

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