**TM\_EP\_23\_Brooke Harley**

[00:00:00] **Voice Over** Welcome to the Tech Money podcast, where the worlds of technology and personal finance collide. Hosted by certified financial planner, speaker, blogger, and self-proclaimed personal finance nerd, Malcolm Ethridge, each episode aims to make you just a little bit smarter about your money. All from the perspective of the tech professional. Without further delay, here's your host.

[00:00:37] **Malcolm Ethridge:** Hey there, listeners. And on today's show, we're talking about the gender pay gap. More specifically, we're talking about the disparities between men and women in the workforce in the ways that they both ask for and receive equity compensation. Recently, the Wall Street Journal released an article titled "There's another gender pay gap in stock options."

[00:00:56] And in it, they make the case that when it comes to equity compensation, women often don't know what to ask for. And companies don't tell them. They cited a study by the Rutgers Institute for the study of employee ownership and profit sharing that showed a substantial gap in the percentage of men and women who own their employer stock as well as the overall value of those.

[00:01:16] According to the study, some 24% of male employees hold company stock or stock options, compared with just 17% of female employees. And when it comes to the value of employee shares, including those held by workers who participate in a federally regulated employee stock ownership plan, the average value of company shares held by male employees in 2009.

[00:01:37] It was $100, or $4,902 for women. It was a dismal 26,361, a different study published this year in the journal of applied psychology looked at two anonymous companies, one a tech startup and the other large publicly traded company and found that women received 15 to 30% fewer equity grants. The gap remained even after the research accounted for traditionally gender-based nuances and skillsets and occupations.

[00:02:05] After reading this article twice, actually it became apparent to me that I missed a key component of our five-part series on equity comp that stretched between episodes 17 through 21 of these podcasts. As a person who lives in this world, advising clients on equity comp and salary negotiations, and such.

[00:02:23] I was not aware that so much of a gap existed with respect to equity alone, but I should also say that I was not all that surprised. So, I decided to double back for this episode and dedicate an entire show to equity compensation and season one, not only on the gender disparity. Equity ownership, but also in negotiating for more equity when presented with the opportunity and rather than get on here and try to mansplain the entire article in the various issues that addresses to you myself, I thought it would be a better idea to bring on the woman who the article profile and let her share her story.

[00:02:57] Her and probably educate me a bit in the process. And Brooke Harley is the founder and CEO of Class Rebel, an online e-learning company that offers classes focused on wealth, building angel investing, and the basics of managing equity. She also has an MBA in finance and earned a JD from York University. Prior to funding Class Rebel, Brooke has worked as a corporate attorney, as well as a venture investor and startup board member.

[00:03:22] So with that brief introduction, welcome Brooke Harley to the Tech Money Podcast.

**Brooke Harley:** Thanks so much, Malcolm, for having me. It's so great to be here. And I love talking about these topics. So, thanks very much for letting me have the floor on it.

**Malcolm Ethridge:** Yeah, no, I appreciate you agreeing to do this. So, to get us kicked off here, I breezed through your resume pretty quickly in my intro.

[00:03:43] What should I have included?

**Brooke Harley:** Well, for any aviation enthusiasts out there, I'm also actually trained as a pilot, which is just a personal interest of mine, and it was harder than I thought to learn that. Yeah, you never know, who's out there who has a license actually, and it's a whole other world.

[00:04:06] And it's interesting. So sometimes I like to add that because it's unusual, but you never know who's out there listening. And you know, it's a fascinating area, aviation. So, I want to add that,

**Malcolm Ethridge:** you know, I used to want to be a pilot and then the more I fly and somewhat recently flown on smaller planes and like, it occurred to me like this is not for me.

[00:04:30] Like, I don't need to be able to see out of the windshield of this vessel because my nerves just, yeah. So, I could quickly cross that one off my list, but I certainly have respect for folks that do it.

**Brooke Harley:** Yeah. It's definitely not for everybody, but yeah, it's a fascinating viewpoint of the world and it's an interesting skill set.

[00:04:51] I think maybe harder than most people realize, but yeah.

**Malcolm Ethridge:** Well, also, as I mentioned in my intro there, you spent a few years working as a [00:05:00] corporate attorney developing stock option plans for companies and, you know, also helping to facilitate some mergers and acquisitions, with the investment banking team, which means you're no stranger to the inner workings of equity compensation, sort of, as you were alluding to.

[00:05:15] You're not a stranger to negotiation either. right? I believe you come from a family full of lawyers. If my research is correct.

**Brooke Harley:** Oh, wow. That's true. My dad's a lawyer. My twin brother is a lawyer. And you know, law runs in my family, and I knew where it would go. And that was part of my decision to leave my love affair with the law and get my MBA and get out there into the corporate world and eventually founding things.

