

U.S. SECURITIES AND EXCHANGE COMMISSION

40TH ANNUAL SEC SMALL BUSINESS FORUM

Monday, May 24, 2021

1:00 p.m.

U.S. Securities and Exchange Commission
100 F Street, N.E., Washington, D.C. 20549
Via Eventbrite

1 PARTICIPANTS:

2

3 MARTHA LEGG MILLER

4 GARY GENSLER, Chairman

5 CHARLIE GUIDRY, Moderator

6 MEGAN HOLSTON-ALEXANDER, Panelist

7 MAX TUCHMAN, Panelist

8 SHONDRA WASHINGTON, Panelist

9 AMY REISCHAUER

10 COLIN CALEB

11 DEAN BRAZIER

12 JENNY CHOI

13 JENNY RIEGEL

14 JESSICA MCKINNEY

15 JULIE DAVIS

16 KRISTENE BLAKE

17 MALIKA SULLIVAN

18 SEBASTIAN GOMEZ

19 TODD VANLAERE

20

21

22

23

24

25

C O N T E N T S

	PAGE
1	
2	
3	Welcome Remarks 4
4	Martha Legg Miller, SEC Small Business 4
5	Advocacy Team
6	Chairman Gary Gensler 8
7	Commissioner Hester Peirce 12
8	Panel: Finding Your First Dollars: Navigating
9	Your Way To Raise Early Round 19
10	Moderator:
11	Charlie Guidry, SEC Division of Corporation
12	Finance, Office of Small Business Policy
13	Panelists:
14	Megan Holston-Alexander, a 16Z Cultural
15	Leadership Fund
16	Max Tuchman, Caribu
17	Shondra Washington, CrowdHouse
18	Voting to Prioritize Submission 59
19	Closing Remarks 59
20	Colin Caleb, SEC Small Business Advocacy Team
21	
22	
23	
24	
25	

P R O C E E D I N G S

1
2 MS. MILLER: Good afternoon, everyone.
3 Whether this is your first Small Business Forum or 40th,
4 I want to thank you for joining us today and over the
5 course of the week. Planning any 40th event, whether a
6 birthday, anniversary, or work milestone, engenders an
7 eliminate of nostalgia. If this were a birthday party,
8 we might have a slide show of childhood pictures and
9 play top hits from the year of birth.

10 In planning for this year's 40th Small
11 Business Forum, our team couldn't help but think about
12 the original forum in 1982 and the events that
13 precipitated it. So please, humor me today as I paint
14 the picture of then and now, photos and all. The good
15 news for you, unlike a birthday party toast, this one
16 will not trail on and on leaving you wondering which
17 cousin will take the mic from the loquacious uncle.

18 So let's take a polaroid snapshot of 1982. In
19 1982, the country was in the difficult days of the Cold
20 War. Cal Ripken, Jr. played the first of his record-
21 breaking 2,632 consecutive-game streak, and Michael
22 Jackson released Thriller, which went on to become the
23 best-selling album of all time.

24 Technologically, the world was changing
25 rapidly, epitomized by Time Magazine naming the personal

1 computer as its Man of the Year. This was the year that
2 the market met technologies, like the Commodore 64 home
3 computer, compact discs, better known as CDs, and the
4 world's first artificial heart.

5 Economically, the country was reeling from the
6 1980 to '82 recession, culminating in the bear market of
7 1982. The S&P bottomed out on August 12th at 102, and
8 the country was grappling with over 10 percent
9 unemployment.

10 Demographically, entrepreneurship and business
11 ownership were beginning to change following legislation
12 that passed in the '70s. The Equal Credit Opportunity
13 Act of 1974 guaranteed women the right to get a credit
14 card or obtain a loan separately from their spouse,
15 opening the doors to women running their own businesses.

16 A few years later, the Community Reinvestment
17 Act of 1977 required financial institutions to serve all
18 segments of their communities, improving access to
19 credit for minority entrepreneurs.

20 So let's hit fast forward. Since 1982, quite
21 a lot has changed. As the Time Machine of the Year
22 Awardee signaled, computer-based technology
23 proliferated, fueled by the growth of venture capital at
24 Silicon Valley. Fast forward a few more years, in 1966,
25 Congress respond to increasing national capital-raising

1 activity with the National Securities Markets
2 Improvement Act to promote more efficient capital
3 formation, simplifying many aspects of pre-IPO capital
4 raising.

5 Six years later in 2002, as the public markets
6 were reeling from corporate scandals, Congress passed
7 the Sarbanes-Oxley Act to restore investor confidence in
8 financial markets through increased requirements for
9 independent auditors and public companies.

10 Following the great recession in the late
11 2000s, the 2010 Dodd-Frank Act brought with it a flurry
12 of 67 SEC rule makings, dozens of studies and reports,
13 and five new offices within the agency. Just two years
14 later in 2012, Congress responded to declining numbers
15 of small businesses and public offerings with a JOBS
16 Act, creating a new crowdfunding exemption, carving a
17 pathway for general solicitation offerings sold to
18 verified, accredited investors, and encouraging more
19 companies to go public as emerging growth companies.

20 In between those landmark pieces of
21 legislation, the Commission was busy responding to
22 changes in our markets and updating our rules. And each
23 year you and other members of the public gathered to
24 provide feedback to Congress and the Commission, helping
25 us hone capital formation policy to meet the needs of

1 entrepreneurs and their investors.

2 So let's come full circle to year 40.

3 Undeniably, a lot has changed in the 40 years since
4 1982. Our markets have grown, and technology has taken
5 on a whole new meaning, yet much remains the same.
6 Albeit under different circumstances from the early
7 '80s, today we are looking at job losses and fundamental
8 transformations of society, consumer behavior, and
9 business operations in response to Covid-19.

10 One thing remains constant. Just as in 1982,
11 we are again looking to entrepreneurs and their
12 investors to lead the charge forward. Case in point,
13 the technologies that are allowing us to meet virtually
14 throughout this pandemic were built by entrepreneurs.
15 And the vaccines allowing us to exit this pandemic were
16 made possibly by our capital markets.

17 Entrepreneurs and investors are building the
18 future in which we want to live, pushing it into new
19 frontiers with solutions that we need. It is our job,
20 the public and private sectors working together, to make
21 sure that capital is inclusive, accessible, and scalable
22 for these visionaries. That requires access to capital
23 for startups and angel investors honing their MVP for
24 growth-oriented companies and venture investors, scaling
25 their business model, and for mature companies and

1 public investors operating with a long-term vision.

2 Over the next four days of the Forum, we will
3 hear from speakers on timely topics and capital raising,
4 including today, Finding Your First Dollars; tomorrow,
5 Doing Your Diligence; Wednesday, Diversifying Capital
6 Allocators; and Thursday, Small Cap Insights.

7 I want to thank our team members for making
8 this event happen: Amy, Colin, Dean, Jenny, Jenny,
9 Jessica, Julie, Kristene, Malika, Sebastian, and Todd,
10 as well as our colleagues from across the agency for
11 being -- bringing this virtual event to life. This
12 would not be happening without you, and I am grateful
13 for each of you.

14 We are looking to you to help us shape the
15 future of capital raising. Cheers to 40 years of using
16 your voice to positively impact change and to many more.
17 It is now my pleasure to introduce Chair Gary Gensler
18 for his first small business forum to share opening
19 remarks. Chair Gensler, we are thrilled to have you
20 here today.

21 CHAIRMAN GENSLER: Thank you, Martha, for that
22 kind introduction and that walk down memory lane. I
23 don't want to tell anybody about whether I remember
24 Thriller or not, but -- and the compact discs, and the
25 like.

1 I'm glad to be here today to help kick off the
2 40th Annual Small Business Forum. I'm going to always
3 be animated in my job, thinking about working families
4 and the way that the SEC's three-part mission serves
5 that. And America's small business are at the core
6 serving the public but also part of America's economic
7 foundation and success.

