

U.S. SECURITIES AND EXCHANGE COMMISSION

DIVERSIFYING OPPORTUNITY IN VENTURE CAPITAL INVESTING
WITH EMERGING MANAGERS

Held remotely via WebEx
Wednesday, March 31, 2021
2:01 p.m.

100 F Street NE
Washington, D.C.

1 PARTICIPANTS:

2

3 Moderator:

4 MARTHA MILLER

5 Director, Office of the Advocate for Small Business

6 Capital Formation

7

8 Panelists:

9 FREDERIK GROCE

10 BLCK VC and Storm Ventures

11 WINTER MEAD

12 Oper8r

13 JAMIE RHODE

14 Verdis Investment Management

15

16 Participants:

17 JESSICA MCKINNEY, ESQ.

18 OASB Special Counsel

19 AMY REISCHAUER

20 OASB Strategic Engagement Advisor

21

22

23

24

25

1	C O N T E N T S	PAGE
2	Opening Remarks	4
3		
4	Panel Discussion on Investing with Emerging Managers	9
5	Panelists: Frederik Groce (BLCK VC and Storm Ventures);	
6	Winter Mead (Oper8r); Jamie Rhode (Verdis Investment	
7	Management)	
8		
9	Closing Remarks	50
10		
11	Adjournment	51
12		
13		
14		
15		
16		
17		
18		
19		
20		
21		
22		
23		
24		
25		

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

2 MS. MCKINNEY: Good afternoon. Thank you for
3 joining us today. I'm Jessica McKinney with the SEC's
4 Office of the Advocate for Small Business Capital
5 Formation, and we're so happy to have this opportunity
6 to virtually engage with you.

7 This is the first in a series of events where
8 we will explore the role of emerging managers and their
9 investors in making access to capital more inclusive,
10 and as we think about access to capital and potential
11 barriers to entry we often hear about the complexity of
12 the private markets. In response to that feedback, our
13 office worked to create a glossary of key terminology to
14 help entrepreneurs and investors navigate the capital-
15 raising process.

16 With today's event in mind, we expanded our
17 Cutting Through the Jargon resource to include a set of
18 fundamental terms for those looking to a fund for
19 financing as an investment opportunity or just curious
20 about forming a fund. You can find this along with our
21 Navigating Capital Formation glossary on our webpage at
22 sec.gov/fundamentals.

23 I want to take a moment to welcome our
24 panelists Frederik Groce of Storm Ventures and BLCK VC,
25 Jamie Rhode of Verdis Investment Management and Winter

1 Mead of Oper8r. Thank you for recognizing the
2 importance of this topic and joining us today. We're
3 excited to hear from each of you, and for those watching
4 on sec.gov we hope to continue the conversation with you
5 as well. You can find contact information for our
6 office at sec.gov/oasb, or you can email us at
7 smallbusiness@sec.gov. We're here to listen and support
8 you.

9 And with that I'm excited to pass it over to
10 Martha Miller, the Director of the Office of the
11 Advocate for Small Business Capital Formation to kick
12 off the conversation.

13 MS. MILLER: Wonderful. Thank you, Jessica,
14 for welcoming us today and for being the leader behind
15 this emerging manager series of events. For those of
16 you who are joining us live, I am thrilled you are
17 choosing to spend your valuable time in the first of our
18 three-part series exploring the role of emerging fund
19 managers and their investors in funding underestimated
20 founders across the country and empowering a new
21 generation of investment decision-makers. Before I
22 begin I will give the lovely standard SEC disclaimer
23 that the views you hear today from SEC staff, including
24 myself, represent only our own.

25 Jessica was highlighting a little bit of what

1 we have been hearing, and our team hears it often. So
2 before we delve into the what and the how of our
3 discussion I'd like us to start with the why. I will be
4 brief with these remarks, and we will jump in to hear
5 from our panelists, but I did think was important to lay
6 this groundwork.

7 Our office advocates for solutions to the
8 capital-raising challenges faced by small businesses and
9 their investors with a spotlight on the challenges faced
10 by women and minorities as well as those living in rural
11 or natural disaster areas. When we peel back the macro
12 level data on capital-raising trends and we really zero
13 in on metrics for underrepresented founders and their
14 investors, the data tells a compelling story.

15 2020 may have been a banner year in some
16 respects for late-stage venture fundraising and deal
17 activity, but the story is different for a lot of early-
18 stage companies, underrepresented founders, smaller
19 funds and emerging managers. In our office's recent
20 report to Congress, we highlighted how the percentage of
21 smaller VC funds raised was poised to dip below rates
22 not seen since 2008. This should be a red flag to us
23 all because smaller funds disproportionately fund
24 underrepresented founders; namely, women, minorities,
25 flyover state residents and others who are statistically

1 less likely to raise capital.

2 The Commission has engaged thoughtfully on
3 this and related topics in recent months. For example,
4 our Asset Management Advisory Committee has been
5 exploring diversity among asset allocators and larger
6 fund managers. Our Investor Advisory Committee has been
7 exploring solutions to bridge the wealth gap through
8 minority inclusion in investment in financial services,
9 and our Small Business Capital Formation Advisory
10 Committee has adopted recommendations encouraging the
11 Commission to take action to reduce barriers to entry
12 for underrepresented founders and their investors.

13 Our team has continued to hear during outreach
14 that solving many of the inequities in capital formation
15 requires examining where and how capital flows among
16 sophisticated investors and talented entrepreneurs.
17 While some modest gains have been made in the diversity
18 of founders receiving venture capital in recent years
19 the implicit bias underpinning pattern matching is a
20 powerful force. Women and minorities still only
21 represent 12 and 23 percent respectively of VC decision-
22 makers and 12 and 20 percent respectively of VC-backed
23 founders.

24 We continue to hear calls for solutions that
25 diversify who is funding entrepreneurs by supporting

1 emerging fund managers, and while often confused among
2 related topics the solution does not necessarily entail
3 expanding the private markets or necessarily expanding
4 retail investor access but instead in examining how
5 sophisticated and often underrepresented capital
6 allocators raise and deploy risk appropriate capital.

7 Today's panel will discuss the opportunities
8 and challenges faced by fund investors looking to
9 support and invest with emerging managers. In our next
10 event in the series, we will hear from emerging managers
11 about their experiences raising and deploying capital
12 followed by a third panel on the impact of emerging
13 managers and how they are bringing more diversity to
14 venture capital and making access to capital more
15 inclusive.

16 As Jessica mentioned, we are excited today to
17 be launching our expanded Cutting Through the Jargon
18 glossary of key terms to make the language of capital-
19 raising more accessible contemporaneously with this
20 series. So thank you to our speakers for joining us today
21 for what I know will be an insightful and empowering
22 conversation, and with that what I would love to do is
23 for each of our speakers -- and we'll go in the order
24 that Jessica introduced you, so Frederik, then Jamie
25 then Winter -- give us the quick intro of yourself.

