

U.S. SECURITIES AND EXCHANGE COMMISSION

SEC'S 41ST ANNUAL
SMALL BUSINESS FORUM

Conducted Remotely Via WebEx
Wednesday, April 6, 2022
1:00 p.m.

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

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19

20

21

22

23

24

25

	C O N T E N T S	
		PAGE
1		
2		
3	Introduction	4
4	Jennifer Riegel, Policy Manager, Office of the	
5	Advocate for Small Business Capital Formation,	
6	SEC	
7	Martha Miller, Director of the Office of the	
8	Advocate for Small Business Capital Formation,	
9	SEC	
10	Allison Herren Lee, SEC Commissioner	
11	Director of the Office of the	
12	Advocate for Small Business Capital Formation,	
13	SEC	
14	Panel One: How Emerging Fund Managers Are	14
15	Diversifying Capital	
16	Moderator: Sebastian Gomez Abero, Deputy Officer,	
17	Office of the Advocate for Small	
18	Business Capital, SEC	
19	Panelists:	
20	Brandon Brooks, Founding Partner, Overlooked	
21	Ventures	
22	Dave Lu, Founder, Hyphen Capital	
23	Erica Minnihan, Co-Founder, Reign Ventures	
24	Closing Remarks	65
25	Kim Dinwoodie, SEC Small Business Advocacy Team	

P R O C E E D I N G S

INTRODUCTION

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

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

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

25 And now nearly 3 years later, this is likely
my last forum as a Commissioner, and I know that you

1 have announced your intent to depart from the
2 Commission. So, we've had parallel trajectories with
3 the forum, and I want to take this opportunity to thank
4 you just for efforts to ensure that the forum evolves
5 and remains a vital and important event, but also for
6 your broader service to the Commission.

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

14 Every year I especially appreciate the
15 collaborative nature of the forum which emphasizes
16 communication and collaboration, not only between the
17 Commission and the private sector, but also among
18 regulators. I think that's important because it compels
19 us to consider our overlapping jurisdictions and
20 mandates and better understand how we can collectively
21 create a regulatory environment that supports diverse,
22 balanced capital raising opportunities for businesses
23 and investors alike. And I also appreciate the
24 continued focus of the forum on opportunities for women
25 and minority owned businesses and underrepresented

1 founders and investors who are generally -- this is an
2 issue of crucial importance as we seek to promote access
3 and opportunities for all participants in our capital
4 markets.

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

14 Historically, I know the forum's
15 recommendations have focused on ways to expand this
16 definition, something that we did in fact do. But as
17 you think about your recommended approach to accredited
18 investors, I encourage you to consider that the wealth
19 threshold in that definition are about as old as this

st

20 forum itself, which is in its 41 year. And while we
21 may consider potential alternatives to wealth as a
22 pathway to accredited investor status as we have, I ask
23 you to think about whether as long as we do maintain
24 wealth thresholds, it's credible to leave them static
25 for decades on end.

1 Indeed, some comments and suggestions to the
2 wealth thresholds, such as indexing management inflation
3 may help facilitate expanding the definition in other
4 respects. Second, I hope you'll be giving some thought
5 to Form D and the vast amount of capital being raised
6 through exempt offerings, especially Rank D offerings is
7 well documented. But what is less well documented is
8 exactly how that market is working. This Form D, which
9 is our principal mechanism for visibility into that
10 market, but in fact our visibility is hampered by
11 limitations of that form.

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

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

1 helps promote capital raising.

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

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

18 MR. BIRDTHISTLE: Thank you very much, Martha,
19 for the kind introduction and of course for the
20 invitation to speak today on the recent work that the
21 Division of Investment Management has been doing. Let
22 me first begin if I may with a customary disclaimer that
23 my remarks today are my own, and they don't necessarily
24 reflect the view of the Commission, the Commissioners,
25 or the SEC Staff.

1 Let me also offer a quick word of
2 congratulations to you, Director Miller, who is lilted
3 some of the experience of small businesses and startups,
4 and entrepreneurs everywhere by serving as the Founding
5 Director of the Office of the Advocate for Small
6 Business Capital Formation. Congratulations to you.

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

17 Section 504 of Regulation D was never far from
18 our minds, but that was a long time ago, and I am, as
19 you said, the new member of the Division of Investment
20 Management. And the focus of our work is of course
21 primarily upon investment advisors and investment
22 companies or as we know them more (audio disruption), investment
23 funds. Funds include not just the \$30 trillion in
24 registered investment companies, but another \$18
25 trillion in gross asset value held in private funds.

1 Those funds include hedge funds and private equity
2 funds, but perhaps most pertinently formed many small
3 businesses and our conversation today, venture capital
4 funds.