8 I think often about the important role that
9 small businesses play in our economy. As of 2019, you
10 know the statistics as well as I, small businesses
11 accounted for two-thirds of new jobs, 44 percent of
12 economic activity, according to the Small Business
13 Administration. Further, every large business was once
14 a small business, of course. So, it's where innovation
15 happens, where entrepreneurship happens. It's where the
16 success of our economy often occurs.

17 Now the capital markets that the SEC oversees
18 also play an integral role to small businesses. Some
19 access capital markets directly when they go public or
20 raise money from private funds. Others tap into the
21 capital markets indirectly through their mortgages, the
22 borrowings that they take out through financial
23 institutions that those institutions are accessing the
24 capital markets.

25 So, one might say that small businesses also,

1 if I might alert to, are in my blood. My grandparents,
2 three of whom didn't even go to college -- or none of
3 them went them to college, but three didn't even finish
4 high school, had small businesses. They came to this
5 country and they started some things to support their
6 families.

7 My mom, she grew up above her family's
8 business, a quintessential corner grocery store in
9 Baltimore. My dad's parents, a little less successful
10 actually, but they had a bar in Baltimore that they ran.

11 My father, Sam, was the first of his parents'
12 children born here in this country, and family lore is
13 that he was even named because my grandmother liked
14 Uncle Sam. She was an immigrant to this nation. But
15 when he was out of high school -- or was in high school,
16 a shop teacher noticed that he was a good mechanic, and
17 so to earn a little pocket change during the depression
18 years, he started working on pinball machines after
19 school.

20 Today I know you'll be discussing how small
21 businesses find their first dollars. In my dad's case,
22 he never went to college, as I said, but he used his
23 mustering out pay from World War II to buy up some used
24 vending machines, fix them up, sell them, buy a few more
25 machines, fix up, and started to build a family

1 business. It never got that big, never more than 35
2 people. And though he never directly accessed the
3 capital markets, the banks he borrowed from, they
4 probably did.

5 And the 400 locations where he had vending
6 machines, they're small businesses, too. Mostly bars
7 and small diners in Baltimore. The ownership of these
8 places was as diverse as you can imagine across
9 Baltimore. That's why I've also long believed that
10 business owners deserve access to capital markets to
11 fund their entrepreneur ideas and innovations regardless
12 of their race, their gender, geography, their
13 educational backgrounds, any other factors. And I know
14 that's a key part of the office's work.

15 So I look forward -- at this 40th Forum, I
16 look forward to your recommendations and your ideas that
17 come out of your discussions, how to promote those first
18 dollars invested, how to promote small business' access
19 to capital across the full diversity that is reflective
20 of our great nation, and how the SEC can facilitate
21 capital formation for small businesses.

22 I thank you for representing the interests of
23 small businesses in America. I look forward to hearing
24 more about the work going forward. I thank you, and I
25 turn it back to you, Martha.

1 MS. MILLER: Wonderful. Thank you very much,
2 Chair Gensler. I think it's safe to say that you are
3 making Sam proud with the work that you're doing on
4 behalf of small businesses in your role as Chair.

5 It is now my pleasure to turn it over to
6 Commissioner Hester Peirce for opening remarks.
7 Commissioner Peirce.

8 COMMISSIONER PEIRCE: Thank you, Martha. And
9 it's wonderful to hear stories like the one that Chair
10 Gensler just told.

11 I'm pleased to be here today on the first day
12 of our 40th Annual Small Business Forum. These events
13 are a really great opportunity to bring people together
14 to discuss the nuts and bolts of capital formation, a
15 topic of heightened importance this year as the economy
16 begins the long transition back from virtual to in
17 person.

18 With that transition, we hope that small
19 businesses that have held on through the pandemic will
20 regain momentum. We also look forward to seeing new
21 businesses, the brain children of entrepreneurs stuck at
22 home during the pandemic, get off to a strong start.

23 One of the few up sides of the past year was
24 that people got a chance to spend time doing things they
25 might not otherwise have done. I have been a bread

1 baker for as long as I can remember, so I enjoyed
2 watching others embrace my hobby during the pandemic.
3 And I particularly admired those who took on the
4 challenge of making sourdough bread. My experience with
5 sourdough starter was short-lived.

6 In law school, I shared an apartment with a
7 very small refrigerator and two roommates. Rather than
8 studying the law, I focused on learning to make
9 sourdough bread. I made my own starter, which I then
10 stored in a yogurt container in the fridge.

11 One morning, a distressed call from one of my
12 roommates alerted me to the unfortunate fact that the
13 starter, overly alive, had popped the lid on the yogurt
14 contained and spread itself all over everything in the
15 fridge. Bad for roommate relations but probably good in
16 the long run. I ditched the sourdough experiment and
17 turned my attention back to legal studies. A week ago,
18 however, a friend gave me a new batch of sourdough
19 starter, so the experiment is about to begin afresh.

20 Not surprisingly in my mind, and likely I'm
21 not the only one to think of this, sourdough starter has
22 parallels with capital formation. You have to find the
23 first dollars, your starter money. Maybe you create it
24 yourself from your own savings or personal borrowing.
25 And often this early money comes from people you know.

1 That initial capital breeds more capital, but to keep
2 the business alive, you have to feed it with fresh
3 capital, much like an aspiring baker has to feed
4 sourdough starter with flour on a regular basis.

5 Just as my friend gave me some of her starter,
6 along with some advice about how to use it, a founder,
7 over time, may be able to take some of the money she
8 pulls out of the business and pass it along to other
9 people along with advice about how to start a business.
10 That chain then continues.

11 A successful business appropriately fed with
12 capital can be the seed from which many other businesses
13 in the founder's community grow and prosper. Both new
14 and existing businesses need capital, and the
15 discussions over the next several days will help us to
16 think about what we at the Commission can do to
17 facilitate capital formation.

18 I anticipate that some of these
19 recommendations having been discussed at the forum in
20 prior years or else -- or elsewhere will not be new. I
21 hope to hear the thoughts of forum participants on the
22 following and any other ideas that people have.

23 So I'd like to hear about accredited
24 investors. We laid the groundwork last year for
25 allowing people to qualify as accredited investors based

1 on sophistication, proved not by wealth or income but by
2 education, examination, or experience. We need to build
3 on this foundation so people should be coming to us with
4 suggestions and educational credentials, exams, or
5 professional certifications and designations that could
6 serve as the basis for accreditation.

7 Another issue that I'd like some feedback on
8 is finders. It's a forum favorite in many of its 40
9 years, a regulatory framework for finders, who are
10 people who periodically introduce investors to small
11 businesses in need of capital, would establish some
12 much-needed parameters for this activity. We proposed
13 an exemption last year. We should consider finalizing
14 that, or as Commissioner Lee has suggested, propose a
15 rule for finders.

16 Another issue is a micro-offering exemption
17 which would make it easier for small businesses to
18 locate early money. This would be a streamline
19 exemption that would allow small businesses to raise
20 \$250,000.00 or \$500,000.00, subject to the anti-fraud
21 provisions of the securities laws and a requirement to
22 notify the SEC of reliance on the exemption.

23 Crowdfunding is another area that I'd like to
24 get feedback on. It seems to have been relied on more
25 during the pandemic, in part perhaps because of

1 temporary relief that we provided from certain
2 crowdfunding requirements. And recent permanent
3 amendments to the crowdfunding rules are also now in
4 effect, which should further spur the use of this
5 capital raising tool. We should consider whether any of
6 the temporary relief should be made permanent and
7 whether other changes would make crowdfunding more
8 viable as a source of capital for small businesses.

9 Another area I'd like us to look at is
10 modifying the qualifying venture capital fund exemption
11 under Section 3C-1. We should consider increasing the
12 cap from 10 million to 150 million and increasing the
13 allowable number of investors from 250 to 600, as
14 recommended to us last week by our Small Business
15 Capital Formation Advisory Committee.

16 Another area we can consider is expanding the
17 scope of qualifying investments for venture capital
18 funds. Again, the Small Business Capital Formation
19 Advisory Committee made a recommendation along these
20 lines last week but revisiting what constitutes a
21 qualifying investment could make it easier for venture
22 capital funds to support small businesses.