1 Tell us who you are, what you do in the ecosystem and
2 why you are interested in emerging fund managers. So
3 Frederik, I'll turn it over to you to start.

4 MR. GROCE: Well, first of all, Martha, thank
5 you so much for inviting me here to speak and for
6 creating the space for the conversation to happen. For
7 those of you who don't know who I am, my name is
8 Frederik Groce. I'm a partner at an early-stage B2B
9 focused venture fund called Storm Ventures, which is
10 based here in the Bay Area. I've been on the venture
11 side investing for just north of five years now, and
12 then I'm also one of the cofounders of a nonprofit
13 called BLCK VC, which is the largest black venture
14 community in the United States and that runs and
15 operates programs that are aimed at helping diversify
16 and create access and opportunities for black investors
17 to enter the ecosystem but also, as Martha was putting
18 it, also launching funds and actually build their own
19 abilities to invest in their own communities.

20 And that's really why I'm excited about this
21 conversation. As we look forward over the next decade
22 the reality is we can't just continue to invest in the
23 communities and the ecosystems that have driven a lot of
24 the economic upside that we've seen over the last 20
25 years that tech has been driving. We're going to have

1 to seed and start to invest in communities in, as we
2 often think about it, flyover states, tier two markets
3 that will become tier one, and in different communities
4 themselves an emerging manager is a key part of that
5 because networks ultimately are a fundamental part of
6 this ecosystem. And the best way to get to those
7 networks is to equip managers that are parts of these
8 communities to access those networks. And so I'm
9 excited for this conversation and excited to hear from
10 my co-panelists as well.

11 MS. MILLER: Wonderful. Thanks, Frederik.
12 Jamie.

13 MS. RHODE: Awesome. Thank you so much for
14 having me. And I agree with Frederik that this
15 opportunity is really exciting given that I work for a
16 single-family office, and we invest across all the
17 alternative asset classes. I've been there about five
18 and a half years and spend most of our time on our
19 venture portfolio sourcing and identifying new seed
20 funds to invest in. And for us, we target the seed
21 ecosystem. We target seed fund managers. And to be
22 able to access that first institutional check into a
23 startup we have to do it through emerging managers, and
24 that really provides us with a unique opportunity to
25 find returns that, you know, if these emerging managers

1 didn't exist we wouldn't be able to access that
2 ecosystem because, you know, those big brand established
3 names have moved up into the Series A space and are
4 really hard to get into as an LP, even an LP that's been
5 in the space for a long time.

6 So for us we find it really exciting to be
7 able to help fund the funding gap in diversity and
8 inclusion areas, and then also in addition we provide
9 the family with significant returns to compound the
10 capital for, say, the next 200-plus years. So I'm
11 excited to discuss these opportunities with my fellow
12 panelists as well.

13 MS. MILLER: Thank you. Winter.

14 MR. MEAD: Thanks, Jamie. Thanks, Fred. Hi
15 everyone. So my background is mainly as an
16 institutional investor investing into mainly established
17 VC firms, some emerging but mainly established VC firms
18 for the last ten years. About five or six years ago I
19 noticed a growing gap. The market for emerging VCs was
20 growing and growing gap between, you know, what
21 established VCs new and what LPs knew and what emerging
22 VCs knew.

23 So I left my institutional role at a pretty
24 well-known very successful global VC firm to focus on,
25 you know, helping emerging VCs. To start, I wrote a

1 book called "How to Raise a Venture Capital Fund," which
2 is targeted towards first time VCs funds, sort of
3 helping them understand the broad context of what that
4 process looks like, and then I cofounded a company
5 called Oper8r, which I now run. To make it simple it's
6 a cohort based program to help emerging VCs access
7 content and community to help those VCs institutionalize
8 and scale.

9 So we launched our first cohort last year with
10 approximately 20 VCs -- they're all, you know, less than
11 \$50 million in assets under management -- and are
12 currently about to launch our -- actually have launched
13 our second cohort this week with another 20 VCs that
14 come from ten different cities across the U.S. And
15 really at the center of this program is education and
16 trying to bridge that gap sometimes between geographies
17 as well, like what's going on in New York and Silicon
18 Valley, and how can you have a wider purview across the
19 U.S. to help stimulate innovation.

20 So reason why I'm here is I think this is a
21 really important conversation and really trying to use
22 Oper8r as a means to level up the playing field and
23 bring knowledge to where it traditionally not has been.

24 MS. MILLER: Wonderful. Well, I guess anybody
25 who's watching now knows why we've been so excited about

1 this event because we have three really different
2 perspectives from different areas of the ecosystem,
3 different geographies but each of whom are I think going
4 to come together with some interesting perspectives.

5 So first question that I have for you we've
6 used the term "emerging fund managers" a couple times.
7 Does anybody want to jump out and actually describe who
8 is an emerging fund manager? What are we talking about
9 when we say, "emerging fund manager"?

10 MR. MEAD: Yeah. I guess I can take a crack.
11 I think this will be interesting. I think we all should
12 define it. So there's definitely disagreement on what
13 an emerging fund manager is. For me it's primarily an
14 emerging VC, although people can use emerging fund
15 manager for a hedge fund and for a private equity fund.
16 But I think for this conversation in particular as well
17 it makes sense to talk about emerging fund managers as
18 emerging VCs.

19 Even within that, like, it depends on who's
20 saying it. So if you're a pension fund, I've seen
21 pension funds define "emerging managers" as \$1 billion
22 in assets under management or less. The way I define it
23 is 50 million in assets under management or less and
24 typically Fund 1, 2 or 3, especially when you haven't
25 raised institutional capital, meaning you haven't gone

1 through an institutional fundraising process, and you
2 haven't been subjected to the scrutiny of what would be
3 expected to take on an institutional LP check.

4 MS. RHODE: I find that interesting. So for
5 us as an LP, we don't use an AUM number to disclose what
6 we consider an emerging manager, but I definitely agree
7 with Winter that it's Fund 1, 2 and 3. I mean, for us
8 we target seed. So for an emerging manager there, it
9 takes on average seven to eight years for an outlier to
10 develop. So by the time you're raising Fund 3 you're
11 probably right before that point, so you don't have an
12 established track record. And if you don't have an
13 established firm or brand prior to going out to raise
14 your Fund 1, 2 or 3 that's how we consider you an
15 emerging manager because to the pension fund's point
16 they typically need seven to ten years of a track
17 record, which usually means it's Fund 4.

18 Potentially, you could be at 100 million plus
19 AUM, but if you're really targeting, you know, pre-seed
20 and seed, it may be more prudent for your fund size
21 around \$50 million so you can actually deploy your
22 capital at that seed stage. It really just depends on
23 what the long-term goal is for your firm and brand.