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

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

25 The proposed new rules and amendments to the

1 Investment Advisors Act will have -- will address key
2 areas in the private fund space that have been right for
3 reform for a while now. If adopted, the proposal will
4 provide an important check on advisor behavior, and
5 would we hope improve the quality of information
6 provided to fund investors. There's a couple of
7 different components, and I'll just mention a few of
8 them briefly.

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

20 The proposal also addresses advisor-lead
21 secondary transactions, and the idea behind that measure
22 is to address another area of potential conflicts of
23 interest where an advisor may stand to profit at the
24 expense of private fund investors. Another key element
25 of the proposal is the prohibition of certain practices,

1 practices that contrary to the public interest and to
2 the protection of investors. Chief among those would be
3 a prohibition on all private fund advisors from charging
4 certain private fees to the funds as such has
5 accelerated monitoring fees, fees associated with
6 examination or investigation of the advisor, and fees or
7 expenses related to portfolio investments on a non-
8 prorated basis.

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

23 I would also like to use this opportunity to
24 thank all of the members of the staff of Investment
25 Management who have worked very hard on this proposal as

1 well as several others to make those proposals come to
2 the Commission in a timely fashion with well thought and
3 well researched ideas. With that, I trust you'll enjoy
4 the rest of your forum and I'll now turn the
5 presentation back to Martha. Thank you, Martha.

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

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

24 MR. GOMEZ: Thank you, Martha. It is truly a
25 privilege to be able to moderate today's panel about

1 emerging fund managers. They play such an important
2 role in the capital ecosystem, so without further a ado,
3 let's introduce our panelists, Erica, Brandon, and Dave.
4 It's a pleasure to have you all here. Thank you so much
5 for taking the time to join us today. The audience in
6 the few minutes before we got started, the audience got
7 to see your bios.

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

22 During that event, I don't know if you recall,
23 but you talked about some of the challenges of raising
24 capital, especially raising capital as a woman, but you
25 also said that you were really excited about the fact

1 that you were seeing more woman looking to raise capital
2 because you were seeing -- because they were seeing
3 other women actually being successful raising capital.
4 So, I want to start with you and ask you how things have
5 changed over the last 2 years and what work you're doing
6 with your fund?

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

21 To give you guys some context, Reign Ventures
22 is a seed stage fund that invests in consumer tech and
23 enterprise software companies. We're actually the
24 largest venture capital firm started by two African
25 American women GPs, and we have a big commitment

1 investing in underrepresented founders. To date, 55
2 percent of the companies in our Fund One portfolio have
3 BIPOC founders and 77 percent of our companies have
4 female founders which is a statistic we're really proud
5 of. But of course, you know, after the very challenging
6 events of the summer of 2020, which were really kind of
7 going on right when we were doing that forum surrounding
8 racial justice concerns, we saw an incredible commitment
9 from titans of private equity and corporate venture arms
10 to investing in funds like ours with underrepresented
11 GPs.

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

1 where we are today.

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

7 MR. GOMEZ: Erica, I'm delighted about your
8 success because that means more capital to
9 underrepresented founders, so that it fantastic.
10 Brandon, I want to switch over to you. Overlooked
11 Ventures, what I love about your fund is that there's a
12 lot of talk about raising capital on the two coasts.

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

19 MR. BROOKS: Yes, absolutely. Thank you.
20 It's a pleasure to be here today with these other
21 amazing panelists, and I'm just grateful for the
22 opportunity. And so, I wanted to start with that. At
23 Overlooked Ventures, we started out a little ambitious
24 with wanting to raise a \$50 million fund one where
25 neither of us, my partner Janine Sickmeyer and I, have

1 come from a venture capital background. We were both
2 startup founders building startups, you know, not on
3 these coasts.

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

15 And so, as an overlooked founder herself, she
16 ran into so many problems of having to travel, nobody
17 believing -- you know -- believing in what she was
18 building, but then she went on to not only build this
19 great company, to have a successful exit, and want to
20 invest in other amazing founders that were just like
21 here. And so, I look at my part of the story and say
22 why didn't I know what venture capital was. Even when I
23 started a startup, why did I have no idea what venture
24 capital was? That's a barrier, and then I look at her
25 story where she was building this company, and was

1 trying to pitch VCs, but couldn't get anybody to pay
2 attention to what she was doing. Even though she would
3 go on to build a company that would have a successful
4 exit, nobody was paying attention to her. That's a
5 barrier of being outside of the coasts.

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

19 And so, we're trying to bring those VC dollars
20 into, you know, these other overlooked cities while at
21 the same time showing LPs, limited partners, hey,
22 there's huge opportunity and alpha here as well. And
23 so, you know, we're attacking this from all angles. It
24 is a very difficult battle, but it's one that we're
25 extremely passionate about, and with conversations like

1 this that the SEC is having, with the work that Erica
2 does, with the work that Dave does, and many others in
3 this ecosystem, we're going to continue being able to
4 build up a strong ecosystem for the entire country and
5 build up a stronger economy by funding just even outside
6 of the coasts. Thank you.

