

THE BROOKINGS INSTITUTION

FALK AUDITORIUM

SUPPORTING BLACK-OWNED BUSINESSES TO DRIVE ECONOMIC DEVELOPMENT

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WELCOME & FRAMING PRESENTATION:

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MODERATOR:

TYNESIA BOYEA-ROBINSON, President and CEO, CapEQ Impact Investing Advisors

PANEL:

STACEY BOWERS, Director, Office of the Advocate for Small Business Capital Formation, US Securities and Exchange Commission

ALPHONSO DAVID, President and CEO, Global Black Economic Forum

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ERIKA SETH DAVIES, CEO, Rhia Ventures

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PERRY: Good morning, family. I'm Andre Perry, senior fellow and director of the new Center for Community Uplift at Brookings. It's my pleasure to welcome you to the event supporting Black owned businesses to drive economic development. Today we will explore ways to sustain progress on racial equity in a rapidly changing legal environment. I will lead off the hour-long affair by presenting findings from the newly published Brookings report, "Why don't more Americans work for Black owned firms?" written by my colleague Jonathan Rothwell and me. After a brief presentation we will have a wonderful panel discussion by experts in the field examining ways to sustain increases in Black business ownership that we realize, over the last several years. Of course, we invite you to join the conversation and engage with us on X, formerly known as Twitter, by following @BrookingsMetro using that wonderful #communityuplift. Now, in a speech at Howard University in 1991, prominent civil rights leader, attorney and businessman Vernon Jordan stated, everyone is talking about this being the worst of times, and that's true and false. Vernon added, but also considered the best of times. We're making progress. We do business better, we do politics better. We do race relations better. We are developing a national neighborhood. Vernon passed away in 2021, but those words could have been said yesterday, in the midst of ongoing legal, political and rhetorical arguments about how to address past and present discrimination. It's crucial to recognize the progress we are making towards ensuring that all Americans have a shot at the American Dream. This progress is evident, and data showing significant increases in the number of Black owned employer firms businesses with more than one employee, according to our analysis of Census Bureau's annual business survey. The number of Black owned employer firms grew consecutively from 2017 to 2021, up 14%. On this bar chart, showing revenue, employee and payroll growth. The orange bar represents Black people. You can see in the respective categories from left to right, Black owned employer businesses in 2021 also had the highest percentage increases in revenue at 30%, employees at 7%, and payroll at 27%. You may have missed these numbers for the swirling controversies around DEI certainly sap our attention. You know, one of the insidious traps of white supremacy is that it lays a seductive path of cynicism, pessimism, misinformation and hatred that diverts us from our march towards a more perfect union. Walking along this sinister path also keeps us away from discussions of repair, growth, optimism, and community. To be clear, we will need more forward thinking because while the share of performance, share and performance of Black and employee firms have increased, they represent only about 2.7% of all employers. Black people make up 14% of the US population. This proportion is significantly smaller than other racial groups. Now. But if as a result, even with that small percentage of increase, the American economy has grown significantly. Increasing the share of the employer firms as the mission of CapEQ path of 1555 initiative, which is based on a EEO research that shows that 15% of Black owned businesses are able to hire one more employee, the American economy

could grow by \$55 billion. Broken up. Oh, no. Sorry about that. There we go. Sorry about that but if I'm Brookings to the center for Community Uplift serves as a research partner for the path of 1555. And we because we are aligned in spirit and in aim. As part of this effort, I'm proud to present new data from the Brookings Report. "Why don't more Americans work for Black owned firms?" Implications for increasing well-being. Written by my colleague Jonathan Rothwell and me. In your leisure, please share this report that just came out around 9:00. At this time, I will show some of the top line findings that will help inform the panel, discussion to follow. Now, in my opinion, one of the most important findings shows that the underrepresentation of Black employers is not because we don't have entrepreneurs in our communities. This chart of the presence of the psychological traits that predict for business ownership and success focuses. I want you to focus on the orange box, which is the Black racial category. Our analysis found that Black Americans score above the US mean on entrepreneurial traits such as confidence and determination, as well as the higher value they place on autonomy and social impact, which are all associated with business ownership and success. In Black neighborhood talent abounds. Yet the elusive flow of capital remains a scarce commodity. Our study found that access to capital and credit poses a significant barrier, preventing budding entrepreneurs from realizing their dreams and established business owners from scaling their firms. In our report, we shared findings from Farley, Rob and Robinson's examination of lending considerations and outcomes, which show significant differences in approval decisions. Look at the loan always approve category. White applicants who have credit scores below the median and above the 75th percentile are significantly more likely than their Black counterparts to get approvals. It's important to acknowledge the centuries of discrimination in public policy, financial practices, and social norms. Racial wealth divides are somewhat reflective of different American's capacity to start and scale their firms. The latest 2022 wealth figures show median wealth at 45,000 for Black households, 62,000 for Latinos, 285,000 for whites and 536,000 for Asian American households. These wealth figures reflect increases since the Federal Reserve last collected these data in 2019, marking the highest levels ever recorded for each group. Notably, Black, Latino and Asian households have made significant gains. Here's a chart showing the total wealth among those racial groups since 1989. The blue area represents Black wealth orange, Hispanic, and the green for Asian American, Native American, and Pacific Islander that dreaded other category. Business equity is the second biggest source of wealth for Black Americans, behind housing equity. As you can see, wealth among each group rose during the pandemic period. But the impact of discrimination becomes apparent when you layer in the white population. Because wealth begets wealth. Those denied housing, jobs, businesses and other opportunities due to discrimination policies face, significant. They face two significant disadvantages in generating more wealth. This chart shows business owners reflection on when they try to access capital for

