

**NATIONAL SMALL BUSINESS WEEK: SMALL  
BUSINESS SUCCESS STORIES**

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**HEARING**

BEFORE THE

**COMMITTEE ON SMALL BUSINESS  
HOUSE OF REPRESENTATIVES**

ONE HUNDRED SEVENTH CONGRESS

SECOND SESSION

WASHINGTON, DC, MAY 8, 2002

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## **NATIONAL SMALL BUSINESS WEEK: SMALL BUSINESS SUCCESS STORIES**

**WEDNESDAY, MAY 8, 2002**

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

The Committee met, pursuant to call, at 2:40 p.m. in room 2360, Rayburn House Office Building, Hon. Donald Manzullo presiding. Present: Representatives Velázquez, Millender-McDonald, Ross, and Thune.

Chairman MANZULLO. Good afternoon. This afternoon the Small Business Committee conducts a hearing in conjunction with National Small Business Week to recognize several small businesses that embody the spirit of entrepreneurship. Specifically, the Committee will receive testimony from several small businesses who have grown their businesses with the assistance of the Small Business Administration. Additionally, this hearing will enable the participants to promote their successes in the industry in which they have engaged.

Each year for the past 39 years, the President of the United States has issued a proclamation calling for the celebration of Small Business Week. This year, National Small Business Week, which is sponsored by the Small Business Administration [SBA], is being held from May 5 through 11, 2002.

Historically, small businesses have been the catalyst for economic growth. From 1990 to 1995, one of our nation's most impressive economic growth cycles, small businesses created three-fourths of the new jobs. Overall, small business accounts for 99.7 percent of the nation's employers, employing 53 percent of the private work force, contributing 47 percent of all sales in the country, and is responsible for 50 percent of the private gross domestic product.

Small businesses also play an integral role in helping to solve some of the nation's most complex problems. For example, with the onslaught of the War on Terrorism, a number of small businesses have provided valuable technical assistance to the Department of Defense. Additionally, because small businesses are the heart of specific communities, they are also attuned to the challenges facing their community. Consequently, they often serve as the leaders to fight problems such as hunger and homelessness.

Unfortunately, burdensome regulations, a complex tax code, and an inaccessible health care system are stifling small businesses. Small business owners face a tax and regulatory scheme that overburdens and demoralizes them. Government is meant to be the servant of the people, yet the existing federal tax and regulatory

state unfairly acts as judge, jury, and master of honest, hard-working Americans.

Fortunately, with the assistance of the Small Business Administration, our guests have managed to become successful in spite of the road blocks placed in their way. However, if small business is to continue as the nation's economic catalyst, it is imperative that fewer regulations, simpler, lower taxes, and a free market approach to health care are all implemented to ensure a competitive environment for all small businesses.

While Washington has contributed to these problems in the past, I am proud to say that, along with President Bush, Congress has worked to repeal the 100 billion ergonomics rule and pass the President's Economic Growth and Tax Relief Reconciliation Act. It is my hope that in the very near future Congress can act to make health care an affordable benefit for all small businesses.

I look forward to the testimony of the witnesses today and want to thank the witnesses who are testifying, especially my constituent, Mr. Gene Berg, who through some creative thinking was able to save over 200 jobs in Byron, Illinois. Additionally, I want to recognize and thank SBA Administrator Hector Baretto for his cooperation over the last year. Mr. Baretto will join us today to discuss the role his agency has played in helping to create and sustain successful small businesses.

[Chairman Manzullo's statement may be found in appendix.]

Ms. VELÁZQUEZ. Thank you, Mr. Chairman

We take time this week to recognize the huge contribution that small business makes to this country. It is absolutely incredible the work small businesses do for America. They anchor our neighborhoods and communities. They create three-fourths of all new jobs and employ half our workers. While corporate America sheds jobs and shifts production overseas, small businesses are busy hauling us out of recession.

Today it is truly an honor to have the opportunity to hear from some of the leaders in the small business community.

Kimberly Francis and her husband, John, own Northern Virginia Roofing in Falls Church, Virginia. When the Pentagon was attacked and burned on September 11, they worked with other roofers across the country to volunteer their services to rebuild more than over an acre of destroyed slate roofing over the Pentagon. Hard at work ever since, they aim to finish the job along with the rest of the headquarters by September 11, 2002.

Belinda Guadarrama is president and CEO of GC Micro Corporation in Novato, California. She started her company more than 15 years ago with just two employees. When she tried to get a small, \$5,000 loan, the bank turned her down for lack of collateral. A prime contractor told her, "No company wants to work with a little Mexican company in Novato". But three years later, she secured an SBA loan of \$300,000 and expanded into a business park. Today, she employs 28 workers, with sales of \$34 million as one of the leading suppliers of computer hardware and software to the defense and aerospace industries. Congratulations, Belinda.

Ms. GUADARRAMA. Thank you.

Ms. VELÁZQUEZ. While these small businesses do so much for our nation, we should be doing more for them. And while this Com-

mittee has continued to work tirelessly to help small business, the needs still greatly outweigh the gains. On issues like tax fairness and regulatory equity most of the change has helped corporate America rather than small businesses. Many of these issues remained unresolved.

It was heartening about a month ago to hear the President outline his agenda for small businesses. I am glad to hear him return to the issue that he raised during the campaign. It is my hope that there is action to follow up on these promises.

Small businesses built this country. From the industrial revolution to the information age, American enterprise has shaped our economy and way of life. Since this is Small Business Week, it is appropriate that during this hearing we can learn what small businesses have done for our country and our communities. Small enterprise is not uniquely American, but Americans have harnessed small enterprise like no other nation. Alexis deTocqueville remarked two centuries ago that "boldness of enterprise is the foremost cause of America's rapid progress, its strength and its greatness."

The history of this country and the mission of this Committee has been the dogged pursuit of equal opportunity for all with the dream of a better life through commerce. That is why, Mr. Chairman, I am disappointed in the House leadership when they decided to pull two of our bills from the floor this week that would have strengthened small businesses. But today is less about politics than it is about reminding ourselves why we work for small businesses. In addition to the entrepreneurial drive, small companies most often embody another unique American characteristic: our patriotic obligation to give something back to the country that rewards talent and hard work with prosperity.

We honor this spirit today. Small businesses are constantly giving back, just as Kimberly and John Francis envisioned during our country's darkest hour and just as Belinda Guadarrama in contributing to our nation's defense.

We thank you again for all that you have given us. Welcome. Thank you, Mr. Chairman.

Chairman MANZULLO. Thank you. We are going to have some visiting members to the Small Business Committee introduce their constituents. Representative Lynn Woolsey, would you be kind enough to introduce us to your constituent and witness?

Ms. WOOLSEY. Thank you very much, Mr. Chairman, and thank you, members of the Committee, for letting me come by here today to introduce one of my favorite constituents, actually. Your ranking member has mentioned Belinda Guadarrama, but I want to say a little bit more about her because I know her better.

Belinda, as you have learned, is the president and CEO of GC Micro Corporation, which is based in Novato, California, which is the very center of my district across the Golden Gate Bridge from San Francisco. Belinda was the winner of this year's California Small Businessperson of the Year. She is a second-generation American and the daughter of a disabled American veteran. Belinda earned a degree in economics from Trinity University in San Antonio, Texas, and completed graduate work at the University of Texas.

In 1986, investing her entire life savings, Belinda began selling software to government contractors and created GC Micro, a company with revenues of over \$34 million last year. Beginning GC Micro was not easy due to both racial and gender discrimination. However, Belinda overcame the perception that minority women did not belong in the technology field or could be effective marketing to defense contractors. Now she is a strong and respected voice for minority businesses in America and has served as a small business policy adviser to the White House over the past three presidential administrations.

I am proud to represent Belinda Guadarrama, and I know you will enjoy her comments today. Welcome, Belinda.

Ms. GUADARRAMA. Thank you very much.

Chairman MANZULLO. Thank you very much. Congresswoman Woolsey, you can stick around as long as you want. If you would like to join our Committee, let us know. We always have need of your talent. Thank you so much.

Representative Reberg from Montana would like to introduce a witness and a constituent.

Mr. REBERG. Thank you, Mr. Chairman. I do feel like I am part of the Small Business Committee. Let me begin by thanking you for traveling all the way to the State of Montana and having a Small Business Committee hearing on the snowmobile issue. It was very important to my constituency, and we appreciate that.

Appropriately enough, I have a constituent sitting on the far right of the panel. Her name is Brenda Burkhartsmeier, and her husband, Dennis, is somewhere in the audience. I like his name. It is easy to remember Dennis. They are a tremendous reflection of a small business in the State of Montana. We are a state of small business. We have not a lot of large business, and within Montana there are two things that are important, knowledge and capital, and the Burkhartsmeiers came up with a concept called Mountain Mud. It is a kiosk that sells coffee. As you can imagine, carts are not particularly popular in the winter in Montana selling coffee, but a drive-up kiosk is. It turned out to be a tremendous asset to the state. They now do business in many states, as you will hear in their testimony.

They are the Small Business of the Year recipients within the State of Montana, and we are pretty proud of them. Unfortunately, they stole one of my good friends, moved him out of state, who was also my insurance agent. They are a growing entity in scooping up and creating jobs, and not only are they working with the Small Business Administration on the capital necessary to expand their business, but they are doing something that is very important for all of us to remember: They are sharing their knowledge with other small business people that are interested in getting into something similar, and you do not run into that when there is the proprietary interest in business. But they are willing to share their expertise, mentoring other small businesses, and my hat goes off to them, and I thank you for allowing them an opportunity to highlight their business before your Committee today. Thank you, Mr. Chairman.

Chairman MANZULLO. Thank you, Congressman Reberg. And we have Congressman Tom Udall, a member of our Committee, who



is going to be introducing his witness, and not a constituent, but New Mexico is big enough for Tom Udall, and Mr. Espat.

Mr. UDALL. Thank you, Chairman Manzullo and Ranking Member Velázquez for allowing me the opportunity to offer a brief statement to welcome Roberto Espat to Washington, D.C. and to this hearing today. Roberto is the president and CEO of Roses Southwest Papers, Inc., located in Albuquerque, New Mexico. I am sure that he will go into detail about his successful business, so I will leave that to his testimony. Let me just say that he has received many honors during his illustrious career, including being named one of the Hispanic Business magazine's top 500 owned businesses in the year 2000, New Mexico Ethics in Business Award in 2001, just to name a few. And most recently, Roberto was named New Mexico's Small Businessperson of the Year and will be honored at a luncheon in Albuquerque on May 13th. So congratulations, Roberto, on that award.

Mr. Espat is truly an inspiration to entrepreneurs all over the country but especially to individuals in New Mexico. Many parts of New Mexico struggle to develop economically, with high rates of unemployment, high rates of people lacking health insurance, and high rates of poverty. In that context, what he has achieved is all the more admirable. Not only do you employ more than 200 people, but you also provide these employees with a health plan, with long-term disability, tuition reimbursement for work-related training, and a 401K plan.

I commend you, Roberto, for your success as a small business owner and for providing quality employment opportunities for an impoverished state such as ours. And again, let me thank you, Mr. Chairman, and Ranking Member Velázquez for this opportunity. Thank you.

Chairman MANZULLO. Roberto, did you come in? Where is he?

Mr. UDALL. I think he is arriving momentarily.

Chairman MANZULLO. All right. We will squeeze everybody at the table for one more.

Then Representative Ross from Arkansas, who is a member of our Committee, was going to introduce Representative Boozman, also from Arkansas, who is going to introduce your constituent, but Mike is not here so please.

Mr. BOOZMAN. Thank you, Mr. Chairman, and I thank the members of your Committee for allowing me the distinct pleasure of introducing Dr. Frank J. Siccardi and his wife, Linda.

Frank Siccardi, a resident of Fayetteville, Arkansas, earned his doctor of veterinary medicine degree from the University of Georgia in 1959 and served as a avian research scientist until 1983. Perceiving a need for improved air quality in poultry processing plants to enhance both environmental quality and cost efficiency, Dr. Siccardi developed the Coenco positive air system in 1983 and formed Coenco, Inc., to manufacture and sell his new product.

Dr. Siccardi restructured his company in 1994 and expanded his focus to include warehouses, manufacturing facilities, and other large, open-space buildings. Since its 1994 diversification, Coenco's growth has been remarkable. Employment has grown from four to 15, and annual sales have risen from \$300,000 to over one and a half million.

Dr. Siccardi has been a regular Small Business Administration customer for many years. He began working with the Arkansas SBA Development Center in 1995 and obtained SBA-guaranteed loans in 1995 and 1997 to enhance cash flow and fund Coenco's rapid growth. Dr. Siccardi's recent work is defining precise ways and means of significantly reducing energy needs in large buildings.

Mr. Chairman, Dr. Siccardi is a great example of the American entrepreneurial spirit that is the backbone of our nation. It is my pleasure to introduce you to a fellow Arkansan, Frank Siccardi. Thank you.

Chairman MANZULLO. Thank you, Congressman. Before we start, I have got a resolution here that I drew up honoring the employees of the U.S. Small Business Administration for tireless efforts in aiding, counseling, and assisting small businesses in preservation of the free-enterprise system and helping the growth of personal initiative through the creation and growth of small businesses and particularly the assistance given on September 11th. With your indulgence, it will take me about a couple of minutes to read it.

"Whereas, on September 11, 2001, terrorists hijacked and destroyed four civilian aircraft, crashing two of the planes into the towers of the World Trade Center in New York City and a third plane into the Pentagon in Northern Virginia, and resulting in the crash of a fourth plane in Somerset County, Pennsylvania, and whereas these attacks destroyed both towers of the World Trade Center as well as adjacent buildings and seriously damaged the Pentagon, and whereas thousands of innocent people were killed or injured, and businesses both large and small were destroyed, closed, or suspended for national security purposes by mandate of the federal government, many business owners were both directly and indirectly adversely affected by the terrorists' attack and were finding it increasingly more difficult or impossible to make loan payments, find access to new capital, and pay employees and vendors, and whereas the employees of the U.S. SBA have been working above and beyond the call of duty, in some instances going without proper sleep and spending time away from their families and loved ones, and have been called upon to put in extra time to assist and serve the needs of those directly and indirectly affected by the events of September 11, 2001, and, therefore, be it resolved by the chairman of the Committee on Small Business, United States House of Representatives, that the chairman commends the employees of the U.S. SBA for their tireless dedication in helping those businesses and homeowners directly and indirectly affected by the horrific terrorist attacks and helping to restore economic well being to thousands of homemakers and small businesses throughout this nation. Those who worked in cooperation with the U.S. SBA to assist victims of the terrorist attacks of September 11, 2001, particularly Administrator Hector Baretto, who had to deal with the events of September 11th only a short period of time after he was confirmed by the Senate; John Whitmore, who held the agency together during the transition between administrations; Herb Mitchell, who went well beyond the call of duty in helping small businesses virtually around the clock in the aftermath of the terrorist attacks; and Gary Jackson, who resolved complex size

standards, particularly with respect to travel agencies, to all of you are sincere thanks and gratitude.”

Administrator Baretto, do you want to come up, and John Whitmore and Herb Mitchell and Gary Jackson? Folks, give these people a big round of applause for the tremendous work that they have done.

[Applause.]

Chairman MANZULLO. John, do you want to come up? Please. Mr. Baretto is going to be sitting up here at the table, Hector. John, do you want to come on up? Let me give this to you also.

[Applause.]

Chairman MANZULLO. Okay. Well, this is unusual. We have the administrator of the SBA sitting up here with us and for a very special purpose because, as far as we are concerned, Hector has always been one of us. He is a man of the people. He earned his oats, as we say in the Midwest, when on September 11th tirelessly he walked the streets of New York City with Ms. Velázquez and helping people personally to come through that tragedy. And Administrator Baretto, we are going to give you the opportunity to make a statement, whatever you would like to share with us, and then we can turn to the witnesses, and thank you for being here.

Mr. BARETTO. Thank you very much, Mr. Chairman, and Ranking Member Velázquez. Thank you so much for inviting me to be here. It truly is an honor, and today is really a day that we can celebrate so much, so many of the achievements that are represented today, and I am so anxious to hear the testimony from these great men and women small business owners. I have read some of their bios. I know how incredible they are, and they really are representative of what we know is the best of the best of our small business owners. We have so many of them in town today.

I also want to acknowledge the other members that are here. I have had an opportunity to work with them, Congresswoman Tubbs-Jones and Congressman Chabot, and many of the others that sit on this dais often. I have had an opportunity to go to their districts. One of the first places I went to, as the chairman said, was to Rockford, Illinois, and then soon after that I went to Congresswoman Velázquez’s district. And I have learned so much by being there in their districts and working with them and really being on the ground where the rubber meets the road, as they often tell us. And so it is a privilege to be here.

Just for the record, I want to unequivocally state that I have no designs on any of the chairs that are up here on this dais. I know the very important responsibility that the members of this Committee have, and I feel honored to be the SBA administrator. I do not consider it a job; I consider it a higher purpose. I like to tell people that I was busy minding my own business literally when the call came to serve, and it is such an honor to serve this country and this administration and to work with leaders like the ones that are represented on this Committee, Chairman Manzullo and Ranking Member Velázquez.

You know, National Small Business Week gives the SBA the opportunity to honor small business men and women who build the products and make the sales and create the jobs that fuel our economy, and I am so privileged to be here with all of these winners

that are representing all of the states of the union. In fact, with the indulgence of the Committee, I would also like to acknowledge the regional administrators who so ably represent the SBA in all of the regions in the country. They are so proud that so many of their constituents are being acknowledged, and I would like to ask them also to stand, all the regional administrators of the SBA that are here today. Thank you so much.

[Applause.]

Mr. BARETTO. Our winners represent a wide range of products and services, including a mix as diverse as American society and culture itself, from shipbuilding to outdoor furniture manufacturing to day spa and boutique services to Web design, advertising, wireless communication, restaurant owners, sandwich makers, general contractors, and everything in between. Twenty-three percent of our winning businesses are minority-owned businesses. Three percent are African-American, 14 percent are Hispanic-Americans, six percent are Asian-Americans, 21 percent are veterans, and women own 28 percent of the winning businesses, 10 percent more than last year. And I think that that is important because I think everybody in this room knows that the fastest growing segments of small business are women-owned and minority-owned small businesses who do such a great job. And the general businesses that are represented here today are really also leading the way in creating many of the opportunities that we see.

Again, I want to thank the chairman and the ranking member and this Committee for all of their counsel and all of their support. It truly is a privilege to work with them, and I look forward to working with them in partnership to do all of the great things that we need to do for all of the small business owners of America. Thank you very much, Mr. Chairman. I am honored to be here with you today.

Chairman MANZULLO. Thank you, Administrator. We are honored to have you here. Thank you so much.

We have a clock here. Try to keep your testimony to three minutes or so. I know it is a difficult thing to do. Do you want to be in charge of the clock? These things happen, you know. Some small businessman will be put to work fixing the clock, so do not worry about that.

We are going to start here with Richard Carroll, the founder and CEO of Digital System Resources. Mr. Carroll, if you could keep your testimony to three to four minutes, we would appreciate it very much, and you are going to have to talk directly into that mike.

**STATEMENT OF RICHARD CARROLL, DIGITAL SYSTEM  
RESOURCES, INC., FAIRFAX, VIRGINIA**

Mr. CARROLL. Well, thank you very much, Chairman Manzullo and Ranking Minority Member Velázquez. Members of the Subcommittee, I want to thank you for the opportunity to testify before the Committee today.

My name is Richard Carroll. I am the founder and CEO of Digital System Resources. DSR was founded in 1982 with two employees. The company became incorporated as Digital System Resources, Inc., in 1985, when we had eight employees. We won our

first contract, which was an SBIR contract, part of the Small Business Innovative Research Program, at which time we had 24 people working for the company. Today, we employ 480 scientists and engineers, and our annual sales are in excess of \$100 million a year.

D.S.R. has offices in Fairfax, Virginia; Crystal City, Virginia; Virginia Beach, Orlando, San Diego, Anaheim, and Kauai, Hawaii. Our success is directly attributable to the Small Business Innovative Research Program. Since our first SBIR contract award in 1988, we have been awarded over 80 separate Phase I, II, and III SBIR contracts.

The SBIR program opened the door for DSR to prove to initially the Navy that a small business with just 40 people could design, develop, test, and provide a data processing system for a major military system. In competition with large companies, such as Lockheed Martin and Raytheon, now the first and fourth largest defense contractors in the world, our company has been very successful in providing a small business alternative.

Our product was called a multipurpose processor, which is a computer that does data processing for the sonars on board our nation's submarines. The MPP, as it is known, replaced legacy sonar systems, or is to replace them, in our entire nuclear submarine fleet. And we believe it could have only been done by a small business, what we did. It has had nearly \$300 million of follow-on work to provide these systems for the submarine fleet.

More important than providing a small business can do the job, DSR proved that using a small business to provide a competitive alternative in this case to what was longstanding, incumbent, large businesses got innovation moving. The system we provided is much more capable, faster, and cheaper than the traditional process that was used. We adapted commercial, off-the-shelf hardware with open system software that allowed the software and the hardware to be developed independently, something that we find in our commercial world often but not in our military world.

Chairman MANZULLO. How are you doing on time, Richard? You have got three minutes.

Mr. CARROLL. Okay. I will finish up here.

Chairman MANZULLO. All right. Thank you.

Mr. CARROLL. The SBIR program—I just wanted to mention a couple of things about that. The SBIR program was recently reauthorized, and I think that the Committee made a home run in reauthorizing the SBIR program. The final step that is needed is that the directive that the SBA has to issue on the SBIR program is not issued, and I understand it is very, very close, and we really feel like that needs to be issued. Thank you.

[Mr. Carroll's statement may be found in appendix.]

Chairman MANZULLO. Thank you very much. Our next witness is my constituent, Gene Berg. He hails from Byron, Illinois, and Gene, at the ripe, old age of 39, decided that he needed to buy a business, and after 19 trips to China, thank God, he got involved in keeping that business in Byron, Illinois, which is the nearest biggest town to my unincorporated town of Egan, Illinois, population 39. So I look forward to your testimony, Gene.

**STATEMENT OF GENE BERG, AUSTIN/WESTRAN, BYRON,  
ILLINOIS**

Mr. BERG. Thank you. As Don said, my name is Gene Berg, and I thank you for the opportunity to sit before you and tell my story, the story of what might not have happened without the assistance of the Small Business Administration.

