

TALES OF RESILIENCE: SMALL BUSINESS SURVIVAL IN THE RECESSION

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CONTENTS

OPENING STATEMENTS

	Page
Hon. Sam Graves	1
Hon. Nydia Velázquez	2

WITNESSES

H. Todd Flemming, President/CEO, Infrasaft, Orlando, FL	3
Michael R. Minogue, Chairman, President & CEO, Abiomed, Danvers, MA	5
Elise Mitchell, APR, Fellow PRSA, President and CEO, Mitchell Communications Group, Inc., Fayetteville, AR	6
Michael DiMarino, President, Linda Tool, Brooklyn, NY	9

APPENDIX

Prepared Statements:	
H. Todd Flemming, President/CEO, Infrasaft, Orlando, FL	21
Michael R. Minogue, Chairman, President & CEO, Abiomed, Danvers, MA	26
Elise Mitchell, APR, Fellow PRSA, President and CEO, Mitchell Communications Group, Inc., Fayetteville, AR	32
Michael DiMarino, President, Linda Tool, Brooklyn, NY	36
Questions for the Record:	
None.	
Answers for the Record:	
None.	
Additional Materials for the Record:	
Belzona: Rumford Industrial Group Letter for the Record	39
AdvaMed Letter for the Record	42

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WEDNESDAY, JULY 25, 2012

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

The Committee met, pursuant to call, at 3:07 p.m., in Room 2360, Rayburn House Office Building, Hon. Sam Graves [Chairman of the Committee] presiding.

Present: Representatives Graves, Mulvaney, West, Hanna, Schilling, Velázquez, Chu, and Keating.

Chairman GRAVES. Good afternoon. I want to call this hearing to order. And I apologize for the postponement. We had a series of votes that obviously took a long time, and we are sorry for that. But I want to thank all of our witnesses for being here today.

You know, General George Patton once said, "Success is how high you bounce after you hit bottom." I think this statement is particularly relevant in today's hearing on how small-business owners have found success during what has been a very long and stubborn recession.

The past few years have been very rocky, to put it mildly, and the economy has remained fragile and challenging for today's small-business owners. Over the course of this Congress, our Committee has heard from numerous small businesses who have described the challenges of access to capital, taxes, regulations, and general uncertainty about what is coming next. And while we keep hoping for signs of a lasting recovery, there continue to be very real difficulties. Small-business optimism plummeted last month, and unemployment remains over 8 percent.

Despite these troubling times and real economic setbacks, motivated entrepreneurs and resilient small businesses have managed to navigate the murky economic waters to find success and propel economic growth. Today we are looking forward to hearing some of the good news. Our witnesses will enlighten us with their perspectives on how they have prospered in spite of a stagnant economy. The American dream rightfully evokes images of America's small-business owners, and it will be their entrepreneurial spirit that will eventually allow us to bounce back.

These are tough economic times, but today I want to commend our witnesses and all of America's small-business owners who realize that there is still a potential for success. These entrepreneurs have fought back against the pitfalls by adapting their business models, altering their marketing strategies, or employing new, in-

novative techniques to combat the recession, while continuing to bolster economic growth.

And, again, I want to thank you for being here and taking the time.

And I will turn to the Ranking Member Velázquez for her opening statement.

Ms. VELÁZQUEZ. Thank you, Mr. Chairman.

Since the financial crisis of 2008, this Committee has been regularly examining the strength of the small-business sector. In the past, we have shed light on credit conditions, consumer spending, and changes in employment.

Throughout our hearings, it has become clear that small firms have reacted differently to the downturn and recovery that followed. For some, these difficulties have meant scaling back their operations and cost-cutting, but for others this period offered a chance to expand. Given their nimble nature, entrepreneurs and small companies have been more readily able to capitalize on these opportunities, creating prosperity in the face of adversity.

We should not be surprised that some small businesses thrive in a tough economy. Throughout history, we have repeatedly heard the story of resolute entrepreneurs overcoming difficult circumstances to strengthen and rebuild our Nation. One might say, when the going gets tough, small businesses get going.

This most recent recession and recovery have been no different. According to a Kauffman Foundation index, entrepreneurial activity has been higher for the 3 years since the recession ended in 2009 than for the 4 years prior. In 2011, this meant that, on average, nearly 550,000 new businesses were created each month.

Nonetheless, it is clear that many difficulties lie ahead. The sovereign debt situation in Europe continues to be a drag on the U.S. economy, particularly for firms that export. In addition, the fiscal cliff is creating uncertainty, thereby hampering investment and expansion. Together, these issues are weighing on small businesses and undermining consumer confidence, which hurts sales and revenue growth. This has resulted in a tentative overall economic picture.

Yet, as they have before, small businesses remain a guiding light. The most recent ADP Employment Report showed that small firms created 93,000 jobs, accounting for more than 50 percent of all employment gains.

In that regard, today's hearing is critically important. In every corner of our country, small businesses are driving our economy forward. Whether it is Kansas City, Missouri, or Brooklyn, New York, the picture is the same: Small firms are creating jobs and restoring hope in communities hard hit by the downturn.

Today we will hear more of these inspiring success stories and what we can do to replicate them elsewhere. In that regard, I want to thank our small-business witnesses for testifying today and sharing their valuable insight with us.

Thank you, and I yield back.

Chairman GRAVES. Thank you.

Our first witness is Todd Flemming, who is president and CEO of InfrSAFE in Orlando, Florida. It is a global security technology integrator focused on serving both public- and private-sector orga-

nization with the highest-caliber security standards. He is testifying on behalf of the Small Business and Entrepreneurial Council. Mr. Flemming has over 20 years of broad-based management experience in the security industry, including business startups, design, marketing strategy, research development, and manufacturing.

Thank you for being here today, Mr. Flemming.

STATEMENTS OF H. TODD FLEMMING, PRESIDENT AND CEO, INFRASAFE, INC., ORLANDO, FLORIDA, ON BEHALF OF THE SMALL BUSINESS AND ENTREPRENEURSHIP COUNCIL; MICHAEL R. MINOGUE, CEO, PRESIDENT, AND CHAIRMAN OF THE BOARD, ABIOMED, DANVERS, MASSACHUSETTS, ON BEHALF OF THE ADVANCED MEDICAL TECHNOLOGY ASSOCIATION; ELISE MITCHELL, PRESIDENT AND CEO, MITCHELL COMMUNICATIONS GROUP, INC., FAYETTEVILLE, ARKANSAS, ON BEHALF OF WOMEN IMPACTING PUBLIC POLICY; AND MICHAEL DIMARINO, PRESIDENT, LINDA TOOL, BROOKLYN, NEW YORK

STATEMENT OF H. TODD FLEMMING

Mr. FLEMMING. Thank you. Good afternoon, Chairman Graves, Ranking Member Velázquez, and members of the Committee. Thank you for hosting this important hearing today and for your invitation to provide testimony.

My name is Todd Flemming, president and CEO of InfrSAFE, headquartered in Orlando, Florida. InfrSAFE is a global security technology integrator focused on serving organizations with the most stringent security requirements. Our mission is to provide our clients with unique, flexible, long-term solutions to manage both physical and information security.

VeriStream and Advantor Systems Corporation are subsidiaries of InfrSAFE. Advantor provides a wide spectrum of security technology and services to the government, and VeriStream is a software-as-a-service provider committed to protecting organizations from risks, focusing on visitor and vendor management, information security, and secure credential management and application.

InfrSAFE was founded in 2002 during one of the last recessions. In the middle of every difficulty lies an opportunity, Albert Einstein said. Fortunately, InfrSAFE has experienced solid growth over the past 5 years. In 2007, at the beginning of the recession, we employed 57 people. As of this month, InfrSAFE has a workforce totaling 177, and we expect to employ over 200 people by the end of August.

The great recession followed a weak economic recovery and ongoing uncertainties that have made every business environment a very challenging one to navigate. I happen to be in an industry where demand continues to grow. However, it is very competitive for small players like InfrSAFE. We operate in both government and private and commercial sectors, which also offers a unique set of challenges. InfrSAFE has grown by staying focused, integrating technology to help us be more efficient, and carefully paying attention to the fundamentals that drive our bottom line.

Most importantly with a small business, we have to stay focused. Small businesses like InfrSAFE have limited resources, and we

need to deliver value to the customer. Our company has found a niche and successfully delivered on our promises. We have accomplished this by delivering on our promise of powerful and effective technology backed by uncompromising service and support.

We have also found that we need to remain flexible. Being small, we need to be able to look for opportunities that present themselves in front of us and make sure that our employees are able to enjoy a flexible work schedule and places that they work within our company.

We have a global presence. Our client base spans four continents, reflecting our unique ability to meet diverse and challenging needs of business, government, and international and global markets.

Probably most importantly, we stayed financially focused. InfrSAFE, since its founding, focused on CPR: cash, profit, and revenue growth, in that order. We maintain a conservative balance sheet, given the economic uncertainties. As mentioned above, we strive to be more efficient. We domestically outsource, where we have a manufacturer in Cocoa Beach, Florida, who manufactures our printed circuit boards and a small metal house on the west coast of Florida that makes our chassis. We have embraced technology. We have used software as a service to help us reduce our costs of managing technology. And then we have also put together GPS systems to route our trucks more efficiently and allow us to respond to our customers more quickly.

Importantly, human capital. InfrSAFE employees are the foundation of our success. We continually strive to build an environment that fosters creativity and support. InfrSAFE works to instill a culture of excellence and manifest itself in the emphasis we placed on training and open communication. As noted above, we provide employees with cutting-edge technology tools to efficiently do their jobs.

A lot of hard work and sleepless nights have gone into making InfrSAFE a success. Obviously, InfrSAFE is faced with day-to-day challenges like any other company. The economic environment certainly keeps us focused and more conservative when it comes to risks and potential new investments.

