

April 3, 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

RE: Clarification of Eligibility for Small Businesses with Equity Investors under the SBA's 7(a) Loan Program within the CARES Act

Dear Secretary Mnuchin and Administrator Carranza:

On behalf of the Advanced Medical Technology Association ("AdvaMed"), I am writing to request that the Small Business Administration (SBA) and the U.S. Department of Treasury issue guidance that clarifies the SBA affiliation rules so that **small businesses with equity investors may qualify for vital loans** provided under the *Keeping Workers Paid and Employed Act* Section of the *Coronavirus Aid, Relief, and Economic Security (CARES) Act*.

The Advanced Medical Technology Association (AdvaMed) is the world's largest trade association representing medical device and diagnostics manufacturers. AdvaMed's member companies produce the innovations that are transforming health care through earlier disease detection, less invasive procedures, and more effective treatments. Many of our members are manufacturers of medical devices that are critical in the diagnosis and treatment of COVID-19. AdvaMed has more than 400 member companies, ranging from the largest to the smallest medical technology innovators and manufacturers. AdvaMed Accel is the division within AdvaMed dedicated to addressing the unique needs and challenges of these smaller medical device and diagnostics manufacturers – the lifeblood of the medical technology industry.

The medical technology industry is heavily skewed toward small companies – the kind of companies that begin with a scientist, engineer, or doctor with an idea to improve patient care. More than two-thirds of the medical technology firms in the U.S. have fewer than 20 employees – the majority of these companies being in pre-revenue or early revenue stages. A high proportion of the breakthrough products in our industry come from these small, often venture-capital funded companies. The long-term health of the whole industry depends on the continued success of these small firms and their access to the capital necessary to develop the breakthrough products of the future, and equity investors are an integral part of this medical technology industry ecosystem.

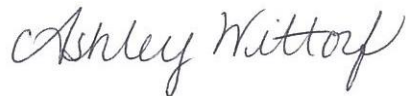
The *CARES Act* takes many positive steps to provide relief to the U.S. economy and small companies – including those medtech companies we represent. AdvaMed specifically applauds

expansion of the SBA 7(a) loan program under the *CARES Act*; these loans are especially important to our member companies. In order for these loans to be leveraged as a lifeline during this time of crisis, we strongly **encourage the Administration to use its authority to clarify that the SBA affiliation rules will not preclude small medical technology companies that receive equity investment from participation in the program. Headcounts of these companies' equity investors should not be included when using the 500-employee cap determination.** These businesses all have different shareholder groups and are operated independently, with separate capital structures, and separate employee populations with independent employment benefits and terms. Furthermore, they are impacted in different ways by the COVID-19 crisis. Employment considerations of these companies are totally independent of one another – just as would be the case with any two completely unrelated, independent businesses; as such, the support intended under the *CARES Act* should apply to these employee populations independently.

I appreciate your attention to this important issue; without clear guidance quickly, hundreds of innovative medical technology companies may be precluded from accessing this emergency program, jeopardizing the commercialization of life-changing technologies that will improve patient care and reduce healthcare costs. If the United States is to effectively combat COVID-19 and remain competitive long-term, there must be policies in place to allow for the next generation of medical technology companies to survive this crisis and continue creating breakthrough products and high-quality jobs.

Please do not hesitate to contact me at (202) 434-7221 or AWittorf@advamed.org with any questions or concerns.

Sincerely,



Ashley Wittorf