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Small Business Capital Formation
Advisory Committee

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P R O C E E D I N G S

INTRODUCTION

MS. REISCHAUER: Good morning, everyone. It's been nice to meet those of you I had a chance to chat with and I look forward to meeting some of the others. Welcome to today's meeting of the SEC's Small Business Capital Formation Advisory Committee. This meeting is called to order. Courtney, do we have a quorum?

MS. HASELEY: We do.

MS. REISCHAUER: Excellent. Thank you. For those I haven't met yet, I'm Amy Reischauer. I'm the Acting Deputy-Director of the SEC's Office of the Advocate for Small Business Capital Formation. Our small business advocacy team, as we shorten it to, takes the lead in supporting this committee as you guys carry out your very important work.

As you'll likely hear throughout the meeting today, the insights and the expertise that the SEC gets from this group is so, so valuable. And so we, in the office, really consider our opportunity to work with you to be quite a privilege so thank you and thank you for being here.

A little bit of background for those of you tuning on SEC.gov. The Commission recently appointed 14 new members of the committee. That's quite a new group.

1 As you no doubt will hear throughout the day, the new
2 members are joining us from states all across the
3 country. They are entrepreneurs, they are investors,
4 advisors, advocates. And above all, they are champions
5 for small business.

6 We really appreciate their participation here.
7 We are thrilled to welcome those of you who are new to
8 the committee and appreciate you all arranging your busy
9 schedules on a relatively short notice to be here today
10 and so many in person.

11 As was already the case with our continuing
12 members whom we appreciate so much, we really look
13 forward to learning from all of you and benefitting from
14 the diverse insights and perspectives that you'll share
15 with us.

16 Today's agenda, this morning we're going to
17 focus on really getting to know the new members and
18 hearing what all the members are seeing with respect to
19 small business capital formation in your various
20 geographic regions and your very sectors of the
21 marketplace.

22 The committee will break at 11:30 for an
23 administrative executive session. That will be over
24 lunch. During that time, the committee will elect new
25 officers who can steer the committee both with respect

1 to the agenda and leading these meetings so that will
2 allow our team to return to more of a support role
3 behind the scenes. We'll get out of your way, so to
4 speak.

5 This afternoon, the agenda will include a
6 discussion of ways to remedy funding gaps for
7 underrepresented founders and start-ups, a topic near
8 and dear to our office's heart. So we look forward to
9 hearing what it is that you all have to share on that
10 topic.

11 To wrap up the day, the committee will
12 consider potential ideas for future areas to focus on.
13 But of course before we begin any of that, we are
14 pleased to start with opening remarks from the Chair and
15 the commissioners. But before I turn it over to them I
16 will give the standard disclaimer for any SEC staff who
17 speak today -- this may sound familiar. Any views that
18 the SEC Staff express today are made in each staff
19 member's official capacity and do not necessarily
20 reflect the view of the Commission, any of the
21 Commissioners or any of our colleagues on the staff of
22 the Commission.

23 So with that, Chair Gensler, I will turn the
24 screen over to you.

25 OPENING REMARKS

1 CHAIR GENSLER: Thank you so much and good
2 morning, everyone. Good morning, everyone. It's a
3 pleasure to speak with the Small Business Capital
4 Formation Advisory Committee. And as was just said,
5 I'd like to note that my views are my own as Chair of
6 the SEC but not speaking on behalf of my fellow
7 Commissioners or staff.

8 I really pleased to welcome the Advisory
9 Committee's new members, 14 as is said, and I can't
10 thank each of you each enough for raising your hand to
11 serving this capacity. You're making a contribution to
12 a critical part of our work at this agency and our work
13 serving the small businesses that make up such an
14 important part of our economy.

15 I say this out of personal experience, having
16 grown up in a family with a small business. And as I
17 mentioned and was mentioned for us all, we each speak
18 today on own behalf, but I think I -- I think I can do
19 this Commissioner Uyeda, I see there. Commissioner
20 Lizárraga and I all have shared this experience of
21 growing up in families with great traditions of small
22 businesses. But again, I can only speak for myself.

23 But all Americans really have seen the role
24 that small businesses play in their local communities
25 but as well as across our great nation and across our

1 whole broad economy. And it's often through a small
2 business that those who have a dream or want to take a
3 risk, can make a go at it. And that's why it is so
4 important that the capital markets help facilitate
5 capital formation for businesses ranging from small to
6 large.

7 I think Congress recognized that in many ways.
8 In our statutory framework and how we approach our work
9 and our three-part mission. But I think it also
10 recognized it seven years ago when, through an act of
11 Congress called the Small Business Advocate Act, in
12 2016, it established this advisory committee. It's one
13 of our two statutory advisory committees.

14 For ongoing members and new members alike, you
15 perform an important bit of work to help share advice
16 and recommendations to the Commission on matters
17 relating to small businesses, including smaller public
18 companies. And it's helpful to hear from you all, I
19 would say both in your formal role as a member of the
20 committee -- and you'll do reports and you'll have input
21 and you'll meet quarterly and those Commissioners that
22 are able to will be listening in or reviewing what your
23 discussions are.

24 But I'd also say it's important as well,
25 individually. You see, we benefit whether you weigh in

1 as a group with your thoughts or individually with
2 comment letters, with meetings with the staff or with
3 commissioners and otherwise. That input, formal and
4 informal, helps to advance our mission, including with
5 regard to capital formation for small businesses.

6 I'm glad you're also going to get a chance to
7 talk about a couple topics today. We benefit from
8 hearing your perspective on the state of small business
9 capital raising. I'd just note kind of two things on
10 your first topic about small business capital raisings
11 that at least I'm interested in hearing.

12 First is the context of our current economy,
13 given the rising interest rates -- and we all live
14 withing that. The rising interest rates and the
15 challenges even of some regional banks earlier this
16 year. I'm interested as to whatever thoughts you have
17 with regard to that perspective in the current economic
18 environment.

19 Second, it would good to hear your thoughts --
20 and this might be over many meetings -- but your
21 thoughts on the increasing use of predictive data
22 analytics, including artificial intelligence, in the
23 capital markets and by financial companies, fintech
24 companies, of large companies in the underwriting of
25 loans or elsewhere.

1 I just ask the committee members for your
2 thoughts regarding how the growing use of these
3 technologies -- predictive data analytics and the
4 allocation of credit or otherwise -- has changed funding
5 practices or availability or pricing with regard to
6 small businesses. A lot going on there, of course.

7 I'm also glad your agenda includes a
8 discussion on addressing funding gaps for
9 underrepresented founders and startups. All companies,
10 from small businesses to high-growth startups to
11 corporations, deserve access to our capital markets to
12 fund their entrepreneurial ideas and innovations,
13 regardless of the founders or the leading members of
14 that company's race, gender, geography, sexual
15 orientation, whether they have disabilities or otherwise
16 -- just any other factors. Access to capital should be
17 there regardless.

18 And at the SEC, we work every day to protect
19 investors and facilitate capital formation across the
20 spectrum of communities that make America strong,
21 including underserved communities. With respect to the
22 middle part of our mission, to maintain fair, orderly,
23 and efficient markets, you see it's protecting
24 investors, facilitating capital formation. But that
25 middle part -- maintaining fair, orderly and efficient

1 markets -- fairness literally is embedded in our
2 mission.

3 So I welcome the committee's thoughts on how
4 we might continue to advance this fairness on behalf of
5 small businesses that you are advising us on. After
6 all, our mission ultimately is to ensure that the
7 markets serve the interests of investors and issuers
8 alike, and not the other way around, that you all serve
9 the interest of the markets.

10 I thank you, I give it back to you, I look
11 forward to hearing my fellow commissioners as well that
12 might be speaking.

13 MS. REISCHUER: Thank you, Chair Gensler. I
14 will lean the mic things in. Commissioner Peirce has a
15 scheduling conflict this morning so she can't be here.
16 But she will be joining us this afternoon to provide her
17 remarks so we look forward to hearing from her then.

18 Unfortunately, Commissioner Crenshaw is
19 traveling for another engagement and can't connect. I
20 know she was disappointed to miss the opportunity to
21 meet and to hear from -- at a later meeting though. So
22 with that, I will turn the mic over to Commissioner
23 Uyeda.

24 COMMISSIONER UYEDA: Well, thank you very
25 much, Amy and welcome, everyone. If it looks like we're

1 struggling over the microphones it's because I think
2 these are new. And the old microphones were green when
3 they were live and red when it was muted. So I think --
4 so again, keeping in mind the cautionary disclaimer that
5 we each speak on our own behalf, I can tell you as
6 somebody who's been with the SEC for a while, to see the
7 red light on here you generally think, "Okay, the mic's
8 off." So we're live.

9 But anyway, good morning, and I would like to
10 welcome the 14 new members of the committee and thank
11 you in advance for your contributions towards creating a
12 regulatory structure that allows small businesses and
13 smaller public companies to raise necessary capital,
14 while at the same time, protecting their investors

15 I would also like to thank Donnel Baird and
16 Sue Washer, as well as the committee's representatives
17 from the Commission's Investor Advocate, NASAA, the
18 Small Business Administration, and FINRA, for their
19 continued service on the committee. Today's agenda
20 includes discussion on the state of small business
21 capital raising, and the funding gaps for
22 underrepresented founders and startups.

23 On the first topic, I am interested in your
24 views on whether small business owners, especially those
25 located in more rural areas, have access to the quality

1 legal services and other financial services necessary to
2 help them understand their capital raising options. Has
3 the Securities Act's regulatory framework for
4 registration exemptions become too complicated, and if
5 so, how can it be simplified? What are the common foot
6 faults in compliance, before, during, and after the
7 offering? The Commission's registration exemptions
8 should not be a game of "gotcha" that require \$1,000 per
9 hour lawyers to navigate.

10 On the second topic, challenges for
11 underrepresented founders have been discussed in the
12 Office's last three annual reports to Congress. This is
13 a widely-recognized problem. As we search for ways to
14 address these challenges, how can the Commission ensure
15 that its future regulations do not exacerbate the
16 problem?

17 For example, would increasing the income and
18 net worth thresholds in the accredited investor
19 definition make it even more challenging for
20 underrepresented founders to obtain funding? Would
21 greater regulation of the private markets
22 disproportionately affect underrepresented founders?

23 If the Commission engages in rulemaking on
24 these topics without addressing their potential impact
25 on underrepresented founders, then the funding gap may

1 only widen and remain a perennial issue for this
2 committee to address. So I look forward to your
3 thoughts on these two topics and look forward to
4 engaging with you during the course of your service on
5 the committee.

6 So I've been only Commissioner for a year but
7 on the staff since 2006, and I think this is the fourth
8 iteration of a small business committee that I've had
9 the privilege of working with. So we had two versions
10 before we got the statutory authority that Chair Gensler
11 just referred to.

12 And I feel that with the significant turnover
13 here and the new views, we have sort of a renewal of the
14 thought with this committee. What I've taken from each
15 of them is I learn something new because of the constant
16 turnover and influx of ideas. And we're got an awful
17 lot on our plate at the SEC but the one that I've always
18 been personally interested in is small business.

19 It's something that as a lawyer in private
20 practice I've had to think about. "Well, do we do a Reg
21 A? Do we do a Reg D?" Oh, there's -- "we can do a
22 504." And then as a former states security regulator I
23 then became very, very entuned to the intrastate
24 exemption.

25 So I look forward to seeing and hearing your

1 recommendations over the next couple of years. So thank
2 you again for your service.

3 MS. REISCHUER: Thank you, again,
4 Commissioner. Next, I'll invite Commissioner Lizárraga
5 to provide his remarks.

6 COMMISSIONER LIZÁRRAGA: Good morning, and
7 thank you, Amy, for managing these proceedings and for
8 your introduction. It is a pleasure to welcome the new
9 members of the Committee. Today, you take on the
10 important responsibility of advising the Commission on
11 small business capital formation.

12 Nearly one-year ago, my first public remarks
13 as a newly-sworn SEC Commissioner were delivered to your
14 predecessors on this Committee. To reiterate my message
15 from that time, by offering your insights to this
16 Committee, you will have a unique opportunity to improve
17 the quality of our decision-making. While you will
18 devote much of today to organizational matters, it is
19 encouraging that you will hit the ground running with a
20 discussion of remedying funding gaps for
21 underrepresented entrepreneurs. To me, this is an
22 important priority that warrants increased and sustained
23 attention, especially in light of the unique challenges
24 that are involved.

25 We share the common goal of promoting capital

1 formation in the broadest, most inclusive way possible.
2 Your service on this Committee is an opportunity to
3 advise us on how best to leverage our resources and
4 authorities to meaningfully achieve this goal. Fresh,
5 thoughtful perspective that you bring to the table can
6 help us think in more creative, proactive ways about how
7 our agency's authorities can be best deployed to empower
8 millions of entrepreneurs in our most disadvantaged
9 communities.

10 Historically, these authorities have benefited
11 a range of well-resourced companies and start-ups, the
12 so-called "unicorns," quite well. But underrepresented
13 entrepreneurs haven't fared as well and could be better
14 served by these same tools. Some of the findings in the
15 latest Annual Report by the Small Business Advocate
16 illustrate the unique challenges these entrepreneurs
17 confront today.

18 Seventy eight percent report that access to
19 capital is limiting their day-to-day operations. 89
20 percent say that barriers to accessing capital limit
21 their business growth potential. 73 percent of owners
22 are looking for support in preparing to apply for and
23 use business financing. Bridging gaps between
24 entrepreneurs and investors remains the biggest
25 challenge for early-stage startups when raising capital,

1 with 40 percent of entrepreneurs finding it challenging
2 to find a lead investor.

3 All of these findings are concerning and speak
4 to the unique challenges in this space. Many small
5 businesses, particularly those from underrepresented
6 founders that operate outside of established
7 entrepreneurial ecosystems, struggle with navigating our
8 securities laws. Or, with navigating an exempt offering
9 framework that's so often written in impenetrable legal
10 jargon.

11 This tends to favor the many market
12 participants that are already well-resourced and well-
13 supported by the current system; that is, those who need
14 our help and attention the least. It may be one reason
15 why, according to the same Annual Report, only 6 percent
16 of small businesses seeking external financing sought
17 out equity investments.

18 I witnessed this challenge first-hand, growing
19 up in an immigrant household with highly entrepreneurial
20 parents who ran a Mexican food business out of our home.
21 Chair Gensler made some reference to our shared
22 experience with family small businesses. And some of
23 you may bring similar perspectives to this discussion,
24 from your own personal experience or that of your
25 family's.

1 My family's business growth potential was
2 substantial but remained unrealized. It was a time when
3 the barriers to business growth all too common for many
4 hard-working immigrant families were difficult, if not
5 impossible, to overcome.

6 Though some of these barriers and challenges
7 persist for many entrepreneurs today, the optimist in me
8 believes in the power of innovative thinking and of
9 creative solutions to these difficult challenges. The
10 same spirit of entrepreneurship that is the hallmark of
11 American ingenuity and that is represented on this
12 committee can help us better fulfill our capital
13 formation mission on behalf of the investing public.

14 Because of the insights you will bring to this
15 discussion, our country will be better off. New and
16 innovative solutions can help address funding gaps for
17 the 94 percent of small businesses that are in need of
18 access to growth capital, but have not sought to do so
19 through equity investments.

20 And of course, while many of the solutions may
21 take time to develop, there is also low-hanging fruit
22 that can easily be harvested right now. Like improving
23 the availability of Commission information about how
24 disadvantaged businesses can benefit from our securities
25 law framework and thereby reduce barriers to accessing

1 growth capital.

