform hosting the offering. These platforms are not passive venues: they set offering defaults, curate a community of investors, and advise issuers on when to close. Prior work establishes that these intermediaries shape, among other things, the information environment and investment dynamics [Bai *et al.* 2024, Cumming *et al.* 2019, Vismara 2018]. Because platform choice is fixed at launch and is the plausible channel through which an industry norm of closing before the deadline would propagate, we expect it to explain a substantial share of the variation in month-end clustering and in the willingness to close early. We estimate separate coefficients for the three largest platforms (Wefunder, StartEngine, and Republic) and group the remainder into a single "Other" category.

We also include indicators for the type of security offered. Reg CF issuers may offer equity, debt, revenue-sharing agreements, or simple agreements for future equity (SAFEs), which differ in the risk allocated to investors and in the investor base each instrument attracts [Green and Coyle 2016, SEC 2017]. Because these differences plausibly affect how quickly capital arrives, security type bears directly on optimal duration, on weekly capital raised, and on the willingness to close early. We estimate separate coefficients for equity, for SAFEs, and for debt, revenue share, and other security types grouped into a final category.

Finally, we include three characteristics of the underlying business. First, we include an indicator for whether the issuer has previously completed a successful offering. Repeat issuers arrive with an existing investor base, fill offerings more quickly, and are less dependent on any single offering, each of which bears on the optimal duration and on the willingness to forgo capital [Kleinert *et al.* 2020, Signori and Vismara 2018]. Second, we include an indicator for professional backing, which combines venture capital, angel, and accelerator involvement into a single measure of third-party certification. Certified issuers have already been subject to outside scrutiny, plausibly lowering the marginal cost of disclosure, and certification is a quality signal that attracts retail capital [Ahlers *et al.* 2015, Bapna 2019, Megginson and Weiss 1991]. Third, we include an indicator for patent ownership, which proxies both for venture quality and, for issuers facing identifiable competitors, for the proprietary cost of revealing financial information [Bernard 2016, Bernard *et al.* 2018, Verrecchia 1983]. Table 2 presents summary statistics of these variables.

Heterogeneity Results

Having estimated the willingness to forgo fundraising time for the average issuer, Table 5 reports heterogeneity in our estimated parameters by offering characteristics. Each column reports heterogeneity in a different parameter (the probability of month-end bunching, the optimal closing hazard, and willingness to close early), with all coefficients reported as odds ratios.¹² A ratio below one means offerings with that characteristic have a lower parameter value than the base case, with a ratio above one implying the opposite. Base groups are Wefunder for platform and equity for security type.¹³

¹² Sample sizes differ across columns because each parameter is estimated using the observations that identify it. See the table note.

¹³ For example, a ratio of 1.25 means 25 percent higher odds than the base group, and a ratio of 0.75 means 25 percent lower odds. In columns (2) and (3), a higher ratio indicates, respectively, a shorter optimal duration and a greater willingness to give up fundraising time.

Looking first at the probability of bunching at the end of a month, λ , we see little meaningful heterogeneity. Offerings hosted by Republic have 31 percent higher odds of closing at a month-end than those hosted by Wefunder (the base platform). By contrast, we see large differences in the optimal closing hazard (the weekly probability that an open offering closes absent the deadline): all other platforms have much higher closing hazards than offerings on Wefunder, indicating that the optimal duration of these offerings is shorter. We also see that the odds of optimally closing in a given week are 26 percent higher for SAFEs than equity offerings (the base security type). Debt, revenue share, or other security types are even more likely to have a short optimal offering duration. Further, offerings with patents have about 16 percent lower odds of closing in a given week. Finally, offerings with higher fundraising goals have longer optimal durations, with a 1 percent increase in the goal corresponding to 0.22 percent lower odds of closing in a given week.

The third column reports heterogeneity in willingness to close early to avoid disclosure, whereby a ratio above one indicates a willingness to give up more fundraising time. Two patterns emerge. First, the characteristics associated with a greater willingness to close early, our proxy for higher disclosure costs, describe mainly how and where an issuer raises capital, not the quality of its underlying business. Platform and security type are associated with willingness to close early, while professional backing, patent ownership, and offering size are not reliably distinguishable from the base group once the remaining characteristics are held fixed. One exception to this pattern is that prior fundraising success is associated with higher odds of willingness to close early. Overall, this suggests that a higher cost of disclosure is driven less by firm quality than by the funding channel itself, including the norms of the platform hosting the offering and the security attributes.

Second, the platform estimates are consistent with industry accounts that platforms differ both in the issuers they attract and in the guidance they provide on the reporting deadline. Relative to Wefunder, offerings on Republic have nearly twice the odds of being willing to give up a given amount of time to avoid disclosure, while offerings on StartEngine and the residual “Other” category are markedly less willing, with 71 and 88 percent lower odds, respectively.

Security type follows a related logic. Debt, Revenue Share, and Other offerings are the least willing group to close early (73 percent lower odds than equity), meaning they are the most likely to still be open past the deadline. This may be explained by what these instruments require of the issuer. A revenue-sharing agreement is only feasible for a firm with an existing revenue stream, and debt financing often requires the issuer to track performance closely enough to service scheduled payments. Therefore, it may be the case that issuers raising through these instruments already maintain robust financial records, making updated statements easier to produce, and leaving them with comparatively little to gain from closing early to avoid the requirement.

These patterns are not causal. Platform and security type are chosen by the issuer, and an issuer that selects a given platform or security type may differ in unobservable ways from one that does not. Instead, these estimates indicate that the disclosure burden is unevenly distributed, and that the intermediary through which a start-up raises capital is a first-order determinant of how much fundraising time it sacrifices to avoid a reporting obligation. That intermediaries appear to matter more than issuer fundamentals is itself a finding with a policy implication: a mandate written uniformly across issuers is transmitted unevenly through the intermediaries that administer it.