I am the president and owner of a small business named Austin-Westran, located in Byron, Illinois. We are a manufacturer of products that include trailer landing gear, commercial vehicle components, and a line of corn-burning stoves for residential heating. We employ 200 proud, UAW team members in our 200,000 square-foot, modern manufacturing facility.

My story begins early last year, when the company I was working for as chief operating officer found itself in a position that required it to divest of this division, called Austin-Westran. Several suitors stepped forward, with the most likely acquirer being a competitor headquartered in Germany. Of note is that the selling of this plant to any of these suitors would result in its closure, 200 jobs lost and/or dislocated, some possibly moving outside the United States—a picture we have all seen much too often.

Shortly after the decision to divest, I decided to attempt to buy Austin-Westran. As Don said, I was 39. It was time to get moving. After six months of financial wrangling, I came up short of financing, and the deal fell through. About that time, Mr. Manzullo's office called me and asked if there was anything they could do to assist me. They called me. Coming from a family of staunch conservatives, I was doubtful that the government could assist me with much of anything, at least that is what I had been taught, but I had no choice. The Byron plant would be gone and my dream of owning a manufacturing company ended, and the 200 jobs, most importantly, would not be there.

Mr. Manzullo's office put me in touch with a local development corporation, assisted in numerous other ways, and we began the process of qualifying for a \$1.3 million SBA 504 loan. I would never have guessed that working with the government could have been so fruitful and efficient, but in very short order we were approved. With the SBA financing secured, we closed the deal February 2nd of this year, 200 jobs in our community saved, our community left intact.

We are proud of what we have been able to accomplish in our short life as Austin-Westran. We have been awarded contracts to manufacture corn-burning stoves for heating homes. In addition, we have secured a \$1 million contract to produce trailer landing gear for Mexican trailer companies and have begun a program to set up an operation to serve the China market.

No, this is not a case of outsourcing to low-wage countries like we hear so much about. This is Austin-Westran, located in Byron, Illinois, making products for Mexico and shipment to China. These contracts have resulted in 17 new jobs, of which 53 percent of the team members are of minority descent.

Quickly, since Mr. SBA Administrator is here, since I owe you money, you will be interested in knowing we are doing well and able to pay our loan. Okay?

[Applause.]

Mr. BERG. You made me nervous when you showed up.

In conclusion, I would just add that this Committee does important work. As it was so well stated by the Committee members, small business is critical to the growth and vitality of this country. The Small Business Administration helped save Byron, Illinois, and gave me the opportunity to pursue my dream. It is your committee that leads this country in support of small business. For that, I would like to thank you.

[Mr. Berg's statement may be found in appendix.]

Chairman MANZULLO. Thank you very much.

[Applause.]

Chairman MANZULLO. Congressman Mike Ross is going to give a second introduction to Mr. Siccardi. You did not realize that, did you? Okay. Mike?

Mr. ROSS. Thank you, Mr. Chairman. In the spirit of Small Business Week and as a fellow Arkansan, I want to welcome Frank Siccardi for being here and thank him for sharing his success story with us. I want to thank my friend and colleague, John Boozman for coming to give his introduction as well.

Let me just say that as a small business owner myself with 12 employees back home in Prescott, Arkansas, I know what it is like to meet a payroll every Friday, and I understand the difficulties and challenges that someone who is trying to establish and grow a business faces. I have been there, and I appreciate the effort that you and the other witnesses today have put into making your business successful.

Frank Siccardi had a vision to create a cleaner, safer, and more energy-efficient environment for poultry processing. Arkansas is home to an awful a lot of chicken and poultry processing plants. He has taken this vision and not only created the air-quality system to do it, but he has worked, even when not many people took him seriously, to turn it into a successful business that now benefits the poultry industry as well as many other types of large warehouses and manufacturing facilities.

As members of Congress, we have to work to make sure that our government provides resources and opportunities to help small businesses have the chance to succeed. We need to be there for them, not against them. Small businesses truly are the engine of our nation's economy, and they create an awful a lot of economic opportunities for people from all walks of life. I want to commend you, as well as all of the guests here, for your success, and I want to personally congratulate Frank Siccardi for being Arkansas's Small Businessperson of the Year. Thank you for being here. Thanks to all of you for being here. We look forward to hearing your testimony today.

Chairman MANZULLO. Thank you, Congressman Ross. Our next witness is Roberto Espat. Roberto, do you want to pull that mike up closer to you there? Can you see the colors? When it gets to yellow, you have got one minute to go. Is it green now?

Mr. ESPAT. It is green now.

Chairman MANZULLO. Okay.

**STATEMENT OF ROBERTO E. ESPAT, ROSES SOUTHWEST  
PAPERS, INC., ALBUQUERQUE, NEW MEXICO**

Mr. ESPAT. Thank you, Mr. Chairman. Thank you, SBA, for all you do for small business. I happen to be one of those that did not do any business through SBA. We were at one time a certified 8(a), but unfortunately it was very difficult for us to get any GSA contracts because it was difficult to penetrate GSA—no fault of the SBA. And thank you for this honor. We are proud to be here and proud to be part of SBA.

I am frequently asked, because I come from the little country of Belize, am frequently asked, how did you get here? I say I canoed up the Rio Grande.

Anyway, on a more serious note, we started the business. After a couple of rejections from a couple of banks, we were fortunate to find one bank that started to carry us, and we started back in 1986 doing recycled paper to produce paper products: toilet tissue, paper napkins, et cetera. We started with one machine, one line, a toilet tissue line back in 1985. The first year we had less than 12 employees, a 20,000 square-foot building, one line, and less than half a million dollars' sales.

Today, I am proud to say that we have 250,000 square feet. By the end of this year we will have 17 production lines, employ 200 people, and our sales this year should reach somewhere around \$55 million. None of this would be possible today if it was not for our people, our staff, our employees. We have tried to do everything we can for them. Since the second year of business we have had a profit-sharing program, and we give them all of the benefits that are available, including a 401K, health plans, et cetera.

We would like to suggest that the government can help SBA by helping deregulation. There is so much paper work, so many things that are happening that really frustrate small business and sometimes make it impossible for small business to exist. Thank you for the time you have given me.

[Applause.]

[Mr. Espat's statement may be found in appendix.]

Chairman MANZULLO. Okay. Our next witness is John Bartoletta with High Street Financial Group out of Tampa, Florida. John, I look forward to your testimony.

**STATEMENT OF JOHN BARTOLETTA, HIGH STREET FINANCIAL  
GROUP, TAMPA, FLORIDA**

Mr. BARTOLETTA. Mr. Chairman, distinguished Committee members, I am honored and delighted to have this opportunity to directly address those who have jurisdiction over the Small Business Administration and the ability to advise Congress on the issues that concern small businesses. I hope my testimony regarding the High Street Financial success story will serve as inspiration and encouragement to help other small businesses achieve success.

High Street Financial is an independent, registered, investment-advisory firm headquartered in Tampa, Florida. High Street is registered with the United States Securities and Exchange Commission. We offer customized investment-management services to institutions, professional associations, and high-net-worth individuals



and have earned a reputation as one of the best quantitative money managers on Wall Street.

We feel that we are redefining traditional institutional investment management by offering one of the most sophisticated investment-management systems ever made available to investors. This proprietary investment system is known as Dynamic Style Rotation.

High Street's mission is to form a partnership with our clients and provide them with the most complete investment-management program available in the industry. At High Street we understand investing and the responsibility that goes along with prudent management. That is why all of our institutional investment experience, breadth of capabilities, and resources are focused on giving the client the best possible personalized attention, professional stature, ultimate privacy, and timely implementation of their specific investment needs, goals, and objectives.

We believe it is significant that clients understand and share in our firm's long-term vision. Consistent bottom line investment success is only achieved through comprehensive planning, a multidisciplined investment strategy, and a client commitment to the overall process and patience. We continually strive to uphold the highest standards of performance, practice, and procedure in the industry.

The cornerstone of the program is our documented fiduciary prudence, exceptional client service, responsive back office support, and superior institutional investment management utilizing Dynamic Style Rotation. Our mission can be quantified, and we call it I-cubed-E: image, infrastructure, implementation, and execution. In all aspects of the client relationship we strive to meet and exceed the client's expectations. High Street takes as much burden off the client as possible. The necessary paper work is filled out for the client, transfer of the assets is tracked and expedited by continuous contact with the transferring firm while the client is informed every step of the way. Communication is made to the client when we receive the paper work, when the custodian of the assets receives the paper work, and when the assets are finally transferred. It is this commitment to execution that has earned High Street the fastest-growing firm in the nation above \$200 million with the least amount of internal errors among all asset-management firms that custody their assets with Fidelity.

Chairman MANZULLO. How are you doing on time, John?

Mr. BARTOLETTA. I have got 14 over.

Chairman MANZULLO. All right.

Mr. BARTOLETTA. Everyone at High Street takes great pride in providing our services that help to secure the financial well being of numerous small businesses not much different than our own. The bulk of our asset base is comprised of pension plans, profit-sharing plans of small businesses, physicians, dentists, and chiropractors nationwide.

America's small business community provides the entrepreneurial engine for America's future economic growth. The leaders of America's small businesses are people whose motto is, "the difficult we do immediately; the impossible takes a little longer."

Mr. Chairman, I would like to close by saying again how honored I am to be invited to speak at this hearing. My entire staff at High Street is also honored and humbled, and I would like to congratulate you on the excellent job you are doing in instilling and nurturing the entrepreneurial spirit for small business. The entrepreneurial spirit embodied by small business has played a critical role in the development of the United States as the leading world economic power, and we commend your efforts to deliver that message to the American public. Thank you.

[Mr. Bartoletta's statement may be found in appendix.]

Chairman MANZULLO. John, thank you very much. Another example of a little guy that got involved in big finance and made it successful. Thank you for your testimony.

Mr. BARTOLETTA. Thank you.

Chairman MANZULLO. I wonder if we should show the video at this time. We can do that. All right. John Francis is with the Northern Virginia Roofing Association out of Falls Church, and in lieu of his testimony you have got a video for us. Is that right?

Mr. FRANCIS. That is correct.

Chairman MANZULLO. All right. How long is the video? Is it four minutes?

Mr. FRANCIS. Or so. Could I make just a brief opening statement?

Chairman MANZULLO. You bet.

Mr. FRANCIS. Thank you. Chairman Manzullo—

Chairman MANZULLO. Make it brief if you have got a video. Okay?

**STATEMENT OF JOHN FRANCIS, NORTHERN VIRGINIA  
ROOFING, INC., FALLS CHURCH, VIRGINIA**

Mr. FRANCIS. It will be very brief. My name is John Francis, and this is my wife, Kimberly. We own and operate Northern Virginia Roofing, a small business, and appreciate the opportunity to testify on behalf of the National Roofing Contractors Association, or the NRCA. Kimberly and I are here today for reasons other than the great work done by the Small Business Administration. We are here to discuss the NRCA's small business volunteer effort to reroof the Pentagon and have brought a short videotape for you to view. We would be happy to answer any questions. Thank you.

Chairman MANZULLO. Okay. If you want to turn that video so that the folks here can see it. I think we have time for the video. Why don't you turn it more towards the audience? We can move over there to catch it ourselves, just a little bit there.

[The video was played.]

[Applause.]

Chairman MANZULLO. This Committee will be in recess while we go and vote, but just continue watching the video.

[Mr. Francis' statement may be found in appendix.]

[Whereupon, at 3:30 p.m., a brief recess was taken.]

Chairman MANZULLO. Congressman Pomeroy, do you want to come on up? Congressman Earl Pomeroy is from North Dakota, and we advised him that one of his constituents was coming, and so we asked him to come and introduce his constituent, Mr. Kuntz. Earl?

Mr. POMEROY. Thank you for your accommodation. I want to briefly tell you about these folks because like all of the representatives of small business, America's engine, testifying today, there is really quite an extraordinary story behind North Dakota's winners of the Small Business of the Year Award.

Five years ago, Grand Forks, North Dakota went under the water of the Red River. Incalculable damage all across the town and a family-owned print shop contemplating expansion found themselves stopped dead in their tracks as the facility got inundated, the town got decimated, and they were out of business for a period of better than six months. They estimate they took it on the chin to the tune of \$800,000 to \$1,000,000 in terms of lost opportunity—a hell of a hit for a family-owned business. But with the small business assistance disaster support, they were able to get the capital they needed to build back, and build back they did.

Now, Mr. and Mrs. Kuntz, along with their son, Kevin, who is part of the business, and their other son, who while at the university is also part of the business, have built back to more than double where they were before the flood. This shows, I think, an extraordinary story of personal resilience, business acumen, entrepreneurial spirit, but there is even another chapter to the story I just found out about.

As they looked at the total shutdown of their business for the foreseeable future, as they slogged through the muck of what remained of their business, they knew that they had employees that were suddenly without a pay check, suddenly totally without support, and they made a decision, Mr. and Mrs. Kuntz, that they were going to keep health insurance in place for their work force even while they worked to get a business up and running again. And so they did. They paid the premiums, and they kept health insurance absolutely in force for their work force until they could get the shop up and running. And each of those employees, not surprising, is still with that business today. It is an outfit that we are really proud of, people that I am proud to know, and I just wanted you to know that about them. Mr. Chairman, I appreciate you having them testify today.

Chairman MANZULLO. Thank you, Congressman, for taking the time. You can stick around here as long as you like. Let us do this. Let us skip to Mr. Kuntz, and then we will come back to Mr. Shore while your congressman is here. I look forward to your testimony.

Mr. POMEROY. Thank you, Mr. Chairman.

Mr. KUNTZ. Thank you, Chairman Manzullo, and thank you—Chairman MANZULLO. You want to slide the mike up closer.

**STATEMENT OF DONALD KUNTZ, FINE PRINT OF GRAND FORKS, GRAND FORKS, NORTH DAKOTA**

Mr. KUNTZ. Thank you, Chairman Manzullo, and thank you, Representative Pomeroy. Your greeting was outstanding. Thank you.

Fine Print of Grand Forks is a full-service commercial print shop. We specialize in high-quality, four-color printing. We produce printed products, such as posters, calendars, books, promotional materials, brochures, along with other common things such as business cards and envelopes. Today, we employ 23 full-time employees at

our locations in both Grand Forks, North Dakota, and Thief River Falls, Minnesota.

We had to overcome countless challenges over the years to make Fine Print a success. Our first challenge began back in October of 1984, when we took over a failing business form shop. The previous owner had left bad credit, worn-out machinery, and unqualified employees. With hard work and determination, we made Fine Print a successful printing company, specializing in high-end, four-color-process printing.

Our greatest challenge began on Friday, April 18, 1997, when the dikes gave way to downtown Grand Forks, allowing the ice-cold flood waters of the Red River to engulf the city. My son and I had to wade through the flood waters to salvage the company's financial records before they fell victim to the flood. The business was a complete loss, while our home sustained extensive damage and was unlivable until major repairs could be completed. At that point, we joined the 50,000 other residents of Grand Forks as flood refugees.

During the flood, we visited our bank to make arrangements for the company's payroll. They told us not to bother. They said we are in over our heads, and we will never succeed. Because of a business loan secured by a second mortgage on our house, they told us the bank was going to take our home. We were so shocked at what we had heard from our bank that we decided to tell our story to our congressional delegation. That afternoon their staffs made some phone calls, put us in touch with the SBA, and by that evening our loan was verbally confirmed. We received approximately \$971,000 in disaster assistance loans. This allowed us to pay our bills, make payroll, and open our doors to a new building six months later.

Since that time, we have doubled our sales and added several new full-time positions. We have a digital prepress system on the cutting edge of technology, followed up by up-to-date production equipment, including a brand-new, four-color press.

Our employees are highly skilled and well motivated. Countless overtime hours have been worked by my family and staff to make Fine Print a success. At this point, we have drawn up plans to add onto the building and purchase a larger, faster press. The addition will result in further growth for the company.

We were also very fortunate to have our loans managed by the people in the North Dakota SBA office. Since our disaster assistance loans were not managed by the centralized service center in Fresno, they were not sold as part of the SBA asset sales. Because our loans are still being managed by the SBA, we are able to finance the upcoming additions to our building and continue to grow. Other Grand Forks businesses are not so fortunate as we were, as their loans have been sold to a third party and their recovery hampered by this arrangement. These third-party financial institutions will not subordinate to other lenders like the SBA does, further restricting growth for these companies.

The SBA has proven to be a beneficial partner in disaster recovery. On behalf of all of the businesses in Grand Forks, North Dakota, I would like to extend a thanks to the SBA for all of their assistance after the devastating flood. Without your help, a small business like ours would not exist today. Thank you very much.

[Applause.]

[Mr. Kuntz's statement may be found in appendix.]

Chairman MANZULLO. Our next witness will be Billy Shore. He is chairman of Community Wealth Ventures. When I became chairman of the Small Business Committee, we sort of expanded the jurisdictional scope of the definition of a small business to include municipalities, faith-based organizations, not-for-profits, churches, and the reason we did that is that all of these organizations have the same problems as small businesses except they do not pay taxes. And Billy Shore brings a very interesting twist on what he is doing with the charities, and we look forward to your testimony, Mr. Shore.

**STATEMENT OF BILLY SHORE, COMMUNITY WEALTH  
VENTURES, WASHINGTON, D.C.**

Mr. SHORE. Thank you, Mr. Chairman. Thank you for those introductory remarks and for this opportunity to share information about one of the fastest growing but least recognized areas of small business, the increasingly successful entrepreneurship of America's nonprofit sector. I am also honored to have the audience of Mr. Barreto here today. Thank you for being here.

It may surprise you to learn that I am speaking of the nonprofit sector, the chairman's comments notwithstanding, but this is the sector that is capitalizing on business opportunities to create a new kind of wealth. We call it community wealth, nonprofit organizations that are generating profit to help them reduce or eliminate their dependence on government and foundation funding. It is perhaps the best untapped market for new revenues, jobs, economic growth—everything that the SBA seeks to develop.

The responsibilities of nonprofit organizations have increased dramatically as growth in government funding and social services has slowed. Nonprofits have come to realize, as government has in recent years, that redistributing wealth by itself cannot solve our social and economic problems. Only creating new wealth can do that. In growing numbers, nonprofit organizations, such as rehabilitation centers, homeless shelters, youth groups, and community development corporations, are addressing the challenge by creating community wealth enterprises. They are starting small businesses, such as auto repair shops, catering businesses, printing and packaging operations, and Web site development firms.

In addition to competing in the for-profit marketplace, these mission-driven businesses often provide job training. One of these, for example, is Seattle-based Pioneer Human Services, which helps more than 5,000 ex-convicts, homeless, and drug-addicted individuals find jobs and rebuild their lives. They have a large business, which is a precision light-metal fabricator, that has become the principal supplier to Boeing Aircraft for their sheet-metal cargo bay liners.

Each year more than 700,000 501(c)(3) and 501(c)(4) organizations deliver critical services to communities across the United States, but they do not have the resources to get to scale or to be sustainable.

In 1984, we started Share Our Strength, an antihunger organization, and as a grant maker we did not want to redistribute wealth;

we wanted to create new wealth. So we worked with corporate partners like American Express, Evian, Calphalon, Tyson Foods and others not in philanthropic relationships but in marketing partnerships that create new wealth. And then we created Community Wealth Ventures four years ago to help nonprofits improve their bottom line through the design and implementation of business ventures.

Organizations that run a business also start to impart business thinking in their organization, and this impacts a nonprofit organization's accountability and program delivery.

We are proposing that Congress authorize the SBA to create a pilot demonstration program to provide technical assistance and consulting to nonprofit organizations that receive federal funding and to help them establish for-profit ventures. This is not for every organization, and for organizations that choose to do it must compete fairly. But we believe that this entrepreneurship is for more nonprofit organizations than are currently doing it.

This Committee has a proud legacy, Mr. Chairman, as you know, of helping organizations innovate and helping organizations break through to new areas. We believe the nonprofit sector is ripe for this now and able to create the kind of community wealth that we have described. Thank you very much for bringing and introducing this idea into the Congress.

[Mr. Shore's statement may be found in appendix.]

Chairman MANZULLO. Thank you, Mr. Shore. You have got the right man here, who is looking at all of you and listening to these great ideas. Mr. Siccardi, you have had two introductions by two members of Congress.

Mr. SICCARDI. It is going to be hard to follow those gentlemen.

Chairman MANZULLO. There it is, one a Republican and one a Democrat. You want to pull the mike close to you there. Okay. I look forward to your testimony.

**STATEMENT OF FRANK J. SICCARDI, COENCO, INC.,  
FAYETTEVILLE, ARKANSAS**

Mr. SICCARDI. Mr. Chairman, Ranking Member, and other members of the Committee, I am happy to be here to discuss with you today my work for the past 30 or 40 years.

My name is Frank Siccardi. I am the president of a company called Coenco. That stands for Coordinated Environmental Control. Forty years of university, government, private independent research in many areas all can be generalized as looking for the cause, not the effect. I am not interested in the Band-Aid, and what that generally means is original thought. So one is not going along with the crowd. That means change, and most people do not like change or the people that propose change. It ain't easy, in plain language.

I believe you will all agree that energy use and conservation and the related pollution problems are of a major concern to our society today in many, many ways. The work I am reporting on today potentially has a really significant impact on the total energy use of our country and the pollution problem. Basically, big buildings are energy hogs. We have a basketball arena at the university, and it only uses \$30,000 worth of gas and electric a month, which turns

out to be 350 to \$400,000 a year. That is a lot of energy for a building that is only used about 10 times a year.

About eight years ago, my interest shifted to large buildings from the poultry industry. Basically, I am a veterinarian by training, but after a lot of good schooling and exposure overseas with USAID and other programs, I have had the opportunity to be able to look at things as basically a problem solver. About eight years ago, my interest shifted to large buildings: warehouses, factories, food plants, gymnasiums, coliseums, and so forth.

Getting to the point, I have developed a totally new and different approach to big buildings. In its simplest sense, it is a unique air mover that shoots a bullet of air, and the net result is a series of these units allows us to create in a big building a uniform temperature and humidity, and now the big thing is the building and its contents becomes a thermal bank.

For instance, there is a little company in Arkansas I work with, and they have a number of good-sized warehouses, 1.2 million square feet, to be precise. We have a number of these under my control, and what we have found recently, and I might say that right now our knowledge and growth just continues to expand. To make a long story short, a 1.2 million-square-foot building, if it is under 80 and above 25 degrees, the energy use for that building to maintain 70 degrees is exactly \$13.52 a day at six-cent electricity.

