

# FROM START-UPS TO SCALE-UPS: NURTURING SMALL BUSINESS INNOVATION

**Announcer 00:00**

Please welcome the panel to the stage.

**Rachel Reilly 00:01**

Well, it's so good to see everyone. Hello! My name is Rachel Reilly. I'm the senior director of Pathways to Capital at the Milken Institute, and for the next hour, we're going to be diving in deep to the dynamic but sometimes daunting landscape that faces startups and small businesses in America. Small businesses are the backbone of the American economy. They employ nearly 50 percent of our private workforce, and they also account for about 60 percent of new jobs created every year. But there's so much more than that. They are the fabric of our communities. They are the lifeblood of local economies. They are the embodiment of American ingenuity, and for millions and millions, —they offer the best path towards realizing the American Dream. It's a really exciting moment right now for small businesses and startups, because over the past five years, we've really seen an increase in new business starts. From 2020 to 2022, we saw new business applications increase nearly 89 percent and in 2023, the following year, we saw a record 5.5 million of new business applications, which really spurred excitement around this entrepreneurial boom, this return to economic dynamism and wealth creation for our local communities. But the pathway from start up to scale up, as I mentioned, is often daunting. And so now in this moment, as we're facing economic uncertainty, fluctuation and consumer demands, changing regulatory framework, as well as a competitive capital environment, the question is, how are entrepreneurs not only surviving in this moment, but are they thriving? And how are they adapting to ensure sustained growth? And what is our role in helping them succeed? So with that, I want to turn it over [to] our panelists to introduce themselves and share a little bit about the work that they're doing to help small businesses and startups succeed. We are going to go through a moderated session, and then we'll do some Q & A at the end. Thank you all so much for being here. Terry, I'll turn it over to you.

**Terri Ludwig 02:37**

—I'm seeing great entrepreneurs and folks who are helping a lot of small businesses in the crowd, so it's incredible. I'm Terri Ludwig, I'm the CEO of Ballmer Group Philanthropy, and it's great to be with you, because—if you've seen my bio—I've had a long history of working both in the private sector, nonprofit sector, and kind of driving — public-private partnerships around a lot of small business activity. Today, I sit in the philanthropic seat, so it's new. I've been in the seat about six years, and as CEO of Ballmer Group philanthropy. We are focused on economic mobility in the US exclusively, and what that means to us as we're working to ensure kids and families have access to opportunity, can achieve the American Dream, and we're particularly looking at underserved markets and making sure that we're looking at any kind of structural inequities, and really trying to innovate and make our investments in that way. And I would just say a note to small business: when we're working on our mission, we're thinking about from the time a baby—from maternal health, cradle, kind of cradle-to-career. So, from the time you have a mother who is pregnant, early childhood, K-12 systems, and then on to a living-wage job. So when we think cradle-to-career, what we find at the end of that spectrum—getting folks into living wage jobs—small business is just a vital part, both because of the statistics that Rachel just talked about, and the enormous role small businesses have in job creation, but also when we think about wealth creation. So small business is just a very important part of what we do. I'm looking forward to sharing more about some of our specific investments.

**Jeff Cole 04:23**

I'm Jeff Cole, the CEO and co-founder of a company called Hidden Level, actually based in upstate New York, where we work in national security, space and safety, do sensing technology to see everything from small drones to general aviation, stratospheric balloons, all kinds of fun stuff. I've been along the entrepreneur journey since 2018, being a small startup in a basement in upstate New York, raising capital through everything from COVID and times where hardware was, "What are you doing? And I don't—not sure I want to give you money." We've been very fortunate to experience the whole, the whole phase of it, now being a growth stage of the company, raising over 150 million, over 100 employees—so, excited to be up here on this panel and sort of share some of my thoughts and experiences through this journey.

**David Cohen 05:09**

Hey, everyone, David Cohen. I'm one of the founders and CEO at TechStars, which is an early-stage investment management business, a few billion dollars of assets under management. We invest at the very earliest stages in tech startups, usually at the stage where it's a couple of people, a dog, and an idea. We invest a small amount of capital and a lot of mentorship and work very hands-on with those companies. We do that all over the world, in most of the major startup communities, including here, based in Boulder, companies also headquartered out in New York. We have used that model—mentorship and investment model, so far to unearth 22 unicorn companies and another 100 we call "soon"-icorns on the way, and so it's been a pretty successful investment model that has been replicated around the world, called the accelerator model, if you've run across that,

**DeAngela Burns-Wallace 06:11**

Good afternoon, everyone. My name is DeAngela Burns-Wallace. I'm the president and CEO of the Ewing Marion Kauffman Foundation. The Kauffman Foundation has been in the entrepreneurship business for a very long time. If you know anything about whom we call Mr. K, our founder, he started in pharmaceuticals out of the trunk of his car, and believed that every individual should have the power of their own economic future in their hands. So we do our work in terms of closing gaps and reducing systemic barriers, so that each individual can control their own economic mobility through three different levers: education, entrepreneurship, and workforce and career development. For us, the intersection of those three is one of the most important things, particularly when we think about wealth creation, closing those gaps. We know that in our communities, particularly the communities that have been under- resourced, communities that have been disinvested in, that those entrepreneurs, those small business owners, are a game changer for those communities, for those families, and that the wealth generation is at four times the power of any other pathway to build wealth for both those individuals and in those communities. So our work over the years has been in investing in individuals, communities, ecosystems that help entrepreneurs not only begin their journey, but to thrive in their journey. So, excited to share some of the work of the Foundation.

**Rachel Reilly 07:47**

Excellent. So as businesses strive to scale in this complex environment, what are some of the challenges you're seeing, and then what are some of the solutions, or some of the ways in which those businesses are adapting to sort of meet the moment.

