U.S. SECURITIES AND EXCHANGE COMMISSION

SEC'S 41ST ANNUAL SMALL BUSINESS FORUM

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C O N T E N T S

P R O C E E D I N G S

INTRODUCTION

MR. GOMEZ: Hello. I’m Sebastian Gomez from the SEC Small Business Advocacy Team. Thank you for joining us today to hear from our distinguished panel on how entrepreneurs can thrive outside of traditional capital-raising hubs. For those of you who joined us for yesterday's discussion, welcome back. Without further ado, let's get today's session started.

MS. MILLER: As for day 2 of the SEC's 41st Annual Small Business Forum, I am delighted to introduce Commissioner Hester Pierce to provide opening remarks. Commissioner Pierce?

MS. PIERCE: Thank you to Martha Miller for hosting the 41st Annual Small Business Forum and for inviting such talented and inspirational individuals to address how entrepreneurs can thrive outside of capital-raising hubs. This issue is near and dear to my heart.

For over four years in my role as commissioner, I have attempted to shine a light on the need to make it easier for capital to flow not just to the coasts, but to entrepreneurs looking to build businesses in their hometowns across this great country.

I am eager to learn from today's panelists' lessons drawn from their experiences and suggestions for how we can change the regulatory environment to allow more people like them to flourish. I hope that the commission will pay close attention to not only the panel conversations today and throughout the week, but also to the policy recommendations resulting from the small business forum.

The forum is unique among capital formation events. Not only does the public have the opportunity to provide direct feedback to the commission, but the commission is required to issue a public statement responding to the policy recommendations made by the public. Absent such an explicit directive to consider suggestions for improving the environment for small business capital formation, the commission likely would focus on issues more relevant to larger companies.

Heightening the importance of this year's forum is the commission's current posture of at best, indifference and, at times, hostility to facilitating capital formation.

As it happens, today is the 10th anniversary of President Obama signing into law the Jumpstart Our Business Startups or JOBS Act. That bipartisan legislation required the SEC to write rules lessening the burdens on small companies seeking to raise capital. Some of the Act's provisions were things we could have done on our own. Congress and the President got fed up waiting for the commission to take small business capital formation seriously.

In line with the commission's more general indifference to small business capital formation, the commission has responded to policy recommendations made by past forums in a noncommittal and uninspired way. The Commission's response to ideas raised last year as potential game-changers was no different.

For example, last year, the forum recommended establishing a micro offering exemption with minimal disclosure requirements. And the commission responded by noting that the commission had already considered and rejected such an idea, but that the commission would continue to consider the recommendation.

Worthwhile policy recommendations to revise Reg. Crowdfunding to remove the GAAP financial statement requirement for businesses seeking to raise a small amount, and to provide state preemption for secondary transactions for shares issued under Reg. A and Reg. Crowdfunding received similar responses.

One area in which we have made recent progress and should build on it relates to the accredited investor definition. In 2020, when the commission amended the rule to include certain financial professionals, it also stated that it may designate additional qualifying professional certifications, designations, and other credentials by order.

Along these same lines, last year's forum recommended that the Commission expand the definition to include other measures of sophistication such as specialized industry knowledge or professional credentials, and include an investor certification course or test whose curriculum has been approved by FINRA or the SEC.

I hope that taking up the commission's invitation, members of the public will propose to the commission such certifications, designations, and other credentials at investorcredentials@sec.gov.

I hope that the commission and foreign participants will find inspiration in the success of the JOBS Act. In all of our work, we should be inspired to take into account the unique challenges faced by small businesses in raising capital and the unique benefits that small benefit -- that small businesses can offer.

Speaking of inspiration, I want to take a moment to thank Martha Miller, our first advocates for small business capital formation, who recently announced her departure. Since December 2018, Martha has worked tirelessly to establish the Office of the Advocate for

Small Business Capital Formation and has assembled a first-class team that will carry on her great work after she leaves. Martha's energy, creativity, and can-do attitude is contagious, and her absence will be felt throughout the commission.

Thank you, Martha, for your service.

And to the public, enjoy the rest of the forum. And please know that my door is always open for discussions on these and other subjects.

MS. MILLER: Thank you very much Commissioner Pierce for your thoughtful remarks. This is the point of the forum where I am getting ready to turn the reins over to our wonderful panel that will be led by Julie Zelman Davis from our team.

But before I do so I want to give the standard SEC disclaimer that I will broaden to cover everyone who's participating today, which is that when a speaker is sharing perspectives and views, they are speaking for themselves, not necessarily on behalf of the entire organization that they may represent.

I also wanted to take a moment for those who are joining for the first time to our forum to give you a very brief preview of the day and expectations. As you participate in the event, you will have an opportunity. If you spot questions or things that you would like to ask of the panelists, include those in the Q&A within the event platform. And we will start working on compiling those and getting them over to the speakers for a wonderful Q&A session led by Sebastian on our team at the end of today's event.

But make sure you don't save those questions for the very end. Start chatting those in as you think of them. That way, we make sure that we have time to get to as many as possible.

The second thing that I want to remind you about is the opportunity to vote on policy recommendations, which many of you have submitted in advance of the event. That will happen at the conclusion of today's session and again, on days three and four of the forum. But make sure you do stay tuned in. Once we wrap up the Q&A, more information about that to come as we get closer to it.

Without further ado, it is my pleasure to turn things over to Julie Davis, and our distinguished panel of guests who have joined us today. Julie, the floor is yours.

MS. DAVIS: Thank you, Martha. I am so excited for this day two of the forum, as Commissioner Pierce mentioned, happens to coincide with the 10th anniversary of the enactment of the JOBS Act, which was a law that allowed the SEC to adopt equity crowdfunding and other provisions that are aimed at helping entrepreneurs access capital. So it's always fun to celebrate anniversaries and entrepreneurial success stories.

