

# Testimony of Candice Matthews Brackeen Before the House Financial Services Committee

Chairman, Ranking Member, and Members of the Committee,

Thank you for inviting me to speak today.

My name is Candice Matthews Brackeen. I'm the Founding Partner of Lightship Capital Management and CEO of Lightship Foundation. Recently, my team and I launched a new kind of investment fund called Anchor. But to really understand Anchor, let me first share the journey that brought us here.

Lightship started as a nonprofit focused on one goal: helping entrepreneurs in communities that often get overlooked. While our early work had great successes, we soon realized that helping individual businesses wasn't enough. The larger system around them still needed fixing. To truly support entrepreneurs, we had to build something bigger.

So, we expanded our work by bringing together three nationally recognized programs: NewMe Accelerator, Black Tech Week, and FounderGym. Each had strong educational resources and supportive communities. Black Tech Week, in particular, has been running for 11 years as a major tech conference in Cincinnati. And next year, we will host Women's Tech Week, the first national conference dedicated specifically to women tech founders.

By combining these organizations under the Lightship Foundation, we gave them the resources and structure needed to grow and support even more entrepreneurs across the country. We couldn't do this alone—we've been supported by amazing public and private partners like JobsOhio, the TD Jakes Foundation, and the Surdna Foundation, who share our vision for economic development and growth.

We then created our own venture fund to invest directly in talented entrepreneurs who were overlooked by traditional investors. But even as we saw success, we discovered another bigger issue: venture capital is still mostly focused in coastal cities like New York and San Francisco. Talented founders in places like the Midwest, the South, and other regions were still left out.

That's why we started Anchor.

Anchor began with a group of experienced fund managers who were frustrated by the barriers we faced. Even though we had proven ourselves, we struggled to raise money because we weren't from the traditional venture capital cities. This created what we call "Emerging Manager Redlining," an unintended bias against new and regional fund managers, particularly outside major coastal cities. By blocking first-time funds, we unintentionally support geographic biases, limit opportunities for promising managers, and miss out on potentially great returns.

Anchor directly tackles this market failure. Our fund-of-funds model helps support promising new fund managers across the heartland, Midwest, and South. We provide the resources they need to succeed and generate strong returns for investors.

We introduced three key innovations with Anchor:

First, Anchor recently received an SBIC greenlight letter from the Small Business Administration, a crucial first step that signals confidence and helps attract further investment.

Second, our fund structure helps investors benefit from successful startups while reducing the risk of large losses across the portfolio.

Third, we eliminated the double-fee problem common in traditional fund-of-funds, making Anchor more affordable and attractive to institutional investors like pension funds and endowments. This ensures everyday Americans benefit from successful venture investments.

However, there are still policy barriers we need to address:

1. Right now, venture capital funds benefit from certain exemptions under the Investment Advisers Act, but fund-of-funds like ours do not. Extending these exemptions equally to all venture funds, including fund-of-funds, would remove unnecessary hurdles and modernize investment rules.

2. Current law also limits venture funds to just 250 investors. For a \$2 billion fund like ours, that means each investor must contribute around \$8 million on average, effectively excluding 99% of Americans. According to the Federal Reserve Bank of St. Louis, the wealthiest 10% of Americans hold about 67.3% of the nation's wealth, while the bottom 50% own just 2.4%. Increasing the investor cap from 250 to 2,000, as proposed by the DEAL Act, would dramatically lower the entry point, allowing more Americans to participate.

Finally, we suggest one more policy improvement: public investment funds, including pension funds, should be required to review proposals from first-time fund managers. They don't have

to invest—but they shouldn't be allowed to have rules that automatically exclude new managers. This simple change would significantly reduce geographic bias and democratize access to venture capital across the country.

Building and supporting fund-of-funds like Anchor is the key solution to addressing capital inequality in America's underserved regions. Reducing barriers for these funds isn't just helpful—it's essential. It's how we ensure economic growth and innovation reach every part of our country.

Thank you for your time. I look forward to your questions and continuing the conversation.