U.S. SECURITIES AND EXCHANGE COMMISSION

SEC's 41st ANNUAL
SMALL BUSINESS FORUM

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AUDIO TRANSCRIPTION

U.S. Securities and Exchange Commission
100 F Street NE
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PARTICIPANTS:

MARTHA LEGG MILLER, Director of the Office of the Advocate For Small Business Capital Formation
SEBASTIAN GOMEZ ABERO, Deputy Director
AMY REISCHAUER, Strategic Engagement Advisor
JENNY CHOI, Special Counsel
JENNY ZELMAN DAVIS, Senior Special Counsel
KIM DINWOODIE, Engagement Specialist
SARAH KENYON, Capital Formation Analyst
JEPHTE LANTHIA, Special Counsel
JENNY RIEGEL, Policy Manager
MALIKA SULLIVAN, Executive Assistant
TODD VAN LAERE, Law Clerk

PANELISTS:
CAROLINE CUMMINGS
ARMEER KENCHEN
BETTY WONG
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INTRODUCTION

MS. MILLER: Good afternoon and welcome to the SEC’s 41st Annual Small Business Forum. This is one of my favorite events of the year, and not just because it brings together hundreds of people who are passionate about capital-raising, all of our commissioners, as well as other government leaders.

This annual event signals that no matter the good work we have done, we will always need advocates pushing us to rethink and retool our policies in response to a constantly changing environment.

If the world were static, like an unchanging fish tank, we could have crafted perfect rules that could be etched in stone forever. With the right people in the room in 1982 at the first forum, we conceivably could have solved all of the capital-raising challenges, patted each other on the back, and moved on.

Yet we live in a dynamic world, less a fish tank than a vast blue ocean. It is a world defined by continuous change, not homeostasis. Entrepreneurship and investing have dramatically changed over the past 41 years of the forum, not to mention the nine decades of the SEC’s existence, and they will continue to change.

Even the best, most thoughtful policies will
become outdated with time, requiring and revisiting and
refining to meet the needs of a changing world. Let’s
take the last three years as an example, which
coincidentally line up with the three years the forum
has taken place since our office’s conception.

In 2019 we met in the middle of the country in
Omaha, Nebraska, where the staple tends to land in the
middle of a map of the United States. One of the key
things of that forum was highlighting that
entrepreneurship exists everywhere.

We did what many entrepreneurs were then doing
to raise capital, hop on an airplane and travel across
the country. The 2019 forum occurred in the world of
handshakes, nametags, and crowded auditoriums.

One year later as we were finalizing plans to
take the 2020 forum -- we were forced to flip our plans
upside down in response to COVID-19. It was our first
foray into hosting the forums on sofas and in home
offices across the country.

Just a few months into the pandemic, the forum
conversation shifted from the -- to the issues of the
day, how the world would adapt to working remotely, and
even more critical, how the racial justice reckoning of
Black Lives Matter would impact capital-raising policy.

Last year as we celebrated the 40 Small
Business Forum, we were well well-versed with virtual meetings, albeit with a heavy dose of Zoom fatigue. Instead of talking about when we would get back to normal, the way things had been pre-pandemic, we were talking about how we would evolve going forward, blending the best of both worlds.

The 2021 forum was less about how to use tools for remote collaboration and more about how those tools could unlock trapped potential among entrepreneurs and investors alike.

As we look ahead to this year’s forum and future gatherings, we know this vast ocean will continue to change. Your advocacy efforts are essential to refining policy to build the companies of tomorrow.

Whether it be the rise of Web 3, new forms of financing, changing investor expectations, or illumination of social inequities, I have no doubt that the forum will continue to be a critical venue to explore the changing tides and how we as policymakers should correspondingly evolve in our thinking.

For those listening along and thinking, well Martha’s stating the obvious, of course things have changed since 1982, and of course they will continue to change, you’re right. Which makes my call to action to rethink all the more important.
The purpose of the forum is not to convene a group of people who all think alike and have the same ideas about how to fix capital-raising policy. Instead, the purpose is to convene a group of people who can share stories, perspectives, and suggestions that will intrigue, spark ideas, and make you question what you know about capital-raising, so that you may do rethinking of your own.

Ironically, this call to action to rethink is the most challenging for the smartest person in the room, the expert, the person with the answers and the impressive resume.

Take my nudge as a compliment. Research shows that the smarter you are, the harder it often is for you to update your beliefs and viewpoints on the world, and hence the more important for you to actively for yourself to rethink.

I’ll share an example. Many capital markets extol that the market is efficient, meaning that if a company is a good one, capital will find it. Conversely, if a company struggles to raise capital, it must be because that company is a bad one.

Maybe that would be the case in a contained fishbowl. Yet the data and our office's experiences have shown again and again that who you are, your personal
network, location, education, and demographic group often is the first hurdle to clear before investors ever learn what you are building, and critically, whether they will invest.

Many founders never get in the room to tell their story to investors because of who they are. I would use the phrase the door is slammed in their face, but for most of those founders, they never get near the doorway at all.

If you haven’t witnessed the exclusivity of capital-raising, it’s easy to buy into the meritocracy narrative that good money will find good companies if you don’t pause to rethink. The meritocracy narrative is just not true, at least not for those who don’t look the part.

As we embark upon the next four days of the forum with insightful remarks from each of our commissioners and each of our speakers, listen closely when you hear something new, something that conflicts with your world view.

If you find a puzzle piece that looks out of place, rather than casting it aside, ponder whether there are others like it, whether the complete puzzle may be bigger than the picture you’ve had to date. That is the beauty of the forum. You will stretch, learn, and
grow at the same time you are actively influencing policy.

Thank you for joining us today and across each day of the 41st Small Business Forum. I am grateful that you care deeply about capital-raising and are spending your most valuable resource, your time, with us. It takes a talented team to bring this event together, and while biased, I think ours is the best.

Thank you to Jenny Choi (phonetic), Julie Zelman Davis (phonetic), Sebastian Gomez Abero (phonetic), Sarah Kenyon, Jeff Delanthia (phonetic), Jenny Riegel (phonetic), Malika Sullivan (phonetic), Todd VanLaere (phonetic), with extra thanks to Amy Reischauer and Kim Dinwiddie for leading this event.

It has been the greatest gift these past three-plus years serving as the SEC’s inaugural director of the Office of the Advocate for Small Business Capital Formation. In this role, I have learned more from engaging with people who think differently than me than those with whom I have shared perspectives.

To each person who has taken the time to raise your hand, speak up, and collaborate to advance capital-raising policy, thank you. My ask of you is to keep it up, to raise your hand again, or for the first time, and to use your voice for good.
Now join me in diving into the main event, the vast blue ocean, which is far more interesting than a fish tank could ever dream to be.

It is now my pleasure to introduce Chair Gary Gensler to welcome you to the forum.

CHAIR GENSLER: Thank you so much, Martha, for those excellent remarks and all that you do. I want to say how grateful I am for your leadership, particularly as you prepare for your next chapter in your professional life.

And as is customary, I’d also like to note that my views are my own and I’m not speaking on behalf of the Commission or SEC staff.

Martha, in the closing days of 2018, you stepped up to the plate to build and lead the SEC’s Office of the Advocate for Small Business Capital Formation. Since then, the Office has represented the interest of a core part of the economy, America’s small businesses.

It’s a fundamental part of the SEC’s mission for businesses of every size and from every sector in the full diversity of our country to have full and fair access to our capital markets.

From the Office of the Advocate for Small Business Capital Formation to the agency as a whole, the
SEC’s work is to help ensure that when we protect
investors, when we promote fair, orderly, and efficient
markets, we ultimately support the ability of companies
of all sizes to raise money.

This week’s forum will share ideas on the
steps we can take to help ensure that small businesses
from early startups to small cap companies can grow.
When small businesses grow, our economy grows.

Now, I understand firsthand what happens when
small businesses can grow. I’m the son and grandson of
small business owners. My two sets of grandparents,
they opened and ran grocery store, and yes, a bar. Both
in Baltimore.

My dad built a small vending machine business
that several--that served hundreds of other small
businesses in the process, all the bars and restaurants
and diners, and a few dives too around Baltimore.