[00:05:42] And there's a lot of serendipity that comes with using the skillsets that. In law and applying them out there in the world to create things. But, you know, I don't know if you've ever traced back pivotal points in your life and how they happened, but I will say. [00:06:00] Yeah, I will say that that negotiation at Lululemon was a pivotal point in my life that created a future that I didn't have before.

[00:06:07 And when I trace back how I did that negotiation, it's, you know, I worked for this lawyer. His name was Hector. And I had to draft the stock option plan. I didn't know anything about it this company. And this old partner was so stodgy. He would swear at me, and it was just a horrible assignment.

[00:06:23] I got a few things wrong, but it was the training ground for understanding. Stock options and I used to draft them for a living. So, by the time it came around, I was in front of the CFO to negotiate my package. I knew I had all the confidence I needed to talk about an equity compensation package.

[00:06:42] And so it's funny how, when you trace things back like pivotal moments of training or pivotal opportunities,

**Malcolm Ethridge:** How much of a factor, though, would you say that your professional background has played in your approach to equity negotiations and how much of it is just personality? Right. I [00:07:00] brought up the fact that your, your dad's, I knew was an attorney.

[00:07:02] And then you mentioned your twin brother as well. Like you're kind of exposed to that world vicariously. right? So even if you decided not to become an attorney, how much do you think your personality and your upbringing and that sort of thing is the reason for your approach versus what you've learned on the job or, you know, professional training?

[00:07:24] **Brooke Harley:** I think it's 90% professional training. You have to know what you're talking about. When you go to negotiate an equity compensation package, you need to know the mechanics of a stock option plan to have an intelligent, persuasive negotiation. And so, I think 90% of it was training and having the confidence and experience to have the discussion, and maybe 10% is personality and trying to have the courage to ask for big things.

[00:07:55] **Malcolm Ethridge:** So, we're going to get to the story you were alluding to in a second. I [00:08:00] I definitely want to focus a good bit on your, you know, negotiation that sort of changed the course of your life as it was, as it were, but in my intro, I mentioned that you spent some time as a venture investor. But that may have been understating it just a little bit.

[00:08:17] I read that you guys actually managed to raise over $32 million for your fund, Campfire Capital, and that's, you know, that's no small feat. What was that like?

**Brooke Harley:** It was really difficult. I left LuLulemon and I had this big vision that I would start this fund. I started it by myself, but I quickly added some partners from the private equity industry and from the retail industry.

[00:08:41] One of whom was my old boss. And there were really only two of us who were day-to-day. We were young women at the time, in our mid-thirties. So, this was about five years ago, and it was very difficult. I'll give you the real numbers. We had about 900 no’s and 100 yeses, and it took about two years to close that money.

[00:09:03] And there were a lot of disappointments, a lot of people that promise you a million dollars and, you know, disappear on the same day of the closing. And many days I lay in bed thinking, "What on earth? Why did I think that I could do this? Why did I think we could do it?" But what I found is the value of persistence.

[00:09:22If you just refuse to give up, it's amazing what you can make happen if you just refuse to give up and hang in there for a very long time. We brought it into fruition, and we did it and it surprised even me, but it was 900 no’s and 100 yeses. That's really how it shook out. Same pitch, 1000 times. If you just refuse to give up, it's amazing what you can make happen if you just refuse to give up and hang in there for very long time. And we brought it into fruition, and we did it and it surprised even me, but it was 900 no’s and 100 yeses. That's really how it shook out. Same pitch, 1000 times.

**Malcolm Ethridge:** No thank you.

**Brooke Harley:** Can you imagine?

[00:09:48] **Malcolm Ethridge:** I can actually, I absolutely can. Before I got into financial services coming out of well, while I was in college and then also coming out of college, I actually worked in auto sales. And so yes, I was very trained at accepting the word "know" without taking it personally. But I definitely don't think it's something that you ever become immune to.

[00:10:12] It still affects you to some degree. You just learn that eventually it's them, not me, and you move on to the next one and the next one, but it can't be any easier to get geared up for number 899 than it was to get geared up for number 15, but I mean, even to that end, right?

[00:10:33] Apparently, you weren't tired of hearing no too much, because then you went and founded your own thing. You know, after putting in all that work in the venture space, you know, making all those contacts, learning the ropes, having a process down, you said it took you about two years. So, after two years, that J curve has started to get a little less steep, but you decided to go do something completely different. Why bother? right? Why not just sit back, chill and enjoy the fruits of your labor on that side?

 [00:11:00] **Brooke Harley:** Yeah, well, this is where I'm a little bit thankful that the press did not cover the dark turn that my life took. So, after all that hard work, if you can imagine, there was a part. Once we closed 32 million, there was a partnership dispute.