So that makes me just extra excited for our three panelists today. They have great stories to share, as well as great perspectives on the challenges that startups face when they are seeking to raise capital. The three come from very different worlds and backgrounds. But the commonality is that none of them are from hotspots like Silicon Valley, where there are more traditionally, you know, well-known and developed ecosystems that support and foster startups.

But these representatives are from Navajo Nation in Albuquerque, Jacksonville, Florida, the Midwest, the Great Lakes region. So you know areas that are spread out. And yet I think we'll hear that each, you know, whether you are in a supportive ecosystem or not, there is common challenges that entrepreneurs face nearly everywhere.

We will probably today hear that there is challenges breaking into networks to access sophisticated investors. Maybe challenges that companies may not be eligible for a bank loan, and challenges with some types of financing that, you know, a particular founder may not feel is a good fit with your goals and values.

So my hope is that we'll delve into some of these common challenges and others and that we will get great input from participants in the Q&A and in the chat. And then we can talk about ways to meet these challenges. And also hopefully hear about encouraging trends such as technology enhancing the ability for companies and investors to have more meaningful and, you know, connections even when you're remote.

So a key point of the forum, as Martha pointed out, is to bring out recommendations on a way to improve access to capital for all entrepreneurs regardless of where they live.

So without further ado, I want to bring in our panelists into the screen here. And there we go. We have Vanessa, Victor, and Jordan. I am going to turn it over to you all to let you introduce yourselves, and give just a little quick description to get folks understanding a little bit about what you do. Vanessa, do you want to go first?

MS. ROANHORSE: That would be my pleasure. Yah-ta-he. My name is Vanessa Roanhorse. I am Navajo from Navajo Nation. I grew up on the Nation. I live here on Tiwa Land in Albuquerque, New Mexico. I am the owner of Roanhorse Consulting, an Indigenous on think tank, focused on examining and understanding how capital flows. And what does it mean when we look at opportunities and resources from an indigenous worldview.

That work has also led me to be one of the eight co-founders of Native Women Lead which is a national growing organization focused on lifting and investing into Indigenous women into positions of CEO and leadership.

Through that work, we have launched a variety of small micro-lending and integrated capital funds to support Indigenous women entrepreneurs. By the end of this year, we'll be launching the first $10 million Indigenous Women's Investment Fund. We are definitely playing in the space of how do we create new relationships with capital that doesn't continue to create harm, but actually represents and communicates the values of the people on the ground. Thanks.

MS. DAVIS: Thank you. Let's go on the order you appear on my screen. Jordan, you're below Vanessa. Do you want to go next?

MR. WALKER: Absolutely. Absolutely. Hello, everyone. Thanks for joining us today. I am Jordan

Walker. I am one of the cofounders of a company called YAC, and we're helping people replace recurring meetings in their life with voice messages and screenshots instead. So in this --

(Interruption to audio feed.)

MR. WALKER: -- managing partner of M25, we're an early-stage venture capital firm, based out of Chicago, focused on the entire Midwest region, basically, from Kansas City to Minneapolis to Pittsburgh, about 14 states. We're pre-seed and seed-stage investors. So we're looking to invest generally into high-growth technology companies that could be the next unicorns coming out of any of these cities in our region.

I think, you know, interesting about me is I am from Indiana. I grew up in an entrepreneurial family. And saw my first venture capital when I was an undergrad. As that experience kind of influenced me to be looking for where are the rest of the venture capitalists and people investing in founders across the region. And didn't see as many and started my own firm in 2015, so.

MS. DAVIS: Very cool. Well, lots of good stories, clearly, from each of you.

Jordan, I would love to start with you with a story about breaking into the world of entrepreneurship. I know when you and your co-founders worked for quite some time to break into the tech industry. Can you share the journey of your startup?

MR. WALKER: Yeah. So our story is super, super crazy. So prior to YAC, we had our own design agency that we were running together. And what's interesting about this is that we all are from Florida. So we had literally no connection or no network into VC, technology, venture capitalists, people that you just want, you know, to know for your business.

And so it started when we were freshmen in college here in Northeast Florida. And we said you know what, we have no connections to anybody, what can we do to try to make ourselves known? So as part of our marketing for our first company, we would actually build products that people would hopefully find or go viral. And then they would say, oh, hey, who are those folks, who are those kids who ended up building this thing? Let's hire them to build our own things. And that's what is actually a lead generation funnel for our agency at the time.

But through that, you know, we continue to plow and keep at it every day. And in about 10 years in the making, we finally -- when YAC became a product, we finally got connected to our first venture capitalist.

And the story that I love to tell is we were sitting in our hotel room, and we got introduced via Twitter. And the VC had ended up actually PMing his cell phone number. And said, hey, I would just love to hear more about what you have going on.

And I liken it to a child on, you know, a holiday or something like that. We were so ecstatic. We could not believe it. We were just going absolutely crazy, smiling, laughing, and everything else in between. But that took 10 years of effort and just keeping at it every day just to get to that point, to have our very first conversation with a venture capitalist.

MS. DAVIS: Wow. Well, Victor, you mentioned that M25 has a Midwest geographic focus. How do you -- how do companies you work with there make connections to investors?

MR. GUTWEIN: Yeah. So we're investing usually amongst the first kind of institutional investors that a company has on their cap table has like raised money from. And they both struggle to find and interact with us as well as to get connected when eventually they have to raise additional rounds of capital. It's one of the biggest things that companies here had issues with.

And I think historically, it's been a very closed off like warm intro game only where you have to know people and get warm connections, ideally, through other founders, maybe other investors, and you're -- and that's the only way that people could historically raise money.

I don't think that that has changed from that being the best way. But now there has been a kind of an opening up a little bit of the -- partially because there is a lot more capitalists, and also because I think they are more open to working with people that don't just grow up in their own networks and are in their own backyards.