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

18 You have written about this before, and you
19 talked about the challenges that Asian Americans
20 founders face when looking to raise capital. You've
21 referred to overcoming the bamboo ceiling, and I want
22 you to tell us a little more about how you're supporting
23 entrepreneurs. The Hyphen Capital is a little different
24 than what Erica and Brandon are doing, and also if you
25 can share a little bit about the challenges that Asian

1 Americans face when they're raising capital, especially
2 in Silicon Valley where people think and refer to often
3 as being flush with capital.

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

19 So, I think a lot of it is the -- we're good
20 enough to, you know, build the railroads but we can't
21 run the railroads, or we can't be the railroad barons.
22 And so, I think for a lot of folks who've been there, I
23 think without that access of the networks to the
24 capital, it becomes very frustrating. So, regardless of
25 if you're actually in the Valley or not, and you have a

1 resume that has, you know, the Googles and Netflix's of
2 the world and you have experience, it doesn't guarantee
3 you access to that capital. And I think that's why I
4 created Hyphen because I felt like that bamboo ceiling
5 of being stuck shouldn't be the case that you could go
6 build your own house.

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

18 But for so many, you know, black, brown,
19 Asian, other founders, they don't have that access
20 because they weren't granted access to that in the first
21 place. And so, I think without those networks, it's
22 hard to even get meetings with a lot of these folks
23 because they are -- it is very tightly knit. They
24 invest in friends. VCs invest in other VC's companies,
25 and so if you don't break into that, the circle is very

1 hard to be noticed. So, what I do with Hyphen is
2 actually it's an angel syndicate, and now we have what
3 started off with 60 friends who had great exits and
4 could help younger founders, we now have 800 angels.
5 And it's just getting -- about getting creative about
6 how to get capital to the founders. It shouldn't
7 matter, you know, who is deciding. It should be about,
8 you know, who needs the capital and I think for us it's,
9 hey, I have 800 angels. They all want to invest in
10 diverse founders, and that resonates with them.

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

23 So, if you can -- you know -- being able to
24 get money from LPs is -- institutional LPs -- is very
25 hard. But if you can pull together a bunch of thousand

1 dollar checks to write a check to some founder who needs
2 it, that can make a big difference because I firmly
3 believe that there would be more founders of color,
4 women ringing the bell on Wall Street for an IPO if they
5 could get that early stage capital, and that's the most
6 important check they need. So, for myself it's like,
7 hey, if I can get \$100,000, \$200,000 to founders who
8 need it the most, that can make a big difference in
9 their path and their journey as an entrepreneur.

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

21 Just go ahead and put your question in there
22 so we can get it in the queue. All of you mentioned
23 LPs, especially institutional LPs. Last year we devoted
24 one of our reach events to actually having a
25 conversation with LPs who were supporting emerging fund

1 managers. Afterall, the reality is that we talk a lot
2 about the founders getting capital, but if you guys are
3 not able to attract the capital, then you cannot direct
4 that capital over to the founders.

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

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

21 MR. BROOKS: Yes. So, this gets really
22 interesting, and it's a nuanced conversation. So, I
23 want everybody to understand that from the start, and
24 you may agree with some of my points; you may not. What
25 I'll say is an institutional LP for beginners is

1 something like Bank of America who Erica just mentioned
2 in her, you know, her last statement, and Bank of
3 America we're very happy we just announced last week
4 backed us at Overlooked Ventures as our anchor
5 institutional LP.

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

19 I will say, one, it's a little frustrating.
20 I'm a black man obviously, and contrary to some people's
21 popular belief on Twitter, I get caught up on that all
22 the time. But anyways, so I am a black man, and so it's
23 almost frustrating that it took the public and, you
24 know, horrific murder of a black man to be televised --
25 and I'm talking about George Floyd -- to get people's

1 attention enough to say we have to make changes in this
2 country, right. And how that ends up trickling to
3 venture capital, I don't know, but I think it made
4 people reflect overall on the plight that black
5 Americans deal with daily.

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

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

1 very difficult.

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

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

23 It's really important, and I do want to say
24 thank you for at least having the thought but listen to
25 the GPs. Listen to the VCs that are out there and

1 telling you what we have to go through. Many of which I
2 have this conversations with, and they say we can't
3 believe that we're all fighting gladiator style or
4 hunger game style to get a small sliver of the pie. We
5 just want to be judged. We just want to be seen the
6 same as every other VC that's out there. Just because
7 I'm a black man, just because Dave's, you know, an Asian
8 man, just because Erika is a woman -- or black women,
9 just because we're all, you know, these different
10 overlooked -- historically overlooked fund managers
11 doesn't mean we should be looked at differently and
12 given different opportunities for smaller slices of the
13 pie than others. So, more has been funding. More has
14 been going out there, but I encourage those
15 institutional LPs to really look at the systems that
16 they're putting in place.