[00:11:17] And the way of fund the corporate plumbing of a fund is structured is that a partner can trigger the key man provisions and bring the thing down in a day. That's what happened. There had been some tension brewing in the partnership, you know, conflicts of interest issues around economics and control.

[00:11:39] And they came to a head, and a partner pulled the key man's trigger, and it all came down in a day. And honestly, it was devastating. It was definitely the darkest, darkest time in my life. And I can appreciate how bougie that sounds. Oh, my VC fund imploded. But, you know, it was all about reputation.

[00:12:01] I'd gotten all my colleagues at Lululemon to believe in me, and I'd taken their capital, and I was a steward of their capital, and they trusted me. We'd thankfully not gotten too far in deploying it, but I was in a position of trust. I was an asset manager, and the value was destroyed. through a partnership dispute.

[00:12:23] So it was devastating for me. And you know, it's been, I think, four or five years since then, and it's still painful.

**Malcolm Ethridge:** Yeah, well, I appreciate you sharing that with us, you know, as painful as I'm sure it is. It could be to rip off that scab one more time to tell the story. And the reason I say that is because, you know, well, it's twofold.

[00:12:42] One, a lot of times, folks who are successful like to tell their story as if it's just a series of wins after wins, after wins, after wins, and anybody who's ever lived a life beyond like age 21 or 22 knows that life is full of all these peaks and valleys and peaks and valleys, and it's never peak to peak, to peak, to peak.

[00:13:04] And so I just appreciate you being willing to share that right, for that reason. But then also, you know, those of us who don't work in the tech space and then also those who do work in the tech space specifically. We are constantly chasing the headlines that this fund is raising $50 million. This fund just raised another hundred million dollars.

[00:13:26] This fund is raising X, Y, and Z. And look how great they are. Look how smart they are and what have you. And it's one headline after another. And so, people often get caught up in that and don't necessarily recognize that the part that doesn't get reported later is the disillusion that happened because there was a dispute among partners or the investigation that brought down the fund because there was some misdoing happening. Those kinds of things.

[00:13:49] So I do appreciate you just sharing that from that perspective to kind of insert some reality into the excitement and the hysteria.

**Brooke Harley:** Yeah, I think once you leave the world of employment, and you're out there building things that become successful and attract value and money, I do believe you've entered the wild west and it is more difficult to navigate.

[00:14:16] And certainly, I look back and know that I made mistakes that were based on a lack of experience that I won't repeat in new ventures. But it was, and it did feel in my life like it was, win to win, to win, to win until that happened. And, you know, I think if you're out there really shooting for the stars, you're going to have some setbacks and that was one.

[00:14:41] **Malcolm Ethridge:** Yeah, If I understand correctly, though, sort of moving the story forward just a little bit, one of the main reasons that you built Class Rebel was that you noticed that startup founders who attended, you know, elite, private US colleges had a distinct advantage when it came to raising money for their venture.

[00:15:00] Right. Can you say a little bit about that? I'm sure you encountered plenty of it while you were raising in that VC space.

**Brooke Harley:** Yeah, and especially when starting to review the companies. When we were deploying the capital, I certainly noticed anecdotally, as I started to review a lot of prospective investments, I started to, of course, look at the backgrounds of the founders.

[00:15:22] And again, and again, again, I noticed it was Harvard, Wharton, and Stanford. This was the most common educational background. I haven't read any data yet on it. I just know that. And so, there was a lot of early-stage money primed and ready to back these founders with these particular educational profiles.

[00:15:39] Eventually, I did find the PitchBook data that actually comes out every year. That backed up my perception of what the bias was there. And it's an interesting bias, right? Because. I don't think it's a well-kept secret that there is legacy admit programs in these schools. I think Harvard is fairly open about it.

[00:15:57] And legacy admission is a very kind way of saying your parents bought your spot. They went there. They have donated over the years to ensure their kids' spot. And so, you have folks that come from wealth and connection, and they're primed to go to these schools and in their prime to get money. And I just think that.

[00:16:18] People who come from more common backgrounds might understand more mass problems and have more in common with the average person and can solve the average person’s problems. That's what I got curious about. And I, so I recognize the bias in who was able to raise capital who capital even gets risked on, who was, who is risking their capital.

[00:16:44] And so, in the ashes of my fun, I created a course called Fundraising 1 0 1, and then eventually Angels 1 0 1, with the goal of providing education that would imbue people with the confidence to push against the biases that are out there. So, if you're confident, you know how a venture deal works, perhaps then you'll go and pursue and pursue and pursue the money and not give up.

[00:17:12] But if you don't know how a venture capital deal works, then it's easy to give up because you tell yourself a story that you don't understand how it works. Do you know what I mean about education and viewing people with the ability and endurance to push against bias? I don't think education solves inherent bias but imbues people with confidence to push against it.