And so they are able to be more -- you know, you can reach out to them on maybe Twitter or via a nice well-written cold email, or through kind of some of the avenues that they are putting out there to reach out to them. And so I think some of that has changed. It is getting better, especially now that, you know, we have seen an increased interest in venture capitalists and other sorts of funding entities to work with companies, not just on the coast.

I think that the trend is going the right direction there with -- you know now that they don't have to fly here for every board meeting, they can do those via Zoom. Now that they can kind of keep up in a more natural cadence, they are used to doing video calls. I think that has helped a lot.

And they may actually, you know, on occasion, enjoy and appreciate that you are in a region that not just where they are at, because there is some advantages there too, so.

MS. DAVIS: Sure. Well, that's really great, and it's encouraging to hear that, you know, all these video calls are worth something. Because it is, you know, definitely it has, the world has changed, as we all know over the pandemic. And I think in many ways, this being one of them, technologies for the better. And we'll talk more about that.

One thing that I just wanted to flag because we got a lot of comments yesterday, not -- I know we have some new participants today, which is great. But for those who have returned, we had a lot of questions about the ability of a company to connect with investors, and it's --

I will fully acknowledge the securities laws are not that clear sometimes when it comes to that ability to bridge build between, you know, what's allowed with someone, whether they are registered as a broker-dealer or not.

And in particular, we hear a lot about a lack of clarity on the role of so-called finders who introduce and facilitate introductions between founders and investors. So I did want to just point out that one of the recommendations in my office is -- the SEC Small Business Advocacy Office, one of the recommendations we included in our annual report was to finalize a regulatory framework that would help folks understand how you can bridge those networks to access investment capital.

So the idea being that it would be less about who you know and more about what you know and the innovations that you bring to the market. So I just want to say we welcome folks' continued input on this and really appreciate hearing concerns on what folks are seeing.

With that, I want to follow up, but go -- kind of go back to you, Victor, on -- I am just curious. You know you said -- you mentioned that folks are interested in meeting maybe a company in the Midwest because it's not something that they have -- you know, this is a new area for them. Do you sense that the Midwest companies you back in this early stages, do they get pressure to move out of the Midwest to other areas?

MR. GUTWEIN: So that was definitely the case when we first started in 2015. We had a lot of companies that were offered a term sheet if they were to move them and their whole teams out to Silicon Valley. And that was -- you know some people did that. And maybe they had success. But for some people, that's a pretty big ask to uproot themselves from their, you know, their families, their lives and go and move out there.

And especially when sometimes they are having a lot of success because their customers are more geographically in the middle of the country. And so that has now changed. I would say I don't think we have gotten that request, at least since the pandemic started. And maybe it was even a little earlier that we saw some of the momentum shift.

And in fact, a lot of investors are themselves coming out here, maybe permanently or maybe just spending more time out here, because they see an opportunity for companies to grow from anywhere in the United States.

And for that to be something that, hey, like there is true advantages, cost of living, ability to find distinct, unique, talent, ability to work more closely with their customers. Like we kind of quote that there is one of the largest concentration of Fortune 500 companies out here in the Midwest.

So like there is a lot of big industries out here that if you're a b2b company, especially you're going to have great access to. And so those companies aren't -- the venture capital companies aren't necessarily saying come move out here anymore. And in fact, sometimes it's like no, stay where you are, build your team where you are, you're doing great. And that's why we're excited to finally, you know, be coming to you to back you.

And just to go back one quick minute on reaching out to capital providers, I think a lot of especially early-stage investors really appreciate the founders reaching out directly. And they would take that over sometimes a brokered interaction, especially if it's very curated. Like if you -- if let's say you're in a certain industry, health care, and you find somebody else that has backed some similar type of businesses.

Maybe not a direct competitor, of course. But some similar types of businesses, and you reach out with a well-worded email with some good information and ask for a connection via that, that's probably going to go a lot further than some of the more indirect ways. Unless it's through lack of warm connection that they are -- you know that they think highly of.

So I'm just kind of throwing that out there as like well-written, cold emails. We have invested in three or four that have come to us just via cold email. So it does happen, so.

MS. DAVIS: Fantastic. Well, Vanessa, I would love to turn to you for a minute. You know as a leader among Native American entrepreneurs, I think you see a different set of challenges than maybe our other panelists. How do capital-raising needs and opportunities for Native American entrepreneurs differ?

MS. ROANHORSE: I think some of the primary differences that we see is that for most folks who are interested in wanting to invest in native entrepreneurs, there is just a fundamental lack of understanding of how tribes, tribal sovereignty, native relationships, and history actually do play into one, where they are, what they are looking for, and the kind of resources that they need to even be able to get to a place where they can go after venture capital.

In some ways, I also think that like this conversation around how venture capital is designed and the way in which folks are having to activate it, doesn't really align with a lot of what the entrepreneurs are building. Many of them are interested in building what I would consider long, sustainable businesses that aren't interested in the kind of high-scale or high-growth models that venture capital is seeking.

I would also say that a lot of them are living in rural, tribal spaces. And if you are unfamiliar with rural, tribal spaces, then you also understand there is a huge infrastructure gap in terms of where your banking institution is, where can you access strong Internet and broadband. In some cases, we're even talking about actual road access.

And so some of those things don't really translate when it comes to the kind of capital that's out there, the kind of capital that we're talking about. Here in the state of New Mexico, you know, as we see SSBCI Funds being applied for and how tribes and states are looking for it, we really have to advocate here for much more of a plurality of how we define equity, and how we are going to define these venture capital funds.

And part of that is because there is venture capital, then there is traditional debt loan products, but there is nothing in between that's like really bridging the gap to help these entrepreneurs, particularly of our native entrepreneurs.

One, be able to kind of get the resources they need to move from seed to something more official. And then businesses that are thriving, but still have hit the ceiling, be able to access the kind of patient and equitable capital they need that, one, isn't actually asking for others to own it.

