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GROWING SMALL BUSINESS EXPORTS, GROWING U.S. JOBS

HEARING

BEFORE THE

COMMITTEE ON SMALL BUSINESS AND ENTREPRENEURSHIP UNITED STATES SENATE

ONE HUNDRED THIRTEENTH CONGRESS

SECOND SESSION

JUNE 18, 2014

Printed for the Committee on Small Business and Entrepreneurship



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C O N T E N T S

Opening Statements

Page

Cantwell, Hon.Maria, Chairwoman, and a U.S. Senator from Washington 1
Risch, Hon. James E., Ranking Member, a U.S. Senator from Idaho 50
Shaheen, Hon. Jeanne, a U.S. Senator from New Hampshire 52

Witnesses

Hahn, Eric, Vice President, Organizational Development, General Plastics Manufacturing Company, Tacoma, WA 3
Tyler, Donald F., Director, Corfin Industries, LLC, Salem, NH 9
Campbell, Robert, President and Chief Executive Officer, Alliance Solutions Group, Inc., Newport News, VA 14
Calhoon, Mark, Senior Managing Director, Business Services Division, Washington State Department of Commerce, Seattle, WA 21
Verdon, Jennifer, Manager of International Business, Idaho Commerce Department, Boise, ID 38
Hendrix, W. Dan, President and Chief Executive Officer, Arkansas World Trade Center, University of Arkansas, Rogers, AR 44

Alphabetical Listing and Appendix Material Submitted

Adkins, David
Letter dated June 17, 2014, to Senators Cantwell and Risch 73
Beebe, Mike
Letter dated June 6, 2014, to Senators and Congressmembers 69
Calhoon, Mark
Testimony 21
Prepared statement 23
Campbell, Robert
Testimony 14
Prepared statement 16
Cantwell, Hon. Maria
Opening statement 1
Dalrymple, Jack
Letter dated June 13, 2014, to Senators and Congressmembers 75
Hassan, Margaret Wood
Letter dated April 24, 2013, to Senators and Congressmembers 61
Letter dated July 1, 2014, to Senators and Congressmembers 63
Hahn, Eric
Testimony 3
Prepared statement 6
Hendrix, W. Dan
Testimony 44
Prepared statement 46
Inslee, Jay
Letter dated June 13, 2014, to Senators and Congressmembers 71
LePage, Paul R.
Letter dated June 30, 2014, to Senators Cantwell and Risch 65
Pollet, Adam
Letter dated June 23, 2014, to Senators and Congressmembers 67
Pryor, Hon. Mark L.
Questions for the record 60
Risch, Hon. James E.

Page

—Continued
Opening statement 50
Shaheen, Hon. Jeanne
Opening statement 52
Tyler, Donald F.
Testimony 9
Prepared statement 11
Verdon, Jennifer
Testimony 38
Prepared statement 40

GROWING SMALL BUSINESS EXPORTS, GROWING U.S. JOBS

WEDNESDAY, JUNE 18, 2014

UNITED STATES SENATE,
COMMITTEE ON SMALL BUSINESS
AND ENTREPRENEURSHIP,
Washington, DC.

The Committee met, pursuant to notice, at 3:03 p.m., in Room 428–A, Russell Senate Office Building, Hon. Maria Cantwell, Chairwoman of the Committee, presiding.

Present: Senators Cantwell, Shaheen, and Risch.

OPENING STATEMENT OF HON. MARIA CANTWELL, CHAIRWOMAN, AND A U.S. SENATOR FROM WASHINGTON

Chairwoman CANTWELL. The Senate Committee on Small Business will come to order.

Today, we are having a hearing on "Growing Small Business Exports and Growing U.S. Jobs." I know my colleague, Senator Risch, will be joining us, and I am sure other colleagues as well, but we have been urged to get started and we are going to do that today.

So, I welcome all the witnesses here. We have a very distinguished panel and I thank them for making time to be here on such an important issue. I would like to make sure that everybody understands that my colleagues who are not here can still add their comments and statements for the record, which we will be keeping open.

U.S. exports are an engine of economic growth and job creation. According to the U.S. Department of Commerce, U.S. exports have accounted for a third of overall economic growth in the U.S. in the last five years. Last year, more than 11 million jobs were tied to U.S. exports and one in three jobs in the State of Washington are related to international trade. Ninety-five percent of the world's customers are outside of the United States. As the middle class around the world continues to grow, expanding from two billion today to nearly five billion by 2030, exports represent a huge economic opportunity to create jobs right here at home.

At the same time, less than five percent of our country's 28 million small businesses export, and the U.S. small businesses that are exporting, 58 percent of them are exporting to only one country. There is a lot of room for growth and one way to continue to help the U.S. economy to create U.S. jobs is to help make sure that these small and medium-size companies look at export opportunities.

For me, this is one of the highest priorities of this committee. I know the Ranking Member, Senator Risch, and I have had a chance to talk about these issues in our respective states, Washington and Idaho, and hear from small business people about their interest. That is why we are introducing a bill to reauthorize the State Trade and Export Promotion Program, better known as STEP.

The State Trade and Export Promotion (STEP) Program has been an important tool for small businesses to begin exporting and to expand to new markets. STEP was first authorized in 2010 as a pilot program through legislation from this committee. Under the program, the U.S. Small Business Administration works with states so that they can prioritize help to small and medium-size companies. The STEP Program helps businesses identify exporting opportunities and to take action to break into new markets and expand further into foreign markets.

Based on annual state reported data, STEP has resulted in $909 million in export sales, representing an average return on Federal investment of 15-to-one. Those same investments for STEP in the state of Washington have, on average, had a return on investment of over 51-to-one. That is how much business has been generated by just a very, very small amount of investment to these businesses.

Jeff and Tony Logosz, the founding brothers of Slingshot Sports, turned the company they started in the Columbia River Gorge into a global brand for water sports equipment. The company used export assistance from this program and work with the Washington State Department of Commerce to gain access to new global markets. They were able to shift their manufacturing back from Asia to the United States and create more jobs for this very rural community.

Another example can be found in a Seattle software company called HasOffers, which utilized the STEP Program to showcase its product to mobile application developers. As a result, HasOffers is now working directly with four of the largest ad agencies in the U.K. and Europe.

Eric Hahn is also with us today. Eric is the Vice President of Organizational Development in General Plastics Manufacturing in Tacoma, Washington. STEP has allowed General Plastics to gain access to new European partners and will tell us more about that in his testimony.

Through these programs, they have been able to establish a physical presence in new markets, meet customers, research competitors, connect with vendors, develop new relationships, and these are very important things when it comes to growing a small business. They will show that you can make a small investment and turn that into a large business opportunity.

So, this bipartisan legislation builds on the success of the pilot program and creates a permanent State Trade and Promotion Program within the SBA to help these small businesses continue to export.

We have received several letters of support authorizing the STEP Program, and so I would like to, hearing no objection, enter them into the record. That is the Arkansas Governor Mike Beebe, North

Dakota's Governor, and a letter from Washington's Governor Jay Inslee, and a letter from the Council of State Governments.

Chairwoman CANTWELL. In addition to Mr. Hahn today, we are going to hear from Donald F. Tyler from New Hampshire. Welcome, Mr. Tyler. He is the Director of Corfin Industries, and Corfin Industries provides component preparation services to a variety of industries, including the defense, medical, and telecommunications industry. Welcome. Using the STEP Program, he was able to help the company expand into new markets. And since using STEP, the company has grown its international revenue from about one percent to 12 percent of its overall business and hired ten new employees, so we look forward to hearing more about that.

We also have Bob Campbell, from Virginia. Thank you for being here. Mr. Campbell is President and CEO of Alliance Solutions, and is a client of a Virginia Small Business Development Center. Alliance Solutions, out of Newport News, provides crisis disaster management services to support public safety and private sector clients. Mr. Campbell's company has received assistance through the Virginia Economic Development STEP Program for resources that were used to help understand the market in the Middle East and their ways of doing business and to refine his strategic planning.

Additionally, we have Mark Calhoon, from my home state of Washington, who is a Senior Director at our Washington State Department of Commerce, and he is going to talk more directly about how this program works with various businesses within the state.

And, we also have Jennifer Verdon from my colleague's State of Idaho, and she works in a similar capacity with their Idaho Department of Commerce on these STEP Programs.

Finally, Mr. Dan Hendrix, CEO of Arkansas World Trade Center at the University of Arkansas, and he will discuss how Arkansas has utilized the STEP program to promote small businesses in his State.

So, we are so pleased that you are all here. We are so excited about where we are, having been through the pilot stage and the incredible results that have come back. Now, we want to capitalize on this opportunity and so we look forward to your testimony. I ask you if you can keep your comments to five minutes. You can submit something longer in the record. That will give myself and others who show up a chance to ask you all questions.

So, I believe we are going to start with you, Mr. Hahn. Again, welcome. Thank you for being here.

STATEMENT OF ERIC HAHN, VICE PRESIDENT, ORGANIZATIONAL DEVELOPMENT, GENERAL PLASTICS MANUFACTURING COMPANY, TACOMA, WA

Mr. HAHN. Thank you very much, Chair Cantwell. I really do appreciate the opportunity to talk with you and the members of this committee on behalf of the STEP Program.

As was stated earlier, my name is Eric Hahn. I am the Vice President of Organizational Development at General Plastics Manufacturing in Tacoma. I am also Chair of our Tacoma-Pierce County Workforce Development Council and Vice Chair of the Wash-

ington Aerospace and Advanced Manufacturing Workforce Pipeline Advisory Committee. I said that in one breath.

[Laughter.]

The company, General Plastics, started in 1941, actually, a couple of days just prior to Pearl Harbor, and started as a plastics company, obviously, in a whole different vein. It has grown in the last 73 years to be a leader in the polyurethane world, and we provide products not only to aerospace, but defense, nuclear containment, marine, construction, outdoor signage, and tooling, as well. We also employ about between 170 and 180 people. I say "between" because we are fast growing and a lot of that is because of what we are doing here in this country, but a good part of that has to do a lot with the STEP Program and what the opportunity it gave for us to enter new markets.

As the committee considers creating a permanent STEP Program, I want to share our experience that we had with it because I think that it is one that can serve as a model for other small companies to not only engage in international opportunity, but to grow beyond just the parameters of their own backyard.

In recent years, we have been working trying to get into the European market, to no avail. Admittedly, I do not think we really understood what the requirements were and how those differed than the aerospace requirements here in this country. A lot of that has to do with F/S/T, fire, smoke, and toxicity requirements that are a little bit different in Europe.

We, through the grant provided by STEP, we were able to go to the JEC Paris 2013 and 2014 Air Show and also eventually to the Aircraft Interiors Show in Hamburg. It was at JEC that we discovered what the requirements were for aerospace products in that country. We were able to look at what our competitors were doing. We were able to talk directly with some of the people that were in the aerospace industry in Europe and they helped to give us some real insight into what the requirements were and how we were going to have to change things.

So, immediately when we got home, we started putting our chemists back to work to really refine our product so it would meet those standards, and they were successful. In fact, at the Hamburg Air Show, we introduced those products and had a lot of interest because of it.

Our goal was really five-fold. First, we were going to establish a physical presence, which we did.

Second, we were going to meet existing customers, which we did.

Third, we were going to research our competitor products, which we did.

And, fourth, connect with local vendors.

And, finally, of course, develop new relationships with potential customers.

The results were, again, we were able to develop a product that is compatible with the standards that the European Union requires. We were able to get two distributors, one from the U.K. and one from South Africa, and we are in the final negotiations with one from Spain. We were able to also add approximately $100,000 in new sales initially. It does not sound like a lot, but consider the aerospace sale cycle is anywhere from six months to a year.

Here is the really exciting news. We are now in negotiation with Airbus Tier 1 and Tier 2 suppliers, and those are estimated to provide anywhere from $1 to $2 million in additional sales. It will also mean the employment of ten to 15 new people.

And, by the way, Senator, I want to personally express my gratitude for all the work that you have done with veterans and workforce and especially aerospace. We are very happy that you are our Senator. We have utilized those tax breaks and we are able to hire a lot of veterans. In fact, we now have in the last year hired probably an additional 15 to 16 people strictly that are veterans.

So, all of this is just indicative of the opportunity that was available through STEP and that we were able to access. Our Washington people helped us out immensely, as well, to connect and understand how we were going to be able to access this program. This program provided opportunity for us, as a small business, that, quite frankly, I do not think would—we either would have never thought of accessing or would have been a long time coming.

In the aftermath, we have now hired an international person that is a marketing director from a fairly large company that is really helping us take what opportunity we had from this program and really develop it so that, in the future, I think, we may not be a small business after all.

Thank you.

[The prepared statement of Mr. Hahn follows:]

GENERALPLASTICS
MANUFACTURING COMPANY

June 13, 2014
STEP Program Testimony
Eric Hahn, Vice President of Organizational Development

Good afternoon. Chair Cantwell, Ranking Member Risch, and Members of the Committee, thank you for inviting me to testify today in behalf of the STEP program. My name is Eric Hahn, and I am Vice President of Organizational Development at General Plastics Manufacturing, located in Tacoma, WA. I am also the Chair of the Tacoma-Pierce County Workforce Development Council and Vice Chair of the Washington Aerospace & Advanced Manufacturing Workforce Pipeline Advisory Committee.

General Plastics Manufacturing Company was founded in 1941, and it has been a pioneer and innovator in the plastics industry for seven decades. The Company has experienced steady growth producing specialized plastics, polyurethane foam materials, and fabricated parts. It supplies products for many manufacturing applications and industries, including aerospace, defense, nuclear containment, marine, construction, outdoor signage and tooling, among others. We're privately owned and have over 170 skilled professionals working at General Plastics' production facility, upholding a 73-year-old reputation for supplying exceptional products to demanding customers in North America, and more recently, around the world.

As the Committee considers creating a permanent State Trade and Export Promotion grant program, I want to share General Plastics' experience with the pilot STEP program that was made available to us. First, I want to recognize the folks who administer our Washington state program. They made us aware of the funds available early on; they guided us through the paperwork necessary to receive voucher approval; and they helped ensure we received the grant monies after our trade events.

In recent years General Plastics has worked diligently to extend its product offerings internationally, particularly in Europe, but with limited success. The funds provided by the STEP program gave us the necessary "push" to start testing receptiveness to our materials at the JEC Paris 2013 show and again this year, when we exhibited at the JEC Paris 2014 show in conjunction with the Washington State Department of Commerce. This second STEP voucher enabled us to participate in the JEC Paris 2014 show, and then exhibit at the Aircraft Interiors Show in Hamburg, Germany, with our own booth and money.

We had five goals for these European shows: First, establish a physical presence at two of the largest trade events in Europe. Second, meet existing customers who were attending. Third, research our competitors' products. Fourth, connect with local vendors who would be appropriate to distribute our products and service customers. And, finally, of course, we were intent on developing new relationships with potential customers.