their business, and in the in the last column that reports out that getting financing was difficult. Both Black and Hispanic respondents responded much higher rates than their white peers. Other findings from our new Brookings report revealed the implication for increasing the share of employer firms on wealth. The first column in this graph represents revenue per employee, and the second column is the revenue per non employer firm in every racial category. Employers gain more revenue than sole proprietorships. Revenue per firm is approximately 40 times higher for Black owned employer firms, which is about 1 million compared to about Black to Black owned non employer businesses at 24,000. This difference is partly due to the number of employees, but a large gap persists even after accounting for the number of workers. Higher revenue among employers certainly contributes to increased wealth by Black and brown owners. Distinct from income wealth or net worth, is a measure of total sum of what a person or family owns, minus their debt. This chart shows the median net worth by business ownership status in 2022. The first column is the net worth of working adults in the corresponding racial category. The second column is the net worth of those in sole proprietorships, and the third column shows employers wealth. Because of the sample size, we combined Black and Hispanic populations. The first row shows that Black and Hispanic employers have ten times the amount of wealth as workers, and two and a half times more than sole proprietorships. To find out more compelling insights, please go to the report. Why don't more Americans work for Black owned firms? Data from findings were collected in a different legal and legal and political environment in the last two years. Specifically, there's been growing apprehension among those who are creating positive change because of the shifting legal and and policy environments. To learn how stakeholders are navigating this terrain, we will now have a panel discussion that examines how to sustain Black businesses, a business development amidst a political, contentious environment. This panel will be moderated by Tynesia Boyea-Robinson, Ty, President of the CEO and President and CEO of CapEQ Impact Investing Advisors, which I mentioned leads the path to 1555. She will be joined. Actually, you can come on stage so I can introduce you that way. She will. Yeah. We can give them a round of applause. Come on at once. Ty will be joined. And raise your hand as I call your name. Erika Seth Davies, CEO of Rhia Ventures, a venture capital fund focused on reproductive and maternal health care markets. Stacy Bowers, Director of the Office of the Advocate for Small Business Capital Formation at the US Securities and Exchange Commission, the SEC. Patrice Green, vice president of programs at Certain of Certain. The Foundation, a foundation guided by principles of social justice. And Alphonso David, President and CEO of the Global Black Economic Forum, a company focused on economic and human rights. Please help me welcome Ty, Erika, Stacey, Patrice and Alphonso.

BOYEA-ROBINSON: Thank you so much, Andre. And thank you everyone for coming. I'm so excited to be here, and I can't tell you how grateful I am for the ongoing partnership we've had with Brookings. They've been our partner for at least five years now, and four plus reports, and it's been a joy to be walking hand in hand with someone so committed to our values. So, CapEQ is an impact investing and advisory firm, and we work with businesses and investors to embed equitable impact into their practice. When those organizations face barriers or challenges, then we partner with foundations and associations to build tools and resources to remove those barriers. So path to 1555 is an example of one of those systems change efforts. One of the things I'm most proud of since working on path to 1555 is the obvious growth, the growth for Black businesses, the growth for the communities that they serve, the growth for the economy. And so we have so much to celebrate, even though we have a long way to go, because this investment in our communities is working. So I would like to hear a little bit from you, Stacey, on some of the things that you're working on to make sure that growth is continuing to perpetuate. Sure.

BOWERS: Great. Thanks Ty, hi, my name is Stacey and as Andre said, I'm with the SCC Small Business Advocacy Office and I'm sorry to have to do this, but before I speak, I have to say that the views I expressed today are my own and do not necessarily reflect the views of the Commission, the commissioners or other commission staff. So our office is actually an advocate for small businesses and their investors. It was created by legislative mandate in 2016 and was stood up in 2019 by my predecessor. So I'm the second director there. I'm still relatively new to this role. I've been there a little over five months now, but the mission of our office is to advocate for small businesses and their investors, and as a part of our legislative mandate, we have a particular focus. We focus on minority owned, women owned world and natural disaster businesses. So we like to say we're the friendly office. We are not there to regulate at the SEC. We really are there truly to be an advocate for small businesses. And we do that in a number of ways. We participate in events like this so that we outreach, we do outreach and engage. We also create a lot of educational resources. And that's where I get to brag about the team, because they did most of that work before I came on board. So we really have a wealth of educational resources that are meant to assist small businesses and their and their investors as well, because one of the things that we know is it's crucial to be armed with knowledge when you're starting a small business. So we try and step in and fill that gap, particularly as it pertains to small businesses and investors who are starting down that path of raising really small businesses, raising capital from investors. And there are other agencies out there that do great things in this space as well the Small Business Administration, the US Patent and Trademark Office. But really we're there to provide those resources, some of the other things that we do. Just a quick highlight is we produce an

annual report. And within that annual report we talk about the state of capital formation, not just across sort of various stages of businesses, but also when we think about advocating for those four groups that I identified. The other things that we do is we take a gander at the rules and regulations coming out of the SEC to assess are they going to have a disproportionate impact on small businesses? And I think I'll stop there.

BOYEA-ROBINSON: Thank you, Stacey. So it's clear that there are advocates like Stacey that exist today within our government. But sometimes you have to name a challenge to claim your solution. So I know there's some cynics in the room that say mmmhmm, but what happens if Trump gets elected? So I want to go to Patrice because Patrice, his work has been really focused on social justice for decades. And without her organization, starting a foundation path to 1555 would not exist. So, Patrice, tell me. Are you still fighting for justice despite this kind of climate we're in? And how are you doing that?

