FULL COMMITTEE HEARING ON
HEROES OF SMALL BUSINESS

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FULL COMMITTEE HEARING ON
HEROES OF SMALL BUSINESS

Wednesday, May 26, 2010

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, Kirkpatrick, Critz, Bean, Altmire, Sestak, Halvorson, King, Buchanan, Luetkemeyer, Schock, Thompson and Coffman.

Chairwoman VELÁZQUEZ. The Committee will come to order.

Today we observe National Small Business Week, a salute to the hardworking entrepreneurs that make our nation great.

In large cities, small towns, and everywhere in between, small business owners serve as the backbone of our economy. Most Americans get their first job at a small business, and studies consistently show that these firms create the most new jobs. Equally important, they generate jobs here in the United States that will not be exported later.

Today our economy is showing encouraging signs of recovery. Last month we saw 290,000 new jobs, the largest increase in four years. To sustain that momentum, we are going to need further growth in the small business sector. Running a small business is never easy. It means working long hours and sacrificing time away from friends and family. Often entrepreneurs have to risk personal income to get their enterprise off the ground.

Entrepreneurship means going against the grain, taking a chance, and building something new. When entrepreneurs do well, our country, as a whole, prospers. During the downturn of the mid-1990s, small businesses created 3.8 million new jobs. As we work our way out of this recession, we are going to need that job-creating power. In addition to generating jobs, small businesses are our best innovators, developing new products and pioneering high-tech fields like green energy and biomedicine.

But beyond simply providing the fuel that makes the economy go, main street businesses are the anchors of our local communities. Whether it is contributing to the local church, sponsoring a Little League team, or raising money for charitable causes, small businesses may our neighborhood stronger and better.

We have before us today companies engaged in everything from publishing to lumber to developing next-generation data systems
for the Defense Department. You have all come from every corner of the nation to be with us today, and thank you for being here. You may be in different industries and represent diverse parts of the country, but there is no denying that your ingenuity and hard work are common bonds that unite all entrepreneurs. These characteristics are part of our national fabric. Indeed, they are part of the American story.

Today we are looking forward to hearing your personal stories, as well as your perspective on what it means to be an entrepreneur. As Americans look beyond the current recession and toward a stronger, brighter future, they are increasingly looking to small firms for answers, men and women like all of you.

So, again, thank you for being here to offer us your insight.

With that, I yield to Ranking Member, Mr. Luetkemeyer, for an opening statement.

Mr. LUETKEMEYER. Thank you, Madam Chairwoman, and thank you for calling this hearing to honor entrepreneurs during Small Business Week.

A special thanks to our witnesses who have traveled from all over the country and taken time from their businesses to be with us today.

It is no secret that small businesses are our nation’s economic powerhouse. Small businesses excel at innovation, creativity, and filling a needed niche in the marketplace. As our economy fights to stabilize and recover, we are counting on small companies to put our country back on the path to prosperity.

However, the economic climate remains uncertain. Many small businesses are struggling. Last week the Labor Department announced that new claims for unemployment benefits rose despite previous predictions to the contrary. The weak economy is putting pressure on prices, and sales are lackluster.

According to the National Federation of Independent Business, more small businesses plan to eliminate jobs than create them over the next three months. At the same time, a flood of mandates, regulations, and additional taxes threaten small businesses’ ability to grow or even survive.

The new health care law, proposed climate change legislation, stricter environmental regulations, and a ballooning deficit are all economic roadblocks. These obstacles make it increasingly difficult for small businesses to help turn our economy around.

We need to get government out of the way and allow small businesses to flourish. Congress should end job-killing taxes, reduce regulatory barriers, and pass the three pending free trade agreements to help increase small business exports. Each of these steps would help create jobs and reinvigorate the economy.

Madam Chairwoman, thank you for calling this hearing. I look forward to hearing from this impressive group of witnesses about how they have overcome the difficult economy and become models for success.

Thank you. I yield back.

Mr. LUETKEMEYER. Now the chair recognizes Mr. Thompson for the purpose of introducing our first witness.

Mr. THOMPSON. Thank you, Madam Chair, Ranking Member. It is my distinct honor to present to the Committee Mr. John Dippold,
President and Co-Owner of Innovative Sintered Metals, Incorporated, located in Pennsylvania’s 5th congressional district, in St. Mary’s, Elk County, Pennsylvania.

The powdered metals industry, for those unfamiliar, involves the production of a hard solid metal starting from powder. A much wider range of production can be attained from powder processes and direct alloying of fused materials. Powdered metal products are utilized by a variety—a wide array of industries, from automotive and aerospace applications to power tools and household appliances.

Innovative Sintered Metals is a diversified organization serving the commercial construction, pump, automotive, appliance, and lock industries. Mr. Dippold began with Innovative Sintered Metals in 2003 as the Vice President of Marketing and Sales, where he was able to assist with the company’s growth from $1.1 million in sales to over $4 million in sales in 2009.

Mr. Dippold holds a bachelor’s degree in business administration from the University of Pennsylvania-Indiana, is a member of several professional business and volunteer organizations, including, but not limited to, the Metal Powder Industry Federation, the American Powdered Metal International, and the Boy Scouts of America.

As a member of Congress, I am honored to have the privilege to represent the hardworking and innovative people of northwestern and central Pennsylvania. Mr. Dippold is a true testament to the resourcefulness that is so prevalent in the 5th congressional district, and I want to welcome Mr. Dippold to the Small Business Committee and look forward to his testimony today.

Chairwoman VELÁZQUEZ. And the chair now recognizes Mr. Buchanan.

Mr. BUCHANAN. Thank you, Madam Chair. I would like to welcome Michelle Nelson, a small business owner from Sarasota, Florida, with 15 years of experience. I was talking to her a little earlier, and her and her husband, like many, have come from, as I did, Michigan, settle in our district. They are from Chicago.

Michelle Nelson is the CEO of Blue Strategy + Creative International and many other companies. Her companies are headquartered in my home district of Sarasota, Florida. Michelle has served on the Board of Directors and been Chairman of the Small Business Council for the Greater Sarasota Chamber. She is the recipient of countless local small business awards, including the 2004 Excellence in Industry Award.

We were talking a few minutes earlier, and she was telling—we were talking about this tough economy all over the country, but in our area we have had a great run for a lot of years, but it has been tough the last couple of years. It has been just their hard work and vision that kept them going and continue to build their business every day.

Michelle is a passionate business owner with a tremendous vision. I am proud to have her as a witness with us today.

Chairwoman VELÁZQUEZ. Mr. Dippold and Ms. Nelson, you both will have five minutes to make your remarks. Go ahead.
STATEMENT OF JOHN DIPPOLD

Mr. DIPPOLD. Madam Chair and Ranking Member Luetkemeyer, thank you, and members of the Committee. My name is John Dippold, and I am the President and Co-Owner of Innovative Sintered Metals.

Powder metallurgy is a very interesting industry. It begins with metal powders, which are produced from recycled metal scrap, pressed at high pressures into a variety of shapes. These parts are then sintered in continuous furnaces just below their melting point. Our technology facilitates the manufacture of high strength, complex shapes, which are impractical or impossible with other metalworking processes.

Our company sales this year will be $4-1/2 million, an increase almost 100 percent over last year. Our workforce has doubled since 2004 when we took over the business.

I certainly appreciate the opportunity to testify about the state of small business in America, particularly as it relates to manufacturing, which has been, and continues to be, a huge part of the economy throughout Pennsylvania’s 5th district.

I am certainly not a hero in any sense of the word. I am reacting to very real and powerful forces throughout our economy. Twenty years ago, at the local level, my industry was dominated by several large family-owned operations. Many have since been acquired by multi-national corporations seeking efficiency and economies of scale.

To be frank, this has been a very painful process for many in the region. But in crises there are always opportunities. I am just one of many entrepreneurs in the industry that saw a niche for nimbler firms that could react quickly in the global marketplace. Today that niche is growing. Once dominated by a few firms employing 500, 800, or 1,000 workers, we are now seeing companies that employ 10, 20, and 50.

Again, this has not been an easy transition, but I see real optimism for American manufacturing. People often ask, “How long is American manufacturing going to be a superpower?” My answer is, “It depends on tax structures, wage disparities, health care reform, and regulatory hurdles.”

Don’t believe everything you read, though. When my partner and I purchased the business in 2004, the company did very little work for the auto industry. We had 10 employees, and the company was in the red financially. Since we had a lot of experience in this field, automotive became a big part of our business, growing to 40 percent.

So why didn’t we collapse when the auto industry tanked? The answer has a lot to do with our size, the way we approached the marketplace, and our steady growth. Rather than scale, our competitive advantage is service. My partner, an engineer by trade, works with clients on a personal basis. There is no administrative people between he and our customers. Customers are working right with the key people and decision-makers in our business.

We have a small operation with tight margins. Every account is vitally important. I can tell you from experience, 20 years ago major automotive suppliers would have serious reservations work-
ing with a company our size. But today people are operating leaner and looking for the best service and the best value.

We change with the demands in the marketplace. Powerful component design software and our focus on niche marketing has given us a real advantage. In some lucrative market segments, such as stainless steel, very few players have installed stainless technology, and it allows us to actually charge a premium for those services.

With that, American manufacturing is changing, and small businesses have an increasing important role in its future. I thank the Committee for all it does to make it possible for companies like Innovative Sintered Metals not only to survive in hard times but to thrive in hard times.

With that, I would be happy to answer any questions that you may have.

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

Chairwoman Velázquez. Thank you. Very impressive.

Ms. Nelson.

STATEMENT OF MICHELLE NELSON

Ms. Nelson. Madam Chairwoman, Ranking Member, Congressman Buchanan, thank you for inviting me here today. My name is Michelle Nelson. I am the CEO of Blue Strategy + Creative International, located in Sarasota, Florida. I am also the owner of Anexio, a technology and managed service provider also located in Sarasota, Florida.

I own and run these companies with my husband, Jeffrey Nelson. Our companies are B2B, serving the Gulf Coast as well as globally.

I would like to thank the Greater Sarasota Chamber of Commerce for getting me here. They play a powerful role in supporting small business in Sarasota County.

Your request was to testify with regards to how we have been successful despite the tough economic times. Our nation’s economic crisis brought significant obstacles for small businesses, for our small businesses—decreased consumer confidence, long-term clients closing their doors, increased costs of goods, staffing concerns, and, of course, our number one obstacle was credit.

As savvy business owners, we built strong credit, maintaining the strength and financial agility for our company. In good economic times, we planned for cyclical down times of the economy. We had seen it before, and in a booming economy we knew that it would shift. What we did not anticipate was that the banks would take back our credit lines and double our interest rates.

As we watched our nation bail out our financial institutions, these same institutions turned their backs on us. What did we do? We rolled up our sleeves and we worked harder. Fueled by the insanity of the credit crisis and committed to survival, we pioneered new ways to do business.

It was obvious that, if we were to make it through, we had to take complete responsibility for the survival of our companies and take immediate action. We pleaded with our banks and vendors to keep our credit lines open and negotiated interest rates. We never received any financial assistance or tolerance from our bank, despite our strong financial history.
Instead, our vendors and other private banks—or other private industries were the most generous, maintaining and in some cases extending our credit lines. We extended credit to our clients, so their businesses could continue to thrive. We shouldered the burden of our clients' financial limitations by allowing them to make payments over long periods. We, in essence, became a bank funding the commerce that we desperately needed.

We did not look for government assistance or SBA loans. Our experience with these programs showed that they can be costly. The time and investment needed make it through—make it through the bureaucracy can be sometimes devastating for a small company. So we developed new programs and services to keep our global business communities moving.

One of those programs, our technology support company created our own T.A.R.P. program, Technology Assistance Relief Program, for small business. We understood that leveraging proper technology was critical to our clients' survival. So we provided technology support through managed services at fees that our clients could afford.

Our marketing agency created small business marketing assistance. History tells us that marketing in a down economy brings great financial gains to the economy—or brings great financial gains when the economy returns. We knew that businesses needed to be clearer and more direct with delivering their message to their consumer. So we provided marketing products and services with extended payment plans and empowered our clients with market-ready products.

We created these programs by retooling our product lines. We met with each of our clients to understand what they could pay, and we created services to fit those budgets. We had less revenue, we had less profit, and we had a huge risk. We also had new businesses joining us and new revenue streams.

We were sustaining, growing our client base, while watching our clients succeed as well. Over 75 percent of the businesses in our community that joined our programs are still in business today, and are still using our programs.

In closing, we are surviving in this economy because we are pioneers, and, quite honestly, because the calculated risks we took are paying off. I can tell you that my businesses are the fortunate ones. A number of our brethren in the small business community, our relatives and professional cohorts, are not so lucky, most of them devastated by the condition of our nation, largely due to the credit crisis and the billions of dollars that never reached the small business community.

We need Congress to identify and implement small business relief programs that are direct to the pioneers of our great economic stimulus engine—small business. No trickle-down, start with the small businesses, those opportunities already exist.

I implore Congress to bring the fortitude of the pioneer back to our country. You can do that by directly financing, financially assisting the pioneers and the innovators of small business—those who are willing to do whatever it takes to keep their vision alive, those who are willing to risk everything to create enterprise.
It is the embodiment of our forefathers for this nation. I learned these ideals from my parents, my father a craftsman and stair builder in New England. Further generations have the opportunity to learn these ideals as well, to experience what it truly takes to succeed—hard work and the determination to create something with permanence.

Thank you for the opportunity to testify. I will be happy to take any questions.

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

Chairwoman VELÁZQUEZ. Thank you, Ms. Nelson.

Before the chair recognizes Mr. Shuler, I would like to introduce and present to the members of the Committee our newest member, Mr. Mark Critz. Welcome.

And he has been appointed to the Small Business Committee this week. Congressman Critz represents the 12th district of Pennsylvania in Congress. He comes to the Committee having worked a number of years for small businesses. Congressman Critz also brings his expertise on economic development issues, so he will be a great addition to this Committee.

He spent the past 12 years focusing on those matters for the Pennsylvanians he now represents. Congressman Critz has received the Patrick Henry Award from the National Guard, which is the highest honor given to a civilian by the National Guard.

Welcome to the Committee.

Mr. CRITZ. Thank you very much.

Chairwoman VELÁZQUEZ. And now the chair recognizes Mr. Shuler.

Mr. S HULER. Madam Chair, thank you so much for holding this very important hearing today and listening to our small business owners throughout most of our districts.

Today it is an honor for me to introduce one of our great employers of the 11th district, who is not only able to participate in developing great technologies for the sporting industry such as, sports gear, and outdoor gear, but also be able to manufacture tents, for our military and for our Boy Scouts. It is impressive to go through their facility to see their technology and the way they are able to gain market share.

Will Gay and his entire staff has done an incredible job of maintaining market share, but also being innovative through their technology and the ways they have conducted their business. In tough times, they have been able to cut back in areas, look at their overall business portfolio, and understand how they can be a true competitor in this industry.

And so, Madam Chair, without further ado, I would like to welcome Mr. Will Gay to the Committee.

STATEMENT OF WILL GAY

Mr. G AY. Thank you. Madam Chairwoman, Ranking Member Luetkemeyer, and members of the Committee, Congressman Shuler, thank you for the opportunity to testify before you today. It is truly a great honor to me and my company.

My name is Will Gay. I live in Asheville, North Carolina. I am the Chief Executive Officer of Diamond Brand Canvas Products
and Diamond Brand Outdoors. Diamond Brand was originally established in Philadelphia in 1881. We have been involved in the sewn products industry since 1920 when we first began to manufacture tarpaulins and other heavy canvas items. We are the oldest, continuously operating sewn product manufacturer in the country.

In 1931, Diamond Brand manufactured the very first backpack for the Boy Scouts. Throughout the years, we have manufactured outdoor equipment for other well-known organizations and companies, including the Girl Scouts, L.L. Bean, and Eddie Bauer.

A little over 45 years ago, our foray into the outdoor retail market began in a small garage connected to our manufacturing facility, and it has now grown to three stores with more than 40,000 square feet of retail floor space. We are currently exploring expansion opportunities, both within and outside the current local markets that we serve.

Diamond Brand has received many local and national awards, including Best Outdoor Outfitter in western North Carolina for the past six years in a row; the DLA Top Supplier Award, presented by the United States Department of Defense; and the Export Achievement Award, presented by the United States Commerce Department.

Asheville is nestled in the beautiful Blue Ridge Mountains of western North Carolina, an area with countless resources for being outdoors. We conduct regular in-store educational programs that are free to our community, to help them begin their own outdoor pursuits. Our employees contribute hundreds of volunteer hours annually to trail maintenance and river cleanup initiatives. We are also active members on many of the local environmental organizations.

Diamond Brand prides itself on its mission of being an outwardly community-focused organization. We give back more than $100,000 per year to organizations that share our values and beliefs. We have partnered with the YMCA of western North Carolina at the highest level of financial support in its Strong Kids Campaign, an initiative focused on activity and exercise for kids.

We also provide in-kind gifts and services and further support at summer camp initiatives for underprivileged children in our area. During World War II, Diamond Brand manufactured products for over 144 different government contracts to support the United States war effort. During the past 25 years, we have refocused our efforts to manufacture many products for the Department of Defense and have made government contracting a significant part of our area of expertise.

Diamond Brand currently holds two multi-year contracts to produce the soldier crew tent for the United States Army and the two-man combat tent currently being fielded by the United States Marine Corps, Army, and Air Force. This tent has also gained favor and recognition with several allied foreign militaries and is being evaluated for a number of large contract tenders overseas.

Diamond Brand is currently involved in several technology development initiatives for new tents and shelters for the United States Special Forces, the Marine Corps, and the Army. Diamond Brand is also manufacturing a platform of proprietary anti-corrosion oper-
national weapons and shipping covers for most of the Department of Defense’s rotary winged aircraft platforms, as well as the MRAP, Mine-Resistant Vehicles, and the Patriot Missile Systems that are deployed worldwide.

Over the last decade, our regional economy in western North Carolina has suffered greatly from the loss of manufacturing jobs. Diamond Brand currently employs more than 140 people in our manufacturing and retail business platforms. We are fortunate that through our planning efforts and growth initiatives Diamond Brand has continued to aggressively hire and provide jobs and benefits for our employees.

Our employees come from many diverse backgrounds and nationalities and cultures, with each one making a unique contribution on our business. As a small business, we know our employees, and we know that without their talent and dedication we would not be standing here before you to talk about the success we have enjoyed.

I would like to tell you about a few of these special people whose contributions have made Diamond Brand what it is today. Wanda Hensley is 61 years old and has worked at Diamond Brand in our Boy Scout of America and military tent line for 14 years. Both her husband and son are currently laid off from other manufacturers in our area, so this job is crucial to the well-being of her family.

She takes advantage of our benefits package and 401(k), because her husband, who worked for his former employer for 24 years, lost all of his benefits that the company had committed to provide before they closed their doors.

Marcus Wick is 29 years old and recently married with a young child. He graduated from Cal State with a degree in geography but has not been able to find a job in his field of interest. His last employer laid him off during the economic downturn. And although he had no experience in industrial sewing, Diamond Brand was the only company hiring, so he accepted our job offer. And today he is one of our top-producing employees.

In conclusion, I would like to thank you for the opportunity to testify before this Committee today. I continue to ask each of you to be mindful that our ability to operate as a successful small business, remaining financially viable and nimble to respond to the needs of the marketplace, relies directly on our ability to run our business profitably.

In doing so, we need to have the opportunity to reinvest our resources and capital into new technology that makes us more efficient in what we do, as well as invest in the ongoing training, hiring, and retention of our employees who make what we do possible.

I want my company to continue to be a place where people want to work, knowing that they will be provided for and thus be able to provide for their families. I want to continue to dream big for the future of my family, company, and my community, in an area and an industry that has been hard hit during the past year.

And I want to be reassured that the laws and policies that are currently being crafted and implemented today will offer us the ability to be the leaders of the entrepreneurial spirit and the engine of growth that this country has depended on for so many years.

Thank you again for this opportunity.
Chairwoman VELÁZQUEZ. Thank you, Mr. Gay.
The chair recognizes Ms. Halvorson.

Ms. HALVORSON. Thank you, Madam Chair. I am pleased to be able to be joined today by Mr. Tim Norman of Bloomington, Illinois, which I have the honor to represent here in Congress. Tim is President of STL, a technology services company based in Bloomington. Tim started the company with his wife Katie, who also is with us today, and currently serves as CEO of STL.

This week we are celebrating National Small Business Week, and the title of our hearing today is Heroes of Small Business. And Tim and Katie certainly merit that recognition as heroes of small business.

Tim and Katie both had good jobs at large companies when they decided to take a risk and start their own small business. Today, after nearly two decades of hard work and perseverance, Tim and Katie have grown STL into a thriving business that is a major employer in Bloomington-Normal metro area, and as well as throughout Illinois.

They have navigated their business through tough economic times and are taking the lead in putting people back to work. Tim and Katie are also both active members in their community. Tim and Katie are members of the McLean County Chamber of Commerce and active supporters of Easter Seals and the American Red Cross, for which Tim served on the local Board of Directors.

As a member of this Committee, I am so proud of the work that we have done to empower small businesses like Tim and Katie Norman, and we need to continue to ensure that our nation’s small businesses have access to capital that they need to grow and put people back to work, such as all of those on our panel today. And I am eager to work with my colleagues to do so.

Once again, on behalf of this Committee, I welcome Tim to Washington, D.C., and look forward to his testimony.

Thank you, Madam Chair, and I look forward to their testimony.

STATEMENT OF TIM NORMAN

Mr. NORMAN. Thank you, Madam Chairwoman, Small Business Committee, and Congresswoman Halvorson. As Congresswoman Halvorson said, Katie and I started the business about 18 years ago, and really what that means is we spend about 24 hours a day together.

Some of those hours are pleasurable, some of those hours can be difficult at times, because the businesses are basically operated along with the children that we have. We have three children—our daughter Nicki who is 17, our daughter Cassie who is 15, and our son TJ who is seven. And they pretty much run the house. And when we are not chasing them around to softball games and everything else, we run our business.

We have been very fortunate in the last 18 years. I say that because we are still standing. We are still moving forward. And one of the things, as the economy has had its ups and downs, the one thing that I can honestly tell you is that the passion still survives. And we are very proud to be a small business owner and slugging
it out, being in the one-armed knife fight in a phone booth, and trying to figure this thing out.

One thing I will say is that some of the stimulus plans that you have enacted have made a difference. We are living proof. What I mean by that is we just recently built a hardened data center, Tier 3, to the Tier 3 specifications, which means everything—it is designed not to break. And it is below grade. It is a true bunker.

And I don’t know if anyone has tried to get money during a time when there is a recession and the banks are collapsing, but it can be difficult. But the SBA, using the 504 loan program, with the re-finance option, allowed us to recapitalize our business, get our data center built, and I think the main thing to focus in on there is to get it built, because our bank was failing.

And so midstream the SBA was able to make the bank whole, actually move us to a bank that was able to get this thing stood up and get this thing moving, because to build a special use building at a time of a recession, at the point in time that it was happening, you know, I think that we were scratching our heads thinking this is the worst time to ever be thinking about doing this. But I can honestly tell you getting a 4.83 percent interest rate for 20 years turned into one of the best times to build.

With that, we have been able to really drive our business. In driving our business, you know, there is really four different ones there. We are about a $14 million services business, so we are people and we are managed services. What I mean by that is we focus on leverage managed services, we focus on dollars that are recurring in nature.

We do work with the Federal Government through the Department of Defense. We have some people onsite as contractors, but we have a Professional Services Division that focuses around IT. We have a Commercial Staffing Division that focuses around more of the manufacturing trades. Then, we have our Data Center that is, again, special use. And I am forgetting one. And then, we have BTS, which is more an IT managed services business, that focus on the small business.

As we have grown and evolved our businesses, the diversity across the board helped immensely, because when one was up the other one was down. At this point in time, again, getting back to that SBA 504 loan program, it has allowed us to recapitalize our business, or allowed us to recapitalize our business, because our payroll has gone up $80,000 a week over the last three months.

And if that money was to be invested into our data center, cash would be tight right now, but the money is becoming more available within the markets, and it is working. We have put to work over 150 people over the last two and a half months, and that is throughout the Midwest. We have got offices in Green Bay, Wisconsin; Appleton, Wisconsin; Bloomington, Illinois; East Peoria; Springfield, Illinois; and O’Fallon, Illinois.

So we are trying to make it—use it as an advantage to get moving and to get growing, because now is the time to grow.

One of my good friends who went to the military, upon his leaving he said—I said to him I said, “You know, I feel like we need to do something. I respect you for what you are doing and the services that you are offering our nation.” And he looked at me and he
said, “Tim, I want to tell you something. We will defend this country; you create jobs.” And that is what we are doing.

And one of the things that can help, as we are growing and we are putting people to work, there has been a recurring theme that a lot of people find it more—find it better to stay on unemployment than to allow us to put them back to work. And if we were to shrink some of those benefits, it will force some people to get back into the labor force, to start paying some taxes versus putting it back upon some of the employers.

With that, thank you very much for allowing us to be here and speak on our behalf. Our people appreciate what you have done, and for the work that you do as well.

Thank you.

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

Chairwoman VELÁZQUEZ. Thank you. And the chair recognizes Mr. Luetkemeyer.

Mr. LUETKEMEYER. Thank you, Madam Chairwoman. It is a pleasure this morning to welcome Brad Eiffert to the Committee. Brad is from Columbia, Missouri. He is Vice President and General Manager of Boone County Lumber Company there in Columbia.

In 1965, Brad's father, Howard Eiffert, established Boone County Lumber in Columbia, which is the county seat and which was named after Nathan and Morgan Boone, two sons of the famed pioneer Daniel Boone. Fittingly, two sons now co-manage the business that their father began 45 years ago and at which both brothers worked during high school.

Brad obtained a bachelor's degree in economics and a master's degree in business administration from Mizzou's home campus there in Columbia. He also served as a U.S. Air Force pilot for eight years and is a veteran of Operation Desert Shield. Brad worked for a lumber company in Chicago and later for International Paper there in Columbia, before joining his brother in 1993.

Over the years, Boone County Lumber has grown to three locations, 34 employees, and four part-time employees, supplying building materials to contractors and customers across much of central Missouri. Boone County Lumber is the 2006 winner of Pro Sales Magazine Marketing and Customer Service Award, and the 2004 Columbia Chamber of Commerce's Outstanding Small Business of the Year.

Brad is also active in his community and serves as a member of the Columbia Salvation Army Advisory Board and the Calloway Bank Board of Directors. He has served on the National Federation of Independent Business Board of Directors since 2003, serving as National Chairman of the NFIB from 2006 to 2008.

Brad, thank you for being here with us today, and I also might mention that Ryan, your son, is with us today, perhaps the third generation in the family business. And I look forward to your testimony.

Welcome.
STATEMENT OF BRAD EIFFERT

Mr. EIFFERT. Madam Chairwoman, Ranking Member Luetkemeyer, and distinguished members of this Committee, thank you for inviting me to testify today.

My name is Brad Eiffert, and I co-own and operate Boone County Lumber Company in Columbia, Missouri. And I am accompanied by my 15-year-old son, Ryan, a ninth grader at West Junior High.

Boone County Lumber is a family-owned company celebrating its 45th anniversary this year. In 1965, four men provided startup capital of $2,500 each, and this, combined with the $100 my father, Howard, had to invest, began the company that now operates in three locations and employs 34 full-time and four part-time employees.

Today, my brother Greg manages our Boone County Millwork location, while I manage the lumberyard. Together, we serve the professional home builder, remodeler, and commercial contractor by providing a variety of forest products, doors, windows, and moldings.

Thank you for inviting me to share some of the challenges and successes of the last four years and our situation today.

This July 2010 will mark the end of four full years since the housing market slump started a deep recession from which it has yet to recover. New single-family home permits in our community went from rates as high as just over 1,000 in 2005 to as low as 230 in 2008. While the demand for our products plummeted, the market values of many forest products dropped accordingly. This combination of factors has crushed our revenue for the duration of the slowdown.

One of the biggest challenges early on was answering the constantly begging question of when things might turn around. We have since moved on from that question to asking how we can most effectively adapt to what we call “the new reality.”

There have been two sets of heroes in our story. One is the professional builder and remodeler we serve on a daily basis, who did not participate in the excesses of the housing boom. We have been fortunate to serve some customers for two generations and are proud to stand beside this group of resilient survivors.

This leads me to the second group of heroes of the last four years—our people. The personal sacrifice made by everyone in our company is the only reason I am before you today. We not only cut hours and overtime, but every salaried person took a pay cut as well.

While doing this, we asked our employees to perform services we used to be able to afford from outside companies. We became our own custodians, Ryan is now our lawn service, and we decided to live without water coolers, newspaper subscriptions, coffee and vending machine services, weekly entry rug cleaning, and learning to live with changes like high deductible HSA health plans and reduced employer contributions to 401(k) accounts.

We have not purchased a new truck in four years, and oftentimes will park a vehicle rather than fix it, based on seasonal needs.

Ironically, the office building we constructed with our own employees during the housing slump in 1981-’82, in order to keep them busy and productive, is the same building we have completely
remodeled on the exterior in order to provide productive activity for our staff during the last three years. We completely remodeled the exterior of our building using our truck drivers, lumber yard, and office staff.

While facing the severe slowdown, we never stopped asking what we can do during this time to take advantage of untapped opportunities. Two years ago, despite the recession, we opened a new showroom in the central Missouri area of Lake of the Ozarks to display windows, doors, and moldings. Our geographical service area is expanded and, so far this year, almost 10 percent of our total sales have come from this new market area.

In March of this year, another opportunity presented itself, and we took aggressive action. Our primary local competitor in the commercial door and hardware market went bankrupt. We assumed the completion of several ongoing projects, purchased much of their equipment and inventory, and offered four employees employment with us in our commercial door division.

