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INTRODUCTION

MS. RIEGEL: Hi. I’m Jenny Riegel from the SEC Small Business Advocacy Team. Thank you for joining us to hear about how we can support new investor voices and empower our merging fund managers to diversify capital raising. Welcome back to those who joined our sessions on Monday and Tuesday. Now, let’s the discussion today started.

MS. MILLER: Thank you very much Jenny. It is a pleasure to be here today, and I want to thank all of you for joining us on day 3 of 4 of the 41st Annual SEC Small Business Forum. I am delighted to introduce Commissioner Allison Herren Lee to provide opening remarks for us today. I’ll turn the mic over to you, Commissioner Lee.

MS. LEE: Good afternoon, everyone. I’m pleased to join you today for the 41st Annual Small Business Forum. A few years ago, I traveled to Omaha to speak at this event which was among my first public events as a SEC Commissioner, and Martha, I think it was also the first year that you and your team had organized the forums.

And now nearly 3 years later, this is likely my last forum as a Commissioner, and I know that you
have announced your intent to depart from the Commission. So, we’ve had parallel trajectories with the forum, and I want to take this opportunity to thank you just for efforts to ensure that the forum evolves and remains a vital and important event, but also for your broader service to the Commission.

You will leave the forum, the Office of the Small Business Advocate and the agency all better off from your efforts, and I wish you the best on the next stage of your journey. In addition to Martha and her team, I want to thank all of our partners from other regulators and from private organizations who’ve come together to plan and participate in this event.

Every year I especially appreciate the collaborative nature of the forum which emphasizes communication and collaboration, not only between the Commission and the private sector, but also among regulators. I think that’s important because it compels us to consider our overlapping jurisdictions and mandates and better understand how we can collectively create a regulatory environment that supports diverse, balanced capital raising opportunities for businesses and investors alike. And I also appreciate the continued focus of the forum on opportunities for women and minority owned businesses and underrepresented
founders and investors who are generally -- this is an issue of crucial importance as we seek to promote access and opportunities for all participants in our capital markets.

So, as you go about your discussions today and considered potential recommendations for the Commission, I’d like to highlight a couple of areas where I believe some regulatory action might be overdue. I know that these topics may have been a particular area of focus yesterday, but I hope you’ll bear these in mind as you finalize new recommendations for the forum overall. So, first, I know you were considering the accredited investor definition.

Historically, I know the forum’s recommendations have focused on ways to expand this definition, something that we did in fact do. But as you think about your recommended approach to accredited investors, I encourage you to consider that the wealth threshold in that definition are about as old as this forum itself, which is in its 41 year. And while we may consider potential alternatives to wealth as a pathway to accredited investor status as we have, I ask you to think about whether as long as we do maintain wealth thresholds, it’s credible to leave them static for decades on end.
Indeed, some comments and suggestions to the wealth thresholds, such as indexing management inflation may help facilitate expanding the definition in other respects. Second, I hope you’ll be giving some thought to Form D and the vast amount of capital being raised through exempt offerings, especially Rank D offerings is well documented. But what is less well documented is exactly how that market is working. This Form D, which is our principal mechanism for visibility into that market, but in fact our visibility is hampered by limitations of that form.

I think we could make better, more informed data driven policy choices with respect to private markets if we collected better information through, for example, the addition of a simple closing amendment to Form D.

And then lastly, I want to return to a point that I made back in 2019 that I think is still relevant and important, and that is investors and business owners are not a distinctly separate groups. Many investors are business owners and vice versa, and capital raising, and investor protection are not at odds with one another or a zero-sum opposition but rather investors need appropriate investment opportunities, and investor protection increases investor confidence which in turn
helps promote capital raising.

The relationship between the two is symbiotic and we can ensure balance, the need for both robust capital raising opportunities and robust investor protection. Thank you again to all for your participation in the forum, and I look forward to reviewing your recommendations. Thank you.

MS. MILLER: Thank you Commissioner Lee for your thoughtful remarks as always. It is also quite hard to believe that Omaha was 3 forums ago and that we are here now today. Here at his first forum, I am pleased to introduce Director William Birdthistle, who recently joined the Commission as the Director of the Division of Investment Management. A timely day for you to be joining us when we are looking at some of the issues facing funds. William, I look forward to your remarks, and I’ll turn the microphone over to you.

MR. BIRDHISTTLE: Thank you very much, Martha, for the kind introduction and of course for the invitation to speak today on the recent work that the Division of Investment Management has been doing. Let me first begin if I may with a customary disclaimer that my remarks today are my own, and they don’t necessarily reflect the view of the Commission, the Commissioners, or the SEC Staff.
Let me also offer a quick word of congratulations to you, Director Miller, who is lilted some of the experience of small businesses and startups, and entrepreneurs everywhere by serving as the Founding Director of the Office of the Advocate for Small Business Capital Formation. Congratulations to you.

I’d also like to note that soon after I graduated from law school, which was quite a while ago, I myself spent some time at a small startup such was the spirit of the age. The idea was a good one, I thought, but we had the misfortune to launch a few months before the bursting of the dotcom bubble. Needless to say, capital formation was a constant concern for us. That experience, which involved holding a little sweat equity, also taught me more about securities regulation than anything else before or since.

Section 504 of Regulation D was never far from our minds, but that was a long time ago, and I am, as you said, the new member of the Division of Investment Management. And the focus of our work is of course primarily upon investment advisors and investment companies or as we know them more (audio disruption), investment funds. Funds include not just the $30 trillion in registered investment companies, but another $18 trillion in gross asset value held in private funds.
Those funds include hedge funds and private equity funds, but perhaps most pertinently formed many small businesses and our conversation today, venture capital funds.

Venture capital has long been a remarkable engine for job creation and research and development for the entire American economy. Not every small business receives financing from VC funds, of course. Indeed, the startup where I worked never did alas, but the topic is probably the closest point of connection between the Division of Investment Management and today’s Small Business Forum topic.

So, allow me to take a moment if I could to discuss some recently proposed reforms that concern investment advisors and private funds. This past February, the Commission proposed new rules for private fund advisors, including of course advisors of venture capital funds. These important reforms are designed to protect private fund investors. If investors in funds, as Commissioner Lee just alluded, have greater confidence in those instruments, they may be willing, more willing in turn, to bring their capital into those funds, which in turn can bring more capital to small businesses.

The proposed new rules and amendments to the
Investment Advisors Act will have -- will address key areas in the private fund space that have been right for reform for a while now. If adopted, the proposal will provide an important check on advisor behavior, and would we hope improve the quality of information provided to fund investors. There’s a couple of different components, and I’ll just mention a few of them briefly.

First, the proposal will require private fund advisors to provide investors with quarterly statements that detail information about the private fund performance, fees, and expenses. Those statements will allow investors to have better information and be able to compare investments. Registered private fund advisors will also be required to obtain an annual audit, and that audit is required to protect fund advisors and investors from misappropriation of fund assets and would we hope serve as a check against the advisor’s valuation of the private fund’s assets.

The proposal also addresses advisor-lead secondary transactions, and the idea behind that measure is to address another area of potential conflicts of interest where an advisor may stand to profit at the expense of private fund investors. Another key element of the proposal is the prohibition of certain practices,
practices that contrary to the public interest and to
the protection of investors. Chief among those would be
a prohibition on all private fund advisors from charging
certain private fees to the funds as such has
accelerated monitoring fees, fees associated with
examination or investigation of the advisor, and fees or
expenses related to portfolio investments on a non-
prorated basis.

