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Capital

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P R O C E E D I N G S

INTRODUCTION

MR. GOMEZ: Good afternoon, everyone and welcome to today's forum, day two of the forum. We're delighted that you are joining us today. We're going to just go ahead and get started. We have a lot to cover today, so to get us started today, we're going to be joined for opening remarks by Commissioner Caroline Crenshaw. Commissioner Crenshaw, the floor is yours.

COMMISSIONER CRENSHAW: Welcome to day two. This is a great event and I want to thank the staff of the Office of the Advocate for Small Business Capital Formation for all the work that they have put in to make this happen.

I also want to thank everyone who has taken time out of their normal and extremely busy schedules to participate in the annual Small Business Forum. We appreciate more than you know that you're here today. I look forward to the discussion and I encourage participants to continue to engage with the commission throughout the year and across all of our various regulatory processes.

Time and schedules permitting, speak to as many of us at the commission as you can. The more interactions and perspectives that we have as an agency

1 with this community, the better.

2 Recently in one of those continuing dialogs,  
3 someone reminded me of the importance of disaggregating  
4 the term small business and recognizing that the term is  
5 a reference to a broad spectrum, a spectrum that  
6 includes businesses' first launching operations using  
7 personal savings and money from family and friends,  
8 thinking about accessing capital markets for the first  
9 time. It also includes companies that have been  
10 operating for decades with dozens of employees that rely  
11 primarily on revenue and focus on a specific locality or  
12 region.

13 Pertinent issues, challenges, and  
14 opportunities for any small business though depend on  
15 where on that spectrum that they are, and earlier this  
16 year, I spoke about rethinking our safe harbor for  
17 registration exemptions to better calibrate them for use  
18 by small, medium, or early-stage businesses rather than  
19 unlimited use by the largest private companies that  
20 rival the size of many S&P 500 companies or companies  
21 that no longer exist on the spectrum of small  
22 businesses.

23 I, of course, welcome perspectives on this  
24 topic and also encourage recommendations and discussions  
25 on how else we can improve access and inclusivity in

1 financial markets.

2 I am focused on how to get the most resources  
3 to the part of the spectrum where entrepreneurs, and  
4 particularly entrepreneurs that do not share the same  
5 background as those in Silicon Valley and Wall Street,  
6 are tapping into capital markets for the first time.  
7 What do those entrepreneurs need the most and what role  
8 can the commission play?

9 As one of today's panelists detailed in a  
10 book, startup communities and entrepreneurial ecosystems  
11 are complex, non-linear, and often unpredictable.  
12 Actors, including governments within those communities  
13 and ecosystems, must be adaptive, and part of the thesis  
14 is that complex systems, such as a startup community,  
15 must be driven from bottom-up rather than a top-down  
16 approach.

17 I agree with that entirely, and that is why  
18 events like this are so important, to give a voice to  
19 those who are working at the grassroots.

20 I firmly believe that engagement and  
21 refinement should be a core characteristic of commission  
22 processes. Please come in and talk to us about your  
23 ideas and give us your thoughts about our ideas. I'm  
24 also glad that there will be a discussion on Thursday  
25 about accessing the public markets. It's a conversation

1 that needs to be had here and elsewhere. There are  
2 several ways to access the public markets, and to quote  
3 one of our panelists again, it's important to think  
4 about this question wholistically. In that vein, I want  
5 to highlight the benefits of public markets to smaller  
6 reporting companies and their investors, given that a  
7 lot of time gets spent on the costs.

8 Public markets provide transparency that  
9 increases investor confidence, price transparency, and  
10 liquidity.

11 In addition to informational efficiencies,  
12 there's a baseline of comparability in public market  
13 disclosure requirements that investors can rely upon  
14 with a level of certainty and confidence, helping with  
15 capital raising from a broad pool of investors.  
16 Further, the SEC has implemented a scaled or tiered  
17 disclosure system to better tailor and adapt the  
18 benefits and costs where appropriate.

19 So I look forward to Thursday's agenda as  
20 well, and I'd like to thank you one more time for your  
21 engagement. And I'll get out of the way so we can get  
22 going with today's important discussions, and I look  
23 forward to the dialogue. Thank you very much.

24 MR. GOMEZ: Thank you, Commissioner Crenshaw.  
25 We really appreciate your remarks. Well now, it's time

1 to get to today's business. In a few minutes, I'm going  
2 to turn it over to my colleague, Courtney Haseley, from  
3 our Small Business Advocacy Team, who's going to be  
4 moderating today's fantastic panel discussion. But  
5 first, a few housekeeping matters. I'd like to start by  
6 giving the standard SEC disclaimers that the views that  
7 SEC staff expresses today are our own and may not  
8 represent the views of other staff, the commissioners,  
9 or the commission.

10 Second, just like we did yesterday, we'd like  
11 to take a minute to learn a little bit about you, so  
12 just below me on the screen you're going to see that  
13 there's a few polling questions. And we would love if  
14 you could take a few seconds to weigh in on those.

15 Third, if you're new to our platform, I'd like  
16 to point out that there's a chat box. It should show up  
17 to the side of the video screen. That is where we would  
18 like for you to drop in any questions or comments you  
19 have for our panelists.

20 We have definitely reserved some time at the  
21 end to try to get to those. And then the final  
22 housekeeping matter is to let you know that we received  
23 a number of recommendations so far, but if you have  
24 additional policy recommendations to submit, please go  
25 ahead and drop those in the chat as well. At the end of



1 today's session, we're going to open for voting, and  
2 that's going to show up in the same window below where  
3 right now you see the polling questions. And that's  
4 going to give you an opportunity to prioritize those  
5 recommendations.

6           With respect to the voting on the  
7 recommendations, the voting is going to stay open until  
8 7:00 p.m. Eastern Time each day. We know that folks are  
9 busy, and we also know that there's participants in  
10 different time zones. In fact just last week, we got a  
11 request from Kiyoshi in the Northern Mariana Islands.  
12 He wants to participate, but it's actually just after  
13 3:00 a.m. there, so he's going to try to put in those  
14 votes on the recommendations after he wakes up. We're  
15 going to get recordings of the forum up on the platform  
16 page as well, and you'll be able, like I said, continue  
17 voting until 7:00 p.m. Eastern Time each day through  
18 Thursday. So make sure you weigh in.

19           Also, one thing that is new this year, if you  
20 want to vote on recommendations from day one,  
21 yesterday's recommendations, at the end of today's  
22 session you can click on the Agenda tab on the left of  
23 your screen and select the day one. That is going to  
24 actually bring up at the bottom of that page the  
25 recommendations that we received for day one, and even

1     though we're on day two, you will be able to also vote  
2     on day one recommendations. So with all those technical  
3     details out of the way, it's time to get things started,  
4     so I'm very happy to welcome Courtney to the screen.  
5     Courtney, the floor is all yours.

6             MS. HASELEY: Thank you so much, Sebastian.  
7     It is my absolute pleasure to be moderating today's  
8     panel on building and supporting entrepreneurial  
9     ecosystems. It is a widely acknowledged fact that a  
10    thriving entrepreneurial ecosystem can contribute  
11    significantly to the economic growth, innovation, and  
12    development of a region. However, we should also  
13    recognize that not all entrepreneurs have equal access  
14    to the resources, networks, and opportunities that are  
15    so essential for their success. So with that in mind,  
16    today we've assembled an all-star panel of experts who  
17    will share their insights, experiences, and  
18    recommendations on how we can create and nurture more  
19    inclusive and supportive entrepreneurial ecosystems in  
20    various regions throughout the country.

21            Ultimately, one of the goals we have for our  
22    forum this week, as Sebastian mentioned, is to introduce  
23    recommendations, including on ways to improve access to  
24    capital for all entrepreneurs, regardless of background  
25    and locations. All right. So enough from me, I'm

1 excited to get started. I want to welcome our  
2 panelists. We have Betty Francisco, Ian Hathaway, and  
3 Brian Hollins. Thank you all so much for joining us.  
4 I'd love if you could briefly introduce yourselves and  
5 give a quick description of the work that you do.  
6 Betty, why don't we start with you?

7 MS. FRANCISCO: Great. Thanks so much, and  
8 it's a pleasure to be here, Courtney. Thanks for the  
9 invitation. I'm Betty Francisco. I'm the CEO of Boston  
10 Impact Initiative. We're an impact investment fund  
11 based here in Boston, and we're what we call a place-  
12 based integrated capital fund. So we focus on investing  
13 in entrepreneurs of color, specifically to close the  
14 racial wealth divide, and we use integrated capital,  
15 which we define as equity, debt, and grants using all  
16 the financial tools in the toolbox to help shape capital  
17 transactions that help entrepreneurs meet their needs  
18 where they are and at the time and stage that they're  
19 raising money. And also, integrated capital means the  
20 other aspects besides financial capital that  
21 entrepreneurs need to be successful, so that's  
22 knowledge, social, and political capital. It's the  
23 connections, the technical assistance, the mentors, and  
24 other ecosystem supports that we all know entrepreneurs  
25 need and make them more successful.

