119TH CONGRESS
1st Session

HOUSE OF REPRESENTATIVES

REPORT
119–246

DEVELOPING AND EMPOWERING OUR ASPIRING LEADERS ACT OF 2025

SEPTEMBER 8, 2025.—Committed to the Committee of the Whole House on the State of the Union and ordered to be printed

Mr. HILL of Arkansas, from the Committee on Financial Services, submitted the following

R E P O R T

[To accompany H.R. 4429]

The Committee on Financial Services, to whom was referred the bill (H.R. 4429) to require the Securities and Exchange Commission to revise the definition of a qualifying investment, for purposes of the exemption from registration for venture capital fund advisers under the Investment Advisers Act of 1940, to include an equity security issued by a qualifying portfolio company and to include an investment in another venture capital fund, and for other purposes, having considered the same, reports favorably thereon with an amendment and recommends that the bill as amended do pass.

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59–006

The amendment is as follows:

Strike all after the enacting clause and insert the following:

SECTION 1. SHORT TITLE.

This Act may be cited as the "Developing and Empowering our Aspiring Leaders Act of 2025".

SEC. 2. DEFINITIONS.

Not later than the end of the 180-day period beginning on the date of the enactment of this Act, the Securities and Exchange Commission shall—

(1) revise the definition of a qualifying investment under paragraph (c) of section 275.203(l)–1 of title 17, Code of Federal Regulations—

(A) to include an equity security issued by a qualifying portfolio company, whether acquired directly from the company or in a secondary acquisition; and

(B) to specify that an investment in another venture capital fund is a qualifying investment under such definition; and

(2) revise paragraph (a) of such section to—

(A) require, as a condition of a private fund qualifying as a venture capital fund under such paragraph, that not less than 51 percent of the fund's aggregate capital contributions and uncalled committed capital (other than short term holdings) shall consist of equity securities acquired directly from a qualifying portfolio company, including immediately after the acquisition of any asset; and

(B) specify that up to 49 percent of the fund's aggregate capital contributions and uncalled committed capital (other than short term holdings) may consist of investments in one or more venture capital funds, as well as securities acquired in a secondary acquisition.

PURPOSE AND SUMMARY

H.R. 4429, the *Developing and Empowering our Aspiring Leaders Act of 2025*, was introduced on July 16, 2025, by Republican Representative Ann Wagner (MO–02). H.R. 4429 requires the Securities and Exchange Commission (SEC) to revise the definition of a qualifying investment, for purposes of the exemption from registration for venture capital (VC) fund advisers under the *Investment Advisers Act of 1940*. The revised definition is to include an equity security issued by a qualifying portfolio company. It also requires the SEC to revise the definition of a qualifying investment to include an investment in another VC fund (i.e., fund of funds investments). Furthermore, the bill establishes that the SEC shall require 51 percent of a qualifying VC fund's aggregate capital contributions and uncalled committed capital to consist of equity securities acquired directly from a qualifying portfolio company.

BACKGROUND AND NEED FOR LEGISLATION

Founders of portfolio companies often rely on early-stage investors for hands-on support, participation in board meetings, and developing customer acquisition strategies. Location and proximity to portfolio companies are key factors for early-stage investors when assessing investment opportunities. Likewise, the number of companies the investor can reasonably and actively advise constrains the number of their investments. As such, larger VC funds typically invest larger amounts in several later-stage companies, whereas smaller funds generally invest smaller amounts in a proportionate number of early-stage companies.

A "fund of funds" model, in which a larger fund invests in smaller, regional funds, would mobilize capital previously reserved for late-stage investments and support smaller companies in aspiring startup hubs. The current limitations on exempt reporting advisers' qualifying investments render this model unworkable due to the competing demands on the 20 percent non-qualifying basket. This includes public offering obligations and secondary liquidity for founders.

H.R. 4429 amends the "venture capital fund" definition under Rule 203(l)–1 of the Investment Advisers Act of 1940 to allow VC "fund of funds" investments by treating an investment in another VC fund—which meets the Rule 203(l)–1 requirements itself—as a "qualifying investment." By allowing large VC funds to deploy more capital to smaller funds, this change will facilitate a more diverse pool of VC funds providing capital to a more diverse pool of founders located outside of the usual VC and tech destinations.

Additionally, by allowing VC funds to acquire more shares from founders and early investors, H.R. 4429 will drive capital to emerging VC funds while avoiding the costs and hurdles of fund registration, providing liquidity and improving returns. This will allow early-stage investors to deploy that capital as new investments in additional American startups.