Willingness alone does not determine the realized consequences of the disclosure mandate, which depend also on how long an offering would otherwise have remained open and the extent

to which its deadline is binding. In practice, an issuer with a high willingness to close early but a distant deadline forgoes little actual fundraising time. Following this logic, Table 6 relates realized forgone offering time to the same characteristics using OLS with the dependent variables measured in logs (meaning its coefficients are not odds ratios but report approximate percentage effects). In the first column, offerings that are larger and have a prior successful offering sacrifice the most fundraising time. By contrast, offerings hosted on StartEngine or “Other” platforms or offering debt, revenue share, or other securities forgo comparatively little time relative to the base group. For example, a 10 percent larger maximum goal is associated with about 3 percent more forgone weeks, and a prior successful offering with roughly a third more.

The second column reports heterogeneity in the amount raised each week to translate these estimates into dollars. We find that larger offerings, those with a prior successful offering, those with professional backing, those offering debt, revenue share, or other securities, and those hosted on Republic tend to raise more funding each week they are open relative to other offerings. By contrast, offerings hosted on “Other” platforms tend to raise less each week.

In the third column, we convert forgone weeks into dollars by multiplying them by the predicted weekly raise, so each coefficient is the sum of the corresponding coefficients in the first two columns. We find that forgone investment rises with offering size and is higher for repeat issuers, reflecting both channels: these offerings lose more because they would have stayed open longer and because they tend to raise more per week while open. Debt, revenue share, and other offerings forgo relatively less capital than equity offerings, and offerings hosted on StartEngine or “Other” sacrifice less than those on Wefunder. Professional backing shortens forgone time (albeit not statistically significant) while raising weekly capital, so the net effect on dollars forgone is indistinguishable from zero.

Importantly, these results indicate that a uniform reporting deadline does not impose a uniform dollar cost. Some offerings sacrifice more because they would have remained open longer, others because they raise capital more quickly per week, and others still because they are more willing to close early in the first place. These are not the same offerings, and only the last group reveals a higher cost of disclosure.

VIII. CONCLUSION

Our paper provides the first revealed-preference estimate of the holistic cost of financial disclosure for start-up firms. Exploiting a reporting deadline that Reg CF issuers face when an offering remains open 120 days past their fiscal year-end, we document extensive bunching of offering closures immediately before the deadline and build a structural model to recover the distribution of issuers' willingness to forgo fundraising time to avoid disclosure. In the aggregate, these avoidance decisions curtail offering duration by 6.1 percent, which translates into roughly \$53 million in forgone capital formation within our sample. Most issuers are willing to sacrifice at least six weeks of fundraising to avoid filing updated financials, a substantial share of an offering that would otherwise run roughly 21 weeks. We further show that this burden is unevenly distributed, with marked differences in the costs of financial disclosure across platforms.

Our findings face some limitations that invite future research. First, when translating disclosure time into dollars we assume the weekly amount raised is unaffected by disclosure. To the extent that updated financials independently attract or deter investment, the true magnitude is larger or smaller accordingly. Second, our study seeks to understand disclosure costs among start-up firms, where these costs are most likely to bind relative to the capital at stake. Therefore, whether the mechanism we study generalizes to larger issuers remains an open question, though the underlying logic, a fixed reporting burden distorting real financing decisions, is not size-specific. Third, we

model the disclosure and duration decisions as static, made at the time of offering launch, rather than allowing for information revealed during an offering to affect these decisions. While the relationship between dynamic fundraising effort and the decision to keep an offering open longer is an interesting direction for future research, solving this complex problem is not necessary for obtaining the distribution of disclosure costs, which represents the focus of our study. Finally, we recover a bundle of disclosure costs rather than any single component. Decomposing that bundle, and understanding how its composition varies across firms, remains a promising direction for future research.

Mandatory disclosure costs, and how mandated reporting can distort firm behavior, are directly relevant to the current regulatory debate. In May 2026, the SEC formally proposed semiannual, rather than quarterly, financial reporting for publicly traded firms, framing the proposal as the first step in a broader reconsideration of the reporting burden on issuers [SEC 2026]. Our evidence speaks to that burden among the smallest of issuers, where the cost-benefit tradeoff the SEC is navigating is most acute. This evidence is consistent with the notion that even modest changes to reporting deadlines could materially affect the amount of capital reaching early-stage firms.

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Table 1 - Sample Selection

	Offering N	Issuer N
ECF offerings on KingsCrowd	7,867	6,665
Drop if does not link to SEC Form C filing	7,703	6,530
Drop if offering did not successfully close by April 1, 2024	5,966	5,099
[Descriptive Sample] Drop if initial fiscal year-end not compliant	5,916	5,062
[Estimation Sample] Keep if launch is 5 to 51 weeks before deadline	4,189	3,625

Note: This table reports the sample selection procedure for our analysis of Reg CF offerings. Offering N and Issuer N are the numbers of offerings and unique issuers remaining after each screen. The final row further limits the sample to the offerings used in estimation, those launching 5 to 51 weeks before their reporting deadline (Section V).

Table 2 – Summary Statistics

	Mean	Std. Dev.
Issuer Had Successful Prior Offering	0.438	0.496
Professional Backing	0.140	0.347
Patent Ownership	0.168	0.373
Maximum Offering Goal (\$)	976,505	1,253,568
<i>Security Type</i>		
Equity	0.378	0.485
SAFE	0.356	0.479
Debt, Revenue Share, or Other	0.266	0.442
<i>Platform</i>		
Wefunder	0.276	0.447
StartEngine	0.198	0.399
Republic	0.113	0.317
Other	0.413	0.492
Observations	5916	

Note: This table presents the sample mean and standard deviation for key offering characteristics used in our analysis. Other than the maximum offering goal, which is measured in dollars, all variables are binary indicators.