23 Thank you to everyone who will participate in
24 the forum, including the panelists and the panel coming
25 up right after this, Finding Your First Dollars. As

1 important as the upcoming days will be, Small Business
2 Capital Formation deserves our continued attention, so
3 my door is always open for anyone who wants to talk
4 about these issues throughout the year. And maybe I'll
5 even have some sourdough bread on hand for visitors to
6 sample. Thank you.

7 MS. MILLER: Wonderful. Thank you very much,
8 Commissioner Peirce. I think that we share excitement,
9 as least I do, about warm sourdough as well as the
10 businesses coming out of this pandemic.

11 You'll see for those who are in the event
12 portal right now that there are some polling questions
13 and some observations. We want to learn more about you
14 and the perspectives that you bring today as we head
15 into our panel discussion.

16 Before we introduce the panel and dive in, I
17 want to provide you with a framework for how you can
18 engage. This is, after all, only the second time in the
19 40-year history of the forum that we are hosting this
20 event virtually. For those who have questions for our
21 panelists, we're going to have a Q&A at the end of the
22 discussion, and you will potentially have the
23 opportunity to ask your question live, if you're
24 interested in doing so. Information about that is on
25 the event page.

1 And I want to thank you all for your
2 thoughtful submissions of policy suggestions and
3 priorities in advance. If you have additional policy
4 suggestions that are relevant to today's topics, please
5 feel free to chat those into the team and they will be
6 added.

7 After the panel and the Q&A, you will get a
8 chance to vote on recommendations that you think that
9 the Commission and Congress should prioritize. The poll
10 will be visible throughout the discussion for reference,
11 but we won't actually have it, so that you have a chance
12 to really benefit from the discussion. You won't lock
13 in answers and actually start voting until later.

14 I love looking at some of the results that are
15 coming in. It looks like of those who are here
16 participating that have raised capital, 79 percent of
17 you have raised using friends and family, which I think
18 goes to the importance of that sourdough starter and
19 those first connections in that community around you.

20 So again, I appreciate each of you being here
21 today. It is now my pleasure to turn the discussion
22 over to Charlie from the SEC's Division Appropriation
23 Finance to lead our panel on Finding Your First Dollars:
24 Navigating Your Way to Raising Early Rounds. Charlie,
25 thank you very much for leading this panel today. I'm

1 going to leave it to you to kick off the discussion.

2 MR. GUIDRY: Great. Thank you, Martha. Hi
3 everyone. I'm Charlie Guidry, and it's my absolute
4 pleasure to moderate this panel discussion, Finding Your
5 First Dollars. Welcome.

6 Briefly about myself, I'm a lawyer, as Martha
7 said, in the Office of Small Business Policy. We are
8 located within the SEC's Division of Corporation
9 Finance. What do we do? The Office of Small Business
10 Policy assists companies seeking to raise capital
11 through exempt or smaller registered offerings. We
12 participate in, and review, and assist the Commission's
13 rule makings and other actions that may affect small
14 businesses. So that's sort of us in a nutshell.

15 But moving on to what you're here for, today's
16 panel is a special one for you. With us are three
17 guests, Max Tuchman, Shondra Washington, and Megan
18 Holston-Alexander. And before we really dig in to, you
19 know, getting what these women know and questioning
20 them, we'll just have each of them talk a little bit --
21 give a quick intro of themselves. Megan, can you lead
22 us off and tell us a little bit about yourself?

23 MS. HOLSTON-ALEXANDER: Yes, absolutely.
24 Thank you so much for having me here. I am very excited
25 about the 40th Small Business Forum, I think it's going

1 to be a wonderful kind of set of content and information
2 for the folks attending. So thank you for having me.

3 As Charlie mentioned, I'm Megan Holston-
4 Alexander, and I am a partner at Andreesen Horowitz, a
5 venture capital firm based in Silicon Valley. And I
6 focus specifically on the Cultural Leadership Fund,
7 which is a strategic co-investment vehicle inside of
8 Andreesen Horowitz. So I'm excited to talk to you all
9 today about our work and how we think about the work of
10 small businesses.

11 MR. GUIDRY: Thanks, Megan. Shondra, tell us
12 a little bit about yourself.

13 MS. WASHINGTON: Hi, friends. My name is
14 Shondra Washington, and I am an on-demand CFO strategist
15 advisor to startups and small businesses. I started my
16 career as a technology investment banker, and now not
17 only do I advise startups but create -- I'm very
18 passionate about creating content and opportunities for
19 startups and small businesses to talk about their
20 business and learn from each other. So I'm super
21 excited to be here to continue that work.

22 MR. GUIDRY: Thank, Shondra. And we're
23 definitely going to follow up on your Clubhouse chat
24 room and talk about that.

25 Max, your turn. Can you tell us a little bit

1 about yourself? Max, I think you may be on mute.

2 MS. TUCHMAN: All right, thank you.

3 MR. GUIDRY: There you go.

4 MS. TUCHMAN: I was trying to make sure there
5 was no ambient noise, and then I just muted myself. But
6 hey, everyone, I'm Max. I'm the CEO and co-founder of
7 Caribu, which is an amazing edtech company. But before
8 founding the edtech company, I've been trying to get to
9 educational equity through whatever means I could. And
10 that meant working, you know, as the executive director
11 of Teach For America or at the Gates Foundation, even
12 going to becoming a lighthouse fellow at the Treasury
13 Department working for Mayor Bloomberg. Even got an MBA
14 and MBP in educational, you know, equity. And most
15 importantly, was a 12th grade teacher at -- here in
16 Miami-Dade County Public Schools in Liberty City.

17 And through all those experiences, ended up
18 getting to edtech. So excited to talk more about how to
19 fund edtech.

20 MR. GUIDRY: Max, I love your story. I'm -- I
21 too am a former high school educator, and so I love it
22 when teachers just keep expanding and keep helping. You
23 know -- and the success that you've had in raising
24 capital is something that I know many other founders
25 want to experience. You are the first Latino -- the

1 first Latina founder to raise a million dollars using
2 regulation crowdfunding. You are the 59th Latina in the
3 U.S. to raise over a million in venture funding. I know
4 our audience is looking forward to, I know I am, your
5 insights on finding those first dollars.

6 So, a few questions. A), just would love to
7 hear more about what Caribu is. You spoke briefly, but
8 just tell us more. And B), relatedly, how did you go
9 about -- when you were seeking to fund Caribu, how did
10 you go about learning the ways that you can raise
11 capital and maybe what factors did you consider when you
12 were looking for those first dollars?

13 MS. TUCHMAN: Yeah. So Caribu brings families
14 together in virtual playdates. It's an interactive
15 video call where you can play, read, and draw together
16 with a little one in your life. So if you can only
17 imagine, on March 14, 2020, we ten X'd the company
18 overnight because of the demand for a better video call
19 with young kids.

20 But we didn't start there. We thankfully were
21 kind of the definition of luck, right. We had the
22 preparation meeting the opportunity, and we were able to
23 expand like we did. But those first years where we were
24 trying to get people to understand why you would want to
25 have a better video call with those, you know, who are

1 not as excited to be on a video call without playing, or
2 without coloring, or without drawing.

3 We -- you know, when we first started to look
4 for capital, I mean, you know, you're assertive, right.
5 So you're like oh, I have to go for venture capital, and
6 you start having those conversations, and you realize
7 whoa, whoa, whoa, I am way too early for venture
8 capital.

9 So you start going to friends and family, if
10 you have friends and family. But not all of us grew up
11 in communities where we have access to friends that can
12 write a \$10,000.00 check. You have access usually to
13 friends that can write \$100.00 check or a \$300.00 check,
14 but you don't want to put all of those friends on your
15 cap table. So what do you do?

16 So I originally actually went to pitch
17 competitions. I said our -- because it just -- you
18 know, it was 2017, I just didn't have any other options,
19 so I started doing pitch competitions. And we ended up
20 being the winner or the finalist in over 30 pitch
21 competitions which gave us non-diluted cash to keep
22 going.