This effectively doubled the size of our commercial door operations in the last 60 days and increased our commercial sales exposure to new vendors and to new customers. While it is early in the process, we are excited to continue to diversify ourselves beyond the residential housing market.

Our latest challenge today remains moving beyond break even. We need to continue to find efficiencies and sales opportunities and become more profitable. We need to be able to make money and retain it in our business in order to fully restore the incomes of our committed employees and reinvest in our business.

While we remain cautious regarding the current situation, we are optimistic that the worst of the crisis is behind us, and we are well positioned to move into the new reality of today’s housing and commercial construction market for another 45 years.

Thank you for the opportunity to testify before you here today, and I will be glad to answer any questions.

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

Chairwoman VELÁZQUEZ. Thank you, Mr. Eiffert.

And now the chair recognizes Mr. Luetkemeyer.

Mr. LUETKEMEYER. Thank you, Madam Chairwoman.

Congratulations to each of you. As I listened to the testimony this morning, you have managed to take lemons and make lemonade out of it. You have each looked at opportunities in a difficult time, in a difficult period here, and look at from the standpoint of how can we, you know, pull up our bootstraps and make something work here. So congratulations, and I continue to applaud you.

And I can tell you we are adamant about trying to continue to keep you in business and make sure that you continue to be able to take advantage of those opportunities.

Along that line, I would just like to start out, Mr. Eiffert, with you. I know that there is a couple of things I would like to talk to you about this morning with regards—one of them is the new home buyer’s tax credit being in the construction business, which has been hammered over the last several years here.

Can you tell me the impact that it has had? Has it been positive, negative? Would you like to see it extended? Have you had enough
of it? Can you just give me an overview of what you feel in your area, what it would be? Is it something that would be beneficial, or time to move on?

Mr. EIFFERT. Overall, I have heard some of the criticisms that it perhaps moved demand and concentrated the demand into a narrower timeframe. But at the same time, a lot of my new home builder-oriented customers, the ones that predominantly build new spec homes, have seen their inventories turn.

And I think that an aspect of the most recent credit that was very effective was that there was also an incentive for the not first time home buyer, the $6,500 for those that had already purchased a home in the past. But what we saw with the tax credit overall was I think it increased the liquidity in the housing market.

We had heard a number of people that said, “I could sell my home if my prospective buyer could sell their home.” And so what we saw was that the tax credit put some liquidity in the housing market, and we saw more transactions taking place across not only the new home but the existing home spectrum. And so in our community I think it did make an impact, and I think it was directly related to overall liquidity and transaction volume in the market at large.

So I would say it has been quite effective, and it has been something that certainly I have seen an on-the-streets impact from it.

Mr. LUETKEMEYER. I notice that, Mr. Norman and Ms. Nelson, you guys talked about access to credit this morning and your experiences with it. And, Mr. Norman, you have a bank failure in the middle of a loan process. That is a rather stressful situation. Can you elaborate on that just a little bit?

Mr. NORMAN. Yes. When it is good, it is great. When it is bad, it is pretty darn bad.

[Laughter.]

We were pretty fortunate in the fact that we have got a pretty good banking relationship with the banks that were failing and the banks that weren't failing. And our loan officer was acting a little squirrelly at one point, and I said, “Sir, if at any point in time you don't have faith in the bank to be able to deliver the services that we need, and the capital that we need, I want to know.”

And he made a call one day and he said, “I will do everything I possibly can to get you landed in a bank,” and he said, “This is no reflection upon your business. This is a reflection upon ours. And I can't service you.” And so he literally had me in another bank in about an hour, but it felt like about three months.

Mr. LUETKEMEYER. Ms. Nelson?

Ms. NELSON. My experience with the SBA loans, both through my chair position with the Greater Sarasota Chamber, as well as my own due diligence, was that it was a very cumbersome process. I think a lot can be done to not only assist the small business owner in making their way through all that paperwork, but streamlining the process so that it is easy.

There is not a lot of time. We already wear a lot of hats. So to take time away from the business, the limited time that we already have, it is really hard to take on a process like that, make your way through it. And typically the process, from the initial paperwork to funding, is long, and typically that doesn't work.
Mr. LUETKEMEYER. I know that a couple of things that were in the health care bill, one of them was with regards to if you have $600 worth of economic or, you know, some transactions with individuals, that you have got to send them a 1099. Does that affect any of your businesses? Mr. Dippold, yours?

Mr. DIPPOLD. Yes. We have several contractors that we utilize that, yes, that does affect our business.

Chairwoman VELÁZQUEZ. Is your mic on?

Mr. DIPPOLD. I will bring it closer. How is that?

Mr. LUETKEMEYER. There you go.

Mr. DIPPOLD. Yes, that does affect our business somewhat, that $600. Certainly, the 1099, we must pass those on, and we, you know, follow those areas. So, yes, it certainly does make a difference for our business.

Mr. LUETKEMEYER. Mr. Eiffert?

Mr. EIFFERT. Absolutely. I mean, I look at something like that and I say, “Okay. What is the personal impact of this?” Well, the personal impact in my business is it will land on a lady’s desk named Vicki Mansfield, who has been with me just over 30 years. And she will have to go through the process of now trying to find taxpayer ID information on all the vendors that we have done business with.

And I can’t even imagine the number of hours that this is going to take, to try to get the information that is going to be required to fill those out. But I would think that we would probably have to do 100 to 200 1099s.

Mr. LUETKEMEYER. Okay. Just very quickly, have each of you looked at the health care bill? And is it going to be a good deal for you? Is it going to cost you money? Are the provisions in there about mandatory insurance, is that a problem for any of you?

Mr. NORMAN. With our business, on our core employees, we already have carry a health plan for them. On the staffing side of our business, to where, you know, it can grow by the hundreds in a couple weeks, I have no clue how it is going to affect us. And I don’t know how to really dissect it. So yes and no.

Mr. LUETKEMEYER. Ms. Nelson, I see you—

Ms. NELSON. Yes. I haven’t had a chance to dissect it either. I am not familiar enough with it to know. We do offer health insurance currently, and it is working. So I am half-tempted, with all the other hats we have, to, you know, continue to hold on to that while we focus on other fires. But rumor has it from my business partner and husband that there is some grumbling that there will be some difficulties. I just don’t know what those are at this point.

Mr. LUETKEMEYER. Okay. I see my time expired. Thank you, Madam Chair.

Chairwoman VELÁZQUEZ. Ms. Halvorson.

Ms. HALVORSON. Thank you, Madam Chair. I know that Mr. Norman has had some good experiences with the 504 loan programs, and, Ms. Nelson, you say it is cumbersome. Tim, did you find that it was cumbersome when you were put into an other loan in an hour?

Mr. NORMAN. Well, I think there is two different pieces and parts to it. We actually used—I would have to defer to Katie on the actual name.
Ms. HALVORSON. But I guess my point is—you are right. And
Katie probably worked on that, too. But we are trying to make this
process not cumbersome, you know, the application is smaller, the
process has gotten less, the fees have been taken off. I mean, we
are doing everything in our power to make it not cumbersome.
And, you know, some of the problems lie with the perception of
being cumbersome. So we would like your input in writing to our
offices or to the chairwoman, but everything we have done since we
have reauthorized the SBA process has been to eliminate that cum-
bersome process.
You know, we have increased the government—the part that the
government backs, so everything we have done is to try to make
that process not cumbersome. So, you know, and I would like the
other people to give their inputs, because if it has still got the per-
ception that it is cumbersome, we still have our work cut out for
us, because we are doing everything to make sure it is not.
So I would like to make sure that we are doing whatever it takes
to make sure it is not. Mr. Norman?
Mr. NORMAN. We used a third party, and they actually did—
Ms. HALVORSON. Oh, that is right.
Mr. NORMAN. —the whole process. I think it was called the—
Ms. HALVORSON. Yes.
Mr. NORMAN. —Small Business Growth.
Ms. HALVORSON. Right. We talked about that yesterday. You are
right.
Mr. NORMAN. So they did all of the paperwork, and they actually
knew the new regs coming out before the SBA did.
Ms. HALVORSON. Right, right. And there are other things. But
does anyone else want to share some of the processes, if they have
used the 504 loan program or some of the other programs that the
SBA offers?
Mr. DIPPOLD. We have used the programs considerably over the
last two years. We moved into a new facility. We are now in the
process of putting on—a new addition onto our manufacturing. In
our region—I can only speak at that, and it is North Central Eco-
nomic Development—whether or not—I can’t comment on how com-
plex and cumbersome it is, because they take care of everything.
They do a wonderful job. They make it easy for me.
Ms. HALVORSON. Correct.
Mr. DIPPOLD. And have made it very easy for me. And they are
very quick to react, they are very quick to get the loans through
to committee, get approval, and I see very little. I am called to
come down and sign documents.
Ms. HALVORSON. Right.
Mr. DIPPOLD. —to make signatures. So I am not sure how com-
plicated—
Ms. HALVORSON. Okay.
Mr. DIPPOLD. —the system is, but they certainly handle—do a
great job of handling that very quickly.
Ms. HALVORSON. So then maybe it is the region or we need—so
does anybody have any other comments about—because the only
other thing I would like to hear from any of you is maybe your
input on some of the thoughts of the $30 billion lending that is
being proposed by the administration that is currently working its
way through Congress about believing that this infusion of capital into community banks will help the lending to all of you, because the number one thing I hear from every small business that I talk to is the lack of capital that you are able to get.

And everybody is trying to point fingers somewhere. And do you think that this infusion into the community banks somehow, or the banks, are going to help you get your loans any easier? I don't know, Mr. Eiffert, if you have heard of this going to Congress, or if you think that that is going to help at all.

Mr. EIFFERT. You know, kind of with my bank board hat on now, we just haven't seen a lot of loan demand out there. And some of the loan demand that is out there is because it is coming from some place where they don't want it any more, just because of the lack of liquidity or it is just not that good of credit.

So, overall, I think most of the lenders that I speak with just haven't seen a robust demand for loans.

Ms. HALVORSON. Okay.

Mr. EIFFERT. That is what I hear oftentimes.

Ms. HALVORSON. Mr. Gay?

Mr. GAY. I would echo—our banking relationships have traditionally been with some of the larger banks, those that received help from the government. And after 10 years that my wife and I have owned the business, and run it profitably and successfully, we were told that we would have about a 50/50 chance of seeing our line of credit renewal. We have paid back all of the term debt. All we had was basically a line for working capital left. And they came back and told us 50/50.

Ms. HALVORSON. Okay.

Mr. GAY. So we have started looking at the community banks, because what we are looking for is a relationship. And I do believe that that can help.

Ms. HALVORSON. Okay. And I—my time is up. I yield back to the chairman.

Chairwoman VELÁZQUEZ. Mr. Thompson.

Mr. THOMPSON. Thank you, Madam Chairwoman, and thanks to the panel for what you do in your communities, for jobs, and how you are involved in the communities, too, beyond your businesses, just as being active members of the community.

Mr. Dippold, I wanted to come back to the—mean, the powdered—as I follow the powdered metals industry, 2008 and 2009 tied a lot to the meltdown of the auto industry, there were just a lot of powdered metal industries that—or businesses that were just suffering tremendously with business loss.

That was not your story, though. I mean, your record is one of really just a remarkable record during a very, very difficult time. And so I wanted to come back and ask you, what were the differences? What did you do during very difficult economic times to make sure that your business was successful, that your employees had that security that came working for a successful small business?

Mr. DIPPOLD. Yes, thank you. Really it was. Our area—we are in Elk County in Pennsylvania, and it is very industrialized, very automotive-based. And we have always had the pleasure of having one of the lowest unemployment rates in the State of Pennsylvania.
And, unfortunately, over the last couple of years we have had the distinct honor or dishonor of having the highest unemployment. So we live and die with the automotive industry, like it or not like it.

In our situation, we are a rather small company. We have been able to really get into some niche markets and niche technologies that allowed us steady growth. And we were successful in years prior to the recession of having opportunities lined up that our sales continued to grow.

We did see a 10 percent reduction in sales in 2009. We actually grew from '07 to '08 and saw a reduction of 10 percent in '09. At one point, the early part of '09, we were down about 30 percent, but some of our new programs started hitting and really made a huge difference for us personally.

Our area, I can say that people are busy again. Things are starting to look good. I certainly think our economy is still fragile. I think any large disruption could certainly knock us off the rail. But I see opportunity, and I see opportunity for small business.

And we continue to work with our employees. We did rotating layoffs. We did schedule changes. We accommodated, we worked with our employees, and our big thing is to keep our employees with us. We implemented gain-sharing opportunities with them, and we work for ways to keep not just their base compensation but be part of the business and be part of the business success.

Mr. THOMPSON. Great. Thank you. A question to throw out to the panel. If you had the opportunity to have—what one program, what one program could—or policy change that Congress could make that would help your business grow? What would that one policy change be?

Mr. NORMAN. Less tax.

Mr. THOMPSON. Okay.

Ms. NELSON. No surprise there.

Mr. GAY. I will echo that, but I would also say further support to help get people off the unemployment rolls. Where we currently stand in double digit unemployment in our area, we are still having a terrible time getting people to come back to work. And while we want to be sympathetic and understand that there is a lot of difficulty with people losing their jobs, they also have to have some incentive to go back to work.

Mr. THOMPSON. Very good.

Mr. EIFFERT. I am also concerned about the tax environment, because I see as the economy recovers, and we have tax cuts expire, I think they are going to be expiring at a critical time when capital is needed in our companies.

As I said, it has been a long time since we purchased new delivery equipment, and I think that as we recover, keeping funds in the hands of entrepreneurs so that they can reinvest in their companies, in equipment, that will help the economic activity of, you know, truck dealers, car dealers, equipment manufacturers, and just keep more money out there in the private economy. But I think otherwise we will be providing a little bit of a headwind to the recovery, if you will.

Mr. DIPPOLD. In our industry, there is a bit of a disparity. Certainly, I am a bit biased, but I certainly feel small business is where it is at. And we have made significant strides in service and
bringing opportunities and great quality, great delivery, to our customers. Where I see a problem in our business is if there was some way that we could get some sort of funding, industry funding for an R&D development that would allow smaller businesses to create jobs and advance the technology.

Multi-national companies have the financial wherewithal to spend a lot of money on R&D and development and creating new products, materials, and processes, where as a small business owner financially we are a bit bootstrapped in order to do that.

Chairwoman VELÁZQUEZ. Will you yield, Mr. Thompson?

Mr. THOMPSON. Please.

Chairwoman VELÁZQUEZ. Mr. Dippold, are you referring to debt financing or equity investment?

Mr. DIPPOLD. Creating, yes.

Chairwoman VELÁZQUEZ. Okay. Thank you. Thank you for yielding.

Mr. THOMPSON. Okay. I think I have expired my time. Thank you, Madam Chairwoman.

Chairwoman VELÁZQUEZ. Mr. Critz.

Mr. CRITZ. Thank you. You know, I actually come from the small business economic development era. I did that for Congressman Murtha for many years. And one of the things that I have always seen is small businesses and trying to get access to capital, and I am curious, because in traveling throughout our district, small businesses many times when they are going to bigger banks don't have as much success as they do with going to local community banks.

And I am curious for the panel, where you have received your financing, if it has been better going to the local community bank, and what role the SBA played, if it was helpful or if the SBA led you to a certain bank, or what you see as a winning strategy.

Mr. NORMAN. What I have found is that your bigger banks have people that focus on SBA loans. Your community banks don't have the resources necessarily to have a person who is an SBA expert. And so if you were to inject some cash into a community bank to get them an SBA education, I think that you would see some SBA loans probably get freed up.

But it is such a complex process at times, you know, and when you are in the foxhole, and you are not really working from a strategic position, you need help.

Mr. EIFFERT. I have not used the SBA loan process, but we do maintain a line of credit, and it is with a local bank. But overall I have found the value of having a relationship—I mean, I have got a relationship with people on the Board of Directors of my local bank. I know the leadership of the local bank.

I have got a long-term personal relationship with the commercial banker that I bank with. And I think the communications and the consistency of our relationship and the trust and the—we know one another's character. To me, just the value of that local relationship and local ties has been critical to maintaining a confidence in each other, actually, you know, the reassurance that they will be there for me, and my communication with them of what I am doing and proactive steps that I am taking to be a good customer.
But I have a hard time understanding how anybody really operates without just that personal kind of contact and relationship with someone that knows your business and that you know them.

Mr. Dippold. From our standpoint, when we purchased the business in 2004, it was also necessary for us to move out of our current location and into a new facility. The larger banks really didn't want anything to do with any piece of that. We ended up with two smaller banks who took the risk on us, but they knew us personally. They knew our backgrounds, and they did take the risk and they worked with us, and everything turned out very well.

So certainly my standpoint is the smaller banks were there for me when I needed them, and I will continue to utilize them moving forward.

Mr. CRITZ. Well, thank you. Thank you. I appreciate that. One thing, actually, for Mr. Dippold. I was wondering if—you had mentioned that your business is starting—and you are the only Pennsylvania company that—so I know sort of the Pennsylvania geography.

I am curious. You said your business is picking up, and you have weathered the storm quite well. I am wondering, does that mean that the auto industry is buying more from you now? Have you seen an increase in orders from out of the—like the GMs and the Chryslers and the Fords?

Mr. DIPPOLD. Yes. And, you know, the old adage of sometimes it is better to be lucky than good, a lot of our new programs that we launched over the past six months, and for the next 18 months, are Ford-related products that are on their new diesel engine. They are on their new F-150s, engines that are coming out, and the new designed F-150.

So we have aligned ourselves as a Tier 3 supplier through Ford. That has been very successful for us. So, yes, we are seeing those definite business increase, but a lot of our products are new applications for the industry, for that automotive supplier.

Chairwoman VELAZQUEZ. Mr. Buchanan.

Mr. BUCHANAN. Thank you, Madam Chair. And I want to thank you for doing this, recognizing the heroes, because as someone that has been an entrepreneur for 30 years and not a career politician, I understand what you go through, and appreciate Ms. Nelson being here today, because she has been very active in our chamber and all that you have done.

Let me just say, and as you know this, that 99 percent of all the businesses in Florida, in Tallahassee, our capital, are small- and medium-sized businesses. They create 70 percent of the jobs.

I don't think we celebrate small business enough in this country. I think it is what makes this country great, fundamentally. So I just want to—I can't say enough to applaud you, and that I—I have been through two tough cycles, in the '80s where we had 20 percent interest rates, in the '90s where we had the S&L banking crisis. But this is the worst I have ever seen—in the last 30 years that I have seen in business, or the last 35 years. You would have to probably go back to the '30s.

But, again, I applaud your success. I will give you one other statistic, just to tell you how great you are. They have said—the U.S. Chamber said that eight percent out of businesses that start up,
out of 100 succeed, in five years are still standing, let alone in this environment. So, again, I applaud your efforts.

Ms. Nelson, again, I am glad to have you here today representing my district. What are the keys, a couple of keys that you think are the keys for you to survive through this struggling time? Because I have got to tell you, most of the businesses in our area, there are some niches, are down probably 30 percent. And many of them, unfortunately, are in the bubble or been out of business. What has been the key to your success, you and your husband?

Ms. Nelson. Well, I think—as we talked about before, I think the most important piece of being a business owner—and I think we have all talked about it—is pioneering new ways to do business. I mean, in tough times like this, you just learn to roll up your sleeves and get the work done, to innovate, to be a pioneer, and we have all done that.

And you have to do things that are uncomfortable. You have to change your staffing, you change your health care benefits. There is a ton of things that you have to do in order to survive. It is not comfortable, it is not what you like, and, quite frankly, I think we get a little comfortable when things are good. And we are used to, you know, enjoying those times. And then, when times get tough, we complain about it a little bit, but ultimately we turn around and we make it happen, because that is what small business owners do.

So that has been our success. You know, as a husband and wife team, it is a little tough. We spend a lot of time together, and we balance work and life. But we all do that. Everybody on this panel and everybody watching would tell you the same thing, but that is what we sign on for when we come on. So I think success is just that fortitude and that hard work that gets it done, be willing to do what you have to.

Mr. Buchanan. Well, you definitely have that attitude, and that is the reason you are successful.

Mr. Eiffert, I wanted to ask you, because you brought up taxes, you know, the mentality up in Washington is tax the rich. The rich I know, most of them are small business people, medium-sized companies, with pass-through income. Either they have got an LLC or a Subchapter S or a partnership or a sole proprietorship.

What is your thoughts on that? You touched on that, because what happens—if you make $750, you know you don’t take home $750. And if you have got to pay another 10 percent in taxes, it is a couple more jobs that you are not going to be able to hire somebody. But I would like to just have you add on, if you think I am right on that.

Mr. Eiffert. Well, I think you are very right on that. And, you know, one of the things—small companies, sometimes the quickest cash that we have available in a small company is what we don’t take home as owners. You know, we have had periods of time where you just didn’t take any income home, because you wanted to leave the money in the business.

So certainly, you know, to the extent that that—you know, that taxes would affect the livelihood of any entrepreneur, and what they take out of the business, versus being able to leave the funds in the company, it certainly makes a difference, because I know re-
cently we have only been taking out of it what we need to live on. And, you know, having the tax rates minimal gives us more liquidity that we need to support our families.

So to that—

Mr. BUCHANAN. Thank you for that, because I have limited time. I wanted to get one more question to the panel, because this is something I wasn’t planning on talking about, but it has been brought up twice here today, and I heard it in a town hall meeting a week ago Saturday.

And I am as passionate as anybody. All of us—working families in the country are clearly hurting. But a gentleman stood up at the town hall and he says, “I have run ads in our community for some time. I can’t get anybody to come in and look for a job.” You know, you guys have got to be very careful about the unemployment benefits, what we are doing here, the extension. Some people need them. Some people are taking advantage of the system.

So I talked to him after that was his comment, and I said, “Well, tell me, you know, how are they surviving? They can’t survive.” He said, “Well, they are taking the check, and they are working under-the-table side jobs.” And he can’t get anybody to take a job there locally in his community. That is what he claims.

Does anybody want to add on to that? Or is it just one incident? Because I just had this come up recently. Or do you think that is pretty widespread in your communities?

Mr. N ORMAN. Well, I think, coming from the staffing side, with my staffing hat, there is a consistent message each and every week, probably two out of 15 people that we interview or we offer jobs to, that—around our area Caterpillar is a main supplier or a manufacturer in Peoria, and so there is a lot of labor that was laid off there. A lot of it was union labor.

But the unemployment benefits are about break-even to what they could be making otherwise, and a lot of them are just saying, “I have got about six weeks left. I am just going to coast for the next six weeks, and give me a call back then.”

Mr. BUCHANAN. Thank you, Mr. Norman. I yield back.

Chairwoman VELÁZQUEZ. Time has expired. Mr.—Ms. Kirkpatrick. Sorry.

Ms. K IRKPATRICK. Thank you, Madam Speaker, and thank you, panel. I represent a very large rural district in Arizona, and most of the businesses are small business. And by “small business” I mean Mom and Pop to less than 50 employees. And one of the things that—we know the survival rate is low, as Mr. Buchanan said. One of the things that we experienced overnight, lines of credit just disappeared.

And I want to hear from you if you had similar experiences. So it didn’t seem to matter whether it was a large bank or a community bank. The lines of credit just disappeared. So I would question the entire panel. If you would just give me an idea of your experience with that. Ms. Nelson.

Ms. N ELSON. Yes, thank you. We bank at a large bank and had a history with that bank. It was not a community bank, and they immediately came in and took away a good portion of that. We also had a credit line on our home that we used when we needed to, hadn’t tapped into it, actually was in the process of doing a few
things to our home when we realized—we got notice that they had taken out a number of the funds while we were under construction.

Same thing—you know, as small business owners, there is times we tap into our corporate credit cards and personal credit cards. The interest rates on those changed. So it was a quick shock to realize there was actions we needed to take in order to secure keeping the availability of the funds that we need in order to deliver the supplies and the goods to our clients.

So it was not a local bank, it was a large bank for the most part, that we had that struggle with.

Ms. Kirkpatrick. Has that been restored? Has your line of credit been restored?

Ms. Nelson. We actually went—we called them and negotiated pretty heavily. It did not go away, but it was significantly reduced. And keep in mind, we rarely tapped into them. So they should have—you know, we anticipated that they would always be there.

Probably the biggest place where we got the resources was from major suppliers, Dell being one of them for instance. When we went back to them and said, “Look, we have been a major provider of equipment for you in this area, and we need help,” they stepped up and actually significantly increased our credit line. It was things like that. It was those industries that really came to bat and said, “We are just going to have to band together and get this taken care of.”

Ms. Kirkpatrick. So it was business, not the banks, that came to your rescue.

Ms. Nelson. Yes. For the most part, yes.

Ms. Kirkpatrick. Anyone else have experience with that?

Mr. Gay. I think what Mr. Eiffert said earlier about relationships is the key to our future going forward, because we—as we went through our renewal process, a big part of our business is government contracting. We get paid every 28 days by the government, which is pretty good.

And their comment back to us is, “Well, we don’t think we can perfect the receivable, the guarantee on the receivable,” which to me is absolutely ludicrous. The smaller banks, the community banks, the folks that take the time to get to know you, to really understand what your business looks like, what your cashflow needs are, and the like, I think are going to be the ones that are going to help us go forward.

Ms. Kirkpatrick. Now, there is—did you want to speak to it? Go ahead, please.

Mr. Dippold. Just quickly, on the small bank side, we utilize the small banks. And there were conversations about negotiations of tailoring back our lines of credit. We have some new opportunities coming through—convince them that we needed that line of credit, because we had new business we were launching. And as a result, we were successful in keeping that line of credit, and only had to negotiate a floor on the percentage rate.

Ms. Kirkpatrick. Now, in the SBA loan package, there is a provision for a small line of credit. We wanted it to be easily accessible to small businesses. Have any of you tapped into that?

Ms. Nelson. No.

Mr. Dippold. No.
Ms. KIRKPATRICK. Okay. So you are sticking with your existing banking. Well, I applaud your survival, your efforts. You know, I agree—I am a former small business owner myself, and through the hard times is when you—you know, you really look at those efficiencies, and, if you can survive, you come out that much stronger. So, again, thank you very much for being here today.

I yield back.

Chairwoman VELÁZQUEZ. Thank you, Mr. King.

Mr. KING. Thank you, Madam Chairman. Madam Chair, I appreciate you holding this hearing today, and this is fascinating, to hear the panel talk. I really am having a hard time deciding where to start.

But one of the things that I think wasn’t developed to its fullest extent was the questions that were being asked by Mr. Buchanan with regard to how difficult it is to hire someone who is being paid not to work. And is there anybody on the panel that has actually hired somebody that was drawing unemployment and known that they have gone off of unemployment to go to work? Have you experienced that in the last year or two or three, anyone?

Mr. GAY. Very rare.

Mr. KING. But has it actually happened to any of you?

Mr. DIPPOLD. It has not happened to me.

Ms. NELSON. No, we have hired a number, and they all went off unemployment. They were very—I had one employee walk in with his first paycheck crying, saying, “You have no idea what this does for me.” So I have not had the experience of them, you know, trying to do otherwise at all.

Mr. KING. So I hear you clearly that people that were drawing unemployment, it hadn’t expired yet but you hired them while—

Ms. NELSON. Yes.

Mr. KING. —and they took the job rather than the unemployment check.

Ms. NELSON. Yes.

Mr. KING. Thank you.

Ms. NELSON. Absolutely.

Mr. KING. Anyone else have that experience?

Mr. EIFFERT. No, sir.

Mr. KING. So I think Mr. Buchanan has illustrated that in a way that we need to think about, is he said some need it and some don’t. Some game the system, and some don’t.

Ms. NELSON. Yes.

Mr. KING. It is hard to have a universal approach to this I just think I have had people in the wintertime in my construction office open the door, stick their head in, and say, “You don’t need any help, do you?” and they close the door and walk away. And I realize that they are going to put me down as somebody they applied for a job with, and so now I say, “Yes, here is the application. Come on in, sit down.” And they don’t come back if they are not looking for work. But that is an interesting observation.

And I noticed that Mr. Norman has an employee base that goes up to roughly 200 additional, that you are concerned about how that might be affected by the health care program. But I would ask you: is there anybody on the panel that uses eVerify to verify legal employees?
Mr. Norman. Yes.
Mr. King. Two of you do? Mr. Gay?
Mr. Gay. Yes, sir.
Mr. King. And Mr. Norman?
Mr. Norman. Yes.
Mr. King. Do you find it a system that works well for you, Mr. Gay?
Mr. Gay. I think the system works well. The thing that is difficult with eVerify is you have to hire the employee first before you do eVerify. So if they kick out, now you have essentially hired that person, and they go back into the unemployment ranks. And I know there are some discrimination issues around that, but—
Mr. King. What do you—I mean, I am going to put it in a little bit of a way—I would characterize it this way, that you have to hire someone who is working illegally, you have to break the law in order to find out if they are breaking the law. And then, if you find out that they aren’t legal, then you have to let them go.
Mr. Gay. Yes, I think that is a fair statement. And being a federal contractor, that is something that we have to take very seriously.
Mr. King. As a federal contractor, do you ever see a contract that requires you to certify a drug-free workplace?
Mr. Gay. Yes.
Mr. King. How do you comply with that in your state? Can you do that within your state laws?
Mr. Gay. Yes, we do. We do drug pre-screening before everybody is hired, and then random drug tests over the lifetime of their employment.
Mr. King. That is good business. Thank you.
Mr. Norman?
Mr. Norman. We do the same. Our people go through drug tests, drug screening. A lot of times, too, when you get into the volume staffing, it is part of the deal that you have to show proof of citizenship. You have to show proof of no drug use and everything else. So it is a—it is just part of the process.
Mr. King. And you would be happy if we amended eVerify so that it can be with a bona fide job offer as opposed to having to actually put them on the payroll and then find out?
Mr. Norman. Right. You know, and there is always—what we do, too, is put an employment—basically, an offer letter together that makes it contingent upon passing the drug screening and all of the citizenship stuff.
Mr. King. I hope that line is fine enough.
Mr. Eiffert, you were the one that actually spoke to me in a way when you talked about how you had to pinch pennies and squeeze things down and get rid of the clean rug service and Ryan mows the lawn. If he was the son of one of your employees, could he do that for you?
Mr. Eiffert. No, sir.
Mr. King. And I bring that up because I think they would have to be 18 years old to ride the riding lawnmower around to cut the grass around your place, but they would have the keys to the car two years earlier. That seems like a child labor law that we ought to take a look at.
But you also have—you have 34 employees and four part-time, as I read in your testimony. And have you given thought to what you might do with an employee base if you are bumping up against the 50-person cap that would put mandated health insurance on you? Has that crossed your mind, that a 50-employee threshold might be something you would want to back away from, if you reach that point?

