



National Venture Capital Association

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NATIONAL VENTURE CAPITAL ASSOCIATION APPLAUDS HOUSE PASSAGE OF THE SMALL BUSINESS INVESTMENT EXPANSION ACT OF 2007

H.R. 3567 Strongly Supports Innovation Through Small Business Access to Venture Capital

Washington D.C., September 28, 2007 – The National Venture Capital Association (NVCA) commended the United States House of Representatives today for passing the Small Business Investment Expansion Act of 2007 by a strong 325-72 vote. The bi-partisan legislation creates much needed financial incentives for investment into small innovative companies. Among other provisions, H.R. 3567 protects venture-backed companies against discrimination by the Small Business Administration (SBA) and promotes the types of public/private partnerships that the United States needs to remain competitive. Specifically, Title V of the legislation will clarify SBA's affiliation rules by ensuring that small businesses with venture capital investment can compete fairly for government grants and contracts based on the merit of the application instead of its funding mechanism.

“Historically, the dual financing sources of government funded programs and venture capital investment have allowed many promising small start-up companies to conduct ground-breaking scientific research while simultaneously building viable businesses that bring many innovations to the marketplace,” said Mark Heesen, president of the NVCA. “The relationship between the two is symbiotic and has helped create new jobs and economic growth.”

At the same time the NVCA lauded Congress, it sharply criticized the Bush Administration and the US Chamber of Commerce for opposing the legislation and failing to recognize the economic benefits of the government and the venture capital community working together to fund the best ideas and bring them to life.

Heesen asserted that the premise that venture-backed companies are equivalent to large corporations is misguided. Venture-backed companies typically have less than 100 employees, are pre-revenue, and in need of funding for many aspects of their operations, well beyond what a venture capitalist can fund.

“There is a gross misconception that venture-backed companies have hit the jackpot and are not in need of government programs established for small businesses. Nothing can be further from the truth,” said Heesen. “HR 3567 clearly provides the appropriate safe guards to ensure that large companies will not be able to compete for small business government grants or contracts.

The NVCA has long asserted that strong partnerships between the government and the venture capital community are essential for innovation and job growth as each has a unique contribution to share.

“These young companies require government support to keep the pipeline of innovation moving and the venture capital community to bring those innovations to market,” said Heesen. “Venture capitalists do not fund basic research and development. Without government support, these innovations will never get to the point where a venture capitalist can take it further.”

The NVCA urged the Senate to follow the leadership of the House of Representatives and pass the Small Business Investment Expansion Act of 2007.

The National Venture Capital Association (NVCA) represents approximately 480 venture capital and private equity firms. NVCA's mission is to foster greater understanding of the importance of venture capital to the U.S. economy, and support entrepreneurial activity and innovation. According to a 2007 Global Insight study, venture-backed companies accounted for 10.4 million jobs and \$2.3 trillion in revenue in the United States in 2006. The NVCA represents the public policy interests of the venture capital community, strives to maintain high professional standards, provides reliable industry data, sponsors professional development, and facilitates interaction among its members. For more information about the NVCA, please visit www.nvca.org.