1           And for us, impact is at the core of  
2 everything that we're doing, so our focus is also on  
3 building businesses that are providing good jobs in the  
4 community, paying livable wages, creating pathways for  
5 employee ownership, and collaborative, cooperative  
6 ownership, both in businesses but also in real estate,  
7 and ultimately, create a more just, inclusive economy  
8 and accelerate that just transition. So that's a bit  
9 about BII. We're also helping to bring all this  
10 knowledge to the field through our fund building cohort  
11 program, so we're training other emerging fund managers  
12 across the country launch similar integrated capital  
13 funds that are focused on community investing. So I  
14 look forward to the conversation.

15           MR. HASELEY: Thank you. Ian.

16           MR. HATHAWAY: Yes, hi. Thanks, Courtney and  
17 to the SEC, for inviting me today. It's exciting to be  
18 here alongside of my fellow panelists. Yes, so my name  
19 is Ian Hathaway. I'm a Founder and General Partner of  
20 an early-stage venture capital fund called Far Out  
21 Ventures. We provide what we describe as a mentorship  
22 driven approach to venture capital reaching  
23 entrepreneurs in undercapitalized regions. What that  
24 means practically for us is that we don't just provide  
25 hands on support for early-stage entrepreneurs, often

1 first-time founders, but we look for ways to help  
2 entrepreneurs regardless of whether we are personally  
3 going to invest in them. I anticipate that being a  
4 theme throughout this panel today.

5           Before that, I was an Executive at Techstars,  
6 which is one of the largest startup accelerators in the  
7 world, which is where a lot of this thinking around  
8 taking a hands-on mentorship driven approach to helping  
9 entrepreneurs succeed regardless of where they live  
10 where a lot of that came from and where that became  
11 embodied in me. I also wrote a book on startup  
12 communities, which is the theme of the panel today, so  
13 looking forward to sharing some of those insights  
14 throughout the discussion.

15           MS. HASELEY: Great. Brian.

16           MR. HOLLINS: Awesome. Thanks for having me,  
17 Courtney. My name is Brian Hollins. I'm a Founder and  
18 Managing Partner of an early-stage venture capital firm  
19 just like Ian, a firm called Collide Capital. We focus  
20 in three core buckets. We focus on enterprise software.  
21 We focus on supply chain software, and we have a thesis  
22 around Gen Z and the future of work. I've spent my  
23 entire career as an investor, so I was lucky enough to  
24 go to Stanford University for undergrad. And as a kid  
25 from a small town in Maryland, it really just opened my

1 eyes to entrepreneurship and to technology, and the  
2 power of what the innovation economy was doing for every  
3 business that I had sort of imagined.

4           And so I really have dedicated my career to  
5 becoming a good investor, but along the way have tried  
6 to make it easier for other people that look like myself  
7 or come from backgrounds like myself to do it as well.  
8 So I helped start an organization called BLCK VC. BLCK  
9 VC today is the largest Black investor ecosystem in the  
10 world training people of color to get into the venture  
11 capital ecosystem. And my partner at Collide Capital  
12 built a company called Blavity, which is the largest  
13 Black media company in the world for millennials and Gen  
14 Z; it reaches about 100 million people a month. And  
15 they built the largest Black tech conference in the  
16 world, which is called Afro Tech, and so through this  
17 sort of ecosystem work that we've done we've recognized  
18 that there's a lot of people building happy hours, and  
19 building ecosystems, and building communities and not  
20 enough people investing in them.

21           And so we saw a unique opportunity for us to  
22 have access to really strong builders that came out of  
23 unrepresented ecosystems and start to deploy capital  
24 behind them, and then ultimately, help them scale up and  
25 sort of enter future pools of capital. So I'm excited

1 to be here and talk about ecosystem.

2 MS. HASELEY: Great. All right. Well, we'll  
3 get started. Thank you all again. You know Brian, you  
4 mentioned that moving to California was eye opening for  
5 you being around Stanford, Silicon Valley. I think  
6 that's exactly what people think about when they think  
7 of entrepreneurial ecosystems. It's easy at first blush  
8 to see why these coastal hubs offer such fertile ground  
9 for startups, right? They've got experienced investors,  
10 wealthy investors. They have experienced entrepreneurs  
11 who can be great mentors for new founders. There's  
12 networks of universities that are already there and a  
13 really long history of support of successful startups.

14 But there are, as we know, successful  
15 entrepreneurial ecosystems outside of these hubs as  
16 well, some new and emerging, some already there and  
17 thriving. And Ian, you know, you mentioned at the  
18 beginning -- Commissioner Crenshaw mentioned as well --  
19 you wrote a book on this, so I'd love to just start with  
20 you and hear your thoughts on kind of what are some of  
21 the necessary ingredients to a successful  
22 entrepreneurial ecosystem.

23 MR. HATHAWAY: Yes, happy to hit on that. And  
24 maybe I'll start with the end on that which is the  
25 template that gets overused which is about being the

1 next Silicon Valley, right. Like you're not going to be  
2 the next Silicon Valley. Silicon Valley was a process  
3 of many interactions over the course of decades that  
4 just cannot be replicated, right? It literally --  
5 Silicon Valley could not replicate itself, and even if  
6 it tried it would fail, right. And so there was a  
7 really important book that was written on this years ago  
8 by a professor at UC Berkeley named AnnaLee Saxenian  
9 where she sort of studied the dichotomy between, you  
10 know, Boston the ecosystem and Boston which was a  
11 prominent tech hub coming out of World War II versus  
12 Silicon Valley, which was actually very nascent. And  
13 she looked at all these different factors and found that  
14 really it was about the culture that was the  
15 differentiator.

16           Why did Silicon Valley propel ahead while  
17 Boston sort of lagged behind in the 80s and 90s? Of  
18 course, there's been a resurgence, but point being that  
19 people often are focused on the wrong things, and so in  
20 my book, you know, my co-author, Brad Feld and I, we  
21 created a framework for this pretty early on in the book  
22 called the Seven Capitals, which is sort of what are the  
23 resources that are commonly utilized by entrepreneurs,  
24 startups that are building high-growth businesses. It  
25 was really an afterthought. We spent the rest of the



1 book talking about what we think are the most important  
2 things, you know, like collaboration and trial and  
3 error, and sort of the mindset that you take towards  
4 helping people around entrepreneurship, but these Seven  
5 Capitals -- you know -- we talk about I would save five  
6 of them are more tangible while two are more intangible.

7           So intellectual capital, things like  
8 technologies, ideas, innovation; second is human  
9 capital, skills, knowledge, talent. Financial capital,  
10 which we talk about a lot, you know, such as equity,  
11 debt, financing, and by the way, revenue is probably the  
12 most important form of financial capital that  
13 entrepreneurs should want. Some others like  
14 institutional capital, which is governance and markets,  
15 and physical capital, which is sort of geography,  
16 density, infrastructure. The final two of these, which  
17 we think are the most important, we call network  
18 capital, which is connectivity, relationships, fluidity,  
19 and cultural capital, which are norms, diversity,  
20 dynamism, and attitudes that really bring the whole  
21 thing together.

22           So when people sort of -- you know -- one of  
23 the great things that this writing a book has provided  
24 me is it's given me the chance to work with leaders in  
25 startup communities all around the United States and

1 around the world. It's remarkable how common the  
2 problems are that are similar from one ecosystem to  
3 another, but dealing with them is both similar and  
4 different, right. So there are cultural norms in places  
5 that vary slightly from others, but what I think the  
6 fundamental thing we're trying to do here that every  
7 startup community regardless of your endowment of these  
8 tangible assets we talked about, regardless of whether  
9 you have a research university or large tech companies,  
10 or deep pocketed investors, you can improve the outcomes  
11 of entrepreneurs by being more collaborative, looking  
12 for ways to open your network to them or find ways to  
13 mentor them.

14 So for me what really is about moving the  
15 barometer I guess you could say in any ecosystem is how  
16 can we be more helpful to entrepreneurs, right, and help  
17 them succeed with their businesses.