The potential headwinds we see this year are key issues that the Committee has explored: for example, the uncertain tax environment for S corps and LLCs, the direction of the economy and ongoing uncertainty when it comes to cost and how this impacts our commercial expansion, as well as the uncertain Department of Defense environment under the looming shadow of sequestration.

I thank you for the opportunity to provide this testimony today and look forward to your questions.

Chairman GRAVES. Thank you, Mr. Flemming.

Our next witness is Michael Minogue, chairman, president, and CEO of Abiomed in Danvers, Massachusetts. Abiomed is a pioneer in healthcare technology and innovation and is the only company with the Food and Drug Administration's approval for bridge to heart recovery. He is testifying on behalf of the Advanced Medical Technology Association. And since joining Abiomed in April 2004, Mr. Minogue has altered the corporate strategy and mission to create breakthrough heart-support technologies. Mr. Minogue is also

a West Point graduate and proudly served in the United States Army.

We thank you for your service. Welcome to the Small Business Committee, and we look forward to hearing your testimony.

STATEMENT OF MICHAEL R. MINOGUE

Mr. MINOGUE. Thank you.

Chairman Graves, Ranking Member Velázquez, and members of the Committee, my name is Mike Minogue, and I am the chairman, president, and CEO of Abiomed.

Abiomed is a small medical device company located in Danvers, Massachusetts. We make Impella, the world's smallest heart pump, which can be inserted through a small hole in the leg within minutes and does not require surgery. The Impella pump is actually above my fingers, and the motor is the gray bar, which sits inside the left ventricle.

Our company mission is to recover hearts and save lives. I am very proud of this mission and consider our company very unique. As a company we have continued to focus on that mission even though our journey started more than 30 years ago when we set out to develop the artificial heart.

Today, I come to represent AdvaMed, which is the industry association of all medical devices. The medical technology field is a success story for America, and I am proud to be in this industry, just as I was proud to serve in the military. Today, we serve patients, and that is the focus and part of the culture.

As an industry, we directly employ over 400,000 people which, indirectly generates up to around 2 million Americans in the United States in the medical device space. And what the Committee may not know is that the majority of our industry is made up of small companies. More than 70 percent of the industry is made up of companies that have less than \$100 million in revenues and are not yet profitable.

These companies, much like Abiomed, started with a scientist or a physician that wanted to have an idea that would help patients. And many of these technologies are where the breakthroughs come, and they are usually funded by venture capital that allows this innovation and process to continue.

As the chairman, president and CEO for the last 9 years, I am acutely familiar with the challenges involved with running a small business. Abiomed was founded in 1981, and today we are the leader for percutaneous heart-support technologies. We have a broad continuum of products, that are outside the United States and going through the FDA path. And we have new products that are in development, as well.

When we were founded, we had 10 people and we had no revenue. Today, we have 440 employees, and our revenues last year were \$126 million. The company, in its 30-year process and journey, has just become profitable this last fiscal year.

So, for us, the success is founded on three pillars. The first is innovation that addresses a patient need. The second is scientific evidence. And the third is a very familiar theme, hard work with execution.

In order to succeed in the medical device space, you need to have success with innovation. And Abiomed did create this small heart pump, which is, as I have shown you, 1/100th the size of the heart but can do half to all of the cardiac output. These products are also smaller, so they are easier to put in. They are less expensive than traditional VADs, and they provide another offering to patients that many have no alternatives.

We are constantly trying to improve the outcomes, and as the CEO, I savor the fact that our company has helped thousands of patients over the years go home with their own hearts.

Secondly, in today's healthcare economics, we need to make sure we have an economic and clinical benefit for the patients. And our company has amassed a compelling collection of clinical and economic data showing the benefits, and, recently, we have incorporated it into the medical guidelines.

The third pillar is hard work. The quality is there, but it is really about patient support 24 by 7. This is the founding principle of our culture.

So these three pillars, along with being frugal, have allowed us to execute on our mission. This field is driven by innovation, but we need a strong and efficient FDA, and Abiomed supports the partnership with them so we can bring innovation to the market. While we haven't always been happy with the speed of progress, we know that the FDA leadership, specifically Dr. Jeff Shuren, is focused on helping small companies and bringing innovation to the country.

My biggest concern has to do with the medical device tax which will be implemented this January. This tax will affect jobs. It will mix healthcare reform with tax policy. And it will be extra detrimental to companies that are not yet profitable and need every dollar to survive. In closing, this tax, as it represents to Abiomed, is more than the health care we spend for all employees, about 15 percent of our research and development dollars, and about 10 percent of our employee headcount.

I am honored to be here today. I appreciate that you are looking at this. And I am very happy that the U.S. House of Representatives voted in early June to repeal the tax with bipartisan support. Most importantly, this tax will delay or eliminate innovations that will affect the quality of life for Americans.

So thank you for allowing us to testify today, and we appreciate your interest.

Chairman GRAVES. Thank you very much.

Our next witness is Elise Mitchell, president and CEO of Mitchell Communications Group in Fayetteville, Arkansas. The company was established in 1995 as a sole proprietorship, and under Ms. Mitchell's leadership, her firm has known exponentially, more than 400 percent in the last 4 years, to become a top 50 national public relations firm. Ms. Mitchell has over 20 years' experience in public relations, and her firm works with an array of industry leaders. She is testifying today on behalf of Women Impacting Public Policy.

Thank you for being here. Look forward to your testimony.

STATEMENT OF ELISE MITCHELL

Ms. MITCHELL. Thank you, Chairman.

My name is Elise Mitchell, and I am the president and CEO of Mitchell Communications Group. I bring you good wishes from my company as well as from my community of northwest Arkansas, a thriving region with deep entrepreneurial roots.

I am also here today on behalf of Women Impacting Public Policy, a national nonpartisan organization advocating on behalf of nearly 1 million women-owned businesses and representing 64 different business organizations. I am proud to represent all of these leaders.

Established in 1995 as a sole proprietorship, our company has, indeed, become a top 50 public relations and strategic communications firm, working with some of the world's largest companies and best-known brands, including Wal-Mart, Hilton Hotels and Resorts, Tyson Foods, Procter & Gamble, Sam's Club, Southwestern Energy Company, and J.B. Hunt Transport. We are fortunate to do national and global work with these distinctive clients. We have successfully attracted top talent and developed new and innovative communication services. As a result, we have grown 445 percent in the last 4 years alone. We are very honored to have won numerous industry awards and twice been named to the Inc. 500/5000 list, as well as one of the 50 fastest-growing woman-owned and -led companies in North America, as named by Women Presidents' Organization and American Express OPEN.

I know other stories like ours but, unfortunately, not enough. In reality, many small-business owners have faced significant challenge in this recession. I am often asked how have we achieved this kind of growth in spite of a still-uncertain economy. It is as simple as this: We have learned to look through the turn. And what do I mean by "looking through the turn"? Well, I am an avid motorcycle rider, and I have built my business based on this concept, which is a fundamental principle of motorcycling that offers great insight. As you approach a turn, you must look where you want to go, rather than fixating on all of the potential hazards in the turn itself. The challenge comes in keeping your eyes focused on where you want to end up, while using your instincts and experience to adjust within the turn, all at a moment's notice.

Inspired by this philosophy, I have used these core principles to help our company succeed. And there are several important lessons that we have learned along the way.

First, stay nimble. When change happens, like it did in the fall of 2008, you have to be ready to adapt and respond. Small businesses are good at that, and it is definitely a competitive advantage. At Mitchell Communications, we have developed a flexible business model that has helped us scale up or down depending on our changing client needs and manage large-volume assignments even with short notice.

Second, know how to take risk. I suppose risk is something that I am more comfortable with than most because I ride a motorcycle, but the trick is to balance risk and discipline to yield solid results. This starts by having a clear understanding of your value proposition and then knowing how to build upon that where it makes sense. For example, we invest heavily in talent and technology. And we have rolled out a number of new services to help us meet

emerging client needs, and we are evaluating new opportunities all the time.

Third, stand for something. During some of the darkest days of the recession, we came together as a company to write a common set of values: trust, open communication, service, results, and commitment. These values guided us when we needed them most, and they have helped us attract some of the best employees and clients that anyone could hope for.

And, finally, don't try to go it alone. The best leaders understand the power of a team. It is the greatest privilege of my career to be the steward of Mitchell Communications Group. And I have learned that excellence attracts excellence, which means great people attract great clients. You can't have one without the other. It is my responsibility to continue creating a compelling culture so that amazing things happen when these two groups come together.

It takes courage to be an entrepreneur, no doubt about that. And there is much that Washington can do to make the road smoother rather than more hazardous for us. Here are a few things you can do to help.

First, fully consider small businesses in rulemaking. The decisions you make can have a huge impact on our ability to continue creating jobs and driving innovation.

Second, facilitate greater access to capital, especially for the 8.3 million women-owned businesses in the U.S., and support the resources we need to not just survive but thrive. The SBA Women's Business Centers and the women-owned small-business contracting program are a step in the right direction and will yield immense results.

Third, reduce taxes. Many small businesses are S corps, which means the company's taxes are filed under the owner's personal tax return at the same time that we are trying to put profits back into the business to make payroll, purchase new equipment, or simply keep the lights on. Now is not the time to increase taxes on those of us who are making critical investments and creating new jobs.

As I share our story with you today, I am reminded of the countless women-owned businesses and entrepreneurs of all kinds who are working tirelessly to fuel our economy. And when I think about them, their dreams and their determination inspire me, as I know they do you. Now, more than ever before, our country needs businesses and lawmakers who are willing to look through the turn, to fix their eyes on where we want this great country to end up, and to work together to get there.

Thank you.

Chairman GRAVES. Thank you.

Ms. VELÁZQUEZ. It is my pleasure to introduce Michael DiMarino, president of Linda Tool, a second-generation family business that manufactures precision machine components and assemblies. He has worked at Linda Tool for 35 years and has grown the company from 3 to 28 employees. Linda Tool's state-of-the-art manufacturing facility is located in the historic Red Hook neighborhood of Brooklyn, my district.