As a result of the intelligence gained at JEC Paris and what we learned about the European flammability standards, we stepped up our Fire/Smoke/Toxicity-compliant foam composite program, and this year introduced the line at the Aircraft Interiors show in Hamburg. We have developed working relations with two distributors from the UK and one in South Africa, and we are now in final negotiations with a distributor for Spain. In terms of securing direct sales from the trade events, I must say first that our normal sales cycle is quite long – it can range from 6 months to two years. However, we gained approximately $100,000 in new sales that are directly attributed to the shows. More importantly, we are now in negotiation discussions with Airbus' Tier 1 and Tier 2 suppliers, and a major European marine company that will sell our subsea foam products under their private label. These two companies alone could generate sales – estimated conservatively – of $1 million-plus for General Plastics over the next 2-3 years.

As my account reflects, the STEP program greatly contributed to my company's success. Although the funding from the program was not extremely large – just about $ 10,000 in total for us from the two vouchers we received – it made a huge impact. The ability to attend the European conferences has brought and will bring to General Plastics accelerated sales growth, which will ultimately mean adding an additional 10-15 employees over the next few years. I firmly believe that this program should be extended or ideally become permanent. This program clearly would assist those small to mid-size companies looking to export their products globally.

Thank you, and I look forward to answering any questions you may have.

Eric Hahn – Biography

Eric earned a Masters of Business Administration from the City University of Seattle, and is professionally certified in human resources. Eric has served as the Director of HR and Training for Zones, Inc., Vice President of HR for Aegis Assisted Living and Director of HR and Business Partners for Virginia Mason Medical Center. In addition, he was an adjunct professor for Central Washington University, teaching professional ethics, communications and human behavior in the workplace.

Eric currently serves as the chairperson of the Tacoma-Pierce County Workforce Development Council, Vice Chair for the Washington Aerospace & Advanced Materials Manufacturing Workforce Pipeline Committee, and is a corporate board member for the Boys and Girls Club of South Puget Sound. He is a past board member for the King County Superior Court Youth Diversion Council.

Chairwoman CANTWELL. What a great story. Thank you. I will look forward to asking you questions.

Mr. Tyler.

STATEMENT OF DONALD F. TYLER, DIRECTOR, CORFIN INDUSTRIES, LLC, SALEM, NH

Mr. TYLER. Good afternoon and thank you for this opportunity to testify today. I am Don Tyler, Director of Corfin Industries, a company that has enjoyed significant growth in export sales over recent years as a result of our participation in the STEP Pilot Program.

Corfin's Robotic Hot Solder Dip and other services satisfy the electronic component preparation needs of high reliability systems such as missiles, space satellites, and implantable medical devices. While these industries are well established outside of the U.S., for the first 20 years in business, Corfin experienced very little non-domestic business. The only orders that came to us from outside of the U.S. were from subcontractors to our existing customers.

Three years ago, cautiously encouraged by those few orders, we explored paths to actively selling into these markets. Unfortunately, the costs were high as were the risks. Large trade shows, which are our best hope for reaching a sizeable portion of our target audience, are prohibitively expensive to a small company. We considered collaborating with other U.S. small businesses with a common goal and willingness to share expenses, but that required a major commitment of resources to identify and coordinate with these other businesses and dismissed as impractical.

Corfin turned to New Hampshire's International Trade Resource Center and the U.S. Commercial Services local office. They not only educated us on the skills necessary to break into markets outside of the U.S., but Corfin received matching funds through the STEP Pilot Program to realize affordable marketing opportunities.

Corfin's STEP-funded participation in air shows in the United Kingdom, France, and Singapore, and Gold Key Service introductions and translation services through U.S. embassies in Munich, Rome, and Tokyo have provided the jump start necessary to gain a foothold in these markets and grow independently.

The success of our international sales encouraged us to become charter members of the New Hampshire Aerospace Defense Export Consortium last year. It was another STEP grant recipient. The Consortium provides great value in all matters related to exporting, including speakers on customs issues, education on changes to ITAR, and marketing opportunities. The growing membership in this Consortium is a great indicator of growing global impact of New Hampshire businesses.

Today, Corfin's non-domestic sales is a significant component of our overall growth. International sales increased from less than two percent of our overall revenue three years ago to over 12 percent today, all while expanding our overall revenue almost 30 percent. The non-domestic growth corresponds to 22 additional full-time employees. I think information from earlier this year said ten, which the Chairwoman mentioned, but it is 22 as of today and still growing, a direct result of the STEP grant funding.

I am pleased to report that Corfin will be exhibiting at the Farnborough United Kingdom Air Show next month without the benefit of STEP funding.

I enthusiastically support the STEP UP for American Small Business Act for the perpetual opportunities needed by small American businesses to reach global markets and grow their American workforces. This is a program that works.

[The prepared statement of Mr. Tyler follows:]

U.S. Senate Committee for Small Business & Entrepreneurship

"Growing Small Business Exports, Growing U.S. Jobs" Hearing, June 18, 2014

TESTIMONY
Donald F. Tyler
Corfin Industries LLC

Good afternoon. Thank you, Senator Shaheen, for the opportunity to testify today. I am Don Tyler, Director of Corfin Industries, a company that has enjoyed significant growth in export sales over recent years as result of our participation in the STEP pilot program.

Corfin's Robotic Hot Solder Dip and other services satisfy the electronic component preparation needs of high-reliability systems such as missiles, space satellites, and implantable medical devices. While these industries are well-established outside of the US, for the first twenty years in business, Corfin experienced very little non-domestic business. The only orders that came to us from outside of the US were from sub-contractors to our existing US customers.

Three years ago, cautiously encouraged by those few orders, we explored paths to actively selling into these markets. Unfortunately, the costs were high, as were the risks. Large trade shows, our best hope for reaching a sizeable portion of our target audience, are prohibitively expensive to a small company. We considered collaborating with other US small businesses with a common goal and willingness to share expenses, but that required a major commitment of resources to identify and coordinate with these other businesses and dismissed as impractical.

Corfin turned to New Hampshire's International Trade Resource Center and the US Commercial Service's local office. They not only educated us on the skills necessary to break into markets outside the US, but Corfin received matching funds through the STEP pilot program to realize affordable marketing opportunities.

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The success of our international sales encouraged us to become charter members of the New Hampshire Aerospace Defense Export Consortium (NHADEC) last year, another STEP Grant recipient. The Consortium provides great value in all matters related to exporting, including speakers on customs issues, education on changes to ITAR, and marketing opportunities. The growing membership in NHADEC is a great indicator of growing global impact of NH businesses.

Today Corfin's non-domestic sales is a significant component of our overall growth. International sales increased from less than two percent of our overall revenue three years ago to over twelve percent today, all while expanding overall revenue almost 30%. The non-domestic growth corresponds to twenty-two additional full-time employees; a direct result of the STEP grant funding.

I'm pleased to report that Corfin will be exhibiting at the Farnborough UK Air Show next month without the benefit of the STEP funding. I enthusiastically support the STEP UP for American Small Business Act for the perpetual opportunities needed by small American businesses to reach global markets and grow their American workforces.

This is a program that works.

Donald Tyler is Director at Corfin Industries and performs the duties of Chief Technology Officer and Business Development Director. With Corfin Industries since 1993, Mr. Tyler represents Corfin in industry organizations in the US and abroad, including SAE, IPC, and IEC. A charter member of the New Hampshire Aerospace Defense Export Consortium (NHADEC), Corfin seeks export growth through collaborative efforts with other NH businesses. Prior to Corfin, he served in the US Marine Corps and was employed with Lockheed Martin and several other high-reliability electronics firms. Mr. Tyler also serves on the advisory boards of Kelly Research Corp. and Hawk Manufacturing Inc.

Chairwoman CANTWELL. Thank you, Mr. Tyler, and it is so great to be corrected from ten jobs to 22. Thank you.

[Laughter.]

Mr. Campbell.

STATEMENT OF ROBERT CAMPBELL, PRESIDENT AND CHIEF EXECUTIVE OFFICER, ALLIANCE SOLUTIONS GROUP, INC., NEWPORT NEWS, VA

Mr. CAMPBELL. Chairwoman Cantwell, Ranking Member Risch, members of the committee, thank you for inviting me to testify and holding this hearing on the State Trade Export Promotion Program. As a graduate of the STEP Program in 2013, we have positively benefitted from the program in successfully entering the export market and growing our business internationally.

I am Bob Campbell, founder and President of Alliance Solutions Group, or ASG, a service-disabled veteran-owned small business out of Newport News, Virginia, with ten satellite offices around the U.S., including your home State of Washington. As of February 2014, we have successfully launched an office in Dubai, the United Arab Emirates, to extend our services into the Gulf Cooperation Council countries.

ASG prepares communities for various threats through emergency preparedness activities and environmental health and safety services. We have conducted environmental health and safety audits for the United States Air Force worldwide and have trained thousands of military and public sector responders on chemical, biological, radiological, nuclear, and hazardous material response with approximately 2,000 training and exercise events.

As defense and Federal spending among our customers has declined and our vision to prepare communities and improve worker health and safety has increased, we sought access to markets with expressed and unmet needs, economic capacity, and adequate infrastructure to support sustained growth of our business.

Exporting enables us to share our expertise, experience, and values in a way that provides a value-added benefit in other nations. Our services promote development, security, and prosperity, while increasing U.S.-based revenue that we can invest in our employees and development of innovative products and services.

In 2010, I made my first attempt at exporting by attending the Special Operations Forces Expo in Amman, Jordan. My lack of understanding of the market at that time, the regulatory environment's presence, lack of persistency and funding limited my ability to capitalize fully and enter the market.

In 2012, we included international growth in our strategic plan and began to identify obstacles to entry. The most significant obstacles to market entry for our business have been, number one, a lack of local presence; two, navigating the regulatory environment, both U.S. and foreign, in regards to export compliance, tax-related, financial, and security issues; and, number three, limited financial capacity to invest in exhibitions, marketing, travel, and legal consulting.

Now that we have entered the market, new obstacles are emerging: First, price disadvantage due to both low labor costs among competitors and tax treatment disparity between U.S.-owned and

foreign entities when operating internationally; and, second, the challenge of assessing potential partners with the right due diligence and engaging in contracts in a way that adequately protects our interest. The complexity and multitude of risks involved are daunting for a small business that requires extensive legal counsel.

Fortunately, we have had help along the way from the Virginia Small Business Development Center and the Virginia Economic Development Partnership in the form of training, resource networking, and grant funding. Through the Virginia SBDC, we participated in the Passport to Global Markets Program in 2012, and then promptly enrolled in the STEP Program. The STEP Program assisted us with approximately $20,000 for a trade mission to the UAE, market-specific conference and exposition participation, and development of our Export Compliance Program. Through STEP, we have been introduced to other businesses, professional resources, and the U.S. Commercial Services abroad.

In addition to the STEP Program, we have also benefitted from the Going Global Defense Initiative, where matching Federal and State funds from the program enabled our business to become certified in quality, environmental, and occupational health and safety management systems, a significant competitive advantage for our small business like us, as these three international certifications garner significant credibility in the global environment.

We continue to reap the benefits, similar to the STEP Program, through the Virginia Leaders in Export Trade Program.

And, in April of 2014, we were awarded our first international contract in Kuwait as a result of attending that 2010 expo in Amman, Jordan, as well as support from the STEP Program.

Reauthorization of this program will help enable more U.S. businesses to establish the products and services abroad, creating more jobs, generating more revenue and investment, promoting economic development abroad, as well as good will.

Thank you again for inviting me to testify and for your commitment to helping small businesses with international trade and export.

[The prepared statement of Mr. Campbell follows:]

U.S. SENATE COMMITTEE ON SMALL BUSINESS AND ENTREPRENEURSHIP HEARING
JUN 18, 2014

TESTIMONY
BOB CAMPBELL, ALLIANCE SOLUTIONS GROUP, INC.

Introduction

Chairwoman Cantwell, Ranking Member Risch, members of the committee, thank you for inviting me to testify. As a graduate of the STEP program in 2013, we have positively benefited from the program in successfully entering the export market and growing our business internationally.

I am Bob Campbell, founder and president of Alliance Solutions Group (ASG), a service-disabled, veteran-owned small business out of Newport News, VA with 10 satellite offices around the US, including your home state of Washington. In February 2014, we successfully launched an office in Dubai, United Arab Emirates to serve the Gulf Cooperation Council countries.

Our vision is "Communities prepared with innovative solutions and backed with lasting relationships." We accomplish this vision by providing emergency preparedness, environmental, health and safety services. Since 2005, we have served in over 100 communities worldwide and envision the growth of these vital services among international clients. We currently provide environmental, health and safety audits and consulting for the United States Air Force worldwide. We have trained military and public sector responders on Chemical, Biological, Radiological, Nuclear and hazardous materials response through approximately 2,000 training and exercise events.

Why Export?

As defense and federal spending have declined and our vision to prepare communities and improve worker health and safety has increased, we have sought access to markets with expressed and unmet needs, economic capacity and adequate infrastructure to support sustained growth of our business. Exporting enables us to share our expertise, experience and values in a way that provides a value-added benefit in other nations. Our services promote development, security and prosperity while increasing US-based revenue that we can re-invest in our employees and development of innovative products and services.

Obstacles to Exporting

In 2010, I made my first attempt at exporting by attending the Special Operations Forces Exhibition in Amman, Jordan. I walked away with 10 new contacts, three that expressed interest and only one that kept contact and requested a proposal. My lack of understanding of the market, regulatory environment, local presence, persistence, and funding limited our ability to capitalize fully and enter the market. In 2011, I began targeting a specific opportunity in Abu

Dhabi by requesting a meeting and providing a presentation. My lack of presence limited our access and ability to convert this opportunity to a sale.

In 2012, we established a strategic plan for entry into the market and began to identify the obstacles to entry. The most significant obstacles to market entry for our business have been: (1) lack of local presence; (2) navigating the regulatory environment (both US and foreign) in regards to export compliance, tax-related, financial, and security issues; and (3) limited financial capacity to invest in exhibitions, marketing, travel and legal consulting.

Now that we have entered the market, new obstacles are emerging:
(1) Price disadvantage due to both competitors with high-knowledge, low-labor cost human resources, and tax treatment disparity between US-owned and foreign entities when operating internationally; and (2) The challenge of assessing potential partners with due diligence and engaging in contracts in a way that adequately protects our interests. The complexity and multitude of risks involved are daunting for a small business and require extensive legal counsel in tax, security, contract law, export compliance, labor law, among other areas.

Benefits from STEP

Fortunately, we have had help along the way from the Virginia Small Business Development Center and Virginia Economic Development Partnership in the form of training, resource networking and grant funding. Through the Virginia Small Business Development Center at George Mason University, we received export acceleration assistance in the Passport to Global Markets program in 2012 and then promptly enrolled in the STEP program which assisted us with approximately $20,000 for a trade mission to the UAE, market-specific conference and exhibition participation, development of our export compliance program, training, and completion of our first technical assistance agreement. Through STEP we have been introduced to other businesses going global, consultants, law firms and the US Commercial Services in our Consulates. During the year-long program, we utilized the program to the fullest and launched our office in Dubai, in February 2014, just a couple months after completing the program.