18 MS. HASELEY: Great. Thank you, and I really  
19 love what you said about the goal not being to replicate  
20 Silicon Valley and every ecosystem is, you know, unique  
21 and depends based on the kind of startup community that  
22 exists there and needing to be adaptive to those within  
23 the community. Betty and Brian, do you -- you know --  
24 can you think of anything from your perspective that you  
25 would add to the special sauce that makes for a

1 supportive entrepreneurial community?

2 MS. FRANCISCO: Yes. So something that Ian  
3 mentioned, which sometimes we really do take for  
4 granted, it is this economics of relationships and  
5 acknowledging the interdependence of the different  
6 stakeholders that are part of an ecosystem. And one  
7 example is in Massachusetts where I am. I'm based in  
8 Boston. During the pandemic, I started to connect with  
9 ecosystems I didn't even know existed, right? So I have  
10 grown up as a lawyer. My career was spent as a  
11 corporate lawyer doing a lot of venture and M&A work,  
12 and then as an angel investor, and even as an angel  
13 investor my network started to become women investors,  
14 investing in women founded companies.

15 So again, like the ecosystem into itself, and  
16 what I discovered is that our focus is we think of  
17 startups and innovation, and we think of BC, the BC  
18 ecosystem like that tech sort of sector. And Boston, of  
19 course, has an amazing one, right, very focused on tech,  
20 life sciences, biotech. But what I didn't appreciate is  
21 that there's also this whole community capital  
22 ecosystem, right. It's the CDFIs, the CDCs, the  
23 community loan funds like VII, and they also play  
24 together in a really different way. And these two often  
25 don't meet, right. There is no bridge between the

1 community capital, the VC unless people start to talk to  
2 each other and actually collaborate. So COVID did that,  
3 right. So during 2020 when mad scramble, right, for a  
4 lot of us in different ecosystems to support the most  
5 under resourced, underserved businesses that were not  
6 getting access to that Covid relief, right, weren't  
7 getting access to PPP loans or other grants.

8 And so I stepped into this amazing ecosystem  
9 of community capital, and we were on the ground. You  
10 know this was like summer -- spring and summer of 2020  
11 helping entrepreneurs apply for those grants, reaching  
12 out, connecting with each other to the point where we  
13 were on calls in the day and in the night as a group of  
14 sixty-plus capital providers, community investors,  
15 business support organizations, right, like all coming  
16 together around one goal: getting more Covid relief to  
17 the most underserved businesses that didn't make it to  
18 that first PPP round of funding. What that did is it  
19 built this huge community of trust amongst these  
20 players. It led ultimately to the founding of a  
21 coalition called the Coalition for an Equitable Economy  
22 in Massachusetts, and its guiding principles are around  
23 supporting those that are -- really left out of our  
24 ecosystem.

25 It's Black, Latino, indigenous, Asian

1 entrepreneurs, you know, those that are really  
2 overlooked founders and small businesses, and connecting  
3 them with the resources that we are very rich in. Like  
4 Massachusetts, like many ecosystems, has tons of  
5 resources for startups and small businesses, but they  
6 often don't reach, you know, those that need it the  
7 most, and so we are becoming that bridge. We ended up  
8 publishing two reports around entrepreneurs of color,  
9 how to best support them. One is also called the Color  
10 of Capital Gap, which identifies the capital access  
11 issue in Massachusetts for entrepreneurs of color, and  
12 then we're also working on communication. So how do we  
13 reach entrepreneurs, right? Because you can have all  
14 the resources you want.

15           If they don't know what you're offering,  
16 right, they don't where to go or how to access then,  
17 then you're missing the boat. So that's another like  
18 work in progress of how do we communicate with each  
19 other, and then this coalition continues to grow. We  
20 have three different committees. One is a Business  
21 Support Committee, a Policy Committee, and I'll talk  
22 about policy later, but also a Capital Access Committee.  
23 So the other thing is we're sharing deals with each  
24 other, so when we know a company can't be funded by one  
25 of us alone or it may not be the right fit for our fund,

1 we share it with this larger group in order to ensure  
2 that no business goes without the funding that they need  
3 to be successful.

4 MS. HASELEY: I love that, and I want if I  
5 could to pick up on where you left off with the capital  
6 providers, and the multiple kinds of capital providers,  
7 and the different niches they play within an ecosystem.  
8 And I want to pivot to Brian actually, and I'd like to  
9 hear your perspective on the role that these different  
10 capital allocators can play in supporting and  
11 collaborating with startups. And I'm picking on you  
12 because I know, like many of the other panelists here,  
13 you've worn multiple hats. So I want to hear about your  
14 journey from big bank to small VC and kind of what you  
15 did as a capital allocator in those different roles.

16 MR. HOLLINS: Sure. I'll just give you a fun  
17 anecdote because it's kind of how I got started there.  
18 When I was at -- I went to Stanford for undergrad like I  
19 mentioned, and I think my junior year I was in an upper-  
20 level economics class. And it was the first time I ever  
21 really learned about asset management, or portfolio  
22 management, or portfolio diversification, or just  
23 basically all these things that rich people do that my  
24 parents didn't need to do because you need money in  
25 order to have like an asset allocation, and we didn't

1 have money. So I ended up really leaving Stanford  
2 focused on wanting to run the University of Maryland  
3 Endowment; that was my goal was to go home and sort of  
4 support the school.

5           So I started my career in asset management,  
6 and it really kind of opened my eyes to really just  
7 like, without sugar coating it, how much money there is  
8 in the world. Like there's a lot of money in the world,  
9 and I had a role at Goldman Sachs where, you know, I was  
10 22, 23 years old and I was moving \$100 million of bonds  
11 in a day, and no one was really checking it, you know.  
12 And I think that when I was able to see that, it just  
13 gave me exposure and shifted my perspective in terms of  
14 my understanding of kind of what was possible, and then  
15 really have spent the majority of my career trying to  
16 figure out creative ways to bring that capital to  
17 communities that I know don't have it.

18           And so I think that's a little bit of what  
19 you're alluding to. Like I've always found ways to sort  
20 of tie my community to the plumbing of like a larger  
21 body of water if you will, and so I think that there's a  
22 couple things that I've seen in the last couple of years  
23 that make me excited. The first is just at the Fortune  
24 500 level the focus of some of those traditional  
25 companies that did not have any capital flowing into

1 ecosystems like mine, so backing underrepresented  
2 managers, or what's called a co-investment strategy, so  
3 investing alongside those managers into companies that  
4 they could support. There has been a massive change in  
5 that ecosystem and some people can say it's short-term.

6           Some -- you know -- you can have your own  
7 opinion about it, but I think that that's one really  
8 exciting pocket of capital that's unlocking and being  
9 introduced to this ecosystem, and I'll shoutout Goldman  
10 as one of those. You know I spent seven years at  
11 Goldman Sachs, and Launch With GS, and 10,000 small  
12 businesses, and the programs that they've built there in  
13 the last ten years and the capital, multiple billions of  
14 dollars that have gone into this, I think are powerful  
15 and I can tell you because I was there. Goldman really  
16 wasn't doing that much like that even five years ago.

17           The second bucket I'd point to is the kind of  
18 foundation world, so Betty mentioned this a little bit,  
19 but just thinking about the grant work and the evolution  
20 of teams kind of working together as opposed to just  
21 kind of working in silos is something that I think is  
22 getting a lot stronger, and there's a ton more reception  
23 around it. And the third I would add just because I'm  
24 one of them is just the increase of emerging managers.  
25 So instead of waiting for capital to come from some rich



1 white guy, it's coming from people that come from the  
2 ecosystems that you're building in, and for a very long  
3 time, that's been nearly impossible.

4           It's still very hard and there's a ton of  
5 things we won't go into on this call, but things around  
6 why it's so much harder for an emerging manager of color  
7 or an underrepresented manager to raise money than a  
8 traditional manager. And that will continue to make it  
9 harder for dollars to flow into these ecosystems, but  
10 that's a third bucket that I'm super excited about  
11 because it is evolving, and it's going to make it easier  
12 for dollars to flow to those founders because the  
13 allocators of that capital actually know where those  
14 founders exist.

15           MS. HASELEY: Yes. No, that's great, and that  
16 is encouraging. Ian and Betty, do you have anything you  
17 want to add to kind of the role of capital allocators,  
18 how they can better support and collaborate, or even  
19 piling onto what Brian said about trends you're seeing  
20 positive or negative?

21           MS. FRANCISCO: Yes, I mean just to -- so the  
22 way that we met was actually through a connection that  
23 someone made about co-investing, right, with Collide  
24 Capital. So I think that's where we all -- look, we all  
25 have our pipeline strategies, right, how we find

1 entrepreneurs. But I think that there is something to  
2 be said around when you're broadening your reach and  
3 really looking beyond like your current network even for  
4 fund managers like us, right. So one of the things that  
5 I think has happened is this siloing that you talked  
6 about. We are trying to break those, right, so there's  
7 a lot more collaboration that I see, but we're still  
8 siloed in terms of types of capital, right.