In this sense, my family’s business was part
of the larger community of small businesses, whose
owners were as diverse as the city of Baltimore. Today,
the SEC and the Office of the Advocate of Small Business
Capital Formation have taken important measures on
behalf of small businesses.

These measures have improved full and equal
access to our capital markets, whether you work at a
I’d like to highlight just a few things, and I know it’s not enough time to say everything. But first, the Office has developed several resources to make it easier for entrepreneurs to navigate the process to raise capital. One of these is the Office’s new capital-raising hub, which offers a wealth of educational resources.

Second, the Office’s work to make the language around raising capital easier to understand, thanks to their cutting-through-the-jargon glossary. More broadly, the Office has taken strides to represent the interest of all small business investors in SEC policymaking, the rules, the proposals that we put out.

Facilitating capital formation is an integral part of the SEC’s three-part mission. Facilitating capital formation is bolstered by the other parts. And when you think about it, promoting fair, orderly, and efficient markets along with protecting investors, that runs in supports of facilitating capital formation.

Fairness, of course, is about expanding opportunity through widening access to our capital markets. Transparency and competition promote efficiency, to in turn promote lowering of cost of those trying to raise capital.
And through investor protection, we enhance the confidence and trust in markets. Finance is basically built on trust for the investors, the ultimate source of capital for entrepreneurs with a good idea. I believe promoting these principles, the SEC advances stronger market conditions for companies of all sizes. It facilitates capital formation, for example, to have more efficient stock and fixed income markets that lower the cost of the middle, the inter-mediation which stands between investors on one side and issuers on the other.

It also facilitates capital formation to bring more transparency in competition to private funds, where advisors make take in aggregate several hundred billion dollars in fees a year. And that several hundred billion dollars is between companies on one side, some very large, but some basically startups looking for their first start and go --venture capital, private equity, and like, and the-- and the investors on the other side, pension funds, endowments, and the like.

So bringing efficiency to that market is also good for the companies on one side, including small businesses like at this forum. In crafting various rule proposals, I’ve also asked staff to consider how
recommendations might affect small lure (phonetic) reporting companies.

For example, in our recent climate disclosure proposal, there are aspects that apply only to the largest companies, the accelerated filers, and not to the smaller reporting companies, particularly around greenhouse gas emissions.

The proposal recognizes that our roles can impact companies of different sizes in different ways. The costs are there, but a smaller company is just starting out.

So we provided certain targeted accommodations for smaller reporting companies, such as exempting those smaller companies from disclosing what’s so-called SCOPE-3 (phonetic) emissions. These are the emissions upstream and downstream in the value change.

I encourage members of the audience to weigh in on our proposals. Whether it’s relative to the private fund advisors, whether it’s related to climate disclosures, whether it’s even related to something you think which is beyond your current planning about the equity and fixed income markets.

Whatever it is about the markets that you have a point of view on, we benefit from comments on every proposal. So please weigh in, let us know what you think
works, what doesn’t work, particularly with an eye to small business. I look forward to reviewing the comment letters that we receive.

Our proposed rules, like the work that Martha and her team do at the Office of Advocate for Small Business Capital Formation, are consistent with this agency’s commitment to small businesses. And they reflect the importance of this year’s Annual Small Business Forum.

I also look forward to recommendations you’ll generate from this week’s discussion on empowering entrepreneurs, building hometown entrepreneurship, lifting new investor voices, and investigating—or I’m sorry, and navigating the small capital world.

Thank you. Back to you, Martha.

MS. MILLER: Thank you very much, Chair Gensler, I appreciate your thoughtful opening remarks. And you beat me to giving the omnibus disclaimer for everyone, SEC staff and our participants included, that when each individual is speaking, they’re speaking on their own behalf, not necessarily wearing the hat of their organization.

This is now my pleasure to welcome Pam Gibbs, the director of our Office of Minority and Women’s Inclusion to also share some opening remarks as we kick
off the forum.

Pam, the floor is yours.

MS. GIBBS: Thank you, Martha, so much.

When Martha Miller asked me to join in her Small Business Forum to kick off with opening remarks, I was delighted to join.

We have worked together over the years, and I have admired her advocacy for small businesses. She is a true advocate for inclusion, making sure that businesses such as yourself not only understand the landscape for raising capital, but also spotlighting and addressing the specific challenges, including bias, that women and minority entrepreneurs may face.

There’s a lot of symmetry between the role of the Advocate for the Small Business on Capital Formation and my office, the Office of Minority and Women Inclusion. My office is charged with promoting diversity and inclusion in the SEC’s workforce, supply chain, and among our regulated entities, of which we regulate nearly 25,000.

A little bit more about my office. My office was created as a result of the Dodd-Frank Act of 2010 to promote diversity all--within all of the SEC, both in our operations with the specific purpose of promoting diversity in our workforce, supply chain, and among our
regulated entities. And we do that in a number of ways very similar to the Advocate for the Small Business Office, outreach and partnerships, information, and educational sessions. Our mission is to really engage and make sure that we are reaching underrepresented and underserved communities to make sure, as Chair Gensler has said, that we are as inclusive as we possibly can.

Each year we report on our efforts to Congress, and our report for this year should be posted to SEC.gov, highlighting our progress.

It has been critically important to me that we provide access and opportunity to underrepresented and underserved communities in all aspects of the agency’s mission of protecting investors.

Because we all want to invest in retirement, we all want to own homes, we all want to plan for a college education. And to presume that only a few are entitled to this and that are investors undercuts our mission at the SEC.

I’ve been at the SEC for nearly a decade and in this space of diversity and inclusion for nearly 30 years, and I’m amazed at how far the SEC has come during the past ten years and under the leadership of Chair Gensler and Martha Miller. We continue to make
tremendous strides.

Ten years ago we presumed all investors were the elite and privileged. We had no strategic plan for including minority- and women-owned businesses in our regulatory or policy process. Little to no effort was done to ensure that we were attracting diverse talent to the SEC.

None to no effort was done to engage underserved and underrepresented communities regarding investment opportunities and how to protect themselves against scams. No effort was made to spotlight the issues and challenges surrounding raising capital.

Now, with the creation of offices like the Advocate for the Small Business on Capital Formation, the Office of the Investor Advocate, and my office, the Office of Minority and Women Inclusion, the agency addresses strategically access and opportunity goals with capital formation, retail investing, and financial inclusion.

For example, almost every office at the SEC now is intimately involved in advancing diversity and inclusion. Whether it is to ensure that underserved communities are aware of investor alerts to avoid scams and Ponzi schemes, to professionals understanding the career paths to entry and advancement in the financial
services industry, to providing transparency and tools for entrepreneurs such as yourself to raise capital.

The SEC over the past ten years has positioned itself front and center to mitigating bias, and it’s taken the steps necessary to address these failures. However, I recognize that challenges still exist. I am frequently asked if I believe that barriers will always exist. Will minorities and women always have to struggle to get a seat at the table?

While statements like this are very painful to me to hear, particularly as an advocate, I believe that we are in a transformative period in history. And while the work of my office and the work of the Office of the Advocate for Small Business will always be needed, the work will become more elevated.

Today we may focus on entry-level barriers. In the future, we may focus on barriers that require more attention, rulemaking, policymaking, and are those policies and rules being implemented by the SEC equitable to all minorities and women in underserved communities.

But I want to encourage you as you participate and encourage you as maneuver in life to be resilient. You as entrepreneurs are the lifeline to our economic ecosystem, and the ability to raise capital is the
lifeblood for your business, and we want to help.

During the early days of Martha Miller’s

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tenure at the SEC, I often shared with her that so many

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businesses are left with securing capital through their

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businesses through loans, credit cards, and family

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resources. Few of my friends were aware of venture

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capital or alternative ways for raising capital, mostly

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because of lack of education or knowledge in this space.

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But programs like this that provide tools for

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entrepreneurs to navigate the landscape to raising

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capital is critical.

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As time moves forward and we get more

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entrepreneurs in the industry through venture capital,

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we will chip away at the high percentage of small

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businesses that use traditional forms of loans, a

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whopping 83%, to secure capital. That is my hope, and we

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are here to help.