In addition to the STEP program, we have also benefited from the Going Global Defense Initiative for defense contractors. Matching federal and state funds from this program enabled our business to become certified in Quality, Environmental and Occupational, Health and Safety Management Systems, a significant competitive advantage for a small business, as these three international certifications garner significant credibility in the global environment.

As a graduate of the STEP program, we were selected in January 2014 to enter the Virginia Leaders in Export Trade program. This will allow us to continue to reap the benefits of the STEP program with a focus on sustaining and growing our exports by leveraging partner resources and additional grant funds.

In April 2014, we were awarded our first international contract in Kuwait as a result of attending the 2010 conference Jordan and travel assistance through STEP. This contract will

provide the financing necessary to break even on our investment within the first year of operations. As a result of another trade mission to Saudi Arabia, Qatar and UAE in May 2014, we are now poised to continue our growth throughout the region.

Reauthorization and Way Forward

Reauthorization of the STEP program will help enable more US businesses to establish their products and services abroad, creating more jobs, generating more revenue and investment, promoting economic development abroad as well as goodwill. Thank you again for inviting me to testify and for your commitment to helping small businesses with international trade and export.

Bob Campbell is the President and CEO of Alliance Solutions Group, Inc. (ASG), a service-disabled, veteran-owned small business that delivers global emergency preparedness, environmental, health and safety services for government and private entities. Headquartered in Virginia, he has grown and led ASG in preparing communities for tomorrow's threats for the last 9 years through the sound practice of emergency preparedness, environmental, health and safety services in over 100 communities world-wide to include Afghanistan, United Arab Emirates, Japan and throughout Europe. He served in the United States Air Force for 9 years, holds graduate degrees in Environmental Engineering and International Business and was recently published in the Handbook of Emergency Response: A Human Factors and Systems Engineering Approach. His business has been recognized by INC5000 as one of the fastest growing businesses within the government services sector.

Alliance Solutions Group, Inc.

Innovating Concepts...Integrating Technology

President and CEO: Bob Campbell



Bob Campbell is the President and CEO of Alliance Solutions Group, Inc. (ASG), a service-disabled, veteran-owned small business that delivers global emergency preparedness, environmental, health and safety services for government and private entities. He formed ASG in 2005 to meet the growing demand for homeland defense training services among the military and civilian first responders.

Bob holds graduate degrees in International Business and Environmental Engineering. He served in the US Air Force as a Bioenvironmental Engineer responsible for installation environmental, health, safety and emergency response programs. During Operations Enduring Freedom and Iraqi Freedom, he provided technical expertise to forward-deployed environmental health, CBRN responders and operational commanders. In 2002, he implemented a $100 million, Air Force-wide CBRN emergency response program that equipped 80+ installations with CBRN countermeasures such as detection, protective equipment, decontamination and medical countermeasures. He oversaw the development and implementation of response plans, training, equipment and exercise programs needed to build critical capabilities around the world.

After forming ASG, Bob continued to pioneer innovative training and exercise platforms such as the CBRN Challenge™. Having developed, overseen and analyzed over 2,000 training and exercise events, he continuously adopts and incorporates best practices into training curricula for future use. Additionally, ASG has worked with over 100 communities around the world to develop interoperable and practical response plans based on collaborative planning techniques. Several of these plans were tested and validated during natural disasters, H1N1, and industrial hazardous material accidents. In 2014, Bob published keys to successful integration of response teams in the Handbook of Emergency Management. In addition to emergency preparedness, ASG has reduced it's clients' health and safety risks by 35% within the last three years. Bob's leadership and commitment to ASG's mission has enabled business growth, creation of jobs and sustainability of exceptional services for their clients throughout an uncertain economic environment.

His business has grown rapidly earning accolades on the 2012 and 2010 INC5000 list of fastest growing companies within the government services sector. He continues to seek opportunities to extend ASG's benchmark services to developing countries in support of ASG's Vision, "Communities Prepared with Innovative Solutions, Backed with Lasting Relationships."

EDUCATION:

2004	Air Command and Staff College
2002	Executive Masters in International Business, St. Louis University, MO
1997	Master's of Science in Environmental Engineering, University of Illinois-Urbana, IL
1995	Bachelor's of Civil Engineering, Villanova University, PA

POSITIONS HELD:

Jan 2014 – Present	President/CEO, Amanah Solution Group, UAE
Oct 2005 -- Present	President/CEO, Alliance Solutions Group, Inc., VA
Feb 1997 --Sep 2005	USAF Bioenvironmental Engineer

11818 Rock Landing Drive, Suite 207, Newport News, VA 23606
www.asg-inc.org
Robert.campbell@asg-inc.org
757.223.7233

Chairwoman CANTWELL. Thank you, Mr. Campbell. We will look forward to asking you some questions, as well.

Mr. Calhoon, thank you for being here.

STATEMENT OF MARK CALHOON, SENIOR MANAGING DIRECTOR, BUSINESS SERVICES DIVISION, WASHINGTON STATE DEPARTMENT OF COMMERCE, SEATTLE, WA

Mr. CALHOON. Thank you. Chairwoman Cantwell, Ranking Member Risch, and members of the committee, thank you for inviting me to testify on State-level experiences and work with the STEP Program.

My name is Mark Calhoon and I manage the Washington State Export Promotion Program. I also serve on the State International Development Organization Board, SIDO. States play a key role in helping small businesses start or expand their international sales. State Export Promotion Programs are typically an integral part of a Statewide economic development strategy that delivers a range of support and services to small businesses in order to drive economic growth and create jobs.

The State of Washington has provided export promotion assistance to small businesses since the late 1970s. We are a very trade-oriented State, the fourth-largest State exporter in the U.S.

We work closely with our Federal partners in Seattle to coordinate resources and provide the best service to small businesses. Our office is co-located with the U.S. Export Assistance Center, Ex-Im Bank, the SBA Export Solutions Group, and the Export Finance Assistance Center of Washington.

The STEP Program has played a valuable role in helping small businesses expand export sales, and I will use some examples of our activities and results in Washington to show how important STEP is for small businesses. By way of background, Washington received a total of $3 million STEP funding to date.

With STEP support, we provided export assistance to 446 small businesses, resulting in an increase of $136 million in actual export sales and $276 million in forecasted export sales. The results underscore the critical importance of Federal funding to Washington's Export Assistance Program for small businesses. The STEP grants received by our State help fund successful new initiatives, such as our Export Voucher Program, export promotion in India for the first time for Washington State, and participation in a series of targeted industry trade shows in Europe.

Participation and results from these and other STEP activities are on target to generate a potential return of more than $135 for every one dollar of STEP funds, and actual returns were $45 to one dollar.

HasOffers, which Senator Cantwell mentioned, is a great technology early-stage company in Seattle that tracks the effectiveness of the advertising campaigns, and I wanted to give just a quick update on their export activities as a result of STEP. In late 2011, they had not engaged in international sales, but at that point realized their opportunities, being a web-based service provider. They came to us to talk about how they could get into the Europe market and we gave them an export voucher which enabled them to go to a key trade show in Barcelona called Mobile World Congress

and join a group of other Washington State technology companies in attendance in February of 2012. That resulted in first-time export sales for the company, which now represent 40 percent of their overall business, and allowed them to grow from 50 employees in early 2012 to 190 employees today.

As Congress considers the reauthorization of the STEP Program, I would like to add my support to some key recommendations from SIDO. Firstly, that STEP should become a permanent Federal program.

Second, to ensure collaboration, there should be a member of the State promotion agencies on the Trade Promotion Coordination Committee. It will be nearly impossible to develop a coordinated State-Federal plan without a seat at the table.

Thirdly, we need to develop a working group to coordinate information sharing and report metrics to make sure Congress receives information it needs in a timely manner. Return on investment is a priority for States.

We would like to ensure that the Federal share of funding in the STEP program stays at 75 percent.

And, lastly, we would like to encourage that you make STEP reauthorization and agency coordination a priority in the current trade agenda.

In conclusion, I would like to make sure that we do not take our focus away from the key objective of STEP, that small businesses are critical to the economic success of our country, and increasingly, international markets are vital to the growth and prosperity of small businesses. Exports create and support above-family wage jobs here in the U.S. and are a critical component to the ability of small businesses to compete and grow in the global economy.

I appreciate the invitation and time with you today and look forward to your questions. Thank you.

[The prepared statement of Mr. Calhoon follows:]

Department of Commerce
Innovation is in our nature.

Testimony of
Mark Calhoon
Senior Managing Director
Business Services Division
Washington State Department of Commerce

Before the
U.S. Senate Committee on Small Business and Entrepreneurship

The STEP UP for American Small Businesses Act of 2014

June 18, 2014

Chairwoman Cantwell, Ranking Member Risch, members of the committee, thank you for inviting me to testify on state level experiences and work with the STEP program. My name is Mark Calhoon, and I manage the Washington State export promotion program. I also serve on the board of State International Development Organization (SIDO), a cooperative effort of the Council of State Governments and the majority of state trade offices, which promotes best practices, and represents state interests relating to the trade agenda.

States play a key role in helping small businesses start or expand their international sales. State export promotion programs are typically an integral part of a statewide economic development strategy that delivers a range of support and services to small businesses in order to drive economic growth and create jobs.

The State of Washington has provided export promotion assistance to small businesses since the late 1970s. We are a very trade oriented state, the 4th largest state exporter in the U.S., and second among states in exports on a per capita basis.

We work closely with our federal partners in Seattle to coordinate resources and provide the best service to small businesses. Our office is co-located with the U.S. Export Assistance Center, the Exim Bank regional manager, the SBA Export Solutions Group regional manager and the Export Finance Assistance Center of Washington. We are all members of the Washington Export Outreach Team, which was established in 2013 under guidance from the Trade Promotion Coordinating Committee (TPCC).

The STEP program has played a valuable role in helping small businesses expand export sales, and I'll use examples of our activities and results in Washington State to show

how important STEP is for small businesses. By way of background, Washington received a total of $3 million in STEP funding to date.

Washington State leveraged STEP funds to help small businesses significantly increase export sales. With STEP support, we provided export assistance to 446 small businesses, resulting in an increase of $136 million actual export sales and $276 million in forecasted export sales, representing actual and expected state tax revenues of more than $16.5 million and supporting more than 2,230 jobs.

These results underscore the critical importance of federal funding to Washington's export assistance program for small business. The STEP grants received by our state have helped fund successful new initiatives such as our Export Voucher program, export promotion in India for the first time for Washington State, and participation in a series of targeted industry trade shows in Europe.

Our Export Voucher program provided small grants of up to $5,000 to qualified small businesses to offset costs associated with developing new export sales, such as participation in trade shows. Nearly 250 Export Vouchers were awarded, which have generated nearly $60 million in new exports. In India, STEP funds supported ongoing export promotion work, including follow-up on business opportunities resulting from our governor's trade mission to India in October 2012. Our STEP supported participation in the Paris Air Show in June 2013, enabled 21 small aerospace supply chain companies from Washington to attend, which has already resulted in aggregated export sales of $35 million.

Participation and results from these and other STEP activities are on target to generate a potential return on investment of more than $135 for every $1 of STEP funds.

Here are some examples of small businesses in Washington State that have increased export sales as a result of STEP support.

Has Offers is a Seattle based early stage technology company with a software service that tracks the effectiveness of e-advertising campaigns. Founded in 2009, the company has 190 employees and tracks about $350 million in advertising for its clients. As a web-based service, Has Offers could easily do business anywhere in the world, but at the end of 2011 it had done little to expand into high value opportunities in Europe. Has Offers applied for an Export Voucher, which enabled it to join a delegation of Washington State technology companies at the Mobile World Congress in Barcelona in late February 2012. Our office organized a Washington State Pavilion at this leading trade event for mobile technologies and applications. In addition we organized a series of one-on-one business introductions and meetings for the delegates, including Has Offers. We provided additional value by organizing group business networking events during the show, and leveraged government to government partnerships to access key industry multiplier organizations in Europe for business matchmaking opportunities for

our delegation. According to Peter Hamilton, Chief Marketing Officer for Has Offers, "The Export Voucher program was a dream come true in both timing and value. Has Offers needed to get its latest product in the hands of some of the world's best known mobile ad networks and agencies, and STEP allowed our team to do just that. By sending us to Mobile World Congress, STEP gave us the opportunity to book meetings with these key players in a quickly emerging industry and discover new emerging technology partners we might not have found otherwise." As a result of STEP Has Offers is now doing 40% of its business internationally and it grew from 50 employees in early 2012 to 190 today.

MetalTech is a turnkey metal fabrication company located about 30 miles south of Seattle. The company is 11 years old and resides in a 36,000 square foot facility utilizing the latest machinery and equipment, which reduces the cost of metal fabrications, machining and subassemblies for its clients The company historically worked with clients in industries such as automotive, medical and research laboratories. As part of its business growth strategy, MetalTech was interested in finding new work in the aerospace industry. Our office recruited MetalTech to join the Washington Pavilion at the Farnborough Air Show in July 2011. The pavilion, which was supported with STEP funding provided a cost effective group exhibit space for Washington State delegates at a much lower price than if small businesses tried to buy space at the show on their own. Our office set up one-on-one business meetings with strong prospective new customers and helped introduce MetalTech to the right people among the tens of thousands of attendees. The show also provided MetalTech will a deeper understanding of the global aerospace market and how to target global supply chain opportunities. MetalTech picked up a number of high-ticket orders resulting from contacts made at the show, which resulted in the first ever exports for the company.

In Washington State, STEP was a focal point for much of our state/federal coordination over the past two years. We formed a committee to review all of the 376 Export Voucher applications that were received. It was helpful to have input from staff members from USEAC, Exim Bank and SBA to compare knowledge on the individual small business applicants and provide additional support such as export finance counseling to the Export Voucher awardees.

As Congress considers the reauthorization of the STEP grant program, I would like to add my support for a few key recommendations from SIDO:

1. STEP should become a permanent federal program.
2. To ensure collaboration, there should be a member of the state trade promotion agencies on the Trade Promotion Coordination Committee (TPCC). It will be nearly impossible to develop a coordinated state-federal plan without a seat at the table.

3. We need to develop a working group to coordinate information sharing and reporting metrics to make sure Congress receives information it needs in a timely manner. Return on investment is a priority for the states.
4. Increase the flexibility of approved activities, such as allowing support for inbound buyers' missions.
5. Keep the federal share for export activities under STEP at 75%.
6. Remove the 50 percent full-time employee requirement, as states have different resources and capabilities.
7. Finally, I encourage you to make the STEP reauthorization and agency coordination a priority in the current trade agenda.

In conclusion, I want to make sure we don't take our focus away from the key objective of STEP – that small businesses are critical to the economic success of our country and increasingly international markets are vital to the growth and prosperity of small businesses. Exports create and support above average family wage jobs here in the U.S., and are a critical component to the ability of small businesses to compete and grow in the global economy.

I appreciate the invitation and time with you today and look forward to your questions.

STEP Activities in Washington State

- **Export Voucher Program**
  Reimburse new-to-export or new-to-market SBA-qualified small businesses for expenses up to $5,000 that promote export sales, such as export training, participation in trade shows, sales trips, trade missions, marketing campaign production or translation, product certification, and other pre-approved uses.