GREEN: Thanks, Ty. Hi, everyone. As I said, I'm Patrice Green. I am the Vice President of programs at the Surnda Foundation. We are 107 year old family foundation based in New York City. Funding nationally with the mission to foster justice sustainable communities across the US. And we do that centering racial equity. So absolutely, yes, we continue to fight for social and racial justice each and every day. And our supporting work, like path to 1555, that are doing that. And what that really means to us is that we have a full recognition that, structural racism has prevented folks from being able to fully participate, not just in our economy, but in our democracy. And if we really want a country that's able to have a truly justice, sustainable, communities, economy and democracy, we really need to to make those shifts. And so what that looks like for us is really considering, how do we support communities who've been impacted by those systems? So communities of color, immigrant communities, LGBTQ communities, how our folks have been oppressed, and what are the ways that we center those communities to really, help them, help us find the solutions for how we make that shift. And I think explicitly in this area, our Inclusive Economies program has been working with groups like path to 15 five, really centering, entrepreneurship as a tool to close the racial wealth gap. And what we found is, you know, all the things that Andreas talked about, access to capital continues to be that big barrier, but there's so much opportunity that we are leaving on the table as a nation. And so, you know, it is to our detriment collectively, not to continue to support this type of work. And so we continue to lean into that. We continue to lean in to supporting organizations, that are really seeding and looking at what are the things that, entrepreneurs of color need, that small businesses need to be able to start, scale and grow. Black women continue to be the fastest starters of small businesses and small

businesses are, you know, the economic engine of this country. Our net new jobs are grown in our small businesses. And so therefore we have to continue to do this work each and every day.

BOYEA-ROBINSON: Thank you, Patrice. And if you want to learn more about Black women driving growth, there's an earlier Brookings report about who's driving Black business growth. Black women. Also, I would like to just double click on any other investment investment opportunity. If you saw a group that was more entrepreneurial, that had higher outcomes with fewer dollars, you would look at that as an opportunity and not a deficit. And I love that about this new report. So that's another thing to celebrate. But there's some other cynics in the room. And I know Andre challenged us to get over our cynicism. But, you know, let's be real. Some people were like, okay, that's cool, that's cool, but that's not going to matter at all, given all these lawsuits going on. How about that? So for those cynics in the room, I have brought Alphonso David. Yes, you already know that. Alphonso. So those in the room already know that Alphonso is brilliant and his brilliance is only matched by his humanity, and he is the counsel and the fearless thug. So he has been in the midst of the fight. So, Alphonso, what would you say to the cynics who are saying everything is falling down, the sky is falling and everything's falling apart because of what's going on in the legal landscape right now?

DAVID: Well thank you Ty. Thank you Andre. Thank you, Brookings, for doing this. As you heard, I'm the president and CEO of the Global Black Economic Forum. I'm also a civil rights lawyer. So when I hear the question, is the sky falling? I usually say yes, but it's fallen many times before. And I think as we go through this experiment, which is reflective of the United States of America, it is an experiment. It's the only country in the globe that's going through this process, right? We have colonized nations, but the US is uniquely positioned. And as we think about where we are now, I often think about putting in an appropriate context, because we now have more than 50 lawsuits that have been filed in federal court alone challenging diversity related initiative, race based programs all across the country. And some of these cases are challenging, charitable programs. As you mentioned, I represent the Fearless Fund, along with, a very, very reputable legal team. And we are currently in the 11th circuit litigating that case. So you could think of the charitable contribution cases. You also have the public sector cases, public contracting cases, right? Many state and federal agencies have been sued from the Small Business Administration to the Department of Transportation, to the Minority Business Development Agency. And those cases are percolating their ways through the courts. You have the fellowship, the internship programs. You have law firms that have been sued because they have diverse fellowship and internship programs. The Smithsonian Institute was recently

sued for having a similar program. You have private business lawsuits, companies that have been sued just simply because they are advancing diversity initiatives in their and through their companies. So they fall into those general categories. But I would say, all of the cases that we're seeing fall into, an opportunistic lens. They're looking to mischaracterize existing law. They're looking to mischaracterize how we have seen how we have seen, judicial precedent for decades. So I'll give you one example. 1981. 1981 is a federal law that was passed in 1866, right after Reconstruction. So, as you know, Black people were slaves in this country at one point in time. We couldn't enter into contracts. We couldn't get a public education. We couldn't own property. In fact, we were considered property. So Congress passed a law in 1866 called section 1981 of the Civil Rights Act, and that law was to empower Black people to enter into contracts in the same way that white people could enter into contracts. Now that law after 100, more than 150 years is being used to challenge Black businesses who are supporting other Black businesses, and you would think that those who support free enterprise would not use 1981 to subvert it. But that's essentially what they're doing, because if you support free enterprise and many people say, yes, we live in a capitalist country, you should support free enterprise. Why is it that you would hamper. Self-Help. Right. We know the statistics. Black women are the most founded in this country, but they only get 0.036% of funding in the venture capital space, \$288 billion goes out every year, and Black women get 0.036%. So with that reality, Black women then go out to try to create companies to help themselves, and they're being told they can't do that. And we live in a capitalist country and we support free enterprise. So we are fighting against that principle. We're fighting against that theory because we think is an anathema to free enterprise. And it's certainly inconsistent with the statutes and regulations that have been on the books for decades. Sorry. That was a lot.

