

Why America Has So Few Public Companies—and How We Fix It

A Sponsor-Led Blueprint for Rebuilding the U.S. Growth Market

By

Roy Y Salisbury

Managing Member C2C Private Investment Co., LLC

Chief Executive Officer Small Business Development Group, Inc

Executive Summary

The United States has the largest, most productive private business economy in the world—over **33 million operating businesses** spanning every sector of commerce—yet fewer than **3,700 publicly traded companies** exist today. In the mid-1990s, that number exceeded **8,000**. The collapse of the U.S. small-cap IPO market is one of the most under-discussed structural failures in modern finance.

This is not a failure of entrepreneurship. It is not a failure of innovation. It is not even a failure of capital. It is a **failure of conversion**—the systematic breakdown of the process by which private operating excellence becomes public economic participation.

In contrast, **Europe and Asia continue to graduate small and mid-sized companies into public markets at scale**, supported by purpose-built growth exchanges, scaled regulatory regimes, vibrant retail participation, and government-aligned capital formation policies.

The result in the United States is a widening and dangerous structural imbalance:

- Trillions of dollars of “**trapped private equity**” owned by aging founders
- A shrinking pipeline for **new public companies**
- Retail investors increasingly **locked out of early-stage growth**
- Founders forced into **premature private equity exits**
- Public markets that no longer reflect the real operating economy

This whitepaper explains:

1. **Why the U.S. public markets structurally broke for small and mid-sized companies**
2. **Why Europe and Asia continue to publicize smaller firms successfully**

3. **What realistic national reforms could restore America's growth-stage public pipeline**
4. **How sponsor-led platforms like C2C can fix the problem now—without waiting for Washington**

This is not a theoretical critique. It is a **buildable, executable capital markets strategy** for the next 20 years.

I. The Core Problem: America Privatized Its Growth Engine

America did not lose its ability to build companies. It lost its **bridge between private success and public participation**.

In the 1980s and 1990s, thousands of regional manufacturers, distributors, service firms, technology startups, and brand platforms accessed public markets at modest scale. These IPOs funded:

- Plant expansion
- National sales infrastructure
- R&D
- Job creation
- Geographic growth

Today, that bridge is largely gone.

Key Market Facts:

- Over **33 million U.S. businesses**
- Fewer than **~3,500 public issuers**
- In 1996: **8,000+ public companies**
- Small-cap IPO volume has collapsed
- Most U.S. listings now occur at **\$1B+ enterprise value**

This has created a **public market that is increasingly detached from the true operating economy**.

What specifically changed?

1. Regulatory Cost Explosion (Post-2000)

After Enron and WorldCom, Sarbanes-Oxley introduced sweeping compliance requirements:

- CEO/CFO personal certification and liability
- Formal internal control frameworks
- Extensive audit expansion
- Institutional governance mandates

These reforms improved accountability—but **their fixed cost destroyed feasibility for smaller companies.**

For a **\$30M–\$150M revenue business**, the reality today is:

- **\$2M–\$5M annually just to remain compliant**
- Independent of growth, profitability, or capital needs

This creates a structural absurdity:

The cost of being public often exceeds the capital benefit of becoming public.

2. Private Capital Replaced Public Capital Entirely

Historically, public markets funded growth. Today, they primarily monetize it.

Founders now raise capital from:

- Private equity
- Family offices
- Direct investors
- Private credit
- SPVs and special situations funds

With:

- Less disclosure
- More operational control
- Faster deal execution
- No quarterly earnings pressure
- No activist interference

As a result, **the public market is no longer the default growth engine for serious operating companies.**

3. Private Equity Absorbed the IPO Pipeline

This is one of the most important quiet shifts in U.S. capital markets.

Companies that once IPO'd at:

- \$80M–\$250M enterprise value

Now routinely:

- Sell to private equity at \$40M–\$120M
- Get levered
- Rolled up
- Recapitalized
- And sold again privately

By the time public markets see them—if they ever do—the value creation has already been harvested privately.

Public investors become **late-stage liquidity providers instead of early participants in growth.**

4. Litigation & Short-Termism Now Dominate Public Life

Modern U.S. public markets impose:

- Immediate earnings-call pressure
- Class-action lawsuits after forecast misses
- Media-driven reputational risk
- Short-term quarterly valuation punishment

Founders correctly conclude:

“Why expose decades of work to quarterly volatility and legal warfare if private capital will fund our growth quietly?”

The result is rational avoidance.

II. Why Europe and Asia Still IPO Smaller Companies

While the United States narrowed its public markets upward, **Europe and Asia built downward.**

1. They Built Growth Exchanges on Purpose

These are not side-products. They are national infrastructure:

- AIM (United Kingdom)
- Euronext Growth
- Frankfurt Scale
- Tokyo Growth Market
- KOSDAQ (Korea)
- TPEx (Taiwan)

These exchanges are specifically engineered for:

- €20M–€200M market caps
- Scaled governance
- Lower audit intensity
- Sponsor-based oversight
- Early-stage business models

A €30M revenue company can IPO across these markets for **\$1–3M total cost.**

In the U.S., the same listing typically costs **\$8–15M+.**

2. Their Regulators Treat IPOs as Economic Infrastructure

European and Asian regulators treat public markets as:

- Employment engines
- Industrial development tools
- Regional capital formation systems
- Strategic competitiveness assets

U.S. regulators largely frame IPOs as:

- Systemic risk events

- Investor protection litigation zones
- Enforcement environments

The economic consequence of that mindset difference is enormous.

