



Empowering Entrepreneurs: Removing Barriers to Capital Access for Small Businesses  
Capital Markets subcommittee  
US House of Representatives  
Committee on Financial Services

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### **What is wrong with the world that we need these seven bills?**

Chair Wagner, Ranking Member Sherman and Distinguished Members of the Subcommittee on Capital Markets, I'm Darcy Howe from America's Heartland, Kansas City, and I've seen barriers to capital access firsthand.

75% of venture capital to invest in technology startups comes from three states: California, New York and Massachusetts. There are bold, innovative ideas to solve business and societal challenges in every county in this country that have gone unfunded and that was a contributor to slow economic growth in my region.

In 2015, KC business leaders realized that after the 2008 downturn, we did not bounce back as well as peer cities such as Indianapolis and Nashville. Many set out to bring solutions to the region, and my volunteer assignment was to understand what was happening in entrepreneurship.

What I learned was 70% of all net new jobs in the KC region came from someone starting a business, but those starting high growth technology companies were leaving the area because capital was on the Coasts. Further, I learned that most rural entrepreneurs, people of color, and women were not getting funded at all.

### **What did we do to bring inclusive capital to Kansas City?**

With friends, we started an angel investing group to invest in women-led businesses, Women's Capital Connection. Then, I decided to retire from a successful 32 year career as a wealth manager and devote these past six years to raising capital and funding amazing innovators in the region through KCRise Fund.

Illustrating success when capital and innovators are connected, in six years, the 46 portfolio companies in our fund have created more than 1000 jobs with an average wage of \$98,000. If our 46 new companies were one company, we would now be the 40th largest company in the region.

In the past three years, 62% of our investments included at least one founder from at least one underrepresented demographic. 51% of the employees of our portfolio companies come from an

underrepresented demographic. These inclusive statistics far exceed Coastal venture-backed businesses.

You have now met one of our amazing founders, Deborah Gladney, and can see why investing in WorkTorch was not a hard decision for my partners and I. KCRise Fund invested \$400,000 and made introductions to venture capital in other parts of the country which lead to 4 more firms investing for a total of \$1.1million. As the eyes and ears of our region for VCs around the US, our support was validating to other VCs in our network which made her raise successful.

### **So tell me again, why we need these seven bills?**

While I can speak to the DEAL Act, SEED, HALOS and ICAN, ICAN is the bill which would unlock the most access to capital for small venture funds like KCRise Fund, and on which I will focus my remaining remarks.

Our first fund was \$19 million and it took me two years to raise! Limited to 99 accredited investors, I had to find people willing and had the resources to invest nearly \$200,000. For Fund II we wanted to increase capital to the region, so set out to raise \$40million which meant the average investor had to commit \$400,000. Not every small venture fund manager has the network I had built over 30 years and even I had trouble raising for startups, a type of investment that most people had never invested in before.

Please don't confuse us with the big-time private equity bunch with mountains of money. There are 100s of small funds like ours springing up in smaller markets and we all would benefit from raising the limit on total number of investors. It would accomplish three things: First it would allow more folks to participate. Funds could take investors at much lower levels such as \$10,000 or \$50,000, increasing access for small investors. Secondly, by being able to take more investors, we can more easily build a larger fund, bringing increased capital to our market. And finally, a business reason to attract more people to start a small venture fund. Fund administration, tax prep, audit, legal, rent, investor communication, events and fund management all take capital. Seeing a path to building a fund which can pay for all of these things and build a small team to help the entrepreneurs will increase access to capital as more funds are formed.

### **On behalf of small fund managers, angel investors and startups, appreciation for your focus on this high growth sector of our economy!**

More inclusive capital is the lifeblood of new jobs in counties all over this country. We are seeing, already, in our region that generational prosperity is broadening due to our focus and increased capital.

Thank you for this opportunity to represent small investors and small fund managers who will benefit from your thoughtful improvements in policy.