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April 16, 2020

Via Electronic Submission

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

The Honorable Jerome Powell
Chairman of the Board of Governors
Federal Reserve System
20th Street & Constitution Avenue N.W.
Washington, D.C. 20551

**RE: Recommendations for Updating Main Street Business Lending Program
(MSLP) Term Sheets to Provide the Greatest Access to the Program**

Dear Secretary Mnuchin and Chairman Powell,

On behalf of the Medical Device Manufacturers Association (MDMA), a national trade association representing hundreds of innovative and entrepreneurial companies in the field of medical technology, I want to thank you for your coordinated and decisive actions to address the unprecedented economic challenges our country is facing as a result of the COVID-19 pandemic. Initiatives underway at the Department of Treasury and the Federal Reserve will serve as the financial backbone to support and help small, medium and large companies. More importantly, the programs enacted under the “Coronavirus Aid, Relief, and Economic Security (CARES)” Act will help medical technology employees weather this crisis, while empowering our members to continue developing lifesaving and life-changing innovations, and bridging the gap with the necessary liquidity that will allow our economy to thrive once again. I am writing to provide term sheet recommendations, for both the new and expanded loan facilities, that will ensure the program functions in an effective and efficient manner and is accessible to all companies within specified employment ranges and revenue thresholds.

MDMA provides educational and advocacy assistance to innovative and entrepreneurial medical technology companies, and it is our mission to ensure that patients have timely access to safe and effective medical products that improve health outcomes. Our members, the majority of which are small to mid-sized medical device companies, have a strong record of delivering innovative therapies to patients suffering from chronic diseases and life-threatening conditions, while lowering the cost of care. Our industry is responsible for significant advances in patient care over the years, including transcatheter heart valves, implantable cardiac defibrillators, cochlear implants and countless other innovations. Such advances have vastly improved treatments for medical conditions like heart disease, cancer and stroke – annually among the leading causes of death for Americans each year.

Small to mid-sized medical technology companies are an integral part of the medical device industry ecosystem and responsible for a majority of the truly novel and disruptive

medical technology innovations that have improved the way of life for so many patients. These efforts can take many, many years and hundreds of millions of dollars before an idea can ultimately reach patients and address unmet needs. It can take decades for these highly regulated and capital-intensive companies to reach profitability and sustainability. Swift and meaningful action to meet the current health and economic crisis is paramount to help these companies survive and ultimately fulfill their mission to deliver new therapies to patients in need.

As you can imagine, the road for these small to mid-sized medical technology companies includes a significant number of challenges in the best of times. However, the COVID-19 pandemic has materially increased these uncertainties. Like many other sectors of our economy, the pandemic is adversely impacting many of our members' businesses. At a White House Task Force Press Briefing on March 18th, Centers for Medicare & Medicaid Services (CMS) Administrator Seema Verma announced a federal directive recommending a deferral of all adult elective surgeries, non-essential medical, surgical, and dental procedures during the COVID-19 response. We understand the necessity of these actions and support them; however, we also believe reciprocal action is warranted to ensure that the companies MDMA represents, which also supply the products for these deferred procedures, can survive until COVID-19 countermeasures are lifted and elective procedures are allowed to resume.

As currently structured, the draft terms sheets for both the Main Street "new" loan facility and the "expanded" facility appear to exclude many innovative medical technological companies that treat cancer, cardiovascular disease, neurological disorders and other critical conditions. Specifically, all companies who have expenses that exceed revenues would be excluded under the threshold set to establish the maximum amount for a loan. Terms in the new loan specify that the maximum loan size cannot exceed four times 2019 EBITDA and expanded loan terms indicate that the maximum loan size cannot exceed six times 2019 EBITDA. In addition, successful companies prior to the COVID-19 pandemic with greater leverage would be excluded. It is understandable that the Federal Reserve and Treasury need to explore ways to minimize risk for loans. However, many emerging and successful medical technology companies would be excluded from this critical liquidity lifeline without modifications.

In an effort to realize the full impact of the Main Street program and the Administration's desire to ensure liquidity for all small to mid-sized businesses that need it, MDMA strongly encourages the Federal Reserve and Treasury to make the following improvements to the Draft Term Sheets for the Main Street New Lending Programs:

- 1) Modify the current methodology for the maximum loan amount under MSNLF to include two additional options: 1) an unsecured loan up to \$15M that would not require the EBITDA/leverage analysis (the \$25M maximum would remain with the current thresholds in place); and 2) an unsecured loan of up to 0.5xEBITDA for companies that are currently above the EBITDA/leverage thresholds;
- 2) The loan should be subordinate to any other loans;
- 3) Participating banks would be a) required to provide such loans outside of any existing debt covenants and not accelerate any existing covenant provisions, and b) prohibited from increasing interest rates on any existing loans due to perceived increased risk;
- 4) Loans would be structured as cash or paid-in-kind interest, due upon a change-in-control or after any existing credit facilities; and

- 5) Loans would not be overly restrictive, including limitations that increase the amount of debt required to stay afloat. We encourage the administration to allow companies to utilize the necessary tools to lower the amount of debt needed for liquidity and sustainability.

Thank you for the consideration of our comments and perspectives. I hope you will move quickly to update the Main Street Lending Program Term Sheet to ensure that all small and mid-sized medical technology companies and their employees have the opportunity to access these critical funds and continue their important work to improve patient care.

Please email me at mark.leahey@medicaldevices.org with any follow up questions, concerns or clarifications.

Sincerely,

A handwritten signature in black ink, reading "Mark B. Leahey", with a stylized flourish at the end.

Mark B. Leahey
President & CEO, MDMA