

March 29, 2020

The Honorable Steven Mnuchin
Secretary
U.S. Department of the Treasury
1500 Pennsylvania Avenue, N.W.
Washington, D.C. 20220

The Honorable Jovita Carranza
Administrator
Small Business Administration
409 3rd Street, S.W.
Washington, D.C. 20416

Dear Secretary Mnuchin and Administrator Carranza:

Thank you for your service to our nation and support for America's small businesses and their workers, especially during this challenging time.

We, the undersigned organizations representing America's startup community, respectfully urge you to clarify as quickly as possible that small businesses with equity investors will not be excluded from the 7(a) loan program under the *Coronavirus Aid, Relief, and Economic Security (CARES) Act*. In particular, we are gravely concerned that application of the current Small Business Administration's (SBA) "Affiliation Rules" to these companies will create confusion and delays in administering the program, and could effectively exclude many startups that are trying to survive this economic crisis. Such a result would be contrary to the intent of the legislation to provide assistance broadly across all sectors of the economy.

The CARES Act takes many positive steps forward to provide relief to the U.S. economy. However, the goals of the program will be undermined if the "Affiliation Rules" prevent many small companies with equity investment — as is the case with most startups — from qualifying for the emergency relief made available by the CARES Act. This relief is intended for companies with less than 500 employees, other firms that qualify based upon eligible size standards, and entities that already have an explicit waiver. Depending on how the SBA assesses questions of "control" under current "Affiliation Rules," many of these companies could be required to aggregate the employees of unrelated companies in which their investors are affiliated and count them in their employee count, pushing many above the employee size threshold. Regardless of the purpose of these rules for traditional 7(a) loans, allowing the rules to exclude some of our country's most innovative startups in this new loan program is manifestly contrary to the intent of the legislation: to help small businesses keep their lights on and their employees working despite the double financial squeeze created by the economic and financial market downturns.

Without clear guidance enabling startups and small businesses supported by equity investment to access the loan facility, many of these startups may be rendered ineligible. The confusion alone could lead to waves of preventable layoffs. These layoffs will also have broad short-term downstream economic consequences,

including for service-oriented businesses like restaurants, coffee shops, and bars, who rely on these workers as customers.

In addition to laying off workers, startups will have to shut down critical research and development (R&D) projects in fields like bio-research, medical technology, and artificial intelligence, setting back our country's competitiveness and delaying the creation of new tools to combat the COVID-19 pandemic. Bottom line: not providing this critical support to startups now will cause both short-term pain and long-term consequences that linger for years.

In 2019 alone, 2.27 million jobs were created in the U.S. by startups across our nation. According to the job site Indeed, 98 percent of firms have fewer than 100 employees and between small and medium sized companies, they jointly employ 55 percent of employees. When implementing the CARES Act, we urge the SBA to issue guidance that makes clear affiliation rules do not arbitrarily exclude our most innovative startups. Thank you for considering our concerns.

Sincerely,

National Organizations

TechNet

National Venture Capital Association

Technology Councils of North America (TECNA)

Engine

Advanced Medical Technology Association (AdvaMed)

Biotechnology Innovation Organization (BIO)

Center for American Entrepreneurship

Angel Capital Association

Medical Device Manufacturers Association

Female Founders Alliance

Information Technology Industry Council (ITI)

Clean Energy Business Network

Blockchain Association

StartOut

Commercial Spaceflight Federation

LatinX VC

Hello Alice

Dental Trade Alliance

State Science & Technology Institute (SSTI)

Regional Organizations

Mid-Atlantic Venture Association

Mid-America Healthcare Investors Network

New England Venture Capital Association

Rocky Mountain Venture Capital Association (Arizona, Colorado, Idaho, Montana, Nevada, New Mexico, Utah, Wyoming)

Southeast Life Sciences
Western Association of Venture Capitalists

Alabama

Tech Birmingham

Arizona

Arizona Bioindustry Association, Inc. (AZBio)
Arizona Technology Council

California

Alliance for SoCal Innovation
Bay Area Council
BioCalifornia
Biocom – Life Science Association of California
California Technology Council
California Business Incubation Alliance
California Cybersecurity Information Sharing and Analysis Organization (CalCISO)
California Life Sciences Association
Octane
Silicon Valley Leadership Group
sf.citi
Tech San Diego

Colorado

Colorado Technology Association
Rockies Venture Club

Delaware

Delaware BioScience Association (Delaware BIO)

Florida

BioFlorida
Domi Station
eMerge Americas
Florida Medical Manufacturers Consortium (FMMC)
Florida Venture Forum

Georgia

Technology Association of Georgia

Indiana

Indiana Health Industry Forum
Indiana Technology & Innovation Association
TechPoint Indiana

Illinois

1871

Illinois Biotechnology Innovation Organization

Illinois Venture Capital Association

MATTER

mHUB

Open Prairie

TechNexus Venture Collaborative

Iowa

Iowa Venture Capital Association

Kansas

KC Tech Council

Wichita Technology Corporation/Wichita Technology Ventures

Kentucky

Technology Association of Louisville Kentucky

Maine

Startup Maine

Maryland

Maryland Tech Council

Massachusetts

Massachusetts Medical Device Industry Council (MassMEDIC)

Mass Technology Leadership Council

Michigan

Ann Arbor SPARK

Michigan Biosciences Industry Association (MichBio)

Michigan Venture Capital Association

Minnesota

Medical Alley Association

Missouri

Arch Grants

BioGenerator

BioSTL

Cortex Innovation Community

KCRise

KC Tech Council

Missouri Biotechnology Association (MOBIO)

Technology Entrepreneur Center

Nebraska

Invest Nebraska

New Jersey

HealthCare Institute of New Jersey (HINJ)

New Jersey Tech Council

New York

MedTech (NY)

NY Tech Alliance

Tech:NYC

Upstate Capital Association of New York

North Carolina

Council for Entrepreneurial Development

North Carolina Biosciences Organization (NCBIO)

North Carolina Technology Association

Ohio

Cintrifuse

JumpStart

VentureOhio

Oklahoma

36 Degrees North

Oregon

Oregon Bioscience Association

Technology Association of Oregon

Pennsylvania

Life Sciences Pennsylvania

Philadelphia Alliance for Capital and Technologies

Pittsburgh Technology Council

Pittsburgh Venture Capital Association

Rhode Island

Tech Collective

Tennessee

EO Nashville

Greater Memphis IT Council

Greater Nashville Technology Council

Texas

Austin Tech Alliance
Austin Chamber of Commerce
Caruth Institute for Entrepreneurship
Geekdom
Houston Exponential
The Ion
Kauffman Fellows
Launch SA
MassChallenge Texas
Rice Alliance for Technology & Entrepreneurship
Southwest Venture Forum
Texas Healthcare & Bioscience Institute
Texas Venture Capital Association

Utah

BioUtah
Silicon Slopes Commons

Vermont

Vermont Technology Alliance

Virginia

Northern Virginia Technology Council
Roanoke-Blacksburg Technology Council

Washington

Life Science Washington
Washington Technology Industry Association

Wisconsin

BioForward Wisconsin
TitletownTech
Wisconsin Technology Council
Wisconsin Venture Capital Association