COMMITTEE CONSIDERATION

119TH CONGRESS

On July 16, 2025, Representative Wagner introduced H.R. 4429, the *Developing and Empowering our Aspiring Leaders Act of 2025*. Representative Sean Casten (D–IL) was added subsequently as a cosponsor. The bill was referred solely to the Committee on Financial Services. The bill was attached to the February 26, 2025, hearing titled "The Future of American Capital: Strengthening Public and Private Markets by Increasing Investor Access and Facilitating Capital Formation," and the March 25, 2025, hearing titled, "Beyond Silicon Valley: Expanding Access to Capital Across America."

On July 22, 2025, the Committee on Financial Services met in open session to consider, among others, H.R. 4429. The Committee ordered H.R. 4429, as amended, to be favorably reported to the House of Representatives.

118TH CONGRESS

On April 13, 2023, Representative Andy Barr (R–KY) introduced H.R. 2579, the *Developing and Empowering our Aspiring Leaders Act of 2023*. This bill is an earlier iteration of H.R. 4429. The bill was referred solely to the Committee on Financial Services. The bill was included in H.R. 2799, the *Expanding Access to Capital Act of 2023*, which passed the House on March 8, 2024, by a recorded vote of 212 yeas and 205 nays. It was received in the Senate and referred to the Committee on Banking, Housing, and Urban Affairs. There was no further action on the bill in the 118th Congress.

117TH CONGRESS

On June 29, 2021, Representative Trey Hollingsworth (R–IN) introduced H.R. 4227, the *Developing and Empowering our Aspiring Leaders Act of 2022*. This bill is an earlier iteration of H.R. 4429. The bill was referred solely to the Committee on Financial Services. On July 26, 2022, the bill passed the House under suspension of the rules by voice vote. It was received in the Senate and referred to the Committee on Banking, Housing, and Urban Affairs. In addition, on March 24, 2022, Senator Mike Rounds (R–SD) introduced S. 3914, a companion bill to H.R. 4227. There was no further action on the bill in the 117th Congress.

116TH CONGRESS

On October 16, 2020, Representative Hollingsworth introduced H.R. 8603, the *Developing and Empowering our Aspiring Leaders Act of 2020*, with Representative Ben McAdams (D–UT) as an original cosponsor. This bill is an earlier iteration of H.R. 4429. The bill was referred solely to the Committee on Financial Services. There was no further action on the bill in the 116th Congress.

115TH CONGRESS

On June 21, 2018, Representative Hollingsworth introduced H.R. 6177, the *Developing and Empowering our Aspiring Leaders Act of 2018*. This bill is an earlier iteration of H.R. 4429. The bill was referred solely to the Committee on Financial Services. On July 11, 2018, the Committee on Financial Services ordered H.R. 6177, as amended, to be favorably reported to the House by voice vote. There was no further action on the bill in the 115th Congress.

RELATED HEARINGS

Pursuant to clause 3(c)(6) of rule XIII of the Rules of the House of Representatives, the following hearings were used to develop H.R. 4429:

The Capital Markets Subcommittee of the Committee on Financial Services held a February 26, 2025, hearing titled "The Future of American Capital: Strengthening Public and Private Markets by Increasing Investor Access and Facilitating Capital Formation" and the Full Committee held a March 25, 2025, hearing titled, "Beyond Silicon Valley: Expanding Access to Capital Across America." A discussion draft version of the bill was attached to both hearings. The following witnesses testified at the February 26, 2025, hearing: Mr. Andrew Barnell, CEO and Co-Founder, Geneoscopy; Mr. McKeever Conwell, Founder and Managing Partner, RareBreed Ventures; Ms. Rebecca Kacaba, CEO and Co-Founder, DealMaker; Ms. Anna Pinedo, Partner, Mayer Brown; and Ms. Alexandra Thornton, Senior Director, Financial Regulation, Center for American Progress. The following witnesses testified at the March 25, 2025, hearing: Mr. Steve Case, Chairman and CEO, Revolution LLC; Mr. Bill Newell, Senior Business Advisor & Former CEO, Sutro Biopharma; Ms. Candice Matthews Brackeen, General Partner, Lightship Capital; Mr. Joel Trotter, Partner, Latham & Watkins LLP; and Ms. Amanda Senn, Director of the Alabama Securities Commission.

COMMITTEE VOTES

Clause 3(b) of rule XIII of the Rules of the House of Representatives requires the Committee Report to include record votes on the motion to report legislation and amendments thereto.

