

**FULL COMMITTEE HEARING ON
HEROES OF SMALL BUSINESS**

HEARING

BEFORE THE

**COMMITTEE ON SMALL BUSINESS
UNITED STATES
HOUSE OF REPRESENTATIVES**

ONE HUNDRED ELEVENTH CONGRESS

FIRST SESSION

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FULL COMMITTEE HEARING ON CELEBRATING OUR SMALL BUSINESS HEROES

Wednesday, May 20, 2009

U.S. HOUSE OF REPRESENTATIVES,
COMMITTEE ON SMALL BUSINESS,
Washington, DC.

The Committee met, pursuant to call, at 10:00 a.m., in Room 2360 Rayburn House Office Building, Hon. Nydia Velázquez [chairwoman of the Committee] presiding.

Present: Representatives Velázquez, Shuler, Dahlkemper, Schrader, Nye, Altmire, Ellsworth, Bright, Graves, Bartlett, Akin, Buchanan, Luetkemeyer, and Coffman.

Chairwoman VELÁZQUEZ. Good morning. I call this hearing to order. Today we are celebrating Small Business Week and the men and women who keep our economy running.

It takes a special kind of person to start a business. As most of you know, being your own boss doesn't mean a 40-hour work week and 2 months' paid vacation. Quite the opposite, it means spending more time in the office than your friends with conventional jobs.

At the end of the day, you don't do it for the hours. You do it because you are the hardest working people in America. You are also some of the most resourceful and the most resilient. These are the traits that have helped people like you who lost out of past recessions. And these are the traits that will lead the way back to prosperity.

When entrepreneurs do well, America does well. Whether it is the tech start-up in Silicon Valley or the family-owned restaurant down the street, small businesses are the engine driving this economy. In fact, entrepreneurs create roughly 70 percent of all American jobs. They also have a proven record for stemming recessions.

Take the down turn of the mid 1990s, for example. During that time, entrepreneurs created 3.8 million new jobs. With unemployment now at 8.9 percent, we could use that kind of growth again. That is why both this Committee and the rest of Congress have taken steps to strengthen entrepreneurship.

On its own, the American Recovery and Reinvestment Act contains \$15 billion in tax relief for small firms. It is also expected to generate \$21 billion in loans and investment. That is capital you all can use to start growing again. Meanwhile the stimulus contains important provisions for helping small firms win government contracts. In terms of infrastructure projects alone, entrepreneurs stand to gain \$29.9 billion.

But we aren't just giving you the opportunities. We are also giving you the tools to seize those opportunities. Later today I will be with my ranking member on the House floor to present H.R. 2352, the Job Creation Through Entrepreneur Act of 2009. That bill is going to provide critical resources to help your business grow and adapt.

Because let's be honest. The economic landscape looks very different today than it did a year ago. H.R. 2352 will give you the training you need to re-tool your businesses and emerge from the recession stronger than before. That is critical because we are really counting on you to turn things around.

This morning we have a very diverse cross-section of the small business community. We have a finance firm. We have a heating and air conditioning business. We have the nation's only streetcar manufacturer. And you have come from all over the country: Clackamas, Oregon; Andalusia, Alabama; Virginia Beach. But while it may seem like your businesses have nothing in common, you do share one critical common thread: the key to recover.

As Americans reevaluate the old way of doing business, we are increasingly looking to small firms. Men and women like yourselves who are the real heroes of American industry, today we celebrate you.

I would like to thank all of our witnesses for being here today. I am so pleased they could join us and look forward to hearing from you.

So I now would like to recognize the ranking member, Mr. Graves, for his opening statement.

Mr. GRAVES. Thank you, Madam Chair. And thank you for holding this hearing, highlighting the successes of our entrepreneurs from all across the nation. It is very fitting that we honor these folks given that it is Small Business Week. And thank you all for coming from so many different places.

Each year we pay tribute to America's small business owners and workers. These are the men and women who use their entrepreneurial talents to make our lives better, help sustain our economy, and expand opportunities for all.

Small business owners from across the country are gathered in Washington to be honored for their accomplishments. Entrepreneurs exemplify the value of hard work, ingenuity, and achievement. It is especially important to recognize small businesses that have prospered despite the difficult economy.

We salute small companies for the strong commitment to their communities and their contributions to our nation. Small businesses empower America's economy. Small firms create the bulk of new jobs and account for 51 percent of our workforce. These companies are on the cutting edge of research, hiring 40 percent of all technology employees, and acquiring 13 times more pathos per employee than large firms.

Small firms are also leaders in trade. Trade boosts our prosperity and strengthens our ties with other nations and creates new opportunities for America's workers. Almost one-third of all U.S. exports are generated by small businesses. And 97 percent of all U.S. exporters are small companies.

The number of women minority and veteran-owned businesses are growing rapidly and comprises an increasing percentage of our economy. These successes are impressive, but there is a lot more we can do. Our economy is lagging, and many small businesses are hurting.

Let's make sure small firms have the tools to prosper. They need the access to capital, counseling, and programs to help expand their businesses. Increasing taxes, employer mandates, and regulatory burdens will simply cripple smaller firms. By supporting legislation to keep taxes low, promote free trade, and allow small businesses to pool together to purchase health insurance and reduce frivolous lawsuits, we can help small companies compete.

Again, Madam Chair,—I think she had to step out for a little bit—I thank you for holding this hearing.

Mr. NYE. [Presiding] Thank you, Mr. Graves. I will be filling in for the Chairman just for a few minutes here.

I want to recognize my colleague, Mr. Coffman, for the purposes of introducing our first panelist from his district. Mr. Coffman?

Mr. COFFMAN. Thank you, Mr. Chairman.

It is a pleasure to welcome a fellow Coloradan and constituent as Stephen Reister to the Committee. Mr. Reister is the owner of Steel-T Heating and Air Conditioning in Englewood, Colorado. He has received several industry awards for his ozone-friendly business practices and his community awareness efforts.

Outside of his business, Mr. Reister is also a civic leader who sits as a board member on the Cline Valley Water and Sanitation Districts. He is active in a number of civic organizations, including the United Way's gift of warmth program.

Welcome to the Committee, Mr. Reister. We look forward to hearing your testimony.

STATEMENT OF STEPHEN REISTER, PRINCIPAL, STEEL-T HEATING AND AIR CONDITIONING

Mr. REISTER. Madam Chairwoman Velázquez, Ranking Member Graves, and members of the Committee, Madam Chairwoman Velázquez, Ranking Member Graves, and members of the Committee, thank you for having me here today.

Once again, I am Steve Reister, one of the owners of Steel-T Heating and Air Conditioning in Englewood, Colorado. I am here to represent both our employees, the fantastic 41 of them that we have right now, and our company.

My father purchased this company in 1989, amidst a recession that looked very similar to the one that we are looking at today. His friends counted him down, assumed he would soon file bankruptcy and go out of business.

Many changes quickly occurred in our business. The first thing he did was not give a pay cut. He gave all the employees a raise. That's what small business owners do. They take care of their people. And he knew by taking care of his people, happy employees make happy customers. And happy customers tell a friend.

My father opened the first 401(k) plan in our industry, gave paid vacation, four-star competitors to follow suit if they wanted to keep up with us. Our company grew leaps and bounds over those first few years.

My brother and I have taken over the company, and we are now 20 years old. We do have those 41 employees. We are down from the 100 that we had just a few years ago. Many of them have now only been with us since the beginning, but they have retired with our company. And that makes us very proud.

We have 26 American-made Ford trucks on the road today. We would like to add to that fleet. We are increasing our advertising this year in hopes of offsetting the nation's woes.

We have three distinctive divisions of the company: new construction making up 70 percent of the company, replacement or retrofit making up 18 percent of our company, and 12 percent commercial building.

Our revenues have been as high as \$12 million a year. This year we hope to have half of that. But I don't want the Committee to feel bad for us. We have a plan. We have gotten together as a team of managers and owners, and we decided we are not going to participate in this recession.

We as Americans have 100 percent control over one thing in our life: our attitude. And our attitude at Steel-T in our team is very strong, and we will keep her going.

Colorado has a 50,000-unit furnace replacement market. That market is one we plan on tapping into. We have 20 competitors that have already gone out of business. And we see no reason to be one of them.

In the past, we have questioned our father and how he didn't want to take advantage of bank loans or lines of credit. We had paid taxes on our profits already. Why didn't he disburse them to us? Why not take advantage of those banks and government agencies who for so many years gave out excessively high lines of credit with zero or no accountability?

My father held steadfast. Now my brother and I follow in his footsteps, even if our education was a bit slower than he would have liked. His leadership has placed us in a position to ride out this storm. A storm we should have all seen coming, one we should have made provisions for.

So what can this federal government and this body do for us today? Give small business tax incentives to help drive the economy out of this mess. Give us a reason to buy new vehicles. Allow us to depreciate them over two years, instead of the current seven.

Newer vehicles are better for the environment. They leave a much smaller carbon footprint. And if you saw some of the vehicles my competitors are driving today with black smoke pouring out of them, you would want them off the road, too.

Offer tax credit when we purchase new manufacturing equipment. As we earn money to educate our employees, allow us to keep more of that money to reinvest in them. Our manufacturers all offer extended training. We can send them all over the country for this training. We will have better employees, who are able to work faster and longer in our industry without injury.

Our current federal tax rate is extremely high. We don't see any of the loopholes that so many people talk about. We, like most other companies here, are subchapter S corps, which means our personal taxes and company profit taxes are the same. They all come from one pool.

We pay full tax on those profits and very rarely get the opportunity to remove them from the company; instead, leaving them in the bank for operating capital to keep employees working.

If you leave the money in there too long, though, we can either loan it back to ourselves and pay ourselves interest or we can pay taxes on it again. That doesn't make a lot of sense to me.

We also have health care for our employees, to the tune of \$145,000 a year and rising. Help us keep those soaring costs down, not by giving us socialized medicine but by limiting the paperwork that we have to do for both the insured and the insurer.

Give small business' smart guys out there the opportunity to create software plans to manage our health care system in the private sector. This will keep premiums low, reduce overhead so doctors can spend time with their patients. This nation will persevere through this current economic down turn. We are a nation of believers in God and the innate goodness that dwells in its citizens.

This is the greatest nation on Earth. Our entrepreneurs will strive to reach the American dream, the dream pursued by our forefathers and offered in our Constitution to those who are willing to sacrifice to achieve it. This body of Congress and Obama administration should embrace those entrepreneurs and reward them for their risks we take and our willingness to grow the economy and employ its people.

Thank you, Madam Chairwoman Velázquez, Ranking Member Graves, and members of the Committee, for your time and willingness to hear my testimony. I pray that God will grant you the wisdom to leave this country and nation, restore its shine as a beacon to the world of what a democracy can and should be.

[The statement of Mr. Reister is included in the appendix.]

Mr. NYE. Thank you very much for being with us.

I am going to introduce Ms. Storey next for her opening statement. Mr. Bacon, I did not forget you. I understand that Mr. Shuler is interested to introduce you, and we want to give him the opportunity if he can make it to do that. So we will just put you on hold for a few more minutes.

Ms. Dona Storey is President and CEO of Quality Technical Services, Incorporated, located in my district, in Virginia Beach. QTS is a minority and women-owned business that provides consulting and manages interior design projects. Ms. Storey has earned several awards for her contributions to the business community, including being named by the SBA in 2007 as Virginia's Women in Business Champion of the Year.

I met yesterday with Ms. Storey yesterday. And I was impressed with her perspective on the small business community and with the fact that she has spent a lot of her time giving speeches and participating in mentoring programs, educating other entrepreneurs about how to navigate the often difficult world of government contracting. So we appreciate what you have been doing for the small business community, looking forward to hearing your thoughts, Ms. Storey.

Ms. STOREY. Thank you very much.

**STATEMENT OF DONA A. P. STOREY, PRESIDENT, QUALITY
TECHNICAL SERVICES, INC./GOVtips, LLC**

Ms. STOREY. I will not read from my text, but I would like to hit some of the highlights. I come here, actually, to express two very strong feelings: number one, gratitude. I am the American dream. I am the daughter of a Filipino steward post-World War II who came to this country, who had lost everything and believed this was the land of opportunity. He taught this to his two daughters, I being the older of the two.

My dad at the age of mid 30s became a millionaire. And he did so by figuring out what coin-operated laundromats were all about. He grew a business from that, building into buy shopping centers.

Unfortunately, he died a very young man, leaving two daughters. And what he left behind was the legacy of this is the land of opportunity.

I have been in business for 29 years. In the last 15, I have had the great opportunity to learn how to do business with the federal government. Now, some people might laugh and say that is an opportunity. But I will tell you being a successful management consultant for 14 and a half years did not in any way allow me to even dream of how I could actually grow my firm.

I took all of the lessons learned from my father as an entrepreneur, and I put them in place. And I learned the federal government, all of this stuff around contracting.

Now, what I am here to talk about today is when I say in gratitude, I am so grateful for what has happened to me and my firm and my company. But what I am here to talk about is how we need to shortcut and re-engineer small business program. I am not here to complain. I make a big issue of that. But I am here to say, what can we do to think like entrepreneurs and reexamine our small business programs?

As an example, we have women's centers. We have PTACs. We have SBDCs. In tight times like this, I as a taxpayer know that they need more funding, but I know that it is very difficult to continue to fund more projects. I think we need to take a look at how we can consolidate some of the administrative sides of these programs.

The one thing I did find out in the drum that I pound out around this country is there is no better customer than the federal government. And having done business with a lot of the big names, the J&J, Ritz Carlton, J.P. Morgan Chase,—I could go on and on—when I do business with the federal government, I know my rights. I can read the regs.

If I hit a bump in the road on any contract, I don't need a team of lawyers. I will never outgun the corporate attorneys that they have in the country. But what I can do is read a reg, understand what my rights are, and go into any meeting on my investment.

In taking a look at some of the programs that we have out there today, they are excellent pointer programs. But what they miss is the one thing that people call me for.

Years ago we laughingly said that the SBA should call my business "1-(800)-Dona, can you help me?" The SBA sent me hundreds of companies. People find me from around the country. I don't

know how they are finding me, but they find me through different contacts.

What our programs are missing is the lessons learned from a person like me, who stumbled. I didn't know what I didn't know. And I kept hitting walls, and I kept asking. I was very needy, but I was tenacious in finding out.

Nothing can grow a small company like doing business in the federal sector. It is absolutely the single fastest way of catapulting your firm to that true next level. The hurdle is understanding the culture. But any corporation I go into, they have their own culture.

Secondly, the one challenge financially is—and I am sorry I am speaking so fast, but the one challenge is lines of credit. Because the opportunity is so great, you will find yourself needing a larger line of credit than you typically would be if you grew commercially.

You have to know how to read and be tenacious and willing to read the regs, but they are understandable. And I am convinced that all of these things around you can't get paid, it is too difficult to get through the door, folks, I continue to say this is a myth that is perpetrated by all the big firms that are trying to keep the small guys out.

If I can learn—and I used to never say this publicly, but I came out of school working for a cosmetics industry, Estee Lauder and Revlon. Now, yes, it is a girlie industry, but it is the toughest industry I have ever worked in. I mean, federal government is nothing compared to what cosmetics was. And so I keep saying if I can do this, I know others can. And I am trying to get the word out to encourage them.

I thank you all, Mrs. Velázquez, certainly Congressman Nye, Mr. Graves, for allowing me this opportunity to talk here about how we need to get the word out more efficiently and effectively to let other businesses do for themselves what this country allowed for my family.

Thank you.

[The statement of Ms. Storey is included in the appendix.]

Mr. NYE. Thank you very much.

At this time I am going to yield to Mr. Bright to introduce the next witness.

Mr. BRIGHT. Mr. Nye, thank you very much.

Madam Speaker, I am proud to welcome Ms. Barbara McClain to the Small Business Committee today. Ms. McClain is from the great Town of Andalusia, Alabama, is one of my constituents. As you know, she has been named a small business hero for the success of her small business in Covington County or Andalusia, Alabama.

Ms. McClain is owner and President of McClain Contracting Company, Inc., a firm that has provided a range of services to military basis and other federal installations. Ms. McClain began her career as a bookkeeper and payroll clerk in 1968 and worked for several firms before incorporating her own business in 1990, selling ATVs and watercraft.

Ms. McClain later transformed the business and became a license construction company receiving an SBA certification as a HUBZone and 8(a) firm in timber 2005. With the program's assist-

ance, McClain Contracting proposed by expanding its work to the federal level.

The company has been awarded over \$13 million in contracts by Kessler Air Force Base and performed work for other military and veteran service facilities in Mississippi. Having gained a reputation for quick, quality work, McClain Contracting is currently seeking to expand its services throughout the Southeast United States or the Southeastern region.

In these uncertain economic times, it is incredibly important that we cultivate and support the entrepreneurs in our communities like Ms. McClain. Small businesses created, as our Chairman indicated, 70 to 80 percent of all the new jobs in our economy. Additionally, many small businesses are started during recessions, when the entrepreneurs have nothing but a vision and the work ethic to make their businesses successful.

So, again, I commend Ms. McClain and the thousands of small business owners around the country for the work they are doing. It is my pleasure and privilege today to welcome Ms. McClain to the Small Business Committee and ask for her testimony this morning.

STATEMENT OF BARBARA MCCLAIN, McCLAIN CONTRACTING

Ms. MCCLAIN. Madam Chairwoman, distinguished members, it is like a dream come true for a sharecropper's daughter from south Alabama to be in this building and in the presence of such an elite group of dedicated Americans. I am so humbled and overwhelmed. This could happen only in America. To be asked to testify to this Committee under the heroes of small business is such an honor.

McClain contracting company, is a small woman-owned, Native American-owned construction company located in the Southeast Alabama town of Andalusia. The corporation is owned by me and my son, Kevin McClain.

The company got its start in 1990 as McClain Motors, Incorporated, doing business as McClain Yamaha, a Yamaha dealership that sold ATVs and watercraft. We changed the name of the corporation in '97 and became McClain Contracting. The company became a general licensed contractor by the State of Alabama.

We had achieved some success and had won some contracts on road and bridge projects in Alabama, but it was tough to find regular work. Our workforce consisted of me, my son, and four employees.

Sometimes the only recourse to laying off our workforce was to go to the bank and borrow money to make the payroll so our valuable employees could take their wages home to meet their obligations. We did this without hesitation because we have always tried to treat our employees like family. We do what was best for them.

I was not content and decided to pursue opportunities with the federal government. I was aware of the opportunities that could be available to our company in this direction. I contacted the Troy University Small Business Development Center for Assistance. Counselors with the Troy Small Business Development Center first met with me and my son in October of '04. I began the process of applying for 8(a) and HUBZone certification.

Much of my time in '04 and '05, 14 months, in fact, was spent working through the exhausting and frustrating 8(a) and HUBZone certification process. I was certified 8(a) by the U.S. Small Business Administration September 15th of '05.

It wasn't like the federal government suddenly started handing over work, far from it. But certification was the best thing that ever happened to our family and our employees' families.

