

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

43rd ANNUAL SMALL BUSINESS FORUM

AMPLIFYING EARLY-STAGE STORIES

Tuesday, April 16, 2024

1:03 p.m.

U.S. Securities and Exchange Commission
100 F Street, N.E., Washington, D.C.

- 1 PARTICIPANTS:
- 2
- 3 Gary Gensler, SEC Chair
- 4 Stacey Bowers, SEC
- 5 Donald Hawkins, Pipeline Entrepreneurs
- 6 Erika Lucas, CEO, StitchCrew
- 7 Jessica Murrey, CEO/Co-Founder, Wicked Saints Studios
- 8 Julie Davis, SEC
- 9 T.J. Collins, SEC
- 10 Jen Brady, SEC
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1 P R O C E E D I N G S

2 MS. BOWERS: Hello, and welcome to the 43rd
3 Annual Small Business Forum. I'd like to thank all of
4 you for joining us over the course of the next three
5 days to hear the voices of early-stage founders,
6 capital allocators, and small public companies.

7 I'm excited to be here as the new director
8 of the Small Business Advocacy Office and to play a
9 role in this important Commission event that brings
10 together the small business community, the
11 commissioners, and other government and thought
12 leaders.

13 Before I say much more, on behalf of myself
14 and my colleagues here at the SEC, I want to make
15 clear that the views expressed today are each
16 speaker's own -- in my case, in my official capacity
17 as the director of the Small Business Advocacy
18 Office -- and do not necessarily reflect those of the
19 Commission, any of the commissioners, or any of our
20 colleagues on the staff.

21 While I wish I had put a nickel in my
22 savings every time I heard it, it nonetheless remains
23 true that small businesses and their investors are
24 vital to our economy no matter their life cycle stage.

25 For instance, did you know that small

1 businesses created over 43 percent of U.S. GDP last
2 year? Or that women-owned or co-owned almost 45
3 percent of non-employer small businesses -- that's
4 11.5 million firms -- and also 40 percent of employer
5 small businesses, another 2.1 million firms? And were
6 you aware that over the last 10 years, diverse
7 businesses have created over 4.7 million jobs? How
8 about the fact that small businesses accounted for 54
9 percent of employment in rural areas? Or that small
10 public companies raised 4.6 billion in registered
11 offerings from July 2022 through June 2023?

12 Over the course of the next three days, I'm
13 excited to hear from leaders who have personal
14 knowledge of the issues facing small businesses and
15 their investors. We will have the chance to learn
16 firsthand from one-on-one conversations with those who
17 have lived the small business experience and survived
18 to tell the tale. We will also engage with panels and
19 individuals from the small business community who will
20 share their insights and takeaways, and you in the
21 audience will have the opportunity to ask them
22 questions.

23 Today's focus will be on amplifying the
24 stories of early-stage businesses, including
25 conversations about barriers to entry for

1 under-represented founders, and bridging the wealth
2 gap. Tomorrow we will open the dialogue with
3 investors on their role as capital allocators and some
4 of the challenges that emerging fund managers face.
5 And we will address broader questions, like private
6 market liquidity.

7 Finally, on day three, we will catch up with
8 the folks in the small public company space and get
9 insight on initial public offerings, research
10 coverage, and other pertinent topics.

11 The goal of the SEC's Small Business Forum
12 is to bring together a multitude of voices from the
13 public and private sectors with different ideas and
14 perspectives on capital raising. Over the course of
15 this year's forum, we will have the opportunity to
16 listen to insightful remarks from our commissioners
17 and learn from our presenters as they share their
18 stories. But we also want to hear from all of you
19 about your experiences, suggestions, and questions.

20 The voices of the small business community
21 provide insight into the journeys that entrepreneurs
22 and investors undertake as they navigate the various
23 capital-raising pathways. These stories can motivate
24 us to think and consider ideas in a different way and
25 appreciate narratives that are distinct from our own.

1 I suspect that many of you in our audience have your
2 own stories to share about capital raising, or
3 questions you are pondering. I encourage you to
4 amplify your voice by posting questions and comments
5 in the chat.

6 In addition to fostering, learning, and
7 growth through conversation, a goal of the forum is to
8 provide an opportunity for the public to shape
9 recommendations to the Commission and to Congress
10 regarding policies that affect capital formation for
11 small businesses and their investors. We have already
12 heard from some of you about proposed policy
13 recommendations, but we want to hear from all of you.
14 If you have not yet shared your ideas, there's still
15 time to submit your thoughts through the submission
16 portal, or you can email us at smallbusiness@sec.gov.
17 Then at the end of each day's panel, we will invite
18 you to vote to prioritize the policy recommendations
19 to send to the Commission and Congress.

20 While I've only been the director of the
21 Small Business Advocacy Office for three months, I've
22 already had the privilege of engaging with a wide
23 variety of our stakeholders to hear their experiences
24 and perspectives. What an incredible learning
25 opportunity it is to be able to dialog with so many

1 who play a role in the small business ecosystem. I
2 look forward to continuing my journey as the director
3 and connecting with many more of you in the months and
4 years to come.

5 And in this journey, I will be joined by an
6 outstanding team. It is hard to quantify the amount
7 of passion, time, and effort it takes to host this
8 event, and the dedicated team in our office does so
9 with quiet perseverance. I would like to thank Amy
10 Reischauer and Kim Dinwoodie for leading the charge,
11 and the rest of the team for all of their support,
12 including Jennifer Brady, T.J. Collins, Julie Zelman
13 Davis, Pablo Echeverri, Courtney Haseley, Sarah
14 Kenyon, Sheen Munshi, Vickki Porter, Jenny Riegel,
15 Malika Sullivan, Todd VanLaere, and Tyneise Wilson.

16 Now I'd like to introduce and welcome Chair
17 Gensler to the Small Business Forum to share his
18 insights and perspectives.

19 CHAIR GENSLER: Good afternoon, and thank
20 you, Stacey, for your kind introduction. As is
21 customary, I'd like to note that my views are my own
22 as chair of the SEC, and I'm not speaking on behalf of
23 my fellow commissioners or the staff. Stacey Bowers,
24 thank you for joining us in January as the new
25 director of the Office of the Advocate for Small

1 Business Capital Formation. We are excited to have
2 you as part of the SEC's team advancing our important
3 work on behalf of small businesses and their
4 investors.

5 Well before you joined, back in 1980,
6 Congress directed the SEC to hold an annual Small
7 Business Forum so that the Commission could hear
8 directly from small businesses and their investors
9 about the unique issues that they face. And today,
10 I'm pleased to welcome you to what is the SEC's 43rd
11 Annual Small Business Forum.

12 Now, I grew up in a small business
13 household. In fact, my grandparents on one side
14 opened and ran a grocery store, and on the other side
15 opened and ran a bar, both in Baltimore, Maryland. My
16 dad, Sam Gensler, I guess following in his parents'
17 footsteps, he started a small business as well
18 repairing vending machines. It later grew into a
19 small vending machine business that served hundreds of
20 small businesses in the process, whether they were
21 small diners or bars or others. In a sense, one might
22 say my family's business was part of a larger
23 community of small businesses whose owners were as
24 diverse as the City of Baltimore itself.

25 Entrepreneurs and small businesses are

1 integral to our economy and to our capital markets.
2 In fact, more than 99 percent of U.S. businesses are
3 small, and their employees make up nearly half, one
4 out of two, of the American private sector employment.
5 But think of this. Since 1995 to 2021, small
6 businesses actually created nearly two out of three
7 new jobs.

8 At the SEC, our job is to serve investors
9 building for a better future and companies of every
10 size. And we are working to make our markets more
11 efficient, more competitive, more transparent, more
12 fair. And we work to insure that markets serve
13 investors and issuers alike, not the other way around.
14 It's not that you work for the brokers and exchanges
15 in the middle.

16 At the SEC, we have educational resources to
17 help equip small businesses and investors with the
18 tools to help navigate capital raising. Please check
19 out [sec.gov](https://www.sec.gov) and [investor.gov](https://www.investor.gov). And as you discuss the
20 various topics over the next three days, from early-
21 stage stories to investing in early-stage companies,
22 to accessing the public markets, please share your
23 ideas and policy recommendations with us. Why?
24 Because we greatly benefit from your perspective and
25 willingness to engage. And this forum will inform us,

1 but also inform a report that we will be delivering to
2 Congress.

3 Further, your perspective may help the
4 Commission consider policies to benefit small
5 businesses, just like my dad, my grandfolks, and so
6 many others across America have. So thank you. And
7 now turning it back to the rest of the program and
8 you.

9 MS. BOWERS: Thank you, Chair Gensler, for
10 your remarks. Before we hear from our other speakers,
11 I want to cover some logistics. As you will hear from
12 us throughout the week, we want to hear from all of
13 you. Please share your thoughts or questions for our
14 panelists. You'll find the chat window on the event
15 platform to the right of the video window. You must
16 be registered to access the platform.