**David Cohen 08:03**

I'll jump in. I think you know startups live in an environment of extreme uncertainty, and everything is trying to kill them, so the challenges are everywhere. The two that you know, I'd say in this moment, are kind of top of mind for us at TechStars, would be—capital formation to become a real challenge for them, as compared to the "summer for startups" that we lived in for a long time. It's sort of winter; you know, I think that a lot of money is going—in our world, towards AI and AI-focused startups, and so, you know, everyone tries to position themselves in that target, to look that way, but many are not, and so it's even more challenging for them. So I'd say capital formation is challenging at the moment, but also, you know AI more broadly, where you know their competitors are using AI to write all their code, and if they're not doing that, it can kill them pretty quickly. So it's sort of a learning how to leverage it, learning how to use it, adapt-or-die kind of moment for a lot of startups today.

**Rachel Reilly 09:09**

Absolutely.

**Jeff Cole 09:09**

And I'll add from my side, in 2018, starting a hardware and software company in upstate New York, timing was sort of everything. We were very fortunate that we were able to bootstrap the company. Really, investors weren't looking so much in the domain in which we were executing, so we bootstrapped the company, but also focused on some early "angel" checks from folks that were really eager to invest in this team with this track record. But then also, we sold services. We brought in contracts, early revenue to get the business going through people we had worked with in the past. So I would always recommend, just be scrappy, [do] whatever you have to do to get there, and be creative. Sometimes it's all about timing, what investors are focusing on. I mean, as someone who plays in the national security space right now, there's a ton of investment in it, but previously that wasn't the case. So I always encourage folks to really figure out what the timing is and how you can get through those phases.

**Rachel Reilly 10:12**

Absolutely, you both spoke to capital formation, and so access to capital remains a persistent barrier for many startups, especially women—and minority entrepreneurs. — I'm curious, what sort of policy interventions or strategies are you seeing that are helping to unlock access to capital for all entrepreneurs, but especially those that have been overlooked?

**DeAngela Burns-Wallace 10:38**

So I talk a little bit about some of the work that we've done, particularly our work in our ecosystem in Kansas City, and trying to work across—multiple lanes, and trying to open up that access to capital. There are so many different entities that are having this conversation and are playing in that space, but what we find is that the conversation across those entities is not as deep, and that collaboration is what actually can be the game changer. And so one of the things that we've done, both in Kansas City and a few other places where we see it, is created—an enhancement fund, the idea being that we're supporting—the community development financial institutions (CDFIs). We're supporting the banks and creating incentives for them to be able to move into and invest differently, to push out their loan instruments in different ways, with different terms, and trying to do it not in a singular way. Sometimes it's a, you know, a loan guarantee, sometimes it may be a matching, but trying to meet each of those entities where they are, in terms of what they're already doing, but challenging them to move further into who they are loaning to, who they are partnering with, what terms they are putting on that. But then sharing that knowledge in what we call—a lender's Community of Practice, to say, okay, what are you doing and what successes have you had? Where do you see your challenges? And then using our role in philanthropy to say, how do we both incentivize? But are there ways where we can leverage our dollars to bring down the risk? To encourage these traditional entities to do more and to move differently? And then in doing so, as they then get the confidence in those relationships, that they then can move without our incentives. And you know, it ebbs and flows. You have some success, you know, it comes and goes. But now we've started to take that work that we were doing with all of those entities that are in the lending space and marry that with the work that we're doing with the city and state, and say, How can we then bring those two partners and be the catalyst to say, how do we get them to match the dollars that are coming through the state or that are coming through the city? And so for us, it's been really a moment of just so many entities—talking around this access to capital, so many different small programs are happening where it's one-offs, how do we actually move so that we are structurally changing how all of those entities are moving and how the dollars are matching and actually reaching those that are at a disadvantage?

**Rachel Reilly 13:10**

Yeah, absolutely.

**Terri Ludwig 13:12**

I'm happy to build on that point. But very similar, I think [to] some of our work, and when I think about the capital side and some of the policies that are working. Think I would pick up on that point of, like, when you have the opportunity to cross sector, I think you can really find some incredible results in both ability to spur growth and innovation. And so I would say there's a couple of areas I would touch on. One is public private partnerships, and that is taking, as you said, some of that, maybe it's federal funds, maybe it's state funds. We have the partnership with Milken, and where we're looking at some of the state funds that you can be kind of braided with other private funds, and I think that then you start to have sort of a pool of funds that has certain risk capital, whether it's on the lending side or on the venture side. But there are a lot of things that I would say, in this policy environment, for those of us that are very interested in getting resources to small business, it's a very important time to try to make sure we're looking at some of those public funding sources. Another one, I guess I would say, in the public private partnership scheme, has been CDFIs. Some of you are very familiar, but that's Community Development Financial Institutions, and that was a federal program, think it was started about 30 years ago. And I will date myself, because I think I was appointed by George W. Bush at Department of Treasury, to the advisory board of the CDFIs, and have run a couple of CDFIs. But I've seen it firsthand, how you can braid various public resources, federal, state and local and at the CDFI Fund, for example, what they do is they set up a pool of funds that these lenders who are in the community, have local knowledge, understand communities deeply and what the needs are, and can support small business in a very distinct way, and they braid that capital, they have to have a private match. So it ends up being a really interesting public-private partnership. So I think I've seen that in a couple of ways. The other thing I would just say, as I sit in a philanthropy seat now, over the last six years, and one of the things we've been able to do is,—obviously impact investing is a lot— people talk a lot about impact investing, but we've been able to kind of do, and they talk about that a lot with philanthropies, because if you're giving away 5 percent a year and you're leaving 95 percent of your corpus, if you will, sitting on the sidelines, you may not have maxed out your impact. So that's always the argument. It was fun. In the last couple of years, we were able to make, for example, a very significant investment in Black fund managers, where we looked and said, "Wow, it's really an under-capitalized space." And we know that who makes asset allocation decisions really matters. And then we looked at Black founders, the numbers were pretty dire, so we followed the data and we said, "Who is underserved? Where are we under-capitalized? So we put out \$400 million to Black fund managers through a fund-to- fund strategy, —and we're so excited about that, because it's bringing capital at a very early stage to folks who have incredible businesses. And honestly, that's a market rate investment for us that's showing to say, yep, this is a great opportunity. It's a place where we expect to have great returns, and we're seeing really strong results from that. And so those are the types of things I think, sitting in a philanthropy seat, you know, often my main vehicle of capital is giving away grant money, which, having done a lot of capital-stacking —, I'm like, "Oh my gosh, that's great," because —that's real equity, right? That's, —money you have forever and ever, and can leverage other money. But —I would say it's the whole continuum that one can see when you're with a philanthropic institution.