Mr. DiMarino has participated in the launch of the Goldman Sachs 10,000 Small Businesses program as well as the cUBS mentorship program. Socially committed to the restoration of the

community, Linda Tool is also participating in a number of green initiatives designed to promote a healthy, sustainable, and safe working environment for its employees.

Welcome, sir.

STATEMENT OF MICHAEL DiMARINO

Mr. DiMARINO. Thank you.

Chairman GRAVES and Ranking Member Velázquez and members of the Committee, thank you for inviting me here to share with you some of the things that I and my team of talented, dedicated employees at Linda Tool did to get through this challenging financial climate with greater capabilities and secured business through 2017.

The last 4 years have meant sacrifice for all of us. Personally, I have been set back financially a great deal, but I was willing to alter my lifestyle in order to keep my people. I learned a long time ago that state-of-the-art manufacturing equipment is very expensive but the people who operate it are priceless. I handpick any team. No skaters. We all feel the same. Everyone pulls together, with a singular objective: to do the best job possible. I work hard; they work hard. And I pull for the people who pull for me.

I always try to keep the lines of communications open and let the employees know the truth about what is going on. Although times were lean and I couldn't give raises, I did everything I could to keep my team together, without laying off a single person through the recession or since 1983. It meant sacrifices like cutting back to 32 hours for a good period of time. But no benefits were lost—no vacation pay, no health care.

Still, the burden of the challenge couldn't be placed on their backs alone, so I looked for other ways I could support them by building the business in ways that would provide long-term relief and security. How did we do that? We did the opposite of what you would expect. Instead of pulling back, we invested heavily in new equipment, technology, training, and marketing. I uncovered markets that offered business growth potential, but first I needed to get certain things so I could compete for those kinds of contracts. I took a big risk and tapped into my personal resources to fund the expansion of our manufacturing capabilities and our entrance into these new markets.

From the outside looking in, you would not have known that there was a recession at Linda Tool. But there was, and we had to work fast and be smart about every next move we took. The key to our survival was close management of every detail, no matter how small, including the equipment we purchased, making sure to pay our vendors on time so they could stay in business, and the cross-training of our personnel, strengthening our customer relations to our greatest ability, networking and constant communications, and evaluations along the way.

I reached out to local resources to help, too. I aligned myself with the Southwest Brooklyn Industrial Development Corporation, where I met Congresswoman Nydia Velázquez, one of Brooklyn's greatest advocates for small business. She helped us to acquire the cost-share grant that was instrumental in the installation of the Linda Tool green roof for environmental sustainability, keeping our

costs manageable for a project like this. The SBIDC is a great organization, and it may be that everything I did leads back to them in some way.

I also became deeply involved with New York City Small Business Services and their training grant program. I partnered with them to run the machinist training program at our facility in Red Hook, Brooklyn. Some of you may know how difficult it is to find skilled labor. By hosting the training program, I was able to observe the students and present them with an opportunity to apply for employment with us. We benefited by being able to select from a pool of trained, qualified applicants. Right now, we are talking with the SBS about an apprenticeship program.

We also utilized the SBS's training grant program to achieve two industry certifications. We needed to open up opportunities in market areas we hadn't been qualified for in the past. For example, now we can compete for certain government contracts because of these certifications.

But training not only opened up new business opportunities for us, it gave us a way of cutting costs by cross-training our people. So the guy who runs the lathe, for example, is also trained to run the mill. This way, we were able to reduce labor costs by utilizing the talents of our existing people.

While we were busy with training and certifications, we had to start networking in order to make the right contacts. This led us to the Goldman Sachs 10,000 Small Businesses program—a tremendous program that can really help enhance a small business and the way they think and operate. We also joined the NTMA, National Tooling and Machining Association, so we could be connected with new business opportunities, and completed the UBS-Clinton Foundation mentorship program.

These resources are valuable tools for a small business and something they should all look at. Now our people are working a lot of overtime again, making up for time they lost and then some. So, you see, it all balances itself in the end. We faced our challenges head-on, guided by inspiration and fueled by teamwork, giving what we could and giving up what we had to. Because of that, we continue now on a path that has enabled us to access long-term contracts that take us right through 2017 and beyond.

Linda Tool is blessed with great personnel. Just as we offer the highest quality in care to our customers, we also offer the same to our dedicated employees. I believe we are able to achieve the things we set out to achieve because of the people who work for us and with us. It is through our support of them that they are able to produce what is needed.

Thank you again.

Chairman GRAVES. Thank you all for your testimony.

We will turn to Mr. West to start with questions.

Mr. WEST. Thank you, Mr. Chairman and Ranking Member.

And thanks for each and every one of you being here.

And, Mr. Minogue, thank you also for your service. We share the passion of jumping out of airplanes.

And, Ms. Mitchell, we share the passion of riding motorcycles. I have been riding since 1985 myself.

So when you talk about, you know, looking into the turn whenever you go into that turn, my first question is this. You know, thinking strategically, what is your forecast, where do you see us going in the next 4 to 5 years if all things currently remain the same? And what type of adverse effects will that have upon your business, first and foremost?

Ms. MITCHELL. Well, we are very excited about the opportunities that we believe are before us, but, though, as you say, it depends upon what happens in the next 4 to 5 years.

One of the things that we were very good at that we learned in the recession was how to spot emerging opportunity. And it is important for legislators to understand that small-business owners need to have certainty in the business environment. This allows us to plan better. It is hard for us to be able to look ahead and make business decisions. We want to take risk, and I think we are all pretty good at that, but we need as much certainty as we possibly can have.

For instance, in the tax situation, we need to have some understanding of what is expected of us. And we want to be able to invest those dollars in creating jobs and innovation.

Mr. MINOGUE. So, thank you for your question and your time today, as well.

I think the biggest concern that we have is, there needs to be innovation in the space, and the two main drivers for innovation right now is to allow companies to not pay taxes on revenue when they are not yet profitable so they can continue to innovate, and, also, the American public to decide the balance between access to new technology versus elimination of all risk. And if the FDA and the industry knows what the terms are, we can go ahead and execute and have a win-win for all the American patients.

Mr. FLEMMING. To reiterate Ms. Mitchell's point, I think certainty is important. Entrepreneurs are very good at adapting once they know the rules, but if you don't know the rules, it makes it pretty hard to figure out which direction you should head.

You know, from our perspective, you know, every dollar that we pay in taxes is a dollar we don't invest in the business, because we are an LLC. So, typically, any dividends we make are to pay our taxes, and the rest stay in our business. Because, you know, frankly, that is my very best investment, is reinvestment in my business, not taking the money and putting it in, say, the stock market, where I have no control.

Mr. WEST. Dividends taxes going to 42 percent would not be a good thing for you?

Mr. FLEMMING. No. No. I think, you know, anyplace that we can at least have some certainty as to what, you know, the Tax Code looks like, that will help.

And then a large component of our business, we do business with the Department of Defense. And I know a lot of small businesses have been already impacted—

Mr. WEST. Are you nervous about sequestration?

Mr. FLEMMING. Well, we have been, sort of, planning by diversifying our business for the past couple years, but I am nervous about that. So, a couple years ago, I fortified our balance sheet, re-

tired all our debt, diversified our business in anticipation that our defense business could get soft.

And we provide security products and services. It is something the Department of Defense under any circumstances needs. However, when they cut costs, you know, ultimately they come back to what is important, but sometimes they cut more with a sledgehammer than a scalpel, if you will. It is very hard for them.

That being said, it is a very large Department of Defense budget. There will be a place for us there somewhere. We just have to, you know, stick to our knitting, stay focused, and provide the government the best products and services that we can.

Mr. WEST. Next question. Today was the first time in the history of the Congress that we had a joint hearing between the Department of Defense and the Veterans Administration.

So, once again, Ranger Minogue, if I can, talk to us about—you know, because that is one of the interesting topics, is how we transition these veterans coming out of Iraq and Afghanistan into the private sector. You know the unemployment situation we have right now with veterans.

Can you give us, you know, your success story, enabling you to come out of, you know, boots and fatigues into suit and tie, be a successful president and CEO of a small business?

Mr. MINOGUE. Congressman West, thank you for asking that question. The benefit I had was having a network to end up into the healthcare industry. And there are thousands of medical device executives, from the CEO of J&J to Abiomed, that have served their country.

Recently we launched a program to identify all of the medical device companies that have veterans that are serving in the company. The program is called the medtech veterans program, or MVP. The program will inch off this fall within MVP bootcamp return heroes. This program will incorporate internships at these participating medtech companies, and then will also offer potential full-time employment for the veterans who decide they want to join the industry.

The genesis of this idea evolved through conversation with some of the wounded warriors. When they would interview for internships, they would be told they just didn't have the qualifications required as compared to other candidates with work experience or college degrees. And some of these veterans had spent 2-plus years defending the Nation and then back in the hospitals for 12 months, trying to heal their bodies.

So it is a great cause. I appreciate you asking the question. And we are very motivated to make the medical device field the home of all veterans.

Mr. WEST. Thank you, Mr. Chairman. I yield back.

Chairman GRAVES. Ms. Velázquez.

Ms. VELÁZQUEZ. Thank you, Mr. Chairman.

Mr. DiMarino, under the Economic Recovery Act that we passed, we included tax cuts for small businesses, such as bonus depreciation and expensing. Did you benefit from that?

Mr. DIMARINO. Yes, I have taken advantage of that the last 2 years. We have invested heavily since 2009. We have purchased close to a million dollars' worth of new equipment.

Ms. VELÁZQUEZ. So, many reform proposals have included a corporate tax rate reduction that comes at the expense of tax expenditures designed to assist small firms. So my question to you is, how would a business like yours be impacted if they lost deductions and credits, like bonus depreciation or expensing?

Mr. DiMARINO. Oh, it would most definitely impact me. It could probably kill a purchase that is on the horizon. We are planning to purchase more equipment either this year or early next year, and if we didn't have that bonus depreciation, it could negate that purchase.