On July 22, 2025, the Committee ordered H.R. 4429, as amended, to be reported favorably to the House by a recorded vote of 50 yeas and 2 nays. (Record Vote No. FC–171).

Before the question to report was called, the Committee adopted an amendment in the nature of a substitute offered by Representative Wagner, designated as Wagner_021, which requires that not less than 51 percent of a qualifying venture capital fund's aggregate capital contributions and uncalled committed capital shall consist of equity securities acquired directly from a qualifying portfolio company, and specifies that up to 49 percent of the fund's aggregate capital contributions and uncalled committed capital may consist of investments in one or more venture capital funds, as well as securities acquired in a secondary acquisition. This amendment was adopted by voice vote.

Committee on Financial Services

Markup 7
July 22, 2025

Bill: **H.R. 4429**
Measure: **H.R. 4429, as amended**
Amdt/Designated:

Record Vote No.
FC-171

Motion: **to report the measure favorably**
Disposition: **AGREED TO (50-2)**

Member	Yea	Nay	Not Voting	Member	Yea	Nay	Not Voting
Chairman Hill	X			Ranking Member Waters	X		
Mr. Lucas	X			Ms. Velázquez	X		
Mr. Sessions	X			Mr. Sherman	X		
Mr. Huizenga	X			Mr. Meeks			X
Mrs. Wagner	X			Mr. Scott	X		
Mr. Barr	X			Mr. Lynch	X		
Mr. Williams (TX)	X			Mr. Green (TX)	X		
Mr. Emmer	X			Mr. Cleaver	X		
Mr. Loudermilk	X			Mr. Himes			X
Mr. Davidson	X			Mr. Foster	X		
Mr. Rose	X			Mrs. Beatty	X		
Mr. Steil	X			Mr. Vargas	X		
Mr. Timmons	X			Mr. Gottheimer	X		
Mr. Stutzman	X			Mr. Gonzalez	X		
Mr. Norman	X			Mr. Casten	X		
Mr. Meuser	X			Ms. Pressley		X	
Mrs. Kim	X			Ms. Tlaib		X	
Mr. Donalds	X			Mr. Torres (NY)	X		
Mr. Garbarino	X			Ms. Garcia (TX)	X		
Mr. Fitzgerald	X			Ms. Williams of GA	X		
Mr. Flood	X			Ms. Pettersen	X		
Mr. Lawler	X			Mr. Fields	X		
Ms. De La Cruz	X			Ms. Bynum	X		
Mr. Ogles	X			Mr. Liccardo	X		
Mr. Nunn	X						
Mrs. McClain	X						
Ms. Salazar	X						
Mr. Downing	X						
Mr. Haridopolos	X						
Mr. Moore (NC)	X						
	30	**0**	**0**		**20**	**2**	**2**

Committee Totals:	Yeas	Nays	Not Voting
	50	**2**	**2**

COMMITTEE OVERSIGHT FINDINGS

Pursuant to clause 3(c) of rule XIII of the Rules of the House of Representatives, the findings and recommendations of the Committee, based on oversight activities under clause 2(b)(1) of rule X of the Rules of the House of Representatives are incorporated in the descriptive portions of this report.

PERFORMANCE GOALS AND OBJECTIVES

Pursuant to clause 3(c)(4) of rule XIII of the Rules of the House of Representatives, the goal of H.R. 4429 is to allow large VC funds to deploy more capital to smaller funds to facilitate a more diverse pool of VC funds providing capital to a more diverse pool of founders located outside the usual VC and tech destinations.

COMMITTEE COST ESTIMATE

Clause 3(d)(1) of rule XIII of the Rules of the House of Representatives requires an estimate and a comparison of the costs that would be incurred in carrying out H.R. 4429. The Committee has requested but not received a cost estimate from the Director of the Congressional Budget Office. However, pursuant to clause 3(d)(1) of rule XIII of the Rules of the House of Representatives, the Committee will adopt as its own the cost estimate by the Director of the Congressional Budget Office once it has been prepared.

NEW BUDGET AUTHORITY AND CBO COST ESTIMATE

With respect to the requirements of clause 3(c)(2) of rule XIII of the Rules of the House of Representatives and section 308(a) of the *Congressional Budget Act of 1974* and with respect to requirements of clause 3(c)(3) of rule XIII of the Rules of the House of Representatives and section 402 of the *Congressional Budget Act of 1974*, the Committee will adopt as its own the cost estimate for the bill prepared by the Director of the Congressional Budget Office. However, a cost estimate was not made available to the Committee in time for the filing of this report. The Chairman of the Committee shall cause such estimate to be printed in the Congressional Record upon its receipt by the Committee.