2 The Small Business Advocate recently developed
3 a helpful online educational resource called "Building
4 Blocks," which helps explain the process of capital
5 raising in our markets. This type of resource has the
6 potential to narrow the knowledge gap between well-
7 resourced and underrepresented entrepreneurs. I've
8 already recommended some modest steps to the Small
9 Business Advocate Office that could be taken to improve
10 the visibility and reach of this type of Commission
11 resource.

12 Your insights on how to communicate more
13 effectively with underrepresented entrepreneurs and in
14 ways that meet their unique needs will also be very
15 valuable to the Commission. Our effectiveness in making
16 our capital formation process more inclusive is tied
17 directly to our effectiveness in communicating and
18 marketing the value of our resources.

19 In this spirit, it is my hope that the
20 Committee's work in the near future will also result in
21 direct recommendations to the Commission on the best
22 ways to maximize access to capital for disadvantaged
23 entrepreneurs more generally. Because in the absence of
24 broad-based access to growth capital for our nation's
25 smallest, most underserved businesses, the fulfilment of

1 our capital formation mission will fall short of its
2 full potential.

3 Thank you again for your service and for your
4 contributions to today's discussion.

5 MS. REISCHUER: Thank you, Commissioners. We
6 appreciate your remarks. As I mentioned earlier and
7 you've heard from our commissioners, we're delighted to
8 welcome the many new committee members today all around
9 the table and virtually -- I believe we have someone
10 online. But given the number of new faces, we thought
11 it would be helpful to have everyone share just a little
12 bit about themselves and their professional experiences
13 as they relate to small business capital formation. I
14 think that will help inform today's and future
15 discussions.

16 I think we can go around the room if you want
17 to take a couple of minutes. Wemimo, do you want to
18 start with you?

19 ADVISORY COMMITTEE INTRODUCTIONS

20 MR. ABBE: Absolutely. Hi everyone. I'm the
21 co-founder and Co-CEO of Esusu, Inc., and Esusu is a
22 financial technology company that captures on-time
23 rental payments data, transforms that information and
24 report it into the consumers rating agencies so everyday
25 renters can get credit for paying their rent on time.

1 What draws me particularly to this committee
2 is during my sort fundraising process, in addition to my
3 co-founder as a minority, we had over 320 investors say
4 no to us during the fundraising process. And despite
5 those rejections, we've gone on to build a business that
6 now has unlocked over \$5 billion in additional financing
7 for folks that otherwise wouldn't get financing and beat
8 the odds. And now raised over \$145 million and it's now
9 valued at a billion dollars.

10 So I really want to contribute my own humble
11 quarter to make sure that folks that look like me and
12 others can get a fighting chance and really build
13 something formidable and really, you know, fulfill their
14 true mission and vision of what we're trying to
15 accomplish here. Thank you.

16 MS. REISCHUER: I think Donnel might be
17 online. If you are and want to chime in and introduce
18 yourself, I welcome you.

19 MR. BAIRD: Good morning. My name is Donnel
20 Baird. I'm in Seattle meeting with Microsoft who is one
21 of our largest investors. I am the president of the (mic
22 interference) Wemimo fan club and I'm the vice-president
23 of the Gary Gensler fan club.

24 I am honored to continue to serve on this
25 committee, which I joined 6 or 7 months ago. I run a

1 clean energy start up called BlocPower, that's raised
2 about \$250 million, mostly debt but also some corporate
3 equity, to invest in financing clean energy
4 infrastructure in low income American communities by
5 leasing green energy equipment in affordable pay-as-you-
6 go fashion over 15 years.

7 Like Wemimo, I've met with well over 400
8 venture capital investors who declined to invest in our
9 business but have been able to generate over \$100
10 million in top line revenue within the last few years to
11 serve our financially-underserved consumer segment. We
12 also won a contract from the U.S. Department of Energy
13 to use (mic interference) exemptions to raise project
14 finance capital to invest in solar projects in low
15 income communities. And I've raised about \$5 million
16 through Regulation CF exemptions.

17 We've explored intrastate exemptions in New
18 York State, which have been quite difficult to navigate,
19 and we have also spent about three or four years working
20 on a Regulation A offering that we hope will allow
21 American retail investors to participate in owning a
22 portion of the financial returns from the clean energy
23 economy. So delighted to continue to serve. Thank you.

24 MS. REISCHUER: I'll let you guys take back
25 the table.

1 MS. BOWERS: Hi. My name's Stacey Bowers and
2 I actually have two hats here today. I am a professor
3 at the University of Denver Sturm College of Law. I
4 head up our corporate and commercial law program there.
5 So in my role there, I teach in the corporate arena. In
6 particular, I teach a class about raising capital
7 through exempt offerings. So I spend a lot of time
8 exploring the rules and regulations and have a lot of
9 that background knowledge, passing it along onto
10 students.

11 I'm also a nerd. I teach accounting for
12 lawyers, so I bring a little bit of that to the table.
13 In my role as a practicing attorney I'm of counsel for a
14 small firm outside of Denver and we really operate in a
15 very niche market.

16 So we represent clients doing real estate
17 syndications. And typically not -- don't think REIT.
18 My clients aren't REITS, doing that kind of work. Our
19 clients are predominantly raising capital anywhere from
20 a million to maybe 30 to \$40 million to purchase a self-
21 storage unit, to purchase a multi-family complex.

22 So I work with a lot of very small
23 entrepreneurs who are just -- some of them are just
24 getting started. It's their first time doing this.
25 They've been investors previously in these kind of deals

1 and now they're transitioning into doing their own kind
2 of real estate syndication.

3 And I also have clients who have been doing
4 this for quite a while and are on their 30th self-
5 storage unit that they're purchasing and renovating and
6 doing that kind of work.

7 So I think I bring that perspective of working
8 with some small clients and they run the gamut from, you
9 know, being under represented as well to being more
10 traditional. So I think I can bring that perspective and
11 I look forward to sharing that.

12 MR. COOK: Hello. My name is George Cook. I
13 am the co-founder and CEO of Honeycomb Credit. My
14 mission in life is to enable purposeful
15 entrepreneurship. My whole career has been around it. I
16 come from a line of six generations of community
17 bankers. My family's been running a small correctly
18 bank in rural Appalachia for a 130 years.

19 I grew up in the family business and I became
20 really passionate about commercial lending but I saw
21 that the banking industry was changing and that
22 commercial lending was changing. I spent most of my
23 career at Transunion doing big data credit analytics,
24 basically helping large lenders make faster, smarter
25 lending decisions.

1 I took those skills over to a start-up called
2 Zest AI, where I got into the machine learning side of
3 the house and learned a lot about that. And then I
4 started Honeycomb to really address the capital gap for
5 main street small businesses.

6 So Honeycomb is a regulation crowdfunding
7 funding portal. We really allow brick and mortar main
8 street small businesses to access capital that they can
9 no longer get perhaps from traditional lenders, but to
10 raise that from their own customers and fans and
11 community members. So building local community wealth
12 while unlocking that growth capital for businesses.

13 We've worked with about 300 businesses across
14 30 different states at this point. We've moved over \$20
15 million across our platform. And, you know, of the
16 businesses we've been able to work with at this point
17 two-thirds of them are women owned businesses. More
18 than half of them are by BIPOC-owned businesses. And 40
19 percent of them are in low to moderate income
20 communities.

21 So we're proving we can get money to work
22 through new fundraising strategies into communities that
23 are often overlooked by traditional lenders. I'm excited
24 to join the committee.

25 MR. CORDERO: Hi, everyone, Vincent Cordero.

1 To the commissioners and to the chairman, thank you for
2 giving me and all of us an opportunity to join the
3 committee. To everybody, I look forward to working with
4 you for the next four years and hopefully having a big
5 impact on the market.

6 A little background on myself, I've worn
7 different hats, different journey to get here. First of
8 my family to go to college so definitely was looking
9 through the annual report and just, you know, reflecting
10 on it. It's a little bit of a story.

11 Undergraduate, UCLA, and law school,
12 University of Chicago. Joined media, get into the media
13 industry really on the epiphany that media shapes ideas
14 that shape the world. Ten years at Univision,
15 corporately for five. Five years running TV stations in
16 Chicago, then sports networks at Fox nationally. And
17 then running the biggest international business for
18 Warner media, HBO, and HBO Lat M, about a billion annual
19 revenue business, almost -- over 800 employees across
20 Lat M.

21 And really similar to the epiphany that led me
22 to media, very much kind of was drawn to the venture
23 space for exponential return but also exponential impact
24 in the marketplace. And two wins to date in the last
25 few years. One, helped launch the first -- worlds first

1 de-extinction company, Colossal Biosciences. I don't
2 know if you -- some of you maybe heard about it --
3 bringing back the Woolly Mammoth, amongst others, and a
4 lot of compelling tech to go along with it

5 The company just announced a 150 million
6 Series B raise at a 1.5 billion post-money valuation, so
7 we're all really excited about that.

8 And then also the co-CEO and chief business
9 officer for the leading Latino content and talent
10 company in Hollywood, Mucho Mas Media. Our first film,
11 we were number two worldwide on Netflix in May 2021,
12 Blue Miracle. Please, everybody should go home and
13 watch today or when you get home with your families.

14 We put out three movies this year. One that's
15 out in theaters, Black Demon starring Josh Lucas,
16 written and directed by two of our talent who happen to
17 be Latino.

18 Another one, The Long Game, starring Dennis
19 Quaid, Cheech Budding Marin, and Jay Hernandez, also
20 written and directed by one of our talent who happened
21 to be Latino. That actually won the audience award at
22 South by Southwest, really happy about that. And that's
23 out now in the marketplace in a bidding.

24 And then we have -- we're doing a biopic on
25 Jenni Rivera, essentially the Mexican American Tina

1 Turner. That will be out later this year in theaters
2 and on the big streaming platform in the U.S. and Lat M.

3 And actually we haven't announced it yet but -
4 -- publicly -- but we just secured a plus-20 million
5 Series A lead for the company so I'm really excited
6 about that. That's going to help catalyze the next two
7 to three years of the company.

8 Separately, very involved in the venture
9 standpoint from a mentor. I mentoring at the MIT
10 Climate and Energy Incubator. Also the Polsky Center at
11 the University of Chicago, and then Capital Factory in
12 Texas.

13 The reason why I'm so drawn to this committee
14 and, you know, submitted my application with enthusiasm
15 and then was super excited when I heard that I was
16 accepted into it, is the fact that for myself, as a
17 Latino, first person in my family to go to college,
18 looking at the Latino community overall and having been
19 such a part of my career and my passion in life.

20 Latinos, you know, 25 percent of Gen Zers and
21 Millennials in the U.S. today. Over 20 percent of the
22 U.S. population. Yet from your own data, you know, one
23 to two percent of early stage capital invested and
24 severely undercapitalized from a debt standpoint.

25 I would tell you that for the U.S. economy and

1 for the world the U.S. Latino marketplace is the big
2 subside opportunity and I look forward to working with
3 the committee and the committee members and helping
4 unlock and tap the potential.

5 MS. DAWOOD: Good morning, everyone. I'm
6 Marcia Dawood. I am an angel investor. I'm involved
7 with several groups and several funds as a venture
8 partner, investment committee. Several of the groups
9 and funds that I work with invest in only women-led
10 companies or in people of color. I have about a few
11 hundred personal investments through funds and direct
12 investments in my personal portfolio and about 75
13 percent of that is women of color, so I'm very
14 passionate about that.

15 I also served as the chair of the board of the
16 Angel Capital Association, which is the professional
17 association of angel investors here in the U.S. and we
18 also have some global members. I host a podcast called
19 "The Angel Next Door," because I'm extremely passionate
20 about getting more information to people about why they
21 should be an angel investor and how everybody can be an
22 angel investor, especially now with Reg CF. So super
23 passionate about that.

24 I did a Ted Talk in October 2022, called "Do
25 Good While Doing Well," to help people learn about why

1 they should help entrepreneurs and why it's so important
2 to get capital into small businesses. I actually get
3 frustrated sometimes because I feel like there are --
4 I've seen companies that have just run out of money.
5 And a lot of it is because they just didn't have the
6 right support financially and they didn't have the right
7 mentorship in order to get them where they need to go.
8 And they had a great idea and they had, you know, a lot
9 of good things that they could give to the world. So we
10 all want to be the change we want to see in the world.
11 So passionate about helping with that.

12 I have also in my arsenal two rap battles,
13 where I made some funny videos to explain what angel
14 investing versus venture capital is. And then the
15 latest one that just debuted at the ACA Summit in May
16 was priced equity versus convertible notes versus -- so
17 just fun things in order to educate people.

18 And I have a book that will be coming out back
19 next year called "The Imperfect Investor," that will be
20 talking about why people should be --. So I'm super
21 excited to be here.

22 MR. DILLASHAW: Hi. I'm Bart Dillashaw.
23 Increasingly giving me a tough act to follow. So I am
24 just a corporate securities lawyer. I've got a small
25 boutique firm in Lincoln, Nebraska, where we specialize

1 in working with early-stage companies and angel
2 investors. So I have a little bit of perspective of
3 being on the ground floor and helping companies sort of
4 sort through a lot of these rules and, you know, often
5 counseling them and drafting the documents on how to
6 raise and a hopefully compliant manner.

7 In addition to that I am also a member of the
8 Nebraska Angels, which is a member of the ACA and has
9 been for a really long time. And for anybody affiliated
10 with an angel group I highly recommend the ACA. It's
11 been extremely influential and helped that group grow.

12 I think I joined in 2006, when we were 17
13 members and have now grown the group to over 110 and are
14 deploying about 8 million a year and are between seven
15 new companies. And generally, will have about seven
16 sort of follow-on ones as well and have deployed -- I
17 think we're up to 65 million in that, which is -- which
18 is exciting because I first moved to Nebraska, Nebraska
19 ranked 52nd in terms of United States venture activity.
20 We're a little behind Puerto Rico and Washington D.C.

21 And so in that time it's been really fun to
22 watch that community grow and develop and be a part of
23 that. And that's included working with the University
24 to get an entrepreneurial program going, working with
25 the law school there. We've got an accelerator that's

1 now there, also sort of affiliated with some of the more
2 regional Midwest accelerator groups.

3 So super excited to be on this committee,
4 honored to be here, and very, very excited to meet
5 everyone continue the conversation.

6 MR. DRAYTON: Well, good morning everyone. I
7 guess I get the honor at being at the midway point in
8 listening to this incredible group of folks to my right
9 here. So thank you all for sharing your story.

10 I'm Herbert Drayton. I'm from Charleston
11 South Carolina. I have the distinction of being both a
12 United States airmen as well as a United States Marine.
13 Past 25 years I have started, bot, and salt, a dozen
14 companies primarily in the fast space, corporate
15 professional development and healthcare management.

16 I currently serve as the managing partner for
17 HI Mark Capital and our investment thesis is committed
18 BIPOC and women entrepreneurs running tech-enabled
19 companies in the Southeast.

20 I will say that following George Floyd's death
21 -- at the time we had six operating businesses and when
22 George Floyd was murdered, a lot of my colleagues
23 reached out and said that they wanted to do something
24 for the black community in particular. And when I
25 challenged them, they all wanted to go down this -- I

1 call it a normal narrow corridor of familiarity, where
2 they wanted to use charity or philanthropy in the hopes
3 of creating wealth in the black community.