9           We still have sort of the debt investors,  
10 which are more of the CDFIs, community lenders, even  
11 local banks. They play in one sector, and then you've  
12 got VC, right, angels, VCs in another. And there are  
13 silos there, and it takes people like us to be bridges,  
14 right, to say let's reach out. Maybe there's  
15 opportunities for co-investing. Maybe there's  
16 opportunity to share deal flow, or you have some  
17 technical assistance program that could be useful to  
18 some of our entrepreneurs, and then knowledge sharing as  
19 well. So I think it's just -- it's a lot of outreach,  
20 intentional outreach, and it's constant, right. That  
21 just is part of this building of a very different  
22 entrepreneurial ecosystem where we're leveraging the  
23 expertise of players that are even beyond our current  
24 geography.

25           So I just want to raise that up because I

1 still feel like, you know, we -- the businesses that  
2 we're seeing in Boston and beyond will eventually --  
3 some of them will eventually be venture backed, so we're  
4 priming them, right, for our VC friends. And so I think  
5 having that rope to our VC community is really, really  
6 important, but often times, you know, VCs don't look to  
7 community capital as a relationship to be built, and I  
8 think that it's a really important one actually.

9 MR. HATHAWAY: Yes. I mean I agree with  
10 everything that was just said. I definitely want to go  
11 deeper on some of the things that Brian said about being  
12 blown away about coming also from a small town about how  
13 much money there is in the world and just being  
14 overwhelmed by that. I assume we'll get to that, but I  
15 think just to maybe add to this a little bit, you know,  
16 we invest very early. Often times, it's a first-time  
17 founder with very little traction, a product, maybe some  
18 -- you know -- a couple of customers, maybe less than  
19 that. This stage of investing is actually quite  
20 collaborative, I believe. The challenge though for us  
21 is that we are -- as I mentioned in my introductory  
22 remarks that we are focused on finding entrepreneurs  
23 from overlooked markets. And this is a relationship  
24 based business, which means getting on planes, showing  
25 up, not just once but many times, and it's very

1     challenging, right.

2                 I think as opposed to maybe angel investing or  
3     other forms of capital formation, VCs are looking for  
4     signal. They can be somewhat risk averse even though  
5     that's not common -- a view that's commonly held, and so  
6     we're looking for knowledgeable local investors who can  
7     help us sort of assess the opportunity or the  
8     backgrounds of those founders. And so it's a real  
9     challenge. It's something that my partners and I talk  
10    about all the time. It's something that we get pushed  
11    on by our actual investors, our limited partners, and  
12    prospective ones, which is how do you do this. Like how  
13    do you actually build co-investment networks at scale?  
14    It's a combination of technology and other factors, but  
15    really, it's just good old-fashioned relationship  
16    building. And that's difficult, and I guess the last  
17    thing on that is that it's pretty -- you know -- I was  
18    having this discussion today.

19                This morning, my wife asked me. She said  
20    where would be the easiest place for you to be  
21    successful in this job? And I said, well, I could  
22    probably live in Marin County outside of San Francisco,  
23    and I would never have to leave, right. That's where so  
24    much of the industry is located. It's not the approach  
25    that my firm and I want to take, so it's really not an

1 option for us, but the question was, you know, sort of  
2 what would be the easiest approach. And that was my  
3 answer, and so -- but you don't have to go very far down  
4 the list of sort of if you aggregate the number of  
5 startups or venture capital deployed. You don't have to  
6 go very far down the rankings list before you realize  
7 that there are not lots of early capital providers in  
8 these geographies.

9           You know it's like once you cross kind of like  
10 the top five threshold, it starts to become sparser than  
11 you would think. I think on a capital weighted basis,  
12 60 percent of venture capital is in funds in the Bay  
13 Area, whereas 25 percent of venture backed startups are  
14 in the Bay Area. So there's a real capital  
15 concentration issue there, and as I said before, it's a  
16 matter of growing communities and building relationships  
17 across a bunch of different geographies.

18           MS. HASELEY: Yes, thank you. I'm going to  
19 harken back to what you just mentioned and what you said  
20 at the outset, Ian, about the importance of network  
21 capital and cultural capital. Before I jump to that  
22 though, I want to make a quick plug for submitting  
23 questions, so for everyone who's tuned in, if you have  
24 questions for our panelists, we invite you to write them  
25 into the chat so we can address them later on. We would

1 love to involve you in the conversation. So yes, you  
2 mentioned cultural capital amongst the two kinds of  
3 capital that are so important and like intangible,  
4 right, and they're going to differ from ecosystem to  
5 ecosystem. Zooming out on the discussion a bit, I think  
6 that there is a misconception that a flagship  
7 entrepreneurial ecosystem like Boston, where you are  
8 Betty, or New York, Brian for you, that they have it all  
9 figured out.

10 And Betty, you mentioned early on that  
11 actually, oh, you were surprised by like there are  
12 communities within that community that still need help  
13 connecting, or there are certain entrepreneurs that  
14 still aren't thriving, right. So more work still needs  
15 to be done to kind of add or grow the cultural capital  
16 and the network capital even within the existing robust  
17 ecosystems. So I guess I'd ask to all of you generally,  
18 and we can break it apart a little bit more, but how do  
19 you do that? How do you promote this culture of  
20 innovation and create a more collaborative environment?  
21 How do you go about growing or changing the cultural  
22 capital that does or doesn't exist in the ecosystem you  
23 find yourself in? Betty, maybe if you're comfortable  
24 starting it off.

25 MS. FRANCISCO: Sure, yes. You know again, it

1    seems like there is some fancy thing happening or going  
2    on. It's actually -- you know -- it's relationships,  
3    right. It's the relationship building process, and then  
4    also what you prioritize, right. So like during the  
5    last three years where like I mentioned there's just  
6    been a lot more collaboration amongst capital providers  
7    and business support organizations. One is that this  
8    initiative that mentioned, Coalition for an Equitable  
9    Economy, has at its core a focus on helping to address  
10   the racial wealth divide in Massachusetts but also  
11   creatin a more sustainable and inclusive economy, right.

12                So like that's the bigger goal, and in order  
13   to do that, we know we have to focus on the underserved,  
14   under resourced, underinvested entrepreneurs and small  
15   businesses. And how do you do that? Like so part of it  
16   has been that there are some regional areas that already  
17   have really robust ecosystems but maybe not enough  
18   capital, right. There's a lot of interconnections and  
19   good strong relationships, but they need more capital  
20   support. And we're regionalized here in that Boston is  
21   the center of the universe, right, but there's this  
22   whole other part of innovative activity happening in the  
23   western part of our state, in the northern part,  
24   Merrimack Valley, and in our gateway cities. We're also  
25   like a hub for some of the clean energy technologies

1     like solar and offshore wind, right, so how do we create  
2     more supports for those industries?

3                 So part of it is bringing in -- and this is  
4     why I really love this coalition building work because  
5     it merges policy with collation and movement building,  
6     right. And this is where policy is really important and  
7     having government leaders at the table as well, so part  
8     of why we've been able to bring more capital to support  
9     some of the small businesses in Massachusetts has been  
10    because of the relationships we've built with the  
11    Economic Development Secretary, with the Governor's  
12    Office, right, and being able to be advocates for the  
13    needs we're seeing on the ground for businesses.

14                So again, during Covid, massive need for Covid  
15    relief. Massachusetts actually became the state with  
16    the largest Covid grant program in the country, so  
17    almost \$700 million went to small businesses. Almost  
18    half went to women and MBE, DBE designated businesses,  
19    so it really did reach some of the businesses that  
20    needed it the most. The other thing is we're realizing  
21    that not all resources meet needs in the way they're  
22    structured, right. So in Mass, about 78 percent of  
23    businesses here are microbusinesses, businesses with  
24    less than 250,000 in revenue per year and less than five  
25    employees, so their needs are really, really, different.



1     So now there's legislation, right, to create a  
2     microbusiness office to have different supports for  
3     those, and then to also go deeper, right, on supporting  
4     innovation.

5                 So some of you might know Treasury allocated  
6     another round through SSBCI, right. SSBCI funding was  
7     something that states could apply for to get more small  
8     business capital, right, into their states, so again, we  
9     helped to advocate for more capital to go to  
10    MassVentures, which is the state quasi for venture  
11    capital, so that they could invest in deep tech but deep  
12    tech into diverse founded companies. And then also  
13    MassGrowth, which is the lending arm for small  
14    businesses, to do more loan guarantees and credit for  
15    small businesses so that other -- so banks and other  
16    community capital could do more lending.