Mr. EIFFERT. I expect that we would become multiple entities. Instead of just two locations, we will be two companies.

Mr. KING. I expect that is the case with all of the witnesses. Thank you, Madam Chair. I would like to find the answer to that question.

Chairwoman VELÁZQUEZ. Mr. Altmire.

Mr. ALTMIRE. Thank you, Madam Chair. I wanted to close out this first panel by just getting some clarification on the issue that has come up multiple times about unemployment, because you are here at a very important time. As you know, the Congress is debating that very issue, maybe as soon as today, on whether or not to extend unemployment benefits. And Mr. Gay and Ms. Nelson both addressed this.

But I wanted to ask the question in a little bit different way and just start at Mr. Eiffert and go across. Two things. Do you—have you seen specific examples—I am not asking you to name names, but just, you know, have you seen a person who you believe could work, there is a job available for that person, but because they are on unemployment they choose not to, they choose to stay on unemployment rather than take a job? I know, rhetorically, we hear that is what happens, and there are people who do that. But have each of you seen a specific person who has done that?

Mr. EIFFERT. No, sir. I am not available—I am not aware of anyone that has specifically done that.

Mr. ALTMIRE. Well, thank you. The second question was—and then you can go down—is if we were taking up this vote about whether or not to extend unemployment, if you had that vote, what would you recommend that we do? Given where we are in the economy, given what you see in your regions, the impacts that the recession has had on your businesses and those around you, do you think it is an appropriate action to take?

Mr. EIFFERT. Again, I am not aware of anyone specifically in that circumstance. And I think it is going to be a difficult vote, because I know it is a difficult economy. But, overall, I think that—you know, I was always kind of raised under the mantra that there are jobs out there for people that, you know, are productive. And I know that might be naive in some economies, but I would probably go with the unemployment system that we have now, thinking that it provides the cushion and the time that it should to be able to provide someone a chance to find employment.

Mr. ALTMIRE. Thanks.

Mr. NORMAN. I can give you a list. You know, it is—I think it is—if you are hiring, you will run into it. Or if you have got accelerated growth, you will run into it. If you are not hiring, I don't think you will see it, but the fact is that I have seen the people, I have spoken to the people, and our people have spoken to the people, and it happens weekly. And I would vote to repeal it.
Mr. ALTMIRED. Okay.

Ms. NELSON. Wow, it is tough. We have had a lot of growth, so we have not run into a lot of that, or we haven’t run into any of that for the most part. The people—when we have hired—we have made a good probably half a dozen hires this year, and have had no problem finding the people we need and have had no problem in them accepting the jobs. So that has not been an issue.

What my vote would be, that is tough. It is hard to sit in this position and be employed and to make that decision, to make that call. I will tell you that, from a philosophical perspective, I think that we need to push people to start working, to move past their comfort zones, to take whatever they can. So I can understand both arguments.

Mr. ALTMIRED. Okay. Mr. Gay?

Mr. GAY. Yes, sir. I think we are now approaching I believe it is 99 weeks that unemployment has been extended, coming up on two years. That is a long time. And, clearly, we have been through some challenging times in the economy, and I think people need to know that there is a safety net.

I think what we see is we had a Volvo manufacturer close in our area. These people were making, you know, $35, $40 an hour perhaps, and they don’t want to come take the $15 or $20 an hour job. But what they will do is come in, apply, and then go back to the Employment Security Commission and say, “We went and tried. We didn’t get the job.” And then, that just allows them to continue to stay on there.

So somewhere at the Employment Security Commission level things I think also need to be broken, because it seems like they are enabling a lot of that to continue to go on.

Mr. ALTMIRED. Okay. Thank you.

Mr. DIPPOLD. Thank you. I have not personally had the experience. We hired only three people in the past six months, none of which were in that situation. So I can’t comment there. But I personally believe it is time to push those individuals out into the marketplace. What we are seeing when people are interviewing and are coming through the system, we are seeing much younger people. We are not seeing the 30-, 40-year-old people that are coming in for those interviews. So that tells me, at least in my situation, that there are people taking advantage of the system.

Mr. ALTMIRED. Thank you, all. No further questions, Madam Chair.

Chairwoman VELÁZQUEZ. Thank you. We are finished here, right? Yes. Let me take this opportunity to thank all of you, and I hope that—well, it is important that in order to get this economy growing again we need to create jobs. We lost 11 million jobs. So it is hard to believe that people are—when you are hiring, that people do not want to get back to work. In fact, we have only been creating 250,000 in the last month, and previous to that 159,000.

So, but the intent of this hearing is to listen to the stories, to see what is working in terms of small businesses, getting your businesses growing, and hiring again. Thank you for the contributions that you make to our economy, and for your ingenuity. You have been able to adapt and make the changes necessary to be able to
come here to us—to the Committee and talk to your successes and
the positive stories that you all represent.
So with that, I want to thank all of you on behalf of this Com-
mittee. And you are all excused. Thank you.
I will ask the second panel to please come forward and take your
seats.
[Recess.]
Chairwoman VELÁZQUEZ. The Committee will come to order, and
the chair recognizes Ms. Kirkpatrick for the purpose of introducing
our first witness.
Ms. KIRKPATRICK. Thank you, Madam Chairwoman, and thank
you for adjusting the order of the witnesses.
I am very pleased to introduce Chris Kuknyo of Patriot Disposal
in Prescott Valley, Arizona. Chris helped found Patriot Disposal 10
years ago, fighting the odds to build a business that now serves
thousands of residential and commercial customers throughout
Yavapai County.
Patriot is a local company serving local communities, and the
business gives back by contributing to local organizations and
events, including the local food bank, Little League, the Prescott
Valley Team Up to Clean Up, and the company was the first to
bring recycling services to the area.
Chris is equally involved serving as Vice Chair of the Prescott
Valley Chamber of Commerce, as well as on the Board of Directors
for the Prescott Valley Economic Development Foundation.
Chris, welcome to our committee.

STATEMENT OF CHRIS KUKNYO

Mr. KUKNYO. Thank you very much. Thank you, Madam Chair,
for allowing me to speak with you on behalf of the small business
folks of Arizona's 1st congressional district. And I also want to
thank Representative Kirkpatrick for the invitation to do the same.
My name is Chris Kuknyo, and I am one of the co-founders of
Patriot Disposal. We are a small trash and recycling company that
just celebrated our tenth anniversary. You see, 10 years ago, I and
another gentleman took hold of the American dream. We knew that
the dream wasn't entitlement, but opportunity, that if we believed
in ourselves and worked hard there was nothing we couldn't accom-
plish.
My partner knew the trash business and was a whiz at financing
and administration. I knew how to fix trucks, and I had a knack
for marketing. We developed a rock solid business plan and took
it to the service corps of retired executives in the Small Business
Administration. They said, “Don't do it. You will never make it.
Waste Management will crush you.” We took our plan to the banks
where one loan officer laughed and said, “Come back when you
don't need the money.”
So we did what so many small business people do, we went all
in, we put everything we owned and worked for on the table. I took
out a mortgage on my home, we purchased a garbage truck and
300 garbage cans. Today the banks visit us on a regular basis
wanting to help us manage the cashflow of our 16,000 residential
and 800 commercial accounts.
The journey from zero employees to 29 employees has not been without its challenges, as represented by my graying hair. I looked at a photo the other day of these two young guys standing so proudly in front of their first garbage truck, and the guy on the right does not resemble what I see in the mirror in the morning.

We had to swim with the sharks to get the capital to keep us up with the growth that we had. I am talking about non-traditional lenders that charge 14 to 21 percent. I have to compete with the largest disposal company in the world, who happens to own the only landfill in the county that accepts household trash. They charge over double the rate that is offered in Phoenix, because they are the only game in town.

We have to contend with our own government that seems bent on our destruction. I remember the first quarter of 2006. We only had so much money, and it was two weeks until our billing was going to be coming in. We had a choice to make. We could miss payroll and lose our employees, not make a fuel payment and have our gas pumps turned off, not pay the landfill bill and have Waste Management put us out of business, or miss a tax bill and take a hit from the IRS.

The tax we missed for the quarter was $44,000, but after penalties, fines, and interest, it is now $88,000. I know that figure is not much to you folks, but for a small business that could be just devastating. If I was to open a business that charged that much, and acted in that manner, I would be arrested and tossed in prison for loan sharking.

The frustration is amplified when you open up the paper and you see the same government that is holding your feet to the fire for thousands is giving billions to help the foreign nation of Haiti, or giving out gigantic loans to huge corporations because they are too big to fail.

We have been under attack from the big box stores and giant corporations, who can weather this economy and use it to further gain market share by eliminating the pesky small businessman.

As small business people, we are so busy getting the kids to ball practice or helping at the school that we don’t have the time or energy at the end of the day to lobby Congress to let you folks know what needs to be done. That is why I am so honored, and I truly am thankful for this opportunity to share with you folks today.

When I found out I was making this trip, I went to the Chamber members and small storefronts around my town and asked a simple question. Is there anything you would like me to convey on your behalf? They didn’t take long to answer. “Tell them the banks still aren’t lending. Stop trying to be my partner. No more spending. And they are taxing us to death.”

I am sure you hear that last one a lot, but do you ever take into consideration the big picture? It is not just the Feds that want to profit from any success we may have, but the state, county, and city are also lined up.

Let me give you a quick example of Patriot’s purchase of a used trash truck we bought in California. After paying California sales tax, we had to pay a temporary tax to drive it home to Arizona where we were informed that, because we did not pay city sales tax
in California, we owed sales tax to the town of Prescott Valley, Arizona.

Filling the tank with diesel, we also paid more taxes to get the fuel to get it home, and then we were taxed to license the truck and transfer the title, and the county wants to tax you to inspect the truck. And if over a specific gross vehicle weight, the IRS wants a form filled out and more federal tax paid. Now the truck can go to work picking up trash for $16.75 a month.

When you consider any future legislation, please consider that even the smallest impact has an effect on small business. In this town, it seems like a million dollars is hardly ever mentioned anymore unless it is $5-, $6-, or $700 million. For the most part, you seem to speak in billions and now even trillions. These are unfathomable amounts. To a small businessman in this economy, $1,000 is a lot of money. A thousand dollars is what it will take to cover rent on the store. A thousand dollars will allow me to keep my home and make the car payment this month. A thousand dollars separates me from bankruptcy.

I have never seen so many dreams shattered as I have in the past year. Folks that had been doing their best to hang on until the economy improves have lost their businesses, their homes, their savings, their dignity. If you don’t believe in God, you have never been in business, because over this last year I guarantee we have all been hitting our knees and asking, “Lord, please keep the wolves at bay for just one more day.”

And should you survive the attacks from the big box stores, and get out from under the mountain of taxation, if the clouds part and God looks down and smiles on your business, and what do you hear from your national leaders? You hear, “You are a fat cat, you are the rich, you need to spread the wealth around.”

I tell you, that is not the way to start a bonding session. But my message is a message of hope. Small business really is the backbone of this country, and proof of that is that we have not failed completely. I know it is not a popular thing to say, but I really am proud of this country, and I still believe in her and the way we do business.

Folks from around the world are knocking our door down to get in, because we are, and always have been, the land of opportunity.

I think to summarize what the folks back home wanted me to express is that we really don’t need you to do anything for us, just don’t do anything to harm us, consider the impact of any legislation.

Thank you.

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

Chairwoman Velázquez. Thank you. And the chair recognizes now Mr. King. The chair recognizes Mr. King.

Mr. King. Sorry, Madam Chair. Thank you. I was focused on the witness’ testimony. It was so interesting, I was writing a quote down. I will be reviewing that. This is very fascinating to me, and that is so much packed into five minutes. Thank you.

I have the privilege to introduce the next witness, who is Rob Hach. And he and his wife Tara are the owners of a company.
called Anemometry Specialists, Incorporated, that is established in Alta, Iowa, a small community.

They set the business up in 2002, and they have seen expansion since that period of time. What it is, anemometry is the study of wind. And they set up sensing devices to determine if a wind-generating field can be an effective producing field. They consult on that and establish and install and construct the small wind generators that we see around places here in this capital, as a matter of fact. And that kind of growth has set up a branch in Texas as well.

I am quite impressed with what they have done as—and they are the Iowa Small Business Persons of the Year Award winners, but also it doesn’t take very long to find out that Rob is not alone in this partnership, that if you visit their business and make only eye contact with Rob, you will soon find that Tara, who is seated behind him, is as much a partner as Rob is.

I am very pleased to introduce him today, and I am looking forward to Rob’s testimony.

Thank you, Madam Chair. I yield back.
each consecutive year. Even in the tough economy of 2009, we were able to show a profit and expand the company.

We have been able to add an office in Texas, an office in New Mexico. We have been able to bring on four more employees during 2009, and we continue to hire. It brings our total to 30. We were able to avoid layoffs, maintain benefits, and we have been able to take care of the families that made our company successful and grow.

We continue our growth in 2010. We are looking to add two more regional offices and an additional 10 more employees. We have added a new division to our company which installs and services small wind turbines like the ones that you see on the—in the Botanical Center here in D.C.

Today, I would like to highlight some of the programs that are in place that we have been able to take advantage of at Anemometry Specialists, despite today's economy.

The Business Association—the Small Business Association has been the best program that we have seen to be able to help our company. Tara and I started our company in our twenties, and, as you have heard numerous times today, getting credit has been difficult. We did not have the cash or the assets the banks needed in order to secure a loan.

We were able to access an SBA 504 loan, and be able to get—a $150,000 line of credit from the SBA. We were able to work hard and build our company during our early years when we weren’t able to secure funds through conventional banking or fundraising.

We paid our debt off early, and just recently secured another note with the SBA for the purchase of our building. Last year we were able to secure a $184,000 loan to purchase a 17,000 square foot building, backed by the SBA. The SBA is offering small businesses confidence in an uncertain economy.

Through the SBA, we have been able to work with programs like SCORE, Counselors of American Small Business, and the Small Business Development Centers, where we are able to access experience through support services and business advice.

Business guidance and mentoring is just as important as company finance. It is vital for a new business owner to know how to manage the company and its growth, especially with the changing regulations and global competition.

A state loan—I am going to skip that one.

The funds that allowed Tara and me to work continuously with a CEO coach over the last two years has been vitally important. We have been able to work with a CEO coach, and it has been able to take our management team even higher and grow our company even more, and, especially with our five years of growth, we have been needing that CEO coach.

It is kindly that I ask the Committee to continue to support the Small Business Administration and its revitalization of the small business workforce. As business owners, we would like to see more offered in training funds, so that our workforce might be able to continue to change and adapt in an ever-changing world economy.

Business incubators and low-income housing type of office and warehouse spaces will be also nice for consideration.
Thank you again for the opportunity to address the Committee and testify on the small business heroes. I would be pleased to accept any questions.

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

Chairwoman VELÁZQUEZ. Thank you, Mr. Hach.

And the chair recognizes Mr. Schock.

Mr. SCHOCK. Thank you, Chairwoman Velázquez. Appreciate you having this Committee hearing and allowing us to bring members from our districts back home with relevant experience.

Ranking Member Graves, fellow Committee members, I am honored to welcome today Ms. Wendy Martin, who is the Corporate Officer for Martin Publishing in Havana, Illinois. Wendy, along with her husband Bob, who joins her here today, own two local newspapers, a printing company, and a basement dewatering business.

The Mason County Democrat is Mason County’s oldest established business, having observed its 160th year in 2009. Their other newspaper, The Fulton Democrat, recently celebrated its 155th anniversary, and is the oldest established business in Fulton County.

Wendy’s family newspaper history can be traced to her grandfather, Dr. Morris Fishbean, who was editor of The Journal of American Medical Association for 25 years, and was the author of the first syndicated column that we have all come to know, “Ask the Doctor.”

Wendy has seen a lot of changes to the newspaper industry in her 25-plus years with the company. And as the former President of the Havana Chamber of Commerce, Wendy has helped to revitalize a depressed community in her county.


STATEMENT OF WENDY MARTIN

Ms. MARTIN. Thank you. Madam Chairwoman, Ranking Member Graves, and Congressman Schock, thank you so much for the opportunity to talk to you here today.

Our company, Martin Publishing of Havana, has two newspapers and a printing company, as he said. And I guess I am repeating myself, but we are—both of them are over 150 years old, and we are very excited. The paper that is 155 years old has always been in my husband’s family.

My husband Bob here, he and I have been working together for 36 years, although he has got a few more years’ seniority on me. He started at the newspaper when he was seven sweeping floors. He says that is indentured servitude. When I started, we had a linotype operator, and we cast the headlines in hot lead.

In 1974, who could have imagined personal home computers, Google, Yahoo, and news aggregators? For those reasons, and a variety of others, the newspaper industry has changed dramatically. For once, it is to our advantage to be the small hometown newspaper. Our news is all local, and our readers depend on us to cover the schools, the city councils, 4H clubs, and the things that matter to them.
Industry-wide, circulation has taken a nosedive, but we are kind of holding our own. Bob says we are kind of like you. You get elected every two years, and our readers vote on us every year when we send out the subscription renewal forms.

To stay competitive, it is always critical to keep your equipment and processes up to date. In the next few weeks, we will complete the launch of new Internet editions of our newspapers. Our mission is to provide the best local news coverage that we can, but the success of our business really depends on other small businesses. The majority of our customers are just like us—small, local entrepreneurs catering to the local communities that we serve.

Thanks to a federal USDA RCDI grant, we were able to be part of a program called Shop Havana that supports our community of 3,800. The goal was to raise community awareness regarding the difference people could make by doing just a little more shopping at home.

We calculated that if each resident spent just $12 a week more in town that they could make a million dollar difference in Havana at the end of a year. This wasn't spend $12 more, just spend $12 that they might have spent out of town at home.

In addition to promoting it in the newspaper, our printing company helped by designing decals for the doors of every business in town, and table tents that were placed by the cash registers, and they were there to remind shoppers that the best reasons to shop Havana were that local businesses were there to serve them with personal service, high-quality goods. They created local jobs, and it kept tax dollars at home.

While we are only six months into the program, we know already that the benefits have been incalculable. Members of our community have become keenly aware of the difference that they can make and of the importance of shopping locally. I think that is why my successor at the Chamber of Commerce opened up a new business in town this year, and why the owner of a restaurant that burned to the ground last year reinvested all of his money back in the community and has reopened. He named the bar The Phoenix. We have another business downtown that has expanded, and we even attracted a new restaurant.

I have talked mostly about the newspaper side of our business and what we have done to try to ensure that the tradition of local news continues. Our printing company weathered the storm of desktop publishing, but the overall crash of the newspaper industry has taken its toll.

At one time, we had 50 employees, and we printed more than two dozen different newspapers. Today, we do about half that. In the past year, we have taken a sideway step, and we diversified by opening a new business, Basement Rescue, which provides solutions to wet basements. We have five employees, and we were able to launch this company with the help of a low-interest USDA loan.

It has been especially rainy in our neck of the woods, so the timing was really good for this. And we are hoping that maybe by the time things start to dry out that the economy will have gained back its strength.

In my roles as one-time chairman of a group we call Hav-A-Vision, which is an ac hoc economic and community development or-
ganization, my work with the Chamber, and as a local newspaper reporter, I am probably more aware than most people about the many different programs that are available, the federally-funded programs that can benefit or have benefitted the businesses in our area.

The Small Business Administration has a fellow who helps folks write business plans. He helped us with ours. In addition to Shop Havana, we have a brand-spanking new national scenic byway, and it is expected to open new vistas as—for businesses as well as tourists. Congress' continued support for these programs and others like them is essential.

We are very excited about our proposal, the proposal by Congressman Schock, and Representative Walt Minnick, to provide payroll tax relief. Talk about stimulus. Employees will have more money in their pocket, and employers will have a much-needed revenue source to invest in their businesses. We love it.

Thank you for your attention today. I am humbled and honored to have had this opportunity to address you, and we are grateful that we live in a country where freedom of the press is cherished, and where small businesses are valued.

Thank you very much.

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

Chairwoman Velázquez. Thank you, Ms. Martin.

Our next witness is Maria Martinez. She is the President and CEO of Naturally Green Products, headquartered in Orlando, Florida. Naturally Green Products manufactures and distributes cleaning and maintenance products. Ms. Martinez previously owned a janitorial company for 20 years before she started Naturally Green Products.

Welcome.

STATEMENT OF MARIA E. MARTINEZ

Ms. Martinez. Thank you. Chairwoman Velázquez, Ranking Member Graves, and members of the Committee, I am here today as a member of the U.S. Women’s Chamber of Commerce, representing our 500,000 members, three-quarters of whom are American small business leaders and heroes.

I am Maria Martinez, founder of Naturally Green Products. I have three decades of entrepreneurial experience. Naturally Green Products manufactures and distributes the most comprehensive line of DfE, designed for the environment, green formulated cleaning products, and EPA-registered disinfectants for all cleaning requirements, facilities, and industries in the commercial marketplace.

In 1993, with an SBA-backed loan, I purchased a commercial janitorial company. I certified my business as a woman minority business enterprise, with the National Minority Supplier Development Council, which made it possible to network with prime contractors to the government, and large corporations with minority initiatives.

My company possessed a Secret clearance, which allowed me to bid on projects of the caliber I desired. Within a few years, my company had grown to employ 400-plus individuals and a varied cus-
tomer base. During the growth years, I purchased a small office building with a 7(a)—SBA 7(a) program loan.

In 2003, I was 8(a) and SDB certified through the SBA. I also became HUB zone certified, which, when added to the already existing certifications, I became an asset of great value to my customers. What distressed me in business was that a woman business owner received no consideration unless they were a minority. The SBA didn’t have any programs for women, unless you were within the acceptable minority categories. Needless to say, I am grateful that I am a minority woman.

After the disaster of September 11, 2001, my business took a downturn. I applied and was granted an SBA disaster relief loan, which helped stabilize my company. From 1999 to 2006, my company serviced the janitorial, relocation, and CAD design needs of Northrup Grumman in Florida.

During the hurricane disasters of 2003 and 2004, their facility was devastated. My company relocated all furniture, equipment, and files to a dry facility, and dried out their building. Our rapid response saved important files, and the staff was able to return to their offices within two weeks.

In 2004, I was honored with two prestigious awards from Northrup Grumman, which opened doors for my company. In 2005, I was invited to bid on a janitorial contract worth $17 million per year. I partnered with a larger firm. Out of 11 bidders, we were chosen for the final three. Although the incumbent won that award, it was a milestone for my company.

Talk had begun on cleaning for a healthier environment. I searched for cleaning products and equipment that would help in this effort, but to no avail. In late 2007, I experienced a Leadership in Energy and Environmental Design green building, which had indoor air quality sensors and alarms. These sensors picked up volatile organic compounds in the air and set off an alarm.

Again, I searched for products that would meet such cleaning and indoor air quality requirements. I used various products that laid claim to being green, as well as those that were certified with a popular third party certifier, but all of them set off the alarms.

Out of sheer frustration, I found a chemical engineer that could help me create a line of cleaning products that could be used in these buildings, products that were truly green. The process of creating, formulating, testing, and certifying these products took two years. We chose the EPA’s program for green chemistry, the DfE, because we found that they have the strictest requirements with regard to solvents.

I formed a new company with new challenges to face and overcome, such as the EPA’s DfE program for green chemistry is not recognized within the U.S. as a viable certifying entity among large institutions, including government agencies.

The nonprofit organization, Green Seal, has a significant market share among large institutional purchasers and government agencies. Green Seal has a strong marketing arm that is actively promoting their certifications. Green Seal is not small business friendly. Their fees are $3,500 per product for the entry-level pricing.
The economic crisis has made it impossible to obtain banking support, even with an SBA backing. Companies claiming to be green, but aren’t—we call that green-washing.

This adventure of Naturally Green Products is a blessing in my life, and I am grateful to have these challenges to address.

Thank you, ladies and gentlemen, for allowing me to speak.

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

Chairwoman VELÁZQUEZ. Thank you, Ms. Martinez.

The chair recognizes Mr. Sestak.

Mr. SESTAK. Good morning, Madam Chairwoman, and the rest of my colleagues on the Committee. It is an honor to introduce my constituent today, Mr. Brian Biddulph-Krentar, President of HIT Consulting Services & Application Solutions of West Chester, Pennsylvania.

HIT is a small business, Madam Chair, dedicated to helping the health care community reduce cost and medical errors, improving patient outcomes through technology. In 2008, HIT was ranked 21st on the Philadelphia 100, the list of the 100 fastest-growing, privately-held companies in the greater Philadelphia region.

When Mr. Biddulph-Krentar contacted my office in March of 2009, HIT had 25 employees and was looking for additional capital to help launch two new health care information technology software programs. With the tightening of the credit market, especially to small businesses, he was faced with the difficult choice of either laying off eight to 10 employees or dipping into his personal savings to avoid any job cuts.

My office connected Mr. Biddulph-Krentar with the Small Business Administration’s Philadelphia Regional Office, which provided him with the information about the SBA loan programs available for small businesses. On the one-year anniversary of the passage of the American Recovery and Reinvestment Act, he contacted my office to announce that HIT had closed on a 7(a) loan backed by the SBA, with a community bank that participated in its lending programs.

Knowing the success of HIT and the jobs of employees were at stake, Mr. Biddulph-Krentar worked hard to find a bank that partnered with him and the SBA to meet the company’s needs. As a result of his perseverance, and the continued efforts of Congress and this administration, to support America’s small businesses, he now reports that HIT will hire additional supporters.

Their SBA guaranteed 7(a) loan has given them the confidence of knowing that they can continue to grow. And at the same time, the SBA’s lending volume has dropped to less than half of what it was prior to the recession setting in. At the end of 2007 this occurred.

Moreover, small businesses are finding affordable credit difficult to come by. More than 40 percent of small businesses have credit limits put on their company credit cards, and 60 percent have experienced an interest rate increase on their card.

I believe we have to do more to remove the barriers to success our nation’s small businesses face. We should either ensure—we should ensure continued access to capital for these vitally important entrepreneurs by increasing SBA lending limits and improving
And, in closing, I think it is important to note, Madam Chair, that over the past decade small businesses create as much as 80 percent of new American jobs.

And I wish you, sir, continued success, and thank you for being part of the great entrepreneurial engine that powers this wonderful nation.

Thank you.

STATEMENT OF BRIAN BIDDULPH-KRENTAR

Mr. BIDDULPH-KRENTAR. Thank you, Mr. Chairman. Thank you to the Committee as well for this opportunity, and to the other panelists for sharing their stories. They are familiar and comforting as well.

I started HIT about six years ago. I was the only employee. I did all the work, managed, went to the hospitals. What we do at HIT in both companies is we go in the hospitals, and we help them implement software, improve patient workflow, and redesign their departments.

I wanted to start a company that was dedicated to improving health care through the use of information technology, started out doing only services, so that did not require a lot of initial startup capital. So we were lucky in that aspect.

I was able to fund the company with a little bit of my savings and just continue to grow as we received more business. It did require an enormous risk, because I left a stable job and a well-paying job, and the patience of my wife, while, like a lot of other people have said, I was working 20-hour days, so she was taking care of the kids and the house and all the errands and all that stuff.

We had to work very hard to attract our clients, build a solid reputation, and we had to find the right employees. We had to find employees who wanted to share in our vision, and also who could accept the risk of working for a small startup company. So we got lucky and found a good group of employees, and we have continued to be able to do that.

Not long after we started the services industry, services company, we actually became a leading partner of Siemens, which is the number—which is one of the top three largest global health care companies in the world. And three years after inception, like Congressman Sestak said, we became the 21st fastest-growing company in the Philadelphia region as ranked by Philly 100, which is part of the Wharton School. And then, in 2009, we were the 42nd company.

Through our work in hospitals, in the United States and Canada, we saw a need for better communication of critical test results, so that kind of led us to a new path. We started to develop our own software. That requires a very different type of funding. You need a lot of upfront capital with the hope that you have some revenue coming in down the road.

So I liquidated a lot of my retirement savings, which I am sure is not uncommon, and we have partnered with a small community bank, after some failures with large banks. That got us to a certain point, and then, as Congressman Sestak said, we tapped into the SBA program. That was a pretty long process for us until we found
the right bank, and I think it was a long process, because the banks that we looked at initially weren’t well educated on the SBA program.

Once we found the right bank, Conestoga Bank, who had an SBA team, including Morgan Johns, the program worked really well for us. We had to provide a lot of initial paperwork, but they, the bank, and Morgan and his team, took care of most of the process, and that got us to where we are today, which is on the precipice of a lot of work coming in, and also with that the need for more capital.

So we find it important to balance equity and debt, so we will probably look to get a little bit more investment. We also have received some investment from friends and family, about $1.5 million to this point. So we are at the point where we need to grow, we can grow, we have the work, we need employees. We just need to find the capital and the funding to support our growth.

Thank you.

[The prepared statement of Mr. Biddulph-Krentar is included in the appendix.]

Chairwoman VELÁZQUEZ. Thank you. And I know that most of you were sitting here when the previous witnesses were testifying, and the members posed basically one of—the question about access to capital. And I know that you either faced that obstacle or you have heard from other small businesses that they are facing difficult times in terms of accessing capital. Can you talk about your own experience regarding that?