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

24 MS. MINNIHAN: Right. So, you know, first of
25 all, I am going to absolutely admit it has had an

1 incredible impact. About 50 percent of the funds from
2 our first close came from corporate entities that were
3 specifically set up to support underrepresented GPs.
4 So, we couldn't have gotten started if those funds had
5 not been set aside, but the majority of our fund capital
6 comes from non-corporate institutional fund managers,
7 people who manage endowments, and you know, insurance
8 companies, pension plans, things like that who are
9 purely motivated by financial return.

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

23 But at the end of the day, raising our first
24 fund still required -- just for me, not for my partner
25 who's amazing -- a 23-year career in finance working at

1 some of the top investment banks in the world, an MBA
2 from Columbia Business School, 16 years of professional
3 venture capital investing experience. I started two
4 companies myself, and my partner and I already had a 10-
5 year partnership by the time we were able to go out and
6 raise institutional capital.

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

21 MR. GOMEZ: Thank you, Erica, for being at it.
22 I mean that's incredible all you had to go through.
23 Dave, for Hyphen Capital, you guys are focused on angel
24 investors, and I just wanted to get a sense of how the
25 call for racial equity has actually either mobilized

1 angel investors to maybe rethink about where they're
2 putting their capital because at the end of the day a
3 lot of the founders will start with an angel group and
4 get their capital there before they go to a VC fund.
5 So, how has it changed over the last couple of years?
6 Have you seen improvements in that area? Oh, I think
7 you're muted Dave.

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

21 Eric Yu from Zoom, he had trouble raising
22 money because he's a Chinese engineer with an accent,
23 and he has had to raise money from Chinese investors in
24 the beginning. And Larry Liu, another -- he started
25 Weee. It's an Asian grocery delivery and Hispanic

1 grocery delivery company, and most of the investors
2 didn't understand that. They said why don't you just
3 use Instacart? Why don't you use -- you know -- just go
4 to your Wholefoods? And most people hadn't -- those
5 investors had never been to a Ranch99 or H-mart or a
6 Mexican grocery store, so they didn't understand the
7 problem.

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

24 And so, there's constantly these arbitrages
25 just because they're not being invested in by certain

1 investors. People should be looking more at those
2 founders to get the returns, so I think a lot of this
3 comes back to just the opportunities and access of
4 networks. And I'm not saying that all these investors
5 don't want to invest in founders of color. I think, you
6 know, many of them just don't have any connection to
7 them. A lot of them are not in the same networks.
8 They're not in the same place.

9 I think -- I don't want to assume that
10 everyone has, you know, bad intentions or they're racist
11 or whatnot, but I think it's -- you know -- a lot of it
12 is if you aren't in the same groups or the same circles,
13 you don't really -- you can't really meet that person.
14 So, it's outside of your, you know, domain to actually
15 know what to invest in. So, I think that like raising
16 the profile of more founders of color we can get, you
17 know, them in front of other investors, and that's our
18 job to is Brandon, Erica, and I have to -- you know --
19 we have to introduce folks to the next round because the
20 problem right now is -- there was a conversation between
21 Dell Johnson and Jason Calacanis I believe that was
22 about -- and (audio disruption) laughing. I didn't actually
23 listen to the conversation, but I saw those tweets, and
24 it was about performance, investment performance, and
25 that's who gets the money. It's not a meritocracy let's

1 be real. None of it is a meritocracy.

2 It's all about network and access, and the
3 problem is if you really believe that and you look at
4 the path of fundraising for certain founders and
5 companies, it's basically who is the next round that
6 will write the check for you. If you know other
7 investors at the growth stage and further on that can
8 get checks, and most of them to be honest, they have to
9 be mostly white males because we don't have -- a lot of
10 us don't have the relationships with LPs, with all the
11 endowments, and the pensions because a lot of this --
12 they're starting those circles. But those folks who can
13 raise from 99 LPs and get to a fund that's big enough to
14 support those companies down the road can keep doing the
15 markups, and they get -- the performance is constantly
16 who's getting the next round of financing.

17 So, a company like Fast, which was all on the
18 news yesterday, couldn't raise \$120 million on \$600,000
19 of revenue. Like that just -- you know -- that doesn't
20 happen. It doesn't implode. So, I think -- (audio disruption)
21 -- this is the thing. I think if we can change the
22 path, it shouldn't be an exception. BofA and others --
23 and other institutional LPs shouldn't have -- make an
24 exception to invest in investors of color. It should be
25 the norm. It should be just based on performance, based

1 on the founders, you know, the founders that we invest
2 in, but that isn't the case today, and I think that
3 hopefully that will change.