[00:17:34] **Malcolm Ethridge:** Yeah, that's essentially the overall thesis of why we created this podcast. So, I mean, the goal is to close the information gap. As we refer to it, right? So, I personally, as a financial planner lives by the mantra that if people knew better, they would do better. I know that it doesn't apply to literally everybody across the board, but I choose to be an optimist and believe that the more people who have access to quality financial advice, the more people there are out there making good decisions about their money and not listening to TikTok superstars and things like that.

[00:18:10] So I completely agree with your point about, you know, once you are empowered with the information and you have a little bit more of an understanding of how to do things, you just move differently. You don't shy away from opportunities as they come because you actually know what to do with them when they're presented to you. So, I take your point.

**Brooke Harley:** You actually recognize an opportunity for what it is. Right. I think I only thought about the equity compensation going into Lululemon because I'd spent years drafting stock option plans. So, I knew it was there. I think a lot of really talented people entered that company, not even asking about the compensation. They wouldn't even have thought of it.

**Malcolm Ethridge:** It sounds like if I could go back to Class Rebel for one more second, it sounds like you guys’ focus is on bringing down the barriers to entry that exist for folks like myself who attended a state school and may not have access to that same network of alumni who, you know, all went off to found.

[00:19:10] PayPal say, after attending Stanford together, for example, right or maybe they didn't even attend college at all, but you know, they'd like the opportunity to level up their skill set and knowledge base, like we're talking about. Do I have that right? You guys are sort of building up the underdog in a sense.

[00:19:27] **Brooke Harley:** Yes. The mission of Class Rebel is that we can make education a public good, with modern skillsets, affordable to all and available to all. That's our mission. And we're starting off with two streams, courses under side hustle. So, fundraising 101 is under there. Building your million-person movement is under there.

[00:19:48] under wealth, we've started off with angels 1 0 1. But we'll have courses on cryptocurrency, we'll have courses on value investing, and so on. And so, we've really started with the [00:20:00] stream side hustle and wealth, and that is a nod to the bigger cultural sentiment that I believe has been building for a while, which is in this hundred-year life that we're living.

[00:20:12] You can't be 100% reliant on an employer for your financial livelihood. It's too risky. You've got to be starting things on the side. You've got to be investing your money because trading time for money with an employer with no loyalty to use is a dangerous place in this hundred-year life.

[00:20:36] So that's why we are leading with side hustles and wealth courses. To equip people to create money flows on the side, you know, to complement their employment income, and that could eventually, you know, if they do well, eclipse their employment income. That is eventually what you learn that investment income will [00:21:00] eclipse your employment.

[00:21:02] **Malcolm Ethridge:** Well, so to set the stage, right? One of the reasons that this particular article jumped out at me is that a couple of weeks ago I was a part of a mastermind group of you know, I don't know, 20 or so folks in the tech space that I'm a member of, and everybody's at varying levels of their tech career.

[00:21:20] Right. And one young woman was telling us about how she was up for a pretty significant promotion. And she wasn't quite sure what to ask for, but she knew it was going to mean, you know, considerably more work and considerably more responsibility. Right. So, she reached out to another member of the same group. Who's a bit more senior and asked him for his advice on what she should ask the company for.

[00:21:42] Right in the way of total comp and the two of them went back and forth over multiple phone conversations where he coached her. You know, the right email to craft what to say. And he convinced her basically that she needed to ask for double what she was initially thinking to ask for sort of to one of the points that you were making.

[00:22:02] And she was super nervous and couldn't believe he was pushing her so far in the realm of what she thought had to be borderline reckless. Right. But she listened to him anyway, took a deep breath, and fired off the email to, you know, with her demands. And the short of it is that the company came back and said yes to all of her requests with literally zero pushback.

[00:22:19] So, she was blown away. Right then, fast forward a couple more days, I'm doing my weekend reading and I come across this article in the journal about how much women who get paid in equity comp receive in comparison to their male counterparts. And they're talking about this woman, Brooke, who is like, slay these dragons, and negotiated for equity in a startup that turned out to be life-changing money for her.

[00:22:43] And so I said, "You know, I've got to get her on the podcast and have her share." You know, some of those gems. So, that's why I sort of paused you in, in telling that story initially. Because I want to kind of focus our conversation there a little bit, but. Not a question. And all of that is in that journal article. You mentioned that you [00:23:00] were up for a role with Lululemon, as you alluded to back in 2009, and you decided ahead of time that it made more sense to focus as much of the conversation as possible on how much equity you'd be receiving rather than how much salary you could get them to agree to. Why was that? Why was that the focus of your conversation?