Ms. VELÁZQUEZ. So do you believe that it is fair to eliminate them in order to pay for the corporate tax rate reduction that would not benefit small firms?

Mr. DiMARINO. I need to buy my equipment.

Ms. VELÁZQUEZ. Uh-huh.

Mr. DiMARINO. I will have to be a little selfish here. If the burden could be shared a little bit to balance it, if you could, between corporations and small business, I don't know if that is possible. But I think it would put a hurt on the small business more than a larger corporation.

Ms. VELÁZQUEZ. Yeah. This Committee is, you know—we are here to advocate for small businesses in America.

Mr. Minogue, we know that cash flow is a challenge for businesses of all sizes, especially small firms. In what ways has the Tax Code made it more challenging to compete in a global market and a struggling economy?

Mr. MINOGUE. So, Congresswoman Velázquez, the cash flow from the basic level is, we need it in order to invest in the new products to get through our clinical studies.

Ms. VELÁZQUEZ. Uh-huh.

Mr. MINOGUE. In our case, we have developed a net operating loss credit of around \$180 million over the last 30 years. The biggest challenge to our cash flow moving forward as we generate cash is that we will be paying some of that cash back that we could be reinvesting into new jobs, new products, or new studies. And none of this was allocated or there 3 years ago when we set a strategic plan in order to become profitable.

So it goes back to the same theme of consistency and reinvesting our dollars where we think is the best opportunity for the company.

Ms. VELÁZQUEZ. So, besides lowering tax rates, what specific changes to tax rules could better help small businesses have better access to cash?

Mr. FLEMMING. If I may?

Ms. VELÁZQUEZ. Yes.

Mr. FLEMMING. Simplification. It is very expensive for us to prepare our tax returns. Between the local, State, and Federal preparation of tax returns, it takes an inordinate amount of time and money. And we really have to have quite a few people do it. Even the smallest businesses, it is well past their level of expertise, unless they are an accounting firm, to be able to do their own tax returns.

And the complexity of the Tax Code is daunting. In some cases, you can't even—you may not be figuring out what deductions are

there that are for you. And it is just a constant struggle to make sure that you have your tax returns prepared correctly.

Ms. VELÁZQUEZ. In terms of sequestration, I know that you have Federal contracts, right?

Mr. FLEMMING. Yes.

Ms. VELÁZQUEZ. What is your concern right now, and how is the uncertainty impacting your company?

Mr. FLEMMING. It is more, the uncertainty is probably the biggest thing. What we see is, in the Department of Defense, since they are not sure of what levels of funding they will be receiving and what cuts they will be required to make, particularly when they have moved some of their projects to the right and haven't contracted those on a more predictable basis.

We continually make investment, that we have funded the development of our own products, but we don't know for certain that there is going to be a market for some of those products, depending on what happens with respect to, you know, the defense programs that are funded and those that aren't funded.

Ms. VELÁZQUEZ. For existing contracts that carry into next year, have your procurement officers talked to you about what the sequestration could mean for these contracts?

Mr. FLEMMING. Yes. And what we do is prepare scenarios based on, you know, what could potentially happen. And severe cuts to some of the programs may require us to reduce some of the staff associated with those particular contracts.

Because our contracts are very, very small, we prefer to be able to—if one isn't funded, to move employees from one contract to another contract. Because, in our case, our contracts sometimes are \$1,000, and, you know, our average contract size is less than \$100,000. So we can be a little bit flexible that way.

Ms. VELÁZQUEZ. Thank you.

Thank you, Mr. Chairman.

Chairman GRAVES. Mr. Hanna.

Mr. HANNA. Thank you, Mr. Chairman.

Mr. Minogue, you said that companies shouldn't have to—and this is not a value judgment, just a question—you said that companies shouldn't have to pay taxes until they are profitable. Can you give me a circumstance where they would have to pay taxes if they weren't profitable? I mean, isn't—

Mr. MINOGUE. I can't think of any.

Mr. HANNA. That is why I was curious when you said that. It struck me as odd. My understanding of the Tax Code is that when you make a profit you pay a tax, and not until.

Mr. Flemming, in terms of an issue like repatriation, you represent—both of you represent multinationals, especially you, Mr. Minogue. Do you hear any talk about the tax rates that we have for repatriation in terms of multinationals and how it affects the businesses that you represent?

Mr. MINOGUE. We are still a small company relative to managing our cash in and out of the country, and just achieving profitability. So, in the last couple years we have really focused on our U.S. operations, our U.S. market, and our U.S. clinical studies to remain frugal. As part of that, we also increased our manufacturing at our

U.S. facility in Massachusetts as well as some of our facilities in Germany.

But the majority of our revenue and our operations carry the U.S.—

Mr. HANNA. So that is really not an issue for you.

Mr. MINOGUE. It is not. But, obviously, in the medical device field, it does impact, because there are countries, like Ireland, where they have a lower tax rate. And even though we are a small company becoming a teenager in the big market of J&J and Medtronic, we are getting calls, we are having different types of government agencies around the world contact us directly, offering us perks and credits and funds if we would come to their country to manufacture. We have declined, but certainly there is a lot of interest to bring American companies, especially in med-tech, to bring them and lure them overseas.

Mr. HANNA. Anecdotally, I have just heard so many stories from corporations with large amounts of cash that simply don't want to bring to it this country to buy a company here or invest here because we have expectations that we tax it at the regular rates when they do that, which means they pay twice.

Mr. MINOGUE. Correct.

Mr. HANNA. Could I ask you about—anyone about, do you have difficulty—I mean, you are in, some of you, highly technical fields. A great deal of education required to work for you. Do you have trouble finding people who are qualified at the level you need them to be? And is STEM an issue for anyone?

Mr. FLEMMING. In our case, because we do work for the U.S. Department of Defense, we hire people who are capable of obtaining a United States security clearance. So we hire U.S. engineers to do our software and our design.

Interestingly enough, even in the level of unemployment, it takes us quite some time to find an engineer. Our office sits adjacent to the University of Central Florida, and we intern. But sometimes we can post a position and it may take us 6 months to find a qualified engineer to be able to do the work. So my feeling is, in our country we need to produce more engineers.

Mr. HANNA. Interesting.

How do you feel about the future as you watch this Congress? And, Ms. Mitchell, I mean, you are in the ad business; you must have some quip available. What does all of this make you think, when you are trying out there to make a living and we sit here and—go ahead.

Ms. MITCHELL. Well, I would say this, that most of us who are small-business owners are entrepreneurs because we love it. We have a great passion for building something from nothing, and it is exciting for us to be able to see value come about from the work of our hands and to bring teams together.

There are some really great resources that are available to small businesses, both public and private. The SBA does a great job of providing resources to small businesses. And in the private sector, there are a number of networks and organizations that have done a lot to accelerate growth in new business. And, for instance, in our industry, we are very active in the Public Relations Society of America; the Council of PR Firms; of course, today I am rep-

representing Women Impacting Public Policy; and the Women Presidents' Organizations. These are examples of organizations that are doing a lot to help small businesses grow.

And so I think it is a great opportunity for lawmakers to see that working together produces great results. And when you look at entrepreneurs, you don't have to look very far to see the passion, the drive, and the pure grit it takes to make it. And I would hope that Washington would be inspired by a lot of the stories that are out there today by small-business owners who are doing all that they can to drive this economy forward.

Mr. HANNA. Well, thank you very much.

My time has expired, Mr. Chairman.

Chairman GRAVES. Mr. Keating.

Mr. KEATING. Thank you, Mr. Chairman.

You mentioned uncertainty, a lot of you did, and it is clearly there. There is a whole set of tax exemptions and extensions set to expire at the end of the calendar year. Can you just comment on them? And I would ask you to just be specific about which ones you think are the most important and how they will affect future decisions for you.

Anyone?

Mr. MINOGUE. So, I will start, Congressman Keating.

The medical device tax is going to start on January 1st. The details of it through the IRS have not been clarified. Our fiscal year ends at the end of March, so we have to close the books, report our numbers, be audited through our agency and to file our final financials.

Therefore, we have a logistics concern of, what this tax is going to look like? How are we going to account for it? It will be the first million dollars out of our profits for that quarter. And then, of course, we are going to spend a lot of time and energy trying to figure out how do we close the books and be accurate and be in compliance.

Mr. KEATING. I share that concern, as well, and I have supported making that change. We have 45,000 direct service jobs in Massachusetts that, you know, clearly fall into your particular industry.

Just another quick question, if people weren't going to do that. You know, one of my Subcommittees is Cybersecurity. I am just curious, particularly with a couple of your companies, what needs you see there, what some of the challenges are, what some of the landscape might be, you know, because of piracy and other threats that might exist.

Mr. Flemming.

Mr. FLEMMING. Well, the level of cybersecurity-related attacks is increasing, as you know, with a great frequency. Anything that we can do to improve our posture, because, you know, right now, you know, we are constantly on alert, especially with our software-as-a-service business, which is more a private-sector business where we serve large Fortune 500 companies and the like.

So, you know, I am not sure that I can, off the top of my head, come up with a solution that the government can give us for that. I think a lot of it is we need to exercise substantially more vigilance across the board, especially as it relates to our critical infrastructure.

I mean, I think there is a lot to be said, especially, for embedded devices that control critical systems being manufactured in the United States. As we have more control over the components that go in there and potentially the overall security, the less opportunity to potentially have backdoors and those kinds of things installed in them.

Mr. KEATING. Does anyone else want to comment on that?

Mr. MINOGUE. One is, obviously we are careful about what we put up and what we post.

Another concern is just that the Freedom of Information Act, if it is not implemented correctly, could allow for the openness and exchange of confidential information to government agencies, such as the FDA.

So we have policies in place, and we will continue to monitor that to make sure that we keep proprietary information confidential.

Mr. KEATING. Great. Well, I want to thank all of you.

And, Mr. DiMarino, I want to compliment you on not having any layoffs. And, certainly, I think, going forward, you know, your probably most valuable resources and assets are your employees. Can you tell us what that effect of your not having layoffs and trying to work with them has had going forward?