After marketing to the federal government for 11 months, I negotiated my first federal contract August 24th of '06 with Kessler Air Force Base, Biloxi, Mississippi. The contract was called SABER. SABER is a simplified acquisition of engineering requirements, which was a on-call service of the air force base to do odd jobs, things like fixing and replacing air conditioners, plumbing, building remodeling.

The contract was for one year. We completed this task in four months. The contracting officer was so pleased with the quality of our work, our ability to meet our commitments, that I negotiated another contract. Believe me things haven't been the same since.

Our reputation spread to other nearby federal installations like the Navy Seebee base in Gulfport and the VA hospital in Biloxi, awarding us contracts. Soon we began to expand beyond our success in Mississippi and secured contracts in the Florida panhandle.

We Have completed \$24,400,000 of contracts for federal agencies, such as the Air Force, the Navy, the Army Corps of Engineers, the Veterans Administration, and the General Services Administration. We actually completed these contracts in 32 months. I am grateful more than words can express.

We now have 31 full-time employees. Our strength lies with our employees. And we could not do what we have accomplished without them. The success of our business is due to hard work and dedication of our personnel, and I also give much of the credit of our business success to the staff at the Troy Small Business Development Center and the SBA office in Birmingham for their assistance in helping me apply for the SBA certification.

I am feeling really good about our recent success, but I am not content to enjoy it without expressing an interest in sharing my story to help others who might be tempted to give up when things get tough.

We have all heard the comment that "I am from the government, and I am here to help you." This is really true with the U.S. Small Business Administration. The personnel, the different programs, and training available to help anyone to succeed in the business world is available for the asking. Don't give up. Don't be afraid to Ask for help. Help others anytime you can.

In Alabama, 97 percent of employment is by small business. This means we Really need Mr. Tom Todt and his staff at the Alabama District Office of the U.S. Small Business Administration in Birmingham, Alabama. Only in America and with grace of God could someone like me have the opportunity for help and the chance to help others.

In closing, I want to thank each of you for the support you give the Small Business Administration. You touch so many lives all over the U.S. through the Small Business Administration.

And one other thing. I am so thankful that I live in Congressman Bobby Bright's district. Although he is young in Congress, you will see great things happen because he is here.

[The statement of Ms. McClain is included in the appendix.]

Mr. BRIGHT. That was great. I added that last statement for her, Madam Chairman.

[Laughter.]

Chairwoman VELÁZQUEZ. Thank you, Ms. McClain. That wasn't supposed to be part of the script

Ms. MCCLAIN. Thank you.

Chairwoman VELÁZQUEZ. But thank you for such a beautiful story—

Ms. MCCLAIN. Thank you.

Chairwoman VELÁZQUEZ. —and sharing it with us.

And now I will recognize the gentleman from Florida, Mr. Buchanan.

Mr. BUCHANAN. Thank you, Madam Chair.

You can add that tagline at the end of mine, too, if you would like.

[Laughter.]

Mr. BUCHANAN. It is my pleasure today to introduce one of my constituents from the great State of Florida, Lee Mirman, to the Committee. Mr. Mirman is an owner of investments in Sarasota, not just real estate but in the high tech business. He is located, obviously, in my district. His business has been awarded Sarasota Magazine's 5-star real estate award for two consecutive years. He is very entrepreneurial, owned many businesses. And he is in a very successful high tech and real estate business.

I welcome you here to the Committee and am delighted to have you from my district and look forward to your comments today.

Mr. MIRMAN. Thank you.

Chairwoman VELÁZQUEZ. The gentleman is recognized for five minutes.

**STATEMENT OF LEE MIRMAN, TRC CIPS, BROKER/OWNER,
INVESTMENTS IN SARASOTA**

Mr. MIRMAN. Good morning. Chairwoman Velázquez, thank you for convening this panel to spearhead the conversation about what is required to have success in today's environment. Congressman Buchanan, it is a pleasure to come up from Florida. Thank you very much for your focus on empowering small businesses.

To provide a context from my perspective, I will share that my instincts and interests have drawn me to explore various experiences in different parts of the world. Both my wife and I are Duke MBAs, but much of what we have learned comes from getting our hands dirty, from working from the ground up, and learning by trial and error. This morning, though, I am not going to focus on the processes that have led to my success but, rather, the underlying philosophies.

First, relationships are fundamental. We seek out the win-win by interacting with each individual we come in contact with with respect and integrity. We look for ways to collaborate and build synergies. In our vision, someone does not need to lose for us to gain. There is plenty of opportunity to go around.

I believe that in doing this, we also attract the type of individuals that value these principles. I don't think in terms of hierarchy.

We are all working together toward a common goal. We have a policy about who we work with. We must know, like, and trust them. In the big picture, it does not matter how much money they have or how smart they might be, but if they are nice people, good people, then we will do business.

I would like to borrow the meaning behind the word "sustainable." For me it applies to respecting the environment and also respecting people. Making decisions based on the long-term relationship, this is a sustainable business practice.

In the spirit of honoring the important contributions of individuals, allow me to acknowledge the part one young lady, Sara Del Monte, daughter of my colleague, played in bringing us here today. You and your mom embrace the spirit of collaboration and cooperation that will continue to nurture success of all of us.

Being a citizen of the globe, the United States is a conglomeration of immigrants, wanderers, who come from generations of immigrants. Americans of past generations have wanted to stay close to home, but each generation is a completely new one. Some amongst this great melting part are seeking out their ancestral homes. They are returning to villages they once fled in places like India.

My wife speaks to our children exclusively in Spanish. We also teach our children Chinese and expose them to many European languages. We want them to be world citizens. While we would love to be wired to be able to speak many languages ourselves, we want them to stand on our shoulders, to have access to more of their potential, and to be equipped to do things differently than the previous generation.

Diversifying the international markets makes sense pragmatically. Investors still need to put their money to work for higher risk protection. And we have identified opportunities abroad.

That said, however, I have always had the instinct to engage with many countries and cultures. It only feels natural to leverage that same intuition as I take my business and the people working with me abroad so that we may follow our children.

Sustainable business practices. Lisa and I aim to be emissaries in this respect as well. Our goal is progress, not perfection. While in France recently, I interacted with several thought leaders on this topic of sustainable development. One was a commercial building developer from here in Philadelphia. He operates 200 commercial centers around the United States.

Going forward, they will only build green, not just because it is the healthier thing to do but because governments and insurance companies will require it in the future. He is getting a head start. In my business, we are seeking out opportunities to contribute to keeping our air, land, and water cleaner to set an example.

In conclusion, I am looking to align myself with people that are not encumbered by previous ideas. All of us in this room can not even fathom what will transpire in the globalization and sustainability fronts.

Lisa and I both come from entrepreneurial parents that encouraged us to follow this path. We were able to emulate what it means

to go out on your own, to work hard, and struggle to build something. It certainly has made us stronger. So I appreciate the opportunity to engage with you here this morning.

Today's hearing is entitled "Heroes of Small Business." At the age of 40, I feel I am still too young to be considered a hero for deeds I have done. I hope to have the courage, however, to lead and contribute my energy towards the health and harmony amongst people, country, and the world.

[The statement of Mr. Mirman is included in the appendix.]

Chairwoman VELÁZQUEZ. Thank you, Mr. Mirman. Just incredible. It is so beautiful to listen to all of these wonderful stories. Especially here in Washington, it is a breath of fresh air. Thank you.

Now the Chair recognizes the gentle lady from Pennsylvania, Ms. Dahlkemper.

Ms. DAHLKEMPER. Thank you, Madam Chairwoman.

It is my pleasure today to introduce Dr. Eugene Pochapsky from Western Pennsylvania. Dr. Pochapsky is the founder, shareholder, and Vice President of OmniTech Partners, Incorporated. Located in Freeport, Pennsylvania, OmniTech produces electro-optical systems for military and law enforcement applications.

Dr. Pochapsky is responsible for new product design and development, engineering, and technical support. He lends his expertise to some of the most advanced equipment, keeping America's Service men and women safe.

OmniTech's and Dr. Pochapsky's efforts are a true small business success story. Dr. Pochapsky earned a BSEE degree at the University of Pittsburgh and then went on to achieve his Master's and doctoral degrees from Carnegie Mellon University.

He began his career as an electrical engineer for Syracuse Research Corporation in Syracuse, New York. Before coming to OmniTech in 1996, Dr. Pochapsky was the chief technical person for Star-Tron Technology, where he personally designed multiple night vision products.

His lifelong dedication to his work has garnered him numerous patents in the electro-optics and night vision fields. I welcome Dr. Pochapsky and thank him for his time today.

Mr. POCHAPSKY. Thank you, Congresswoman Dahlkemper.

**STATEMENT OF GENE POCHAPSKY, VICE PRESIDENT,
OmniTECH GROUP**

Mr. POCHAPSKY. Madam Chair, Ranking Member Graves, I appreciate this opportunity to testify this morning before this Committee.

OmniTech Partners is located, as we said, in Freeport, Pennsylvania, about an hour northeast of Pittsburgh. Our mission is to provide state-of-the-art night vision technologies to U.S., state, and local governments in the United States and around the world. On behalf of our 70 employees, we are honored to be invited to testify here this morning.

We have three business units: Optical Systems Technology, where we actually manufacture and sell night vision equipment, service it; Keystone, where we design, develop, and prototype these advanced night vision systems; and FrigiLite, Incorporated, which

designs environmentally safe remote source lighting solutions for refrigerated display cases.

We have grown from 6 to 70 employees since our founding in '95 because we invent, design, and manufacture real products, including over 7,500 AN/PVS-22 and 27 night vision sites. Our success relies upon our dedicated employees, who design, fabricate, and deliver these cost-effective, leading-edge, high-quality systems to our customers.

We offer all of our employees competitive salaries and training opportunities, top-of-the-line medical benefits, and a company-matched 401(k) program. And we recently purchased an additional facility for optical fabrication three or four miles down the road from our existing facility.

Our customers are principally war-fighters and law enforcement agencies. And in the past they have possessed a significant nighttime tactical advantage to perform operations at night to limit casualties and offset disadvantages in numbers or in available intelligence. Today, we are facing an increasingly well-equipped opponent at home and abroad. And we no longer enjoy this advantage fully. But Optical Systems Technology is working to counteract this.

We invented and developed the first generation of in-line sites that now predominate in the DOD and DOJ. We provide thermal systems for augmenting goggles to provide multi-spectral capabilities to the war-fighter.

And, as I mentioned before, we are installing a new facility for manufacturing optics, which are currently manufactured offshore, such as source, does not exist in the U.S. And this exposes critical technology to the non-U.S. citizens and allows our national security interests to be compromised often when this information goes overseas.

I cite these programs as examples from our business perspective of what innovative small business can do at finding solutions and reducing costs. But there are issues which affect these high tech small business like us, and I appreciate that you have provided me with this opportunity to address them.

Even though we are flexible and efficient, small companies have trouble with federal acquisitions successfully because they view small businesses as risks.

Although the system currently allows small business to bid on production opportunities, the best value criteria encourages procuring agencies to select large businesses over small businesses, even when the latter offer significant price and/or performance advantages.

Taxes are also a major impediment to the growth of small businesses. High marginal income tax rates directly affect S corporations, like us. We generate federal income tax burden that is about ten times what our shareholders currently withdraw from the company every year.

We are typical of high tech small businesses in that we require and indeed reinvest in facilities, equipment, and inventory to help hold our current market share, allow for new product development, and continue our growth.

Only a small portion of these investments can be expensed. Thus, we pay income taxes, in a large part, from the same pool that is available for reinvestment to the business. These taxes cannot currently be deferred until the shareholders might withdraw them in the future as taxable income. And that would be most helpful to small businesses to be able to do that.

In fact, in our case, we could probably employ about 20 more manufacturing personnel, about one-third more employees if we could defer those taxes until they were actually applied to income and withdrawn.

The fewer taxes we pay, the more people we can employ, the better benefit packages we can introduce for our employees, and the more competitive we are in the world market. And we do export all over the world and compete all over the world. We do it very well, actually.

Conversely, high marginal tax rates can also impede our ability to develop technology and encourage entrepreneurs like us to sell our technology to large and possibly foreign companies and then increase the potential for technology transfer to offshore interests.

The federal government can strengthen innovative small businesses by ensuring that the federal acquisition regulations protect and encourage small businesses. And you can strengthen us by reducing the tax burden on small companies that invest in their employees and in our own technologies.

Madam Chair, members of the Committee, on behalf of OmniTech Partners, thank you for this special recognition and for the invitation to testify today. I would be glad to answer any questions afterwards. Thank you.

[The statement of Mr. Pochapsky is included in the appendix.]

Chairwoman VELÁZQUEZ. Thank you.

The Chair recognizes Messrs. Luetkemeyer and Akin.

Mr. LUETKEMEYER. Thank you, Madam Chairwoman. It is certainly an honor today to be able to present to you Mr. Greg Prestemon, who is one of the leaders, not only in our area but in the nation, with regards to economic and small business development.

Since Greg's arrival at the Economic Development Center in 1993 in St. Charles County, the county has grown from 232,000 to 350,000 today. In fact, St. Charles County continues to be one of the fastest growing counties in the State of Missouri, which is located just outside the St. Louis area.

As President and Chief Executive Office of the Development Center of St. Charles County, Greg has served 16 successful years at the helm of the Economic Development Center, which highlights the way that St. Charles County has grown and prospered, particularly through its work at the Economic Development Center and Partners for Progress.

Since 2000, the St. Charles Economic Development Center's 504 loan program has helped finance projects around the state totalling nearly \$250 million while creating or retaining 5,774 jobs. These accomplishments do not even include the thousands who have attended EDC business training events and Greg's and his staff's involvement in countless special projects, such as workforce housing, health care, and education initiatives, and the road tax campaign.

Recently the center was named the 504 lender of the year by the U.S. Small Business Administration as part of National Small Business Week 2009. Congratulations, Greg.

In calendar 2008, the EDCs boasted more than \$22.5 million to 37 businesses throughout Missouri, with a total project value of more than \$60 million, that helped create or retain jobs.

Not only Greg has been a good friend of my district as well as Mr. Akin's, we greatly appreciate his being here today and look forward to his testimony. And I will yield the balance of my time to my fellow congressman, Congressman Akin.

Mr. AKIN. Thank you, Blaine.

We just are so thankful to have Greg Prestemon here today. I have been in Congress nine years. I don't hardly remember a time when we are not coming out to St. Charles and chatting with Greg about what is going on in the small business community. They have really accomplished a lot there.

And it shows that what happens when you take a town, basically was a town, and you put this kind of leadership in place and now it's becoming the fastest growing area in the State of Missouri and it's a lot more city-like. In fact, you can go from where Greg's office is, and it's about as far from there into the bridge into St. Charles as it is from the bridge into the downtown St. Louis area, just a tremendous amount of growth. That is because of the attention to the needs of small business and really understanding it.

Greg, we are delighted to have you up here in Washington, D.C. Thanks so much for joining us. And thank you for your leadership through this matters.

I yield back, Madam Chair.

Chairwoman VELÁZQUEZ. The gentleman is recognized for five minutes.

Mr. PRESTEMON. Thank you very much.

STATEMENT OF GREG PRESTEMON, PRESIDENT, ECONOMIC DEVELOPMENT CENTER OF ST. CHARLES COUNTY

Mr. PRESTEMON. On behalf of the Board of Directors of the EDC and our members, I want to thank Chairwoman Velázquez, Ranking Member Graves, and all of the members of the Committee for the opportunity to speak today.

The people of St. Charles County are very fortunate to have not one but two congressional representatives that appreciate and support small business in Representatives Akin and Luetkemeyer. We appreciate that. We have seen great benefit from having had that.

The EDC has operated the 504 program on a regional basis for nearly 20 years and as of 3 years ago on a statewide basis. We hope incidentally to secure the permission to operate in south-western Illinois shortly.

We have benefited from a close relationship with the Small Business Development Center of the University of Missouri—we provide office space, use of our conference rooms, and office support.

Finally, we have benefited from a close relationship with the Small Business Development Center of the University of Missouri, which I know is under the auspices of this Committee. We provide

office space and basic administrative support, and they provide the expertise.

And then, finally, we have benefited over time from support from the U.S. Department of Commerce for our incubator facilities that we have ongoing. So we are been blessed to have, I think, an integrated system to help small businesses in our area grow. And I want to thank on behalf of my board this Committee for the leadership in this area.

Congressman Luetkemeyer went over some of the activity of the EDC and our 504 program over the last few years. And so I won't belabor those or restate those stats.

Each one of these business expansions translates into real benefits for real people. You know, like certified development companies all around the United States, that's the kind of entity we are.

We finance businesses, really, of all types, from auto repair shops to restaurants to day care centers to advanced manufacturing facilities and everything literally in between that.

In our case, all of the jobs created are in Missouri, but the 504 program is national in scope. And this Committee should feel very proud, I think, of the impact the groups like the EDC have by enabling success for the real heroes of our economy, which are the folks who are sitting at the table with me: the owners and the employees of these growing companies.

Like the rest of the country, St. Charles County has felt the impact of the turbulence in our national economy. Our largest industries are home building, financial services, and automotive assembly, all of which are obviously facing significant challenges.

So if there was ever a time when our flagship program, the 504 program, was indispensable, this was that time. I am here to report to you some encouraging signs of some local recovery that we think we are seeing.

The last quarter of 2008, we saw a precipitous decline in 504 loan application activity, which we attribute to the general loss of confidence at both the borrower's standpoint and the lender's standpoint. However, I am happy to report that we seem to be seeing a bubbling up of some new activity.

Since April 1st, we have approved seven loans. And our loan officers are attributing that to the temporary reduction and fees that were part of the package earlier this year.

The point that I want to make is that this has moved borrowers and probably lenders from being on the fence to off the fence. It's been enough to spur the new activity. And I think you should be encouraged to be seeing that. From talking with my colleagues around the United States, they are seeing the same kind of activity.

One final point. We have been fortunate to have a very excellent relationship with the St. Louis District Office of the SBA. I want you to know that you have a hard-working, responsive, and dedicated group of people who are doing a great job for the people, a job to stimulate small business growth in eastern Missouri. I suspect you don't hear as many compliments about SBA staff as you might. And I want to say that, at least from our district office standpoint, it has been terrific.

So, again, Chairwoman Velázquez, Ranking Member Graves, members of the Committee, I sincerely appreciate the opportunity to testify before you today and would be more than happy to answer questions.

[The statement of Mr. Prestemon is included in the appendix.]

Chairwoman VELÁZQUEZ. Thank you.

I now recognize the gentleman from North Carolina, Mr. Shuler.

Mr. SHULER. Thank you, Madam Chair. Again, thank you for your leadership, a wonderful panel today.

Our next witness is Sutton Bacon, the President and CEO of the Nantahala Outdoor Center. Although it is a small business of a core of 120 employees and obviously grows during the spring, summer, and fall, the NOC is noted as one of the largest outdoor recreation companies in the United States.

With some 80 different river and land activities at the NOC, Mr. Sutton is responsible for the overall business strategies and operations for 38 individual business units managed by the companies' comprehensive real estate portfolio.