17                And then MassDevelopment, which is sort of the  
18    gap filler for housing and other big economic  
19    development projects, so all of that -- you know -- when  
20    we think of startups, we often think of like tech and --  
21    but there's so much more beyond just tech. It's this  
22    entire ecosystem of economic activity that has to be  
23    funded, and we've identified areas of where more capital  
24    needs to flow. The other is in our state and maybe in  
25    New York and in California too we're seeing this.

1     There's a huge housing crisis, so we need more  
2     affordable housing, you know, in our entire state. So  
3     there's a focus on helping businesses both develop more  
4     affordable housing but also businesses to be able to  
5     acquire their own spaces so that they control where  
6     they're at because there's also displacement on the  
7     business side where businesses are being pushed out,  
8     right, of where they are.

9             And then lastly, developers of color, really  
10    important, right, lots of developers of color coming to  
11    the table that want to create more affordable housing or  
12    more affordable commercial, and they need funding,  
13    especially for that early stage of development. So more  
14    resources are coming, but it's because of advocates  
15    constantly pushing and relaying what is needed on the  
16    ground, and that's really what's differentiating now  
17    that we haven't seen that level of advocacy in a  
18    collective way.

19            MS. HASELEY: Great. Because you just put  
20    into like a real-life example the quote that  
21    Commissioner Crenshaw set out at the beginning that she  
22    pulled from Ian's book which was actors in the system  
23    must be adaptive, right. Like that need for the system,  
24    all the different entrepreneurial ecosystems to be  
25    flexible and adaptive. I want to integrate some of the

1 feedback that we've gotten from our audience at this  
2 point because it's really in line with the conversation  
3 we're having. Based on our earlier poll, the biggest  
4 barrier to accessing capital folks have said is networks  
5 and connections to investors, and that's exactly what  
6 each of you has been saying, and it's been your  
7 experience. It's something you said that is a  
8 differentiator in helping the ecosystems grow.

9 I'd love to turn to you, Brian, and you like  
10 Betty, have done a lot of work, and you alluded to it at  
11 the beginning in your intro ways that you have been  
12 helping to build community and network in the areas that  
13 you touch. So maybe you can share your views on the  
14 importance of creating those collaborative environments  
15 and tell us a little bit more about what you have been  
16 doing there.

17 MR. HOLLINS: Sure. Yes. You know I think  
18 the more time I spend watching more successful people  
19 than me or people I look up to, like if you watch their  
20 sort of acceptance speeches, like very rarely are they  
21 talking about themselves. You know they're often times  
22 talking about people who helped them get somewhere or  
23 people that gave them a chance or things -- you know --  
24 I'm just like a firm believer that like most highly  
25 successful people have sort of a team-based approach and

1 a collaborative sort of way of carrying themselves.  
2 Where I think it's tricky to be collaborative in one  
3 place and then turn it off in another. It feels a  
4 little inauthentic to me. Like I think you either tend  
5 to open up doors and share resources with everyone  
6 around you, or you don't do it at all.

7           That's kind of my approach and so I think it's  
8 important to just acknowledge that like if you find  
9 yourself looking to identify communities that you can  
10 join or ones that you want to grow in or be a part of,  
11 you should also come with an orientation of trying to  
12 help that community as opposed to just asking how it can  
13 help you. And I think that when you find those  
14 communities or if you ask yourself that before you join  
15 communities, you will often times find yourself in  
16 better communities simply because that community was  
17 just better aligned with what you wanted to do, or what  
18 you wanted to learn, or kind of how you wanted to grow.

19           And so I think I've spent a lot of my career  
20 just being intentional on the communities that I join  
21 and the ones that I try to help succeed because we all  
22 have -- you know -- both Ian and Betty have alluded to  
23 networks and resources. Like we all have very limited  
24 networks and resources. You can't always ask everyone  
25 for favors, and so when you do, they need to be

1 intentional and really be thought out. And I think that  
2 the more time that you spend building community and  
3 identifying cultures and communities that you care  
4 about, the more benefit you'll see, the more reward  
5 you'll reap because you'll find yourself enjoying  
6 helping other people just as much as you enjoy when  
7 someone helps you. I think that's the power of a very  
8 collaborative community, so I've done that throughout my  
9 career. I've tried to do it in different places.

10 Most of the work I've done is for the Black  
11 community in particular, and so I think about it as a  
12 horizontal lawyer like not just how do I help Black  
13 people that want to get into venture capital, but how do  
14 I help the entire ecosystem. So I do a lot of work with  
15 the Black undergraduate community. I do a lot of work  
16 with the Black young professional community. I do work  
17 to help train Black tech executives on how they can  
18 become angel investors, so that's more of a top-down  
19 approach. So I -- you know -- again, it just goes back  
20 to the fact that I do it pretty organically, pretty  
21 authentically. Like if I see a resource that one of  
22 those groups should have, I'm going to give it to them  
23 freely and not worry about getting it back, and I think  
24 the more you can train yourself to find those  
25 ecosystems, the more -- just the better off you'll be,

1 the better experience you'll have.

2 MS. HASELEY: That's such a great perspective  
3 and inspiring work that you all have done. Ian, if I  
4 could turn to you and ask you to weigh in also on some  
5 of the challenges you've seen and experienced at the  
6 times you've been outside of the traditional VC  
7 hotspots.

8 MR. HATHAWAY: Yes. Before I do that, I just  
9 kind of want to jump onto some of the things that Brian  
10 and Betty said, so I think it's -- I guess another way  
11 of framing the discussion was around being transactional  
12 versus being additive and relationship focused. Like  
13 don't just show up and say what can I get out of this.  
14 You wouldn't build relationships in your own physical  
15 community or family -- you know -- you wouldn't show up  
16 to a prospective in-law's house and ask what they can do  
17 for you. You'd want to be providing something, right,  
18 and so the way I think about it -- there's actually a  
19 really good framework that my co-author and  
20 collaborative, Brad Feld talks a lot about called Give  
21 First, which is sort of having this really long-term  
22 lens and having a commitment to a community whatever  
23 that is or a cause and saying, look, I'm going to spend  
24 the rest of my life contributing to this. When people  
25 in this community are doing better, I'm also doing

1 better, right.

2 I'm not approaching it with this kind of like  
3 ledger in mind, so I did a favor for you; now you owe me  
4 a favor. It's like exhausting, and so it's so much  
5 easier to just find ways, simple ways, to help people,  
6 right, whether it's giving them five minutes of your  
7 time for support or connecting them to someone else, or  
8 being a leader, right, just showing up and initiating  
9 things. And that improves everyone in that system that  
10 you care about, that community, and that benefits you,  
11 and just trusting that it's going to work out for you.  
12 It's just a lot -- it's a much better approach to this  
13 work and just in life in general. You know to your  
14 point about -- your question, Courtney, about regions  
15 outside of Silicon Valley or whatever the main hubs.  
16 It's where I spend all of my time.

17 You know there's so much focused on the word  
18 capital, and in fact, I didn't talk about this, but the  
19 Seven Capitals, that framework, was really an ode to the  
20 fact that everyone uses this term capital. And what  
21 they mean is financial capital, but there's actually  
22 other capitals, right? There are other things that  
23 require investment, a forward-looking mindset that  
24 provides value in the future, requires upgrades and  
25 maintenance, right. These are all capital like

1 qualities, and they're all important. And when I go to  
2 many of these financial capital deficient regions, they  
3 think if only they can have that capital that will solve  
4 all the problems, and it's almost never the case. I  
5 think about the community that I came from. I grew up  
6 in a small town of 12,000 people in western Ohio. My  
7 father had no education, no networks, no wealth, but he  
8 had thirty patents to his name, right. He was a  
9 brilliant sort of savant like inventor, but he was a  
10 failed entrepreneur.

11           And one of the things that I wrote about in  
12 the book and actually took out -- I don't share this  
13 publicly too often -- but was this feeling and this  
14 thinking about if everything were the same with my dad's  
15 projects that he spent most of my life building, if the  
16 only thing that were different were that we lived in  
17 Palo Alto, California instead of this small town in  
18 Ohio. How different would the outcome be if you changed  
19 that one thing, right? And it's more than just  
20 financing to get that off the ground. We just didn't  
21 know what we didn't know, right. Twenty percent of my  
22 graduating class went to any higher education at all,  
23 right.