**Rachel Reilly 16:50**

—Absolutely. And Terry, thank you so much for, first of all, supporting, but also mentioning the work that Ballmer is supporting at the Milken Institute. We have our Pathways to Capital program, and one of our signature programs on that platform is the Initiative for Inclusive Entrepreneurship, where we are working with six network partners to help states implement the State Small Business Credit Initiative Program. We are now expanding beyond SSBCI, but the key part of SSBCI is that for every dollar of federal funding that is going through the states to support small businesses and startups, it has to be matched by at least \$1 of private capital, and so it is a true public-private partnership program that is seated with the federal government, implemented with the states, and where Milken is coming in to help quarterback network providers, to help folks develop go-to market strategies, to help with product design and process improvement, as well as to support capitalization. And so I'd welcome anyone to come see me afterwards, if you want to learn more about that program, but I didn't want to let this opportunity slide without mentioning it.

**DeAngela Burns-Wallace 17:54**

I'll share a little bit. I think one of the things we focus on [is] that access to capital, and we think about that as financial capital, but I think our work over the years has really also highlighted the social capital—the knowledge capital and the human capital that play such a critical role in entrepreneurial success. So we've worked to try to ensure that we are working with partners that can address that multilevel kind of stacking, as Terry talked about. So financial capital, we know that access to capital is key and critical, but we also are seeing those small businesses that need the technical wrap-around support to ensure their stability. Our Fast Track curriculum that many people are familiar with helps our entrepreneurs know that they have that solid foundation for, particularly, launching their businesses. But now we're looking and finding that we must ensure there is also not just the early stage, but at that growth and that profitability stage, how are we wrapping around services and resources for those businesses as they continue along that continuum? And I think some of our resources are shifting in that way as we have a stronger saturation at the starter point, kind of at that launch point. How do we now ensure that they are being sustained, that we are building—that generational wealth that's moving across, you know, these small business owners that are sustaining those communities? So some of our learning is really, how do we now couple the work in the financial access to capital, to the knowledge capital, the social capital, and the human capital: that workforce element that is really key in the sustainability and profitability at the next step.

**Jeff Cole 20:08**

And I can piggyback off that, specifically, what you're talking about on the growth stage. Actually, I always encourage entrepreneurs to look at the different types of investors and opportunities. And we were very fortunate in the growth round to bring in revolution and growth. Part of their philanthropic investment is focusing on companies that are in the growth phase in nontraditional environments. In upstate New York and Syracuse, we fit right into that. So we aligned directly with their focus [on] what they were trying to do, and that was a critical investment in our growth stage, in helping us close that round and bringing it together. So we've been, you know, not only fortunate to take advantage of other programs like small business initiatives, like [inaudible] and other grant dollars that are nondiluted, that have helped us along the different phases, but also being able to reach out to folks that support that, and the growth phase was very beneficial for us.

**Terri Ludwig 20:59**

Maybe I would jump in here for a second to say one of the things I'd invite us to think about, is maybe an expansion of what we think about when we think about small business, because when we're involved with the social sector, one of the things that we're thinking about is, —we're trying to drive economic mobility for kids and families. So we're saying, who is proximate to that issue, right? Who are the leaders that can really help us with insights and come up with new solutions? And these are small businesses, but we call them social enterprises, right? So they may not be profit- maximizing, but they maybe have a double bottom line of needing to make those businesses certainly sustainable and net positive, but also really drive social impact in a really deep way. So one of the things we've been able to do is partner with two incredible partners, Echoing Green and New Profit. I'm aware Tulaine Montgomery, who's the CEO of New Profit, is in the room, and so we have a lot of great leaders here in the room who are doing this important work. But we said, while we were funding the for-profit venture- capital space, let's also look at social enterprises and say, "Who else are the leaders that we want to invest in?" So we worked with those two organizations and said, "How do we fund 100 startups? They're going to bring us real solutions driving economic mobility for kids and families." And that takes all shapes and forms, but that has been very exciting for us, and, to pivot, also, you know, when we think about businesses, sometimes we may not think about the childcare centers, for example, that are not only critical for economic growth, for us to have childcare resources, but these child- care centers themselves are businesses, and they may need help with facilities, the physical plant, their technology, their business models, as well their marketing. So I think one of the opportunities we have is to think about small business a little more broadly, and then to set up those ecosystems. We also partner with other folks I can see in the room, who are helping us think about what technical assistance that we need to bring and what are the all the different programs we need to support entrepreneurs. So, it's a just kind of a broader space. It's kind of more encompassing. And maybe one other quick angle, not to take up too much time, but I'm going to pivot over to David, because I just wanted to do a shout out. I was just in Tulsa, and one of the things when we think about, yes, the ecosystem, there's also ecosystems in places that really matter for small business creation, right? And when I was in Tulsa, it was funny; I met all these incredible entrepreneurs, and also folks from your organization that were, you know, looking, but they were based in Tulsa, and they were really not only supporting the businesses, but creating kind of this innovation and culture that, you know, is a startup culture, and we're doing broader- based work in that community, trying to say, how do we drive outcomes for kids and families, but to have you know what you're doing in a local community driving that kind of innovative spirit, that kind of culture, that place-making, it's really powerful. So I'd want to give you know, Techstars, I want to give you guys a big shout out for them.

