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1 P R O C E E D I N G S

2 INTRODUCTION

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

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

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

23 Time and schedules permitting, speak to as
24 many of us at the commission as you can. The more
25 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 holistically. 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.)

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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.

(Proofreader's Name) 5-3-2023

REPORTER'S CERTIFICATE

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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