I hear what you are saying, that some of the SBA programs have been instrumental, have been good to you. So do you see a role for the Federal Government in providing access to capital facilitating? Because the loans that you get you get it through the local banks, they are guaranteed by the Federal Government. In fact, we increased the loan guarantee from 75 to 90 percent. And through the economic stimulus package, we lowered the fees that you pay to the Federal Government.

So we incentivize borrowers by reducing the fee, and we incentive the banks to lend by reducing the fees that they pay. So do you feel that in the very difficult economic times that we are in that there is a role for the Federal Government to help small businesses access capital? Yes, Ms. Martin, you can start.

Ms. MARTIN. Well, I know that my point of view is going to be a little different than everyone else’s, but I think it is spot-on for this particular Committee. The loan that we got, one of the things that is important is, besides that it gave us capital to get ours going, when it gets paid back, it will go back into our community, and they will be able to loan it again to other businesses. And we think there is a lot of value in that. You know, we know it was good for us, but we are glad that it is going to be good for our whole community.

Mr. HACH. As far as stimulus funds that are available out there, I would say that the SBA funding would be the best way to get people back to work. So I am in favor of continuing to support the SBA with the President’s support of the $30 billion that he is earmarking for the SBA. And maybe “earmark” is not the right word, but that he is proposing for the SBA.
I see that as a tremendous amount of stimulus for the economy, helping the small businesses continue to hire more employees.

Mr. KUKNYO. We have been kind of insulated from it, because the nature of our business of trash isn't stopping, and it is something people still want to pay for. We have actually caught up on a lot of bills, because we haven't had to pay for this massive growth that we have had for the last eight years. But at the same time, the recurring monthly revenue keeps coming in, so we have actually caught up. But I am ready for it to start again, though.

Chairwoman VELÁZQUEZ. Very good. Ms. Martinez.

Ms. MARTINEZ. I had a little different experience in the last business, the janitorial company. As you heard in my statement, I was able to acquire four separate SBA loans, and they were rather easy to get. I was using a small community bank, which they had a wonderful person there who was very knowledgeable about the SBA, and she was able to move things quickly.

But in this new company that I have, and with the times being as difficult as they are, I have been to three separate banks with an SBA backing to get loans, and haven't been able to acquire one. So I see it so differently now than it was for me back 10 years ago.

Mr. BIDDULPH-KRENTAR. And I think we shared a similar story earlier where the reason you didn't get past the banks, you didn't get to the SBA, so I think I had the same issue. It took me a year to get an SBA loan, because I was going to the wrong banks that weren't well educated about the SBA program. So I think the Small Business Administration playing a role in educating banks and helping them to facilitate the program would help people like us.

Chairwoman VELÁZQUEZ. Mr. Kuknyo, I know that you compete against one of the largest, if not the largest, waste—

Mr. KUKNYO. Biggest in the world.

Chairwoman VELÁZQUEZ. Right. So what are some of the challenges that you face in competing against such a large firm? And what benefits are you able to offer your customers that large firms cannot?

Mr. KUKNYO. We put into the community like no other garbage company I have seen. You know, we sponsor the Boy Scouts, the food bank, not only with our money but with our time. And, you know, we get totally involved in the community, the community I have lived in since 1978, so it is something that we are all about.

This biggest garbage company in the world just—they are trying to use these economically troubling times, in my personal opinion, to crush the small buys, because they are offering my residential customers three free months of garbage disposal if they make a switch from my service to theirs. A small businessman, I cannot work for free for three months. They can do that.

Oddly enough, they didn't offer that to their customers; they offered that to my customers. So that is—I hope that answers your question.

Chairwoman VELÁZQUEZ. Thank you. Mr. Luetkemeyer.

Mr. LUETKEMEYER. Thank you, Madam Chair. I know two of you mentioned SCORE, that you had worked with SCORE. We have a very active SCORE chapter in my district, and I was just curious about your experiences, and if you could elaborate on it just a little
bit, make sure everybody understands what SCORE is and how they were able to impact your businesses.

Mr. HACH. Score, for our company, was beneficial. The mentoring and the training was helpful, and we did get a point that we were—exceeded the level of experience of our SCORE members. And we have been in a conference for the last three days with the SBA and learning about the opportunities that the SBA offers. And so there is a SCORE online, and you can go online and be able to access more SCORE counselors.

And we have a new SCORE chapter president, and he has been able to talk us into becoming SCORE members. So we are going to be able to go out and counsel other small businesses, my wife and I.

Mr. LUETKEMEYER. Very good.

Mr. KUKNYO. They were a nice asset to have to ask questions about. But like I said, they told us not to go into business. And, by the way, they were right. There is a couple of times where, you know, we were not in the good shape like we should have been. But they are a good resource that way, but we didn’t have much luck, they told us not to do that.

Mr. LUETKEMEYER. Have you checked back with them since then? Are you using—

Mr. KUKNYO. No, sir. You know what we have done? We have kind of developed our own SCORE. We found other guys that have retired from the business, and we asked them questions, and we take from—we have a huge retired population in my city, and there is so much knowledge, so much experience that you can get from these people. And they would love to share it with you, too.

Mr. LUETKEMEYER. Fantastic. Ms. Martin, I asked this question of one of the other panelists a while ago with regards to the new 1099 requirement on vendors that you have $600 worth or more of expenses with. Is that going to be a problem for you? Because I know in your business you have lots and lots of people you deal with.

Ms. MARTIN. No.

Mr. LUETKEMEYER. No?

Ms. MARTIN. No.

Mr. LUETKEMEYER. Your bookkeeper said it is not a problem, the 1099s?

Ms. MARTIN. No.

Mr. LUETKEMEYER. I know it is one of the concerns I get. I get tons of mail on this from my constituents, my small business folks. They just really—it is just another layer of regulation, another layer of cost that is being put on these folks.

Ms. Martinez, I see you shaking your head. You are familiar with the situation. Is it a problem?

Ms. MARTINEZ. Well, in the janitorial company that I had, I had a lot of small contractors that would come in to do a small job, you know, that maybe it would be 5-, 6-, 7-, 800, less than $1,000 let us say. So, in my case, it probably would have—with such a turnover of employees when you are just hiring them for one job here or one job there, it would be pretty burdensome.

Mr. LUETKEMEYER. Very good. I just want to thank all of you for being here this morning. I will wind up my questions here, and
allow somebody else some extra time. But thank you for all that you do. You are anchors in your communities. You are anchors not just from the standpoint of employment, an economic generation of activity that you produce there, but also for the support you give to the local folks. Thank you for all that you do.

Ms. Martinez. Thank you.

Ms. Martin. Thank you.

Mr. Luetkemeyer. Madam Chair, I yield back.

Chairwoman Velázquez. Thank you. Mr. King.

Mr. King. Thank you, Madam Chair. Yes, first, I want to go back to Mr. Kuknyo. Your testimony is fascinating to me, because you came up with a business plan, and people advised you that it wasn't a very good business plan, come back when you don't need the money, your banker said.

I listened to Mr.—Congressman Hall from Texas say one day that he—he said his banker said to him, “I have listened to your idiotic idea with an open mind,” and you went ahead and defied that anyway, and you made this work in the face of the toughest competition that you could ask for. And now they are working to push a monopoly by providing a free service until they can squeeze you out, 14 to 21 percent interest.

And then, getting down to the really interesting stuff where you said, “Stop trying to be my partner, government. We really don't need you to do anything for us, just don't do anything to harm us.” I will give you just an opportunity to embellish that a little bit. That is a pretty powerful statement, and it resonates with me.

Mr. Kuknyo. Well, you know, I think when it comes—like the legislation we were just talking about, if we have to do more paperwork, we have to pay somebody to do that paperwork. We have to do that—the accounting.

Take the taxation off. When I was testifying about the stuff that we go—the county wants to inspect my trucks to make sure that they are flight tight. None of them are. There isn't a garbage truck in this country that is. But you have to say, yes, it is, and then they write their little slip, they get their check for $88, and they are happy. You know, take that stuff away. It is just taxation to generate revenue. Let us handle that money. We will bring this economy back.

Mr. King. What do you think would happen if you or any other business in America would put a notice up on their website that said, “We are here to announce that we are in compliance with all government regulations”?

Mr. Kuknyo. I don't even understand that question.

Mr. King. Okay. Do you believe that there is a business in America that is complying—there is a—let us see, there is a website called Constitution Daily that posted a couple of years ago that there are 682 federal agencies. Now, I counted 43 that regulated my business, but 682.

Do you believe that there is a business in America that is in compliance with all federal regulations that could open their doors and be inspected and pass the test?

Mr. Kuknyo. No.
Mr. KING. Is there anybody on the panel that believes that there is a business in America that could be in compliance with all of the federal regulations? Mr. Hach?

Mr. HACH. I am sorry. DOT was one that loves us, and we are on the road all the time. And we inspect all of the trucks before they leave our shop, and we can go 16 miles down the road to Early, Iowa, and the DOT weigh scale can find something that needed to be addressed. And we inspect all of our trucks, and we are a very safe and secure company. But they can find something.

Mr. KING. And that is just one state regulatory agency that you couldn’t—well, I suppose it is possible that you could be in compliance with that. I want to make this statement and ask if the rest of you might agree with me. When I started a business in 1975, my biggest concern was that I didn’t know all these regulators were. I didn’t know how I could find out what the regulations were, and I feared that I could not be in compliance and I couldn’t meet all of the government regulations.

I thought I can do the work, I can fix the trucks, I can sell the business, or sell the service of the business, but I didn’t believe that I could figure out how to comply with all of the regulations that are there. Did that fear exist in Mr. Hach and on down the line when you established your business?

Mr. HACH. Absolutely. And we found with—again, back to the DOT, great friends with them, or at least our checkbook. We found out through—oops, we missed a scale coming in through Walcott, Iowa, and we didn’t know we had to pull in. And they flagged us down and said, “You need to go through a scale.” We did not know we needed to go through a scale. We had been—I had been doing this work for 12 years prior, previous, before getting pulled over. And so, yes, we were not in compliance and not notified that there were these new regulations that we needed to follow.

Mr. KING. Mr. Kuknyo.

Mr. KUKNYO. And I reflect that with his DOT statement as well, because they can find something wrong with a brand-new truck, you know? And it seems like when they want to generate revenue that stop checkpoints go up more and more. But, yes, anything you can do to back out would help.

Mr. KING. Why don’t you open your own landfill?

Mr. KUKNYO. Would you write the check to help me do that? I would love to do that. Like as you remember, the banks aren’t talking to me, and that is many millions of dollars. Matter of fact, Waste Management has the only landfill in my county. That is why we pay double what they do 100 miles away in Phoenix.

Mr. KING. I thought you might tell me it would be the regulations that keep you from doing that.

Madam Chair, I appreciate the attention. And if that is a yes, I would be happy to hear that. I saw a nod. And I yield back the balance of my time.

Chairwoman VELÁZQUEZ. Mr. Schock.

Mr. SCHOCK. Thank you, Madam Chairwoman, and, again, I appreciate the testimony, and so many good questions have already been asked. So I won’t be repetitive.

First, to my witness, Ms. Martin, you talked about some of the creativity you have had to enlist. Havana has had very high unem-
ployment. Your county especially, in my congressional district, has one of the highest unemployment rates, or actually has the highest unemployment rate of the 20 counties that I represent.

Maybe you could talk a little bit about how the above average unemployment rate in that area has affected your company, and specifically the customers, obviously, who ultimately buy your publications. You mentioned you do sheet fed printing. Maybe you can talk a little bit about how that benefits your customers and how you have had to become stronger or more creative, given the tough economic times we are all facing, but especially in your part of the world.

Ms. MARTIN. Thank you. Well, you have asked a couple of different questions. One of them was about, you know, our low unemployment and how that has affected us, and—

Mr. SCHOCK. High unemployment.

Ms. MARTIN. I am sorry, the high unemployment, yes. You know, I mentioned about newspaper circulation taking a nosedive. And, you know, we have tried to hold our own, but what happens is, as far as our circulation is concerned, is people find ways to cut costs and share newspapers. So that cuts into our circulation. But, you know, we understand that that is what people have to do until they can get back to work again.

And, of course, Havana has worked on—the different organizations that I have been involved in, we have worked on lots of different programs trying to shore up businesses, so that there can be continued employment. You know, there was a federal grant that helped us go to Fairfield, Iowa, to see what they are doing with small business incubators, you know, because you have got to get—I mean, I believe the gentleman over here had said 80 percent of the—as many as 80 percent of the jobs are created by small businesses.

So we have done a lot to try and work on that. With us personally, with our business, with our sheet fed—we have newspaper presses and we have what they call sheet fed presses. So what we were able to do is show some of our customers how they could do their products more economically by marrying both newspaper and sheet fed work together.

So we will do a real nice, fancy cover for a magazine, for example, and we will have a little less expensive printing process for the inside paper. You can still have nice paper and still do it on a newspaper press. So that is one of the things we have done.

Thank you.

Mr. SCHOCK. I just give the opportunity to any of the panel members—you know, we obviously asked you all to come here to highlight your respective businesses and how successful you have been, in spite of the storm. But are there any specific things, other than not hurting you—I am reminded of the Hippocratic Oath in medicine, “Do no harm,” which seems pretty simple to ask of your representatives in Congress.

But perhaps there are things that we could be doing proactively that you would like to see if you were sitting in Congress or if you were the Speaker of the House. What legislation or what initiatives would you like to see us advance here in the nation’s capital that
you think would be most beneficial to entrepreneurs and small business people in America? Any of you.

Ms. MARTINEZ. Well, I would like to address the EPA, which is something that I have come across recently. You know, the EPA is government, and their design for the environment program is sponsored, you know, by the government.

And it is amazing to me that government entities cite prime contracts to the government, etcetera, like the Northrup Grummans and the Lockheeds and the Boeings, etcetera, don’t recognize the EPA’s program. You would think that that would be the first program they would want to support, because they get their funding, they get contracts from the government, etcetera.

But what I have found out lately is that the EPA has not been marketing themselves at all, and they have made a statement just recently about that. What would be wonderful to see, and I don’t know if this has to do with legislation, giving more money to the EPA for the Design for the Environment Program, whatever, but the green issue is supposed to be big.

The Federal Government is pushing green. Everyone is trying their best to do the green thing. And I am a green company, completely, with my products. But not only does the EPA not get any support, and that is who I have got my product certified by, but there is also no help, no funding, nothing, even though I am spending all of this money and time in producing something that I know the Federal Government wants to see.

So that might be an issue there that might have to be discussed in Congress. I don’t know. But these are two very important aspects that I deal with on a day-in and day-out basis right now.

Mr. SCHOCK. Well, certainly the EPA is one of the favorite agencies that gets a lot of attention from business people in my district as being more of a hindrance than a help.

But my time is expired. I thank the panel again, and Madam Chairwoman, for your indulgence.

Chairwoman VELÁZQUEZ. Sure. Mr. King.

Mr. KING. Thank you, Madam Chair. I appreciate being recognized. I want to keep it really brief, but I saw something that was very, very ironic, that I wanted to make sure I could express to the Committee. And that is Mr. Kuknyo’s testimony that shows the tax billing he missed for that quarter was $44,000, but after the interest and the penalties and fines that is now $88,000.

It happens to be an ironic coincidence that a baby born in America today’s share of the national debt is $44,000. And by the time they start fifth grade it will be $88,000. I hope that makes you feel better. You are like a newborn, so start again.

Thank you, Madam Chair, and I yield back.

Chairwoman VELÁZQUEZ. Thank you. Any other member that wishes to make—any other questions? If not—yes, Mr. Hach.

Mr. HACH. Yes, I am sorry. The question was asked to the previous panel, and Mr. Schock had led to legislation that would have an impact on small business. And one of the ones that would significantly have an impact on our company, that could benefit our company, is a non-renewal of the blanket unemployment funding in six weeks or when it comes up again. In northwest Iowa, it is very difficult to find employees, and so we were actually, I would
have to admit, kind of excited about the recession. And that would mean that we would have more employees to draw from.

We have gone to a number of different job fairs where the people will walk through, and we are interested, and they will not take an application, because their unemployment hasn't run out. We had a tenant that I offered—actually helped him find a job and he said, “I have $16,000 worth of unemployment coming to me. I don’t need to go and apply for this job.”

So the unemployment, I think you, by not renewing it with a blanket renewal, would be beneficial to small business owners. I think everyone who sat on the panel stated that, that unemployment is hurting the unemployment rate in America. And by—if we can hold off for a month before renewing it, some other plan besides just a blanket renewal is going to be hindering—is hindering companies, and we need employees. We need employees.

Chairwoman VELÁZQUEZ. Time has expired.

Mr. HACH. Thank you.

Chairwoman VELÁZQUEZ. Mr. Coffman, the chair will recognize you at this point.

Mr. COFFMAN. Thank you, Madam Chairman. I apologize for not being here earlier. I came from another committee that was talking about the oil spill in the Gulf of Mexico.

I am just wondering if you could just maybe individually just tell me what you see going forward, just in a nutshell. Are you optimistic or pessimistic about the next six months?

Mr. HACH. I am optimistic. I am absolutely optimistic. I was able to hear a comment last night from a recitation of Sam Walton’s comment that he refuses to participate in a recession. And we feel the same way; we are not going to participate in the recession.

Mr. KUKNYO. One thing that has been good is it has forced us to get our processes down pat. It has forced us to run smooth and to run lean, and I think that is going to benefit us coming out of this thing, where when things were growing so fast we just got lazy on a lot of things, where we could have trimmed budgets or what not. And this has made us become sharp again.

Ms. MARTIN. I am always optimistic, so, you know, everything that we do—we try to do is to help our community and help the businesses in it, because they are our customers. And so I am—if it is not working, then we look for something else to do.

Ms. MARTINEZ. I am very optimistic, and in the State of Florida where I live the State is doing—they have a lot of programs to try to help small business either exporting or improve their importing or their services and all. And I am taking part in a few of those opportunities, so I am very optimistic.

Mr. BIDDULPH-KRENTAR. I am optimistic as well. With a little more certainty around health care reform, it is evident that hospitals are starting to spend more money, which is a big help to our business.

Mr. COFFMAN. Thank you, Madam Chairman. I yield back.

Chairwoman VELÁZQUEZ. Thank you. And let me thank all of the witnesses for your participation here today. We are really very, very grateful, and we wish you all the best. We need you more than ever. Thank you.

[Recess.]
Ms. DAHLKEMPER. [presiding] The hearing now resumes.

I am very pleased today to introduce Dan Wallace of Wallace and Pancher, Incorporated, from Hermitage, Pennsylvania. Mr. Wallace, a civil engineer, is here today with his business partner, biologist Brian Pancher, to share the story of their environmental, engineering, and construction firm.

Dan and Brian’s story is an incredible small business success. They have built their company from the ground up, literally. Their business, which they started in October of 2001, expanded from the two partners working out of Mr. Wallace’s basement to 80 employees among three separate offices in 2010.

They built their company from scratch, working year after year to develop a strong client base and refine their business to one that could weather the current recession and turn 2008 into a breakout year—or 2009 into a breakout year. Wallace and Pancher demonstrate the strong work ethic and can-do attitude that makes western Pennsylvania a great place to do business.

I am very proud to have Dan and Brian here to represent our region’s small businesses before this Committee. And I appreciate, Mr. Wallace, your being here today. You now have five minutes for your testimony.

STATEMENT OF DANIEL WALLACE

Mr. WALLACE. Representative Dahlkemper, other members of Congress, thank you very much for giving us a chance to be here today and tell you the story of our company. It is at times like this that we get to reflect back—Brian and I get to reflect back and think about all of the things or the path that has taken—that we have had to take to get to where we are today. And it doesn’t happen too often, because we are too busy trying to manage the business and manage the growth, but it is, nevertheless, a fun story to tell.

Well, Brian and I are a fairly unlikely pair to get together, let alone to start a new business. And Brian being a wildlife and fisheries biologist, and myself a civil engineer, often those two disciplines within the industry of consulting engineering butt heads, and they don’t really work together so well a lot of times.

But Brian and I became good friends. We met at a big engineering firm where I was already working. Brian was coming into that company, coming in from working for environmental agencies around the country as a biologist, and he and I just became friends. And, you know, after a few years we decided that, you know, it was time, we want to do this for ourselves.

So we decided to incorporate our business just two weeks before September 11, 2001. And as everybody knows, that was, you know, a day that has changed our country and changed the world. And, you know, a lot of people told us that we were crazy for starting our business. We had good jobs at this big engineering firm, and, you know, we really could have had our life pretty much set at that company doing projects all over the country for, you know, large and small projects.

But we didn’t listen to them. We went ahead and we gave our notice at that company, and we left, we stepped out on our own. Well, we had nowhere to step to, so we went into my basement.
And we had one old computer and two desks, kind of makeshift desks, and we had a big idea. And from there it becomes a pretty interesting story.

Through our network of contacts that we had at this big engineering firm, we thought that we were going to be able to, you know, contact them, get work, that type of thing. And so we started making those phone calls, and one by one they told us that they didn’t have any work for us. So our strategy had to change pretty quickly.

And so we had to start putting ourselves out in front of anybody we could to get our name out, and what we could do for clients. Our company started off doing environmental consulting, stream and wetland issues, getting projects through that process to get the permits to fill in wetlands. We designed new stream corridors and wetland replacement or mitigation sites.

And, you know, one by one we got the chance, the opportunity, to do work for different clients, and they loved that we were able to do that for them. And they started telling other people, and soon the word of mouth really started to spread, but we still kept doing presentations at conferences, any place we can go to get our name out. We have done free work. We have done all kinds of things.

But, you know, so we kept—we got to the point at the end of 2003—now, this is our second full year in business, and we realized that we couldn’t do any more work than humanly possible, and so we hired our first employee November 3, 2003.

By the end of 2004, we had to hire one more person, and we knew that we were quickly running out of room in my basement, and we had to make some move to get out to a bigger space. So we purchased a small home, and we remodeled it into an office.

We moved into that place in August of 2005, and at that point, again, we only had four people. So just about I guess it is four and a half years ago that we moved out of my basement, and now we have about 80 people. And as of this week, we may have more because we continue to keep hiring to meet the needs of our clients.

During those years, we have added a construction division, and it really started off with myself renting a little mini-excavator, because I couldn’t get across to the contractors to build those natural environments the way we knew they needed to be built. So we now have full service construction crews, and we have been very blessed to experience the growth.

Last year we hired about 31 people. This year already we have hired over 20 people. And we see a continuing demand for the services we provide to our clients, and we will continue to hire people to meet that demand and give those clients more than what they expect. And that is our belief.

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

Ms. DAHLKEMPER. Thank you, Mr. Wallace.

I would now like to yield to the gentleman from Colorado, Mr. Coffman, to introduce the next witness.

Mr. COFFMAN. Thank you, Madam Chairman. It is a pleasure to welcome a fellow Coloradan and constituent, Brian Greenley, to the Committee.
Mr. Greenley is the President of Greenley Enterprises Corporation, DBA Maaco Collision Repair and Auto Painting, in Littleton, Colorado. He has established the most successfully—the most successful Maaco franchise in history, growing his business from a humble beginning of six employees in a 9,000 square foot location, with $400,000 in annual revenue, to his current business of over 30 employees with 17,000 feet of work space, and $4 million in revenues.

Mr. Greenley has received several industry awards, including the International Franchise Association's Franchisee of the Year Award. He became the first inductee of the Maaco Hall of Fame Award, which was established in memory of Maaco's founder, Anthony Martino.

Outside of the workplace, Mr. Greenley enjoys traveling with his wife and daughter, along with various recreational activities, such as gardening and sports.

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

STATEMENT OF BRIAN GREENLEY

Mr. Greenley. Thank you, Mr. Coffman, and Ranking Member Luetkemeyer, for inviting me here today. My name is Brian Greenley, and I do own the Maaco Auto Painting and Collision Repair in Littleton Colorado.

Maaco itself has 475 stores nationwide and is the largest chain of its kind. My franchise provides an economical choice to customers for auto painting and collision repair. When I purchased my franchise in 1991, I was the young age of 21. I am proud to say that my company has grown every year, except for one, over the past 20 years.

I started my business with six employees, as Mr. Coffman told you about. Today I do employ 31 full-time employees.

Nationwide there are 900,000 franchised small businesses employing nearly 21 million workers. It is not my position today to convince you of the importance of small business, but to explain what makes my small business successful. It did not take me long to understand that my service competes for discretionary income. My customers have a choice of how and where they spend their money. One key factor was to maintain a cost-effective service that delivers quality, convenience, and, most importantly, value.

Positioning value over the years has been difficult, with rising labor costs, payroll taxes, costs of goods, utilities, property and personal income taxes. One way I have overcome these obstacles has been to increase productivity levels through streamline production methods and a strong emphasis on advertising and customer retention. I have always reinvested my profits into my business for additional advertising, expansion, and quality staffing.

Early in my career, I purchased a plot of land and constructed a state-of-the-art facility. This was done with the assistance of a SBA 504 in 1997. With this assistance, I was able to achieve my goals to increase revenues, while expanding my staff and adding new products and services, at this time striving to control costs.

I believe the SBA is a crucial source of funds necessary in maintaining, growing the small business community to continue to add
jobs, which is crucial to the economy, especially today. As I have expanded my business, I have learned the importance of positioning and leveraging my brand, personal relationships, and buying power, to maintain costs.

One area of concern is the rising costs of labor, which has more than doubled over the past 20 years. Along with labor costs, higher payroll taxes and workers’ comp insurance, it has made it difficult to maintain healthy gross margins.

As a retailer of a most competitively priced product and service, I have to lower my gross margins in order to increase revenue. One example is maintaining the lowest advertised price for an entry-level paint service. In 1991, this advertised price was $199. Today, it is $249. That is only a 25 percent increase.

Advertising and promoting my business is essential in the success I have achieved year after year. I have increased my advertising budget by more than 10 percent and managed to increase gross sales by five percent following a record year in 2009. It is only through my ability to aggressively increase customer count that I keep my business successful, but constantly rising costs make it more difficult to provide value for customers.

I would, therefore, respectively ask legislators to understand the impact that any legislation has on the job-creating small business community, for example, higher taxes, national health care reform, and such legislation as the Employee Free Act—or Free Act Choice—Free Choice Act.

Even with increased sales, profit margins remain a challenge to maintain. With small businesses tax incentives, we would able to invest in our own companies. I have made that choice, to keep my employees who have invested many years of their time. It is not my intention to reduce costs by cutting jobs. Even during the economic slowdown, I have not had to reduce my workforce by even one person.

I strive to be—I strive to find competitive advantages and share ideas with employees, fellow franchise owners, and look forward to continued growth. I ask Congress to embrace those of us willing to invest everything that we have to make our companies successful and grow our businesses.

I believe the administration has not placed enough focus on making life a little easier for small business owners, such as myself. A bailout or handout is not what we are looking for. But policies recently enacted, still being debated, from health care reform to climate change and financial reform, do not, from my perspective, help small business.

Thank you, members of Congress, for allowing me to speak today. And if you have any questions, I would like to answer them, please.

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

Ms. DAIHLKEMPER. Thank you, Mr. Greenley.

I would now like to recognize Ms. Bean from Illinois to introduce the next witness.

Ms. BEAN. Thank you, Madam Chairwoman, for convening this hearing to recognize National Small Business Week, and thank you to all of our panelists for taking the time away from your busi-
nesses. We know how demanding and costly it is for you to separate yourself from the day to day, and we really appreciate having you here today.

For you, and for so many small business owners, every week is Small Business Week, and we understand that your success is the key to our economic growth as a nation and the jobs that you create as part of that growth. That is why we have been very supportive in the stimulus that we did to make sure that we addressed issues like access to capital, that we provided bonus depreciation, the NOL carryback, and a variety of other tax cuts as well.

The 7(a) and 504 loan programs—I don’t know if all of you have participated, but we have someone who is going to talk about her own experience in a second, telling about how it has helped her. But $25 billion has gone into the hands of small businesses through the SBA lending program, after we increased the guarantees and reduced the fees in the stimulus package.

But we recognize that that alone isn’t enough, and many small businesses are still facing a credit crunch, and it will be a top priority for when we return from the Memorial Day weeks that we will be spending in our district.

But it is my privilege today to welcome Cindy Kottke from McHenry, Illinois. She operates a successful chain of movie theaters, including four indoor theaters, two of which she owns, and one outdoor theater. C You at the Movies is an example of how a dedicated and resourceful individual can transform a dream into a profitable business.

You have joined me in the past at a federal forum that I did for small businesses in the district, and you were very well received by the other business owners, who heard your story then, and I appreciate you being here in Washington to share it with my colleagues.

STATEMENT OF CINDY KOTTKE

Ms. KOTTKE. Representative Dahlkemper and Ms. Bean, and distinguished Committee members, thank you. I am honored and humbled to be here today.

Ms. DAHLKEMPER. Can you turn on your mic, or get closer maybe?

Ms. KOTTKE. Like many, I love the movies. At times my life seems like a movie. In fact, I feel a strong kinship with Forrest Gump, in that you never know what you are capable of until you try.

At 14, I created a neighborhood carnival. It was a fun-filled day of wheelbarrow rides, downhill barrel rolls, bucket tosses, and more. My Dad watched as I worked as hard as I could, and at the end of the day, and after I invested all of my babysitting money, he asked how much money I had made. I was embarrassed to tell him nothing, but I enthusiastically told him how much fun it was, the kids loved the day, and that it really didn’t matter, everyone had fun.

He paused and looked as he pulled a $20 bill out of his wall, and with his huge smile and a twinkle in his eye said, “Cindy, there are times in life when business isn’t only about profits or yourself.”
I saw that day the importance of fun and creating memories. I used that $20 to contribute to my next venture.