  Cash match requirement: Small businesses seeking export vouchers must provide a minimum 25 percent cash match, or up to $1,250 for a full $5,000 voucher.

- **Market Accelerators: China, Europe and India**
  Provide specialized in-country business development consultant expertise in the key targeted industry clusters: Aerospace and Advanced Manufacturing, Information and Communication Technology, Life Sciences and Global Health, and Clean Technology.
  - Coordinate in-bound market sales trips
  - Provide support for attending targeted industry trade shows and conferences
  - Coordinate reverse trade missions to Washington State

- **Rural Accelerator**
  Seek out existing rural "businesses to watch" that are open to entering new markets. Leverage expertise of community economic development partners, conduct trainings and organize mentorship and networking programs in rural areas.

- **Washington State Department of Agriculture (WSDA) Rural Agriculture Accelerator**
  - Bring agricultural trade representatives from China, Japan, Mexico, and Taiwan to meet with approximately 50 small food and beverage companies.
  - Link companies with WSDA's foreign representatives and local trade specialists to receive individualized recommendations and training on food and beverage specific requirements for exports to the target markets.
  - Assist participating companies with developing individualized export marketing plans that incorporate information from the training and consultations.

- **Export Finance Lender Training**
  Enhance small business export opportunities through the state-supported Export Finance Assistance Center of Washington, which engages nationally recognized trainers to provide trade finance classes for small businesses and community bankers.

KEY RESULTS

STEP Program Results in Washington State 2011-2013

Overall Program Results	
Number of companies participating	446
Actual reported sales	$136 million
Forecasted sales (12 months)	$276 million
Export Voucher Program	
Number of companies that received an export voucher	195
Total number of export vouchers awarded (includes one company that received a voucher in Year 1 and Year 2)	249
Total $ awards obligated	$803,470
Actual sales reported by companies (not including export vouchers to Market Accelerator participants below)	$59 million
Forecasted sales reported by companies (12 months, not including Market Accelerator participants)	$102 million
Market Accelerator Program*	
Number of participating companies	131
Actual sales reported	$75.9 million
Forecasted sales reported (12 months)	$167.7 million
Agriculture Accelerator Program	
Number of companies participating	106
Actual sales reported	$900,000
Forecasted sales reported (12 months)	$5.8 million

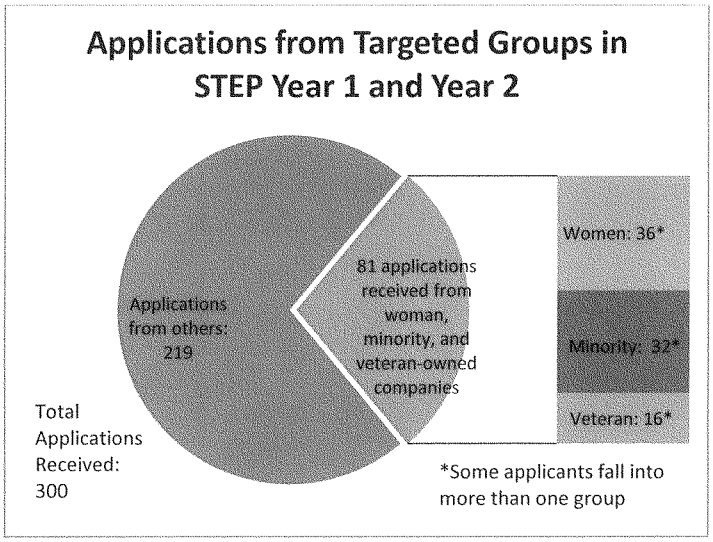
KEY RESULTS FOR CONGRESSIONAL DISTRICT #6 (2011-2013)

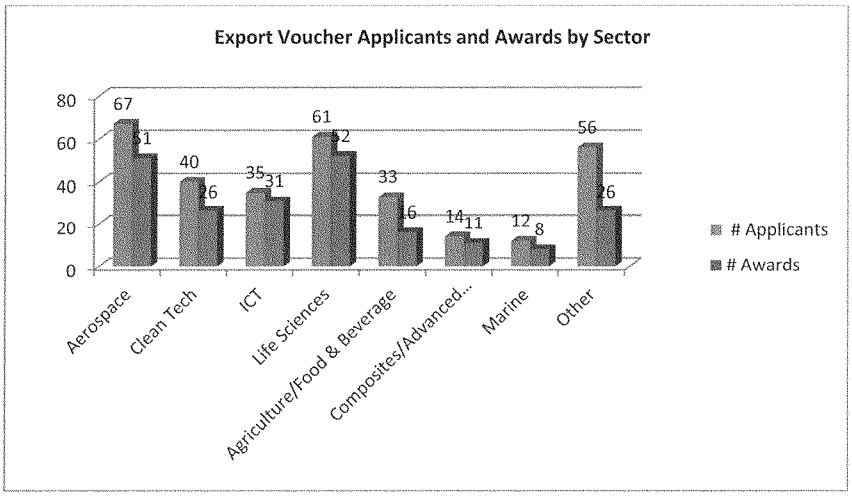
Total number of companies assisted	11
Actual sales reported	$985,000
Forecasted sales reported (12 months)	$9,810,000
Forecasted sales tax revenue and job growth	$432,000 60 jobs

KEY RESULTS FOR THE EXPORT VOUCHER PROGRAM IN DISTRICT #6 (2011-2013)

Number of companies that received an export voucher (includes companies that received a voucher in both Year 1 and Year 2)	6
Number of export vouchers awarded	10
Total $ awards obligated	$34,071

KEY RESULTS FOR THE EXPORT VOUCHER PROGRAM



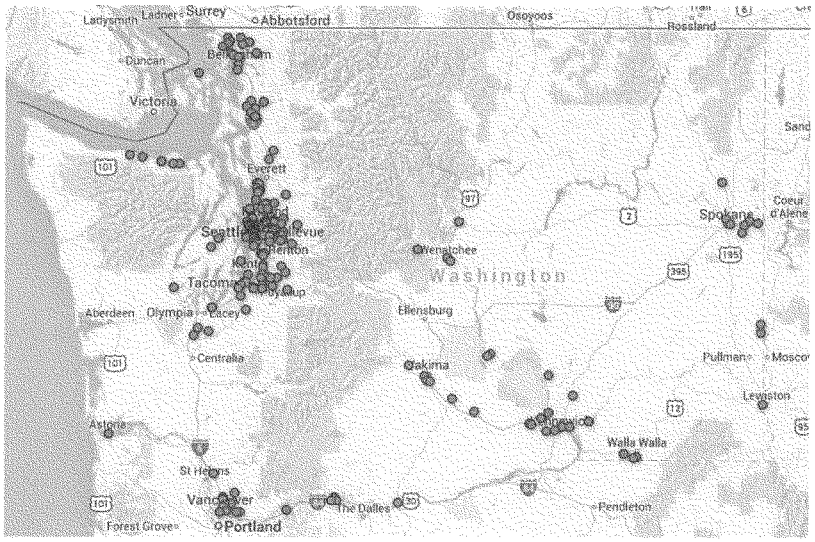


Congressional District #6 Businesses Assisted through the STEP Program

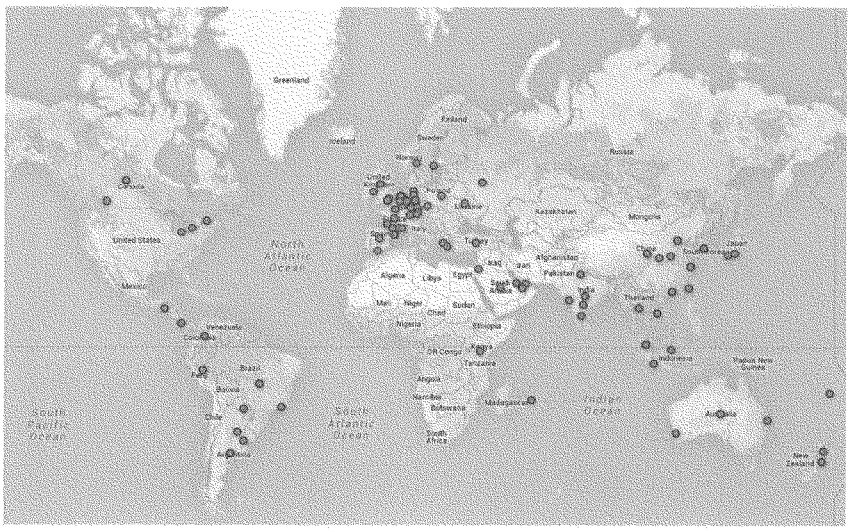
The companies listed below have expanded or launched their export strategy with the assistance of STEP-funded support

Angeles Composite Technologies Inc	Port Angeles
Armstrong Marine Inc	Port Angeles
Aseptica Inc	Port Orchard
Catalyst Energy Technologies	Port Angeles
General Plastics Manufacturing Company	Tacoma
Profile Composites	Bremerton
SAFE Boats International LLC	Bremerton
Luck's Company	Tacoma
Roman Meal	Tacoma
Columbia River Farms	Port Angeles
Purple Haze Lavender Ltd	Sequim

Geographic Distribution of STEP-Supported Businesses



Global Markets Targeted by STEP-Supported Businesses



TESTIMONIALS FROM BUSINESSES SUPPORTED THROUGH STEP

Businesses throughout Washington State that were supported by STEP funds to attend a trade show or export training seminar provided the following feedback about the program.

Farnborough Air Show
"The show and all the work that Commerce did for us exceeded our expectations. We wouldn't have gained any business from Farnborough without Commerce."

- **Robert Edmondson**
  Corporate accounts and business development manager
  MetalTech, Sumner, WA
  Turnkey manufacturing, fabrication and assembly

Latin American Agricultural Aviation Show
"The trip was extremely valuable generating 8 solid sales leads and a potential 4 new dealers/distributors....I would have rated the overall quality of the trip as excellent, if not for the general malaise expressed by every person we met with in Argentina over the difficulty of importing and growing inflation. Overall we met the business objectives of the trip and believe it will result in continued exports in South America. We are extremely humbled and appreciative of the export grant – thank you!"

- **Tom Welch, General Manager**
  Cascade Aircraft Conversions
  Garfield, WA
  Aerospace engineering, conversion and manufacturing

Technical Sales Training for Foreign Distributors
"Thanks for your support. It is good to know that our state and federal governments are behind us in developing this business."

- **Leonard Felix, President**
  CID Bio-Science
  Camas, WA
  Plant measurement instruments

TESTIMONIALS FROM BUSINESSES SUPPORTED THROUGH STEP

Governor's Trade Mission to India
"Wow, this was truly a great experience. The entire [Commerce] staff was incredibly helpful. Governor Gregoire walks the walk. She is a true champion of business for Washington."

- **Tom Hedger, President**
  Magnum Venus Plastech
  Kent, WA
  Composites equipment and solutions

Aircraft Interiors Expo
"I appreciated the STEP grant to attend this event. It was an excellent opportunity to connect with potential customers."

- **Steven T. Anderson**
  VP Sales and Marketing
  Commercial Aircraft Interiors
  Burlington, WA
  Aerospace parts manufacturer

Medica 2012
"We were able to have meetings with three German dealers, one Brazilian dealer and three Chinese dealers that were either provided to us through the Washington State Dept. of Commerce or were stopping by our exhibit."

- **David Garland, VP Sales**
  Simulab
  Seattle, WA
  Medical education products

Farnborough Air Show
"Building a new business, this trip was for introduction only. Commerce did an outstanding job pulling this together. We have made connections that over time will certainly lead to profitable opportunities."

- **Steve Kidd, President**
  Cimtech,
  Algona, WA
  Aerospace manufacturing

TESTIMONIALS FROM BUSINESSES SUPPORTED THROUGH STEP

Industrial Automation Show

"Not only was the STEP funding a great support to Delta's export efforts in marketing and business development in China, the contacts made with the U.S. Commercial Service branches in China through the STEP Program turned out to be very helpful for Delta to understand the local market segments and potential prospects! We had a good start with the STEP support. We wish the fund remains available so we could do it again for exporting to Brazil and China in 2013!"

- **Gan Li, Regional Sales Manager**
  Delta Computer Systems
  Vancouver, WA
  Industrial motion controllers, motion software, color sensors and accessories

Aerospace Defense and Supplier Summit

"The biggest value [of the Aerospace Defense and Supplier Summit) was to our branding. We received some media attention due to our business model. That attention came directly from our relationship with the Washington Department of Commerce."

- **Tom Brosius, General Manager**
  Orion Industries
  Federal Way, WA
  Manufacturing and supply chain solution

International Sales Trip

"WSDA introduced us to buyers from around the world, greatly enhancing our export program. Last year, they brought buyers from four countries to our vineyard. This is particularly helpful because when we can get buyers to see our operation first hand, it increases our opportunities for exports."

- **Butch Milbrandt, Co-owner**
  Milbrandt Vineyards
  Mattawa, WA
  Winery

TESTIMONIALS FROM BUSINESSES SUPPORTED THROUGH STEP

Export Training Seminar

"Three things that we learned from the Export Training Seminar [sponsored by Commerce through the STEP program]: We do know a lot about exporting, we have an antiquated financial model for exporting and there is assistance to open markets through the state of Washington."

- **Jeff Logosz, CEO**
  Slingshot Sports
  North Bonneville, WA
  Water sports equipment manufacturer

JEC Composites Show 2013

"I have been involved in many such events and the work and output/results provided by your staff were excellent. The State of Utah had a booth kitty-corner to ours, and their traffic and participation was probably one-tenth of the Washington booth! The entire Boeing Commercial senior team—Materials, Innovation Center & Technology—visited the booth and discussed opportunities with participants."

- **Geoff Wood, CEO**
  Profile Composites
  Bremerton, WA
  Advanced composites manufacturing

Mobile World Congress 2013

"Under the STEP program, Commerce did a fabulous job of bringing together small but growing companies under one roof at subsidized prices and a curated list of contacts via services like business matchmaking to explore business. Out of 50 states in the USA, Commerce was the only one out there supporting small companies."

- **Ruchit Garg, CEO**
  9Slides
  Redmond, WA
  Cloud-based presentation platform

Mark Calhoon
206-256-6137
mark.calhoon@commerce.wa.gov

Mark Calhoon is Senior Managing Director for the Business Services Division, with the Washington State Department of Commerce. He has worked with Commerce since 1990, assisting Washington companies to increase export sales and attracting foreign business investment to Washington State. He manages Commerce's team of industry focused trade counselors, and network of foreign representatives.

He serves on several boards, including the Japan America Society, the Trade Development Alliance of Greater Seattle and the Export Finance Assistance Center of Washington.

Previously, he worked for the Weyerhaeuser Company, and lived overseas for 11 years while working on a multi-national supported rural economic development project in the South Pacific.

He is a former Peace Corps volunteer and holds a bachelor's degree from Iowa State University in forest resource management and communications.