I see my time is up, but that is a measure of what we are talking about, and I have here a number of examples that I could go into that are just unbelievable what the opportunity is because we create a uniform temperature and humidity on a pulsing basis, very precisely controlled, and now the building and its contents does not want to go anywhere. Thank you.

[Applause.]

[Mr. Siccardi's statement may be found in appendix.]

Chairman MANZULLO. I see Gene Berg over here definitely wants to talk to you. His corn burner heats a 2,000 square-foot house on a bushel of corn a day, so that is quite efficient.

Our next witness is Belinda Guadarrama from GC Micro Corporation, and if you could pull the mike up closer to you, I look forward to your testimony.

**STATEMENT OF BELINDA GUADARRAMA, GC MICRO CORP.,  
NOVATO, CALIFORNIA**

Ms. GUADARRAMA. Thank you. It is an honor to speak before the House of Representatives Committee on Small Business today. My name is Belinda Guadarrama, and my company is GC Micro. We have been providing personal computer hardware and software to the federal government and Fortune 1,000 customers across the nation since 1986.

As a small business, GC Micro faced a number of challenges that are common to most small businesses. The lack of capital was a serious problem until I was able to obtain an SBA-guaranteed loan. As a woman and a minority, it has been difficult breaking into the established network. However, the federal contracting goals that have been established for small businesses have provided numerous opportunities for us.

G.C. Micro is a proud participant of the SBA 8(a) program, and we will be graduating in August. I would like to thank the Small Business Administration for the opportunity to participate in Small Business Week. I am honored to be the Businessperson of the Year for California and delighted to be chosen as the second runner up for the national award. And, of course, it was also very exciting to meet President Bush and his dogs on Monday.

However, I am concerned that some of Congress' original intentions under the Small Business Act are eroding over the years. There are three areas of concern that I would like to highlight. As an example, it is my understanding that the Lockheed Joint Strike Fighter contract has been awarded with no apparent small or minority business goals. Ten years ago, the House investigated the Lockheed F-22 fighter contract when it was discovered that the contract had been awarded with a one one-hundredth of 1 percent minority business goal and a sixteen one-hundredths small business goal. As a result of the investigation, the Air Force and Lockheed allocated an additional \$500 million for small business.

I would pose the question, how can a DoD contract be awarded without small and minority business goals being set in the contract? Unfortunately, there is also no strong mechanism to enforce small business goals. Federal law requires any contractor failing to make a good-faith effort to achieve their small business goals to pay liquidated damages back to the government. However, no contractor has ever been penalized with liquidated damages for failing to reach these easily achievable small business goals.

And additional concern I have is the comprehensive test program for reporting subcontracting goals. This program was established to increase small business subcontracting by eliminating the requirement to report small business contracting performance on individual contracts. Eliminating individual contract reporting is similar to trying to improve the scholastic performance of students by eliminating report cards. I believe this allows contractors to circumvent accurately reporting their small business subcontracting performance. I believe that an inquiry into this program would show that in reality it has dramatically reduced business opportunities for both small and small, disadvantaged businesses.

In closing, I believe Small Business Week is a celebration that demonstrates to major government contractors and federal agencies that when you embrace the nation's small business programs, you are expanding our country's economy and stimulating the economic engine that generates a major portion of the tax dollars that fund the government contracts.

Chairman, Administrator, members, I thank you very much for the support and hard work that you do on behalf of small businesses.

[Applause.]

[Ms. Guadarrama's statement may be found in appendix.]

Chairman MANZULLO. Thank you.

[Applause.]

Chairman MANZULLO. Our next witness comes from the State of Montana, where we had a very interesting time out there in West Yellowstone National Park, Brenda Burkhartsmeier. I look forward to your testimony, Brenda.



**STATEMENT OF BRENDA BURKHARTSMEIER, MOUNTAIN  
MUDD & MOUNTAIN MANUFACTURING, BILLINGS, MONTANA**

Ms. BURKHARTSMEIER. Thank you very much. Small Business Week is a great celebration for all of us here, and small businesses come in all shapes and sizes, and our size is certainly one of the smaller ones. We started out in an eight-by-eight, drive-through, coffee kiosk in Billings, Montana, of all places.

After attending the luncheon we had previous to this meeting, I am very proud and honored that we have someone such as yourself, Chairman Manzullo, with such a great fighting experience, and thank you very much for your dedication in fighting for us and the rest of the Committee.

Like many small business owners, we had a vision back in 1994, my sister-in-law and I, of starting a little coffee company. And probably the most frequent question I have been asked since I have been to Washington is not about the business but how did you come up with a name like Mountain Mudd. Well, I have to tell you that it was between Two Dumb Blondes Espresso or Mountain Mudd, so I am sure glad we chose the latter.

As we pursued our idea, we wanted to do something different, and if you have been to West Yellowstone, you know that we can have a lot of snow. If you listened to the news this morning, we had over eight inches of snow just yesterday, and, well, we probably get two nice days out of the year, so we knew we could not do a sidewalk cafe like Starbucks. So we did a drive-through coffee kiosk with an enclosed environment, and it has really been the secret to our success.

My husband and I, Dennis, built that first coffee kiosk in our friend's garage. It took us over four months to build it, and we had no idea what we were doing. But now our little company produces one building every other day, and we have a 20,000 square-foot manufacturing plant. We have sold our coffee kiosks to 150 other individual people just like myself and my husband, and we impact over 400 hard-working individuals.

The ideas, though, come with rules and regulations, and you touched on that in your speech. Not only federal government red tape and rules and regulations can hinder small businesses like ourselves from growing and prospering. When we go into a city or a community, we must deal with misconceptions and people not knowing exactly what our business is. It is a small, portable, little business on wheels. So we have to go through many local agencies, zoning issues, sign permits, planned urban development permits. I could go on and on and on.

So I would urge you to definitely look into the red tape in small business because a small business can grow from a really small little dream into a big company, and thank you.

[Applause.]

[Ms. Burkhartsmeier's statement may be found in appendix.]

Chairman MANZULLO. Thank you. I am sorry. I am so tired.

Ms. MILLENDER-MCDONALD. That is all right, Mr. Chairman. Take a coffee break.

Chairman MANZULLO. I need that very much. Please go ahead.

Ms. MILLENDER-MCDONALD. Thank you, Mr. Chairman. Thank you so much for bringing these outstanding small business folks to

us today. Given the National Small Business Week, we are so grateful to all of you and the work that you have done, and especially having the administrator sit on the dais with us, I tell you, this is really good news and hot stuff. To have him here, representing California and all others, and you, young woman, is it—

Ms. GUADARRAMA. Guadarrama.

Ms. MILLENDER-McDONALD [continuing]. Guadarrama, congratulations to you for California's best in small business.

But I say to you, Mr. Chairman, that this is just a reflection of what can be done once you get a team of folks and people like these outstanding folks with your team behind you and your respective businesses working together and trying to be as efficient as you can. This as a ranking member on this Committee, and I applaud you and the young woman in the orange dress out there, your spirit is what has been the driving force. The energy that you brought in your presentation certainly is indicative of why you are successful. And so I have nothing else to say. What can you say to success but thank you?

Thank you, Mr. Chairman. I turn it back to you with my statement for the record.

[Ms. Millender-McDonald's statement may be found in appendix.]

Chairman MANZULLO. Thank you. Your statement will be included in the record. Congressman Thune?

Mr. THUNE. Thank you, Mr. Chairman. I cannot add anything to that except to say thank you and congratulations to all of you. You are what the entrepreneurial spirit is all about, and I had the opportunity earlier—I just came from a meeting in my office with our Small Business of the Year award winner in the State of South Dakota. In South Dakota, I think every business is by definition small with a couple of exceptions, but they are really the job-creating engine, and we want to do everything we can to make sure that you have at your disposal the freedoms, the lack of regulatory and tax barriers in order to succeed, and if there are things that we can do with the programs that SBA administers, fine tune those to make those more workable to add to your success, we certainly want to be available to do that, and just appreciate the great job that you are doing out there creating jobs in this economy. Thank you very much for being here. It is wonderful to hear these powerful testimonies and success stories. It is kind of inspiring, actually. We might have to go try something else for a living, huh, guys?

Ms. MILLENDER-McDONALD. Of course, you will.

Chairman MANZULLO. I have got just a couple of questions. I cannot ask a question of everybody, but I am fascinated by the power conversion to which you referred Mr. Siccardi. Would you explain this again?

Mr. SICCARDI. Basically, in a big building you have got a monstrous heater or air conditioner that makes cold air or hot air, and it comes in just like a mushroom, and then it goes out, and the air is not really distributed. In our building what we have been able to do is distribute the air effectively. For 30 seconds, 60 seconds our air movers are on, and then they sit there, and this monstrous building is 70 degrees, and it does not want to go anywhere. So

consequently, the building and all its contents becomes a stable, uniform mass.

I will give you another example. We work at a company in Arkansas that does canning of vegetables. Here is a 100,000 square-foot warehouse full of canned goods, and we circulate the air, and in the wintertime these canned goods, 70 degrees, ceiling to floor. Right next door is another warehouse, 100,000 feet, full of canned goods, and heaters are in the ceiling like in a regular building. A hundred and five on the ceiling. The temperature is 47 on the floor. That heat as it is going through the roof is taking all the heat of the building out. And the difference is when we do it our way, the building and all its stuff becomes the same temperature, and it does not go anywhere, and it just needs pulsing, very efficient pulsing. It is that simple.

Another point.

Chairman MANZULLO. Go ahead.

Mr. SICCARDI. Oftentimes, in a large building the thermostat is over there against the wall. It has no relationship with the air of the building. In my presentation there is a very good demonstration of how when the system is on, we can go from 55 to 70 degrees just like that using 100,000 BTUs, for instance. Without the circulation it takes, like, three hours and 800,000 BTUs for that thermostat to get satisfied. And the net result is in the regular building the temperature is going up and down. We are plus or minus one degree constantly. It is so simple it is ridiculous. The unique thing is, as a friend of mine with a large, major control company said, it is unbelievable, but what you did is about what is up there, which we do not pay attention to in regular—

Chairman MANZULLO. So you take and you jet—what is the word?—jet streams of air—

Mr. SICCARDI. Boulevard.

Chairman MANZULLO [continuing]. Boulevard, and that breaks up the mass.

Mr. SICCARDI. And it goes to the wall and gets all the air in the building moving.

Chairman MANZULLO. So what normally would cost how much for a regular gas bill for a building, how much would you save by using that method?

Mr. SICCARDI. Depending on the geography and the circumstances, it can be as much as, depending on what is really going on, it could be 50, 75 or more percent. Hopefully, you will read my report.

Chairman MANZULLO. I will. The complete statements of the witnesses and members of Congress will be made part of the record. Gene, would you tell us how you came across that corn burner? I think you were looking at an ad in Forbes Junior, or what was it?

Mr. BERG [continuing]. Fortune magazine had an advertisement about a small company in Hutchinson, Minnesota.

Chairman MANZULLO. It was an article, not an advertisement.

Mr. BERG. Article. I am sorry.

Chairman MANZULLO. Go ahead.

Mr. BERG [continuing]. In Hutchinson, Minnesota, that had developed a very efficient way to burn corn and other fuels, but corn being the primary fuel, as an alternative to wood burning, wood

being not a very efficient fuel and also a dirty fuel. In fact, there are cities in areas in this country that are beginning to outlaw wood burning because of the pollution factor.

So he developed this corn-burning technology. Literally, a bushel of corn goes into the hopper, and as Don mentioned earlier, that will heat a 2,000 square-foot home easily for a day, and so a bushel of corn is, I do not know, a couple of bucks, Don knows—

Chairman MANZULLO. It is a dollar eighty-one.

Mr. BERG. So it literally is that simple. There is a thermostat so it pulses the corn in there a few kernels at a time and keeps a very, very hot fire. I think corn burns at 1,100 degrees, wood at three or 400 degrees, and so it gives you a feeling for being a much better fuel, and it is clean. It does not smell. You have seen it, Don.

Chairman MANZULLO. I have seen it. I asked you to bring the machine here.

Mr. BERG. Security would not let me.

Chairman MANZULLO. Security would not let you bring it in. But this was a frustrated inventor. There was an article written by him in Fortune magazine, and then you read about him.

Mr. BERG. Yeah. I did not fully answer your question. I read about him in Fortune magazine. He said he could have sold 50,000 of these in the winter of 2000 had he been able to build them. But he had a relatively small shop, more of an inventor than he was a manufacturer, and that is the kind of work that we do and do well. So we went and met him, introduced ourselves, and said that we would like to make those stoves for you, and so he awarded us the contract late last year, and we have been making those stoves since right around Christmas time.

Chairman MANZULLO. Now what is unique about this corn burner is the fact that it is 100 percent corn.

Mr. BERG. Correct.

Chairman MANZULLO. You do not have to integrate any other fuels in it.

Mr. BERG. Correct.

Chairman MANZULLO. And then what is it about this burner that has very little residue, no odor, and very little smoke?

Mr. BERG. He will not tell me.

Chairman MANZULLO. It is efficiency—

Mr. BERG. It is efficiency. It is the way he moves the air. It is also the fact that in the burning pot, the burning chamber, he stirs the corn as it burns, which does not allow a buildup of the residue that you would get from burning corn if it were just idle or sitting in the chamber. So it is a combination of its design, the way he brings the air in, and the fact that he stirs the corn with a computer algorithm that allows him to not have the buildup and do such a great job of heating.

Chairman MANZULLO. Does this corn have to be totally dry before it goes into the hopper?

Mr. BERG. You can go to, you know, 13, 14 percent moisture. Standard corn. You do not have to have any special drying. One of our employees, the team members, bought one at a substantial discount that you can have, Don. He bought one of these, and he literally brings his pickup truck to the farmer down the street, dumps

it into his pickup truck. He takes it home and puts them into 55-gallon drums that we give him.

Chairman MANZULLO. So this corn is dried in the field, or does the farmer have to dry it in the elevator?

Mr. BERG. Yes.

Chairman MANZULLO. It has to be in the elevator.

Mr. BERG. Correct.

Chairman MANZULLO. Okay. I just want to let you know that there is a company out there that is working on a genetically modified, a GMO corn product that will dry in the field. I have not told you about that yet.

Mr. BERG. No. I am interested in knowing about that.

Chairman MANZULLO. I told them about that machine that you are working with. And the goal there is if it is possible to dry the corn in the field, then you can go directly from the field to the hopper—

Mr. BERG. Right.

Chairman MANZULLO [continuing]. Which would revolutionize heating in this country by making it a totally renewable energy without having to use gas in order to dry the kernel before it goes in. Plus what I noticed when I was there in Byron is that corn is not totally dry.

Mr. BERG. No.

Chairman MANZULLO. It still had a lot of moisture content in it. So very good. Congresswoman Velázquez.

Ms. VELÁZQUEZ. Thank you, Mr. Chairman, and I want to thank all of you again for being here. I am sorry I was not able to stay, but I had two more meetings back in my office.

I think it is appropriate that during this week we celebrate small business to talk about the role that the Small Business Administration plays in helping small businesses. Brenda, I saw that in your testimony you said that your initial startup financing came from a cashing of a life insurance policy and a 401K. At the time, were you aware of the SBA financing products?

Ms. BURKHARTSMEIER. We certainly were aware that the products were out there, but like a lot of entrepreneurial type of people we were so excited about the idea and the end result that we did not take the time to do a very good business plan, or we did not take the time to do a well-executed strategy of how we were going to do the business. When we went into our local economic development company, we were a bit put off by the approach. When we went in, we were told, well, you have got to have a business plan. You have got to have this. You have got to have that. We really thought naively that, gee, we were nice and cute, and we thought we would go in and waltz in and get the money.

Well, it does not happen in business. So really we did know about it. The information is out there, and it really takes other people, other business people trying to help other business people to know where the information is. I think the Web had certainly helped because now people, without getting embarrassed going into that local economic development person and being told what you need and kind of intimidated, they can preliminarily look at that site and qualify themselves before they go in. But still, we could not have gotten the loan because there was no business like ours,

and so we had to establish the track record, and now our businesses that we sell to, the 150 other people, do have a track record to follow. We would not have gotten the loan—well, we maybe would have, but there certainly was not anyone in our industry at that time.

Ms. VELÁZQUEZ. So how do you think an SBA loan would have benefited you when you started your business?

Ms. BURKHARTSMEIER. Well, we certainly would have not had to have sold our car. We certainly would not have had to maybe ruin your credit going along the way because you are robbing Peter to pay Paul. All small business people do that when they are starting out. We would have had the capital, and maybe we would have had some more mentoring and some tutoring along the way to teach us. But as small business people, we do need to make mistakes, and we certainly made lots of them, and now we teach other people how not to make those same mistakes.

Ms. VELÁZQUEZ. Can any of the other members of the panel who have used any of the SBA products talk to us about how you benefited or how your business would have done much better if you had the opportunity to use any of those products like loans? Yes?

Ms. GUADARRAMA. When I originally started GC Micro, the start-up capital that I had to work with was from the sale of my house back in Texas. That was \$20,000, and I went through that very quickly. I would not have been able to grow the company if a number of years later I had not been able to receive a bank loan that was SBA guaranteed, and that was a \$300,000 loan, and that made all the difference in the world to us. Once we had that first loan in place and were able to pay it off, then at that point the other banks became interested in working with us, and it just made a tremendous difference.

The other part of the SBA that we have worked with is with the 8(a) program, and while we probably only do maybe 15 to 20 percent of our business under the 8(a) program, the first large contract that we received was through the 8(a) program. In trying to put that contract together, we also went to the Minority Business Development Agency to actually help us put together the contract language because we had not worked with it before. So working both with the MBDA and through the 8(a) program, we were able to put our first really large contract in place, then had the experience to start looking at other contracts. So it made a big difference in my company.

Ms. VELÁZQUEZ. Thank you, Belinda. Any other person who would like to comment? Thank you, Mr. Chairman.

Chairman MANZULLO. Could you yield for a second?

Ms. VELÁZQUEZ. Sure.

Chairman MANZULLO. Didn't one of the witnesses have an SBIR loan? The SBIR program; did anybody participate in that? You did, didn't you, Frank?

Mr. SICCARDI. No. I need to in the worst way from this point on.

Chairman MANZULLO. First, I want to thank you all for coming today. Administrator Baretto, thank you for participating. I wanted you up here to sort of get a different perspective. I wanted you to look at the people that have come here especially to thank you for

the great work that the Small Business Administration has done. You know, Mr. Baretto was sworn in—was it August?

Mr. BARETTO. It was July 25th.

Chairman MANZULLO. And then within what, five weeks, five six weeks, September 11th came along and really turned this town upside down. But to all of you people here, you represent such a great cross-section of America. You are from everywhere. We have got Montana and Illinois and California. But what is important is the fact that these programs exist in the SBA only to the extent that people know about them, and that is the biggest problem that we have.

We still struggle with 9/11 in New York with the small businesses up there because the SBA only has unfortunately very limited authority with the distribution of the help, and we are going to be having a hearing in New York City on why the big companies are getting all the money, and the small businesses are being hurt in a dramatic way. We would like to give the SBA more authority over how to use that money because they are the experts at it. They know what a disaster is, nothing like 9/11. So, again, I want to thank you all for coming out here.

Mr. Baretto, did you want to have a closing comment?

Mr. BARETTO. I just want to thank you, Mr. Chairman, and Ranking Member Velázquez. I have appreciated the working relationship we have had. I very much look forward to continue working with you. You told me early on that this committee is a bipartisan committee, and there are only business solutions, not partisan solutions, and you have proven that, and it has been a pleasure to work with you.

I also want to recognize a couple of the other individuals that do great work for us. A lot of the questions were on regulations. The chief counsel of advocacy of the SBA is here, Tom Sullivan, and also Michael Barrera, the national ombudsman. Any of you who are having any issues with regulations, I invite you to get to know them. And thank you so much again for all your leadership and everything that you do to make American small business strong. We appreciate it very, very much. Can we give the congressmen and the ranking member a round of applause?

[Applause.]

Chairman MANZULLO. This hearing is adjourned.

[Whereupon, at 4:30 p.m., the committee was adjourned.]

**Congress of the United States**  
House of Representatives  
107th Congress  
Committee on Small Business  
2561 Rayburn House Office Building  
Washington, DC 20515-0515

**Remarks of Chairman Donald A. Manzullo**

**“National Small Business Week: Small Business  
Success Stories”**

May 8, 2002

This afternoon the Small Business Committee conducts a hearing in conjunction with National Small Business Week to recognize several small businesses that embody the spirit of entrepreneurship. Specifically, the committee will receive testimony from several small businesses who have grown their businesses with the assistance of the Small Business Administration. Additionally, this hearing will enable the participants to promote their successes in the industry in which they have engaged.



Each year for the past 39 years, the President of the United States has issued a proclamation calling for the celebration of Small Business Week. This year, National Small Business Week, which is sponsored by the Small Business Administration (SBA), is being held from May 5 - 11, 2002.

Historically, small businesses have been the catalyst for economic growth. From 1990-1995, one of our nation's most impressive economic growth cycles, small businesses created three-fourths of the new jobs. Overall, small business accounts for 99.7 percent of the nation's employers, employing 53 percent of the private work force, contributing 47 percent of all sales in the country, and is responsible for 50 percent of the private gross domestic product.

Small businesses also play an integral role in helping to solve some of the nation's most complex problems. For example, with the onslaught of the War on Terrorism, a number of small businesses have provided valuable technical assistance to the

Department of Defense. Additionally, because small businesses are the heart of specific communities, they are also attuned to the challenges facing their community. Consequently, they often serve as the leaders to fight problems such as hunger and homelessness.

Unfortunately, burdensome regulations, a complex tax code, and an inaccessible health care system are stifling small businesses. Small business owners face a tax and regulatory scheme that overburdens and demoralizes them. Government is meant to be the servant of the people, yet the existing federal tax and regulatory state unfairly acts as judge, jury, and master of honest, hard-working Americans.

Fortunately, with the assistance of the Small Business Administration, our guests today have managed to become successful in spite of the roadblocks placed in their way. However, if small business is to continue as the nation's economic catalyst, it is imperative that fewer regulations, simpler, lower taxes, and a

free market approach to health care are all implemented to ensure a competitive environment for all small businesses.

While Washington has contributed to these problems in the past, I am proud to say that, along with President Bush, Congress has worked to repeal the 100 billion ergonomics rule and pass the President's Economic Growth and Tax Relief Reconciliation Act. It is my hope that, in the very near future, Congress can act to make health care an affordable benefit for all small businesses.