I will add that some 22 Olympians actually train and call my hometown, Swain County, home and obviously the crossroads of the Nantahala River and the Appalachian Trail.

And, with that, congratulations to the Nantahala Outdoor Center by being one of our great economic thriving businesses within an area. And this is an example of how utilizing and through conservation utilizing our God's great gifts of our environment, land, water, and our mountains to be able to utilize that resource in the right way to be able to create jobs and activity for people in this country.

So, with that, I yield back, Madam Chair.

Chairwoman VELÁZQUEZ. The gentleman is recognized for five minutes.

**STATEMENT OF SUTTON BACON, PRESIDENT AND CEO,
NANTAHALA OUTDOOR CENTER INC.**

Mr. BACON. Madam Chairwoman, Ranking Member Graves, and members of the Committee, thank you for the opportunity to testify today. My name is Sutton Bacon. I live in Asheville, North Carolina. And I am the CEO of the Nantahala Outdoor Center.

Established in 1972, NOC is an employee-owned company located at the intersection of the Appalachian Trail and the Nantahala River near Bryson City, North Carolina. We are one of the largest outdoor recreation companies in the country, offering 80 different adventure programs in 10 states and 12 countries. We receive over 500,000 visitors annually. In fact, NOC guests paddle enough river miles on federal lands each year for 2 trips to the moon and back.

We are also a diverse company. We operate five retail stores, four restaurants, a summer camp, and lodging for all price ranges. And, as Representative Shuler mentioned, 22 Olympians and Olympic coaches have called NOC home.

During my tenure at NOC, we have been recognized as the Nation's premier paddling school by The New York Times, the best place to learn by Outside Magazine, and as one of the best outfitters on Earth by National Geographic ADVENTURE Magazine.

Our economy in western North Carolina continues to suffer from the loss of traditional manufacturing jobs as textile, garment, and furniture plants continue to close. This evolving economic paradigm is particularly acute given the large federal land holdings in our area, most notably the Great Smoky Mountains National Park, Nantahala National Forest, which diminish our tax base to fund public services. Fortunately, outdoor tourism, led by NOC, is becoming the backbone of our region's future.

A recent study conducted by Western Carolina University quantified the economic impact of NOC on western North Carolina to be \$48 million per year while supporting 579 full-time jobs.

In these tough times, instead of hunkering down, we feel that a down turn is a terrible thing to waste and that it is more important than ever to innovate through a recession to gain long-term strategic advantage.

We are busy reevaluating our business models, employing high technology to streamline processes, and gain greater efficiencies and developing aggressive strategies to grow revenue through innovation and new product development.

In 2009 we anticipate growing revenues by nearly 20 percent and in 2010 by as much as 40 percent. We are replacing all of our enterprise technology systems, which will make us more efficient.

We are launching a new e-commerce Web site, opening a new riverside restaurant, rebranding several retail operations, and introducing numerous new programs' itineraries and destinations to increase our top line. Most importantly, we are creating 300 new seasonal jobs and up to 80 new full-time jobs.

In addition, today I am eager to announce NOC's plans to open an 18,000 square foot flagship retail store and activity center in Gatlinburg, Tennessee. The new store will occupy an anchor position in Gatlinburg's downtown shopping and entertainment district and is located at the entrance to the Great Smoky Mountains National Park, the nation's most visited National Park. It will serve as an outdoor activity center and will be a launching pad for a wide range of outdoor activities in the Smokies, including whitewater rafting, kayaking, flyfishing, hiking, and biking. It will also be LEED-certified, which is a national certification program for green building. And we will be the first retailer in the entire Smokies gateway to be LEED-certified.

When it opens, it will become the largest retail store in the Smokies and will create approximately 55 new jobs in North Carolina and Tennessee.

In closing, I fell in love with the outdoors at summer camp in western North Carolina. And I can personally attest to the value of being introduced to the outdoors as a child and of the federal government's efforts to enhance outdoor recreational opportunities for our country's youth.

NOC takes over 100,000 children from diverse backgrounds on outdoor experiences every year. And we are creating a new non-profit foundation to take even more. We are a testament that small businesses from across the country can capitalize on these new youth development initiatives.

As you have heard, America's outdoor recreation economy is an increasingly strong and vital part of our nation's economy, espe-

cially in rural areas like western North Carolina. In these tough times, Americans, both children and adults, need more than ever the physical, emotional, and psychological benefits that outdoor recreation provides. In the last 37 years, whenever there has been economic uncertainty, our guest numbers have always increased, affirming the importance of outdoor recreation during difficult times.

I appreciate the opportunity to speak with you today. Thank you for your attention, and I would be pleased to answer any questions you may have. Thank you.

[The statement of Mr. Bacon is included in the appendix.]

Chairwoman VELÁZQUEZ. Thank you, Mr. Bacon.

And now I recognize Mr. Schrader.

Mr. SCHRADER. Thank you very much, Madam Chairwoman.

It is my honor to introduce a true friend of small business growth in Oregon. That would be Ms. Chandra Brown. Chandra is currently Vice President of Oregon Iron Works and President of a newly created subsidiary of Oregon Iron Works called United Streetcar. That is the only modern streetcar manufacturer in the United States of America. This is an innovative company that strives to keep manufacturing jobs here in this country.

In 2005, Chandra was also appointed to the Oregon Innovation Council by Governor Ted Kulongoski and in the same year selected as one of Oregon Business Magazine's top 50 business leaders in our state.

She is also a founding member in her spare time and Vice Chair of the Oregon Wave Energy Trust, a nonprofit that promotes wave energy and creates more energy-efficient and sustainable jobs in Oregon.

Chandra and this company in my opinion are a testament to a small business' ability and willingness to evolve and grow in creating opportunities or taking advantage of opportunities here in our economy, even in the worst of times. In my opinion, she is truly a heroine of small business.

Thank you, Madam Chair.

Chairwoman VELÁZQUEZ. Proceed.

STATEMENT OF CHANDRA BROWN, VICE PRESIDENT, OREGON IRON WORKS, INC.

Ms. BROWN. Good morning, Chairwoman Velázquez and Ranking Member Graves. And I would very much like to thank you for your kind introduction, Congressman Schrader. It is a pleasure to be here representing Oregon Iron Works.

I think on this panel I am representing the big and the old. I am not going to be actually reading my testimony. What I am going to do is share a story with you. And that is about how U.S. manufacturing is absolutely alive and well. So I am tired of hearing about all of the stuff with U.S. manufacturing because this small business is going to tell you some of the good stories and how we are achieving that.

I think the best story to start out with, really, is with United Streetcar. But to give you a little bit of history, about what is Oregon Iron Works, the name doesn't really indicate what we do. We were actually founded in 1944. I wasn't around then, but I hear it

was an old foxhole in the City of Portland, a couple of guys working there during the war, welding and fitting up machinery parts.

Basically in the '70s we moved from Portland — and current management bought. And we moved from the City of Portland to Clackamas County, which is where our headquarters are now.

We also have a facility in Vancouver, Washington. Basically in the '70s, we had gone from about 4 or 5 employees to 40 employees. Where are we at now? Again, just kind of compressing history, now we have almost 400 employees. We do over \$100 million annually in revenue. We have just recently formed this wholly owned subsidiary: United Streetcar. Basically we have had approximately a growth rate of 13 percent annually since 1984. And we have about 305,000 square feet on almost 38 acres of land.

We are still a small business, and we are very proud of that fact. And we are very grateful. Some of our land purchases were done due to SBA financing. And so credit given back in the '70s even. So we are very grateful for that.

What are we doing right now with United Streetcar? We realize that to be alive and well in manufacturing, what must you have? Diversity, innovation, and an incredible workforce. You have to have those three criteria.

And we have been blessed to have an incredibly skilled workforce. We have got the machinists, the welders, the fitters that have been trained up in the Northwest. It was due to the shipbuilding industry in the war. We have been able to retain that skilled workforce, which enables us to build the projects that we do.

We started out doing hydroelectric work. Then we started building bridges across the United States. Then we went into some defense work. We started building boats. And we have been very successful in some federal appropriations and getting some funding for some special operations boats.

From boats we went into aerospace. We built some space launch complex work down at Vandenberg and Cape Canaveral. But we are always looking to the future. So diversity has been one of the keys, why we have had this nice continued growth rate.

But diversity means you have to be continually innovating. You must be looking to the future. So what is the next product? You know, we hear about manufacturing going down. Let's talk about where the future is.

We believe the future is in things like renewable energy. So it doesn't take a rocket scientist to know if you can build boats and things that survive a harsh marine environment that hopefully we could build wave energy. So we have built one of these devices which was off the coast of Oregon. There are several more that we believe are going to be built in the next year or two.

So that's a new market that we think will be emerging in the United States. So I think at some point wave could surpass solar as a renewable energy for this country. So we want to be at the cutting edge. And we want those jobs in the United States being done here as we build this new renewable energy.

Now, talking about streetcars, I am the President of United Streetcar, a wholly owned subsidiary of Oregon Iron Works. We are incredibly excited about this because the story of United Streetcar is a story of insourcing jobs. What we have done is taken jobs from

the Czech Republic and brought them to the United States. We formed an agreement with Skoda as our Czech partner. So we have the license to manufacture, exclusive license to manufacture, modern streetcars throughout the United States.

There are over 64 cities looking at streetcars right now across the United States. It is fantastic, not only as a model of transport, but it is green jobs. And it is an economic development model for our urban centers. It is an incredible success story in Portland.

So we are very, very proud. We recently were awarded a contract to build a production run of six cars for the City of Portland. And we currently have finished our prototype car, which is under testing right now. And hopefully this summer it will be given to the city, and the public will be riding on the first modern streetcar built in the United States in 58 years.

So something that we are incredibly proud of and incredibly happy, but how did it start? It started with the upper management of our company knowing how incredibly skilled our workers are that we could do it.

You know, I basically heard that there were no streetcars built in the United States except for old and historic trolleys, which are wonderful, but that is not a modern transportation option.

So when we heard that, I said, "Well, my company can build it. We build boats. We build bridges. We build lots of different things. Of course, we could build a streetcar." And then it is making that work. And there was a federal appropriation involved for this prototype streetcar, thanks to our delegation, which did a great job. And that started us down this path.

And now we believe this could be another 100 million dollar business unit that could be spun out of this company building green transit projects here in the United States because right now even Portland's cars were all imported from Europe. So at now least we are giving that U.S. option.

And that is where we would like to say in terms of issues, one, we are incredibly supportive of the Buy America Act and all that everyone has done with that. We think that is critical to U.S. manufacturing. We appreciate that.

The one issue we do see coming down the pipeline is related to bonding. We talk about the credit issues. All streetcars will have to be bonded. And while we have a bonding capacity of over \$100 million that we can bond with this decrease in AIG and the security companies' willingness and ability to give the bonds out as well as our increasing growth, we don't ever want to turn work away because we can't get a bond.

And it wouldn't be because we couldn't. It is because we have passed our capacity. We have too much work bonded because right now more work needs bonding because of the higher risk cities don't want to take on.

So we worry a little bit about that and would wonder how the federal government could potentially help with backing that up for bonding. As I said, we don't just want to turn away work once we hit our bonding cap. Hopefully we are not there yet.

In addition, there are issues with incremental funding, which we would love to see something for small projects, not these huge, large projects, things that are maybe under 30 million, where they

are not incrementally funding the Corps of Engineers so we have to wait each year to see if they will have enough money to build the whole hydroelectric project, which causes delays and much greater costs.

So, again, in the interest of the taxpayers, we think small projects that can be fully funded from the start will have much greater benefit across the line.

[The statement of Ms. Brown is included in the appendix.]

Chairwoman VELÁZQUEZ. Time has expired, Ms. Brown.

Ms. BROWN. Oh. Thank you.

Chairwoman VELÁZQUEZ. Thank you very much for your testimony. And you will have time during the question and answer period to expand on your testimony.

Now I recognize the gentleman from Pennsylvania, Mr. Altmire.

Mr. ALTMIRE. We are so proud to have all of you here. Congratulations. It is wonderful to hear all of these stories, one after the other, of the good news that is happening in the country.

We have had some good news in western Pennsylvania, too, on the small business front, one of whom we are very happy to have, Mr. Kirk Farra here, from the spectacular Town of Zelionople. It is a great place.

He is President of In-Synch Systems, LLC in Zelionople. In-Synch is a veteran-owned software company that creates state-of-the-art products for the law enforcement community. It was founded in 1999. And the company has rapidly expanded and serves clients all across the company. The company's top product, a record management software, allows agencies to better communicate with the entity and to outside legal organizations.

Again, congratulations to all of you. And welcome, Mr. Farra.

STATEMENT OF KIRK FARRA, IN-SYNCH SYSTEMS

Mr. FARRA. I am very pleased and honored to be here, Chairman Velázquez. I am a man of few words. So I doubt very much that I could possibly talk for five minutes.

I am a very technical person, founded In-Synch Systems back in 1999, after working for about 15 years in the industry. I really wanted to make a difference and kind of had chosen kind of the law enforcement field, providing software and services there because we had analyzed that there weren't that many good software systems, spent a lot of years developing a product, kind of finally had some opportunities where we actually made some money. The past few years we have really accelerated in our growth.

We have been hiring through the recession. We are hiring now. So if you know any technical people that need jobs?

I just want to talk a little bit about our company. We really try to hire people that can become family members. We are a very family-oriented business. Everybody enjoys working together.

We are passionate about supplying systems that could really provide safe and just communities. That is really what we are all about. Chances are someone, some police department in or around where all of you live is using our system to make a safer and juster community.

Just one other thing that I wanted to talk about is the federal grants for law enforcement. It is very, very important for our busi-

ness because it indirectly is the way that we are funded. In prior years, we were in two federal programs where the appropriations have gone away that directly helped us.

But we really, really expect a stimulus package for the burn grant and the cops technology grants and all those other grants that when that money is released we are really going to go grow rapidly again and be able to provide our system to even more communities throughout the United States.

That is about all I had.

[The statement of Mr. Farra is included in the appendix.]

Chairwoman VELÁZQUEZ. Thank you, sir. Thank you for the great stories. It is just wonderful to be here in the presence of so many hard-working businesses in America, especially at a time when not only we are facing an economic down turn but the news that we watch or that we read just how it has been difficult to get this economy growing.

We all know, at least the members who sit on this Committee, that you hold the key to success and how can we get this economy growing again by creating jobs.

I would like to make a question and have all the members of the panel answer it. What do you think is the single biggest challenge facing small businesses today? And how should it be addressed? We can start with Mr. Bacon.

Mr. BACON. I think that from my perspective, one of the biggest challenges is consumer confidence. And I think it is important for government and the media to convey the good news and the work that many of the panelists are doing here today and the success stories, that there are segments and sectors of the American economy that are growing. There is good news.

I think that if that can permeate down to consumers and increase consumer confidence, I think we will all be better off.

Chairwoman VELÁZQUEZ. Mr. Reister?

Mr. REISTER. I would agree that the media has just cannibalized what business is doing right now. And the negativity that they are thriving on continually just depresses the people who have funds to buy to produce new products, to purchase homes, to improve their homes. That is one of the biggest challenges we face.

There were a few things in the stimulus package that address that but not in a manner that I would have seen or believed truly is going to strive to grow the economy. And so that would help if we could get more money into the hands of small business owners and allow them to feed from the bottom up, not from the top down.

Ms. STOREY. In our particular case, since I speak from the aspect of doing business with the government, a couple of things are happening. And that is in my area, we do not bid in the small business area. I always have to go up against the big guys, unrestricted. We are seeing profit margins and bids coming in at what we consider to be crazy prices that they are absolutely doing to keep the door open.

Well, the big guys can bid that low. It is very difficult for us to be competitive because that would put me in the hole. So you take that. And then you take a look at every year I call it the grovel to the bank. And that grovel means that I have got to stand there and justify my profitability or lack thereof of those contracts that

we do bring in because the bank—and I apologize if there are any bankers in the room, no offence, but they will look for any reason not to have you hold onto that line of credit or, heaven forbid, you are in the best and worst case scenario, “I won a big contract,” worst case scenario, need to expand the line of credit, they don’t want to do it. So for right now that is a big challenge.

Chairwoman VELÁZQUEZ. Thank you.

Mr. Mirman?

Mr. MIRMAN. I would like to see a little bit more of a longer-term focus. Right now you have cities around the world that are focusing on their bid for the 2016 Olympics, cities like Chicago, Madrid. And, in fact, in Chicago, they are working on a technology right now that as they expect millions of people to come to Chicago for the Olympics, they are looking to harness the energy created by people walking on floors.

And it is not so much the floor and the energy that they are going to create that the Olympics will not have to rely on outside sources of energy, they are going to create all their own energy from the technologies that they are using, but they are focusing on something that is not going to happen. It is still seven years out.

And I think that we have this preoccupation in the United States that we need to have something by this afternoon or by tomorrow. When I was abroad, there are lots of cycles, ups and downs. And there are going to be many more. But the focus is from a much longer-term perspective. And I would like to see us embrace that here.

Chairwoman VELÁZQUEZ. Ms. Brown?

Ms. BROWN. Our biggest challenge is actually related to a skilled workforce. We hear this again and again, but particularly for us, we are looking for welders, fitters, drillers, machinists. We have a very aging workforce.

We are a union shop, very blessed to have many of our guys 40-50 years with us. It has been an incredible run. But they are getting older, and they are getting tired. And we don’t have the folks coming in behind because things like industrial arts have left our high schools for some folks that have never even experienced welding or fitting or some of these jobs of your hands.

And we actually don’t have much trouble finding, funnily enough, the engineers and the project managers and the professionals, but if we can’t continue to have a skilled workforce, which earn way better than family wage jobs, health care taken care of, all sorts of other great things, I think that is going to be a problem for us in the future.

Chairwoman VELÁZQUEZ. Yes, Mr. Prestemon?

Mr. PRESTEMON. Well, two things. One is I think speaking positively about the economy from a leadership standpoint, from the presidential as well as the congressional leadership is important. So I don’t disagree with what I heard Mr. Bacon say.

I hear recurring concerns about the escalation in health care costs. And small business owners are not advocating any particular solution to that other than that they do believe that it has the potential to undo a lot of the profitability of some of their companies.

Mr. FARRA. Just as a follow-on to what he said, as an employer, we want to provide very, very good health care to our employees.

The challenge is we don't have any control over the cost of it. And it just goes up and up and up. And you just don't know what to do sometimes, you know. Getting control of that would help a lot of small businesses, I think.

Chairwoman VELÁZQUEZ. I guess we are working on that.

Ms. McClain?

Ms. McCLAIN. I didn't intend to complain. I am so honored, you know, and so excited to be here. But since you have asked—

[Laughter.]

Ms. McCLAIN. The real problem we face is bonding. Now, we have perfect credit. My husband and I have been married 44 years. You know, there is not a thing in the world wrong with us or what we are doing, but our bonding company wants us to leave all the profit in the company, not to take anything out ourselves.