4 I challenged them to invest in black-owned
5 businesses. Like many of our corporate partners in the
6 country today, the public narrative did not match the
7 actual work that was being done on the ground. And when
8 I took them some businesses to invest in, they all gave
9 the familiar reasons. "It does not fit within our
10 investment thesis." "It's outside of our geographic
11 region." And so that led me to wonder well, who's
12 actually investing in BIPOC and women entrepreneurs?

13 This group knows those numbers, the appalling
14 rate of VC dollars going into BIPOC and women
15 entrepreneurs. I thought I would find one in the state
16 of South Carolina and I realized that there was no black
17 VCs in the state of South Carolina, so I made that my
18 journey. And at the time we had clients and 38 states,
19 the British Virgin Isles, and UK.

20 We sold all the companies. As the majority
21 owner, I simply told my partners we were selling the
22 companies so we sold those companies and I launched HI
23 Mark Capital. Bank of America actually was my first --
24 they were the lead investor, which helped pull in some
25 additional capital from other resources as well.

1 And finally, I will say that I'm at the chair
2 of the Coastal Community Foundation in South Carolina..
3 It's a \$454 million Community foundation. A couple of
4 our pillars are focused on economic mobility for
5 underserved and under-represented folks. And we play a
6 major role in helping folks access capital working with
7 CFIs and some other grant-making organization throughout
8 the region.

9 One of the things that excites me about this -
10 - and I'll go into my philanthropic background to pull
11 forward and present to this group. It's an acronym
12 called SMIRF -- S-M-I-R-F -- and it's something that I,
13 as well as all of you I think, bring to the table and
14 it's five forms of capital that we all have. We have
15 social capital, moral capital, intellectual capital,
16 reputational capital and financial capital.

17 So I'm excited to bring all those forms of
18 capital to bear as we have discussions about how we can
19 help small businesses across the region and I invite you
20 to do the same as well.

21 MS. DUIGNAN: Okay, thank you. So first of
22 all, honored to be here and be part of this committee
23 and just to have a chance to meet everyone. I can
24 already see a lot of amazing things that we have in
25 common and can support each other on. My name is Erica

1 Duignan. I am co-founder and general partner at Reign
2 Ventures. We're a seed-stage venture capital firm that
3 is motivated to basically make an impact on the funding
4 gap for under-represented founders. So I'm glad we're
5 going to be talking about that today. That's one of our
6 firm's top priorities.

7 I've also been a founder. I've spent a 25-
8 year career in finance and during that time have founded
9 three companies, the first two of which were firms that
10 basically helped me get towards my eventual goal of
11 launching my own venture capital firm. At Reign, my co-
12 founder and I really prioritize spreading the message
13 that inclusive investing can out-perform in the market
14 and showing other VCs why this style of investing can
15 generate outsized returns.

16 In our portfolio we have 75 percent female-
17 founded companies and 70 percent BIPOC-founded companies
18 and we're one of probably about five or six black women-
19 founded VC firms in the country. So it's really
20 important for us to sort of show by leadership and by
21 doing. Of the 15 companies that we have in Fund 1, they
22 have generated an incremental \$200 million in annual
23 revenue for the U.S. economy, so we're really proud of
24 that.

25 I've spent a 25-year career in finance. I also

1 graduated from UCLA, where I studied -- go Bruins --
2 business economics and accounting. I spent the first
3 eight years of my career on Wall Street doing
4 traditional corporate finance and I was really
5 frustrated by the fact that the financial products were
6 all so interesting but I felt that there was negative
7 impact with a lot of the things that we were involved
8 with.

9 And I was very fortunate and 2006, to have an
10 opportunity to become executive director of one of the
11 very first gender-lends investing angel institutions.
12 So getting my start with, you know, investing in female
13 founders a few years later started another network that
14 was really formed with a mission of bringing more
15 African American and high net-worth people of color to
16 the table to invest in minority founders. And proving
17 that we could, you know, really get great returns with
18 that as well confirmed our thesis for my partner Monique
19 and I that, you know, there was substantial opportunity
20 investing in these folks or women to receive, you know,
21 less than 2 percent of venture capital and BIPOC
22 founders that receive about one percent.

23 So our mission is really to help shift the
24 balance there, bring more capital to the table for these
25 founders. And we do it at the seed stage because that's

1 the point, I think, at which it's really about
2 underwriting people risk. And because of the vast
3 majority of asset managers in this company, you know,
4 are male, you know, are not folks of color, it's a
5 little bit harder to underwrite risk for, you know,
6 folks that maybe you don't, you know, have and
7 experience with.

8 So, you know, by becoming investors, bringing
9 our perspective to the table, making sure that we can be
10 there to write checks, for folks like a Esusu. I wish I
11 had invested in your company. I don't think we had our
12 fund up yet when you were doing your seed fund. Darn on
13 that one. But, you know, to be there for others and
14 really do the work, which I think is so important at the
15 professional level

16 You know, a lot of folks will have to cobble
17 together money from angel investors, individuals. But
18 to actually have professional investors that are there
19 with you that can come in with a check really quickly,
20 you know, can reliably bunch of company as a grows, we
21 think it's so meaningful and, you know, why we're really
22 focused on doing this work as VCs.

23 So lived in New York for the last 25 years,
24 really happy to be here, and looking forward to working
25 with you all.

1 MR. MARISCAL: I'm think we're in the middle
2 of the table, here we go. Can everybody hear me? I
3 think the mic's a little far -- there we go. Hello,
4 everyone. My name is Diego, Diego Mariscal. I am
5 originally from Mexico, so really glad to see a number
6 of people here also from Latin background.

7 But yeah, so I work on leading 2-Gether-
8 International, which is the leading accelerator for
9 founders with disabilities. And the reason why this
10 work is so important is because in the United States one
11 in four people have a disability, have some sort of
12 disability. That is about 25 percent of the U.S.
13 population, the largest minority in the world second to
14 women, obviously.

15 And the reality is that there's no capital
16 focus - there's no data around capital for founders with
17 disabilities. In fact, there was a recent report that
18 looked at under-represented founders across the board.
19 And obviously, women and underrepresented founders from
20 a priority of minority groups were reported to receive
21 three to one percent. While there were 200 institutions
22 surveyed, zero of those - zero percent of those
23 responses said that they invested in founders with
24 disabilities.

25 So it's a critical issue that isn't even being

1 reported or studied. And the fact is as populations are
2 getting older, the prevalency of disability is much
3 higher than it was before. Anyone is going to require a
4 disability if they live long enough. I often joke that
5 we just happen to be the early adopters into the
6 community.

7 So I'm really happy to be here. I think, you
8 know, we made a lot of progress, like I said, becoming
9 the leading accelerator for founders with disabilities.
10 We support over 600 entrepreneurs from all around the
11 world. Collectively, they've raised over \$50 million.

12 You know, as a pretty young accelerator, I'm
13 really proud of that work but there's more to come. And
14 we're actually working around building the first-ever
15 fund for founders with disabilities. So I might be
16 tapping into many of you guys with your expertise on
17 that. But really proud and honored to be here and I
18 can't wait to see what we can do. Thank you.

19 MR. ROSS: Good morning, everyone. It's
20 really a privilege to have a seat at this table. So I
21 come to you just, you know, honored, grateful. I feel
22 blessed. "Blessed" is the word that I think really
23 exemplifies, you know, my feelings.

24 My name is Davyeon Ross. I'm originally from
25 Trinidad Tobago. (Mic interference.) I came to the U.S.

1 in 1996. I was playing for the Trinidad Tobago national
2 basketball team and went to a small college in Kansas.
3 As you can imagine Trinidad, Kansas -- yeah, kind of the
4 same, except for the cold.

5 But, you know, I went to Kansas, played
6 basketball there for four years, had some opportunities
7 to go overseas. But I studied computer science and math
8 and I was very fortunate that Sprint offered to pay for
9 my green card, which gave me the privilege of, you know,
10 staying in the U.S. and work in the U.S.

11 Well, since then I've been, you know, deep in
12 tech, 20-plus years. I was a software developer. I
13 don't write much code anymore. But, you know, I am an
14 entrepreneur and a tech entrepreneur, so I've been able
15 to start a few companies, you know, some successful,
16 some not as successful. And my current company is
17 called DDSports/ShotTracker. If you've seen data being
18 delivered on ESPN for collegiate sports, we have a
19 sensor-based technology that tracks statistics and
20 analytics in real time.

21 So we place a sensor on the player. We have a
22 sensor in pretty much every basketball manufacturer and
23 we capture that location data within two to four-
24 centimeter accuracy. And then we actually have an
25 algorithmic layer that sits on top of it that delivers,

1 you know, insights and statistical data from a broadcast
2 perspective and, you know, the coaches players, et
3 cetera.

4 The pandemic was a - as you know, what
5 happened with the pandemic, especially in sports, was a
6 really, you know, incredibly tough time for start-ups,
7 especially start-ups in sports. But, you know, we're
8 fortunate to have been able to just survive through and
9 came back even stronger with now we -- instead of just
10 doing basketball we also do football. So we have some,
11 you know, deals at a professional level and, you know,
12 just starting to get into the collegiate space.

13 I'd say over the last 10 years I've been doing
14 quite a bit of angel investing and I think that one of
15 the things that I am excited about here is just
16 democratizing access to capital for, you know,
17 entrepreneurs of color. And, you know, I've seen the
18 work that -- and relates to VC dollars.

19 But, you know, the thing that I get more
20 excited about is, you know, founders of color don't
21 necessarily have, you know, the dad or the uncle or
22 someone to go to to really get started. And I think
23 that that's something that I'm pretty passionate about
24 because, you know, what I've seen from our community is
25 that we're innovative, we're smart, we're creative. But

1 sometimes, you know, we're not hang by the same rules
2 that others are playing by.

3 And it's something that I'm passionate about.
4 It's something that, you know, I've tried to solve.
5 And, you know, I will say, you know, we've seen quite a
6 bit of, you know, traction happening on the different
7 coasts.

8 But you know in middle America, you know, they
9 call it the Silicon Prairie now, which is kind of funny.
10 But, you know, in the Midwest, you know, I think it
11 still continues to be, you know, just a challenge. And
12 it's not necessarily - we always say, "Look, if you have
13 a good company you can get funded," you know, for the
14 most part. But what we seen is just people who want to
15 start companies and they're balancing between, you know,
16 having to work because they don't have the resources to
17 start something. And I think it's a pretty significant
18 opportunity.

19 There are several things that are happening in
20 Kansas right now that excite me with, you know, just
21 state dollars, whether it's tax credits or whether it's,
22 you know, grants that are providing opportunities for
23 individuals who traditionally wouldn't have, you know,
24 the funds are the access to start something -- to be
25 able to start something. So that excites me.

1 So I'm hoping that -- you know, we have a
2 really esteemed group here. It's incredible just
3 listening to the bios. Again, I'm really honored and
4 I'm hoping that, you know, together we can really change
5 the world for you know my kids coming up, others' kids
6 and folks of color, you know, minorities, and really
7 democratize access to that capital and hopefully put,
8 you know, the different rules and the different things
9 in place that can make that much, much easier. Because
10 there's a lot of ingenuity and creativity and innovation
11 to be unlocked, you know, within some of these
12 communities.

13 So again, I am very appreciative and I look
14 forward to getting to know each and every one of you
15 and, you know, hopefully, you know, solving some
16 incredible tasks together.

17 MR. SHARIFI: Good morning, everyone. A
18 pleasure to meet every one of you. I'm excited to serve
19 with you for the next four years. My name is Aren
20 Sharifi. I am an attorney at Kutak Rock. The general
21 corporate group. Kutak Rock is a national firm but in
22 the Denver firm -- in Denver, what I focus my practice
23 on is general corporate work as well as M&A, with a
24 little bit of real estate.

25 On the M&A side we help companies, usually

1 smaller midsize companies, acquire and sell. On the buy
2 side we help companies buy capital and, you know, source
3 funding in their new venture. On the general corporate
4 side of my practice we help companies, whether it be
5 start-ups, emerging growth companies, small businesses
6 or existing companies, we help them with all stages of
7 their company.

8 We help in the formation of companies as we
9 also help with anything. We help across-the-board. We
10 review contracts. We help get financing in place. And
11 on the real estate side, we help with acquisitions,
12 dispositions, and commercial leasing.

13 So the reason that this committee was of such
14 interest to me is because I come from of entrepreneurs.
15 My dad is a business owner, a small business owner, and
16 never really had access to capital, you know, it was all
17 self-funded.

18 I think it's -- it's an important task that we
19 allow small businesses and people in the community to be
20 able to access the capital that they need to grow their
21 business and you know, make a meaningful impact. But on
22 the other side, it's also important, I think, to protect
23 the investors and make sure we are raising capital
24 responsibly.

25 So I'm excited to present -- you know, sort of

1 on the committee with everyone. I should say that any
2 views that I express while I'm serving on this committee
3 on my own and not reflect those of Kutak Rock. But that
4 I'm super excited to work with all of you and serve for
5 the next four years. Thank you.

6 MS. SETHI. Good morning. I'm Jasmin Sethi,
7 CEO of Sethi Clarity Advisors. Definitely an honor to
8 be here with this wonderful group. So I am going to
9 begin by saying that my background is as a lawyer and an
10 economist and I'm just going to give the quick story
11 behind that because that's irrelevant why I'm here
12 today.

13 My parents immigrated from India and they were
14 poor. My dad basically had a dollar in his pocket
15 coming over by ship in those days. And they, you know,
16 raised me and my older sister, who's nine years older.
17 My sister and I are both blind. She was obviously
18 diagnosed first since she was the older one, and my
19 father passed when I was five.

20 So my mom was left as a widow without money,
21 without financial acumen, raising two blind daughters.
22 And her solution to getting financial security,
23 education. She decided we needed to be super educated
24 so that we would have the opportunities to do what we
25 wanted to do. And my sister set the bar very high. She

1 went to the University of Pennsylvania for college and
2 then Stanford for --

3 So in a good Asian dragon mother fashion, my
4 mother said nothing less would suffice than going to
5 Harvard so I wasn't really allowed to go anywhere else.
6 And then when I couldn't decide between a JD and a PhD
7 in economics, she decided I should just get both of
8 them. And so, you know, people say I'm a masochist work
9 education but there is a story there as to all that all
10 came about.

11 So because of this past, I have long been very
12 interested in the inequity and I think I would go a
13 little broader than what people have talked about here
14 today. So yes, there's access to funding but I would
15 say more broadly, access to opportunities -- and to
16 build a financially secure wealth in one's family. And
17 that's really driven my whole career.

18 I studied inequality during my PhD. I was
19 very interested in policy. I was here at the Commission
20 from 2011 to 2014. I read and summarized many of those
21 comment letters that Chair Gensler mentioned that he
22 encouraged us to write. I was the staff reading those
23 and summarizing those.

24 And then since then, I've been on the other
25 side. I was a counsel at Black Rock and I was working

1 on policy advocacy there, as well as other -- matters.
2 I did try my hand at a start-up myself a little while.
3 I founded a start-up, Build Up Capital, that was aimed
4 at helping gig workers build retirement savings. And it
5 did not work out for funding reasons so I have
6 experienced the funding gaps firsthand that we're going
7 to talk about today. But I'm very deeply interested in
8 that.

9 And I was basically losing money on the start-
10 up and making money on the consulting so at some point
11 it was a no-brainer. And I thought, you know what? I
12 can help make this happen some other way. I'm still
13 very -- getting our financial system to better serve
14 this underserved communities.