**David Cohen 24:12**

You should keep going with that! [inaudible]. No, look, I think that's an important part of it is, the venture firms need to operate where the entrepreneurs are and invest in those communities in the same way that, you know, Google would go lay fiber in Africa to invest in the Internet there, right to eventually have more business there. And it's really exciting to see these places that people don't think are producing the most interesting startups actually go and create really meaningful ones. And you know, over 20-30, years, the change is profound, so part of our model is to operate hand- in-hand with these communities on the ground. And it's what makes us different, but it also brings a lot of joy, because you do see people have opportunities that they might not have otherwise had.

**Terri Ludwig 24:56**

Yeah, I think we see a lot of geographical concentration of where venture funds go. So you, I think, through TechStars, you help diversify that by, you know, having that in different spots, right?

**David Cohen 25:06**

You see the big companies coming from everywhere, not just from a few places.

**Rachel Reilly 25:11**

Yeah, absolutely. And Terri, I love what you said about maybe not calling them small businesses, maybe thinking about them as social enterprises. David, you really opened my eyes when you said, previous to this panel, that no small business owner ever wants to think of themselves as a small business because it doesn't feel small to them, right? And so I don't know if you want to expand upon that a little bit.

**David Cohen 25:30**

I don't know if it's none of them, but none of the ones we invest in would want to be small business.

**Rachel Reilly 25:35**

Yeah.

**David Cohen 25:35**

They want to be, you know, building something big and meaningful and changing the world. But the definition of it on both ends of that spectrum is very broad, I think.

**Rachel Reilly 25:44**

Absolutely. So maybe just a grounding question like, Why does this matter? You know, why are we up here talking about this? Why does small business creation and wealth creation through startups and entrepreneurial pursuits like, why does that matter at the individual level, why does that matter to local economies, and why does that



matter to the nation? Why should we care? Why should we continue to pay attention to this, and why should we continue to invest and support it?

**David Cohen 26:13**

Yeah, I think you hear the word wealth and you think of it in a certain way. You know, monetary wealth going to the entrepreneur that created the success, but I think much more broadly, the community that that company operates in generates wealth and kind of more in the health sense.

**Rachel Reilly 26:32**

Yeah.

**David Cohen 26:34**

You know, job opportunities, reinvestment in the community. I think it was Kauffman Foundation work that I first learned a long time ago. Oh, all net new job creation in America comes from startups. Interesting, right? It doesn't come from the big companies. So without startups, you would have no job growth, effectively. So I think that's probably still true.

**DeAngela Burns-Wallace 26:56**

It is.

**David Cohen 26:58**

Ultimately, I think you know these things, it's a rising tide that lifts all boats, and you see those people coming back and then investing more in their community, and new opportunities emerge. And I think when startup communities around the country are stronger, I think we're stronger as a country.

**Jeff Cole 27:15**

Absolutely.

**Jeff Cole 27:16**

Yeah, and I'll piggyback off that, I 100 percent agree, if there weren't opportunities for companies like mine to get started, people wouldn't take these risks. It's something that makes us great, is our ability to take big risks and failures and learn from it and try again. But if there wasn't this opportunity from the startup community, from grant dollars and all these other things that are out there, people wouldn't take these risks to make great things happen. I mean, I had a very comfortable job, and I saw an opportunity to do something really impactful and help solve a really challenging problem. And because of that community, I took a risk. If that didn't exist, I wouldn't be sitting here right now.

**DeAngela Burns-Wallace 27:56**

At our core, you know, this is about the inspiration. Mr. K said that, you know, common people should be — have the ability to do uncommon things, and that's what you know, being that entrepreneur, that small business owner, having that idea, that dream, and really being able to say, "I can take this dream and turn it into something, and that something is both for that individual, but it brings benefits that pay back into that community. Brings benefits they pay back into building social networks that make that community rise, that allow investment into their place and their space, that also gives value and meaning and a future." And so a piece of this, and why it's so important is that it's inspiration, it's hope, it's our future, but it really is that opportunity to just be uncommon in what you want to do and how you want to show up, and as a country, that's a piece of who we are. It goes back to our founding, trying new things as we come up on our you know, 250th. I've been a part of many conversations of, how do we, you know, bring the conversations around, you know, entrepreneurship and small business, we know it's at the core of so many of our communities, big cities, small cities, small towns, rural towns, urban towns, and just reminding people that how central it is to where we are today, but even more importantly, where our country is going next.

**Terri Ludwig 29:37**

That's so inspiring. I hate to like jump in because that's, that's that almost feels like the ending of our session, because that's incredible.

**DeAngela Burns-Wallace 29:46**

Now we've got 30 more minutes.