Table 3 – Discontinuities in Predicted Optimal Duration

	Optimal Duration Milestone				
	(1) 4 Weeks	(2) 8 Weeks	(3) 12 Weeks	(4) 16 Weeks	(5) 20 Weeks
Cannot Achieve Milestone without Disclosure	-0.00308 (0.00208)	-0.000327 (0.0122)	0.00575 (0.0199)	0.0118 (0.0166)	-0.0147 (0.0136)
Observations	346	543	569	599	702
R ²	0.00598	0.00000133	0.000146	0.000848	0.00166
Dep. Var. Mean	0.975	0.861	0.705	0.538	0.404

Note: This table reports estimates of the difference in the predicted probability of achieving various optimal duration milestones across cohorts launched near disclosure thresholds. It tests for a difference by comparing offerings launched in the four-week window immediately preceding versus following the threshold after which reaching the milestone requires disclosure. The reported coefficient is the difference in mean predicted probability for offerings that cannot reach the milestone without disclosing relative to those that can, and Dep. Var. Mean is the sample mean of the predicted probability. Each column denotes a specific optimal duration milestone (4, 8, 12, 16, or 20 weeks). Heteroskedasticity-robust standard errors are reported in parentheses. Observations are the offerings launched within four weeks on either side of each threshold. + p<0.10, * p<0.05, ** p<0.01, *** p<0.001

Table 4 – Discontinuities in Offering Characteristics at Reporting Deadline

	(1) Had Successful Prior Offering	(2) Professional Backing	(3) Patent Ownership	(4) Maximum Goal (Log)	Security Type			Platform			
					(5) Equity	(6) SAFE	(7) Other	(8) Wefunder	(9) StartEngine	(10) Republic	(11) Other
Post-Deadline	-0.0181 (0.0939)	0.0354 (0.0655)	-0.0353 (0.0659)	-0.153 (0.253)	-0.00748 (0.0912)	0.00876 (0.0912)	-0.00128 (0.0859)	0.0628 (0.0826)	-0.101 (0.0740)	-0.0316 (0.0605)	0.0695 (0.0948)
Observations	5916	5916	5916	5916	5916	5916	5916	5916	5916	5916	5916
R ²	0.00343	0.00245	0.00305	0.00123	0.00254	0.00224	0.000940	0.00305	0.00193	0.00522	0.00228
Dep. Var. Mean	0.438	0.140	0.168	13.10	0.378	0.356	0.266	0.276	0.198	0.113	0.413

Note: This table reports estimates of the discontinuity in average value of each characteristic at the reporting deadline for various offering characteristics. The discontinuity is estimated by fitting a quartic polynomial in weeks from offering opening to the reporting deadline that is allowed to vary on either side of the deadline. “Post-Deadline” is the estimated jump in the characteristic at the deadline. Dep. Var. Mean is the sample mean of the characteristic. Columns (5) to (7) and (8) to (11) are mutually exclusive categories of security type and platform. Heteroskedasticity-robust standard errors are reported in parentheses. + p<0.10, * p<0.05, ** p<0.01, *** p<0.001

Table 5 – Heterogeneity in Model Parameters

	(1) Month-End Bunching Probability	(2) Optimal Closing Hazard	(3) Willingness To Close Early
Issuer Had Successful Prior Offering	0.941 (0.0988)	1.073 (0.0539)	1.568* (0.401)
Professional Backing	0.859 (0.113)	1.103 (0.0679)	0.842 (0.236)
Patent Ownership	0.881 (0.112)	0.842** (0.0479)	0.711 (0.179)
Maximum Offering Goal (Log)	1.080 (0.0483)	0.783*** (0.0200)	0.953 (0.112)
Security: SAFE	0.946 (0.129)	1.256** (0.0921)	1.091 (0.308)
Security: Debt, Revenue Share, or Other	0.831 (0.130)	2.964*** (0.267)	0.269** (31.30)
Platform: StartEngine	0.763+ (0.120)	1.608*** (0.117)	0.292*** (0.0878)
Platform: Republic	1.310* (0.177)	1.696*** (0.119)	1.935* (0.662)
Platform: Other	1.037 (0.134)	1.501*** (0.0996)	0.119*** (0.0465)
Observations	2655	63935	226206