UNFUNDED MANDATES STATEMENT

The Committee has requested but not received from the Director of the Congressional Budget Office an estimate of the Federal mandates pursuant to section 423 of the *Unfunded Mandates Reform Act*. The Chairman of the Committee shall cause such estimate to be printed in the Congressional Record upon its receipt by the Committee.

EARMARK STATEMENT

In compliance with clause 9 of rule XXI of the Rules of the House of Representatives, this bill, as reported, contains no congressional earmarks, limited tax benefits, or limited tariff benefits as defined in clause 9(e), 9(f), or 9(g) of rule XXI.

FEDERAL ADVISORY COMMITTEE ACT STATEMENT

No advisory committees within the meaning of section 5(b) of the *Federal Advisory Committee Act* were created by this legislation.

APPLICABILITY TO THE LEGISLATIVE BRANCH

The Committee finds that the legislation does not relate to the terms and conditions of employment or access to public services or accommodations within the meaning of section 102(b)(3) of the *Congressional Accountability Act*.

DUPLICATION OF FEDERAL PROGRAMS

Pursuant to clause 3(c)(5) of rule XIII of the Rules of the House of Representatives, the Committee states that no provision of the bill establishes or reauthorizes a program of the Federal Government known to be duplicative of another Federal program, including any program that was included in a report to Congress pursuant to section 21 of the Public Law 111–139 or the most recent Catalog of Federal Domestic Assistance.

SECTION-BY-SECTION ANALYSIS OF THE LEGISLATION

Section 1. Short title

Section 1 provides the short title is the "Developing and Empowering our Aspiring Leaders Act of 2025."

Section 2. Definitions

Section 2 revises the definition of a qualifying investment to include an equity security issued by a qualifying portfolio company and to specify that an investment in another venture capital fund is a qualifying investment under such definition. Section 2 also requires that not less than 51 percent of a qualifying venture capital fund's aggregate capital contributions and uncalled committed capital shall consist of equity securities acquired directly from a qualifying portfolio company, and specified that up to 49 percent of the fund's aggregate capital contributions and uncalled committed capital may consist of investments in one or more venture capital funds, as well as securities acquired in a secondary acquisition.

CHANGES IN EXISTING LAW MADE BY THE BILL, AS REPORTED

H.R. 4429 does not repeal or amend any section of a statute. Therefore, the Office of Legislative Counsel did not prepare the report required under clause 3(e) of rule XIII of the House of Representatives.

DOCUMENTS INCLUDED BY UNANIMOUS CONSENT

July 22, 2025

The Honorable French Hill
Chairman
Committee on Financial Services
U.S. House of Representatives
Washington, DC 20515

The Honorable Maxine Waters
Ranking Member
Committee on Financial Services
U.S. House of Representatives
Washington, DC 20515

Dear Chairman Hill and Ranking Member Waters:

The undersigned organizations representing the U.S. innovation ecosystem support congressional efforts to drive economic growth, job creation, and opportunity that fuels American innovation. We appreciate the Committee's continued focus on improving capital formation at all stages of a company's lifecycle, particularly for entrepreneurs and investors outside of traditional funding hubs, as well as expanding investment opportunities for everyday investors.

Importance of access to capital

The U.S. capital markets are the engine that powers innovation and economic growth, but raising capital can be daunting for many startups, funds, and businesses. While the availability of private capital has grown substantially over the past few decades, opportunities to access these resources are limited outside of traditional capital-raising hubs and networks. Data shows the number of new funds continues to fall, while the average fund size gets bigger and capital becomes more concentrated. Lack of exits and lower VC valuations have caused investors to pull back from the asset class, and those who are investing are writing bigger checks to larger, more established funds.

Unless we modernize our policy infrastructure, the benefits of this economic and innovation engine will be constrained, and as private markets continue to grow, this gap will only widen. We need to bolster private capital, but importantly, we need to broaden its reach to more investors, more entrepreneurs, more companies, and more communities.

Bolstering emerging managers to grow regional funding networks

To broaden the startup ecosystem, we must broaden the investor ecosystem beyond the traditional tech funding hubs and networks. Capital has become more mobile, but proximity matters, particularly for the earliest stages. Emerging managers are the key. To drive regional growth and the diversification of private capital, we need to support the emerging managers that identify and fund entrepreneurs across the country. These smaller funds are more likely to invest early, invest locally, and support a more diverse pool of entrepreneurs. And data shows emerging managers often outperform their larger counterparts.

