

May 15, 2007

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The Honorable Nancy Pelosi
Speaker, U.S. House of Representatives
Capitol Building – H 232
Washington, D.C. 20515

Dear Speaker Pelosi:

On behalf of the California Healthcare Institute (CHI), whose more than 250 members include our state's leading biotech, pharmaceutical, and medical technology firms, along with premier research institutes and universities, I am writing thank you for your dedication to increase the competitiveness of the United States through your "Innovation Agenda." While we appreciate all your efforts to improve the standard and quality of education and research in America, we would also like to commend your commitment to reform the eligibility requirements for the Small Business Innovative Research (SBIR) grant program.

California is the worldwide leader in biomedical research and development (R&D). More than 2,700 biomedical companies and 100 public and private research institutions in the state continue to advance scientific knowledge and develop new improved tests and treatments for serious ailments such as cancer, diabetes, and AIDS/HIV as well as cardiovascular, respiratory and infectious diseases. The majority of these companies are small start-up firms, employing fewer than 100 people, building upon a single breakthrough discovery. Investment from the venture community is often the only way to conduct the painstaking and costly research necessary to bring biomedical products to market.

In 2003, the Small Business Administration arbitrarily changed the eligibility requirements for SBIR applicants, excluding companies that are over 50 percent venture backed, disqualifying most early-stage biomedical companies. Your commitment to reform these requirements will have a significant effect on the ability of these companies to develop life-saving and live-enhancing technologies. When the legislation that created the program passed in the early 1980's, Congress recognized the relationship between venture capital and the SBIR program. Because of the peer-review nature of the program, companies whose ideas are validated with an SBIR grant have an increased chance of attracting additional venture capital investment that can accelerate progress towards commercialization.

We greatly appreciate your leadership in this area and look forward to working alongside your office as this measure is introduced and work its way through the Congress.

Sincerely,



David L. Gollaher, Ph.D.
President & CEO

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