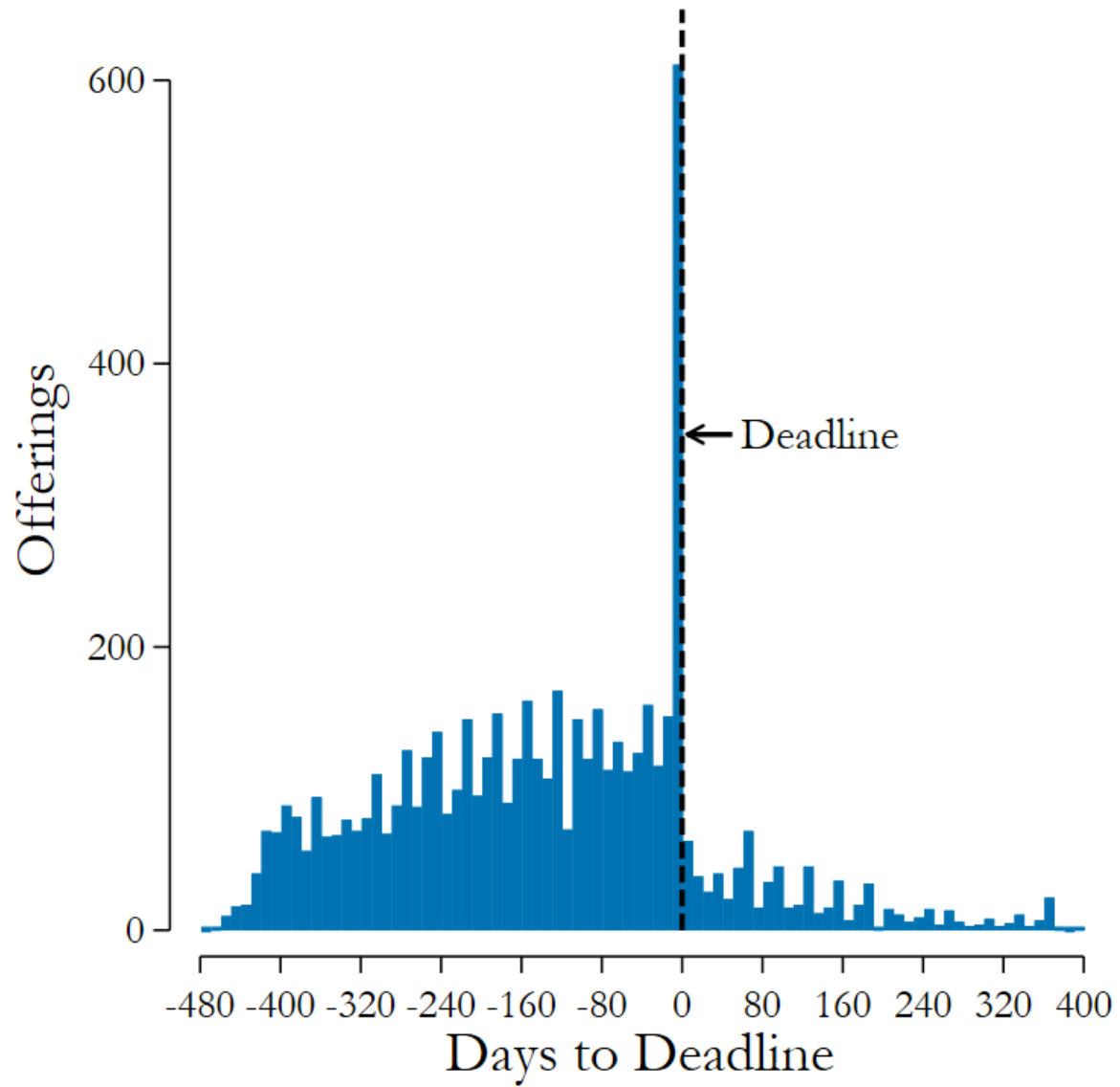
Note: This table reports odds ratios of estimates of heterogeneity in various model parameters. An odds ratio above one indicates a higher parameter value than the base group (Wefunder for platform, equity for security type, and the absence of each indicator otherwise). Column (1) reports heterogeneity in the probability of bunching at the month-end, estimated on offerings that close more than four weeks before the deadline. Column (2) reports heterogeneity in the optimal closing hazard (where a higher value implies shorter optimal duration), estimated on offering-weeks more than four weeks before the deadline and 35 or fewer weeks after launch. Column (3) reports heterogeneity in the willingness to close early to avoid the disclosure requirement (where a higher value implies a greater willingness to give up fundraising time), estimated on each offering across 54 potential closing weeks. Standard errors from 500 bootstrap iterations are reported in parentheses. + $p < 0.10$, * $p < 0.05$, ** $p < 0.01$, *** $p < 0.001$

Table 6 – Heterogeneity in Realized Cost of Disclosure

	(1) Log Weeks Forgone	(2) Log Funding Raised per Week	(3) Log Funding Forgone
Issuer Had Successful Prior Offering	0.332 ⁺ (0.188)	0.227** (0.0700)	0.559* (0.196)
Professional Backing	-0.293 (0.189)	0.250*** (0.0684)	-0.0434 (0.190)
Patent Ownership	0.0624 (0.182)	0.106 (0.0650)	0.168 (0.185)
Maximum Offering Goal (Log)	0.325*** (0.0932)	0.586*** (0.0398)	0.911*** (0.0978)
Security: SAFE	-0.217 (0.216)	-0.0505 (0.0887)	-0.268 (0.222)
Security: Debt, Revenue Share, or Other	-2.425*** (0.430)	0.946*** (0.164)	-1.479*** (0.442)
Platform: StartEngine	-1.266*** (0.219)	0.00348 (0.0775)	-1.263*** (0.226)
Platform: Republic	-0.352 (0.213)	0.150* (0.0726)	-0.202 (0.214)
Platform: Other	-1.819*** (0.295)	-0.859*** (0.110)	-2.678*** (0.306)
Observations	3959	74869	4189

Note: This table reports estimates of heterogeneity in the costs of disclosure. The first column reports heterogeneity in the amount of time forgone as a result of the disclosure requirement. The second reports heterogeneity in the amount raised per week. The third reports heterogeneity in the amount of funding forgone as a result of the disclosure requirement. An observation is an offering in columns (1) and (3) and an offering-week in column (2). Column (1) is limited to offerings with forgone weeks and maximum offering goal greater than zero. Each dependent variable is measured in logs. Coefficients on indicator variables approximate the proportional difference from the base group (Wefunder for platform, equity for security type), and the coefficient on log maximum goal is an elasticity. Standard errors from 500 bootstrap iterations are reported in parentheses. + p<0.10, * p<0.05, ** p<0.01, *** p<0.001