Policy should lower barriers and help drive capital to this segment, which will help broaden local networks, create more economic opportunity, and lead to a more robust ecosystem. The following bipartisan measures the Committee are marking up today will help do just that, including the:

- Developing and Empowering our Aspiring Leaders (DEAL) Act,
- Improving Capital Allocation for Newcomers (ICAN) Act, and
- Small Business Investor Capital Access Act

The DEAL Act: Expanding qualifying venture capital investments

Due to regulatory constraints, venture capital funds are largely limited to making direct investments in private companies without facing additional costs and compliance burdens that accompany SEC registration. After Dodd-Frank, private fund advisers were required to register with the SEC unless they qualified as an exempt reporting adviser (ERAs). ERAs are still subject to SEC oversight and compliance obligations that appropriately reflect the venture model, but registered investment advisers (RIAs) are subject to a more extensive and costly regulatory regime.

Venture capital fund advisers can qualify as ERAs if they meet a number of requirements, but 80% of the fund assets must be invested directly in private companies or cash (qualifying assets). The DEAL Act expands the category of qualifying investments to include fund-of-fund investments and secondaries, which will help drive more capital into emerging managers and markets while ensuring these funds continue to pursue a venture-focused strategy.

- **Fund-of-fund investments.** Increasing the ability for venture capital funds to invest in other venture capital funds could help incentivize established funds to invest in emerging fund managers without incurring additional regulatory burdens that come with SEC registration. Attracting an established fund to serve as an anchor LP could help first-time fund managers attract other investors, and investors will benefit from the diligence of the more established fund. A fund-of-funds strategy not only benefits the emerging manager, but could also provide diversification opportunities and drive returns for the investing fund and its investors.

- **Secondary investments.** Enabling greater flexibility to invest in secondary investments in qualifying portfolio companies will facilitate greater value realization for investors (such as pension funds and endowments) and recycle more capital into the system, which could unlock a significant source of capital for growing entrepreneurial ecosystems. It would also help startup founders and employees who have a need to monetize their equity compensation and allow existing and trusted venture capital fund partners to increase their investment in a company even between capital-raising rounds.

The ICAN Act: Expanding size and investor limits for qualifying venture capital funds

Under Section 3(c)(1) of the Investment Company Act, private funds cannot raise capital from 100 or more accredited investors. The fund size for most first-time fund managers ranges between $10-$25M, which means the average investor check size for 100 inventors in a $25M fund would have to be $250,000—a high bar for newer fund managers.

To enable emerging managers to accept smaller checks from more investors, Congress created the category of "qualifying venture capital funds" to help smaller venture capital funds raise capital from more investors. The higher limit of beneficial owners was intended to help emerging managers assemble competitive funds by collecting smaller contributions from a greater number of accredited investors. Currently, a venture capital fund can raise up to $12M from 250 beneficial owners. In practice, however, the current parameters limit the utility of this provision.

The ICAN Act would expand the size and investor limits for qualifying venture capital funds to help smaller funds reach more investors.

Small Business Investor Capital Access Act: Ensuring regulatory thresholds keep pace with growth

The Dodd-Frank Act also permitted small private fund advisers with less than $150M in assets under management to be regulated by the SEC as ERAs. However, this threshold was not adjusted for inflation and has remained static since its inception. As a result, private fund managers who would have been eligible ERAs may now be subject to SEC registration and the increased regulatory burden simply due to the passage of time and an outdated threshold. This disproportionately impacts smaller fund managers who may lack the resources to meet the compliance obligations that come with SEC registration. As a result, capital is diverted away from startups and small businesses. The Small Business Investor Capital Access Act will modernize this exemption by indexing this threshold, ensuring small fund managers can continue to support small business capital formation without additional regulatory burden.

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Thank you for your leadership in advancing policies to ensure America's entrepreneurs can access the capital they need at each stage of their lifecycle and provide more opportunities for investors. These efforts are critical to driving American competitiveness, innovation, and upward mobility, and we look forward to working together on a bipartisan basis to achieve these important goals.

Sincerely,

Angel Capital Association (ACA)
AngelList
Carta
Center for American Entrepreneurship (CAE)
Engine
Financial Technology Association (FTA)
Illinois Venture Capital Association (IVCA)
Institute for Portfolio Alternatives (IPA)
Michigan Venture Capital Association (MVCA)
National Venture Capital Association (NVCA)
New England Venture Capital Association (NEVCA)
Technology Councils of North America (TECNA)
Texas Venture Alliance