**Terri Ludwig 29:47**

So I will jump in. But it does remind me that, you know, I would just like to say, I sit in this very privileged seat because I'm the CEO Ballmer Group which was founded by Steve and Connie Ballmer, and as many of you know, Steve was at Microsoft. So one of the great entrepreneurs of our time, so when I think about why this matters too, it's, you know, when you find folks who also then create wealth and give it back, which is our intention to take that, and you know, we've invested that in something like USA Facts, which some of you have, if you haven't

checked it out, check it out. Usafacts.org, which is about taking government data and making sure that at your kitchen table, when you want to know the facts on a certain topic, you have real data to look at, which really matters in this moment, but also channeled into our philanthropy. So we are very excited about supporting other entrepreneurs and small business for all the reasons you all just said. And you know, when I think about why it matters, it took me a little bit to a particular entrepreneur. I'm seeing two awesome ones in front of me, so but you guys, [inaudible], I love it. But there's a company called Esusu, which, you know you may have heard of, but when I talked about thinking about small businesses and the important role that they can play in driving economic mobility, Esusu is a company that was founded by two leaders of color who had a great idea to say. There's so many folks who are renters, but they don't have their rental history reported to credit, you know, the folks who are driving credit scores. And so [Esusu's founders] came up with a whole way of doing that, and working with partnerships to report credit scores, which then enables these folks that are renters to develop a credit score and have more access to products that are not predatory. So it's a really important thing, right? And what they were able to do is kind of pick up on some of the threads that we had, which was to begin at something we supported, an incubator that was specific on housing solutions at the Turner Center here in California, looking at some housing innovators and how you might support them. And then they moved I'm going to skip some steps, they they moved to, you know, the accelerator phase. And then they had startup capital by some funds we invest in. And then ultimately got kind of pre-seed to Series B, and are now one of those unicorns with over a billion-dollar evaluation or valuation and looking at, you know, how do we help low-income families to, you know, report their credit? And then also, other products and services that they might benefit from? So that's just a great, like, why does that matter? It matters to those 5 million people, they're getting the credit, soon to be 12. It matters in terms of what they've been able to do and who they've become in our country.

**Rachel Reilly 32:50**

Absolutely, and I may have used Usafacts.org to help with my opening remarks. So thank you. I pulled some stats. I appreciate that. I had no idea.

**Terri Ludwig 32:58**

**Rachel Reilly 32:59**

That was such a great example of the power of small business. Just curious whether you all have examples of other memorable small businesses that you've interacted with, that you've launched, that you've created, Jeff, or that you've supported?

**David Cohen 33:12**

I've got several thousand! Maybe that was directed at me, I don't know. There's a couple if you bear with me two stories that really matter based on the conversation we're having. One is actually about a failure, and I think we don't talk about that enough. A company called Event View, which no one's ever heard of, because it failed, went through an accelerator program in Boulder. Company raised a million or two and failed, yeah, doesn't really matter in the grand scheme of things. But those founders were supported by their community in failure, hired into their next thing. And today, those founders are very notable people in the world of startups. One is very deep in crypto and done really well. Another basically grew the operations of this thing called Twitter when it was still, you know Twitter and, you know, big jobs, right? And they had those opportunities because of the startup community and the effort that it saw around the company that didn't even work. So even when things don't work, you can create wealth in a community, right? Over time. The other is the more classic story, where you have, you know, an immigrant entrepreneur came to the US from Mexico as a kid and really didn't have much network, didn't have—you wouldn't look at Isaac Saldana and say, "Oh, you know, Isaac is an obvious CEO of a giant tech company." You know, a bit shy, kind of geeky, but super-smart and super-passionate around email. Built a company called SendGrid. Nobody thought, you know, this could go anywhere, and no one would invest in it. The only people that would invest in it were us, and we got to watch him execute. And, you know, I think we put \$750,000 into the first round at like a \$1 million dollar valuation, really low because no one would do it, and we just wanted to support them. But to watch that journey, and Isaac and his co-founders build something that stood on the floor of the stock exchange, IPOed for over \$1 billion, then got acquired by Twilio and integrated. It just it makes you cry. Like, I can remember standing there just crying about that story, and the opportunity that was presented to him by the startup community of mentors and investors willing to take a chance has been given back 100-fold by Isaac. He's out there investing in everything. He actually is here in the LA area. And so it's stories like that where you see it's a virtuous cycle. It's not just one person generating wealth, and that's their success story. It's the success story of an entire community.

**Rachel Reilly 35:53**

When you got to know Isaac, what was it about him that made you think, I will take a bet on you?

**David Cohen 35:58**

Being super honest. He and his team were on the bubble. We take 10 companies at a time and invest in them, and they were number 10 or 11, and one of them couldn't come to the program and participate. But there was just something about, they actually cared about the thing. You know, it sounds silly, but they love email. They were building transactional email infrastructure, and if anyone called them and had an email question, they would just get on the phone and talk to them. I don't like how Nordstrom will take back anything that you return: why are they doing that? I have no idea. But you could feel the energy and the love for the thing and the deep technical knowledge, and then when they went through the accelerator program, you could feel towards the end of it, oh, all of the other founders really respect this person and their technical ability. So how do we surround them with people that can run the company and grow the company? He was still on the board, still active as an employee, but not CEO, when it went public.

**Rachel Reilly 36:56**

It's amazing.

**Jeff Cole 36:57**

I'll share a bit of like, just our journey, like so many, it's never easy at all. When we started the company in 2018, I decided, all right, I'm going to liquidate my 401K, liquidate all my assets and not pay myself for who knows when. And convinced a bunch of people to leave very comfortable six-figure jobs to make no money. I made them a promise that I'd get us enough dollars so that I could get them back to their salaries in the next 12 months, or they could leave. And fortunately, that worked out really well. Then we went into COVID, and it's like, "oh my, what are we going to do?" And taking advantage of opportunities like PPP loans, we were able to receive two of those that were strategic during that time and helping us be successful. And my first angel investor, Tom Moss, introduced me to the venture world and said, let me take your hand and show you actually how small this community is and has been with us all the way through, and actually still sits on my board as one of the directors today, and has been instrumental—as you mentioned—these investors working closely with the founders and helping us through the different phases. —We're just — one example of the journey, but it took a lot of sacrifice and a lot of support of the folks around us, and those key opportunities like PPP loans and other things that really helped us reach the success that we're having today.

