



**Contact:**  
Christopher Gunn  
Communications Director  
American Small Business League  
cgunn@asbl.com  
(707) 789-9575

**FOR IMMEDIATE RELEASE**

October 1, 2007

**Small Businesses Lose Out To Venture Capital Firms With New House Bill**

**America's largest venture capital firms will become small businesses under new House bill.**

**Petaluma, Calif.** – The following is a statement by the American Small Business League:

On Thursday, September 27th, The House of Representatives passed a bill that could divert billions of dollars in federal small business contracts to firms owned by venture capital firms, wealthy investors and major financial institutions. One of the principal elements of HR 3567, the Small Business Investment Expansion Act, is "Title V" which will repeal key elements of the Small Business Act that have been designed to protect small businesses since 1953.

One of the foundational principles of the Small Business Act is the definition of a small business, which stipulates that a small business must be "independently owned and operated." This definition was designed to prevent large businesses from abusing federal small business programs by misrepresenting divisions or subsidiaries as independent small businesses. Title V of H.R. 3567 reverses that protection. The bill amends the definition of "independently owned and operated" to allow venture capital firms, banks or other large businesses to own up to 49.9 percent of a firm and still be considered a small business for the purposes of government contracting.

If H.R. 3567 becomes law, the nation's largest venture capital firms, major banks, Fortune 500 firms and wealthy individual investors will be allowed to buy 49.9 percent of an existing small business and participate in the federal governments \$80 billion a year small business contracting programs.

Critics of the bill point out that redefining "independently owned and operated" in the Small Business Act to include firms that are actually owned by multi-billion dollar venture capital firms could essentially repeal the Small Business Act for millions of legitimate small businesses. Small business advocates are concerned H.R. 3567 will allow large businesses to masquerade as small businesses and unfairly dominate federal programs originally designed to help America's 25 million small businesses.

U.S. Census Bureau statistics indicate that 89 percent of all U.S. firms have less than 20 employees. Opponents of the bill are worried the average American small business will be forced out of business when they are required to compete head-to-head with firms that could essentially become divisions or subsidiaries of multi-billion dollar conglomerates.

The bill's primary sponsor in the House of Representatives is Congresswoman Nydia Velázquez (D - NY). As chair of the House Small Business Committee, Representative Velázquez has yet to propose legislation to stop the diversion of federal small business contracts to Fortune 500 firms. Velázquez was opposed to a plan by the Office of Federal Procurement Policy, the Small Business Administration Office of Inspector General and the Senate Committee on Small Business and Entrepreneurship that would have required Fortune 500 firms and hundreds of other large businesses to relinquish federal small business contracts.

Since its introduction, H.R. 3567 has been opposed by small business groups and Chambers of Commerce across the country and applauded by venture capital trade organizations.

The American Small Business League has led the opposition to H.R. 3567 and plans to initiate a study of political contributions by the venture capital industry.

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