Thank you Chairwoman Velázquez, Ranking Member Chabot, and the members of the committee. I am pleased to be here today to testify about how innovators, entrepreneurs, and small businesses are using blockchain technology to boost productivity, increase security, open new markets, and change the way business is done.

I will start by highlighting my 20-year journey as a small business owner.

I was born and raised in Columbus, Ohio. I am a graduate of Ohio State University and studied Information Technology at DeVry University.

I am what most call a serial entrepreneur. Like many small business owners, I have benefitted from the various programs that the Small Business Administration (SBA) offers, including working with SCORE in Miami to draft financial projections and plans and participating in the Bixel Exchange in Los Angeles, which is a Center for Innovation & Technology hosted at the Los Angeles Area Chamber of Commerce.

In 2017, I entered and won $20,000 in the SBA InnovateHER challenge and in 2019 I won $125,000 in the Metropolitan Economic Development Agency (MEDA) $1 million pitch competition in Minneapolis, which receives SBA funding.

I am driven and passionate about entrepreneurship and identifying resources to move my businesses forward.

Since starting my first business in 2001, I have consistently adapted and iterated my business strategy to align with new technologies that can help position me for greater success.

In 2001, I attended DeVry University to optimize my skills in technology applications and management in order to be a more effective leader in a tech driven economy.

As a small business owner, I own four companies: D1 Consulting Group, Flat Out Heels, Lifestyle Café, and PopCom.
D1 Consulting Group is a marketing and business development consulting agency that I founded in 2005 to help companies of all sizes develop scalable growth strategies, leveraging online and offline tools.

At Flat Out Heels, we design rollable flat shoes for women that can easily fit in a purse for relief after hours of wearing high heels. We utilize wholesale, e-commerce and vending machines for distribution, and have generated more than $1 million in revenue since its launch in 2011.

Lifestyle Cafe is a plant based vegan restaurant in my hometown of Columbus, Ohio that utilizes technology automation for faster service.

PopCom is an automated retail technology company with a hardware and software solution for self-service retail.

Today, I will focus on PopCom, where I am leveraging blockchain technology for specific aspects of my business.

PopCom is a small B2B technology company that develops software as a service (SaaS) and IoT-connected hardware for self-service retail, including vending machines and digital kiosks used to dispense products and perform transactions.

We’re using blockchain to optimize machine-driven transactions for government-regulated products that require identification, sales compliance, supply chain information, or a combination of all three. There is tremendous opportunity in this space - over $3 trillion in global revenue, growing to $5 trillion by 2022 - which is severely underserved by automated transactions.

The PopShop Kiosks with PopCom SaaS, are affordable for any team, from Fortune 500 to single-founder e-commerce brands. Over two-thirds of retail customers now prefer to self-serve and over 75 million people purchase goods and services from vending machines or kiosks each day in the U.S.

**PopCom is Not a Blockchain Company**

I want to clarify that PopCom is not a blockchain company. I am not building a blockchain product. We also use facial recognition and artificial intelligence software in our platform. I am simply using specific blockchain applications in my business. This is an important distinction.

Blockchain is not a silver bullet. But it can solve problems that small businesses face.

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1. Link to view demo of PopCom’s technology - https://youtu.be/GDEdf9Q2Eis
At PopCom, we seek to reduce the friction in automated retail transactions and allow retailers to collect data from and about their customers. Customers often share sensitive identity information, which requires an additional layer of protection to secure consumer data and privacy.

Instead of building our own proprietary product to secure customer identity data, we have partnered with Civic - a secure blockchain identity management platform - to verify identity and age in order to execute purchases of regulated products, such as cannabis and alcohol, from a vending machine.

As a company, we believe that the most secure way to check and confirm a customer’s identity, while ensuring that their personal data remains secure, is to have the customer verify their information securely on their mobile device and store that data on blockchain. We generate a QR code for them to scan at the machine to confirm that they are a verified customer and compliant to purchase the product being sold. We never collect or have access to any personal data from or about the customer - only that they are verified. The customer can use their personal device to take a picture of their identification (driver’s license, state ID or passport) and capture an image of their face for additional confirmation. This is very similar to what Clear does for airport security.