24 MR. GROCE: I would agree with both Jamie and
25 Winter on the definition. I think there's another sort

1 of definition I'm seeing used oftentimes as well, which
2 is just an identifier of a younger individual usually
3 within an institutional firm that is emerging up and
4 looking like they're going -- they're getting some
5 success. They're making some inroads in the business,
6 and a lot of times LPs will start to identify those
7 individuals as well as emerging individuals that might
8 be able to go one day raise a fund and develop
9 relationships.

10 And so it's sort of the precursor to, you
11 know, that Fund 1 starting to come together and
12 beginning to see at that time become a more material
13 segmentation of the ecosystem as well.

14 MS. MILLER: Well, it sounds like you have
15 similar challenges to what we have with do you use AUM?
16 Are you using a time based metric? Are you using a
17 number of funds? We see that with small business for
18 our office which means something different to everybody.
19 You asked the question of is it head count? Is it
20 revenue? For us, it's capital structure. So we're
21 looking at those who are raising capital and growing and
22 building in a much broader sense than most people do.
23 So familiar vagaries there.

24 I guess I want to take this question and look
25 at it from the opposite angle from what you were

1 starting to highlight around the tensions of who is
2 investing in emerging fund managers. I would love to
3 hear what you're seeing. Where does an emerging fund
4 manager go for LP investments for those funds if we're
5 going to use the Funds 1, 2 and 3 metric or the first
6 funds where they're actually GP versus one of the lead
7 employees at a fund but who may not actually have the
8 decision-making power when they are going out and
9 raising that fund. Who's investing in emerging fund
10 managers?

11 MS. RHODE: I can take that or start with
12 that. I'd say typically when we come across emerging
13 fund managers, you know, we are a single-family office,
14 but we're of institutional nature. So typically at the
15 point that we come in contact with them, it's mostly
16 high net worth individuals or additional family offices,
17 but we're typically the first institutional LP that
18 they've come across, and we run them through the gamut
19 so when it's time to go to the pension fund or endowment
20 they're prepared for it.

21 We go through a deep dive legal review,
22 background checks, references. So for us once we've
23 completed our diligence or even if we pass on an
24 opportunity we're always here for these GPs to send LPs
25 their way. We have a pretty large community of other

1 family offices or smaller endowments and pensions that
2 we can send these emerging GPs to, but they definitely
3 struggle to find family offices. It's a very opaque
4 world, and a lot of us stay very hidden.

5 I mean, I'm sure most of you on this call have
6 not heard of Verdis Investment Management, but we manage
7 capital for Generation seven, eight and nine. So we've
8 been around a long time, but, you know, we stay pretty
9 hidden. So it's definitely a struggle, but we're here
10 as LPs and also to support these GPs that we even pass
11 on and send LPs their way.

12 MR. MEAD: Yeah. I think Jamie works at a
13 very sophisticated family office. I think the important
14 piece here is, like, how do you get into market, and
15 what are you trying to accomplish by getting into
16 market. So I definitely agree with Jamie that it's high
17 net worth, some family offices. The high net worth
18 people usually refer to it as friends and family, but it
19 is just finding people that, you know, are typically
20 accredited investors that can invest into your fund,
21 your early fund, and then you can deploy that capital
22 into startup opportunities. That really lays the
23 foundation for a track record.

24 For most LPs, once you start to expand beyond
25 or outside of family offices and high net worths -- I

1 would even put VCs into that category now. There's a
2 lot of VCs that sometimes qualify as high net worths but
3 investing into other VCs, earlier staying VCs -- I'd say
4 beyond that, like, again, to echo Jamie, like
5 endowments, foundations, fund to funds. There are a lot
6 of fund to funds that focus on emerging managers. Like
7 that's kind of the next rung of the ladder, but again
8 typically you have to start with that friends and family
9 fund, you know, what people refer to as a prefund or
10 fund zero or a synthetic track record as an angel
11 investor, and you have to, you know, get into market
12 somehow.

13 I don't think it matters the size necessarily.
14 It can be hundreds of thousands of dollars, or it can be
15 like low millions of dollars as a emerging VC typically
16 is what I've seen. But from there it's showing that
17 you're able to source, you're able to, you know, pick
18 founders. You're able to build a portfolio that those
19 larger LPs, those fund to funds, those endowments and
20 foundations can start digging into and understanding so
21 they have a better understanding of what you're bringing
22 to the table as an investor and what your discretion is
23 as an investor.

24 MR. GROCE: Yeah. What Winter and Jamie just
25 put forth are the answers, though unfortunately because

1 it's so predicated on this, friends and family network
2 of folks, it does create a lot of challenges when you
3 start to think about, you know, nontraditional
4 ecosystems that have been participating in the tech and
5 venture and private equity spaces. And so this is
6 actually why as we start to see some of these fund to
7 funds and organizations actually like what Winter is
8 doing with Oper8r are so important to sort of help
9 support this next generation of managers trying to
10 navigate the ecosystem because so much about it is just
11 there's a ton of information asymmetries that exist.

12 And because something like over 70 percent or
13 close to 70 percent of funds get raised by friends and
14 family or these family offices in the ecosystem you
15 better have network ties and find ways to get access to
16 them. One trend I'm starting to see on the early stage
17 venture side is I think attempting to help support these
18 early staying managers as they navigate the ecosystem is
19 warehousing more and more deals where you're seeing
20 funds say, hey, look, you're an individual that I think
21 is a high possibility of being able to successfully
22 raise a fund.

23 Until you're able to do that we'll allow to
24 you invest off of our funds' balance sheet on a
25 investment-by-investment basis, and then you can use

1 that as example points as you're raising your fund of
2 the deals that you're able to source and that can help
3 start to build some of that momentum because at the end
4 the day Winter said it, and it's so true. You need to
5 just get out there. You need to hit market.

6 You need to get moving because this is a
7 process that's going to take a long time, much longer
8 than most people think it's going to take, and so
9 defaulting to that action-oriented mindset I think is
10 going to be so key and just finding ways to navigate it.

11 MS. MILLER: And I want to circle back to that
12 question. You highlighted it, Frederik, and I think
13 each of you, Jamie and Winter, you used the phrase
14 "talking about network." I want to come back to that
15 because that's one of the questions that the audience
16 submitted. Curious about how do you really go about
17 bridging networks? It's something that we hear a lot
18 about network asymmetries and who knows the people to
19 get in the room. We can use the phrase "warm
20 introduction" a thousand times over, but really I'd love
21 for us to talk about that.

22 But before we do what I'd really like for us
23 to do next is to really unpack a little bit of what are
24 some of the opportunities, whether it is ROI or impact
25 and challenges, you know, risk and diligence that are

1 faced by the investors who are looking for support and
2 invest with emerging managers. So right here sticking a
3 little bit with that LP perspective of what is -- kind
4 of what does the opportunity set look like? Why are
5 they interested here? And I'll let whoever wants to
6 take this one start.