**Rachel Reilly 38:25**

Absolutely, anyone else? Any more memorable businesses? Awesome. So this is the last question I'll ask, and then we have a handful of questions from the audience, which I want to get to. —How can we ensure that the benefits of small business innovation and growth are equitably distributed across all communities, particularly those that are historically under capitalized or excluded from mainstream financial systems?

**Terri Ludwig 38:51**

I'm happy to jump in here. I would just say what we do, Ballmer Group, is follow the data. And that's why data, by the way, is super-important to preserve as we're looking at a lot of changes in the administration, where we're really following that, particularly the education world, but overall, we follow, —"let's see where capital is flowing. Let's see where there are underserved markets." Sometimes that's by a population. Sometimes that's maybe a stage of business. It could be by a geography where there are capital deserts, but making sure we believe in economic opportunity for all. And so to live that, we have to look at the data. We have to see where there are, you know, inequities, and try to drive capital and solutions in that way. I would also say, it's interesting. We think a lot about the full capital scale. So, even something like a micro business, you know, we have supported. I used to be the CEO of ACCION, New York; it was a micro credit. So something as small as \$500 to \$10,000 actually made a difference. And there's some really interesting models today. You've probably heard of ACCION or Grameen, or other models actually here in LA as well. So as we think about some of the models, I would say, making sure that we're looking at the size of the credit, what is needed in terms of the capital structure that's very small or very large, and then really watching the data to see where it flows.

**Jeff Cole 40:29**

Go ahead.

**DeAngela Burns-Wallace 40:32**

We just have to be very intentional, right? The intentionality in the work is key and critical. When we say we are in to piggyback on Terry and the data, if we are truly invested in all having that economic mobility, having that access to the capital and the resources to be able to be successful, we have to be intentional in understanding what the data is telling us and then acting upon that and being willing to break some of the models. And there's a number of programs that we've seen and that we've been a part of, where we are working with entrepreneurs and saying, "We need you to be loan ready, so we're going to put you through this training program where we're going to put you in this cohort, so that you're loan ready, so you can go and get the instruments you need. But we also need to bring all of our lenders together and say, "You need to be small business- and entrepreneurial-ready, right, and challenge both sides to say, as we are intentional in this work, that the work can't just be about the founders, those owners who are bringing their passion and working hard at every stage, and that they are expected to know every aspect of the gains and the parameters that we put around it. But how do we break the models and be intentional on both sides of how we take down structural barriers that we know by the data, by history, by what we see has happened in our communities are actually creating barriers that we control and have the ability to dismantle. So, breaking some of our models and being intentional as we do so.

**Rachel Reilly 42:10**

Absolutely.

**Jeff Cole 42:12**

And I'll add, "just continue to lead by example." As an entrepreneur who is here because of these opportunities, I can't tell you how excited I was when we reached a stage in the company where we were able to give back to our community, invest in STEM, and invest philanthropically into our community. We were involved in a lot of different things, and last year, I personally wrote my first check into an early, early-stage investment for a company [founded by] an 18 year old. It was my friend's daughter who was launching a company, and it was a small check, but it was a meaningful check to her at that time. And that's all been through examples. So I ask that all the hard work that you do, please continue to do so and it sets great examples for all of us.

**David Cohen 42:56**

Be careful. It's super-addictive.

**Jeff Cole 42:58**

I know I'm looking at another one and a couple more, right now, but you know, if it wasn't for those checks, those people wouldn't have those opportunities.

**Rachel Reilly 43:07**

You're gonna have your friends' daughters lined up down the street. Seed capital.

**Terri Ludwig 43:16**

For many people, like entrepreneurs, like you there, you're a superhero, right? I mean, you're I really living the American Dream. So I think one of the things we're talking a lot about is the storytelling, and the world needs some heroes right now. And some modeling of how you step up and what you've accomplished, and knowing that, sometimes failure happens or setbacks happen, and you can still, I don't know, I just think this, like the story you just told, is really powerful. We also need to make sure we're having our narrative right to tell more of these stories.

**Rachel Reilly 43:49**

Yeah, absolutely.

**David Cohen 43:50**

I'll stick one last comment. I was going to use the word intentional, but you, you said it way better than I would have said it. And I think everybody in this world of business creation and entrepreneurship and venture capital, should ask the question, "What are you doing to be intentional?" And I love when people ask us that, because we're trying to hire managers that are managing directors and deploying capital that maybe matches the demographics of the people we'd like to deploy it to in more quantity. It's trying to do things where you're putting something into the system that would pay off in 10 or 20 years. And I love the comment about the education, because that is not available in the same way. People don't grow up with the lingo necessarily, that the these industries use and the great education you guys do, we try to do some of that as well, I think, helps people understand how to even engage and in this sort of environment. So I think every firm, every group, everyone should be intentional in one way or the other. And I think asking them that question before you work with them is a great way to spur that.

**Rachel Reilly 44:58**

Yeah, and I also love the comment about the two sides of the roads, right? So often we're focused on helping small businesses or startups or entrepreneurs go to capital allocators, engage investors, help them understand what investors are looking for, what they want, but we're not also on the other side of it, talking with our capital allocators about how to understand and underwrite potential with our startups, and how to get over barriers around perceived risk. And so I love that comment, and that's going to stay with me as well. For our first question, can you share the shift your work is taking in light of the fastest-growing segment of founders being women and people of color, specifically Black women? I know folks are already doing a lot of work in this area. So just curious if you're doubling down, if you're just going to hold the course, or if anything is changing?