17 We also encourage you to participate in
18 developing capital-raising policy recommendations to
19 the Commission and to Congress. If you have not
20 already done so, please submit any policy
21 recommendations you have through our submission
22 portal. If you are participating on our platform, you
23 can find the submission portal by clicking on the
24 policy recs tab on the menu on the left. The portal
25 is also available on the forum website at

1 sec.gov/oasb. Or you can email us at
2 smallbusiness@sec.gov.

3 Just below me on the platform, you'll see a
4 window with some polling questions. We'd love to hear
5 more about you if you'd like to scroll through and
6 answer any of those. Then later in our session, we
7 will invite you to return to that window to cast your
8 votes to prioritize the recommendations relevant to
9 today's topics.

10 Tomorrow and Thursday, we will open up the
11 voting on additional recommendations pertaining to
12 those day's topics. You can see which policy topics
13 we plan to cover each day by clicking on that policy
14 recs tab that I mentioned. Voting on each day's
15 recommendations will remain open on subsequent days,
16 and you'll be able to access any day's voting window
17 from the agenda page on the platform. That tab is
18 also on the menu on the left.

19 We look forward to hearing from all of you
20 this week. Next up, T.J. Collins, another member of
21 our Small Business Advocacy Team, recently had an
22 opportunity to chat with Donald Hawkins, an
23 experienced founder and early-stage investor. Let's
24 hear what Donald had to share.

25 (The recording of Mr. Collins' chat with Mr.

1 Hawkins was played.)

2 MR. COLLINS: I'm T.J. Collins from the SEC
3 Small Business Advocacy Team, and today I'm excited to
4 welcome Donald Hawkins, an Angel Investor and
5 entrepreneur to this fireside chat.

6 Donald, to kick off our discussion, could
7 you share with us some of your background?

8 MR. HAWKINS: Yeah, no problem, T.J. Happy
9 to be here. Serial entrepreneur, grew up in the
10 South, hometown of Albany, Georgia. Had a very unique
11 path in entrepreneurship.

12 I got introduced to entrepreneurship through
13 a 26-year-old hotshot that was my father's coworker at
14 Proctor & Gamble. He built the drop shipping business
15 online when the Internet was getting popular.
16 Everybody else was playing games in chatrooms, and I
17 saw him build this in real time. And it exposed me,
18 you know, to a world of being able to build something
19 digitally and getting people to pay you for it. That
20 clearly kind of led me on the path that I'm on now.

21 Started a few startups. Had a lot of
22 success, some failures -- kind of comes with the
23 territory -- of ad tech space, health tech space. I
24 also dipped my toe in the water of brick and mortar
25 for a 3D ultrasound business with my wife, and ended

1 up in the fintech industry some years ago building
2 financial products to help the underserved.

3 MR. COLLINS: And one of the topics you hit
4 on in some of your early success was really pivotal
5 for capital readiness. So we frequently hear from
6 early-stage companies that they believe they're ready
7 to raise capital, but in reality, they're not quite
8 ready yet. So in those experiences, successes, and
9 failures you had, what were some of the steps that you
10 think early-stage companies should consider before
11 they seek to raise capital from investors?

12 MR. HAWKINS: Great question, T.J. I kind
13 of like to compare raising capital to getting ready
14 for the prom, right? You know, when you're getting
15 ready for the prom, you go to the barbershop. You
16 know, you make sure you get the best smelling soap you
17 can. You make sure your suit is pressed. Everything
18 is laid out, thought through very efficiently.

19 When it comes to your startup, you've got to
20 think about it the same way, right? You know, do you
21 have the type of business that is investible? Do you
22 have the team members and the skillset to do the
23 things that you set out to do? Are you solving a real
24 problem? Is there a real problem that you're solving?
25 Is the solution that you're recommending really a

1 lasting solution to the problem you aim to set out to
2 fix? And more so, you know, is it something that also
3 has a moat? Are you the person and is your team, you
4 know, fit to build the product that you're looking to
5 build?

6 A lot of companies, many of us earlier, we
7 have the idea, we have the grit, we have the
8 willingness, but we're missing a lot of those pieces.
9 So one of the things I always love to recommend to
10 entrepreneurs is make sure you pass the prom test.
11 Like, is this something you would vate? Like, you saw
12 this idea. Do you answer all of those different
13 things that you need to answer for capital partners to
14 say yes? Many times it's no.

15 And I can be the first to raise my hand, you
16 know, having developed many ventures, you know,
17 thinking, hey, this is something that I'm pretty sure
18 people will buy. But I didn't check off all the
19 boxes. Maybe I didn't really have the skillset that
20 was necessary. Maybe I didn't really think as much
21 about differentiation or a moat in the market, what
22 makes me different. Maybe I had some of the skillsets
23 necessary, but I didn't have the team around me that
24 would help cover all of the things needed.

25 Venture capitalists, angel investors,

1 capital partners, they always think about risk. They
2 know it's risky to invest capital into startups and
3 operators, but they want to de-risk it as much as
4 possible. The more of those boxes you're able to
5 check as an operator and an entrepreneur, the less
6 risk they feel they take.

7 MR. COLLINS: And that's very helpful. And
8 like you mentioned in the beginning, it sounds like
9 when you first started your initial startup, you had a
10 great mentor. So using that experience and that kind
11 of framework, we also hear how important mentors and
12 coaches are to entrepreneurs like yourself.

13 Even though you're on the experienced
14 entrepreneur side now, for early-stage entrepreneurs,
15 do you have any advice on how they can find and
16 connect to these key advisors?

17 MR. HAWKINS: For sure. The number one
18 thing I like to let entrepreneurs know, when you see
19 somebody that you want to work with, find a way to
20 provide value before you ask for something, right?
21 It's really easy for us to send that LinkedIn DM, hey,
22 Mr. or Mrs. X, I'm an entrepreneur, and I want to
23 build this. I love this other company you built. Can
24 you help me out?

25 You have to think about all of the things

1 that person is dealing t. Are they an investor? Are
2 they running a company? They likely have a family.
3 Do they have kids? You know, it is very rare that
4 people have extra time available to help. You're
5 typically taking time from something else.

6 So I always like to advise people to find a
7 way to provide value beforehand. And it could be
8 simple ways to do that. It could literally be follow
9 the person on LinkedIn. Respond to their posts. You
10 know, give nice emojis. Give meaningful content. If
11 they are promoting an event or a book, share it on
12 your channel. Follow that person. Let them see that
13 you see value in them, or you also don't mind giving
14 your time, some of your resources to help promote them
15 as well.

16 The other thing too is make sure that you're
17 ready for the mentorship, right? You know, time is a
18 very valuable asset, and folks who are busy really see
19 that the most. So when you come to them, are you
20 ready for their level of mentorship? Are you early?
21 What research have you done before you reached out to
22 them?

23 But I think the main takeaway is, always
24 find a way to give more than you take. And it's
25 easier early in the process when you feel like, I

1 don't really have much to offer. You do. You know,
2 you have your time, your resources, and things that
3 you can provide to people as well.

4 Lastly, break out of the shell of thinking
5 that everything can be done digitally. You know, that
6 could mean sometimes hopping on a flight, go to a
7 conference, meet the person that you feel could be a
8 great mentor for you in person, shake their hand,
9 right? You know, you have to also put yourself out
10 there so that they can also see value in taking their
11 time and investing that in you.

12 MR. COLLINS: That's great insight,
13 especially getting on the ground. And speaking of
14 that travel, I think what's unique about your story,
15 you have a lot of experience raising capital in the
16 South and the Midwest. And we have a lot of our
17 audience who are founders probably located outside of
18 the traditional capital-raising hubs. So I wonder
19 what advice you would have for those founders located
20 outside of those hubs, just to, you know, get out
21 there, connect with funding sources, or like we even
22 said, you know, advisors and mentors in different
23 geographical locations.

24 MR. HAWKINS: Yeah. Broad answer coming
25 your way, T.J. I mean, so there's a lot of different

1 things you can do. First things first, always look
2 for the local resources. A lot of the ecosystems
3 around the country will have entities,
4 entrepreneurship and ecosystem partners that are
5 looking to help develop the next generation of
6 operators and entrepreneurs. Typically, also a number
7 of grant programs and pitch competitions that I
8 recommend. Kind of helps you hone your craft,
9 understand how to explain what it is that you do.

10 And if you think about the landscape for
11 raising capital nowadays, the luxury we all have is
12 that a lot of the hotbeds for capital -- New York,
13 Boston, San Francisco, now Miami, and other parts of
14 the country -- they're looking elsewhere. They want
15 to also diversify. Now, mind you, they do feel that
16 your likelihood for success improves when you're in
17 one of those locations, but that doesn't mean that
18 they want to invest based on where you are.

19 So when you look locally, look for the
20 entrepreneurship resources and those organizations
21 first, but also look for local angel investors and
22 funds who invest in your stage of company.

23 Here's a little secret. One thing that I
24 learned is local investors always tend to get more
25 interested when you have outside of the market

1 investors interested. It's kind of weird, but that's
2 the way it works, right?

3 So a lot of times, I also will recommend to
4 look at funds that are interested in your stage that
5 have a similar thesis to where you are. Are you
6 pre-seed? Are you seed? You know, do they invest in
7 your industry? Do you have a connection via LinkedIn,
8 via Twitter that can connect you to the fund, because
9 they love warm connections.