7 MR. MEAD: I can take a crack at it. So in
8 terms of opportunities from the LP perspective, like,
9 it's definitely returns. There's just decades of data
10 looking at emerging managers and outperformance. I
11 mean, you can argue with the data, but there's just so
12 many academic reports and industry reports that have
13 come out, you know, both pointing to emerging managers
14 but also, you know, more recently data coming out
15 focused on, you know, diversity in emerging managers and
16 how that can lead to outperformance.

17 So I think taking a look at all that data is
18 important, and LPs are starting to recognize that. I
19 think two other things. Access is super important for
20 investors and how you build up your information channels
21 and your access networks. That can come through
22 emerging managers. Emerging managers are going to be
23 relying on LPs, and LPs are going to be relying on those
24 emerging managers, and not only access to great
25 investment opportunities or co-investment opportunities

1 but also, you know, access to insights and just general
2 knowledge.

3 If you're a family office or an endowment and
4 you have a diversified portfolio yourself, it's hard to
5 sometimes stay on top of what's going on in early-stage
6 venture because things move so quickly. So there's
7 definitely insights there as well.

8 And then just quickly at the risk of ball
9 hogging, some of the challenges, I think discovery is
10 definitely a challenge. Jamie does this full-time, so
11 she's going to have a really good understanding of,
12 like, who's out there, which emerging VCs are great and
13 up and coming, how to stack rank those VCs. I think for
14 a lot of VCs, like, they don't necessarily have, like, a
15 full-time staff, or they don't have the discovery
16 mechanism, so I think that can be a challenge.

17 Another challenge is again -- Jamie
18 understands this. I understand this. I've done it for
19 ten years. As an LP, like, you understand what to look
20 for when you're underwriting a fund. So I think due
21 diligence, just that can be a challenge as well, like
22 what to actually identify and weight as an investor and
23 really sort of understand as, like, indication of, you
24 know, high performance or potential performance. I
25 think that's something that I've seen LPs struggle with

1 with emerging VCs.

2 And then also just I think how a lot of LPs
3 characterize risk at the early stage, and that could be
4 operational risk of an emerging VC. So how does an LP
5 get comfortable with understanding your operations and,
6 ideally, how you're managing your operations and how
7 that can lead to, you know, reduced operational risk but
8 also just, you know, the risk of your portfolio. You're
9 investing into high-growth companies where if you look
10 at the data a lot of those companies are probably going
11 to fail, so you have to make those LPs comfortable with
12 the portfolio risk as well.

13 And the way venture works is through outlier
14 math, so you only need a couple of those companies to
15 really outperform to generate great returns for your
16 investors, but those LPs still need to get confidence at
17 the outset before signing up for, you know, a long-term
18 relationship with you that you're sort of like Fred
19 said, running around meeting those right founders,
20 getting access into those companies and kind of
21 indicating to LPs that what you're putting together is a
22 very high potential portfolio.

23 MS. RHODE: I would definitely agree. I mean,
24 for us when we started targeting seed it was because to
25 be candid of the return profile that early-stage venture

1 offered, I mean, it's parallel driven with the mean
2 return being almost eight times higher than the median
3 return. So for us, you know, we really wanted to gain
4 exposure to that first institutional check into a
5 startup.

6 And to go about doing that, I mean, if you go
7 back in history, you know, First Round, Floodgate,
8 Bowery Capital, DCVV, Founder Collective, Encore
9 Capital, I mean, they were all emerging, you know,
10 managers at one point, and now they've moved up and
11 graduated to more, you know, Series A style investing,
12 and they're very difficult to access. So for us it's
13 really targeted emerging managers because they give us
14 the opportunity to get into that first institutional
15 check and actual front run some of those top tier brand
16 investors.

17 We absolutely look at track record but not
18 necessarily from return. We look at track record from
19 who are your co-investors? Who are your top follow-on
20 investors? Who are you going to give us access to?
21 Back to the network conversation we target networks with
22 history of high outlier production and geographies, and
23 even just an angel year track record, you know, can give
24 us an indication of who your natural network is, and
25 then we can confirm those via references.

1 So the opportunity with emerging managers is
2 really getting into that first institutional check
3 whether they're on Fund 3, and maybe they're leading
4 seed rounds, or they're on Fund 1, and they're that last
5 200K into a hot round that I would have never been able
6 to get access to because it's established brand names
7 that are, you know, the rest of the syndicate.

8 But the challenge for sure is definitely
9 discovery. In the beginning for us, it was a lot of
10 smile and dial, and now it's shifted to a lot more
11 inbound given that we've done 20-plus seed funds. A lot
12 of GPs and LPs send deals our way. And then the last
13 challenge I would say is finding funds that are
14 institutional in nature or willing to become
15 institutional. We come across them and their LP may be
16 all over the place, but we'll spend time with them and
17 help them become institutional, but they have to be
18 committed to do that for that Fund 1.

19 MR. GROCE: Yeah. I think LPs generally right
20 now are putting a lot of effort to try to broaden and
21 get a different set of managers to get exposed to
22 themselves, too, and they're trying to utilize a number
23 of different routes. I think part of this is this
24 attempt to create the new pattern match as you start to
25 think through what this new segment of emerging managers

1 are going to look like. But there's also in the
2 fundamental structure of the way funds themselves are
3 kind of put together that actually build in some
4 challenges.

5 So we take the perspective a little bit on the
6 emerging manager like what are they managing through,
7 you know, against, you know, the pieces that the LPs are
8 evaluating them against. A couple big challenges that
9 they are sort of thinking a lot about these days are
10 their own GP commit. A lot of folks don't realize, but
11 if you're a manager and you're raising a fund, you're
12 going to have a meaningful component that you have to
13 have your own net worth put into that fund as well, and
14 those commits can be quite serious and significant for
15 an individual who might be earlier in their career or
16 may not have been in a high generating, you know,
17 wealth-generating role before.

18 They may have great investment prowess,
19 abilities to drive deal flow and all of these pieces but
20 just may not have the wealth built to actually drive a
21 fund. And there's attempts increasingly starting to
22 talked about and looked at in the ecosystem to help
23 balance that out because that creates an impediment for
24 a lot of underrepresented groups that just don't have
25 wealth yet. They don't have accumulated wealth. One of

1 the other big structural pieces that a lot of folks sort
2 of struggle with is the fact you're not making money
3 usually when you're fundraising.

4 So there's this period of six months to a year
5 maybe even longer where you're not bringing in any
6 capital as well. So not only do you have this, you
7 know, expectation to create GP commitments, but you're
8 also not going to make money as you're doing it. And
9 then once you do get your fund these funds tend to be
10 fairly small as these Fund 1s.