24           So it's much deeper than that, but I think --  
25 and it's not to minimize the importance of financial



1 capital. Obviously, that's very important, and for some  
2 communities, that is the missing ingredient like Betty  
3 said. But in general, it's all of these things, and so  
4 I think they're so deficient in many of these things  
5 that you can't just take this one-off approach. It's  
6 really you got to look at the whole system view in order  
7 to provide, you know, the suite of resources that the  
8 entrepreneurs need to succeed.

9 MS. HASELEY: Thank you very much, Ian, for  
10 sharing that story that you keep to your chest most of  
11 the time. I appreciate that. I want to kind of lob a  
12 more general question. It's the hard one to answer, and  
13 we've touched upon it in pieces already. But to the  
14 extent we can try to ensure or make better  
15 entrepreneurial ecosystems in terms of their inclusivity  
16 and help them be more supportive of founders from  
17 diverse backgrounds and diverse industries, are there --  
18 you know -- is there any suggestions or a wish list that  
19 you all have? It's something you each have described as  
20 part of your mission statements, right. There are  
21 things you are already trying to doing -- to do. Sorry.  
22 But if you have anything you could add, a special sauce,  
23 things we should focus on, things we need to see more  
24 of, I'd love to hear from you all on that.

25 MR. HOLLINS: Are you more speaking about how

1 I -- like the advice that I would give to capital  
2 allocators on how they could be better?

3 MS. HASELEY: Sure. It doesn't have to be  
4 capital allocators. It can speak to anyone at any level  
5 at any part of the system. That's why it's such a hard,  
6 broad question.

7 MR. HOLLINS: No, it's a good question because  
8 there are. There's a lot of different groups and  
9 different groups have different incentives. Different  
10 incentives make you act for different reasons. I would  
11 say what -- like a guiding principle I've seen that I  
12 just appreciate more than I did in the past was  
13 exposure. So Bryan Stevenson, I don't know if folks are  
14 familiar with Bryan Stevenson, but he talks about  
15 proximity and just the notion that unless you are sort  
16 of in the ecosystem that you're talking about trying to  
17 do better in, you're just -- you're not going to do  
18 anything about it.

19 Hiring a HR team to help you with diversity,  
20 or building in a system so that three percent of  
21 everything has to be this -- like you're never really  
22 going to move the needle. And so I've seen some teams  
23 really take that type of work seriously. I'll shoutout  
24 one of our investors in our fund. The University of  
25 California Endowment, there's a group called UC Regents,

1    which is run by -- the CIO's name is Jagdeep Bachher.  
2    And about two years ago, he was frustrated with the lack  
3    of diverse managers that were on the University of  
4    California Endowment GP list, and he said over the next  
5    two years we're going to take one hundred meetings with  
6    diverse managers because I want to see if like we really  
7    just don't see any that are high enough quality to be in  
8    here, or if we just have a problem with the system and  
9    the way that we identify managers that we make choices  
10   for. So I'm lucky to be one of those examples.

11            You know I didn't even -- it wasn't a publicly  
12   posted I'm going to do one hundred calls. It was just  
13   when things came inbound, his team knew to flag it, and  
14   they took more exposure. They took more meetings. They  
15   had more follow-ups. They did more references, and  
16   ultimately, it landed myself and my partner and a  
17   handful of other firms into their ecosystem. And so I  
18   think that exposure is a starting point is what I'll  
19   call it. You know I think there's -- I think the work  
20   that Betty and Ian do will tell you the frustrations  
21   around the lack of capital that's moved into this world,  
22   but I tend to try to be at least a little glass half  
23   full and say that if you can just start with filling  
24   your calendar with the people that are in these  
25   ecosystems, I'll bet you'll recognize that they're a lot

1 smarter, a lot more talented than you gave them credit  
2 for, and you'll start to focus on it a little bit more.

3 But you have to be exposed to it. It can't be  
4 someone on your analyst team or someone that comes  
5 around every Black History Month. You need to go and do  
6 the work is what I would say.

7 MS. FRANCISCO: Yes. And I'll double down on  
8 that in the context of diversity and not -- you know --  
9 we think of diversity immediately as diversity of  
10 ethnicity or raise. Of course, that's important, but I  
11 think in building ecosystems, ensuring that you have a  
12 diversity of voices of the different players in that  
13 ecosystem is really important and that those players be  
14 diverse. Like we know that the VC ecosystem is not  
15 diverse, right. We're starting to make some dent like,  
16 you know, your fund, for example, Brian, is making a  
17 huge impact. But they are still very few and far  
18 between, right, and what we often leave out is the small  
19 business owner voice.

20 Like it tends to be let's go to the successful  
21 entrepreneur and figure out what they want and need, and  
22 I think we need both smaller companies, those that have  
23 failed even. Like what do they need? Why did they  
24 fail? Like how can we do better for them? So that's  
25 one, and then the other thing, you know, in terms of

1    like the other players in our ecosystem, the business  
2    support organizations, those doing accelerator programs,  
3    incubators, there is also a lack of diverse leadership,  
4    right. So how can we bring them to the table, encourage  
5    more -- a lot of them are nonprofits, so how do we  
6    encourage more people of color to go into those kinds of  
7    jobs. I will say here in Massachusetts a lot has  
8    changed. We see a lot more diversity, and I'm super  
9    proud of another initiative that I've been a part of  
10   called Amplify Latinx, which is focused on building  
11   economic a political power for Latinos in the  
12   commonwealth.

13                   And one of the things is we help build an  
14   initiative for Latino entrepreneurs, right, so that --  
15   one thing we saw is everybody was siloed. A lot of  
16   these businesses didn't even know they existed in the  
17   state, and so part of the effort is to help connect them  
18   so they'll do business with each other but also connect  
19   them to the plethora of resources that are here for  
20   small businesses and entrepreneurs. So just to raise up  
21   again like the connection that we can make, the  
22   introductions, us serving as role models and mentors is  
23   really important, and I spend like probably half my time  
24   door opening, right, connecting people. And it's that  
25   knowledge and social capital that is absolutely a

1 critical part in addition to financial capital, and I  
2 keep stressing the political capital part, right,  
3 because you can make a lot of connections, but you also  
4 have to be relatively politically connected, right, to  
5 even be more successful.

6           And I will tell you like one example. We had  
7 a business opening last year; it's a circular economy  
8 company and a micro factory creating furniture out of  
9 chopsticks, recycled chopsticks. This entrepreneur was  
10 able to open within three months of getting her lease  
11 signed. And why? Really connected to the city of  
12 Boston, to permitting licensing, was able to get in  
13 front of the right people in order to open quickly. And  
14 then those that don't have that it can take a year,  
15 right. So it actually makes a huge difference to have  
16 government leaders, elected officials behind you and  
17 supporting you, and also where they have your ear in  
18 terms of what are the issues we are facing as a business  
19 owner so that they could be advocates for you.

20           MR. HATHAWAY: Yes. Maybe just a last thing,  
21 I know we're up on time, so I'll go quickly. Just to  
22 kind of -- maybe I'll make one comment about the capital  
23 allocators approach. That story that Brian mentioned  
24 from Cal Regents is really encouraging because I feel  
25 like that's a great place to start. We need more

1     diverse fund managers who come from the communities that  
2     we're trying to reach. You know many moons ago, I did a  
3     bunch of research on this and found that diverse CEOs  
4     are no less successful than the venture-backed companies  
5     overall. The challenge was getting funding into those  
6     companies, and so the investors that were driving  
7     investment into diverse led companies were people from  
8     those communities, no surprise.

9             And so I'm grateful that the discussion has  
10    opened wide the last few years on this. This is front  
11    and center on a national stage, and that's great. We've  
12    made a lot of progress. We have a very long way to go,  
13    but one of the most straightforward ways to tackle this  
14    challenge is to do what we -- you know -- what I just  
15    said, which is getting more fund managers from these  
16    communities with the capital they need to deploy in  
17    those markets.

18            MS. HASELEY: Thank you all. I love what I'm  
19    hearing. I know that there is so much more you all  
20    could say on this important topic, but I'm mindful of  
21    the time. And so I do want to give us some -- a little  
22    bit of time for audience Q&A, so I'm going to invite my  
23    colleague, Sebastian Gomez, back to help us do just  
24    that.

25            MR. GOMEZ: Thank you so much. I've been

1 really enjoying this, and while I really enjoy the Q&A  
2 portion, in part, I was hoping that the panel was not  
3 going to end because I was really enjoying this  
4 conversation. So thank you again for that. We received  
5 a number of questions. I did see -- before I get to the  
6 questions, I saw that Faith jumped in on the chat with a  
7 point about finders. The issue of finders is one that  
8 we often hear about. It's part of our -- has been part  
9 of our recommendations to Congress and the Commission  
10 since this office started putting out annual reports.  
11 There's a number of recommendations on finders. In  
12 2020, the Commission proposed an order that was just a  
13 proposal. The Commission currently does not have  
14 finders on the regulatory flexibility list, which means  
15 like it's not on the list of actions that the Commission  
16 is planning to take in the near term, but if you feel  
17 passionate about it, when we turn it to the  
18 recommendations and voting on those, by all means,  
19 please note that.