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However, I want to issue a call to action. I

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know you guys are ready for your panelists, so I want to

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issue you guys a call to action. I want you to

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unabashedly advocate for what you need from the SEC to

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help you raise capital for your business and to be

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successful.

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Push us to continue to address in strategic

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ways what you need us to do to mitigate biases you are
confronted with. I want you to pay it forward as much as you can. Be the mentor to other startup--to other startups and entrepreneurs. Help them navigate the landscape of full awareness that barriers may exist.

I want you to engage the SEC in the regulatory process. Help shape the future landscape for entrepreneurs. Provide comments to our rulemaking and policymaking initiatives so that they are more inclusive and that they address the challenges that you are confronted with.

This is--and this does not mean that you have to hire a lawyer to help in this process. Share your own personal views, relevant, real-life experiences during the comment phase of our rulemaking. It is so--it is so critical to collective success of promoting diversity and inclusion in the industry.

We must continue to advocate for more diversity and inclusion, but we more importantly need to move towards finding solutions and implementing policy and rules that are more equitable.

And with that, I want to just say that, you know, I think about, and Martha has mentioned this, the last two years have been the hardest for many of us. The pandemic placed on many of us new challenges.

But it also created a gateway for new
ventures, collaborations, and partnerships to help promote real change to address racial and gender inequities. I urge you participating today and this week to leverage those gateways for paths to success and to seek the SEC out as an ally.

Thank you, and I wish you all a productive week and much--a successful future. Thank you, your rock.

MS. MILLER: Thank you very much, Pam. And if the message is not clear enough already to you, we are really excited about this event, and not just because it is a chance for us to engage, but because of the critical perspective that you will bring and how much we look forward to your advocacy that can inform the work that we are doing here at the SEC.

We are going to kick into the exciting part of the program, but before we do, I want to give you very brief just ground rules to understand how to engage. So throughout the program, I want you to chat in questions that you would like for us to ask the panelists at the end of the discussion.

Because we will be bringing in Q&A from the audience, but we need you to start chatting that in now, not at the very end. So please use the chat within the event platform to do so.
The second thing is to be ready for voting on the policy recommendations that our participants submitted in advance of the event. That will take place at the end of each day’s session following the Q&A. And you will have an opportunity to engage through the event platform to do so.

Without further ado, it is my pleasure to kick the panel off and to turn the reins over to Amy Reischauer from our team, who will be working through things with our panelists and leading the discussion.

Amy, the floor is yours.

MS. REISCHAUER: Thanks, Martha. And on behalf of the rest of the SEC’s Small Business Advocacy Team, I am thrilled to add my welcome to all of you to this first day of the 2022 Small Business Forum.

Throughout the year our office does a lot of engagement with a wide variety of small businesses and their investors, and I am continually amazed at the varied and powerful stories that folks bring to us.

In those stories, one of the most common themes we hear is that, you know, entrepreneurs, investors, and even their lawyers find that the language of capital-raising can be downright impenetrable. It is filled with legalese and alphabet soup of rule citations, and really almost a century of accumulated
and evolving regulations and guidance and standards.

You know, it’s to the point where even the most sophisticated of entrepreneurs and investors and advisors need tools to help them navigate the capital-raising process. And so that seemed like a great place to start off the forum this year.

Today we will explore some of the educational and other challenges facing entrepreneurs and investors in the small market—that small business ecosystem. And we will explore some resources that are available to help.

So helping me with this discussion today are three wonderful panelists. I’d like to welcome Caroline Cummings of RAIN, the Regional Accelerator and Innovation Network. Next will be Betty Wong of Stage 2 Startups. And Armeer —

(Interruption to tape.)

Introduce them, I would like to invite each of you to tell us a little bit about yourself, your organization, the types of businesses you advise, and just generally how you’re helping entrepreneurs navigate capital-raising.

Caroline, do you want to start us off?

MS. CUMMINGS: Sure, I’d love to. Thank you, Amy, and thank you for inviting me today. It’s a—
an honor and a privilege to be in this conversation.

I’m Caroline Cummings, I am the CEO of a nonprofit based in Oregon called RAIN, which stands for Regional Accelerator and Innovation Network. And we’ve been around since 2015.

We get invited into small and rural communities across the state, and recently became global, to help those communities who want to build inclusive entrepreneurial ecosystems and economies. And we’ll talk more about what that means later. I’m really glad that the topic of DEI is really embedded in the conversations today.

But my background, I’ve been—I had a very, very eclectic background. But what’s relevant to this conversation is I have been the CEO and cofounder of two tech startups. The first company was basically Pinterest for years before Pinterest ever existed, yet our business failed.

There was a lot of reasons why it failed. I learned so much from that failure, and I always says success is not the best teacher.

I was able, however, to do a second startup, and the team and timing was right for that second startup. And that was in real estate mobile marketing. And was able to sell that after 11 months. It was a
And there was really a big difference in the
economy in Oregon at that time between 2007 in my first
startup and 2013 in the second startup, and how there
really was an ecosystem wrapping around to provide
resources to entrepreneurs like myself.

But at RAIN, since 2015 we’ve been invited to
serve 30 small and rural communities. And we have the
privilege of finding those entrepreneurs and helping
them.

Everyone on my team, there’s almost 20 of us
now, we’re all entrepreneurs, so we have that street
cred when they say, hey, have you ever raised 100,000,
or have you ever raised a million. Or have you ever
faced barriers to raising capital. Every single person
on my team has faced barriers.

And so we are—we’re privileged to do what we
do. I love that I get to lead this incredible team. I
know many of them are joining us today.

The audience that we serve is mostly
underrepresented populations. Eighty-two percent of
those we serve are women, youth, people of color,
veterans, LGBTQ, and living in rural. Rural is a big
piece of the work that we do.

So I’m honored to be here today. Thank you
for the invitation.

MS. REISCHAUER: Thank you. Betty, do you want to take the next introduction?

MS. WONG: Sure. Hello, everyone, I’m Betty Wong, and I’m a corporate dropout and the founder also of several entrepreneurial ventures. And I am the founder of Stage 2 Startups, which is an organization focused on helping people with work experience to become founders, especially women, immigrants, and members of the LGBTQ community.

I also want to mention that we do help a lot of White men over the age of 40, even those with MBAs, because ageism is a very big issue in the entrepreneurship environment, and not in a good way.

We offer workshops on business model building and on the friends-and-family round, we have pane discussions where we feature entrepreneurs who have raised capital. And we bring in angels and VCs, crowdfunding specialists, CBFIs, and banks to discuss the capital-raising process.

We also help to identify potential investors and discuss strategy, and mostly we listen. The companies that we interact with include a life science biotech company that has a solution to stop bleeding in the battlefield as well as in hospitals; a learning,
mentoring, and matching platform for disabled tech--
disadvantaged tech applicants to connect with Fortune
500 companies and startups; and a logistics company that
will help you send your favorite Swiss Army Knife home
when you’re stuck at the airport and can’t take it on
the plane with you.

So we help a diverse group of entrepreneurs,
and I’m very happy to be here helping them. And you can
learn more at stage2startups.org.

MS. REISCHAUER: That’s great. Armeer, can
you tell us a little bit about yourself?

MR. KENCHEN: Sure, good afternoon, Armeer
Kenchen (phonetic), and I manage the small business--
several small business programs here at (inaudible)
Center. So the Center is set up to really advocate for
folks who live out in the rural counties. There’s about
80 rural counties in the state, and the rest are urban.

We do programming to help them with
leadership, with all kinds of things. My area, though,
is capital. And we do lots of programs to help with
small business access to capital.

Our affiliate, Thruet (phonetic) Capital, for
example, they do small loans to from anywhere from 500
to I think $100,000 for startups and other
entrepreneurs. They also really focus on coaching too.
So that’s one of the things that I think is really critical. How do you coach a business to get them ready for success.

And we also have other programs. We do credit enhancement working with community banks across the state and around the country. And we do probably dozens and dozens of loans all across the state really trying to help small businesses access capital. That’s like a real big issue, of course.