BOYEA-ROBINSON: No, I mean, you are so intelligent, so I just want to break it down real quick and stick with you for a minute, because some folks are like, okay, that was awesome. But also, can we invest in Black businesses or not?

DAVID: Yes. There's a lot of misinformation, a lot of information. And that's the goal. The goal is to file as many lawsuits as possible to create a chilling effect. So you move away from investing in Black businesses. You can definitely still invest in Black businesses. That's one of the reasons I'm working directly with Ty and the freedom economy. The freedom economy and Ty is not going to say this, but I will is a newly minted, not for profit organization that is working with investors all across the country. Why? Because investors would like to invest in Black and Brown businesses, but they are afraid because of the misinformation they're seeing. So Freedom Economy is stepping in to provide resources, legal support and help to investors so

they know what they can and cannot do. But the short answer to the question is yes, you can still invest in Black and Brown businesses because if you cannot invest in Black and Brown businesses, then it is the death of capitalism. What are we talking about? If you cannot invest in Black and Brown businesses, especially when most of the investments are being made with white businesses? So we either ignore the disparity and take away the remedy, or we fix both.

BOYEA-ROBINSON: Thank you Alphonso, and we have been so blessed to have Alphonso as our counsel for freedom economy. You can find us at freedomeconomy.org or you can text Be Bold at 33777. I sound like an infomercial. All right. So, Erika, there's just one last group that's going to give us a side eye of cynicism. I just said text. Be bold to 33777 so you can have investors out there fighting. And people like investors have been nothing but not bold. If you have 0.036% of dollars going to communities that need it most, but you, my love, are an investor. So you can you tell me a little bit more about what you've seen that's driving investors having capital land and the communities that need it most in bold and exciting ways?

SETH DAVIES: Sure. So thank you, Ty. Thank you Andre for creating the platform for this conversation. Erika Seth Davies I you she/her pronouns. I'm the CEO of Rhia Ventures, as well as the founder of the Racial Equity Asset Lab. And at Rhia Ventures, we leverage capital to advance reproductive and maternal health equity and racial equity. And so we're always thinking about the ways in which we can actually drive dollars, into the market. So we do that through, a subsidiary venture fund, RH Capital. It's wholly owned by the nonprofit. So our mission, we're an impact first, fund. Our mission guides the decision making. And as much as the expectation of return of capital. We also think about shareholder advocacy, corporate engagement. How do we use investors? And ownership, active ownership of publicly traded companies to bring policies, through either an HR lens, a health care coverage lens, or in terms of the ways in which companies are interacting with the public, particularly in this landscape that we're in now. Where there's so much limited access to health care for women and birthing people around the country. And so, what we always do through the Rhia and through the REAL, in terms of thinking about the lens that we're using, for making, investment decisions, there's the health equity lens, and there's a racial equity lens. Means that we've got to change how we do what we do. Like, we can't get to a different outcome if we don't actually change the way that we're making decisions. So we developed a set of tools, resources and engage with investors on how do you do what you do. Everything from your sourcing to your due diligence to your support of your portfolio of companies and exit. How intentional are you about bringing that lens into the work? And when we talk about the lens, it's basically making visible what has been made invisible or erased over time,

so that it's coming back into focus. Right. So if you think about the ways in which we have actually normalized some of these statistics, that are so harmful, but we've normalized and legitimized them over to society, over time. To bring an intentional lens means that, again, you're broadening the aperture and putting folks in the middle who had otherwise been pushed to the, to the margins. And so we in our own practices, but also in working with, with other investors, are always encouraging the understanding what are the outcomes that you're trying to achieve. So in this environment, getting away from the front end. We're, we're naming, but getting into the data that you're using, the policy, whether or not it's race conscious or race. Bless it, because that's going to guide the decision making. What's what is your data telling you? Where are you spending your time in terms of the stakeholder engagement? What is your proximity to those who are closest to the problems? And using all of these different, levers, whether it's in assessing companies, or thinking about the portfolio as a whole, that you can be so intentional to actually get to the outcomes, that we want to see. So there are communities of investors that are actually trying to do this right, like that are being much more intentional about the ways in which they move their capital, how they're supporting the companies that they're investing in, and seeing to it that we can continue this work collectively. So, as members of the freedom economy, and, a number of other investor communities, that's the constant conversation. It's like, again, how do you bring that lens? How do you change the way that you do what you do? So again, we can drive to a different set of results.

BOYEA-ROBINSON: Thank you Erika. And she's not just a member. She's a co-founder of the Freedom Economy. But I also have to give Erika a shout out because she has been working on how to make sure people are investing equitably for several decades, starting with their work at APFI and continuing, as you mentioned, through the REAL, which is stands for the Racial Equity Asset Lab. Now, Patrice, I saw you over there. Hallelujah coursing with your you're like, oh yes, yes. I just feels like you want to chime in a little bit of what Erika was saying.