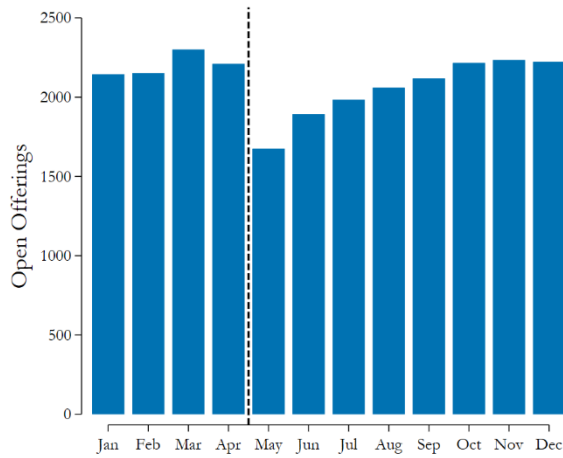
Figure 1 – Distribution of Offering Closures



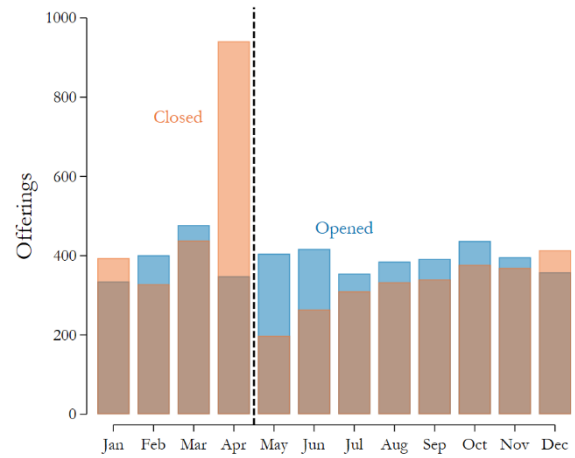
Note: This histogram plots the number of offering closures by the number of days relative to the offering's reporting deadline. Negative values of the horizontal axis indicate closure before the deadline while positive values indicate closure after the deadline. The vertical dashed line denotes the reporting deadline. The sample is limited to those that close no more than 400 days after the deadline.