Mr. DiMARINO. Well, I mean, it has brought my tremendously loyalty with my people. They are not even a thought—when things are tough, I don't think about them. I have run a nightshift for 15 years now, and I have other friends in the business that run a nightshift; they are worried about it. And I don't think I have gotten six phone calls in 15 years from my guys.

Mr. KEATING. Right.

Mr. DiMARINO. It is just, you know, they do their work. Everybody is there to work. They all pull together.

I have one gentleman, it is the only job he has ever had is with me. And his daughter just graduated high school and got a 4-year ride to Williams, which is pretty good. And that puts it all together for me.

Mr. KEATING. Great.

I would note, too, that in all of your opening statements that was a common thread, the team you put together and the loyalty that you have as a group. And I think that is why you are sitting there. So I want to thank you all for that effort.

I yield back.

Chairman GRAVES. Mr. Schilling.

Mr. SCHILLING. Thank you, Chairman.

Thank you all for coming. I apologize for being late. I had three meetings at the same time.

Just a little background. I am a small-business owner myself. My dad and I, 16 years ago, we took a building that was pretty much vacant and we literally with our own hands built it from the ground up. And it has been pretty successful for us. It has been a lot of hard work, 60 to 80 hours per week. Now my children are running it for me, and thank goodness it is still up and going.

But you folks have been somewhat successful in keeping people on the payroll. Can you just kind of walk me through—and maybe you have already discussed this—your decision to expand your businesses in the economic climate that we are in today?

Ms. MITCHELL. I would be happy to speak to that.

We are also in a situation where talent is our very best asset. And the war for talent is real. We want to be able to attract the very best people that we can, and so it is important for us to be able to find good opportunities.

And that was one of the things that we learned during the tough times that we faced, is that you have to stay very nimble as a small business. And, again, that is why I said we do it really well, but you have to be able to evaluate opportunity and know how to do it.

For example, there are a lot of things in our field that we can move into, and we have, such as digital and social media, video services and creative-type services, training. These are things that we have added on to our core business model in order to be able to expand our growth.

But not everything is the best opportunity. So you have to become very good at looking and knowing, what do I do well? Where can I win? That is where I am going to lean into opportunity. That is another motorcycling analogy, which is, you really want to be very careful about where you risk because you don't have a lot of opportunity to fail when you are a small business.

So I think that is something that we actually are all very good at, is knowing how to understand what those opportunities are and then having the courage to invest in that opportunity and really make it pay off for your company.

Mr. SCHILLING. Very good.

You know, the common thread that I do like—and I fully understand what you are talking about—is the teamwork. And then if you get one person out of sync, it is a problem, and that doesn't work too well on a Friday night at a pizzeria.

Mr. Minogue, you mentioned the medical device tax and the impact it would have on your business. I have in our district Cook Medical Supply in Canton, Illinois. And their mayor is very concerned with the medical device tax that is up and coming, if it is not repealed, how it is going to adversely affect the new business that they just built. And the sad part to this is, I visited with some of the leadership folks in the company, and Mr. Cook, before he died, his idea was to build one of these medical device buildings all over the United States of America. And since this medical device tax has been put into play, they are looking at halting that. Each one of these facilities is roughly anywhere from \$10 million to \$20 million of new building, plus the jobs that it brings along with that.

Can you tell me a little bit more about how this will affect your company, if you could, sir?

Mr. MINOGUE. Sure. So the medical device tax is about \$30 billion for the industry over 10 years. That is about a third of all research spent by the entire industry, so it is very significant. It is estimated it is going to cost us around 50,000 jobs in the industry based purely on the tax, if you look at the numbers. Specific to our company, it is a pretty significant hit. It is, again, about 15 percent of our research, 10 percent of our employees. It is more than—it is almost double our healthcare costs, and it goes up every year.

To prepare for this impact, we are not investing in our legacy products, and not expanding outside of the U.S. as quickly as we

might. We might delay a newer product or delay a submission of a study a little longer. We will continue to grow, but we are going to be very frugal in how we do it. And we are going to invest like crazy in the products that have the biggest impact to patients, that also show the clinical value and, in today's world, an economic benefit.

Mr. SCHILLING. Very good.

With that, I yield back.

Chairman GRAVES. Just out of curiosity—and this question is for each of you—are you optimistic about the U.S. economy? And what are you worried about it, if you are concerned?

Mr. Flemming.

Mr. FLEMMING. As an entrepreneur, I am an optimist, but I am very cautious going forward as to the economy. I think that, you know, we are starting to see the—even though the recovery didn't feel very good because it was very slow, we are at the other side of the business cycle. And so I think we have some tough years ahead of us.

That being said, you know, there is a pony in there somewhere. I think there is some opportunity if you look for it.

Mr. MINOGUE. I am optimistic in Abiomed because of our innovation and impact to patients, and I know we will continue to adapt and execute.

As far as the economy, I am not pessimistic, I am not overly optimistic. I think that there are some decisions to be made, and the country has to continue to also adapt and execute.

Chairman GRAVES. Ms. Mitchell.

Ms. MITCHELL. I am an optimist, too. I wouldn't be in the business I am in as an entrepreneur if I didn't believe that there was always opportunity. I do think the American Dream is alive and well, and I love to see people take a chance. And I think what is before us now is an opportunity to inspire the next generation that comes behind us. We need to do a good job of demonstrating that there is a reason for them to take a risk and that that risk is rewarded.

And I would encourage Washington to do all that it can to create an environment that is conducive for small businesses to be willing to go out there and make investment. Because we know these are the jobs that are being created. Small businesses hire and provide jobs for more than half the private sector, and that is a really important thing for us to remember as we want to be able to see this economic engine continue to drive forward.

So I am very optimistic, but I think it will take all of us having our wits about us to make the most of opportunities that we have.

Mr. DIMARINO. I am optimistic also, but the uncertainty leads to anxiety. I have a great many opportunities because of the reduced manufacturing capacity of the last 4 years in the country, which on the outside looking in sounds great. The problem with that is, as time goes by, less people are in the industry; you lose the opportunity to grow new skilled talent. So, although I have good opportunities to produce, I can't. So I am stuck.

To hire people and organically grow them all the time, you can't grow fast enough with that. It takes time, a lot of time, to groom somebody and teach them the skills they need in this business,

whereas years ago you had a lot of shops, a lot of manufacturing facilities, and people changed jobs, they relocated. So when you got somebody, they hit the ground running. To bring somebody in new and train them, I don't gain an employee, I lose half of the good employee training the new one. So it stalls your growth.

Chairman GRAVES. Mr. Mulvaney.

Mr. MULVANEY. Very briefly, at the risk of asking a question that has already been asked, if you would wave a magic wand, all of you, to each of you, and we could do one thing in the next 6 months to allow this optimism to come to fruition and turn into success, one thing, what would it be?

And that is the same question to each of you.

Mr. FLEMMING. I would say come together and solve some of the problems that have resulted in the uncertainty, you know, sooner rather than later.

Mr. MULVANEY. But give me—there is a lot of different uncertainty. I am looking for, if there is one thing that you could look back and say, "Look, at least Congress tried; they did this one thing, and it helped me in my business," what would that one thing be?

Mr. FLEMMING. Well, they are related, you know: simplify the Tax Code and resolve the sequestration issue.

Mr. MINOGUE. I would say eliminate the medical device tax.

Ms. MITCHELL. Certainty in the Tax Code, because when we have certainty, we can plan much more effectively.

Mr. DIMARINO. Resolve the Tax Code, same.

Mr. MULVANEY. Mr. Chairman, I apologize for my late arrival. I don't want to ask questions that have already been answered, so I will yield back the balance of my time.

Chairman GRAVES. Well, I want to thank each of you for coming. Obviously, you are all optimists or you wouldn't be entrepreneurs, but we very much appreciate your testimony. We can learn something from every one of you. This has been a great hearing. And there are companies out there that are figuring out how to overcome a lot of adversity and make it work, and I applaud all of you for that.

So, with that, I would ask unanimous consent that Members have 5 legislative days to submit statements and supporting materials for the record.

Without objection, that is so ordered.

This hearing is now adjourned.

[Whereupon, at 4:06 p.m., the Committee was adjourned.]

**"Tales of Resilience: How Small Business Prospered
Despite the Recession"**

Testimony of:

**H. Todd Flemming
President and CEO
Infrasafe, Inc.
Orlando, Florida**

Before the

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

July 25, 2012

**The Honorable Sam Graves, Chairman
The Honorable Nydia M. Velazquez, Ranking Member**

Good afternoon Chairman Graves, Ranking Member Velazquez and members of the Committee. Thank you for hosting this important hearing today and for your invitation to provide testimony. My name is Todd Flemming, President & CEO of InfrSAFE Inc., headquartered in Orlando, Florida. InfrSAFE is a global security technology integrator focused on serving organizations with the most stringent security requirements. Our mission is to provide our clients with unique, flexible and long-term solutions to effectively manage both physical and information security. Veristream and Advantor Systems Corporation are wholly owned subsidiaries of InfrSAFE. Advantor provides a wide spectrum of security technology and services to government clients. Veristream is a software-as-a-service provider committed to protecting organizations from security risks, focusing on visitor and vendor management, information security, secure credential management and authentication. InfrSAFE was founded in 2002.

"In the middle of every difficulty lies opportunity." – Albert Einstein

Fortunately, InfrSAFE has experienced solid growth over the past five years. In 2007, we employed 57 people. As of this month, InfrSAFE has a workforce totaling 177. We expect to employ over 200 people by the end of August. Unfortunately, this type of growth has not been typical for most of my peers. The Great Recession followed by a weak economic recovery (and ongoing uncertainties) has made the business environment a very challenging one to navigate. I happen to be in an industry where demand continues to grow. However, it is a very competitive industry for small players like InfrSAFE. We operate in both the government and private commercial sectors, which also offers its own set of unique challenges.