We leave it in the company, we pay 38 percent taxes. Okay. Then we take it out, we have got to pay 51 percent taxes. We pay 30 percent federal, 5 percent state, 7.65 percent for Social Security and Medicare. Then we have to match that 7.65 as the employer. So that is 51 percent.

Well, I can't make them understand that that is not logical. You can't pay 38 and then 51 and work for 11 percent. I mean, I don't really know what the answer is, but our problem has been bonding.

Like the lady down there said, we have to compete with the larger companies. And we have to have large bonded in order to do this.

Chairwoman VELÁZQUEZ. Thank you.

Ms. McCLAIN. That has really been our struggle, is bonding.

Chairwoman VELÁZQUEZ. Okay. I hear you.

Dr. Pochapsky?

Mr. POCHAPSKY. Thank you. We have similar issues, but I think for a smaller high tech manufacturing and development company, probably the most important for us is getting capital equipment, facilities, and then keeping highly compensated and skilled employees.

We do that, specially in a small, growing S corporation. The funds that you have available to do that are the same funds that are being taxed. And most of your expenses against that are either deferred or they can't be taken because you are putting it into inventory.

So I would say protecting the pool of cash that is available for a small company to grow, especially growing small S corporations are going to pay very high tax rates without actually taking money out of the business.

If that structure can change so that yes, if the owners take money out of the business, that should be taxed. But you want to be able to protect the pool that helps small companies grow.

Chairwoman VELÁZQUEZ. Thank you.

Mr. POCHAPSKY. Thank you.

Chairwoman VELÁZQUEZ. Mr. Luetkemeyer?

Mr. LUETKEMEYER. Thank you, Madam Chairwoman.

I appreciate everybody being here this morning and their testimony. It is interesting to listen to the concerns. And, as you have described your various businesses and opportunities that you have

taken advantage of, it was great to listen to some of the things. I wrote down some of the highlights of some of your comments.

I was grateful for the opportunity that is available in this country. As an entrepreneur, you have visions, small business person. You have to have an attitude of self-reliance, of determination; a strong work ethic; respect for your employee; sacrifice; innovative ideas; willing to be able to change or adapt to whatever situation you have; and, most of all, get the government out of the way, do no harm to you. And this is what we here on this Committee hopefully are able to do—

Chairwoman VELÁZQUEZ. Will you yield?

Mr. LUETKEMEYER. Yes, ma'am.

Chairwoman VELÁZQUEZ. Did I hear that or did you add that? I am just teasing you.

Mr. LUETKEMEYER. So we are excited that you are here giving some ideas and getting help. And you are helping us. Chairman Velázquez has been instrumental in trying to do this and trying to get government out of the way to help you do what you do best, which is lead our country.

One quick question for you here with regards to something that we are currently considering legislation that would have an effect on raising energy prices. Producers, consumers, transportation firms, everybody, how would a steep increase in energy prices affect your company?

And we can just go down the line very quickly. We don't have to have a lengthy explanation but just briefly give us an idea of how these are going to impact you.

Mr. BACON. One of the things that we are making strategic investments in is green energy, solar. We purchase most of our electricity from hydropower. So we are looking at bringing and adding to the grid additional packs. So that is our perspective.

Mr. LUETKEMEYER. Okay. Very good.

Mr. REISTER. We saw this last year and the year before when gas prices soared through the roof. And we had to charge strip charges to our customers to get to their houses. In many cases, they don't have the money to pay the service call in the first place. And we donate a lot of those service calls back, but we can't afford to do that on a long-term basis.

So if the energy costs keep going up, we have to come up with new ways to provide that service, whether that be from satellite locations so we are not driving as far or diversifying our deployment field. But if we do that, they are not going to be working full days because we are going to move, then, throughout the Denver metro area. Obviously our traffic has increased over the years.

It will help us sell more energy-efficient furnaces, but that is going to cost our homeowners money to do that.

Mr. LUETKEMEYER. Thank you.

Ms. STOREY. In our particular case, it costs our customers more because there are trip charges or transportation charges from the manufacturers. Therefore, any time the customer has to pay more for fuel, they are going to look at us to say, "What else can you cut out of our end."

Number two, what we did was a 20 percent cutback, having our employees stay home one day a week we set up to telecommute.

The good news is that was great. The bad news is I am now paying overhead for the office space I took, thinking I had the employees there. So the impact is negative as the energy cost goes up.

And we must work in the LEED program. So energy impacts us in a 360 mode.

Mr. MIRMAN. In real estate, energy cost, increasing energy cost, actually increases somebody's overall cost of living. And what that means is they have less disposable income all across the board, whether it is for incidental health care or their mortgage payment, et cetera. And so how it affects our business, it affects our business because people can afford to buy less house and have less money to spend.

And so it reconfigures the way people live. They don't want to commute. They want to live in urban centers. Urban centers are not prepared yet to deal with that huge influx of people because there are a lot of density issues that we are seeing.

The other thing that happens is people are looking elsewhere. We expect ten percent of the baby boomers to leave the United States and move to foreign countries because there are lower costs of living there.

Ms. BROWN. That is actually a very complicated question for us. Obviously increasing energy negatively impacts us because we transport such huge goods. I mean, some of our things weigh 250 million pounds. And that is by barge or by truck or by rail. Certainly that is a huge expense.

However, on the other side, it is an equation because, for example, when the gas prices have risen, obviously public transit goes up. And the investment in streetcars goes up. So we can potentially sell more product or more wave energy devices. So for us it is a mixed bag.

Mr. PRESTEMON. Yes. And that is an incredibly complex question.

A couple of things. In Missouri, the vast majority of the electrical power that is produced is produced by coal. And that is both good and bad, I guess, in that the rates are really low. So I can't say that electric utility rates have been an impediment to growth in Missouri up to this point in time.

What we are concentrating on over the next few years is to come up with programs and strategies to help businesses, really, of all types use less energy, use the energy more efficiently, and wait to see how, regardless of whatever happens with the regulatory environment from Washington, D.C., we think that is a reasonable strategy to take.

Mr. FARRA. I think it would definitely negatively affect our company because our customer base is police officers. And they have to drive their vehicles around. And if energy prices go up, their whole budget gets taken up by feeding the gas tanks of the cars. And that eats up their discretionary income to spend on other products.

Ms. MCCLAIN. Well, it is my opinion that the fuel process actually pushed the economy to the point it is now. It was already going down, but when the price of gas went up rapidly, everybody's utilities, their gas bill, you know, everything affects something else. And that is what happened when the gas prices went up. It took away a lot of profit from everybody's business.

Mr. POCHAPSKY. I don't have anything to add to that.

Chairwoman VELÁZQUEZ. I recognize Mr. Bright.

Mr. BRIGHT. Thank you, Madam Chairman. I will tell you this has been one of the best. I am a new member to this Committee. And I will say that over the last five months, I have had the opportunity and privilege to sit in on many of these hearings. And, Madam Chairman, to me this has probably been if not the best, one of the best. And I want to thank the panelists.

I really don't have any questions, just basically a statement for the record and for your information. I want to thank you. You truly are the heroes that make our economy and our country strong. So thank you for your time, your dedication, your commitment.

One last statement, and I will close. You truly are heroes. And you truly are the product of the American dream. So keep up the good work.

It is my privilege to have Ms. McClain in my district and to see how she just resonates with honesty and integrity. And I know that goes for each one of you. So thank you for what you are doing for our country and our economy.

Just let us stay plugged in with you. And you stay plugged in with the U.S. House and the Congress and let us know what we can do to make your businesses strong and not just be a person that is committed to helping you in your small business but help us be your partner and help you be successful in the future.

So thank you very much. And thank you very much, Madam Chairperson, for allowing us to have this great opportunity to hear within the Beltway.

Chairwoman VELÁZQUEZ. Thank you.

Mr. Coffman?

Mr. COFFMAN. Thank you, Madam Chairman.

And I want to say coming here today, you truly are the heroes, I think. And the American dream is to own your own business. I was in small business for a while and also served in Iraq with the United States Marine Corps. And I am not sure which one is tougher.

Mr. Reister, a question of you. When we heard the testimony today, it seems that most of the witnesses were heavily engaged in government in some capacity as a customer or as a contractor related to government.

And, yet, can you tell us about your business in terms of what you—I mean, have you benefited from government programs? What is your interaction with government? If you could elaborate on that, please?

Mr. REISTER. Thank you, Congressman Coffman.

I would have to say having a gun pointed at you is much of a hero than what we are doing out here. So thank you for your service to our country.

We don't pursue government jobs. And the reason we don't pursue government jobs is we really don't want government involved in our business and we don't want to be in government's business. It affects us.

The jobs that we have done in the past, Davis-Bacon jobs, we have hired employees to do those jobs outside of the current em-

ployment pool. We took specific employees and allowed them to run the jobs for us.

Then when the Davis-Bacon job ran out, they didn't want to come back to work for us at a competitive wage that we were able to offer that was competitive with the marketplace. They wanted the Davis-Bacon wages to continue. And that is just not reality.

Their lifestyles exceeded their income in those cases because they left for a year and a half. But they spent what they made, spent more than what they made, put themselves in a bad position. And then many times, the ones who did come back, we had to give personal loans to get them out of financial trouble. Those monies were never replaced by us.

So we don't typically pursue government jobs based on those types of issues.

Mr. COFFMAN. Let me ask you about financing, your financing of these. And anybody else can certainly elaborate on this. And that is that we had met when you came into my office as a constituent, expressed concerns to me about credit lines and just small business. At the time that you met with me, you expressed concern that the credit markets were really frozen at the grass roots of our economy.

And I wonder if you could expand on that to the Committee? And certainly anybody else can expand on that as well. Please, Mr. Reister?

Mr. REISTER. Those markets are still frozen. The monies are not there. We have had them pursue us, our banks, to loan us money. But we don't need the money. So it's very easy to give money to somebody who doesn't need those funds.

When you do need to pursue those funds and you are trying to apply for them, most of the competitors that we have out there, they have closed out the lines of credit. They have turned them off.

And, as I said, 20 heating contractors, qualified heating companies, not a guy, his son, and his dog. I am talking about employing 20, 30, 40 people have gone out of business. They don't exist anymore. And these are companies that existed for 20, 30, 40 years in our marketplace.

So, as I see it, I don't know how you turn the faucet back on, but the efforts that this body has made through the stimulus package did not achieve the desired effects. They may be giving it to GM through your guy's body, but GM is not giving it to the tier three suppliers that work for them. They are holding back financing, our companies are, that we work for, the builders, or the bank. They are allowing us to go 120, 200 days to achieve and receive our payment.

And then usually it is a partial payment, not a full payment. We are able to absorb those costs because we continue to reinvest in our company, even at the cost of being taxed on those funds. Other companies out there didn't do that, and they have folded up as a result.

Mr. COFFMAN. Would anybody else like to comment on that?

Ms. STOREY. I would like to comment, if I could. I would start by saying I am married to a retired Marine, who now works with me. And he does declare that my small business is tougher than his 21 years in the Marine Corps. So I had to get that in.

I will say that what Mr. Reister has just described is what we in government contracting call bundling. It is just that bundling in the government is a little different—and I spoke to that a little bit earlier—than bundling in the commercial world.

I agree with exactly what he says about the lines of credit. You know, when you don't want it, they chase you down like a dog. And when you really need it, they just run from you.

I tend to disagree — and I wouldn't have said this 16 years ago, but right now I feel that, again, government contracts is one of the safest places to be. I do agree that it is quite a bit different than the commercial landscape. And I have been saying this for years, way before the stimulus program. But now that there is stimulus money on the street, people want to know how do we get a part of it.

I will end my comment with saying, though, that we are headed toward what I am calling the perfect storm. The perfect storm to me is right now we have a very young inexperienced workforce, acquisition workforce, not only DOD but all the agencies. If you combine that with a poorly trained, inexperienced group of contractors, to me that is the storm.

You have a lot of folks that on two sides of that contract may not really know what they are doing. And it opens the door, I am sorry to say, for potential corruption but, most importantly, poorly intended bad consequences that can cost the government money. So, again, I would advise taking a look at that.

Mr. COFFMAN. Thank you, Madam Chairman.

Madam Chairman, can I make one comment on that?

Chairwoman VELÁZQUEZ. Sure.

Mr. COFFMAN. Thank you, Madam Chairman.

I just want to let you know that in the Armed Services Committee, we have a defense acquisition reform panel. We are moving forward with legislation now out of that committee. In fact, it was voted on the House floor. It is in conference committee.

One of the provisions of that bill will be to strengthen, to really greatly strengthen, the contracting capability of the Department of Defense.

Chairwoman VELÁZQUEZ. Yes, coupled with the fact that this Committee has been proactively looking at contracting practices and holding the government agencies accountable. Almost every year we produce a report of how each agency is complying with the 23 percent goal for small businesses.

Also, the HUBZone, where there has been mismanagement and fraud. We have requested from the Government Accountability Office to do not one but two investigations. And, as a result of that, we are implementing certain controls to prevent fraud.

Let me recognize the gentle lady from Pennsylvania, Ms. Dahlkemper.

Ms. DAHLKEMPER. Thank you, Madam Chairwoman.

As a new member of Congress and a former small business owner, just five months ago, I listened to your stories with envy in some ways. I miss my small business. I miss being a part of that.

I think you all do what you do because you love being a small business owner, as well.

When I was running for office, someone said to me, "Politics is not for the faint of heart." I think being a small business is not for the faint of heart.

I want to thank you for all you do. Thank you for your testimony. I would like to recognize your monumental achievements today, and I would also like to recognize that this is the 46th annual National Small Business Week. I am pleased that this Committee has invited you heroes of small business to testify here today.

One of the issues I want to ask the panel to just address as a whole is health care. This is a debate that we are just beginning, and we need your input. As the person in our small business who made those tough decisions every year about our health care plan for our employees. I know that if one employee gets sick all of a sudden your premiums go up 24 percent. How can we continue to sustain this? Many small businesses can't and then have had to, unfortunately, drop coverage for their employees. None of us I think want to do that. What I hear from you and what I did as an employer was treat my employees as my family. No one wants to do that to your employees.

If I could ask your opinion maybe on a couple of issues? Individual mandates. Do we need to mandate that everyone have some kind of health insurance coverage? What about issues of price transparency, of being able to actually look at your services and compare price, cost, procedures, doctors, hospitals or anything else you might want to share specifically on our health care debate as we move forward?

I will start with Dr. Pochapsky, please.

Mr. POCHAPSKY. Yes. We just really view that as part of the compensation package. And it is part of the way we attract employees. So we shop around for health care. We have a decent pool. We used to be members of a high tech council. We have gotten big enough where now we have a big enough pool of employees where we can shop for health care and provide it to our employees as a benefit.

So it is getting expensive. We have to be very careful where we get it from. But it is part of the total compensation package. It is part of how we attract our employees and keep our employees.

Ms. DAHLKEMPER. Do you think everyone should be mandated to be covered?

Mr. POCHAPSKY. Who is going to pay for it, then? I mean, I don't know how that is going to work if that is the case. I know if it is a mandate and everybody can get health insurance from somewhere, why would we then offer health insurance? It would probably be the first thing that a company would do.

Ms. DAHLKEMPER. So you see it as an advantage to your company over others to attract?

Mr. POCHAPSKY. It is just part of the compensation package. I don't know if it is advantage over anybody else, but it is part of what you have to pay an employee, someone who works for you. And if you want to keep a good employee, you give them good health insurance. You make that part of your compensation package.

Ms. DAHLKEMPER. Okay. Ms. McClain?

Ms. McCLAIN. I think any company that could afford to pay the premium would certainly offer their employees health insurance. Now, we offer Blue Cross health insurance and dental insurance. We find that our employees expect this of our. And, you know, we are glad we can do it.

The first years we was in business we did not offer health insurance. We did not have the money to pay for it. We pay half the premium, whether it is single coverage or family coverage. The company absorbs half of it, and we are glad to do this.

Ms. DAHLKEMPER. Mr. Farra?

Mr. FARRA. We just see it as a cost of doing business. If there were some sort of mandate that every business had to provide that, I think you would see a lot of small businesses go out of business.

But, you know, on the other hand, a small child in an inner city area, they need to have that. So it is kind of who pays the bill? Do the businesses pay the bill or does the government pay the bill?

Ms. DAHLKEMPER. Right now everybody is paying about \$1,000 a year for all of the people who aren't insured. But, you know, we are paying for it. I am curious, because I want to know I struggled with this as a small business owner. Where your feelings are on this because it is a debate that is going to happen this summer.

Mr. PRESTEMON. In terms of a mandatory requirement on small business, that would not be responded to with a well battery of small business owners.

The recurrent theme that I hear, control costs and get access to pools, insurance pools, particularly for the company that maybe only has five people or ten people in it, there is a recurrent frustration. I know there are both market-oriented ways and governmental sponsored ways to accomplish that. I haven't heard business owners talking in any detail about that, but the pooling and cost control are the two things that I hear.

Ms. DAHLKEMPER. Ms. Brown?

Ms. BROWN. Well, we are a union shop. And we are a large shop. And we have incredible health care. We take care of everyone across the board. That is not an option. It is not really an issue. It is part, as everyone has said, kind of the whole package. So we pay a huge amount for that, but that is part of what we do for the skilled workforce.

I would say we would echo that, of course, we want to control costs. Of course, the way it is now, it is a huge issue for the unions and for a lot of other folks across the board. And you know obviously price transparency, I believe that is probably a good thing as well. So yes, that is—

Chairwoman VELÁZQUEZ. Time has expired. But I would allow for the other members of the panel to respond very briefly. We are going to have votes in the House any minute. So I would like to recognize the gentleman, Mr. Schrader.

But do you have any of you who want to comment?

Ms. STOREY. May I make a quick comment, please?

Chairwoman VELÁZQUEZ. Sure.

Ms. STOREY. Radically different. Yes, we do a 70/30 split, but, quite frankly, my opinion is it is none of my business. It should be a consumer item that they buy. I do not believe it should be provided by employers.

I am a simplistic thinker. You will have to forgive me. I don't pay for their car insurance, their home insurance, shouldn't be medical. And when my employee walks through the hospital door to the ER, it doesn't cost my employee any more than the IBM employee or somebody else. I don't understand why our system is that way. It shouldn't be.

Mr. BACON. I have a brief comment if you don't mind.

Chairwoman VELÁZQUEZ. Yes?

Mr. BACON. We have a unique perspective on health care. We are self-insured. Our health program is self-insured. And we take great strides in providing health care. We also offer it to all employees as a staff benefit to help improve our retention. So at this point, I think we are okay.

Chairwoman VELÁZQUEZ. Okay.

Ms. DAHLKEMPER. Okay. Thank you.

Mr. REISTER. Just one brief comment. Just if you allow us to pool the companies, so my industry, if we were able to pool together, become—

Chairwoman VELÁZQUEZ. That is my legislation.

Mr. REISTER. Perfect.

Chairwoman VELÁZQUEZ. So that we could spread the risk.

Mr. REISTER. Absolutely. And that will reduce our premium.