Figure 2 – Cyclicalality in Offering Openings and Closures

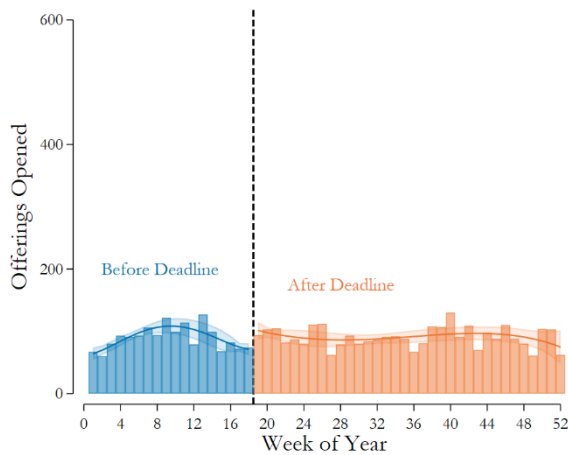
Panel A – Total Offerings Open



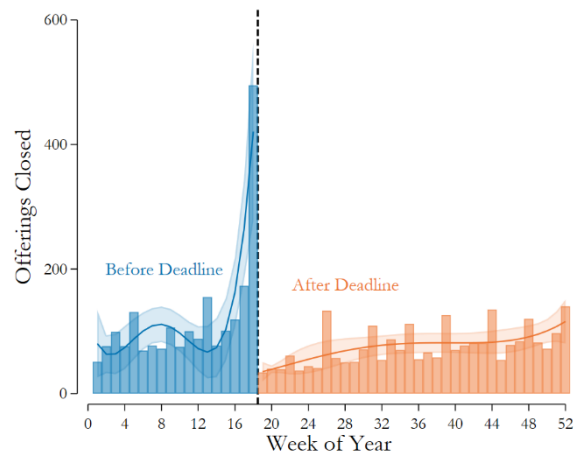
Panel B – Offering Closures & Openings



Panel C – Weekly Openings



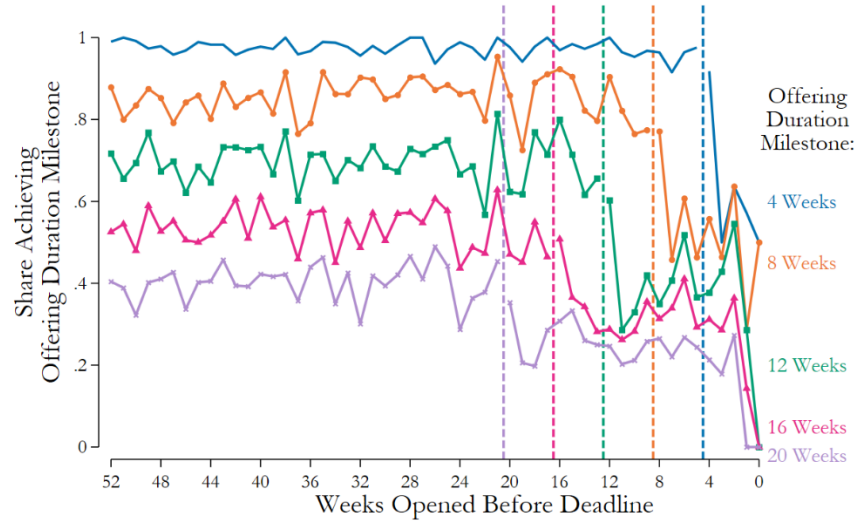
Panel D – Weekly Closures



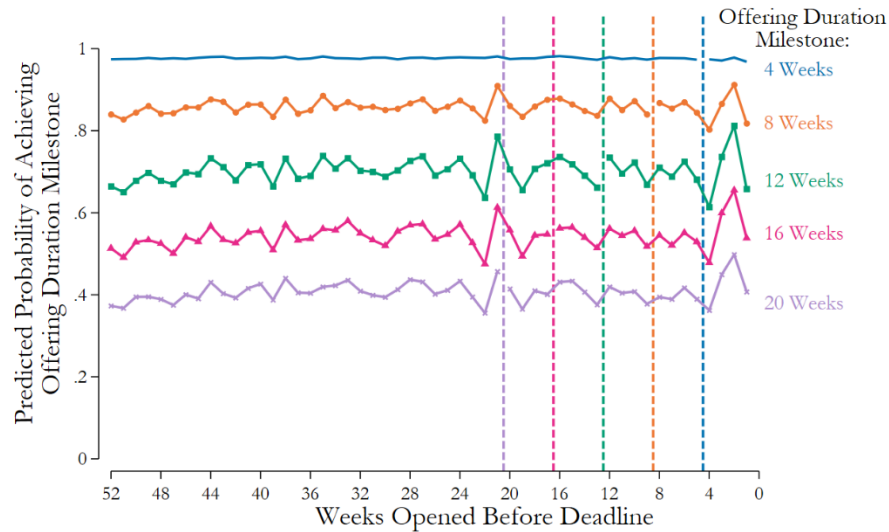
Note: Panel A displays the total number of offerings open (i.e. available for investment) during each month. Panel B reports the number of offerings closed and newly opened during each month. Panels C and D report the density of offerings opened and closed, respectively, during each week of the year along with quartic polynomials to detect any discontinuity in the densities at the reporting deadline. The vertical dashed line denotes the date at which most firms face a disclosure requirement. All panels are limited to issuers with a December 31st year end.

Figure 3 – Probability of Achieving Offering Duration Milestones

Panel A – Observed Probability



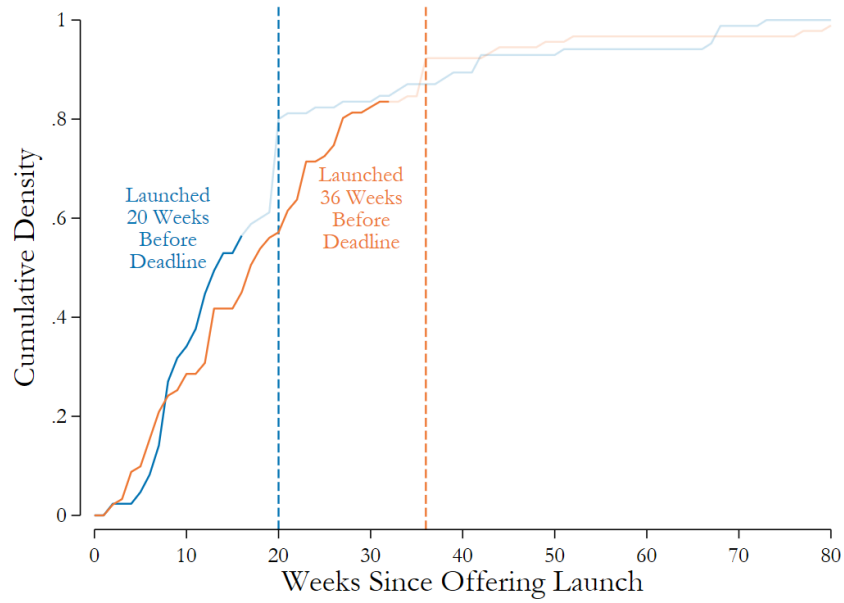
Panel B – Predicted Probability Based on Offering Characteristics



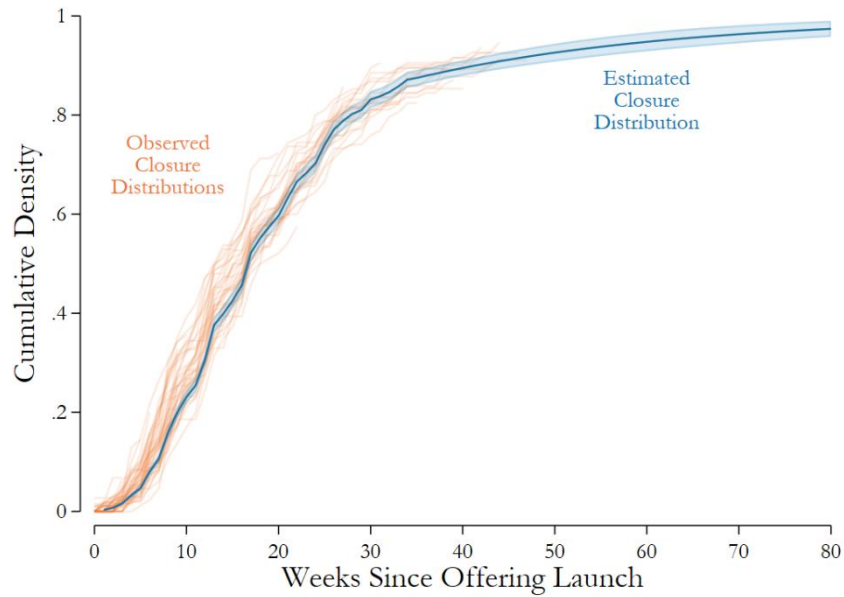
Note: These figures plot the probability (y-axis) of an offering reaching specific duration milestones (colored lines) based on the time-to-deadline (D_t) at launch (x-axis). Time-to-deadline is the number of weeks between launch and the reporting deadline, so offerings launch closer to the deadline from left to right. Each colored line represents the probability of remaining open at least 4 (blue solid), 8 (orange circles), 12 (green squares), 16 (pink triangles), and 20 (purple Xs) weeks. The vertical dashed lines (at 4.5, 8.5, 12.5, 16.5, and 20.5 weeks) mark the thresholds to the right of which reaching the corresponding milestone requires remaining open past the deadline (and so filing updated financials). The colors of the vertical dashed lines correspond to the offering duration milestones they represent, and the plotted series are broken where they cross these thresholds. Panel A plots the *observed* share of offerings that achieve the specified offering duration milestone. Panel B plots *predicted* probabilities. The predicted probabilities are estimated by regressing indicators for remaining open the specified duration on the offering characteristics reported in Table 2. This prediction uses a restricted sample of unconstrained offerings ($D_t \in [25, 52]$) for which all these characteristics are observed to capture the latent optimal duration distribution.