Each of those practices incentivizes an
advisor to place its interest ahead of the private
fund’s interest and prohibiting the practices reduces
the risk of fraud and investor harm created by that
conflict of interest. Lastly, the proposal also
prohibits all private fund advisors from providing
preferential treatment that has a material negative
effect on other investors in the fund. Again, we look
forward to receiving and reviewing comments from any and
all of you and to engaging with the public more broadly
on the important issues raised by that proposal. Thank
you again for the invitation to speak with you today on
the recent work of the Division of Investment
Management.

I would also like to use this opportunity to
thank all of the members of the staff of Investment
Management who have worked very hard on this proposal as
well as several others to make those proposals come to
the Commission in a timely fashion with well thought and
well researched ideas. With that, I trust you’ll enjoy
the rest of your forum and I’ll now turn the
presentation back to Martha. Thank you, Martha.

MS. MILLER: Thank you very much, William, and
kudos indeed to your entire team who has been very busy.
You also beat me to the omnibus disclaimer for everyone
today, not just those from the SEC, but from each
organization that when each person is speaking, they’re
speaking on their own behalf, not necessarily for the
organization that they may represent. It is now my
pleasure to introduce Sebastian Gomez, who will be
leading today’s discussion with our wonderful panelists.

But before I turn it over to Sebastian, I do
want to remind all of our guests to start sharing the
questions that you might have as you think of them for
our panelists in the Q&A within the event platform, so
that we can start working on those and make sure we have
time to ask our wonderful panelists those questions at
the end of the program before we move in to voting on
recommendations. But without further ado, Sebastian,
the floor is yours.

MR. GOMEZ: Thank you, Martha. It is truly a
privilege to be able to moderate today’s panel about
emerging fund managers. They play such an important role in the capital ecosystem, so without further ado, let’s introduce our panelists, Erica, Brandon, and Dave. It’s a pleasure to have you all here. Thank you so much for taking the time to join us today. The audience in the few minutes before we got started, the audience got to see your bios.

So, rather than spending time on your bios, I thought we could jump straight into the program itself. In part, what I would like to do is to reflect on the last couple of years, especially reflect on the impact that COVID ’19 might have had on your, the calls for racial justice, how business in general has changed over the last 2 years. And, Erica, I want to start with you because 2 years ago, you actually joined us for the forum in what actually became our first virtual forum. We had started the planning for an in-person event and then COVID hit, and then we had to quickly adapt to a virtual forum. And you were one of the gracious ones who joined us for what became our first of this virtual event.

During that event, I don’t know if you recall, but you talked about some of the challenges of raising capital, especially raising capital as a woman, but you also said that you were really excited about the fact
that you were seeing more women looking to raise capital
because you were seeing -- because they were seeing
other women actually being successful raising capital.
So, I want to start with you and ask you how things have
changed over the last 2 years and what work you’re doing
with your fund?

MS. MINNIHAN: Yes. Thank you so much,
Sebastian. It was great to join a couple of years ago.
I feel like it was June 2020 a really interesting time
all around to participate in the first virtual forum,
and I’m really appreciative for the opportunity to be
back. So, you know, the last 2 years have really been
amazing for our fund progress despite the challenges
presented by COVID. In fact, there were some benefits
for us because, you know, before COVID every time you
wanted to have a meeting with an investor you had to fly
somewhere. You had to book a whole day for travel, and
then all of a sudden you could get 4 or 5 meetings
sometimes done in a day. So, that was a little bit of
the upside.

To give you guys some context, Reign Ventures
is a seed stage fund that invests in consumer tech and
enterprise software companies. We’re actually the
largest venture capital firm started by two African
American women GPs, and we have a big commitment
investing in underrepresented founders. To date, 55 percent of the companies in our Fund One portfolio have BIPOC founders and 77 percent of our companies have female founders which is a statistic we’re really proud of. But of course, you know, after the very challenging events of the summer of 2020, which were really kind of going on right when we were doing that forum surrounding racial justice concerns, we saw an incredible commitment from titans of private equity and corporate venture arms to investing in funds like ours with underrepresented GPs.

So, with the support of these incredible individuals who have built multi-billion dollar venture firms and corporations like Bank of America and Google, we were actually able to get our first institutionally backed fund off the ground, and it took us about almost a year from when I did that forum to when we had our first close in April of 2021. But what’s so important is that these first movers were critical in our ability to go on to raise additional commitments from some of the most successful private institutional endowments and to continue to attract other great limited partners. Without the initiatives that these organizations and corporations put together to partner with us and other underrepresented GPs, we just wouldn’t be able to be
where we are today.

So, so far, we’ve invested in 11 amazing companies out of our first fund, and I know that my partner, Monique and I, are just so grateful for the work that we get to do every day helping them be successful.

MR. GOMEZ: Erica, I’m delighted about your success because that means more capital to underrepresented founders, so that it fantastic.

Brandon, I want to switch over to you. Overlooked Ventures, what I love about your fund is that there’s a lot of talk about raising capital on the two coasts.

In fact, we have Dave and Erica representing two of the coasts, but on the other hand, you are raising capital away from the coasts. So, can you tell us about your work to actually shine a light on the challenges that entrepreneurs are raising capital and what you’re doing at Overlooked Ventures?

MR. BROOKS: Yes, absolutely. Thank you. It’s a pleasure to be here today with these other amazing panelists, and I’m just grateful for the opportunity. And so, I wanted to start with that. At Overlooked Ventures, we started out a little ambitious with wanting to raise a $50 million fund one where neither of us, my partner Janine Sickmeyer and I, have
come from a venture capital background. We were both startup founders building startups, you know, not on these coasts.

I am from Pittsburg, Pennsylvania, and I built my startup outside -- out of Pittsburg, Pennsylvania. And then my partner is from Columbus, Ohio, and she built her startup from there. I never had to raise venture capital funding for my startup. To be honest, I didn’t know what venture capital was when I started my company, and then my partner, she had traveled the country, pitched countless VCs, going coast to coast trying to get venture capital funding as a solo woman founder who was also, you know, starting her family and had 4 amazing kids, including 2 beautiful twins.

And so, as an overlooked founder herself, she ran into so many problems of having to travel, nobody believing -- you know -- believing in what she was building, but then she went on to not only build this great company, to have a successful exit, and want to invest in other amazing founders that were just like here. And so, I look at my part of the story and say why didn’t I know what venture capital was. Even when I started a startup, why did I have no idea what venture capital was? That’s a barrier, and then I look at her story where she was building this company, and was
trying to pitch VCs, but couldn’t get anybody to pay
attention to what she was doing. Even though she would
go on to build a company that would have a successful
exit, nobody was paying attention to her. That’s a
barrier of being outside of the coasts.

And so, what we’re trying to change, and some
of the problems that we run into today are having these
conversations with people because not only are we trying
to raise our fund at the same time that we’re deploying
our fund under 506(C), but we’re also trying to educate
people on the opportunities that are out there. And
these people in a lot of the cases are just like me,
just like Janine, that they may not know what venture
capital is, and so we have to educate them on what it
is. And then they also maybe do know what it is, but a
lot of people in the ecosystem, there’s not a lot of
venture capital dollars within that ecosystem outside of
the coasts.

And so, we’re trying to bring those VC dollars
into, you know, these other overlooked cities while at
the same time showing LPs, limited partners, hey,
there’s huge opportunity and alpha here as well. And
so, you know, we’re attacking this from all angles. It
is a very difficult battle, but it’s one that we’re
extremely passionate about, and with conversations like
this that the SEC is having, with the work that Erica
does, with the work that Dave does, and many others in
this ecosystem, we’re going to continue being able to
build up a strong ecosystem for the entire country and
build up a stronger economy by funding just even outside
of the coasts. Thank you.