There is a long history in the United States in which for Native people, we have been asked to give up ownership of something, and did not fundamentally get back what we thought we were going to get. And so that is still alive in our conversations.

So we talk a lot about when we think about Native Americans and entrepreneurship, when I see folks creating BIPOC Venture Capital Funds, there is a reason you're missing the I. And the I is because it's going to take a different kind of value system, as well as different kinds of actual funding and lending products to come together, that really do have to be designed by us, for us.

And so much of that has to do with how we understand culturally-relevant technical assistance, why we're building these companies, and who is it for long term.

There is the idea that to ask a native entrepreneur to move to Silicon Valley to start their company to be able to get access to the capital is really unjust in so many ways.

I think that's fair to say for most entrepreneurs. But I know for Native people, we have fought hard to stay on the lands that we have. To ask us to leave to do it somewhere else continues to perpetuate what we're seeing, which is folks not being able to build strong local economies.

MS. DAVIS: That is really interesting, and I am so glad you're sharing this with us and educating many of us on this perspective. How does that desire to kind of avoid non-native dilution, how does that impact how indigenous founders may go about seeking capital?

MS. ROANHORSE: Well, I mean I can tell you from what we have seen and what we're doing across the United States with different partners, we're seeing a lot of our CDFIs being activated to really kind of come up with like more patient debt capital.

What I am also seeing, though, is that we have these new conversations about different kinds of funds. We're looking very much at the kinds of integrated capital opportunities that can help seed as well as provide some of that grant capital that folks really need. Because we don't have friends and family around, and we don't actually are able to build assets too often on our tribal lands. Because it's held by the federal government and trust.

And that is a fundamental difference that folks don't understand, is native people on our reservations and tribal lands often can't actually build assets off that land we are given because the federal government owns it.

So there is a lot of different things that we have to think about in terms of how we structure those opportunities.

And then for indigenous founders, they are looking for people who understand their values and where they are coming from. They are looking for folks to come alongside them to help build this long-term, sustainable companies that are very local based.

And finally, they are really interested in what is the impact to the earth as well as to the bottom line. And I think that continues to be really difficult for many of us to understand and measure.

And so you know whether we use ESG with who we're receiving money and dollars from, there has to be more built into this. Because there is a deep value for indigenous entrepreneurs about how the businesses they are creating.

And we can call it triple bottom line.

But it's really there, and it's very critical and important.

MS. DAVIS: Well, it -- I really appreciate you sharing that because it is -- as I mentioned earlier, I think it's so helpful to -- for you to vocalize it, explain it, and hope that, you know, many of us understand it.

Victor, I want to pivot to you because I know one of the things Vanessa just talked about is having that investor alongside who cares about your business. And I think Angel Investors often play that role with the very early stage.

Prior to joining M25, you were a leader in Hyde Park Angel Investors, I think it was.

What trends have you seen in angel investment in early-stage business?

MR. GUTWEIN: Yeah. So the nice -- one of the best things that's come out of the recent wave of successes in the region for tech companies has been it has created a lot of wealth from people that have made that wealth, not in maybe the more traditional ways, but more in, you know, in either investing in or being a part of as an employee of a tech company.

And because of that, those people are now much more motivated to redeploy that capital, whether they are going to start their own company, or frequently, they are investing in other companies coming out of that region. So it's angel investing has always tended to be highly localized. And so now for the first time ever, these cities in the Midwest have their own crop of angel investors that are deploying capital locally.

And that's great because it used to be you would go to the country club, and you would talk about some farmland that you made money on or some manufacturing business that you sold, and you -- or a real estate deal that you did. Now they are going to be talking about -- more and more, they are talking about what startup they invest in, how that has that been, and it's an exciting cocktail conversation for once. And so I am excited about that.

Additionally, we have seen it, especially in Chicago, a lot of our angel investors are highly motivated to invest not just for the, you know, single bottom line of financial returns, which it is a -- it can be very lucrative investing.

But because they want to make sure that certain types of people, certain types of companies are being invested in that maybe are going to have a little bit harder to get off the -- you know to get that first friends and family round raised are a little bit harder to see like that early commercialization if it's more of a, maybe a sustainable or green type of business. And so like that's been really exciting.

And we have invested alongside a lot of those angel investors locally. And it's actually been also a great source of deal flow and collaboration with the venture funds that are investing early as well. So that's one of the biggest things I am excited about as far as, hey, we have had some of our first big unicorns, and now it's starting to recycle and be a flywheel.

MS. DAVIS: Love that. I am just thinking how neat it is to be engaging virtually with the three of you from different parts of the country. And I know -- Jordan, I want to go back to the technology that YAC is working on. Your -- it's the voice collaboration platform. It's clearly so incredibly timely as the need for ways to work remotely skyrocketed during the pandemic.

How is technology changing the landscape for companies' ability to connect with potential investors? What do you see in that?

MR. WALKER: Yeah. I mean it's definitely changing for the greater good. And I feel like I could talk about this all day long. But I am so excited for it because, you know, like Vanessa and Victor had kind of mentioned at the top of this is that prior to it being cool to be remote, or like people knowing, hey, you can build a company from anywhere in the world, you -- the really only -- the real only way to go raise venture was actually go physically to these places. To fly out to Silicon Valley, to fly out to New York.

In fact, I can actually tell a quick anecdotal story here. We were actually one of the companies that got a term sheet pulled because we would not move out to Silicon Valley. You know my cofounders are married. We have team members who have kids. Like they can't just uproot their family, and we're not going to leave Florida and go all the way across the country to Silicon Valley to start a company.

And so really, before I feel like 2019, if you just weren't physically in these locations, it was pretty close to impossible to raise money for your company. And so you know once the pandemic happened, and once remote work became cool, as I like to say, and not only products like YAC, but other -- you know other tools out there like you know, Zoom, Slack, whatever it might be -- are starting to enable people to connect with investors on a level that's never been seen before.