Figure 4 – Optimal Duration Distribution

Panel A – Observed Probability of Remaining Open (Illustration)



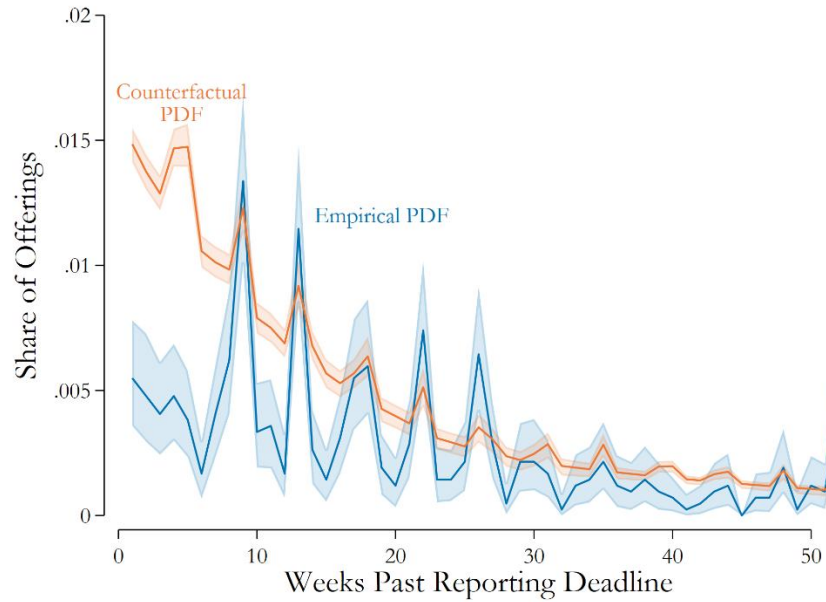
Panel B – CDF of Optimal Duration



Note: Panel A plots the empirical CDF of offering duration for two specific launch cohorts: those that launch 20 weeks (blue line) and 36 weeks (orange line) before the disclosure deadline ($D_i = 20$, $D_i = 36$). The lines lighten starting four weeks before the disclosure deadline, with the relevant deadline marked by a vertical dashed line of the same color. Panel B displays the estimated CDF of optimal duration, o_i . The blue shaded area represents the 95 percent confidence interval derived from 500 bootstrap samples. The light orange lines represent the empirical CDFs for individual weekly launch cohorts ($D_i \in [5, 51]$), each truncated four weeks prior to their respective deadline.

Figure 5 – Willingness to Sacrifice Offering Duration

Panel A – Observed and Counterfactual PDF of Closing Times



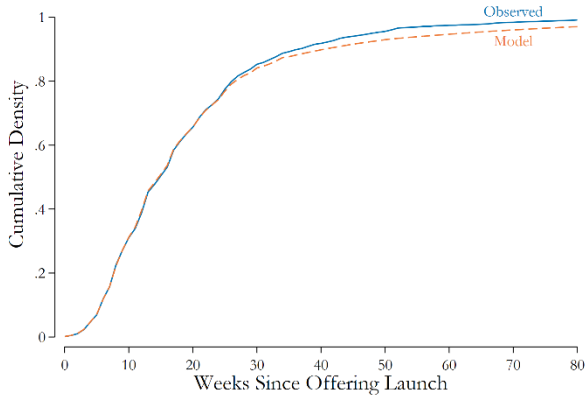
Panel B – Estimated Share of Offerings Willing to Close to Avoid Disclosure



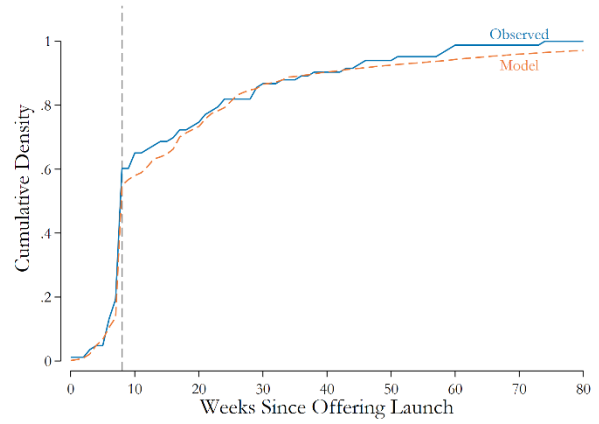
Note: Panel A plots the observed share of offerings closing each week following the reporting deadline for 1 to 52 weeks in blue against the estimated share of offerings that would have closed in those weeks absent the deadline based on estimates in Figure 4 in orange. Panel B shows the estimated values of c_t for 1 to 52 weeks, resulting from maximum likelihood estimation of the values of c_j from equation (1) calculated using the observed and counterfactual closure densities in Panel A. In both panels, 95 percent confidence intervals are derived from 500 bootstrapped samples.