So our goal is to do that. You know, we found that, you know, most businesses are small, have few employees. I think anywhere from 2 to 50 employees is what they have, you know. I think 95% of all businesses in the state, for example, have fewer than 50 employees.

So if we can impact those businesses and those individuals, we think we can make a real impact in the state of North Carolina, which is our goal.

MS. REISCHAUSER: That’s great. I love the stories that you share, and thank you for coming to share those stories. One of the threads that carry through them is the entrepreneurial experience that you’ve brought.

And Caroline, I will start with you. Just we had some interesting conversations about the two tech startups that you did. I’d love to hear a little bit
more about maybe some of the challenges that you faced and the lessons learned and you’ve progressed from, you know, tech one to tech two, to now in your advisory role.

What did you bring with you from that experience that helps you now?

MS. CUMMINGS: Yeah, absolutely. Well, when I was doing my first tech startup, I had a cofounder, a friend, a female friend. Neither of us had done anything like this before. And at the point in the Oregon ecosystem, as I mentioned earlier, there wasn’t really a thriving ecosystem.

There was one fund that existed that had a total of $750,000 to put into startups. We couldn’t find any mentor networks. There weren’t any accelerators. There were some stuff stuck behind doors of universities, but it wasn’t very accessible.

And so going out, and as the CEO I was charged with doing the pitches to investors. So I have no problem knocking on doors and making phone calls. However, I was faced with a lot of what I would guess--I guess I would call unconscious bias.

So for example, I was pitching to a lot of venture funds up and down the West Coast and including even flying back to New York, and for the most part, the
rooms were filled with White males over the age of 50 who had a lot of experience and a lot of knowledge. However, they didn’t understand how to ask questions to two women in tech. For example, one of the questions we would get, and we were raising two million at the time, one of the questions was, you know, I nailed my pitch and this one guy says, “Where’s your tech guy?”

And so I love these questions, because I think they’re great learning opportunities. So instead of making this man feel embarrassed, what I said, I took it as a learning opportunity. I said, “I am in a privileged spot right now.” This is one of those questions that I—yes, I was burning up inside. But instead, I just calmly said, “I’m the tech guy.”

And now granted I’m not the coder, but I just wanted to make a point. And I said, “What makes you ask that question. I’m just curious why you’re asking where our tech guys is.” And at that point, I think he realized his questions was inappropriate, and he said, “Oh, I thought I heard you earlier say that you had a male team.”

Which I did not mention that we had a male team. We were actually trying to raise money so that we could hire coders. So we didn’t have coders on the team.
yet. We were pitching vaporware, right, in screen shots.

So that happened a lot. I would get invited to speak to all-male clubs where women weren’t even allowed in. And I was given the privilege to enter to do a presentation, and ahead of time I was given all these steps of what to wear and how to speak before I entered the building.

And then again, plenty of opportunities because there was always inappropriate questions being asked. And so I took those opportunities to teach. And now—and in my second startup I had two male cofounders. We were well-funded, and we were able to scale that company, as I mentioned earlier, and build the technology and sell that.

But now as a woman who’s had success and came from very humble beginnings, it’s my responsibility to recruit more women and people of color to invest. Because research shows that if you have more women and people of color investing, more women and people of color get funded.

So I’m invested in 21 startups right now, most of which are led by women and people of color. We’re seeing the needle turn here in Oregon. There’s plenty of funds now, and there’s even funds focused on
investing in more diverse founders.

So I’m excited about that failure, I’m excited about those failures that I had because if we don’t talk about failure and implement that in every conversation--if there was one thing I would love to see happen in K-12 education is include opportunities, work failure into the system. Don’t require everybody gets A’s and everybody wins all the time, that’s not reality.

And I think that would be something that would move the needle in our society when it comes to people feeling more comfortable taking risks to start businesses.

MS. REISCHAUER: I love the embracing the failure as an opportunity to be a teaching moment, and a learning moment, I mean for both parties. And we clearly have a lot of work to do to overcome of those unconscious biases and assumptions.

You know, whether it’s the meritocracy fallacy that Martha mentioned or the, you know, sort of as simple as recognizing that today’s guy is, you know, not necessarily a tech guy. So you know, really great points there.

I’d actually like to touch on that a bit more. I think each of you here advises entrepreneurs who, you know, defy the stereotype of the, you know, White male
in his 20s with easy access to capital, which I’ll note
is not the norm and not supported by data and despite
what the media may tell us otherwise.

But Betty, Stage 2 Startups works with
experienced businesspeople who, as you mentioned have,
you know, advanced degrees, deep experience in
technology, very specialized fields. The medical sort of
hemorrhage treatment product is a prime example of this.

But when these really knowledgeable
entrepreneurs come to you, what experience do they have
with actual capital-raising?

MS. WONG: Well, generally, actually, they
have no experience raising capital because it’s just not
something that is normally covered in any business
program. Because the majority of the people that you see
working in any business environment have no reason to
raise capital.

And so even your Fortune 500 CEOs can rarely
raise startup capital. They can talk to their investment
banker and their CFO and their lawyers and tell them to
issue stock, but really they have no experience.

So I like to actually reference the business
that you just mentioned. And my friend Richard Russo,
who is the CEO Endomedix, which is a lifestyle—a life
science biotech company.
The company actually creates a product that can stop wounds from bleeding. And it’s probably could be very useful right now in certain parts of the world. He has an MBA and he’s worked in biotech for many, many years.

But he did not study raising capital when he was at Columbia. And what he learned, he learned basically through his experience as a CEO for another company and talking with other entrepreneurs.

He’s just finished raising his Series A round, which you know, basically took a long time. And in biotech, you need a lot of money to get a product to market.

Another person that I happen to be helping, Taniya Mishra is founder of My SureStart, a platform to train, mentor, and connect tech talent to companies. She has a PhD in computer science and a specialization in AI and is an immigrant from India.

She has no experience raising capital. She is currently raising her C round, which includes a friends-and-family round and hopefully she’ll be pitching early stage VCs and angels.

These are unicorn-type of companies that can generate a lot of benefit for our society. And yet these people are at a loss in terms of where to raise money.
And these are people with businesses that will probably
go through a Series E round if they last that long.

Now, we don’t just focus on unicorn companies.
So I have another friend, Richard Casiado (phonetic),
who’s the founder of Flip It. And he also has an MBA,
and when he was in business school, and as well when I
was in business school and I was trying to learn about
business, we did not have any classes on raising
capital.

His--Richard, his business is focused on
helping you to send your Swiss Army knife or beloved
item which cannot be allowed onto your plane to be sent
home. And his is a logistics company.

There are a lot of people out there with great
ideas and they have no idea of how to raise money.
Because it’s not really in the training of a normal
person going to business school, a normal person working
in a business environment, unless they’re already at the
CFO/CEO stage of a Fortune 500 or a company trying to
get to that level.

MS. REISCHAUER: Those are great illustrations
of what we hear a lot and discuss a lot of in the
office. You know, when we say, you know, entrepreneurs
are in need of educational resources, it’s not because
they’re not knowledgeable or sophisticated.
They’re just not capital-raising experts or securities lawyers. And you know, nor should they have to be, right. There are enough of us. These are people with the big ideas, and they have their own very critical role to play in the economy.

And on that point, I actually would turn to Armeer, because I think that North Carolina rural center is pretty well-positioned to observe that the important role that entrepreneurs and small businesses play in North Carolina’s, you know, economic development, economy overall, as you had mentioned a little earlier as you were introducing yourself.

Can you tell us a little bit about the impact small businesses play? I know you talked about sort of the percentage of employing companies that they represent, but can you share a little bit more on that and some of the challenges that they may face?

MR. KENCHEN: Absolutely. And one of the things that we found is that so all of us, we frequently use these services all the time. So if they were to go away, it would be a huge blow to our lifestyle, to our tax base. So we’ve really got to support them in a better way.

And we’ve been able to do all kind of loans to businesses all over the state. And you know, we find
that what happens in North Carolina, for example, is
they really will allow community banks a lot more than
you would think. Because some of the larger banks aren’t
always in the rural counties.