You know it's very easy to hop on a Zoom call with somebody and say, hey, here -- let me tell you about my business. Hey, let me go hop on someone of the social networks and, you know, tweet about my startup or post about my startup and say, hey, here's what I got going on.

So the access and, I guess, the overall visibility that investors have now is just so much greater than it's ever been before. And that's what I am really, really excited about. You know for example, again, just using YAC as kind of -- as an anecdotal story here. I mean we got funded partially off -- on the back of it being online, right?

It's like we weren't physically flying out to any sort of roads or coffee shops or whatever it might be. Folks were just finding us online because we were just so loud and vocal about what we were doing, some investors went, oh, hey, that's kind of neat. Let's go check out what the YAC folks are up to.

And so what we're seeing happen with technology is just absolutely incredible. People are realizing that you can build a business, a great business at that from anywhere in the world, and it's never been easier than before. And it's only getting better, right? Folks are realizing, hey, you know what? Not only can we build a company locally within our own country but, hey, we can maybe go find someone there.

Or if I want to go travel for a month, you know, to see all these beautiful places, I can still work and be part of the system too, if you will.

So I am really excited about it and the technology that we're seeing being built on the back of remote work is incredible these days.

MS. DAVIS: That is really exciting. I love hearing about this.

Vanessa, I want to circle back to indigenous-led ventures. You have talked about the cultural differences between more traditional startup financing and your work with access to capital for indigenous-led businesses. What should policymakers keep in mind in order to better support indigenous-led ventures?

MS. ROANHORSE: Well, I think like from my side on the policy pieces, you know, through the pandemic, we saw, so many great new companies having to close. And so much of it is because we, in our communities, a lot of our entrepreneurs are women, they're moms. And they are building their companies while they are raising their children, taking care of their elders, and probably having a full-time job.

So things like really focusing on child tax credits, and providing meaningful wraparound supports for folks, for their children, and then ultimately, being able to provide stronger resources for their employees. I mean let's be honest like if you're trying to build something, it is your team that is going to ensure you're going to get there.

And when I think about the work that we see with indigenous founders, because we're so community-oriented, because we're so family specific in how we think about our businesses, the ability for us to have those types of safety nets, resources, and opportunities to ensure that we can cover our child care needs, that we can cover the ability for our staff to access meaningful health care, and even retirement benefits, is the type of long-term investment that we want to see within our communities in our people.

But ultimately, something that you know the federal government can continue to support, the fact that most small businesses, particularly here in the Southwest, and that are run by Native Americans, are solopreneurs. They are really themselves as the single like employee and staff member. And a lot of that just has a lot to do with the lack of meaningful benefits.

The other side of it on the capital piece is that we really need to be much more expansive with the kind of resources and capital we can provide. I think a lot about these emerging hybrid funds coming out of organizations like the Boston Impact Initiative and Boston Project Ujima in -- on that side, or the, you know, East Bay Real Estate out of Oakland.

They are community-led organizations led and designed by folks solving their local challenges to capital. However, a lot of this stuff doesn't actually fit the use of traditional SEC regulations outside of it being an equity or a debt fund. But folks are really trying to figure out what is that sweet spot that allows us to be more experimental, to be more supportive.

And that equitable patient capital piece is critical if we're going to see any kind of parity when it comes to racial injustice, gender injustices in our country, and really start to address the gaps that we see.

And so I think for indigenous people, we have an opportunity because of our sovereignty, which means we have a nation-to-nation relationship with the federal government to do some of the coolest stuff.

And I really hope that as we continue to see how SSBCI plays out across the United States in rural America and on tribal lands, that we start to see the investment in the infrastructure of supporting hybrid funds and/or more experimental funds will get us there.

Because right now, we have two polar opposite types of lending capital out there. And we have over 83 percent of entrepreneurs unable to access formal financing.

MS. DAVIS: Wow. Well, pretty soon we're going to turn it over to Q&A to let audience questions come directly to you.

But I want to have one final question, which is what advice would you give entrepreneurs who are tuned in today? You have seen a lot, and I know you probably give advice to folks all the time. So we would love to hear a few tidbits from you. I will throw it open to whoever wants to go first.

MR. WALKER: I can start if that's cool with you all.

MS. DAVIS: Thank you.

MR. WALKER: Yeah. So I think one piece of advice that I would give to entrepreneurs is just making sure that you show up and give yourself an opportunity to have as many shots on goal as possible. So again, when I think about YAC and our company, prior to what we have done in the last three years -- and when I say we had no network, I mean I cannot emphasize enough.

We had no network. We were getting laughed at a room's type of no network. And now we have been fortunate enough to raise a series A of funding from awesome people like Slack, GPB Capital, Arlan Hamilton, Anthony Pompliano, and the list goes on and on and on.

But that happens, because we have just showed up in so many places offering value. It sounds so cliche, but instead of telling someone, hey, sure, I will give feedback on that thing, or hey, yeah, check this person out, or, hey, let me show you how to do this thing. Just showing up is literally -- people say it's half the battle. I actually say it's 75 percent of the battle. Just showing up and being present, you know, right place, right time, some sort of magical thing may happen.

And so I think a lot of people underestimate, you know, that kind of concept. They look at it and go, Oh, you know what, like there is no immediate ROI to this thing. And people think in these very black and white terms. But I think if you can think kind of long game, you know, think okay, well, maybe not immediately, but in a year, two years, three years, five years, what does that kind of look like for me?

You know it always just ends up playing itself out the way that it's supposed to, and ends up being just massively great for a lot of these founders and entrepreneurs. So just showing up is my advice that I would give everyone.

MS. DAVIS: I think that is great advice. I feel like it's not just for businesses and entrepreneurs, but just in life. I feel like I am telling my kids that. I feel like it's just generally good advice.