**David Cohen 45:55**

For TechStars, it's just trying to be conscious about where we're operating and how we're operating. Another example is a program we launched called TechStars Anywhere. You know: TechStars Tulsa, TechStars New York, TechStars Colorado. What about TechStars Anywhere? You can do that without having to pick up and move, which not everyone can do. That opens up the opportunity to more people in more places. So I think it's just trying to adapt your model to enable that shift that we hope continues to happen.

**Rachel Reilly 46:28**

Absolutely. And is that an online platform, TechStars Anywhere?

**David Cohen 46:32**

Yeah, it has three in-person. We move them around. So you might come to New York for a few days. You might come to LA for a few days, but most of the program is virtually delivered, which again, makes it more accessible.

**Rachel Reilly 46:44**

Absolutely.

**DeAngela Burns-Wallace 46:45**

Something that Terry said earlier is, "following the data," right? So the question was, how are you shifting? This has always been a part of our work, how are we standing in those gaps and ensuring that all individuals, particularly from communities that traditionally haven't had access, are actually getting that access and that we're helping to create the opportunity. So in this moment, it's really important to follow the data, to say who are creating businesses, who are our future business owners, who are those in communities that are generating the jobs, and, you know, the new businesses, and being able to follow that and match on to that, and that leads you to our communities that have traditionally been, you know, under-invested, or in some instances, disinvested. And you



know, women entrepreneurs, entrepreneurs of color, entrepreneurs that are coming from different, diverse, and immigrant backgrounds. And if you follow the data, it helps you to see where those future opportunities and where the biggest growth sector are, and that's what business is about: How do you take that opportunity in a growth sector? So if you're doing this work in this moment, I think for many of us, like we are matching the growth and the need, and that's those communities that we are serving,

**Terri Ludwig 47:58**

I would say that's very much for us too. We have a lot of very important investments to us to drive economic mobility outcomes that we seek, and we're continuing with our work, and we have a lot of partners here in the room and who are really demonstrating to us, you know, how they come together to align to better share resources and understandings and really try to support each other, to connect, but also to collaborate, to be able to scale and grow. And it's very much our intention to continue to support important small businesses and social enterprises as well. We also do things that are very specific, then to like asset building also, I mean, that's part of asset building, but we're also looking at like, what are various ownership structures also, to give even broader ownership to some of the employees and folks in the room that are working on some of those strategies. So all of that kind of feeds in for us for economic mobility.

**Rachel Reilly 49:00**

Absolutely. We mentioned data a number of times, and so one of the questions is, you know, for certain cohorts that where we don't have sufficient data to back up, you know, the success or their challenges, how can we be ensuring that those stories are so brought to the table through founder interactions or otherwise, but where there is not data, or there's not sufficient data, what can we be doing to ensure that folks are represented still?

**DeAngela Burns-Wallace 49:30**

I'm a policy wonk, but also a researcher, and so I have my love in academia, one of the things we need to remember is that data is quantitative as well as qualitative, right? So the narratives, the stories, are part of the data. We need to be careful that when we say, like, there isn't data, it's that idea of we're thinking about, there's not, you know, someone's not collecting this set of numbers or, you know, showing from here to here. But we really do need to think about the narrative. How are we capturing these stories in the journeys and how different founders' companies reach their success, who was able to unlock doors? What do we need to understand about conditions that make our entrepreneurs more successful and for growth and sustainability? So it's also about just challenging ourselves to think about what is data, and that data doesn't come in one form, and how are we capturing that? But then more importantly, how are we taking that data and then turning it into action? Because you can have all the data in the world, and if you just sit on it and you collect it, it doesn't do anything. So more importantly, as we are capturing that data, how are we then using that to infuse back into the communities the work that we're trying to do and standing up our entrepreneurs in a more sustainable way?

**Rachel Reilly 50:51**

Absolutely. Another question. So small businesses serve locally through so many ways, employment, community, et cetera. How do you evaluate scalability? Could building a sustainable business locally be something that's interesting to invest in?

**David Cohen 51:20**

Well you look at the market opportunity, and then you just know you're probably wrong. Most investors don't say that out loud, but I like to say it out loud. I think you want to be able to invest in some people you think are great that have a sufficiently large opportunity where you say, yeah, that that could be an outcome that's worth being involved in as an investor. It's often that you end up being wrong. You think, oh, maybe this is a \$50 million business, but it ends up becoming a, you know, \$5 billion business because it's, it's, they go through step functions and they surprise you. And so to pretend that that you can really tell how big something is going to be on day one, I think it's a game a lot of investors play. But ultimately, especially at these early stages, you're really backing the people and the general market space they're in. So we talk a lot about team, team, team, market progress, idea in that order, ideas like last, last thing we look at. But ultimately, it's the people. It's being involved with them and then helping them figure out, how do they take it to the next level, and not trying to get— too much due diligence has blocked a lot of really interesting opportunities for a lot of investors.

**Rachel Reilly 52:30**

Interesting, yeah.

**Jeff Cole 52:31**

I just want to piggyback off a couple of things that were said earlier. You mentioned breaking the mold. I think if you're just following the same path the opportunity, you're missing great opportunities. And to your point, investing in great people and just having the conviction they'll figure it out. Like you said, the idea is probably going to change along the way, but supporting them and being part of it, if you're willing to break the mold and invest in great people, you're probably going to find a pretty incredible opportunity, and those investors that we've been fortunate to come across and invest in us have taken that leap, and that that is really important. Yyou can follow the data, but also sometimes you have to take a risk on people and opportunity.

