

# Small-business bill not without opponents

By **Ron DaParma**

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Legislation headed for a key vote in Congress today could open the door to millions more dollars in funding to assist small business, supporters say.

But opponents, including some small-business groups and the U.S. Small Business Administration, say it would allow big venture capital firms and financial institutions to snap up large portions of the limited funds available for their constituents.

HR Bill 3567, known as the Small Business Investment Expansion Act of 2007, is expected to be up for a vote today in the U.S. House of Representatives, said U.S. Rep. Jason Altmire, D-McCandless, who introduced the bill.

"We support this bill wholeheartedly because we believe it's time to bring the definition of what is a small business up to what the real world is today, not how it was years ago," said Dennis M. Flynn, president of Pennsylvania Bio, a Malvern-based organization that represents companies in the state's biosciences industry.

Flynn said many of the state's 1,700 biosciences companies can be classified as small businesses because they have fewer than 500 employees.

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Nonetheless, those firms may be denied Small Business Administration funding if they have secured substantial investments from venture firms -- a situation that the proposed legislation would change, supporters say.

"We feel that because we are a capital intensive industry that it is time for the change to be made," Flynn said.

SMC Small Business Councils opposes the legislation, President Lee Tadonio said. The Pittsburgh-based organization represents about 3,000 small businesses in Western and Central Pennsylvania.

"Almost all venture capital companies have fewer than 500 employees, but if they control a large company, then all of a sudden they are available for all types of small-business loans," Tadonio said. "It would cut into small business completely, and we see this as a problem."

Altmire says that this is not the case and that opponents are misinterpreting the intentions of the bill.

"The purpose of this bill is to help small business acquire the venture capital they need to grow their business," he said. "We say that you can only qualify if you have less than 500 employees and are independently owned and operated."

"Venture capital firms will not get funds under this bill, and we very narrowly define the type of venture capital investment that small businesses can receive and remain eligible for SBA programs," he said. Also, venture capital companies can't be owned by large corporations, he said.

To placate opponents, Altmire said he expects an amendment to be introduced today that will specify that small business will only qualify to compete for SBA programs if no single venture capital firm owns more than 49 percent of the company stock.

"New start-ups and young entrepreneurial technology firms require large amounts of capital to reach the point of commercializing their products or services," said Kevin Lane, spokesman for the Pittsburgh Technology Council.

The council, with 1,350 Western Pennsylvania technology firms as members, supports the legislation.

"I think this is a good idea because it allows federal research dollars to be combined with private equity dollars and allows a greater opportunity for projects to be financed," said Nicholas J. Kuhn, CEO of ALung Technologies Inc., a South Side-based firm working to develop an artificial lung device. "It's difficult to develop a new technology strictly on government grants."

Lloyd Chapman, president of the American Small Business League based in Petaluma, Calif., sees the legislation differently. His organization claims it will allow many of the nation's largest venture capital firms and banks to be considered small businesses.

"When a firm owns 51 percent of a company, you've acquired it," Chapman said. "So the truth about this legislation ... to give an extreme example, is that it would essentially allow Donald Trump and his daughter to start a venture capital company with six employees to buy a small business and get federal small business contracts in perpetuity."

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