23 And then because of all the pitch competition
24 wins, we ended up raising 1.3 million dollars, and
25 that's when I became the 59th Latina to raise, you know,

1 a million in venture funding. That was with AT&T and
2 Steve Case and his family offices. We were very
3 fortunate to be able to do that.

4 But then 12 months later, which is around the
5 rule of thumb when you should be raising again -- not
6 should be, but you end up raising again. We got a
7 predatory term sheet, which happens a lot to
8 underestimated founders, women, people of color, where
9 an investor said I -- you know, I have these terms, and
10 it's not great for you, but if you need the cash, that's
11 what you'll have to do.

12 And thankfully, I had found equity
13 crowdfunding. I had learned about it, saw it, you know,
14 started doing my own research about it because it was
15 still -- even in, you know, 2019 when we decided to
16 raise, it was still very new. And I was able to turn
17 down this half a million-dollar check with very, very
18 predatory terms, and ended up raising three times that
19 in equity crowdfunding on my own terms.

20 So extremely grateful for the opportunity to
21 be able to have alternative sources so that I could fund
22 the businesses in the way that I felt was right so my
23 business could survive so that we could get to this
24 point today.

25 MR. GUIDRY: And when you -- your first

1 experience with reg crowdfunding, how did you find it?
2 Was it as complex as you thought, not as complex, easier
3 or harder? What was your experience?

4 MS. TUCHMAN: Yeah. I think in 2019 it was --
5 it was still very nascent so, you know, finding
6 companies that had done it, that kind of had been -- had
7 kind of gone past it, right, so could look backwards and
8 say oh, if we had only done it this way, was a little
9 difficult. And the portals also were, you know,
10 startups in their own right, you know, trying to help us
11 startups raise capital.

12 At the end of the day, I think the regulations
13 were easy enough that we were able to navigate them.
14 And again, you know, we've been successful since. And
15 it's -- and I now -- I'm on CrowdHouse almost every
16 other week talking about equity crowdfunding.

17 I even run the equity crowdfunding club on
18 Clubhouse specifically so that other founders understand
19 what I went through, how I did it, and how to be
20 successful. Because it is such an incredible source of
21 capital when you are underestimated, when you're getting
22 nos because of what you look like or because people, you
23 know, don't think you can achieve the same things as
24 others.

25 And so you guys have made it pretty simple.

1 Even better now in March. Thank you.

2 MR. GUIDRY: And when you're on Clubhouse and
3 talking to folks about reg crowdfunding, give us like
4 your number one tip or the most asked question that you
5 have a ready answer for. Can you think of something?

6 MS. TUCHMAN: Yeah. So, the two pieces of
7 advice that I always give is one, this is America, this
8 is not something you just wake up tomorrow and decide to
9 do, right. You really have to prepare for it. You --
10 and the second piece of advice really goes with that,
11 which is the reason the word crowd is in the word is
12 because you have to bring your own crowd, you really do.

13 I think a lot of people have the misperception
14 where it's like oh, I'm going get on a portal. It's
15 like online dating, I'm going to put up a cute picture,
16 and I'm going to have a million dollars next week in my
17 bank account. And that is so far from the truth.

18 So my job, I feel like, for other founders is
19 to make sure that they're prepared, that they're -- you
20 know, if they don't have that strong crowd, to start
21 building that strong crowd. Take the three to six
22 months to really bring that crowd because that is --
23 and, you know, again this is the whole point of it is
24 that you can bring people in your community, people who
25 know you and love you who maybe can't write the

1 \$10,000.00 check can come and invest in your business.

2 MR. GUIDRY: And Shondra, this is a nice sort
3 of segue into what you're doing now. Building on what
4 Max has said and learning about various paths to
5 accessing capital, you said earlier that you made the
6 transition from ibanking to advising startups.

7 MS. WASHINGTON: Yeah.

8 MR. GUIDRY: And now, you know, with your
9 platform on Clubhouse, you're devoting a lot of your
10 time educating, and supporting, and providing exposure
11 to early-stage founders. Can you tell us a little bit
12 about how your journey, you know, just led you to this
13 point?

14 MS. WASHINGTON: Yeah.

15 MR. GUIDRY: And why your work now is so
16 important and -- important to you, and maybe also
17 important just to the startup ecosystem more broadly?

18 MS. WASHINGTON: Yeah. So the first thing I
19 want to say, I think -- my mom is an educator, and so I
20 think that that has naturally just been in me. And so
21 anything that I've ever done, which I've done all kinds
22 of things, has been around -- surrounding how do I get
23 information that I either want or that I know people
24 around me need and want, how do I get that to a broader
25 audience?

1 And so what Clubhouse has allowed me to do,
2 has allowed -- it's allowed me to kind of have that
3 platform to do that where it's not just, if I'm using
4 Instagram, me to another person, or Youtube where it's
5 me to others just watching me. So now it's a
6 conversation, and I love that, you know, just being able
7 to have a live conversation where people can come and
8 ask questions, where people can learn from other people
9 and what they're going through.

10 And just to kind of give some context around
11 what I'm doing on Clubhouse, so I host many rooms on
12 Clubhouse, but two of the most popular are Pitch
13 Practice, which is exactly like it sounds. You come
14 onstage, you practice your pitch. That's literally it.
15 And you have VCs, you have Max, you have others come
16 onstage that just gives you feedback on your pitch.

17 And the magic about that, which I didn't even
18 realize was going to happen, was that people were one,
19 being entertained; two, being inspired; but three, that
20 big thing of education, which I didn't even know was
21 going to be a part of this. Like I thought it was going
22 to be Max or someone coming onstage, getting feedback on
23 their pitch, and that being it.

24 But what I find so interesting is that because
25 there are spaces like that, like Pitch Practice and

1 CrowdHouse, which I'll talk about in a little bit,
2 founders are now able to witness other founders who are
3 not polished, who don't have it all together, who still
4 have questions.

5 And so one of the things that I encourage
6 people to do is to really start talking about what
7 you're doing, and not being afraid to jump onstage, to
8 talk to your dentist, whatever it is, to actually speak
9 about the work that you're doing, because you never know
10 what will come out of it. And every time you talk about
11 it, you get sharper, you get more efficient with your
12 words, you get better at telling your story.

13 And so I think it's just really, really
14 important for folks to understand that what you're doing
15 is not just for you, right. We're all a community. Max
16 talked about that. We're all a community. And talking
17 about what you're doing and putting yourself out there
18 helps not just you, I promise it helps everybody around
19 you.

20 The other room that I host that is fairly
21 popular is CrowdHouse, which Max is -- Max has done all
22 of my shows, which she loved CrowdHouse and Pitch
23 Practice. And CrowdHouse is where we take companies
24 that are currently fundraising and they're using all of
25 the crowdfunding platforms. They come onstage, they

1 pitch their business to potential investors, and these
2 are real angel investors or VCs. They're real --
3 they're people that are deploying capital. They pitch
4 their business to them.

5 We bring people onstage -- because the whole
6 point of that show is to help founders -- well, help
7 really new investors understand the types of questions
8 they should be asking founders when they're thinking
9 about potentially investing in startups using a
10 crowdfunding platform. But then it also helps other
11 founders know how to present their company, know what
12 types of questions they're going to be asked if they
13 were to be in an investment meeting.

14 And so we bring them onstage, they pitch their
15 business to investors. We bring folks onstage that are
16 in the audience that are just thinking about like should
17 I invest in this company, I've never invested in a
18 startup before, how does this work. So then you get to
19 ask the founder directly your own questions.

20 MR. GUIDRY: Mm-hmm.

21 MS. WASHINGTON: And we've raised over a
22 hundred thousand dollars for founders doing that.

23 And so social media just in general is really,
24 really important for founders I think, and for the
25 ecosystem because it allows you to not be siloed. It

1 allows you to really, really work within a community and
2 learn from each other.

3 And I know the question was also about my
4 journey. And just to kind of talk a little bit about
5 that, I -- as an investment banker, I was sitting in a
6 room, we were at a client meeting, and there was just
7 all of this very nuanced little nuggets of information
8 that was being passed around. And I was like, wait a
9 minute, if this is happening in finance then it has to
10 be happening in marketing, it has to be happening in
11 product development.

