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United States Senate
COMMITTEE ON SMALL BUSINESS & ENTREPRENEURSHIP
WASHINGTON, DC 20510-6350

April 27, 2006

VIA FACSIMILE & FIRST-CLASS MAIL

The Honorable Hector V. Barreto
Administrator
U.S. Small Business Administration
409 Third Street, S.W.
Washington, DC 20416

Re: The Small Business Innovation Research Program and Pending Ownership Rule

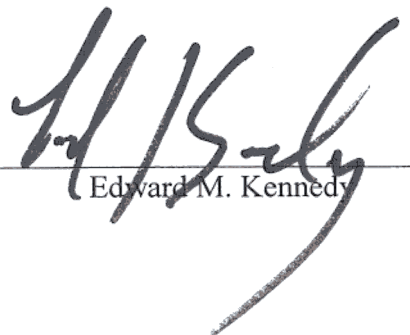
Dear Administrator Barreto:

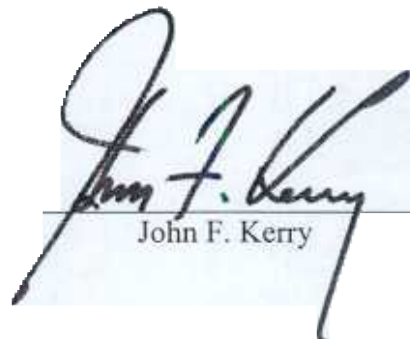
We are writing to urge you to expedite publication of the final rule on the eligibility of businesses majority-owned by venture capital companies to participate in the Small Business Innovation Research (SBIR) program. The rule has been under consideration since December 2004. As you know from the SBA's own involvement with the high tech community and from Congressional letters, the current size standards for a small business make applicants to the SBIR program ineligible if they are majority-owned and controlled by venture capital firms that themselves are not small businesses by SBA definitions. Both majority venture-owned and non-majority venture-owned SBIR companies feel strongly about this issue and would like an early resolution.

As we understand it from SBA staff, the Agency ended the comment period on the rule last April, and concluded relevant hearings last June. In addition to the information collected, the Government Accountability Office recently released a study of the SBIR program and the role of venture capital before and after the SBA clarified the ownership rule for small businesses, and we think the study will be helpful to SBA in finalizing the rule. The report is GAO-06-565, the "Small Business Innovation Research – Information on Awards Made by NIH and DoD in Fiscal Years 2001 through 2004."

The pending rule is extremely important to small businesses that compete for research and development awards and grants through the SBIR program, and we ask that the SBA act immediately. Please respond in writing by Friday, May 12, 2006 about the schedule for publishing the final rule. Thank you for your prompt attention and response.

Sincerely,


Edward M. Kennedy


John F. Kerry