10 So I think that's kind of where you tie in
11 the mentorship a bit. Like, spend a little bit of
12 time, a little bit of energy, a little bit of effort
13 in getting to know the people who can connect you to
14 the funds. And it pays in dividends, obviously, if
15 you have a warm connection from one of those people as
16 well. And if you pass the prom test, you know, for
17 your startup, you'll find that you have a much easier
18 path in getting introduced to be able to raise capital
19 as well.

20 So it really doesn't matter where you're
21 located. Investors want to find great companies that
22 they feel can grow, scale, and in many cases, you
23 know, hit that unicorn mark that everybody wants to
24 get to. But a lot of that really depends on us as
25 operators and how we plan to scale.

1 MR. COLLINS: Yeah, those are great
2 insights. If we could steal a couple more insights
3 just to close out the fireside chat? I was wondering
4 if you had any more secrets, secret ideas or great
5 analogies, like getting ready for prom, that the
6 audience can carry away from today's session, maybe
7 even just a lesson you've learned early on that you
8 wish early-stage entrepreneurs knew from the get-go.

9 MR. HAWKINS: Yeah, no problem. I think a
10 tip, when you think about raising capital, you know,
11 there's the standard pre-seed stage, which is
12 technically you forming your company, getting
13 validation. Seed stage is you've got some early
14 validation. Now you really want to put a little fuel
15 to the fire to see if it has the opportunity to grow.

16 Series A and beyond. Typically, you know,
17 you're building what seems to be a viable business,
18 but it becomes a little bit more efficient just based
19 on the numbers and being able to grow. I always like
20 to recommend to founders, make sure that you try to
21 position yourself to be a heavy pre-seed company
22 versus a light seed company.

23 What does that mean? Is it possible for you
24 to find distribution partners, to develop wireframes,
25 to get early customers paying you? So that when you

1 meet investors, meet capital partners, now they're
2 thinking, wait a minute. Most pre-seed companies that
3 I meet, the idea is on the back of a napkin. There's
4 no -- established. They're not even thinking about
5 distribution partners.

6 But now I'm meeting with this other company,
7 they have distribution partners lined up. This
8 company has letters of intent saying, hey, when you
9 build this product, I'm interested in buying, you
10 know, this product. They have a customer list that's
11 waiting to test the product. Now all of a sudden,
12 this looks a lot less risky, you know, for me as an
13 investor.

14 You know, position yourself one stage below
15 that you can be heavier pre-seed. Same thing on the
16 seed stage. At seed stage, typically, you're really
17 starting to figure things out. What can you do if you
18 start up in that earlier pre-seed heavier stage? Now
19 all of a sudden, you're a much better positioned
20 company to raise seed capital as well.

21 So I think that's one where a lot of us who
22 play around with, like, what is a pre-seed round or a
23 seed round? Or we might be like, there might not be
24 much there. Especially for underserved founders,
25 right? We typically don't have the same level of

1 access, you know, to skilled team members to join us
2 early in the process or distribution partners early in
3 the process, so we have to be able to find things that
4 make our products and ventures less risky.

5 MR. COLLINS: Awesome. Well, I appreciate
6 your attendance today. Those were all great insights
7 that I know everyone will appreciate and use in their
8 experiences. So like I said, thanks for spending time
9 with us and sharing all your insights today.

10 MR. HAWKINS: No problem. Glad to be here.

11 (The recording of Mr. Collins' chat with Mr.
12 Hawkins ended.)

13 MS. BOWERS: What a great conversation T.J.
14 had with Donald Hawkins. Donald really provided some
15 useful ideas on what founders should consider when
16 deciding whether they are ready to raise capital, as
17 well as how to connect with potential mentors. I loved
18 the prom date analogy.

19 I'd also like to thank Chair Gensler again
20 for his warm welcome and thoughtful remarks, as well as
21 echo his encouragement for attendees to share their
22 voices and perspectives. With that in mind, if you
23 are watching on the platform, please answer the
24 polling questions that you'll find just below the
25 video. You may need to scroll down to find the

1 window. And remember to head back to that window
2 later today to participate in ranking the priority of
3 the recommendations at the end of the session.

4 If you are watching on the sec.gov webcast,
5 you won't see the features like polling, nor will you
6 have the ability to vote on policy recommendations.
7 If you'd like to be able to participate, we encourage
8 you to register for the event so you can get the link
9 to watch on the platform. You can find the link on
10 the sec.gov home page. Scroll down about halfway to
11 the spotlight on the SEC's 43rd Annual SBF, and click
12 over to the forum web page where you can register. If
13 you need technical assistance, you can email us at
14 smallbusiness@sec.gov.

15 Now, I'm really excited to hear from our two
16 panelists today. They both have great experiences to
17 share as founders of startups and insights into
18 lessons they have learned along the way. With that,
19 joining us today from Oklahoma, Erika Lucas, CEO at
20 StitchCrew and general partner at VEST Her Venture,
21 and from Oregon, Jessica Murrey, CEO/Co-Founder at
22 Wicked Saints Studios.

23 Hi, Jessica. Hi, Erika. I'm going to ask
24 each of you to introduce yourselves, because I know
25 you're going to do it better than me. So if you would

1 tell us a little bit about who you are, a little bit
2 about your story, that would be great. And Erika,
3 start us off.

4 MS. LUCAS: Yeah. Thank you so much for
5 having me. It's a pleasure. Yeah, so a little bit
6 about me. I'm actually originally from Mexico, born
7 and raised. And I was born into a family of bootstrap
8 entrepreneurs, entrepreneurs that started businesses
9 not because it was cool or sexy, to be on the cover of
10 magazines. They didn't romanticize the concept of
11 being an entrepreneur. They did it as a way to
12 provide for our family.

13 And then when I was about 13 years old, I
14 actually migrated to the United States with my single
15 mother and sister and started my career way outside of
16 entrepreneurship. I actually was in economic
17 development helping large corporations establish
18 manufacturing operations in Mexico.

19 Then when I came back to the States about 10
20 years ago, I was the deputy director at the Oklahoma
21 Department of Commerce. One of the industries we were
22 heavily recruiting was aerospace and defense. So
23 that's actually what led me to private investment,
24 investing in aerospace and defense companies, both in
25 the U.S. and in Europe, latter-stage investing, so

1 very different than what I'm doing now.

2 But in 2017, Stacey, that's when I came
3 across -- unfortunately, I wasn't paying attention.
4 But when I did, I couldn't stop paying attention to
5 the fact that, you know, we have a huge problem when
6 it comes to access to capital, primarily for women and
7 for people of color, especially if you're in a region
8 like mine, which is in the middle of the country,
9 which is often overlooked.

10 So I actually left the private equity
11 company and started StitchCrew, which is a non-profit
12 organization that has supported over 200 companies
13 now, about 90 percent of which are led by women or
14 people of color or other underrepresented minorities.

15 And then in 2020, I launched VEST, a peer
16 network for women professionals that crossed industry,
17 sectors, and career levels. And then last year, we
18 launched a \$20 million fund to invest in women-led
19 companies that are building that critical
20 infrastructure that would enable women's labor force
21 participation.

22 MS. BOWERS: Great. Thank you for sharing
23 that. Jessica, how about you?

24 MS. MURREY: Yeah. No, thank you. So
25 wonderful to be here with you, Stacey and Erika. It's

1 so fun.

2 So hi, I'm Jess. I'm the CEO and co-founder
3 of Wicked Saint Studios. It's our whole mission to
4 empower Gen Z to build a better world and live a
5 happier life. And we do it through immersive
6 storytelling, game playing, augmented reality.

7 My story starts, I'm a small-town girl from
8 southern Oregon, and went to school for journalism,
9 played sports. That's how I -- I was a scholarship
10 athlete kid. That's how I got to college. And
11 thought I was going to change the world with stories.
12 Ended up working for a local television station. Did
13 awareness campaigns. So anti-child abuse,
14 anti-domestic abuse, you know, pro-education. And I
15 was telling stories, but stories of very bad things
16 after they happened, and I thought there had to be a
17 way to stop bad things before they happened.

18 Ended up working for a -- moving to
19 Washington, D.C. and working for Search for Common
20 Ground, the world's largest dedicated peace-building
21 organization. They do everything from reconciliation
22 of the genocide prevention -- they basically believe
23 that our inability to deal with difference stops us
24 from making progress in every issue we face.

25 So if you care about the environment, you

1 care about poverty, business, you know, race issues,
2 whatever it is, we have to -- in order to fix those
3 problems. And we often need the very people that we
4 think are part of the problem to actually co-create
5 solutions with us so that we get sustainable change --
6 break cycles of violence.

7 So anyways, fell in love with the approach,
8 worked for Search for years, and I began training
9 young activists in the field around strategic
10 storytelling to shift attitudes and behavior. I
11 recall Common Ground Activism had a technical problem,
12 not the person.