3. Their Retail Markets Actively Trade Small-Caps

Asia, in particular, features:

- Heavy retail participation
- Active small-cap trading
- Cultural tolerance for volatility
- Momentum-based investing

The U.S. retail system, by contrast:

- Is dominated by ETFs
- Index concentration
- Meme-level speculation
- And a shrinking base of long-term small-cap investors

Liquidity disappears for legitimate smaller companies.

4. IPO Is Used as a Growth Tool—not an Exit

In Europe and Asia:

- Founders list earlier
- Retain operating control
- Raise capital to expand
- And grow into institutional scale

In the U.S., IPO has become:

- A liquidity climax
- A private equity distribution mechanism
- A late-stage institutional event

This fundamentally delays and strangles public market access.

III. What the U.S. Could Realistically Fix (National Policy Level)

This is not about relaxing fraud enforcement. It is about **restoring proportionality**.

1. True Scaled Regulation

Real reform would include:

- Expanding “Emerging Growth Company” thresholds to \$1–2B
- Extending EGC relief to 10 years
- Making SOX 404(b) optional under defined size and risk conditions

Target Outcome:

Reduce fixed compliance cost from \$3–5M annually to under \$1.5M for real growth-stage firms.

2. A True U.S. Growth Market

America urgently needs a national intermediate market tier:

- \$20M–\$300M market caps
- Sponsor-supervised
- Streamlined disclosure
- Structured research coverage
- Defined uplisting ladder

This is the economic layer that vanished.

3. Small-Cap Research Revival

Markets without information do not allocate capital efficiently.

Reforms must include:

- Economic safe harbors for sponsored research
- Tax incentives for registered small-cap research firms
- Transparent issuer-paid research standards

4. Litigation De-Risking for Scaling Issuers

- Higher pleading thresholds
- Damages caps under defined market-cap tiers

- Enhanced forward-looking statement protections

5. Make Public Life a Ramp, Not a Cliff

Replace the current binary system with:

- Graduated compliance
- Progressive governance
- Multi-year reporting expansion

Public participation should be **earned through growth**, not punished at inception.

IV. The Reality: We Cannot Wait on Washington

Policy is slow. Capital moves quickly.

Even optimistic reform scenarios unfold over **five to ten years**.

Capital markets cannot pause that long.

V. The Sponsor-Led Solution: The C2C Model

At **C2C Private Investment Company, LLC**, we operate on a simple truth:

If the public growth exchange does not exist, it must be engineered inside a sponsor-led platform.

C2C's strategy is not to "take one company public."

It is to **build public operating systems**.

We do this by:

1. Recapping or acquiring clean public vehicles
2. Injecting high-quality private operating businesses
3. Executing vertical integration and sector roll-ups
4. Enforcing public-ready governance
5. Standardizing capital allocation and distribution policies

The result is a **de-risked path to public participation** for private operators and investors alike.

VI. Pre-Public Standards: How We De-Risk the Transition

Every C2C-aligned platform operates to **public intensity before becoming public**:

- Quarterly KPI and margin reporting
- Bank-grade financials
- FMV-based EBITDA normalization
- DSCR and leverage dashboards
- Institutional board governance
- Related-party transaction controls
- Independent audit regimes

Public life becomes **a continuity event, not a shock transition.**

VII. Retail + Accredited Capital: Re-Democratizing Growth

Public markets were designed for shared ownership.

Through:

- Reg D co-investment
- Public holdco platforms
- Acquisition-backed dividend strategies
- Yield + growth hybrids

We reconnect:

- Private excellence
- Public capital
- And generational liquidity

VIII. Why OTC Is the Proto-Growth Market Today

Until America rebuilds a formal growth exchange, **OTCQX and OTCQB function as the practical substitute**—when operated with discipline.

C2C's OTC standards include:

- No toxic financing
- Independent audits only
- Transparent acquisition metrics

- Dividend logic tied to cash flow
- Institutional governance

We treat OTC not as a speculative venue—but as a **public apprenticeship system**.

IX. The Macro Opportunity: Trapped Equity Meets Public Scarcity

America today faces a historic alignment:

- Trillions in Baby Boomer-owned private equity
- A massive succession gap
- Capital-hungry public investors
- And no efficient conversion platform

This is not market failure.

It is **conversion obstruction**.

X. Final Truth

America does not lack public-ready companies.

It lacks a **functional, affordable, scalable bridge** between private operators and public capital.

Until national reform arrives, that bridge must be:

- Built by sponsors
- Governed to institutional standards
- Funded by both retail and accredited capital
- Scaled through acquisition, not speculation
- Anchored in operating cash flow—not story stock dynamics

That is the mission of **C2C Private Investment Company, LLC**.

We are not waiting for the next growth exchange.

We are building it—inside the companies themselves.

If you'd like, I can now:

- Convert this into a **print-ready PDF layout**
- Build a **2-page policy + investor executive summary**

- Extract a **founder-facing version**
- Or split this into a **multi-part thought-leadership series**

This is now fully positioned as a **definitive sponsor-level capital markets thesis** under your name.