12 And so I kind of started TBC as an educational
13 -- again, back to my mom being an educator. I started
14 TBC as an educational, almost -- it was a one-day
15 accelerator where we would bring companies in, and we
16 would have them kind of get this 360-degree analysis.

17 And when I think back to how I started TBC and
18 what I'm doing now, it's all around the same thing.
19 It's all around education, it's all around community,
20 and it's all around just really kind of taking the veil
21 off of what building a company is like, or what it is to
22 get investment, or what it is to even interact with
23 investors.

24 MR. GUIDRY: I think that taking the veil off
25 is so powerful. It's as -- almost like there's a magic

1 circle of knowledge that maybe folks think that they
2 can't access or only a few people know. And you were
3 just ripping that apart and saying that's not the case,
4 the knowledge does exist, here it is for you, let's talk
5 about it.

6 MS. WASHINGTON: Right.

7 MR. GUIDRY: Let's learn about it. It's so
8 powerful.

9 MS. WASHINGTON: Right.

10 MR. GUIDRY: So powerful.

11 MS. WASHINGTON: Thank you, Charlie.

12 MR. GUIDRY: Yeah. Megan, we've talked about
13 crowdfunding. You sort of live in a different world of
14 capital raising. You moved from the non-profit arena
15 into venture capital. And looking at the work you do
16 with the Cultural Leadership Fund, you are looking to
17 address some of the issues that Max and Shondra have
18 identified, but maybe from a different angle. You're
19 looking to sort of connect cultural leaders to the tech
20 companies and enable more African Americans to enter the
21 tech industry.

22 So can you just talk to us about your
23 transition into venture? And maybe also tell us about
24 the work you do with the Cultural Leadership Fund
25 Network?

1 MS. HOLSTON-ALEXANDER: Yeah, absolutely. So
2 Shondra, I need to come in CrowdHouse. I don't know how
3 I've missed it on Clubhouse, but I'm going to find it.

4 MS. WASHINGTON: I'll send you an email.

5 MS. HOLSTON-ALEXANDER: And please let me in.
6 But yes, so I first began my career on the non-profit
7 side and, you know, most recently the non-profit I
8 worked for was called All-Stars Helping Kids. And it's
9 funny because we kind of term ourselves as venture
10 capital for non-profits. And before I really knew what
11 venture capital was I was okay, that's cute, venture
12 capital for non-profits, whatever that is.

13 But essentially, the way that we functioned is
14 we take new non-profits, innovative non-profits that are
15 in the Bay area, and we give them funding over the
16 course of three years. And in addition to that funding,
17 we give them support from branding, to how to build your
18 board, to how to, you know, raise more funds, et cetera,
19 with the hope that after those three years they'll later
20 be able to go on and raise capital from larger
21 foundations. They get those metrics under control, they
22 figure out how they're growing, and they figure out how
23 to kind of gauge, you know, their success and their
24 outcomes.

25 And it wasn't until I went to business school

1 that I actually really learned what venture capital was,
2 and realized -- I was like oh, I've done this already, I
3 know exactly how it works. And I truly, truly during
4 those two years of business school fell in love with
5 finance. And it had never been something that was on my
6 radar in a realistic way until I went through that
7 experience.

8 MR. GUIDRY: Mm-hmm.

9 MS. HOLSTON-ALEXANDER: And so once I got into
10 venture capital, I was really, really committed to
11 serving similar types of folks that I had served before.
12 And in addition, being from Montgomery, Alabama, which
13 is many -- you know, many people know as the home of the
14 civil rights movement.

15 You know, down here, my dad was an
16 entrepreneur. You know, there's so many opportunities
17 for people here to create their own businesses because
18 we've really had to build from the ground up after the
19 civil rights movement. So I've known entrepreneurs, you
20 know, my whole life.

21 And the way that we work in CLF is really,
22 really interesting. So as I mentioned, we are a
23 strategic co-investment vehicle inside of Andreessen
24 Horowitz, and so we invest (audio disruption). We've
25 got two core missions. So one, connecting the world's

1 greatest cultural leaders to the best new technology
2 companies; and two, getting more African Americans into
3 the tech industry.

4 That first mission of connecting the world's
5 greatest cultural leaders to the best technology
6 companies, when we say cultural leaders, we mean the
7 world's greatest entertainers, and athletes, and
8 musicians, and C-level executives, and your favorite,
9 you know, TikTok creators. Anybody who kind of creates
10 culture and drives what's interesting and cool. These
11 are people who are excited about technology, and excited
12 about innovation, and they want to play a role in how it
13 advances, and a role in ownership.

14 And I think when we think about doing, you
15 know, this work around kind of social justice, and
16 business, and investing, there are a number of different
17 routes to take. And one of them is getting more diverse
18 investors on cap tables. And so we lean in really
19 heavily to that part of our work.

20 And we create opportunities for, you know,
21 these cultural leaders to partner with our portfolio
22 companies and do branding work or join the advisory
23 board, right. We want people of color in these spaces
24 to lend their voice and really help diversify these
25 companies early.

1 And then the second mission around getting
2 more African Americans in tech really is around creating
3 a network of a number of different people who are
4 working in this space. From other black investors to
5 black founders to black talent, which we've been focused
6 on very heavily for the last year. Getting more people
7 and their voices into these companies early is just
8 absolutely critical.

9 And we lean into the talent in a couple of
10 different ways. So one, we have a non-profit strategy.
11 Obviously, I used to work in non-profit but, you know,
12 100 percent of our management fee, 100 percent of our
13 carry, so all of our earned profits from our fund are
14 donated to a set of non-profits that are specifically
15 focused on that mission --

16 MR. GUIDRY: Mm-hmm.

17 MS. HOLSTON-ALEXANDER: -- of getting more
18 African Americans in tech. Because the reality is,
19 diversity in tech is not a new thing, right. There have
20 been organizations working on this for years and years
21 and years. And so, we wanted to be sure that we were
22 using our resources to pull through support for those
23 groups.

24 So whether it's -- we have a organization that
25 works with high school students giving them their first

1 foray into tech, right. This is how -- these are the
2 job opportunities, these are the pathways. If you want
3 to start a company, your own business, this is what it
4 should look like. All the way up to, you know,
5 organizations that are helping up-skill and re-skill
6 folks who've maybe done a different job their whole
7 life, and now they want to take advantage of the
8 opportunities in tech or start their own business. We
9 want to be able to support that.

10 So kind of in addition to that non-profit
11 side, we also have a talent strategy where, you know, we
12 are trying to diversify teams early. I'm -- I think as
13 we've seen, you know, in technology, as companies get so
14 big, it's really hard to roll back and figure out well,
15 where are all the black people, where are all the women,
16 you know, where are all -- you know, the veterans.

17 And so, we felt like we wanted to try to help
18 play a role in helping make our companies as diverse as
19 possible as early as possible. So we created this open
20 source network of talent where people can come and say
21 like hey, these are my skills, this is what I'm
22 interested in. You know, I want to be considered for
23 roles that Andreessen Horowitz portfolio company needs.

24 And we brought in a number of people. We've
25 created this gigantic network where we want people to

1 plug in early, because we know at the early stage when
2 you're a seed company or Series A, that you always hear
3 people say, I was Employee 12 at Slack, or I was
4 Employee 22 at Facebook. We need more Black Employee
5 22s. And so we're working very diligently to try to do
6 that, make them as diverse as possible as early as
7 possible.

8 And really that's the long version and short
9 version of our work. And, you know, I would say on the
10 founder's side, one of the things that, you know, I
11 created a couple of years ago was called When Founder
12 Met Funder. And a lot of times, we'd learn that one of
13 the biggest kind of barriers to women, and specifically
14 black women, raising capital is meeting investors.
15 Everybody's heard of the warm intro and how problematic
16 it could be.

17 And so we just wanted to create an event where
18 we just ripped that wall right on down and started
19 connecting black and brown women directly to investors.
20 And so like I said, there's a lot of slices overall to
21 this work, investors, founders, talent, and we want to
22 try to lean into a couple as much as we can.