Victor, do you want to --

MR. GUTWEIN: Yeah. No, Jordan, I love that advice, Jordan. I kind of want to maybe echo some of that a little bit. And also say like you know, one of the things that I see, especially with founders that are not necessarily in as active of a tech or startup ecosystem, is they are a little bit more cautious on the networking about putting themselves out there or saying what they do. Maybe they want to keep their ideas to themselves are worried somebody is going to steal it, or they are just not as, you know, used to pump themselves up.

We kind of in the Midwest, we talk about like kind of of being kind of humble, and -- but sometimes that can hurt your business too much. So don't be too humble. Put yourself out there, and that networking is very like intentional. And the more people that hear your story, the more people that maybe can help you out or have a connection that you know can be helpful. Maybe it could be a customer, an investor. You just never know. And so I do think that's part of the showing up is just being able to tell that story.

And then the other thing I like to tell founders, especially those coming outside of the major tech hubs, are to be thinking big, and not be afraid to pitch big vision and to think big. Because I have seen that, kind of that smaller mindset, where they -- I have said it before, like where they are looking just to make the cover of their local business journal. They are not looking for The Wall Street Journal.

And I am like you know, let's make the cover of The Wall Street Journal with this. You know when you guys IPO or exit or something, like let's be -- think bigger. And you know now I think the capital will be excited by that too. So that's just a couple of thoughts I had.

MS. DAVIS: I love it. Think big. Vanessa?

MS. ROANHORSE: You know I am in complete agreement on the relationships piece. Like you know similarly, Jordan, I had -- I knew nobody, and I was literally like just shoving myself into rooms, and I wouldn't leave. And I continued to like survey and understand the landscape in a way that I don't think is just a natural. You really have to help coach yourself to know how to do this.

The other for me on the relationship piece is that it's -- half the battle is the conversation you had that you nurtured for years. And then one day it pops up. And so we talk a lot about with our community like in particularly, our indigenous founders. Like we all do relationships so seemingly, like so easily. We don't even think about it when it's around community engagement, solving local problems, helping each other through ceremonies.

The pandemic is a perfect example. We saw native people just figuring it out, creating informal infrastructure through their networks. But something about that translation into business, something about that translation where you're talking to capital providers is a huge disconnect.

And so we spend, I spend a lot of time coaching folks to be like well, find your power, find your voice, and lean into it. And also recognize that like folks are human beings. Just like we would do this in, you know, back home on the reservation for some kind of ceremony. The difference is how we define our relationships today is what we're going to seed and plant for something into the future.

And I think that's been the most important piece. Because without relationships and networks, particularly in this capital space, it's very lonely. So I don't think I can add more than that. It's just -- it's so critical.

MS. DAVIS: Well, I think all of you are talking about planting seeds that will grow. And I just, I love that analogy, and I love thinking that even just what you're saying right now to folks who are listening in, maybe some seeds are planted that we'll see blossom as we go forward. So this has just been a real treat for me.

I am now going to turn it over to my colleague, Sebastian Gomez Abero from our Small Business Advocacy team. He's been monitoring the chat throughout all this, and we'll bring in some of those questions now. So thanks.

MR. GOMEZ: Thank you so much, Julie. And what a fantastic discussion. I especially loved the discussion towards the end, when we were chatting about concrete advice and suggestions for entrepreneurs who are in the audience. There was a lot of discussion in the chat. And I think people really appreciate the very concrete suggestions you have for them.

Vanessa, you finished talking about relationships and the issue of finder is something that Julie mentioned during the conversation kept coming up during the chat. It's an issue that our office has heard a lot about.

In our 2021 annual report, we noted specifically the challenge with networks and connections and how they impact half of the entrepreneurs with new businesses. And even for entrepreneurs with mature businesses, it's still highlighted as a challenge one-third of the time by those entrepreneurs.

There have been many ideas that have been offered to provide clarity, and the issue of finder's faith in the chat noted a few ideas have been introduced in Congress. The Commission also had introduced some ideas. All of it intended to provide clear guidance on the role of finders and especially when they are connecting those entrepreneurs and their investors and providing services that often fall below the threshold services where we usually see the registered broker-dealers work best.

So Vanessa, and Victor Jordan, all of you touch on a topic of relationships, that has resonated a lot with the audience.

Victor, we got a question from Howard that I wanted to send your way. He asked whether you see -- you seek out possible startups for investment or does it mostly happen through referrals? I think this is a great way to tie it to the issue of finders.

MR. GUTWEIN: So I think the older school mentality used to be to let the deals come to you, to let the founders come to you. And you know there has been a surge of new venture fund formation and capital raise and venture fund. And I have to say, that's no longer the case.

You know if you want to be an investor now, you have to be a lot more aggressive than just sitting back and letting it come to you. So we are doing a lot. So we are trying to more actively curate our network to make sure we're spending time, networking out at events. Hanging out with people that are in those ecosystems and have lots of relationships with founders that can send us deal flow.

And then we will seek out now directly founders. Like we will actually reach out to them. And especially at the later stages, that's armies of people sending out deals for like much larger financing rounds. But even the early stages now we're reaching out, we're trying to be like, hey, I heard you might be starting a company. You know even sometimes as early as the company formation, we might be reaching out.

And then we want to also make sure that we're very accessible. So if we get a lot of cold emails coming through, as I mentioned. Also, we have like a form on our website, or people reach out on Twitter or LinkedIn, we try to respond to as much as we can. Obviously, it always helps when it's -- you know kind of we have on our website what we look for, and if it matches, then we're more likely to respond and take a look.

But I think it's a competitive environment right now. And that is -- that's beneficial for those that are not necessarily as connected in because they can reach out and as -- I actually kind of mention, often without that finder or broker intermediary, and get the relationships and start working on that. And that's what I think a lot of investors prefer is just direct contact with the founders, so.