11 And those funds mean -- you know, the size is
12 really, really important because as a manager it's
13 usually anywhere between 2 to 2 and a half percent,
14 maybe 3 if you're lucky and can push it, and that's
15 going to be the entire salary, the entire operations of
16 the firm, all the logistics, legal, everything that
17 you're going to have to manage the business against as
18 well, and that can be really challenging for a lot of
19 these micro funds where emerging managers are taking,
20 you know, \$5 million funds, \$10 million, \$15 million
21 funds and continuing not to have sufficient, sort of, W-
22 2 income coming together.

23 But the good news, like I said, is that there
24 are increasing conversations happening and a dialogue
25 between LPs and emerging managers on how to navigate

1 those tension points.

2 MS. MILLER: We hear a lot about the
3 challenges of the survival off of a really small
4 management fee. Not advocating that you charge a bigger
5 -- you don't need to be charging a bigger management
6 fee, but it's really hard to have more than two people
7 if that working on a particular micro or smaller fund.
8 So that is something that we hear about often.

9 Frederik, you mentioned pattern matching, and
10 I'll give a shameless -- not shameless. It's with full
11 excitement -- plug for our annual report that we deliver
12 to Congress in December. One of the things that we
13 highlighted in there alongside the data that I think all
14 of you know well on industry composition, who's getting
15 funded by race and ethnicity and gender also highlighted
16 the pattern matching metric. You're 21 percent more
17 likely to match with somebody who shares your
18 demographic background.

19 And I'm a neuroscience nerd. That's what I
20 studied previously, and so my question is are we going
21 to try to rewire the brain and change how people make
22 decisions, which is really -- changing behavior is one
23 of the hardest things you can do. Are we going to
24 change the patterns that are out there so that the
25 matching works better and more effectively for more

1 people? So that's where I think there's a really
2 interesting dialogue to be had on emerging fund managers
3 and the potential impact to really shake up some of
4 those pattern matching biases that we know exist. So
5 let's change who is pattern matching with whom.

6 So I'd love to get some thoughts from you on
7 the opportunities and the potential impact that
8 investors by investing in emerging fund managers can
9 have on entrepreneurial ecosystems across the country.
10 So thinking about those who are in -- we've got the Bay
11 Area and New York and Boston are synonymous with the VC
12 infrastructure, but what about in other areas of the
13 country? What does that opportunity set look like for
14 emerging managers who are located in other areas?

15 Winter, I heard you saying that you've got
16 folks from eight or ten different states in those new
17 cohort. And Frederik, you've talked about how you're
18 focused on looking outside of the Bay Area. And Jamie,
19 I understand that that is true for you as well. Would
20 love to hear from a geographic perspective what is the
21 role of emerging fund managers in enabling
22 entrepreneurial ecosystems in other areas of the country
23 with a lot of talent.

24 MR. MEAD: Yeah. I've seen this play out
25 since I've been an investor. I think the way it used to

1 be characterized they borrowed a term from the hedge
2 fund world of "arbitrage." So when you think about
3 investing, it's like buy low, sell high. So the way I
4 used to hear it -- this is over five years ago -- is
5 that VCs that were operating and getting started in, you
6 know, those three cities that you mentioned, like
7 outside of those three cities that you just mentioned,
8 like, they would talk about, you know, there's these
9 really, you know, great technical people, and, like,
10 they wanted to start companies. And the excitement was
11 there. Like, the ambition was there. The talent was
12 there at the onset.

13 And then I think where they'd run into
14 challenges is like the capital markets as those
15 companies were scaling. VC-backed companies by
16 definition had high-growth companies that are built to
17 scale, like, very quickly and become, you know, valuable
18 very quickly. Well, to scale, like, that requires
19 capital. And so they kind of run into these challenges
20 in these cities. When I was doing diligence let's call
21 it eight, nine years ago, they run into these challenges
22 just, like, capital usually at the Series B, maybe at
23 the A.

24 And so what you've have had to have is, like,
25 an understanding of just, like, capital networks

1 locally, like who would help you get off the ground, go
2 from seed to Series A but then capital networks outside
3 of -- like with other VC funds or with other,
4 nontraditional finance providers outside of that local
5 area.

6 And so that was -- you know, I think as an LP,
7 like, you'd be said up doing, you know, diligence on,
8 you know, to Jamie's point earlier, like capital
9 networks. Like, okay, you can help scale to 5 million
10 in revenue or less in a Series A company, but then what?
11 Like, how do you sort of step on the gas and really --
12 what I've seen is those who have been able to navigate
13 knows capital networks really well and those capital
14 markets really well, like kind of that mid-stage where,
15 you know, you can get sort of lost in the middle if you
16 don't have the right connection, and you can fail just
17 because you run out of cash, I think those that have
18 navigated it well have built, like, really big
19 businesses.

20 And then that creates a whole angel network
21 coming out of that company. That creates someone that
22 usually has, like, you know, a bias towards that
23 geography and is really excited to sometimes if you're a
24 successful entrepreneur, start your own VC firm or
25 become a venture partner at, you know, another VC firm

1 which kind of levels up the reputation of that VC firm
2 that leads to more LPs getting excited about potentially
3 investing into that VC firm.

4 So definitely, like, success begets success.
5 I've seen the recognition more over the last five years
6 of, you know, a lot of these cities that were kind of
7 write-offs more than five years ago -- Austin, Chicago,
8 even like Nashville. Miami is kind of the buzz word
9 these days. I mean, I think there's a lot of cities out
10 there that have, like, very strong talent networks, and
11 I think the capital markets are catching up now to that
12 entrepreneurial talent.

13 MR. GROCE: Yeah --

14 MS. MCKINNEY: Oh, go for it, Frederik.

15 MR. GROCE: I was going to agree with Winter
16 here. There's certainly been an evolution. I think in
17 a lot of these ecosystems it used to be kind of formal
18 family offices that oftentimes were the big players that
19 sort of drove that early-stage investor ecosystem, but
20 they may not have been approaching it like a coastal
21 venture investor some of those deals and the way they
22 might, you know, sort of structure them.

23 We've seen that evolve a lot over the last few
24 years, and a big part of that is because your
25 traditional funds are starting to play more

1 opportunisticly in these ecosystems. You have funds
2 like Storm been around for 20 years investing out of its
3 sixth fund actively engaging in places like Atlanta and
4 Chicago and, you know, helping to create, you know, some
5 of those downstream write-offs and also continue to
6 support and bring some of that knowledge set around
7 scaling that kind of sometimes, you know, aren't as
8 prevalent in those communities.

9 And so in some ways even COVID has really
10 accelerated some of that adoption curve where you see
11 now your geography or your ability to come down and slug
12 into a Sandy Hill firm's office no longer being a
13 prerequisite. So there's a huge opportunity. It's part
14 of the reason I joined Venture Atlanta's board early
15 this year because we think this is where we're going to
16 continue to find a lot of great opportunities. You have
17 great universities across the United States that are
18 generating a lot of research and technical talent at
19 these communities.