Civic has already built the blockchain service to accomplish this, and we license their decentralized solution to allow us to bring our turn key service to market faster.

**Flexible Federal Programs Can Help Innovative Small Businesses**

My journey exploring non-traditional ways of raising capital started in late 2017 after we completed our seed round for PopCom, bringing our funding total close to $1 million from angel and venture capital (VC) investors.

Like many tech founders, I have a highly technical product that requires significant capital in order to reach its true market potential. Access to large amounts of capital has been challenging for me for a combination of factors: 1) investors know little about my industry 2) I did not have access to many high net worth individuals 3) like most founders, particularly female founders of color, I’ve been at the mercy of the Silicon Valley machine. Although I have been successful at raising venture capital, it is an exhausting and time-consuming cycle of convincing venture capitalists of the massive potential of the self-service retail industry and why they should invest. The time spent pitching is time spent away from running my company and selling to customers.

I decided on a security token offering (STO) because it has emerged as a powerful and valuable alternative to private equity and venture capital financing. Additionally, STOs have an expected growth of up to $10 trillion in 2020.

A security token can be backed by the company’s assets, such as shares, the right to receive dividends or grants for voting power. This clearly provides a much more solid and safe investment for the investor who believes in the company’s future. A security token has a lot of advantages...

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4 [https://hackernoon.com/ico-or-sto-who-wins-fd43c3ee7b8d](https://hackernoon.com/ico-or-sto-who-wins-fd43c3ee7b8d)
since financial regulators consider them securities. Ultimately, this protects token holders. They also mitigate the divergence of interests between project investors and project users. Finally, they give real rights to the token holders.

For PopCom, we chose a popular option for STOs - using the exemption Regulation Crowdfunding (CF), which is an offering for the general public. Both accredited and non-accredited investors can participate in the offering, with the caveat being that there is a limit to how much an STO can raise in a given year - $1,070,000.

Using a blockchain backed token to raise capital through a security token offering, I was able to leverage my personal network to raise capital instead of relying solely on VC and accredited angels. This is an important pivot. I believe it is compelling that I was able to oversubscribe the round and raise the maximum amount under Reg CF, while leveraging an emerging technology to launch a tokenized security offering. I became the first female CEO globally to raise over $1 million using equity crowdfunding under Title III (Regulation CF) of the JOBS Act, which allows private early-stage companies to raise money from around the world. We have over 2,200 investors from 12 countries and 42 states and the offering went viral.

Educating investors was a tremendous aspect of our offering - communicating about blockchain and digital assets and how they compare to traditional fundraising instruments. A token represents a digital share and is treated no differently than a traditional stock certificate, however, the token is proof of investment that lives on the blockchain ledger forever and can't be erased or retracted. This gave people comfort and security that their money was safe.

I am here before you as proof that raising funds in this manner is essential to growing small businesses that are traditionally overlooked and trying to navigate an evolving digital world, particularly because it allows entrepreneurs to leverage their personal networks that have money to invest.

Regulatory experts view the new rule as a step in the right direction. “I liked the idea of building a community and helping people raise money they otherwise wouldn’t have been able to access, to grow their businesses,” notes crowdfunding and JOBS Act expert Maureen Murat who helps entrepreneurs navigate the regulatory environment as Principal at Crowdie Advisors.

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**Challenges of Raising Traditional & Non-traditional Business Capital**

As a result of this intense process, I have emerged as a thought leader in the space and I have been able to educate countless founders and investors. Now, more than ever, founders are seeking non-traditional ways of raising capital and I have been humbled to impart my knowledge.

I am proficient in raising traditional and non-traditional business capital and know firsthand the challenges small business owners face along these tracks.

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5 https://getwerkin.com/blog/werkin-with-maureen-murat-attorney-business-owner-and-mentor
There is value in securing venture capital to drive a tech-driven business model. But data shows that entrepreneurs end up owning less than 20% of their businesses upon exit. Plus, this avenue can also be a costly distraction. When I went down this path, I realized that in the midst of the hustle and bustle, 15% of my time was being spent on my business, while 85% was spent fundraising. For me, spending 85% of my time acquiring debt and only 15% of my time acquiring customers was not fiscally viable.