So community banks are a huge partner for us. They provide a lifeline to businesses that wouldn’t exist. One thing that we want to see different, though, is sometimes the terms are a lot less than they should be. When you’re trying to get a debt, you know, get a loan, you know, two to five years is not enough time.

It takes much longer than for your business to thrive, as I’m sure Betty and Caroline could talk about as well. So it’s just not a long enough term. And then the payments will be a lot higher also because it’s just, you know, it’s almost impossible to make that work.

So we need to figure out a way to have better terms for them as well, that’s a huge challenge. And then also ongoing funding, right. It’s one thing, the startup capital is great, and we do lots of startup loans. But how do you continue to fund that business and how does that business continue to go out and get capital to thrive, you know, go to the next level.

Like it’s one thing to start, but then there’s also a next level to get to. And the next level, the
next level. So how do you provide kind of access to that
capital that they need.

Something that we struggle with is getting
capital out to women, to minorities, to the rural
counties. We do a good job with that or a very good job,
I’m proud of it. But we could do better.

So we just show the map, and we say where is
our capital not showing up, where does our equity not
show up. And we’d be—we try to be very intentional
about making sure it shows in those spots. We want to
fill that map, we don’t want to have any gaps in that
map.

So we got to work harder, we’ve got to be more
intentional about it, and we’ve got to find a way to
make sure capital flows everywhere. Not just to the
urban markets, not just to, you know, to White men of a
certain age. But there’s lots of entrepreneurs all over
the state that need our help.

So our real goal and priority is to push that
capital out to places that we haven’t done so in the
past, and it’s a top priority for us.

MS. REISCHAUER: Yeah, that makes a lot of
sense. You know, interestingly, I’m looking at Caroline
in Oregon, and you know, shifting to the other coast
georaphically. But from a capital-raising perspective,
it sort of feels like the entrepreneurs are very much in the same place, right, where credit is maybe not accessible or not accessible on terms that are working for them.

So on that point, Caroline, I’d love for you to share your perspective on some of the work that you’re doing with Oregon startups about sort of the funding and resource gaps you see, what you’re trying to fill.

And for folks that are in those gaps, are--what are the sort of unique challenges and hurdles that they’re trying to overcome? It’s sort of multiple questions, but maybe take a stab.

MS. CUMMINGS: Yeah, no, talking about how to identify barriers for underrepresented populations and fill them is a passion of mine. So with RAIN, we’re in a position where we have access to thousands of underrepresented entrepreneurs across the state.

And they’re in metro areas and they’re in urban--or rural areas, right. And so we regularly are surveying our entrepreneurs to find out what their gaps are.

And the pandemic really shed a light, not just on the need for growth capital, but the capital gaps when the first and second rounds of the Paycheck
Protections Program came down and the idle funding, almost 70% of the entrepreneurs we serve didn’t even get access to that capital, right.

So now that was basically sort of free money, if you will, and I’ll say that with quotes, right. And even with that, these individuals couldn’t access the capital.

And so there’s a lot of reasons why that is, but let’s talk about the capital gaps that exists not just in Oregon but across America, where 83% of entrepreneurs, small businesses and startups, just don’t qualify for traditional lending or traditional venture financing, right, for different reasons.

Maybe they don’t have the collateral to get the lending, maybe they don’t know how, where to go. Or some of the rural communities, as Armeer was saying there’s not even really banks that could accommodate them in the rural communities.

And they don’t even know anything about angel or venture financing. Or if they do, the doors are slammed. Or, I love the comment earlier about they don’t even know where the door is, let alone how to get in, right. And so you just throw all these barriers up.

So at RAIN we sought to fill that capital gap. Because we did our surveys and it matched the national
data, that 83% who can’t get access to traditional lending or venture financing.

We pitched a million-dollar project to the U.S. EDA, the Economic Development Administration. Highly competitive grant, and fortunately it was funded. And it was to fill capital--partly it was to fill the capital gap.

The other gap was to help with financial literacy, which was one of the big reasons why a lot of those startups and small businesses couldn’t get access to that very quick PPP money, because they didn’t have the financials to produce or they weren’t up to date.

So what we did is we are partnering with an organization based in New York called Republic. Thanks to the Jobs Act and the crowdfunding, we are the first organization to build a place-based crowdfunding platform called RAINCAP, for Capital Access Program.

And this is to enable Oregon businesses first who are stuck in the middle. We like to say they’re stuck in the middle, right. And think about 83% of businesses, if those ideas never make it to market or just because they couldn’t get access to capital.

And by the way, the capital amounts they need is so small. We’re talking 50,000-250,000 is the average. Sure, there’s some who need millions and--but
for the most part the average is between that, that 50
and 250.

And so that’s what we’re doing with Republic
in this platform. The RAINCAP platform is allowing
Oregonians to invest in Oregonians. And actually anyone
in America would be able to. Disclaimer, I’m not saying
that you should invest in any of these companies, this
is educational. I am on the SEC panel.

And so I think if more of us could not only
rally together to identify barriers—we—many of us know
what the barriers are. But take swift and bold action to
go after filling these gaps.

And don’t do it alone. No one organization,
this is bigger than any one individual, any one
organization. We all have to rally together. And I think
that that was one of the beautiful things the pandemic
showed us, is how much we can rally together to support
each other.

So we’re excited to be launching this platform
so that we can help those startups who are stuck in the
middle get access to that, you know, beginning amounts
of funding so that they can actually start, grow, and
create jobs in their own small backyards.

MS. REISCHAUER: That’s really great. And we,
you know, we’ve—I love that idea of kind of investing
in your own backyard and that sort of hometown pride investment, if you will. And something we’ll be doing a deeper dive on our panel tomorrow. I think it’s a really important topic.

You know, we hear a lot of folks who are consciously looking to invest outside of the traditional coastal hubs. And you know, whether that’s rural, whatever rural means, or it just means it’s urban but on Silicon Valley, or maybe it’s suburban. Whatever that filling in all of the holes of the map.

You know, whether you’re looking within North Carolina, or you know, across the country itself. So there’s a lot of work that can be done there to make sure, again, whether they’re stuck-in-the-middle type companies or finding their funding. And investors are finding those investments opportunities.

So but thinking about that rural/urban divide and how access to capital changes so much depending on where you are. North Carolina is in I think an interesting position in that it kind of offers a little bit of everything, right. Because it’s made a name for itself from a business perspective with Research Triangle and Charlotte’s banking hub.

So you do kind of have this hotbed of economic activity. And yet, you know, separated by maybe only a
few miles, I imagine you’ve got some rural communities that are having a very different experience than their urban counterparts.

So I would love to hear, Armeer, what--sort of how you would compare the experience of, you know, building a business in the rural community versus in a neighboring kind of urban area.

And also what we can do to empower those entrepreneurs, how--you know, they made need different tools and different resources. So I’d love to hear what you’re seeing.

MR. KENCHEN: Yeah, they are special challenges in the rural areas, which is why we exist. I mean, I’ve lived and worked in both, and it’s much easier in the urban areas. Not that it’s easy, but it’s easier in the urban areas.

In the rural counties you have isolation, which is a huge problem because, you know, you--businesses need that network of support. That’s one of the key things that they need is support from other entrepreneurs, and there’s less of that.

We talked about how there’s going to be fewer bank options in those rural counties as well. There’s less capital flowing because of that as well. You just don’t have the same kind of money that you have flowing.
We have great resources. That’s one thing about our state, we have a great infrastructure in place, we have a great ecosystem. We have small business centers all over the place. We have small business technology development centers, SBTDCs, that do a really great job.

So how do we connect those dots, how do we connect those resources? I think Caroline made a great point earlier. You know, we can’t be on an island by ourselves, we’ve got to find a way to have strategic partners and be comprehensive in what we do and get that message out.

Because we can’t solve it by ourselves, no one can. But if we all work together and collaborate in a way that makes sense, we can be more impactful.

There’s CFFIs that are out there doing lending, there’s community banks, there’s loan funds. There’s great support all over the place. So it’s going to take--it’s going to take all of us together and working through that ecosystem that works.