I look forward to the testimony of the witnesses today, and want to thank the witnesses who are testifying, especially my constituent, Mr. Gene Berg, who through some creative thinking was able to save over 200 jobs in Byron, Illinois. Additionally, I want to recognize and thank SBA Administrator Hector Barreto for his cooperation over the last year. Mr. Barreto will join us today to discuss the role his agency has played in helping to create and sustain successful small businesses.

Small Business Committee Statement  
Of  
Rep. Juanita Millender-McDonald

May 8, 2002

*Afternoon*

Good ~~Morning~~ Mr. Chairman. I am  
delighted to participate in today's hearing on  
Small Business Success Stories,  
particularly as we celebrate National Small  
Business Week.

It is also a pleasure to have  
Administrator Barreto from the SBA here on  
the dais with us. Truly, he is a friend to  
small businesses and he has always been  
responsive to our committee.

As the ranking member on the Subcommittee on Workforce Empowerment and Government Programs, I want to extend a warm welcome to today's witnesses who have demonstrated excellence in their fields of endeavor. Our witnesses and their businesses are the driving force for our economy. Your fortitude and courage in the face of adversity has been an inspiration to all of us as our nation moves forward in the aftermath of the events of September 11, and as we <sup>begin to</sup> recover from a recession.

Those of us here today recognize that your businesses contribute to the bottom line of America's economy and make it the

envy of the entire world. Furthermore, it is my privilege to commend the Northern Virginia Roofing Company and its owners John and Kimberly Francis, and the National Roofing Contractors for their selfless and patriotic contributions to repair the roof of the Pentagon that was severely damaged by terrorists on September 11.

As the Co-Chair of the Women's Caucus I want to salute Belinda Guadarrama, President and CEO, of GC Micro Corporation, who was selected as the California Small Business Person of the Year. Ms. Guadarrama's success represents the wave of the future, women-owned businesses blazing new paths and

creating jobs and independence for female entrepreneurs. Thank you.

DONNA M. CHRISTENSEN  
DELEGATE, VIRGIN ISLANDS

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**CONGRESSWOMAN DONNA M. CHRISTENSEN**  
**BEFORE THE**  
**HOUSE SMALL BUSINESS FULL COMMITTEE HEARING ON**  
**"NATIONAL SMALL BUSINESS WEEK: SMALL BUSINESS SUCCESS**  
**STORIES**  
April 8, 2002

Thank you Chairman Manzullo and Ranking Member for holding this hearing in recognition of National Small Business Week

This week is National Small Business Week, which celebrates the accomplishments of the American Small Business. There are approximately 25 million small businesses in the United States, representing approximately 99.7% of all employers. Small businesses are a vital part of the nations economy.

I am honored to have with us today several of the Small Business Administration's Small Business Persons of the Year. I would like to take this opportunity to congratulate the Small Business Innovation Research Program Awardee, Richard Carroll, Founder and CEO of Digital System Resources; California Small Business Person of the Year and Second Runner-up for National Small Business Person of the Year, Belinda Guadarrama, President/CEO of GC Micro Corporation; New



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Mexico Small Business Person of the Year, Roberto Espat, President & CEO of Roses Southwest Papers, Inc.; Montana Small Business Person of the Year, Brenda and Dennis Burkhardtmeier, President and Vice President of Mountain Mudd & Mountain Manufacturing; and North Dakota Small Business Person of the Year, Donald and Joann Kuntz, owners of Fine Print of Grand Forks. For the record, I would also like to extend warm congratulations to the Small Business Person of the Year, Mr. Alphonso Boyce of Gonzi's Limousine Service on St. Thomas; Small Business Advocate of the Year, Ms. Cynthia Gerri of New Image Foundation on St. Thomas; and the Small Business Bank of the Year, J.P. Morgan Chase Bank.

The members of this committee want to continue to provide small businesses with the necessary tools to continue to be the engine of our economy. We were very disappointed at the Republican's Leadership decision to block two important-bipartisan pieces of small business legislation from reaching the floor yesterday. These bills were H.R. 2867, Small Business Opportunity Investment Act, and H.R. 4231, "Office of Advocacy Improvement Act of 2002." H.R. 2867 changes the current system that favors agency interests over small business. This legislation requires that the Office of Management and Budget, an unbiased third party – not the agency proposing the change, to resolve any dispute between the Small Business Administration (SBA) and the agency over contract size and how to break it up. H.R. 4231 strengthens SBA Office of Advocacy by giving the office fiscal independence and flexibility necessary for

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Advocacy to do its job effectively. We are hopeful the Republican Leadership will soon schedule these bills to be brought to the House floor.

While small businesses have given much to this nation, Congress and the Administration has done very little to make their jobs any easier. Small businesses still lack access to affordable health care. The federal market place remains closed to small business as the government, for the second year has failed to meet any of its small business goals. The failure to reach these goals has cost small businesses more than \$10 billion. Small businesses are still unfairly burdened by taxes and federal regulations.

There is still much work to be done by Congress and the Administration for our nation's small businesses. But today, we take the time to celebrate the accomplishments of small businesses across the nation. It is your success stories that inspire us to continue to champion the cause for small businesses. I welcome our panelist and look forward to their testimonies.

FRANK  
SA - CARO

*Small Business Committee Hearing  
Small Business Success Stories  
May 8, 2002*

*Talking Points*

Mr. Chairman, in the spirit of Small Business Week and as a fellow Arkansan, I want to welcome Dr. Siccardi for being here and thank him for sharing his success story with us.

And I want to thank my friend and colleague John Boozman for coming to give that introduction.

As a small business owner myself, I understand the difficulties and challenges that someone who is trying to establish and grow a business faces, and I appreciate the effort that you and the other witnesses today have put into making your business successful.

Dr. Siccardi had a vision to create a cleaner, safer, and more energy efficient environment for poultry processing. He has taken this vision and not only created the air quality system to do it, but he has worked—even when not many people took him seriously—to turn it into a successful business that now benefits the poultry industry as well as many other types of large warehouses and manufacturing facilities.

As members of Congress, we have to work to make sure that our government provides resources and opportunities to help small business have the chance to succeed.

Small businesses truly are the engine of our nation's economy.

I want commend you, as well as all of the guests here, for your success, and I want to congratulate you on being Arkansas's Small Business Person of the Year.

Thank you for being here. We look forward to hearing your testimony.



**Statement of Mr. Richard Carroll, (Founder and CEO)**  
Digital System Resources®, Inc.

**To:** HOUSE SMALL BUSINESS COMMITTEE  
**On:** "DSR: A SBIR Success Story"

Washington, DC

May 8, 2002

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Chairman Manzullo, Ranking Minority Velazquez and members of the Subcommittee, I want to thank you for this opportunity to testify before the Committee.

My name is Richard Carroll, and I am the Founder and CEO of Digital System Resources (DSR). DSR was founded in 1982 with two employees as System Resources. The company became incorporated as Digital System Resources in 1985, and at that time we had 8 employees. DSR won our first SBIR contract in 1988 at which time we had 24 people working for the company.

Today, DSR employs about 480 scientists and engineers and our annual sales are in excess of \$100,000,000. DSR has offices in Fairfax, Virginia; Crystal City, Virginia; Virginia Beach, Virginia; Orlando, Florida; San Diego, California; Anaheim, California; and Kauai, Hawaii. Our success is directly attributable to the Small Business Innovation Research (SBIR) Program. Since our first SBIR contract award in 1988, we have been awarded over 80 separate Phase I, II and III SBIR contract awards.

The Small Business Innovation Research (SBIR) program opened the door for DSR to prove to the Navy that a small business with just 40 people could design, develop, test, and produce the data processing system for a major military system. DSR initial competition in producing this system was Lockheed Martin, the largest defense contractor in the world, and Raytheon, the fourth largest defense contractor in the United States. Our greatest success is the Multi-Purpose Processor (MPP) program, which is a computer that does the data processing for the sonars onboard our nation's submarines. The MPP has replaced legacy sonar systems in our entire nuclear submarine fleet. We proved that it could be done by a small business, and we have won nearly \$300 million in Phase III follow-on work to provide these sonar hardware and software systems to the fleet.

More important than proving that a small business can do the job, DSR demonstrated that by using a small business to provide a competitive alternative, the Navy submarine fleet got an innovative solution providing more capability, much faster, and vastly cheaper than the traditional sonar development process. DSR adapted commercial-off-the-shelf (COTS) data processing hardware with an open architecture software that allowed the software and the computer hardware to be developed independently. This is much like your personal computer where the software can be developed by any number of software vendors and run on your Gateway, Dell, Sony, or whatever brand personal computer. Until DSR developed a similar approach for submarine sonar, sonar systems had software and hardware written uniquely to each other in such a way that any change mandated costly changes throughout the system.

The result of our effort was more than a software and hardware development redesign but an entire upgrade process called Advanced Rapid COTS Insertion program and Advanced Processing Build (APB) program. These programs allowed anyone with a new submarine sonar idea to demonstrate that new concept in a competitive environment rather than relying on a single giant contractor to build or manage the construction of everything. This process has driven the cost of sonar data processing hardware down to the point where it is 1/600th of what it was in the legacy program we replaced. We started this system on



pecially designed computer hardware and have now managed to migrate it with our open architecture software to high-powered commercially available server plug-in computer cards costing a fraction of the original computer cards. With the vastly increased data processing power now available, our sonars can handle much more robust software, and we have been able to provide upgrades to sonar software capability annually for the last four years. With legacy systems that we replaced the average time between sonar capability upgrades was around eight years, meaning that we have probably conducted more sonar capability upgrades in the past four years than in the previous 40 years. The Navy has recognized that this development process has resulted in the United States Navy improving its acoustic advantage over potential opponent submarines – a capability we had lost in the late 1980s due to technology transfer and espionage.

I cannot over state the importance of the SBIR program; I firmly believe the MPP and much of the innovation it has created would not have come about without this program. I say this not because I think our company is the only company capable of this innovation, but because the innovations themselves were not in the best business interests of the incumbent sonar contractors, and they would not have pursued them. It is a fundamental premise of our capitalistic system that without competition, suppliers don't reduce prices or offer more for less.

For small high-tech businesses with innovative ideas, the SBIR program is the only avenue I know of that provides an opportunity to get ideas into Department of Defense (DoD) acquisition programs, and contains a procurement path that can be used to acquire alternative technologies. Even with this, it still is far too rare that an SBIR company can truly break the strangle hold of DoD's favored incumbent contractors to affect real innovative change. I am proud to have our sonar development process, the MPP/A-RCI/APB development process as one example illustrating the benefits of a new paradigm based on competitive alternative technologies that can drive significantly more innovation, dramatic cost reductions, and a much faster time to market by all parties involved, including traditional incumbents.



As I stated up front, we have demonstrated significant innovation, dramatic cost reductions, and a much faster time to market for these systems. But it does not have to end here. The techniques used to transform the submarine combat systems can be used to transform many of our aging combat systems, but we must recognize that this transformation came about through more than technology alone. It involved a change in business mindset and culture, and it required leadership support from within the submarine force.

My concern is that there are a multitude of small businesses out there with innovations that might revolutionize crucial elements of our national defense and homeland defense. If we don't change the government mindset to recognize the importance and vitality of small high-tech business in the information age, the government will continue to miss out on the most dynamic force for innovation in our society.

The SBIR program is 20 years old this year. I think it is interesting to look back to where we were in 1981 and 1982 when this program was being written and passed in the Congress.

- In 1981, Microsoft was just becoming a privately held corporation with Bill Gates as the President and Chairman of the Board;
- That year the first IBM Personal Computer hit the streets with a 16-bit, 4.7 MHz processor and the new Microsoft MS-DOS operating system;
- Apple Corporation controlled 50 percent of the computer market with its Apple II which was a computer-keyboard combination which hooked up to your television as a monitor;
- The National Science Foundation created a backbone called CSNET for government institutions not linked to the Department of Defense's ARPANET and created the first Internet outside the DoD - there were 213 hosts on what would become the Internet and a new host was coming on line every 20 days;



- In 1982 Intel released the 286 chip;
- In 1982, Compaq Computer is formed - Dell Computer won't exist until 1984.

Look where we were 20 years ago, our entire economy has been transformed by an information revolution largely fueled by innovative small businesses. Frankly, in the same period, too few small businesses have been able to use the SBIR program to claw their way into the ranks of nearly medium-sized companies. The government still leans almost exclusively on traditional incumbent contractors that are safe, familiar, expensive, and offer incremental solutions rather than reaching out to small businesses for the kind creative, revolutionary alternative solutions to complex problems that have transformed our commercial economy.

I know that I have been preaching to choir here today. I would like to take this opportunity to thank the committee for what I believe will be a profoundly important piece of legislation, the recent reauthorization of the SBIR Program. I believe with this reauthorization that you have hit a homerun, and I commend the Committee for its efforts. I am also very excited about the final Small Business Administration (SBA) re-issue of its SBIR Policy Directive which will really help small businesses working with federal agencies.

I know the Committee is aware that getting a strong Policy Directive has been a struggle. SBIR reauthorization required the new SBA policy directive be released in April of 2001, over a year ago. The SBA wisely and generously extended deadlines to allow citizens and affected agencies plenty of time to express their views on the new proposals. It is my understanding that the final Directive is at the Office of Management and Budget for final approval before release in just a few weeks. It is time to get this Policy Directive out on the streets where I believe it will become a powerful ally of small high-tech businesses trying to bring innovation to government programs.



I thank the committee for this opportunity to tell you a little about my company. I also thank the Committee for your continuing effort to promote small business. What you are doing is enormously important not just to small businesses, but also to the future effectiveness of our government and to our national security.



May 8, 2002

Written Testimony  
Congress of the United States  
House of Representatives, 107th Congress  
Committee on Small Business

Dear Members of the Committee on Small Business, U.S. House of Representatives:

My name is Gene Berg and I thank you for the opportunity to sit before you and tell my story; the story of what would not have happened without the assistance of the Small Business Administration.

I am the President and Owner of a small business named Austin-Westran located in Byron Illinois. Austin-Westran is a manufacturer of products that include trailer landing gear, commercial vehicle components, and a line of corn-burning stoves for residential heating. We employ 200 proud UAW team members in our 200,000 square foot modern manufacturing facility.

My story begins early last year when the company I was working for as Chief Operating Officer found itself in a position that required it to divest of the Austin-Westran division. Several suitors stepped forward with the most likely acquirer being a competitor headquartered in Germany. Of note is that the selling of this plant to any of these suitors would result in a closure of this plant, 200 jobs dislocated/lost, some possibly moving outside the United States - a picture we have all seen much too often.

Shortly after the decision to divest, I decided to attempt to buy Austin-Westran and keep it in the Byron community.

After over 6 months of financial wrangling, I came up short of financing and the deal fell through. About that time, Don Manzullo's office called me and asked if there was anything they could do to assist me - they called me! Coming from a family of staunch conservatives, I was doubtful that the "Government" could assist me with anything - or at least that is what I had been taught. But I had no choice. The Byron plant would be gone, my dream of owning a manufacturing company ended, and 200 jobs lost if I could not come up with alternative financing.

Manzullo's office put me in touch with the Rockford Local Development Corporation, assisted in numerous other ways, and we began the process of qualifying for a \$1.3 million SBA 504 loan. With the support of Manzullo's office and the SBA, our loan was approved in a very timely and professional fashion. I would never have guessed that working with the Government could have been so fruitful and efficient.

With the SBA financing secured, we closed the deal February 2, 2002 - 200 jobs saved, our community left in tact.

We are proud of what we been able to accomplish in our short life as Austin-Westran. Austin-Westran has been awarded a contract to manufacture corn-burning stoves for heating homes. Corn is an excellent fuel in that it burns much hotter and cleaner than wood and is more quickly renewable. In addition, we have secured a \$1 million contract to produce trailer landing gear for three Mexican trailer companies and have begun a program to set up an operation to serve the China market. No, this is not a case of outsourcing to low wage countries like we hear so much about, this is Austin-Westran, located in Byron Illinois, making products for Mexico and China! These contracts have resulted in 17 new jobs of which 53% of the team members are of minority descent.

Since I owe you money, you may also be interested in our financial status. We are profitable and generating cash well in excess of our loan payments - no need to worry.

In conclusion, I would just add that you do important work on this committee. Small businesses in America employ more than half the country's private work force, create three of every four new jobs, and generate a majority of American innovations. The Small Business Administration saved Byron Illinois and gave me the opportunity to pursue my dream. It is your committee that leads this country in support of small business - for that, I would like to thank you.

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The story of Rose Southwest Papers, Inc. began 30 years ago in the small Central America country of Belize, where Roberto and Rose Marie Espat were raising their family and following their dreams of owning their own business.

In a country with few manufacturing plants, the Espats established a paper conversion facility in 1972. As the business grew, they decided to expand their dream, so in 1981, the Espats left their homeland of Belize to secure a foothold in the United States.

Their search led them to Albuquerque, N.M., and because of the blue skies and friendly people, they decided to settle in the Land of Enchantment. New Mexico's need for a paper conversion facility led Roberto to establish Roses Southwest Papers, Inc. in 1984. The company started as a provider of toilet paper and paper towels, sold under the trade name "ROSES" and "FERIA." In 1985, Roses built its own 20,000-square-foot building, providing it with 7,500 square feet of manufacturing, 10,000 feet of warehouse and 2,500 square feet of office space. The company's first major contract was with the General Services Administration.

From their modest beginning in 1985, Rose and Roberto established Roses with the foundation that everyone should be treated fairly and with dignity. This belief carries through from employees to clients. Their compassion and fair business practices have been the guiding force that has established Roses as a cornerstone in the Albuquerque business community. Roses has benefited from continued growth and today operates a 250,000 square-foot facility that has seen seven expansions and employs more than 200 people. Their reputation in the industry is second to none, and the future continues to look promising, as established and new clients continue to seek out the quality products manufactured by Roses.

Roberto and Rose had to overcome many challenges when they came to the United States. The challenges presented themselves on a daily basis but they kept their focus and their dream alive. Challenges still present themselves today in a different manner, but the vision and focus remain the same as Roses looks to the future.

By the spring of 1990, employment had grown to 26 people and shortly thereafter the company was awarded a contract by McDonald's Corp. to supply paper bags for its fast-food outlets. To service this increase in production, Roses built a new building, increasing its production and warehouse space by 21,500 square feet and installed a considerable amount of production equipment. In 1994, employment had grown to 70 employees and once again expansion was required to house new napkin machinery and additional warehouse space. By the end of 2000, Roses was home to 165 employees and with the completion of its seventh expansion since 1985 – the plant's size has ballooned to 250,000 square feet on 9.5 acres. Roberto expects revenue to exceed \$48 million this year, up from \$39 million in 2000.

Roses is a strong supporter of local business and works with providers within the local market to ensure access to quality products and services that benefit their company as well as bolster the local economy. The company has an employee benefit program that provides a health plan, long-term disability, tuition reimbursement for work-related training, and a 401(k) plan. The company also has a profit sharing plan for everyone who's been on board at least a year.

What's particularly special about this paper production company is that all of its products are made from 100 percent recycled materials, proving success can be environmentally friendly.

"It's called converting," Roberto explains. The raw material is jumbo rolls of paper that measure five feet in diameter and stand nine feet tall. The plant operates 24 hours a day, seven days a week to produce the hundreds of millions of paper bags and rolls of tissue each year. A recycling and de-inking plant, together with a paper mill, will not only allow the totally integrated company to produce their own raw materials, but save \$18 million in purchase orders from leaving the state, as this will remain in New Mexico and create another 150 jobs. Roberto estimates, "Within seven years, we should be approaching 500 employees."

To give back to the community, Roberto is active in many community organizations including ACCION New Mexico, Greater Albuquerque Chamber of Commerce, United Way, the Albuquerque Hispano Chamber of Commerce, McDonald's Hispanic Operators Association and McDonald's Minority Vendor Council.

Roberto has received many honors in his business career. Some of these include: *Hispanic Business Magazine's* top 500 Hispanic owned businesses (2000); New Mexico Ethics In Business Award (2001); and Small Business Council of America's Small Business Person of the Year (2000).

**CONGRESSMAN DONALD A. MANZULLO, ILLINOIS  
CHAIRMAN  
COMMITTEE ON SMALL BUSINESS  
U.S. HOUSE OF REPRESENTATIVES**

High Street™ Financial, Inc.  
John J. Bartoletta, Founder and Chief Executive Officer  
Testimony  
Wednesday, May 8<sup>th</sup>, 2002

**OPENING**

Mr. Chairman, distinguished committee members, I am honored and delighted to have this opportunity to directly address those who have jurisdiction over the Small Business Administration and the ability to advise Congress on the issues that concern small businesses. I hope my testimony regarding the High Street Financial success story will serve as inspiration and encouragement to help other small businesses achieve success.

**HIGH STREET™ FINANCIAL, INC.**

High Street™ Financial is an independent institutional Registered Investment Advisory Firm headquartered in Tampa, Florida. High Street™ is registered with the United States Securities and Exchange Commission.

High Street™ offers customized investment management services to institutions, professional associations and high-net worth individuals and has earned a reputation as one of the best quantitative money managers on Wall Street. We feel that we are redefining traditional Institutional Investment Management by offering one of the most sophisticated investment management systems ever made available to investors. This proprietary investment system is known as Dynamic Style Rotation® (DSR).

**KEYS TO SUCCESS**

High Street's mission is to form a partnership with our clients and provide them with the most complete investment management program available in the industry. At High Street™, we understand investing and the responsibility that goes along with prudent management. That is why all of our institutional investment experience, breadth of capabilities and resources are focused on giving the client the best possible Personalized Attention, Professional Stature, Ultimate Privacy and Timely Implementation of their specific investment needs, goals and objectives.

We believe it is significant that clients understand and share in our firm's long-term vision. Consistent bottom line Investment Success is only achieved through comprehensive planning, a multi-discipline investment strategy, and a client commitment to the overall process and patience. We continually strive to uphold the highest standards of performance, practice and procedure in the industry. The cornerstone of the program is our documented fiduciary prudence, exceptional client service, responsive back office support and superior institutional investment management utilizing Dynamic Style Rotation®. Our mission can be quantified and we call it i<sup>3</sup>-e. Image, Infrastructure, Implementation, and Execution.

**IMAGE** - Image is everything. Attention is given to even the slightest detail to maintain an image of elegance, sophistication, integrity and transparency. These attributes can be seen in all aspects of our operation. From the website, marketing materials and presentations to our physical office facility and most important our staff. Proper Image must be maintained at all times.