I believe that is the first day I understood how business could build a community. Like many small communities, McHenry's downtown had been impacted by the new big box stores. Storefronts were struggling and beginning to look rundown. Many had closed. I saw an opportunity. My mothers, sisters, and I became purveyors of resale home furnishing, opening our first retail venture. This allowed me to purchase and renovate the building, which sits proudly on the corner of Main Street and Route 31 in McHenry.

Customers flocked. I received a facade grant towards the improvements, and the building was featured on the city sticker for the year. This is when I understood how a community could help build a business. My entrepreneurial spirit got the best of me once again when one day I saw a sign “For Sale or Lease” on the closed downtown movie theater.

I drove the building owner crazy, but finally convinced him to let us host an Oscar party at the theater. More importantly, it would be an opportunity to possibly reopen the theater, which could act as a linchpin to help bring families into the downtown. Families downtown meant money spent in our downtown. McHenry was ready, and I was willing.

Both the city and the community has supported me throughout this journey. With the help of the SBA, we were able to purchase the McHenry downtown theater, and then the Antioch downtown theater. Today, C You at the Movies operates four indoor locations and one of the 12 remaining drive-ins in Illinois.

We may not have the newest equipment, or the latest innovation, and 3-D at this time is just a dream, but our customers are loyal. We have watched children grow. Families come back because we offer a fun, safe, family-friendly and affordable movie-going experience, affordable fun that builds memories.

We offer the C Team, employees committed to exceptional customer service. Our company is a growing family of over 50 employees from within our communities. These are the hardest working, most loyal young men and women which I am proud to say are part of our team. They are learning skills—public speaking, cash handling, conflict resolution, and customer service—that will serve them throughout their lives.

In recent years, I have faced a family health crisis, the economic turn, and the steep learning curve of the movie industry. Maneuvering through the challenges of operating a small business in today's unique and different environment is difficult. Banks are reluctant to lend, cashflow is growing tighter.

Last year I realized I needed some help. Never one to shy away from learning what I don't know, I went to the McHenry County College's Small Business Development Center. I met with the director, Mary Margaret Maule, who very politely but directly told me I needed to improve my skills and put processes in place in order to keep up with a growing company.

We have learned to improve our cashflow by reducing the waste within our company and to make decisions using metrics that mattered. My work with the ISBDC has helped me to establish bet-
ter business practices, processes to increase the efficiency, and communication tools to work with my employees, suppliers, and banks.

We have and will continue to attend several classes, workshops, meet one on one with experts and mentors, and grow our business. Today we are looking towards the next great cinematic event for our company. We once again are entering a growth phase, and hope to acquire another small downtown theater, and are working with two communities on projects to expand our properties and part of a larger downtown revitalization.

Being a small business owner can often be a lonely role, but I have found my success has been due to the help of many—my husband Danny, my family, my friend, general operations director, and partner, Scott Dean, the SBA, the economic development teams of the communities we operate in, and the resources of the SBDC.

My company is built on the premise that if you make things fun, affordable, and from the heart, the customers will come.

And back to one of my favorite movies—life is like a box of chocolate. But I say go for the popcorn, and I will see you at the movies. Thank you.

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

Ms. DAHLKEMPER. Thank you, Ms. Kottke.

I would now like to yield to the gentleman from Pennsylvania, Mr. Altmire, to introduce the next witness.

Mr. ALTMIRE. Thank you, Madam Chair. I am pleased to introduce Dan Flynn, my friend and constituent. Dan Flynn is President, CEO, and Co-Founder of Accipiter Systems in Wexford, Pennsylvania, and is truly a small business hero in my district. He has 13 years of experience developing and supporting commercial and military data communications. He has successfully grown Accipiter Systems through contract engineering and a focus on product development.

Among other accomplishments, Accipiter Systems has developed unique approaches to signaling and security and designed secure network and storage systems for the Joint Strike Fighter Flight Trainers Program. Dan is a member of my Small Business Advisory Board, and a valuable resource to me, and I look forward to hear more about ways that he would improve small business in western Pennsylvania.

Thank you, Dan, for making the trip to testify, and welcome to the Committee.

STATEMENT OF DAN FLYNN

Mr. FLYNN. Thank you, Congressman Altmire, Congresswoman Dahlkemper, and the Committee. It is an honor to be here.

My name is Dan Flynn. I am President and CEO of Accipiter Systems. Accipiter Systems is in its eighth year building computer networking products for the networks of the future. The products we build connect your computers to those of others with greater energy efficiency than is possible today.

When I lost my job nearly eight years ago in 2002 during the downturn in the telecom industry, I was the Director of Engineering at Marconi Communications. I knew employment opportunities were sparse, but I needed to find employment to continue to pro-
vide for my wife and three children. But the problem was bigger than just me becoming unemployed. As a director, nearly my entire staff of 75 people was permanently laid off.

This was not one family that was affected; it was many families. I knew the people that worked for me were talented and hard-working. Although I was confident that each individually could find a job, even in a difficult market, the layoff probably meant many families would be uprooted. I thought there had to be a better way.

Rather than solve the employment problem as individuals, why not form ourselves into a team, attract business, and create our own jobs?

The days of Edison where lone innovators created ideas and associated wealth are in the past. Today, innovation and incomes are the product of teams. If we were willing to form ourselves into a team, this team with its talents could compete nationally and even internationally. We have that kind of talent in this country. The team is the catalyst.

Rather than uproot the families, let us uproot the revenues and bring the revenues to this team and their families. This was the thinking. This team became Accipiter Systems. But we had to think even more creatively than this, as 2002 was not like the years past.

Venture capital money was scarce. The founders were not wealthy. How could we start a business without funding? Rather than strike a product idea, attract venture capital, and explode onto the center stage, we instead chose to build the company one contract, one grant, at a time. We needed to first sell ourselves based on our engineering skills and grow through contract engineering services.

We wrote proposals to win grants. When our early proposals were rejected, we regrouped and tried again until we were successful. We augmented existing companies with our unique expertise and helped them increase their revenues. Soon we were helping Lockheed Martin, Ericsson, Marconi Communications, and other large companies win $15 million and $22 million contracts.

It was their insight and their willingness to team with small business that allowed them to win. But we were not done growing by teaming yet. From the contract engineering services business, we were able to discover new product ideas. Rather than brainstorm product ideas in isolation at the often referred to “kitchen table,” we worked with real customers who had real problems that needed to be solved. Through this process, the product ideas emerged. This was a different way of thinking from the 1990s. We chose to go to the customer and listen to their needs.

In 2006, with the Army, the Penn State Electro-Optics Center, the government, and others working together, and each performing their respective roles, we began the development of a new technology that connects computers with much greater efficiency than that which is possible today. This new technology has attracted contracts from the Army, DARPA, and NAVAIR.

In a difficult economy, we have doubled the number of people we employ, and have a promising future as a team. Accipiter Systems’ employees have believed as a team, have worked as a team, and are succeeding as a team. I am confident that this team will grow,
continue to add jobs, and will meet tomorrow’s challenges in building computer networking products that will compete worldwide.

To conclude, I would like to thank the Committee and Congressman Altmire for this opportunity to tell our story.

Thank you.

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

Ms. DAHLKEMPER. Thank you, Flynn.

I would now like to yield to Mr. Luetkemeyer to introduce our last witness.

Mr. LUETKEMEYER. Thank you, Madam Chairwoman. It is my pleasure to introduce Lea Bailes, Chief Executive officer of Guier Fence in Blue Springs, Missouri. Lea began his career practicing law in the areas of business and estate planning. He joined Guier Fence in 2005. In 2009, he and his wife purchased the company. They now employ 60 people with three company-owned locations in the Kansas City area, and two franchise locations in Omaha, Nebraska.

Lea is a graduate of Baylor University and the Baylor University School of Law. We welcome him to the Committee as one of our small business heroes of the week.

Lea?

**STATEMENT OF LEA BAILES**

Mr. BAILES. Thank you very much, and thank you, Committee, for inviting me here to testify today.

As you said, my company, Guier Fence, is a 31-year-old family-owned business. It specializes in fence installations in the Kansas City area, and now we are offering franchise opportunities based on what we think is a perfected business model and our years of experience.

In our $10.1 billion fence industry, there is over 20,000 fence companies. Most of these companies are small with few employees, but with revenues in the neighborhood of $10 million, and with us having 60 employees, that puts us in the top one percent of fence companies in the United States.

Despite the economic downturn, and especially the hard effect it has had on the construction industry, our company has remained financially solid and profitable. Our success comes directly through the individual effort, talent, and commitment of each of our employees, who contributes to our reputation for excellence not only in our market area but in our industry.

Unfortunately, last year our employee count dropped from 74 to 50. Many of these wonderful people, who no longer work for us, worked for Guier Fence for over 20 years. I knew each of them personally. I also knew that the decisions that we had to make were going to affect their families, and I knew their families as well.

But as a company, we had to make these decisions to allow us to survive in turbulent times. Fortunately, this year we have been able to hire additional people due to an increase in welcomed demand. We received no government funding in order to do this, but it was through our own marketing efforts and financing alone.

There are many other exciting events that are happening at Guier Fence. Our revenue is trending upward, and we just signed
our first franchisee in Omaha with several more on the way. Although our company is stable, our employee count is increasing, and we are growing again, our challenges remain. Banking regulations have disabled the banking system’s ability to loan money toward commercial and industrial projects.

Without these projects, companies such as ours who have relied on these streams of income as a strong percentage of our revenue, and a large percentage of our revenue, are being hurt. Without big commercial and industrial projects that are privately funded and not government funded, we are unable to employ additional workers.

In addition, the tightening of lending is making it more and more difficult for our potential franchisees to start businesses that would employ more people. In fact, Guier Fence started providing financing for our franchisees in order to assist them get started in their own business. The loosening of these regulations as they relate to small businesses is critical.

Additionally, per employee costs are rising that reduce our margins. These costs include costs related to health insurance benefits, worker’s compensation, employment taxes, and other compliance costs. Federal regulations continue to increase the financial burden on small businesses, especially on small businesses like us with greater than 50 employees.

The arbitrary number of 50 will do more harm than good when it comes to employing people. By placing such standards on businesses like ours, we will be forced to make decisions unfairly on our head count. You are punishing us. If at under 50 employees our costs for employees substantially lower, we will have to scale our business or change the way we do business in order to continue to operate.

We cannot price our products higher and tell our customers that our prices are higher because we have over 50 employees when our competitor doesn’t. If legislation continues down this path, you will create a flux of 49-employee businesses.

I am unclear on what effect certain new laws will have on my business. I do think our health care costs at this point are going to rise. I have no idea whether our taxes are going up and down. I do know that if you pass a value added tax it is going to hurt the construction industry and a lot of other industries.

But the biggest concern I have is that all of this uncertainty affects us in our way we make decisions. It is hard to make a decision when you are very uncertain on what the impact of this legislation or potential legislation is going to have. We don’t know whether we should grow, we don’t know if we should shrink, and we don’t know what decisions to make at this point.

In order to assist small businesses, please do not increase the number of rules and regulations, just enforce the ones you already have. Work with us and inform us, educate us, help us to comply with a lot of regulations that are out there. Don’t raise our taxes, don’t impose a value added tax, and I would also ask that you repeal the health care bill.
I am not asking for a handout. I am asking that you stop creating additional obstacles for Guier Fence and other companies like ours to be and remain successful.

Again, I thank you for this opportunity to testify today.

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

Ms. DAHLKEMPER. Thank you, Mr. Bailes. Thank you to all of the witnesses. I think the diversity of the businesses in front of us is one of the great things about today and recognizing small business heroes throughout the country.

I will now recognize myself for five minutes. Mr. Wallace, thank you again. As a constituent—and all of you, really, thank you for taking the time out of your busy schedule. As a small business owner myself, my husband is now running it all by himself and he misses me, but—and I do miss the business often. There is many days when I miss being that small business owner and the challenges and the excitement that goes along with that.

One of the things I wanted to ask you, Mr. Wallace, as you added—how many employees again last year?

Mr. WALLACE. About 31.

Ms. DAHLKEMPER. And this year over 20?

Mr. WALLACE. Yes, over 20.

Ms. DAHLKEMPER. What do you think has made that possible, considering the economic times we are in right now and the deep recession, has made it possible for your company to grow by such large numbers? Because prior to 2009 you had less than—

Mr. WALLACE. About 30 employees total.

Ms. DAHLKEMPER. Okay. That is pretty large increases.

Mr. WALLACE. It was a big jump. Like I said, Brian and I, we continue to put ourselves in front of the people that may turn out to be new clients. And, you know, I guess our philosophy is simple: give them more than what they expect, meaning our clients. And we try to instill that within all of our employees, and we have a great group of employees that feel that passion also.

And diversification is a big part of what Brian and I talk about all the time, because we know that as a small business that you are always one step away from some kind of a major setback in your company. And so we keep very focused, we keep very attentive to our clients’ needs, and they continue to come at us and give us more work and more work, and we just continue to hire the people to meet the needs.

Ms. DAHLKEMPER. Thank you. Appreciate that.

Mr. Flynn, you also added a number of employees during this recession. Is that correct?

Mr. FLYNN. Yes. We have grown from eight employees to 15 employees. And I think what has contributed to that growth is having us think and work as a team. And it really goes down to the individual. So when I am asking the individuals to act as a team, what do I mean by that?

I need them, when they come to work, to not just bring all of their skills and all of their tools and all of their wherewithal, but all of the skills of people that they know to bring to bear on what it is that we are doing. We need to get leverage. We are a small company.
And for us to compete with large companies it requires us to have a larger footprint, and we get that through leverage and we get that through each person thinking of themselves as a team and assembling the people that they know and asking those people questions and how we could do better. That is how we are adding those jobs.

Ms. DAHLKEMPER. Thank you. Did either of the other three want to express anything about this particular time and whether adding employees or not and what has been your success at this particular point in the recession?

Mr. BAILES. For us, we have had to change the mixture of our revenue more from commercial to residential, so we have been able to hire employees on one side but decrease on the other side. So we are kind of mixed on—

Ms. DAHLKEMPER. And your numbers are down, though?

Mr. BAILES. We are down overall, but we have been able to hire some this year and hope to hire more.

Ms. DAHLKEMPER. Thank you. I guess I just wanted to ask each of you what you think has been the one thing—if you could pick one thing that has maybe been the best thing you have done in your business to help you be successful today. And I will start with Mr. Bailes.

Mr. BAILES. Unfortunately, it has been reducing our head count, because we had some unprofitable divisions within our company that, because of the way some of the market shifted, we had to get rid of. But that—making those really tough decisions that I really didn’t want to make are what kept us strong and stable and profitable. And so, unfortunately, that is one of the better decisions, and then also starting the franchise program has been very beneficial for us.

Ms. DAHLKEMPER. Thank you. Ms. Kottke.

Ms. KOTTKE. Mine would have to be going to the Small Business Development Center, because I kind of outgrew my skills, and they have been extremely helpful in showing me different ways to improve myself.

Ms. DAHLKEMPER. Did you go to them in the beginning or—

Ms. KOTTKE. No.

Ms. DAHLKEMPER. How far into your business model?

Ms. KOTTKE. Oh, last year.

Ms. DAHLKEMPER. And you have been in business—

Ms. KOTTKE. Since 2003.

Ms. DAHLKEMPER. Okay. Thank you. Do you wish you had gone to them earlier?

Ms. KOTTKE. Yes, I do.

[Laughter.]

Ms. DAHLKEMPER. Mr. Wallace.

Mr. WALLACE. Well, I am trying to think of the one thing, there are so many, but I would have to say, you know, moving out of my basement.

[Laughter.]

And that sounds funny, but when you—Brian and I had a hard time trying to figure out how to take that step, how to even hire our first employee, because, you know, starting with nothing, we literally had nothing, no money, nothing. And to learn how to
spend the money to help our company make money was a difficult hurdle for us to jump.

And so we took that step and moved out of our—out of my basement into a house, a small house, and within eight months we were already planning our expansion of 4,800 square feet. And, you know, we moved in in ’08, and we are already out of space. So, again, which is a good thing, and, you know, we have two other locations now, and those are starting to fill up, and it has been really interesting. But, again, moving out of our basement was probably a key component.

Ms. DAHLKEMPER. Thank you, Mr. Greenley.

Mr. GREENLEY. Mine has just been the concentration on reinvesting in my business and my employees, growing the business constantly, never looking back, learning from my mistakes of what works good and compounding that. That is just my foundation.

Ms. DAHLKEMPER. Thank you, Mr. Flynn.

Mr. FLYNN. I would answer that with the word “relationships.” We highly value the relationships we have built in industry. That includes the Penn State Electro-Optics Center, the Innovation Works Technology Collaborative, with our customers, the Army, the large contractors like Lockheed. To us, a very important part of our success has been our relationships.

Ms. DAHLKEMPER. Thank you. And now I yield to Mr. Luetkemeyer for five minutes.

Mr. LUETKEMEYER. Thank you, Madam Chairman.

Mr. Greenley, in your testimony you indicated that you had a 504 SBA loan. Can you—I assume you have been satisfied with that? Can you see some places where we could streamline the program, improve the program? What has your experience been?

Mr. GREENLEY. I originally took that loan out in 1997. I was 27 years old, and it was difficult. I went to the bank and needed to borrow a million dollars. I had only operated my business at that time for seven years. It seemed very cumbersome then. I did go to several banks.

One of the things I remember was the larger banks felt more secure underwriting one of those loans. The smaller banks were very fearful of those loans. Proudly, today I have paid that loan off, and I am not in the situation where it is as important to—or I would need the funding from SBA, but I have taken personal funds out to secure my business and grow it forward today. And it is just something I found you have to do.

Mr. LUETKEMEYER. Very good. Mr. Bailes, you had a number of comments with regards to some concerns you had with the regulations, especially the health insurance one at 50, and the VAT tax. Would you like to elaborate on that just a little bit?

Mr. BAILES. Sure.

Mr. LUETKEMEYER. Because those are important things that are out there right now that are affecting a lot of small businesses we have heard about today as well.

Mr. BAILES. Well, with the health care bill, one of my biggest concerns is the mandatory opt-in. Right now, we provide health insurance coverage for our employees and pay for most of it. With the mandatory opt-in, they automatically have to enroll, and then de-
enroll, and then we pay a penalty. And there is nothing saying that once this is passed that you can amend that and raise that penalty.

And so right now the way it looks is that it would actually be less expensive for us to just pay the penalties and not offer any health care coverage, which I don’t really want to do. I don’t think that is the right thing to do. But we have to do what makes economic sense.

And so from my, honestly, limited understanding of the bill, I just don’t think—I am concerned with what could happen in the future with amendment to it or raising penalties or changes that—like I said, amendments within the bill in the future. It is easier to chance what is passed.

Mr. Luetkemeyer. How would the VAT tax affect your business? Or what do you see as the problems are—the pluses or minuses with it?

Mr. Bailes. Well, if you take a commercial construction job, you have so many different layers of value added tax. You have a raw material supplier, you have somebody who converts it into another type of material, you have somebody who distributes it, you have somebody who retails it, and you have somebody who is, let us say, a general contractor.

And if there is a tax on every level of value that is added in seven or eight steps, that is going to make the cost of a commercial project outrageous, and probably not even a feasible way of doing business. So if you are going to have commercial construction in the future, you are going to either have to completely change the way that you do business and vertically integrate a business, or you are going to have to figure out other ways to reduce costs, and take lower margins or whatever it happens to be. But I think that would be detrimental to large projects.

Mr. Luetkemeyer. Something that a lot of small business people, especially farmers as well as small business folks, have talked to me about concern with is extension of the estate tax. And we haven’t heard one question on that yet today.

You know, this year the estate tax fell off, but next year it is supposed to go back, unless we extend it to a million and 55 percent of everything over that. Most of all of you are young enough that it may not be something that you are considering yet, but is that starting to enter into your plans as you start getting down the road here and your company starts building?

I know most of you don’t look like you are as gray-headed as I am, so it is probably not a problem for you yet. But I know as we age a little bit, and we start looking a little bit down the road, what our families may have to do or what our business partners may have to do with this entity that we have created here, this wonderful business that we have, have you started looking at that? Is that a concern at all?

Mr. Bailes. Coming from an estate planning background, I know it is a concern for a lot of people. I know it is a concern for me. And being young, it is a good time to start planning. Since I am out of practice, I can say that everybody should do an estate plan. But it is something that, if you are not concerned with, you should be concerned with, but, yes, that would—the levels do concern me,
because that affects how you have to plan. So, yes, that has crossed my mind.

Mr. Luetkemeyer. Anybody else? Have you guys thought about it at all, or you are still trying to figure out how to make a buck and grow the company? And, you know, Mr. Greenley, he says I am barely 40 years old here. He has still got a lot of years ahead of him. But anybody else have any concerns about it, or have you thought about it at all, or is it not something you are working on?

Mr. Wallace. Well, maybe I could just jump in real quickly. I just turned 46 last week, so I start to, as I get older and I get more gray hair, when I look in the mirror I start to think about those things.

And, specifically, on what you are talking about, the estate planning part of it, I haven’t really, because I have been so focused on building our business and addressing the needs from day to day. But I haven’t really thought about it in any great detail, but I know that is something I will need to do shortly.

Mr. Luetkemeyer. Okay.

Ms. Kottke. Actually, I probably am your age. I have grandchildren and children over 30. We are currently working on it with our legal counsel, so yes.

Mr. Luetkemeyer. Okay. Mr. Greenley.

Mr. Greenley. I have. Currently, I have advisors, financial guys, that work with me on that planning, and we have addressed the issue of how that has changed over the past five years and how it is an ongoing basis and we have to account for that in the future.

Mr. Luetkemeyer. And you incur new attorney costs and new accounting costs every year just to try and comply with and try and make sure that you don’t wind up getting, you know, caught here with the law changing and—

Mr. Greenley. We do, yes.

Mr. Luetkemeyer. —certainty of it.

Mr. Greenley. I do.

Mr. Luetkemeyer. Mr. Flynn, any comment?

Mr. Flynn. We are concerned about these issues and other issues like it, insurance in the event of an untimely death. These are additional costs on the business where we have to ensure an orderly transfer if something like that were to happen. It is another impact of growing older is concerns along those lines, to make sure that insurance is in place to cover that should that happen.

But, yes, we are also very much focused on our current situation, and we will look at that issue, along with other issues, as we are advised to do so.


Ms. Bean. Thank you, Madam Chair. I had a question for Cindy. You had mentioned that you had an SBA loan to help you buy your first theater. Had you applied for other loans before the SBA loan? Or is that the first venue that you pursued?

Ms. Kottke. When I applied at a couple of banks, they wouldn’t even talk to me unless it was an SBA guaranteed loan. But that was the only way I was able to acquire the first location, and a year later the second location.
Ms. BEAN. So it did make the difference on whether you—
Ms. KOTTKE. Absolutely.
Ms. BEAN. —could start your business.
Ms. KOTTKE. Yes, it did.
Ms. BEAN. And how many employees do you now have?
Ms. KOTTKE. We have 57 today. We have—about 20 of them are seasonal, because of the drive-in. And the 30 throughout the year then.
Ms. BEAN. And you also mentioned that you had a positive experience with the SBDC that provided other consulting services. Have any of the other businesses participated in any of the programs available through community colleges, SBDCs, or some of the workforce development training that we provide funding to at the community college level? Yes?
Mr. FLYNN. We, in Pennsylvania, work with a number of economic development entities. Some of these have been the reason that we are—I am here today. So the technology collaborative is in an early stage. They are very deterministic. Their money is made available on a very deterministic schedule. If it is not deterministic, we have to treat that as a windfall.
There are other entities like Innovation Works that steps in with larger dollar amounts that can help us grow our business, so these have been some of the key reasons why we are here. And as tax bases shrink, to see those organizations after they have had such a big impact, are making small business possible, that is disconcerting. So we value—and because we can’t afford to have CFOs and VPs of HR on our staff, these are the people that we are turning to.
We still have the issues. So those are a very important part of our success.
Ms. BEAN. Have you worked with SCORE at all? Some of the retired—
Mr. FLYNN. We have been in touch with SCORE. Our business is a high-tech business, so we looked for groups, development centers, that are more attune to our—
Ms. BEAN. The technology—
Mr. FLYNN. —industry.
Ms. BEAN. That makes sense. Anybody else who worked with any workforce development training in their communities? No. It is good to hear the feedback about some of the programs that we have initiated, of where it is working and how many folks are participating in it.
Access to capital—how much of a challenge is that for all of you right now, particularly if you are working with community banks? Many of them are overly exposed to commercial real estate on their books, and that has constrained their balance sheet and limited their ability to lend. Is that an issue for any of you? No? All right. That is—
Ms. KOTTKE. Can I answer that?
Ms. BEAN. Sure.
Ms. KOTTKE. I have been talking about expanding for the last couple of years, and about a year and a half ago the banks are telling me, “You know what? Lay low right—just wait.” And about three months ago, I was approached by one of my community
banks saying that there was this new program going to be available through the SBA.

Ms. BEAN. Good.

Ms. KOTTKE. And that they would definitely be interested in looking at the project then.

Ms. BEAN. Wonderful. That is good to hear.

Mr. BAILES. I would like to say one thing if I could.

Ms. BEAN. Sure.

Mr. BAILES. Since we have two sides of our business, the established Guier Fence side, we haven’t had any problem getting financing. But for our new franchisees, like I said in my testimony, they are. And they are SBA-backed loans, but they still—they can do an express loan program with our minimum entry-level fee, but they are still difficult to get.

And I don’t know really why that is. You would think that those would be fairly straightforward, and these are even people with good credit scores, with plenty of assets, even cash to back a pretty simple $50,000 loan. I think the SBA is a little—or the community banks are a little timid on giving money to a new business.

Ms. BEAN. Right.

Mr. BAILES. Because a lot of the franchise is still—you are still investing in a little bit of blue sky there. You are not buying—

Ms. BEAN. Yes. Even though the model works, they have never run it before.

Mr. BAILES. That is correct. And so, you know, you are investing in intangible assets, and that is where we are seeing a little trouble.

Ms. BEAN. Absolutely. And someone else had a comment. Yes.

Mr. FLYNN. Just real quick. One of the observations about the loans is if they require a personal guarantee, and we are talking millions of dollars, what we are asking the small business owner to do is face down personal financial ruin in the event that the business—the gamble it took did not work out.

So those personal guarantees, we go through all of this effort to incorporate these companies, so that they are an entity unto themselves, but then we are asking the small business owner to still back up the loan.

Ms. BEAN. Okay. Thank you. I yield back.

Chairwoman VELAZQUEZ. Ms. Kottke, I read in your testimony that you are in the process of acquiring another theater?

Ms. KOTTKE. Yes, ma’am.

Chairwoman VELAZQUEZ. And so I was wondering, every time families in America are facing budgetary constraints, they cut recreational money. So how is it that your business is doing so well, that in a business like that could be impacted by the economic downturn you are succeeding to the point that you will acquire another theater?

Ms. KOTTKE. Well, the movie industry is having record-breaking years, and that is mostly because of the 3-D technology, which we do not have. Our ticket prices are $4 and $6 at our indoors, and they are like $8 and—it is $8 at the drive-in because you get a double feature, and $4, again, for children.

We just offer customer service, good, old-fashioned customer service. And that is what brings our customers. In order to obtain this
next one, we are negotiating a rent with option, and then we will see how well that takes off. The expansion of the two projects, one in Zion, one in McHenry, are in TIFF districts, and we are talking several million dollars. Of course, we have got to do it controlled, because we know what happens when I don’t do that. And in order to get—possibly even get the equipment, the 3-D equipment.

Chairwoman VELÁZQUEZ. Mr. Flynn, if you go to a traditional bank, financial institution, to apply for a loan, what requirements will they ask of you in order to get that loan?

Mr. FLYNN. So we have a line of credit through a major bank. We also have credit cards for the employee, so they can make small purchases to facilitate their day. To get that line of credit, we had to show up with our personal tax statements for the bank to review my tax statement, personal tax statement, and my co-founder’s tax statement.

Chairwoman VELÁZQUEZ. But in a traditional loan that is not guaranteed by the Federal Government, will the bank require collateral?

Mr. FLYNN. Yes, they—in our case, we may be purchasing tools for the business, and those tools would be the collateral. But, again, ultimately it could be your home that is the collateral for that loan.

Chairwoman VELÁZQUEZ. Yes. Well, the difference in terms of those loans that are backed by the Federal Government is that we incentivize financial institutions who are participating with the SBA to provide or make those loans by reducing the risk—

Mr. FLYNN. Right.

Chairwoman VELÁZQUEZ. —for the financial institutions that are participating in those programs. The government will guarantee we increase it from 75 to 90 percent, and then to also get small businesses off the side lines and incentivize for them to go to the bank and apply. We reduce the fees that the borrowers have to pay.

So I guess that some of those programs have worked for some of the small businesses that have been testifying here today, and what we want to make sure is what else we can do in order to facilitate access to capital for small businesses.

Mr. FLYNN. One suggestion I would give there is education, and there are a number of entities that help educate us what the process is and what the tradeoffs are.

Chairwoman VELÁZQUEZ. Okay. Yes, Mr. Greenley.

Mr. GREENLEY. One of the things that I am aware of is the 90 percent backing is due to expire today. Am I right? And it is going to go back to the 70 percent backing.

Chairwoman VELÁZQUEZ. No. Well, we are going to extend it.

Mr. GREENLEY. Okay.

Chairwoman VELÁZQUEZ. Yes.

Mr. GREENLEY. I mean, that is one of the—you know, the factors. Chairwoman VELÁZQUEZ. Sure.

Mr. GREENLEY. If banks are going to loan money, it is how much their guaranteed portion is.

Chairwoman VELÁZQUEZ. No, it has been 90 percent, and it will continue to be 90 percent.

Mr. GREENLEY. You know, you talk about incentives for the lending, I wish there was an incentive for us that are investing in our
own business. For those of us that, you know, decide not to lay somebody off and to keep them on the payroll, there is no incentive for that right now. There is a lot of incentive. I mean, the one incentive to us is to minimize our exposure, so that we stay in business, but over 20 years of experience, every time I cut back I find myself—it is not healthy for the business.