InfrSAFE has grown by staying focused, adopting technologies to help us be more efficient, and carefully paying attention to the fundamentals driving our bottom line.

Staying Focused: Small businesses like InfrSAFE have limited resources so we need to deliver value to limited customers. The company has found its niche, and has successfully delivered on its promise. We have accomplished this by delivering on our promise to provide powerful and effective technology, backed by uncompromising service and support.

Staying Flexible: Being small certainly has its challenges, but it also provides us the opportunity to remain flexible. But flexibility is a mindset, and our management team remains open to better ways of doing business. For example, InfrSAFE offers workplace flexibility for our employees in order to attract and retain a skilled workforce. We are always searching for new strategies to operate more efficiently (see technology below), and remain open minded about doing business in new markets.

Global Presence: Our client base spans four continents, reflecting our unique ability to meet the diverse and challenging needs of business, government, and international markets on a global scale.

Financially Focused. InfrSAFE focuses like a laser on “CPR” -- Cash, Profit and Revenue Growth. We maintain a conservative balance sheet given economic uncertainties. As mentioned above, we strive to be more efficient. Domestic “outsourcing” (our product manufacturing is done by a third party in Coco Beach, Florida) is one way we are able to improve upon efficiency and focus on revenue growth.

Technology is Embraced: InfrSAFE has readily embedded technology solutions across our operations, allowing us to cut costs and operate more efficiently. For example, we use mobile applications and technology solutions in many areas of the business,

including GPS to locate and route service trucks to ensure quick service for clients and efficient use of the company's resources. Our service teams record services performed, and report inventory used on mobile devices. Our sales team, managers and staff use GoodReader, Dropbox and Salesforce.com for their multifaceted needs (viewing, editing and storing non classified documents and data, reviewing and updating customer information). These are just a few examples of the many ways InfrSAFE has enthusiastically infused technological innovation across our business operations.

Human Capital: InfrSAFE employees are the foundation of our success, and we continuously strive to build an environment that fosters creativity and support. InfrSAFE works to instill a culture of excellence, and that manifests itself in the emphasis we place on training and open communication. As noted above, we provide our employees with cutting- edge technological tools to efficiently do their jobs. Our employees enjoy working at InfrSAFE -- they are both challenged and rewarded by their work experience. As President, I believe it is critical to surround myself with the best and brightest. In addition to an outstanding workforce and management team, InfrSAFE has a board of directors, which I regularly convene to explore better ways of doing business, new revenue opportunities and strategic advice.

A lot of hard work and sleepless nights have gone into making InfrSAFE a success. Obviously, InfrSAFE is faced with day-to-day challenges like any other company. The economic environment keeps us highly focused and generally conservative when it comes to risks and new investments.

The potential headwinds we see this year and beyond are the key issues that this Committee has explored. For example, the uncertain tax environment for S Corps and LLCs; the direction of the economy and ongoing uncertainties related to costs and how this will impact

commercial expansion; as well as an uncertain Department of Defense environment under the looming shadow of sequestration.

I thank you for the opportunity to provide testimony today. I look forward to your questions to discuss InfrSAFE's strategies and practices that have allowed us to grow during this difficult economic period.

26

House Small Business Committee

“Tales of Resilience: Small Business Survival in the Recession”

July 25, 2012

Testimony of Michael R. Minogue
CEO, President, and Chairman of the Board of Abiomed
On behalf of the Advanced Medical Technology Association

Chairman Graves, Ranking Member Velazquez, and members of the Committee, thank you for holding this important hearing today to highlight the success of small businesses across the country. My name is Mike Minogue and I am the Chairman, President and CEO of Abiomed, a small medical device company located in Danvers, Massachusetts. We make the world's smallest heart pumps that can be inserted percutaneously through a small hole in the leg. Additionally, I serve as chairman of the board of AdvaMed's Emerging Growth Company Council, the division of AdvaMed which focuses on emerging medical device companies.

About the Medical Technology Industry

Abiomed is a member of AdvaMed, the Advanced Medical Technology Association, which represents approximately 500 of the world's leading medical technology innovators and manufacturers of medical devices, diagnostic products and medical information systems. Over 70% of AdvaMed member companies are relatively small companies with sales of less than \$100 million per year—the majority of these companies not yet profitable. The strength and future of the industry lies with these companies, who are devoted to the development of new technologies that allow patients to lead longer, healthier, and more productive lives.

The medical technology industry is an American success story. The industry directly employs more than 400,000 workers nationwide. Typically, for every worker our industry directly employs, another four workers are employed by businesses supplying components and services to our industry and our employees, so that the total numbers generated by our industry exceeds two million.

The jobs our industry provides are good jobs and serve a function that helps patients all over the world. Industry pay levels are 38 percent higher than average pay for all U.S. employment and 22 percent higher than other manufacturing employment. While the number of manufacturing jobs was plummeting across the larger economy, even before the recent economic downturn, employment in our industry was expanding. Between 2005 and 2007, medical technology employment grew 20.4%, adding 73,000 jobs. During the recession, between 2007 and 2008, MedTech employment dropped 1.1 percent, compared to 4.4% for manufacturing as a whole.

What the Committee may not know is that the medical technology industry is heavily skewed toward small companies—the kind of companies that begin with a scientist or doctor with an idea to improve patient care. Almost two-thirds of the 7,000 medical technology firms in the U.S. have fewer than 20 employees. A high proportion of the

breakthrough products in our industry come from these small, often venture-capital funded companies.

And whether the firm is large or small, success in our industry comes only from innovation—the creation of diagnostics, treatments and cures that save and enhance lives. While we are very proud of our contributions to the U.S. economy, we are even more proud of our contributions to improving patient care. For patients, medical progress has been remarkable. Based on the latest available data, between 1980 and 2000, medical progress added more than three years to life expectancy. The death rate from heart disease was cut in half; the death rate from stroke was cut by one-third, and the death rate from breast cancer was cut 20%.

About Abiomed

As the Chairman, President and CEO of Abiomed for the last 9 years, I am acutely familiar with the challenges faced by small businesses every day. We have increased our patients supported by a factor of 10, grown revenue by a factor of 7, raised over \$100 million in cash, and we became profitable last year while incurring no debt.

Abiomed was founded in 1981 in Danvers, Massachusetts, and we've had the fortune of continuing to grow since our founding. We are now a world leader in percutaneous mechanical circulatory support and we offer a continuum of care for heart failure patients. Specifically, our products provide prophylactic to emergency circulatory support for the heart. We believe the optimal clinical outcome for patients is one that restores their quality of life and is the most cost-effective solution for the healthcare system. We continue to publish papers and create new products around this goal. Many of our products are being utilized outside the United States and do not yet have FDA clearances or approvals.

While we have grown, we have incurred net losses since our inception with the exception of this fiscal year. Even though we were profitable for the first time in fiscal 2012, we may incur challenges in the future as we continue to invest in research and development related to our products, conduct clinical studies and registries, expand our commercial infrastructure and look to expand to new markets.

When Abiomed was founded, we were a company of 10 people with no products on the market. Through years of perseverance and hard work, we have now grown to a company of 440 employees and total revenue last year of \$126 million with projections of \$156 million this year. Even despite our country's recent economic hard times, we have continued to grow and add manufacturing jobs. At the start of the recession, in fiscal

2008, Abiomed's total revenues were \$59 million and we had approximately 300 employees.

While I'm proud that my company is a success story and that we have continued to develop and manufacture lifesaving products for patients, not every small company in our industry is as fortunate and many have gone out of business. The current environment is the most critically challenging of my healthcare career. Even with truly innovative products and serious commitment, many emerging growth medical device companies simply do not succeed—especially in the current down economy when investment dollars are scarce and regulatory challenges are growing.

For Abiomed, our success is founded on three pillars: innovation addressing a clinical need, scientific evidence, and hard work with execution.

In order to succeed in the medical device industry, which is both highly regulated and highly competitive, the first critical element of success is innovation. Abiomed created the world's smallest heart pump, Impella, which is 1/100th the size of the heart and can pump half to all of its output. Every day, we continue to develop on our breakthrough technologies—making improvements to them as scientific knowledge of the heart increases and as medical treatment progresses. The medical device market is characterized by a rapid innovation cycle, and to be successful companies must push to be on the leading edge of new technologies.

Secondly, in this day of increasing health care costs, scientific evidence around the clinical and economic benefit is critically important. Whenever we develop a new, innovative product, we need to be able to demonstrate that the product provides value to the health care system. These FDA studies and ongoing registries require significant investment and have ongoing maintenance for post-market monitoring, peer reviewed publications and independent cost effectiveness analyses. In summary, we have amassed a compelling collection of clinical and economic data around the use of our products and recently been incorporated into the medical guidelines as determined by the physician societies.

The third pillar—hard work and execution—is fundamental in any industry. A successful company needs to focus on quality, and in Abiomed's case, quality in manufacturing to patient support.

Aside from these three pillars, Abiomed has employed other strategies to succeed during these tough economic times. We are frugal. We cut expenses where we can and spend slowly. Sometimes that means that we invest or spend at a slower pace than we could,

given more positive economic circumstances. But this slow, steady, and frugal approach has allowed us to grow, despite the current economy.

Upcoming Challenges

I remain optimistic that Abiomed will continue to succeed based on the strength of our innovations and impact to patients. However, we do face challenges on the regulatory front. For example, we have several new products outside the U.S. that will require FDA interaction in both review and design of future studies in order to bring these products to the United States. Abiomed believes in patient access to safe and effective medical devices and supports the FDA as a critical partner in our efforts to bring products to the market. Without a strong, effective, and efficient FDA, we cannot have a strong and competitive industry. Specifically in the future, the predictability, consistency and efficiency of FDA decision-making, as well as risk-based standards of evidence to assure the safety and effectiveness of medical technology products, is essential to drive new innovations for patients. We are hopeful that the recently enacted Medical Device User Fee agreement will help to improve the process for all involved parties. While we have not always been pleased with the pace of progress, I would note that the FDA leadership is supportive of initiatives to help smaller companies and is passionate about their mission.