**INFRASTRUCTURE** - Infrastructure is the backbone of the company and systems are in place to hold it all together. However the most important aspect of our infrastructure is our staff. High Street™ employs a distinctive team approach to all levels of the company. Our firm is distinguished by its staff and their strong work ethic, fiduciary prudence, state-of-the-art investment methodology and commitment to building relationships based on trust and professionalism. Everyone shares this objective, which is High Street™'s success. To join the team, you must be interviewed and accepted by the entire staff because every staff member is rewarded based on the growth of the firm. They want to be assured that the addition of a new team member will add value to the firm as a whole.

**IMPLEMENTATION** - Documented internal procedures, record keeping and communication are critical for maximum efficiency within the firm. Operational Committee Meetings and Investment Committee Meetings provide the forum for complete and accurate information to be exchanged by each department.

**EXECUTION** - While Image, Infrastructure, and Implementation serve as tools, proper Execution is the key to acquiring and ultimately retaining employees and clients. Two detailed internal management and investment management systems are in place which continually track, and document information giving High Street™ the ability to monitor and evaluate the impact of all management and investment decisions within the firm.

At High Street™ we are focused on giving the best possible personalized attention, professional stature, ultimate privacy and timely implementation. In all aspects of the client relationship we strive to meet and exceed the clients' expectations.

High Street™ takes as much burden off the client as possible. The necessary paperwork is filled out for the client, the transfer of their assets is tracked and even expedited by continuous contact with the transferring firms while the client is informed every step of the way. Communication is made to the client when we receive the paperwork, when the custodian of the assets receives the paperwork, and when the assets are finally transferred.

Our investment management team continually updates the client on High Street™'s views of the economy and the financial markets. For those who wish us to provide further updates and market reviews, we set up regular conference calls, whether monthly, quarterly, or whenever they choose.

It is this commitment to Execution that has earned High Street™ the highest client retention ratio with the least amount of internal errors among all asset management firms that custody their assets with Fidelity Institutional Brokerage.

#### **HIGH STREET CONCERNS**

Everyone at High Street™ takes great pride in providing our services that help to secure the financial well being for numerous small businesses not much different than our own. The bulk of our asset base is comprised of the Pension and Profits sharing plans of small businesses, physicians, dentists, and chiropractors nationwide.

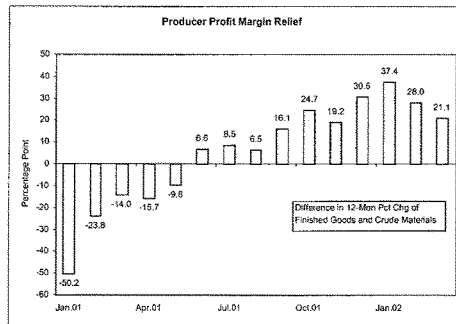
America's small business community provides the entrepreneurial engine for America's future economic growth. The leaders of America's small businesses are people whose motto is, the difficult we do immediately, the impossible takes a little longer.

I would encourage this committee to focus on ways the government can reduce the regulatory burden on small businesses, reduce marginal tax rates so that small business have more incentive to reinvest in their respective business and some form of estate tax reform which will help facilitate the transfer and increase their capacity to pass on their businesses to future generations.

### ECONOMY

Fears of a double dip recession are spreading through the investment community. We don't buy it. From a top down perspective, money supply is expanding, velocity is increasing, tax rates are falling, and inflation is nil. Near zero inflation is especially important as it gives consumers and businesses more purchasing power. Indeed, the annualized growth of real disposable personal income in the first quarter was over 10 percent. These are not recession signals.

Earnings concerns are cited as a major reason for the recent stock market sell-off. However, the data clearly show that profit margin trends are improving for businesses. One proxy is the difference in the



annual growth rates of the PPI finished goods and crude materials indices. In spite of the rise in oil prices, the margin was positive, by a very healthy 21 percentage points, for the tenth consecutive month in March (following 23 straight monthly declines). We believe the oil price surge is temporary; hence the margin should continue to stay positive.

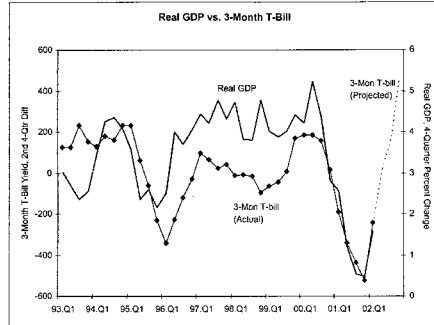
In addition to the profit margin relief on the commodities side, businesses are also being helped on the labor front. First quarter labor productivity growth will be about 7 percent, after a 5.2 percent gain in the fourth quarter. Meanwhile, unit labor cost will decline about 4 percent after falling 2.7 percent previously.

Nominal GDP is an indicator of business spending, and it is expected to grow 5 to 6 percent this year with little inflation. With the favorable developments in their profit margin, the nominal GDP growth will translate in to healthy sales and earnings for businesses.

The turn in profitability conditions is evident in the business investment spending. With a 0.5 percent decline in the first quarter, business equipment and software spending is almost out of the 6-quarter slump.



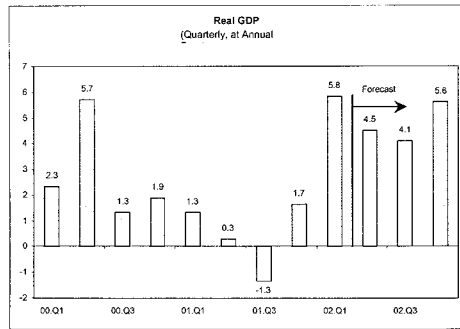
Moreover, spending on information processing equipment, the hi-tech segment, rose for the first time in 5 quarters. Government spending on hi-tech equipment, as a part of national defense



expenditures, will further boost this segment: defense spending rose 19.5 percent following an 8.9 percent gain in Q4. Industrial production figures also reflect the increase business activity; for the first three months of this year, total production and hi-tech production grew at 6.3 percent and 23.3 percent annualized rates, respectively.

Economic corporate profits rose a stellar 18 percent in the fourth quarter (from the GDP accounts) while net cash flow rose 9 percent. While some of the gains were due to the initial effects of the economic stimulus package, the provision for accelerated depreciation allowances will continue to stimulate capital investment spending and help the corporate bottom line.

Also, rising commodity and gold trends foreshadow a turn-up in the velocity of money. As money



circulates through the economy and changes hands more quickly, the 9% annual rise of M2 since mid-2000 will keep nominal GDP growing at least in a 5% to 6% range, if not more. This is bolstered by the 10% growth of cash injections (monetary base) by the Fed over the past year.

Keeping all this in mind, it looks more like a V-shaped recovery than a double-dip recession.

**CLOSE**

Mr. Chairman, I would like to close by saying again how honored I am to be invited to speak at this hearing. My entire staff at High Street™ is also honored and humbled and I would like to congratulate you on the excellent job you are doing in instilling and nurturing the entrepreneurial spirit for small business. The entrepreneurial spirit embodied by small business has played a critical role in the development of the United States as the leading world economic power and we commend your efforts to deliver this message to the American public.

Thank You Mr. Chairman

## CORPORATE BIOGRAPHY

*Leadership**Image, Infrastructure, Implementation and Execution*

**John J. Bartoletta:** *Founder and Chief Executive Officer.* Mr. Bartoletta is responsible for the pioneering, developing and implementing of High Street™'s proprietary quantitative style based investment methodology known as Dynamic Style Rotation®. His day-to-day responsibilities revolve around all trading, research, investment policies and systems development decisions.

Mr. Bartoletta is also the *Managing Director* of High Street™ Capital Management, L.L.C. High Street™ Capital Management is the exclusive Investment Manager for a series of Hedge Funds utilizing Dynamic Style Rotation®.

Mr. Bartoletta serves as Director of Economic Affairs for the World Chiropractic Alliance. In that capacity, he is responsible for providing a wide range of economic and financial market data for the benefit of its membership. The World Chiropractic Alliance is an international organization representing 70,000 doctors of chiropractic and promoting the traditional, drug-free and non-invasive form of chiropractic as a means to correct vertebral subluxations which cause nerve interference. The World Chiropractic Alliance is a Non-Governmental Organization associated with the United Nations Department of Public Information and has working relations with the World Health Organization.

Mr. Bartoletta is also a member of the American Business Conference. The American Business Conference is a coalition of growth companies. Founded in 1981, the American Business Conference (ABC) is the voice of the midsize, high growth sector of the economy. Based in Washington, D.C., ABC advocates public policies to promote growth, entrepreneurship, and a higher standard of living for all Americans. ABC is nonpartisan and does not contribute to political campaigns or political parties.

## CORPORATE BIOGRAPHY - CONTINUED

*Leadership**Image, Infrastructure, Implementation and Execution*

On August 22<sup>nd</sup>, 2001 Mr. Bartoletta presented to Lawrence B. Lindsey, Assistant to the President and Director of the National Economic Council at The White House in Washington D.C. The discussion centered around the current state of the economy as it relates to the financial services industry. Mr. Bartoletta is frequently quoted in various financial publications and Public Radio International's market place. The company has also been profiled in the Wall Street Journal.

Before founding High Street™ Financial, Mr. Bartoletta served as a Vice President for the Hannah Group of Boston. During his tenure there, he provided pension consulting services to corporate, public, endowment, foundation and Taft-Hartley clients. Upon joining the Hannah Group in 1988, Mr. Bartoletta engaged in the ongoing research and development of style-based, quantitative portfolio management models.

Though popular in academic circles for years, Mr. Bartoletta is one of a handful of managers actually implementing such a methodology in the "real world." He frequently acts as a guest lecturer of graduate-level students at the University of Florida at which he provides insight into the theoretical applications of style-based, quantitative models. He attended West Virginia University and the University of Michigan, where he concentrated his studies in the fields of both Economics and Finance.

CORPORATE INTRODUCTION

*Distinguished*

*Financial success is achieved through fiduciary prudence,  
a highly disciplined investment strategy, communication, patience and  
client commitment.*

*At High Street™ these aspects play an integral part in our long-term  
vision.*

High Street™ Financial, Inc. is an independent institutional Registered Investment Advisory Firm headquartered in Tampa, Florida. High Street™ has offered customized investment management services to institutions, professional associations and high-net worth individuals while earning a reputation as one of the best institutional money managers on the street.

High Street™ employs a distinctive team approach to investment management. Our firm is distinguished by its staff and their strong work ethic, fiduciary prudence, state-of-the-art investment methodology and commitment to building relationships based on trust and professionalism.

At High Street™, we understand investing and the responsibility that goes along with prudent management. That is why all of our institutional investment experience, breadth of capabilities and resources are focused on giving you the best possible Personalized Attention, Professional Stature, Ultimate Privacy and Timely Implementation of your specific investment needs, goals and objectives.

We believe it is significant that clients understand and share in our firm's long-term vision. Consistent bottom line Investment Success is only achieved through comprehensive planning, a multi-discipline investment strategy, and a client commitment to the overall process and patience.

## INVESTMENT PHILOSOPHY

*Wisdom*

*Like the earth, all things must rotate, including investment Styles.  
A world of investment knowledge lies within reach at High Street™ and  
our proprietary multi-style investment strategy.*

*Dynamic Style Rotation®*

Conventional wisdom maintains that no one equity management style [i.e., growth, value, etc.] consistently provides investors with superior, above-average investment returns. Practitioners and academia's who support this notion suggest, as a remedy, static [passive] allocations in a multi-style investment portfolios. Conversely, recent research from authoritative sources have uncovered weaknesses in conventional approaches to investment style allocation. Nobel Laureate William F. Sharpe has observed that the decision of how much to allocate to distinct investment styles may explain as much as 97% of the outcome for a diversified fund. Eugene F. Fama and Kenneth R. French, while at the University of Chicago, found that investment styles produce predictable return patterns that might be exploitable through active management.

This new body of knowledge, as to the significance of investment style, upheld the 1991 findings and subsequent beliefs of John J. Bartoletta, founder and Chief Executive Officer of High Street™ Financial, Inc. Mr. Bartoletta concluded that substantial return differential suggest that style rotation (rotating or titling portfolio investment weightings across multiple styles as economic and market conditions change) offers an opportunity to enhance portfolio returns.

We believe it is possible to achieve consistently superior investment returns through all market environments by utilizing a flexible and quantitative style-based methodology. In addition, we believe the most important investment decision is the proper asset and style allocation of our client's assets. Once that decision has been made, it is High Street™'s core belief that investors should not be forced to choose one style over another, rather that they are best served by using a dynamically managed multi-style rotation strategy.

## INVESTMENT STRATEGY

*Tactical*

*It's all about strategy...*

*Having a plan and the discipline to carry it out yields success.*

In response, High Street™ developed an in-house quantitative investment process known as High Definition "Dynamic Style Rotation®" and first implemented this process, in June of 1992, for a select group of client portfolios. This strategy enables High Street™ to invest in multiple styles that are in favor during current market and economic conditions. No longer are investors forced to wait for their style specific managers to come back into favor.

Dynamic Style Rotation® is an eight stage documented process which actively tilts portfolio weights among various equity and fixed income INVESTMENT STYLES and INVESTMENT DISCIPLINES which are showing positive performance relative to current market and economic conditions.

Intuitively this makes sense. For example, it would do an investor little good to invest heavily with a value manager at a time when value stocks are under performing the market. The investor would be better served shifting some of their assets to a manager whose investment style is currently in favor.

Before the advent of Dynamic Style Rotation®, investors were forced to ride the peaks and valleys of their manager's style, or were ill equipped to effectively switch between the best performing styles. Investors should be relieved of the burden of worrying about which investment styles may currently be in or out of favor.

High Street™'s Dynamic Style Rotation® process is specifically designed to avoid the cyclical nature of style specific investing, to manage risk and enhance performance.

## INVESTMENT DISCIPLINE

*Process*

*A detailed process requires continuous tracking, and documentation giving High Street™ the ability to monitor the impact of all investment decisions in a dynamic market environment.*

Dynamic Style Rotation® is an elaborate eight stage process that is constantly monitored. The first stage of the process is matching the client to the Investment Policy Statement w/Decision Impact™. This fiduciary document ensures the accuracy of the client's goals and objectives and tracks the impact of all investment decisions regarding the portfolio.

The second stage of the process is the asset and style allocation model. The primary technique used is portfolio optimization. The managers will construct the portfolio to match the risk characteristics of the blended asset and style classes and then optimize the portfolio to achieve the desired balance of risk and return potential. The third stage of the process is the ongoing monitoring and rebalancing of our proprietary twenty-one style indexes. The fourth stage is the specific style selection, the mathematical weighting each style will receive and the overall constraints for each style.

Portfolio implementation is the fifth stage where systematic timing is used versus current market conditions. Time frames to fully build and invest a portfolio will vary based on market conditions. The sixth stage is the ongoing monitoring and re-balancing of every portfolio in our system. This stage is the day-to-day monitoring of all financial, economic and stock specific data. Subtle adjustments to the portfolio will be dictated by market conditions.

The seventh stage of the process is performance measurement. A proprietary fundamental factor model is used to determine exactly where the rate of return is coming from within the portfolio. The eighth and final stage is systematic reviews and communication. Internal and external reporting is produced, stored and disseminated to the proper departments within the firm. The reporting is then packaged electronically and a hard copy is sent immediately to the client.



## INVESTMENT PROGRAMS

*Diversity*

*All accounts are individually managed and tailored to the investors goals and objectives, risk tolerance, liquidity requirements, time horizon and return expectations.*

High Street™ offers customized portfolio management for high net worth individuals, institutions, corporations and professional associations covering a broad range of account types including both qualified (non-taxable) and non-qualified (taxable). Qualified accounts include, IRA's, Pensions, Profit Sharing Plans, 401(k) Plans, Taft-Hartley Plans, endowments and foundations. Non-qualified types include Individual, Joint, Corporate, and Trust accounts.

In that each account type and investor are different, High Street™ tailors its clients' accounts to their goals and objectives, including risk tolerance, time horizon, liquidity requirements and return expectations. One of our primary objectives is to optimize performance in all of our portfolios sharing similar investment strategies.

High Street™ manages accounts in three different risk categories: Growth, Balanced and Income. Each account is individually managed based on risk category and dollar amount level. Qualifying the account by risk category and dollar amount level will dictate the specific investment program used to achieve the clients goals and objectives.

CORPORATE OBJECTIVES

# *Vision*

*One person is capable of great achievement, but with the effort of a team, success is assured. Our Corporate Objectives are the foundation on which High Street™ was built.*

*Join us in our pursuit in accomplishing the vision.*

CONCENTRATE OUR ATTENTION and resources on providing superior services to individuals, institutions, and professional associations through a variety of investment management programs custom designed for each client.

ACHIEVE SUPERIOR PERFORMANCE by providing our clients with high value-added services, which are recognized for their innovation, uniqueness and excellence.

CONSTANT COMMUNICATION with our clients regarding the current financial and economic environment, the performance of their accounts and our outlook for the future.

FOCUS CORPORATE DEVELOPMENT in the areas that meet the ever changing needs of our clients, rather than repeating what others have already done.

MAINTAIN AN ENTREPRENEURIAL ENVIRONMENT and provide strong, long-term personal and financial incentives that will enable our firm to attract and hold the highest caliber of success driven professionals.

CONDUCT OUR BUSINESS with the highest professional and ethical standards in the industry.

## ADDITIONAL INFORMATION

*Website*

*Information technology empowers the investment community  
and has become the standard around which all business is evolving.*

HighStreetFinancial.com is a rich resource providing the framework and infrastructure to further explain our investment philosophy, discipline, and strategy utilizing Dynamic Style Rotation<sup>®</sup>. It also provides High Street<sup>™</sup> Financial team profiles as well as additional contact information.

Through our secure portion of the website, High Street<sup>™</sup> Financial's clients benefit from having instant access to their accounts as well as current market commentary and proprietary research information. Our website is continually evolving to keep pace with the seemingly constant advances in both hardware and software technologies. Please visit our website at:

[www.highstreetfinancial.com](http://www.highstreetfinancial.com)

*"Our mission is to form a partnership with our clients  
and provide them with the most complete  
investment management program available in the industry."*

*The cornerstone of the program is our  
documented fiduciary prudence, exceptional client service,  
responsive back office support and  
superior institutional investment management utilizing*

*Dynamic Style Rotation®*



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**Statement by**  
**John R. and Kimberly T. Francis**  
**on behalf of the**  
**National Roofing Contractors Association**  
**(NRCA)**  
**to the**  
**Committee on Small Business**  
**U.S. House of Representatives**  
**concerning**  
**National Small Business Week**  
**May 8, 2002**

Chairman Manzullo and members of the Committee, my name is John Francis, and I am joined today by my wife Kimberly. Together, we own and operate Northern Virginia Roofing Co., Inc., a Falls Church, VA-based roofing contracting company, and we are thankful to appear before you today on behalf of the National Roofing Contractors Association (NRCA).

Mr. Chairman and Congresswoman Velázquez, I would like to thank you for providing us the opportunity to address the Committee on a subject of great importance to our nation. Today the Committee has heard, and will hear, from several small businesses on the critical role the Small Business Administration played in each of their success stories. Although Northern Virginia Roofing is a small business, and we have enjoyed success, Kimberly and I appear before the Committee for a separate reason. We are here today to testify on the progress of NRCA's Pentagon reroofing project and role of small businesses in advancing this important task.

NRCA is an association of roofing, roof deck and waterproofing contractors. Founded in 1886, NRCA has approximately 5,000 members from all 50 states and more than 40 foreign countries. It is estimated that NRCA contractors perform more than 60 percent of all roof system installations in the United States. More than 90 percent of roofing contracting firms are considered small businesses, and like our own firm, many are family-owned and operated with family members working side by side to make their companies successful. NRCA contractors are small, privately held companies, and the average member employs 35 people during peak season with sales of approximately \$3.5 million per year.

Like all Americans, we were horrified by the events of September 11<sup>th</sup>. And like most Americans, we searched within ourselves for something that we could offer in response to the attacks. The disaster made us realize how proud we are to be Americans and how blessed we are to live in the greatest country in the world. After some discussion, it dawned on us that since we are in the roofing business, we ought to give the country one of its roofs back. We believed that it would be a fitting response if Americans from all races and creeds could unite in one common goal to stand firm and fast in the fight against terrorism. Our idea was to replace the Pentagon's roof system as a gift from our industry, and after a series of telephone calls involving NRCA's executive vice president, Bill Good, a team of NRCA members met with Pentagon officials to outline the industry's offer two weeks after the attacks.

From the view at ground level, it is clear that the crash of American Airlines Flight 77 inflicted severe structural damage on the Pentagon. But not so evident from ground level is the sheer extent of the damage suffered by the roofing system. When Flight 77 hit the Pentagon, it penetrated the building's second story at a 45-degree angle and careened through the Pentagon's top three floors. The jet was carrying about 20,000 gallons of jet fuel, much of which was deposited on the roof. The fuel ignited and burned at a temperature of about 1,100 degrees Fahrenheit, destroying approximately 60,000 square feet of slate, steep-slope roofing and 60,000 square feet of low-slope roofing in Corridors 3, 4 and 5 and portions of the A and E rings. These sections are now being replaced.

The Pentagon has two distinct types of roof systems. The inner three rings of the building have coal-tar-pitch built-up roof systems, and the first interior ring, outer ring and five corridors that

run from the center of the Pentagon to the outer ring all have slate roof systems. The slate is nailed to wood sheathing, which is attached to a concrete deck with a slope of 23 degrees. There are no fire stops in the system.

When the jet fuel ignited, it quickly spread through much of the wood sheathing and destroyed the roof system along one of the Pentagon's five corridors, as well as much of the roof system on one section of the innermost ring and one section of the outer ring. In all, about 60,000 square feet of the slate roof system was damaged beyond repair. After the explosion, firefighters poured more than 6 million gallons of water on the roof. According to one Pentagon official, the roof did its job – it shed the water perfectly, allowing the fire to spread through the sheathing beneath it. Firefighters apparently were unaware the roof system incorporated wood sheathing and reportedly assumed insulation was burning. Only when they broke through the slate did the fire stop spreading.

Taking all this into account, it seemed the best way for the roofing industry to be of assistance would be to offer to replace the roof area that was damaged by the fire. Working with the roof system designer and general contractor, NRCA agreed to provide as much labor and materials to the project as we could gather. NRCA members, nearly all of which are small or family-owned businesses, responded by volunteering their labor and materials to rebuild the roof system. Since negotiating an agreement with the Department of Defense, NRCA members have raised in excess of \$500,000 worth of cash, materials, equipment and labor to help repair the damage sustained by the Pentagon.