Mr. WALLACE. Yes, I have a comment.

Chairwoman VELÁZQUEZ. Mr. Wallace.

Mr. WALLACE. Access to capital has been challenging for Brian and I, and the need for personal collateral, that type of thing, backing of the loans.

But one area that really bothers us every year is the fact that when we have a good year, at December 31 our accountant shows us that we made—we have so much of a profit, and we have to pay tax on that profit as it gets split down to—and comes to our personal income taxes.

We don’t take that money in pay, but we still have to pay tax on that money. And by the time, you know, April 15 rolls around when we have to pay our tax bill, that money is long gone, been used into the business. And just last year on the amount of money that we had to pay tax on, that we never personally received in distributions or pay or whatever, we could have bought at least five vehicles and probably hired three additional employees.

Chairwoman VELÁZQUEZ. Well, that is why in the economic recovery package we, the Federal Government, reduced taxes for small businesses, especially in the manufacturing sector.

Mr. WALLACE. Well, then, that will be great.

Chairwoman VELÁZQUEZ. Any other questions? If not, I ask unanimous—thank you. Thank you for all the witnesses who have been able to be with us today. This has been an incredible experience, and it is great to know the incredible contributions that you are making to help get this economy back on track.

I ask unanimous consent that members will have five days to submit statements and supporting materials for the record. Without objection, so ordered.

This hearing is now adjourned.
[Whereupon, at 1:36 p.m., the Committee was adjourned.]
Testimony of John Dippold  
Innovative Sintered Metals, Inc.

Before the  
U.S. House of Representatives  
Committee on Small Business

“Heroes of Small Business”

Wednesday, May 26, 2010  
Washington, D.C.
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SUBMITTED TESTIMONY OF JOHN DIPPOLD, PRESIDENT
INNOVATIVE SINTERED METALS, INC.
BEFORE THE HOUSE COMMITTEE ON SMALL BUSINESS
CONCERNING: HEROES OF SMALL BUSINESS
MAY 26, 2010

Introduction

Chairwoman Velazquez, Ranking Member Graves, and members of the committee, my name is John Dippold. I am president and co-owner of Innovative Sintered Metals, a growing company located in St. Marys, Pennsylvania. For those of you who are unfamiliar with powder metallurgy, metal powders, which are produced from recycled metal scrap, are pressed under high pressures, in a variety of shapes. The parts are then sintered in continuous furnaces just below the melting point of the material. Our technology facilitates the manufacture of high strength complex shapes which would be impractical or impossible with other metalworking processes. Our company sales projections for 2010 are $4.5 million, an increase of nearly 100 percent over last year. Since 2004 we have doubled our total workforce and corporate earnings are up 1,100 percent.

I appreciate the opportunity to testify today about the state of small business in America, particularly as it relates to manufacturing, which has been and continues to be a huge part of the economy throughout Pennsylvania’s Fifth District.

I am, first and foremost, a business man. For eight years, I was director of marketing and sales for Metaldyne Sintered Components, where I managed $80,000,000 in worldwide sales revenue.

I am not a “hero” in any real sense of the word. I am reacting to very real and very powerful forces that are reverberating throughout our economy. Twenty years ago, at the local level, my industry was dominated by several large, family owned operations. Many have since been acquired by multi-national corporations seeking efficiency and economies of scale. To be frank, this has been a painful process for many in the region. Layoffs and downsizing hit us long before the recent economic crisis sent the rest of the world into a tailspin.
But in crisis, there is opportunity. I am just one of many entrepreneurs in the powdered metal industry that saw a niche for smaller, nimble firms that could react more quickly in the global marketplace. Today, that niche is growing. Once dominated by a few firms employing 500 or 800 or 1,000 workers, we are seeing more and more companies that employ 10, 20 or 50.

Again, this has not been an easy transition, but I see real reason for optimism for American manufacturing. People often ask, how long will America be a manufacturing super power? My answer is, “it depends.” Tax structures, wage disparities, healthcare reform and regulatory hurdles pose real challenges.

I am here to tell you that my company is thriving despite the global economic downturn, and to illustrate how “going small” can make sense, even when conventional wisdom insists that bigger is better.

**Survival of the Fittest**

One of the biggest casualties of the recent downturn has been the American auto industry. The Big Three have taken a beating, and all of the downstream suppliers and related support industry have taken a beating along with them.

But don’t believe everything you read.

When my partner and I purchased Innovative Sintered in 2004, the company did little work for the auto industry, had 10 employees, and was in the red financially. Since we had a lot of experience and contacts in that field, our automotive sales quickly grew to 40 percent. So why didn’t we collapse when the auto industry tanked? The answer has a lot to do with our size, the way we positioned ourselves in the marketplace, and our steady growth.

Rather than scale, our competitive advantage is service. My partner is an engineer who spends countless hours working with clients on a personal basis. There is no administrative staff or phone tree standing between our customers and our key decision makers. We have a small operation with tight margins. Every account is vitally important to the bottom line.

I can tell you from experience that, 20 years ago, major automotive systems suppliers like Visteon, Valeo, and Borg Warner Automotive would have had serious reservations about working with a company our size. Everybody went through the normal channels, and that meant working with the major players. But today, everyone is operating leaner. Everyone is looking for the best service and the best value.

Successful companies must be open to new ideas, at all levels. This is true especially of our workers. Gone are the days when a young man out of high school would train on a machine and work it for 40 years. Our employees are constantly retraining, mastering new processes and utilizing production software to accommodate our ever changing lines of business. The company they work at today is different than the one they worked at a year or even six months ago.
We change with the demands of the marketplace, which is why customers are willing to let us in the door to make a pitch. When they do, I am confident that we can win the account, and I have been able to do that. Lead-time to market is key in winning new projects, we can design and tool at lightning speed. I am not exaggerating when I say that we can complete a sampling project in three weeks, where 10 years ago—or with a bigger supplier today—it might take three weeks just to take care of the paperwork and get proper signatures.

Did we suffer from the travails of the auto industry? Of course we did. Our sales dropped 10 percent in 2009 whereas most manufacturers in our area dropped 50-60 percent. We put a freeze on new spending and implemented rotating layoffs. But we are recovering. Our service gives our customers a sense of confidence and flexibility, which in the end makes us a preferred provider.

Powerful component design software and our focus on niche marketing has given us a real advantage in some lucrative market segments. As an example, our focus on stainless steel, where very few players have the installed technology, allows us to charge a premium for those parts.

These kinds of moves have made a real impact on our bottom line. Ten years ago, a very successful industry player was churning out about $80,000 in sales per employee. Today, Innovative Sintered Metals is exceeding $200,000 in sales per employee. That is because the industry as a whole is working smarter and faster. My experience tells me that there are opportunities out there for small companies like ours, for entrepreneurs who want to specialize, innovate and find opportunity in change.

Does this mean that there is no room for the big firms anymore, or that the days of the 500 worker factory are numbered? I don’t think so. Economies of scale are real, and size really does matter on a lot of accounts. But that is a good thing, in my mind, and it points to an important transformation in American manufacturing, and something we can be proud of.

My industry has faced some tough times, but it has responded with flexibility and innovation, and therein lays the true value of small business. There is no one-size-fits-all response. Companies in powdered metal are diverse in terms of size, in terms of corporate culture, in terms of structure, and in terms of technical capacity.

Will we ever overcome the wage disparity between American workers and workers in developing countries? Will we ever see international trade structured in a way that favors American manufacturing? I will leave those kinds of questions for the professional economists. Instead, I will spend my time developing new technologies and working directly with my customers to satisfy their needs.
Summary

I don’t consider my experience as “heroic” in any way. Rather, it’s reality.

American manufacturing is changing, and small businesses have an increasingly important role in its future. I thank this committee for all it does to make it possible for companies like Innovative Sintered Metals to not only survive hard times, but to thrive.

With that, I would be happy to answer any questions you have about our products, our technology, our growing workforce or any other topic you would like to pursue.
Congressional Testimony: House Committee on Small Business

Date: May 26th, 2010

By: Michelle Nelson, CEO, Blue Strategy + Creative Intl, LLC

Madam Chairwoman, Ranking Member Graves, and Congressman Buchanan, thank you for inviting me to testify today. My name is Michelle Nelson and I am the CEO of Blue Strategy + Creative Intl., a traditional and digital marketing firm in Sarasota. I’m also the owner of Anexio, a technology and managed service provider, in Sarasota, as well. I own and run these companies with my husband, Jeffrey Nelson. Our companies are B2B serving businesses locally on the Gulf Coast of Florida, as well as globally. During the 15 years that I’ve owned two companies, I served on the Board of Directors and as the Chair of the Small Business council at the Greater Sarasota Chamber of Commerce. I would like to thank the Chamber for helping me get here today and for their role in creating and supporting small business in Sarasota County.

Our nation’s economic crisis brought significant obstacles for our small businesses, including decreased consumer confidence, loss of long-term clients, increased cost of goods, staffing concerns and the largest obstacle, credit. As savvy business owners, we built very strong credit, maintaining the strength and financial agility of our company. In good economic times, we planned for the cyclical down times of the economy. We had seen it before and knew the highs of a booming economy would surely shift. What we did not anticipate was that the banks would take back our credit lines and double our interest rates.

As we watched our nation bail out our financial institutions, these same institutions turned their backs on us.

What did we do? We rolled up our sleeves and we started working, harder than ever. Fueled by the insanity of the credit crisis and committed to survival, we pioneered new ways to do business. It was obvious that, if we were to make it through, we would have to take complete responsibility for the success of our companies and take immediate action.
We pleaded with our banks and vendors to keep credit lines open and negotiate interest rates. We never received any financial assistance or tolerance from our bank, despite our strong financial history. Instead, our vendors and other private businesses were the most generous, maintaining and in some cases extending our credit lines.

We extended credit to our clients for our services, so their businesses could continue to thrive. We shouldered the burden of our clients’ financial limitations by allowing them to make payments over longer periods. We, in essence, became a bank funding the ecommerce we needed.

We did not look for government assistance or SBA loans. Our experience with those programs showed us that they are costly. The time and investment needed make one’s way through the bureaucracy can devastate a small business.

So, we developed our own new programs and services to keep our global business communities moving. Each of my business developed programs that are still working today.

Our technology support company created its own T.A.R.P. (Technology Assistant Relief Program) for small business. We understood that leveraging the proper technology was critical to our clients’ survival. So, we provided technology support through Managed Services at fees that our clients could afford.

Our marketing agency created Small Business Marketing Assistance. History tells us that marketing during a down economy brings great financial gains when good economy returns. We knew that businesses needed to be clearer and more direct than ever in delivering their message to their consumer. So, we provided marketing products and services with extended payment plans and empowered clients with market ready tools.

We created these programs by retooling our product lines. We met with each client to understand what they could pay, creating new services to fit their budget. We had less revenue, less profit, and huge risk. We also had new businesses joining us, which led to new revenue streams. We were sustaining.
growing our client base while watching our clients succeed, as well. Over 75% of the businesses in our programs are still in business today, and are still using our programs.

In closing, we are surviving in this economy because we are pioneers. As simple as it may sound, I believe behaving like a pioneer is the only way to survive in a down economy. It isn’t about being an Entrepreneur. Our country created a Hollywood-ized definition of the entrepreneur, allowing for laziness and entitlement.

I implore Congress to bring the fortitude of the pioneer back in our country, to promote “Entrepreneuring” within our country. An Entrepreneur is one who pioneers a new enterprise with a spirit of entreprenurism. Celebrate those who are willing to do whatever it takes to keep their vision alive, those who are willing to risk everything to create enterprise. It is the embodiment of our forefathers’ vision for this nation. I learned these ideals from my parents, my father a craftsman and Master Stair builder in New England. Future generations should have the opportunity to learn these ideals as well, to experience what it truly takes to succeed: hard work and the determination to create something with permanence.

Our great nation was constructed by pioneers with unfailing determination; it will be strong again with the rise of the Entrepreneur.

Thank you to you all for this opportunity to testify. I would be happy to answer any questions you may have.
Testimony of Will Gay of Diamond Brand Canvas Products and Diamond Brand Outdoors
United States House of Representatives
Committee on Small Business
Rep. Nydia M. Velázquez, Chairwoman
Hearing on “Heroes of Small Business”
Wednesday, May 26, 2010

Testimony Submitted by Will Gay
Chief Executive Officer Diamond Brand Canvas Products and Diamond Brand Outdoors
Fletcher, North Carolina

Introduction

Madam Chairwoman, Ranking Member Graves, and members of the Committee, I want to thank you for the opportunity to testify before you today. It is truly a great honor. My name is Will Gay and I live in Asheville, North Carolina. I am the Chief Executive Officer of Diamond Brand Canvas Products and Diamond Brand Outdoors.

Diamond Brand was originally established in Philadelphia in 1881. We have been involved in the sewn products industry since 1920 when we began to manufacture tarpaulins and other similar heavy canvas items. We are the oldest, continuously operating sewn product manufacturer in the country. In 1931, Diamond Brand manufactured the very first backpack for Boy Scouts of America. Today, the Boy Scouts are still a large part of our ongoing business.

Through the years, we have manufactured and provided outdoor equipment to other well known organizations and companies such as Girl Scouts of the USA, LL Bean, Eddie Bauer, Recreational Equipment, Inc., and Eastern Mountain Sports, among others. We no longer provide products to these companies or distribute our own line of tents, packs and luggage as we did in the 1970’s and 1980’s. However, we currently distribute and sell a branded line of high-end SCUBA luggage and bags designed to endure the harsh sun and salt water environments for which they are used.

During World War II, Diamond Brand manufactured products for 144 different government contracts in support of the United States war effort. During the past 25 years, we have refocused our efforts to manufacture many products for the Department of Defense and have made government contracting a significant part of our area of expertise. A little more than 45 years ago, we began our foray into the outdoor retail market as a factory outlet store. It started in a small garage connected to our manufacturing facility. During the past four decades our retail business has grown to three stores with more than 40,000 square feet of retail floor space serving families and outdoor enthusiasts alike. We are currently exploring expansion opportunities both within and outside of the current local markets that we serve.

Diamond Brand was given the Sky High Award by the Asheville Area Chamber of Commerce, recognizing it as a leading business for its increased revenue growth and job creation. We have also been named The Best Outdoor Outfitter in Western North Carolina six years in a row. Nationally, we have been recognized with numerous awards, including the Export Achievement
Award presented by the United States Department of Commerce, The Circle of Humanitarian Award given by the American Red Cross, the DLA Top Supplier Award presented by the United States Department of Defense, as well several Awards of Excellence given annually by the Boy Scouts of America to its top suppliers.

Our Commitment to the Community Outreach and Youth Wellness

Diamond Brand prides itself on its mission of being an “outwardly community focused organization.” We give back more than $100,000 per year to organizations that share our values and beliefs. We do this through camp scholarships focused on helping underprivileged children get involved in outdoor activities. We also help local wellness groups focused on getting people active in our community. Asheville is nestled in the beautiful Blue Ridge Mountains of Western North Carolina, an area with countless resources for being outdoors. This gives our outfitter stores the opportunity to serve the many people who live in the area or travel to the area to recreate and take advantage of all that Western North Carolina has to offer. We conduct regular, in-store educational programs that are free to the community to help educate them and get them involved in their own outdoor pursuits. We open our doors and provide a platform and a forum for individuals, and many local organizations and clubs, to educate them about how our community impacts the area and how our clientele can get involved.

To further demonstrate our commitment to the community, we have a dedicated, full-time employee who works exclusively on creative ways to better engage the needs of the community through outreach by partnering with businesses, camps, schools, hospitals, and outdoor programs. While many businesses may view this as an unjustifiable expense, especially in the difficult economic environment we are facing, we see it as an opportunity to better reach out to other organizations. It will allow us to see how we can work together through partnerships and strategic alliances, to impact individuals by reaching out to those most in need during these tough times. We believe that everyone, regardless of financial status or age, should have the opportunity to enjoy and be exposed to the wonderful and unique resources of our region.

Our employees contribute hundreds of volunteer hours annually to trail maintenance and river clean-up initiatives. We are also directors of boards or active members of many of the environmental and local organizations that are located in our area. As mentioned earlier, we were one of the first manufacturers of tents and packs for the Boy Scouts of America. Nearly 80 years later, we continue to strongly support this organization both locally and nationally through the daily efforts of our retail and manufacturing businesses. We have partnered with the YMCA of Western North Carolina at the highest level of financial support in its Strong Kids Campaign, an initiative focused on activity and exercise. We also provide in-kind gifts and services to further support its summer camp initiatives for the underprivileged children in our area.

Our Commitment to the United States Department of Defense

On the manufacturing side of our business, we specialize in military gear, outdoor gear, and water sports equipment. Diamond Brand is a prime contractor with the Department of Defense and currently holds two contracts to produce the Soldier Crew Tent for the United States Army and Two-Man Combat Tent currently being fielded by the United States Marine Corps, Army
and Air Force. This tent has also gained favor and recognition with several allied foreign
militaries and is being evaluated for a number of large contract tenders overseas. We are also
intimately involved with several of the Special Forces groups and many highly specialized
government agencies doing development work for new technology within our core
manufacturing competencies. We manufacture products for several companies that sell products
to the Department of Defense. One area of focus is on specialized bags and lightweight litters
that are used by military medics in combat situations. Another area of focus is on anti-corrosion
shipping covers, weapons covers, and operational covers for most of the Department of
Defense’s rotary winged platforms, including the Apache, Blackhawk, Chinook, Little Bird, and
Kiowa helicopters. This anticorrosion cover technology has also gained footing at the highest
program levels within the Department of Defense for protecting our Patriot Missile batteries
worldwide. It also offers protection to the new mine and IED resistant MRAP vehicles currently
being fielded in Afghanistan and Iraq. We also work as a sub-contract manufacturer to provide
products to major military systems integrators such as Raytheon, General Dynamics, and Boeing.

As the Department of Defense has looked hard at operational preparedness and lessons learned
from Operation Enduring Freedom and Operation Iraqi Freedom (OEF/OIF), it has realized that
our warfighters are not trained to be the soldiers of wars past, who had to be prepared for
anything the battlefield presented to them. Rather, they are preparing to be the best trained
military in the world to fight and defend our interests through very highly specialized areas of
expertise. The Department of Defense is rapidly moving away from the traditional military
specification product offerings of the past and moving quickly toward commercial-off-the-shelf
products, or COTS products. The Department of Defense has become more keenly focused on
the tailored, mission specific needs of today’s modern warfighters.

The result has led to the Department of Defense actively seeking out the products and materials
that have been developed in the commercial market and are ever-improving and evolving to
better suit and meet the specific needs of today’s modern warfighter. Many of the Military
Specification products that have been historically fielded over the past several decades have
simply not kept up with technology advances in the commercial marketplace. Now these
products and platforms are antiquated when compared to what is available today. One of the
unique attributes to Diamond Brand being both a retailer of outdoor gear and one of the few
remaining domestic manufacturers of tents and shelters to the Department of Defense, is that we
already have well established relationships with companies that are now being engaged by the
Department of Defense for use of their products in theater.

The challenge that these commercial entities have in selling to the Department of Defense is that
virtually all of their products are made in China or other foreign countries. This means that they
cannot be purchased by the Department of Defense due to the restrictions by the Berry
Amendment and other trade laws that apply. Diamond Brand has uniquely positioned itself as a
domestic manufacturer with defense contracting experience to bring forth these improved
products and technologies for use by the Department of Defense. We have several partnerships
and strategic alliances with several companies that will develop a new generation of lightweight,
rapidly deployable tents for our future warfighters. Many of these designs have been vetted and
found favor with our most elite Special Forces groups. They are now under consideration for
future use at the program level with several services such as the United States Army and the United States Marine Corps.

**Our Commitment to our Employees**

During the last decade, our regional economy in Western North Carolina has suffered greatly from the loss of manufacturing jobs, especially in the textile, garment, and furniture sectors. We have seen thousands of jobs eliminated or leave our area. This has hit close to home as many of those who lost their jobs were husbands, wives, and children of our current employees. Today, we continue to see jobs lost as major employers in our area continue to close or consolidate, leaving many of the counties in Western North Carolina with the highest unemployment rates in the state. Diamond Brand currently employs more than 140 people in our manufacturing and retail business platforms. We are fortunate that through our planning efforts, and growth initiatives, Diamond Brand has continued to aggressively hire and provide jobs and benefits for our employees, despite the economic downturn we have experienced during the past several years.

Diamond Brand supports its employees’ desires to further their professional development. We provided full tuition to five of our employees who earned their degrees as Certified Pedorithists, allowing them to provide Diamond Brand’s customers with the highest level of custom fitting in our footwear department. We have also provided opportunities for several of our employees to continue their educational development by taking classes at local universities and schools. These are skills and crafts that they did not have when they came to work at Diamond Brand, but that they will be able to carry with them for the rest of their lives.

Our employees come from many diverse backgrounds, nationalities and cultures with each one making a unique contribution to our business. As a small business, we pride ourselves on knowing our employees and knowing that without their talent and dedication, we would not be standing before you today to talk about the success that we have enjoyed. I would like to tell you about a few of these special people whose contributions have made Diamond Brand what it is today.

Marlene Lansford is our production line supervisor who oversees our government contract tent production. Marlene has been at Diamond Brand for 37 years, starting out when she was just 20 years old. She has enjoyed working with her co-workers and says that the company has been very supportive of her during her nearly four decade career. Marlene feels that small businesses care more about their employees than many big companies, where you are known simply by an employee number. She is committed to working as long as she is able and appreciates the good benefits package we provide. Marlene says she is also thankful for the opportunities at Diamond Brand, as she has watched thousands of manufacturing jobs and big companies fold during the past 30 years. She says, “We do what we have to do and we are thankful for our jobs.”

Wanda Hensley is 61 years old and has worked at Diamond Brand in our military tent line for 14 years. Both her husband and son are currently laid off from other manufacturers in our area, so this job is crucial to the well-being of her family. She takes advantage of our benefits package and 401K. Her husband, who worked for his former employer for 24 years, lost all of his
benefits and did not get any of the retirement benefits that the company had committed to provide before they closed the doors. Wanda is thankful for her job and while she often feels tired, she is appreciative of the overtime pay that helps her make ends meet.

Alina Gerashim is 20 years old and has worked at Diamond Brand since she graduated from high school. She and her family emigrated from Moldova in December of 2002. Her mother, who works for Diamond Brand as well, strongly encouraged Alina to apply. Alina says she cannot complain about a thing as she appreciates the fair wages and the good benefits compared to what her family came from in Moldova. Alina had no previous work experience or sewing experience, but our plant manager says she is not only one of our youngest employees, but now one of our most versatile employees.

Marcus Wick is 29 years old and married with a child. He graduated from Cal State with a degree in geography but has not been able to find work in his field of interest. While he has no experience in industrial sewing, after being out of work with Diamond Brand the only company hiring, he took the job. Marcus was always interested and curious about working in a steady and somewhat repetitive manufacturing environment. He says he really enjoys his work, and Marcus has become one of our top producing employees in less than a year.

**Conclusion**

In closing, I would like to thank you for the opportunity to testify before this committee today. I ask each of you to continue to be mindful that our ability to operate as a successful small business, remaining financially viable and nimble to respond to the needs of the marketplace, relies directly on our ability to run our business profitably. In doing so, we need to have the opportunity to reinvest our resources and capital into new technology that makes us more efficient in what we do, as well as invest in the ongoing training, hiring, and retention of our employees who make what we do possible.

Diamond Brand has been continuously operating for nearly 130 years and makes a positive impact on the community that it serves. When my wife and I bought this business ten years ago and decided to make Asheville our home, it was certainly easier than it is today to justify taking the risks that we have taken to operate this business. As we see our effective tax rates continue to rise, we will have less to re-invest in our business and our community. Today, as is the case with many other small businesses, we are challenged with providing healthcare and benefits to our employees, having basic access to capital, paying higher taxes, dealing with more regulation in the marketplace, and trying to compete in a less business friendly environment.

As a business owner, next to proving for my family, there is no greater responsibility that I feel than knowing that more than 140 individuals and their families depend on me and my company. We need to stay competitive and profitable so that we can continue to fund payroll every week and offer our employees a competitive benefits package that gives their family a sense of security in what has become a very uncertain world. I want my company to continue to be a place where people want to come to work, knowing that they will be provided for and be able to provide for their families. I want to continue to dream big for the future of my family, company, and community in an area and industry that has been hard hit during the past decade. I want to
be reassured that the laws and policies that are currently being crafted and implemented today are going to offer us the ability to be the leaders of the entrepreneurial spirit and engine of growth that this country has depended on for so many years. Thank you again for this opportunity. I would be happy to answer any questions that you may have.
Statement of Tim Norman  
President, STL Technology Partners  
House Committee on Small Business  
May 26, 2010

Chairwoman Velazquez, Ranking Member Graves, and members of the committee, I thank you for the opportunity to testify this morning about my experiences as a small business owner.

My wife Kathryn and I own and operate a small business called STL Technology Partners. Before starting the company, I began my career in the Systems Area of a Fortune 50 company. I have a Bachelor of Science degree in Computer Science from Illinois State University and a Bachelor of Arts degree in Economics from Eastern Illinois University. My wife Kathryn has background as a Systems Analyst for a Fortune 50 company. She serves as CEO of our company. Kathryn graduated with honors from Eastern Illinois University with a Bachelor of Science in Computer Management and Administrative Office Management.

STL was founded in 1991 with a dream to offer clients world-class services and solutions driven by a culture of strong Midwest values. We envisioned the STL service offerings to be accessible, affordable and relevant to our clients.

Initially, STL’s services included computer repair services and IT staff augmentation. As our company has grown and our clients’ needs have changed, STL and its service offerings have adapted to meet these changes. The STL Family of Companies is now comprised of four business units each complementing the other.

STL is a small, woman-owned business that now has over 300 employees. The STL Family of Companies provides managed Information Technology (IT), Data Center, Professional, Administrative, and Management services to commercial, state and federal organizations. STL has offices located in Bloomington, Peoria, Springfield, and O’Fallon, IL, as well as Green Bay and Appleton, WI. Our service offerings are provided through our four business units:

- Business Technology Solutions (BTS) – offering managed Information Technology (IT) services, Software Solutions, and Network Infrastructure services
• STL Professional Services – offering professional and management staffing
• FirstStaff – offering commercial and administrative staffing
• CSD - offering premium data center services, integrating high level data security, flexible cloud computing, and accessible business continuity services.

In stark contrast to much of the rest of the country, two years ago, when the economy took a sharp blow, STL was expanding, not contracting. We began the development of our state-of-the-art Data Center. It is built to Tier III specifications with the best available security and reliability features. After two years of hard work, we were proud to start the New Year off by bringing our Data Center online.

As the data center comes on-line, STL will continue to expand its staffing and technical services divisions into other markets. Within the next four months, STL will be expanding its St. Louis office by hiring both recruiting and business development personnel to help its commercial staffing market, along with its government services.

STL will stay focused on expanding its footprint in the Midwest through both organic growth and strategic acquisitions.

Over the nineteen years STL has been in business, we have seen two recessions, and undergone a number of corporate changes in order to remain aligned with our clients' goals and needs. We have expanded our technology division from a computer repair and networking team to a Technology Provider offering Managed Services, Software Solutions, Network Solutions, and world class Data Center Services. Our staffing division has seen a number of changes as well. We have expanded our staffing division from an IT Staff Augmentation provider to a full-service Professional Services and Commercial Staffing Partner. We have continued to diversify our services in order to keep our business healthy during those times of economic uncertainty.

STL worked with First State Bank of Mendota to secure an SBA 504 loan. At first, we were not pursuing the use of the loan through the SBA, but as the economy started to turn, it became more and more essential for us to secure the government financing. The SBA 504 loan program, with the re-finance option, allowed us to re-capitalizwe our business, due to the ability to “pull out” some of the money we used in building out the highly specialized (and expensive) needs of the data center. The bank that we first started working with on our building project actually started to fail, so once that was identified, we quickly started working with First State Bank of Mendota and were able to secure a 4.83 interest rate for 20 years! Due to this, we were able to reap significant benefits from such a low interest rate. As we grow, we will definitely be looking at additional SBA loan programs we can leverage to create more jobs and expand our business.

Once again, I thank you for the opportunity to testify today and look forward to answering any of your questions.
Testimony of Bradley R. Eiffert, Boone County Lumber Company
United States House of Representatives
Committee on Small Business
Hearing on "Heroes of Small Business"
May 26, 2010

Madam Chairwoman, Ranking Member Graves, Congressman Luetkemeyer, and distinguished members of this Committee, thank you for inviting me to testify today. My name is Brad Eiffert, and I co-own and operate Boone County Lumber Company in Columbia, Missouri. I am accompanied today by my 15-year-old son, Ryan, a ninth grader at West Junior High School. Boone County Lumber is a family-owned company celebrating its 45th anniversary this year. In 1965, four men provided startup capital of twenty-five hundred dollars each and this, combined with the one hundred dollars my father, Howard, had to invest, began the company that now operates in three locations and employs 34 full time and four part-time employees. Today, my brother, Greg, manages our Boone County Millwork location, while I manage the lumberyard. Together, we serve the professional home builder, remodeler and commercial contractor by providing a variety of forest products, doors, windows, and moldings. Thank you for inviting me to share some of the challenges and successes of the last four years and our situation today.

This July 2010 will mark the end of four full years since our local housing market started a deep slump from which it has yet to recover. New single-family home permits in our community went from rates as high as just over 1,000 in 2005 to as low as 230 in 2008. While the demand for our products plummeted, the market values of many forest products dropped accordingly, in many cases dropping to half to one-fifth their former value. This combination of factors has crushed our revenue for the duration of the slowdown. One of the biggest challenges early on was answering the constantly begging question of when things might turn around. We’ve since moved on from that question to asking how we can most effectively adapt to what we call "the new reality."

