

October 18, 2007

The Honorable John Kerry
Chairman
Small Business and
Entrepreneurship Committee
428A Russell Senate Office Building
United States Senate
Washington, DC 20510

The Honorable Olympia Snowe
Ranking Member
Small Business and
Entrepreneurship Committee
428A Russell Senate Office Building
United States Senate
Washington, DC 20510

The Honorable Nydia Velazquez
Chairman
Small Business Committee
2361 Rayburn House Office Building
U.S. House of Representatives
Washington, DC 20515

The Honorable Steve Chabot
Ranking Member
Small Business Committee
B-363 Rayburn House Office Building
U.S. House of Representatives
Washington, DC 20515

The Honorable Bart Gordon
Chairman
Science and Technology Committee
2320 Rayburn House Office Building
U.S. House of Representatives
Washington, DC 20515

The Honorable Ralph Hall
Ranking Member
Science and Technology Committee
H2-389 Ford House Office Building
U.S. House of Representatives
Washington, DC 20515

Dear Chairmen Kerry, Velazquez, Gordon and Ranking Members Snowe, Hall, and Chabot:

As you consider the upcoming reauthorization of the Small Business Innovation Research (SBIR) program, we urge you to restore venture capital-backed companies' eligibility to compete for these grants. The SBIR program is a set-aside of federal research and development grant monies that are reserved for innovative, small business applicants. These funds provide critical "seed" money for early stage research and development being undertaken by small companies with fewer than 500 employees.

After twenty years of participating in the program, the Small Business Administration (SBA) ruled in 2003 that small companies that are majority venture capital-backed could

no longer apply for grants regardless of how few employees the companies have. Because of the unique capital needs of biotechnology companies, most are now ineligible to compete for grants. As a result of the reinterpretation, the SBIR applicant pool is shrinking at the National Institutes of Health (NIH), and work on life-saving and life-enhancing technology is being postponed. As NIH Director Elias Zerhouni, MD, stated in a letter to the SBA, "NIH must turn away many deserving applicants, and the goals of the SBIR program are being undermined".

Small biotechnology companies take basic scientific discoveries, many of which originate from universities, and conduct further research and development to turn discoveries into commercially available treatments and cures. This collaborative relationship is one of the ways universities and academic researchers serve the public by contributing to the development of new treatments and cures and supporting the local economy. Small biotechnology companies require significant venture capital investment, and unfortunately the SBA reinterpretation of the eligibility rules has hampered the continued research and development into biotechnology products, thereby delaying the delivery of future treatments to patients.

Many bioscience companies in the United States today were aided by the SBIR program because it provides critical early stage funding for research. For example, of 163 companies and affiliates involved in the development of the 252 FDA approved biologics, 32% of those companies and affiliates have received at least one SBIR/STTR award. Interest in competing for SBIR grants remains strong. In a recent survey of small biotech companies, 85% said that if the rules were changed to allow them to apply for these grants they would do so. These companies are researching and developing therapies for diabetes, Alzheimer's, lupus and leukemia, among others diseases. As the world's leader in biotechnology, the United States and patients have greatly benefited from the SBIR program. The current eligibility guidelines are prohibiting many of the most innovative companies from competing for crucial early stage research and development funding, which impacts the future of the research being pursued by universities and the patients that ultimately benefit from new treatments and cures.

For these reasons, we respectfully urge you to take restore SBIR eligibility for majority venture-backed companies in the upcoming reauthorization of the program.

AA CSA Foundation
AIDS Vaccine Advocacy Coalition
Alliance for Aging Research
Alzheimer's Drug Discovery Foundation
American Association for the Study of Liver Diseases
American Autoimmune Related Diseases Association
The ALS Association
Celiac Disease Center at Columbia University
Children's Cause for Cancer Advocacy
Children's Tumor Foundation
Christopher & Dana Reeve Foundation

Crohn's & Colitis Foundation of America
Coalition of Heritable Disorders of Connective Tissue
C3: Colorectal Cancer Coalition
Costello Syndrome Family Network
Cutaneous Lymphoma Foundation
Cystinosis Research Network (CRN)
Digestive Disease National Coalition
Epilepsy Therapy Project
FasterCures
Genetic Alliance
Genetic Alliance BioBank
Hepatitis Foundation International
The House That Tree Built Foundation
Huntington's Disease Society of America
Infectious Diseases Society of America
Juvenile Diabetes Research Foundation
Kidney Cancer Association
Leukemia & Lymphoma Society
Marti Nelson Cancer Foundation
Michael J. Fox Foundation for Parkinson's Research
Muscular Dystrophy Association
National Alliance on Mentally Illness
National Hemophilia Foundation
National Multiple Sclerosis Society
National Organization for Rare Disorders (NORD)
National Prostate Cancer Coalition (NPCC)
National Tay-Sachs & Allied Diseases Association, Inc. (NTSAD)
PXE International
Parent Project Muscular Dystrophy
Parkinson's Action Network
Pediatric Adolescent Gastroesophageal Reflux Association, Inc – PAGER
Research!America
RetireSafe
Scleroderma Foundation
Society for Neuroscience
Society for Women's Health Research
SMA Foundation
Suicide Awareness Voices of Education (SAVE)
Tourette Syndrome Association
Trimethylaminuria Foundation
Vital Options International