15 And so now in my consulting firm I do a
16 variety of things. I do work with the larger companies
17 that we've all heard of. I have written comment letters
18 to the Commission on behalf of the large companies such
19 as Morningstar, which cares a lot about investor
20 protection issues.

21 And I've also worked with start-ups that are
22 on AI and building, you know, data and machine learning
23 solutions -- clients challenges with this sort of
24 growing body of regulation, as well as working on
25 investor education and helping start-ups navigate this

1 complex world of regulation in business.

2 So my hope here is to really kind of get into
3 some of these issues and how do we make things easier
4 and more or inclusive, you know, across Society in
5 terms of access to capital -- information (mic
6 interference.)

7 MR. SUGINO: I feel so inadequate. You guys
8 are just terrific and so thanks so much for sharing this
9 table with me. I am Dennis Sugino -- no jobs as well.
10 I'll go through that a little bit. I started out my
11 career at this small company called the city of Los
12 Angeles. I spent seven years as a legislative analyst
13 so I know somewhat some of the work that -- side. And
14 coming into this building brought back some memories of
15 experience back home.

16 I spent seven years also as a chief investment
17 officer -- pension firms at the city of L.A.
18 Distinction of my first month as CIO of losing 20
19 percent of the fund. That was October 1987. Some of
20 you would've experienced it. Some of you -- so that was
21 fun as well.

22 I spent 14 years at the city total, then
23 decided to leave for a company called Wilshire
24 Associates -- money manager and consulting firm and more
25 institutional investors. Spent 14 -- the largest

1 revenue producer -- consulting side was there. After
2 that I went to a -- I started a firm called Cliffwater.
3 I was the president there for about -- consulting there
4 -- 4 employees to 45 -- institutional clients.

5 Decided to retire at -- ready to retire. I
6 thought the price point had gotten to where I --
7 maximize my earnings -- on maximizing my earnings -- I
8 wasn't right in thinking I wanted to retire. So eight
9 months later -- friend who started a new -- today has 68
10 -- somewhere around \$60 billion in size. Have nothing
11 to do with the growing -- opportunity.

12 I also learned also what it was like to be a
13 second-tier investor, as opposed to being a lead
14 investor -- decided to strike out on my own. I tried
15 for two years to -- struck out. My first actual thing
16 that I -- consequence or nature that I'd struck out at.
17 I was so disappointed -- process I started a firm called
18 Kansa Advisory -- 2017. It's a niche business within
19 the institutional -- officer -- investors search for --
20 so I have a -- doing that. Thank you very much and it's
21 nice to meet everyone.

22 MS. WASHER: Well, good morning everyone. I
23 guess I'll close it out here at the W end of the
24 alphabet. I am very honored to be returning to this
25 advisory board. I did serve on the previous advisory

1 board but I joined that board late, only about a year,
2 so I guess that my time had not completely expired. I
3 have found this, in the year I was on the previous
4 group, to be very engaging, very professionally
5 rewarding, being able to meet different people from
6 across different spectrums, hearing different ideas.
7 And so I hope that myself and Donnel, who couldn't be
8 here in person today as another returning member, can
9 help you get to that point where you're really engaging
10 with each other because I think that's really drives
11 really good discussions and recommendations.

12 My background is that I have a degree in bio
13 chemistry and an MBA and entrepreneurship. I am in that
14 rarefied world of the life sciences and biotech. And in
15 the biotech industry I would say that it's even more
16 challenging for minorities to get funding.

17 I remember when I was first raising money for
18 the company I just sold, AGTC, I went on that
19 traditional nine months, hundreds of meetings, venture
20 capital tour and I saw two people that looks like me and
21 all of those meetings and all of those rooms large
22 conference rooms with all the partners. So it is very
23 daunting. And I think, Erica, as you said, it's hard
24 for investors to invest in someone that they don't feel
25 a connection to or don't have experience with.

1 And I think that that has gotten tremendously
2 better. Many VCs in the biotech world now, their firms
3 have many more women but they're all in junior positions
4 still. They have not risen to the level of being a
5 partner who makes really final decision-making.

6 So I think that that access to capital, that
7 access to a diverse world view about who people are
8 going to invest in is still very important in biotech.
9 And I'm quite passionate about it because it's really
10 the life sciences, health tech, biotech, you know, even
11 still small molecules. These are things that are going
12 to help people survive their lives, live better lives,
13 live healthier lives, have many more opportunities for
14 them as individuals. And I think we need to continue to
15 innovate in this area.

16 As I mentioned, I did sell AGTC and I am now
17 in - about six months ago. And in that period of time
18 as I've been trying to work out my next thing and which
19 boards I'm going to be on, I've been doing some
20 mentoring. And one thing that I'll just touch on that
21 has happened during this time period is I get called on
22 a lot to mentor women and people of color because I am a
23 minority myself and I had been in the business world and
24 growing companies -- AGTC was the third company that I
25 was associated with.

1 And what I have found is that the community of
2 entrepreneurs who are women and people of color, they
3 are crying out and desperate for mentors. And it's one
4 thing to get assistance from investors or incubators are
5 accelerators, but the connection they feel to having
6 someone who's done it before, that has their experiences
7 to be able to talk to them and just be there for them
8 and give them a little, you know, even a five-minute
9 conversation about something, is really incredible.

10 So I'm really starting to kind of get on the
11 bandwagon to get all the people I know in the space and
12 who care about diversity in investing and access to
13 capital, to just spend that time with people that are
14 trying to do it. And it makes a world of difference to
15 them.

16 So I am incredibly grateful I had this little
17 time-out to figure that out. And even when I get back
18 into my own company again, I will still do this because
19 of the difference I see it making in their lives. And
20 as I said, I'm really happy to be here and to be able to
21 work with this new group.

22 MR. DEAN: Good morning and thank you very
23 much. My name is Greg Dean and I'm with FINRA. We are
24 the regulators of the broker-dealer industry. I am an
25 observer, a nonvoting member of this particular advisory

1 committee. We really appreciate the SEC, the
2 Commission, and the office of the Small Business
3 Advocate for recognizing FINRA and the vital role that
4 we play in the capital formation process. So I'm here
5 as a resource for you and also to offer anything that we
6 may have.

7 As you know, we oversee the broker-dealers
8 that they do sales of small business offerings to
9 investors. We also oversee broker-dealers as part of
10 the IPO process. And we also oversee crowdfunding
11 portals that are registered as broker dealers
12 themselves. So welcome to all the new delegates. I
13 really appreciate working with all of you

14 On a personal note, I started my career at the
15 Small Business Administration in the Office of Advocacy
16 working on policy work and exactly -- the policy for
17 capital formation. And I spent my early career working
18 with the SEC and the Division of Corporation Finance in
19 helping small businesses gain access. So I know where
20 you're coming from and the challenges you're facing.

21 So again, welcome, and I look forward to
22 hearing everything that you have to say and how we can
23 help.

24 MS. ZELMAN DAVIS: Hello. I'm Julie Zelman
25 Davis, and we -- the three of us are with the SEC but

1 usually we try to stay behind the scenes during these
2 meetings. But since it's our first meeting, we'll
3 introduce ourselves as well because obviously, as you
4 already know, we're working with you a lot over email
5 and the phone. So I think it's important that we, you
6 know, at least set the stage and understand kind of what
7 it is that our office is and does here at the SEC.

8 So I was one of the first people in this
9 office. We were founded by a bipartisan bill from
10 Congress and we were established in 2019, so we still
11 think of ourselves as a start-up even, you know, within
12 the agency that has been here since 1934.

13 But yeah, so we're a small team but we work
14 very closely with a lot of the divisions at the SEC,
15 working with them on policy, bringing in feedback that
16 we get from the outreach that we do to make sure that as
17 rules are adopted by the Commission or being considered
18 by the staff, that the input of small businesses that
19 might not otherwise think to write comment letters to
20 the SEC. You know we -- the SEC gets a lot of comment
21 letters and appreciates all of them, but sometimes it's
22 helpful to go out and try to bring in more feedback from
23 folks who may not even know that the SEC is relevant to
24 them.

25 So our office does a lot of that and so we're

1 working externally to bring in the feedback and then
2 internally to make sure that feedback is relayed and,
3 you know, folks are aware of the concerns and things
4 that are working that we're hearing. So that is a
5 little bit about her office and I'll let Courtney
6 explain the rest.

7 MS. HASELEY: Great. Thank you so much. I'm
8 Courtney Haseley. I am so honored to be here with you
9 all and so impressed after hearing everyone's personal
10 experience and passion come across earlier.

11 Quickly, a little bit about me. I'm a
12 corporate securities and governance attorney. I've
13 spent seven of my nearly two decades years of
14 professional experience at the SEC. I love this place.
15 I've also been in private practice where I've worked
16 with companies, public and private, of all sizes.

17 But here in our office, further to what Julie
18 was saying, one of the things that we do to fulfill our
19 mission is a lot of outreach. And what we hear
20 frequently is that folks wish that they knew more sooner
21 about the capital raising process.

22 We also are acutely aware of how complex
23 federal securities laws are and the rules pertaining to
24 capital raising. They're full of jargon. So what we've
25 tried two -- one of the things we prioritized in our

1 office is helping to demystify capital raising and
2 prepare and continually expand upon educational
3 resources that can help, you know, the rules and the
4 language of capital raising be more accessible.

5 So we have a suite of capital resources
6 available on our website. I won't take too much time
7 going into them but I wanted to highlight a few of my
8 favorites and crowd favorites, really. We have a
9 glossary. It's a cutting through the jargon glossary,
10 which is basically a dictionary of geeky securities law
11 terms, right? And it just breaks them down into more
12 plain language

13 And we also have these building blocks.
14 They're one pagers and they take a fundamental
15 securities law concept or a question and try to break it
16 down to again, make it more in plain language and unpack
17 the complexity little bit. So those are some of the
18 favorite resources that we have. Amy?

19 MS. REISCHUER: Thank you. We already heard,
20 I am Amy Reischauer. I first came -- well, I too, have
21 spent a considerable chunk of my professional career at
22 the Commission bouncing around from position to
23 position, but consistently migrating toward small
24 business, whether it's -- policy and the Division of
25 Corporation finance are here in the Advocate's office.

1 When I first joined the advocacy team I came
2 in to spearhead those outreach and engagement efforts
3 that we've been talking about. And we try to approach
4 that outreach with the goal of engaging with those who
5 aren't otherwise likely to interact with the SEC.

6 And that could be simply because they're
7 focusing on their day job. As we all know, running a
8 small business is more than a full-time gig. Or it may
9 be as Julie alluded to earlier; that they don't even
10 realize that the SEC is relevant to the, you know, the
11 sandbox in which they are playing.

12 So we really do try to reach those groups and
13 share, you know, information as soon as we can in their
14 business life cycle so that that they don't reach that
15 point where they're saying like, "Oh gosh, I wish I had
16 known this earlier." So that's kind of our goal.

17 And one of the things I heard today -- Diego
18 mentioned -- we really do try to reach various pockets,
19 like all of the pockets across the small business
20 ecosystem. And one of the things we rely heavily on
21 from the public and from members of this committee and
22 greatly appreciate is feedback. Whether it's you look
23 at our tools and you think, "I could suggest something
24 better." Or you look at our data and you think, you
25 know, "There are sources here that you are not finding."

1 We love that feedback. So selfishly, I look forward to
2 hearing that from all of you around the table today or
3 over the next four years.

4 So one of the things we do, as I was saying,
5 is just trying to make sure we reach all those groups,
6 whether it's through our educational resources, also
7 through our outreach events, and they really run the
8 gamut. Sometimes they're just really coming off of
9 Covid, sometimes they're virtual, and sometimes,
10 increasingly now that's things are opening up, sometimes
11 they're in-person.

12 So just in the last few months alone, we were
13 in New York at the Women of Color Capital conference.
14 Last fall I was in Atlanta at a so ambitious HBCU tour,
15 meeting with young, really inspiring entrepreneurs,
16 early stage. You know, some had a little bit of
17 traction. But just learning as much from those
18 audiences as I could possibly offer them.

19 We also do bite-size virtual events with a
20 number of groups. Courtney and I did an event with a
21 group called Patriot Boot Camp that focuses on veterans
22 and kind of second-career entrepreneurship. We met
23 with, you know, groups -- there are a number of groups
24 that do these sort of monthly coffees on a Wednesday or
25 Friday morning huddle. In fact, the Miami Dade Mayor's

1 Office does a Miami Dade small businesses let's gets
2 together and have a phone call on Fridays and learn a
3 little something. And so we'll jump in and just share
4 what we have to offer and then meet groups like that.

5 Again, with my shameless requests for support
6 from the committee, if there are groups like that that
7 you think would benefit from hearing about what we do
8 and hearing about the Commission, we're always happy to
9 engage with them as well. So that's a little bit about
10 who we are and what we do.

11 I am looking at the time. I know we are still
12 setting up lunch upstairs but I'm going to call a little
13 bit of an audible here. When we were first setting up
14 the agenda we thought, "Oh. Well we'll go around the
15 room and we'll have everybody introduced themselves and
16 then we'll separately go around the room and see if
17 people have observations that they want to share." Well
18 obviously, who we are, where we come from, and what
19 observations we have about the ecosystem are so
20 intertwined and we've learned so much from this go
21 around already.

22 But I do want to save some time for folks to -
23 if you had an observation that you didn't get to share
24 or you had something that you wanted to react to
25 somebody else's commentary, I want to provide that

1 information - that opportunity. But I think we'll do it
2 after the break so you can maybe give us some thought
3 while we're - while you're in the executive session for
4 a while we're having lunch. But I will sort of start
5 off with just example of - little nugget that might be
6 useful.

7 So one of the additional resources that a
8 couple folks have mentioned today that our office
9 produces is our annual report, and that's the shiny
10 printed copy that you all have at the table here. Anyone
11 who's online or anyone who's joining us on the webcast
12 can find our annual report on the office webpage. That's
13 at SEC.gov/oasb. If you scroll down you'll see a full
14 picture of it and click and find it.

15 But what this represents is what we hope is a
16 fairly comprehensive snapshot on what's been happening
17 over the past year in the small business ecosystem. We
18 monitor that data throughout the year, data and studies,
19 on really what's happening and what we can -- what we
20 can tell about the story in our annual report.

21 And to give you an example of some of the
22 nuggets that you might find in here if you haven't
23 already explored, if you - I have my notes but if you
24 want to turn to page 13 in the book, you'll find a
25 bubble chart, bubbles and blobs. And this is our

1 attempt to provide kind of a digestible snapshot of how
2 businesses raised capital from investors in 2022. And
3 you'll see both registered offerings and exempt
4 offerings there.

5 You can see, obviously, that far more capital
6 was raised in the Reg D and other exempt offerings than
7 say, some of the other pathways, including registered
8 offerings. So it's the large dark blue blobs on the one
9 side versus -- I think they're a like lighter teal --
10 registered offerings on the other side. So that's sort
11 of almost like a table of contents. That's kind of the
12 big picture of what's happening across the marketplace.

13 As we go through the annual report, you'll see
14 we break that down by lifecycle of company, so early
15 stage, later stage, smaller public companies. We also
16 break it down by the various demographics on which we
17 focus. So you'll find data on minorities, women, rural
18 communities, and businesses affected by natural
19 disaster. So again, feel free to browse, turn to it
20 later if it's a full data source for you. And as always
21 and as I said before, if you have suggestions or sources
22 or comments or feedback on the report, we're always
23 happy to take that.