NRCA volunteer workers began working in February and requests to volunteer have come throughout the nation. For example, one member contacted Bill Good from northern Wisconsin and said that she owned a small roofing company with her husband and son. She told Mr. Good that if her husband and son could work on the Pentagon during winter when business is slow, they would go to Virginia for as long as they were needed. She added that all they required was a place to park their recreational vehicle. They were hard at work on the site this past February. A list of participating NRCA members from the United States follows:

A & A Roofing Co. Inc.	Associates Roofing & Waterproofing
A & M Roofing & S/M Inc.	B & G Roofing & S/M Inc
ABC Supply Co. Inc.	Baker Roofing Company
Adams & Sons Ltd.	Beldon Roofing Company
Advantage Roofing & Construction	Berger Brothers Company
J.L. Adler Roofing and Sheet Metal	Bone Roofing Supply Inc.
Al Melanson Co., Inc.	Boston Roofing Contractors Association
Alabama Roofing & S/M Co. Inc.	Boulder Roofing Inc.
All-Star Roofing Inc.	Bradco Supply Inc.
Allen Brothers Inc.	Bregenzer Brothers
American Roofing & Metal Co. Inc.	Bri-Den Co. Inc., The
Amtech Roofing Consultants Inc.	Broda Commercial Roofing
A. Poletto & Associates Inc.	Building Suppliers Corp.
Armstrong Installation Service	Buttweiler's Do-All Inc.
Arnold & Associates Inc.	Carlisle Syntec Inc.
Associated Roofing Inc.	Centimark Corp

CertainTeed Corporation  
 Chilson Brothers Inc.  
 Clark Roofing Company  
 C.N.S. Roofing Inc.  
 Collis Roofing Inc.  
 Colony Roofing Inc.  
 Commercial Roofers Inc.  
 Commercial Roofing & S/M Co., Inc.  
 Conklin Company, Inc.  
 Consolidated Enterprises Inc.  
 Copper Development Assn.  
 Cor-A-Vent, Inc.  
 Corporate Roofing Supply, Inc.  
 Crawford Maint & Inspec. Service  
 Crowther Roofing & S/M of Florida  
 CSR Roofing Contractors  
 Curran Roofing Company, Inc.  
 D & D Roofing & Sheet Metal, Inc.  
 D & D Roofing, Inc.  
 Ditmars Roofing & S/M Contractors, Inc.  
 Dixie Roofing Inc.  
 Donald M. Miller Roofing Co.  
 Done Right Roofing & Gutters Inc  
 Eagle Supply, Inc.  
 Economic Roofing Co.  
 Edwards Roofing  
 Elite Roofing & Contractors Ltd.  
 Enterprise Roofing Service Inc.  
 Evans Service Company  
 Evergreen Slate Co. LLC  
 F&F Roofing Co.  
 FJ Dahill Co. Inc.  
 Follansbee Steel  
 Formation Roofing & S/M Inc.  
 Francis M. DeSimone & Assoc.  
 Frederic Roofing & S/M Company, Inc.  
 Gallo Roofing  
 Garlock Equipment Co.  
 Gem City Enterprises  
 General Works LLC  
 Gooding, Simpson & Mackes  
 Greater Buffalo Roofing & Sheet Metal Contractor  
 Hartman Roofing, Inc.  
 HEC Roofing Co.  
 Henderson-Johnson Co. Inc.  
 Home Depot, The  
 Huebert Bros. Prod. LLC  
 Hussey Coppet Ltd.  
 Independent Roofing & Siding  
 Insulating Coatings Corp  
 James Myers Co.  
 John A. Dalsin & Son Inc.  
 Johns Manville Int'l Inc.  
 Jon Wickers Co. Inc.  
 JU Contracting  
 Jurin Roofing Services, Inc.  
 JVS Inc.  
 Karnak Corp  
 Kaw Roofing & S/M Inc.  
 Kodiak Roofing & Waterproofing  
 Koppers Industries Inc.  
 Korellis Roofing Inc.  
 Kreiling Roofing Co. Inc.  
 Lamb Construction Group Inc.  
 LaPorte Ind. School District  
 Latham Roofing Inc.  
 L.E. Schwartz & Son Inc.  
 Lee's Bi-State Roofing  
 Lydick-Hooks Roofing Co of Abilene  
 M & S Roofing Inc.  
 Mader Roofing Co. Inc.  
 Mark S. Windel Contractor LLC  
 Markell Co. of WI, The  
 Marshall Roofing & S/M Co. Inc.  
 Marton Roofing Industries Ltd  
 McEnany Roofing Inc.  
 McGarrahan Roofing Co.  
 MFM Building Products Corp.  
 MidSouth Roof Systems  
 Minnesota Bldg. Contractors  
 Morlife Company  
 The Mountain Company  
 N.B. Handy Co.  
 North/East Roofing Contractors Association  
 North Coast Commercial Roofing Systems, Inc.  
 Northern Virginia Roofing Co.  
 Northwestern Indiana Roofing Contractors  
 Olsson Roofing Co.  
 Olympic Fasteners Division of Olympic  
     Manufacturing Group Inc.  
 O'Lyn Contractors Inc.  
 Outokumpu American Brass  
 Owen Henry Contracting  
 Pacific Supply  
 Palmer Asphalt Co.  
 Peak Roofing Inc.  
 Pegnato & Pegnato Bldg. Sys Serv  
 Performance Roof Systems Inc.  
 Peterson Bros. Roofing & Const.  
 Portage Roofing Inc.  
 Powers Fasteners Inc.



Pro Inc. Roofing & Sheet Metal	Skyline Roofing Inc.
Progressive Roofing Inc.	Smart Roofing Inc.
Protective Roofing Products LTD	Solar Sheet Metal & Pomazi Roofing LLC
P.W. Roofing	Sprick Roofing Co. Inc.
R & R Roofing Inc.	Springer-Peterson Roofing & S/M Inc.
Rafoth Sheet Metal Inc.	Star Roofing
RD Bean Inc.	Swan Secure Products Inc.
RE Forshee Co. Inc.	Texas Roofing Company
Reliable Roofing Maintenance Inc.	Tidewater Roofing/ED White Corp
Residence Inn Arlington-Pentagon	Tremco Inc.
Revelation Roofing Inc.	Triangle Roofing Inc.
RH Tamlyn & Sons Inc.	Two Thumbs Up Roofing
Rodet Construction Inc.	Versico Inc.
Roof Service	Wagner Roofing Company
Roof Tech Inc.	Warren Roofing & Insulation
Roofing Industry Fund of MN Inc.	Warrior Roofing Manufacturing Inc.
Roofing Technology Inc.	Watkins Roofing
Ruff Roofers Inc.	Watson Roofing Inc.
Schreiber Roofing Corp	West Georgia Roofing Inc.
S.D. Carruthers Sons Inc.	Western Pacific Roofing Corp.
Seaback Roofing & Restoration	Wolfe Roofing & Sheet Metal Inc.
Shiner Roofing Inc.	W.R. Grace & Company
Simon Roofing Co. LLC	W/S Roofing Co.
Simplex Nails & Fasteners	York Roofing Inc.
S.J. Carney Roofing	Zero-Breese Company, The

But the interest of NRCA members isn't limited to America. NRCA's lone member in Ghana, Africa, e-mailed Mr. Good and reported that the local community had taken up a collection to pay travel and housing expenses for a roofing worker to travel to the Pentagon. We also heard from members in Canada, Mexico, Japan and Spain offering to help with labor and materials.

NRCA's Pentagon Project demonstrates to the world that when America is in a time of need, small businesses can be relied upon to step up to the plate and deliver. By volunteering their time and scarce resources on one of the most important contracting jobs in recent memory, small businesses have embodied the strength of the American spirit. We are pleased to report that eight months after the Pentagon was attacked, NRCA's Pentagon Project is scheduled for completion by mid-June. This is something of which every American can be proud.

Donald Kuntz  
Fine Print of Grand Forks  
Grand Forks, North Dakota

Thank you Chairman Manzullo, ranking member Velazquez, and members of the committee for the opportunity to speak to you this afternoon.

Fine Print of Grand Forks, Inc. is a full service commercial printshop. We specialize in high quality 4-color printing. We produce printed products such as posters, calendars, books, promotional materials, brochures, along with more common items such as business cards, envelopes, and letterheads. Our services include high resolution scanning, bulk mailing, and die cutting. Today we employ 23 full-time employees at locations in both Grand Forks, North Dakota and Thief River Falls, Minnesota. I own and operate the company along with my wife JoAnn. Our son Kevin works in the company as an accountant and information systems manager. Our son Jeff works part time while pursuing a meteorology degree at the University of North Dakota.

We have had to overcome countless challenges over the years to make Fine Print a success. The greatest of these challenges was the flood of 97. On Friday, April 18, 1997, the dikes gave way in downtown Grand Forks allowing the ice cold waters of the Red River to engulf the city. My son and I had to wade through the floodwaters to salvage the companies financial records before they fell victim to the flood. The business was a complete loss, while our home sustained extensive damage and was unlivable until major repairs could be completed. At this point, we joined the 50,000 other residents of Grand Forks as flood refugees.

During the flood, we visited our bank to make arrangements for the company's payroll. They told us not to bother. They said, "we are in over our heads and will never recover." Because of a business loan secured by a 2<sup>nd</sup> mortgage on our house, they told us the bank was going to take our home. We were so shocked at what we had heard from our bank, that we decided to tell our story to Senator Dorgan's office. That afternoon his staff made some phone calls, put us in touch with the SBA, and that evening our loan was verbally confirmed. We received approx. \$971,000 in disaster assistance loans. This allowed us to pay our bills, make payroll, and open our doors in a new building 6 months later.

Since that time, we have doubled our sales and added several new full-time positions. We have one of the best prepress systems in the region with up to date production equipment. Our employees are highly skilled and well motivated. Countless overtime hours have been worked by my family and the staff to make Fine Print a success. At this point, we have drawn up plans to add on to the building and purchase a larger, faster press. This addition will result in further growth for the company.

We are also very fortunate to have our loans managed by the people in the North Dakota SBA office. Since our disaster assistance loans were not managed by the centralized service center in Fresno, they were not sold as part of the SBA's asset sale. Because our loans are still being managed by the SBA, we are able to finance the upcoming additions to our business and continue to grow. Other Grand Forks businesses were not as fortunate as we were, as their loans have been sold to a third party and their recovery hampered by this arrangement. These third party financial institutions will not

subordinate to other lenders like the SBA does, further restricting growth for these companies.

SBA guy: Jim Atkins.

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At 7:30 p.m. on Friday, April 18, 1997, the word was: "The dikes will hold. We're going to make it."

But just three short hours later, with downtown Grand Forks being engulfed by the Red River's raging floodwaters, Donald Kuntz and his son Kevin would be wading through ice cold water to salvage the financial records of their company. Don would take one last look at the equipment he had spent the last 13 years of his life accumulating, lock the door, and become one of the 50,000 flood refugees from Grand Forks, N.D. At that moment, he vowed that after 18 years of business, Fine Print of Grand Forks would not succumb to this terrible disaster.

Fine Print of Grand Forks, Inc. got its start in Fargo in 1979. Don, along with his partner and one employee, operated Fine Print from a small rental unit that featured a garage for a pressroom and a window for a light table. In just three short years, Fine Print added a second employee and was producing \$250,000 of printing annually in its modest location. By 1982, it was time to expand into a larger facility. That year Fine Print moved to a larger location capable of housing more equipment and employees. In 1984, with the help of a U.S. Small Business Administration 7(a) guaranteed loan, the business was expanded into a second location in Grand Forks.

Immediately, Don and Joann began converting Fine Print of Grand Forks into a high-end commercial shop. During business hours, Joann managed the office while Don would visit potential clients, building relationships that still exist today. In the evenings, Don could be found in the pressroom, making sure the work was done right and on time. Over the next few years, Don would produce beautiful full-color printing on a one-color Harris system; something today's pressman would say is impossible. Thanks to the countless evenings and weekends worked by Don, Fine Print started to pull away from the majority of the competition in greater Grand Forks. By 1991, sales revenue at the Grand Forks Fine Print had outpaced the printing operation in Fargo. That same year, Fine Print of Fargo was sold and Don's original business partner retired from the company.

Under the diligent leadership of Don and Joann, Fine Print continued to grow. By early 1997, plans were being made to purchase a new four-color press and the process of looking for a new building had begun. Unfortunately, before the four-color press could ever be installed or a new business could be built, Fine Print would be destroyed by the historic flood of 1997.

As a result of the flood damage, Don and Joann Kuntz were approved for an SBA Economic Injury Disaster Loan and a Physical Disaster Loan in June 1997. Six months to the day after Fine Print had been destroyed by the flood, Don and Joann opened their new location in Grand Forks. During the six months of downtime, they rebuilt a business that had grown to 12 full-time employees, with nearly \$800,000 in annual sales. Hundreds of hours of cleanup were needed to put the company back in business.

Since reopening in October 1997, Fine Print has doubled its sales and expanded its work force. There are several factors that led to this growth. Fine Print caters to all of its customers – big and

small. Whether the client needs 500 business cards or has a large print order in the thousands of dollars, each and every customer receives the same quality service. In fact, Fine Print has retained many of its current customers for more than 15 years. Expansion of facilities and equipment has helped fuel Fine Print's growth. In April 2001, Fine Print opened an office in Thief River Falls, Minn., to better serve its Northwest Minnesota clientele. Fine Print has expanded its digital imaging and pre-press capabilities making it a leader in technology. Throughout its history, Fine Print has exhibited its staying power through growth in its customer base, and the perseverance to survive any storm.



**House Small Business Committee – May 8, 2002  
Bill Shore Testimony**

Chairman Manzullo, Ranking Member Velazquez and members of the House Small Business Committee. Thank you for this opportunity to share with the committee some information about one of the fastest growing but least recognized areas of small business -- the increasingly successful business entrepreneurship of America's non-profit sector. I am also honored to have the audience of SBA Administrator, Mr. Barreto.

While listening to my colleagues discuss some of the great success they've enjoyed as a result of the SBA assistance they've received, I want to address not past success, but future opportunities. A sector exists that remains untapped with untold potential to create revenues, jobs, taxes, and repair the social fabric of our country.

It may surprise you to learn that I am speaking of the NONprofit sector. But it is precisely this sector that is capitalizing on business opportunities to create a new kind of wealth. We call it community wealth -- nonprofit organizations generating profit to help them reduce or eliminate their dependence on government and foundation funding. It is perhaps the best untapped market for new revenues, jobs, and economic growth -- everything the SBA seeks to develop.

The responsibilities of nonprofit organizations have increased dramatically at the same time that growth in government funding for social services has decreased. In countless communities across the country, individual citizens, responding to evident need and the call of service have developed private sector solutions to feeding the hungry, after-school programs, health care, etc. Heavily dependent on charity for their survival, such efforts, while not only worthy, but critical, are not sustainable or scalable. They simply don't reach everyone they are designed to serve. Nonprofits have come to realize, as government has in recent years, that redistributing wealth, by itself, cannot solve our social and economic problems. Only creating new wealth can.

Society relies on nonprofits to address some of the nation's greatest challenges. But America's problems are far out-pacing the public and philanthropic dollars available to solve them. Traditionally, nonprofit organizations dependent upon government funds, charitable solicitations and foundation grants compete for philanthropic dollars; at best, they can only hope to get a bigger piece of the pie. But with rising expectations and diminishing resources, a piece of the pie is not enough: more and more, innovative nonprofit executives are expanding the pie itself.

Most community nonprofits are woefully undercapitalized. I don't just mean that they do not have enough money to do all of the things they wish to do. I mean that they lack the access to capital available to for-profits. Given the universe of financial instruments available to build great ideas, they tend to use only one: the charitable gift. Nonprofits also are under tremendous pressure to externalize all of their resources, to pass them straight through to the community, rather than to invest on themselves, in recruiting and retaining great staff, and in building a sustainable institution. Ironically, such honorable intentions often result in less efficient use of donors gifts than would otherwise be the case.

Dr. Benjamin Spock, the pediatrician and best-selling author, enabled generations of parents to raise strong and healthy children by reassuring them that "You know more than you think you do." If he were alive to craft a similar philosophy for strong and healthy nonprofit organizations, it might be built on the conviction that "You're worth more than you think you are." Non-profits and community based organizations have assets that they typically deploy to achieve their mission, but almost always under-appreciate in terms of leveraging those assets to generate revenues.

In growing numbers, nonprofit organizations such as rehabilitation centers, homeless shelters, youth groups, and community development corporations are addressing this challenge by creating community wealth enterprises. They are starting small businesses such as auto repair shops, catering businesses, printing and packaging operations, and website development firms. In addition to competing in the for profit marketplace, these mission-driven businesses are providing job training.

One of these enterprising nonprofit organizations is Seattle-based Pioneer Human Services. Each year, Pioneer helps more than 5,000 ex-convicts, homeless, and drug-addicted individuals find jobs and rebuild their lives. Pioneer employs nearly seven hundred people in several for profit business ventures. Pioneer's businesses support 95% of the organization's \$55 million annual operating budget. Its largest business is a precision light-metal fabricator that has become the sole supplier to Boeing of sheet metal liners for the cargo bays of aircraft. In 1996, Pioneer's plant became the first nonprofit in the U.S. to win ISO-9002 certification, a benchmark for quality in the private sector.

The nonprofit sector is large and oftentimes difficult to define. Each year, more than 700,000 501(c)(3) and 501(c)(4) organizations deliver critical services to communities across the United States.<sup>1</sup> Many of these organizations rely heavily on federal funding for ongoing sustainability. The 1999 Form 990 data show a total of almost \$30 billion reported as received from government under program service revenue. But in recent estimates demonstrate that between 1997 and 2002, government funding has declined 9 percent. Nonprofit organizations will have lost \$50 billion after inflation when compared to 1995 support levels.<sup>2</sup>

<sup>1</sup> Internal Revenue Service, Data Book, various years

<sup>2</sup> "The Nonprofit Sector and the Federal Budget: Updates as of September 1997", Alan J. Abramson and Lester M. Salamon

In 1984 I started Share Our Strength, an anti-hunger organization. Our objective was to be a grantmaker but not a re-granter. We adopted a policy that we would not pursue foundation grants or government funding. We did not want to simply redistribute wealth, we wanted to create our own wealth. We methodically organized the restaurant and food service community across the United States. We became a market aggregator and now work with 8,000 chefs and restaurateurs around the country. We create food and wine benefits, called Taste of the Nation, in over 90 cities around the country and have generated over \$100 million to fight hunger and poverty. Key to our success has been developing corporate partnerships with American Express, Evian, Calphalon, Tyson's, and others corporations. These are not philanthropic relationships, these are business partnerships. We are a key part of our corporate partners marketing success and, in helping them achieve their business objectives, help fight the war on hunger in the this country.

Community-based nonprofit organizations ranging from maternal and child health clinics and charter schools to job-training and environmental organizations approached us and asked if we could teach them how to do this. They too wanted to be more self sufficient. In response, we launched Community Wealth Ventures four years ago to provide nonprofit organizations with entrepreneurial wealth creation strategies they need. Community Wealth Ventures helps entrepreneurial nonprofits improve their bottom line through the design and implementation of business ventures and nonprofit/corporate partnerships.

Over the past few years, Community Wealth Ventures has become the leader in the field, helping dozens of nonprofit organizations leverage their assets into businesses or partnerships. And Community Wealth Ventures practices what it preaches: it is a for-profit subsidiary of Share Our Strength, with its profits going to fund the anti-hunger organization.

We have recently completed a project in Washington D.C. for the Fannie Mae Foundation and Meyer Foundation in which we worked with eight of their grant recipients to help them develop business plans to launch enterprises. One of the groups, the Latin American Youth Organization recently took over the Ben & Jerry's shop around the corner in Eastern Market. We helped them develop the capacity and business understanding to successfully run this venture. They will gain both a chance to provide job training for the young people in their center, and importantly, the profits from the ice cream shop will help fund their mission.

Another organization in this project, the largest provider of day care to underserved families in D.C. is the National Child Day Care Association, led by Travis Hardman. They operate 25 day care sites for low income and at-risk children in D.C. with 350 staff, serving 1600 children and their families every day (98% of their funding comes from Headstart.) As part of caring for several thousand children every day, they produced 600,000 meals annually in their commercial kitchen. We identified that they had the capacity to produce 1.2 million meals. After working with them, they have not only formalized their institutional catering service with a business plan, but have landed seven



contracts providing food services to assisted living facilities and other child care centers, generating over \$300,000 of new revenue.

Travis recently told an audience of foundation and non-profit executives that the process of creating community wealth "was a transformational experience for our organization. We now have a senior management team that owns the organization's success, instead of just a collection of individual department heads. We know that we must generate our own revenues." When they started the process they had 3 outside food service contracts. Today they have seven. They eventually hope to generate \$5 million annually

A recent study by the Yale School of Management and The Goldman Sachs Foundation found a number of illuminating lessons that show that this movement is vital but needs support:

1. On average, nonprofit organizations operating enterprises say that their enterprises generate 12 percent of their annual net revenue. These enterprises are a critical way for nonprofits to diversify their reliance on outside funding.
2. 66 percent of the organizations currently operating ventures say that generating income and surplus for their programs is a top reason for operating the enterprise. 52 percent say that moving toward self-sufficiency is a top reason.

As a secondary benefit, we have seen how a for-profit business can dramatically impact a nonprofit that goes beyond the bottom line. It also has a positive impact on an organization's service and program delivery, entrepreneurial culture, self-sufficiency, and its ability to attract and retain donors and staff. Organizations that run a business start to impart "business thinking" in their organization, with an affect on accountability and results of all work that the organization is engaged in.

One of the key challenges that nonprofits face when trying to gain greater self-sufficiency through creating a venture is the need for effective business planning. Community Wealth Ventures has worked with a number of groups that have the entrepreneurial spirit, but need assistance with business planning, marketing and structuring of their venture. The Yale Study found that effective business planning is one of the key differentiators between ventures that succeed or fail.

The government's commitment to control federal spending depends in part on the ability of community-based nonprofit organizations to deliver services effectively and efficiently. But some of the nonprofit organizations we rely on most heavily have the least capacity to be sustainable or get to scale. The best way to ensure both their long-term success and their independence is to support their efforts to create their own wealth, rather than relying on redistributed wealth from private donors or the government.