20 And so these emerging managers in these
21 communities themselves are tied into those networks and
22 really beginning to be able to provide really high-
23 quality deal flow at prices that, you know, are almost
24 beginning to look like Silicon Valley prices, which is a
25 huge boon for those communities, those early founders

1 and entrepreneurs because, again, Winter mentioned this,
2 but the whole hope here is that begets a next generation
3 of investors after they've had a successful exit in
4 these communities.

5 And you have that capital now more willing to
6 be deployed and a vertical and a specter that a lot of
7 historical capital ecosystems just don't have exposure
8 to, don't have as much comfort with.

9 MS. RHODE: Yeah. I mean, four and a half
10 years ago we started investing in L.A., and for us to
11 gain seed exposure into the Los Angeles region we had to
12 do it through emerging managers. I mean, there was not
13 a lot of first institutional check funds that existed in
14 that ecosystem. And so if you look at all of our funds
15 that we've backed there, it's really, you know, earlier
16 fund managers in their 1 through 3 stages.

17 When we started there, the Series A capital
18 was mostly coming from Bay Area funds. It was seed
19 could be funded in L.A. by L.A. funds, but after you got
20 to the seed, if you wanted Series A capital, you had to
21 look elsewhere, and that's slowly beginning to change.
22 And I think that really is due to the success of certain
23 established funds where you get spinouts, and people
24 have moved up into that Series A space. So a lot more
25 ecosystems are kind of building out their venture

1 community, but to be even able to access that early-
2 stage ecosystem in other geographies you're going to
3 have to do it through emerging managers.

4 MS. MILLER: Absolutely.

5 MR. MEAD: I think another boon to COVID as
6 well is you've had this growing trend of decentralized
7 teams within startups, like you're a startup, and you
8 don't need to have everyone in the Bay Area. That's
9 pretty tried and true I think at this point, and there's
10 kind of a playbook for that. But I think over the last
11 year what I've seen more -- I haven't seen everybody,
12 but what I've seen is decentralized VCs both partners
13 and non-partners, like all over the country in every
14 city you can imagine or list.

15 And I think that's probably bringing and
16 surfacing like, a lot of really interesting talent and
17 opportunities that, you know, you wouldn't necessarily
18 see if you are sitting on Sand Hill or sitting in the
19 Bay Area 24/7 for most of the time. So I think that is
20 an interesting trend. We'll see how it plays outgoing
21 forward, but it feels like there's more conversation of,
22 like, you know, what's interesting across the country
23 versus like what's interesting in the, you know, key
24 ecosystems. So the conversation to me feels like it's
25 changed over the last two years, but we'll see if that

1 kind of persists.

2 MS. MILLER: Winter, you mentioned Miami and
3 kind of the challenges, and Frederik, you're talking
4 about Sand Hill Road. For those who are not savvy, Sand
5 Hill Road is kind of the spot in the Bay Area where a
6 number of the VC firms are based. I think that that
7 underlies -- there's data that shows that the median
8 distance that a Bay Area company needs to travel to find
9 a lead investor is 27 miles. You kind of need to get
10 over to Sand Hill Road, whereas, if you're in Miami and
11 that's where you're headquartered it's 1,100 miles. So
12 multiple effect of how much further you need to go
13 particularly as you're raising later rounds.

14 That's something that our office is really
15 interested in of how close is your investor to home, and
16 then how far away do you then need to start going when
17 you're raising successive stages of capital. So all
18 great questions there, and I think ones that are really
19 show the importance of having investors who are local
20 but that have networks as investors who are across the
21 country and can help support those rounds.

22 Moving to a question that is -- you sparked my
23 interest in asking it when we were talking about COVID
24 and the possibilities there with decentralized teams.
25 Thank you for those who registered via Eventbright and

1 submitted some questions. We received some great ones.

2 One is with the current landscape with virtual
3 meetings and meeting with emerging fund managers and
4 potential LPs, how are you seeing people adapt
5 investment decision-making and potentially allocating to
6 people that aren't able to, as you said, come in in
7 person on Sand Hill Road or who are able to come and
8 meet with you, Jamie, in person? What does that dynamic
9 look like for emerging fund managers?

10 MS. RHODE: Yeah. So for us we've invested in
11 over 180 partnerships over the life of the family
12 office, and we had met every single investment prior to
13 make the investment pre-COVID. So once COVID hit it led
14 to this discussion of what do we do now. **And we came to**
15 **the realization if we can't get comfortable doing**
16 **virtual due diligence we're going to miss out on**
17 **opportunities, and that's just not something that we**
18 **wanted to do.**

19 **So we came to this discussion on investment**
20 **committee about how virtual due diligence can actually**
21 **help reduce behavioral biases.** I'm not walking into
22 your office and even if it's unconsciously judging you
23 by your shoes, by the painting on your wall, what's the
24 quality of your coffee. I mean, I'm really here to have
25 these conversations with you and discuss your investment

1 track record or your investment opportunity, your
2 sourcing, your due diligence, your value add to
3 startups.

4 So what actually happened was I have more
5 interactions with these GPs than I did before. Maybe I
6 visited you on a trip out to the Bay Area, and I met you
7 once, and then I had one other call in the midst of my
8 due diligence, and the rest were emails, but now I have
9 significantly more interactions prior to making
10 investments. I'm doing a lot more references earlier in
11 the process to make sure I could uncover maybe some red
12 flags that I could have potentially seen when
13 interacting with that GP.

14 So for us the process has generally stayed the
15 same, just shifting around the timeline of when we
16 would, say, do references or background checks. It's
17 having a lot more interactions with these GP and more
18 interactions with their network to kind of confirm who
19 they're giving us access to. And so I'd say for us
20 giving back to the GP it's helping them in my way we
21 can, too. We understand fundraising is a significant
22 struggle especially in COVID. You can't really attend
23 these types of events where you can just naturally
24 network.

25 So always happy to pass on additional LPs we

1 know in the community to these GPs or be frank with them
2 after the first meeting and say, you know what, this
3 isn't a fit, and we want to give you back your time to
4 go search for other LPs and to not continue to bug us
5 and think you're going to get capital from us.

6 MS. MILLER: It's good to actually give the
7 no.

8 MS. RHODE: Yes.

9 MS. MILLER: That is a rare thing. That makes
10 you I won't say a unicorn because of all of the things
11 laid with that, but that makes you very unique, and I'm
12 glad that you actually are forthcoming on that. I don't
13 know if Frederik or Winter you had anything else you
14 wanted to add on that point.