24 We are in the process of working on our next
25 annual report so we're very early in pulling data. Some

1 of it we're still waiting on because our reporting tends
2 to go June to June so we're still waiting on some early
3 first half of 2023 data. So we don't really have
4 anything definitive to report on the current situation.
5 But obviously, we see what everyone's seeing. We see
6 interest rates, we see -- so some of the early reports
7 that we're saying suggest that after a couple of kind of
8 banner years in '21 and 22. We're seeing some -- but
9 not surprising -- a little restriction and that's
10 whether we're looking at kind of VC deal counts, values,
11 things like that.

12 We see those numbers shrinking a bit. It's
13 probably too soon to tell whether we think that's just
14 kind of a blip back to the 2019-2020 phase or if it's a
15 different kind of trend. We're just curious to see how
16 that plays out.

17 But a little nugget that we've seen that I
18 thought might be helpful for the group. If folks want
19 to maybe think about if they had anything else that they
20 want to share after the lunch break -- I don't want us
21 to get too hungry -- we'll take some time in the early
22 afternoon to return to that.

23 So with that, we will break for the
24 administrative executive session. For those watching on
25 SEC.gov the committee will return at about 1 p.m. Thank

1 you for tuning in and we look forward to having you back
2 in the afternoon session. And thanks to everyone here.

3 (Whereupon, at 11:30 a.m., a lunch recess was
4 taken.)

5 A F T E R N O O N S E S S I O N

6 MS. REISCHUER: Well, welcome back. Welcome
7 back to those of you joining us online. During the
8 executive session the committee successfully elected for
9 new officers. It is my pleasure to introduce the new
10 chair is Erica Duignan. Our new vice chair, or the
11 committee's new vice chair -- excuse me -- is Sue
12 Washer. The secretary will be Jasmin Sethi. And the
13 assistant secretary will be Davyeon Ross. So thank you
14 to all of you for agreeing to serve in those roles and
15 we look forward to where are you all take the committee.

16 As promised, while I'm happy to turn the mic
17 over immediately I will help out and continue to
18 facilitate today's meeting and then going forward, I'll
19 just get out of your way. So thank you.

20 Before we launch into the afternoon agenda,
21 I'm pleased to welcome Commissioner Peirce to provide
22 some remarks to the committee. Commissioner Peirce, I
23 know you weren't able to join us this morning but we
24 really appreciate you're making time to join us this
25 afternoon. So the floor and the mike are yours.

1 COMMISSIONER PEIRCE: Thank you, Amy, and
2 congratulations to all of the new officers. You're
3 checking on a lot of work so I hope you don't have
4 second thoughts or cold feet. But I appreciate everyone
5 attending today and this really is a remarkable day, not
6 only because we're largely in person, but also because
7 we are welcoming 14 new members. And I think this will
8 be a wonderful opportunity to restart a committee that
9 already has worked very well and I look forward to
10 working with all of you.

11 And I do want to thank the members who stepped
12 off recently and who worked so hard and supporting us at
13 the Commission and helping us to think about small
14 businesses, which sometimes we have a tendency not to
15 think about. So you all have a big job to keep
16 reminding us. Keep reminding us of the importance of
17 small business. Keep reminding us of how they matter
18 all across the country.

19 I've already been able to work, to at least
20 see a little bit of what some of you are doing and I
21 have appreciated what I've heard already from some of
22 you. So I have high hopes for what I'll hear from the
23 rest of you.

24 One of the things I've been trying to do is,
25 especially post-Covid, is to go out across the country

1 and talk to people in the small business -- I'm not a
2 big fan of the term "ecosystem," but I think it works
3 here in terms of talking about investors, talking about
4 founders of companies, and people who are supporting
5 them -- lawyers, other professionals supporting them.

6 And it's been really nice for me to meet with
7 people all over the country because I'm someone who
8 comes from the Midwest. I think it's really important
9 that we not just have capital centers on the coasts but
10 that they're being vibrant communities raising and
11 using, deploying capital all across the country.

12 So for example, Laura hosted me at Humacyte,
13 where I was able to see and actually touch the materials
14 that her company is creating. Don't worry, I didn't
15 touch ones that are actually going to be put into
16 someone's body.

17 And I was able to meet Herb as well on another
18 trip to South Carolina, where I'm at with people in the
19 South Carolina small business community. And also met
20 Marsha. We had the opportunity to speak in person and
21 also on her aptly-named podcast The Angel Next Door. We
22 talked about the joys of early stage investing.

23 And one of the things that I really learned in
24 all of these meetings is that there are lots of
25 failures, yes, the successes are not maybe as frequent

1 as we all would help. But the failures often form the
2 basis for future success and failure is not the same
3 thing as fraud.

4 And so I think we need to really bear in mind
5 the fact that we can't just write off the space because
6 it's one that's hard to work on or doesn't always
7 produce immediate overnight success and it requires a
8 lot of blood, sweat, and tears. That's part of the joy
9 of it too. And I really have felt that in talking with
10 people all across the country. I think I'll hear that
11 from some of you.

12 I just wanted to go quickly around and
13 mentioned something about each of the new members
14 because I think it does give you an idea just how rich
15 the experience is on this committee and why it's so
16 important.

17 Wemimo, we just met. An immigrant who founded
18 a real leading fintech platform, whose goal is to help
19 investors -- to help renters build credit and eliminate
20 a barrier to financial stability for millions of
21 Americans, namely a credit score can be so important and
22 building peoples' lives.

23 Stacy Bowers, professor at the University of
24 University Sturm College of Law, and also someone who
25 not only has academic experience, but practical

1 experience in working with businesses.

2 George Cook leverages the power of local
3 communities and loyal customers. His company,
4 Honeycomb, provides the opportunity for neighbors to
5 invest in their neighbors' businesses.

6 Vincent Cordero, co-CEO of a multimedia
7 company, and also an entrepreneur and seasoned media
8 veteran, and also a mentor of other companies. I love
9 seeing how people who have themselves made it as
10 entrepreneurs love to pour into other entrepreneurs.
11 And I think we see that in our members today.

12 Bart Dillashaw, a Longhorn, who's a dedicated
13 mentor in cornhusker country and a passionate advocate
14 for entrepreneurs throughout the Midwest, which is where
15 my heart is.

16 And Erica Duignan champions access to capital
17 and making sure that everyone can participate in our
18 capital markets. And you'll be very busy so we
19 appreciate that.

20 Diego Marsical. In addition to championing
21 the construction of a accessible training center for
22 swimmers in his hometown of Monterey Mexico, has
23 continued to advocate for people to be included and to
24 be able to contribute their talents to the economy,
25 regardless of disabilities. And I think that is so

1 important. There's so much talent out there to be
2 captured and it's wonderful to see people trying to help
3 others be able to contribute to the talents to the
4 economy.

5 Davyeon Ross, another Midwesterner, has
6 revolutionized sports analytics but also has been very
7 involved and entrepreneurship.

8 Jasmin Sethi, a lawyer, professor, economist,
9 entrepreneur, Commission veteran, and founder. That's a
10 lot of academic and practical experience.

11 Aren Sharifi, another alumnus of the Sturm
12 College of Law, experienced corporate attorney and
13 someone who's navigated businesses through complex
14 transactions. I think that legal knowledge in this area
15 is so important because it can be quite a minefield.

16 Dennis Sugino, the founder of Kansa Advisory,
17 with decades of experience and also someone who's worked
18 to create greater awareness of the contributions of
19 Japanese Americans.

20 So I just wanted to give everyone a little
21 shout out. All of you will help the Commission fulfill
22 its mission as we write our rules. We need to have
23 insight and experiences and you will help us to share
24 those, your insights and experiences, with us. We'll
25 keep that in the back of our minds as we write our

1 rules.

2 And I hope that we'll use those experiences
3 and insights to make our roles appropriately scaled,
4 appropriately tailored, and balancing our objectives as
5 the Commission, one of which is to promote capital
6 formation, a key objective, and I know you all will help
7 us to do that better so thank you all very much.

8 MS. REISCHUER: Thank you for those very
9 thoughtful remarks. Eventually I will learn the
10 microphones.

11 COMMISSIONER PEIRCE: And I will make just one
12 more comment. I often will not stay on the day to watch
13 the whole thing but I love your committee meetings as
14 I'm baking over the weekends, making bread and cookies.
15 You all keep me company so please really be assured that
16 your conversations -- I love being a fly on the wall in
17 our conversations. So thank you.

18 MS. REISCHUER: Thank you. So before we move
19 on to the agenda, I believe that Bailey and maybe others
20 have been able to join us online, that weren't able to
21 join us earlier in the morning. I wanted to give her or
22 them an opportunity to introduce themselves as well. So
23 Bailey, are you on?

24 MS. DERVRIES: I am. Thank you so much. And
25 I am so disappointed that I'm not there with you in

1 person today apologies. I had a commitment out in
2 Massachusetts. But I just wanted to say how excited I
3 am to meet everybody, how wonderful I think this
4 committee is, and this caucus is just an incredible team
5 and the work you're doing is so important.

6 I service the associate administrator at the
7 U.S. Small Business Administration for the Office of
8 Investment and Innovation, which is responsible for a
9 \$40 billion program where the federal government
10 provides funding to private equity, venture, private
11 credit funds, who deliver capital to small businesses
12 exclusively in the U.S., as well as Federal innovation
13 programs of small business innovation, research, and
14 tech transfer programs.

15 But I'm also serving as the acting associate
16 administrator for the Office of Capital Assets at the
17 administration, where we provide \$140 billion in loan
18 guarantees through depository/non-depository
19 institutions that provide working capital loans and real
20 estate and property and equipment loans.

21 I come to this role after 19 years in the
22 industry and both public and private market investing
23 and capital formation. I think that this is an amazing
24 committee and the work is just so important. And I look
25 forward to meeting everybody and working with you.

ROUNDTABLE DISCUSSION

MS. REISCHUER: Thank you, Bailey. Is there anyone else who has joined online? Okay, great. Well with that, we can start shifting back to some of the content for the afternoon. And that was to discuss remedying the funding apps for underrepresented founders and start-ups.

To set the stage a little bit I thought it might be helpful to the committee and for those joining us online to call up some of the data from the annual report. Earlier this morning I mentioned that we kind of gave you the overview snapshot with the blue and teal bubbles showing with a whole market place looked like.

But I thought it might be helpful to see some of the data that demonstrates the funding gaps that exist among those women and minority founders and also shed some light on some of the reasons those gaps persist. I'm interested in hearing what others have to say as well.

But starting out with minority founders, if you want to follow along at home in the annual report, on page 58 there are a number of infographics there that might be worth highlighting. Essentially, the number of minority entrepreneurs that were seeking angel capital increased in 2021, but those founders remain

1 underfunded.

2 So minority founders were closing fewer deals.
3 Specifically, African American and black entrepreneurs
4 made up about 5 percent of pre-seed, seed, and Series A
5 by deal count. Hispanic and Latino entrepreneurs made
6 up 11 percent. Native American/Hawaiian Pacific
7 Islander entrepreneurs made up 2 percent, as examples,
8 compared to white entrepreneurs who made up 35 percent.
9 So you can see a definite skew.

10 They're also -- minority founders are also
11 raising less on average per deal. So we talked about
12 deal count, but in terms of dollars raised, African-
13 American black firms reserved about 1.2 percent of the
14 overall share of seed and early stage funding in 2021.
15 Hispanic Latino, that percentage was 1.9 percent.
16 Native American/Hawaiian Pacific Islander was .7. All
17 of that compared to white firms received 46.6 percent.
18 So again, a considerable difference there.

19 Oh I'm sorry. The ones I had flagged were
20 African-American black, Hispanic, -- or the other -- I'm
21 sorry. I have to remember the footnote on that one.
22 It's - I'm going to ask Julie to look up the footnote
23 while I --

24 MS. ZELMAN DAVIS: In the footnote -- and it's
25 a -- Entrepreneurial Center stat, but I'd have to go

1 into the report to see. Sometimes we say what "Other"
2 is but from that particular one, we did not include it
3 in that.

4 MS. REISCHUER: And I was trying to remember
5 even from crafting the footnotes because I know we had a
6 discussion about it, but I don't remember. But we can -
7 - we have folks listening who might be able to answer
8 that question before the end of the day. Thank you.

9 And as Dennis aptly pointed out, there's
10 obviously more of a full breakdown in the report, but we
11 wanted to just sort of flag how different the numbers
12 are that we are talking about here. So that's sort of a
13 picture of the state of what is.

14 Some of the potential reasons for that that
15 we've seen, we see that minority entrepreneurs are less
16 likely -- and some of this is on page 55 if you're
17 following along. We see that minority entrepreneurs are
18 less likely to have access to credit, less likely than
19 white entrepreneurs to receive all of the financing that
20 they're seeking.

21 Another place we look at are the capital
22 allocators. Who's making the decisions? Who's writing
23 the checks? Because that's the space where we start to
24 see things like unconscious bias and pattern matching
25 and investing -- folks investing in people who either

1 look like them or look like people they think look like
2 a potentially successful entrepreneur. And so all of
3 that bakes in. We start to look at who the capital
4 allocators are and where those capital allocators are
5 sending their funds.

6 So if you look at page 60 in the annual
7 report, you'll see that minorities remain vastly under
8 represented among asset managers but they're more likely
9 to invest or to fund minority founders. So 1.4 percent
10 of the total assets under management are in minority-
11 owned funds and those are 3 to 4 times more likely than
12 a non-minority fund to fund minority entrepreneurs.

13 We're seeing growth in some groups. We've
14 seen some growth in African-American and black capital
15 allocators, but clearly we need to see more. 27 percent
16 of African-American or black VC partners launched funds
17 within the last two years, barely keeping pace with the
18 overall growth. African-American and black-led first-
19 time funds were nearly half the size of first-time funds
20 raised by essentially everyone else.

21 Funding challenges aren't limited to race. We
22 see them with women founders as well. That data you'll
23 find looking on page 45 and the report. You'll see data
24 on how women businesses are faring. About 43.2 percent
25 of small businesses are women-owned, representing 13 1/2

1 million businesses. 14 percent the founders that
2 created businesses and received VC funding in 2021 or
3 women. 28 out of 10,000 women became new entrepreneurs,
4 compared to 45 out of 10,000 men.

5 So looking at capital-raising trends for
6 women-owned business, as we've mentioned earlier VC deal
7 values and counts were trending up in '21 and '22. I'm
8 not sure what's happening in '23 yet but they were
9 certainly up in the last couple of years. Women-only
10 founders continue to receive a very small share of that
11 overall funding though.

12 So if you flip ahead to page 57, you'll see
13 data showing that despite more investor meetings for all
14 women-led teams, all men and mixed teams continued to
15 receive more funding. All-women teams with minority
16 members had 57 percent more meetings with VC investors
17 in '21 than in 2020, so increasing, but raised less
18 money than any other demographic. So in the first half
19 of 2022, VC deals with women-only founders received
20 about 2 percent of overall capital, so a very small
21 slice of the pie.

22 So similar to the narrative earlier on
23 minority founders, we look again to kind of understand
24 those funding apps and we look at, again, the decision
25 makers and check writers. So the last page I'll

1 reference is on page 53 of the report. You'll see that
2 women remain underrepresented in leadership roles among
3 VC-backed companies. And they remain under represented
4 among VC check writers, with only 40 percent of VC firms
5 having a woman check writer.

6 Meanwhile, women VCs -- this is going to be
7 another familiar theme -- are three times more likely to
8 invest in start-ups with women CEOs and they often
9 yielded superior results.