13 Basically, all the change that was
14 happening -- so I was doing this for like Myanmar,
15 Burundi, Nigeria, Colombia, Indonesia, all over, saw
16 the changes happening. Meanwhile, the U.S. seemed
17 like it was on fire. We were not getting along very
18 well. Able to work through our differences. And so
19 came to the U.S. Wanted to work with American teens.
20 Wanted to scale it.

21 Basically, a long story short, found that
22 the best way to what teens needed most was
23 self-efficacy, their belief in their abilities to
24 accomplish a goal. And games. Have a core game loop
25 so every time you go around it, you go -- what's

1 happening -- mastery, and mastery is how kids start to
2 believe in themselves.

3 And we asked ourselves could we build a game
4 where all the power that they believed in the game led
5 into real life. And that's where Wicked Saints was
6 born. So it came from the non-profit world, ended up
7 going into Niantic Labs' incubator, the makers of
8 Pokemon GO. We'll get more into that. And then we
9 closed our -- we did a pre-seed round, and we just
10 closed our seed round this summer at 3.5 million -- co
11 led by Riot Games and Oregon Venture Funds.

12 MS. BOWERS: Great. Thank you. Thanks to
13 both of you for sharing a little bit about yourselves
14 and your stories. I know the audience loves to hear
15 the background of the panelists.

16 So as you can imagine, we are always
17 interested in how early-stage companies raise funds.
18 So while the mission of the SEC is focused on capital
19 from investors, just eight percent of companies that
20 are looking for external financing raise equity
21 capital from investors. So that's just a sliver of
22 the overall funding picture for small businesses,
23 which means that the bulk of capital is being raised
24 in other ways.

25 So let's start with Jessica on this one.

1 Can you give us a little bit of an overview of the
2 ways you have raised capital or how you see other
3 early-stage companies accessing the funding they need?

4 MS. MURREY: Yeah. So our journey -- like I
5 said, I started in the non-profit world. So we
6 started with trying to do grants and foundations and
7 found that we couldn't raise enough money to do the
8 innovation and the reach that we had in mind.

9 So I had had -- someone who is an angel
10 investor came and said that, like, hey, we'll fund
11 your idea. That ended up not working out. They did
12 not fund us. However, we thought it was going to
13 happen, so we made all of the movements to do that,
14 and we actually ended up getting our first capital
15 from Kickstarter. So we did a Kickstarter, raised
16 about 20,000, and that was enough.

17 By that time, I had started collecting some
18 really great talent around an idea, and that was
19 enough for me to be really confident to bring on a
20 heavy-hitting artist that was incredible. And that
21 artist helped us then land with Niantic Labs. So
22 Niantic, they were going to be acting as a publisher.

23 So games either -- oftentimes, some -- very
24 few -- some go the venture route and others go the
25 publishing route. And so we were going to try the

1 publishing route. And so what that meant is that they
2 were going to pay us an amount of money to build a
3 game, and then we would get a small amount of
4 royalties when that game went live. So it would be
5 like five to fifteen percent. It was going to be more
6 like five percent.

7 But I made a deal at the beginning that I
8 said, hey, listen. If you don't want to move forward
9 with our game -- this is a story I've been working on
10 for a while -- we get it all back if you decide not to
11 move forward. And so that was pretty rare. A lot of
12 times, publishing is if they shut down, you shut down,
13 and they own the IP. They greenlighted us a couple
14 stages and then decided no, we're not going to move
15 forward.

16 And so that amount of money was
17 non-dilutive, and it acted as a -- it was enough for
18 us to get our prototype. We used our prototype to get
19 our pre-seed round. That was led by Precursor
20 Ventures. Charles Hudson is probably one of the most
21 amazing VCs out there. And so he was our lead
22 investor.

23 We got a couple amazing angels on. Because
24 I didn't have a lot of the -- I didn't go to an Ivy
25 League school. I didn't come out of Riot Games, you

1 know, or EA. And so we had to get a few really
2 credible angels on board, and that helped us get our
3 1.1 seed.

4 And then in 2023, which was a rough year to
5 raise, especially for the mobile game industry, that's
6 when we got our seed round. And that was rough. I
7 fundraised for about eight months every day. And
8 first we were just trying to raise -- and this is how
9 a venture works. First we were trying to raise 2
10 million. Could not for the life of me raise \$2
11 million. Riot came back on again to say that they
12 were co-lead, got Oregon Venture Funds, and all of a
13 sudden, I had \$4.25 million and was way
14 oversubscribed, and then they had to cut money out.

15 And so we ended up raising 3.5 out of that,
16 and now we're starting to raise new revenue right now.
17 I'm looking at maybe a C2, or we're looking at -- we
18 have a big brand that's come on board. They'll
19 probably give us a little bit of what would be
20 considered revenue at this point as we move,
21 hopefully, towards Series A and product market fit.

22 MS. BOWERS: Great, thanks. I like hearing
23 the whole way -- the way it panned out the whole way
24 across. Erika, what has been your experience on this
25 front?

1 MS. LUCAS: Yeah. Well, first of all,
2 congrats Jess, on closing that fundraiser, and thanks
3 for sharing your story.

4 Yeah. Well, you know, I think it depends on
5 the business model the company started building. But
6 throughout all the companies that we've supported both
7 at StitchCrew and VEST, I would say that in the
8 pre-seed and seed rounds, angel investors are more
9 prone to investing that early stage. I also see very
10 early- stage entrepreneurs, particularly women,
11 particularly people of color, taking advantage of
12 pitch competitions, local and regional grants,
13 philanthropy grants that are earmarked for early-stage
14 companies. So definitely taking advantage of those.
15 And like you, Jess, you know, taking advantage of
16 crowdfunding resources.

17 Just because even though, you know, we talk
18 about venture capital, and it depends on who you talk
19 to in venture capital, all investors are different,
20 and everybody describes what is a good pre-seed or a
21 seed round differently, right?

22 And so I think that the misconception is
23 that you can raise a seed round or a pre-seed with
24 VCs, and more than likely, you're filling it up like
25 Jess did, with a lot of angels. And hopefully, you do

1 get a micro VC or a VC that takes, you know, very
2 early-stage companies.

3 But for the most part, in my experience,
4 through all the companies that we've supported, most
5 of the time in those very early stages, you're relying
6 on grants, savings. If you're Latino, on savings, you
7 know, family, your own cash that you're able to
8 leverage before -- start talking to VCs.

9 MS. BOWERS: We'll bring in our audience a
10 little bit and get some information about what their
11 experiences have been.

12 So based on the results from our polls --
13 and this really dovetails with what both of you are
14 saying - 59 percent indicated they raised capital
15 through grants, loans, or other non-dilutive funding,
16 and then 50 percent through angel investors or other
17 accredited investors. Then that really -- you know,
18 our audience seems to be raising capital in the same
19 ways that both of you are talking about or how you're
20 seeing it play out in the marketplace.

21 All right. So with that, thanks to our
22 audience for sharing. And then I want to say, you
23 know, we've heard -- building on the inside of your
24 personal capital-raising efforts, what are some of the
25 notable surprises you encountered or lessons you

1 learned? And Erika, why don't you lead us off here on
2 this one?

3 MS. LUCAS: Lessons learned in approaching
4 investors?

5 MS. BOWERS: Uh-huh.

6 MS. LUCAS: Yeah. Well, you know, just
7 understanding, you know, investors do a lot of due
8 diligence on you when they're deciding -- you know, or
9 doing risk mitigation or deciding whether or not to
10 invest. And I always suggest that founders do the
11 same thing, and that they do a lot of due diligence on
12 investors for the reasons Jess mentioned too.

13 You want to make sure that there's
14 alignment, not just in growth projections and
15 financials and all of that, but also in values and in
16 the way they see growth, right? Because some
17 investors -- a lot of VC investors, you know, really
18 value growth over revenue, for example. Others value
19 revenue. It just depends on the investor.

20 And so I definitely suggest that you talk to
21 them. Because many times I've seen founders who
22 romanticize with certain VCs because they're very
23 prominent or they have big names or whatever, and then
24 only to find out later on that maybe there wasn't true
25 value alignment or alignment in general in how they,

1 you know, were forecasting growth. So that would be
2 number one.

3 And the other thing I would say, for women
4 entrepreneurs, I continue to see that women
5 entrepreneurs, because we only receive less than two
6 percent of venture capital because we are measured --
7 or we're measured by performance as to best potential,
8 all of those things and all of the biases that we
9 receive, I do see that a lot of women wait too long to
10 raise. You know, they think that they have to be
11 perfect, or "If I can just get to this revenue," or
12 "If I can just get to this."

13 Our male peers are not doing that, you know.
14 And I know why we're doing it, and I love that we're
15 more capital efficient. But at the same time, I feel
16 like, you know, we are internalizing outside, you
17 know, forces, and sometimes we're waiting too late to
18 raise. Or, you know, it's hindering our growth
19 potential because, you know, we just want to be
20 capital efficient, and we're saving, saving, saving
21 instead of reinvesting in our growth.

22 MS. BOWERS: Great, thanks. Jessica, what
23 are some of the surprises you encountered or lessons
24 you learned during the capital-raising process?

