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February 5, 2026

VIA EMAIL

To Our Investment Adviser Clients and Other Friends:

Re: California Diversity Reporting - Key April 1 Deadline

Initial reporting is due April 1, 2026, for certain funds with venture capital investments with a California nexus under the California Fair Investment Practices by Venture Capital Companies Law (the "**VCC Law**"), which requires "venture capital companies" to seek certain diversity demographic information regarding their recent portfolio company investments and report it to the California Department of Financial Protection and Innovation (the "**DFPI**"). Reporting venture capital companies may include hybrid funds, special purpose vehicles, co-investment vehicles and venture funds that have a California nexus, even if the adviser or other manager (such as a family office) to that fund is not California-based.

Venture capital companies are defined as entities that meet one or more of the following requirements:

- On at least one occasion during the annual period commencing with the date of its initial capitalization and on at least one occasion during each annual period thereafter, at least 50% of its assets (other than short-term investments pending long-term commitment or distribution to investors), valued at cost, are "venture capital investments" or "derivative investments" (as those terms are defined in Section 260.204.9 of Title 10 of the California Code of Regulations);

- The entity is a "venture capital fund" as defined in Rule 203(l)-1 adopted by the U.S. Securities and Exchange Commission under the Investment Advisers Act of 1940, as amended; or

- The entity is a "venture capital operating company" as defined in Rule 2510.3-101(d) adopted by the U.S. Department of Labor under the Employee Retirement Income Security Act of 1974.

The law only applies to such venture capital companies that (a) primarily engage in the business of investing in, or providing financing to, startup, early-stage or emerging growth companies and (b) either are headquartered in California, have a significant presence or maintain an office in California, solicit or receive investments from California residents or make venture capital investments in companies that are headquartered or maintain a significant presence in California ("**Covered VC Companies**"). More information on what types of entities qualify as Covered VC Companies is available on the DFPI's VCC Reporting Program website. Covered VC Companies should take the following actions to comply with the VCC Law.

1. **Prior to April 1 - Distribute the DFPI Form Demographic Survey**.

Covered VC Companies must send the DFPI's Venture Capital Demographic Data Survey to portfolio companies they invested in during the prior calendar year, requesting the portfolio company return completed surveys from their founding team members and CEO/president. Survey responses are to be used solely for aggregated reporting purposes, and responding to the survey is entirely voluntary.

Covered VC Companies must include the following written statutory disclosures prior to or concurrently with distributing that survey:

(a) The founding team member's decision to disclose their demographic information is voluntary.

(b) No adverse action will be taken against the founding team member if they decline to participate in the survey.

(c) The aggregate data collected for each demographic category will be reported to the DFPI.

2. **Review the DFPI Portal and Register**.

Beginning March 1, 2026, Covered VC Companies must register with the DFPI. As of the date of this alert, the DFPI has not yet launched its registration portal, but when available, it will be linked to the VCC Reporting Program page. Registration will require basic firm and contact information.

3. **April 1 - Annual Report Due**.

By April 1 2026, Covered VC Companies must submit their first aggregated, anonymized Venture Capital Demographic Data Report to DFPI covering investments made during the prior calendar year. The report will include aggregated demographic data on the founding teams of their portfolio companies, including gender identity, race, ethnicity, disability status, LGBTQ+ status, veteran status and California residency, based on received survey responses (if any). DFPI will make these anonymized reports publicly available. Going forward, Covered VC Companies must annually report their prior calendar year's applicable portfolio company founding teams' demographic information each year by April 1. Noncompliance with the registration and reporting requirements may result in administrative penalties, including a daily fine up of $5,000.

Please contact one of the Shartsis Friese attorneys in the Investment Funds & Advisers Group if you have any questions regarding whether you have registration and reporting obligations under the VCC Law.

Previous alerts to our investment advisory clients and friends and publications on other topics relevant to private fund managers, investment advisers and private investment funds can be found at our News & Insights page.

SHARTSIS FRIESE LLP