We are proposing that Congress authorize the SBA to create a pilot demonstration program to provide technical assistance and consulting to nonprofit organizations that receive federal funding to help them establish for-profit small businesses in a manner that they can succeed.

- Funding would be for technical assistance to work with nonprofits to develop business plans. Nonprofits will submit applications for the technical assistance and must match the value of the assistance with 30% funding.
- The program would also establish a revolving start-up capital loan fund for organizations that successfully complete business plans in this program.

If the SBA can do for nonprofit small businesses what it has done for for-profit small businesses, the leverage on government dollars and long-term savings to the federal government can be significant.

There are a number of benefits such a program could provide: nonprofits that become more self-sufficient lessen their dependence on federal funding. In effect this “teaching a man to fish” approach will end up saving the federal government many multiples of this amount over the long term.

Secondly, nonprofits who run businesses gain the benefit of “business thinking” -- being more efficient, using measures and outcomes of performance, and becoming “bottom line oriented.”

In summary, this committee and the SBA can make a dramatic impact in creating new businesses throughout the country:

1. Nonprofits can be a vital part of the small business community—as such they would provide employment, increase the tax base, and contribute to the growth of the country’s economy.
2. Effective technical assistance can help nonprofits learn how to build and run businesses so that they succeed.
3. Successful nonprofit businesses will, in the long term, lessen nonprofit dependence on government grants and could save the government billions of dollars.

I’d like to submit for the record a list of examples of some of the work that Community Wealth Ventures has done both locally and nationally, as well as two essays that indicate the power of this concept and how it can transform a nonprofit organization. One of the essays is from the CEO of an organization that serves people with AIDS in New York City. The other is from the CEO of a bakery that provides job training and also supplies all the brownies used in Ben & Jerry’s ice cream.

Thank you once again Mr. Chairman. This committee’s legacy of supporting the growth of small business is a proud one. We look forward to working with you to extend that growth into the non-profit sector where it will not only help the economy, but also enable community organizations to more effectively meet local needs.

## **A Successful Social Enterprise Responds to the Market**

by Julius Walls, Jr.

*Julius Walls, Jr. is the Vice President for Business Enterprises and Job Development for Greyston Foundation and CEO of the Greyston Bakery. Greyston Foundation is a non-profit company whose operations are funded by a combination of grants and revenues from its non-profit and for-profit subsidiaries. Greyston Foundation operates Greyston Health Services, Greyston Child Care, Greyston Family Inn, Greyston Community Technology Learning Center, and Greyston PathMaker Program. The foundation also oversees Greyston's two social enterprises: the well-established Greyston Bakery and the newly formed Greyston Bakery Café.*

*Mr. Walls was born in the inner-city neighborhood of Bedford-Stuyvesant in Brooklyn, New York. Educated at Catholic schools throughout his early years, Mr. Walls went to the Catholic college seminary to pursue the priesthood. He later transferred to Baruch College to study business. He worked first in the accounting field at a midsize CPA firm and was given an opportunity to work for a chocolate company. At age twenty-seven, Walls was promoted to Vice President of Operations. In his final years at the chocolate company, Mr. Walls started his own product manufacturing and fund raising company, Sweet Roots, Inc.*

*Mr. Walls joined Greyston in 1995 as director of marketing. He was appointed General Manager and CEO in 1997, and in 2000 was promoted to Vice President of Business Enterprises and Jobs for Greyston Foundation. Mr. Walls serves on the board of directors for the Workforce Investment Board – Yonkers, SEA Change, Yonkers Chamber of Commerce, and the Yonkers YMCA.*

Ten years ago, during a break between meetings of the newly founded Social Venture Network, Ben Cohen and Bernie Glassman went for a walk in the clear air of a Colorado afternoon. In the conversation that followed, the ice cream entrepreneur and the founder of the Greyston Foundation began discussing how Ben & Jerry's ice cream might support Greyston's social mission by purchasing brownies from the Greyston Bakery, a revenue-generating venture of the foundation. It was a turning point for Greyston.

The relationship between Greyston and Ben & Jerry's began with the well-intended desire to combine the two organizations to do good. But the desire to do good is insufficient to support a premium quality food product and a social mission at the same time. It took about 5 years and significant growth in skill sets and manufacturing capacity for Greyston to break even. For Greyston to become profitable, we had to professionalize our business by focusing on a few key lessons: pay attention to the market, remain true to the vision, pay attention to the needs of the business, and don't force the business to be a social program. Without these, our brownie business would still be struggling along.

### **Pay attention to the market**

The most important element in the success of any enterprise or business is that the service or product must fulfill a market need. This need may have existed before the business was formed or, through its marketing, the business may have created a new

need. But any business must be keenly aware of what the market says it wants. In our case, Greyston developed a market for its baked goods by developing its relationship with Ben & Jerry's, perfecting that relationship, and expanding to other clients. The process of building that first relationship was critical. Ben & Jerry's required a very specific product – one that could meet its standards of production and price and would taste great in the mouth. We spent two years developing the perfect brownie, and as we perfected the production, Ben & Jerry's gradually shifted its purchasing from other producers to Greyston. Today we are the exclusive provider of brownies for three of Ben & Jerry's top 10 selling flavors. Yes, our social mission appeals to Ben & Jerry's and to many of their customers, but our success is a function of market satisfaction with our product. This drive for quality is also the reason that Cumberland Farms incorporated our brownies into their most popular gourmet ice cream flavors. Our attention to the needs of the market has made our product popular.

This is a relatively simple concept, but many for-profit and nonprofit businesses make the mistake of not integrating the needs of the market into their plans. At the Greyston Bakery, our business is guided by what we want to accomplish and the opportunities the market offers

#### **Remain true to the vision**

As we consider running our social enterprises, we also focus on the approach we take to them. At the Greyston Bakery, our business is steered both by what we want to accomplish and by our mission statement and guiding principles. Both incorporate business principles, and we refer to them in the course of our day-to-day operations as well as our strategic planning processes.

Our mission statement:

**Greyston Bakery is a force for personal transformation and community economic renewal. We operate a profitable business, baking high quality gourmet products with a commitment to customer satisfaction. Greyston Bakery provides a supportive workplace offering employment and opportunity for advancement. Our profits contribute to the community development work of the Greyston Foundation.**

Our mission statement refers to what we want to accomplish with respect to our employees, our community of Southwest Yonkers, our customers, and our parent company, the Greyston Foundation. We explicitly state what effect we want our business to have on each. Our goal is to provide our employees an opportunity to transform their lives from one of dependency to self-sufficiency in community. However, we will do that within the context of a for-profit business that provides financial support to the work of the Greyston Foundation.

As important as a mission statement, however, is a vision for how that mission will be accomplished. As a part of a strategic planning process, the bakery's leadership committed itself to the following explicit principles. These principles, while flowing from the Greyston Foundation's mission and the mission of the Greyston Bakery, incorporate business principles that will drive the bakery towards profitability.

The bakery:

- Will strive to be a model for inner-city business development
- Should consistently achieve an operating profit.
- Will maintain an open-hiring policy.
- Will continue to operate in Yonkers.
- Will actively integrate itself into the Greyston Mandala.
- Will have as a central purpose the generation of profits that can help sustain the work of the Greyston Mandala.
- Will rigorously measure, document, and monitor its progress toward all non-financial goals.
- Will empower its employees by compensating them fairly for their efforts.
- Will strive for stable employee turnover rates for post-apprenticeship employees.
- Will automate its production whenever such changes are fiscally appropriate.

These principles are actively incorporated in our day-to day decisions, and form the backbone of our efforts to serve our mission and manage our business.

#### **Pay attention to the business need**

An important part of Greyston's transition to profitability was an increased focus on the business needs of the company. Our desire to do more for the people we work with and to increase the number of people we serve was making it difficult for Greyston to provide what the market needed. Many of the equipment decisions we make in the process of growth present us with an uncomfortable dilemma - developing the efficiencies necessary to stay competitive may require eliminating one or more staff positions. In order to maintain a profit and to ensure that bakery employees are developing skills valuable in the modern marketplace, the bakery has automated certain aspects of the production process when fiscally appropriate. Our management team monitors technological trends in the baking industry in order to inform these decisions. We strive to maintain and increase employment levels, despite increased automation, through improved marketing efforts and sales growth. But we constantly ask ourselves, 'what does this business need in order to succeed?'

Recently, Greyston has faced a difficult decision. As the bakery has grown, it has always chosen to develop skills from within its existing pool of employees. Of the 68 employees, 62 began as trainees and have worked up through the organization to positions of greater responsibility. We have been successful at improving sales, raising wages, and sustaining enough growth to support this process. However, as Greyston grows, we cannot develop rapidly enough some of the skills necessary for specialized jobs. In these cases, our commitment and our focus on the business need requires that we reach beyond our current pool of employees to acquire those necessary skills.

#### **Don't force your business to be a social program**

At Greyston, we don't employ people to make brownies, we make brownies to employ people. This is a simple but profound statement. For years many nonprofits have been operating "programs" to train people in "real working situations." Some of these operations dispose of these products/services or give away their products/services by selling them below market pricing. Many of these efforts have not yielded the desired result of providing people with practical work experience, and most do not cover expenses or produce a profit. Achieving an operating profit is the best route to long-term

survival of the organization and the best inducement for others to follow the bakery's model. But we cannot expect our business to succeed as a business if we are asking our managers to be social workers as well.

We believe that our responsibility is to provide our workers with an environment that allows them to succeed in their efforts to improve the quality of their lives. We provide a work environment that allows and encourages them to get assistance from the Greyston Foundation when they need it, but we are very strict about our expectations for attendance, punctuality, attitude, and performance in the workplace. Because we are subject to the discipline of market competition, bakery employees develop skills that are genuinely valuable and marketable. This market pressure also holds our management team accountable and does not allow us to produce inefficiently or below market quality standards.

To continue to succeed, Greyston must remain competitive with other producers and other bakeries regardless of our social mission or good intentions. In our specific case we must produce cakes and tarts that New York upscale restaurants will sell to their discriminating clientele at prices that range from \$3.00 to \$6.00 per serving. Our customer, the restaurants, will not purchase from us if their customer, the consumer, does not like our product. Our customer is quick to inform us when our product does fit their assortment and price point, and they will be quicker to inform us if we do not meet their service needs or quality standards.

So as we pursue our social mission, we must remain vigilant in our efforts to operate a successful business. Success is calculated on our measurable social mission outcomes and financial statements. Success will only be attained if we produce relevant quality baked goods in an efficient manner. Relevancy will be determined by market demand. Efficiency will be demonstrated by market demand. The opportunity to grow and succeed in our social mission objectives depends on this market demand. And we would have it no other way.

### **The Need for A New Paradigm: Social Entrepreneurship**

By Charles King

*Charles King is a founder and co-executive director of Housing Works, Inc., a New York nonprofit organization serving homeless people with HIV/AIDS, some of whom are chemically dependent and/or mentally ill. The minority-controlled, community-based organization provides advocacy, housing, and support services for men, women, and children. King has used his background as minister and lawyer to develop and articulate the vision of Housing Works -- to build a self-sustaining healing community based on aggressive advocacy, mutual aid, and collective empowerment. Fundamental to that vision is the development of entrepreneurial ventures that provide both income to the organization and quality employment opportunities for people with AIDS. Among these entrepreneurial ventures are a chain of upscale thrift shops, a used book café, and a food service business. Housing Works currently provides housing, health care, mental health services, chemical dependency services, legal advocacy, and job training and placement to more than 2,000 men, women, and children and has provided services to more than 10,000 people over the past ten years.*

*Before incorporating Housing Works in 1990, King served as staff attorney to the New York Coalition for the Homeless; assistant pastor at Emmanuel Baptist Church in New Haven, CT; director of an emergency center for abused children in Roundrock, TX; and minister of Street Ministries at First Baptist Church in San Antonio, TX. King holds both a law degree and a Masters of Divinity from Yale University and is an ordained Baptist minister.*

*This essay was adapted, with permission from the author, from a keynote speech at the 2001 National Gathering for Social Entrepreneurs.*

I was leaving the gym after my morning workout in our facility on 9th Street and Avenue D in New York. When I got to my floor, our building superintendent was there, and he said to me, "Charles, you have to come to the window. The World Trade Center is on fire." Sure enough, I looked out and the north tower of the World Trade Center was burning.

It's funny how you react when something that dramatic and unexpected happens. What immediately went through my mind was, "Oh, my God, the World Trade Center is on fire and I have a plane to catch!"

I had been in the shower for about 30 seconds when it dawned on me what I'd just seen. I threw on my bathrobe and ran back out into the common room just in time to see the south tower explode. At that point, it occurred to me that it wasn't very likely that I was going to make my plane to Seattle that day. So I went up to the roof where we have a garden and joined a number of our clients and staff members who had gathered there to watch this horrific scene unfold. It was a surreal experience. We stood there in a beautiful, lush garden looking at the two towers burn. We stood there and watched as first the south tower, then the north tower collapsed.

The rest of the week is pretty much a blur to me. I remember spending most of the day Tuesday comforting clients and staff members who were shaken and afraid. Two of our health care facilities, one of our residences, and our principal office -- from which we provide case management, job training, and many of our support services -- are located in what had become a restricted security zone. We spent the next three days trying to figure out: how to walk in all

the food we needed, how to contact all our clients to make sure they were okay, how to get patients their medicine every day, and how to sneak staff members into the office to operate the switchboard.

At some point in the course of this week, it occurred to me that as devastating as September 11 had already been to lives and buildings, the subsequent fallout was going to be just as damaging to our community. Sure enough, within six weeks 80,000 people in New York City had lost jobs. Mostly they were housekeepers in hotels, busboys, waiters, shoe shiners -- people working at the margins. By the end of October, our food and hunger network, which supplies the soup kitchens and food pantries of New York City, reported a 57 percent increase in requests for aid. During November, our city shelter system reported housing nearly 30,000 people a night -- numbers unseen since the very dark days of the 80s. More than 12,000 of those homeless people were children. And, of course, it was only going to get worse: The very next week 35,000 families in New York City faced impending welfare time limits.

How did the government respond? In October the mayor announced a 15 percent cut to the budget of every New York City agency except the fire and police departments. Cuts fell disproportionately in health care, human services, education, and housing. Governor George Pataki forced through cuts of nearly \$500 million dollars in contracts with nonprofit organizations in New York State that provide health care, AIDS services, social services, and youth enrichment. On the philanthropic side, contributions to nonprofit organizations not involved in relief work were down by over 50 percent.

What do you say at a time like this? Well, I say, "Thank God for social entrepreneurship." Because over the last few years we had built Housing Works so that 85 percent of our revenue is earned income. That doesn't mean we didn't suffer any losses from September 11. We calculate our revenue losses at about \$300,000. But \$300,000 is just a little over 1 percent of our annual budget. Another AIDS housing organization a few blocks away calculates its loss at half a million dollars on a \$5 million annual budget. Such a substantial hit means services to very needy people will be cut.

While New York City is an extreme case, changes are happening across the country. San Francisco has recently felt the impact of the loss of dot-com revenue. In Seattle, Boeing has laid off thousands of employees. The economic changes happening around our nation will have a huge impact on both public and private resources available to nonprofit organizations.

Even in the best of times, it's very difficult to persuade government and private philanthropists that any marginal groups -- people who are chemically dependent, ex-offenders, people who are homeless, people who are mentally ill, youth who need an opportunity -- are worthy of resources necessary to address their needs. Sadly, we are no longer in the best of times. And none of the politicians are suggesting that one possible solution would be to lift all boats by funneling funds to nonprofit organizations to help the people living at the margins.

The state of the economy doesn't dramatically alter the plight of nonprofits, because during the "good times" they are still begging funders and government for support. We need to change the entire paradigm by which nonprofits operate and generate the capital they need to carry out their mission. That new paradigm needs to be based on sustainability and social entrepreneurship.

Every time I attend a group discussion of social entrepreneurship, at least one person in the room says, "Now, we have to understand it's not for everybody." I want to challenge that idea.



The question is not whether social entrepreneurship is right for every nonprofit; it's whether every nonprofit is ready to take on the challenge.

As Mike Burns of Pioneer Human Services, explains, "What we try to tell our clients is that they need to take responsibility for their own lives because, if they don't, nobody's going to take that responsibility for them. It's all about building self-sufficiency. And if we're going to get our clients to be self-sufficient, it's only going to happen if we, as an organization, are prepared to role-model that and take responsibility for being self-sufficient ourselves." I think that applies to so many nonprofits across the country and in Canada.

If we know that the paradigm needs to shift, and we know that we must make that shift happen, what's stopping us? Too often we hear about the obstacles. One risk often cited is that in a climate in which government is withdrawing its support for communities and hurting individuals, it will pull back even faster if we're successful in shifting the paradigm. That's why we need to change the business relationship between nonprofits and government.

Many nonprofit leaders know what I'm talking about. Every year we make our way to the city council, to the state legislature, or to Washington to beg for the resources that we need to do our job. We stifle ourselves from doing the advocacy that we ought to be doing for fear of offending somebody who has a vote on whether we get funded. If we can tell a sad enough tale, if it's in somebody's political interest to help us, and if we haven't done anything to give offense, we might get a little more money in a contract next year.

Nonprofits need to change that patronizing relationship, and we cannot change it as long as we keep going up the hill with our hand out begging. We can change that relationship only if we approach government as an equal partner. With our own resources to offer, we can sit down and talk about how together we can solve the problems in our community.

A second risk is that the for-profit sector will see what we're doing and compete. We've seen examples of this with corporations like America Works and Maximus. Unless you genuinely believe that for-profit companies are inherently better than nonprofits, there are only two reasons why a for-profit can step in and compete successfully against us when we're the ones with the passion and the expertise. One of those reasons is that they can cut a different deal with government than nonprofits have been able to cut. The second reason is that they have access to capital that nonprofits don't have. So we must stop thinking of "funding" as charity and start thinking of "financing" as an investment that has real, quantifiable economic or social return.

A third risk is that of changing our identities, and in the course of that change, losing our donors, our volunteers, and other stakeholders. To avoid this, not-for-profits must educate their stakeholders so that they understand that through social entrepreneurship we are best able to fulfill our missions.

Finally, there's the biggest risk of all. If we succeed in changing the nonprofit paradigm, our survival becomes totally dependent on our own initiative and our own judgment. That means that if we fail, we will have no one to blame but ourselves. That scares us, and I think it's a healthy fear. But the nonprofit community must begin to change the way we do business so that we're willing to take the risk and the responsibility of success.

Housing Works is committed to participate in a movement that brings about a change in the relationship between nonprofits and government, for-profits and academics. We want to help shift that paradigm and we want it to happen now.

What's in it for us? Most important, a new understanding makes our experience the norm instead of the exception. If nonprofits succeed in shifting the paradigm, we'll be able to recruit staff members who are both mission-driven and trained in the business models. We won't constantly have to try to prove the social and economic worth of investing in our work. We will be able to recruit board members who understand the real world of business, and, at the same time, appreciate the cause that drives the not-for-profit's activities. We will have access to research to demonstrate what we already know to be true. If we succeed in shifting the paradigm, we will be living examples of the independence that we seek to model for those we serve.



## Examples of CWV Helping Our Clients Leverage Their Assets into Revenue Generating Opportunities

- **Davis Memorial Goodwill Industries** - CWV worked with this international nonprofit that delivers employment and training services to people with special needs to evaluate its ability to generate community wealth. Goodwill had a large government contracting custodial service practice and an under-producing commercial practice. CWV worked with the organization to assess existing capacity of this commercial entity, evaluate its market growth potential and create business and implementation plans to support the growth objectives. As a result, this client has signed a new six-figure contract with a commercial property.
- **Neighborhood Reinvestment Corporation** – CWV assisted this national community development corporation in negotiating its first corporate partnership with Washington Mutual Bank. CWV developed a full management account strategy for the organization and assisted in implementing the strategy during all phases of the negotiation process. With CWV's assistance, the Corporation has successfully grown the partnership which generated over \$3 million in revenues and support for the organization by the second year of the relationship.
- **Chesapeake Bay Foundation Bay Schools Project** - CWV worked with the Chesapeake Bay Foundation to assess the school reform marketplace and to determine the potential for generating revenues from the sale and delivery of an innovative program to integrate education about the Chesapeake Bay into the curriculum for elementary, middle school and high school students. The program had been funded by third party donations and is now undergoing a transition to capture a large percentage of its costs from direct payment for services. As a result, the program sustainability and capacity for expansion has increased dramatically.
- **Prichard Committee** – CWV worked with this education advocacy organization to identify opportunities based on its existing assets. After extensive feasibility assessments of potential opportunities, CWV helped the Committee to develop and launch a consulting business that leveraged its expertise in establishing parent training institutes focused around school involvement. As a result of CWV's work and recommendations, the Committee already has obtained several revenue-generating contracts for its consulting services.
- **Welfare to Work Partnership** – CWV worked with the Partnership to evaluate potential business opportunities that would leverage the organization's expertise on welfare-to-work issues. With CWV's help, the Partnership launched Aptus Consulting, a new subsidiary that offers recruitment and retention services for businesses looking to hire new entry-level staff and to reduce entry-level staff turnover. The Partnership staff has already entered into pilot project relationships with two major clients – a large national discount grocery chain

and a dominant national home improvement supply company – to test and refine their products and services.