**Brooke Harley:** There's no cap to the upside of how well your equity portion of your compensation can do if the company does well. I can't stress enough that adding maybe 10,000, 20,000, or even 30,000 to your base salary is not going to change your life, but adding 10,000 stock options to your original stock option grants

[00:23:49] It definitely has the ability to set you free financially. So, there's no cap on how much equity can become worth. So, you want to get as much? I wanted to get as much of it as I could. I was originally offered 10,000 options, and I countered with 40,000. I did not get 40,000, but I did get 20,000. I did double what I was offered, and I thought it was reckless of me to negotiate so hard as well.

[00:24:20] because the reality is that it was the financial recession, and I was one mortgage payment away from losing my home. I'd been out of a job. I'd just been doing my MBA. I was a hundred thousand dollars in debt and couldn't make my mortgage. And here I am negotiating for quadruple the options or I'm not coming.

[00:24:43] But it felt reckless, but the offers don't get ripped away just because you're bold.

**Malcolm Ethridge:** That's the part that I always try and focus people on. I have, as you can imagine, a number of clients who get paid in equity, and they work in tech, and they're constantly trying to push the envelope, you know, the comp conversation and such.

[00:25:04] And the thing that I was trying to focus people's attention on is that if they really want you, they're not going to suddenly say, "We don't want you in anymore." Because you asked for an extra 5,000 shares or whatever, right. If I really want to hire you, the worst thing I'm going to say is that my last offer was my best offer.

[00:25:21] And then, you know, you move on. right? But like being afraid to ask for a fear of upsetting, you know, the hiring manager or whoever that you're negotiating with. If you think about it for a second on its face, the company that would decide they don't want you anymore because you chose to negotiate with your comp is probably not a company you want to be working for anyway.

[00:25:41] Right. So, if you just think about it and then use those logical terms, it should kind of help you get over that negotiation hump. But I, you know, I'm a little biased in saying that I am a person who, you know, likes to negotiate everything. So, I'm a little bit biased in saying that, but I believe I also read that you attribute your ability to even get into a venture at all to your experience as an executive with Lulu and the equity that you had there at one point that eventually grew to seven figures. You mentioned the number of shares and how that sort of set you on a whole new course. And I think that's what you were kind of alluding to.

**Brooke Harley:** Well, yeah, because then with that windfall, I then went hunting around for startup investments on my own. And this was about 2012 and 2013. And I got into a company called Native Shoes, which was bankrupt back then. But now it is the number one selling kid's shoe on Zappos.

[00:26:38] You can't move here in New York in the summertime from Tribeca to Harlem without hitting a little kid wearing native shoes. And so, I had some credibility. As an angel investor in a brand that people knew by the time, I went to raise the fund. So, I'd had a bit of a track record of investing. So, one thing led to another there, right?

[00:26:59] The windfall that I got from Lululemon, I reinvested it right away in different things, real estate, startup retail. And it, when I look back, you know, a 30-minute negotiation truly can change your life. And now I'm free to do work. That's meaningful for me which is Class Rebel. And I can trace it all back to, you know, a 30-minute conversation I had in 2009

[00:27:25] **Malcolm Ethridge:** I think one of the things, though, that doesn't necessarily stand out in the conversation we're having, you mentioned the fact that you were hundreds of thousands, or a hundred thousand dollars in debt beyond grad school, right? You had an issue with your mortgage; you're behind on paying your mortgage; that sort of thing, but you still decided to take a risk.

[00:27:47] Or at least a perceived risk at the time and negotiate a little more aggressively to position yourself on more solid financial footing. If your thesis proved that Lulu was the right place to be, you hit it right at the right time. Those kinds of things. I think it's important to also, from what I'm hearing you talk about, be willing to take some risks and have a healthy appetite toward risk, especially when you're early on in your career and have plenty of time to recover.

[00:28:17] because that also is the other component of owning equity or having shares in companies and those sorts of things that have to be a companion piece to that conversation. Right.

**Brooke Harley:** Yeah, and risk is a whole other conversation. I do think you have to have an appetite for risk to put yourself in a new financial position in life.

[00:28:39] And if the most risky action you ever take is asking for a higher offer on the whole scale of risk, then you're not risking your capital. Having a risky conversation can change your life. If there's not that much risk involved in asking for more people to perceive that there is but I think we're on the same page that there actually isn't a lot of risk in negotiating a higher offer, but I left. I took a risk in leaving my law career, you know, and then I took a risk in leaving Lululemon.

[00:29:09] Some of the risk-taking has paid off, some have not, and you know, we'll find out how. You know, further with Class Rebel, because that's risk-taking as well. But I do think you've got to take some risks to put yourself in a different position in life financially. And that is what I believe is true.