25 MS. MURREY: Yeah. No, there's -- oh, my

1 gosh, there's so many. So I would say there's like
2 two big ones stand out.

3 And so one, it really was surprising to me,
4 because within the venture space, you expect it to be
5 extremely like this is about innovations. And so like
6 being very, very different would be a very, very good
7 thing. And so it very much surprised me, like, a
8 little bit of all the leader mentality of just how
9 trendy things get and how many people jump on the
10 trends. It doesn't matter if the trend is good for
11 your business or not or for your customers.

12 And so when I did my pre-seed round, it was
13 all Web3. And a lot of -- you know, a lot of VCs
14 wouldn't even take a call if it wasn't Web3. And then
15 it's -- and like now it's AI, you know.

16 And then there's certain things that they
17 also look for and characteristics of founders that
18 they want to follow. They want to see that you've
19 come out of a big studio. They want to see that you
20 have this -- you've been accredited, whether like
21 through, you know, the school that you went -- there's
22 like certain signals and kind of games that are --
23 that was pretty surprising to me than like, okay,
24 you've got to figure out how to play the game a little
25 bit.

1 And so that was one thing that was really
2 interesting. And so you can imagine that it's hard
3 when you're outside -- when you're an outsider of
4 those games and you don't hold those signals, how
5 difficult it could be.

6 And then the second thing that I found was
7 really interesting was like really just like not
8 chasing the goalposts. And so you'll talk to a VC,
9 and they'll often say like, hey listen. I'm really
10 interested. This is really interesting. Come back to
11 me when you hit these day seven numbers, these D7.
12 Like, come back and we'll talk, you know.

13 And so then what you do as a founder, you're
14 like, we got to hit day seven. Like, this is the most
15 important thing. And so you shift all of your
16 objectives to trying to do what VCs say is the next
17 goalpost. And then you hit that goalpost, and they're
18 like, actually, we're only looking at day 30 numbers
19 right now, you know. And so the goalposts keep
20 moving.

21 And so this was something that like very
22 much our team is like focused on this year is not
23 chasing what VCs say. Because they are actually a lot
24 of times, even if they've -- there's a wide range of
25 experiences within the VC community, and some of them

1 have been founders and early operators. But a lot of
2 them don't know your product and your customer half as
3 much as you do.

4 And so if you're constantly chasing -- like,
5 there might be completely different other indicators
6 that are going to show success or what success looks
7 like. And so it's really important for you to set
8 your own -- like, what are we trying to reach? What
9 are key metrics that show you that we're on the right
10 path, and chase those instead of chasing what VCs say,
11 because it will always change.

12 And the bottom line is, they invest in what
13 they're confident in. And so if they're not confident
14 in you, your team, or your product, they're not going
15 to invest. And they'll put numbers on all those
16 things, but it really comes down to them being
17 confident and comfortable that you can deliver.

18 MS. BOWERS: Great, thanks. So one of the
19 things our audience had shared is that they find
20 making -- having networks and connections is one of
21 the biggest barriers to accessing capital. Can each
22 of you speak to like your thoughts on that issue?
23 I'll go with Erika first.

24 MS. LUCAS: Yeah. I mean, yeah, we can
25 spend hours on this, right? But yeah, I think, you

1 know, the whole story that we hear often on main
2 stream media, that, you know, the lone wolf, self-made
3 founder, you know, it really is just -- it makes for a
4 great story, but it's not real, right? I mean, most
5 of that -- first of all, nobody builds companies
6 alone. You're going to need investors. You're going
7 to need employees. You're going to need customers.
8 So we really need to shift away from that, from
9 romanticizing and putting, whether it's investors or
10 entrepreneurs, on pedestals and really look at it
11 like, you know, from a broader perspective.

12 But when you're building a company, I would
13 say, you know, we talk a lot about access to capital,
14 but I would say it's access to networks, right?
15 Because those networks can give you access to
16 potential investors, to capital allocators, community
17 banks, customers' pilot opportunities. But not
18 everybody has access to those, especially if you come
19 from a completely different background, like a
20 nonprofit or something that's completely different
21 from the entrepreneur role.

22 So I think the gentleman that spoke earlier,
23 Donald, I think talked about, you know, really relying
24 on local resources and local entrepreneurship support
25 organizations that are creating the environments for

1 founders to network with one another. I think
2 building the network with other entrepreneurs is first
3 and foremost and the most important thing you can do.
4 If anything else, to share the stories like Jess was
5 just telling us. We learn more from other people that
6 are going through the exact same thing that you're
7 going through. And then you can also meet investors
8 and meet community leaders, business civic leaders.
9 Everybody can bring a little bit of value to your
10 company.

11 So yeah, not everybody has access to those,
12 but I think you can find opportunities through, again,
13 local and national resources to expand those networks.

14 MS. BOWERS: Great, thanks. Jess, anything
15 you want to add onto that?

16 MS. MURREY: Yeah. I completely agree.
17 It's the people behind you. You know, you're seeing
18 me here now. There's like 50 people behind me, which
19 is why I'm here, and like not even including people
20 that laid the groundwork for this. And I would say I
21 have been -- like small town kid. Like I said,
22 scholarship athlete, went to UNLV. Go Rebs, Rebels.
23 That's in Las Vegas. No one knows.

24 So, you know, I think one thing that's
25 actually really helped me is because of the

1 peace-building background. And peace-building, it's
2 more important to build trust, to get authentic human
3 connection in a relationship than it is to get people
4 to like you.

5 And so the objective, and I tell young
6 people all the time, don't try to get people to like
7 you. Try to build trust. And that goes a really long
8 way in building relationships. I think this is
9 something that someone might -- earlier investors are
10 like, Jess, why do you think this works for you? And
11 I think that's what it comes down to is actually
12 building trust and relationships.

13 I had one person open the door for me. It
14 was like -- it was at my lowest moment when the
15 investor that I thought was going to invest in had
16 come in. And I had met Van Jones, a CNN media person,
17 like years ago, and I sent him a text after not
18 talking to him for like a couple years. And he was
19 like, you know -- and told him the story. He was
20 like, you know what? Like, you're going to thank that
21 person someday. And he opened doors for me.

22 And one of the first doors he opened was
23 Andreessen Horowitz. And even though I was way too
24 early to even -- that opened doors to other investors.
25 And I pitched all them, and they all said no. They

1 clearly knew that I had no idea what I was doing. The
2 cool thing was, I could go back to them later and make
3 progress and make progress, and go back, and they
4 could watch the progress. And then they would talk to
5 me, like, hey, you really need to talk to this person.

6 And so now my cap table is full of just
7 brilliant people that can actually help in really big
8 ways, and more people open up their doors. And it's
9 really those people.

10 But you can't expect people to open up their
11 doors without doing the work of showing progress and
12 building trust and all that really important work that
13 has to go in it first. Because people's Rolodexes are
14 extremely important to them, and they need to be very
15 confident that if they open their Rolodex to you that
16 you're going to follow through. And because if you
17 are booted, if something happens, then it could hurt
18 that person's relationship as well. And so that's why
19 like relationships really, I think, are the key here
20 in building trust.

21 MS. BOWERS: Great. That's great advice for
22 our audience today. So we're going to switch gears a
23 little bit. So as you both know, women and diverse
24 founders, they're vital to the small business
25 ecosystem. And I think Erika referenced this a little

1 bit, but data still shows their share of funding
2 remains a miniscule fraction of their overall capital
3 raised.

4 So while talking about these in challenges,
5 it's really important to talk about them, but I'd love
6 to hear both of your thoughts and how we can shift
7 from conversation into more direct action to improve
8 capital access for women and diverse founders. So
9 Erika, what do you think can be done to help address
10 these magnified challenges that are faced by women and
11 diverse entrepreneurs?

12 MS. LUCAS: Well, I think the first thing
13 that we can do is, especially as capital allocators,
14 stop trying to fix women or entrepreneurs of color,
15 and instead fix the systems that often get in the way
16 of, you know, women or people of color launching and
17 scaling businesses. So I would say that. Focus on
18 what systems and what barriers to entry we can
19 diminish so that they can be successful.

20 That includes access to capital, access to
21 resources, some of the -- it includes addressing our
22 own biases. And we all have them. I'm not pointing
23 fingers. I have my own biases. It's the way our
24 brain works and the way we make decisions based on
25 what we know. But if all we know or all we have as

1 reference is people that look like us, that act like
2 us, that have businesses like us, then it makes our
3 view of what to look for very narrow, right?

4 Then the other thing that I would say that
5 we need to do is just, you know, understanding how
6 inequality compounds. I think when I talk up to a lot
7 of my fellow VCs or investors, it's very easy to look
8 at the numbers and say, well, women are just not
9 taking the risk, or women just don't want to, you
10 know, build high-growth companies. They're building
11 small businesses. And some of that might be true.

12 But a lot of it, again, goes back to like,
13 well, have we taken the time to really give women the
14 same latitude, right? If we're only getting two
15 percent of venture capital in one chance to make it,
16 because we also expect everything to go perfect, and
17 we measure women's performance very differently, you
18 know, are we really giving them that latitude to try?
19 So it's not really not taking a risk.