Chairwoman CANTWELL. Thank you, Mr. Calhoon.

And now, we will hear from Ms. Verdon. Thank you for being here, as well.

STATEMENT OF JENNIFER VERDON, MANAGER OF INTERNATIONAL BUSINESS, IDAHO COMMERCE DEPARTMENT, BOISE, ID

Ms. VERDON. Thank you. Thank you, Chairwoman Cantwell and Ranking Member Risch, for providing me and, with that, the State of Idaho, the opportunity to testify today on the benefits of the STEP Program. And, also, I would like to thank you for your efforts in trying to secure permanent export funding for the program.

My name is Jennifer Verdon and I am the manager for the International Business Division at the Idaho Department of Commerce. My team's main focus is to support Idaho's small and medium-sized Idaho companies in their export efforts.

For the first time ever, commerce companies, and with that I mean non-agricultural companies, had the opportunity to receive export funding through the STEP Program since 2011. The impact of STEP in Idaho is very significant. Small companies in Idaho are the backbone of our economy, and according to the SBA, they create more net jobs than any large or medium-sized companies. Ninety-six-point-eight percent of all employers in Idaho are small companies. Two-hundred-and-eighty-thousand jobs are supported by small businesses in Idaho. To illustrate further how small our companies are, 75 percent of these small businesses have less than 20 employees.

On the trade side, exports and imports support 190,000 jobs in Idaho. Given that 80 percent of the world's purchasing power lies outside of the United States, it is extremely important that small businesses diversify their customer base if they want to stay in business and continue to grow.

Now that I have painted a picture of the small business environment in Idaho, the question remains, why do we need funding? Why do we need the STEP Program? The short answer is that exporting is more costly, it is riskier, and the sales cycles are much longer, meaning it takes longer to find partners and to find customers and to close the deal. A lot of small companies simply cannot take the risk or build the marketing budget to fund their exports.

The State of Idaho has received STEP funding from SBA for two years and we have submitted the grant proposal for the third year. In year one, we received $292,000, and of that, we used 47 percent for sub-recipient grants. In year two, we received $405,000, and of that, we used over 89 percent for sub-recipient grants. Other activities funded through the STEP include trade shows, Governor-led trade missions, and inbound buying delegations. All of these are activities that are part of our usual suite of services, but with the STEP funding, we are able to provide more opportunities and more activities to small businesses.

The results of STEP in Idaho are a testament to the success of the program. In two years of STEP, we have funded 110 companies. Over 18 percent of these companies were new to exporting, and 72 companies used the grants to break into new markets. The

ROI of year two is 35-to-one, which translates into $12.7 million of actual export sales.

In my written testimony, you can find two examples of Idaho companies. Right now, I am going to just talk about one company, due to time.

Wild Touch Taxidermy is one of many examples that would have not been able to expand internationally the way they have if it had not been for the STEP Program. Wild Touch Taxidermy is a small, family-owned business, and as the name gives away, they prepare, stuff, mount, and sell animals, all kinds of animals. Their exporting interest was awakened when my team arranged for them to meet with Taiwanese buyers. However, in order for companies to close the deal and find partners, it is essential for them to travel. This would not be possible for Wild Touch Taxidermy if it was not for the STEP grant.

Just recently, Wild Touch Taxidermy, their owner, traveled to China with a Gold Key through the U.S. Commerce Service, and when he returned, he already had a sale of $30,000. That is an ROI of 12-to-one in the first week of his return of completing his project, and he is still negotiating sales.

In closing, I would like to point out that less than one percent of all U.S. companies are exporters. We cannot not support exporting. Education and export counseling are necessary components, but without the funding, a lot of companies cannot execute.

Thank you again for this opportunity, and thank you again for promoting permanent export funding.

[The prepared statement of Ms. Verdon follows:]

Testimony of

Jennifer Verdon, Manager of the International Business Division of the Idaho Department of Commerce

June 18, 2014

Thank you Chairwoman (Maria) Cantwell and Ranking Member (Jim) Risch for providing this opportunity to testify on behalf of the State of Idaho and the benefits of the State Trade and Export Promotion Grant Program (STEP). The State of Idaho appreciates your efforts in securing permanent export funding for Idaho's small companies.

My name is Jennifer Verdon and I am the Manager for the International Business Team at the Idaho Department of Commerce. My team's core focus is to assist and support Idaho small to medium size businesses in their international expansion efforts. In the past two years we had the unique opportunity to use federal funding provided by the Small Business Administration in form of the so called STEP grant to provide additional resources and funding to our small companies to enhance export sales and job creation. This is the first time that export funding was made available to non-agricultural product and service companies.

The STEP grant funding administered through the Small Business Administration (SBA) has had a significant impact on the small business community in Idaho. To paint a clear picture of Idaho's economy,y I'd like to point out a few facts and figures. Small businesses in Idaho represent 96.8 percent of all employers. Over 280,000 jobs in Idaho are supported by small businesses and 75 percent of the small businesses in Idaho have less than 20 employees. Trade (exports and imports) supports over 190,000 jobs in Idaho. The backbone of Idaho's economy consists of small businesses and without looking abroad and expanding internationally the small businesses are not diversifying their customer base and are putting themselves at a bigger risk of stagnating or decreasing their sales. Keep in mind that 80 percent of the world's purchasing power lives outside the U.S.

The services provided by the Idaho Department of Commerce to small businesses that want to start exporting or are looking for new markets include: export education, consultations, trade show support, Governor-led trade missions and foreign inbound buying delegations. The state of Idaho also has three trade offices in Taiwan, China and Mexico to provide on the ground support to companies and in addition to these offices we have a close working relationship with the federal US Commercial Service. Yet, without STEP funding fueling our pipelines with companies, specifically small ones, it is almost prohibitive to start exporting due to the high costs of expanding internationally and the risks associated with tight cash flows of small companies. In the past, most companies that have made use of our services were established exporters that have the

marketing budget and experience to confidentially pursue new markets. A further hurdle is legal protection of patents and trademarks that is costly and seems like the icing on the cake to not pursue international markets for small businesses that have problems protecting themselves in their domestic market.

The State of Idaho has received STEP funding for two years and has submitted a grant proposal for the fiscal year 2014-2015. The funding has made a significant impact on small businesses that were not able or found the above mentioned hurdles too risky and prohibitive to start exporting or continue international expansion efforts. In the first two years the State of Idaho was awarded $292,000 and $405,128. Sub-recipient grants reflected 47 percent in year one and 89.6 percent in year two of the total awarded funds. Other activities that were partially funded by STEP included trade shows, trade missions and inbound buying delegations to make additional opportunities available with a lower price tag. The sub-recipient grants are available to small companies that have put together an export marketing plan via a grant proposal. Each company can only receive up to $10,000 of total awards within a given fiscal year and we require the companies to match their award by 50 percent to ensure the company is putting forward their best efforts.

Since receiving the STEP money, we have funded a total of 110 small companies' export promotion activities. Over 18 percent of these companies were new to exporting and initiated their first export activities and sales due to the program. Furthermore, 72 companies used the grants to enter into new markets. In year two of STEP, we have so far tracked an ROI of 35:1 which translates into over $12.7 million export sales.

Success stories are abundant for this program, but addressing the hurdle of financial risk concerning becoming an exporter, Wild Touch Taxidermy from Meridian, Idaho is a great example of a small family owned business with two full-time employees. As the name of the company indicates, it is a taxidermy shop that prepares, stuffs, mounts and sells all kinds of animals. The company was approached by an Idaho Department of Commerce employee to engage them in exporting to Taiwan through our trade office in Taipei. The company has put great efforts forward concerning foreign buyers that visited Idaho but it wasn't until the STEP funding was available for them to use the money to participate in a trade show in Taiwan that they started showing bigger export sales numbers. As an exporter, it is imperative to travel and meet with potential business partners to establish good relationships. As a recent example the owner has just returned from a sales trip to China for which he used STEP funding and has already realized $30,000 in sales with more orders being negotiated. This sub-recipient grant achieved an ROI of 12:1 within the first week of execution and more sales are to come.

Another individual success story is Pro Moto Billet who is a small company in Nampa, Idaho who has 16 employees. The company designs and manufactures aftermarket products for off-road motorcycle riders. Pro Moto Billet has become active with the Idaho Department of Commerce through an export education program nationally called ExporTech. In conjunction with other motorsport companies we have used STEP

funding to bring Australian buyers to Idaho to familiarize them or strengthen relationships with the Idaho companies. As a follow up the group of companies took advantage of the American International Motorcycle Expo (AIMExpo) in Orlando, Florida. Again the STEP funds set off some of the Idaho pavilion booth costs for the participating companies and Pro Moto Billet was able to close further deals with foreign buyers and specifically the Australian dealers and distributors. In 2013, the Australian market brought sales of over $51,000 to the company. The owner of Pro Moto Billet also stated that he would have not committed to the AIMExpo if it hadn't been for the STEP funding since the show was too unknown for them and a risky venture.

According to the SBA small companies create more net jobs compared to medium to large companies. Yet, less than one percent of all US companies export. We can't afford to not support export efforts of small companies to strengthen our economy and create more jobs. Providing export training and education is an important and necessary component to raise the comfort level of companies concerning international business. Yet, it's also necessary to create funding opportunities to assist small companies' international expansion efforts while not putting big holes in their miniscule marketing budgets.

Idaho's small companies that have made use of the STEP program are great proponents and advocates. Many new companies that we have not been aware of or had the chance to work with are contacting us to inquire about the grant program. Adding small companies to our pipeline of services to educate them, counsel them, provide market opportunities and ultimately offer funding to them to execute their export plans has been a proven success.

The state of Idaho can't emphasize the importance of the program enough and is in full favor of the continuation of STEP funding. Thank you for the opportunity to advocate for the program and I would be happy to answer any questions you may have.

Jennifer Verdon

International Business Manager, Idaho Department of Commerce

Since November 2013, Jennifer Verdon has served as the Manger of the International Business Division of the Idaho Department of Commerce. With over seven years of international business experience, Ms. Verdon currently oversees the State Trade and Export Promotion (STEP) grant program in Idaho.

Prior to Ms. Verdon's role as Manager of the International Business Division, she served as an International Trade Specialist and an International Trade Analyst for the International Business Division of the Idaho Department of Commerce. Currently, Ms. Verdon develops and implements strategies that assist businesses in Idaho with improvement and expansion of international trade. She advises on current developments in international business conditions, assists foreign entities with Idaho Department of Commerce services, and implements programs oriented to develop Idaho exports and attract international investment. In addition, Ms. Verdon matches Idaho companies with foreign business partners through the assistance of Idaho's trade offices in Mexico, China and Taiwan. She manages the International Business Division's budget, and facilitates government communications with state, federal, and foreign offices including the State of Idaho Governor's office.

During her tenure at the Idaho Department of Commerce, Ms. Verdon co-wrote the State Trade and Export Promotion (STEP) Grant in 2011 and 2012. She managed ten companies' Market Access Grants to be used for export promotions which entailed project supervision and fiscal reports. She generated the 2012 year-end report to the SBA and oversaw the generation process of the STEP grant proposal in 2014.

Outside of Jennifer Verdon's role with the Idaho Department of Commerce, she has strong affiliations within the greater Idaho community, particularly with the Idaho District Export Council (IDEC), a volunteer-based organization to support Idaho exporters and create learning and networking opportunities related to international businesses. Since 2008, Ms. Verdon has served as a representative on the IDEC and currently holds the position of Vice Chair for the IDEC 2014. From 2012-2014, Ms.Verdon served as the Treasurer for the IDEC.

In addition, Jennifer Verdon is Alliance Partner of Idaho Powersports, a group of companies within the power sports industry and strategic partners that pursue common goals. Furthermore, Ms. Verdon is a Partner of Export Excellence (ExporTech). She participated in a three-month program for Idaho companies through ExporTech with the assistance of export experts, services providers and interns to develop a focused export plan for Idaho.

Ms. Verdon holds an Associate's Degree in Business and English from Wirtschafsgymnasium Goppingen in Goppingen, Germany and a B.A. in International Business from Boise State University in Boise, Idaho.

Chairwoman CANTWELL. Thank you, Ms. Verdon. We appreciate that.

We will now turn to our last witness before questioning, Mr. Hendrix. Thank you for being here.

STATEMENT OF W. DAN HENDRIX, PRESIDENT AND CHIEF EXECUTIVE OFFICER, ARKANSAS WORLD TRADE CENTER, UNIVERSITY OF ARKANSAS, ROGERS, AR

Mr. HENDRIX. Thank you very much, Madam Chairwoman, it is a pleasure to be here, and distinguished members of the committee. I appreciate the opportunity to testify before this committee to tell you some real stories about how the STEP Grant Program has been beneficial to the State of Arkansas.

I am Dan Hendrix and I am President and CEO of the World Trade Center Arkansas, and we are the designated trade organization for the State by the Arkansas Economic Development Commission. And, because of that, we have been the recipient of the State STEP grant funds for the first two years, approximately $886,000.

This enables us to help the Arkansas small to medium-size companies, and I emphasize that, as the other testifiers have, that it is very important for our small to medium-size companies to have the benefit of the STEP funds because of the resources that they do not have for their businesses to expand in exporting.

Our rate of return for the STEP grant has been approximately 40 percent. We have assisted over 45 Arkansas companies, and those companies have reported thus far over $28 million of increased export business over the last two years.

Now, we know that the time frame for trade execution is sometimes long, so the residual effect of the STEP money that we have provided these Arkansas companies will be ongoing and long-lasting, because it takes sometimes 12 to 16 to 18 months to execute a trade deal and to get revenues flowing. So, it is important that this program continues, not only the fourth year but on, and hopefully permanent funding.

Several companies that we have assisted have added jobs, and many of those have retained jobs, because it is important not only to add jobs, but also to keep those jobs.

The trade promotion activities, we do outbound trade missions. We also have inbound trade delegations coming in. And, this is important because these companies have been able to benefit from the Gold Key Service through the Department of Commerce. And, a lot of times, these companies would not have gone on these trade missions. They would not have attended these trade fairs or these trade shows without these funds being available. It is just a simple matter of economics.

And, so, with that, we have helped our Export Assistance Office in Little Rock to be very—to benefit from the STEP money, too. So, this money actually has gone back into the Department of Commerce funds by utilizing the Gold Key Service.

We have also established the Arkansas Chapter of the Organization for Women in International Trade, which is growing significantly. Also, the FITT program, which is the Forum for International Trade Training.

These gentlemen and the lady have also talked about how important education is, and it is important that we help these companies to understand what it is to be in the export marketplace, and that way, this trade training that we offer through Export University, through the Export Assistance Office, through SBA, and through Ex-Im Bank is very important.

The impact and value of STEP funding is certainly measurable. I think all here at this table have certainly reiterated that it is a measurable opportunity and the statistics will speak for themselves.

The small to medium-size companies that we have talked about continue to miss global opportunities, and there are four things that a STEP grant really helps to do, and four things that are very important to exporters, and that is evaluating the market potential, and to evaluate market entry constraints, evaluate market competitiveness, and to seek distributors and agents. The STEP grant helps provide opportunities for all of those.