20 I want to start with a question that we  
21 received on the chat, and Betty, you touched a little  
22 bit on this, but I wanted to follow up with it a little  
23 more. The question came from Mezaun. I apologize if I  
24 didn't pronounce the name properly. He was asking about  
25 FINRA approved platforms that match underrepresented



1 founders with potential investors, and not to put you on  
2 the spot of any particular platform but more broadly,  
3 what are your suggestions, your tips for an  
4 underrepresented founder who's struggling to connect  
5 investors? I mean I think the reason I want to start  
6 with this question is it closely ties to that question,  
7 that point that Faith made about finders, but  
8 practically today, what would you suggest for an  
9 entrepreneur who is saying, look, my networks don't  
10 include people in the country club.

11 So how do I go about finding those investors?  
12 Brian, can I start with you or Betty?

13 MR. HOLLINS: Betty, go ahead.

14 MS. FRANCISCO: Yes. I mean in my world -- so  
15 we are what we call trust-based community investors, so  
16 we are actually seeking the entrepreneurs that don't  
17 have those networks, right. They're the most under  
18 resourced. They don't have friends and family that can  
19 necessarily invest the capital they need, and in part of  
20 what we have to bring to the table from a value add  
21 perspective is not just our own capital, but it's that  
22 other capital that we talked about, the knowledge and  
23 connections, is that we open the door. And I think all  
24 of us do this for that entrepreneur to other investors.  
25 Our focus is on impact, right, so we're impact

1 investors.

2           So we're opening the door to other impact  
3 investors that these entrepreneurs would not have access  
4 to otherwise, so that's one is to seek out other forms  
5 of capital, alternative capital. So, of course, there's  
6 venture capital, but there's CDCs and CDFIs that offer  
7 community-based capital. There are also angel investors  
8 in different ecosystems. Some focus on underrepresented  
9 founders; some focus on women. So it's actually doing a  
10 little bit of homework, right, around who is in your  
11 ecosystem that you could connect to. I was originally  
12 part -- I started angel investing through Pipeline  
13 Angels, which is focused on helping women to become  
14 angel investors so that they will in turn create more  
15 capital for women entrepreneurs. So there's a number of  
16 women-focused angel investing groups. There's others  
17 sort of focused on diversity, Black -- you know --  
18 there's BLCK VC that also has a number of angel  
19 investors that are part of that community as well, so I  
20 would say is happy to also connect with me, and I'll  
21 offer all of you up to help open a door to where you can  
22 start to look for investors.

23           There's also -- and I think in a lot of  
24 communities like here we have something called the  
25 Capital Network, right. They focus specifically on

1 connecting founders to capital, and it's the broad  
2 spectrum of capital from community investment,  
3 crowdfunding alternatives to straight up banking and VC.  
4 So it's seeking it out in terms of where you are. I  
5 don't know much about the fintech platforms and how --  
6 and whether they're working well because I certainly  
7 know we've never gotten a connection through those.

8 MR. GOMEZ: Brian. Thanks, Betty.

9 MR. HOLLINS: Yes, sure. I can piggyback a  
10 little bit. Like I'm not sure that my answer is the  
11 most friendly, but like to be honest, like the internet.  
12 You know like I've never seen more lists of funds that  
13 back underrepresented managers or funds that focus on  
14 the earliest stage of investing. I mean I think that  
15 there is -- ten years ago, I agree with you. You kind  
16 of needed to be on Sand Hill Road to figure that stuff  
17 out. Like I know ten funds that have open office hours  
18 where they're -- you know -- I think it requires doing  
19 your homework and being very specific about what you're  
20 trying to build and recognizing that every venture  
21 capital firm doesn't back the same type of company.

22 So if you want to build a McDonalds franchise,  
23 you shouldn't go to an enterprise software venture  
24 capital firm or vice-versa. Or if you want to build  
25 something that's focused on founders in Nigeria, then

1     you shouldn't go to a fund that only invests in the U.S.  
2     and ask them why they're not interested, and so I think  
3     it requires doing homework. But I think that the  
4     internet is readily available in a way today that it  
5     wasn't even two or three years ago. And sure, you can  
6     use these platforms like Angel List, or you know. I  
7     think if you want to ultimately build something, you're  
8     going to have to do more homework than just what is  
9     available to get you off the ground anyways. And so in  
10    the process of doing that, you might as well go and  
11    explore all the different things that are out there that  
12    are focused on where you're focused.

13                 So again, it's just -- I think that this  
14    question will never be solved entirely. Not every  
15    founder is going to get capital. Not every business is  
16    going to get matched to an investor, but I think that if  
17    you can really hone in on whatever it is that you're  
18    building and actually prove that you're building  
19    something, show that you've been working on it, show  
20    that there's material traction behind it whether that's  
21    revenue, or customers, or even interest -- it doesn't  
22    need to be anything fixated but show that there's  
23    purpose and intention. And I think the internet is your  
24    friend.

25                 MR. GOMEZ: And go ahead, Ian.

1           MR. HATHAWAY: Yes. I can add something to  
2 that. I agree with that 100 percent, and it's --  
3 remember that you're building relationships with people,  
4 right. So one of the things Brian said, another way of  
5 framing it is like you need to really -- you know -- you  
6 do your homework and really qualify your leads. Who are  
7 you targeting and why? And it's not just at the fund  
8 level. It's at the individual level, right. Who is  
9 investing in what? What are they excited about? You  
10 can find out this information, you know, by hustling,  
11 and it's not just at the partner level, right.

12           So where firms have associates and principals,  
13 those are the people with their nose to the ground, and  
14 those are the people you want to build relationships.  
15 Don't just come to them at the time that you -- hey, I'm  
16 trying to raise capital in the next 60 days or so. Try  
17 to build that relationship as early as possible.  
18 Investors love -- the way I'd frame it is instead of  
19 dots, they want to see lines. Give them the opportunity  
20 to show that you can actually build something over time.  
21 Give them some kind of timeline to look at what you can  
22 do, and another practical tip is that so many early-  
23 stage firms -- like they're so many now.

24           Thankfully, there are these lists. There's  
25 Crunchbase. There's other resources where you can find

1 who they are. A lot of them have public intake forms on  
2 their website; mine does as well. So there are ways of  
3 getting in front of these people, but it's really  
4 important to qualify those leads at the individual level  
5 so you're not wasting time, and you don't just fall into  
6 this black hole. And view it as the beginning of a  
7 long-term relationship because that's the reality. Once  
8 you start raising capital, you're going to be continuing  
9 to do that for most of your business unfortunately, and  
10 that's kind of the right mindset to take to it.

11 MR. GOMEZ: Great tips from all three of you.  
12 Anyone in the audience who is madly trying to take notes  
13 of all this stuff, remember that we are recording this,  
14 so we'll have it available on our website afterwards so  
15 you can go back and listen to the tips. I want to jump  
16 to another question, and Ian, you mentioned this as you  
17 were chatting earlier, the fact that you could probably  
18 count with just this hand here -- or is it right here --  
19 the total number of cities, regions that you would  
20 consider like the top ecosystems for raising capital  
21 right now, and one of the issues that we see often and  
22 hear often about is founders who are not located in  
23 those regions. And they have tapped out all of the  
24 local sources of capital for them, and they are ready to  
25 grow to the next level.

1                   And they ask what should I do. Do I have to  
2 move, or is there another option for me? What would you  
3 say to someone who's just located somewhere outside of  
4 those top three, five capital raising ecosystems and has  
5 tapped out all the capital they have locally?

6                   MR. HATHAWAY: Well, my entire world view and  
7 approach is of the belief that they do not have to do  
8 that, right. Now, maybe for some types of companies, it  
9 might be more helpful than others, you know, so if  
10 you're doing enterprise software, maybe being in the Bay  
11 Area would make sense because your customer base would  
12 be where those large enterprises are located. I don't  
13 really know. One of the benefits of the Covid area is  
14 that people have gotten used to dealmaking or at least  
15 the beginnings of relationship building virtually. I  
16 mean look at this event, right. I mean we funded  
17 companies we didn't meet in person because we couldn't,  
18 so it opens up a lot of possibility. But it's still the  
19 same thing like you have to build relationships.

