

Testimony Before the U.S. House Committee on Financial Services

Written Statement of Testimony

Testimony of Rodney Sampson

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Chair McHenry, Ranking Member Waters, Chair Wagner, Ranking Member Sherman, and Members of the Committee:

Thank you for the opportunity to appear before you today to discuss “A Roadmap for Growth: Reforms to Encourage Capital Formation and Investment Opportunities for All Americans.”

I am humbled to have my wife, Shanterria Alston Sampson, and our children here today.

Today, I am here as a pioneer and stakeholder in our nation’s Black technology, startup and venture ecosystem; an ecosystem that I have been a part of building from the ground up as a founder, investor and ecosystem builder for nearly 23 years; and the last decade as the Co-founder, Executive Chairman & CEO of Opportunity Hub, the nation’s leading innovation, entrepreneurship and investment ecosystem building organization created to ensure that everyone, everywhere has equitable opportunities in the future of work, fourth industrial revolution and beyond as a path to creating new multi-generational wealth with no reliance on pre-existing multi-generational wealth.

Twenty-three years ago, I co-founded my first technology startup company in Atlanta, Georgia. We were the pioneers of linear audio and video streaming via a digital media management system and infrastructure. This was my first introduction to venture capital and angel investing; and I learned very fast that access to early-stage private capital in America was not equal. In our era, only three Black technology founders had raised millions in venture capital for their startups. Omar Wasso at BlackPlanet.com, Clarence Wooten at ImageCafe.com and myself at Multicast Media Technologies and Streamingfaith.com. As a note of outcome, all three companies were successfully acquired.

In 2021, Harlem Capital reported that there had been less than 1,000 Black and Hispanic startups to ever raise over \$1,000,000 in angel and venture capital in American history. When you juxtapose this to the over 15,000 startup investments that were consummated in 2021 and again in 2022, according to a report by Pitchbook and the National Venture Capital Association, the amount of capital that is invested in socially and economically disadvantaged individuals that have experienced institutional, personal and interpersonal racism, discrimination and bias in the American startup ecosystem is dismal, negligible and shameful.

In my 2021 report entitled “Building racial equity in tech ecosystems to spur local recovery,” published by the Brookings Institution, where I serve as a Nonresident Senior Fellow, I point out that approximately \$26 billion annually should be going to the Black technology, startup and venture ecosystem to build tech hubs in hundreds of American cities to rapidly upskill millions for existing software, sales, cyber, new energy and AI technology careers; incubate thousands of

new high growth ventures leveraging edge technologies and back them with the early startup capital to hire, build, go to market, sell and grow.

Ecosystem-building organizations like Opportunity Hub, venture capital firms like 100 Black Angels & Allies Fund and angel investors like my wife and I are exhausted of asking the existing private markets to invest in the thousands of brilliant Black technologists, operators and founders that are a part of our growing ecosystem. Outside of the performative pitch competitions and diversity announcements of 2020, no consistent private commitment exists to fund Black-founded early-stage startups, venture funds, tech hubs, incubators, accelerators, upskilling schools and ecosystem-building organizations at scale.

The current relevant public sector commitments like the State Small Business Credit Initiative (SSBCI) reauthorized by the Biden-Harris Administration in the American Recovery Plan Act; Regional Tech Hubs and NSF Engines in CHIPS and Science Act are very exciting for overall global American innovative competitiveness; yet, there is little hope in the Black technology, startup and venture ecosystem that this funding will actually make it to America's overlooked and under-invested communities with any sizeable traction or scale. Why? Because the agencies traditionally select existing organizations and funds to disperse funding, and these organizations, although more open-minded to intersectional racial and gender equity in their proposals, do not actually have a track record of identifying, accelerating and investing in Black founders equitably based on their brilliance, problem-solving skill, operating abilities and market viability.

The Black technology, startup and venture ecosystem has started to innovate from within. When possible, we invest in each other's companies and initiatives. At OHUB, we created the Black Technology Ecosystem Investment Certificate [BTEI] in collaboration with The University of North Carolina Kenan Flagler Business School, Duke University Innovation and Entrepreneurship Center, Stanford Technology Ventures Program and The Links, Incorporated. To date, nearly 50 Black women, men and allies have been certified to invest in this emerging asset class. To create a lasting impact, we must educate and certify thousands to bring new capital to the ecosystem. Having a completed certification like BTEI offered in collaboration with a national securities association count toward an American's accredited investor status is a simple amendment to our securities laws and would have an exponential impact on early-stage private capital reaching underinvested communities.