Again, thank you, and I appreciate this opportunity.

[The prepared statement of Mr. Hendrix follows:]

Written Testimony of
W. Dan Hendrix, President& CEO
World Trade Center Arkansas

Before the Senate Committee on
Small Business and Entrepreneurship

"Growing Small Business Exports,
Growing U.S. Jobs"

June 18, 2014

Madam Chairwoman and Distinguished Members of the Committee,

Good Afternoon.

The World Trade Center Arkansas is the international trade organization for the state as designated by the Arkansas Economic Development Commission to promote job creation and assist Arkansas companies to expand export revenues. The STEP Grant has been beneficial to Arkansas companies by enabling the WTC AR to increase its trade-export activities and make strides toward doubling U.S. exports over five years. In addition, continued funding will allow WTC AR to support Arkansas companies that might otherwise be financially precluded from activities necessary to increase their global competitiveness.

Since 2011, the STEP program has provided $30 million annually to state trade offices to directly assist small-and-medium-sized enterprises enter and expand into new export markets. The State of Arkansas has directly benefitted from the program, having received $886,235.00, and produced over $28 million in export sales from the 40 companies that participated in the STEP grant. The return on investment for the Arkansas grant awards equate to 40%. This is what is reported so far, however, many of the companies have contracts pending and will secure export revenue production over the next few months. Several of those companies have received, or are in the process of securing, SBA guaranteed financing to support the growth they are experiencing as a direct result of the program, and several are attempting to secure trade financing from EXIM Bank.

The STEP program has positioned state trade offices like the WTC AR to positively impact the nation's small businesses by enhancing the export assistance services that they receive. According to the U.S. Department of Commerce, 48% of all U.S. economic growth in 2012 was attributed to exports, and according to a 2006 World Bank Study, the global return on investment for each dollar spent on export promotion is 40:1. Across the board, states are experiencing that same success.

The World Trade Center Arkansas has efficiently and meticulously awarded these STEP grant funds in keeping with its purpose and mission over the two years of this initiative. Arkansas exports are up 28% over the years of this grant representing over $3 billion more in revenue.

WTC AR Trade Promotion Activities

WTC AR's trade specialists represent and promote Arkansas businesses' products in trade shows around the world. STEP funds have also enabled Arkansas companies to attend numerous trade shows. During STEP's first two years, WTC AR coordinated outbound trade missions to India, Brazil, Colombia, Romania, and ASEAN nations including Thailand and completed multiple trips to Panama and China.

STEP funding supported SMEs AffiniTech and Safe Foods' attendance at a poultry trade show in Atlanta and the attendance of two companies (Power Technology and Conway Machine) at trade shows in Germany. Galley Support Innovations used STEP grant funding to attend an Aviation Trade Show in Geneva, Switzerland; Modern Chemical used STEP grant funding to attend the Aero India Show in Bengaluru, India; STEP grant funding also assisted Eland Foods with Trade Show expenses in Seoul, Korea; Pacific Vet Group with expenses for the VIV Poultry Show in Thailand; PerioSeal was assisted with expenses for a trade mission to Peru; Mountain Valley Spring Water received assistance to attend a trade mission to China; Omega Solutions attended a trade show in Dublin, Ireland; Arkansas Industrial Computing attended the Railway Supply Institute Trade Show in Washington, D.C.; Next Gen Illuminations was assisted with trade a mission to Colombia; and ReBounces attended the PTR Symposium in Vancouver, Canada.

The World Trade Center Arkansas hosted incoming trade missions from Panama, Mexico, China, Indonesia, Vietnam and Nigeria. Another incoming trade mission welcomed Ambassador Siddiqui, Chief Agricultural Negotiator with the rank of ambassador at the Office of the U.S. Trade Representative, at a luncheon attended by multiple representatives of the Arkansas Poultry Industry. Topics of discussion were trade barriers and increasing Arkansas poultry exports. We also hosted the Consul Generals of both the United Kingdom and Canada. The reverse trade missions show that successful business relationships are being developed and continued funding will secure the export potential.

Additionally, the WTC AR founded the local chapter of OWIT (Organization of Women in International Trade) to support the growing number of small businesses owned or lead by women seeking to enter or expand the globalization of these businesses. Our OWIT Chapter hosts and facilitates quarterly meetings and has the honor of welcoming the National President of OWIT as a guest speaker at the anniversary celebration.

WTC AR Education Initiatives

WTC AR conducts seminars that introduce businesses to global trade and familiarize them with the resources and opportunities in export markets; in these seminars, participants learn general information about how to export products and services, including best practices in documentation, selecting target markets, risk assessment in international business, resources to use if problems arise while in a foreign country, developing a market presence in another country, using the Internet for market research, international contracts, intellectual property challenges, and government protocols. Workshops also present the challenges of inter-country financing and help businesses learn how to choose the right bank, establish letters of credit, obtain proper financing, and establish financial plans for international commerce.

Recurring workshops target women-owned small businesses and offer FITT (Forum for International Trade Training), an international trade training and certification body that sets standards for

international trade certification programs and that offers the well-recognized FITT International Business Professional (FIBP) degree and diploma to all trainees who successfully pass FIBP exams.

The WTC AR hosts training programs with the DOC in which business owners learn the basics of exporting, how the DOC's Gold Key Services support businesses, how to use letters of credit, how to manage the logistics of participating in foreign trade in particular locales, how to secure financing, and how to "globalize" business websites.

As part of the University of Arkansas, the World Trade Center assisted with the following education initiatives:

- Sam M. Walton College of Business: Certification Program--Certificate of Excellence for Entrepreneurship and Global Supply Chain in conjunction with the University of Panama--training 50 students
- Sam M. Walton College of Business: MBA Program--Panama
- University of Arkansas: 150 Panamanian students recruited and attending fall semester

The World Trade Center is also working with Dale Bumpers College of Agricultural, Food, and Life Sciences to create a STEM Program which includes the College of Engineering. These Education initiatives with the University of Arkansas are increasing the number of professionals graduating with international trade knowledge and experience which will support future generations of international trade for the state.

Impact and Value of STEP Funding

The long-term effects of training, trade missions, and exposure to new markets will continue long after the initial action. The STEP grant was in large part responsible for the reversal of a negative trend in Arkansas exports (which decreased from 2008 to 2010 by 10%) and will be instrumental in keeping the positive momentum. The impact on jobs and revenue is very important to continued economic development for Arkansas, especially in the economically depressed Arkansas Delta.

Full appropriation and reauthorization of the program will ensure continued growth in the nation's global competitiveness and, above all, create sustainable jobs in Arkansas and America.

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UNIVERSITY OF ARKANSAS



W. Dan Hendrix, President and CEO of the Arkansas World Trade Center, has had a diverse career in transportation, import/export operations, marketing, development, logistics, administration and consulting. Prior to this, Dan was on the team to raise over one billion dollars for the University of Arkansas in the Campaign for the Twenty-First Century, as Director of Corporation and Foundation Relations.

Dan began his career in 1969, as a management trainee with ABF Freight System. In 1975, he established a new subsidiary to transport ocean containers to and from major ports in the U.S. and throughout the world. He operated several terminals and expanded import/export operations to all U.S. ports of entry. He held the title of President/CEO and Chairman from 1979 – 1986, before the company merged with Trans-States Lines. For the next 13 years, he continued with Trans-State Lines, Inc. and held the position of Senior Vice President in two areas within the company.

Before joining the University of Arkansas, he was Senior Vice President and General Manager of an Oklahoma transportation company involved in U.S., Mexico and Canadian transportation in addition to providing transportation consulting services.

In October 2006, Dan was appointed to the position of President and CEO of the newly established Arkansas World Trade Center, part of the University of Arkansas and a member of the World Trade Center's Association, the ARWTC connects Arkansas to the world by providing international trade services to companies, individuals, and agricultural producers and by educating students in global commerce.

Dan is a native of Arkansas. He attended the University of Arkansas and Arkansas State University, he holds a Bachelor of Science in Business Administration with minors in Marketing and Management. Dan also served in the U.S. Air Force and Air National Guard. He and his wife, Marilyn, have four children and five grandchildren.

Professional and Community Affiliations

Honorary Consul of Panama
Northwest Arkansas Council
Rogers Lowell Chamber of Commerce Board of Directors
Past Chair - Arkansas District Export Council
Walton College Dean's Executive Advisory Board
U.S. House of Representatives Page Alumni Association
Washington Regional Medical Foundation Board
Fayetteville Chamber Board of Directors
Accelerate Arkansas Board of Directors
Sigma Nu Housing Board University of Arkansas Fayetteville
Adjunct Professor Sam M. Walton College of Business

Chairwoman CANTWELL. Thank you very much, Mr. Hendrix, and that was very well said. I like the way that both you and Ms. Verdon categorized in very specific terms the risk factors involved in trade, so thank you. Thank you both for that.

I am going to turn to Ranking Member Risch for a statement, if he would like to make it——

Senator RISCH. Thank you.

Chairwoman CANTWELL [continuing]. And then we will start questions.

OPENING STATEMENT OF HON. JAMES E. RISCH, RANKING MEMBER, A U.S. SENATOR FROM IDAHO

Senator RISCH. Thank you, Madam Chairwoman. I join you in welcoming all of our guests here today.

This is certainly an important endeavor for the Small Business Committee. I think that most Americans are aware that trade business is important. I think probably what they are not aware of is how difficult it is for small businesses to do this. If you are a big company, you have an army of lawyers and consultants and what have you to help you do this, but for a small business, it is very, very difficult.

I think, secondly, something that most people really do not realize is how important it is, particularly in targeted industries, to participate in trade shows and trade conferences that go on in different parts of the world if you are going to offer your products and services in that regard. And, again, it is prohibitive in most situations for small businesses to participate in that. Yet, we have seen through this pilot program how the returns have been very substantial for investments that were made there.

So, I am happy to be a participant with the Chairwoman as we move forward with trying to get this program on a better track than it is. I think everybody hears about the toxicity back here and how nobody is working together. Well, the Chairwoman and I are both all in on this program, and the only issue that we are trying to resolve is the funding issue, which seems to be the one that divides us on everything.

But, nonetheless, having said that, we have a good general agreement, I believe, on how this should be done, and we have got our very competent staff working on finding the funds to do this and I am confident that we are going to be able to do that.

So, thank you, Madam Chairwoman. Back to you.

Chairwoman CANTWELL. Well, thank you. And, again, I want to thank Senator Risch, because we have been working on this. I think you and I see eye-to-eye on how important this is, and I do not know if that is a Northwest perspective, with our two economies being so focused on trade, but your leadership has been very helpful on this and I certainly enjoyed going to Idaho. And, I thought one of your business leaders said it best when he said, exporting is not for wimps.

[Laughter.]

I think that what he meant was that you need to have a real stomach to go and approach these market opportunities. So, we had a lot of good testimony from people from both our states.

Senator RISCH. We did, Madam Chairwoman, and again, I am not familiar with every State, what they do in that regard, but certainly, Idaho, through the Department of Commerce and the State of Washington, the things I have heard, they are also all in on the efforts that we are making here, particularly for the small businesses, and we thank you, certainly, for those efforts.

Chairwoman CANTWELL. Good. Well, let us turn to some questions, and I did want to follow up on trying to characterize the benefits of the program in specific terms. Obviously, as my colleague just said, we see the benefits of it very clearly in our States, but maybe not all our colleagues do. You clearly articulated that there are risk barriers to trade, Ms. Verdon, and you talked about high costs, high risk, obviously very small marketing budgets, and the smaller you are, the less experienced team of people to assess those opportunities.

So, the first three of you and Mr. Hendrix, I wanted to see if we could get some comment about whether you were exporting before using the STEP Program. So, is the STEP Program just providing that extra incentive that is helping businesses focus on this? Is that what it does? It just breaks down that risk barrier?

Mr. HAHN. Senator, I do not know if it is necessarily—I guess, here is my feeling on it. I think what the STEP Program does is it allows us to take our dreams and formalize those into actions. You know, as was stated earlier, we did not have a lot at our disposal in terms of technical expertise, in terms of, you know, money to actually go overseas. We were doing very well at home, and we are actually very satisfied, I mean, because Boeing being one of our largest customers, we thought—we were very content.

And, I think when we were approached by this program, that all of a sudden, I think it just turned a light bulb on, and as I said earlier, it allowed us to take those dreams—because we had already always talked about, someday, we were going to go overseas. Someday, we were going to be this great exporter of materials. And, as I think this gentleman said earlier, you know, we were doing some international, but it was coming through distributors that were based in the United States that were actually selling to people overseas and they were utilizing our products in the mix, but we never saw the actual end customer and we never really engaged in that actual end customer.

And, so, this program gave us—opened that door. It allowed us to not only see and talk to that end customer, but to create a relationship that ultimately culminated in a very strong sales pipeline.

Chairwoman CANTWELL. And, so, you would have just waited until a later point in time to create an export strategy, or it just gives you the ability—you had one in mind, but you just could not—you did not have the resources to execute on it.

Mr. HAHN. We did not have the resources to execute on it. And, as I said, you know, yes, to answer your question, we would have probably just waited. We would have looked for secondary opportunities through companies based in the United States that were doing business overseas and probably would have been content with that for a while. But, gladly, or thankfully, this program came along, and I think not only jump started our efforts, but I think we are doing great because of it now.

Chairwoman CANTWELL. Good. Mr. Tyler or Mr. Campbell, do either of you want to add to that?

Mr. TYLER. Certainly, we will agree with it. We had an export plan that really had no timeline that went with it. We knew that if we wanted to do something like an air show or a large trade show, that would be a $14,000 ticket just to get in the door, and then we would have travel expenses, and then we would really need to have some representation over there to follow through, and those are all high-dollar and high-time involvements. And, we really did not know what we were doing, so we needed some help from professionals, and, of course, they needed funding.

I spoke that some of the help that we had from the New Hampshire International Trade Resource Center is partly also a result of the STEP funding. So, we were going to get nowhere, probably, without this. Of course, this brought the cost down significantly for us to get in the door, and at the time, we were maybe 60 people when we really started kicking off. We are about 120 now, and as I have said, about 22 of that is from the export sales that we do today, and that is something we normally can afford.

That is why I was happy to say in my testimony that the things we are doing today are not requiring continued STEP involvement. So, a success as I see it.

Chairwoman CANTWELL. You are a STEP graduate.

Mr. TYLER. There we go.

[Laughter.]

Chairwoman CANTWELL. Mr. Campbell.

Mr. CAMPBELL. I echo those comments, but I would also add that the STEP Program accelerated our path to entering the global market. I tried it on my own in the past. It took a little bit of effort to try to get there, and I could tell that it was going to take a lot longer without some type of help from professional resources and the networks from our State VEDP and SBDC, the things that they have put in place for us, the training, the other resources. So, it is not just about the money. The money is the means to the end. But, as an entrepreneur, I like to take that money, invest it into the business, and see the business grow, and we have already started to see some return on investment in a short time.

Chairwoman CANTWELL. Great. Thank you. Thank you.

Senator Risch.