There have been two sets of heroes in our story. One group is the professional builder and remodeler we serve on a daily basis. These are hardworking people who operate companies that did not participate in the excesses of the housing boom and who adapted their businesses to the current economy by changing the new home product they build and altering the services they offer. We have been fortunate to serve some customers for two generations and are proud to stand beside this group of resilient survivors.

This leads me to the second group of heroes of the last four years -- our people. From the outset, Greg and I made a commitment to try to retain as many employees as possible. The personal sacrifice made by everyone in our company is the only reason I am before you today. We not only cut hours and overtime, but every salaried person took a pay cut as well. While doing this, we asked our employees
to perform services we used to be able to afford from outside companies. We became our own custodians, Ryan is now our lawn service, and we decided to live without water coolers, newspaper subscriptions, coffee and vending machine services, and weekly entry- rug cleaning, while learning to live with changes like high deductible H.S.A. health plans and reduced employer contributions to 401(k) retirement accounts. Every support contract or service -- from the copier to the postage meter -- has been changed to reflect our current circumstances. No longer do we entertain customers with tickets to local collegiate sports events or purchase promotional items and mass market advertising. We have not purchased a new truck in four years and oftentimes will park a vehicle rather than fix it depending on seasonal needs.

Ironically, the office building we constructed with our own employees during the housing slump in 1981-82, in order to keep employees busy and provide productive activity, is the same building we have completely remodeled on the exterior in order to provide productive activity for our staff during the last three years. We slowly, completely remodeled the exterior using our truck drivers and lumberyard and office staff.

While facing the severe slowdown, we never stopped asking what we can do during this time to take advantage of untapped opportunities. Two years ago, despite the recession, we opened a new showroom in the central Missouri area of Lake of the Ozarks to display windows, doors and moldings. Our products are on display in a market that still attracts the higher-end home products consumer and customers seeking to remodel vacation homes. Our geographical service area is expanded and, so far this year, almost 10 percent of our total sales are from this new market.

In March of this year, another opportunity presented itself and we took aggressive action. Our primary local competitor in the commercial door and hardware market went bankrupt. We assumed the completion of several ongoing projects, purchased much of their equipment and inventory, and offered four employees employment with us in our commercial door division. This effectively doubled the size of our commercial door operations in the last 60 days and increased our commercial sales exposure with new vendors and customers. While it’s early in the process, we are excited to continue to diversify ourselves beyond the residential housing market.

Our largest challenge today remains moving beyond “break even.” We need to continue to find efficiencies and sales opportunities and become more profitable. We need to be able to make money and retain it in our business in order to fully restore the incomes of our committed employees and reinvest in our business. While we remain cautious regarding our current situation, we are optimistic that the worst of the crisis is behind us and we are well positioned to move into “the new reality” of today’s housing and commercial construction market for another 45 years.

Thank you for the opportunity to testify before you here today. I’ll be glad to answer any questions.
Thank you Madame Chair for allowing me to speak with you on behalf of the small business folks of Arizona’s 1 congressional district and I also want to thank representative Kirkpatrick for the invitation to do the same. My name is Chris Kuknyo and I am one of the co founders of Patriot Disposal. We are a small trash and recycling company that just celebrated our tenth anniversary. You see ten years ago I and another gentleman took hold of the American dream. We knew that the dream wasn’t entitlement but opportunity, that if we believe in ourselves and worked hard there was nothing we couldn’t accomplish. My partner knew the trash business and was a wiz at financing and administration. I knew how to fix trucks and had a knack for marketing. We developed a rock solid business plan and took it to the service corp. of retired executives in the small business administration. They said don’t do it you’ll never make it! Waste Management will crush you. We took our plan to the banks where one loan officer laughed and said I quote...”come back when you don’t need the money”. So we did what so many small business people do, we went all in, we put everything we owned and worked for on the table, I took out a mortgage on my house and we purchased a garbage truck and 300 garbage cans.

Today the banks visit us on a regular basis wanting to help us manage the cash flow of our 16000 residential customers and 800 commercial accounts.

The journey from 0 employees to 29 employees has not been without its challenges as represented by my graying hair. I looked at a photo the other day of these two young guys standing so proudly in front of their first garbage truck and the guy on the right does not resemble what I see in the morning. We have had to swim with sharks to get the capital to keep up with the growth. I am talking about non traditional lenders that charge 14 to 21 percent; I have to compete with the largest disposal company in the world who happens to own the
only landfill in the county that accepts household trash. They charge over double the rate that is offered in Phoenix because they are the only game in town. We have to contend with our own government that seems bent on our destruction. I remember the first quarter of 2006. We only had so much money and it was two weeks until our billing would be coming in. We had a choice to make. We could miss payroll and lose our employees, not make a fuel payment and have our gas pumps turned off, not pay the landfill bill and have WM put us out of business or miss a tax bill and take a hit from the IRS. The tax we missed for the quarter was $44000 but after penalties fines and interest is now $88000 I know that figure is not much to you folks but to a small business it could be devastating. If I was to open a business that charged that much, and acted in that manner, I would be tossed in prison for loan sharking. The frustration is amplified when you open up the paper and see the same government that is holding you feet to the fire for thousands is giving 16 billion to help the foreign nation of Haiti, or giving out gigantic loans to huge corporations because they are “Too big to fail” “We have been under attack from the big box stores and giant corporations who can weather this economy and use it to further gain market share by eliminating the pesky small businessman. As small business people we are so busy getting the kids to ball practice or helping at school that we don’t have the time or energy at the end of the day to lobby congress to let you folks know what needs to be done. That’s why I am so honored and thankful for this opportunity to share with you folks today. When I found out I was making this trip I went to the chamber of commerce members and small storefronts around town and asked a simple question “Is there anything you would like me to convey on your behalf?” They didn’t take long to answer “Tell them the banks still aren’t lending!” “Stop trying to be my partner!” “No more spending!” “They are taxing us to death!” I am sure you hear that last one a lot but do you ever take into consideration the big picture? It’s not just the feds that want to profit from any success we may have but the state county and city are also lined
up. Let me give you one quick example of Patriots purchase of a used trash truck we bought in California, after paying California sales tax we had to pay a temporary tax to drive it home to Arizona where we were informed that because we did not pay city sales tax in California we owed sales tax to the town of Prescott Valley Arizona. Filling the tank with diesel we also paid more taxes on the fuel to get it home, we then were taxed to license the truck and transfer the title and the county wants to tax you to inspect the truck and if over a specific GWV the IRS wants a form filled out and more federal tax paid. Now the truck can go to work. When you consider any future legislation please consider that even the smallest impact has an effect on small business. In this town a million dollars is hardly ever mentioned anymore unless its 5 6 or 700 million. For the most part you seem to speak in billions and now even trillions. To a small businessman in this economy $1000 is a lot of money. $1000 is what it will take to cover the rent on the store. $1000 will allow me to keep my home and make the car payment this month.$1000 is what separates me from bankruptcy. I have never seen so many dreams shattered as I have in the last year. Folks that had been doing their best to hang on until the economy improves that have lost their business, their homes, their savings their dignity. If you don’t believe in God you have never been in business, because over this last year I guarantee we have all been hitting our knees and asking “Lord please just keep the wolves at bay for one more day” and should you survive the attacks from the big box stores and get out from under the mountain of taxation, if the clouds part and god looks down on your business and smiles what do you hear from your national leaders? You’re a fat cat, the rich; you need to spread your wealth around. I tell you that’s not the way to begin a bonding session. But my message is a message of hope. Small business really is the backbone of this country and proof of that is that we have not failed completely. I know its not the popular thing to say these days but I am proud of this country and I still believe in her and the way we do business. Folks from around the world
are knocking down our door to get in because we are and always have been the land of
opportunity. I think to summarize what all the folks back home wanted me to express is that we
really don’t need you to do anything for us, just don’t do anything to harm us, consider the
impact of any legislation. Thank you
Testimony of Rob Hach  
President of Anemometry Specialists, Inc.  

Small Business Committee Hearing, Wednesday, May 26, 2010  

Madam Chairwoman, Ranking Member Graves, and Congressman King, thank you for the invitation to address this committee today. My name is Rob Hach and this is my wife and business partner, Tara. We own and operate Anemometry Specialists, Inc. in rural Northwest Iowa. For eight years, our company has been powered by the winds that sweep across the plains of the Midwest and throughout the United States and turn the many wind turbines across the landscape.

It is with honor that our company resides in Iowa’s fifth district represented by Congressman King. Our district has a larger number of wind turbines than any district in the United States. This makes our district a leader in renewable energy and renewable fuels.

For our clients in the wind industry, our company name defines what we do. Anemometry means the study of wind. What we do for our clients is specialize in the study of wind. We study wind to determine the feasibility and success of a wind powered electric power plant. We install what is called a meteorological tower with sensors staged at different levels up and down the 200-foot length. The data from these sensors is transmitted back to our offices. Our meteorologist and data analysts process the data to provide reports that help developers obtain financing for their proposed wind farm.

Recently, our company received an award from the United States Small Business Administration for the Small Business Persons of the Year for the State of Iowa. We doubled revenues and employees each year from 2004 to 2008. Even in the tough economy of 2009, we were able to show a profit and expand the company. We added a new office in Texas, and hired four additional employees, bringing our total workforce to 30. We were able to avoid employee layoffs and maintain employee benefits. We managed to take care of the families that have made our company successfully grow.

We will continue our growth in 2010, as we look to add two more regional offices and 5 to 10 more employees. We have also added a new division to our company which installs and services the small wind turbines like the ones you see sitting on the lawn at the US Botanical Center.

Today, I will highlight some of the positive programs in place for small business that Anemometry Specialists has benefited from and allowed Tara and me to achieve success despite today’s tough economy.

The Small Business Administration is the best program we have been able to take advantage of. Tara and I started our company in our twenties. We did not have the cash and assets to secure the level of lending we needed. Through the help of SBA, we were
able to secure the funding we needed. In 2003 we were able to secure a loan for $150,000 from the SBA for an operating line of credit. We were able to work hard and build our company during our early years when we weren’t able to secure funds through conventional banking or fundraising. We paid our debt off early and just recently secured another note with the SBA for the purchase a building to further our growth. Last year we were able to secure a $184,000 loan to purchase a 17,000 square foot building backed by an SBA loan of $70,000.

The SBA is offering small businesses confidence in this uncertain economy. Through the SBA, we have been able to work with programs like SCORE Counselors to America’s Small Business and the Small Business Development Centers (SBDC), where we were able to access experienced support services and business advice.

Business guidance and mentoring is just as important as company finance. It is vital for a new business owner to know how to manage the company and its growth especially with all of the changing regulations and global competition. A state level program offered our growing company New Jobs Training Funds. I mention this because it is an excellent program that could be offered through the SBA. These funds allowed us to train our employees for greater efficiency and customer satisfaction. The funds allowed Tara and me to work continuously with a CEO Coach over the last two years. With our company growth over the last five years came the need to increase our management skills. Our CEO Coach has been able to work with us to help us grow to the next level. I describe our CEO Coach as a person who has “been there and done that.” His experience is vital when our company charters into new waters we have never crossed before.

I cordially ask the Committee to continue to support the Small Business Administration and its revitalization of the Small Business Workforce. As business owners, we would like to see more offered in training funds so that our workforce might be able to continue to change and adapt in an ever changing global economy. Business incubators are a tremendous place to start and nurture fledgling businesses. We did not have the opportunity to start in an incubator, but have researched the successful companies that have flourished through the use of such a facility. A company’s success is almost guaranteed when the company starts in a business incubator. Also, an option for a “low income housing” type of structure for office/warehouse space could help companies grow and expand as well. The right sized office to accommodate growth that fits into a startup company’s budget is critical. Our company out-grew its office/warehouse space three years in a row before it finally set up residence in an old furniture and appliance store building.

Thank you again for the opportunity to address this committee and testify on behalf of the “Small Business Heroes.” I would be pleased to answer any questions you may have.

Rob Hach
President
Anemometry Specialists, Inc.
Testimony for Small Business Heroes

Wendy Martin • House Committee on Small Business • 26 May 2010

Madam Chairwoman, Ranking Member Graves and Congressman Gohmert, thank you for inviting me to testify today.

Martin Publishing of Haines, Hines, consists of two newspapers and a printing company. One of the newspapers is over 100 years old, and the other is 105 this year—and it has always been in the same family. Printing, of course, has always been a complementary business for newspapers.

My husband and I have been working together for 36 years, although he’s got a few more years on me in my field. His first job at the newspaper was sweeping floors when he was seven. He says they called that individual morality when I first started. I still had a Linotype operator and the headlines were cast in his lead.

In 1974, who could have imagined personal computers much less Google and Yahoo and “news aggregation.” For those and a variety of other reasons, the newspaper industry has changed dramatically in recent years.

For one, it is to our advantage to be the small, hometown paper. Our news is all local, and our readers depend on us to cover the schools, City Council, 4-H’ers, and just things that matter to them. Industry-wide circulation has taken a hit, but ours has been holding its own. We say we’re kind of like you folks. We’ve been elected every two years. Our readers vote on us every year when they get their subscription renewal notices.

The world around us is changing, and we have always opted to change with it, updating equipment and processes. In the next few weeks, we will complete the launch of our new Internet editions of the newspapers.

Our mission is to provide the best local news coverage we can. But the success of our business really depends on our customer—our small, local businesses. Many of them are just like us: small, local entrepreneurs operating in the local community that we serve.

One of the things that we are pleased to be a part of is a program called Shop Haines to support our community of $5000.

The goal was to make community aware of the difference people could make by just doing a little more shopping at home.

We calculated that if each resident just spent $2 a week more in Haines, they could make a $1 million difference in one year. This was not $20 more; just $2 that they might have spent out of town instead. In addition to promoting it heavily in the newspaper, our printing company helped by designing decals for the doors of every business in town, and table tents so they could be placed by entry cash registers to remind shoppers that the best reason to shop Haines was that all businesses were there to serve them with personal service and high-quality goods, and that it would support local jobs and keep tax revenues at home.

We are only six months into the program, and we know already that the benefits have been incalculable. Members of our community have become more aware of the difference they can make, and the importance of shopping locally. I think that is why my successor as President of the Chamber of Commerce opened a new business downtown, why the owners of the restaurants that burnt to the ground last year invested their money in the community and built a new restaurant, and named it the "Phoenix" another downtown business has expanded. We even attracted a new Mexican restaurant.

I talked today about the newspaper side of the business, and what we have done to try to ensure the tradition of local news continues. Our printing company weathered the storm of desktop publishing, but the overall health of the newspaper industry has taken its toll. At one time we had more than 50 employees and printed more than two dozen different newspapers. Today we do about half of that. Because we do both newspaper printing and what is called sheet-fed printing, we have been able to show our remaining print customers ways we can help them put out their products more economically and still look sharp.

But we’ve also taken a different tack, and diversified this past year by opening a new business, the Squealer Press, which provides a solution to set and print. We have five employees, and were able to launch this company with the help of a low interest USDA loan.

It’s been especially rainy in our neck of the woods so the timing was good on this, and maybe by the time these things start to dry out again, the economy will have gained back its strength.

In my role as a one-time chairman of the Haines Planning and Ad Hoc Community and Economic Development Organization, President of the Chamber, and local newspaper reporter, I am probably more aware than most of the many different federally-funded programs that have benefited or can benefit the businesses in our communities. The Small Business Administration has a gentleman who helps folks write business plans and receive federal money was involved in the program that helped us create Shop Haines; we have a brand spanking new National Scenic Byway that is expected to promote visits for commerce as well as for tourists; Congress’ continued support for these programs and others like them is essential.

I want to conclude by telling you how grateful we are to live and work in a country where freedom of the press is cherished and small businesses are valued. Thank you very much.
Testimony
Of
Maria E. Martinez
on behalf of the
U.S. Women’s Chamber of Commerce

Before the House Small Business Committee
Heroes of Small Business
Wednesday, May 26, 2010 at 10:00 am
Rayburn House Office Building

Chairwoman Velázquez, Ranking Member Graves, Members of the Committee. I am here today as a member of the U.S. Women’s Chamber of Commerce representing our 500,000 members, three-quarters of whom are American small business leaders and heroes.

I am Maria E. Martinez, founder of Naturally Green Products.

Naturally Green Products manufactures and distributes the most comprehensive line of D/E “GREEN” formulated cleaning products and EPA registered disinfectants for all cleaning requirements, facilities and industries in the commercial marketplace.

Naturally Green Products is my labor of love. It is a culmination of two decades of hands-on experience in the cleaning environment, and a lifetime of taking calculated risks based on pure adrenaline, fueled by my desires and dreams.

The question I repeatedly hear is; “What motivated you to create these products?”

My standard reply to any challenge is; “When all else fails, create your own solution”. The follow-up to that is “out of sheer frustration”, which I’ll clarify later in this presentation.

I am a Minority Woman with three decades of entrepreneurial experience.

Like everything else in life, your success or failure depends largely on how you internalize challenges. In my case, I believe in a positive mental attitude and never accepting NO for an answer. As a child, that brought distress to my parents. They often said I should become a lawyer, because when they said NO, I argued my case until I wore them out. But, as an adult woman, with many obstacles to constantly overcome, I became astute in my desire to prove that I CAN and I WILL overcome whatever is thrown before me.

To begin, I was born in Havana, Cuba. My love of life, taking risks, overcoming obstacles, and the belief that “anything is possible” came from my father—a talented Terrazzo mechanic, as it was called then. He always told me that “If you are going to be a garbage collector, then be the
BEST garbage collector.” My mother, on the other hand was our rock of Gibraltar, a loving, nonjudgmental woman that supported everything we intended to do.

In 1956 a business man from Sarasota, FL offered my father an opportunity to work in the USA and Dad accepted. Nine months later, my mother, sister and I joined my father in a new life that offered limitless opportunities. It was a magical playground for us, and set the direction for my life’s path.

In 1993, with a Small Business Administration (SBA) backed loan, I purchased a commercial janitorial company.

Because of my Hispanic origin, I was able to certify my business as a Woman Minority Business Enterprise with the National Minority Supplier Development Council. This organization made it possible to network with prime contractors to the government, and large corporations with minority initiatives. Through that organization and my certifications, I received opportunities to bid on large contracts and was awarded my fair share.

My company possessed a Secret Clearance status which allowed me to bid on projects of the caliber I desired. Within a few years, my company had grown to employ 400 plus individuals, and a varied customer base. I was fortunate to have earned a reputation of providing quality work, excellent customer service and hard-working, devoted employees, which gave my customers a sense of security. My company kept growing through referrals and networking through the NMSDC.

During the growth years, I purchased a small office building with an SBA 7(a) program loan.

In 2003, I was granted an 8(a) and Small Disadvantage Business certification through the SBA. I also became certified as a HUBZone business enterprise, which, when added to the already existing certifications, I became an asset of great value to my customers.

What distressed me in business – was that a WOMAN business owner received no consideration, unless they were a minority. The SBA didn’t have any programs for women, unless you were within the acceptable minority categories. Needless to say, I am grateful that I am a minority woman.

After the disaster of September 11, 2001, my business took a down turn. I was told of an SBA Disaster Relief Loan. I applied and was granted the loan, which helped stabilize my company.

From 1999 to 2006 – my company serviced the janitorial, relocation and CAD design needs of Northrop Grumman Corporation in Melbourne, Florida. The staff at Northrop Grumman made us feel part of their family – a mutual respect grew. During the Hurricane disasters of 2003/2004, the procurement building at their facility was devastated by high winds and rain and the roof detached, flooding the building with two feet of water. My company immediately responded and relocated all furniture, equipment and files to a dry facility and began the process of drying out the building while the roofers worked their magic. Our rapid response saved important files from being lost and the staff was able to return to their offices within two weeks.
In October and December of 2004, I was honored with two very prestigious awards from Northrop Grumman Corporate:

- Supplier of the Year Award
- World Class Team Award

These two awards opened doors for my company. In April of 2005 I was invited to bid on an unprecedented janitorial contract possibility worth $17 million per year. I partnered with a larger firm with strong financials and experience. Out of 11 bidders, we were chosen for the final three to provide our best and final pricing. Although the incumbent won that award, it was a milestone for my company.

Talk had begun on cleaning for a healthier environment. In those days, I searched for cleaning products and equipment that would help in this effort, but to no avail. The marketplace didn’t seem to take this too seriously.

In late 2007, I experienced a truly ‘green’ building. A Leadership in Energy and Environmental Design (LEED), a Gold Certified building, which had indoor air quality sensors and alarms throughout the building. These sensors picked up any volatile organic compounds in the air and set off an alarm. Again, I searched for products that would meet such cleaning and indoor air quality requirements. I used various products that lay claim to being ‘green’, as well as, those that were certified with a popular third party certifier, but all of them set off those alarms.

**Out of sheer frustration,** I proclaimed to find a chemical engineer that could help me create a line of cleaning products that could be used in these buildings – products that were truly ‘green’.

Within the week, a business contact made me aware of a chemical engineer who has his own manufacturing plant. We met, we talked and that was the beginning of a beautiful partnership.

The process of creating, formulating, testing and certifying these products took two years. We chose the EPA’s program for ‘green’ chemistry- DfE (Design for the Environment) because we found that they have the strictest requirements with regards to solvents.

I’ve borne a new company with new challenges to face and overcome. Such as:

- The EPA’s/ DfE program for ‘green’ chemistry is not recognized within the USA as a viable certifying entity among large institutions, including government agencies.
- The Nonprofit organization, ‘Green Seal’ has a significant market share among large institutional purchasers and government agencies. Green Seal has a strong marketing arm that is actively promoting their certifications. Green Seal is not Small Business friendly. Their fees are $3,500 per product for the entry level pricing.
The economic crisis has made it impossible to attain banking support, even with the backing of the SBA.

Companies claiming to be "green", but aren't. We call that 'green-washing'.

This adventure of Naturally Green Products is a blessing in my life and I am grateful to have these challenges to address.

Helpful and passionate people have always been available to me throughout my career. They have made the journey a joy.

Thank you, ladies and gentlemen, for allowing me this time with you.
Capitol Hill Speech

HIT was started in 2005 as a one-person company dedicated to improving healthcare through the use of information technology. As a service-oriented company with just me as its employee, HIT did not require a lot of start-up capital. It did, however, entail enormous risk. Leaving a stable, well-paying job required strength and patience, as well as the patience and trust of my wife and family. I worked hard to attract clients, build a solid reputation, and hire employees who shared my vision and who were also willing to risk coming to work for a small company. Just 3 years after its inception, HIT was recognized as one of the 50 fastest growing, privately held companies in the Greater Philadelphia Region.

HIT soon became a leading partner of Siemens, one of the 3 largest global healthcare technology companies. Through our work in hospitals across the US and Canada we saw the need for better communication of critical test results, a critical requirement for the safe and effective care of patients. Thus, HIT decided to start developing its own software and in about 12 months, HIT released Notifi, a critical result communication tool used in hospitals. Notifi improves physician workflow by automating the communication between care providers and it also improves patient safety by avoiding a communication breakdown, which is the cause of 65% of sentinel events. We also developed CareFlow, an electronic medical records program used in health centers and concierge medicine clinics. In that time, we grew from 6 employees to 30. Twenty percent of those employees were people previously laid off by large companies, and another 25 percent were individuals hired upon graduation after interning for HIT.

Even with tremendous growth, the past two years have been a financial struggle caused, in part, by two main barriers. The first is the uncertainty surrounding healthcare reform. Healthcare entities have been, and continue to be cautious in their spending until a determination can be made as to the impact of reform will be on their finance and operations. In addition, the current recession has hurt hospitals and other medical facilities, reducing patient visits, especially for elective surgeries. This has caused these institutions to put a hold to many projects until the financial outlook improves.

In addition to sustaining growth, HIT, like all other small businesses, faces a second challenge: funding the business. HIT lives by the mantra "focused, flexible, fast and fun." In order to achieve that mantra we need the right employees, employees who believe in our mission and are willing to work hard and share our challenges. Thus, personnel is our biggest expense. Payroll, coupled with rising insurance costs, robs our profitability, taking a toll on our ability to fund the company. This is compounded by the fact that capital is very hard to come by these days.

Once we started developing software, funding became a different challenge. Now HIT was faced with the need for a lot of up-front capital for a potential payoff much further down the road. I funded the company by liquidating my retirement savings while also using the revenue from the consulting business. I also sold shares to friends and family and raised an additional $1.3 million. Even that was not enough, so we started to look for bank funding. We quickly found out that we did not have enough
collateral to obtain a loan large enough to meet our needs, so we turned to the SBA program.

HIT was one of the lucky companies. With the help of Congressman Sestak’s office, we were able to obtain an SBA loan, but it took quite a long time. After a year of searching for a bank to help us, we found Conestoga Bank and Morgan Johns through the Southeastern Economic Development Company of Pennsylvania. That SBA loan propelled our business to where we are today, which is on the precipice of phenomenal growth that will require us to increase staffing and find more capital.

Our SBA experience proved to us that most banks don’t have enough knowledge or the ability to handle the many complexities of the SBA program, so it would be my suggestion that banks become better aware of the different programs through education provided by the Small Business Administration. Hopefully, with better awareness, other small businesses can obtain lending. In financing small businesses, America can hope to restore national prosperity and give individuals – people just like me – a shot at living the American dream.
U.S. House of Representatives
Committee on Small Business

Hearing entitled: “Heroes of Small Business.”

Testimony on behalf of Wallace and Pancher, Inc.
Prepared by: Daniel P. Wallace, P.E. and Brian K. Pancher

The Beginning
Daniel P. Wallace, P.E. (a Civil Engineer) and Brian K. Pancher (a Wildlife and Fisheries Biologist) established their company, Wallace & Pancher, Inc. (WPI) on August 27, 2001, just two (2) weeks before September 11 changed the world. As that crisis shook the nation and world, Brian and Dan were told by many people that now wasn’t the time to leave a secure position with a nationally rated engineering company and that we were “crazy” for starting a company during those troubled times. But that didn’t deter them and WPI started their journey on October 6, 2001 in a corner of Dan’s basement. With one (1) old computer, two (2) desks and a Big Idea we knew we had something special in friendship and the ability to combine our expertise, experiences and backgrounds to solve problems for our clients.

Our mission was and still is to bridge the gap between engineering and ecology and to help developers and project stakeholders create projects that result in the least amount of impact to the environment while achieving their goals.

We began to call our network of contacts made through our previous employment to try and secure some work during the beginning days of the business, when survival is most difficult and the difference between “making it” and “not making it” can be decided by a couple of hundred bucks. One by one we were told that none of our past contacts had any work for us, but would keep us in mind if opportunities were presented. We learned very quickly that we needed to take a different approach – “Build a new clientele originating out of our own efforts entirely.” The thought of failure never really crossed our minds. We knew we would make it, that wasn’t the issue; it was really a question of “How long would that take?”

The Rough Years
Brian and Dan pooled their limited financial resources together to keep the meager company operations moving forward. Our family lifestyles changed dramatically to adjust to the lack of income. Over the first two (2) years we put ourselves in front of developers, did some free work when needed, volunteered in West Virginia to survey a stream and trained employees of a state government agency on stream dynamics, and gave numerous presentations at conferences, workshops, and companies on Natural Stream Channel Design and wetland ecology, state and Federal permitting, etc.
The work began coming in slowly and the word NO was not in our vocabulary. By working together and with our clients, we improved their projects and helped them to save money, in some cases significant money. Our small base of clients began telling others of their experience with WPI and the word began spreading.....and we kept doing presentations.

The year 2003 was probably the most difficult, as any financial resources we had to start the company were depleted by the end of 2002. The small amount of income during 2002 was used, in part, to purchase a second computer and send Dan to specialized training for Natural Stream Channel Design. Traveling to Florida, North Carolina and Colorado (twice) to complete the four (4) levels of training was expensive, but necessary for the growth of the business. Cheap hotels and peanut and butter sandwiches kept the costs to a minimum.

The work kept coming in and we finally reached a point where help was needed to meet the demand and on November 3rd, 2003 we hired our first employee (who is still with us today). Occupying more of Dan’s basement, our company began to grow and our revenues quadrupled from 2002.

Moving Out of the Basement
Business continued to grow with new clients and work within well established sectors emerged, more precisely, the Energy sector. While lecturing at a professional conference we made a new contact within the underground coal mining industry from Southwest Pennsylvania. As a result of this contact and continued growth with our existing clients, our workload increased and revenues quadrupled again in 2004. By the end of 2004, we had hired another employee and ran out of room in the basement. By August 2005 we reached an important milestone in WPI’s growth and development, as we finally moved out of Dan’s basement and into a small house that we remodeled for office use.

Business Development and Growth
Brian and Dan continued to hire employees, work long hours, and meet new people, a number of which turned into clients. Diversifying our business was a key component to our growth and somewhere in 2004 we started providing construction services to ensure that our stream and wetland designs would be built correctly. Those efforts marked the beginning of WPI’s Construction Division. Starting very small the construction work began coming in, with Brian and Dan learning how to operate bulldozers and excavators, dump trucks and skid loaders, at the same time meeting the needs of the environmental and engineering consulting work.

By the end of 2005, it was evident that construction employees were needed to meet the apparent demand for 2006. Our first full time construction employee was hired in February 2006 and he maintained the same client dedication enabling us to solve their project related issues and save them money.....the work continued to come in. The 2005 revenues remained flat compared to
the previous year and it was evident that we would not increase our revenues without hiring additional employees to meet the demand. We were essentially working as many hours and generating as much revenue as a few individuals could possibly attain. If we were going to really continue to grow, we knew that we would need to hire additional help.

Once again, we began hiring additional staff and the 2006 revenues almost tripled compared to 2005. Maintaining a focus on customer service and commitment was essential as we continued to staff up with younger employees, most of them just out of college. After a time it became apparent that we needed to hire older, more experienced personnel to teach and manage the younger staff.