MR. GOMEZ: That's fantastic feedback. We also got a question that I want to start with you, Jordan, and then Vanessa, get your thoughts on it as well. It continues this theme of how do you bridge the networks but perhaps through the help of a mentor. And this was a topic that came up yesterday from one of the panelists who suggested that entrepreneurs find a mentor to help them to -- when they get started to provide advice and guidance. Get them started.

In fact, Carolyn Cummings yesterday mentioned that usually, you go to someone as a mentor. And sometimes that's how you get capital, as opposed to going to them for capital and then expecting mentorship.

Jordan, I wanted to start with you, and pose that question to you, and get your thoughts on how would an entrepreneur who is looking to find that advice, look to find a mentor?

MR. WALKER: Yeah. I am happy to talk on it. So I have a couple of things to say. First, is that my suggestion is through the lens of my own experience and my own mentor. So I just want to say that it is a little anecdotal. But one thing that was really, really beneficial for us, and what I quickly learned is that -- and even now in helping others startup founders is making sure that you're just very, very honest and real with yourself. That you're going to be willing to show up every day and do the work yourself.

So one of my favorite sayings is you can lead a horse to water, but you can't force it to drink. And I think a lot of founders today have this mentality that I am going to get a mentor, and then they are just going to like give me the playbook and lay it all out there for me. But I think when it comes to finding a mentor, you need to be prepared going to this person, say, here's my business, here's what I want to accomplish, here's what I know, and here's what I need help with. And just being very clear around what some of the asks are.

So that way, there is not just like a -- like these mentors are usually very busy people. Like they need some sort of direction, right? If you're -- whatever you give them, they are going to give you an output based on that input. So just knowing that going into the conversation.

But for actually finding one, I would say, just in general, go to a lot of networking events. So when I found my mentor back when we were starting our first business, I showed up to every networking event possible. One of the local VCs here in Jacksonville, I was fortunate enough to take me under his wing. And so I kind of said yes, and he helped me really understand business. Jim Stallings, a big shout out to him.

And then the second thing too is just straight up ask people. Like you would be surprised a lot of people are open to doing this type of stuff. Just ask. Just say, hey, look, here's who I am, here's what I am working on. I need some help. I -- we -- are you willing to like do this for me or like give me, you know, X amount of hours per month or something like that. And a lot of people will say yes. You would be surprised.

So just asking, and then also getting really real with yourself about am I going to be able to put in the work that they kind of expect me to do in this relationship?

MR. GOMEZ: That's fantastic.

Vanessa, there were a lot of good comments echoing a lot of the perspective that you provided, and how sometimes is different from what other entrepreneurs are facing. And it just wanted to give you an opportunity to also see if you could add on the idea of suggestions for finding mentors.

MS. ROANHORSE: I mean I think, Jordan, and I think, you know, Victor really liked landscaped. And Jordan just named what it needs to be as an entrepreneur when you want to engage in that kind of relationship.

I think for the other piece, I would want to share around mentorship, coaching, and resources available is like before the pandemic, I think there was lots of really great work happening. And then with the new ARPA funds coming out, a lot of resources going to accelerators and incubators, et cetera.

The thing I really stressed folks for too, though, is that like mentorship and coaching is a really intimate relationship. You're letting someone into your business in a way that maybe you don't even talk to your partner about or your parents about. And so really understanding from my side is like find someone who has the lived experience that you have also had. I think it's really valuable to find those.

The other is like you don't need just one mentor or coach. I feel like that's the stuff that we see a lot happening with our work in Native Women Lead. Is we're working to pair our network and our founders with a variety of coaches and mentors. And if you come from an indigenous like worldview in place, we always joke it's the auntie network. You know you're raised by all of your aunties. Because you have so many new such a strong community, and each person brings in different resources, different types of skill sets.

I really encourage folks to sort of see this as an opportunity to create. You have your team for your company. Create the external team that you want, the family of resources that you're looking for. There is a lot of new great organizations.

MORTAR in Cincinnati that's been creating culturally relevant technical assistance for years. And what they have done and how they have supported black entrepreneurs in Cincinnati is unbelievable. The work Native Women Lead is doing, its resources, mentorship, and coaching support is specifically designed for Indigenous women founders. I don't think that existed five years ago and the size that we're starting to see across the United States.

So it's acknowledge that if you want resources and support, do all the things that Jordan said. Go out and build the relationships. Know what you want. But also know you can find multiple people to come alongside you.

The part that I always worry about for folks is that if you aren't able to make the time for it, then it really isn't the best bet. You know I personally have two mentors, a coach, a therapist, you name it. I have got like an Army of people that help me every day to show up to do what I do, and I am unapologetic about it. And I think we as a community needs to be unapologetic.

And I double -- I want to double down on Jordan's point. More than likely, the person you're scared to ask is so excited to help you. So lean into that. And just know there is a lot of resources out there, and it's up to us to resource ourselves.

MR. GOMEZ: The three of you are so inspirational. I mean this is the reason why we do this forum, and why we get panelists like the three of you to provide the very concrete suggestions to those entrepreneurs in our audience that are looking for role models can have someone to learn from. So thank you.

Before we go, I want to go with one last lightning round question. I do want to encourage everyone in the audience to stay tuned after we finish with the Q&A for voting on recommendations that they'll see below, the speaker section. We encourage everyone to take a look at those and prioritize. A lot of the topics we discussed today have been reflected in those recommendations we have received from the public in advance. And I do want everyone to take the time to vote on those.

But before I let the three of you go, I do want to end up with one final question. Many in the audience are entrepreneurs, and many of them are underrepresented founders. From where you sit, what are some of the positive trends you see for traditionally underrepresented founders?

Victor, can I start with you?

MR. GUTWEIN: Yeah. So I think, you know, one of the biggest shifts right now is the people that are getting funded are rapidly shifting from just those in the old boys club that went to the right schools or had the right upbringing to you know really a better representation of who are the customers and business people of America. And I think that's really exciting.