Chairwoman VELÁZQUEZ. And negotiate the premiums. Yes.

Mr. Schrader?

Mr. SCHRADER. Thank you, Madam Chairwoman.

I, too, would like to thank everyone for making the long trip from back home to Washington, D.C. It gives us, particularly in this body when times are so tough and you get a lot of negotiate news, to see heroes and heroines out there struggling to make a go of it and coming up with good old American entrepreneurship to make things happen. So my hat is off to you and many others, millions of others, across the country. So I appreciate that.

Quick question for Chandra, if I could. Expand just a little bit on that incremental funding you were talking about for some of the small businesses. Is that something that we have heard before?

Ms. BROWN. I would be happy to expand on it. I will try to be short, since I've worked a long time on these issues, incremental funding. It is kind of like when we build a boat, for example, We are only getting, let's say, the boat. Make a really simple example. It costs \$3 million. And we only get one million in the first year, which can only build a part of the boat. You are never going to get the full boat for that amount. This is very common on Corps of Engineers projects and hydroelectric.

So we bid the one portion. And that is never the best way to bid. We could possibly do it faster and quicker and cheaper if you could do the full three million up front, rather than you get one million. Okay. Next year we are going to decide if they know it has to be funded because you can't have a quarter of a boat, but, you know, it goes like that usually over the course of three years in this incremental funding.

And it's fine for the larger businesses. But for small businesses if there can be some type of cap, you know, like for smaller projects, like under 20 million, that those would be fully funded versus funded year by year and constantly going back and not 100

percent sure when that money is going to flow, that would be very helpful for small businesses across the United States.

Mr. SCHRADER. Thank you.

Ms. BROWN. Thank you.

Mr. SCHRADER. I yield back.

Chairwoman VELÁZQUEZ. Okay. Well, I am sincerely, sincerely grateful for participation this morning. It has been an extraordinary hearing. And it is just great as a member of Congress to be able to listen to the stories of small businesses. I know that you are the one creating the jobs.

And the key to get this economy back on track again is by providing tools. You know, we might have some difference of opinion in terms of the role that the government can play. I do recognize that, but I also recognize that sometimes if we focus on legislation and programs that are focused on providing tools for businesses to be able to grow and expand, such as the federal marketplace, affordable credit.

We all know that all of those large banks are getting help from the government. It doesn't trickle down to the small banks that are the ones providing the credits for our communities.

We were able to include provisions in the stimulus package for the Small Business Administration to work with the financial institutions so that we could increase the guarantee for those loans, reduce the fee, and provide a loan stabilization program that will give a \$35,000 loan free, interest-free, loan for those small businesses who are struggling to pay existing debt.

So, with that, I ask unanimous consent that members will have five days to submit a statement and supporting materials for the record. With objection, so ordered.

This hearing is now adjourned. Thank you.

[Whereupon, at 11:51 a.m., the committee was adjourned.]

NYDIA M. VELAZQUEZ, NEW YORK
CHAIRWOMAN

SAM GRAVES, MISSOURI
RANKING MEMBER

Congress of the United States
U.S. House of Representatives
Committee on Small Business
2301 Rayburn House Office Building
Washington, DC 20515-6515

STATEMENT

Of the Honorable Nydia M. Velázquez, Chairwoman
United States House of Representatives, Committee on Small Business
Full Committee Hearing: “*Celebrating our Small Business Heroes*”
Wednesday, May 20, 2009

Today, we are celebrating Small Business Week, and the men and women who keep our economy running.

It takes a special kind of person to start a business. As most of you know, being your own boss doesn't mean a 40-hour work week and 2-months paid vacation. Quite the opposite. It means spending more time in the office than your friends with conventional jobs. But at the end of the day, you don't do it for the hours. You do it because you are the hardest working people in America. You are also some of the most resourceful, and the most resilient. *These* are the traits that have helped people like you pull us out of past recessions. And *these* are the traits that will lead the way back to prosperity.

When entrepreneurs do well, America does well. Whether it's the tech startup in Silicon Valley or the family owned restaurant down the street, small businesses are the engine driving this economy. In fact, entrepreneurs create roughly 70% of all American jobs. They also have a proven track record for stemming recessions.

Take the downturn of the mid 1990's, for example. During that time, entrepreneurs created 3.8 million new jobs. With unemployment now at 8.9%, we could use that kind of growth again. That is why both this committee and the rest of Congress have taken steps to strengthen entrepreneurship.

On its own, the American Recovery and Reinvestment Act contains \$15 billion dollars in tax relief for small firms. It is also expected to generate \$21 billion in loans and investment. That's capital you guys can use to start growing again. Meanwhile, the stimulus contains important provisions for helping small firms win government contracts. In terms of infrastructure projects alone, entrepreneurs stand to gain \$29.9 billion.

But we aren't just giving you the opportunities--we are also giving you the *tools* to *seize* those opportunities. Later today, I will be on the House floor to present HR 2352, the Job Creation Through Entrepreneurship Act of 2009. That bill is going to provide critical resources to help your businesses grow and adapt. Because let's be honest, the economic landscape looks very different today than it did a year ago. HR 2352 will give you the training you need to retool your businesses, and emerge from the recession stronger than before. That is critical, because we are really counting on you guys to turn things around.

This morning, we have a very diverse cross section of the small business community. We have a finance firm. We have a heating and air conditioning business. We have the nation's only streetcar manufacturer. And you have come from all over the country-- Clackamas Oregon. Andalusia Alabama. Virginia Beach. But while it may seem like your businesses have nothing in common, you do share one critical common thread--the key to recovery.

As Americans reevaluate the old way of doing business, we are increasingly looking to small firms. Men and women like yourselves, who are the real heroes of American industry. Today, we celebrate you.

I'd like to thank all of our witnesses for being here today. I am so pleased they could join us, and look forward to hearing from them.

U.S. HOUSE OF REPRESENTATIVES
SMALL BUSINESS COMMITTEE REPUBLICANS
REPRESENTATIVE SAM GRAVES, RANKING MEMBER

**Opening Statement of Ranking Member Sam Graves
House Committee on Small Business
Hearing: "Heroes of Small Business"
May 20, 2009**

Madam Chairwoman, thank you for holding this hearing highlighting the success of entrepreneurs from across our nation. It is fitting that we honor these heroes during Small Business Week.

Each year, we pay tribute to America's small business owners and workers. These are the men and women who use their entrepreneurial talents to make our lives better, help sustain our economy, and expand opportunities for all of us.

Small business owners from across the country are gathering in Washington to be honored for their accomplishments. Entrepreneurs exemplify the great American values of hard work, ingenuity, and achievement. This year, it is especially important to recognize small businesses that have prospered, despite a difficult economy. We salute small companies for their strong commitment to their communities, and their contributions to our nation.

Small businesses power America's economy. Small firms create the bulk of new jobs, and account for 51% of our workforce. These companies are on the cutting edge of research, hiring 40% of all technology employees and acquiring thirteen times more patents per employee than large firms.

Small firms are also leaders in trade. Trade boosts our prosperity, strengthens our ties with other nations and creates new opportunities for America's workers. Almost one third of all U.S. exports are generated by small businesses, and 97% of all U.S. exporters are small companies.

The number of women-, minority- and veteran-owned businesses is growing rapidly, and comprises an increasing percentage of our economy.

These successes are impressive. But there is more we can do. Our economy is lagging, and many small businesses are hurting. We must make sure small firms have the tools to prosper. They need access to capital, counseling, and programs to help them build and expand their businesses.

Increasing taxes, employer mandates and regulatory burdens will simply cripple these firms. By supporting legislation to keep taxes low; promote free trade; allow small businesses to pool together to purchase health insurance; and reduce frivolous lawsuits; we can help small companies to compete.

Madam Chairwoman, thank you for holding this hearing to honor America's small business heroes. I yield back.



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Written Testimony
United States House of Representatives
Committee on Small Business

May 20th, 2009

Mr. Stephen A. Reister, Principal
Steel-T Heating and Air Conditioning
Englewood, Colorado

Madam Chairwoman Velazquez, Ranking Member Graves and members of the committee. I am Stephen Reister, one of the owners of Steel-T Heating and Air Conditioning. We are located in Englewood, Colorado, employing 41 fantastic employees. I am testifying today on behalf of my company and the great people who work so hard to make it the success it is today.

Company History

My father purchased Steel-T Heating from his partners in 1989 amidst a nation wide recession that had many similarities to the one we are in the midst of today. When he let people know of his plans, most of his friends counted him out and assumed bankruptcy and failure would soon follow. Many major changes quickly took place in the daily operation. He reduced his own salary and gave raises to the 20+ employees who had not received a raise in more than two years from the previous controlling partners. He started the first 401-K plan in Colorado for our industry, giving every employee another small raise to get them started and achieving 100% employee enrollment. He added paid vacation, forcing our competitors to follow suit in an attempt to keep up. He put people first and knew that happy employees produce happy customers. Happy customers in turn will tell their friends and success will follow.

Some people were surprised to see how much faith he put in those working in the business. Many owners saw it as both foolish and risky. Counting on yourself in their mind was the only way to get the job done right and ensure that you have control of your success. My father's ideology was very

different. His goal was and is to help as many people associated with our business achieve all they can in life and the rest will take care of itself.

Current Company: Our Response to the Economy

It is now 20 years later and the principals our father instilled in my brother Chris and I all those years ago, are paying off. He made us earn the respect of our employees by learning the business from them. We worked side by side with them in the field and became proficient in all aspects of installation and repair before we would ever see the financials. We have been running the day to day operations of the company for the past 5 years. We currently have 41 employees down from where we were a few years ago at over 100. However, we still have the best and the brightest. Many of our employees have been with us since the beginning, and many have retired as part of the Steel-T family. Our goal is that our employees will all retire at Steel-T and have more money a month in retirement through the 401-K plan than the competitive wages they made working on a daily basis.

We have 26 American made Ford trucks currently on the road servicing our active customers. Our goal would be continue expanded advertising campaigns and add to our fleet servicing an even larger customer base this year. Our company breaks down into three different areas. We do 70% new construction which has been hit hard by the current economic downturn, 12% commercial and 18% replacement and add on service repair. We are currently growing the commercial and service divisions to help offset new construction woes.

We are down from revenues of over 12 Million in 2006 and are working to diligently to hit about half of that in 2009. This fall off number may seem grim but, we have a plan to get past this downturn. We have decided as a team that we are not going to participate in the recession. We have 20 competitors that have closed their doors this year and we have decided not to be one of them.

What Will Keep Us Successful?

We have the best partners and products in the industry. A stable 50,000 unit furnace replacement market still exists in the Denver Metro Area. We are the leader in the industry installing more ozone friendly 2010 compliant air conditioners and 90%+ efficient furnaces than the national average. We have no bank loans for the company and use no lines of credit. We own our building, our vehicles and pay our vendors net 10 in cash. By operating on our own capital we do not have to be concerned about the bank calling a note or renegotiating our terms. We have continued to reinvest in what we believe in most, our company and the people who keep it going.

My brother and I often questioned my father's reasons for approaching business in this manner as banks and government agencies gave incentives to refinance and disproportionately increased lines of credits for nothing down as markets soared all around the world. My father held steadfast in his approach; now my brother and I follow in his footsteps even if our education was a bit slow. His leadership, as we now see, has placed us in a position to ride out the storm.

How Can the Federal Government Help Our Industry and Small Business?

Small Business is the backbone of the economy and the country. We need the government to give incentives and tax breaks to small businesses that are debt free and helping drive the economy. Give us an incentive to buy new vehicles for our companies by allowing us to fully depreciate them over two years. This will encourage us to buy sooner. These newer vehicles leave a much smaller carbon footprint verses the ones many of my competitors are currently running into the ground. Offer Safety Tax Credits when we purchase new manufacturing equipment that helps speed production and reduces the risk of injury to employees. Give us automatic tax incentives for industry technical education through major qualifying manufactures. As we pay to better our employees and educate them, enable us to keep more money and reinvest it, to help grow our business and the economy.

Our current federal tax rate is extremely high and we have not seen the loop holes that many people speak about businesses taking advantage of in the Federal Tax Code. We have health care and pay a great portion of it for our employees. Help us keep cost down by limiting the paperwork that is required by insurance companies from both the insured and the doctor's office. This will reduce cost by speeding the payment of claims and reduce overhead for the insurance company and the doctor's offices. Small Business can create software to reduce paperwork and increase productivity. This will help lower premiums and increase the time doctors can spend with our employees, keeping them well and at work.

This nation will persevere through this current challenge as we have for more than 200 years. We are a nation of believers in God and of the innate goodness that dwells in its citizens. This is the greatest nation on earth; our entrepreneurs will continue to put themselves at risk to reach the American dream. The dream pursued by our forefathers and offered in our Constitution for those willing to sacrifice to achieve it. This body of the Congress and the current Obama Administration should embrace those entrepreneurs and reward them for their risk and willingness to employ and grow a nation through small business ventures.

Thank you Madam Chairwoman Velazquez, Ranking Member Graves and members of the committee for your time and willingness to hear my testimony today.

I am Doña Storey, President and CEO of an award winning business for 29 years and the daughter of a Filipino immigrant who was also a successful business owner and entrepreneur. I am the developer of the up and coming book series **“Doing Business with the World’s Biggest Customer.”** After 14 years in business as a management and marketing consultant, I was engaged by a defense contractor to help their firm with a series of commercially based technology transfer projects. After a successful completion they encouraged me to look into the 8(a) program. I did, and the rest is history. Although I was in that dangerous position of not knowing what I didn’t know, I was able to figure it out. It wasn’t the big primes that made it happen. Since I wasn’t an IT or high tech firm they wouldn’t give me the time of day. Other small firms that had been successful passed helpful hints on to me. The SBA’s 8a district deputy helped where they could but I presented them with a different industry model and my business offered them a challenge. It took me longer, but I made it.

I come here today to enter my statement of opinion in regards to the growth and opportunities of those firms that have chosen to do business with the U.S. government or have the desire and capacity to do business with the federal government. I speak from experience and informal research derived from the last 15 years of growing my firm by way of government contracts.

As in all things in life there is positive and negative in everything. I will frame my comments by explaining my thoughts and experiences in the same way.

The good thing about the small business outreach programs is that they have been around for a long time...the bad news is that the programs have many features needing change that have been allowed to stand thus breeding stagnation in the system. Below I will discuss the key areas for consideration in what I consider the order of importance.

Small business training programs

Misplaced small business programs

Small Business Training Programs

SBDC/PTAC Programs

The government has recently developed what I will call good “pointer” programs. Using agency websites and funding SBDC’s, PTAC’s, and Women Center’s they will point you in the right direction. The problem is with the conceptual design of the programs themselves. Once again provided with good intentions these programs need rethinking after the realities *not* the existing data has been examined. Am I saying we should not continue such programs...absolutely not. I am for reengineering the programs. First small businesses should be able to compete for the funding to run one or any of these centers. Their experiential knowledge is invaluable and the missing link to what could fill the gap which is sorely missing in small business programming. At this time, a PTAC must depend on business people to volunteer their time to provide this experiential learning event. What is worse is that those people hired as director do not

bring the key experiences to the table needed in this unique environment... and it is unique.

In the very least firms such as mine should be able to play a paying role in the implementation of these programs to make them “complete.” Pointing is good, but hands on advice rounds out the program. The mere fact that no one is even thinking this makes my point. They don’t know what they don’t know as part of the institutional thinking managing the programs. It takes a business thinker and most likely a small business thinker to see the light. When I have brought this up the sheer fear and paranoia on faces says this will become a “rice bowl” issue. It is about **change** for the good.

The only true metric to prove the value of these programs does not exist. The metric being used is what I have called the “touch” or inquiry metric. The success of the program is measured on the number of companies you talk to or are exposed to. The metric that needs to be tracked is the success or “get it done” metric. Did they successfully identify the real need from each firm and was the need fulfilled. I have been logging what I will, tongue-in-cheek, call the “frustration metric” surrounding these programs. I am a speaker at a number of government conferences nationwide. In addition I attend many conferences as well. The hallways are filled with firms looking for the most basic knowledge that is critical to not only their growth but in this day in time, their survival. I know of a woman right now who called me from another state who heard of me through a speaking engagement. She actually lost her first sole source contract award because between the PTAC and the SBA no one could give her one key basic answer to a question. I am not blaming these resources for not having the type of

answers this woman needed, but the system needs to be reexamined for efficiencies.

I do not advocate that the system spoon feed small firms. I believe in our free market system. Those firms that can make it will... those that cannot will not. Education in the right format provided by the right people will help level the playing field

We are now facing what I will call the perfect storm in contracting: an inexperienced base of new contracting officials, new businesses trying to enter into the federal marketplace to capture stimulus money and a system for support that sets a false expectation for what it should do and what it is not able to deliver.

The centers are staffed and funded metaphorically to allow a starving person to see a picture of a steak dinner, smell the steak dinner, but never show that person the way to actually taste and eat the steak dinner. The SBDC and PTAC concept is great, but the money available to run such programs should be open to small businesses such as mine to compete for their management. These centers are being run by the cliché old-school thought that a university or non-profit can provide better coaching. I am sorry, as a whole, they cannot. They are underfunded and lack hands-on knowledge. If the truth be known, the typical center gets the money and then they hire a director who has never run a successful firm and/or has never owned a firm which has won and executed a federal contract. The centers then come to “experts” like me to give them free advice and workshops to give their company clients the knowledge they really need in

knowing how to grow, finance their firms and avoid the landmines they have to navigate every day. These programs are doing a lot of good checking boxes and making people think something is being done while in fact we introduce small companies to concepts that make them realize how much help they need. It also makes them prey for the real beltway bandits who are charging incredible amounts of money to guarantee getting you contracts.

Efficiencies would be greater to take all of the monies for PTAC's, women's centers, and now, the vet's center's and have them run regionally by administratively sharing funds and allowing small business subcontractors to compete and deliver the appropriate training and consulting. There isn't a version of the F.A.R. just for vets and one for women and one for minorities. It's the same F.A.R. for all of us, and any specific information for certifications is an easy module to implement. The irony here is that the government is trying to solve a business problem with an institutional bureaucratic mindset, and it is wasting money and not delivering the product expected.

Mentor-Protégé Programs

I believe these programs with some rethinking and re-engineering hold out the best hope we have in this country of growing our base in small firms... government, business or commercial. The problem is what we have in most cases is that the money is going to a limited group of mentors. Ask any small firm and they will tell you that there comes a time in the M-P relationship between the big guys and your firm when the big guy's "get it

factor” is not what it should be when understanding the real challenges of the small business person. The big guys “recognize” the problems, but cannot identify personally with the dilemma and the tough choices that often must be made. I do believe that the programs are great and the large firms absolutely have a role to play in the growth of small firms.