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

15 So, I'm going to ask one more question to the
16 3 of you, and then we're going to switch over to
17 audience Q&A. As you know, the beauty of the forum is
18 that after we finish speaking, the audience gets to vote
19 on recommendations for the Commission and Congress. So,
20 as you leave the formal part of the remarks today, I
21 want to ask you what should policy makers keep in mind
22 to help nurture this ecosystem of support of
23 underrepresented founders. And Dave, I'll start with
24 you. What ideas do you have for the policy makers?

25 MR. LU: So, I sent some of these to Sebastian

1 at a (audio disruption), but the first is on accredited
2 investors. I mean I work with a whole slew of
3 accredited investors to invest in angel investments, and
4 you know, some of them want to invest, but they can't
5 because the requirement is \$200,000 salary and limit on
6 assets. A lot of people who want to invest in founders
7 of color, they might not have -- you know -- they don't
8 have parents who are rich, and they didn't have them
9 help them pay for college, and they still have school
10 loans. And they have -- you know -- they didn't get a
11 down payment for a home, so they couldn't get the -- you
12 know -- a house that could actually increase in value
13 which is the way most people make their wealth in this
14 country.

15 So, it all -- you know -- or they don't have
16 the network. Their parents didn't have the network to
17 get them that first high paying job to get that salary,
18 so I think a lot of it comes back to, you know, the
19 wealth creation that a lot of people, founders of color,
20 immigrants, haven't had. You know the real estate
21 policies are redlining and keeping people from buying
22 their homes and getting loans in certain neighborhoods.
23 Prop 13, which protects people in California from
24 keeping all the wealth and not allowing other people to
25 come in and, you know, buy a home unless they're paying

1 like 10X what the previous person did, it just -- all
2 these things help keep wealth trapped with certain
3 people for generations, and we need that to change.

4 If we can find a way to come up with better
5 requirements for accredited investors, that would allow
6 more people to create some (audio interference) like
7 Hyphen, and you know, for other groups. And it doesn't
8 have to -- all the money doesn't have to be held by the
9 gatekeepers of, you know, in certain circles. So, the
10 other thing is I think the LP, Calpers 99 LPs, I think
11 it's completely arbitrary. I don't know how that number
12 came up, but that also limits folks to if you want to
13 create a bigger fund like I said before, you're going to
14 need to have relationships with, you know, very powerful
15 and wealthy people who run large institutions, the
16 Calpers and others of the world, the Yale endowments and
17 Harvard endowments of the world. And many of us don't
18 have those relationships, so I think it's -- it all
19 comes back to, you know, opening these doors up for more
20 people to access this capital.

21 MR. GOMEZ: Thank you, Dave. I know an
22 accredited investor was part of their recommendations
23 that were voted yesterday, and I know that the 99
24 investor limit that you mention is among the
25 recommendations that people will be voting on today.

1 Erica, can I turn it to you and ask you if you could
2 share if you had any thoughts on policy ideas?

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

14 So, there is an opportunity for policy makers
15 to use, you know, potentially task credits or other
16 financial incentives to lower that perceived risk in
17 order to encourage these institutional investors and
18 other accredited investors to participate in these
19 vehicles similar to the way they do with QSVS, you know,
20 sort of task benefits. The risk is right now perceived
21 as high because these strategies just haven't been
22 employed before which has really cut off access to
23 capital to underrepresented founders. So, if we have
24 some mechanisms in place that encourage and incentivize
25 those first movers to start actively allocating capital

1 in a way that can help increase equity in the venture
2 capital market overall, it's definitely going to flow
3 through to more female founders and more founders of
4 color getting funded.

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

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

23 And so, my -- from slick salespeople, right,
24 and so my worry becomes if we just were to get rid of
25 the accredited investor laws and regulations today,

1 would we see something similar to that? And I think so,
2 and a lot of these, you know, MLMs, they hyper targeted
3 single mothers, and you know, underserved communities,
4 or they hyper targeted people that were just -- they
5 needed some hope and a dream, and that's what they were
6 sold. And so, startup risk -- startup investing is very
7 risky. It is. It's high risk but it's also high
8 reward, and so I'm not a big fan of just getting rid of
9 it.

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

22 And so, you can't even google what you don't
23 know. I mean I talk about this often. I was 26 when I
24 started my startup. I didn't even know I was starting a
25 startup. I just thought I was starting a company,

1 right. I had no idea what venture capital was probably
2 until I was 27, 28, maybe 29 years old. I had no idea
3 the power of Twitter and meeting everybody, and so all
4 of those things are so important for us to -- we have to
5 really reach out to these communities that we want to
6 impact, and it's just not out of good will.