20 And just understanding how inequality
21 compounds. When rounds of funding to women
22 entrepreneurs or entrepreneurs of color are scarce,
23 you know, there's less likelihood of them going into
24 serious seed, and A and B and C, so that means less
25 exit potential. And the less exits, you know, the

1 less stories to be shared, the less examples to be,
2 you know, shared with others, the less angel investors
3 to invest in other companies. And so inequality
4 continues, and the cycle, you know, continues to
5 compound. I think that's another thing.

6 Last but not least, I would say we need to
7 diversify who's writing the checks, right? I mean,
8 less than 10 percent of investment professionals are
9 women and people of color. And I'm just talking
10 professionals, the ones that actually make decisions,
11 because there's a lot of firms now hiring to check the
12 boxes. But are those hires actually evaluating
13 investments and making investment decisions? There's
14 only 1.4 percent, right, of assets being managed by
15 women or people of color.

16 Until we change that, until we change who's
17 writing the checks -- and by the way, the same biases
18 and the same structures that I've just mentioned go
19 for emerging fund managers, which I know you're going
20 to have that conversation tomorrow, so I'm going to be
21 listening to that. But we are, as fund managers,
22 we're experiencing the same challenges, right? LPs
23 deploying to emerging fund managers so that we can
24 deploy into the areas that we have expertise or
25 familiarity with.

1 So anyway, those would be the things that I
2 would address.

3 MS. BOWERS: Great, thanks. Jess, what are
4 your thoughts?

5 MS. MURREY: Yeah, absolutely, especially on
6 the risk part, you know. Like, failure is how we
7 learn. It's how we innovate. And I cannot afford to
8 fail. There's been a couple instances where my
9 husband, like where we -- because I have to do more
10 with less. And my husband says stuff like, it's like,
11 Jess, you don't just have to be Michael Jordan. You
12 have to have the whole team, the whole Bulls '96/'97
13 team behind you in order to -- and that's what it
14 feels like.

15 I think there needs to be a big shift
16 around, you know, the word "diversity" in general. I
17 think diversity is often treated as a chore when it
18 should be seen as a gift. Like, there are
19 different -- like, we have -- everyone is looking at a
20 problem the same way and going after it the same way.
21 It is a gift to be able to come at it from a different
22 angle and see a different side that's not covered.

23 And, you know, we have -- so, you know, the
24 venture -- we saw venture funds take a big hit last
25 year. But with that, some stats of like the funding

1 to black founders dropped by over 70 percent last year
2 from 2020, and black founders ended up getting .5
3 percent. Oh, there's goes Mac doing its thing.

4 So black founders got .5 percent of venture
5 funding last year, and so you can imagine what
6 fraction black women founders got. Because even in
7 '22 when it was much better, black women founders got
8 .3 percent of all venture funds.

9 And I was part of both '22 and '23, and I'm
10 talking to a lot of black founders, a lot of game
11 studios, and no one's getting funded. I was the only
12 one that I know that got funded last year. And so not
13 only is there no risk capital, but it's hard to access
14 any capital in general.

15 I talked -- for these kind of
16 recommendations of like what to do, I talked to women
17 of color, advisors that I have, investors. One is
18 Qiana. She has Cap Table Coalition that has -- like,
19 it's made up of like over 800 people of color, angel
20 investors. And she talked about risk capital. And
21 she said, hey, you know, like, there are local and
22 federal and state grants available for innovation and
23 academia. Like, why couldn't there be something
24 similar for businesses that they could tap into that's
25 non-dilutive? Especially for people like me who,

1 like, I don't have family and friends to like, you
2 know, to go to to raise. And so I think that would be
3 really important.

4 And then someone else, Valerie Red-Horse,
5 she established the first ever native bank. And she
6 bought up -- she had this whole thing. I think she
7 actually submitted this idea that for non-profits, and
8 especially non-profits that have tax status that are
9 investing funds, to have either requirement or
10 encouragement for their funds to go to BIPAC and color
11 and women fund managers because they already have
12 government tax status, and so it could be a good kind
13 of leverage to encourage that kind of thing.

14 Because, like I said before, people invest
15 in what they're confident in. And a lot of times, our
16 bias, which is an absolute head issue -- it's not a
17 heart issue, as we talk about, it's a head issue.
18 They don't know why, but they're just more comfortable
19 and a little bit more confident in this founder in
20 front of them than this other founder. And a lot of
21 times, that could be our background, that could be our
22 hair, it could be our color, it could be the way that
23 we talk, you know, we don't have the right codes and
24 signals to make that person feel comfortable. And
25 that's why it's so important to have -- to be able to

1 have women and people of color be able to write the
2 checks.

3 Most of my cap table is I probably have five
4 women investors, angels, and almost all of them are, I
5 would say, people of color, black men. I think I only
6 have -- like, do I have -- yep, almost my whole entire
7 cap table, that's who has chosen to invest in me. And
8 so that's why it's so important.

9 MS. BOWERS: Great, thanks. Those are just
10 amazing insights. And first, they really highlight
11 the challenges that women and diverse founders face.
12 But I also appreciate that both of you put out some
13 ideas there about how do we change from the
14 conversation to making some progress, actual progress
15 on this front.

16 All right. So I think I've got one more
17 question for me before we turn to our audience. But
18 you're both outside the traditional capital-raising
19 hubs, and there are lots of people who don't have the
20 luxury of being in those hubs. And so we know that it
21 can be more difficult in those types of business
22 ecosystems when you're not sitting on the coast or
23 places where it's a little bit easier.

24 So Jessica, what are the challenges that you
25 encountered when you were trying to raise capital in

1 the Pacific Northwest? Do you feel like you were
2 impacted by being outside a traditional hub?

3 MS. MURREY: I think there's definitely
4 disadvantages, but also advantages I try to take
5 advantage of that really helped a lot.

6 So one, it was -- Covid was going on, had
7 just happened, and so people really didn't -- you
8 know, I think before Covid, it was a little different,
9 or you had -- like, people expected it just to be in
10 person. But Zoom pitches were the norm. And so I'd
11 get connected, call in. People were like, oh, where
12 are you calling from? Like, oh, southern Oregon.
13 They're like, oh, Portland. I'm like, no. Medford,
14 Oregon, about four hours south.

15 Because in order for -- my husband and I are
16 actually both founders, and we have two kids. And so
17 in order for us to do this, like, we need to live in a
18 place that's low-cost and have a lot of community
19 support. And my family lives here that can help us.
20 And so that was -- so that's an advantage.

21 However, all of the connections and my
22 relationships I had were people that were from San
23 Francisco, LA, or New York. The nice thing is, when I
24 would fly in, I'd be like, hey, I'm coming into town.
25 And then people would try to make time to meet with me

1 because I wasn't normally in town. So that was an
2 advantage.

3 And then the ultimate advantage was when I
4 finally figured out that Oregon had resources --
5 shocking, great resources -- and that actually led
6 to -- and Oregon Venture Funds ended up co-leading my
7 round. And it was interesting, because some of the
8 Silicon Valley guys and like Sand Hill guys were kind
9 of like, Oregon Ventures, like.

10 But they actually -- they do extremely well.
11 And they have a unique model that's a little bit
12 different than the other VCs where they put one of
13 their LPs who is an expert within your space on your
14 board. So they're not on your board. They have an
15 observer's seat. But we ended up getting Thomas
16 Gewecke, who was like a former C-suite of Warner
17 Brothers, on our board, because he's retired up in
18 Oregon. And he's just the most supportive, amazing,
19 kind of like independent board seat for us.

20 And so I'm -- and then there's lots of other
21 funds. Like, there's Portland Seed Fund. There's all
22 these other funds in Oregon that I didn't tap into
23 because I didn't know they were there. So I'd
24 encourage you all to look. Look locally. Look around
25 you. It could be super advantageous.

1 MS. BOWERS: Great. And that dovetails with
2 what Donald was saying too in his chat of looking
3 locally.

4 So Erika, you're in Oklahoma. I know you're
5 in Oklahoma City. What are you encountering? Or what
6 have you encountered in that smaller ecosystem?

7 MS. LUCAS: Yeah. Well, I definitely want
8 to echo what Donald and Jess have said, you know, to
9 look locally. But I'm also going to be uber honest.
10 We helped programs launch in not just Oklahoma, but
11 Arkansas, Arizona, and other states. And sometimes,
12 you know, locally, we overlook our local talent,
13 because we want to import new talent or invest in the
14 big startup or the big program first and move them
15 here. And so sometimes to adjust that, you know,
16 definitely look within your community, but also
17 outside, right?

18 If you want to be a venture-backable
19 company, that means you're going to be national,
20 you're going to be global. So building your networks
21 this early on, even if they don't invest in you, it's
22 super critical. So make sure that you are, you know,
23 pitching investors throughout the nation and
24 internationally if they're investing here in the
25 region, and then, you know, definitely local, but just

1 completely honest.

2 And sometimes, you know, you can't be a
3 prophet in your own land until other people start
4 paying attention. And then all of a sudden, you know,
5 you're like, oh, we want to invest in you too. Didn't
6 you know we're here local too? That happens too.