10 So we are keen to have the committee continue
11 to explore these challenges and potential remedies. You
12 know, here's some of the data. I know there's a lot more
13 to explore there. So I invite the committee to take
14 over and open the floor for discussion. And I'm looking
15 forward to hearing what do you have to say.

16 MR. MARISCAL: I have a question.

17 MS. REISCHUER: Yes.

18 MR. MARISCAL: So when you look at minority
19 groups, I am assuming disability was not -- yeah.

20 MS. REISCHUER: the data sources that we have
21 currently don't have it broken out as a separate
22 category.

23 MR. MARISCAL: Okay.

24 MS. REISCHUER: To your point earlier, I know
25 it's -- and we have tried to find that data.

1 MR. MARISCAL: Right.

2 MS. REISCHUER: So again, I welcome direction.
3 If you know of groups that are doing the studies and
4 have that data I welcome it, we welcome it.

5 MR. MARISCAL: Yeah. We've done some work
6 with a Small Business Administration, so thinking about
7 the challenge around -- I mean, this is for all
8 committee members. The challenge around disability --
9 and I'm sure you're all agree with me just seeing it --
10 is around the stigma, because a lot of disabilities may
11 be invisible or hidden disabilities.

12 So a lot of the times they can be
13 underreported. And so there is some -- and I can -- you
14 know, we can figure out as a committee or I can be
15 helpful in providing some suggestions on language and
16 sort of, you know, the narrative around disabilities so
17 that we can reduce some of the stigma. Because the
18 challenge is that disability is often underreported
19 because of the stigma attached.

20 MS. REISCHUER: And I'm sorry. I was flipping
21 -- while listening to you I flipping. I know that we
22 have come across some data and I couldn't remember if we
23 had included it in a prior annual report or if we've
24 just done it in one-off presentations where we have
25 we've been focusing on different groups.

1 But again, it's been very piecemeal so we'd be
2 very interested -- and this is really with all groups --
3 seeing a consistent study of data year after year
4 because that's where we can see trends. That's where we
5 can possibly explain gaps and potentially suggest
6 solutions.

7 MR. MARISCAL: Great.

8 MS. DUIGNAN: I have some comments on this,
9 just some thoughts. Whoops, just press it once. I
10 don't have to keep holding it. I will also get used to
11 how the microphones work.

12 So, you know, you pointed out some really
13 important statistics that I think it was 1.4 percent of
14 VC firms are black-owned and 1.2 percent of VC dollars
15 went to black founders. And so, you know, I think it's
16 so interesting that the numbers actually tracked so well
17 and I actually also did a Ted Talk in the -- were you at
18 Boston or somewhere else?

19 MS. DAWOOD: Charlotte.

20 MS. DUIGNAN: Oh, Charlotte, okay. I was at
21 Boston -- on how inclusion venture-capital can actually
22 help address some of our environmental and economic
23 instability in the country. And the main sort of thesis
24 that, you know, I discussed in that talk is that we need
25 to see -- you know, in order to actually move this, we

1 have to move the needle at the checkwriter stage, right?
2 I think that the data supports that.

3 And a lot of folks may not necessarily
4 appreciate is how we get our funding, right? And so
5 where I think the system can really be broken sometimes
6 in terms of who evaluates risk and sort of who gets
7 benefit is that the LPs that invest in these VC firms
8 are not particularly incentivized to take more risk than
9 they need to.

10 So what they like to do is, you know, give
11 their money to large VC firms that, you know, are
12 already managing billions of dollars, that are already
13 kind of, you know, have been around for a few decades,
14 and are really not doing things differently. And
15 there's no incentive at the LP level really to actually
16 change that. But in order for that LP money to ever
17 flow down to a minority founder, it kind of needs to go
18 through this pathway where, you know, the way that the
19 risk is evaluated is a bit broken.

20 There's really no reason for an LP to
21 particularly desire to take a chance even, you know, on
22 investing in a first-time seed-stage fund and that's
23 really where this change needs to happen.

24 So, you know, one of the issues is how do we
25 sort of monitor and, you know, maybe even have these LPs

1 take more seriously objectives and goals around perhaps
2 moving allocation in a way that more reflects the
3 diversity of our country and the diversity of
4 opportunities -- could be done with some governmental
5 influence.

6 But, you know, as I think about ways to do it,
7 I also note that the vast majority of these LPs are not
8 taxable institutions so they might not be motivated in
9 the same way that other investors might be.

10 But the vast majority of how we're going to
11 actually be able to influence this is sort of at that
12 massive LP endowment, pension fund, retirement fund
13 level, having some sort of incentive that would maybe
14 not normally be there for them to fund smaller funds,
15 you know, not just spin outs of excel and Sequoia and
16 other big firms. Because when we think about the new
17 firms that are getting funded, it's generally somebody
18 who's just spinning out of one of these firms.

19 The other thing too is because venture-capital
20 at the early stage -- which is really sort of enabling
21 the later stage founders of color to even exist -- tends
22 to be really a business that doesn't have a lot of
23 layers of employees, right? It's like the owners that
24 are you know, sort of a check-writers and then maybe
25 some support.

1 So also kind of considering that as we look
2 at, you know, the number of people that are in the
3 industry versus, you know, who really actually kind of
4 has ownership and can, you know, sort of make that
5 decision to direct mark capital, whether it's to women
6 or black founders or Latino founders or, you know, other
7 underrepresented segments.

8 MS. WASHER: I would just add to that. Erica,
9 I agree with everything you just said. I think that
10 there's a whole slice of data that could be helpful to
11 drive that. And that is, I know at least in the women-
12 owned area and the women management team area there's
13 considerable data and evidence that says that women-
14 owned, women-led, women-managed companies actually do
15 better financially, actual financial metrics.

16 And so if we can drive to LPs that you can put
17 your money in women-led, women-owned businesses because
18 it's financially going to be in your best interest. And
19 I haven't seen yet -- and I'm wondering if there's a way
20 for us to get at -- can we get those same kind of
21 metrics for minority-owned businesses and be able to put
22 out there, this isn't just to feel good and to expand
23 the marketplace. This is good for you financially.

24 MS. DUIGNAN: Well, that's such a great point,
25 Sue, and I love that you say that. And what I was just

1 saying from, you know, my experience in the LP market
2 and talking to LPs, is that even though that data is
3 kind of out there for women-led businesses, it doesn't
4 really compel their investment decision as much as you
5 think it would.

6 And number two, there is similar data -- not
7 specifically on, you know, all minority teams -- but
8 that teams with diversity actually due to perform teams
9 that like diversity. So there is a bit of support
10 there.

11 MS. SETHI: So on that point, one thing I'd
12 like to see is the broader availability of data across
13 groups. So I've kind of worked with some entrepreneurs
14 on this but I think it's going to take a bigger effort
15 to get something off the ground. And I don't know that
16 this is something, you know, that the SEC could do as
17 such but this is a great forum to talk about it.

18 There are so many start-ups with different
19 types of founders, different types of needs. And on the
20 flipside, there's so many different types of investors,
21 angels, seed funds and so forth. There's all these
22 different, you know, separate databases, right? ACA.
23 We've talked about different angel groups -- there's
24 nothing standardized, there's nothing centralized.

25 And what would be amazing is kind of, you

1 know, a national -- and I'm not saying this means it has
2 to be government run. It might not make sense to have a
3 government run. But just a centralized, standardized
4 database where, you know, every start-up could be
5 entered, every kind of seed. You know investors up to a
6 certain size. Let's say maybe not all investors but
7 ones that could be funding for businesses up to a
8 certain revenue. And you have just standardized
9 profiles.

10 And then you could use data to match, right?
11 You could actually use the artificial intelligence, use
12 algorithmic matching and say, "Okay, I'm looking for
13 women founders." "I'm looking for minority founders who
14 fit these financial metrics." And you know, there's
15 very many benefits to this.

16 One is that you do increase diversity of
17 people being funded. You level the playing field for
18 information, which right now is so driven by peoples'
19 personal networks. But also you counter biases as so
20 much of funding for start-ups is based on storytelling,
21 right? Who are the good storytellers? Who are the good
22 pitchers.

23 And, you know, in a lot of cases that's let us
24 to founders that look very much the same and sometimes
25 who have told great stories that have turned out to be

1 disasters and highly illegal, as we've seen in recent
2 cases. And, you know, something different. Maybe
3 harnessing the power of AI to counter human bias and
4 say, "Well, okay what if we don't start with the story?
5 What if we actually just start with the data and just
6 look at who passes these metrics. Take out all the
7 demographics and let's just see where that gets us and
8 go from there." I'd be really interested to see an
9 experiment like that and see what kind of funding that
10 leads to and what kind of returns that leads to.

11 MS. DAWOOD: To that point, there's a group in
12 Cincinnati that has created a tool that they put all of
13 their companies through when they apply and all of the
14 decision-making is done through the machine learning.
15 And they found that they invested in companies where
16 their portfolio now is 63 percent women and minorities
17 because all the biases take it out of it. And it took
18 them like four years to get all of the algorithms to
19 work, I guess, and for it to like learn what they really
20 wanted. But it's really interesting what they're doing.

21 MR. ROSS: One of the things that I think is
22 really interesting and, you know, I hope we can
23 consider, is the true definition of an LP. And the
24 reason I bring that up is because I think that if we can
25 find a way to expand that true definition of an LP, and

1 if we can actually - I mean, there's one way to acquire
2 wealth, right? There's being a founder, a bit of
3 behavior of a successful company. Another way of
4 finding wealth is to be an investor or an angel
5 investor.

6 But I think historically what has happened is
7 that maybe it's the minimums or the levels have made it
8 not feasible to, you know, people of color who have the
9 ability to maybe invest or maybe they don't have the
10 relationships that are necessary. So maybe they're able
11 to do angel investment but they can't get in a certain
12 fund that gets access to the deals.

13 So I'm curious if there's a way for us to look
14 at like that definition of an LP and how do we not only
15 -- I know that getting the capital to the fund - to the
16 founders is very important but I think that there's
17 another side of it. Because historically what I've
18 seen, you know, as an angel investor is I've been able
19 to, you know -- I am investing in a couple firms, you
20 know, and I've been able to facilitate introductions to
21 founders of color only because I had a small seat at the
22 table with some of these funds.

23 And I saw it another time where I was pulled
24 into a deal on the Harvard campus where they're building
25 -- and this was more real estate. They're building a

1 whole new entrepreneurial center and a hotel. And
2 Harvard said to Tishman Speyer, who is the large builder
3 -- Harvard said to them, "You know what? I know that
4 you own in the deal, but 30 percent of this money has to
5 come from folks of color." And that was as a result of
6 what happened with George Floyd. And I probably would
7 not have gotten access to be part of that deal if it
8 wasn't for them saying, Tishman Speyer, I don't care
9 what you do but you have to go get 30 percent of the
10 money from, you know, individuals of color."

11 So I do think that there's, you know -- and
12 this is by no means mutually exclusive. I do think that
13 there's a path that we should be exploring in regards to
14 how do we make it available and accessible, you know, to
15 individuals to not only get access to capital for their
16 projects and their start-ups, but also how do we, you
17 know, bring more, you know, investors of color to the
18 table. Because that's just another alternative path to
19 get access to the right founders and to make sure those
20 founders potentially get connected to capital.

21 MR. CORDERO: I would like to go back to
22 Erica's point about incentive because it's -- you know
23 it's -- coming from media and now being in venture, it's
24 very similar from the standpoint that it's about being a
25 network, right? Having access, being aware of, and kind

1 of being in that work.

2 Generally speaking, people tend to - inertia.
3 People tend to do what they've been doing with the
4 people they've doing it with and they continue to do it
5 in the same way. And I found that very much the case
6 when many of these same conversations about diversity
7 come up in media, whether it's people in the executive
8 rings, people on both sides of the camera, the types of
9 stories being told. Same - it's almost like you can cut
10 and paste with the venture marketplace.

11 And so it's really about kind of how do we,
12 you know, truth be told, break open a door that would
13 otherwise not even be opened. And it's not - it doesn't
14 have to be because of bias in a strong way or prejudice.
15 It could just be because I've kind of inertia. And, you
16 know, so if there's -- you know, to the point of
17 incentive, kind of incentive puts it -- align peoples'
18 interest so that they, you know, want to open a door.
19 So that they want to invite new people into the
20 ecosystem, to the deal flow.

21 So one thing I would ask is if we could -- you
22 know, we're kind of talking around things. If we could
23 -- is there a way for us as a committee or for you to
24 look at, what are the types of options, as a committee,
25 that we could recommend such that there could be

1 incentives in place? Either from the standpoint of when
2 these various investment vehicles, platforms, companies,
3 are organizing themselves or are putting out their
4 investments or from a reporting standpoint, whatever it
5 is. Understanding that there's some that there's some
6 that are registered and unregistered, et cetera, et
7 cetera. But within each of those, there's requirements.
8 That there's a requirement around doing, you know,
9 meeting a certain threshold. You talk about Harvard
10 meeting a certain threshold.

11 Separately, is there an opportunity from a tax
12 incentive standpoint? We see this in many cases with
13 opportunity zones, et cetera. From a tax incentive
14 standpoint that if you do A, B or C, that there's a
15 benefit from a tax standpoint.

16 So that would be something I would ask is -
17 you know, if I can officially ask it -- if you could see
18 like -- you know, when we get together in September,
19 maybe to put on the table, "Hey guys. If you really
20 want to make an impact and you really want to talk about
21 incentivization, these are the kind of things as a
22 committee that we can look at doing."

23 And it doesn't have to be just within the SEC
24 parameters but as a committee within the SEC. Advisory
25 committee making recommendations either to the SEC or to

1 other agencies with the SEC's name. You know, we stand
2 behind this in order to promote a more robust, a more
3 open, a more dynamic, a more successful small business
4 and venture community. These are the types of policies
5 that are important because we want to open some doors
6 out otherwise not be opened. So that's number one.

7 Number two is -- again I had referenced it
8 when I first spoke -- was about, you know, for me very
9 much for being a champion of the venture marketplace and
10 founders in general and wanting to align with that, but
11 in particular with Latino founders.

12 So if I look at page 58 that you referenced,
13 Amy, you talk about 1.9 percent going to Hispanic and
14 Latino -- or, you know -- founders, in terms of early-
15 stage funding in 2021. One thing I would ask if we can
16 add to this, which is not -- you know it's not a heavy
17 lift. It's an easy lift. You could just go to Census -
18 - is to really understand what that gap is. And
19 Chairman Gensler referred to a funding gap. What is a
20 gap? I think we need to have a context of within what -
21 - what's the context, demographics context of this?

22 So I would tell you, Census will tell you, 25
23 percent of all Millennials and Gen Zers in the United
24 States today are Latino. So when I look at that 1.9
25 percent it's not 1.9 percent in a vacuum. Oh yeah we

1 know diversity's important. We know you know, Latinos
2 are an important community. Well, how important are we?
3 Well, we're 25 percent of Millennials and then Gen Zers.
4 That's how important we are today. 50 percent of the
5 population growth in the United States in the last 10
6 and 20 years has been Latino. That's how far we are.

7 So for me I would ask that as we move forward
8 and we talk about these different breaks, if we have
9 some context from a demographics standpoint so we can
10 understand, what does 1.9 percent actually mean versus
11 what -- then I would kind of cross reference that with -
12 - you know, when I looked at your pages on the maps,
13 when you talk about most of the investment -- which I
14 have learned both as an investor as well as, you know,
15 kind of leaning in in some of the companies that I've
16 invested in or partnered with -- is that a lot of that
17 deal flow is regional, right?