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

22 And so, it's not just, you know, you do this
23 out of the goodness of your heart. It's there's a huge
24 opportunity to find alpha and, you know, make a lot of
25 money, make our economy better, and propel us innovation

1 wise. So, you know, we just have to really start with
2 outreach programs, look at the accredited investor
3 rules, but don't make it so it's just we're getting rid
4 of it, and anybody can go out here and run ramped. But
5 I do think, my final point, we have to look at new fund
6 structures just like we did with, you know, 506(C).
7 506(C) has been a blessing for me. I do not have a
8 network, right. I come from an underserved community.

9 When I started my company, I was homeless
10 living out of my little Jeep Patriot, and you know, I
11 had to build up and build this community over time and
12 play this game and figure out this game. But then as I
13 did, I built this amazing community that I've been able
14 to galvanize and same with my partner, Janine, to raise
15 under 506(C) and talk about it publicly. So, that's
16 been such a blessing to us, but then when I look and say
17 the startup costs to start a fund -- it's expensive.
18 It's very expensive, and I know that last year, you
19 know, we enacted some regulations to allow venture funds
20 to crowdfund.

21 But when you look at those regulations, it's
22 taking importunity from the management -- or from
23 basically the management company, the GP instead of the
24 LP. It's taking from the management company, and it
25 can't be invested into startups. I think we have to

1 look at that more, right, because that may be a way to
2 help build wealth for these people in our communities.
3 They can invest into the fund as unaccredited investors
4 but then they can also -- and they can get on the
5 upside. And then new investors from underserved
6 communities like myself or black investors, Asian
7 investors, women investors, etcetera, Latina investors
8 can get more involved because they'll be able to use --
9 you know -- galvanize their community to raise from for
10 those initial startup costs. But without the risk of
11 having it tied to every subsequent fund in perpetuity
12 that you do -- and not only the risk of that.

13 When you guys go and raise from these
14 institutional LPs or other LPs and they see you've given
15 away a portion of, you know, your overall incentives to
16 continue doing this fund one, fund two, fund three, fund
17 four, etcetera, when they see you've given that up, it
18 comes into their decision making. And so, that's
19 actually putting overlooked investors at a disadvantage
20 when they go to start funds because if you do have the
21 money, you're not even going to think about that
22 crowdfunding. But if you don't, maybe you look at that
23 crowdfunding to do it, but now it's going to hurt your
24 ability to raise from larger LPs, and I think we're
25 actually kind of see that happen now and play out.

1 So, I urge you all to please look further into
2 that and come up with a better system, and I'd be happy
3 to work with you on it.

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

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

22 MS. MILLER: Excellent. I have thoroughly
23 enjoyed this conversation so far and especially the
24 different perspectives that each of you have, which I
25 think just goes to show that there are so many different

1 important viewpoints here. We've got a lot of audience
2 participation in the chat, and so I wanted to bring a
3 few of the questions that they have flagged forward.
4 Carlos noted in the Q&A that there are overlooked
5 founders, but there's also overlooked investors. What
6 are your thoughts on the barriers that overlooked
7 investors face in the venture capital industry? I think
8 Brandon you were getting a little bit to that, but
9 curious from the different panelists what is your take
10 on the idea of overlooked investors as well?

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

22 And so, folks like us, you know, female GPs,
23 GPs of color, first time GPs, we have to really, you
24 know, do a lot in order to get in front of these
25 potential investors and get their attention and, you

1 know, really convince them why we're different and why
2 we're better. Because as you know, one of the
3 challenges within the venture world, you know, has
4 historically been what's called pattern matching, right.
5 You know people are sort of looking at, well, this is
6 what the person who was successful before looks like.
7 It's Mark Zuckerberg in a hoodie, you know, dropping out
8 of Stanford, and you know, they're kind of looking for
9 somebody that reminds them of that previous successful
10 investment.

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

19 MS. MILLER: I think that that is a really
20 interesting point you make, Erica, as you start to flag
21 that. You know this archetype that we often cling to
22 of, you know, the 20-something tech entrepreneur in a
23 hoodie, it actually isn't even backed by the data. The
24 average age of a successful entrepreneur is in their
25 40s. It's after they've had some experience. You know

1 no knocks to you, Brandon, going out early on in your
2 20s, but that's actually (audio interference.)

3 There may be an archetype that's out there,
4 but it may not actually line up, not only with your own
5 individual experience of what success can look like, but
6 what actually the data might point to as well. I want
7 to ask another question. Faith in the chat asked about
8 what percentage of proposed deals you consider worthy of
9 capital raising? So, whether this is kind of big
10 picture or whether this is the percentage of deals that
11 you vet before you actually decide to make an investment
12 decision, I'm curious your perspective there.

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

24 I'll say we probably have met with somewhere
25 of 120 of them, and we've only funded 8 startups so far.

1 And that's -- we have some more in the pipeline, but
2 that's just because we're actively raising as we're
3 deploying, and again, that's under 506(C), which is just
4 -- I'll allow everybody to look that up in the education
5 segment. But yes, so we're actively raising and
6 deploying at the same time, and then just last week we
7 announced Bank of America is our institutional LP. So,
8 from our perspective, there's actually -- a really
9 decent amount of them are -- I would say maybe 30 to 40
10 percent of them actually are probably what I would call
11 venture backable meaning that we can get these outsized
12 returns.