MS. GOMEZ: It’s so important Brandon, and
we’re going to talk a little bit more about LPs later
today. But before we do that, I want to switch over to
you, Dave, because we refer a lot about raising capital
outside of the two coasts, but the reality is Silicon
Valley just being there it doesn’t mean that everyone
gets their access to their fair share of capital. And
often, people struggle to get capital not just because
of the idea that they have, but because they just can’t
get into the door to even make the pitch to ask for
capital.

You have written about this before, and you
talked about the challenges that Asian Americans
founders face when looking to raise capital. You’ve
referred to overcoming the bamboo ceiling, and I want
you to tell us a little more about how you’re supporting
entrepreneurs. The Hyphen Capital is a little different
than what Erica and Brandon are doing, and also if you
can share a little bit about the challenges that Asian
Americans face when they’re raising capital, especially in Silicon Valley where people think and refer to often as being flush with capital.

MR. LU: Sure. So, thank you for having this panel, and I think it’s really important that we’re having this conversation in the first place. So, I’ve been in the Valley for 20-plus years. I worked at, you know, Yahoo, eBay, and a bunch of big tech companies where there are many Asian Americans in the front lines as engineers, marketers, and they’re always kind of at that level. But when it gets to the executive level, you don’t see many faces like ours up there. They don’t get promoted. The trope is that we aren’t leaders. We are too passive. We’re not aggressive enough, and so that translates over to a lot of the fundraising efforts for a lot of Asian Americans that they don’t have, you know, the network or kind of the leadership ability to actually, you know, run a company well.

So, I think a lot of it is the -- we’re good enough to, you know, build the railroads but we can’t run the railroads, or we can’t be the railroad barons. And so, I think for a lot of folks who’ve been there, I think without that access of the networks to the capital, it becomes very frustrating. So, regardless of if you’re actually in the Valley or not, and you have a
resume that has, you know, the Googles and Netflix’s of
the world and you have experience, it doesn’t guarantee
you access to that capital. And I think that’s why I
created Hyphen because I felt like that bamboo ceiling
of being stuck shouldn’t be the case that you could go
build your own house.

You should go and start your own companies
because then you can actually hire who you want to hire,
and it’s not being dictated by someone else. And so,
for me that started with honestly just building a
network here of other founders and not having to rely on
the existing ecosystem. And to be fair, I, myself, am a
startup founder, and I raised, you know, $30 million of
venture capital, but I have the fortune being able to
access those networks because I went to the right
schools or worked at the right jobs and met the right
people.

But for so many, you know, black, brown,
Asian, other founders, they don’t have that access
because they weren’t granted access to that in the first
place. And so, I think without those networks, it’s
hard to even get meetings with a lot of these folks
because they are -- it is very tightly knit. They
invest in friends. VCs invest in other VC’s companies,
and so if you don’t break into that, the circle is very
hard to be noticed. So, what I do with Hyphen is
actually it's an angel syndicate, and now we have what
started off with 60 friends who had great exits and
could help younger founders, we now have 800 angels.
And it’s just getting -- about getting creative about
how to get capital to the founders. It shouldn’t
matter, you know, who is deciding. It should be about,
you know, who needs the capital and I think for us it’s,
hey, I have 800 angels. They all want to invest in
diverse founders, and that resonates with them.

If you have a mission like Erica, and Brandon,
and myself, and there are -- it doesn’t matter what race
you are to invest, but if you have the capital and you
want to invest and deploy capital toward those founders,
you can do that. So, with the younger founders, you
know, we’ve invested over 200 -- over $20 million in 70
to 80 companies and 40 percent or more have a female
founder -- female cofounder. So, I think when you get
to decide and put the decision -- take the institutional
decision from the same people who are constantly making
the very similar decisions on who to invest in, that
changes the game.

So, if you can -- you know -- being able to
get money from LPs is -- institutional LPs -- is very
hard. But if you can pull together a bunch of thousand
dollar checks to write a check to some founder who needs it, that can make a big difference because I firmly believe that there would be more founders of color, women ringing the bell on Wall Street for an IPO if they could get that early stage capital, and that’s the most important check they need. So, for myself it’s like, hey, if I can get $100,000, $200,000 to founders who need it the most, that can make a big difference in their path and their journey as an entrepreneur.

MR. GOMEZ: Thank you Dave. This conversation really resonates with me. And we have also -- I just saw a message from Michael as to how it resonates with him as well and how important it is to have these conversations. Speaking of conversations, for everyone in the audience, this is a great opportunity. We have 3 fantastic panelists, so use this opportunity to ask your questions. Type them in either in the chat or in the Q&A portion of the page, and I’m going to go through a few more questions. But then we’re going to go ahead and take questions from the audience, so don’t wait.

Just go ahead and put your question in there so we can get it in the queue. All of you mentioned LPs, especially institutional LPs. Last year we devoted one of our reach events to actually having a conversation with LPs who were supporting emerging fund
managers. After all, the reality is that we talk a lot about the founders getting capital, but if you guys are not able to attract the capital, then you cannot direct that capital over to the founders.

So, I want to start with a question. Brandon, I’m going to start with you, and it’s maybe a two-part question. The first part is can you tell for the audience who may not be familiar with what is an institutional LP what we’re referring to? And the second part of it is there’s been a lot of calls for racial justice, and it seems to have some impact on the ability to get funds from institutional investors, although on Monday during the chat, one of the people in the chat was concerned about whether this is just a passing thing and will stop.

So, could you help us -- first of all, tell us who are -- what are these institutional LPs? And second of all, help us understand over the last 2 years has there been something of more of a flow to funding emerging fund managers like yourself?

MR. BROOKS: Yes. So, this gets really interesting, and it’s a nuanced conversation. So, I want everybody to understand that from the start, and you may agree with some of my points; you may not. What I’ll say is an institutional LP for beginners is
something like Bank of America who Erica just mentioned in her, you know, her last statement, and Bank of America we’re very happy we just announced last week backed us at Overlooked Ventures as our anchor institutional LP.

And so, we’re very happy to have them onboard. Institutional investors can also be pension funds, so you know, many of our parents -- my mom worked at a company called Port Authority of Allegheny County, and where she’s worked for the last 25-plus years. She gets her pension from them, and so those pension funds sometimes invest some, you know, a portion of their capital into venture capital funds. Same thing, there’s so many different -- you know -- Nike, Apple, etcetera, a lot of these organizations can be institutional investors and people that invest in venture capital funds. As far as the change, it’s just -- it’s hard to really put a pin in.

I will say, one, it’s a little frustrating. I'm a black man obviously, and contrary to some people’s popular belief on Twitter, I get caught up on that all the time. But anyways, so I am a black man, and so it’s almost frustrating that it took the public and, you know, horrific murder of a black man to be televised -- and I’m talking about George Floyd -- to get people’s
attention enough to say we have to make changes in this
country, right. And how that ends up trickling to
venture capital, I don’t know, but I think it made
people reflect overall on the plight that black
Americans deal with daily.

And then also other people of color deal with
daily in this country, and so it made people kind of
have that internal reflection. I have seen a lot of
institutional LPs make commitments to backing emerging
fund managers from diverse background, whether that’s
black, Asian, women, Latinos, Latinas, etcetera, but you
know, where it gets interesting -- you have to think
about this. They’ll say, “Well, we want to put $50
million into different venture capital emerging managers
that are black, women, etcetera.”, but then their whole
pie is still $100 billion, right.