Figure 6 – Structural Model Fit

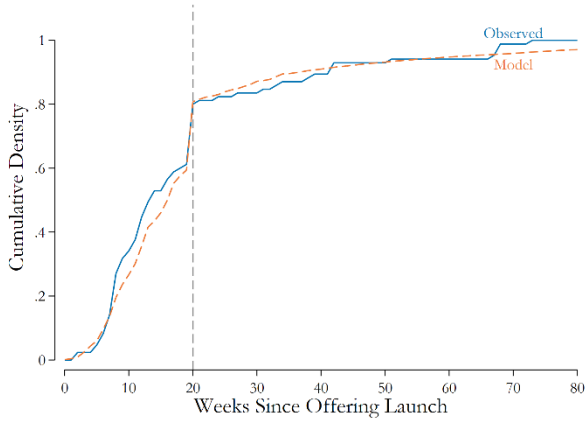
Panel A – All Offerings



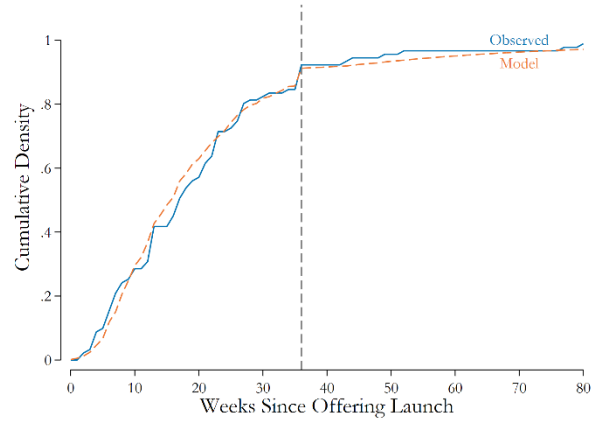
Panel B – Reporting Deadline in 8 Weeks



Panel C – Reporting Deadline in 20 Weeks

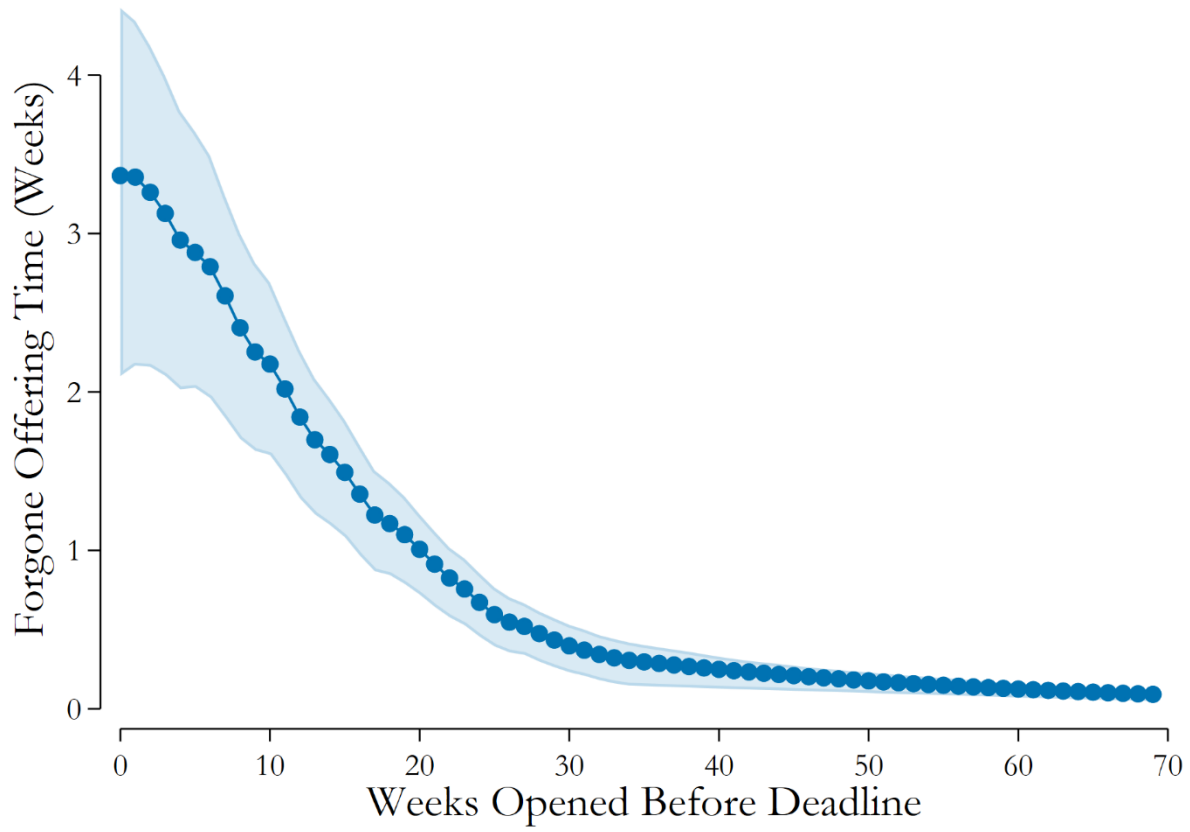


Panel D – Reporting Deadline in 36 Weeks



Note: This figure shows the observed empirical distribution (in blue) and model-predicted CDF (in dashed orange) of offering durations for offerings facing a reporting deadline 8, 20, or 36 weeks from launch, depending on the panel. Panel A pools all offerings. The vertical dashed lines denote the disclosure deadlines.

Figure 7 – Forgone Offering Duration



Note: This figure plots the average forgone offering duration attributable to the disclosure mandate as a function of time-to-deadline at launch, D_i . The plotted values represent the difference between the model-predicted optimal duration (absent the disclosure mandate) and the realized duration for each launch cohort at the mean offering characteristics. Values outside of the 5-to-51-week range of our estimation sample are simulated using the model. 95 percent confidence intervals are derived from 500 bootstrapped samples.