23 MR. GUIDRY: Awesome. Your -- one of your
24 founders likes to say I think that hard things are hard,
25 and it takes a lot of work. And this is important work

1 and, you know, your firm takes it super seriously, so
2 it's -- I know it's appreciated.

3 MS. HOLSTON-ALEXANDER: Thank you. I'm so
4 happy to hear that you feel that way.

5 MR. GUIDRY: Oh yeah, absolutely.

6 MS. HOLSTON-ALEXANDER: We do our best.

7 MR. GUIDRY: Max, let's come back to you. In
8 a recent interview you gave this year, you talked about
9 feeling vindicated after Caribu's recent growth and
10 recognition. And recognition, like you guys, one of
11 Apple's best apps -- named Apple's best apps in 2021.
12 You know, Tim Cook is tweeting about you guys, so
13 that's, you know, serious recognition. And you felt
14 vindicated in part by you guys are run by Latinos,
15 you're women-led, you're from Miami. You know, I think
16 vindicated was such a great word to use here.

17 Let's talk about those three. Run by Latinos,
18 you know, run by women, not in Silicon Valley. Can you
19 expand on the challenges that you all face -- that you
20 faced raising capital as Latina-owned, as women-led
21 company away from Silicon Valley, away from Boston, away
22 from New York?

23 MS. TUCHMAN: Yeah, I think it's just -- I
24 think it's Arlan Hamilton that, you know, kind of coined
25 the phrase underestimated, right. It's not -- it almost

1 -- you know, it --there's a lot of diversity that
2 becomes underestimated, right. You can walk in with a
3 physical disability, or you could be pregnant, or
4 there's a lot of things that someone will look at you
5 and say I don't think that you're going to make it as
6 far as everybody else.

7 And that -- we have so many strikes against
8 us, right. We were building our company. I -- you
9 know, I remember going to Silicon Valley in 2017 and
10 getting a lot of investors who said if you move here,
11 we'll fund you. And I was like well, why would I move
12 to Silicon Valley where I can't afford to live or build
13 my business? And when my place of power is Miami, which
14 is my hometown, why would I leave there?

15 And then also, you know, walking into the room
16 as a Latina with my big hoops. Obviously, I have white
17 privilege, but it -- you know, it was something that --
18 you know, I even got an investor in one of my pitches to
19 say to me, because my team slide used to be at the end
20 of my deck, and he literally said to me, he was like oh,
21 you know, you walked in, you were like -- you know, and
22 you said you were a teacher, and so the entire
23 presentation I kind of didn't even listen because I was
24 like well, I can't give her a million dollars, like
25 she's not going to be able to manage this.

1 And then at the end, I see your team slide,
2 and you have a Harvard Business School logo. And I was
3 like oh, okay. And I was just like seriously, like I
4 just don't even understand. And then -- or the amount
5 of times that I would do the pitch as the CEO and my
6 male co-founder would get all the questions, right.
7 These -- all of these kind of small -- you know, it's
8 death by a thousand papercuts.

9 MR. GUIDRY: Sure, yeah.

10 MS. TUCHMAN: So I'm just -- I don't want us
11 to be the one example of the company that made it that
12 had a Latina founder, or that was based in Miami or, you
13 know, is 67 percent people of color, or 50 percent
14 women. Like I want us to be -- and that's why I felt
15 vindicated is that I felt like this was the beginning of
16 investors starting to realize like wait a second, like
17 maybe we should give these types of companies a second
18 look, or maybe we should think about them differently,
19 or make sure that we're asking, you know, promotional
20 questions instead of preventative questions. Like
21 really take a step back and question their methodology
22 and their intrinsic bias and then say okay, let me do
23 better next time.

24 MR. GUIDRY: Yeah, and intrinsic bias that --
25 thank you for bringing that up. Megan, if we can bring

1 you in here. You've written and spoken about, you know,
2 being a black girl in venture and how you've used that
3 identity, your identity to provide a critical and
4 perhaps missing perspective to the VC community.

5 So thinking about the intrinsic bias that we
6 all have, what are the benefits to the startup ecosystem
7 that your perspective, you know, maybe -- or if you
8 don't want to speak to yours -- maybe another
9 traditionally excluded minority perspective provides and
10 brings to the table when you're weighing in on whether a
11 company gets VC funding?

12 MS. HOLSTON-ALEXANDER: Yeah, absolutely. And
13 can I just say Max, you just touched my heart, because
14 you were in my life. Because for some reason, people
15 seem to -- I got -- I went to an HBCU undergrad, and
16 then I did Stanford for business school. And people
17 think Stanford is the one that like made me smart and
18 made me somebody, you know.

19 And the fact of the matter is most of us, you
20 know, by the time we get to business school are already,
21 you know, pretty centered. We know who we are, we know
22 what we like, we know what we can do. So I really
23 connected to that. Thank you so much for sharing.

24 And for your question, Charlie, you know, I
25 started A Black Girl in Venture while I was in business

1 school in that summer in between first year and second
2 year. And it was just really to help me try to figure
3 out what the industry was all about, and I started
4 noticing that there weren't very many people who looked
5 like me. Every call that I took, they would direct me
6 back to the same five, you know, black VCs. And I was
7 like we have to put some time and energy into this to
8 help diversify the industry.

9 But I think one of the most important parts
10 about having diverse investors is it can help a number
11 of things. First of all, like making good investments,
12 and doing good work, and getting profits are not
13 mutually exclusive. Like that story is old and it's
14 tired. And I think we should, you know, get to a place
15 where we can understand that you can do both at the same
16 time.

17 But I think -- the importance of diverse
18 investors is a couple of things. One, when you have
19 different points of view in the room, you can see how
20 different skill sets bubble up in different people,
21 right. Whether it's, you know, resilience, or
22 creativity, or ability to self-start or, you know, hard
23 work, the ability to push back. Those look different in
24 different people.

25 And so if you're always looking in one

1 particular context of like I've seen in people who went
2 to, you know, Stanford Business School that this looks
3 like this. Well, what does that look like for somebody
4 from Montgomery, Alabama who went to an HBCU, et cetera?
5 Like when you have diversity in the room and at the
6 table, they can help identify those things in a way that
7 hasn't been done before.

8 And then kind of along those same lines I
9 mentioned earlier, when we make investments generally,
10 or venture capital more generally is we -- we're trying
11 to look for things that change big time consumer
12 behavior. What is going to change the way that people
13 do this thing, or how many times a day do they do this,
14 or what's going to stop them from doing that?

15 And a lot of times that's -- that behavior is
16 moved by culture, right. Like it's moved by culture.
17 And a lot of times that's black and brown culture. And
18 so what you want to do is if those are the decisions
19 that you're trying to make, you want to have those
20 people in the room who can identify it, and you don't
21 have to say I asked my wife, or my daughter, or my black
22 friend, or my Latina friend. And so having that
23 diversity around the table helps you identify more
24 opportunities for -- that's -- quite frankly. And it
25 helps you not miss the best ones.

1 And so we try to encourage -- I mean, in our
2 CLF community, diversity again as early as possible
3 because it really does change the game.

4 MR. GUIDRY: It must be the case that a lack
5 of diversity on a VC board has caused them to miss some
6 absolutely fantastic opportunities.

7 MS. HOLSTON-ALEXANDER: Mm-hmm.

8 MR. GUIDRY: And they just pass on the funding
9 because they didn't get it.

10 MS. HOLSTON-ALEXANDER: Yeah, that's the
11 story. I didn't get it, I couldn't get there, I don't
12 understand, the market doesn't seem big, right. All of
13 those kind of one-liner questions help get resolved when
14 you have a woman, or a person of color, or a veteran, or
15 somebody who identifies as LGBTQ on your panel.

16 And again, when you think about consumer
17 behavior, what songs are cool, and the dance moves that
18 people like to do, and what they like to wear, and how
19 they like to live, those things are driven by culture,
20 and you want to be sure that's represented.