So, then you have every new emerging fund
manager is fighting for the same capital for the same
small slice of pie, you know, of $50 million whenever
there’s still, you know, $50 billion out there that’s
going to the historic funds that have been around for a
long time. And so, that’s just another battle that you
have to deal with as an emerging fund manager. I tell
everybody regardless of race, religion, sexual
orientation, any of it, regardless, raising a fund is
very difficult.

Being a founder is very difficult, but when you have the added burden of being a black man, an Asian man, a black woman, a Latina, etcetera while raising those funds, that’s another layer of difficulty. And then this adds yet another layer of difficulty because we all end up competing with each other for the small slices of pie that they set aside for these new emerging fund managers, you know, black, women, Latina, Asian, etcetera instead of going after the entire pie.

So, one of the things I encourage any institutional LP to do, look at that system. Just look at how it’s going because there are some black funds -- you know -- let’s say black-led funds that have been around for, you know, 10 years or so, and now you have a brand new emerging fund manager that may be a solo GP black-led you know -- maybe a women solo GP that’s going for the same capital as they are with their 10-year track record of being in the fund instead of looking at the whole pie. So, I hope some institutional LPs start to look at those systems that they’re creating and putting out into the world.

It’s really important, and I do want to say thank you for at least having the thought but listen to the GPs. Listen to the VCs that are out there and
telling you what we have to go through. Many of which I have this conversations with, and they say we can’t believe that we’re all fighting gladiator style or hunger game style to get a small sliver of the pie. We just want to be judged. We just want to be seen the same as every other VC that’s out there. Just because I’m a black man, just because Dave’s, you know, an Asian man, just because Erika is a woman -- or black women, just because we’re all, you know, these different overlooked -- historically overlooked fund managers doesn’t mean we should be looked at differently and given different opportunities for smaller slices of the pie than others. So, more has been funding. More has been going out there, but I encourage those institutional LPs to really look at the systems that they’re putting in place.

MR. GOMEZ: Brandon, as someone chatted, well said. Erica, I want to switch to you because you have been successful (audio interference) some of that capital, and I want to give you an opportunity to chat about that. And tell us about what that means going forward once you actually were able to tap those institutional.

MS. MINNIHAN: Right. So, you know, first of all, I am going to absolutely admit it has had an
incredible impact. About 50 percent of the funds from our first close came from corporate entities that were specifically set up to support underrepresented GPs. So, we couldn’t have gotten started if those funds had not been set aside, but the majority of our fund capital comes from non-corporate institutional fund managers, people who manage endowments, and you know, insurance companies, pension plans, things like that who are purely motivated by financial return.

And so, they have to believe in the value of the outperformance that we can generate by investing in what we consider to be an undercapitalized asset class and see the strategic advantage that we as, you know, black women are able to create through our differentiated networks and access to deals. And certainly, you know, we have gotten on cap tables where of amazing companies where the founder has said, “Listen. I’m raising, you know, $10 million and I want to make sure that at least two of it is held by black GPs and female GPs. I don’t want it to be all, you know, white male venture firms capitalizing my company.”, so we know that’s a priority for founders.

But at the end of the day, raising our first fund still required -- just for me, not for my partner who’s amazing -- a 23-year career in finance working at
some of the top investment banks in the world, an MBA
from Columbia Business School, 16 years of professional
venture capital investing experience. I started two
companies myself, and my partner and I already had a 10-
year partnership by the time we were able to go out and
raise institutional capital.

So, and on top of all that, we had also built
a 49 percent IRR track record on our previous
investments and still it was not easy for us to raise
capital believe it or not. But, you know, I love a
challenge, and we really persevered even though it took
us many years of commitment and sacrifice to raise that
first institutional fund. We went to the market in 2019
and had our first close in early 2021, so every dollar
that we have under management was really hard wanted.
But, you know, that’s the type of work that we are
committed to do and continue to do to support our
portfolio companies with both, you know, financial
capital, and our time, networks, and energy. So, you
know, we’re still at it.

MR. GOMEZ: Thank you, Erica, for being at it.
I mean that’s incredible all you had to go through.
Dave, for Hyphen Capital, you guys are focused on angel
investors, and I just wanted to get a sense of how the
call for racial equity has actually either mobilized
angel investors to maybe rethink about where they’re putting their capital because at the end of the day a lot of the founders will start with an angel group and get their capital there before they go to a VC fund. So, how has it changed over the last couple of years? Have you seen improvements in that area? Oh, I think you’re muted Dave.

MR. LU: Yes. I don’t think it’s really as big difference of how people want to invest their money. I mean a lot of folks have a lot more conviction now about things that they want to put their money behind, and I think the looking at, you know, the landscape and who’s getting capital and if they have the decision to make where they can put their capital, they want to back founders that they, you know, resonate with them. So, I think a lot of folks see that, you know. I’ve heard so many stories of founders who weren’t able to invest in — weren’t able to raise money without kind of that early angel investment or getting from investors who look like them, you know.

Eric Yu from Zoom, he had trouble raising money because he’s a Chinese engineer with an accent, and he has had to raise money from Chinese investors in the beginning. And Larry Liu, another -- he started Weee. It’s an Asian grocery delivery and Hispanic
grocery delivery company, and most of the investors
didn’t understand that. They said why don’t you just
use Instacart? Why don’t you use -- you know -- just go
to your Wholefoods? And most people hadn’t -- those
investors had never been to a Ranch99 or H-mart or a
Mexican grocery store, so they didn’t understand the
problem.

And I think, you know, one of my investments
is in Mayvenn. It’s a black founder and an Asian
American Founder, and they invest in, you know, black
women’s hair extensions and products, and that’s new
collected business that most white male investors will
never touch because they don’t understand that world.
And so, if you are to invest in companies that you’re
not -- 10 VCs aren’t fighting for and raising the price
on and actually not getting LPs the best kind of
returns, they should be investing in founders that
actually could have a really great return because
there’s an opportunity. I have a founder who is
Japanese American from Texas. He raised at a third of
the valuation as a white male competitor in Tennessee,
and he has 3X the AUN customers that the white founder
has.

And so, there’s constantly these arbitrages
just because they’re not being invested in by certain
investors. People should be looking more at those founders to get the returns, so I think a lot of this comes back to just the opportunities and access of networks. And I’m not saying that all these investors don’t want to invest in founders of color. I think, you know, many of them just don’t have any connection to them. A lot of them are not in the same networks. They’re not in the same place.

I think -- I don’t want to assume that everyone has, you know, bad intentions or they’re racist or whatnot, but I think it’s -- you know -- a lot of it is if you aren’t in the same groups or the same circles, you don’t really -- you can’t really meet that person. So, it’s outside of your, you know, domain to actually know what to invest in. So, I think that like raising the profile of more founders of color we can get, you know, them in front of other investors, and that’s our job to is Brandon, Erica, and I have to -- you know -- we have to introduce folks to the next round because the problem right now is -- there was a conversation between Dell Johnson and Jason Calacanis I believe that was about -- and (audio disruption) laughing. I didn’t actually listen to the conversation, but I saw those tweets, and it was about performance, investment performance, and that’s who gets the money. It’s not a meritocracy let’s
be real. None of it is a meritocracy. It’s all about network and access, and the problem is if you really believe that and you look at the path of fundraising for certain founders and companies, it’s basically who is the next round that will write the check for you. If you know other investors at the growth stage and further on that can get checks, and most of them to be honest, they have to be mostly white males because we don’t have -- a lot of us don’t have the relationships with LPs, with all the endowments, and the pensions because a lot of this -- they’re starting those circles. But those folks who can raise from 99 LPs and get to a fund that’s big enough to support those companies down the road can keep doing the markups, and they get -- the performance is constantly who’s getting the next round of financing.