In 2017, I made the tough decision of turning down a $1.5 million VC investment because it would mean giving up more than half of the ownership in my business.

Traditional fundraising also comes with difficulties.

In 2016, I received $20,000 as the 2nd place winner of the SBA InnovateHER challenge, a nationwide business competition to highlight innovative products and services created and launched by cutting-edge entrepreneurs. This was a rewarding accomplishment but I still could not qualify for an SBA loan for my business – Flat Out of Heels - despite already generating sales and having a good personal and business credit scores and credit history.

Federal programs are ineffective if they are not accessible to the very small businesses they were created to empower.

To further illustrate this gap, after I successfully raised over $1 million in the security token offering under the Title III of the JOBS Act, I was blocked by regulatory hurdles and federal red tape that have impeded my plans. My vision for the tokenizing the cap table and raising capital through an STO was to offer liquidity options to investors after the mandatory twelve month holding period. Unlike institutional investors, individual investors may not be able to wait ten or more years to receive a return on their investment after a start-up company has exited through acquisition or IPO. Issuing digital assets meant that investors could trade their PopCom tokens on a ATS secondary exchange and cash out when needed. It gave them more freedom and flexibility around their investment, similar to traditional stocks sold on public markets. The valuation of my company has increased significantly since the STO and my investors tokens are worth more than they purchased them for. However, the Securities Exchange Commission (SEC) has not approved any ATS exchanges so there is no platform to trade the tokens despite having a market for them and investors who want to purchase. This continues to be a challenge for all companies who have issued security tokens.

More needs to be done to increase access to various types of capital in order for entrepreneurs to continue to bring products to market and create jobs. Further, funding for research and development and resources for training programs must be a greater priority in the innovation economy.

Congress is in a position to address these issues and this Committee can lead the way.
**Legislative Proposal for A New SBA 7a Loan**

Before I close, I want to highlight a few policy points.

Last October, I was part of a delegation of 25 industry leaders that convened in Washington for the inaugural Women of Color in Blockchain Congressional Briefing organized by the National Policy Network of Women of Color in Blockchain. The goal was to ensure Members of Congress hear from the inclusive voices within the blockchain community. Women of color who are leveraging blockchain technology is the fastest growing demographic in the crypto ecosystem.

The delegation included industry leaders who are geographically, culturally, and even professionally diverse. I was able to speak on behalf of entrepreneurs and small business owners who are not crypto insiders and are not building new blockchain products – but are simply tapping specific applications to enhance their existing business model.

Because I leveraged a federal program – JOBS Act – for the security token offering, this was a very relevant and timely experience for me.

Since that briefing, the National Policy Network of Women of Color in Blockchain has developed a legislative proposal outlining action that Congress can take now to direct the Small Business Administration to create a federally-backed 7a loan for entrepreneurs and small businesses using blockchain technology.

As, I’ve shared, it is very difficult for entrepreneurs of color to get VC funding. Additionally, there are few financial institutions that will capitalize enterprises using blockchain. This unique SBA 7a loan could help level the playing field.

**Small Business Still the Engine of America’s Economy**

I commend the Committee for convening this first hearing to discuss the benefits of blockchain technology for small businesses.

In the 21st century, small businesses continue to be the engine of the American economy. Therefore, it is particularly important that they are armed with the tools to compete in the global marketplace. The emerging crypto-economy can be a game changer for traditional and technological enterprises.

Congress should consider blockchain and cryptocurrency as part of the solution, take steps to foster innovation, and advance policies that will benefit small business owners like me.

I am also concerned that prolonged regulatory uncertainty will have an impact on diversity and gender inclusion.
I hope you will continue to engage diverse voices as you deliberate legislative priorities to ensure small business owners like me can continue to innovate, build, and grow right here at home.

America can be a global leader in the innovation economy!

Again, thank you Chairwoman Velázquez, Ranking Member Chabot, and the members of the committee for the opportunity to add to this important debate.