15 MR. MEAD: Yeah. I think that's fair. I
16 mean, I've seen people rely on their entrenched networks
17 which may be good or bad. I think it means sometimes
18 more reference calls like Jamie was saying to get a
19 sense of the person, but that can also create, like, on
20 the flip side, like a challenge for people that don't
21 already exist within those existing networks. I have
22 seen a hybrid approach as well. Not everyone has said,
23 like, I'm not going to meet with people, but they've,
24 you know, met outside on park benches or gone for
25 socially distant walks.

1 Like, I've seen people close on institutional
2 capital that way. That I think is true just depending
3 on where you are in the country. There might be
4 different rules of how you can actually, you know,
5 interact with folks. I think in the Bay Area it's been
6 more restricted, so it's harder to meet with people in
7 offices, but in other places like where family offices
8 are located and other high net worths are located, like,
9 I have seen less of that and sort of business as usual.

10 And then I've also seen, like, a response
11 especially to, you know, diverse emerging managers.
12 Like, I've seen a response from a lot of organizations
13 where they're setting up the infrastructure to connect
14 GPs and LPs and more pitch events which I think is
15 positive.

16 MS. MILLER: Frederik, do you have any else
17 you wanted to layer in there?

18 MR. GROCE: No. No. I think probably both
19 Winter and Jamie have a better sense of sort of the
20 dynamics on how emerging managers are pitching and
21 engaging with limited partners. I've got more the
22 experience on how we're navigating it from a founder
23 side, but I would probably echo a lot of what they've
24 sort of walked through that we're doing when evaluating
25 founders as well.

1 I mean, there's a lot of similarities in those
2 workflows, the value in the individual, the ideas and
3 ultimately doing references on those individuals since
4 you're going to be partners for a long time. And so you
5 really want to do that work near the onset.

6 MR. MEAD: I think another thing -- this has
7 reminded me -- it's pretty impressive like when you say
8 you're going to do something as an emerging VC in a
9 challenge time like COVID and then actually, like
10 execute on that and do it. Like, I found that
11 particularly impressive. And it seems like Fred's
12 earlier point like just getting in the market and sort
13 of doing things that LPs can look at and evaluate, like,
14 that's I feel really moving the needle for those
15 emerging managers that are in market.

16 And so yeah, if there was a piece of advice,
17 it would be action oriented. LPs are able to, you know,
18 see -- I call this the blurry vision pool instead of the
19 blind pool, but put a couple of investments into your
20 portfolio so that LPs understand, you know, your
21 judgement a little bit better, your decision-making
22 process a little bit better, you know, that you can
23 actually like get stuff done before they're, you know,
24 willing to lock up capital for a longer period of time.

25 MS. RHODE: I would definitely agree with

1 that. I mean, the more I see your name out there from
2 multiple sources -- I think this had casually come up
3 before. We're always welcome to introductions to GPs,
4 but the more I hear your name from warm introductions
5 the higher you are raised up on my list of GPs to speak
6 with. So even if it's just having three portfolio
7 companies that I can take a look at and get an idea of,
8 you know, how did you source it? Who are your other co
9 investors? What does your network look like? and just
10 give me a feel for the type of GP you're going to be
11 long-term can be extremely helpful in having to decide
12 which fund to invest in when there's 300-plus emerging
13 managers in market at one time.

14 MR. GROCE: Yeah. One thing that COVID seems
15 to have accelerated, but this has been a trend that
16 we've seen happening across the venture ecosystem is the
17 importance of brand. And I think developing that brand
18 proactively, managing it, how you're thinking of your
19 Twitter presence, your LinkedIn, those have certainly
20 become more important. It's equally as important as you
21 think about that cultivation of that brand that the
22 reputation that other people have about you is
23 consistent with the brand you're putting out there
24 because if there's a mismatch it can be pretty
25 problematic.

1 And this is something a good friend and mentor
2 of mine, Elliott Robinson, talks a lot about, how to
3 navigate those two pieces. And so I would certainly say
4 that that's becoming a more material component of this
5 whole ecosystem.

6 MS. RHODE: Absolutely, because LPs do -- at
7 least most LPs do underwriting that can take time and
8 money for them, and they're looking to back you for
9 multiple funds. So they're looking to underwrite your
10 firm and your brand for the long-term, and if there's
11 mismatch there then your Fund 2 fundraising has become a
12 lot more challenging because you're not going to have
13 Fund 1 LPs reup, or you're going to have people do
14 references with LPs that were in your Fund 1, and
15 there's going to be a disconnect. So I would absolutely
16 agree with Frederik there.

17 MS. MILLER: Yeah. I think that goes to
18 something we talk about in a lot of other circles, the
19 quality of the information that you put out there and
20 the quality the information that you're able to present
21 to your investors. When you're raising a fund, they're
22 investing in you, and it's important -- you know, we've
23 talked about the track record piece -- having detailed
24 information that you can provide people to understand
25 how you're going to be making decisions to level set on

1 expectations.

2 Most of the LPs that are going in with
3 emerging fund managers are generally recognizing and
4 working in the space because they know the risk, but
5 they are looking for those that have the potential to
6 deliver returns and to spot something for them and bring
7 then a diversified portfolio that they would not
8 otherwise be able to get. So I think it goes to the
9 important topics that we often talk about at the SEC is
10 disclosure, disclosure, disclosure but making sure that
11 those who are investing in you really understanding who
12 you are and what you are planning to do with the capital
13 with which they've entrusted you.

14 So critical topics. I'm looking at the clock,
15 and what I'd like to do because I have a feeling that
16 this one might be longer-winded answers or some back and
17 forth, so I want to make sure that I ask the open-ended
18 question, and then we can add in one more audience
19 question if we have time.

20 But wanted to ask kind of a two-pronged
21 question, and that is thinking about the emerging fund
22 managers who are here and listening or who are going to
23 be listening to this recording after the fact what is
24 the piece of advice that you have for them that you
25 think is critically important for emerging fund managers

1 to understand as they are embarking on raising capital
2 from LPs? So that's one. So the advice to the emerging
3 fund managers.

4 And then if there's something about the system
5 or structurally that you think the Commission needs to
6 be thinking about -- and it can be a business
7 consideration. You don't have to couch it in a
8 regulatory citation but something that we really need to
9 be taking back and thinking about internally -- I would
10 welcome suggestions and ideas there. And you can skip
11 one or the other of them but really looking for what is
12 your kind of strategic advice looking forward? So
13 whoever has the first idea can jump out and give it a
14 go.

15 MR. MEAD: Sure. I'm happy to give it a go.
16 I think spending a lot of time up front and thinking
17 about, like, what actually differentiates you as an
18 emerging investor. Like why are you so special? is the
19 key question at the onset. It's kind of like starting a
20 company. Like, the people that -- some people
21 deliberate for a year or two sort of thinking about,
22 like, what is the actual gap that I'm filling or problem
23 that I'm solving or challenge that I'm addressing, and I
24 think the same holds true for emerging managers.