In the reimbursement environment, the Center for Medicare and Medicaid Services (CMS) has a diligent and thoughtful process to analyze clinical data from the real world usage within registries, peer reviewed publications and the FDA approved studies. We will continue to support more publications with the clinical experts in the field, while incorporating the cost effectiveness models.

My biggest concern relates to the medical device tax. Starting on January 1, 2013, medical device companies will face a \$30 billion tax, which was included as part of health care reform. While I am supportive of improving our country's health care system and improving patient outcomes, this tax is misguided and should be repealed.

Studies have estimated that up to 43,000 U.S. jobs will be at risk after the tax goes into effect. The tax will be especially damaging to innovative start-up companies, since start-ups tend to suffer losses in their early years when they are pouring money into research and development, and trying to move a product to market. Since the majority of the industry includes smaller companies that are not yet profitable, this tax increases the time these companies will be operating at a loss. For some, it could truly be the difference between surviving and having to close their doors.

For Abiomed, the impact of the medical device tax will be strongly felt. We're estimating that the tax will cost our company about \$4 million per year. To put this figure into context, we would not have achieved profitability last year. This tax is greater than the cost of providing healthcare coverage for our employees. And it's about 15 percent of our research investments and 10 percent of the expense of our employees. Since we have just achieved profitability, we will have to hire at a slower pace and defer future research projects to offset the new tax. Abiomed supports healthcare reform around patient quality; however, we believe this medical device tax is a separate policy issue and will have negative consequences on innovation.

I am heartened that the U.S. House of Representatives voted in early June, with bipartisan support, to repeal the device tax. I am hopeful that your Senate colleagues will follow your lead. The tax will cost jobs, harm innovation, and could lead to higher costs for patients, which is something that no one wants.

Conclusion

Mr. Chairman, Ranking Member Velazquez, and members of the Committee, thank you for the opportunity to testify today, and thank you for your focus on companies who have been successful, despite the economic downturn. Small businesses are truly the backbone of America's economy—just as they are the backbone of the medical device industry.



**STATEMENT OF ELISE MITCHELL, President and CEO of
Mitchell Communications Group, Fayetteville, AR**

On Behalf of Women Impacting Public Policy

Before the U.S. House of Representatives

Committee on Small Business

**Tales of Resilience: Small Business Survival in the
Recession**

July 25, 2012

My name is Elise Mitchell and I am the President and CEO of Mitchell Communications Group. I bring you greetings from my company and from our home base of Northwest Arkansas, a thriving region with deep entrepreneurial roots in one of the most beautiful parts of the country- as Chairman Graves well knows.

I am also here today on behalf of Women Impacting Public Policy (WIPP), a national nonpartisan organization advocating on behalf of nearly 1 million women-owned businesses and representing 64 business organizations. I'm proud to represent all of these leaders.

Established in 1995 as a sole proprietorship, our company today is a Top 50 strategic communications firm working with some of the world's largest companies and best known brands including: Walmart, Hilton Hotels & Resorts, Tyson Foods, Procter & Gamble, Sam's Club, Southwestern Energy Company, and J.B. Hunt Transport.

We are fortunate to do national and global work for these distinctive clients. We have successfully attracted top talent and developed new and innovative communications services. As a result, we've grown 445% in the past four years alone. We are also very honored to have won numerous industry awards, and twice been named to the Inc. 500/5000 list, as well as one of the "50 Fastest Growing Women-Owned/Led Companies in North America" by Women Presidents' Organization and American Express OPEN.

I wish I could say that many women business owners shared my experience, but many small-business owners have faced significant challenges in this recession. Not only do we face many hurdles but our customers are also drowning in this economy, making business harder to find. I am often asked how we have achieved growth in spite of a still uncertain economy.

The answer is not what you might expect. I'm an avid motorcycle rider, and I've built my business based on a concept called "Looking Through the Turn," a fundamental principle of motorcycling that offers great insight. As you approach a turn, you must look where you want to go rather than fixating on potential hazards in the turn itself. The challenge comes in keeping your eyes focused on where you want to end up while using your instincts and experience to adjust within the turn — all at a moment's notice.

Inspired by this philosophy, I've used these core principles to help our agency succeed, and there are several important lessons I have learned along the way.

First, don't be afraid to admit you don't know, but be willing to do whatever it takes to find out. Throughout the past four years, we've all faced challenges we

could never have imagined. I've learned to recognize when I need a new solution, and am willing to do whatever it takes to figure it out. That means surrounding myself with the smartest people I know and remaining a life-long learner so I can constantly improve my game.

Second, leaders who look through the turn stand for something. During some of the darkest days of the recession, we came together as a company to write a common set of values: trust, open communication, service, results and commitment. These values guided us when we needed them most, and have helped us attract some of the best employees and clients anyone could hope for.

Third, leaders who look through the turn know how to take risks. I suppose risk is something I am more comfortable with than most, but the trick is to balance risk and discipline to yield solid results. In spite of the ambiguity of the marketplace, I've encouraged our team to look for emerging opportunity. As a result, we've developed several new services, enhanced our value proposition, and helped our business grow.

Finally, leaders who look through the turn don't try to go it alone. It is the greatest privilege of my career to be the steward of Mitchell Communications Group, and I've learned that "excellence attracts excellence." Great people attract great clients -- you can't have one without the other. There are also a number of organizations such as WIPP, the Women Presidents' Organization and Amex OPEN that provide guidance via a network of support and advocacy for women entrepreneurs- nobody has to go it alone.

It takes courage to be an entrepreneur, and there is much Washington can do to make the roadway smoother rather than more hazardous. It has been made clear that Washington recognizes the vital role of small firms in the economy and the plight of America's job creators. But what we need to see from our lawmakers is an effort to fully consider small businesses during rule-making, facilitate access to capital and provide certainty about taxes- this will allow us to do what we do best- fuel the national economy and hire more of our neighbors.

Women owned businesses represent one of the fastest growing contributors to our national economy, with an impact of \$1.2 trillion annually. Yet we are also faced with a number of unique obstacles. It is because of those obstacles placed before us, and only us, that I ask you to support those resources we have to not only level the playing field but help us continue to grow and prosper while growing the economy with us. Programs like Women Business Centers and the Women-Owned Small Business (WOSB) contracting program are a step in the right direction and will yield immense results.

I started my business as an S-corp, which is a business that files the company taxes under the owner's personal tax return. It seems that the dialogue in D.C. about taxing "the rich" has completely ignored the tax structure of most of America's small companies. While they may file with more than \$250,000 when tax season comes, almost every penny of that is reinvested in the firm- whether it be to make payroll, purchase new equipment or simply keep the lights on. Now is not the time to increase taxes on those creating the jobs that Americans so desperately need. More importantly now is not the time to hold small businesses hostage in a state of tax uncertainty, we must be able to plan ahead if we are to move forward.

We must also facilitate greater access to capital and support the resources we need to not just survive, but thrive. Even with the track record of funding America's cash starved entrepreneurs, credit unions are being held back by an outdated and nonsensical rule. There is currently a cap on loans to small firms that, if increased, would inject an extra \$13 billion into the economy, giving small businesses the fuel they need to create 140,000 new jobs in the first year alone. The Small Business Lending Enhancement Act (H.R. 1418/ S. 2231) would do just that by increasing the credit union lending cap to 25.7 percent.

Support women entrepreneurs and the economy will prosper.

There are countless women-owned businesses, 7.8 million be exact, working tirelessly to drive our economy forward. And when I think about them, their dreams and determination inspire me, as I know they do you.

I ask all of you here today as well as your colleagues in Congress to help lay the tracks for America's job engine to move forward, and to help ease many of the crushing pressures the economy places on us. Improve the economy and the nation's job engine will have more fuel to propel us to a recovery, as small businesses have done in every recession in modern history.

Now more than ever before, our country needs businesses and lawmakers who are willing to look through the turn, to fix their eyes on where we want this great country to end up, and work together to get there.

Mike DiMarino is Linda Tool. He has spent his entire professional life with the company, which was established in 1952 by Rudy Cataffo. Mike has been the CEO since 1988, overseeing the expansion of the company from a 3 man conventional machine shop to a state of the art contract manufacturing company offering custom precision components and assemblies to leading OEMs in aerospace, aircraft, hydraulics, automation, electronics, defense, machine builders, medical devices, packaging, robotics and telecommunications.

Mike DiMarino participated in the Goldman Sachs 10,000 Small Businesses Program and the UBS Mentorship Program.

INTRO:

Thank you for inviting me this event to share with you some of the things I and my team of talented, dedicated employees at Linda Tool did to come through this challenging financial climate with greater capabilities and secured business through 2017.

STORY:

The last four years have meant sacrifice for all of us. Personally, I have been set back 10 years financially. But I was willing to alter my lifestyle in order to keep my people. I learned a long time ago that state-of-the-art manufacturing equipment is expensive, but the people who operate it are priceless.

I hand-pick my team...no skaters...we all feel the same way. Everyone pulls together with a singular objective to do the best job possible. I work hard. They work hard. And I pull for the people who pull for me. I always try to keep the lines of communication open and let the employees know the truth about what's going on. Although times were lean and I couldn't give raises, I did everything I could to keep my team together, without laying off a single person since 1983. It meant sacrifices like cutting back to 32 hours for a period of time. But they didn't lose their benefits, like vacation pay, sick days, or healthcare. Still, the burden of the challenge couldn't be placed on their backs alone, so I looked for other ways I could support them by building the business in ways that would provide long term relief and security.

So how did I do it?

I did the opposite of what you would expect. Instead of pulling back, I invested heavily in new equipment, technology, training and marketing. I uncovered markets that offered business growth potential but first I needed to get certain things so I could compete for those kinds of contracts. I took a big risk and tapped into my personal resources to fund the expansion of our manufacturing capabilities and our entrance into these new markets.