18 It's not just within network within a given
19 geographic area. And you look at the epicenters of
20 early-stage total investment, you know, and clearly it's
21 California, New York, Massachusetts. You know, then you
22 got a little bit of Texas and Florida. Well again if
23 you look at it that way, you know, California is 40
24 percent Latino. L.A.'s 50 percent Latino. Texas is 40
25 percent Latino. You know, I mean, I could just --

1 And so I would be interested in kind of --
2 again, because what it does is it really forces that
3 conversation, which is let's really look at -- if we're
4 starting to look at this and seriously looking at this,
5 then what's the context? Well, the context is whether
6 you look at a national standpoint when you look at that
7 1.9 percent, or you look at it from a geographic
8 standpoint by state or city. Pick the, you know, top 5,
9 top 10, you know, early-stage, multi-stage investment
10 marketplaces -- Latino -- from my standpoint.

11 So one of particular area of concern and
12 interest for me and I believe should be for the
13 committee, given the fact that Latinos are such an
14 important or this country and will be, even more so
15 moving forward. That would be something -- that that
16 kind of context, added context be added.

17 And then the last thing, again I'll go back to
18 Erica. She mentioned emerging managers. It's
19 absolutely the case that again, because it goes to the
20 deal flow and network, right, that people of color,
21 founders of -- you know, investors of color are more
22 open to looking to in network, you know, aware of. In
23 some cases it's just knowledge of right? I mean, I know
24 people. I know this group. I know that person because
25 so much of this to its risk management.

1 It's -- you know, you're kind of betting on
2 people that, you know, that you're comfortable with
3 because maybe they delivered for you in the past or
4 you've done it with him in the past. So I would say at
5 the same time that we look at -- you know, I think we
6 equally have to prioritize to the extent that we can
7 look at incentives, whether that's on a requirement
8 basis, or that's on an tax benefit basis for people and
9 I would say the macro level funds.

10 And while I appreciate the crowdfunding, you
11 know, that one slide that you said kind of outlays the
12 whole -- you know, that kind of -- it's not a pie chart
13 but it's like a -- it's a color chart. You know, really
14 tackle where are the big dollars are. How do we --
15 appreciate crowdfunding but the big dollars, you know,
16 we've got to break those big dollars. We've got to open
17 those doors to those big dollars to flow.

18 And we talk about incentives both into
19 companies again within the context and founders of
20 color, but also in terms of emerging fund managers as
21 well. Because I -- you know, one, I've gotten to know a
22 couple people here but I -- you know, I have met several
23 people in the past several years that I've been doing
24 this and these are such exceptional people. Many of
25 them coming from, you know, very pedigree backgrounds

1 and baking as many fund managers do. But they're not on
2 their third or fourth fund.

3 And even with everything that's going on the
4 last two or three years in the country and people
5 focusing on this, you'll still find many of them, you
6 know, very challenged to be able to raise the capital
7 mega funds and mega sources of financing. So I would
8 say as much as we are talking about founders of color,
9 we should be talking about find managers of color as
10 well.

11 MR. DRAYTON: I am going to throw my comments
12 in -- to where the big money is. I think we're missing
13 an opportunity when we don't make it easier for
14 foundations with resources and also financial
15 institutions in the Community Reinvestment Act to commit
16 resources to VC. What's not in the report is how much
17 money is actually allocated towards capacity building.

18 I think someone said it earlier. Minority -
19 well BIPOC and women founders, we don't have that
20 invisible ecosystem that the white founders have. There
21 is not a lawyer in my family, an accountant, someone
22 with marketing. But those types of services are needed.

23 And if you think of a foundation, they call
24 these things technical assistance or capacity building.
25 While they do all of that work in the nonprofit space,

1 that body of work is still needed in the for-profit
2 space but there is no easy way for them to get those
3 resources to VCs to pay for those services.

4 So if there were an easier way to work with,
5 say, a Bank of America, their foundation, or Wells
6 Fargo's foundation to make it easier for them to commit
7 resources to firms for capacity building. It's no
8 different than having a donor-advised fund at a
9 foundation. You set up the same mechanism

10 To get those resources now, we have to have a
11 fiscal sponsor. So they will give that money to a
12 nonprofit who typically will take 5 to 10 percent of the
13 committed resources. When in fact, if they give those
14 resources to VC firm and we charge our standard
15 management fee of 2 1/2 percent, more resources would go
16 into the companies that we plan to invest in

17 So I would -- and we -- you know, I face this
18 with the Coastal Community Foundation. We've got an
19 impact investment fund and we have to jump through hoops
20 to get resources to some of the businesses in our
21 community. And the same thing with banks.

22 If you dig deep you can see why they could
23 commit those CRA dollars to VC firms but it's innovative
24 to them and they are not going to lean into it because -
25 - I don't know if we have any bankers here but they're

1 just risk-averse people, right? They're not going to
2 have those conversations with us. So I think that those
3 are low hanging fruits that the SEC could take a look at

4 And the other thing that I would ask that we
5 give some consideration to, CDFIs. While they were
6 historically created to serve underserved and
7 underrepresented folks, particularly in the rural
8 communities, there needs to be more aggressive attention
9 paid to ensure that they're moving those resources into
10 the communities that need them because they typically
11 will have the same requirements that your big banks
12 would have.

13 I mean, how do you tell a rural entrepreneur
14 that I can get your capital but you have to have some
15 assets. They don't have assets. So there's got to be a
16 much easier way for those folks to get access to those
17 resources

18 And the ones that I'm having conversations
19 with and our community is that okay, if you are - you've
20 got someone with a great business idea but they have a
21 400 credit score because they ran their credit score
22 into the ground trying to get their business going. I
23 will commit \$250,000 to your financial institution if
24 you will fund at those businesses where the entrepreneur
25 has a 400 credit score. It's like I'm from Mars. They

1 don't want to have those conversations.

2 So I think we need to look at some of those
3 types of things. And those are innovative solutions
4 that I think we can move quickly into practice.

5 MR. ABBE: Yeah, I think I'd also like to
6 comment, particularly on the point of opportunity zones
7 and tax incentives. I operate in a real estate space
8 and a lot of my clients leverage this and sort of invest
9 in it also. But if we just look at the numbers quickly
10 they are roughly 8764 census tracts in the U.S. with
11 opportunity zones.

12 You have 31.5 million people that live there,
13 over 59 percent of them are non-white, and over \$29
14 billion have been poured those zones. That's -- you
15 know, compared to what's been poured into sort of
16 minority founders today, that's in infinitesimal, right?
17 So we have a framework that we can build on and I would
18 really like for us to potentially look at this, you
19 know, at the next meeting there's something really
20 productive we could explore. Because the numbers in
21 this case are irrefutable.

22 There's no doubt that we human beings sort of
23 invest in folks that looked like us or folks we hang out
24 with. But what happens if we include incentives and in
25 this case tax incentives? I think the story of the

1 opportunity zones essentially gives us a good case study
2 to write on.

3 Another thing that's important to highlight --
4 and I think you talked about this, Vincent -- is this
5 matter of emerging fund managers. I think sequel to
6 George Floyd's death, we've seen a lot of emerging fund
7 managers sort of get to fund one, fund two, and we see
8 them graduating from the classification of emerging fund
9 managers with the large institutions and pension funds
10 and endowments. And those folks sort of are in no man's
11 land. As we think about small businesses I think we
12 shouldn't, you know, narrow our scope.

13 And it's all about people getting access to
14 capital in the first place. It's like building a
15 mansion on the sinking sand, right? You know, you get
16 access to capital, you're out performing, and then where
17 are you going to get your fund two, fund three, fund
18 four from? Meanwhile, the large institutions in Silicon
19 Valley are on, you know, fund 14, 20, spits, and carving
20 outs and, you know doing other things.

21 So we need to really think about the
22 sustainability long-term, not just the short-term, quick
23 wins. We need to build the mansion on a solid
24 foundation not a sinking sand.

25 And the last point I will sort of highlight is

1 the opportunity - and I can speak to this particularly
2 as an entrepreneur. The matter of accredited investors.
3 When we raised our first round of financing I said 326
4 people said no to us. The folks that took bets on us
5 earlier on, you know, when our company was valued at 5-
6 \$10 million and some of them put you know \$3000,
7 \$10,000. Some of them even hold off on putting on a
8 down payment on their homes, just invest in us. And it
9 was a matter of proximity.

10 I tell a joke that, you know, when I rest \$130
11 million and I called my mother and I said, "Oh,
12 something is about to change," my mother said, "Oh I am
13 proud of you, but how is the wedding planning going?"
14 It's a matter of proximity. And those folks decided to
15 take a bet on us and invest because of our story. And
16 no imagine the person that invested \$25,000, when the
17 company is valued at a billion dollars today?

18 But those are some of the people. And we have
19 probably, you know, 70 of them on our cap table, which
20 is unusual, but it's because a founder that look like
21 this that can accommodate them and believe in their
22 stories.

23 So I really want us to find ways to re-think
24 the current construct of accredited investors and let
25 others participate on the journey or with the caveat,

1 right? At the end of the day we have a responsibility
2 to give the right disclosures, talk about that this is a
3 risky asset. You can lose it all. None of them would
4 be the story of Esusu. It's still a mortgage. It's not
5 fully realized yet.

6 But we need to create more opportunity like
7 that so a large amount of people can participate because
8 seeing is believing. But when you're actually in the
9 game and you can actually speak to examples, that's how
10 you have a huge class of people being involved.

11 So those are some things I think we should
12 really potentially consider as we think about the next
13 meeting if we really want to have really impactful
14 change in the status quo today.

15 MR. MARISCAL: So I just wanted to jump in
16 really quickly. I just wanted to say that I really
17 appreciate that tangible actions are coming, you know,
18 from this conversation. It sounds like a lot of
19 conversation around supporting fund managers and some
20 tax ideas.

21 But I'm curious from Amy and the rest of the
22 team from recommendations that have been made
23 previously, what type of recommendations have you found
24 to be most successful in creating change? Because I
25 think a lot of examples are coming up now in this

1 conversation.

2 And so I'm just curious, are we thinking about
3 things in the right path? Have you found those type of
4 ideas to be successful? What type of recommendations
5 are you found to be most successful?

6 MS. ZELMAN DAVIS: So I will say it's the
7 easiest for the SEC if you say on, you know, "On Rule X,
8 change this." That's a pretty obvious recommendation.
9 That said, you know, you guys are thinking big and I
10 think that's really important.

11 So you can make recommendations to the
12 Commission. You can make recommendations to Congress.
13 You can make any recommendations you want. You know, if
14 you start making recommendations to the IRS, I'm not
15 sure -- you know, I mean we can send them over but it's
16 not -- you know, you're not an IRS advisory committee.

17 That said, you know, if you wanted to do
18 something big and broad that had a big umbrella, we
19 think incentives that encourage these things - I think
20 if you can lay out what it is that you're trying to
21 achieve, that tends to be very well-received.

22 That doesn't necessarily mean it's going to
23 happen within the next month, you know. I mean, these
24 things -- obviously, you're -- are big. These are big
25 ideas. But I think, you know, in some sense laying the

1 groundwork may take a long time but you saw the Jobs Act
2 happen. You know, you've seen things happen over time.
3 But it takes many years of laying the groundwork.

4 So I don't think that you should be confined
5 by feeling like you need to just comment on one
6 particular rule. If you have a particular rule that you
7 think is an impediment, then by all means -- or a great
8 success -- by all means, comment on that. But I don't --
9 my advice, for what it's worth -- and all those
10 disclaimers certainly apply here -- are, you know, it's
11 fine to think big and to talk about what kinds of
12 incentives would be helpful because then, you know,
13 Congress and regulators can start to think about where
14 might that fit. And if you have ideas of where that
15 might fit, that would be even better.

16 MR. ROSS: Julie, specifically on -- you know
17 when you have big ideas, it normally comes at the
18 intersection of multiple committees. How have you seen
19 that being successful, taking the information that we
20 have and that our recommendations that are going to
21 require other committees, to also either get aligned or
22 the champion or just to, you know, traditional
23 intersection?

24 MS. ZELMAN DAVIS: I mean, I think that the
25 recommendations of this committee are often paid

1 attention to by Congress. They have the authority to
2 tell any agency what to do. So from that perspective I
3 think that, you know, thinking big -- it depends on how
4 you define success, I guess. I don't have a good answer
5 for you in terms of, you know, "X" percent would be
6 adopted if you do this route or fewer if you do this
7 route. I still think that that shouldn't keep you from
8 thinking broad.

9 MS. WASHER: I'll just jump in. Yeah, I'll
10 just jump in with a comment. I think that it's
11 important when you have a big idea - and I think big
12 ideas are great to discuss -- to put it in context.
13 "Here's what we're trying to do." "Here's what the goal
14 is." "And here's why we think it aligns with what the
15 SEC should be doing." "It aligns with small business
16 support." And, "This is what our long-term goals would
17 be."

18 And then, say, under that contextual umbrella,
19 "Here's some things that we're recommending." If we
20 have some very specific things, as Julie says, things
21 like, "We think the definition of accredited investor
22 should be changed to be blah." That's easy for them to
23 understand and whether they want to take it up or not
24 it's then up to them.

25 There also can be some things we want to get

1 to ask. "We're not quite sure." "We don't have that
2 granular of an idea, but here are some things we would
3 throw on the table." But I think you have to kind of
4 set the stage and say, "Here's why we want to go this
5 way and it's very consistent with what you want us to do
6 and we agree with you that this is what should be done."
7 And then your ideas underneath that.

8 MS. SETHI: So I think the capital hub, I
9 actually did play around with it. I think it's a great
10 resource. Others may have played around with it or may
11 want to. And I do think a lot of us here might have
12 concrete suggestions and that's something that doesn't
13 require a rule, as I understand it. That's something
14 that maybe the staff could take back as feedback to make
15 it more user-friendly or, you know, do some continuing
16 improvement.

17 So I wonder if we had sort of technical
18 suggestions on that, what would be the best way to
19 proceed? Would some of us bring those to the next
20 meeting or, you know, what would make sense?

21 MS. REISCHUER: If you have feedback, like
22 specifically on the annual report or to our resources,
23 shoot us an email or give us a call or, you know,
24 however you want to discuss that. Those are the things
25 that the staff can do and, you know, happy to take

1 those. You know, once you move into world changes,
2 obviously, those have to go a different route.

3 But when it's things like -- even to the
4 extent that it's a question of, you know, you'd like to
5 have more guidance on "X" that probably straddles or
6 could be a recommendation to the Commission. But it
7 could also be something that we're happy to share with
8 colleagues and other divisions. Again, how quickly
9 someone can respond to that, we're happy to pass it
10 along. We can't ensure what our colleagues in other
11 divisions are doing.

12 But one thing I was thinking of, speaking of
13 ways that the office supports the committee, is as
14 you're thinking of the sort of big ideas -- and I think
15 of that sort analogy of, "How do you eat an elephant and
16 you want to do it one bite at a time."

17 And so if you have big ideas and you're not
18 really sure how to break them down, to the extent it's
19 within the scope of what the SEC does, we might then be
20 able to contact -- to bring in speakers. Because that's
21 the other thing. As returning members will attest, we
22 can help to identify folks to come in and share
23 information on a particular topic.