21 MR. GUIDRY: Absolutely. I know we have some
22 audience questions lined up, but before we get to those,
23 I want to circle back to Shondra. Shondra, I was going
24 to ask you to talk some more about your Clubhouse
25 platform and about Pitch Practice. I know you covered

1 that already. If instead you want to just talk about
2 maybe how social media in general can empower and
3 educate a diverse pipeline of folks. Or if you want to
4 talk about what we were just talking about and just the
5 importance of that kind of diversity in not only the
6 founder space but also in the funding space.

7 MS. WASHINGTON: Yeah. So the one thing I do
8 want to mention based on what Megan just shared is that
9 not only do they miss out on deals but they miss out on
10 really, really, really amazing founders, right. And
11 these could be founders that are actually working on a
12 problem that affects everyone, right, like skincare.

13 But if it's a diverse founder that's
14 presenting the problem, then all of the sudden it's not
15 something that -- the market is too small, right.

16 MR. GUIDRY: Right, mm-hmm.

17 MS. WASHINGTON: And so it's not just about
18 the companies that they're missing out on, but they're
19 actually missing out on founders who are just like
20 natural-born entrepreneurs that will be creating
21 companies and value for people for years to come. So I
22 did want --

23 MR. GUIDRY: That's a fantastic point. That's
24 a fantastic point because how many serial entrepreneurs
25 exist? So many, you know. And so, you turn down one

1 because you don't like this particular idea, but your
2 point of yeah, but you just missed an amazing talent, an
3 amazing person.

4 MS. WASHINGTON: Right. Yeah, right. And I
5 think that that really like hones into that first point
6 around you miss out on being able to identify the skill
7 sets in a different way. Somebody who's committed,
8 somebody who works hard, somebody who's creative and
9 scrappy. Like if you don't have that around the table,
10 you're going to miss it in a founder.

11 MR. GUIDRY: Mm-hmm.

12 MS. HOLSTON-ALEXANDER: Right, right.

13 MS. WASHINGTON: Completely miss that. But
14 also to Megan's point, I think what we have now with the
15 -- and this is also why I'm really leaning into social
16 media is because I think as an underrepresented founder
17 myself, and knowing how I communicate, and how I like to
18 communicate, and how I like to take in information, I'm
19 taking in information via Twitter. I'm taking in
20 information via YouTube videos, right.

21 Like I could read books, which I do, but those
22 books are typically not written by someone that looks
23 like me that has gone through the type of things that
24 I'm going through. And so the way that I take in
25 information is completely different. And so how I see

1 what founders can do, and what I'm doing for founders,
2 is being able to use social media and talking to people
3 in a way that they're already consuming information.

4 And I think with -- especially with
5 crowdfunding and with the ability to really talk about
6 what you're doing, and the company that you're building,
7 and the vision that you see, and getting people excited
8 about it, right. And being that salesman but not
9 necessarily to investors, to -- not necessarily to
10 institutional investors, to potential investors that are
11 just following you on social media --

12 MR. GUIDRY: Mm-hmm.

13 MS. WASHINGTON: -- or that are buying your
14 products. I think it really creates an opportunity for
15 founders that don't communicate in the same way and
16 over-index on their ability to use social media really,
17 really well in order to sell their company and their
18 vision and get people involved in what they're doing.

19 MR. GUIDRY: It makes sense. Well, Shondra,
20 Megan, and Max, I was going to have a question to wrap
21 us up, but I'd rather get -- if you guys are okay, get
22 to the audience questions. I think we have a few lined
23 up for you -- or Martha has a few lined up for you.

24 MS. WASHINGTON: Let's do it.

25 MS. MILLER: So what I'll do -- and thank you,

1 by the way, for each of your wonderful insights. I
2 learned something different -- I think there is
3 something really powerful to hearing different
4 perspectives, and each of you bring something really
5 unique to this conversation, so I just have to start out
6 by saying thank you.

7 So what I'll do is we're going to go lightning
8 round with these questions so that we stay on schedule
9 and can move into the recommendations discussion next.
10 So I'll direct it to one of you. Feel free to just give
11 the kind of quick answer that you've got, and if
12 somebody else has something that you want to add in, do
13 so.

14 So first question is for Max. So for founders
15 who are looking at regulation crowdfunding, what is the
16 difference between the retail investors that you're
17 going to wind up having as a part of your company and a
18 crowdfunding deal and the institutional investors that
19 you might find in another type of offering?

20 MS. TUCHMAN: Yeah, so I think there's two
21 differences. One is diversity. So even though in my
22 last round it was led by a Latina and it was all women
23 or black men, that doesn't happen often. So equity
24 crowdfunding really does allow you to diversify your --
25 diversify your cap table, and that's incredibly

1 important who you are making more wealthy.

2 The second thing I'll say is that it's almost
3 like B to C versus B to B. When you're going after
4 institutional investors, you're going after fewer,
5 larger checks. When you're going after equity
6 crowdfunding retail investors, you're going after -- you
7 know, it's kind of like Facebook ad marketing. It's
8 like every dollar brings in one person, and it's a
9 little bit more -- it's a little harder to manage.

10 MS. MILLER: Yeah, that's a great answer.
11 Didn't know if anybody had else anything -- no pressure,
12 to jump in and chime in there. If not, I'll go on to
13 another crowdfunding-related question we got.

14 We got a question from the audience, and I'll
15 actually take this one because I don't think any of you
16 want to tackle what if you want to become a crowdfunding
17 portal.

18 The answer to that -- and I just love hearing
19 that there are folks who are interested in being the
20 conduits that help capital get into the hands of
21 entrepreneurs.

22 Reach out to us at smallbusiness@sec.gov, and
23 we would be happy to connect you with our trading and
24 markets team as well as our colleagues at FINRA because
25 there is some process behind it. You can't just go out

1 and set up a website and get off to the races. There's
2 a little bit that needs to be done in advance.

3 I want to ask the next question and start it
4 with Shondra, and you're, of course, each welcome to
5 answer.

6 I think each of you have highlighted a little
7 bit about personal network challenges, particularly when
8 we're looking at underrepresented founders who may not
9 have a pool of friends and family ready to write big
10 checks.

11 What is your experience connecting investors
12 with founders and the role of finders or someone who can
13 help make those connections?

14 MS. WASHINGTON: Okay, so this is for me,
15 right? Right?

16 MS. MILLER: Yeah.

17 MS. WASHINGTON: So I think the thing that I
18 realized, and I -- and what had -- I've seen by hosting
19 these rooms on Clubhouse and really helping people talk
20 about their business better is that taking the pressure
21 off -- and I don't know if this answers the question,
22 but I think that there's something here.

23 Taking the pressure off of having to go into
24 an investment meeting and like present the company,
25 really, really lends itself to making different

1 connections that may not have -- may not would have made
2 otherwise. And it also allows you to kind of stop
3 thinking about meeting all of the metrics and all the
4 things that you think you need to say in your
5 conversation.

6 And so I -- you know, I think that just
7 learning how to talk about the business and kind of
8 jumping out there and really, really just start talking,
9 right.

10 And not thinking about well, I need to say this,
11 I need to say this, and I need to say this. Showing the
12 passion, and showing the vision that you have, and
13 allowing that to kind of lead you into these
14 conversations without even thinking about what's next I
15 think is key.

16 Instead -- so instead of thinking about
17 finders, funders, and all -- I just think you just get
18 out there. I really think that that's the new age of
19 doing this. Like yes, you can go institutional, yes,
20 you can go crowdfund, but I think if you just start
21 getting out there and talking about it, and then it kind
22 of takes away that middleman.

23 MS. MILLER: Well, and I think, Shondra, what
24 you've highlighted is the role that technology can play.

25 MS. WASHINGTON: Yeah.

1 MS. MILLER: In bridging those gaps, you are
2 creating the virtual room. I think for others that are
3 looking at the physical room wondering how in the world
4 do I get into the room with others -- I'm curious if
5 anybody has any other additional thoughts you want to
6 add in there?

7 MS. HOLSTON-ALEXANDER: Yeah, I was going to
8 say I want to speak to the people who are like in the
9 middle, right?

10 So there are the folks who have the
11 money who can give it out, and then the folks who need
12 the money, and those of us in the middle who know both
13 sides.