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

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

25 MS. MINNIHAN: I do happen to know that data

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

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

20 MS. MILLER: Oh, I think we've got you muted
21 Dave.

22 MR. LU: Because I'm not running an
23 institutional fund right now, the returns and the
24 incentives are different in that I can actually -- and
25 this is encouragement to any founders and other

1 potential fund managers out there -- creating a
2 syndicate allows you to invest in things that might not
3 amore to you personally in terms of kind of the issues
4 you care about. So, we've invested in a non-dairy ice
5 cream company by two Korean American women because the
6 ice cream industry is very white male dominated.

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

19 One of them is a frozen Chinese dumpling
20 company, and people in the Midwest and other places can
21 access these, you know, (audio disruption), then so be it. It
22 might change how they perceive, you know, Asians in this
23 climate of Asian hate crimes rising. As Hyphen, one of
24 our missions is to actually get more representation out
25 there, so we can change the hearts and minds of people,

1 and I think that's -- you know -- all of us have goals
2 to do that as well in our investing. And it makes a
3 difference, and I think that -- those missions resonate
4 with a lot of LPs. I mean with hopefully some -- a lot
5 more LPs, but I think that's what makes us stand apart
6 from others.

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

10 MR. LU: (Simultaneous conversation), yes.

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

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

23 I mean you're spot on Erica that only 10
24 actually get reviewed at a partner meeting. About 4 to
25 5 actually make it to diligence. Just over 1.7 get to a

1 term sheet, and then 1 out of that 101 actually gets to
2 closed funding.

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

15 So, it just goes to show the importance of not
16 only understanding your niche and area within the market
17 but understanding the investors who also understand what
18 you're doing and believe in investing in that type of
19 company. I have another question from the chat about
20 looking for more information about funds, including LPs
21 and VCs from Saba. So, earlier this week just as a
22 little bit of background for each of our panelists, we
23 had similar questions coming through about in particular
24 how minority owned businesses can build support and
25 connections with funds and emerging fund managers. So,

1 I'm curious for each of you what advice do you have for
2 emerging businesses that are looking to expand their
3 network?

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

15 If you do the nondairy ice cream company, you
16 know, who -- go to CrunchBase and figure out, you know,
17 who are the big investors in the big successful nondairy
18 ice cream company that you really admire? And then
19 reach out to those people directly. I mean I kid you
20 not I have literally gotten meetings with billionaires
21 where I was introduced to them through like a bunch of
22 other people, got no response, and then I like reach out
23 to them on LinkedIn, and they were, hey, yeah, sure,
24 we'll do a meeting. I was like is this the real you?
25 Like how is this even possible, right?

1 So, you know, you just got to really trust the
2 universe, put yourself out there, you know, work your
3 network. Sometimes it's like 6 degrees of separation.
4 You'll meet one person; it's not necessarily going to be
5 a fit. But they are going to introduce you to somebody
6 else. In fact, a great story we had there is a fund of
7 funds that was started by an ex, you know, Google
8 executive that we had spoken to, and you know, ended up
9 passing on our fund but introduced us to Google, and
10 then we raised way more money from Google, you know.
11 So, it was like, okay, like I actually prefer that,
12 right.

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

25 MR. BROOKS: Yeah, God I love that. So, I

1 think, you know, the biggest thing I always say to
2 people is find your voice, use your voice, and so if
3 you're not putting your voice out there, if you're not
4 speaking, you know, whether it's on Twitter saying your
5 opinions, or going out there to these events like Erica
6 just said now that they're starting to open up more, go
7 out to these events. And then don't be afraid to just
8 go up to people, "Hey, my name is Brandon. What are you
9 here for today?" Let people tell you themselves or tell
10 you about themselves. Let them tell you about their
11 business and just, you know, give first -- give your
12 listening first a lot of times, and then allow other
13 people to say, "Hey, thanks for listening for the last 5
14 minutes. I'd love to learn about you.", and that works.

15 And then Twitter -- Twitter is probably the
16 most amazing resource. I say this all the time. Like I
17 found my fund partner, Janine, -- we met on Twitter and
18 then early clubhouse days in the beta. And like I was
19 her biggest fan just watching Janine on Twitter,
20 watching -- listening to her on Clubhouse and all this
21 stuff. And then it was just like we started DM'ing. We
22 started being on a lot of these same panels. We were
23 like let's, you know, take it in person. We got to meet
24 up in person, and then -- you know -- we were both
25 thinking about starting our own funds, and one day she

1 hit me up. She was like, "Hey, where are you at with,
2 you know, getting ready to start your own fund?" I was
3 like I don't know, you know, and she was like, "Well,
4 I'm willing to help any way I can." And I said we'll
5 like go in at it together. She sent me a text that said
6 shoot your shot, and I shot a -- I sent a Kobe GIF, you
7 know, to her, and the rest is history.