It’s still not perfect, but at least it’s there. And we’re trying to be very intentional about how to make it better. So we’re looking at ourselves, you know, in the mirror, what do we need to work on. What’s working and what’s not working.
And like I think it was Betty who said, when you—when it’s not working, go find a way to solve the problem. Don’t just say, you know, we got a problem and be focused on that, but how do you find a solution for it.

So it takes all of us to do it, and that’s the key. That’s why this conference is so important that you guys are having as well this week, because we got to connect all the dots and be strategic in how we provide impact. It’s the only answer, I think.

MS. REISCHAUER: Yeah. Well, and I’m looking forward to a productive week of learning from panelists like yourselves and from audience members tuning in today and throughout the rest of the week how we can help do that and what we can do to provide the resources to, you know, empower these small businesses.

And you know, it’s interesting to hear how, you know, different groups are going to need—-it sounds like different groups are going to need different resources. We need to kind of tailor our approach. We need to reach everybody, but those are very different communities in need of very different tools.

So which makes me think, Betty, you know, you work with a number of different groups, and you’re working with, you know, again, very sophisticated, very
experienced business people learning a new language, right.

And so what kinds of resources are you finding that are working? I mean, we’ve got this very diverse group, whether it’s demographic, geographic, or otherwise, you know, in different industries, different business concepts, different products.

But the common theme is that we want to, you know, empower them with the educational and other tools that they need. What are you finding that’s working, whether it’s working kind of across the board or working with particular communities? Give us some hope. What can we do?

MS. WONG: There actually is a fair amount of resources all over the country. But there’s no central place where you can find all the resources. So it’s always a challenge because you can do a Google search and it can be very overwhelming to try to figure out what really applies to your company.

We actually started a list of different types of resources for the, if you will, older entrepreneur at Stage 2 Startups. But many of the resources we listed actually now have services that apply to all entrepreneurs.

I think Gus and Angelis (phonetic) can give
you some information and potential angels and VCs. SCORE
(phonetic), there’s SCORE all over the country, can
provide basic information about how to put your business
contacts (phonetic) to work, put your financial
statements that are necessary, as Caroline mentioned,
get that ready for that opportunity as like, that, you
know, was available.

Another organization happens to be in New York
is the Queens Economic Development Corporation. They
help provide a lot of resources and mentoring to
entrepreneurs.

In New York, the New York Women in Business
organization provides an accelerator. And they also
developed a pitch competition. So women can actually
practice pitching their business to each other, because
there’s a lot of practice that goes into preparing
yourself to actually ask for money.

And I know because I’ve done it, you know, you
do it hundreds or thousands of times. The 37 Angels
website has a great list of women-focused VCs and angel
groups, accelerator, and support groups for women
entrepreneurs.

Also, for the LGBTQ community, startout.org
has a great program, an accelerator, and support groups
for founders.
And I should say, you know, we, even if you’ve older, even if you’re from the rural community, you can actually still apply to Tech Stars and ERA and many of the accelerators all over the country. You might not always get in, but you know, you really have to try.

You know, every entrepreneur knows they leave no stone unturned if there’s a possibility of raising money. And so what I wish that I had when I was raising capital is really a support group, a peer group to ask questions of.

So you know, what Caroline was talking about, going to RAIN or going to Armeer. There are other organizations through the country that are focusing on the economic development, are really focusing on DEI now. And so there’s an opportunity to reach out to your local organization.

Also, I would love to see better training so that you know the vocabulary to use, right, when you’re talking the language. And what that means to have a shareholder’s agreement, what it means to do a Series A. All of these terms that people do not on a normal basis actually use.

And then if there was a way, the SEC, I’m challenging the SEC to go figure out how to put--to identify potential investors in different industries.
That would make life a lot more easier for your regular founder.

Because that founder, that CEO, as Caroline mentioned, it’s their full-time job to actually run a company. And other people say it’s also their full-time job to go raise money. So it’s a double challenge. And I think we’ve all been there.

And you know, it can really suck up so much of your time. So that’s where my challenge is to the SEC. Help us put these resources together.

MS. REISCHAUER: Well, thank you. And I, you know, I, as we were talking about preparing this panel, I did invite you all to put some thought into what we at the SEC can do to build resources. So thank you for taking that to heart. I’m hoping somebody took a nice, long list so that I can revisit that later and we can see what we can do.

But speaking of a wish list, I want to give an opportunity, Caroline, or Armeer, are there--are there things you wish we--you had as you were coming up? Things you wish you had now? Things you wish we could build for you?

Maybe Caroline take the first stab, and then Armeer.

MS. CUMMINGS: I would love to. I first
appreciate even being asked the question, so thank you for that.

I think, and this is partly one of the big value points that RAIN offers is when we get invited into a community, we know there are entrepreneurs there, even though people will say, oh, those no tech entrepreneurs in rural, or it’s all small. Everything is there, right.

And so we have a position called a venture catalyst. Not a capitalist, a catalyst. And so when we get invited into a community, we hire a local entrepreneur who lives in that region, we train them on our toolkit on how to find entrepreneurs and connect them to people, programs, physical assets, and capital.

And then we will often also an entrepreneur in community, someone who gets paid a stipend to work with that venture catalyst. And they really create the culture of entrepreneurship and activate these communities.

Because one of the resources is each other, right. I think, Armeer, you were the one that talked about like the need for the cohort and the isolation that happens in rural.

So we create opportunities for intentional collisions where these individuals can meet each other,
oh, I didn’t even know you lived down the street from me. Or the mayor is there and says these people live in my town? I didn’t even know, and it’s a town of only a few thousand people.

So I think the biggest resources is entrepreneurs who maybe even are two days ahead of you. It doesn’t matter, we can all help each other and advance each other and create this culture of possibilities. Because once that is there, that is where big magic happens. And so I love that about the model that we have.

Other resources, all of the programs we offer to entrepreneurs are free to those we serve thanks to the funders, the city, the county, the federal government, private foundations. So thank you to all of those who allow us to make these resources free.

There’s also our YouTube channel, which is youtube.com/RAINcatalysts. And all of our previous accelerators, whether it’s Rainmaker, which focuses on digital sales and marketing, or Moneymaker focused financial literacy, or our RAINCAP program, they’re all free on that channel.

And of course I am aware of a lot of the resources that Betty mentioned.

And then I also want to mention we are a
member of the Start Us Up Coalition, I don’t know if others are, that was developed by the Kaufman Foundation. And it’s just hundreds of entrepreneur support organizations like ours on the call today, where we gather and we compare best practices.

We talk about policies that’s--what are working to reduce barriers, what isn’t working. And then oftentimes we’ll say, I need someone who is biotech who launched a company xyz, or a consumer product company who’s trying to get access to this market, and we rally and help each other.

So lots of opportunity to share resources. However, and I think, Betty, you said there’s a lot of stones to unturn, right. Like as an entrepreneur you have overturn every stone. However, a lot of our entrepreneurs don’t know where the stones are.

So when we create--this catalyst, this venture catalyst, who has overturned stones, helps hold the hand of those entrepreneurs, connect them to mentors, connect them to accelerators, connect them to various forms of capital.

Because, again, starting a business is not easy. If it was, everybody would do it. It’s not easy. It can be a lonely business. And it’s not fair. If those folks are going to take the risk, we should rally
around them and do whatever we can to help them get
their products and services to market.

MS. REISCHAUER: It’s a great call to action.

Armeer, I’ll give you the opportunity if there was
anything you wanted to add to what we should be building
here.

MR. KENCHEN: Yeah, I mean, I think there’s one
thing. And just, it’s something that you and Martha
already talked about, Amy, is that, you know, we don’t
have all the answers. And I don’t think there’s a one-
size-fits-all approach.

So we’ve got to find a way to talk to each
other and find out what’s missing. My colleague Brandy
Bynam Dawson (phonetic) put together a small business
task force, and we had dozens and dozens of folks from
all over the state just talk to us about what they’re
experiencing.

And we learned. I mean, so we’ve got to learn
what we don’t know and find out a way to get better. So
we don’t have all the answers, no one will. But to
Caroline’s point, you know, we’ve got to take action,
we’ve got to do it.

