February 26, 2025

Rep. Ann Wagner, Chairman
Rep. Brad Sherman, Ranking Member
House Committee on Financial Services
Subcommittee on Capital Markets

Re: Capital Markets Subcommittee Hearing Entitled: "From a Dream to IPO: Expanding Avenues to Obtain Capital for American Companies"

Dear Chairman Wagner, Ranking Member Sherman, and members of the Subcommittee on Capital Markets,

Thank you for holding a hearing on the capital formation needs of American companies. The U.S. startup ecosystem is the most dynamic in the world, driving global innovation, fueling economic growth, and creating jobs in communities across the country. However, capital access remains a significant challenge for many founders, particularly those outside major technology hubs and from historically underrepresented backgrounds. Systemic biases in venture capital, including pattern matching and the lack of recognition of overlooked markets, have concentrated funding among a narrow subset of founders, leaving many promising startups underfunded. I appreciate the opportunity to provide this statement for the record on ways policymakers can support founders raising capital.

Expanding access to capital is not just a matter of fairness—it is an economic imperative. Startups drive job creation and technological advancements, yet arbitrary barriers to investment limit their potential, slowing national economic growth and innovation.

My name is Allison Byers, and I am the founder and CEO of Scroobious, a Westwood, MA-based virtual platform and community designed to efficiently connect early-stage founders, investors, and partners. Through Scroobious, I help under-networked founders craft investable fundraising pitches and connect with aligned investors by leveraging technology to make the capital-raising process more transparent, accessible, and efficient. Our AI-powered curation platform matches founders with the right investors, while our flagship Pitch It Plan (PiP) program provides structured guidance on pitch development and storytelling. Since launching, Scroobious has supported over a thousand founders, facilitated millions of dollars in funding, and helped investors efficiently discover and connect with promising startups.

In addition to my work with founders and investors, I have been actively involved in legislative efforts to improve access to capital. I co-authored California's SB54, which was signed into law as the first legislation regulating venture capital by requiring funds to publicly report diversity metrics about their investments. I am currently working on similar bills in New York and Massachusetts. These efforts align with the broader goal of modernizing outdated policies that restrict capital flow and limit participation in the private investment economy.

I am also an angel investor and a member of the Angel Capital Association's DEI Task Force, where I work to expand access to capital and improve inclusivity in the startup ecosystem. Prior to founding Scroobious, I co-founded and led a medical device company, raising nearly $10 million, including angel investment at launch and institutional capital from venture funds in later fundraising rounds. That experience was transformative but also exposed the many systemic barriers startup founders face. I know firsthand what it's like to navigate a system where capital flows disproportionately to those with existing connections. Breaking down these barriers is essential for fostering a more inclusive and competitive entrepreneurial landscape.

Unlike many startups, I deliberately chose not to pursue venture capital for Scroobious in its early years. This decision allowed me to maintain control over the business model and ensure that our mission remains focused on inclusivity and accessibility, rather than optimizing for venture-scale returns at the outset. Angel investors played a critical role in making this possible. They provide not just capital but also mentorship, connections, and operational insights that are invaluable to early-stage founders. This aspect of angel investing is particularly crucial for under-networked founders who do not have existing relationships with institutional investors or established industry insiders.

It is a common misconception that venture capital is the predominant or most desirable source of funding for most startups. While it is an important source of capital, the reality is that only a small fraction of startup founders raise venture funding. Most founders cobble together their initial capital from various sources including personal funds, friends and family, loans, and credit. For a growing number of founders, angel investment is a critical source of capital. Unlike institutional venture firms, angel investors often write smaller checks, but these investments can be the catalyst that propels a startup forward.

Additionally, angel investors as an asset class differ significantly from venture capital firms. They typically have smaller return expectations, longer investment horizons, and a greater emphasis on founder relationships. Unlike general partners of venture funds, who have a fiduciary duty to their limited partners and must prioritize their returns, angel investors have a fiduciary duty only to themselves. This key difference allows them to align more closely with founders, supporting businesses based on long-term potential rather than immediate financial milestones. Because of this flexibility, angel investors can take on riskier, earlier-stage companies that may not yet be viable for institutional capital.

Angels also provide strategic support beyond financial investment, leveraging their experience, networks, and industry insights to help founders navigate growth challenges. They introduce founders to additional investors and offer critical mentorship; an estimated 85% of angels are also entrepreneurs, familiar with the challenges of raising capital.[1]

Increasing accessibility to angel investing would unlock more capital for innovation, expanding opportunities for a broader range of founders. At the same time, it would allow more individuals to participate in wealth-building through startup investment, diversifying the investor base and strengthening the overall startup ecosystem.

[1] https://www.getpin.xyz/post/angel-investor-founder-allison-byers

Despite their essential role in startup growth, angel investors face their own set of challenges. Many struggle to find others with whom they can pool their capital, especially those writing smaller checks. While I am now part of multiple angel groups and syndicates, I have seen firsthand how difficult it is for new angel investors to break into existing networks, access quality deal flow, and gain confidence in their investing strategy. Even for those who qualify as accredited investors, the lack of education and guidance in this space can be a major barrier. Many potential investors are unaware that they qualify as accredited or that investing in startups is even an option for them.

The most significant barrier, however, is that the accredited investor definition unfairly restricts who can invest in private companies. While I respect legislation designed to protect individuals from financial harm, it is worth noting that there are no restrictions against online gambling, luxury purchases, or other ways in which people can freely spend their wealth. Why, then, are these same individuals restricted from participating in the private investing economy—a space that not only offers the potential for wealth creation but also supports groundbreaking innovation? This inconsistency limits economic mobility and reinforces systemic wealth disparities. The current standard equates a lack of generational wealth with a lack of financial acumen, excluding countless individuals who have the expertise and capacity to invest. While the SEC made minor updates to the definition in 2019, the financial thresholds remain unchanged. The standard does not account for cost-of-living variations across the country, nor does it recognize alternative measures of investment readiness, such as financial literacy, access to investment education, or relevant professional experience.

Expanding the accredited investor definition would have a profound impact on the startup ecosystem. It would increase the pool of eligible investors, channeling capital to a more diverse range of founders and startups outside of traditional coastal hubs. It would allow more Americans to participate in wealth-building through startup investment and drive more innovation across the country.

The committee has considered multiple pathways to expand accreditation, including recognizing individuals with certain licenses or professional qualifications, implementing a knowledge-based qualification metric, lowering the financial thresholds, and allowing anyone to invest up to 10% of their net worth. As you move forward with your efforts to improve capital access for startups, I urge you to once again consider these options in modernizing the accredited investor definition.

Thank you for your commitment to strengthening the startup ecosystem, for holding this hearing, and for the opportunity to provide feedback as a founder, investor, and advocate for capital accessibility.

Sincerely,

Allison Byers
Founder & CEO
Scroobious