



July 22, 2004

The Honorable Olympia Snowe
Chair
Senate Small Business & Entrepreneurship Committee
United States Senate
Washington, DC 20510

Dear Senator Snowe:

We, the undersigned biotechnology executives, urge you to support H.R. 4149 and S. 2384, legislation that would restore the eligibility for Small Business Innovation Research (SBIR) grants to venture capital-backed bioscience companies. We are all small businessmen and women running start-up biotech firms with less than 500 employees, with the majority of us employing fewer than 100 people.

Unfortunately, recent changes in the SBA's interpretation of eligibility standards for SBIR grants now disqualify most early-stage biotech companies. Specifically, SBA regulations require that, to be eligible for a grant, a small company must be at least 51 percent owned by one or more "individuals." The SBA interpretation of "individuals" now disqualifies most bioscience companies since they are dependent on venture funding to conduct the painstaking and costly research necessary to bring products to market. When the vast majority of biotech firms raise their first round of venture financing, the amount raised, which ranges between \$5 million and \$15 million, usually results in the venture capitalists (VCs) owning more than 50 percent of the company. The investment group usually consists of

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several firms, none of which owns more than 15 to 20 percent of the company.

The National Institutes of Health, the National Science Foundation, and nine other Federal Agencies administer the SBIR program. These agencies follow guidelines issued by the Small Business Administration (SBA) to determine eligibility and performance criteria necessary for companies to receive an SBIR grant. Many bioscience companies in the U.S. today were developed through the SBIR program because it provides critical early stage funding for innovative research. In 2003, more than \$460 million in SBIR grants were issued to small companies in the states we represent. In addition, SBIR grants serve as a catalyst for future venture capital investment because potential investors are more likely to invest in a project that has received support through a grant peer review process.

As the world's leader in biotechnology, the United States has benefited greatly from the SBIR program. This new interpretation of the eligibility guidelines is preventing the most innovative biotech companies from receiving crucial start-up money, which will have a devastating effect on the future of the industry and the patients we serve. H.R. 4149 & S. 2384 will restore eligibility for bioscience companies and continue the long history of public/private collaboration to bring new and innovative products to market.

Again, we urge the United States Congress to cosponsor H.R. 4149 and S. 2384, legislation that will restore the eligibility of venture capital-backed bioscience companies to receive SBIR grants.

Sincerely,



Carl B. Feldbaum
President
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