**Rachel Reilly 53:20**

Yeah, absolutely. So another question we talked about public, private partnership. Just curious, if anyone has the ideal solution, what? What are the roles here? How should philanthropy, how should public, the public piece of this come in? How should philanthropy come in? How should the private market come in? Is there a model that you think is the model to aspire to?

**David Cohen 54:00**

My co-founder is a guy named Brad Feld, and he's written a lot about startup communities. I think that one of the key principles he writes about is that the entrepreneurs have to be leaders in the context of their startup communities. The you know, the government organizations, the service providers, are really important actors in that but really should be supporting the entrepreneurs and what, what they feel like they need to do to make their community stronger.

**Rachel Reilly 54:26**

Yeah.

**David Cohen 54:27**

And that, as we operate all over the world, is something I've seen play out again and again. When you have an organization behaving as the president of the startup community, that presents problems. When you have the entrepreneurs saying, "Hey, here's what we need," and trying to go to all the organizations in that community and asking for resources or improvements and the thing that they can contribute to, that seems to be the model for success. So I think ultimately it's startup communities being led by the entrepreneurs who are creative and supported by all the organizations that want them to be stronger.

**Terri Ludwig 55:01**

I would add, when I hear that question, I'm taking it from maybe a slightly different angle, because I think that's really important. And I also hear the what's the role of philanthropy versus public versus private, in there at the same time. And I guess I would say, I always think about philanthropic capital at its best is risk capital. It is something that can catalyze something that otherwise you wouldn't be able to do. That's why, quite honestly, we don't do a lot of the investment. So we did the 400 million Black fund managers. That's more of a anomaly for us, because we have so much grant capital that we're looking to invest in great leaders, great organizations and great companies, and so we more about, when I think about grants, I first was kind of confronted with that, but I'm like, Oh my gosh, that's the ultimate form of equity, right? So we want to be in a capital stack providing equity or— then government is always the leverage. It's always the leverage. It's just, it's so much bigger than any philanthropy. So I guess my answer to that would be put, put in philanthropy more as a catalyst, as a deep equity, and then government should come in to try to scale. Yeah,

**Rachel Reilly 56:13**

And philanthropy just as grant capital. Or could this also be match dollars, PRI dollars? Have you thought about that? Or are you doing that as well?

**Terri Ludwig 56:22**

Absolutely, yeah, yeah, yeah.

**DeAngela Burns-Wallace 56:24**

I think we show up in all those types of ways. I think my only, you know, addition to the answer is that it is going to take all though. It can't be one type. It takes public, it takes private, it takes philanthropic, like we, you know, we may not know the right percentage combination structure, but the reality is, is that what we do know is that it does take all to really transform sectors, to transform communities, to build sustainable ecosystems where our small businesses, our startups, are able to thrive, all must be present.

**Rachel Reilly 56:59**

Yeah absolutely. We have a few more minutes left, and from here, I'm actually just going to turn it over to our panelists to leave us with any final thoughts or remarks. I think that this has just been a wonderful panel, wonderful discussion, and so I want to close it out that way. Nobody jump in?

**DeAngela Burns-Wallace 57:21**

Well, I will. One of the things that one of our current programs, that I am, you know, most proud of and just excited about, is something that's called 1 Million Cups. And I don't know if everybody's familiar, if you haven't, please check us out. But the idea of 1 Million Cups started really as kind of a conversation. You sit down and you have a cup of coffee, and you get two or three entrepreneurs in a room, and get a few serial entrepreneurs, or those that have turned into investors, and you have coffee, and you share your learnings, and I tell you my problem, and you know, you help me just, you know, think through, be a thought partner and solution. And then it turned into something in which we have over 300 communities across the country where every Wednesday morning people show up and one or two entrepreneurs share where they are, not a pitch for dollars, but a pitch for partnership and solutioning, right? So they share whatever they are, wherever they are in their entrepreneurial journey, and whoever is in the room, other entrepreneurs, investors, partners in the ecosystem, are there to help them think through solutions. I share that kind of as that kind of my last thought, because part of why and how that started was because what we know is that the learning that has to happen is one of the most powerful pieces of how our startups survive, how they thrive, how they grow, and then how they are able to give back and so this and the conversations are necessary for The future of the survival of our entrepreneurial ecosystem.

**David Cohen 59:03**

Do mine super fast, because mine's super fast is the idea of give first, which is a cultural value that TechStars is founded on, and it's literally just walking out of these doors and helping someone in your startup community in some way with no expectation of getting anything back. That's the secret weapon of these startup communities that really grow and thrive. And if everybody does that, it's so powerful.

**Rachel Reilly 59:26**

Yeah, it's wonderful.

**Jeff Cole 59:28**

Yeah, giving back lead by example like this, just us all sitting on this panel right now and talking about this, it inspires others, and it will people will come out and say, How can I help these questions? Is there a rubric for doing this, and it's all through communication and sharing this and outreach to folks, it's going to create more opportunity and keep honestly, it's what makes us special, is enabling these things here.

**Terri Ludwig 59:54**

And I'll just say thank you to Milken, because I think this panel embodies kind of what's happening more generally, which is to kind of bring folks together that represent different parts of a conversation. So public sector, private sector, entrepreneurs, you know different people, and I think it's really important as we look to craft solutions to bring different sectors together for conversations like this and share ideas. So thank you.

**Rachel Reilly 1:00:18**

Absolutely well. Thank you. Thank you for attending. Thank you for our wonderful panel. Please give me join me in giving a round of applause. Thank you all have a great rest of the event.

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