7 So, you know, just know that that also
8 exists in some of the ecosystems that are a little
9 bit, you know, earlier in their development stage in
10 terms of building like an entrepreneurial support
11 system. Don't take it personally. Just know that,
12 you know, it's part of the game, know how it's played.
13 And, you know, take the opportunity to just leverage
14 your networks outside, learn as much as you can, and
15 then come back locally to see who you can convince to
16 get on the round.

17 MS. MURREY: Yeah. To back up what you're
18 saying just really quick, because I -- absolutely.
19 Because I think one of the reasons Oregon Venture
20 Funds was so excited is because I already had the
21 co-founder of DiscWood. I had Riot Games. I had the
22 former CFO of Roblox. We had Rita Huffman on our cap
23 table. So we had all these big names that they
24 also -- that are important signals for them that a lot
25 of the local groups don't have, because we looked

1 outside. So I would definitely back up what Erika is
2 saying as well.

3 MS. BOWERS: And I appreciate that. It
4 dovetails with some data in our annual report, what
5 you're saying too. Like, while local is great, I
6 think the average distance between the lead investor
7 is now, I think, over 600-some miles. And I think it
8 ties back to something you said too, Jess. Covid
9 really changed things. And this comfort we had with
10 being more in this online environment also opened
11 those doors to look further afield.

12 MS. LUCAS: But Stacey, can I say something?
13 Because I think it's important to tie back to what
14 Jess said. It's important to understand, you know,
15 like we just talked about, the biases that sometimes
16 exist.

17 You know, our job as an investor is to
18 mitigate risk, right, and to de-risk your company.
19 And sometimes, not all investors, but a lot of
20 investors, the way they do that is by, you know,
21 performative metrics, right, who has invested in not
22 necessarily the health of the company, your revenue
23 metrics and all of that. It's just one way in which
24 they do that.

25 By the same token, just know that what Jess

1 said previously is super important, but know that that
2 exists. But also, your metrics on how you're
3 measuring the overall performance of your company,
4 they're up to you. Because a lot of investors play
5 these games or invalidate startups in this way, not
6 necessarily your business model. But we're still very
7 good at giving advice, whether or not it's good advice
8 for your company.

9 So I just want to say that I love and
10 support what Jess says, but ultimately, you're the
11 business owner. You should know your business better
12 than any other investor, because you're working on it
13 day in and day out. Don't follow for those trendy
14 things or don't follow just for any advice that's
15 given to you by an investor, particularly if they
16 don't have actual, you know, experience running a
17 business and growing a business.

18 So anyway, I just wanted to tie it back to
19 what Jess had said previously, because I think it's
20 super important.

21 MS. BOWERS: No, that's fabulous. Well,
22 thanks again, Erika and Jessica. I mean, such
23 invaluable experiences, feedback, advice for the
24 audience. I know I learned a lot. I'm sure the
25 audience did as well. And I really enjoyed talking to

1 you.

2 And speaking of the audience, I know that
3 they have been really active in the chat, and so I
4 want to welcome Julie Davis from our Small Business
5 Advocacy Team onto the screen with us. She's been
6 monitoring the chat, looking at the questions, and
7 she's going to start -- well, together, but mostly
8 Julie's going to start bringing in some of the
9 questions.

10 MS. DAVIS: Thank you, Stacey. And Jessica
11 and Erika, I've just really been enjoying this
12 conversation, and I can tell you that from the chat
13 the audience has been too. There's been a lot of back
14 and forth engaging, asking some questions, many of
15 which you answered as you were going, and even without
16 realizing it. But now is the opportunity, folks in
17 the audience, if you haven't dropped in a question yet
18 and there's something you want to ask these amazing
19 panelists, please do so now. I'll do my best to try
20 to bring them in live. We don't have a ton of time
21 left, but we'll do our best.

22 One question we had come in via email was
23 someone asked a question about the accredited investor
24 definition, which is a standard that comes in for some
25 types of investments. And before I put either of you

1 on the spot, I'm going to give you a minute to sip
2 your water. And I'll just take a quick minute to show
3 off some of our small business resources on my screen
4 if I can here.

5 This is sec.gov. You'll see there's a blue
6 bar across the top that has an education dropdown
7 tool. And folks, you know, definitely take a look at
8 our small business capital-raising resources, because
9 we have a lot here that I think folks can find useful.

10 I'm just going to quickly go into our
11 glossary of terms, which has everything that we've
12 heard from folks. You know, hey, there's some jargon
13 that I don't understand. Capital raising is complex.
14 So if you have things that you hear about, I'm talking
15 to the audience here, let us know. We would love to
16 add more terms as we go.

17 But to answer the question that came in on
18 accredited investor, I'm going to go to the A's, and
19 you'll see here we have a definition. And underneath
20 each definition, there's some more resources. So I'll
21 just click into this one on the building blocks about,
22 you know, how do you become an accredited investor?
23 Who can qualify?

24 You'll see here there's financial criteria
25 with net worth over a million dollars, excluding your

1 primary residence, or income, annual income, over
2 200,000 if you're an individual, or 300,000 with your
3 spouse or partner. So professional criteria, ways
4 that -- whole glossary. I just did want to make folks
5 aware that we have these resources, and we hope you'll
6 check them out.

7 But I'm going to stop sharing my screen now
8 and go back to our panelists. Jessica, Erika, do you
9 have anything you want to add about the accredited
10 investor? Have you seen this in action, and do you
11 think the definition, like kind of those incomes and
12 net worth thresholds, do you think they should be
13 changed? Do you think they're working? Any thoughts
14 you have would be, I'm sure, appreciated. I won't
15 call on any -- if you don't want to -- we can move on.

16 MS. MURREY: All I know is that they are
17 different outside the U.S., just to note that.
18 Because we had someone from London that wanted to
19 invest. It was like a small check, like 5K, and
20 couldn't because they weren't -- so definitely, if you
21 have people outside the U.S. that want to do a check,
22 just know that there are -- I think there's a little
23 bit of a higher standard here in the U.S. to be an
24 accredited investor than there is other places.

25 You know, it's -- like, I'd be curious to

1 understand why. I think it would be interesting. You
2 know, I don't know how Cap Table Coalition does it, if
3 everyone there has to meet that, or if they -- that
4 vehicle acts as the credible investor. I don't know.
5 Do either of you know? Anyone know that?

6 MS. DAVIS: There are different exemptions
7 that folks outside of the U.S. can use to invest in a
8 private deal, so it may be that that's what the
9 investor you were working with was working under. I
10 don't know the specifics. But I do want to -- go
11 ahead, Erika. I don't know if you were about to say
12 something.

13 MS. LUCAS: I was going to add to the
14 question, but finish your thought, Julie.

15 MS. DAVIS: No, please, go ahead.

16 MS. LUCAS: I was just going to say to your
17 question, we have opinions on the matter. I will
18 reserve my opinions for this, because we don't have
19 enough time. But I will say, you know, that this is
20 one of the challenges when we talk about the lack of
21 investors, women investors, and, you know, Latino
22 investors, black investors, indigenous investors.
23 Because when you compare the wealth gap -- you know,
24 like we're still generating generational wealth,
25 right? So when you compare the wealth gaps that

1 exist, there's a huge, you know, difference there.

2 So I do think that we should -- I understand
3 why the standards were set to protect people, and I
4 think that we should absolutely do that. There are
5 bad players out there. But I do think that it's worth
6 revisiting and just understanding the wealth gaps that
7 exist and how we can -- you know, I think crowdfunding
8 has done a lot in that area, but it's still limited,
9 right, to platforms and stuff. So definitely think
10 it's worth discussing, but probably not in this
11 session.

12 MS. DAVIS: Excellent. Well, I appreciate
13 you bringing that up, because it is -- you know, the
14 wealth gap is something that does weigh in here.

15 And I won't ask this one to the panelists,
16 but I did just want to raise that we did get some
17 comments in the chat from Faith and Thomas about
18 so-called finders who facilitate introductions between
19 companies and investors. And this is something we
20 hear frequently about an art outreach, the challenges
21 that small businesses and their investors face due to
22 a lack of certainty around what finders can and can't
23 do without registering as a broker/dealer.

24 So we received policy recommendations
25 regarding finders. And this is a plug here now. If

1 this is an issue that folks in the audience want to
2 see addressed, please stick around to vote on
3 prioritizing that rec and the recs that you feel --
4 the recommendations you feel are most important.

5 So Stacey, do you want to take the next
6 question?

7 MS. BOWERS: Sure, I'd love to. So just due
8 to the fact -- fundraising is difficult. So I think
9 we've heard that, and that's a consistent theme. And
10 it's even difficult with a strong company thesis and a
11 strong team. And I'll let the two of you decide who
12 wants to take it, but he's wondering if either of you
13 have any general advice for founders like him who
14 are -- who have a strong thesis and maybe a strong
15 team, but are -- struggling to raise capital. Erika,
16 what advice do you have?