20                   That might mean getting on planes, and maybe  
21 you're fortunate enough to be in a place like Boston  
22 where the capital providers you're looking for -- there  
23 are a sufficient number of them in that geography, and  
24 you can do that on a local basis. But, you know, look.  
25 My belief is that you do not have to do that, but you

1 may have to raise from people who are located in other  
2 geographies. My belief is that you're still building  
3 relationships. The best way to do that is in person,  
4 but through this -- whatever -- societal shift that  
5 we've gone through, accessing the beginnings of those  
6 conversations is actually easier than ever.

7 In fact, we prefer to do first meetings with  
8 companies virtually because we have the software to  
9 actually do automated notetaking, right. It's actually  
10 a better exercise for us. Of course, we like to meet  
11 companies eventually, but -- so yes, that's my feeling.  
12 You don't have to. It might be helpful for you, but if  
13 you don't have those capital providers in your geography  
14 at the stage of investing, you know, you're going to  
15 have to go and see those people.

16 MR. GOMEZ: Brian, I think you're muted.

17 MR. HOLLINS: I am. Thank you. I just wanted  
18 to add to it. Like unless you're raising \$50 million, I  
19 tend to not believe that you don't have capital in your  
20 backyard. I tend to believe what you don't have is  
21 product investor fit, meaning you haven't found  
22 something to sell to the people that have money in that  
23 ecosystem that's appealing enough to them. And so I  
24 really like -- I spend a lot of time with our founders  
25 thinking about the evolution of that thinking from the



1     thing that you're selling to a seed stage investor is  
2     very different than the thing that you're selling to a  
3     Series C or a Series D investor. You're selling almost  
4     an entirely different vision. One is about scale and an  
5     earlier one is about sort of ideation.

6             And so I tell founders to really think a lot  
7     about like why your thing needs to exist. Like is there  
8     any reason why no one else in the world could build the  
9     thing that you're building, and to the extent that you  
10    can get to that answer, you tend to get a little bit  
11    closer to the thing that you should be building. And  
12    often times, if you can bring that differentiated thing  
13    to the pools of capital that are right in your backyard,  
14    they will likely be interested in it. And so that's the  
15    other thing I would add is really just try to get  
16    recognized. I'll use Ian and myself as an example as  
17    early-stage managers.

18            You know I see about 1,500 companies a year,  
19    so imagine yourself as one of those 1,500 where if I say  
20    no to you, you take it really personally, but the  
21    reality is that I'll say no to 1,470 of those people.  
22    And so you just need to figure out how to be inside that  
23    thirty, and I think that the people in your backyard  
24    will be interested if you find a way to do that.

25            MR. GOMEZ: I love that. Betty, anything else

1 to add on this? If not, I wanted to tee up what I'll  
2 call a lightning round question here because I want to  
3 give people time to jump through the recommendations.  
4 But I just wanted to -- feel free to chime in on that,  
5 or if not, for all three of you if there was one thing  
6 that you think the audience should walk away with from  
7 today's discussion, what would it be?

8 MS. FRANCISCO: Well, I'll combine my last  
9 thought on the question and the lightning round. So  
10 surround yourself with a community, a community of  
11 support, a community you value, a community that you  
12 want to help bolster and amplify it. And as an  
13 entrepreneur, for example, that community you might find  
14 with other entrepreneurs. Like find a program to help  
15 build your company. I did a little stint as an  
16 entrepreneur, and I did an accelerator program, which  
17 was invaluable, right, around both the supports it gave  
18 me to help get the business to the next level of launch,  
19 but also it was being around other entrepreneurs that  
20 understood the journey because it is such a lonely  
21 journey.

22 And I think it's important to have a network  
23 of support that way, and there's so many accelerator  
24 programs, incubator programs out there almost in every  
25 community. And you can find them too in coworking

1 spaces or other business support organizations. So  
2 that's one is participate in one but also be part of  
3 shaping one. Give something of value that you have. It  
4 could be mentorship. It could be opening a door, buying  
5 or supporting those businesses, right, that are coming  
6 your way, and then just amplify them into the ecosystem.  
7 Like put them on social media. Talk about them. Give  
8 them a voice.

9 MR. GOMEZ: Thank you, Betty. Brian.

10 MR. HOLLINS: Sure. Yes, I mean I think Betty  
11 hit the nail on the head around a lot of those topics.  
12 You know I'll use an anecdote to continue what she said,  
13 which is like 5 percent of \$100 million exit is a lot  
14 bigger than 100 percent of a \$0 million exit, and I  
15 think we have a mindset that like when we come around a  
16 good idea, we need to like protect it and not let anyone  
17 touch it. And I'm the CEO and I need to run it, and my  
18 LinkedIn needs to say that it's mine. And building a  
19 company, building a firm -- I don't care what you're  
20 building -- entrepreneurship in general is very lonely.

21 And so to the extent that you are frustrated  
22 at a desk job, and you're just positive that you want to  
23 run your own schedule, I would just be very mindful of  
24 what you're signing up for. And make sure that you have  
25 a group of people that you're actually very excited to

1 see 16 hours a day, 6 days a week because it's a very  
2 long kind of journey and long grind.

3 And whether it's the community that you build  
4 around you like what Betty said or just the team you  
5 build around you, which is a little more of what I'm  
6 alluding to on a day-to-day basis, building a company  
7 takes seven to ten years at minimum. And so just make  
8 sure that you surround it with people that you think are  
9 really smart and really capable because otherwise it  
10 will be a lot harder.

11 MR. GOMEZ: Ian, I would hate to be you  
12 because you have to -- you get the last word, but you  
13 get to follow after Betty and Brian. But it's all  
14 yours.

15 MR. HATHAWAY: Well, look. Like Brian said,  
16 like just low ego. Ego is going to kill you in this  
17 world, so get rid of that as soon as possible. I mean  
18 look, my big takeaway is -- from this discussion is that  
19 community is important. It can help you succeed. It  
20 will not guarantee your success, but it will improve the  
21 probability of success for sure. It will also make the  
22 journey more enjoyable in my experience. If you --  
23 there is no sort of magic recipe to building a  
24 community. It's very simple. Like think about how you  
25 would build a community where you live, how you build a

1 community whether it's dropping your children off at  
2 school or some sport you play. Whatever it is, it's  
3 just that's it. It's very simple. You show up.

4 You find ways to be helpful. You treat people  
5 well, and that will improve the odds that you will  
6 succeed.

7 And if that community that you're looking for  
8 doesn't exist where you live or where you inhabit on the  
9 internet, create it.

10 It's very simple. No one can stop you,  
11 and it only takes one or a few of you to get it going,  
12 and you never know where it will go. And so that's my  
13 advice.

14 Community matters, and I think the  
15 smartest entrepreneurs understand that and spend  
16 significant energy investing in that.

17 MR. GOMEZ: Well, Betty, Brian, Ian, this was  
18 fantastic. Thank you so much for all your insights. We  
19 really appreciate it.

20 Thank you, Courtney, for moderating the panel.  
21 That's all the time that we have for today, so I'm going  
22 to turn it over to my colleague, Sarah Kenyon, who is  
23 going to wrap us up. Thank you so much, all.

24 MS. KENYON: Hi, I'm Sarah Kenyon from the SEC  
25 Small Business Advocacy Team. I want to thank you for

1 spending time with us today for our discussion about  
2 growing and supporting entrepreneurial ecosystems.

3 I want to give a special thanks to our  
4 panelists for sharing their valuable insights with us.  
5 Join us tomorrow at 1:00 p.m. Eastern for a discussion  
6 about how smaller funds support small businesses and  
7 hear about their successes and challenges.

8 We now invite you to review the policy  
9 recommendations that have been submitted and vote to  
10 prioritize the recommendations that are most important  
11 to you. You'll find those just below me on the event  
12 platform. Thank you for being part of the forum.

13 (Whereupon, at 2:22 p.m., the meeting was  
14 adjourned.)

15 \* \* \* \* \*

PROOFREADER'S CERTIFICATE

In the Matter of: SMALL BUSINESS FORUM

File No: OS-0001

Date: Tuesday, April 25, 2023

Location: Washington, D.C.

This is to certify that I, Christine Boyce,  
(the undersigned), do hereby certify that the foregoing  
transcript is a complete, true and accurate  
transcription of all matters contained on the recorded  
proceedings of the meeting.

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5-3-2023

REPORTER'S CERTIFICATE

I, Tristan Freeman, reporter, hereby certify that the foregoing transcript is a complete, true, and accurate transcript of the meeting indicated, held on Tuesday, April 25, 2023, in the matter of SMALL BUSINESS FORUM.

I further certify that this proceeding was recorded by me, and the foregoing transcript has been prepared under my direction.

5-3-2023