14 It's like there are people in my community from
15 my SU network who are starting businesses, or my
16 hometown, and then I get to work in venture capital.

17 It's our job as the people in the middle to do
18 a cultural reference to shake the table up, right. It's
19 our job to come in and say like hey, I'm here, I want to
20 bring all these people in. So if I'm in a clubhouse
21 room, for example, with some of my partners from the
22 fund, and I can bring up a bunch of founders that I
23 know, and we can all be in the same room together having
24 a conversation. Or any kind of opportunity that you
25 have to kind of lift as you climb, I think that that

1 middle person is really, really critical here.

2 So if you are in that position, be sure that
3 you're pulling people along and also pulling people back
4 and putting them together.

5 MS. MILLER: Well, and that does go to the
6 important role of those bridges who help people --

7 MS. HOLSTON-ALEXANDER: Yeah.

8 MS. MILLER: -- move from one social network
9 into the other. We've got another question in the chat,
10 and I will not put any of you on the spot to answer a
11 question about our recent advisory committee
12 recommendations that were referenced in opening remarks.

13 There was a question about the recommendations
14 and process for consideration. We'll touch on the
15 subject of that most recent set of recommendations from
16 the Small Business Capital Formation Advisory Committee
17 on Day 3 looking at diversification among fund managers
18 and smaller and emerging funds. So stay tuned, and we
19 can give you some more insight on that on another day.

20 Third question, and this will be the final one
21 that we pull in from the audience. Megan, I'll start
22 this one with you, and then would love if each of you
23 want to add in any thoughts as we wrap up.

24 What advice do you have for entrepreneurs who
25 are scaling from a small startup to a larger business?

1 This question comes from somebody out in Seattle, so not
2 too far away from where you are, Megan, on the west
3 coast.

4 Would love advice on that scaling question.

5 MS. HOLSTON-ALEXANDER: Yeah, totally. So I
6 would say since all businesses are different, and I
7 don't know what kind of business you have, whether it's
8 a software, or a CPG, or a restaurant. I would say the
9 most important thing is getting the right partners,
10 right.

11 Getting people who have either like done it
12 before or can walk you through and say like oh, if
13 you're starting a restaurant, wait, you need to get this
14 clearance from this person or from this committee, or
15 before you order food, do this, right. Get the right
16 set of partners.

17 I think Max brought up a really beautiful
18 point earlier of not partnering with people who you
19 think might take advantage of you, or not partnering
20 with people who are going to have your best interest or
21 the best interest of your business at heart. Getting
22 not just kind of the right investors as partners but
23 also advisory boards, right. Everybody doesn't, you
24 know, have to be an investor, there are people in your
25 community who could help and just want to be an advisor.

1 So it's finding the right partner, it's
2 critical to going from a small business to -- and
3 scaling up to a larger business.

4 MS. MILLER: Well, the right partner indeed I
5 think is critical. I don't know, Shondra or Max, have
6 you got anything in addition that you wanted to add to
7 that question? Yeah, Shondra, it looks like you've got
8 some thoughts.

9 MS. WASHINGTON: Only because I'm a numbers
10 person, so I'm all about just like finding the leverage
11 of the business and really measuring them and focusing
12 on them.

13 So when you're thinking about, you know,
14 scaling, understand what does that actually look like.
15 Understand how much it costs to scale from five
16 customers to 10 customers to 100 customers, and then
17 you'll understand your capital need. But I'm really,
18 really big on making sure you're measuring the right
19 things, and when you start to scale, you know exactly
20 how, and when, and if you're scaling.

21 MS. MILLER: Yes. Goes to one of the things I
22 love, the measure what matters.

23 MS. WASHINGTON: Yes.

24 MS. HOLSTON-ALEXANDER: Yes.

25 MS. TUCHMAN: And Megan nailed it with the

1 find the right partners, whether that's your team or the
2 people around you. But I'll just also give advice to
3 this founder that as a fellow-founder, it doesn't get
4 any easier. I think I came into this thinking oh, at
5 this milestone it will get easier, but it's just a game
6 of a whack-a-mole, unfortunately.

7 So as you're scaling, just really give
8 yourself the grace that it -- this is hard, this is
9 really hard, you're building something out of nothing.
10 And be really proud of that, right. There's not many of
11 us that get to say that we built something that changed
12 the world. But guess what, it's hard, so enjoy both
13 pieces of it.

14 MS. MILLER: Well, that is a wonderful note to
15 leave on.

16 And because we had the throwback at the
17 beginning, I'm going to rewind and give a SEC standard
18 disclaimer, and it covers you guys as well, that when we
19 we're all talking today, we're speaking as ourselves,
20 not necessarily on behalf of the organizations we
21 represent, whether that is your funds, or your
22 businesses, or for us here at the SEC, the entirety of
23 the agency.

24 And with that lovely disclaimer, I think it's
25 time for us to dive into prioritizing the

1 recommendations on policy changes from the audience.
2 But before doing so, I want to say again thank you,
3 thank you, Max, Megan, and Shondra. This was an
4 absolutely wonderful conversation, and I appreciate you
5 sharing your insights and your time with us today.

6 I'm going to give a little bit of background
7 as we segue into this next portion of the forum, and
8 just give a little context on what we're doing next for
9 those who are here for the first time as well as explain
10 the differences for those who have been here whether for
11 one or for 40 prior forums.

12 One thing that you know, as a hallmark of the
13 forum, is that this is an important opportunity to
14 influence capital raising policy. It's a forum, it's
15 not a webinar.

16 And a forum means it's a chance for us
17 to get together and hear from one another. The poll
18 that you should be seeing now in the event portal live
19 shows you feedback that was submitted by you and other
20 audience members in advance as well as during today's
21 event, which our team has consolidated to present to you
22 in this polling format.

23 Based on your feedback from prior years, we
24 changed the recommendations processed from an open floor
25 where we heard voices one at a time. This year we are

1 trying to create a more inclusive environment without a
2 bandwagon or halo effect which gives you an opportunity
3 to craft your ideas in advance, and as a bonus, it
4 allows you to be a little bit more efficient with your
5 time.

6 So in the polling module that you see, there
7 are recommendations for prioritization. We are asking
8 you to rank the top five recommendations with one being
9 the most important. The topics are going to change each
10 day based upon the focus of the discussion, so join us
11 again tomorrow, Wednesday, and Thursday if you are
12 interested in some of the additional topics.

13 Before we switch into the voting and
14 prioritization module portion of this, as well as
15 closing remarks from Colin Caleb on our team, I want to
16 flag that the poll will remain open after the live video
17 stream wraps for an additional 30 minutes so that you
18 have ample time to consider and submit your
19 recommendations.

20 Final policy recommendations from you will be
21 sent to a report -- in a report to Congress later this
22 summer.

23 And as registered attendees, you will receive
24 an automatic copy of that report digitally as soon as it
25 is ready to go.

1 So let's get started with voting. And again,
2 thank you, Charlie, Max, Megan, Shondra, as well as
3 Chair Gensler and Commissioner Peirce. You'll be able
4 to hear from our other commissioners in the subsequent
5 days of the forum. Thank you.

6 (Music playing.)

7 (PowerPoint presentation.)

8 MR. CALEB: Hi, I'm Colin Caleb from the SEC
9 Small Business Advocacy Team. I want to thank you for
10 spending time with us today to discuss policy affecting
11 early-stage capital raising. Join us tomorrow for a
12 discussion about how savvy early-stage investors build
13 diversified portfolios.

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

16 * * * * *

17
18
19
20
21
22
23
24
25

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

PROOFREADER'S CERTIFICATE

In the Matter of: 40th Annual Small Business Forum
Date: Monday, May 24, 2021
Location: Washington, D.C.

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

_____ 6-1-2021

REPORTER'S CERTIFICATE

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

I, Beth Roots, reporter, hereby certify that the foregoing transcript is a complete, true and accurate transcript of the forum indicated, held on 5-24-21, at Washington, D.C., in the matter of:
40TH ANNUAL SMALL BUSINESS FORUM.

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

6-1-2021