As an American citizen that has voted Democrat in every election since 1991, I support the passage of the following Republican-sponsored legislation as a part of the 118th Congress:

- The "Fair Investment Opportunities for Professional Experts Act"
- The "Equal Opportunity for All Investors Act of 2023"
- The "Accredited Investor Definition Review Act"
- The "Accredited Investor Self-Certification Act"
- The "Investment Opportunity Expansion Act"
- A bill to amend the definition of an accredited investor to include individuals receiving advice from certain professionals, and for other purposes.
- The "Increasing Investor Opportunities Act"
- The "Gig Worker Equity Compensation Act."

In closing, I would like to tell a brief story about a dear friend and mentor. During the 2013 *Kingonomics: Access To Innovation, Entrepreneurship and Investment Emancipation of Gala*, my wife and I honored Emmit McHenry. Emmit's story, like mine and thousands of other Black founders, is contextual to today's committee hearing. Emmit McHenry is the Black American technologist, inventor and entrepreneur who created the computer code that enables us to access the internet and send data like emails between applications and devices today. He co-created the .com and TCP/IP. Emmit, the founder of Network Solutions, was awarded a competitive contract to manage all domain names on behalf of the United States government. Emmit now had to raise private angel and venture capital to deliver on this sole source contract that would privatize, productize and eventually commercialize domain names. As brilliant as Emmit is, he struggled to raise the early-stage capital to grow and scale Network Solutions. McHenry eventually sold Network Solutions to Science Applications International Corp (SAIC) for \$4.8 million. Within a few months, the government granted SAIC the authority to charge \$70.00 per year for each domain name. SAIC transformed its \$4.8 million acquisition of Network Solutions into a \$21 billion sale to Verisign. Imagine how much new multi-generational wealth could have been created in a community that today has a median net worth of approximately \$17,000 per family and is projected to decrease to zero by 2053. Imagine how much new multi-generational wealth with no reliance on pre-existing multi-generational wealth could have been created by and for our community if Emmit could have raised early-stage capital in a regulatory environment that empowers the everyday American, the Black American, with expertise in technology and a certifiable understanding of this high risk, yet necessary asset class that is driving two-thirds of our nation's net new jobs and responsible for a quarter of our nation's gross domestic product.

If we do not get on the capitalization tables of these startups that are transforming society as we meet, we will have future generations in America of “have and have nevers.”

Congress and the Securities and Exchange Commission have the power to increase who responsibly sits at this table of meaningful and executable unprecedented opportunity - not the rare fraudulent stories that are signaled out of false meritocracies like Silicon Valley and other coastal hubs. Truthfully, we do not even get access to most of those investments because of systemic and personal exclusion. We see investment deals in cities like New Orleans, where Sevetri Wilson is building her enterprise SaaS startup Resilia; and in Atlanta, where Dr. Lonnie Johnson is building new energy sources at JTECH Energy; and in Chicago, where Garry Cooper is building Rheaply to productize the circular economy; and in Dallas, where Mandy Price is building Kanarys to help companies improve their diversity, equity and inclusion solutions. These are real high-growth startups building real-edge technology to solve real-world problems in the real communities that you represent.

Please understand that most of the current accredited Black angel investors and venture capitalists that intentionally invest in the Black founders I just referenced are barely sitting at this table of opportunity. We understand the risks; yet we understand the responsibility to ensure that Black brilliance, innovation, entrepreneurship and wealth exist in the future.

To scale, succeed and sustain, Congress and the SEC must make it easier, not harder, to become an accredited investor in America. I personally commit to work with Congress, this committee and the SEC to safely expand and equitably diversify the existing pool of investors in the private

markets, including those who are sophisticated but not yet wealthy. Together, we must grow the pool of Black investors in this ecosystem, not shrink it by increasing the income and net-worth minimums.

Collectively, we have a shared responsibility and opportunity to close the \$26 billion annual funding gap to the growing Black technology, startup and venture ecosystem and beyond. The Black community shares this responsibility. This committee shares this responsibility. Congress shares this responsibility. The Securities & Exchange Commission shares this responsibility. Treasury, Commerce and the Small Business Administration share this responsibility. This Whitehouse also shares the responsibility of ensuring that the most overlooked ecosystem of brilliant innovators, entrepreneurs and investors have the resources they require to build a future that ultimately will benefit all.

When America does this, then America will truly be the greatest nation on Earth.

Thank you for listening.