[00:29:31] **Malcolm Ethridge:** Yeah, interestingly, to your earlier point about, you know, how a few thousand dollars is not going to be life-changing money in the grand scheme of, you know, over the arc of your entire working career, your whole entire life actually. A blog post about this last year titled “Time to Negotiate Your Next Pay Increase, Ask for Stock Instead of More Cash.”

[00:29:53] And I think what you're saying aligns with the basic premise I was trying to get across when I wrote that, which was, if you're [00:30:00] lucky, there comes this point income-wise, where you're wearing an additional dollar coming into the house has a diminishing rate of. Right. For a number of reasons, the IRS is going to take a bigger portion.

[00:30:10] If you end up in a higher tax bracket, you may not want or need to go out and buy a bigger home or a nicer car, right? You can already comfortably afford to do all of the travel and leisure activities that you enjoy. Currently, you're already maxing out your retirement savings. Your kids already go to the best private schools that money can buy, et cetera, et cetera, you get where I'm going.

[00:30:30] But if you were to receive those dollars in the form of equity, and you held on to them for, you know, I don't know, a decade or so, as, is the case with someone working at a startup, like a Lululemon, those shares have way more value for you and can even become a game-changer on your way to building that life-changing wealth that you're talking about for yourself and for your family.

[00:30:52] So, I guess again, you know, long buildup, but I'm curious if in that negotiation with the CFO of Lululemon. Whether you think you were able to draw more out of him from an actual dollars and cents perspective because you were asking for stock rather than cash.

**Malcolm Ethridge:** Absolutely. Of course, when I look back at the math, it was the equity.

[00:31:13] Put me in a place of financial freedom. It was the negotiation I did in 2009 for 20,000 stock options. That's the piece that put me in a financial position to start a fund, to start Class Rebel, and not have to work. It wasn't the salary or even the bonus portion of that equity comp package that put me in the position.

[00:31:36] To be free to build new things, try new things, fail at them. 1000% was the equity that allowed me to invest and then put myself to reinvest and then put myself in a position where I can build Class Rebel and I can do it without getting.

Yeah, that's another working theory that I have, that some companies [00:32:00] are much more willing to part with additional shares of stock than they are a few more dollars, because, you know, dollars go against a different P and L than simply pulling additional shares out of the employee equity pool.

[00:32:10] And so, by asking for shares, you might be able to end up with, say, $10,000 worth of shares, where they may have only been willing to give you an extra $5,000 in salary, as an example.

**Brooke Harley:** I agree with that theory. And when you think about, you know, negotiation of compensation, everyone's fighting for the dollar because that's what people know how to fight for.

[00:32:34] But not many people are putting the gas down and really trying to quadruple, you know, their equity offers. Double it, triple it, whatever it is. So, you don't have a lot of competition going after that stock option plan. Because in my experience, not a lot of people understand what it is, how valuable it could be and how to talk about it and position themselves in a negotiation. [00:33:00]

[00:33:00] **Malcolm Ethridge:** Well, to that end, though, I read that through Class Rebel, you plan to launch a class soon about negotiating equity comp. Can you share a little bit about what you have in mind for it?

**Brooke Harley:** Yeah, it's our next one up. In fact, I saw a Wall Street Journal article that prompted me to think about this course. And it was by JJ McCorvey, and it was about how black and Latino workers in tech get fewer equity grants, and no doubt there's bias.

[00:33:29] But in my experience at Lululemon, what I also saw was that no one really understood the stock option mechanics and how to even have the conversation, and what they could be worth. And so, what we're going to do is we're going to create a course. It'll have cameo instructors; I'll be the lead on it, and we'll step through stock option mechanics.

[00:33:51] How do they work? What parts of the grant are negotiable? What is not, or what is not negotiable? What's a strike price? What's so that's the stock option plans? but also what is restricted stock units? What's an RSU plan? That could be part of your comp What's an employee share purchase plan? Right at LuLulemon, for every two shares that I bought, Lululemon would purchase me one.

[00:34:17] So Lululemon had stock options and employee share purchase plans. And I took advantage of all of them because I understood them. We'll cover all three of those types of plans; we'll talk about negotiation strategies, which Felice Klein from Boise State has a real point of view on; we'll do some mock negotiations, and we'll have some cameo instructors that were in that Wall Street Journal article; Felice Klein from Boise State staged professor Wildness; Castelli, who was a Spotify employee.

[00:34:47] We'll have some Google employees. A big cholesterol customer actually. And I think we can create something amazing. And I don't think that the companies will ever create this education themselves because I don't think they're very [00:35:00] incented to, of course, so we'll do it. And I think, coming from an arm's-length party like us, it will be well received.

[00:35:08] **Malcolm Ethridge:** Well, I imagine, or I should say, I hope one of the cornerstones of this course will also be to teach people to understand and respect the forfeiture value of their shares. right? You shared a story in the journal article of a former colleague at Lululemon who almost walked out of the door as she had options for exercise coming up and didn't even realize it.