And it helps us better when we can listen and
know what the challenges are, put a plan together, and
then move forward with some real strategy in place.
That’s the key for us is listening, learning, and trying to move forward in a really comprehensive way with all of our partners.

MS. REISCHAUER: That’s great. I mean, I think some really great ideas shared here. I love the idea that we, you know, we all kind of have to listen and collaborate, you know, and partner on this adventure that we’re trying to, you know, trying to build.

And you know, I really appreciate the feedback that you’ve all brought and the ideas, both from the panelists, but also, again, inviting those of you tuned in today to please let us know what we can do.

Let us know what resources you would like to see made available, whether it’s the SEC who’s going to listen, or it’s our panelists who are going to listen and say hey, that’s a great idea. I heard about that, let’s see if we can build it.

So we love feedback. And in fact, it’s thanks to feedback from folks like yourselves tuned in today that have inspired a number of the educational resources that the Commission has produced over the last year.

So while I have you, I’ll take just a, maybe a couple of minutes. I’m pretty sure my colleagues have dropped some links in the chat. You can also find them as you scroll around on the platform where some of our
resources are.

But I will just take a minute to show my screen and walk you through where you can find them on the website. I’ve gone to SEC.gov, which is the SEC’s home page. Across this beautiful blue ribbon on the top, you’ll see education.

If you click on education, you can find our education page on there. You’ll find capital-raising. This is where we have our suite of capital-raising resources. We call this our capital-raising hub.

Last year we launched our navigator tool, the first item you see here. This is kind of an interactive, choose-your-own adventure tool where we ask a series of questions trying to help the user determine if their, one, if their business is ready to raise capital from investors.

Because not every business is, and there’s a number of steps, as we’ve all talked about today, that businesses can take to get themselves ready. And then if you are ready, it will spell out some of the pathways, the regulatory pathways you might be able to rely on to access that capital.

In addition to the navigator, we have our capital trends maps. These are interactive maps for the data geeks among us like myself, where we’ve shared kind
of where and how companies are raising capital over the last—we have a couple or periods here.

   This one is—you’ll see crowdfunding, so you can look over and see in Oregon it looks like we’ve got five there. North Carolina I think is a similar count. So you can—you can see how many and how much under various exemptions.

   Similarly, we show Reg A data, Reg D, those are private placements, and even registered offerings across the country. So just an interesting way to visualize what’s happening in the capital-raising sphere.

   We’ve talked a lot about language and terms and trying to break down the jargon of capital-raising, because I think that’s such a critical first step, just understanding the words we’re using.

   So we’ve created our cutting-through-the-jargon glossary, which is just kind of a, there it is, a glossary of kind of very commonly used terms. We’ve tried to break them into some plain language and then add resources if folks want to take kind of a deeper dive into some of those concepts.

   Backing up to our capital-raising hub, the last tool I was just going to highlight for you are building blocks. This, again, an idea that came from
folks that attended events where we were presenting. These are kind of one-pager overviews of some fundamentals of capital-raising. We’re excited because we just expanded this suite last week. We’ve launched six new ones. So you’ll see there’s a variety of topics covered, for example, you know, what do I need to know, how do I get myself ready to raise capital.

And we have an acronym, CAPITAL, that kind of walks you through a lot of things we’ve talked about today. Getting your financial statements ready, finding good advisors, understanding your, you know, your investor strategy.

Similarly, what different securities might a startup off. What’s the difference between angel investors, friends and family, venture capital.

So just really some of those basic concepts that will, you know, can empower an entrepreneur to at least know what questions to ask when they do in fact go onto, you know, talking to lawyers or accountants or advisors. Just to give them a little bit of a familiarity with the framework that they’re going to be working within.

So those are our tools. I welcome folks, explore away at your own time. But, and again, always happy to hear what we can do to improve on them. We love
getting your thoughts.

And speaking of getting your thoughts, believe we’ve got some questions from the audience. So Martha has joined us. I’m going to pass the mic to her to see what inquiring minds want to know about.

MS. MILLER: Wonderful. Thank you very much, Amy, and thank you for demoing those tools. For those that have not had a change to check them out, for some of them, they’re the first time that there’s an accessible resource that is available that’s not written by lawyers for lawyers.

It is written by those who are experts at the rules but intended to meet those who are experts at building great companies, not necessarily experts at the capital-raising rules. Those are two very different pools of people.

And we need to make sure that it easier to speak the language of capital-raising, as I think each of our wonderful speakers have highlighted today, that sometimes that lingo, I think Betty, you said it best, the lingo is just not the lingo of those who have maybe been in the business world for a long time but just never really been a part of the capital-raising world.

So, Amy, thank you for leading the panel through a great discussion. I want to highlight a couple
of questions that we have gotten from the audience.

I’ll start with one that we received from a couple of different audience members who were asking questions about whether it is venture capital or other sources of sophisticated capital, how do you actually go about connecting with those individuals and finding it.

Before I turn it over to our panelists, I do want to give a plug for those who are asking that question. Please make sure that you tune in to the subsequent days of our forum. We will actually have investors from those communities talking firsthand about their experience.

But would love to ask our panelists what suggestions do you have for founders who are looking for sources of funding?

MS. CUMMINGS: Sure, I’ll jump in. You know, having been in this position myself, as well as having helped hundreds of other entrepreneurs get access to capital, there’s a couple things to consider.

One, you want to make sure that you’re pitching your deal at the right time. Granted, we’re going to talk in a minute about how to find them. Because in my first startup, for example, I went out there way too early asking for money.

And then when the time came when I was really
ready to raise capital, they—I was told my deal was stale, right. Like, oh, we’ve heard you so many times and there hasn’t been enough traction and progress. So the timing on when you ask.

   How you find these funds. First before you even try and find the fund, what we do and what I think is really important is first of all, do you know how much money you really need.

   Because I bet you my colleagues on this panel could tell you that nine out of ten entrepreneurs who come in and say I need a million or I need a hundred thousand, whatever it is, it’s always wrong. It’s usually way under what they really need. Or they’re afraid to break it up into tranches, right. Like let’s raise a little bit now and more later.

   So before you even start to think about where do I find these venture funds, let’s make sure that your financials are squared away, that you really, truly understand how much money you need, that your marketing plan matches.

   I mean, I, in a former role with a software company, I would be a judge for business plan competitions for Harvard and Yale and Notre Dame and big schools, and even looking at those business plans, the financials were a mess.
They would--they were trying to start a tech--
or a software company, and they said they were going to
put eight percent of their revenue towards marketing.
It’s like, no, no, no, that should be like 30 or 40%,
right.

And so I think there’s a bunch of things that
you need to make sure that you’re doing before you even
know what kind of funding you want to go for. And then,
believe me, if you’re in Oregon, we will help you get
connected to the right sources of capital.

But every entrepreneur says they need money
and marketing, money and marketing. But really what you
need is a mentor first, there’s another M. Start with a
mentor, make sure that you have everything squared away,
all the i’s dotted and the t’s crossed, and that you can
fully stand behind your ask. And then go out and find
who you need to get connected to.

Don’t do it alone. There’s plenty of
resources, you just heard about a bunch of them today.

And the last thing that I’ll say on this
point, and this is something that happened for me but I
also see happening for others, when you ask for money,
you get advice. When you ask for advice, you get money.

So find some friendly investors to say I’m not
asking you for money, I just want to pitch my pitch to
you and I want your feedback. I want you to be honest, tell me what doesn’t make sense. What part did I focus on too much, what did I leave out. And just go out on an advice dog-and-pony show before you actually go out asking for money.

MS. MILLER: Fantastic (phonetic) advice. Because in my experience, many times you don’t get a second chance to be in the room. And this actually is a great plug for one of the resources that we just launched, which is before you raise, be ready with your CAPITAL.

And CAPITAL is our lovely, catchy acronym for a number of different things that you need to line up. Not just your cap table, but the amount of capital you need. What is your runway and all of the things that you need to have ready before you step in the room and actually start talking to investors about pitching your company.

So do go check that out, the links to that will be in the chat. I also want to take this as a chance to answer another question that we received from participants. It’s looks like Todd (phonetic) asked a question about BIPOC capital-raising and what trends we’re seeing.