2008 Economic Collapse
The summer of 2008 began the downward spiral of the U.S. economy with the housing market beginning the collapse. September 2008 brought on the bailout of Fannie Mae and Freddie Mac and the eventual bankruptcy of Lehman Brothers. Much has been debated about the who’s, what’s, why’s, and where’s of the U.S. recession that followed and the government bailouts of many large companies, but WPI kept on building. If we were going to focus on what was going on around us then we’d probably have trouble sleeping at night for fear that our business was going to be the next to collapse, so we looked the other way and maintained our focus and commitment to filling the niche we set out to build a business around.

The turmoil in the U.S. economy lead to many companies pulling back on spending, laying off employees, or going out of business. The whole economy seemed to come to a standstill while government officials and business leaders argued over who was at fault. Meanwhile, we kept focused on our clients’ needs, customer service, and diversifying our services. Our revenues rose 32% in 2008 over 2007 and we hired 10 additional employees.

WPI’s Current Business Conditions
We can summarize 2009 as a breakout year for WPI. The most noted accomplishment of 2009 was when WPI was awarded a service contract from two major long-wall mining operations to monitor stream condition and flow of hundreds of miles of stream located above their underground long-wall mining operations. We ignored negative economic news that was still prevalent in the headlines and hired an additional 31 employees throughout 2009 to meet our growing customer demands and our 2009 revenues rose 53% over 2008.

As the economic recession shows modest signs of improvement and even some positive growth, it appears that the worst may be over and economic recovery may be on the way.

Now that we are almost midway through 2010, we have hired approximately 20 new employees this year (for a total of 80) and continue to recognize and create new opportunities for continued
business growth and development. By continuing to reinvest the profits back into the company, we are able to hire employees, we purchased our 35th vehicle, opened our second and third offices in less than a year, continue to give employees raises that far exceed the national average, provide healthcare and other benefits to help improve the lives and families of our employees.

How The Government Can Help Us

It is a fact that small businesses employ a vast majority of America’s work force, yet we constantly feel that we are being penalized for being successful. America was built on small businesses like ourselves...starting out of a garage (or in our case a basement) and building a business that provides good-paying jobs for productive families in our working neighborhoods. Often it seems as if the federal government penalizes this success by imposing high taxes and exorbitant healthcare fees that stymie a small businesses growth and potential.

Imposing exorbitant taxes and having the Federal government spread the money back through the system doesn’t work because they are often out-of-touch with where and how jobs can be created and the means to accomplish these objectives in the various work environments. It is the small business entrepreneur doing battle each day in the trenches of America’s workforce...through good times and bad and through all fluctuations of public perception that has their finger on the pulse of the working American. It is difficult for a small business to incur the high costs of domestic and professional insurances and out-of-this-world legal fees all for the sake of protecting ourselves from the “unknowns” of being sued by anyone at anytime. We need to consult with lawyers for anything we do and need accountants to navigate the complex tax rules. Why should the burden be so hard for a small business to grow, given that this is where true economic recovery stems from?

Specifically, the accountants show us that the profits at December 31 are split and transferred to our personal tax return and we pay taxes on that amount, but we never received the money in a paycheck or distribution. By April 15th, those profits have been used for equipment, payroll, supplies, etc. etc., and we have to borrow money from the bank to pay the taxes on those profits. This does not make sense, as the taxes we had to pay last year could have been used to hire three (3) additional employees, or purchase five (5) vehicles.

Healthcare costs are another area that will potentially bury a small business. Each year the costs continue to rise, with no increase in the services we receive. More of those profits are needed to meet that obligation, again hindering the reinvestment into the company for more employees, vehicles, and supplies. In addition the federal government is attempting to tell us who to cover, how much and what types of coverage we need to provide. These decisions should be left to small business owners who risked starting their companies in the first place. If we are going to keep and maintain quality employees, then business owners will, by the nature of business
competition and free enterprise, provide benefits that compete with other companies. This competition breeds quality in the workplace…not over-regulation.

We ask Congress to pay more attention to small business and help to create the tax, healthcare, and other regulations that will enhance the ability for small businesses to be the “tip of the spear” in the economic recovery and continued prosperity of America.

WPI Services

ENGINEERING
Commercial & Residential Design
Property, Topographic & Plat Surveys
Stormwater Management
Well Pad & Access Road Design
Natural Stream Channel Design
Erosion & Sediment Control Design
NPDES Permitting

ENVIRONMENTAL
Wetland Delineation
Ecological Assessments
Federal and State Permitting
Stream & Wetland Mitigation &
Restoration
Macroinvertebrate Laboratory
Water Quality & Aquatic Studies

CONSTRUCTION & LANDSCAPING
Stream & Wetland Construction
Landscape and Hardscapes
Landscape Maintenance
Native Tree & Shrub Planting
Construction Site Restoration
Seeding and Mulching
Steel Building Construction
Commercial Roofing

GEOGRAPHIC INFORMATION SYSTEMS
Custom Web Application Development
Data Inventory, Assessment & Planning
Data Management, Mapping & Presentation
Feasibility Studies
Database Design & Implementation
GPS Field Data Collection
GIS Programming
Spatial/Statistical Analysis
Written Testimony
United States House of Representatives
Committee on Small Business

May 26th, 2010

Mr. Brian Greenley, President of Greenley Enterprises Corp, DBA Maaco Auto Painting & Body Works
Littleton Colorado
Thank you Chairwoman Velazquez, Ranking Member Graves and Congressman Coffman for inviting me to testify today.

My name is Brian Greenley, and I am the owner of Maaco Collision Repair and Auto Painting in Littleton Colorado. Maaco, has 475 stores nationwide and is the largest chain of its kind. My franchise provides an economical choice to consumers for auto paint and collision repair. I purchased my franchise in 1991, at the age of twenty one. I am proud to say that my company has showed growth every year, except one, over the past twenty years. I started my business with six employees, and annual sales of $400,000.00. Today, I employee 31 full time employees, and my annual sales have reached $3.7 million. Nationwide there are 900,000 franchised small businesses employing nearly 21 million workers.

It is not my position today to convince you of the importance of small business, but to explain what makes my business successful.

It did not take long for me to understand that my service competes for discretionary income. My customers have a choice of how and where they spend their money. One key factor is to maintain a cost effective service that delivers quality, convenience and, most importantly, value. Positioning value over the years has been difficult, with rising labor costs, payroll taxes, costs of goods, utilities, property and personal income taxes. One way I have overcome these obstacles has been to increase productivity levels through streamline production methods and a strong emphasis on advertising and customer retention. I have always reinvested profits into my business for additional advertising, expansion, and quality staffing.
Early in my career, I purchased a plot of land and constructed a state of the art facility. This was done with the assistance of a SBA 504 Loan in 1997. With this assistance, I was able to achieve my goals of increased revenues, while expanding my staff and adding new products and services, at the same time striving to control costs. I believe SBA is a crucial source of funds necessary in maintaining a growing small business community that can continue to add jobs, which is so crucial to the economy, especially today.

As I have expanded my business, I have learned the importance of positioning and leveraging my brand, personal relationships, and buying power to maintain costs. One area of concern is the rising cost of labor which has more than doubled in the past twenty years. Along with labor costs, higher payroll taxes and workers comp insurance have made it difficult to maintain healthy gross margins.

As a retailer of a most competitively priced product and service, I have had to lower my gross margins in order to increase revenue. One example is maintaining the lowest advertised price for my entry level paint service. In 1991, this service was advertised for $199.00, today it is advertised for $249.00. This is only a 25% increase. Advertising and promoting my business is essential in the success I have achieved year after year. I have increased my advertising budget by more than 10% and have managed to increase gross sales by 5% following a record year in 2009.

It’s only through my ability to aggressively increase customer count that I can keep by business successful, but constantly rising costs make it more difficult to provide value for customers. I would therefore respectively ask legislators to understand the impact any legislation has
on the job-creating small business community, for example, higher
taxes, national health care reform and legislation such as the Employee
Free Choice Act.

Even with increased sales, profit margins remain a challenge to
maintain. With small businesses tax incentives, we would able to invest
in our own companies. I have made that choice, to keep my employees
who have invested many years of their time. It is not my intention to
reduce costs by cutting jobs. Even during the economic slow-down I
have not had to reduce my workforce by one person. I strive to find
competitive advantages and share ideas with employees and fellow
franchise owners, and look forward to continued growth. I ask Congress
to embrace those of us willing to invest everything we have to make
our companies and grow our businesses. I believe the administration
has not placed enough focus on making life a little easier for small
business owners, such as myself. A bailout or handout is not what
we’re looking for. But the policies recently enacted or still being
debated, from health care reform to climate change and financial
reform, do not from my perspective help small businesses.

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

At this time I welcome any questions.
Chairman Velazquez,

Ranking member Graves,

Congresswomen Bean

and distinguished committee members; thank you for inviting me to share my business journey with you.

I am honored and humbled to be here today.

I grew up in a small town and like many, I LOVE the movies — at times, my life seems like a movie.

In fact, I feel a strong kinship with Forrest Gump-in that you never know what you are capable of until you try.

When I was a child I was always trying something. I interviewed the new tenants of the first 3 story office building in our neighborhood and sold a mini newspaper to the neighbors.

At fourteen I created a neighborhood carnival. It was a fun filled day of wheel barrel rides, downhill barrel rolls, bucket tosses and more. All of the kids from my neighborhood stood in line to take their turn and win a prize.

My dad watched me work as hard as I could to pull this off.

At the end of the day, and after I invested all of my babysitting money, he asked how much money I had made.

I was embarrassed to tell him, I said, ... “Uh, nothing”.... but enthusiastically told him how much fun it was, the kids loved the rides, balloons, games and prizes for all - and that it didn’t really matter — everyone had fun.

He paused, looked at me as he slowly pulled a crisp $20 bill out of his wallet, and with his huge smile and a twinkle in his eye said, “Cindy there are times in life when business isn’t only about profits or yourself”

I saw that day the importance of fun in creating memories. I used that $20 to contribute to my next venture.

I believe that is the first day I understood how business could build a community.
My Real Estate Career began after my children arrived. Like many small communities, McHenry’s downtown had been impacted by the new “big box” stores and their ability to offer a bigger selection at lower prices; store fronts were struggling and beginning to look run down, many had closed.

I saw an opportunity. My mother, sisters and I became “purveyors of resale home furnishings”, opening our first retail venture. This allowed me to purchase and renovate the building which sits proudly on the corner of Main St. and Route 31 in downtown McHenry. Customers flocked, I received a facade grant towards the improvements and the building was featured on the city sticker for the year. This is when I understood how a community could help build a business.

After a few years, my entrepreneurial spirit got the best of me once again when one day I saw a sign “for sale or lease” on the closed downtown movie theatre.

I drove the building owner crazy. I called, left messages—and finally convinced him to let us host an Oscar Party at the theatre. More importantly it would be an opportunity to possibly reopen the theatre which could act as a lynch pin to help bring families into the downtown.

Families’ downtown meant money spent in our downtown. McHenry was ready... We were willing. Both the city and the community have supported us throughout our journey, and the man I drove crazy - has since become a special mentor.

With the help of the SBA 504 loan we were able to purchase the McHenry downtown theater, and later the Antioch theater.

Today “C” You At The Movies, Inc. operates 4 indoor locations and one of the 12 remaining drive-ins in Illinois. We may not have the newest equipment or the latest innovations; 3-D at this time is a dream— which incidentally is the reason for our industries record breaking year.

But our customers are loyal- we have watched children grow up... Families come back because we offer a fun, safe, family friendly and affordable movie going experience which is close to home. Affordable fun that builds memories.

We offer the “C” Team— Employees committed to exceptional customer service. Our Company is a growing family of over 50 employees from within our communities. These are the hardest working— most loyal young men and women, which I am proud to say, are a part of my team. They are learning skills— public speaking, cash handling, conflict resolution and customer service— that will serve them throughout their lives.

In recent years, I have faced a family health crisis, the economic turn and the steep learning curve of the movie industry.
Maneuvering thru the challenges of operating a small business in today’s unique and ever changing environment is difficult.

Banks are not lending.

Cash flow is growing tighter by the day, and the fear of the unknown is of great concern.

Last year, I realized I needed some help. Never one to shy away from learning what I don’t know I went to the McHenry County College’s Small Business Development Center.

I met with the Director Mary Margaret Maule. As she is fondly referred, very politely but directly told me I needed to improve my skills and put processes in place in order to keep up with a growing company. We learned to improve our cash flow by reducing the waste within our company and to make decisions using metrics that mattered.

My work with the ISBDC has helped me to established better business practices, processes to increase the efficiency and communication tools to work with my employees, suppliers and banks. We have and will continue to attend several classes, workshops, meet one on one with experts and mentors to grow our business, improve our technology and work in a more stable environment.

Today- I am looking towards the next great cinematic event for our company. We are once again entering into a growth phase and in the coming year hope to acquire another small downtown theater. We are working with two communities on projects to expand our properties in part of a larger downtown revitalization.

We work daily to continue to meet the growing needs of our customers.

Being a small business owner can often be a lonely role- but I have found my success has been due to the help of many; my husband Danny, my Family, - my Friend and General Operations Director Scott Dehn, the SBA, the economic development teams of the communities I operate in and the resources of the SBDC.

My company is built on the premise that if you make things fun…. Affordable and from the heart… customers will come. If you run your company efficiently and seek resources to strengthen the areas you may not excel in… your business will thrive.

Back to my favorite movie Life IS like a box of chocolates –

But I say pick the popcorn and I’ll “C” you at the movies.
I am President and CEO of Accipiter Systems. Accipiter Systems is in its eighth year building computer networking product for the networks of the future. The products we build connect your computers to those of others with greater energy efficiency than is possible today.

When I lost my job nearly eight years ago in 2002 during the downturn in the Telecom industry, I was a Director of Engineering at Marconi Communications. I knew employment opportunities were sparse, but I needed to find employment to continue to provide for my wife and three children.

But the problem was bigger than just me becoming unemployed. As a Director, nearly my entire staff of 75 people was permanently laid off. This was not one family that was affected, it was many families. I knew the people that worked for me were talented and hardworking. Although I was confident that each individually could find a job even in a difficult market, the layoff probably meant many families would be uprooted.

I thought there had to be a better way. Rather than solve the employment problem as individuals, why not form ourselves into a team, attract business and create our own jobs? The days of Edison where lone innovators created ideas and the associated wealth are in the past. Today, innovations and incomes are the product of teams. If we were willing to form ourselves into a team, this team with its talents could compete nationally and even internationally. We have that kind of talent in this country. The team is the catalyst. Rather than uproot the families, let’s uproot the revenues and bring the revenues to this team and their families. This was the thinking. This team became Accipiter Systems.

But we had to think even more creatively than this as 2002 was not like the years past. Venture Capital money was scarce. The founders were not wealthy. How could we start a business without funding?

Rather than strike a product idea, attract Venture Capital and explode onto center stage, we instead chose to build the company one contract, one grant at a time. We needed first to sell ourselves based on our engineering skills and grow through contract engineering services. We wrote proposals to win grants. When our early proposals were rejected, we regrouped and tried again until we were successful. We augmented existing company teams with our unique expertise and helped them increase their revenues. Soon we were helping Lockheed Martin, Ericsson, Marconi and other large companies win $15M and $22M contracts. It was now their insight and willingness to team with small businesses that allowed them to win. But we were not done growing by teaming, yet.

From the contract engineering services business, we were able to discover new product ideas. Rather than brainstorm product ideas in isolation at the often referred to “kitchen table”, we worked with real customers who had real problems that needed to be solved. Through this process, the product ideas emerged. This was a different way of thinking from the 1990s. We chose to go to the customer and listen to their needs.

In 2006, with the Army, the Penn State Electro-Optics Center, the Government and others working together and each performing their respective roles, we began the development of a new technology that connects computers with much greater efficiency than that which is possible today. This new technology has attracted contracts from the Army, DARPA and NAVAIR. In a difficult economy, we have doubled the number of people we employ, and have a promising future as a team. Accipiter Systems’ employees have believed as a team, have worked as a team, and are succeeding as a team. I am confident that this team will grow, continue to add jobs, and will meet tomorrow’s challenges in building computer networking products that will compete world-wide.

Don Flynn
President and CEO
Accipiter Systems, Inc.
Statement of Lea Bailes
President, Guier Fence

Before the House Small Business Committee

Hearing on *Status of Small Businesses*

May 26, 2010
My company, Guier Fence, is a thirty-one year old family-owned business specializing in fence installations in the Kansas City area, and now offering franchise opportunities based on our years of expertise and perfected business model.

This topic up for discussion today directly affects me as, in our industry, there are over 20,000 fence companies. Most companies are small with few, if any, employees and with revenues in the neighborhood of $10 million and 54 employees, Guier Fence is at the top 1% of fence companies in the United States.

Despite the economic downturn, our company has remained financially solid and profitable. Our success comes directly through the individual effort, talent, and commitment of each of our employees who contributes to our reputation for excellence in our market area and in our industry. However, from May 2009 through February of 2010, our employee count dropped from 74 to 50. Many of these wonderful people worked for Guier Fence for years, and I knew each of them personally. I knew their families and the challenges they were going to face because of decisions I was forced to make. Our headcount dropped dramatically due to a 10% drop in revenue coupled with decreasing profit margins. As a company, we had to make that decision to allow our company to survive in this turbulent environment.

Fortunately, this year, Guier Fence has been able to hire an additional 10 people due to an increased demand in residential fence installations. We received no government funding in order to do this; not even a pat on the back or a thank you, but through Guier Fence’s efforts alone.

Although our company is stable and our employee count is increasing, our challenges have not ended:

Banking regulations have disabled the bank system’s ability to loan money toward commercial and industrial projects. Without commercial and industrial projects, companies such as ours that have historically relied on revenue from such projects will be hurt. Without these projects, we are unable to employee workers. In addition, the tightening of lending is making it more difficult for our potential franchisees to start businesses that would employee more people. The loosening of these regulations as they relate to small business is critical.

Per employee costs are rising. These costs include costs related to health insurance, benefits, workers compensation, employment taxes, and other compliance costs. Federal regulations continue to increase the financial burden on small businesses, especially on small businesses with greater than 50 employees. This arbitrary number will do more harm that good when it comes to employing people. By placing standards on such businesses, we will be forced to make decisions based on our headcount. You are punishing us. If at under 50 employees our cost per employee are substantially lower, we will scale our business to avoid these regulatory burdens
which will cause the elimination of some jobs. The trend of adding regulatory costs to each employee will result in the degeneration of small businesses and the dissolution of jobs.

Additionally, this undue regulatory burden on small business takes away our focus on our business. We have to hire employees and other professionals to just maintain regulatory compliance for a promised audit or compliance check. Unfortunately, we are not in a position to read and reflect on the Code of Federal Regulations. It has come to the point that if we do not research daily the upcoming rules and regulations, we may miss a critical compliance point and be penalized at some point for our ignorance. And, as you all know, ignorance is not an excuse for violating the law. At Guier Fence, we run our business ethically and responsibly, and would in no way intend to violate a rule or regulation. With the enormous quantity of rules and regulations, violations are likely and imminent.

I am unclear on what effect certain new laws will have on my business anyway. I have no idea whether our healthcare costs are going to rise or fall. I have no idea whether our income taxes are going up or down. I have no idea whether or not the administration intends to pass legislation regarding a value added tax. Congress and this administration put uncertainty in the eyes of business owners, which may be worse than laws that have a negative impact, simply because we cannot make decisions on uncertainty.

I am certain that the implementation of a value added tax or something similar will greatly affect the construction industry as a whole. If a tax is placed on each level of production, building costs will escalate to a point where the projects will no longer be economically feasible. A lack of projects equals a lack of jobs.

If you just read a summary of popular business books and advice, employees are supposed to be a business' greatest assets. My personal philosophy is that this is true. The true defining characteristic of a business is its culture. Culture is made up of people who bring with them various gifts, talents, skill and abilities. The individual strengths of each employee make you more successful than the next company. However, increasing costs per employee, lower revenue and margin per employee, and government regulations and requirements, cause each employee to be more of a liability than an asset. Each employee must produce more in order to be of value. In all honesty, these regulations imposed on small businesses take the fun out of being an employer. Rather than focusing on how to gain efficiency from each employee, I would rather focus on how Guier Fence is able to provide for them and their family.

Why should we grow? What incentive do we as business owners have to employee people?

In order to assist small businesses, please do not increase the number of rules and regulations that apply to small businesses. Please simplify the rules and regulations that currently exist to
allow us the opportunity to comply without the need to hire expensive consultants to assist us. Inform us, educate us, and work with us. Do not raise our taxes. Do not impose a value added tax. Enforce the rules that already exist to take away businesses that intentionally violate the rules in order to get ahead.
Madam Chairwoman, thank you for calling this hearing to honor entrepreneurs during Small Business Week. A special thanks to our witnesses, who have traveled from all over the country and taken time from their businesses to be with us.

It’s no secret that small businesses are our nation’s economic powerhouse. Small businesses excel at innovation, creativity and filling a needed niche in the marketplace. As our economy fights to stabilize and recover, we are counting on small companies to put our country back on the path to prosperity.

However, the economic climate remains uncertain. Many small businesses are struggling. Last week, the Labor Department announced that new claims for unemployment benefits rose despite previous predictions to the contrary. The weak economy is putting pressure on prices and sales are lackluster. According to the National Federation of Independent Business, more small businesses plan to eliminate jobs than create them over the next three months.
At the same time, a flood of mandates, regulations and additional taxes threaten small businesses' ability to grow or even survive. The new health care law, proposed climate change legislation, stricter environmental regulations and a ballooning deficit are all economic roadblocks. These obstacles make it increasingly difficult for small businesses to help turn our economy around.

We need to get government out of the way and allow small businesses to flourish. Congress should end job-killing tax increases, reduce regulatory barriers and pass the three pending free trade agreements to help increase small business exports. Each of these steps would help to create jobs and reinvigorate the economy.

Madam Chairwoman, thank you for calling this hearing. I look forward to hearing from this impressive group of witnesses about how they have overcome the difficult economy, and become models for success.
Kurt Heckman, President
Sycamore.US, Inc.
241 East 4th St. Suite 105
Frederick, Md. 21701

www.sycamore.us

US House of Representatives
Small Business Committee

Re: Small Business Success Story

Madam Chairwoman and esteemed Members,

My name is Kurt Heckman and I am the President of Sycamore.US. Sycamore is a small business headquartered in the historic district of Frederick, Maryland. Sycamore was started in 1996 when my dear friend Jim Lockwood and I decided that we had a fighting chance to build a business of our own. It was a singularly foolish thing to do and if I had any idea of the amount of work and personal anguish it would cause, I would have run away. But like parents of a new child, we started our business with great. In hind sight, it has been hard, but very worthwhile. Sycamore is now in its 15th year and we employ over 150 employees in Maryland and Virginia, and we contribute significantly as a government contractor to the efforts of the Aerospace and Intelligence communities.

Today I would like to start by telling you about things that have helped Sycamore succeed. I'll start with a big one. Every year, Sycamore has recruited men and women straight out of college. I want to say publicly, God bless the families that invest in their children's educations. At Sycamore, some of those children are now engineers building technical systems that prevent wars and terrorism; they are building systems that advance science and mankind's knowledge of the universe. These educations have come from big universities like Virginia Tech and West Virginia, mid-sized schools like Frostburg State and Olivet Nazarene University and even from small schools like Messiah College and my Alma Mater, Eastern Nazarene College. America still has a fighting chance for a better future while good families can afford to send their children to places like these.

Sycamore has also benefited by Federal Contracts. The commercial marketplace for software services has been hammered by off-shore competition. Were it not for Sycamore's Federal contracts, we would not have survived. With all of its failings, and I could go on for hours on that point, the Federal Acquisition environment is still the most fair that I know. It's still a place where "what you know" can still overcome "who you know". Fair competitions, especially with tax payer dollars should never be linked to political connections.

Sycamore has benefited from the HUBZone program and I am proud to be part of it. Sycamore received the first HUBZone contracts at two of the major Intelligence Agencies. With these contracts, Sycamore has created great jobs in high-tech fields employing people who live in low income communities. Thank you for not eliminating the program. It's worth saving, because companies like Sycamore believe in honesty and play by the rules. I personally think that the program would clean itself up with no extra
funding if the government made it clear that cheaters would be prosecuted and permanently barred from ever doing business with the Federal Government.

For these things and your part in them, I thank you. But I would like to close by challenging you. The treasure that is America is too precious to squander, and our well being was bought by the blood of our soldiers and the sweat of our parents. In light of this, I ask you to save our future by doing three truly difficult things.

First, I ask you to fight even harder against corruption at every level. Money politics and influence-for-sale are threatening America’s fair competitive system. Corruption is illegal, immoral and terribly wasteful. Please, never turn a blind eye to it.

Second, pass laws limiting the financial liability associated with honest mistakes. McDonald’s should not have paid millions because a customer was careless with their hot coffee, doctors should not have to pay high mal-practice insurance premiums and practice defensive medicine, and none of us should have to pay high homeowners insurance costs because someone may slip on the ice at our front door. Please pass tort reform.

Third and most serious, I beg the Congress to save America’s future by eliminating deficit spending immediately, and begin to pay down the national debt. As an American businessman, tax payer, father and grandfather, that debt looms like a guillotine over the neck of our future, over every hope and dream of a better tomorrow. God help us when the interest rate to service our public debt begins to climb. Please balance the budget.

To do these things, you will inflict pain on many people, but it is nothing compared to the pain that is coming if you do not. If you do just these three things, thinking-people will say of this Congress what Churchill said of the RAF, “Never was so much owed by so many to so few.” May God bless you as you summon the courage to do what’s right?

Thank you for your time.
Testimony of

Mr. David N. Tamny
Owner, Professional Property Inspection Consultants, Columbus, Ohio
President, American Society of Home Inspectors

Before
The Committee on Small Business
U.S. House of Representatives

Regarding

Benefits and Challenges of Home Inspector Small Businesses

May 26, 2010

Madam Chairwoman, distinguished Members of the Committee, my name is David Tamny. I am the President of ASHI, the American Society of Home Inspectors. I am also the owner of Professional Property Inspection Consultants in Columbus, Ohio. Like most of the members of ASHI I am a home inspector and small independent business man. Many of our members are small one man shops or employ 5-10 people.

I started out in my professional career as an architect. After many years sitting in an office cubicle, I desired to be part of the American dream of owning your own business. The opportunity to be in charge of your own destiny, call your own shots and the freedom to build something uniquely your own is part of what makes this country great. The latest statistics show that only 44% of small businesses succeed beyond five years. I’m glad to have made it 18 years.

The satisfaction obtained by having the opportunity to make a difference in a client’s life by what you do is rewarding. The purchase of a home is the single most important investment that people make. Most first time buyer’s need help to make sure that they understand the condition of their prospective home purchase so that they will not be saddled with unaffordable repairs. We work within the real estate community along with real estate agents, lenders and title companies to help home buyers to the goal of home ownership.

Small business is the backbone of our economy, yet it is not an easy road. Competition is fierce, especially in an economic recession. Certainly the housing market has been tough the last couple of years and many in our industry have not survived the downturn. Foreclosures and bank short sales were something relatively unheard of years ago. There are many homes out there that are in need of a lot of work. Homes are not meant to be empty for what is sometimes years. If we are to recover we simply must figure out new ways to get these homes fixed up and purchasable for first time buyers who do not have the resources to fix them up. A lot has been done, but there is much more left to accomplish.

My firm and most ASHI home inspectors are micro businesses. For many, home inspection is a second career, often started with minimal capital by people who have been downsized or
transitioned out of other jobs. Training is obtained by small inspection schools which in many cases are also small businesses. The obstacles to success can be formidable. Not only do we have to earn a living wage, we typically have to do all tasks – including web site design, accounting, marketing or any number of functions. Paperwork is a major consideration. There are no fringe benefits for the self-employed. We must pay 100% for our own health insurance, retirement savings.

Yet, we are also the heart of our communities. We see and serve your constituents everyday. We support local institutions. We are active in local government.

Taxes of course are a huge component of our expenses. When you add it all up -- taxes, health insurance, retirement and normal operating expenses -- it is a real challenge to survive. The government simply must do more to encourage small business to succeed through incentives designed to reduce taxes and make health insurance available to the self-employed. With unemployment as high as it is, many will be looking to self-employment to earn a living.

We face many challenges as we do our part to heal the ailing economy. Many small business owners are unclear on what the new healthcare bill will mean for them, and when we will feel its impact. We suspect the recently passed healthcare bill is only the start of an evolution in healthcare. We hope that small business considerations will be at the forefront of any will follow-bills. We also feel the credit crunch. Like many other small businesses, home inspectors often finance their operations on credit cards. Many of my colleagues have experienced interruptions based on credit card issues and problems with lines of credit that have been in place for years. Many of the realty professions are dominated by small businesses, so we are feeling the effects of the housing finance crises from all sides.

We do live in challenging times. With the help and support of leaders like you and the Members of this Committee, we will prevail in the face of these challenges, in large part because we are small businesses. You fight hard when it is your own business, your own reputation, your own livelihood at stake. Like any other business, I have short-term issues such as liquidity and current expenses. But I have a long-term outlook. That is good for my community and for the country. Many would say that some of the problems that caused the Great Recession sprung from a lack of long-term thinking in very large companies -- with catastrophic consequences.

The phrase “too big to fail” simply doesn’t exist in my world. My credo, and it is one shared many of my colleagues in home inspection, is that failure is not an option. We are fully invested in our companies and communities. I am in it for the long haul.

It is good to know that we have this Committee, and your sensitivity to our needs, to hear our concerns and help us as much as you can. Thank you for your hard work, all the Members of the Committee and your fine staff. Your efforts are recognized and greatly appreciated.

Madam Chairwoman, thank you for the kind opportunity to share my small business story, and my reasons why Congress should continue and expand its efforts to help small business owners like me.