[00:35:28] **Brooke Harley:** Yeah, that was common. Yeah, imagine walking away from $300,000 with someone from the company calling you three months later and saying, "Hey, your 90-day exercise period is up." Did you have any idea that you had three or $40000? That's life-changing for so many people. That's a house down payment, you know, or that's maybe a whole house depending on where you live.

[00:35:53] **Malcolm Ethridge:** I couldn't imagine it, but I also can't imagine it because of the financial planning that we do with clients who have [00:36:00] equity compensation. One of the first things we point out to them is exactly that, like, here's how much you stand to lose. If you were to decide today is the day, and they're just going to walk out the door.

[00:36:10] and I can't tell you how often people look at that and go, "Wow, I didn't even realize." So, I can't imagine personally being in that position and losing out on that, but I can imagine how it actually happened simply because I see people who, like the light bulb goes off, go, "Oh, shoot, I'm telling you, I'm planning on accepting this offer that I have from XYZ company."

[00:36:30] And you just pointed out to me that I need to wait another nine months because I have $300,000 still on the table that I wasn't even focused on and you know, in that same vein in that article, you said that simply not knowing is one of the key factors that you would to the gender wage gap and equity period.

[00:36:50] Right. But why do you think that is presumably men and women have access to the same information, whether it's in the equity agreements they've signed or the plan documents, you know, are the [00:37:00] company's public filings, even what keeps women from being in the notes?

**Brooke Harley:** Well, I actually think that lack of knowledge runs equally amongst the genders. That's what I've experienced.

[00:37:11] But I think the initial offers out of the gate for equity comp, if the research says they're discrepant, I believe it for the same reasons that, you know, wage compensation offers are different out of the gate. I think there's an inherent bias in compensation generally between men and women. I also think, you know, and I said this to JJ at the Wall Street Journal.

[00:37:32] It didn't get printed, though. So, I'm going to say it again. I think women are socialized to be agreeable, and it's not very agreeable to scrap about money. It's not a good look for us. So that's part. I think why we women don't negotiate as much is because we're socialized to be agreeable and pushing back about money is not that agreeable. looking that's part of it.

[00:37:57] I also think there is a risk appetite that could be different generally between men and women. And it feels riskier to push back for more compensation because it's not very agreeable. I think that gender socialization is playing a part in it in terms of negotiation. But if you told me the initial offers were discrepant between men and women, I would believe that we've certainly seen it in regular wage compensation.

[00:38:27] **Malcolm Ethridge:** I, well, I appreciate you catching that and running with it as fluidly as you did. I was sort of playing devil's advocate there. And not one of the things that I was thinking about was the fact that, like, if I am the hiring manager and I have to look at the budget of all of the hires that I am tasked with making, and I have, you know, X amount of dollars that I can spread across these five roles that I have to hire.

[00:38:51] if I am a devious-minded person in the least. I can look at the two women's names out of those five that I'm about to make offers to, and just naturally assume that I can offer them a little less than they're going to take it, which then means that I can offer those guys a little bit more to get them to come, because I know inherently that they are going to push back and negotiate with me a little bit on what I'm offering.

[00:39:14] So I think you were talking about being socialized to be grid agreeable. I think you perfectly articulated it. The reason that that happens and how it gets taken advantage of the time at a time, again, from folks making those offers.

**Brooke Harley:** And I wouldn't even, I wouldn't even pin it back to a devious mind.

[00:39:34] I would pin it back to someone that's business-minded if you're managing a budget. That type of thinking isn't so far from reality, right? If you're managing money, that's how you're thinking. And I think it reflects reality today. So, it's not just devious minds that will go there. I think it's most minds that have been in business for a while.

[00:39:55] **Malcolm Ethridge:** Well, something else I was thinking about was why you were, while you were talking about. The course that you guys are creating, the journal article also plays some of the onus of the gap on employers and says that encouraging women to learn the ropes and lean into negotiations won't solve the problem on its own.

[00:40:13] Do you agree that, you know, there are steps employers can take to help make things more equitable?

**Brooke Harley:** I believe compensation, whether it's wage-based or equity-based, will not reach perfect parody until there's legislation in place to enforce it. That's what I believe. I don't think employers their businesses are accountable to their shareholders, and they're set up to make profits.

[00:40:42] So they make a profit where they can, until they're forced to by legislation. I think we'll always see a wage gap and an equity-based compensation gap. I don't think businesses are motivated to solve this problem.

**Malcolm Ethridge:** Well, I mean in my time, advising executives on their finances, I've noticed that the higher a person goes up the ladder in a big corporation, the more flexible the rules tend to be with regard to compensation, right?