The change I might recommend in the program is to have the same concept that’s applied to competition of other government contracts and require a portion of the M-P budgets set-aside for small businesses to compete to manage mentor-protégé agreements. It might be that the smaller firms that most of the big guys don’t want to be bothered with are just the diamonds in the rough that a small business could coach to the next level of capacity. Usually the small businesses selected by the primes to mentor have already been subcontractors for years and quite frankly are big enough to go it alone with minimal help. When the current DOD M-P program is examined, the firms being grown could have been grown with a credit only program with no cost to the government. This program is upside down. The mentor-protégé programs getting no money for the mentors are those that “allow” a small firm to mentor another small business... on their own dime... no overhead coverage from the government like the big guys get. Trust me, it is a bigger budget hit for a small firm to mentor another small firm dollar for dollar than for a large firm. Being able to “own” part of the firm is supposed to be a great incentive... that same holds true for a large firm but once again the risk taken on is far greater for the small business. If the large prime Mentors subcontract training out it has to go to the PTAC’s or the HBCU’s... again non-profits and universities, as though they have the magic answers.

Years ago I held what I will call my dream contract. I received a call from someone in the Navy asking if I would be interested in working on a contract to help small businesses grow their firms to win more federal contracts. I had been identified as someone who had struggled to bootstrap my way along to grow a successful small firm into an award winning firm. I had used my own struggles as a platform to advocate for those coming along behind me. I was on a mission to help others shorten their length of time in their struggles. How did I come along? I had been mentored by a mid-size/small (by SBIR standards) firm in the very first mentor-protégé program. This employee-owned firm was small enough for me to actually work with all of the corporate officers and the original principal owners of the firm. In addition through the years the best experiential learning I received was from other successful small business owners who could identify with my issues.

And so, the Navy representatives having heard of me, I was interviewed and asked to develop a new learning concept based on what I thought small firms needed. Little did I know this program was funded by something called an earmark. In those days I did not know the term nor knew what it was. I just knew I had been selected to test my concepts. Although not asked, I developed and tracked my metrics on the growth of these firms we assessed and coached. Our findings were interesting. Given what DOD was spending at the time, we were providing essentially the same training for ten cents on the dollar compared to the average mentor in the major program. I even had profit on my contract. The Primes are supposed to omit profit in their agreements... and I still was able to provide a solution for far less.

Where does the M-P program excel? In technology transfer agreements. Later in the growth of my firm I entered into a M-P credit only agreement where the mentor was a publically traded manufacturer. In order to grow our relationship my company was given a technology platform to link to their factories for our firm to grow a new management concept. That opportunity proved quite successful and launched our firm to that proverbial next level. We are now the firm of note in a niche area of project management... no cost to the government in reimbursable funds... just small business credits to a manufacturer to grow us as a teaming partner of choice. Our concept... their platform... a winning team... no cost to the government.

Misplaced Programs

I am a strong believer that the HUB zone program has good intentioned applicability in our economy. Having said that, I firmly believe it is an economic development program and not a small business program. The legislation is written such that the firm that reaches the goal of program... employing people in a HUB zone and thus bring up the community standard is then taken out of the program and loses their competitive edge...not a reward for all of the investment that they put into moving into a hub zone. I believe this is why the program has had thus far so many problems with the program... good intention... wrong category for implementation.

Alaskan Native corporations

I will not go into all of the now documented problems of this program. It is sucking the life out of the growth of the 8(a) program and seriously limiting the opportunities for firms such as I had coming along. Once again, this is not a small business program... it is a misplaced economic development program. This problem is exacerbated by the fact that money is being jammed through the contracting system without an ample experienced acquisition workforce.

Close

In closing I will say I am still on a mission to find ways to provide the least expensive and most effective way to share information that helped me. More than ever the time is right to get his information out. I am working on a website at my own expense that will feature hands-on materials and a media center sharing interviews of how successful small firms grew their companies. We have also taken everything we have learned and put it down in a series of books that are easy to read and filled with templates and how-to scenarios. This series picks up where the outreach pointer programs stop. They are featured on the website.

HOUSE COMMITTEE ON SMALL BUSINESS

MS NYDIA M. VELAZQUEZ, CHAIRWOMAN

MADAM CHAIRWOMAN: DISTINGUISHED COMMITTEE MEMBERS, IT'S LIKE A DREAM COME TRUE FOR A SHARE CROPPERS DAUGHTER FROM SOUTH ALABAMA TO BE IN THIS BUILDING AND IN THE PRESENTS OF SUCH AN ELITE GROUP OF DEDICATED AMERICANS, I AM SO HUMBLLED AND OVERWHELMED. THIS COULD HAPPEN ONLY IN AMERICA. TO BE ASK TO TESTIFY TO THIS COMMITTEE UNDER THE 'HEROES OF SMALL BUSINESS'. IS SUCH AN HONOR. MCCLAIN CONTRACTING COMPANY, INC. IS A SMALL WOMAN-OWNED, NATIVE AMERICAN-OWNED CONSTRUCTION COMPANY LOCATED IN THE SOUTHEAST ALABAMA TOWN OF ANDALUSIA. THE CORPORATION IS OWNED BY ME AND MY SON KEVIN MCCLAIN.

THE COMPANY GOT ITS START IN 1990 AS MCCLAIN MOTORS, INC. D.B.A. MCCLAIN YAMAHA; A YAMAHA DEALERSHIP THAT SOLD AND SERVICED ATV'S AND WATER CRAFTS UNTIL 1996, THE DEALERSHIP WAS SOLD AND IN 1997 THE NAME OF THE CORPORATION WAS CHANGED TO MCCLAIN CONTRACTING COMPANY, INC. THE COMPANY BECAME A GENERAL CONTRACTOR LICENSED BY THE STATE OF ALABAMA. WE HAD ACHIEVED SOME SUCCESS, AND HAD WON SOME CONTRACTS ON ROAD AND BRIDGE PROJECTS IN ALABAMA, BUT IT WAS TOUGH TO FIND REGULAR WORK. OUR WORK FORCE CONSISTED OF ME, MY SON AND 4 EMPLOYEES.

SOMETIMES THE ONLY RECOURSE TO LAYING OFF OUR WORK FORCE WAS TO GO TO THE BANK AND BORROW MONEY TO MAKE THE PAYROLL SO OUR VALUABLE EMPLOYEES COULD TAKE THEIR WAGES HOME TO MEET THEIR OBLIGATIONS. WE DID THIS WITHOUT HESITATION BECAUSE WE HAVE ALWAYS TRIED TO TREAT OUR EMPLOYEES LIKE FAMILY. WE HAD TO DO WHAT WAS FAIR FOR THEM.

I WAS NOT CONTENT AND DECIDED TO PURSUE OPPORTUNITIES WITH THE FEDERAL GOVERNMENT. I WAS AWARE OF THE OPPORTUNITIES THAT COULD BE AVAILABLE TO OUR COMPANY IN THIS DIRECTION. I CONTACTED THE TROY UNIVERSITY SMALL BUSINESS DEVELOPMENT CENTER (SBDC) FOR ASSISTANCE. COUNSELORS WITH THE TROY SMALL BUSINESS DEVELOPMENT CENTER FIRST MET WITH ME AND MY SON IN OCTOBER OF 2004. I BEGAN THE PROCESS OF APPLYING FOR 8 (A) AND HUBZONE CERTIFICATION SHORTLY AFTERWARDS. MUCH OF MY TIME IN 2004 AND 2005 (14 MONTHS) WAS SPENT WORKING THROUGH THE EXHAUSTING AND FRUSTRATING 8(A) AND HUBZONE CERTIFICATION PROCESSES. I WAS CERTIFIED 8(A) BY THE U S SMALL BUSINESS ADMINISTRATION SEPTEMBER 15, 2005.

IT WASN'T LIKE THE FEDERAL GOVERNMENT SUDDENLY STARTED HANDING OVER WORK- FAR FROM IT. BUT CERTIFICATION WAS THE BEST THING THAT EVER HAPPENED TO OUR FAMILY AND OUR EMPLOYEES' FAMILIES. AFTER MARKETING TO THE FEDERAL GOVERNMENT FOR 11 MONTHS, I NEGOTIATED MY FIRST FEDERAL CONTRACT AUGUST 24, 2006 WITH KESSLER AIR FORCE BASE, BILOXI, MS. THE CONTRACT WAS CALLED SABER (SIMPLIFIED ACQUISITION OF ENGINEERING REQUIREMENTS). WHICH WAS A ON-CALL SERVICE AT THE AIR FORCE BASE TO DO OOD-JOBS, THINGS LIKE FIXING AND REPLACING AIR CONDITIONERS, PLUMBING, BUILDING REMODELING. THE CONTRACT WAS FOR 1 YEAR. WE COMPLETED THE CONTRACT IN 4 MONTHS; THE CONTRACTING OFFICER WAS SO PLEASED WITH THE QUALITY OF OUR WORK, OUR ABILITY TO MEET OUR COMMITMENTS THAT I NEGOTIATED ANOTHER CONTRACT.

BELIEVE ME THINGS HAVEN'T BEEN THE SAME SINCE. OUR REPUTATION SPREAD TO OTHER NEARBY FEDERAL INSTALLATIONS LIKE THE NAVY SEEBEE BASE IN GULFPORT AND THE VA HOSPITAL IN BILOXI AWARDED US

CONTRACTS. SOON WE BEGAN TO EXPAND BEYOND OUR SUCCESS IN MISSISSIPPI AND SECURED CONTRACTS IN THE FLORIDA PANHANDLE. WE HAVE COMPLETED \$24,400,000.00 OF CONTRACTS FOR FEDERAL AGENCIES SUCH AS THE AIR FORCE, THE NAVY, THE ARMY CORP OF ENGINEERS, THE VETERANS ADMINISTRATION AND THE GENERAL SERVICES ADMINISTRATION.

I AM GREATFUL MORE THAN WORDS CAN EXPRESS.

WE NOW HAVE 31 FULL TIME EMPLOYEES, OUR STRENGTH LIES WITH OUR EMPLOYEES, AND WE COULD NOT DO WHAT WE HAVE ACCOMPLISHED WITHOUT THEM.

THE SUCCESS OF OUR BUSINESS IS DUE TO HARD WORK AND DEDICATION OF OUR PERSONNEL, AND I ALSO GIVE MUCH OF THE CREDIT OF OUR BUSINESS SUCCESS TO THE STAFF AT THE TROY SMALL BUSINESS DEVELOPMENT CENTER AND THE SBA OFFICE IN BIRMINGHAM FOR THEIR ASSISTANCE IN HELPING ME APPLY FOR THE SBA CERTIFICATION.

I AM FEELING REALLY GOOD ABOUT OUR RECENT SUCCESS, BUT I AM NOT CONTENT TO ENJOY IT WITHOUT EXPRESSING AN INTEREST IN SHARING MY STORY TO HELP OTHERS WHO MIGHT BE TEMPTED TO GIVE UP WHEN THING GET TOUGH.

"WE HAVE ALL HEARD THE COMMENT THAT I AM FROM THE GOVERNMENT AND I AM HERE TO HELP YOU", THIS IS REALLY TRUE WITH THE U.S. SMALL BUSINESS ADMINISTRATION, THE PERSONNEL, THE DIFFERENT PROGRAMS AND TRAINING AVAILABLE TO HELP ANYONE TO SUCCEED IN THE BUSINESS

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WORLD IS AVAILABLE FOR THE ASKING. "DON'T GIVE UP, DON'T BE AFRAID TO ASK FOR HELP, HELP OTHERS ANYTIME YOU CAN".

IN ALABAMA 97% OF EMPLOYMENT IS BY SMALL BUSINESS, THIS MEANS WE REALLY NEED MR. TOM TODT, AND HIS STAFF AT THE ALABAMA DISTRICT OFFICE OF THE U.S. SMALL BUSINESS ADMINISTRATION IN BIRMINGHAM, AL.

ONLY IN AMERICA AND WITH GRACE OF GOD COULD SOME ONE LIKE ME HAVE THE OPPORTUNITIES FOR HELP AND THE CHANCE TO HELP OTHERS.

IN CLOSING, I WANT TO THANK EACH OF YOU FOR THE SUPPORT YOU GIVE THE SMALL BUSINESS ADMINISTRATION. YOU TOUCH SO MANY LIVES ALL OVER THE U.S. THRU THE SMALL BUSINESS ADMINISTRATION.

Good morning. Chairwoman Velázquez, thank you for convening this panel to spearhead the conversation about what is required to achieve success in today's environment. Congressman Buchanan, thank you very much for your focus on empowering small business operators to be more successful.

We are here to focus on the notion of what makes one "successful" in their business. To provide a context for my perspective I'll share that my instincts and interests have drawn me to explore various business experiences in different parts of the world. Both my wife and I are Duke MBAs, but much of what we have learned comes from working from the ground up, learning by trial and error. As entrepreneurs we are wired to roll up our sleeves, hone our instincts and synthesize the information that comes through us to take calculated risks.

Relationships come first

In each aspect of our business we are focused on the relationships we cultivate- be that with clients, vendors, partners, team members. We seek out the win/win by interacting with each individual we come in contact with respect and integrity. For me it is a priority to learn about that person in front of me, learn about what drives them, what they are good at, how I can REALLY help them.

Often people are wired for competitiveness, knocking each other down to build themselves up. We look for ways to collaborate and build synergies. In our vision, **someone does not need to lose for us to gain**; there is plenty of opportunity to go around.

Are these skills or attitudes that have to be taught? I believe that it is my role to lead the company in this way each day, to nurture a culture where the value of people is emphasized in each priority and directive set. I believe that in doing this we also attract the type of individuals that value these principles. I believe it is human nature to be kind, compassionate and helpful, especially if ones own needs are being recognized and respected. I don't think in terms of hierarchy, we are all working toward a common goal. We have a policy about who we work with...we must know, like, and trust them. In the big picture it does not matter how much money they have or how smart they might be, if they are not nice people, good people, then we don't do business.

I'd like to borrow the meaning behind the word sustainable. For me it applies to respecting the environment and also respecting people. Making decisions based on the long term relationship, irrespective of how that might impact the short term profits...that is a sustainable business practice.

In the spirit of honoring the important contributions of individuals, allow me to acknowledge the part that one young lady, Sara Del Monte, daughter of my colleague, played in bringing us here today. You and your mom embrace the spirit of collaboration and cooperation that will continue to nurture success of all of us.

Bridging Local to Global: making the shift to long term goals

Everyone in the world is facing challenges. I have traveled abroad 3 times so far this year and have met with many business operators to get a sense of the perspective outside our own country. What I find very interesting is that in the US much energy and attention is focused on short term. During the internet boom there was irrational exuberance. Now there is irrational pessimism.

When we were in Europe in March attending the world's largest real estate investment forum, the mood was palpably different. There we met business people from every part of the world who understand that we are in a cycle and will emerge as we always do.

My company's success in navigating the current economic climate is predicated on positioning for the longer-term, the big picture. Sure I also have to focus on short term goals to maintain cash flow, but it is critical that none of us become distracted from the long term planning and positioning.

So while we are doing very viable business in our domestic market, instinct leads me to expand internationally. Why? There are very practical explanations. Diversifying to international real estate markets- such as Costa Rica- where investors can put their money to work for higher returns is a logical answer. There is also the fact that home ownership is showing no borders. Studies suggest that approximately 6 million "baby boomers" will retire or have second homes outside the United States.

Another interesting concept is that the US is a conglomeration of immigrants, "wanderers," who come from generations of immigrants. Americans of past generations wanted to stay close to home but each generation is a completely new one. Some amongst this great melting pot are seeking out their ancestral homes or returning to villages that they once fled in places like India.

But bigger than that is the notion that positioning ourselves as Americans to be citizens of the world is an important example for our country's future. It is the vision to truly become part of a greater world.

My wife speaks to our children exclusively in Spanish; we also teach the children Chinese and have exposed them to many European languages. We want them to be world citizens. While we would love to be wired to be able to speak many languages ourselves, we want them to stand on our shoulders, to have access to more of their potential, and be equipped to do things differently than the previous generation.

I have always had the instinct to engage with many countries and cultures. And to the extent that I could, I have traveled, studied, and worked outside the United States. Now I am leveraging that same intuition as I take my business and the people working with me abroad. I hope to set an example of what it is to lead others to have the courage to do this as well.

Embracing Sustainability

The government and people of the US are always working to improve education, quality of life, and the health of our citizens. We set an example for others around the world. I believe in this same spirit we should support ways to be more respectful of our environment, to engage in keeping our air, land, and water cleaner. There will be legislation so that we begin to build differently and operate with cleaner fuels, etc.

Lisa and I aim to be emissaries in this respect as well. Our goal is progress not perfection.

While in France I interacted with several thought leaders on this topic of sustainable development. One was a commercial building developer from Philadelphia who operates over 200 centers around the United States. Going forward they will only build green- not just because it is the healthier thing to do but because governments and insurance companies will require it in the future- he is getting a head-start.

Conclusion

Lisa and I have an amazing mentor/guide/guru who shared an incredibly illustrative story about her grandson, part of the next generation. She and her husband bought a car. They wanted to install a phone in the car but in multiple discussions with the dealer and the cell phone provider no one could figure out how to get the phone to work. They were close to sending the phone to England to get it worked out when the grandson looked at the problem and said "that's crazy" and touched 6 buttons and suddenly the phone and the car worked together.

I share that story because each generation does things that the previous generation could not do. The generation coming up has already internalized ways to do business better and smarter. They are not encumbered by previous ideas. All of us in this room can not even fathom what will transpire in the globalization and sustainability fronts.

Lisa and I both come from entrepreneurial parents that encouraged us to follow this path. We were able to emulate what it means to go out on your own, work hard and struggle to build something. It certainly has made us stronger. We understand the energy and spirit required to achieve success and balance in our own lives and so appreciate the opportunity to engage with you here.

Today's hearing is entitled "Heroes of small business." At the age of 40 I feel I am still too young to be considered a hero for deeds I have done. I hope to have the courage, however, to lead and contribute my energy towards the health and harmony amongst people country and world.

**Testimony of Eugene Pochapsky, PhD
Vice President, OmniTech Partners, Inc.
Freeport, Pennsylvania**

**Before the United States House of Representatives
Committee on Small Business**

May 20, 2009

“Heroes of Small Business”

Madam Chair, Ranking Member Graves, Members of the Committee, thank you for the opportunity to be included as part of this distinguished group of small businesses to testify this morning. My name is Eugene Pochapsky, Vice President and co-founder of OmniTech Partners located in Freeport, Pennsylvania, about an hour northeast of Pittsburgh. Our mission at OmniTech is to provide state-of-the-art night vision technologies to the U.S. Government, state and local governments, and our allies across the world. On behalf of our seventy employees who work to give a competitive edge to those individuals sworn to defend our country and our citizens, we are honored for your invitation to be here today and thank you for this recognition.

About OmniTech Partners, Inc.

The OmniTech Partners group is comprised of three business units; Optical Systems Technology, Inc. (OSTI) which manufactures a family of in-line, clip-on night sights, night vision surveillance systems and stabilized gimbaled platforms all for military and law enforcement applications; Keystone Applied Technologies, Inc. (KATI) which designs, develops and prototypes new electro-optical surveillance systems utilizing multi-spectral optical designs and configurations; and FrigiLite, Inc., the most recently created business unit that designs cost-effective, environmentally safe, remote source lighting solutions for refrigerated merchandise lighting displays.