- **Share Our Strength** – CWV worked with this national anti-hunger organization to develop and launch a high-end catering business targeting private corporations in the Washington DC metro area. CWV conducted in-depth market research to identify key market trends and competitors and assisted SOS in developing the staffing and business model for the catering venture. Following the recommendation in the business plan developed by CWV, SOS generated over \$400,000 in revenues from high-end corporate catering contracts in the first year.
- **Local Initiative Support Cooperation (LISC)**– CWV worked with this national financial intermediary organization to develop a comprehensive marketing strategy aimed at attracting corporate partners. CWV assessed the internal assets and structure of the organization while interviewing key corporate donors to design a strategy specific to the Cooperation's position and ability. The organization has hired a new staff member to oversee its corporate partnerships and is currently implementing recommendations from the CWV plan regarding internal structure and marketing issues.
- **Boys and Girls Clubs of Newark** - CWV worked with this local chapter of a national youth services organization to identify possible business opportunities. Although the organization had a strong national brand, the local chapters' most powerful asset was its close relationship with the African-American and Latino community. Based on the huge demand among corporations to target this population, CWV worked with the client to design a focus group business that would generate revenue by providing companies with access to do market research with youth at the clubs. The clubs were able to incorporate this revenue-generating activity as part of a broader program to help youth understand business principles, marketing, and their own value as consumers. As a result, the client signed several revenue-generating contracts with corporations to host focus groups with club youth. There are plans to roll this focus group business out nationwide in partnership with the organization's local affiliates.
- **MHRA** - CWV worked with this health care services provider and discovered that their IT division, while focusing on providing AIDS assistance, was actually providing a broad range of technical and computer related assistance. CWV helped the organization formalize these activities and offer them as for-fee specialized IT consulting and training services for all area nonprofits. As a result, this client has numerous revenue-generating contracts with area organizations to provide specialized IT support.
- **Technology Works** - CWV worked with this DC-based nonprofit start-up to evaluate their initial business strategies, develop a business plan to support the final product/service decisions, and coach/mentor the president through the business start-up process. As a result of this collaborative effort, CWV helped refocus the primary planning efforts on building a sustainable revenue generating strategy that supports the organization's mission-focused objectives. As a result the client, has signed up over 50 fee-for-service members for its services
- **WBUR** - This National Public Radio affiliate engaged CWV to identify revenue generating opportunities for the station. Given the station's many assets, including a highly educated audience, visible on-air personalities, and high quality news programming, CWV proposed

that the station launch a news and education themed café that would utilize the station's name recognition while extending their mission of supporting public discussion of current events. As the station had no experience in operating a restaurant, CWV identified experienced operators to handle the day-to-day running of the retail establishment.

- **New Jersey Network** - CWV worked with this state-owned public television station to develop a business around the organization's experienced film production team. While the station had been engaged in a limited amount of fee-for-service work, CWV helped them to identify the true scope of their market opportunity, and developed a business plan to help them grow the business to its true potential.
- **Safer Foundation** - CWV worked with this large Chicago-based nonprofit that provides rehabilitative services to ex-offenders. The president initially hired CWV to research, evaluate and recommend new venture opportunities, but the relationship grew to include organizational development, strategic planning and merger and acquisition work. CWV's work helped the organization to anticipate the organizational ramifications of implementing a community wealth endeavor and positioned the organization to change accordingly. The organization is currently considering purchasing a franchise business.

**Example of working with nonprofits on community wealth in a group consulting setting**

- **Fannie Mae Foundation/Eugene & Agnes E. Meyer Foundation** - CWV worked with two of the largest foundations in the DC area to design and implement an 18 month group consulting project. CWV worked with a cohort of eight foundation grantees through both a standardized and customized consulting process focused on community wealth generation. Several of the eight organizations have launched new or improved existing revenue-generating ventures. As a result of this success, both foundations have agreed to fund a second cohort in the Washington DC area that began in April 2002.

**Examples of working with Corporations and Foundations on related issues**

- **Venture Philanthropy Partners** – CWV provides this venture philanthropy group with on-going research work focused on the venture philanthropy community. VPP and CWV recently released a third annual report on venture philanthropy entitled *Venture Philanthropy 2002: Advancing Nonprofit Performance Through High-Engagement Grantmaking*.
- **The Timberland Company** – CWV worked with this international footwear company to develop an employee service tool kit for rollout to its 6,000+ worldwide employees. CWV codified the company's existing volunteer program and assisted the company in establishing a link between its corporate volunteerism and its business objectives. In addition, the service manual produced by CWV currently serves as a practical guide for all Timberland employees interested in engaging in meaningful service.

**Example of nonprofit merger and alliance work**

- **Million Mom March and the Brady Center for Hand-Gun Control:** CWV worked with two of the nation's leading gun control organizations to structure a merger that would take full advantage of the unique strengths of each organization. The similar missions of the two organizations enabled CWV to bring the parties together in joint meetings to negotiate critical merger issues such as name, structure, board, staffing, and focus. The new organization combines the legislative advocacy and financial strength of the Brady Center with the grassroots support and volunteer base of the Million Mom March.
- **Fannie Mae Foundation:** CWV researched and developed an extensive report on the potential impact strategic alliances and mergers can have on the nonprofit sector. The report profiled numerous case studies and lessons learned from the field. Additionally, it developed a practical guide for any nonprofit considering a strategic alliance as well as a high-level look at the impact the strategy might have in the Washington DC Metropolitan area.

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Frank Siccardi couldn't get anyone to listen to his ideas for air quality systems in poultry processing plants back when he started his company. Well, they're listening now.

In fact, Siccardi's growing list of clients includes major companies such as Tyson Foods, ConAgra, Wal-Mart, Reynolds Aluminum, Southwest Airlines, Georgia Pacific, and Great Dane Trailers.

Siccardi earned a doctor of veterinary medicine degree from the University of Georgia in 1959, and served as an avian research scientist until 1983. Perceiving a need for improved air quality in poultry processing plants to enhance both environmental quality and cost efficiency, Frank developed the Coenco Positive Air System in 1983 and formed Coenco, Inc., to manufacture and sell his new product.

The idea for the system behind Coenco was originally intended for the poultry industry in the mid-1970s to reduce energy costs and counter environmental conditions that left birds diseased.

Frank couldn't get anyone to listen to him about his invention in the early days after the company's founding. Now the Coenco ships out about 200 systems a week.

Although Coenco was reasonably successful in the poultry industry, Frank restructured his company in 1994, and expanded his focus to include warehouses, manufacturing facilities, and other large open-space buildings. His environmental control system establishes a uniform air mass with uniform temperature from floor to ceiling. The system greatly reduces pollutants and significantly reduces energy consumption when compared to conventional environmental systems.

Since its 1994 diversification, Coenco's growth has been remarkable. Employment has grown from four to 15, and annual sales have risen from \$300,000 to more than \$1.5 million.

Frank has been a regular U.S. Small Business Administration customer for many years. He began working with the Arkansas Small Business Development Center in 1995, and obtained SBA-guaranteed loans in 1995 and 1997 to enhance cash flow and fund Coenco's rapid growth.

Listed in Who's Who of American Men of Science, Frank has numerous publication credits, owns five patents, copyrights, and trademarks related to environmental control systems, and is a member of the Fayetteville Chamber of Commerce.

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When Belinda Guadarrama reported for work one day at the small mail-order business north of San Francisco where she was employed, a note on the front door said the company was officially closed. Belinda knew the company was in trouble but she didn't think things were that bad. She stood in the parking lot for a while, pondering her future.

"I was at a turning point in my life," recalled Guadarrama. "I liked working in the computer field, so I could either start my own business doing that or look for a job in San Francisco. I decided to start my own company."

In 1986, Melinda started GC Micro with two employees. The firm, which began as a value-added reseller of software products, was financed by Melinda's \$20,000 profit from the sale of her home and some money from a retirement account. By the end of GC Micro's first year, the small business reported revenue of \$209,000.

But the beginning of GC Micro wasn't easy. When she sought a \$5,000 loan for her company, a bank officer laughed at her lack of collateral. Belinda left the bank without even receiving a loan application. A prime contractor once told her, "No company wants to work with a little Mexican company in Novato."

Through sheer determination and a passion of service to the customer, Belinda overcame the perception that a minority woman didn't belong in the technology field or marketing to defense-related contractors.

Three years after starting her company, Belinda worked with a local bank to secure an SBA guaranteed loan for \$300,000. She paid off the loan in three years and oversaw the firm's expansion from a retail site to a business park that doubled her space.

Today, GC Micro is one of the nation's leading suppliers of computer hardware and software products to the defense and aerospace industries. The company employs 28 and enjoyed sales last year of \$34 million.

Belinda is deeply committed to customer satisfaction. Each business relationship begins with a meeting to discuss the needs of the customer. "Quality is the job of every single person in our company," says Belinda. "From top management to the most junior employee, we realize that sales and profits are a result of providing a quality product and service."

Belinda also believes customer satisfaction is related to how well her own employees enjoy their jobs. Stressing "team" in the teamwork concept as a way for the whole firm to be successful, GC Micro includes a workout gym and restrooms with showers. Employees can also take advantage of motivational training, personal growth training and professional sales training.

Belinda has also been a strong advocate for minority business in America. In 1994, she won a major lawsuit that required federal agencies to release reports that document the level of small disadvantaged businesses subcontracting by prime contractors. In



working with the National Association of Small Disadvantaged Businesses, the Hispanic Chamber of Commerce, the Hispanic Business CEO Roundtable and the media, she continues to bring the needs of the minority business community to the attention of the White House and Congress.

Belinda once summed up her “secret formula” for success as follows: “Take all the money you have in the world and add to that whatever you can borrow from friends and family members. Develop a good five-year business plan and stick to it. Invest 10 years of 14 to 16 hour days, six to seven days a week, giving your customers the highest levels of service and attention. Treat everyone on your staff like business partners. And always keep a close eye on your accounts receivable, your accounts payable and your financial statements.”

**Testimonial before the Committee on Small Business  
Mountain Mudd Espresso/Mountain Manufacturing  
Wednesday, May 8, 2002**

We are here proudly representing Montana as winners of "State of Montana 2002 SBA Small Business of the Year Award". We consider it a privilege to stand before you today and talk about our companies, Mountain Manufacturing and Mountain Mudd Espresso. In March 1994 we opened the first Mountain Mudd Espresso drive through kiosk and today through company owned stores, independent owners and licensed Mountain Mudd Distributors we have over 150 locations operating in 16 States with many more States/Cities in permitting. We never once dreamed that our business would grow to this size so quickly. Nor did we dream that we would be standing here in front of you discussing the trials, tribulations and successes of selling specialty coffee beverages through the convenience of a drive through window in a kiosk that we manufacture and distribute nationwide.

Like many small business owners, we had a vision back in 1994 of living the "American Dream". Coffee and espresso related products have been around for generations. Companies such as *Starbucks* were ever increasing the awareness of specialty coffee beverages. Our vision, however, was somewhat different. As anyone who has been to Billings, Montana can attest to, our winters are not the friendliest. The thought of opening an "Espresso Café" or "Sidewalk Coffee Cart" did not appeal to us as we wanted to provide a high quality espresso product out of the elements and bring it to consumers in a more convenient and timely manner. Thus, the *Mountain Mudd Espresso* drive through kiosk was created.

The first *Mountain Mudd Espresso* kiosk took over four (4) months to manufacture and was assembled in a friend's garage. We opened that first store on St. Patrick's Day in 1994 and have never looked back. Now we are capable of producing the familiar green and white kiosks at a rate of one (1) every other day.

As I am sure many small business owners can attest to, funding a new start-up business can be difficult at best. Banks and credit institutions were not willing to give us a loan or line of credit back then. Likewise, no federal grant, contract or subcontract was granted. So instead we did what many other entrepreneurs do; we cashed in a life insurance policy and 401K plan. Eventually we even sold our car to pay for materials to build a kiosk manufactured by Mountain Manufacturing to our first customer.

Today, thanks in large part to the SBA Small Loan Doc Program, interested parties need not "sell the farm" but rather are able to start their own Mountain Mudd Espresso business through our licensed distributor program. We have found the SBA loan program to be an invaluable tool to us and our licensed distributors in receiving loans and lines of credit to open their stores and join us in our business vision.

The concept of portable businesses is still very new and somewhat confusing not only to financial sources such as the SBA but also to the regulatory authorities who permit businesses. As a company we continue to focus our growth into untapped areas of the United States. Quite often neither health, building or zoning regulations exists for our type of an operation. We encounter numerous challenges from state, county and city authorities. Over half of our corporate staff is devoted to permitting issues alone. Permitting issues and dealing with the regulators who administer the process is very time consuming and slows expansion and growth projections.

The future of Mountain Mudd Espresso and Mountain Manufacturing has never been brighter. Specialty Coffee Beverages are becoming more and more popular with each passing day and each passing day, commodities such as convenience and time become more precious. This combination became the key to our success.

Who would have thought that a tiny 8'x8' steel and aluminum building, 64 square feet in all, located on Main Street USA in Billings, MT of all places would lead to Washington, DC. Along the route, SBA has helped many other "dreamers" to focus and define their talents to succeed and prosper in small business.

Thank you for your time.

Respectively,

Dennis and Brenda Burkhartsmeier

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Business success can come in all shapes and sizes. Just ask Brenda and Dennis Burkhartsmeier, founders of Mountain Mudd, LLC and Mountain Manufacturing, Inc. in Billings, Mont.

Mountain Mudd, LLC was started in 1994 when Brenda and Dennis opened their first 8-foot-by-8-foot drive-through espresso kiosk in Billings. Dennis designed and built the first of what has become a chain of successful Mountain Mudd Kiosks, a chain of 20 mini-retail espresso locations. The company's espresso kiosks can now be found throughout Montana and North Dakota. Using their own unique design, the company has built and sold over 300 kiosks as turnkey operations, to independent owners around the country.

In addition to selling kiosks, Brenda and Dennis started Mountain Manufacturing, Inc. and Mountain Distributing and Supply Company through which they sell, service and supply espresso kiosks across the country.

Brenda and Dennis started their own coffee business after watching the daily stream of people visiting a local coffee vendor near their work. "I was going to the same sidewalk coffee cart every day. I watched how that vendor ran his business and how many people came by for coffee. We projected some numbers on the amount of traffic we'd need to make a reasonable profit," said Brenda. "We knew that in Montana, a drive-through kiosk was the best bet to get the exposure we needed." Initial estimates projected that 50 cups of coffee per day needed to be sold to make this new venture successful. These initial projections have been far exceeded. Today, the company's busiest kiosk averages nearly 500 drinks a day.

In the beginning, Dennis and Brenda discovered that existing coffee shop owners were not willing to divulge information on running a store. That experience led them to vow to be more helpful to new entrepreneurs looking to them for advice. That open attitude has repaid them many times over.

"A man in the coffee business, to whom we had given advice early in his venture, came to us to ask about the flavoring syrups we were using," said Dennis. "He wanted to know if he could buy those syrups through us. That was the beginning of Mountain Distributing and Supply Company. We became a distributor for flavored syrups and other coffeehouse-related items and supplies. We even developed our own private label for certain flavorings, coffee, chocolate syrup and water."

In 1997, when the company received an order for eight kiosks, Dennis left his job to run operations at Mountain Manufacturing full time. The company has since moved into a 20,000 square-foot manufacturing facility, increasing kiosk construction capacity from five completed kiosks every three months to one kiosk every two days. The sturdy ¼-inch steel kiosks now come in five different models, and they're as close to a permanent structure as a portable business can get. The buildings, weighing over 5,000 pounds each, can endure Montana winters and have withstood tornado winds over 100 mph. Each unit comes with a 15,500 BTU air conditioning/heating unit.

Since Dennis and Brenda had little experience in running an espresso shop – and there were few businesses of its kind in Montana – banks initially would not lend them money because the kiosks

were considered “portable.” Today, they have no problem obtaining capital for their business. In fact, the U.S. Small Business Administration has helped finance several of the distributors who sell their products.

Mountain Manufacturing’s espresso kiosks have generated a lot of interest at the national and international levels. Mountain Mudd and Mountain Manufacturing currently are in the process of negotiations to build kiosks for Federal Express and the United States military. Brenda and Dennis recently sold the licensing rights to market Mountain Mudd espresso shops in both Europe and Canada and are in negotiations to sell them in Mexico.

Currently, Mountain Mudd and Mountain Manufacturing employ more than 150 people. Through their distributorship program, Mountain Mudd distributors employ more than 100 people throughout the country. Brenda and Dennis have seen espresso sales at their corporate-owned kiosks increase by more than 34 percent the last two years. Mountain Mudd and Mountain Manufacturing saw 2001 sales of more than \$3.5 million.

Brenda and Dennis are involved in a variety of community-oriented projects. Brenda actively serves on the Urban Design Committee, Western Heritage Center Board of Directors and the City of Billings Parking Commission. Dennis is a member of Beartooth Search and Rescue, Mensa Society and is involved in mentoring and tutoring local high school and junior high school students. Mountain Mudd carts have been donated on numerous occasions for various local events. Kiosks have been donated to the Montana Women’s Run and the American Cancer Society’s Race for Life, and many other events in which beverage profits are donated. After the events of September 11, Mountain Mudd coffee was donated statewide to firefighters and to on-call military personnel.

**Statement of  
John C. Bollinger, Deputy Executive Director  
Paralyzed Veterans of America  
to the  
House Small Business Committee  
Hearing on Small Business Success Stories**

**May 8, 2002**

Mr. Chairman and members of the committee, Paralyzed Veterans of America (PVA) commends you for holding this hearing to explore achievements in entrepreneurship. Small businesses are the under-appreciated engine of our economy and represent the major source of new jobs in the United States.

Small business programs targeted to service-connected disabled veterans have been an important resource for many of our members in reaching economic self-sufficiency. However, today, we want to focus on the broader community of entrepreneurs with disabilities and avenues that they have used to reach for this piece of the American Dream.

With the passage of the Americans with Disabilities Act, the societal myth that work and disability are mutually exclusive is gradually disappearing. Although the unemployment rate for people with significant disabilities remains unacceptably high, owning and operating a business is viewed increasingly as an appealing avenue to independence by people with disabilities. Indeed, many individuals with disabilities have already discovered the value of entrepreneurship and have used a variety of resources to enter the world of small business enterprise.

Lisa Miljevic is a member of PVA from Florida. While serving in the Air Force, she was injured in an automobile accident. As she pursued rehabilitation at the Richmond, Virginia Veterans Affairs Medical Center (VAMC), she concluded that the spokes on her wheelchair could use some dressing up. She enlisted some friends to paint designs on some of the covers that fit over the spokes on her chair and Spokeguard Art was born. She consulted with a local plastics company about product development and, using her home as collateral, secured a bank loan to start her business last October. Today, her company offers standard and custom decorated covers for anything on wheels from wheelchairs to dirt bikes to bicycles.

Last January, a Washington, D.C. summit on entrepreneurship and disability sponsored by the President's Task Force on Employment of Adults with Disabilities and The Abilities Fund featured a panel of successful entrepreneurs with disabilities. Among them was Jeffrey Campbell, owner of the Soul City Café in Des Moines, Iowa. After his disability forced him onto a restricted diet, he still felt a need for the kind of comfort food with which he had grown up as a young

inner-city child. He developed a "heart healthy" soulfood menu for himself but soon found friends and neighbors clamoring for his creations and out of that grew a catering business. When demand grew too great, he opened his restaurant using help from The Abilities Fund and his state department of vocational rehabilitation.

Another panelist at the summit, Nan Asher from Michigan, was a volunteer for a non-profit helping people with auditory disabilities select appropriate devices to aid them in hearing. Because the hearing equipment usually had to be obtained first from a catalogue or warehouse, individuals in need of the aids didn't have a chance to try out the devices to see if they worked for them. With help from a center for independent living, the department of vocational rehabilitation and her local Small Business Administration office, Nan obtained a van to bring hearing devices to individuals' homes where they can be demonstrated before purchase. Not only has this proven useful to her original customers in the deaf and hard-of-hearing communities but her services could be helpful to homebound senior citizens.

For several years, the Rural Institute at the University of Montana has received funds from the U. S. Rehabilitation Services Administration to study and develop projects promoting rural small business and self-employment opportunities for people with disabilities. In one project funded by the U. S. Department of Labor, a young man with bipolar disorder established a glass installation business with a grant of \$20,000 obtained with the assistance of the local Small Business Development Center. After its first year of operation, his business grossed over \$100,000 a quarter.

Like any good entrepreneur, these individuals first had an idea and then had the creativity and persistence to investigate and explore ways to bring that idea to reality. They have also identified products and services with a potential customer base beyond just those with disabilities.

Whether by choice or necessity, many of them used non-traditional sources of financing for their start-up capital. In one of the first surveys of entrepreneurs with disabilities, the Rural Institute found that almost 60 percent of their respondents used personal savings for the initial investment in their businesses. Only 18 percent obtained funding from traditional lending institutions.

Non-traditional agencies also play a significant role in helping many small business owners with disabilities get started or expand their companies. Typically, the Small Business Administration is considered the lead agency for nurturing and promoting entrepreneurs. For entrepreneurs with disabilities, however, the Department of Labor, Social Security Administration and many state departments of vocational rehabilitation appear to have served as important incubators for launching their enterprises.

The foregoing does not mean that barriers to small business do not exist for people with disabilities. Last year, The Abilities Fund conducted an "environmental scan" for the President's Task Force on Employment of Adults with Disabilities and found four "critical barriers to self-employment and business ownership for those within the disability community." These barriers are:

1. **Inadequate access to capital.** For every entrepreneur with a disability who manages to finance his or her business, there are many people with disabilities who would like to start or expand a business who cannot do so because of money constraints. High unemployment and credit difficulties may make debt financing impractical. Means-tested public assistance programs that severely restrict assets and resources limit the ability of people with disabilities to accumulate crucial up-front capital.
2. **People with disabilities are considered unlikely prospects for business ownership.** Due to myths and stereotypes and lack of visible role models, people with disabilities are seldom encouraged to pursue small business ownership.
3. **Rehabilitation professionals seldom support clients with a goal of self-employment.** While some state vocational rehabilitation agencies have undertaken small business initiatives for their clients, seldom do vocational rehabilitation counselors have the training, knowledge or background to advise clients who want to set up a business. As a result, the emphasis is on placement of an individual into a job rather than exploring community resources to assist emerging entrepreneurs.
4. **Mainstream business development professionals are uncomfortable working with clients with significant disabilities.** Communications difficulties, fears of being "politically incorrect" and general unfamiliarity with the disability community have meant few efforts at outreach on the part of traditional business development organizations.

PVA urges the members of this committee to devote some attention to a long-neglected sector of our free enterprise system -- small business owners with disabilities. Although there are numerous actions that the government could take to assist and support entrepreneurs with disabilities, we suggest the following initial steps:

1. Congressional Small Business Committees should conduct oversight hearings into the status of entrepreneurship among individuals with disabilities, including barriers to and initiatives that support small business ownership by people with disabilities.
2. The Small Business Administration should be asked to document the number of small business people with disabilities that it has served in its programs.



3. The White House Conference on Small Business is held approximately every five years. The last such conference was held in 1995. The next conference should feature entrepreneurs with disabilities in its program and include discussions on issues of importance to small business owners with disabilities.

PVA thanks the Chairman and members of the committee for their attention to our statement. Self-employment is a booming industry -- growing, according to some estimates, at a rate of over 20% each year. We would welcome the opportunity to work with the committee and other members of the disability community to highlight and promote the success of entrepreneurs with disabilities.