[00:41:10] This person gets that thing because they either knew to ask for it or received good advice from a mentor or a peer or whatever. Do you believe that this is a situation where things should be more regimented and scripted so that negotiation isn't even necessary?

**Brooke Harley:** I think it's harder to yeah. To put lines around it, maybe at the highest levels of these roles in businesses.

[00:41:32] But I will say, you know, for those of you making your way up in your career, I would say the highest-level person you can talk to, the more flexibility you will have to negotiate. So, I was present. I negotiated directly with the CFO of Lululemon and did not have a hiring manager come between us, because if they did, I was afraid that I would be boxed into whatever comp box I guess I would normally go to.

[00:41:59] But I really distinctly felt that because I had managed to climb my way all the way to the, essentially the top of the business and negotiate directly with that type of person, in that C-suite role, he had the flexibility and power to grant me what I wanted. So, I think no matter what rank you're coming in at, try to get around hiring managers and talk to C-suite executives who are going to be responsible for you negotiating directly with them.

[00:42:28] I would try that as well. Can I tell you the last thing? Can I add one more thing? Because I'm Felice Klein, from Boise, state agreed with me on this one piece, you know, coming into the Lululemon role and negotiating for equity. It was 2009. It was the financial crisis. I got a job, but I'm telling you, barely.

[00:42:48] And I almost lost my house. I fangled one other job offer in an industry that was also pretty dead, which was investment banking. And I was able to play the investment banking role off of Lululemon. I played them against each other to improve offers. And I think anyone who's getting a tech job with Google could probably rustle up an offer from Facebook or Netflix as well.

[00:43:14] And so, to the extent that you can have two offers at the same time and play them off to increase their comp, that works. It worked for me specifically. And when I shared that with Felice, the researcher from Boise State, her findings, her research has proven that true. So that is another important piece, competing offers.

[00:43:35] **Malcolm Ethridge:** Yeah, and thank you, for adding in that last little nugget. This conversation has been great. I appreciate you being so generous with your time, but where can people find you if they want to learn more about you and or Class Rebel after this goes live?

**Brooke Harley:** Yeah, check us out at classrebel.com.

[00:43:52] ou can see the courses that are live. You can see the schedule there. We're going to be collecting emails for those of you out there who want to know when our negotiating for equity comp course goes live. That will probably be in the spring of early 2022, so check us out.

[00:44:10] **Malcolm Ethridge:** Awesome. And before I turn it over to Aric to close us out, a quick programming note: this is one of the final episodes of season one. However, we want you to stay tuned to the Tech Money Podcast channel in your feed because we do have some bonus content that we'll be sharing with you very soon. I am super excited about that and another project that I'm working on currently, but I don't want to ruin the surprise.

[00:44:33] So I'll just stop there with that little teaser. And with that, Aric, go ahead and close this up, sir.

**Aric Johnson:** All right. This has been fantastic, Brooke. Thank you so much for your time today as a father of a 22-year-old. I love what you're doing, and I think it's incredibly important. So, thank you so much for doing that and being on the show.

[00:44:51] Malcolm, of course, thank you for bringing on their show for all of us in the audience. And of course, our last thank you goes to you, the listening audience. Thank you so much for tuning in and listening to the Tech Money podcast with Malcolm Ethridge If you have not subscribed to the podcast yet, please click the subscribe.

[00:45:03] Now button below this way. When Malcolm comes out with a new podcast, it'll show up directly on your listening device. We humbly ask you to share this podcast and leave a review because this will help others find the show and get this great insight. You can connect with Malcolm on social at Malcolm on Money.

[00:45:18] We'd love to hear from you and any questions you have. Malcolm would be happy to answer them, and you can do this by emailing him at podcast at Malcolm Ethridge. Again, thanks for listening today. For everyone at Tech Money, our hope is that this show helped make you just a little smarter about your money.

[00:45:38] This has been the Tech Money podcast. For more information on today's topic, review the show notes. More to catch up on past episodes. Be sure to check out MalcolmEthridge.com/podcast. And if you have an idea for a show topic that you'd like us to cover, or you want to send us feedback, the web address is again MalcolmEthridge.com.

[00:45:59] You can [00:46:00] also find Malcolm across all social media platforms at Malcolm on Money. This episode was written and created by Malcolm Ethridge with the production, editing, and sound controls powered by ProudMouth. This has been a Malcolm on Money Original. Thank you for listening.

[00:46:19] The information shared in this recording and by its guests represents the views and opinions of the guests and does not represent the views or opinions of the hosts. This content has been made available for informational and educational purposes only. But this content is not nor is it intended to be a substitute for professional financial advice.

[00:46:37] It is always recommended that you seek the advice of your financial advisor or other qualified financial service providers. With any questions, you may have regarding your personal financial situation.