Senator RISCH. I will yield to my distinguished colleague, Senator Shaheen.

OPENING STATEMENT OF HON. JEANNE SHAHEEN, A U.S. SENATOR FROM NEW HAMPSHIRE

Senator SHAHEEN. Thank you very much for holding this hearing and for the effort to reauthorize the STEP Program.

And, I want to welcome Don Tyler from Corfin Industries in New Hampshire. I have had the opportunity to visit Corfin and I have seen the impressive services they provide to so many industries and really hear firsthand about the difference that the STEP Program has made for you all.

I think you pointed out that you have been able to add 22 additional employees as a result of the program, which I think is very

impressive, and it speaks to the importance to small businesses and why we need to provide this assistance for exporting.

You know, one of my favorite statistics is that 95 percent of markets are outside of the U.S., but only about one percent of small and medium-size businesses do business outside of the U.S. So, that says it all when it comes to why this program is so important.

Madam Chair, before I ask my questions, I just wanted to enter into the record a letter that I received from the Program Manger of the International Trade Resource Center of New Hampshire which speaks to the importance of the STEP Program and also the concern about the match percentage, which I know has been under discussion. But, for small States like New Hampshire, being able to maintain the 25 percent State match is really important, because we have fewer resources, fewer employees who can help our small businesses.

So, I would like to enter this into the record and just point out that one of the statistics she cites in this letter is that in 2013, New Hampshire actually had the highest percentage increase in exporting in the country and how important the STEP Grant Program was to making that happen. And, one of the real benefits we were able to accomplish through the program, which, Don, you may have spoken to in your testimony before I got here, is the Aerospace and Defense Export Consortium, because that has provided a real opportunity for so many businesses in the State.

So, if I could enter that into the record.

Chairwoman CANTWELL. Without objection.

Senator SHAHEEN. Thank you very much.

So, Don, I wonder if you could talk about—you talked about the number of employees you were able to add as the result of the exporting that you have done. Can you also talk about how STEP helped in terms of building relationships with future customers and how you see that playing a role in your increased exporting.

Mr. TYLER. Certainly. The previous efforts we had made to try to get into export, mostly Europe, had been speaking engagements at technical conferences, and, of course, that is a once-a-year event and you can persuade somebody that you have got a great product, but if you do not really have a presence there, you are quickly forgotten, and I think that was our biggest issue, is we needed to be there more often. We needed to have representation.

The goal of—or, the effort of trying to find representation was a little beyond us. We really did not know where to start, and again, the International Trade Resource Center and the Commercial Service, the U.S. Commercial Service that did the Gold Key Service, that was our primary goal with those Gold Key Services, was to try to find good reps.

We succeeded in the U.K., Spain, France, and Italy so far, and we are still looking in Germany. So, by having those folks there, of course, in the same time zone, so when somebody wants to pick up the phone in the morning, they are able to talk to somebody other than waking me up on a mobile phone and I am a little groggy.

But, they are having that familiarization. They are having people that come and visit them once a month and talk about new developments that are happening back at the factory. We take those

reps to our factory so that they keep educated on what we are doing, as well. And, of course, all that business does come into New Hampshire. None of the services are actually performed outside of the State of New Hampshire.

Senator SHAHEEN. And, can you—you may have said this in your testimony, but how much have you seen your export growth expand since getting the STEP grant and really making a full-blown effort at exporting?

Mr. TYLER. I think we started at about 1.3 percent of our overall revenue was from outside of the U.S. about three years ago, and now, we are 12 or 13 percent, and that is growing at a nice rate. But, what is more important is that is not 12 or 13 percent of the same overall revenue. The overall revenue has grown 30 percent in that period of time, too, so we are doing pretty good. But, that is a big part of it right now and I am confident this time next year I will be bragging about some big things that are in the works right now.

Senator SHAHEEN. Good. Well, hopefully, we can get this reauthorization done and that will help.

Mr. TYLER. Please.

Senator SHAHEEN. Mr. Calhoon, you mentioned the importance of cooperation between State and Federal entities in helping small businesses export. A couple of years ago, my colleague from New Hampshire, Senator Ayotte, who was at that time on the Small Business Committee, and I hosted a hearing of the committee in New Hampshire and we heard from New Hampshire businesses, and that is one of the things we heard from officials in our Trade Office in New Hampshire and from some of the small businesses, that there would be real benefit to having more cooperation between States and the Federal level in trade initiatives.

You talked about putting—I think what you said was putting the State person on some of the Federal committees. Is that what you are suggesting?

Mr. CALHOON. The solution we came up with in Washington was in our office in Seattle is to co-locate with the U.S. Export Assistance Center. We have an Ex-Im Bank representative in Seattle. We have an SBA Export Solutions Regional Manager, and then a Washington State Export Assistance Center. So, we are all co-located.

You know, those companies can speak to this. I think we overwhelm them with material and they are confused, I think, oftentimes, about what all these different programs are, what is the best one for them, where should they fit in, and I think when we can coordinate all of our efforts and put it together—we formed a Washington Export Outreach Team last year in our State and launched our first event on Monday this week, so we are starting a series of day-long Export 101 programs around the State that all of the State and Federal agencies are coordinating on and participating in, again, to try to lessen the confusion for small businesses on which door is the right door.

Senator SHAHEEN. Thank you.

As the result of the hearing that we held in New Hampshire, we introduced some legislation called the Small Business Export Growth Act, and one of the things we would create as part of that

legislation is a working group on the Trade Promotion Coordinating Committee to identify ways that would improve coordination. We have had some success in New Hampshire with co-locating, although, because of a loss of State resources, much of that has disappeared and is being rebuilt now.

But, do you have any thoughts about whether this kind of a working group might be helpful in recommending more ways to cooperate? And, if anybody on the panel wants to weigh in on that, feel free to do so, as well.

Mr. CALHOON. And, one of the SIDO recommendations is actually to try to add a State-level person onto the Trade Promotion Coordination Committee, which we think would be vital to try to get that true Federal-State partnership, that without a seat at the table, it is hard to get the level of coordination.

Senator SHAHEEN. Right.

Mr. CALHOON. So, that would definitely be one recommendation we would support.

Senator SHAHEEN. Thank you. Thank you, Madam Chair.

Chairwoman CANTWELL. Senator Risch, would you like to ask questions?

Senator RISCH. I will yield back. Thank you very much, Madam Chair. I think this has been a great hearing and, again, has underscored for us the importance of this program. I am looking forward to everyone on the committee working together to try to make this work.

Chairwoman CANTWELL. Great. Thank you.

Well, I have a few more questions from some of the testimony. My colleague has brought up this issue about State and Federal match, but also, there is an issue of whether the grants should be allowed to be spent over a two-year period of time as opposed to one year, and I do not know if anybody wants to comment on that. Maybe the people at the—yes, Mr. Hahn.

Mr. HAHN. Yes, Madam Chair. You know, as I spoke earlier, the aerospace selling cycle is fairly long. I think that having it spread over two years would be highly beneficial. I mean, it would—not necessarily that maybe we—maybe it was not necessarily critical in our case that we had that second opportunity, because I think that we did have grant money to go that second year, as well. But, what that demonstrates, I think, is that, because of the sales cycle, that if you are able to not only make that initial contact and then sustain that relationship and build upon that relationship by being able to attend subsequent shows, I think it would be highly beneficial.

Chairwoman CANTWELL. Mr. Campbell, did you want to add to that.

Mr. CAMPBELL. Yes, Senator. I also think it would be beneficial to have a two-year program. In my testimony, I mentioned two other programs that are also helping our business. So, we graduated from STEP and then we entered two other programs within the State of Virginia that have helped us, not just with funding, but with networking of other resources, getting us in contact with other entities, performing some services like getting our ISO certifications.

We are also now registered with a Virginia exhibition booth that they will have at a major conference in the Middle East next year and we will be part of that at a fairly discounted rate. So, it helps us financially, but it also helps us with credibility that we are going to be showing at a major exhibit with the State of Virginia and other businesses.

So, a two-year time scale, I think, is beneficial, especially in these markets where, for instance, we are looking at Saudi Arabia right now and it takes six months to a year from the time you make the decision to get started and you make the application to set up a business there, to the time you may even hear back from them. That does not include the time it may take to find the right partners to enter into some agreement with, which could be a long-term agreement.

And, so, a two-year program certainly would be beneficial for entering the market, but then we also need to think about sustaining once the business is there. What are the next challenges that a business will face?

Chairwoman CANTWELL. Okay. Yes, Mr. Hendrix.

Mr. HENDRIX. At the end of the grant, a two-year—second year grant period, we had over 15 Arkansas companies that had—qualified companies that had applied for STEP grant funding. And, of course, the money has to be spent and allocated before that year was up. So, having a possible two-year spread would enable us to possibly have given some of those 15 companies some of the funds where we were trying to push and push and get that money out the door. So, I think that a two-year program would be beneficial, I think, for us as an administrator of the funding.

Chairwoman CANTWELL. Okay. And, Mr. Calhoon mentioned metrics. So, how do we get—is that something we have, or that is at SBA, or we put more teeth into what States have to do, or how do we get better metrics? I mean, many of you have provided great metrics, but, obviously, we want to learn from this, and so what is the recommendation?

Ms. VERDON. I think having a two-year program would be beneficial on the metrics side. We heard that the sales cycles are longer for international deals. Right now, we are only reporting on one year. If we would be collecting results from STEP year one, we would actually have higher numbers, because some sales just do not come in in the first year. They take two years to close that deal.

I think we are doing a great job in collecting the results. It is a matter of defining what we need to be collecting. If we want actual sales, no problem. We can collect actual sales. Estimated sales, we can collect estimated sales, but, there is a question of how valid estimated sales are. We would rather collect actual sales.

Chairwoman CANTWELL. Well, somebody mentioned—somebody on this end, I think, mentioned forecasted sales, which I think what they are basically—most companies have very prudent booking of sales forecasts. You know, even if they close a big deal, they will book that over several quarters or several years just so that they guarantee that it will actually come in. And, so, I do not know who, if somebody down here mentioned that or wants to comment

on that, but, I think, from an accounting purpose, someone believed that those were actual sales, is that correct?

No one remembers who mentioned forecasting? Somebody gave me a number on actual sales, and then forecasted sales.

Mr. HAHN. Yes, I did, Senator.

Chairwoman CANTWELL. Okay.

Mr. HAHN. I am sorry. Yes. No, the forecasting was really projecting what the potential for this several deals that we have in the offering now that we are currently negotiating. You know, the money that comes in is going to be significant. We just do not know what it is right now because we do not know what the volumes are going to be. But, that is why I made the comment that we are looking at an additional $1 to $2 million, depending upon what kind of volumes they start out with and, ultimately, you know, if those volumes are sustained.

We have every confidence that, just because of the way aerospace works, that once you are spec-ed into a product, it is pretty hard to lose it unless you lose it yourself through poor quality or performance. So, we anticipate that that $1 million is conservative and that the $2 million is likely or potentially likely, and then who knows where it will go from there.

Chairwoman CANTWELL. Okay. Great.

Senator Shaheen, do you have any more questions?

Senator SHAHEEN. I just have one more. One of the things that has been pointed out to me is that, oftentimes, when we are exporting, or when you are exporting, you are competing against other companies that have subsidies from the governments where they exist, and that one of the things that STEP does is help to level that playing field in a way that is really important to our small businesses. And, I just wondered if anybody had had that experience with companies exporting, that you know your competition overseas is getting a subsidy in some way from the country where they operate and what kind of a challenge it presents.

Mr. CAMPBELL. Well, I do not have a lot of details, Senator, but I do know that it exists, and I think I mentioned in my testimony, also, some disparities or differences in tax regulations of treatment——

Senator SHAHEEN. Right.

Mr. CAMPBELL [continuing]. For companies like ourselves. So, that exists, so we have to find other ways to compete and work around that to compete more on value and the product and the service that we are providing, knowing that we are going to be higher priced. The good news for us is that we are in a market where they love U.S. companies, so that helps a lot. But, now I need to stand behind that with the quality, the services that we provide, and show the value that makes up that difference so that I can compete competitively.

Senator SHAHEEN. Thank you, and that is one of the real benefits of STEP, is that it helps you offset some of that.

Thank you, Madam Chair.

Chairwoman CANTWELL. Great. Well, I want to thank all our witnesses. This is a great discussion. We appreciate the hard work that you are doing in helping our country grow jobs, and we certainly want to thank the representatives of the various agencies of

the Departments of Commerce at the local level. Thank you for your work on all of this. We look forward to moving this legislation and making it an ongoing program so we can continue to grow exports. But, thank you all very much. We appreciate it.

We are adjourned.

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

APPENDIX MATERIAL SUBMITTED

Questions from Senator Pryor for Mr. Hendrix:

1. What is the impact of the STEP program on Arkansas small and medium size businesses? Have these Arkansas companies been able to increase their export revenue? What is the effect on revenues and job creation and retention?

   The STEP program made it possible for Arkansas small and medium size companies to participate in foreign trade missions and trade shows. STEP funds offset some of the cost for these companies who otherwise would not have participated. Because these Arkansas companies were able to explore new export markets, exposure to these markets generated new and expanded export revenues of over 30 million dollars. Companies who benefited from the STEP funds reported new job creation and the ability to maintain their job levels as a result of this increased revenue base and over 40,000 total jobs were supported by exports in 2013 in Arkansas.

2. I know that the next round of the STEP grant application process is underway. How quickly could you utilize these funds? Do you have Arkansas businesses waiting to utilize the services you can provide with STEP funding?

   We have 15 companies who are pre-qualified to receive these funds which could be utilized immediately. These companies have identified export trade shows and trade mission activities which will benefit the companies. Without the STEP funds for the 3rd year, these companies will be unable to attend the export generating events because of budget constraints.

3. What is the major challenge to small and medium enterprises exploring export opportunities? Are there ways Congress can improve the program to better assist these interested businesses?

   Small and medium-sized companies continue to miss global opportunities. There are four things that are very important to Arkansas exporting companies:

   - Evaluating the market potential
   - Evaluating market entry constraints
   - Evaluating market competitiveness
   - Seeking distributors and agents

   The STEP grant helps provide opportunities for all of those exporting issues.

   The program could be improved by Congress by approving permanent funding of the program. Because a decision for this year's funding will not be known until at least August of this year and possibly later, companies that have already pre-qualified to receive funds are unable to go forward with plans until funding status is known.

STATE OF NEW HAMPSHIRE
OFFICE OF THE GOVERNOR

MARGARET WOOD HASSAN
Governor

The Honorable Harry Reid
Senate Majority Leader
United States Senate
522 Hart Senate Office Building
Washington, DC 20510

The Honorable Mitch McConnell
Senate Minority Leader
United States Senate
317 Russell Senate Office Building
Washington, DC 20510

The Honorable John Boehner
Speaker of the House
U.S. House of Representatives
1011 Longworth House Office Building
Washington, DC 20515

The Honorable Nancy Pelosi
Minority Leader
U.S. House of Representatives
235 Cannon House Office Building
Washington, DC 20515

April 24, 2013

Dear Senator Reid:

Since 2011, New Hampshire has received nearly $600,000 through the State Trade Export Promotion ("STEP") program. This critical funding has helped hundreds of Granite State companies explore and expand their export programs, helping them to become competitive in the global marketplace. New Hampshire companies have used this grant for everything from developing markets in Brazil to launching the first-of-its-kind aerospace and defense export consortium, which will help strengthen a vital and growing sector of our state's economy.

