

Congress of the United States
Washington, DC 20515

The Honorable Olympia J. Snowe
Chairwoman
Senate Committee on Small Business and Entrepreneurship
428A Russell Senate Office Building
Washington, DC 20510

The Honorable Donald Manzullo
Chairman
House Committee on Small Business
2361 Rayburn House Office Building
Washington D.C. 20515

Dear Chairwoman Snowe and Chairman Manzullo:

The Small Business Innovation Research program (SBIR) is critical to the United States' leadership in developing new technologies. The program, which allocates a specific percentage of all federal research and development grant monies to small businesses, provides critical "seed" money to entrepreneurs, spurring the development of new industries and the creation of new jobs. The biotechnology and life sciences industries rely on the SBIR program to turn innovative ideas into products and therapies that help millions of Americans live better lives.

In addition to SBIR grants, many of these very companies also rely on venture capital to finance their operations and carry out their business plans. Last year, venture capital investment in life science companies totaled \$1.24 billion, or 30 percent of all dollars invested, with very early-stage companies receiving 20 percent of the dollars invested, or \$821 million. Consistent with the program's emphasis on attracting venture capital investment to SBIR companies, this investment demonstrates the potential these businesses have to continue their research and create new jobs.


Due to the Small Business Administration's (SBA) interpretation of the SBIR program eligibility requirements, however, many promising biotechnology companies that have proved worthy of venture capital investment will no longer have access to these important SBIR grants. Under this interpretation, SBA regulations require that, to be eligible for an SBIR grant, a small business must be at least 51 percent owned by one or more individuals. The SBA has interpreted "individuals" to mean only natural persons. As a result, small businesses that have majority venture capital backing are unable to participate in the SBIR program.

To promote continued investment in this important sector, we urge you to include language in the Small Business Reauthorization and Manufacturing Revitalization Act of 2003, S.1375/H.R.2802, which would restore the eligibility for SBIR grants to venture backed start-up life science and medical technology companies. When Congress first enacted the SBIR program, it clearly recognized the important role that venture capital

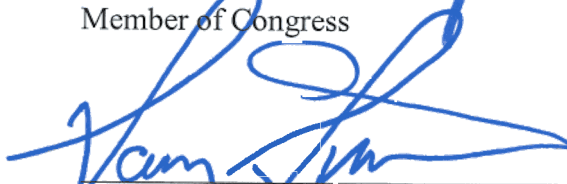
plays in the program's success. By promoting greater venture capital investment in those businesses that receive SBIR grants, Congress can further encourage growth and job creation in our nation's biotech industry. Thank you for your assistance in addressing this important issue.

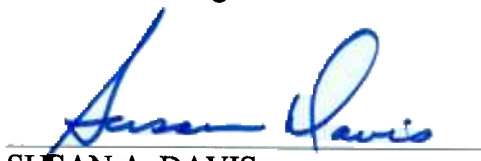
Sincerely,


GRACE F. NAPOLITANO
Member of Congress

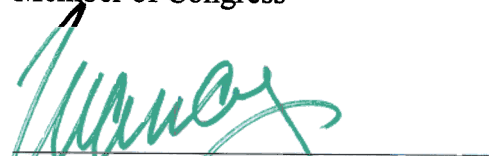

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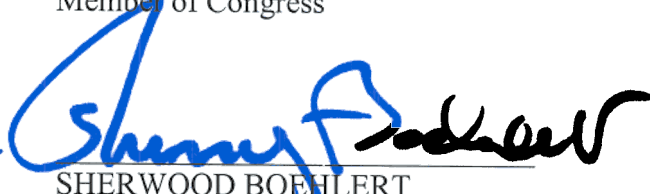
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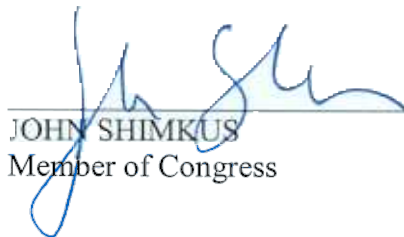
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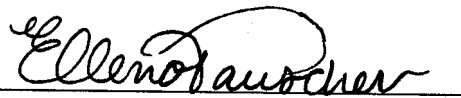
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cc: Ranking Member John Kerry
Ranking Member Nydia Velázquez
SBA Administrator Hector Barreto