So, a company like Fast, which was all on the news yesterday, couldn’t raise $120 million on $600,000 of revenue. Like that just -- you know -- that doesn’t happen. It doesn’t implode. So, I think -- (audio disruption) -- this is the thing. I think if we can change the path, it shouldn’t be an exception. BofA and others -- and other institutional LPs shouldn’t have -- make an exception to invest in investors of color. It should be the norm. It should be just based on performance, based
on the founders, you know, the founders that we invest in, but that isn’t the case today, and I think that hopefully that will change.

MR. GOMEZ: Dave, what I love about your remarks is that we’re not asking for charity here. You’re pointing out examples of where there’s opportunities. It’s just that the traditional investors are just looking at these opportunities through a lens that is not able to let them see that the opportunity is there, so it’s so important for us to just switch lenses and make sure that we see it through the lens of where the opportunity is. I see that there’s questions flowing in from the audience, and I want to make sure that we get to those.

So, I’m going to ask one more question to the 3 of you, and then we’re going to switch over to audience Q&A. As you know, the beauty of the forum is that after we finish speaking, the audience gets to vote on recommendations for the Commission and Congress. So, as you leave the formal part of the remarks today, I want to ask you what should policy makers keep in mind to help nurture this ecosystem of support of underrepresented founders. And Dave, I’ll start with you. What ideas do you have for the policy makers?

MR. LU: So, I sent some of these to Sebastian
at a (audio disruption), but the first is on accredited investors. I mean I work with a whole slew of accredited investors to invest in angel investments, and you know, some of them want to invest, but they can’t because the requirement is $200,000 salary and limit on assets. A lot of people who want to invest in founders of color, they might not have -- you know -- they don’t have parents who are rich, and they didn’t have them help them pay for college, and they still have school loans. And they have -- you know -- they didn’t get a down payment for a home, so they couldn’t get the -- you know -- a house that could actually increase in value which is the way most people make their wealth in this country.

So, it all -- you know -- or they don’t have the network. Their parents didn’t have the network to get them that first high paying job to get that salary, so I think a lot of it comes back to, you know, the wealth creation that a lot of people, founders of color, immigrants, haven’t had. You know the real estate policies are redlining and keeping people from buying their homes and getting loans in certain neighborhoods. Prop 13, which protects people in California from keeping all the wealth and not allowing other people to come in and, you know, buy a home unless they’re paying
like 10X what the previous person did, it just -- all these things help keep wealth trapped with certain people for generations, and we need that to change. If we can find a way to come up with better requirements for accredited investors, that would allow more people to create some (audio interference) like Hyphen, and you know, for other groups. And it doesn’t have to -- all the money doesn’t have to be held by the gatekeepers of, you know, in certain circles. So, the other thing is I think the LP, Calpers 99 LPs, I think it’s completely arbitrary. I don’t know how that number came up, but that also limits folks to if you want to create a bigger fund like I said before, you’re going to need to have relationships with, you know, very powerful and wealthy people who run large institutions, the Calpers and others of the world, the Yale endowments and Harvard endowments of the world. And many of us don’t have those relationships, so I think it’s -- it all comes back to, you know, opening these doors up for more people to access this capital.

MR. GOMEZ: Thank you, Dave. I know an accredited investor was part of their recommendations that were voted yesterday, and I know that the 99 investor limit that you mention is among the recommendations that people will be voting on today.
Erica, can I turn it to you and ask you if you could share if you had any thoughts on policy ideas?

MS. MINNIHAN: Yes, I definitely do. So, you know, from my perspective right now, there is a significant perceived risk for institutional investors that are committing to first time funds, and that’s, you know, regardless of gender or race, but it includes this new class of funds with underrepresented GPs, right. So, basically what we’re saying here is that we know that institutions don’t want to invest in a first-time fund, and there really are no funds in existence or very few funds in existence with these underrepresented GPs that are looking to invest in women and people of color.

So, there is an opportunity for policy makers to use, you know, potentially task credits or other financial incentives to lower that perceived risk in order to encourage these institutional investors and other accredited investors to participate in these vehicles similar to the way they do with QSVS, you know, sort of task benefits. The risk is right now perceived as high because these strategies just haven’t been employed before which has really cut off access to capital to underrepresented founders. So, if we have some mechanisms in place that encourage and incentivize those first movers to start actively allocating capital
in a way that can help increase equity in the venture
capital market overall, it’s definitely going to flow
through to more female founders and more founders of
color getting funded.

MR. GOMEZ: Thank you, Eric, and I see those
recommendations in the list as well. So, thanks for
that. Brandon, I’ll let you have the last word before I
turn it over to Martha for the Q&A.

MR. BROOKS: Yes, absolutely. I love
everything that’s been said so far. I maybe sit a
little different than people -- a lot of people on this
topic like especially around accredited investors. I’m
actually not a big fan of lowering the accredited
investor minimum or getting rid of it altogether. I
think that the test and everything that that’s
fantastic, but to be completely honest, you know, I come
from a very low-income community. And I got to see
firsthand a lot of people that were taken advantage of
by a lot of these MLM scams and, you know, multi-level
marketing opportunities that were out there and saw
people that would, you know, give their whole paychecks
in buying into these and stuff.

And so, my -- from slick salespeople, right,
and so my worry becomes if we just were to get rid of
the accredited investor laws and regulations today,
would we see something similar to that? And I think so, and a lot of these, you know, MLMs, they hyper targeted single mothers, and you know, underserved communities, or they hyper targeted people that were just -- they needed some hope and a dream, and that’s what they were sold. And so, startup risk -- startup investing is very risky. It is. It’s high risk but it’s also high reward, and so I’m not a big fan of just getting rid of it.

I think people should be educated, but I do think that we should be out there in the communities having these conversations, not just us as individual VCs. We don’t have a lot of time between raising our funds, educating people, deploying our funds, etcetera, but just on -- you know -- I think that there should be national programs that are doing this. And whether that’s through the local CDFIs, SBA, you know, etcetera, that are actually outreaching to these people. You can’t just put a program together and expect people to come to you because people don’t know what they don’t know.

And so, you can’t even google what you don’t know. I mean I talk about this often. I was 26 when I started my startup. I didn’t even know I was starting a startup. I just thought I was starting a company,
right. I had no idea what venture capital was probably until I was 27, 28, maybe 29 years old. I had no idea the power of Twitter and meeting everybody, and so all of those things are so important for us to -- we have to really reach out to these communities that we want to impact, and it’s just not out of good will.

I mean venture capital at the end of the day is an opportunity to create the future you want to see. That’s what being a founder is. You can create a better future. For the last 50-plus years, one subset of our population has had that opportunity, and it’s been white males for the last 50-plus years. How much innovation is being missed out on? How much economic opportunity? How much opportunity for all of us to say, hey, I see a problem in the communities that I live in, that I grew up in, and I know how to address this problem because I saw it. Dave touched on this. And we just see different problems because we have different lived experiences, but those different problems unlock different rooms that we can be in and unlock different return possibilities and outsized returns.

And so, it’s not just, you know, you do this out of the goodness of your heart. It’s there’s a huge opportunity to find alpha and, you know, make a lot of money, make our economy better, and propel us innovation
wise. So, you know, we just have to really start with outreach programs, look at the accredited investor rules, but don’t make it so it’s just we’re getting rid of it, and anybody can go out here and run ramped. But I do think, my final point, we have to look at new fund structures just like we did with, you know, 506(C). 506(C) has been a blessing for me. I do not have a network, right. I come from an underserved community. When I started my company, I was homeless living out of my little Jeep Patriot, and you know, I had to build up and build this community over time and play this game and figure out this game. But then as I did, I built this amazing community that I’ve been able to galvanize and same with my partner, Janine, to raise under 506(C) and talk about it publicly. So, that’s been such a blessing to us, but then when I look and say the startup costs to start a fund -- it’s expensive. It’s very expensive, and I know that last year, you know, we enacted some regulations to allow venture funds to crowdfund.