25 Spending a lot of time really, like, asking

1 your network, asking LPs, asking your peers, your
2 colleagues, like people that used to work with you like
3 people you're going to invest into and kind of
4 understanding that full picture of what you represent as
5 value and kind of -- yeah, value add to the VC
6 ecosystem, I think that's a key sort of part of the
7 process. And going through that in a very structured
8 and thoughtful way I think can lead to just a better
9 story and, like, a more authentic you when you try to go
10 out and try to raise capital for that investment
11 strategy. So that's kind of high-level advice.

12 I think in terms of, like -- you know, there
13 is definitely a challenge, you know, in the noncore or
14 nontraditional communities and geographies of trying to
15 get in business, and I think a lot of it comes down to
16 just like who your networks are at the start. And so I
17 do think there's a lot of ways and a lot of experiences
18 you can have before you get into VC, and I think a way
19 to, again, enable those first what I was calling friends
20 and family or fund zeros is to potentially, like,
21 increase the number of, you know, checks you could take
22 on to, like, an initial fund or just be more flexible
23 around, like, what that fund zero looks could be a way
24 to get more, you know, high-potential investors into the
25 market.

1 Basically, the market will sort out, like,
2 who's good and not after a few years. Like, if you
3 don't meet that performance bar, LPs aren't going to
4 invest in the follow -on funds. But I think that's
5 probably the biggest challenge is just, like, getting
6 into the market initially. So being flexible around
7 what that structure looks like could be important.

8 MS. RHODE: Agreed. I mean, I'm always
9 looking for transparency. I want to know up front what
10 your long-term goal is for your firm and your brand.
11 Are you looking to stay at a certain stage? Are you
12 looking to build up to be more multistage? And also
13 back to Winter's point is, you know, transparency around
14 kind of your networks and your edge. I want to
15 understand why you. Why you over the other 20 seed
16 funds that have come into my inbox over the past week?

17 Let me understand the edge that you have in
18 this ecosystem and what that kind of network effect is
19 that you can access whether it be your unique value add
20 because you have a deep rolodex in engineers, which is a
21 hot commodity, and that's why a startup wants you on
22 their cap table. Or is it because you just left Google
23 or Facebook or Microsoft, and you have deep bench
24 connections into providing them access to other big
25 companies in the ecosystem?

1 So I really need to understand what your edge
2 is and why because even if you have a track record most
3 of the time it's going to be paper markups, and until I
4 actually get money back it's paper markup. So I'm
5 really trying to understand what your network and your
6 edge is in the ecosystem.

7 MR. GROCE: Yeah. I think I would agree with
8 everything that's been said. I would say my tip would
9 be sort of different if you're an existing investor and
10 have been in the ecosystem for some time. I think if
11 you are in that sort of bucket then yes, very clearly
12 articulate your differentiation in the market and be
13 very upfront. I think those are the best tips that can
14 happen for those individuals.

15 I think if you're someone making a pivot into
16 venture, it isn't an ecosystem you've been in before,
17 defaulting to action just doing the work as soon as you
18 can will help because your number one goal here is to
19 de-risk the investment. You want to showcase to the
20 limbed partners that you can do this job, that you have
21 the network, that you have the ability to support the
22 founders once you do invest to ensure that they're able
23 to get that next round of investment after you.

24 And so your focus has to be doing the job,
25 thinking about all the different pieces that a VC

1 actually does and start doing them immediately.

2 And when it comes to structures, systems in
3 the ecosystem it is, one of the big things I want and I
4 hope to continue to see but I want to see more of in
5 creation is different ways to enable more
6 underrepresented groups to stand up Fund 1s and thinking
7 about it from the perspective of, hey, look, there just
8 isn't wealth in these communities in the same way that
9 have existed in other communities. And so we need to
10 think about, you know, that access to wealth does not
11 itself mean you have a better ability to invest and a
12 differentiated better network fundamentally.

13 And so, you know, we've seen elements of, you
14 know, nondilutive forms or ways for founders that are
15 underrepresented to gain some of that early capital to
16 begin their journey.

17 I'd love for us to find ways to support and
18 enable Fund 1 creation in these communities because at
19 the end of the day if we can stand up more managers that
20 are diverse and come from different communities they're
21 going to be able to invest in many more founders in
22 those ecosystems. So you end up having a multiplier
23 effect and a way to actually move the needle a more
24 proactive way.

25 And I would like us to see ways to create

1 these pools of capital across the different regions, and
2 you're seeing elements of that happen within regional
3 pension funds particularly, endowments and some
4 ecosystems, but I think there's a role also for
5 government to play in that and how we provide and
6 allocate capital to some of these ecosystems and
7 communities in a nondilutive way. And so I hope we'll
8 see more of that start to happen.

9 MS. MILLER: Frederik, that could not have
10 been a better note to wrap up on. And I'm looking at
11 the clock, and it says 3 p.m. on the dot. That is an
12 area of personal passion for me. It is also right in
13 alignment with our mission looking at the
14 interrelatedness of who's getting funds, who's writing
15 checks, who's supporting them, what does the entirety --
16 "ecosystem" is a complex word. It implies a complex
17 system.

18 So I want to thank you, Frederik, Jamie and
19 Winter, for spending some time with us today to peel
20 apart some of the elements of the complexity of the
21 system for emerging fund managers and sharing your
22 insights.

23 As we mentioned at the beginning, this is our
24 first of a multistep series on this importance topic,
25 and we hope that join us. And again check out the

1 Cutting Through the Jargon glossary where if some of the
2 terms we used today were floating over your head or you
3 were thinking I really want to delve in and understand
4 that in plain English, check out our website
5 sec.gov/oasb and you will see a link to Cutting Through
6 the Jargon, which is our glossary trying to make the
7 capital raising terminology more accessible.

8 Thank you all for being here today, and I hope
9 have you a wonderful rest of the afternoon.

10 MR. MEAD: Thanks, Martha. Thanks Jessica.

11 MS. RHODE: Thank you.

12 MR. GROCE: Thanks everybody.

13 MS. RHODE: Bye, guys.

14 (Whereupon, at 3:01 p.m., the meeting was
15 adjourned.)

16 * * * * *

17

18

19

20

21

22

23

24

25

PROOFREADER'S CERTIFICATE

DIVERSIFYING OPPORTUNITY IN VENTURE CAPITAL INVESTING
WITH EMERGING MANAGERS

Date: Wednesday, March 31, 2021

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)

4-6-2021

REPORTER'S CERTIFICATE

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

I, Beth Roots, reporter, hereby certify that the foregoing transcript of 51 pages is a complete, true and accurate transcript of the matter indicated, held on 3-31-21, at Washington, D.C. in the matter of:
DIVERSIFYING OPPORTUNITY IN VENTURE CAPITAL INVESTING WITH EMERGING MANAGERS.

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

4-6-2021