GREEN: Yeah. I mean, one, we had the opportunity to partner with, with Erika in terms of supporting the real. But I think both what, Alphonso and what Erika said, the fact is, there's lots of disinformation, but there are lots of places to be able to get that information. And not only that, you know, sitting at a foundation and philanthropic institutions, we have the opportunity through our grants partners, through the work that we've been doing continuously to have access to that data, to really support folks in understanding, you know, what are the reasons we've seen we've seen this work in terms of what is missing, but we've also seen and we can see very clearly what the opportunity is. You know, I think about over the pandemic, we talk about this

number of 41% of Black businesses being lost. But I have a portfolio of organizations that are similar to Fearless Fund, who have been supporting Black and BIPOC owned businesses that have success rates. They had survival rates of 80 and 90%. And so the reality is these organizations are the lifeblood of what is helping folks not only to be able to keep those businesses, alive, but to help them pivot, to help them thrive, to help them figure out where there are opportunities to access capital and where there hasn't been, to be able to create the space for their capital to be able to move in that way. And so my encouragement there is to say, you know, just like Alphonso said, yes, you can support Black businesses. Philanthropy needs to really just continue to lean in, because we know we are the place where to come and have flexible capital for innovation to thrive. And just like this is a question about, you know, capitalism and the freedom of our economy, it's also the question of, are we going to have the space to be able to do the innovative work that takes us in to the next century? And so our ability to really lean and and continue to support organizations that are doing this work and to uplift the powerful narrative that this this stuff is working and we need it to work. And it is not a fight that is just for Black women. And it's not a fight that is just for the Black community. This is a fight that is for this entire nation and our ability to grow that American pie. And thus is then a global fight. This is our ability to really lean into what's going to happen next, over the next decades, over the next century.

BOYEA-ROBINSON: Thank you. Patrice. If y'all ain't riled up, I don't know what's up, but I'm going to go to you, Stacey, because one of the things in the report was talking about generational wealth being another of the barriers to success. But you've been working on some things. Are there some things that are actually addressing the generational wealth gap? Would you mind sharing?

BOWERS: Sure. So I mean, in our in a report, we talk about the wealth gap is real. And it has a significant impact for Black founders because many small businesses get started by founders using their personal funds or turning to their friends and family. And so that wealth gap has an impact out of the gate. So as I mentioned, one of the things we do as an organization, we do a lot of engagement and outreach, and we talk to our stakeholders. So we hear from our stakeholders on this point that one of the ways to move forward is to have and this builds on what everyone else is saying. We need more diverse check writers, so we need more diversity in the hands of the people that can write the checks to support Black businesses. So I'm gonna I'm going to throw out a few statistics of my own. So I know that 15% of diverse businesses look to angel investors for some funding, and that of those diverse founders that look to angels, angels and, do a pitch. Angels fund about 33% of those deals. So it just builds on this narrative. We need more diverse

investors. I will also say in venture capital firms, about 25% of the investment partners identify as diverse, but only 4% is Black. So we really need to build that contingent because we know that diverse, diverse investors invest in diverse founders. So that's really critical. So one of the things I like to say and we and a not just me, but we hear this from our stakeholders. Not everyone even truly understands where they sit in the scheme of being able to invest. So I think, Erika, you've got some resources here and we do as well. So a lot of people, a lot of potential investors don't even recognize that there are accredited investors. So why does that matter? Because when you're an accredited investor, you might be able to participate in deals because you are accredited. Or for people raising capital, sometimes it's limited to only accredited investors, or they can take more money from accredited investors. Accredited investors are built on right now under our legislation, a wealth standard or holding particular licenses. But one of the things that we know is I think there are a lot of and I hear this from angel organizations. There are a lot of people out there that are accredited and don't even realize it. So again, I think this idea of, you know, where our office steps into the mix sometimes is having resources that help people understand, am I even accredited investor? What does that mean? And how do I make that determination and sort of opening up, you know, again, arming with knowledge and I'm going to do the little promo, I'm going to say visit our site [sec.gov/capitalraising](https://www.sec.gov/capitalraising) and check out our resources. But I think that's a big piece of what we need to do. I will also say, you know, we hear from stakeholders and we hear from a small business capital formation committee. So that's a public committee that is established to advise the SEC. And there's there's a lot of talk about opening up this idea of who is an accredited investor. So the Small Business Advisory Committee recently made a recommendation on that front. And they recommended the concept of maybe creating a way for people who don't meet the wealth standard to undergo an educational process, to be able to participate in offerings, but also noting, you know, there are a lot of risks and investing in these types of offerings. And so there should be additional disclosures so people understand the risks. They understand the potential illiquid nature of making these investments. And then also with the idea of maybe a potential limitation on how much of net income and net worth. So just thinking about, you know, what we are hearing from stakeholders. And that's really what we're here to do. We're here to be the voice for those small businesses and advocate for them. So that's some of the things that we're hearing or that we've heard come out of the committee.

BOYEA-ROBINSON: Thank you. Stacey. I mean, she raises a really good point when we're thinking about solutions focused. The way that it works now is you have to have wealth to have access to opportunity to more of wealth and to change just that. Those few things will open up the opportunity for folks who often could not even get to the table to now be able to participate. So thank you for that, Stacey. So going back to

you, Erika, and then we're going to open up for questions. So I know people are chomping at the bit to talk to these brilliant people. So since we now know based on our data and frankly, our community has known for a while that we are incredibly entrepreneurial. Incredibly resourceful. Then we shouldn't just be talking about investors who are only focused on Black businesses. All investors should be figuring out how to make sure that they have a big piece of their portfolio in our community. So how do you center a racial equity lens if you're an investor? As a goal is not necessarily racial equity focus. How do you make sure that that is actually embedded in the work?