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

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

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

22 MR. LU: Yeah. I mean I would say -- repeat
23 what Erica said about like just it doesn't hurt to ask
24 because the worst thing they could say is no or ignore
25 you, and you just move on. I mean if you are a founder

1 that you've already started this -- you're already risk
2 seeking, so you shouldn't have a problem with what
3 Brandon said going up to people and introduce yourself
4 or, you know, being on social media, and Twitter, and
5 sharing and finding those that resonate with you and
6 connect.

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

17 The more people you meet, the more people you
18 connect with, the more nodes there are that you can
19 actually reach the person that you want to reach. So,
20 you know, LinkedIn is very effective too. I think I've
21 seen so many founders be really effective at -- and as a
22 founder, the most important thing is sales. I'll say
23 this again and again. You need to be a good storyteller
24 because that's how you raise money. That's how you hire
25 people. That's how you sell your product. But if you

1 can be a good storyteller, people will recognize that
2 and want to get to know you too. So, don't think that
3 you're just asking for a handout.

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

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

20 Also with, you know, the discussion today and
21 as we started the beginning, I invited people to share
22 different ideas and how you agree and disagree on
23 topics, and I want to address one comment that I'm so
24 grateful for in the chat from somebody who thought that
25 I was dismissing the contributions and entrepreneurial

1 spirit of millennials and Gen-Z. And not at all to do
2 so, as a millennial myself, I think there's plenty of
3 wonderful contributions that we can make.

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

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

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

24 MS. MINNIHAN: I'll go ahead with this one,
25 and you know, I apologize. I actually prepped for this

1 lightning round in advance and we kind of covered it
2 already, but this is why I was like so on the spot with
3 the info. But I think that, you know, it's still a
4 really important message that probably can't be said
5 enough, and that's that I'd advise founders to recognize
6 that raising capital can be a very long and difficult
7 journey, right.

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

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

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

22 So, just remember that not all great
23 businesses need to raise millions in venture capital or
24 even raise any venture capital at all, but for companies
25 that are a good fit for venture capital, finding a

1 supportive and experienced capital partner like Reign
2 Ventures, if you're interested in us, can help make your
3 startup journey a lot more successful and painless. So,
4 take your time. Find a firm and the partners that will
5 be a great fit for you and your team.

6 MS. MILLER: Great advice, Erica.

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

19 It was one foot in front of the other,
20 continuously do the next right thing, Frozen 2
21 reference, and just put -- you know -- like always do
22 it. Keep doing the next right thing day after day in
23 and out and put yourself out there. Get comfortable
24 with being uncomfortable. Opportunities are endless. I
25 mean I'm having conversations with people I would never

1 -- I'm here with the SEC right now on a panel with Dave
2 and Erica. Are you kidding me? Are you kidding me?
3 Like that's unbelievable, and so if you believe in
4 yourself like no matter if -- the applause and the boos
5 don't matter because the only thing that matters is that
6 you believed in yourself and are doing the work.

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

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

20 Networks are very powerful, and I think one of
21 the things that I see that is a struggle for a lot of
22 founders, you know, I mentor founders --
23 underrepresented founders, and I think the hardest part
24 to see is that a lot of them don't have many mentors.
25 The network is not that big because if all the founders

1 that have raised capital, if only 2 percent of venture
2 dollars are going to black and (audio disruption) founders, then
3 there aren't that many people that have gotten more than
4 a million dollars that you can actually get advice from.

5 And so, without that network and the advice of
6 people who've been there before, they can't get there.

7 So, no matter what your background is, if you mentor and
8 help other founders, you know, lift them up and give
9 back, it makes a huge difference in their lives but
10 also, you know, who knows down the road. They might
11 become your LPs and a big angel syndicate when they go
12 IPO, so I think always pay it forward, and help, and
13 mentor whoever you can because it all comes back.

14 MS. MILLER: I think that is fantastic advice.
15 I could not agree more with what each of you shared and
16 particularly the importance of paying it forward and
17 remembering that while, yes, right now we may be talking
18 about VC industry, we're talking about relationships.
19 And at the end of the day, we're talking about people,
20 and that is absolutely critical to never lose sight of.

21 So, I want to thank each of you for joining us
22 today, lending your expertise, your wisdom, and your
23 guidance.

24 Erica, Brandon, Dave, you have each been
25 tremendous, and we are grateful for your time. And I

1 capital raising.

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

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

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

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

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PROOFREADER'S CERTIFICATE

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

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

(Proofreader's Name) 4-12-2022

REPORTERS' CERTIFICATE

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

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

4-12-2022