17 MS. LUCAS: Well, you know, I'm curious to
18 see what Jess says since she's the entrepreneur that
19 has secure capital. But I would just say, you know,
20 right now, unfortunately, the market has changed. So
21 it's always hard to raise capital, particularly when
22 you're a woman or a person of color. So I guess, you
23 know, there's -- oh, it's a great time for us to
24 raise, I don't think that exists. But it is
25 particularly harder, just given the market dynamics.

1 You know, fund managers, particularly fund
2 managers that are deploying into diverse founders, are
3 having a really hard time raising. I forgot to add
4 this to my, you know, what can we do to change the
5 systems. We need to get away from performative
6 metrics when it comes to deployment of capital.
7 Because in 2020, you know, upon the death of, murder
8 of George, there was a lot of corporations and a lot
9 of LPs that put a lot of money towards funding diverse
10 founders. And then I guess they just forgot about it
11 in 2022 and 2023 and so on. So there's not really a
12 long-term commitment, which is what we need. So I'm
13 not saying that this helps you. I'm just saying that
14 the environment is very tough for anybody raising.

15 So what I would say is, you know, what we've
16 already talked about, talk to other entrepreneurs that
17 are also raising. Ask if they can make introductions
18 if they feel comfortable making introductions for you.
19 Talk about what they're seeing in the market, what
20 investors they met.

21 A lot of times, I think entrepreneurs think
22 that they shouldn't share investor lists. Forget
23 that. Share lists. You know, there's a lot of pool
24 of capitals that are there. Think about collaboration
25 more so than competition.

1 So definitely talk to other entrepreneurs.
2 Share investor lists. Ask for soft interest where you
3 can. Rely on local resources. There's a lot that you
4 can Google nowadays. There's a lot of lists, public
5 lists, out there of a lot of investors that are
6 currently deploying.

7 And to not waste your time when you do talk
8 to investors, ask them, are you currently deploying?
9 Because there are a lot of investors that are still
10 raising, and they're just not in a position to write
11 checks right now. You need to know that so you're not
12 wasting your time. Still develop the relationship.
13 But you want to move on to the funds and investors
14 that are actually able to write checks and meet your
15 timeline.

16 MS. BOWERS: Great advice. What about you,
17 Jess?

18 MS. MURREY: Yeah. So I second everything
19 that Erika says. It's super hard. It took me, like I
20 said, seven, eight months to raise. And so I always
21 had somebody on deck. So I was -- I just like -- you
22 just keep going until you get the -- even like term
23 sheets, keep going. Like, keep going until you've got
24 the money in the bank.

25 And so -- and I always had somebody on deck.

1 And what was nice is that I don't know where you are
2 in your states, where you are, but I already had some
3 investors from my pre-seeds. I tapped into all of
4 them. All of them were reaching out on my behalf. I
5 kept them very up to date monthly on what was going
6 on, who I was talking to, how it went, who I was going
7 to talk to next, and who I would like to talk to. And
8 I just kept that cycle going so that there was never a
9 lull when I wasn't talking to anybody.

10 And while you're doing that, if you have
11 other people on your team, you need to keep trying to
12 prove what you can prove. So you got to keep -- like,
13 any little thing that you can do on your product,
14 like, even if it's like just like a marketing test
15 where it's like, hey, like, we're seeing that, like,
16 we've increased our marketing. Like, anything that
17 you can do there is helpful. Because the numbers tell
18 a story, and your story is what's important.

19 And then also work on your storytelling.
20 Like, why are you the person that they should be --
21 and your team, like, why are you guys the only ones
22 that could do this thing? And be able to tell that
23 story quickly and passionately.

24 And I also think that that has been an
25 advantage on mine. I didn't know. I didn't go to

1 school for business or anything. I went to school for
2 storytelling, and it's helped a lot.

3 So work on your story. I write mine down
4 and make all the little ties. Because when you're
5 talking to an investor, you want to make them feel
6 inspired. Like, you want them leaving that call with
7 a smile on their face and feeling like -- so like work
8 on your storytelling, and like how can you tell a
9 really powerful story on both you and your team,
10 especially if you're early stage, and then move it
11 into your product.

12 MS. LUCAS: And don't forget to follow up.
13 A lot of the mistakes that I see founders make is that
14 I'll talk to them, and they're like, oh, well, how
15 many investors did you reach out to? And, you know,
16 it needs to be a lot. It's a numbers game.

17 But then I will ask a second question. You
18 know, did you hear back from them? No, I haven't.
19 did you follow up? No. You have to follow up,
20 because you have to understand these investors are
21 getting pitched, you know, by a lot of entrepreneurs,
22 so you have to stay consistent.

23 Get to the no, right? A lot of investors,
24 you know, like to be ambiguous and not really tell you
25 yes or no. Try to, you know, follow up once, twice.

1 But if by the third time you don't hear from them,
2 then maybe move on. But just make sure that you're
3 not just approaching an investor one time, and if you
4 don't hear back, you just let go. Try to contact them
5 at least two more times.

6 MS. BOWERS: Fantastic. I'll turn it back
7 to Julie.

8 MS. DAVIS: Great. We're getting lots of
9 great questions, including one on grants and
10 pre-seeds. And we had a lot that came in earlier that
11 I think you all kind of answered already from -- and
12 Lucas about getting more people of color as check
13 writers.

14 So I'll throw those out there and say we
15 have a very, very short amount of time left. So maybe
16 just leave us with one quick last thought on, you
17 know, what -- if you can tell the audience one more
18 thing, what's the one thing you'd like to leave them
19 with? You've already imparted so much today, but
20 maybe squeeze one more nugget out of you before we run
21 out of time.

22 MS. MURREY: Okay, I'll go. It was
23 interesting. I'm going to do this especially for like
24 I know -- I had a young woman of color ask me this,
25 and she was more on like the creator side on like

1 trying to do games and all that stuff. And so I think
2 it depends a little bit on what you're doing. But so
3 like, she's like, hey, like, what do I -- like, what
4 do we do? And I'm like, you're a person of color, and
5 you're trying to figure out -- and like anybody,
6 anyone can take this advice, but specifically, I get
7 asked this a lot by young people of color, like, what
8 do I do?

9 And my basic thing is like go out and slay.
10 No one can stop you from creating. No one can stop
11 you from -- they can stop you from getting hired, from
12 getting money, you know, getting promoted. There's
13 all these things that they can stop you from doing.
14 No one can stop you from going out and creating
15 amazing stuff. Like, whether that's writing or it's
16 coding, whatever, no one can stop you from creating.

17 And so hone your craft and slay all the
18 time. Hold yourself to a very high standard. There
19 can't be typos in your emails. There can't be things
20 overlapping. Things have to look precise. You are
21 not given any leeway at all, ever. So you need to
22 double check what you're doing, and you need to get on
23 the top of your craft, and all of that is within your
24 power.

25 And so I hope this feels empowering, not

1 threatening. But I hope it feels empowering, because
2 you hold the power to be able to do that.

3 MS. DAVIS: I love it. Erika?

4 MS. LUCAS: I would echo Jess's point. You
5 know, there's a lot of things as an entrepreneur that
6 you can't control. You can't control how investors
7 are investing, or if they're investing, or if LPs are
8 funding the right -- you know, diversifying who's
9 writing checks. But what you can control is how
10 you're running your company. And if you build a
11 company that's strong, that's sustainable, and you do
12 the right things, investors will fund you. They'll
13 come to you, you know.

14 So just concentrate on the things that you
15 can control. Talk about the problems, create
16 awareness, but don't let them be a distraction for
17 you. And yeah, if you are fundraising, talk to as
18 many people as you can, and I would say start with
19 entrepreneurs.

20 MS. DAVIS: Great. Well, you two have been
21 absolutely amazing today. I feel lucky that I got to
22 listen in, and hopefully, our audience does as well.
23 And I especially appreciate you acknowledging the
24 challenges, as well as the positive, and leaving us
25 with some hopeful messages.

1 So just really appreciate you being here.
2 And with that, I'm going to wrap things up on this
3 side and turn it over to my colleague Jen Brady.

4 MS. BRADY: Hello. I'm Jen Brady from the
5 SEC's Small Business Advocacy Team. I want to thank
6 you for taking some time to spend with us today. It
7 has been great hearing about the trends and challenges
8 folks are seeing in the early-stage landscape. I
9 especially want to thank our speaker, Donald Hawkins,
10 and our panelists, Erika Lucas and Jess Murrey, for
11 sharing their valuable perspectives.

12 Join us tomorrow at 1:00 p.m. Eastern to
13 hear from Angela Lee, Trish Costello, and Beto
14 Pallares about the role investors play in supporting
15 small businesses and hear about their successes and
16 challenges.

17 We now invite you to review the policy
18 recommendations that have been submitted on today's
19 topics and vote to prioritize the recommendations that
20 are most important to you. You'll find these just
21 below me on the event platform where the polling
22 questions appeared earlier. Thanks for being part of
23 the forum.

24 (Whereupon, at 2:24 p.m., the meeting was
25 adjourned.)

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In The Matter of: SMALL BUSINESS FORUM
File Number: OS-0001
Date: Tuesday, April 16, 2024
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I further certify that this proceeding was recorded by me, and that the foregoing transcript has been prepared under my direction.

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