But when you look at those regulations, it’s taking importunity from the management -- or from basically the management company, the GP instead of the LP. It’s taking from the management company, and it can’t be invested into startups. I think we have to
look at that more, right, because that may be a way to 
help build wealth for these people in our communities. 
They can invest into the fund as unaccredited investors 
but then they can also -- and they can get on the 
upside. And then new investors from underserved 
communities like myself or black investors, Asian 
investors, women investors, etcetera, Latina investors 
can get more involved because they’ll be able to use -- 
you know -- galvanize their community to raise from for 
those initial startup costs. But without the risk of 
having it tied to every subsequent fund in perpetuity 
that you do -- and not only the risk of that.

When you guys go and raise from these 
institutional LPs or other LPs and they see you’ve given 
away a portion of, you know, your overall incentives to 
continue doing this fund one, fund two, fund three, fund 
four, etcetera, when they see you’ve given that up, it 
comes into their decision making. And so, that’s 
actually putting overlooked investors at a disadvantage 
when they go to start funds because if you do have the 
money, you’re not even going to think about that 
crowdfunding. But if you don’t, maybe you look at that 
crowdfunding to do it, but now it’s going to hurt your 
ability to raise from larger LPs, and I think we’re 
actually kind of see that happen now and play out.
So, I urge you all to please look further into that and come up with a better system, and I’d be happy to work with you on it.

MR. GOMEZ: Thank you Brandon. And Brandon mentioned a number of key terms there. For those of you who want to know a little more about it, 506(C) crowdfunding, we talked about LPs. Check out our educational resources on the website. We have a cutting through the jargon glossary that explains a lot of those terms in plain English, and there were a number of comments about education. You talked about education, Brandon.

We are always wanting to hear more about how we can actually take our educational content and share it with others, so I encourage anyone who has ideas on how we can do that or ways we can partner, please reach out to our office. We’d love to talk to you. So, it’s been a pleasure moderating this panel. The three of you are fantastic. Now, I’m going to turn it over to Martha so that we can get some of the audience questions in.

Thanks so much.

MS. MILLER: Excellent. I have thoroughly enjoyed this conversation so far and especially the different perspectives that each of you have, which I think just goes to show that there are so many different
important viewpoints here. We’ve got a lot of audience participation in the chat, and so I wanted to bring a few of the questions that they have flagged forward. Carlos noted in the Q&A that there are overlooked founders, but there’s also overlooked investors. What are your thoughts on the barriers that overlooked investors face in the venture capital industry? I think Brandon you were getting a little bit to that, but curious from the different panelists what is your take on the idea of overlooked investors as well?

MS. MINNIHAN: So, I mean -- you know -- I would say that a lot of us here, you know, we are the overlooked investors, right. So, you know, to be an investor you have to go out and raise capital from basically other people who manage, you know, crazily enough the capital of probably a lot of you, right. They’re retirement funds, pension funds, university endowments, you know, all of these different sources of capital, and you know, these folks who are managing billions of dollars have to figure out, you know, which managers to split that up amongst.

And so, folks like us, you know, female GPs, GPs of color, first time GPs, we have to really, you know, do a lot in order to get in front of these potential investors and get their attention and, you
know, really convince them why we’re different and why we’re better. Because as you know, one of the challenges within the venture world, you know, has historically been what’s called pattern matching, right. You know people are sort of looking at, well, this is what the person who was successful before looks like. It’s Mark Zuckerberg in a hoodie, you know, dropping out of Stanford, and you know, they’re kind of looking for somebody that reminds them of that previous successful investment.

So, if you are different in whatever way, you know, you are really going to have a lot of extra work to do to convince that asset manager to take a risk on you, to try your strategy, to do something different, and to really build the evidence to show them that it is a uniquely differentiated investment strategy, and you have differentiation as a manager to be able to create outsized returns for them.

MS. MILLER: I think that that is a really interesting point you make, Erica, as you start to flag that. You know this architype that we often cling to of, you know, the 20-something tech entrepreneur in a hoodie, it actually isn’t even backed by the data. The average age of a successful entrepreneur is in their 40s. It’s after they’ve had some experience. You know
no knocks to you, Brandon, going out early on in your 20s, but that’s actually (audio interference.) There may be an archetype that’s out there, but it may not actually line up, not only with your own individual experience of what success can look like, but what actually the data might point to as well. I want to ask another question. Faith in the chat asked about what percentage of proposed deals you consider worthy of capital raising? So, whether this is kind of big picture or whether this is the percentage of deals that you vet before you actually decide to make an investment decision, I’m curious your perspective there.

MR. BROOKS: Yes, I’ll hit this one real quick. I think, you know, since we -- our fund launched May 18 of last year, so it’s been almost a year for Overlooked Ventures. And we have an open application on our website, so we allow anybody to apply. If you want to apply, you go onto our website. You put in your information and both my partner, and I review every single one, every deal that comes through. And so, since then, we’ve gotten a little over 2,000 applications for funding, we’ve reviewed every single one.

I’ll say we probably have met with somewhere of 120 of them, and we’ve only funded 8 startups so far.
And that’s -- we have some more in the pipeline, but
that’s just because we’re actively raising as we’re
deploying, and again, that’s under 506(C), which is just
-- I’ll allow everybody to look that up in the education
segment. But yes, so we’re actively raising and
deploying at the same time, and then just last week we
announced Bank of America is our institutional LP. So,
from our perspective, there’s actually -- a really
decent amount of them are -- I would say maybe 30 to 40
percent of them actually are probably what I would call
venture backable meaning that we can get these outsized
returns.

Sometimes you will get ones that are, you
know, they want to open up a local barber shop or
something, which is actually what my startup (audio disruption)
did. We work and do. We work with crowdfunding for
local small businesses, but for this case, it’s not
something that we think that we can get an outsized
return from, and you know, we can have a further
correction about that if anybody wants to reach out.
So, it’s a really decent amount of the companies we get,
and yeah, so.

So overall in the grand scheme, I don’t
know, but that’s just like a snapshot of what we see.

MS. MINNIHAN: I do happen to know that data
because I use it in an educational presentation that I present to founders quite consistently. So, on average like across all venture funds, about 10 percent of applications actually make it to partner review, right, meaning like somebody in the venture firm is really going to like seriously consider your deal. And of that, only .2 percent get funded, so you know, I know for us we probably actually end up investing in somewhere around 1 percent of the applications that we seriously review, and it’s generally somewhere between 1 and 2 percent.

So, you know, it really is quite a high bar. Your company has to sort of generally fit into certain characteristics, you know, as Brandon said. It has to be scalable, you know. It has to be capital efficient, and most importantly venture capital firms are looking for companies that have the potential to, you know, address a market opportunity of at least a billion dollars or more.

MS. MILLER: Oh, I think we’ve got you muted Dave.

MR. LU: Because I’m not running an institutional fund right now, the returns and the incentives are different in that I can actually -- and this is encouragement to any founders and other
potential fund managers out there -- creating a syndicate allows you to invest in things that might not amore to you personally in terms of kind of the issues you care about. So, we’ve invested in a non-dairy ice cream company by two Korean American women because the ice cream industry is very white male dominated.