When our corporate president, Paul Maxin, and I decided to go into business in 1995 we shared a vision of what it required to fulfill our American dream of being successful business owners. Having both worked as engineers for small firms as well as large corporations including companies that did work for the government, we knew that the opportunities could be great but also that the challenges could be many in this high-tech and specialized market. How to capitalize our business? Could we compete with the large corporations as well as global competition? Could we find qualified workers? Keep in mind that much of the major industry in our part of western Pennsylvania has traditionally been either underground in the coal mines or tied to the steel industry. But as both of these industries suffered through the 1980s and 1990s, the Pittsburgh region had to reinvent itself and the renaissance that has taken place over the last 20 years in diversifying the regional economy is now being cited as a model for other cities to look to during the current recession.

We have grown from 6 to 70 employees in about 10 years based upon inventing, designing and manufacturing real products. We have sold more than 7,500 night vision units. Our success relies upon our dedicated workforce who design, fabricate, and deliver leading-edge quality systems, at a fair price, and on time to our customers. We offer our employees competitive salaries and additional training opportunities, and all are provided with medical benefits and a company-matched 401K program. We recently purchased a second facility nearby that will help expand our optical fabrication capabilities and will create additional jobs.

Our end-user customers, principally our war fighters and law enforcement agents, have in the past often possessed a significant night-time competitive edge and could perform operations at night to limit casualties and offset disadvantages in numbers or in available intelligence. Today, the U.S. is facing an increasingly well-equipped opponent, at home and abroad, and often does not enjoy the night-time advantage that we possessed in the past. Madam Chair and Members of the Committee, I would like to briefly describe three programs of the OmniTech group currently underway that will

enable our people to continue to maintain a competitive advantage in owning the night and also helping to save American tax dollars for night vision technologies.

First, our business unit, OSTI, invented and developed the first generation of inline sights that is now the primary form of night sight procured by the DoJ and DoD. This unit provided such advantages over the previous generation of sights that it ended up completely changing the DoD's approach to night sights. This type of innovation typifies the value that small businesses offer.

OSTI is currently developing the Advanced Dualband Universal Night Sight (ADUNS) which is the next-generation multi-spectral night-vision weapon sight, providing both thermal and intensified night vision in a single compact high-performance package. The ADUNS will provide the agent or war fighter with a surveillance and aiming tool that will be unmatched by, and provide a significant advantage with respect to those they observe.

Second, the US government has purchased millions of dollars of image-intensified goggles for surveillance and interdiction activities at night. When there is sufficient starlight, these goggles provide excellent performance. When targets are obscured by camouflage, fog, or when it is very dark, thermal imaging is required. A new system attempts to serve this need by "fusing" intensified and thermal images but it's very expensive. Our engineers have developed an alternative "Clip-On Thermal Imager" (COTI) that clips onto and adds thermal imaging capability to currently deployed and logistically supported goggles. It is estimated that this thermal imaging capability can be added to existing goggles at about a third of the cost to taxpayers that would be required to field completely new goggles.

Third, the off-shore migration of night-vision lens production occurred years ago when lens fabrication was very labor-intensive. The DoD purchases most of its intensified and multi-spectral night-vision optics off shore, exposing critical technology to non-U.S.

citizens, simply because a competitive U.S. source does not exist. To meet this vital need to our national security interest, OSTI is currently part of a Defense Production Act program to develop a cost-effective domestic source using high-speed robotic optical fabrication and assembly equipment to produce advanced night-vision lenses for U.S. military systems.

I cite these three programs as examples, from our business perspective, of what innovative small businesses can do in finding solutions to needs and reducing costs. We believe that when there is a level playing field in the Federal Government acquisition process, we have and can compete with anyone.

Paul and I built our Company through Pittsburgh's most recent renaissance. One of the benefits of living in an area that was so dependent on heavy manufacturing in the past is the enormous engineering skill sets that are in the region as well as excellent local college engineering and science programs. This strong engineering base has made a significant contribution to the re-engineering of Pittsburgh in growing new companies as part of the new economy. However, our technology also requires specialized engineering expertise. We have had to develop the engineering talent that keeps us competitive in this market and in this economy. While the recruitment and training of engineering talent is an on ongoing issue, it is one that we can resolve. However, we find that there are other issues which affect the small business high technology company that must be addressed by the Federal Government. I consider that these issues are not specific to OmniTech but affect other similarly situated companies. These companies constitute a key sector in the American economy. This brings me to the issues confronting small businesses, and especially high technology small businesses serving the Federal market.

Small Business Concerns

Small businesses can often be innovative, flexible and efficient and as such are well suited to respond to market changes with new product innovation. Notwithstanding this competitive advantage, our experience demonstrates that, in general, the Federal Government acquisition system views the innovative small business as a risk to perform in supplying state of the art high technology deliverables in production quantities. The Federal Government acquisition system allows small business to bid on production opportunities, but the "best value" selection criteria encourages a procuring agency to select a large business over a small business even when the small business offers significant price advantages and/or superior performance of products. This bias fails to recognize that the high technology small business must and does acquire and maintain personnel, equipment, quality, and other resources needed to be competitive with large companies. The large company preference is also enhanced by the fact that many large companies have the luxury of having on site representatives who work closely with user groups prior to the initiation of any formal acquisition and thus can input conceptual approaches to various problems well in advance of any formal acquisition. Acquisition officials also have developed a "comfort zone" that creates the impression that a large company, with extensive resources, is more likely to perform satisfactorily than the small business. Although we understand the rationale we don't believe it is borne out in fact.

While the Federal Government acquisition system does maintain "small business set aside procurements" these opportunities, in our experience are not representative of the high technology challenges within which we seek to participate, and the set aside may actually serve to discourage firms like ours from pursuing the "larger" programs which has the long term effect of limiting competition by discouraging small business from entering markets traditionally served by only a few, large government contractors.

Obviously a condition precedent to our ability to maintain the resources necessary to continue to be a key supplier of high technology equipment is the continuing availability

of federal funding to support the appropriate programs. The dominance of the United States as the pre-eminent military power in the world is, at this point unquestioned but not unchallenged. The United States military has the best night vision equipment in the field. We are working hard to develop the next generation of night vision products to keep that advantage. We know that other nations, not necessarily with interests in line with those of the United States, are working unceasingly to develop or obtain technology needed to "take the night" away from the United States. This threat can only be obviated through sufficient funding to the government entities charged with ensuring that our present night vision position is protected and expanded, and by further ensuring that those government entities are inclusive of small business when seeking products and solutions to the night vision challenge of the 21st century. In our opinion a reliance on traditional sources will preclude the government from receiving the potential benefits that are presented by the application of problem resolutions afforded by high technology small businesses.

Taxes are another major impediment to the success of small businesses. High marginal rate and other taxes that apply to S corporations have the most effect on businesses that are growing. Successful businesses are usually growing businesses. These are the businesses that are succeeding in the marketplace, and are typically adding employees as a result of that success. These businesses are also increasing inventory and investing in capital equipment and real property to accommodate and enable their growth. Therefore, these businesses must invest profits into building up inventory to keep pace with the market, and into capital equipment and facilities that are depreciated over many years of service. Taxes, however, are levied on net income without regard to the required need to continue to grow the business, create jobs, and insure the quality and reliability of our products. It is not unusual for the owners of an S-corporation to pay taxes well in excess of the shareholders take home earnings. Therefore, in order to insure timely tax payment, the S-Corporation often loses the benefit of the re-investment of profits back into the business. Consequently, high marginal tax rates have a direct and serious effect on growing businesses. They reduce competitiveness, and penalize investment back into the company. This issue will be

further exacerbated if certain provisions of the proposed changes to the tax code are enacted in the future.

OmniTech is the typical small business that needs continual reinvestment to sustain its growth and product creativity. It is a 70-person manufacturing and product design/development firm that is experiencing growth due to its innovative and successful product line and its dedicated manufacturing personnel. It is investing in facilities, equipment and inventory to help hold its current market share, allow for new product development, and to continue its growth. OmniTech's growth creates a federal income tax burden that is roughly 10 times what the shareholders withdraw from it every year. OmniTech could employ roughly 20 more manufacturing personnel (about 30% more employees) with the money that is paid to the federal government in federal income taxes. While we understand the necessity to pay federal income tax we consider that the tax calculation should be more reflective of the amount actually received by the shareholders. This approach would better facilitate the continued re-investment into small business and support the re-growth of the economy. Keeping the tax burden low on small businesses by lowering marginal tax rates and avoiding implicit tax increases such as occur when the ceiling on social security taxable income is increased is becoming more critical to small business survival. The fewer taxes small businesses pay, the more people we can employ, the better benefit packages we can introduce for our employees, the more competitive we are in the world market, and the more effective we can be at keeping American workers competitive. Conversely, high marginal tax rates discourage the small business entrepreneur from developing technology and often encourage the entrepreneur to sell technology to large companies thereby limiting competition. This technology is often sold to foreign sources. This again limits competition but it also derails domestic technology development and increases the potential to have such technology compete against American interests.

We believe the small, high technology business needs to be recognized for the innovations it brings to the society, the jobs it creates and expands, and its critical role in helping to re-start the American economy. The Federal Government can strengthen

these critical businesses by ensuring that the Federal Acquisition Regulations protect and encourage small businesses, and by reducing the tax burden on those small companies that invest in their employees and their technology.

Madam Chair and Members of the Committee, on behalf of the entire OmniTech group, thank you for this special recognition and for the invitation to testify today. I would be glad to answer any questions about my testimony.



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Testimony of Greg Prestemon
CEO
Economic Development Center
St. Charles County

Hearing: "Heroes of Small Business"
House Committee on Small Business
May 20, 2009

On behalf of the Board of Directors and members of the Economic Development Center of St. Charles County, I want to thank you, Chairwoman Velázquez, Ranking Member Graves, and members of the Committee, for the opportunity to speak before the Small Business Committee today.

The people of St. Charles County are fortunate to have two members representing the interests of small business, and I appreciate the service of Representatives Todd Akin and Blaine Luetkemeyer.

The EDC has operated the 504 program on a regional basis for nearly 20 years, and as of three years ago, on a state-wide basis. We hope to secure the permission to operate in Southwestern Illinois shortly. We benefit from a close relationship with the Small Business Development Center of the University of Missouri -- we provide office space, use of our conference rooms, and office support. Finally, we have benefited from Department of Commerce support for our incubator facilities. So we are fortunate to have an integrated system to help small business grow, and we want to thank this committee for its leadership in this important policy area.

In calendar year 2008, the EDC disbursed more than \$22.5 million to 37 businesses throughout Missouri with a total project value of more than \$60 million that helped create or retain 1,063 jobs. Since 2000, the EDC 504 loan program has helped finance projects around the state totaling nearly \$250 million while creating or retaining 5,774 jobs. Each one of these business expansions translates into real benefits for real people. Like certified developments companies around the USA, we finance businesses of all types -- from auto repair shops to restaurants, to day care to advanced manufacturing. In this case, they are all Missourians, but the 504 program is national in scope, and this committee should feel proud of the impact that groups like the EDC are having, by enabling success for the real heroes of our economy, the owners and employees of growing companies.

Like the rest of the country, St. Charles County has felt the impact of the turbulence in our national economy. Our largest industries include homebuilding, financial services and automotive assembly, all of which are facing challenges. So, if there was ever a time in which our flagship program, the SBA 504 program, was indispensable to the recovery of our local economy, this is that time. And I am here to report some encouraging signs of local recovery.

The last quarter of 2008 saw a precipitous decline in 504 approvals as banks and borrowers lost confidence. However, I am happy to report that the 504 program appears to have made a significant recovery. Since April 1, we have approved 7 loans, and our loan officers attribute the increased activity to the temporary reductions in fees for 504 program. This has moved borrowers and lenders "off the fence," a first step in our country's economic recovery, with small business leading the way.

One final point: we have been very fortunate to have an excellent relationship with the St. Louis District office of the SBA. I want you to know that you have a hard-working, responsive, and dedicated group of people who are doing a great job of stimulating small business growth in eastern Missouri.

Again, Chairwoman Velázquez, Ranking Member Graves, and members of the Committee, I sincerely appreciate the opportunity to testify before you today, and would be more than happy to answer any questions you may have.

TESTIMONY OF SUTTON BACON, NANTAHALA OUTDOOR CENTER, INC.
UNITED STATES HOUSE OF REPRESENTATIVES
COMMITTEE ON SMALL BUSINESS
HEARING ON "HEROES OF SMALL BUSINESS"
REP. NYDIA M. VELÁZQUEZ, CHAIRWOMAN
MAY 20, 2009

TESTIMONY SUBMITTED BY SUTTON BACON
CHIEF EXECUTIVE OFFICER
NANTAHALA OUTDOOR CENTER, INC.
BRYSON CITY, NORTH CAROLINA

Introduction

Madam Chairwoman, Ranking Member Graves, and members of the Committee, thank you for the opportunity to testify before you today. My name is Sutton Bacon and I live in Asheville, North Carolina. I am the Chief Executive Officer of the Nantahala Outdoor Center. Established in 1972, the NOC is an employee-owned outdoor recreation company located at the intersection of the Appalachian Trail and the Nantahala River in Western North Carolina. Originally a roadside inn, the company has evolved into one of the largest outdoor recreation companies in the nation. We are also one of Southwestern North Carolina's largest employers, generating economic multipliers for local support businesses.

Over 500,000 guests visit NOC annually to embark on a diverse collection of 80 different whitewater river and land-based itineraries, learn to kayak at NOC's world-renowned Paddling School, travel abroad to 12 countries with NOC's Adventure Travel program, test the latest outdoor gear and shop at one of our five retail stores, or enjoy NOC's resort amenities including our four restaurants and multi-tiered lodging. NOC guests paddle over one million river miles annually, enough for two voyages to the moon and back. NOC has also been the training ground for some of the world's top competitive athletes in whitewater sports. Our training facility on the Nantahala River has been designated by the USA Canoe / Kayak Team as a "Center of Excellence," which signifies its preeminence and importance to the development of competitive paddlers. As such, 22 Olympians and Olympic coaches have called NOC home. In the last two years, NOC has been recognized as "The Nation's Premier Paddling School" by *The New York Times*, a "Best Place to Learn" by *Outside Magazine*, and as "One of the Best Outfitters on Earth" by *National Geographic ADVENTURE*.

Through our programming, we strive to educate and engage adventure-seekers through dynamic, world-class instruction and tours on some of the world's most beautiful whitewater rivers and landscapes. Our unique employee-owned culture, founded on the philosophy that NOC's most valuable asset is its staff, continues to attract world-class athletes, Olympians, and guides. We are committed to sharing our passion for the outdoors and our penchant for exploration with our guests, and providing guests with the highest-caliber programs in adventure travel. Our employee-owners share a common vision of keeping NOC a dynamic, enjoyable, and successful place to work and of participating actively, considerately, and sustainably in the communities in which we operate. We firmly believe in the triple bottom line of people, planet, and profits.

Community Impact

The economy in our region of Southwestern North Carolina continues to suffer from the loss of traditional manufacturing jobs to international outsourcing, as textile, garment, and furniture plants continue to close. This evolving economic paradigm is particularly acute given the large federal land holdings in our area, which diminish our tax base to fund public services, local police, fire and rescue squads, and public schools. Fortunately, the region's outdoor-based tourism economy, led by NOC, has seen exponential growth, as has interest in tourism re-development, the enhancement of existing public-private tourism product, and the utilization of tourism-related natural resources in an environmentally-sensitive manner. Outdoor tourism is becoming the backbone of our region's future.

A recent study was conducted by researchers at Western Carolina University to provide estimates of the economic impact of the Nantahala Outdoor Center on the surrounding eight westernmost counties in North Carolina. The direct impact of the NOC in terms of payroll expenditures, other operating expenditures, capital expenditures and attendee spending was determined to be \$35,084,352. The indirect and induced effects of payroll expenditures, other operating expenditures, capital expenditures and attendee spending were determined to be \$6,352,270 and \$6,637,069, respectively. As a result, the Nantahala Outdoor Center contributed a total of \$48,073,691 to the local economy. In terms of employment, the Nantahala Outdoor Center created and supported 579 full-time jobs to the regional economy. Furthermore, the researchers opined:

The Nantahala Outdoor Center has a substantial and valuable effect on the surrounding Carolina Smokies region. This study is specifically designed to quantify the tangible impact of the Nantahala Outdoor Center on the region in terms of dollars and cents. However, NOC also provides intangible benefits to the community that are essential to regional community development but are not addressed in this report. For example, the Nantahala Outdoor Center contributes to the cultural life and reputation of the region as a tourism destination.

In terms of impacting the environments upon which we recreate, together with our guests and staff, NOC contributes over \$200,000 in donations and fees annually toward conservation initiatives and land management agencies. We match staff contributions to environmental organizations and are major sponsors of American Whitewater, Leave No Trace Center of Outdoor Ethics, and a number of local and regional environmental organizations. NOC staff commits hundreds of hours toward river clean-ups each year, and our engagement in hydropower relicensing negotiations on the Cheoah and Nantahala Rivers preserved approximately 10,000 acres from development as well as improved water quality on those streams. We also encourage our broad guest base to get involved in conservation issues by providing information about specific threats to our waterways.

Economic Development in Tough Times

In spite of recession, NOC is boldly embarking on a number of new initiatives we firmly believe will transform our company. We feel that a downturn is a terrible thing to waste and that it is more important than ever to innovate through a recession to gain long-term strategic advantage over our competition. In a year filled with such economic uncertainty nationwide, instead of hunkering down, NOC is busy reevaluating our business models,

employing high technology to streamline processes and gain greater efficiencies, and devising aggressive strategies to grow revenue through innovation and new product development. In 2009, we anticipate growing company revenues by nearly 20% and by as much as 40% in 2010. In terms of infrastructure, we are replacing all of our enterprise technology systems which will make us more efficient. We are building a new e-commerce website, opening a new riverside restaurant, repositioning several retail operations, and are introducing numerous new programs, itineraries, and destinations to increase our top line.

In addition, today I am eager to announce NOC's plans to open an 18,000 square-foot outdoor retail store and activity center in Gatlinburg, Tennessee in the fall of 2009. The new store, called "The Great Outpost," will occupy an anchor position in Gatlinburg's downtown shopping and entertainment district, one of the most popular vacation destinations in the Southeast with over 14 million visitors annually. The new center is also located adjacent to the entrance to the Great Smoky Mountains National Park – the nation's most visited National Park – at its most popular entrance, where 3.3 million visitors enter the Smokies, more visitors than iconic Yosemite, Yellowstone, and Grand Canyon National Parks.