We are very interested in the trends on
capital-raising for those who are often underrepresented
in the capital-raising ecosystem.

And so I’ll give a plug for our annual report
to Congress where we actually lay out here is what we
are seeing across the board, whether we are looking at
minority-owned businesses or their investors, or we are
looking at women-owned businesses and their investors,
rural communities, national disaster area communities.

We have a wealth of resources, so I would
encourage you to check that out if that’s an area of
interest for you, we have lots of materials that will
keep you very busy looking at it.

Next question from the audience, I want to ask
a question, Armeer, of you that we received from Carlos
about the impact that a lack of capital can have on a
local ecosystem or gaps in unemployment or higher
education and how a strong capital ecosystem can help
the community or the founders locate it.

What are your thoughts about this? Because I
know that that is something that can be really
challenging when there isn’t a local capital ecosystem,
particularly in rural communities.

MR. KENCHEN: That’s a great question. I mean,
you find that when you have a thriving capital market,
you’ve got jobs. I mean, that’s what you want, right,
jobs. If there’s no job, and--no businesses, no jobs.
And people can’t, you know, they--what can you do with
no job.

So the school systems suffers. One thing that
people want to do in, especially in the rural counties,
they want their younger folks to actually stay in the
county, not to leave to go for a better job somewhere
else.

So you’ve got, you know, capital flowing
through these counties, you got jobs being developed
there. You got--people can stay and they can just plant
where they are and not have to leave all the time.

So it’s a great question because you can see
that often. You see, you know, the higher poverty rates,
there’s a less education, all those things are factors
of not having enough capital in that county or that
community that leads to job growth.

So that’s why job growth’s so important,
trying to nurture these businesses so they can have
more--they can have more success and have more people.
Because you want to have a thriving community, and
that’s often what’s missing. So that’s a direct
connection there between lack of capital and lack of
other opportunities as well.

Such as broadband for example. One thing we
have is, you know, you have a place where you have lots of businesses, the broadband’s got to be better because they need to be able to survive.

So there’s a real connection between capital and just having a overall better quality of life in the entire county, or the entire community, absolutely.

MS. MILLER: Excellent. Well, I know that we’re getting close to time, and or participants who are here are excited to have an opportunity to vote on policy recommendations after this.

But what I would love to do with our wonderful panelists is end with a lightening round question. And I want to end on an empowering note.

So to each of our speakers, would love to hear something from you about whether it is a piece of advice to underrepresented entrepreneurs like those that you work with, or an element of why you find the work that you are doing so rewarding. Would love for that to be what we end on before we switch over to voting on our recommendations.

And if it works, I’ll go in the order that you are on my screen. Caroline, can you kick us off, and then we’ll go Betty and Armeer.

MS. CUMMINGS: I would love to, thank you.

This has been so fun.
So I think when you think about an entrepreneur, you know, I was interviewed before, asked what is the definition of an entrepreneur. Well, many things, but one of them is where you learn to become comfortable being uncomfortable most of the time.

So my piece of advice would be to anyone out there to allow yourself to be a little uncomfortable, right.

Whether you’re the entrepreneur, you’re the support organization, you’re a person in the community, whatever. My advice is to surround yourself with people who think differently than you and welcome their opinions.

Know that it’s going to be uncomfortable likely, and that’s where you’re going to advance. And that’s the only thing that’s helped me in my life personally and where I—all the many, many, many women, youth, people of color that I love mentoring is working with them on exercising that muscle to become uncomfortable.

And so that’s my ask to everyone today is just let yourself be a little uncomfortable, surround yourself, with people who think differently. Listen, I think Armeer talked about listening earlier, how important that is.
And then don’t get defensive, you know, keep
the conversation going and default to yes wherever
possible. That’s what I have to share.

MS. MILLER: Fantastic advice. Betty. Oh, I
think we might have you muted.

MS. WONG: Okay, I love what Caroline said, and
I want to add to it in terms of surrounding yourself
with people who are different. Don’t underestimate all
of the people in your circle.

So what I have found is when you’re raising
capital, you might get money from your family, you might
get money from your friends. You might get money from
your business contacts. And you might get referrals from
all of those people.

So I know when I talk to a lot of people, I
often get, well, this person knows nothing or this
person is not an angel and this person is not a VC, so I
don’t want to talk to that person.

And so if anyone shows any interest in your
business, give them the respect to show your interest in
what they want to hear and what they want to know back.
Because they may actually know somebody who can really
help you with your business.

And I know from personal experience, I was
negotiating a contract, and the person who was actually
hired to negotiate, if you will, the close of deal for
the other side, actually said to me afterwards he would
love to invest in our business because he really
believed in where my company was going.

So you can never underestimate your
environment, your contacts, your peers. So I suggest you
have a really open mind, as Caroline said, and explore
all your options.

MS. MILLER: Fantastic, Betty. Armeer.

MR. KENCHEN: Yeah, I would say don’t give up.

Imagine where Caroline would be if she’d given up that
first time. You know, she’s celebrating her failure,
right. She failed, she failed better, she kept getting--
she got it right. So that’s what I think you’ve got to
do.

It’s hard to run a business, it’s hard to
start a business, but you can’t give up. You’ve got to
learn as you go. Learn from that failure. And you can
celebrate failure the same way Caroline had, and then
you have some success.

So, but I think it’s important to just not
give up. The resources are there, find the resources,
find the people, and just don’t give up.

MS. MILLER: Completely agree, and I think
that’s fantastic advice. And it comes back to the call
to action that I had for each of our participants to be willing to rethink, to pause, to hear feedback from people and the perspective of people who might think about things differently than you do.

Because that’s where you’re going to really grow, and that’s what we really need to advance capital-raising policy to work well for all entrepreneurs and investors alike.

So thank you very much to our wonderful panelists. You have been fantastic today, and I have thoroughly enjoyed the conversation. And thank you, Amy, for the wonderful moderation that you did earlier.

Before I pass things over to Julie Zelman Davis from our team to close out today’s programming, I wanted to give a little background on the policy recommendations that you’re going to be asked to vote on within the event platform shortly.

You will see there consolidated recommendations that have been submitted by participants like yourself in advance of the forum.

And what we ask you to do is to take a look at those and to vote on them to give them weight on what you think would be likely to have the most positive impact on the entire capital-raising ecosystem, thinking about it from both the entrepreneur and the investor’s
The key piece of the forum, this is not just a conference where you passively sit and listen. The point of the forum is for us to actually engage and for you to have an opportunity for your voice to be heard, and this is the way to do so.

You’ll find that after the forum, we will take the recommendations that have been prioritized by participants like yourselves. They will be packaged into a beautiful report and delivered to Congress.

And the Commission and Congress together will take those recommendations and use them as a jumping off point for crafting the policy that they plan to work on going forward.

CLOSING REMARKS

So without further ado, I want to say thank you for joining us today. I’ll turn it over to Julie to wrap things up, and I encourage you to scroll down and to vote and make sure that your voice is heard. And I look forward to seeing you tomorrow.

MS. ZELMAN DAVIS: Hi, I’m Julie Zelman Davis from the SEC’s Small Business Advocacy Team. I want to thank you for spending time with us today.

It’s been great to discuss the tools and resources available and those still needed to empower
entrepreneurs who are navigating the complexities of
capital-raising.

I especially want to thank our panelists and
sharing their valuable perspectives.

Join us tomorrow at one p.m. Eastern for a
discussion about hometown entrepreneurship can thrive
outside of traditional capital-raising hubs.

We now invite you to review the policy
recommendations that you all have submitted and vote to
prioritize the recommendations that are most important
to you. You’ll find them just below me on the event
platform.

Thank you for being part of the forum.

(Whereupon, at 2:30 p.m. the meeting was
concluded.)

* * * * *
I, Emily Dennis, hereby certify that the foregoing transcript consisting of 73 pages is a complete, true and accurate transcription of all matters contained on the recorded proceedings of the conference indicated, held on 4/04/22 in the 41st Annual Small Business Forum.

Emily Dennis
Transcriber
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