Right now I think we just really released the report because we want to be aggressive in that. And we have been aggressive with our sourcing, and our objective with our evaluation process. And it's led to 50 percent of our current fund being led by black, Latinx, or female founders. And that's way above the average for the industry. It is not what represents the demographics of America yet, of course, but it is -- you know I think we're not the only fund that looks like that. And not the only fund that's really seeking out opportunities.

And once again, we are an ROI-only focused fund. But we are seeing that there is economic opportunities that are just as big, no matter what type of founder you look or are and identify as. And so I think that's one of the big opportunities people are kind of coming to grasp with and are being, you know, aggressive to find and seek and be open and take those conversations in meetings, and not just kind of look in their traditional networks of people that may look just like them. So I think that's what I am excited about.

MR. GOMEZ: So glad that you are seeing that.

Jordan, you're a founder yourself. So what are you seeing?

MR. WALKER: Yeah. Yeah. I want to echo some of the -- Victor's points there. And I love it when he said, you know, we're seeing people not in the, you know, the old boys club or whatever it might be. Get access to capital and get funded. You know I have a group chat of a bunch of other founders that I talk to, and none of us, I would say, are like your Stanford grads, or your Harvard grads with, you know, some sort of crazy education and access to resources and things.

We're all kind of these, you know, grungy founders who are just trying to make our way through. And so I am just -- I say that to say I am really excited to see that folks like that are getting access to capital. People are realizing, hey, they can build really fricking huge businesses, which is really awesome.

And they can return capital to shareholders and other investors like any other person on the planet, which is really awesome. And so I am really excited about that. And then I am also really excited that I think there is just -- I have always said this. But I think there was a massive kind of education problem when it comes to underrepresented founders. I think a lot of people are running into the problem of you don't know what you don't know.

So clearly, if you don't know the first thing about running the business or getting funding, well, then, hey, how are you ever supposed to go talk to a venture capitalist?

But I think what we're seeing happen is we're seeing a lot more educational resources, time, and energy being devoted to, hey, here's just like, you know, how to set up a company. Here's how like you think about a data room. Here's how you think you should think about a capital -- or a cap table. Here's how you should think about, you know, actually raising the money. Do you bootstrap it? Do you raise the funding? Do you take it that product?

So I am just really excited about capital going towards people who aren't -- your more non-traditional folks. And then also, educational resources just around building the business and venture capital. Yeah.

MR. GOMEZ: Jordan, I am so glad that you brought out educational resources. We talked a lot about those yesterday.

Amy pointed to several of the resources on our website.

So I do want to encourage all the founders in the audience who are struggling with some of those questions to check out some of those resources. We'll put the link to those resources on the chat again so that they are easily accessible.

Vanessa, I want to give you the last word on this, and if you could just share what you're seeing.

MS. ROANHORSE: You know it's not at parity yet, for sure.

But what I am motivated by every day in this work is that I see more folks who are us, who have been overlooked, who have been underestimated, who have been marginalized and pushed to the edges are actually coming back and saying, what would it look like if we made this for ourselves.

So seeing first-time fund managers coming in, that are representing the communities, that are excited to actually do the investment with. Seeing organizations start new types of funding product mechanisms, that are actually serving the very specific challenge in their community.

Because one of the greatest things I think we can work against is that one size fits all and one off-the-shelf product is going to solve some of these multiple issues across the board. And the more plurality we see in fund design, and people building new funds is how we're going to get to a sense of like what is possible.

So that's what I think is really happening for underrepresented founders is there is folks who have been doing this for a long time, and they got tired of sitting on that side of the table, and are building new ones.

And my hope and interest, though, is that Treasury, and SEC, and other regulating organizations can start to think about expanding their definitions. Really start to think about including these new types of opportunities and products.

Because let's be honest, the five C's of credit isn't going to -- is continues to keep most people out of just traditional financing. When we start talking about equity capital in more venture capital pieces, and if it's relationships that are going to take the longest, what's the in-between moves we got to make?

The final thing I will say that's super exciting is a lot of the push that's happened around equity crowdfunding.

I think the opportunity for us to see those as bridges, particularly in communities that maybe don't have the deeper relationships working with non-accredited investors, that's a huge opportunity.

I think of that from a community investment lens. And frankly, I look forward to where that's going to go. So I see a lot of pieces. There is a lot of great little fires happening across the United States around this being led by us, for us.

What would be great is being able to see how we can think about regulations to really start to support those conversations. Because we need venture capital. We need traditional debt capital, but we also need all of the other things in between.

MR. GOMEZ: The three of you are truly fantastic. And we are honored that you share your insights with us and with the audience. Thank you. Thank you for your time.

And now I am going to turn it over to my colleague Sarah, who is going to tee up the recommendations for voting today. Thank you again. Thank you.

MS. PIERCE: Thank you to Martha Miller.

MR. GOMEZ: I think Sarah is coming just about now.

MS. KENYON: Hi, I am Sarah Kenyon from the SEC Small Business Advocacy team. I want to thank you for spending time with us today focused on supporting entrepreneurship outside of traditional capital raising hubs.

And I want to give a special thanks to our panelists for sharing their valuable insights with us.

Join us tomorrow at 1:00 p.m. Eastern Time for a discussion about how emerging fund managers are diversifying capital raising.

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

Thanks for being part of the forum.

(Whereupon, at 2:02 p.m., the meeting was adjourned.)

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PROOFREADER'S CERTIFICATE

In the Matter of: SMALL BUSINESS FORUM
File Number: OS-0001
Date: Tuesday, April 5, 2022
Location: Washington, D.C.

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

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(Proofreader's Name) 4-8-2022

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I, Isaac Lewandowski, reporter, hereby certify that the foregoing transcript is a complete, true and accurate transcript of the meeting indicated, held on 4-5-22, at Washington, D.C., in the matter of:

SMALL BUSINESS FORUM.

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

4-8-2022