And so, for me it’s like, well, investing in something like that might not -- you know -- a food CPG coming in might not return a tech company, enterprise SaaS businesses’ returns, but I think the ROI representation and things like that people care about, that’s what’s important. I mean we have folks from Katrina Lake to the founders of Twitch and other -- and YouTube as angels, and you know, they don’t necessarily need to make outsized returns as angels. They’ve done fine for themselves, but if you give them projects that they care about and will actually make an impact, you know, that could be huge.

One of them is a frozen Chinese dumpling company, and people in the Midwest and other places can access these, you know, (audio disruption), then so be it. It might change how they perceive, you know, Asians in this climate of Asian hate crimes rising. As Hyphen, one of our missions is to actually get more representation out there, so we can change the hearts and minds of people,
and I think that’s -- you know -- all of us have goals to do that as well in our investing. And it makes a difference, and I think that -- those missions resonate with a lot of LPs. I mean with hopefully some -- a lot more LPs, but I think that’s what makes us stand apart from others.

MS. MINNIHAN: And Dave, the good news is that the market for nondairy ice cream is definitely (audio interference) over a billion dollars, so you’re good.

MR. LU: (Simultaneous conversation), yes.

MS. MILLER: You all are making me very hungry I have to say of the discussion of the combination of ice cream and dumplings. That just sounds delicious, and I’ll also add to the mix on the percentage. So, that’s -- I love hearing each of your perspectives on what you’re looking at and what types of returns.

In our annual report that we deliver to Congress, we actually pulled in some data from Paul Gompers in the Harvard Business Review looking at that VC deal flow funnel. And for every 101 opportunities that a venture capital investor is considering, it widdles down.

I mean you’re spot on Erica that only 10 actually get reviewed at a partner meeting. About 4 to 5 actually make it to diligence. Just over 1.7 get to a
term sheet, and then 1 out of that 101 actually gets to closed funding.

So, as you look at the way that that funnel works, I think it’s also worthwhile to remind the entrepreneurs who are listening that that funnel is not necessarily an indicator that you’re not a backable company, but that you may not be the right fit for that specific investor, you know. Dave may be looking for something that’s very different than what Brandon’s looking for. You know Erica may spot that billion-market cap opportunity for the nondairy ice cream that might be totally lost on someone like myself even though it sounds delicious, and I think that that would be a fantastic investment opportunity for myself personally.

So, it just goes to show the importance of not only understanding your niche and area within the market but understanding the investors who also understand what you’re doing and believe in investing in that type of company. I have another question from the chat about looking for more information about funds, including LPs and VCs from Saba. So, earlier this week just as a little bit of background for each of our panelists, we had similar questions coming through about in particular how minority owned businesses can build support and connections with funds and emerging fund managers. So,
I’m curious for each of you what advice do you have for emerging businesses that are looking to expand their network?

MS. MINNIHAN: I mean I’ll go ahead. You know I would say listen. If you’re looking to expand your network, you know, just start reaching out to people, right. LinkedIn is a great place to start. The internet is full of information, you know. You can google who are the top, you know, 100 emerging venture funds. Who are the top -- if you’re interested in meeting people, you know, investors who are maybe also women or people of color, what are the top, you know, black GP backed venture funds that are out there? You know who are the top investors in my space?

If you do the nondairy ice cream company, you know, who -- go to CrunchBase and figure out, you know, who are the big investors in the big successful nondairy ice cream company that you really admire? And then reach out to those people directly. I mean I kid you not I have literally gotten meetings with billionaires where I was introduced to them through like a bunch of other people, got no response, and then I like reach out to them on LinkedIn, and they were, hey, yeah, sure, we’ll do a meeting. I was like is this the real you? Like how is this even possible, right?
So, you know, you just got to really trust the universe, put yourself out there, you know, work your network. Sometimes it’s like 6 degrees of separation. You’ll meet one person; it’s not necessarily going to be a fit. But they are going to introduce you to somebody else. In fact, a great story we had there is a fund of funds that was started by an ex, you know, Google executive that we had spoken to, and you know, ended up passing on our fund but introduced us to Google, and then we raised way more money from Google, you know. So, it was like, okay, like I actually prefer that, right.

So, even if you have one interaction and it doesn’t go the way that you’re hoping it to go, you know, ask that person, “Hey, are there, you know, one or two other people that you could maybe point me to that you think could be helpful?” And they’ll be willing to do it, and I know we’re kind of coming out of COVID, but you know, I think that people are getting back into doing things, going to events, you know, meeting in real life. So, try and make time maybe two or three times a month on your calendar to attend events where you think you’re going to meet people who can be strategic to whatever it is you’re trying to get accomplished.

MR. BROOKS: Yeah, God I love that. So, I
think, you know, the biggest thing I always say to people is find your voice, use your voice, and so if you’re not putting your voice out there, if you’re not speaking, you know, whether it’s on Twitter saying your opinions, or going out there to these events like Erica just said now that they’re starting to open up more, go out to these events. And then don’t be afraid to just go up to people, “Hey, my name is Brandon. What are you here for today?” Let people tell you themselves or tell you about themselves. Let them tell you about their business and just, you know, give first -- give your listening first a lot of times, and then allow other people to say, “Hey, thanks for listening for the last 5 minutes. I’d love to learn about you.”, and that works.

And then Twitter -- Twitter is probably the most amazing resource. I say this all the time. Like I found my fund partner, Janine, -- we met on Twitter and then early clubhouse days in the beta. And like I was her biggest fan just watching Janine on Twitter, watching -- listening to her on Clubhouse and all this stuff. And then it was just like we started DM’ing. We started being on a lot of these same panels. We were like let’s, you know, take it in person. We got to meet up in person, and then -- you know -- we were both thinking about starting our own funds, and one day she
hit me up. She was like, “Hey, where are you at with, you know, getting ready to start your own fund?” I was like I don’t know, you know, and she was like, “Well, I’m willing to help any way I can.” And I said we’ll like go in at it together. She sent me a text that said shoot your shot, and I shot a -- I sent a Kobe GIF, you know, to her, and the rest is history.

We started Overlooked Ventures together, so it’s like that’s such an amazing resource. Put yourself out there.

Find your voice; use your voice. The right people will find you and come to you if you’re out there, but if you’re just keeping all your opinions and everything to yourself and kind of afraid to put yourself out there, it’s hard for people to find you. And so, it’s not about being extroverted or introverted. It’s just -- a lot of this game whether you’re a fund manager or a founder is being comfortable with being uncomfortable.

And if you master doing that, the possibilities are endless.

MR. LU: Yeah. I mean I would say -- repeat what Erica said about like just it doesn’t hurt to ask because the worst thing they could say is no or ignore you, and you just move on. I mean if you are a founder
that you’ve already started this -- you’re already risk
seeking, so you shouldn’t have a problem with what
Brandon said going up to people and introduce yourself
or, you know, being on social media, and Twitter, and
sharing and finding those that resonate with you and
connect.

If you say things and people catch your story,
then you’ll likely get a response from someone. I also
recommend joining community -- finding community like
finding people whether it be now virtually or in person
that are other founder groups that you can find because
it might not be easy to access the billionaire or the
investor right off the bat. But if you have other, you
know, people that you’re connected with who, you know,
are also founders, they probably have a (audio
interference) too and it multiplies.

The more people you meet, the more people you
connect with, the more nodes there are that you can
actually reach the person that you want to reach. So,
you know, LinkedIn is very effective too. I think I’ve
seen so many founders be really effective at -- and as a
founder, the most important thing is sales. I’ll say
this again and again. You need to be a good storyteller
because that’s how you raise money. That’s how you hire
people. That’s how you sell your product. But if you
can be a good storyteller, people will recognize that and want to get to know you too. So, don’t think that you’re just asking for a handout.