SETH DAVIES: I think it goes back to what I was saying before in terms of like, how are you doing what you do? And, again, thinking about the data. So if your data is telling you there's a lot of growth opportunity here, because very often we think about it in terms of disparity. But, what that also shows is there's a lot of opportunity for growth. And so if you're going to move into a space or start thinking about this from a growth lens, then you've got to understand who are the stakeholders that should be at the table. How do you get from there? What is the impact that you ultimately want to have? And how is that stakeholder engagement, the data, what we know, in general, how's that actually informing your investment thesis or your strategy? And then how are you moving your resources? So whether you are expanding, you know, opportunity for investors by creating special purpose vehicles, for example, that allow, a differentiation in terms of, of the investment amount, or you're thinking intentionally about, again, what we want to see in the outcome, the change in the outcome. If we can't name it on the front end or have to be careful about language. But it is like designing for what it is that you want to see. And that's where the resources will then go. It doesn't happen without intention. It doesn't happen without, again, designing the process, and the policies that are going to guide that decision making. So there are features that can be, embedded. And folks are starting to do this. Again, building the muscle to have a race informed approach, even if you're not going to be explicit about what it is that you want to see, because then at the end, who did we invest with, right? What were the results of changing this process like? That's what we'll tell the tale. And who are you accountable to for that?

BOYEA-ROBINSON: Thank you. So if you need to know how to do that, you should definitely call Erika. And also so grateful that Erika helped contribute to the Investor Blueprint for Racial and Economic Equity, which puts it all in one place and all the things you have to do to change as an investor. So I'm going to open up for questions. And so I know Phoebe and several colleagues are going to bring the mics around while they're doing that. I'm going to start off, though, with the question that was from online. So one of the questions was,

so if yes, we can continue to invest in Black businesses and grant to Black businesses and do all those things, how like, what do we have to do? How do we do it where we don't get in trouble? And I'm going to start with you Alphonso because everybody and I know I will preface it with saying that he's not providing legal advice to anybody. He's he's opinions are his own. But yeah. You have guidance.

DAVID: Thank you.

BOYEA-ROBINSON Welcome. You're welcome.

DAVID: Do what you've been doing before. If you are an investor in, a venture capital firm or in, my third party venture. The question is more what the third party venture the venture capital firm is doing and less about how you're investing. I'll explain. So we know based on our intelligence, how these cases have been identified. And we believe that is based on an algorithm and how people discuss their work. What is posted on your website, what your external facing materials really exposes some firms to be subject to litigation. So what we've said to many companies is think about how you're characterizing your work, rather than how you're doing your work. That's also important, but how you're characterizing your work is probably the most important part of, ensuring that you will not become a target, because in reality, what we're talking about is and I know we're in a nonpartizan space, but we have a coordinated, well-funded campaign. To essentially remove race consciousness out of our statues, our regulations and our policies throughout this country. That's the goal. They've been very clear. What they're looking for is for us to live in a race neutral country. I want to live in that country, too. It just doesn't exist. So until we get there, we have to recognize the disparity. We can't say less than 1% of Black people get money in the venture capital space, but you can't invest in Black businesses. Then we're ignoring the problem. So if you are an investor, what I would say is ask the critical questions of how you're a company that you're investing in is characterizing their work, as opposed to whether you're going to invest in the company.

BOYEA-ROBINSON: Thank you, Alphonso. So I said, oh, yes, ma'am.

AUDIENCE QUESTION: Thank you all for. Hello. My name is Judy (inaudible) I do a number of things in this space. So my question is for all of you, but mostly for Alphonso. It seems to me the conversation is a bit of a distraction building on this narrative. So we busy talking about investment in Black businesses. Why don't we refocus the conversation of the 99.9% how that's not the problem, right? Like why? Why are we having those

conversations and not the conversation? I don't know if you following me because I feel like we keep going around like we want to be race neutral. Who doesn't want to be race neutral and look, be measured by the impact of the businesses, the growth and be invested in that. Because we know, for example with the same qualifications, same data, if you go apply for loan, you over collateralize if you Black because of this wealth gap, you just like all of these things are there. But we spend our time responding to these race realities. Why don't we do the reverse? Why don't why would there more lawsuit on the opposite side of the conversation? You smiling because you understand what I'm saying and you're working on this, so please share. Tell us.

DAVID: Well, there's certain things I can share and certain things I can't share, but I would not assume that there isn't a lawsuit coming. Or lawsuits coming. Let me just leave it there. I think you're exactly right. There is an intentional effort to dehumanize to devalue. And dehumanize people of color. We're seeing now young people that are saying they don't want to identify their race when they apply to colleges and universities. We're seeing people question whether they should be investing in Black businesses, even though we know the data that they outperform other businesses. The conversation we should be having is, wait, I'm confused why 90 plus percent of the dollars are going to white men and white businesses. Why aren't we talking about that? The reason why is because the narrative is you are unqualified or underqualified. That's the undercurrent that we're seeing when the data shows us the opposite. So yes, there are many people that are having the conversation about not only changing the narrative, but also challenging these principles in court. So more to come. I can't say more than that, except to say you're exactly right, and that narrative has to shift. And we are being we have been talking about that. But I really worry about. We focus so much on the head that we're not focused on the heart and the spirit. And what I worry about is young people that are walking around thinking that their race needs to be under and devalued, and that is what's happening as a result of the narrative that has been perpetuated in the courts and the court of public opinion.

BOYEA-ROBINSON: Thank you. Alphonso. And if you want to learn a little bit more about valuation and what it looks like for disparity, there's an opportunity. There's a lot of research that Andre has done in his book as well about. Yes. Yes, sir. In the light blue shirt. That's you looking around. That's you.

AUDIENCE QUESTION: Yeah. Okay. Hi there.

BOYEA-ROBINSON: And to say your name and your question.

