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United States Senate

COMMITTEE ON SMALL BUSINESS & ENTREPRENEURSHIP
WASHINGTON, DC 20510–6350

October 2, 2001

The Honorable Fritz Hollings
Chairman
Subcommittee on Commerce, Justice, State
and Judiciary
Committee on Appropriations
United States Senate
Washington, D.C. 20510

Dear Fritz:

This letter is to alert you to a serious problem that is jeopardizing the future of the Small Business Investment Company (SBIC) Participating Securities Program. Specifically, no funds have been included in either the House or Senate versions of the Fiscal Year 2002 Commerce, Justice, State Appropriations Bill to fund the SBIC Participating Securities Program in FY 2002. Without CJS funding the program shuts down

On July 19, 2001, the Committee on Small Business and Entrepreneurship approved legislation to increase fees for the SBIC Participating Securities Program from 1.0 percent to 1.28 percent. This increase was approved so that the program could meet the rapidly increasing demand from small businesses seeking investment capital, while maintaining level funding of $26.2 million from FY 2001 to FY 2002.

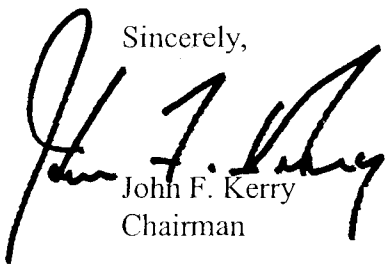
Demand for investment capital by small businesses has increased significantly during the past 12 months. In addition and unfortunately, the private equity markets have shrunk dramatically as evidenced by the enclosed front page article from last week's Wall Street Journal. This article focuses on the impact of the September 11th terrorist attacks on venture capital. At this time, the SBIC Program is the only available significant source of investment capital for small businesses. Action by the Conferees to fund the SBIC Participating Securities Program at the FY 2001 level is imperative in order for the program to meet ever increasing small business demands. Even though the Senate Committee on Small Business and Entrepreneurship has approved legislation increasing the SBIC Participating Securities fees by 28%, should the Conferees fail to include funds in the FY 2002 CJS Appropriating Bill, the program will literally be shut down.

Small businesses employ 58% of the U.S. workforce and create more than 75% of net new jobs. With the economy in a downturn, it is imperative that we provide the necessary tools to small businesses so that they in turn can grow and expand. We can begin to meet this goal by expanding the availability of credit and venture capital to small businesses. Your support for funding this program in FY 2002 is critical if we are going to give small businesses much needed assistance in energizing our economy.

Thank you for your attention to this important matter, and if you wish to discuss this matter further, please do not hesitate to have members of your staff contact Patty Forbes, Majority Staff Director and Chief Counsel at 4- or Paul Cooksey, Minority Chief Counsel at 4-

Sincerely,

Christopher S. Bond
Ranking Member



John F. Kerry
Chairman