You’re actually offering -- for every founder, you’re offering a person opportunity to be a part of your company, so you know, we’re humbled when people let us invest in their companies. And so, if someone reaches out, we should be responsive too.

MS. MILLER: I think that this is all fantastic advice, and I’ll never forget what somebody once recommended to me. It’s not going to be your best friend. It’s not the three closest contacts or colleagues that are going to make a difference in your career. It’s the loose connections. It’s the people that you stay in touch with but that may not be in the core of your network, and I think that that is something critical for entrepreneurs to never lose sight of. That it is about the people that you can build those new connections with that can unlock doors.

Also with, you know, the discussion today and as we started the beginning, I invited people to share different ideas and how you agree and disagree on topics, and I want to address one comment that I’m so grateful for in the chat from somebody who thought that I was dismissing the contributions and entrepreneurial
spirit of millennials and Gen-Z. And not at all to do so, as a millennial myself, I think there’s plenty of wonderful contributions that we can make.

The point that I was trying to make and that’s what serves me for making a point on the fly without a script was that we sometimes overlook people that may be later on in their career as not matching that early-stage archetype.

But I want to thank the person for actually sharing that feedback in the chat because that was not at all what I was intending to imply with that. As our final lightning round question before we move to the next portion of the program, I wanted to ask a question for each of you to answer knowing that many in our audience are founders or may be considering helping founders or potentially even following in your footsteps as a fund manager.

So, as we wrap up the program, is there any one suggestion that you would like to leave with them, any tip, piece of advice, something that we may not have covered today that you think is important and would love to pass along to those who would like to step into your shoes one day?

MS. MINNIHAN: I’ll go ahead with this one, and you know, I apologize. I actually prepped for this
lightning round in advance and we kind of covered it already, but this is why I was like so on the spot with the info. But I think that, you know, it’s still a really important message that probably can’t be said enough, and that’s that I’d advise founders to recognize that raising capital can be a very long and difficult journey, right.

So, any particular venture firm is going to typically invest in somewhere between 1 to 2 percent of the startup applications that they seriously consider, and only about .2 percent of those applications that they consider that they receive are actually going to get funded.

So, it’s a very, very high bar and what this means is that even an amazing startup founder is likely going to hear hundreds of no’s before they find that right investor.

So, my advice for you is to be prepared for a process that might be much longer than you expect and just continue to do the work even though it might feel daunting.

So, just remember that not all great businesses need to raise millions in venture capital or even raise any venture capital at all, but for companies that are a good fit for venture capital, finding a
supportive and experienced capital partner like Reign Ventures, if you’re interested in us, can help make your startup journey a lot more successful and painless. So, take your time. Find a firm and the partners that will be a great fit for you and your team.

MS. MILLER: Great advice, Erica.

MR. BROOKS: Yeah. I guess if I were to say one thing it would just be never -- like just believe in yourself. That’s it. If you believe in yourself, none of the other stuff matters. That sounds like the corniest stuff in the world, and it’s said over and over again. But I can’t say it enough. Like I grew up in an underserved community, was living in my car when I started my company. Then I was washing buses to make a living like in Pittsburgh, Pennsylvania where 99 percent of people don’t even know what venture capital is. I didn’t know what it was. All this stuff going on and -- but I just did it. I just did it.

It was one foot in front of the other, continuously do the next right thing, Frozen 2 reference, and just put -- you know -- like always do it. Keep doing the next right thing day after day in and out and put yourself out there. Get comfortable with being uncomfortable. Opportunities are endless. I mean I’m having conversations with people I would never
-- I’m here with the SEC right now on a panel with Dave and Erica. Are you kidding me? Are you kidding me? Like that’s unbelievable, and so if you believe in yourself like no matter if -- the applause and the boos don’t matter because the only thing that matters is that you believed in yourself and are doing the work.

And so, I appreciate all of you. Always hit me up. If there’s any way I can help, I always do. I do this all day every day because I love it, and it’s my passion, and it’s my purpose. So, yeah, believe in yourself like I believe in me.

MR. DU: So, my advice would be in everything that you do, whether it be as a founder or an aspiring fund manager, pay it forward. In everything -- if you can help others in any way, even if it’s just an email to introduce or connect someone, or give some advice, or mentor, it’s -- giving without expecting anything in return can open up so many doors that you wouldn’t even expect.

Networks are very powerful, and I think one of the things that I see that is a struggle for a lot of founders, you know, I mentor founders -- underrepresented founders, and I think the hardest part to see is that a lot of them don’t have many mentors.

The network is not that big because if all the founders
that have raised capital, if only 2 percent of venture
dollars are going to black and (audio disruption) founders, then
there aren’t that many people that have gotten more than
a million dollars that you can actually get advice from.
And so, without that network and the advice of
people who’ve been there before, they can’t get there.
So, no matter what your background is, if you mentor and
help other founders, you know, lift them up and give
back, it makes a huge difference in their lives but
also, you know, who knows down the road. They might
become your LPs and a big angel syndicate when they go
IPO, so I think always pay it forward, and help, and
mentor whoever you can because it all comes back.
MS. MILLER: I think that is fantastic advice.
I could not agree more with what each of you shared and
particularly the importance of paying it forward and
remembering that while, yes, right now we may be talking
about VC industry, we’re talking about relationships.
And at the end of the day, we’re talking about people,
and that is absolutely critical to never lose sight of.
So, I want to thank each of you for joining us
today, lending your expertise, your wisdom, and your
guidance.
Erica, Brandon, Dave, you have each been
tremendous, and we are grateful for your time. And I
want to give some instructions to our participants for what to expect next before we wrap up day 3 of the forum.

So below you in the event portal, you will see the polling that will be opening shortly where you can vote to prioritize the policy recommendations that were submitted by other participants, some of which may include yourselves.

And what we want you to do is to prioritize those in order of what you think would be likely to have the most positive impact on capital raising opportunities thinking about it from the perspective of both entrepreneurs and their investors.

So, I encourage you to do so, and I hope to see each of you again tomorrow for our final day, day 4 of the SEC’s 41st Annual Small Business Forum. And it is now my pleasure to turn it over to Kim Dinwoodie to wrap things up.

Thank you for joining us today.

CLOSING REMARKS

MS. DINWOODIE: Hi. I’m Kim Dinwoodie with the SEC Small Business Advocacy Team. Thank you for joining us today as we focused on policy affecting smaller and emerging fund managers, and especially the diversity that these new investor voices bring to
capital raising.

I also want to thank our panel for sharing their perspectives with us today.

Don’t forget to join us tomorrow at 1:00 p.m. Eastern Time for a discussion regarding smaller public companies.

And now, we invite you to review the recommendations that you all have submitted and to vote on those recommendations that are most important to you. You’ll find those recommendations on the screen just below me. And as always, thank you for being part of the forum.

(Whereupon, at 2:21 p.m., the meeting was adjourned.)

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PROOFREADER'S CERTIFICATE

In the Matter of: SMALL BUSINESS FORUM
File Number: OS-0001
Date: Wednesday, April 6, 2022
Location: Washington, D.C.

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

_______________________          _______________________
(Proofreader's Name)              4-12-2022
REPORTERS' CERTIFICATE

I, Peter Shonerd, reporter, hereby certify that the foregoing transcript is a complete, true and accurate transcript of the testimony indicated, held on 4/6/22, at Washington, D.C., in the matter of:
SMALL BUSINESS FORUM.

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

4-12-2022