AUDIENCE QUESTION: Hi there. Edmond Longstory, the researcher mostly. So we talked a lot about accredited and sort of institutional investors, but what about the people on the ground? So one of the things in recent years has been sort of the crowdfunding and the crowd safe adaptation. I don't know that we've talked a little bit about what the people in those communities and in those neighborhoods might be able to organize or afford to do, or if there's any data on the impact that that's had on Black businesses.

BOYEA-ROBINSON: Thank you. Patrice. Erika. Oh, Stacey. Stacey says me, me! Go Stacey go!

BOWERS: I, I want to share. So if you were to visit our website, we recently just released a report report on the state of crowdfunding, looking particularly at women using crowdfunding as well as Black and Latinos using crowdfunding. So when you're looking for that data, what I can say and I'm going to try and quote some of these and see if I get them right. I think currently, as of 2022, about 10% of Black founders were using crowdfunding, and that's an increase from, I think, about 5.5% in 2016. So there definitely has been an increase in Black founders using crowdfunding and also the the success rates of raising crowdfunding are on the increase for Black founders, Latino and women founders. So one of the things our data showing us is definitely crowdfunding is filling sort of that need of capital raising, particularly for businesses seeking to, you know, raise smaller amounts and raise often raised from their, you know, their local communities.

BOYEA-ROBINSON: Thank you. Stacey. You, you you everybody.

SETH DAVIES: Knows, even more about this, but it's also a method of community ownership of being able to, especially around real estate, deals or opportunities where folks are starting to create and their, their platforms that can actually support it make it much more efficient. But starting to support more of that. Because the other piece of the pie in terms of venture funding is that's it's equity stake in your business, right? Like you're having to give up ownership in a pretty significant way, over time. And there folks who go through that whole process, you know, exit the fund. And then they got to get a job the next day because so much of their ownership was diluted. So also, knowing what kind of capital, is best for, for your company, for your as a founder is really important. And I think crowdfunder crowdfundering and in using some of these other tools to increase that access is, is essentially how we're going to have to fill some of these gaps until we have policy interventions or more policies.

GREEN: Yeah. I think the only thing that I would add is, yes, we're seeing that increase. And the reality is it is filling in where we see for, you know, white families having this generational wealth. How do how do you get that friends and family around. So folks are being able to use crowdfunding. But I think the the real key here is what Erika said is how do we actually have the diversity of capital sources so that, and that founders are getting good information about at what point you should be looking for what type of capital, and making sure that you're able to get that capital in a timely fashion to be able to grow and your business and whatever way you would like. So whether that is more community ownership, but we've got to make all of those tools available. We've got information available, and there's been lots of work to make. Crowdfunding, you know, more accessible in the last few years. To be able to make sure that folks understand the usage of it. So folks, there have always been and like there are some of these things that are natural to these communities, right? We've always had, you know, whether it's, you know, big mom and everybody pulling in dollars. If we think about tithing at churches, we have a history of doing those things. But the reality is our community still hasn't had the resourcing because we were the resource. Right. And so we've got to get to the place where we think about. And that's why we have to have both creating the opportunity for folks in the ground to be able to do that and acknowledging that it's important, but also just this reality that in order for us to to get folks to be able to grow in scale, we've got to level that up. We've got to have institutions play their part, and we've got to acknowledge, the ways in which, folks have been held back because we were the commodity and we have not been compensated for that.

BOYEA-ROBINSON I agree, and I want to build on something that Patrice is saying and it ties into the report. Yeah. If you just look at the, the. Verities in lending. One of the things that passed in 1555 did last year was really a cohort on how to make sure that the underwriting practices are more equitable. So people think they need venture capital money. But actually, if you had lending dollars, you don't have to give up as much as your of your firm. So then if lending dollars aren't landing, that's something that the government regulates. Right. Or there's regulators in that. So we've been working with the Federal Reserve Bank to really see how do you make sure that your underwriting practices are equitable and regulate for equity, which is something that's a tool to make lending land better? Maroon dress, ma'am, with the glasses. That's you!

AUDIENCE QUESTION: Thanks. Good morning. My name is Celeste James. I'm with CA James Consulting and I have two quick, comment and a question. The first is there's a, an emerging, venture exchange called Dream Exchange if you haven't heard of it, which is based in Chicago, that's designed to do exactly what you're talking about, create more opportunity for capital for Black businesses. They're pushing legislation,

and they are also, looking continue to look for investors. They're they're fully invested, but they continue to look for Black investors in particular, to create help create that narrative about Blacks supporting Black businesses. So I note that Dream Exchange is the name of the company dreamx.com. Secondly I support a lot of philanthropists in helping to develop their, their investment strategies, for social impact. And I'm hearing your conversations particularly focused on, investing in businesses. What do philanthropists need to know? How do they kind of, understand what's happening in our environment right now and, and not run scared because it's happening in philanthropy as well. So I'd love to hear what you would say to a philanthropist if it's different. Maybe it's not.

BOYEA-ROBINSON: Patrice, since you are philanthropy on the stage.

GREEN: I would say I don't know that it's it's wholly different. I think really being clear about, what your data is, what you're driving towards. And there are lots of tools. So I know that folks from AbbVie are here. And a lot of the philanthropy serving organizations have put out, really some great guidance around how we continue to lean in and to sort of look at what what is being asked. So like, let's get clear on on where the cases lie, and let's get clear on how we continue to do the work that we've been that we've been doing and continue to back that up, with our data and know that we need to, you know, also be ready. I mean, there's also a question about like if if smaller organizations like Fearless Fund, you know, we we have a couple of other grantees who who have been sued. I work for \$1 billion foundation. Most of these foundations, like we if the lawsuit comes, we're we're better equipped than some of these other organizations, which is why they haven't quite hit our doorstep. So one so how do you get prepared, for that, but also to, to get in community with folks about like, what are we looking to do? How are we driving to those outcomes? How have we set up our data to be, ready to do that work?