From the outside looking in you would have thought there was no recession at Linda Tool. But there was and we had to work fast and be smart about every next move we took. The key to our survival was close management of every detail, no matter how small, including: the equipment we purchased; making sure to pay our vendors on time so they could stay in business; the cross-training of our personnel; strengthening our customer relations to our greatest ability; networking; and constant communications and evaluations along the way.

I reached out to local resources for help too. I aligned with the Southwest Brooklyn Industrial Development Corporation – SBIDC - where I met Congresswoman Nydia Velázquez, one of Brooklyn’s greatest advocates for small business. She helped us to acquire the Cost Share Grant that was instrumental in the installation of the Linda Tool Green Roof for environmental sustainability, keeping our costs manageable for a project like this. The SBIDC is a great organization and it may be that everything I did leads back to them in some way.

I also became deeply involved with the New York City Small Business Services and their training grant program. I partnered with them to run the machinist training program at our facility in Red Hook, Brooklyn. Some of you may know how difficult it is to find skilled labor. By hosting the training program I was able to observe the students and present them with an opportunity to apply for employment with us. We benefitted by being able to select from a pool of trained, qualified applicants. Right now, we are talking with the SBS about an Apprenticeship program.

We also utilized the SBS’s training grant program to achieve two industry certifications we needed to open up opportunities in market areas we hadn’t been qualified for in the past. For example, now we can compete for certain government contracts.

But training not only opened up new business opportunities for us, it also gave us a way of cutting costs by cross-training our people. So the guy who runs the lathe, for example, was trained to also run the mill. This way we were able to reduce labor costs by utilizing the talents of our existing people.

While we were busy with training and certifications, we had to start networking in order to make the right contacts. This led us to the Goldman Sachs 10,000 Small Businesses Program, a tremendous program that can really help enhance a small business and the way they think and operate. We also joined the NTMA – National Tooling & Machining Association - so we could be connected with new business opportunities and completed the UBS/ Clinton Foundation Mentorship program.

These resources are very valuable tools for a small business and something all small business should look at. Now our people are working a lot of overtime again – making up for the time they lost, and then some! So you see, it all balances itself in the end. We faced our challenges head-on, guided by inspiration and fueled by teamwork, giving what we could, and giving up what we had to. Because of that, we continue now on a path that has enabled us to access long term contracts that take us right through 2017 so far!

Linda Tool is blessed with great personnel. Just as we offer the highest quality and care to our customers, we also offer the same to our dedicated employees. I believe we are able to achieve the things we set out to achieve because of the people who work for us and with us. It is through our support of them that they are able to produce what is needed.

Thank you for inviting me to share the Linda Tool story. I wish you all the greatest success.

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RUMFORD INDUSTRIAL GROUP
Exclusive Authorized Distributor

July 20, 2012

U.S. House of Representatives
House Small Business Committee
2361 Rayburn House Office Building (RHOB)
Washington, D.C. 20515

Dear Chairman Graves:

Thank you for the opportunity to discuss our successes and our concerns during this challenging time.

Rumford Industrial Group is a small industrial distribution company located in Dayton Ohio. Incorporated in 1980 by Jim Rumford we are your typical sales organization. The economic climate in 1980 wasn't very favorable for starting a company. Interest rates were around 18% and banks just weren't lending anyway.

We've made investments over the years to stay ahead of the competition and as our company grows, we hire. Our group currently numbers 40 over a 5 state territory.

As a sales organization it is our responsibility to provide certain functions to support our sales staff. These include but aren't limited to:

- Office/warehouse (of which we're about to break ground on a new 8500 sq ft facility).
- Accounting/Bookkeeping department
- Shipping/Receiving capabilities
- Customer Service
- Order Taking
- Marketing Department
- Technical Support
- Sales Consultants
- Application Company

By having a fully functional office to support our sales field we are able to increase our presence in our industrial accounts by making our sales staff more efficient. This increases our sales and allows us to expand our internal and external organizations.

In 2009 when the economy tanked we lost 40% of our business. We chose to use our savings accounts to keep people employed instead of laying them off. We believe most small businesses in this country would do the same if they had the option. We were fortunate when in August of 2010 business started picking up and we were able to gain back 25% of the previous year's losses. Still down but not as far. In 2011 we were up 25% over 2010 and so far for 2012 we are running at a 35% increase in business. How are we managing this? Well, we went back to the basics. We started calling our customers, knocking on doors and sending email newsletters to let the customer base know about our capabilities. Basically we implemented a great marketing campaign.

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Typically in economic downturns our business does very well as we rebuild and salvage component equipment in the industrial sector. This last downturn didn't just close factories and facilities, they were torn down. Automotive plants that covered hundreds of acres of land are gone. The industries that support big business were just gone. We were fortunate to survive and one of the main reasons for this is that we carry no debt. By not having debt to service we can focus on our mission of effectively educating employees and customers on providing reliable lasting solutions for the repair and reclamation of buildings, structures, machinery and equipment.

I'd like to make an important note. Our success and our survival as a small business is in no part due to the actions of the government. Indeed, the government could have eased lines of credit for small businesses and reduced the paperwork burden to obtain temporary financing, but it either did not happen or the bureaucracy was too burdensome.

During the economic downturn between 2008 and 2011, we tried to expand our business into the military, specifically the Army. Our focus was to improve the preservation and maintenance of Army equipment and we had numerous meetings with Army officials. Unfortunately, the Army has little focus on reducing the life cycle cost of their equipment and focuses more on quick fixes, thus spending more on maintenance and equipment over time. Indeed, there are few in the government capable of making life cycle determinations during acquisition decisions. After three years of trying to have meaningful discussions and meetings to change the Army's maintenance focus, we returned to our basic commercial roots working with companies who are interested in saving money. We are disappointed by a general lack of business acumen in the government.

The tax code needs to be completely abolished and rewritten to either a fair or flat tax where everyone pays their fair share, not just the wealthy.

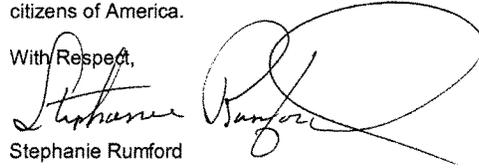
In discussions around our community here are some bullet points that other small business owners would like to see us share with you.

- 1) Keystone Pipeline needs to be completed.
- 2) Fracking needs to be allowed to move forward.
- 3) SBA – Guarantees were put in place during the financial crisis and then removed. We'd like to see them reinstated.
- 4) Obamacare is proving to be burdensome, expensive and doesn't solve the health care problems.
- 5) Frustration with lack of federal budget and imbalance in receipts vs. expenditures.
- 6) Extend Bush tax cuts for all. This gives us the ability to make plans.
- 7) The unceasing attacks by the administration and certain members of Congress on the hard won success of numerous small business men and women who are the backbone of employment in our nation is despicable. To call successful small persons wealthy and to add additional tax burdens such as the Obama Health Plan will hurt employment and investments.
- 8) We would like the paperwork associated with small business loans significantly reduced.

Small businesses can grow and improve the nation's unemployment situation if we have the same access to capital at rates similar to large companies. There is a difference between low risk and no risk and too many financial institutions have taken the no risk approach.

Rumford Industrial Group is proud of its accomplishments. We have weathered poor economic conditions through hard work and sacrifice, reducing debt, and by making prudent financial decisions. It has not been easy and many of the government's policy decisions have not improved conditions. We look for actions the House Small Business Committee can take to reduce burdensome rules and regulations that will help small business gain faster access to credit, reduce bureaucratic oversight, and promote a tax structure that encourages small businesses to grow in both revenue and employment. Small business is the cornerstone of the great American success story where personal sacrifice can lead to a better life for all the citizens of America.

With Respect,

A handwritten signature in cursive script, appearing to read "Stephanie Rumford". The signature is written in black ink and is positioned to the right of the typed name.

Stephanie Rumford

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July 27, 2012

Representative Richard Hanna
 319 Cannon House Office Building
 Washington, DC 20515

Dear Representative Hanna,

Thank you for your questions and interest in the medical device industry at the Committee on Small Business Hearing: "Tales of Resilience: Small Business Survival in the Recession." During the hearing, we discussed the medical device industry and whether the medical device tax was on profits or revenues. I want to provide a little additional context and information on this topic and ask that this letter be added to the hearing record.

The medical technology sector is one of our nation's leading manufacturing industries, and has the potential to be a continuing vehicle for job creation. The medical technology industry is heavily skewed toward small companies. Almost two-thirds of the 7,000 medical technology firms in the U.S. have fewer than 20 employees. Set to take effect January 2013, the medical device tax could result in the loss of over 40,000 jobs as well as \$3.5 billion in worker wages and benefits. American device manufacturers have already been forced to cut jobs and halt expansion plans in anticipation of this new tax.

The medical device tax is different than most taxes levied on businesses in that it is an excise tax and therefore applies to U.S. sales, not profits, of medical device manufacturers. All medical device companies, regardless of whether they are profitable or not, will be subject to the tax. The new tax on revenues will be especially damaging to small device companies like Abiomed. Small device manufacturing businesses tend to suffer losses in their early years when they are pouring money into research and development, and trying to move a product to market.

On June 7, 2012, you along with the majority of your House colleagues voted to repeal the medical device tax. Repeal will allow America's medical device developers to invest in innovation, helping maintain America's global leadership in new medical technology. Advances in diagnostic and treatment tools improve the quality of our health care – helping us live longer, healthier lives and reduce the costly burden of chronic disease.

I appreciate your interest in the industry as well as your support for the repeal of the medical device tax. I hope we can continue to work together to protect high-wage Americans jobs, maintain our global competitiveness, and encourage the research and development needed to find tomorrow's treatments and cures.

Sincerely,

Michael Minogue
 CEO, President and Chairman of the Board of Abiomed
 AdvaMed Board Member

cc: Sam Graves, Chairman, Committee on Small Business
 Nydia Velazquez, Ranking Member, Committee on Small Business

Bringing innovation to patient care worldwide