24 Those tend to be -- and Courtney and Julie can
25 -- those tend to be more within the scope of what the

1 SEC does. It's going to be tough for us to bring in,
2 you know, tax experts to tell you how to incentivize and
3 how to overlap. But we can talk to the committee, we
4 can talk to officers about, "We want to explore," you
5 know, "how to take the bite. What might we be able to
6 do?" and find resources to help - kind of help you break
7 it down. Or that's something that the (mic
8 interference.) "We're going to maybe pin this
9 discussion for this next meeting but we want to learn
10 more about X, Y, or Z."

11 MR. CORDERO: I mean, if I could offer to the
12 committee, you know, everyone here -- no one's a novice.
13 You know, everyone is, you know, decades of seasoned
14 experience building businesses, investing in companies,
15 launching businesses. I don't think - I don't think we
16 should be - I think we should embrace the opportunity if
17 we're truly interested in making a difference and really
18 thinking big and not be -- not feel that we're bound to
19 a box.

20 Because none of us, again, are novices here
21 from the standpoint of, you know, we're all practical
22 people. We're all smart people. We're all business
23 people. We're all trying to enact change. I don't
24 think we should shy away from trying to think big about
25 what that looks like and work our way backwards.

1 Instead of, you know, working incrementally, let's think
2 transformatively and then we can work our way back
3 through that maze.

4 MS. DUIGNAN: Well, in order to, you know,
5 sort of accept this challenge about thinking big, you
6 know, one of the things that I would just love to point
7 out to the committee and get everyone to sort of start
8 thinking about over the course of our meetings is one of
9 the structural challenges that I think has resulted in
10 this inequitable distribution of capital.

11 So if we think about the stages of fundraising
12 which are most likely to be influenced by unconscious
13 bias and to really serve as roadblocks for people to get
14 to those later stages, it's obviously the friends and
15 family/angel, pre-seed, seed, and even very often Series
16 A. Post those rounds, you know, there's a lot of data,
17 there's a lot of evidence, there's a lot of traction and
18 that bias is less likely to exist.

19 And because -- you know obviously,
20 crowdfunding is great. You know individual investors
21 are great. But really, the capital industry is sort of
22 driven by this, you know, financial/industrial complex
23 that is largely dominated by large endowments and
24 institutions and the public employee retirement and
25 pension systems.

1 The issue there is that because these
2 industries are so large, they're often completely
3 disinclined to invest in funds that are, say, smaller
4 than 250 million. And an early stage fund really
5 functions best at a fund size of about a hundred
6 million.

7 So we've sort of got this complete
8 misalignment that -- I would guess that of the public
9 employees, you know, probably 50 percent of them are
10 women, so 50 percent of that money is coming from women.
11 And a good deal of them are the black and Latino, you
12 know, other underrepresented founders.

13 So we've got a system in which the savings and
14 capital of these underrepresented groups are actually
15 going into a system where they're not allowed to
16 actually have a capital deployed to them. And it's very
17 difficult for our us to fix it because at the pension
18 fund level, it feels too expensive for them to invest in
19 the smaller funds. But the only way to actually, you
20 know, sort of get that early money into eventually great
21 founders of this type at the later stage, is for those
22 funds to have the ability to exist.

23 So I would just love everybody here -- you
24 know, I don't have a solution but I know that it is
25 structurally one of the biggest problems in the system.

1 And it would be great if we can all work on ideas of how
2 to fix that or, you know, improve it.

3 MS. DEVRIES: Hi. This is -- oh, sorry. This
4 is Bailey DeVries. Since I'm not on video and on the
5 phone. And I just wanted to, you know, echo that point
6 and say, you know, I do think it warrants conversation
7 about the importance of manager-manager programs and
8 fund-to-fund and support for those. Because those are
9 typically the way for the large public pensions to
10 access emerging managers and smaller funds, given that
11 many of them by policy are not permitted to be, you
12 know, a certain percentage of a particular fund. They
13 may have a limit where they can't be more than 25
14 percent of the fund. And when you are a small fund,
15 that's pretty restrictive.

16 And the way that they are able to remain
17 supportive of emerging managers for smaller funds is by
18 working with manager-on-manager programs where they can
19 write the larger checks then and work with an entity
20 that has specialization in identifying due diligencing
21 and monitoring emerging managers and smaller funds.

22 So it might be, you know, worth more
23 conversation around how to provide frameworks around
24 where fund-to-fund structures and manager-on-manager
25 programs can be very useful and helpful and move the

1 dialogue away from fees, and one to outcomes and the
2 necessary rule that these intermediaries play in the
3 ecosystem to ensure support for these emerging managers
4 and first-time funds.

5 MR. DILLASHAW: Yeah, I think that's a great
6 point. I would also encourage everyone to go back and
7 look at some of the recommendations from the past
8 committees, because they covered a lot of -- or they
9 talked about a lot of the stuff. And it looks like,
10 from what I've said, that they've drilled it down to
11 some more sort of tactical recommendations, oftentimes
12 around limitations on fund-to-funds. Limitations on the
13 ability of, you know, small venture capital companies to
14 raise from a limited number of folks.

15 I don't know if those that are running funds,
16 I don't know if you've sort of run into, you know, the
17 number of investor limitations. But I feel like in past
18 committees they have some pretty good tactical
19 recommendations for that.

20 Wemimo, giving sort of a shout out to one of
21 the points you said and in case any legislators are
22 listening, you know, I will say there is a, you know, an
23 act that just passed the house that is recommending
24 basically a test for accreditation. I think it's a
25 really good idea that would go a long way towards

1 winding the ability to, you know, become an accredited
2 investor through a means other -- through sophistication
3 means rather than just a net worth of meetings.

4 I know that's not in the SEC's hands yet. But
5 again, in case anyone's listening -- Senate -- it would
6 be great to pass that and then we'd have something
7 really meaty to talk about. So that's --

8 MR. ABBE: I think one thing I'll add from an
9 SEC perspective though, is just additional guidance and
10 disclosures. To folks that would have exposure to that
11 particular asset class to understand that anything you
12 invest in could also go away. To not just focus on the
13 upside there's also a downside risk.

14 MR. DILLASHAW: Sure. I will put - I'll put
15 my practitioner hat on. You know, any time that we
16 start talking about additional disclosure obligations
17 and, you know, increasing regulatory burden on the
18 private sector, that increases transaction costs and has
19 the effect of, you know, creating a lot of friction.

20 So when I have my sort of transaction hat on,
21 I definitely think we want to be careful about sort of
22 increasing the regulatory burden.

23 MR. ABBE: It's more to the effect of
24 additional information. It could just be a caveat
25 emptor, right? In this case it would just be like,

1 "Look, you're investing in this particular asset class.
2 It could go to zero." Because what we don't want -- and
3 for it to go back to square one -- is for folks that are
4 taking money from their 401(k) and putting money in this
5 particular asset class. That's not what we want.

6 So that's just a simple caveat emptor, not
7 necessarily multiple disclosures. There is probably an
8 educational component that also goes with that that I
9 think somewhat mitigates some of the things that you're
10 talking about precisely.

11 MS. DUIGNAN: Yeah. I think that's a really
12 good point. You know, as somebody who's run a lot of
13 angel investor networks and, you know, did that for
14 decades to build my track record for a fund, people are
15 generally less interested in doing education than you
16 would think.

17 But one of the things that I've consistently
18 see, even amongst, you know, sophisticated accredited
19 investors, is that people don't realize that even when
20 the investment has not gone to zero, that there is zero
21 liquidity. And that's something that, you know, that I
22 think is very serious.

23 Because you could be like "Oh, the company is
24 doing great," but you still can't see -- you know,
25 you're going to get the money whenever, right? Like no

1 predict ability. So I think that's an important thing
2 to make sure people know.

3 MR. COOK: If I may, I think a lot of the
4 conversation here has been very much on the equity side,
5 which is obviously an incredibly important piece of the
6 puzzle. Most of my work is on the debt side and still
7 in securities. And I think there's some really
8 interesting parallels.

9 But one of the things we've actually seen -
10 and, you know, obviously they're not LPs in the debt
11 side -- but we have started to see large foundations and
12 impact investors and others, really eager to come off
13 the sidelines and put money to work in minority-owned
14 businesses. But they don't have the wherewithal. They
15 don't have the ability to write 10,000, \$20,000 dollar
16 checks. They have the ability to write million dollar
17 checks.

18 And so one of the things we're experiencing
19 within regulation crowdfunding is we have these people
20 lined up who want to put money to work, but there's no
21 vehicle because we can't, as a funding portal, hold
22 money for them. There's no vehicle to take the millions
23 of dollars and put it to work into the small businesses.

24 So to some degree that LP problem is almost
25 solved on the debt side, but there's no vehicle, for

1 regulation crowdfunding at least, to be a part of the
2 solution to start to level that playing field, because
3 it's very hard to get that money into some third-party
4 intermediary who can actually deploy the capital.

5 MR. DEAN: I would like to just chime in for a
6 quick moment. At FINRA, and overseeing some of the
7 crowdfunding portals and things like that, we've taken a
8 lot of feedback we received as well as working with --
9 SEC rules -- crowdfunding.

10 But also, recently FINRA has undertaken a
11 request for comment to look at all of our capital
12 formation across the board that's been on our books and
13 seeing how we can make them more efficient. How we can
14 reduce the barriers, as well as the overregulation, so
15 to speak.

16 So I recommend everybody take a look at that.
17 Our comment period's open until August and please spread
18 the word. So if you know others within stakeholders or
19 in in the industry and communities that was to that wish
20 to comment, we encourage it. We really appreciate the
21 dialogue with that.

22 MS. REISCHUER: Well, we are now at 2:31 so to
23 start to wrap us up, that was a very robust
24 conversation. And I almost feel like my last item on
25 the agenda is maybe who took the best notes, because we

1 wanted to take just a couple of minutes to figure out if
2 we wanted to identify topics for upcoming meetings.

3 If anybody had a comment or a topic that they
4 didn't kind of share as part of the conversation, if you
5 wanted to flag that now and we can - we can have the
6 officers have those handy when they chat with us about
7 scheduling upcoming meetings.

8 So for example -- and I think as Bart alluded
9 to -- in the past, committees have focused on - the
10 prior committee or prior committees have focused on
11 themes like the AI definition and things we can do.
12 There's obviously a wealth of prior recommendations in
13 the space.

14 We have focused on things like how to support
15 smaller funds and smaller fund -- ideas that bubbled up
16 out of this conversation that have been discussed
17 previously. But there are other topics and if this is a
18 good time for people to talk about, I welcome that.

19 MS. WASHER: One thing we talked about that I
20 don't think we spent -- have spent historically as much
21 time on -- and I think that Erica and others brought it
22 up -- is the idea that part of the solution is to try
23 and drive -- somehow look at driving more diverse people
24 into management and to figure out a way, as Davyeon
25 said, to connect those to diverse managers to diverse

1 companies so that you're matching that up.

2 So I would think a good topic of conversation,
3 since I don't think we historically have focused on that
4 side, is maybe an agenda topic about, well, that's
5 great. Maybe we all agreed those are things we should
6 do. But how can we drill down -- taking Vincent's, you
7 know, the big idea. But then how can we drill that down
8 to what can - what can the SEC do?

9 And I think as an SEC advisory committee we
10 have to think about, what are the things we can
11 recommend to the SEC to make a difference? So to have a
12 conversation about how can we address that? What are
13 some of the ways to address that?

14 And then I do think Bart had a really good
15 idea and that is for those of us to kind of pull up some
16 past recommendations and just see what all that was
17 about, and what things have changed or not changed based
18 on those past recommendations. And decide which we want
19 to repeat, because repetition might make a difference.

20 But I think this idea of focusing on the other
21 side of the equation is something we've never really
22 taken it up in detail at the committee and would be a
23 really good agenda topic.

24 MS. SETHI: It sounded like there was some
25 interest around looking at crowdfunding and kind of the

1 issues around sort of holding money for potential future
2 investments. I want to dig into that a little deeper
3 because I don't think I'm summarizing it correctly. But
4 maybe we need to look more about how well is regulation
5 crowdfunding working and is it allowing that kind of
6 available capital to get to the places where it might
7 work best?

8 MR. SHARMA: One thing I would add -- and this
9 is Diego -- is if we can add -- and I think Vincent also
10 talked about it briefly -- something around how are we
11 looking at language, specifically in terms of reporting,
12 right? I talked about it from a perspective of
13 disability but Vince talked about it from the
14 perspective a Latino, right?

15 And so I'm not saying we need to come with a
16 recommendation specifically, but I do think I would
17 suggest some sort of discussion on how are we equipping
18 the committee and the office in general on the different
19 definitions of diversity.

20 MR. SHARMA: Amy, if I could ask a question?
21 To what extent should the committee have an eye, like
22 one eye, on the SEC's Reg Flex Agenda and the list of
23 topics we know the SEC will be addressing, versus
24 originating their own ideas? That's always a challenge,
25 I think, and what's to split? I would be interested in

1 feedback on that.

2 MS. REISCHUER: Yeah. I guess I wish I could
3 tell you it should be 60/40 and you should do it every -
4 - you know, I wish I had a formula for it, an algorithm
5 if you're will. But, you know, obviously latest Reg
6 Flex Agenda, we'll flag for you what conversations the
7 Commission plans to have and what issues they will be
8 considering.

9 So to the extent you want to get your
10 recommendations in while you know there is something
11 coming up on the table that could improve the -- more
12 appetite to hear what you're saying. You can gauge that
13 appetite a little bit by what's on the Reg Flex Agenda.

14 And then as far as a reference as, you know,
15 the kinds of things that are coming from the Hill and
16 what folks are considering -- what folks are considering
17 with back to the accredited investor definition. So,
18 you know, if that was something you were interested in
19 commenting on, that might be the time, purely as an
20 example. I am not suggesting an agenda item.

21 But so it is helpful to keep in mind that
22 there might be a timing reason to address some issues
23 before others, just because you get in while they would
24 be responding to comments and recommendations.

25 MR. CORDERO: Well, I heard Chairman Gensler.

1 When he opened his comments he said underrepresented
2 founders in the funding gap, with regard to that, was
3 one of the key pillars on the agenda. And then I also
4 heard him say that -- his words -- "fairness" is
5 embedded in the mission.

6 MS. REISCHUER: Right. Well, I just want to
7 really echo the thanks that a lot of people have
8 expressed today.

9 But I want to thank you personally for
10 the conversation, for your service today, and future
11 service over the coming hours. I cannot -- value of the
12 feedback that we got from -- in our office as the small
13 business advocate -- "We," as the broader Commission.

14 So thank you. Thank you for bringing your
15 thoughts to the table.

16 And if there's anything we can
17 do to support the committee further, please reach out.

18 And with that, thank you for the great day.
19 The next meeting is -- will be in September at a yet-to-
20 be-determined-to-nail-down a date, but we'll keep
21 everybody posted. And with that I will adjourn.

22 (Whereupon, at 2:39 p.m., the meeting was
23 adjourned.)

24 * * * * *

25

PROOFREADER'S CERTIFICATE

In the Matter of: SMALL BUSINESS CAPITAL FORMATION
ADVISORY COMMITTEE

Witness: N/A
File No.: OS-0001
Date: Wednesday, June 14, 2023
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)

6-20-2023

REPORTER'S CERTIFICATE

I, Lisa Sirard, reporter, hereby certify that
the foregoing transcript is a complete, true, and
accurate transcript of the meeting indicated, held on
Wednesday, June 14, 2023, in the matter of
SMALL BUSINESS CAPITAL ADVISORY COMMITTEE, 454012-OS

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

6-20-2023