DAVID: Can I also just make an additional point on philanthropy? Philanthropy has existed for decades, centuries, in fact. And under the First Amendment, charitable organizations have a right to issue grants to provide charitable grants to anyone consistent with their missions. That's been the law for decades. So you think of the Italian-American organization or the Jewish American organization or the Japanese American organization. They have been issuing grants to specific demographic groups for decades. This is the first time in our history that we now have a charitable organization, the Fearless Foundation, that is being enjoined from issuing grants to people of color, which is consistent with that mission. They were expressly created to address the disparities in the venture capital space. So there is an open question right now that I

think many people in philanthropy are very concerned about, because if the fearless fund can be enjoined from doing what they are doing consistent with their mission, what stops someone from challenging any charitable organization in this country? And so that question is something that we are litigating and looking at very closely, because the collateral impact is significant for any charitable or philanthropic organization in the country.

BOYEA-ROBINSON: So we don't have any more time for questions from the audience. I want to close this out with a question from online and actually with several questions. And it was basically, I'm a high net worth individual. How do I fight? I'm a venture capitalist. How do I fight? I'm a philanthropist. How do I fight? I'm an entrepreneurial serving organization. How do I said, everybody just wants to know, what do I do? How do I fight? So I want to go from Patrice and end with Alphonso all the way down.

GREEN: So I'd say, you know, Alphonso and that team, particularly for the philanthropy serving organizations, you know, check out the stuff that APFI has put out. Che's Philanthropy folks have been putting out and getting and putting out guidance. So like, don't sit and be alone. Like, let's get in community. Let's have conversation. Folks like the lawyers, Committee for Civil Rights have been doing lots of work with nonprofits, have been in conversation, with philanthropy. Do not be afraid. We need to lean in. We need to join hands. We need to share information, share our data so that folks understand what is real. And we are also clear about where that information lies. We have a responsibility to one do that narrative work to be key about the data work and to continue to be in support of our partners who are doing the work of why we show up in philanthropy every day. How do we want to make this world actually show up and, and and be the place that it needs to be to be that just an equitable society?

BOWERS: I think I would. I mean, I'm going to tack on to what Patrice said, but also think about, you know, going back to what I said, the more diverse investors, the more diverse businesses that are being invested in. So I think being in voice, engaging, writing those checks.

SETH DAVIES: So I think just extend this, it's to actually, understand how to operationalize these values in what you do, so that you're changing your approach, you're changing your process to change the outcomes. And there are a number of frameworks out here and resources that can help folks do that. From some of the work that, CapEQ under Ty's leadership did with the Global Impact Investing Network, there's Racial Equity Asset Lab has framework, Reia ventures has framework. The Association of Black Foundation Executives

has frameworks. There are resources out here to help people sort of get in, in the place where they're building the muscle to withstand and get through the distraction. Because this distraction is intentional, right? Like to get us off track to have the chilling effect. Don't don't don't don't be bothered by that. Actually, like, just kind of lock in on on the way that, that you're approaching the work. So whether you're high net worth, individual investor, philanthropist, etc., like that's, that's what's got to be the focus, so that you're able to get through this most recent distraction because this is so retrenchment that happens every single time. So.

DAVID: I would say be intellectually honest and do what's right. It never surprises me that CEOs across the country and the globe are making decisions that drive revenue. That's the job. If you're in a private company, the goal is to create revenues. And so what's strange to me is data after data after data, study after study after study has proven diversity leads to innovation. Diversity needs to high results. If that's the case, if you're not going to do it because it's the right thing to do, do it because it's going to make you money. I don't care which lane you're in. But the reality is, if you are high net worth investor, if you want to make money, invest with Black and Brown businesses, or do it because it's the right thing to do.

BOYEA-ROBINSON Thank you Alphonso. I know Andrew is going to come to the stage to close this out, and we're going to stay up here until he finishes. But I just want to close with saying, we have so much to celebrate for we're being fought against because we are doing a lot right. And so my charge to everyone is to be fearless. And in this context, fearless is not the absence of fear is the presence of bold action in face of it. Thank you for my panelists. Please join me in thanking them and welcome back Andre to the stage.

PERRY: Yes. One more round of applause for Ty, Ericka, Stacey, Patrice and Alphonso. And I'm just going to say a few words and clothing. First I want to thank CapEQ for supporting us. Also, the Packard Foundation, who provided funding for a lot of the research you saw, as well as, Gallup, who always provides insights and data, for us. But I just want to share a scatterplot. This is my now my favorite chart in the world right now. You can look behind you. And it's a chart showing the well-being of Black folk on the on that horizontal row, the x axis and white well-being on the y axis. And what that what that means is that, Black well-being and white well-being is positively correlated when you support one group, particularly groups that have been disenfranchised. Everyone wins. So these investments are, you know, really supportive of of community. We've had, time and time again. And whether you're talking about housing, education, business, workforce, evidence of discrimination, when we repair that discrimination. Everyone wins. So I just wanted to leave you with that because I'm encouraged. I'm always encouraged because after every major

retrenchment, there are people like the people on the stage today who find a way. And so I have faith in that. History tells me that will happen. And so whatever anxiety you're feeling, know that there is a better day. Come. With that said, thank you very much and I look forward to the next report and showing in the upcoming weeks. Thank you.