NOC's Great Outpost will provide Gatlinburg with a flagship retail environment featuring a wide selection of top outdoor apparel, camping, climbing, cycling, paddling, hiking, and travel brands. The Great Outpost will also serve as Gatlinburg's outdoor activity center and launching pad for families who want to recreate in the National Park but may not know how or have the expertise to do those activities on their own. We will offer guests a diverse range of affordable, family-oriented outdoor activities in the Smokies, including whitewater rafting on the Pigeon and Nantahala Rivers, whitewater and flat-water kayaking, fly-fishing, guided hiking, mountain biking, and nature tours. It will also feature educational exhibits with messaging for adults and children on outdoor education, the environment, and to connect guests with outdoor clubs and conservation groups that help protect the Smokies.

In keeping with NOC's 37 years of leadership in promoting environmental stewardship and sustainable business practices, and given our common border with the Great Smoky Mountains National Park, the project has been registered for LEED certification from the U.S. Green Building Council (USGBC), a third-party national certification program for green design, construction, and energy efficiency. For example, The Great Outpost will include energy efficient heating and cooling systems, recycled materials in floors, perimeter walls, fixtures and displays, cisterns to conserve rainwater and mitigate runoff into area streams, low-flow faucets, and dedicated parking for hybrid vehicles and carpools. It will be the first retail store in Gatlinburg and the entire Smokies gateway area to be LEED-certified.

When it opens, NOC's Great Outpost will become the largest retail store in Gatlinburg. It will create over 55 new jobs and contribute millions of dollars in direct economic impact.

Youth Outreach

As Richard Louv writes in his book, *Last Child in the Woods*: "Developers and environmentalists, corporate CEOs and college professors, rock stars and ranchers may agree on little else, but they agree on this: no one among us wants to be a member of the last generation to pass on to its children the joy of playing outside in nature."

I was first introduced to the outdoors at summer camp in Western North Carolina, growing up paddling on its many rivers and streams as a young boy. I can personally attest to the

value of being introduced to the outdoors as a child, which has led to a lifelong passion for nature and genuine passion for curing "nature deficit disorder" in today's youth. Building on our heritage of youth service and environmental education, NOC is establishing a non-profit organization, The NOC Foundation, to help tomorrow's outdoor enthusiasts and conservation stewards reflect the diversity of America and to have better access to these healthy, human-powered outdoor activities.

I applaud President Obama, Interior Secretary Salazar, and the federal government's efforts to promote enhanced opportunities for wilderness and outdoor experiences for our country's youth, in part, to help combat "nature-deficit disorder" and the childhood obesity epidemic that our nation faces. In lock step with these initiatives, the Nantahala Outdoor Center has long been on the leading edge of delivering affordable and healthy outdoor experiences to youth and underprivileged populations. NOC takes over 100,000 children under the age of 18 on outdoor excursions each year, which, for comparison, is more than NOLS and Outward Bound combined. We supply these children with environmentally-enlightening and life-altering outdoor experiences on public lands.

Providing outfitting services for youth and underserved populations requires specific skills and exceptionally high levels of training. For example, one of our most popular programs is a collaboration with the "Adventure Amputee Camp." This program invites disabled children from a wide geographical area to participate in rafting, kayaking, and other group initiatives such as a high ropes course. The guides dedicated to this program are our most-trained guides and are considered leaders in innovative activities for children with disabilities. Programs like this are a testament that small businesses across the country can capitalize on youth development initiatives, change lives, and make a difference for our two most precious resources – children and the environment.

Conclusion

In closing, America's outdoor recreation economy is an increasingly strong and vital part of our nation's economy, especially in rural areas like Western North Carolina. Recently, the Outdoor Industry Association (OIA), a national outdoor industry trade association upon whose board I sit, completed the outdoor industry's first study quantifying the contribution of active outdoor recreation to the nation's economy. The study indicated that outdoor recreation and the outdoor industry contribute \$730 billion annually to the United States economy and supports nearly 6.5 million jobs across the country.

We are honored to be a small thread in the larger fabric of the outdoor economy. In these trying economic times, Americans need the physical, emotional, and psychological benefits that outdoor recreation provides more than ever. Another OIA research project showed that 80% of Americans feel that they are happier, have better family relationships and less stress in their lives when they engage in outdoor recreation. Anecdotally, in 2009, we have seen more through-hikers on the Appalachian Trail than we have in years. Our own internal research over the last 37 years indicates when there is economic uncertainty or a precipitous rise in gas prices, our guest numbers increase. This affirms the importance of outdoor recreation in difficult times. We take this charge seriously and appreciate our guests' confidence in our ability to deliver these authentic outdoor experiences.

Similarly, I truly appreciate this invitation to speak with you today. Thank you for your attention, and I would be pleased to answer any questions you may have.



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TESTIMONY TO THE U.S. HOUSE OF REPRESENTATIVES COMMITTEE ON SMALL BUSINESS

“HEROES OF SMALL BUSINESS”

OREGON IRON WORKS, INC. (OIW)

May 20, 2009

INTRODUCTION

Good morning Chairwoman Velazquez, Ranking Member Graves and distinguished members of this Committee. My name is Chandra Brown and I am Vice President of Oregon Iron Works, Inc. and President of United Streetcar, LLC. The Oregon Iron Works headquarters are located in Clackamas, Oregon and we have a facility in Vancouver, Washington. On behalf of Oregon Iron Works and all of our employees, it is my privilege to present this testimony to you today on our experience and successes as a small business in Oregon. I would like to especially thank Representative Kurt Schrader for providing me the opportunity to testify today.

Oregon Iron Works, Inc. (OIW) is a metals manufacturing company that specializes in complex machining across diverse industries. Oregon Iron Works has extensive experience with a wide range of products including hydro-power equipment, machinery, structural and plate fabrications, bridges, aerospace ground equipment, specialized boats, streetcars and wave energy devices. From its inception in 1944, Oregon Iron Works has grown from a local provider of steel fabricated products into an international fabrication and manufacturing company.

HISTORY – Since 1944

To give you a bit of history, OIW was founded in 1944 by Charles and Kenneth Poole, and was incorporated in 1955. The original headquarters were in a 5,000 square foot building in downtown Portland, with only a handful of employees working for the company.

Our first growth spurt occurred in 1974, when current management acquired the company. At this time OIW employed approximately 13 people. From its inception,

www.oregoniron.com / www.unitedstreetcar.com

OREGON IRON WORKS, INC.

OIW's guiding mantra stems from a quote by Frank Lloyd Wright: *I know the price of success: dedication, hard work, and an unremitting devotion to the things you want to see happen...*

In the years from 1977 through 1978 OIW purchased 44 acres of undeveloped heavy industrial land in Clackamas, Oregon. Small Business Administration guaranteed financing was secured, and construction began on a 24,000 square foot craned building, and 2,000 square feet of office space. OIW was up to approximately 42 employees by 1978. OIW also leased land in Vancouver, Washington in 1976, and purchased the land in 1991.

OIW facilities now encompass more than 305,000 square feet on 38 acres of land in two states. This is an 1170% growth rate in facilities since 1978.

Over the years OIW has grown steadily, with a growth rate of about 13% annually since 1984. We now have approximately 350 employees. This is a 733% growth rate in employment since 1978. Our annual revenues are in excess of \$100 Million. We are a union shop, with roughly 600,000 man hours per year. Our shop workers are under contract with Shopman's Local 516 Union of the International Association of Bridge, Structural, Ornamental and Reinforcement Ironworkers. We have never had a work stoppage.

FOUR AREAS OF SUCCESS FOR OIW:

How has OIW managed to succeed? There are four key areas that have allowed OIW to thrive: our workforce, our diversity and technology, our innovation and our local, state and federal support.

1. PEOPLE ARE OIW's #1 CAPABILITY

The success of OIW is owed primarily to our number one capability and asset, our people.

The OIW manufacturing approach involves the participation of key representatives from each skill-group focused on success. What is success? Innovative approaches and solutions applied to the project to achieve the best quality, schedule and cost. This sounds simplistic, but it is not.

The planned interaction of expert tradesmen such as machinists, welders and electricians with project engineers combines the practical and theoretical with millions of man-hours of diverse experience resulting in extraordinary performance and quality.

OREGON IRON WORKS, INC.**2. DIVERSITY & TECHNOLOGY**

OIW is an incredibly diverse company, serving various industries throughout the United States. We are not limited to solutions or approaches from a single industry, because we work in a variety of diverse and specialized fields, including the hydroelectric, bridge, marine, nuclear, aerospace, machinery and streetcar industries, all of which brings innovation and creativity to a project.

OIW's initial work was in the hydroelectric field where we have been providing services and manufacturing products for over 35 years. Our past work includes Roller Gates (McCook Reservoir), Bonneted Slide Gates (Bonneville Dam), Jet Flow Gates, Miter Gates (McAlpine), Radial Gates (Folsom Dam and Carraizo Dam in Puerto Rico), and Tainter Valves, along with Stop Logs (Bonneville Dam), Bulkheads (Emsworth Lock and Dam) and other custom designed and manufactured systems for controlling water flow.

OIW's next logical progression was to the complex bridge building industry, where we have fabricated Bascule Leaf (Illinois Street Bridge), Truss (Golden Gate Bridge Retrofit and Hood Canal) Swing Span, Vertical Lift Bridges (Thames River Bridge), Simple Span Plate Girders and complex Box Girders (San Francisco Oakland Bay Bridge).

Gradually OIW began working on defense contracts and has done extensive ground based missile defense work (silo interface vaults, known as SIV's, & Silos), specialty marine craft for the U.S. Navy and Coast Guard craft, along with nuclear work (shield doors and pressure vessels) and aerospace launch complexes at Vandenberg and Cape Canaveral (platforms and doors).

OIW's state of the art manufacturing and machining facilities are supported not only with an extraordinary workforce but also a commitment to cutting edge technologies and continuous improvements. We have invested heavily in technology that provides us a competitive advantage and entry into more sophisticated markets. We have laser tracking tools, advanced computerized machinery, and one of the largest burning tables west of the Mississippi.

3. INNOVATION

Our extensive background in traditional manufacturing and our specialty capabilities have allowed us to engage in more innovative projects, namely streetcars and wave energy. In 2005, United Streetcar, LLC, a wholly owned subsidiary of Oregon Iron Works, was formed. United Streetcar is dedicated to providing modern streetcars to cities nationwide.

United Streetcar has developed an exclusive license agreement with Skoda, a Czech company with extensive experience in streetcar manufacturing. United Streetcar has taken the time proven Skoda streetcar design, and converted it to a fully Buy-America

OREGON IRON WORKS, INC.

compliant vehicle. Instead of outsourcing jobs, we are “insourcing” jobs - bringing them back to the states.

We truly consider the streetcar project the creation of an industry. It has opened doors for vendors across the nation. Specialized companies who have never had the opportunity to work in the streetcar arena now find themselves with new work in their shops. New jobs are being created not only at OIW/United Streetcar, but in businesses across the country.

We are excited to announce that United Streetcar, LLC, has just finished building the first modern streetcar in the United States in over fifty years. The streetcar is made up of over 70% U.S. content, and assembly was done in Clackamas, Oregon. The streetcar is in Portland now undergoing testing, and it will be running on the streets of Portland this summer.

We are also looking forward to building a minimum of six streetcars for Portland’s new East Side Loop extension, and we are one of two finalists to manufacture seven cars plus options for the City of Tucson. In addition, there are over 65 U.S. cities looking into the streetcar market.

Another growing and innovative industry that we have been working in for approximately the past five years is the wave energy field. Wave energy is an emerging industry that can provide high paying jobs in the Northwest and across the United States and supply us with clean renewable energy. The U.S. has the potential to become one of the global leaders in this new technology.

In 2007 we had the opportunity to build several wave energy devices. We fabricated and fully outfitted the first wave energy buoy ever deployed in Oregon waters for Finavera Renewables. We also manufactured a Power Take Off unit for Ocean Power Technologies that was placed off the coast of Hawaii. I have recently returned from a trip to the UK to see how advanced they are in terms of these devices and while they are slightly ahead, at this point the USA can still catch up and this should be a very viable long term growth industry in the future.

OIW is a founding member and serves on the board of the Oregon Wave Energy Trust (OWET). OWET is a non-profit organization dedicated to making Oregon a leader in wave energy. Their mission is to support responsible wave energy development and create jobs for Oregon workers, and it is funded thanks to the Oregon Innovation Council under the leadership of Oregon Governor Ted Kulongoski.

OIW’s overall success is due in part to our ability to recognize potential markets in their early stages and then adapt to meet those needs. Our transition into providing green alternatives to urban transit and renewable energy devices is something that we take great pride in.

OREGON IRON WORKS, INC.**4. LOCAL, STATE & FEDERAL SUPPORT**

While we know that we would not be here today without our incredible workforce, we also recognize that a huge part of our success is attributed to the support we get from our community and our government, on the local, state and federal levels.

Both the City of Portland and Clackamas County have been great advocates for OIW. Our county has supported us for as long as we can remember. We have also had the good fortune of receiving commendations and accolades from our great state of Oregon and last year we were recognized as one of the Top 10 Most Admired Companies in Oregon, and our competition was mostly very large well known companies such as Nike and Intel.

The State of Oregon, the City of Portland and Clackamas County have all been very helpful with trying to anticipate the needs of small businesses. By being proactive, they have led the way in supporting a green, sustainable economy, an economy which we want to participate in with our zero emission streetcars and green jobs in renewable energy.

On the federal level, we have received strong support from our Members of Congress. We have received federal appropriations for DOD special operations boats and US built streetcars as well as assisted with appropriations for wave energy devices. Oregon Iron Works has been the recipient of a number of competitively awarded federal contracts.

ISSUES OF CONCERN

There are two important issues as well that we wanted to bring to your attention.

The first issue is bonding capacity for small businesses. We are thankful that we are successful enough to have a high bonding capacity. However, as time progresses, increasingly more work needs to be bonded due in part to a risk averseness in buyers and owners including federal and state governments. In addition the overall market capacity to bond, with the loss of such security companies as AIG has decreased. It is becoming more and more difficult to secure bonding for small businesses and we would never want to turn away work for the sole reason that a bond is too difficult to obtain. This is a concern for small businesses across the nation, and we would appreciate any help you can provide.

The second issue is the difficulties which arise with incremental funding for smaller capital projects. While incremental funding is certainly justified and necessary with certain types of projects, for smaller projects it often leads to increased project costs, schedule delays and workforce issues. Potential solutions might include full funding for

OREGON IRON WORKS, INC.

smaller projects under \$30,000,000 or full funding for stand alone stages project. Again, this issue often has tremendous impact on small businesses. Any help you may be able to lend would be of great value.

We realize these two points are big issues but are hopeful that solutions can be found as they will both enable small businesses to continue to be competitive on a world wide basis.

IN CONCLUSION

With more than more than 65 years of manufacturing experience, OIW continues to be one of the most innovative and successful small businesses in Oregon and we look forward to another 65.

Again, thank you so much for this opportunity to testify on behalf of Oregon Iron Works. I would be pleased to answer any questions that you may have.

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Attachments: Oregon Iron Works, Inc. Executive Briefing (Powerpoint - 10 pages)
United Streetcar, LLC Overview (1 page)
Wave Energy Overview (1 page)

***“Heroes of Small Business”
Congressional Hearing***

Testimony

Kirk Farra, President



May 20, 2009

Members of Congress, guests, my name is Kirk Farra and it is a great honor and privilege to be here today, telling you the story of a small business named In-Synch Systems. We produce software for the law enforcement community.

As far as an introduction of myself, I would rather spend my time sharing who In-Synch is. Similar to my own upbringing, In-Synch Systems was born and raised just outside Pittsburgh, PA, with a strong work ethic and an understanding of the value of a dollar. It grew from an ideal of a creating a greater good for those who serve each of our communities on a daily basis, thus our mission statement is "We connect our customers with the technologies, services, and people that promote safe and just communities". If my two children were here today they would tell you of the fifth chair In-Synch occupies at the dinner table or how it always gets to sit up front in the car. My wife, Kathy, also deeply involved, would comment on the lack of a conversation without In-Synch and however unhealthy this may or may not sound, it is a reality to those of us who are responsible for the advancement and continuity of a small business in today's economy. I myself would say that In-Synch is a member of my family and it is vital to the families for which it employs.

In-Synch Systems is a small business by choice, tight and cohesive, aggressive and innovative, and entirely focused on our customers. We have reliance upon each other, each as a critical part of the team, to improve our business foundation on a daily basis through constant effort and ingenuity. It is what makes us who we are and what has allowed us to struggle together year after year and survive in a competitive economy.

Our foundation, a product built over ten years by a staff of between three and thirteen employees, is a law enforcement records management software capable of advancing the small, rural police departments to have the capabilities of larger city departments, providing cities and their officers with unparalleled mobile information and regional data sharing possibilities. Our software allows first responders to communicate wirelessly in times of crisis and in their everyday efforts, advances the capabilities of departments' drug enforcement and maximizes the time officers are on the streets by reducing their paperwork and creating a mobile office which operates anywhere. All investment dollars were poured into this foundation, critical in its

required superiority for a small business to compete with larger technology companies in the public safety marketplace. Our efforts were extremely successful to the police and sheriff's departments who trusted our company with their limited discretionary dollars. We grew slowly through word of mouth.

Hurting for funds to continue and struggling to gain new business, but steadfast in our efforts to bring a superior product to a marketplace in dire need of a cost effective option we gave everything we are to the presentation of our company, we responded to solicitations and were selected to participate in the technology transfer programs CTAC and CEDAP. CTAC is the Counterdrug Technology Assessment Center through ONDCP, the Office of National Drug Control Policy and CEDAP is the Commercial Equipment Direct Assistance Program through the Department of Homeland Security in 2006 and 2007. It was a critical step forward for In-Synch Systems and our staff had momentum and hundreds of small communities to seek out with the opportunity of improving their information technology. The program was a huge success and numerous rural departments facing limited funding were able to transition to our product and in doing so increased the efficiency and capabilities of their departments, as well as the safety of their officers. CTAC and CEDAP funding increased our customer base, and in doing so, caused a natural stimulus and spread of the In-Synch name with positive recognition in a crowded marketplace. This recognition has also resulted in In-Synch developing reseller agreements with several larger public safety software companies. After nine years of product development, filled each day with extraordinary employee efforts based on an intrinsic belief in the good of our product toward a common goal of assisting in the promotion of justice nationwide, we saw our first dollar of profit in 2008.

There was limited grant money available to Law Enforcement in 2008 and the economy was making each dollar more and more valuable to our customers. We focused on grants, and this year, the Byrne/JAG funding from the stimulus package will greatly assist our efforts, but revenue driven by grant programs is very difficult to predict. We hope this critical funding continues, but as of now there is no appropriation for programs such as CTAC and CEDAP in the 2010 budget. We currently face continued strain over the need for additional

staff with the question of tomorrow's funding for law enforcement agencies. It is a daily line in the sand for a small software company operating in the arena of public safety.

If only a story of our financial struggle and amazing success could be told in five minutes, would I ever, but let's just say, I'm here today and thirteen amazing people are still working on behalf of the In-Synch product and that is something for which I am personally proud.

Thank you for your time and for the opportunity to speak with you today, and for your consideration of our efforts and more importantly, those of the law enforcement agencies we serve.