Your continued support for the State International Development Organizations and the Council of State Governments has enabled numerous New Hampshire businesses that use STEP funds to hire new employees while creating a ripple effect in communities across the state that has resulted in increased workforce development, increased business tax revenues, and the expansion of advanced manufacturing.

The STEP program has been a much-needed boost for New Hampshire's small businesses as it has enabled the State Office of International Commerce to provide them with crucial export assistance services. As you know, the STEP program was initially authorized for

107 North Main Street, State House - Rm 208, Concord, New Hampshire 03301
Telephone (603) 271-2121 • FAX (603) 271-7640
Website: http://www.nh.gov/ • Email: governorhassan@nh.gov
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three years, 2011 – 2014, and appropriated for two years, 2011 – 2013. Today, I seek both full appropriation for the third year of STEP and reauthorization of the program beyond 2014.

STEP funding has been critical in the development of the New Hampshire Aerospace and Defense Export Consortium, the first of its kind in the country. Launched in March 2013, it is an industry-led, export driven innovation cluster with a membership of more than 30 companies.

The New Hampshire Office of International Commerce, through close partnerships with U.S. Commercial Service and the Small Business Administration, assists companies with market research and business facilitation through the global network of U.S. Commercial Service. One example of matching grants being used to support a new-to-export New Hampshire business is Café Indigo of Concord, a vegan bakery and restaurant, which was able to accelerate by one year its planned market entry into Canada.

Moreover, STEP funds have been successfully employed in New Hampshire to provide essential training to companies ready to engage on the international marketplace. STEP funds have been used to provide seminars on numerous matters important to international trade, including ITAR, international marketing, country-specific trade topics and export regulations to more than 100 Granite State companies.

Full appropriation and reauthorization of the program will ensure continued growth in the nation's global competitiveness as well as create new and innovative jobs in New Hampshire. I strongly encourage you to support this vital and effective grant program. Please feel free to contact Christopher Way, Interim Director of the New Hampshire Division of Economic Development or SIDO's Executive Director, Sasha Sutcliffe-Stephenson (ssutcliffe@csg.org) with any questions.

With every good wish,

Maggie Hassan

Margaret Wood Hassan
Governor
State of New Hampshire

Cc:
The Honorable Senator Jeanne Shaheen
The Honorable Senator Kelly Ayotte
The Honorable Rep. Carol Shea-Porter
The Honorable Rep. Ann Kuster
House Appropriations Committee Chair Hal Rogers
House Appropriations Committee Ranking Member Nita Lowey
Senate Appropriations Committee Chair Barbara Mikulski
Senate Appropriations Committee Ranking Member Richard Shelby
Senate Small Business Committee Chair Mary Landrieu
Senate Small Business Committee Ranking Member Jim Risch
House Small Business Committee Chairman Sam Graves
House Small Business Committee Ranking Member Nydia Velasquez

107 North Main Street, State House - Rm 208, Concord, New Hampshire 03301
Telephone (603) 271-2121 • FAX (603) 271-7640
Website: http://www.nh.gov/ • Email: governorhassan@nh.gov
TDD Access: Relay NH 1-800-735-2964

MARGARET WOOD HASSAN
Governor

STATE OF NEW HAMPSHIRE
OFFICE OF THE GOVERNOR

July 1, 2014

The Honorable Harry Reid
Senate Majority Leader
Unites States Senate
522 Hart Senate Office Building
Washington, DC 20510

The Honorable John Boehner
Speaker of the House
U.S. House of Representatives
1011 Longworth House Office Building
Washington, DC 20515

The Honorable Mitch McConnell
Senate Minority Leader
Unites States Senate
317 Russell Senate Office Building
Washington, DC 20510

The Honorable Nancy Pelosi
Minority Leader
U.S. House of Representatives
235 Cannon House Office Building
Washington, DC 20515

Dear Majority Leader Reid, Republican Leader McConnell, Speaker Boehner and Democratic Leader Pelosi:

In 2013, New Hampshire was the fastest-growing state for exports, a success thanks in large part to the State Trade Export Promotion (STEP) program. Over the past two years, a $600,000 investment through STEP has returned $3.7 million in export sales-to-date.

The New Hampshire Office of International Commerce (OIC) has used this funding to provide nearly 300 companies with grants to assist them in training, conducting market research and attending key international trade shows. It has also helped fund the New Hampshire Aerospace and Defense Export Consortium, one of the first export consortia in the nation, which is helping this emerging sector take flight.

This is a remarkable achievement for a small state and its international trade office, which endured deep cuts in 2010. The ability for OIC to rebound so successfully is directly tied to the boost that STEP funding provided, and these grants have made an appreciable difference in helping our businesses diversify and compete in global markets. Without STEP, our export sales would be far lower, our businesses would not have the international presence that they do at trade shows and we would not have the New Hampshire Aerospace and Defense Export Consortium, which is unifying these sectors into a stronger presence internationally.

107 North Main Street, State House - Rm 208, Concord, New Hampshire 03301
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I write to request that you make STEP a permanent program that will continue to support our small businesses. Our trade office has been judicious and creative in making sure that these funds move our companies' export goals forward, helping spur economic development and job creation. In particular, the case of the Aerospace and Defense Export Consortium serves as a model for what other states can do with these resources.

New Hampshire is proud of its small businesses, especially those that manufacture products and devices made nowhere else on the planet that could benefit needs and demand in countries around the world. We need to continue the momentum that STEP has helped us to propel the creation of jobs and expansion of product lines for hundreds of companies. Thank you for your consideration.

With every good wish,

Maggie Hassan

Margaret Wood Hassan
Governor

cc: The Honorable Senator Jeanne Shaheen
The Honorable Senator Kelly Ayotte
The Honorable Rep. Carol Shea-Porter
The Honorable Rep. Ann Kuster
House Appropriations Committee Chair Hal Rogers
House Appropriations Committee Ranking Member Nita Lowey
Senate Appropriations Committee Chair Barbara Mikulski
Senate Appropriations Committee Ranking Member Richard Shelby
Senate Small Business Committee Chair Maria Cantwell
Senate Small Business Committee Ranking Member Jim Risch
House Small Business Committee Chairman Sam Graves
House Small Business Committee Ranking Member Nydia Velasquez

107 North Main Street, State House - Rm 208, Concord, New Hampshire 03301
Telephone (603) 271-2121 • FAX (603) 271-7640
Website: http://www.nh.gov/ • Email: governorhassan@nh.gov
TDD Access: Relay NH 1-800-735-2964

STATE OF MAINE
OFFICE OF THE GOVERNOR
1 STATE HOUSE STATION
AUGUSTA, MAINE
04333-0001

Paul R. LePage
GOVERNOR

June 30, 2014

The Honorable Maria Cantwell
Chairwoman
Committee on Small Business and Entrepreneurship
United States Senate
Washington, DC 20510

The Honorable James Risch
Ranking Member
Committee on Small Business and Entrepreneurship
United States Senate
Washington, DC 20510

Dear Chairwoman Cantwell and Ranking Member Risch:

On behalf of the State of Maine, I am writing to express my support for the continuation of the State Trade and Export Promotion (STEP) grant program (Section 1207 of the 2010 Small Business Jobs Act). This act ensures that states like Maine have the resources to help small businesses increase their exports and create new U.S. jobs.

Organizations like the Maine International Trade Center are working together with the federal trade promotion agencies to ensure that small businesses have the tools to compete in today's global economy. With 95 percent of global purchasing power located outside of the United States, increasing exports is an important component for the long term growth and sustainability of many small businesses in our states.

Since 2011, the STEP program has been essential to help spur small businesses to enter the export market through the financial support offered through the US Small Business Administration. As you know, many small firms do not have the resources to navigate the export process, so they simply do not export. Together with the federal agencies, the STEP program has helped small firms take that first step to sell their products and services in the global market.

In the first two years of the program, STEP grants nationally have had an average return on investment of 15 to 1. In Maine last year, just $76,000 in federal reimbursements has assisted in generating $4.3 million in actual export sales - a 57 to 1 return on investment – with sales projections to $21.6 million. Moreover, this program has helped create synergy between state and federal trade agencies to increase coordination of federal export promotion agencies to ensure efficient use of tax payer money.

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www.maine.gov

With our economic recovery still moving at a slow pace, exports serve as a catalyst for increased growth and job creation. We urge your Committee and Congress to support the long-term reauthorization of this common sense and job creating grant program.

Sincerely,

Paul R. LePage
Governor

Illinois
Department of Commerce
& Economic Opportunity
Pat Quinn, Governor

June 23, 2014

The Honorable Harry Reid
Senate Majority Leader
United States Senate
522 Hart Senate Office Building
Washington, DC 20510

The Honorable John Boehner
Speaker of the House
U.S. House of Representatives
1011 Longworth House Office Building
Washington, DC 20515

The Honorable Mitch McConnell
Senate Minority Leader
United States Senate
317 Russell Senate Office Building
Washington, DC 20510

The Honorable Nancy Pelosi
Minority Leader
U.S. House of Representatives
235 Cannon House Office Building
Washington, DC 20515

Dear U.S. Senate and Congressional Leaders,

Thank you for your continued leadership in working with the State International Development Organization (SIDO) and the Council of State Governments (CSG) to ensure the success of the visionary **State Trade and Export Promotion (STEP)** grant program (Section 1207 of the 2010 Small Business Jobs Act). As you know, the program was initially authorized for three years (2011-2014) and appropriated for two years. I am reaching out today to encourage the reauthorization and full appropriation of the program for fiscal year 2015 and beyond.

The STEP program has proved to be a much-needed resource for states, and most importantly has positioned state trade offices to positively impact the nation's small businesses by enhancing the export assistance services they receive. According to the U.S. Department of Commerce, 48% of all U.S. economic growth in 2012 was attributed to exports.

Since 2011, the STEP program has provided $30 million annually to state trade offices to directly assist small and medium sized enterprises (SMEs) enter and expand into new export markets. The State of Illinois has directly benefitted from this program, having received $2.33 million in STEP funds to help elevate Illinois' annual export sales.

As Director of the Illinois Department of Commerce and Economic Opportunity, I work with Illinois Governor Pat Quinn to elevate Illinois' global competitiveness and meet his goal to grow Illinois' economy by doubling the state's exports by the end of 2014. One significant way Illinois will achieve this goal is by offering increased export services, programs, and training to our SMEs, enabling them to grow into markets outside of the U.S. The STEP program has

allowed us to provide high-impact financial and technical export assistance to Illinois' SMEs for participation in sector specific overseas trade shows and matchmaking missions.

STEP Year One -Year Three Highlights include:

- Assisted 383 distinct companies
- Conducted 56 ISTEP Group Trade Missions
- Approved over 159 Individual Foreign Market Sales Missions
- Facilitated more than 600 trade visits to 56 countries across 6 continents
    - This includes numerous emerging market visits, including: China 59, India 32, South Africa 27, Brazil 24, West Africa 19; Turkey 15, Indonesia 14, Chile 13.
- 177 or 46.2% of the companies assisted were either new-to-export or new-to-market
- 125 or 32.6% of the companies assisted were classified as socially disadvantaged (rural, minority, veteran, or woman-owned)
- Assisted companies in 100% of Illinois U.S. Congressional Districts, 71.2% of Illinois Senate Districts, and 50% of Illinois House Districts
- Over $50,622,231 million in actual sales reported as of 06/08/2014

According to a 2006 U.S. World Bank Study, the global return on investment for each dollar spent on export promotion is 40:1. Illinois is taking part in that success, with exports increasing by $24.2 billion, or 58%, since 2009. Reauthorization and full appropriation of the program will ensure continued growth in the nation's global competitiveness, and most importantly, create sustainable jobs in America.

I strongly encourage you to support this vital and effective grant program. Please feel welcome to contact the Illinois Office of Trade and Investment's Deputy Director Daniel Goff (Daniel.Goff@illinois.gov) or SIDO's Executive Director, Catherine Bray (Cbray@csg.org) with any questions.

Sincerely,

Adam Pollet
Director

STATE OF ARKANSAS
MIKE BEEBE
GOVERNOR

June 6, 2014

The Honorable Harry Reid
Senate Majority Leader
United States Senate
522 Hart Senate Office Building
Washington, DC 20510

The Honorable John Boehner
Speaker of the House
U.S. House of Representatives
1011 Longworth House Office Building
Washington, DC 20515

The Honorable Mitch McConnell
Senate Minority Leader
United States Senate
317 Russell Senate Office Building
Washington, DC 20510

The Honorable Nancy Pelosi
Minority Leader
U.S. House of Representatives
235 Cannon House Office Building
Washington, DC 20515

Dear Leaders:

Thanks to each of you for your continued leadership in working with the State International Development Organizations (SIDO) and the Council of State Governments (CSG) to ensure the success of the visionary **State Trade and Export Promotion (STEP)** grant program (Section 1207 of the 2010 Small Business Jobs Act). As you know, the program was initially authorized for three years (2011–2014) and appropriated for those years. I write today to encourage both full appropriation for the fourth year of STEP and the reauthorization of the program beyond 2015.

The STEP program has provided a much-needed boost for states, but most importantly, it has positioned state trade offices to positively impact the nation's small businesses by enhancing the export assistance services they receive. According to the U.S. Department of Commerce, 48% of all U.S. economic growth in 2012 was attributed to exports.

Since 2011, the STEP program has provided $30 million annually to state trade offices, directly assisting small-and-medium-sized enterprises that are entering and expanding into new export markets. The great State of Arkansas has benefitted from the program, having received $886,235, and produced $22,320,736 in export sales from the 35 companies that participated in the STEP program.

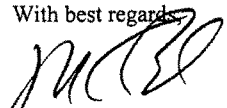
State Capitol, Suite 250 • Little Rock, AR 72201
Telephone: (501) 682-2345 • Fax (501) 682-1382
Internet Website • www.governor.arkansas.gov

According to a 2006 World Bank study, the global return on investment for each dollar spent on export promotion is 40:1. Across the country, states are experiencing that same success, with programs seeing upwards of 90:1 returns on investment.

Full appropriation and reauthorization of the program will ensure continued growth in the nation's global competitiveness and, above all, create sustainable jobs in America.

I strongly urge you to support this vital and effective grant program. Please feel free to contact the World Trade Center Arkansas President, Dan Hendrix (dhendrix@uark.edu), with any questions or concerns. Thank you for your kind attention to this matter.

With best regards,



Mike Beebe

MB:jb
Cc: State Congressional Delegation
House Appropriations Committee Chairman Hal Rogers
House Appropriations Committee Ranking Member Nita Lowey
Senate Appropriations Committee Chairwoman Barbara Mikulski
Senate Appropriations Committee Ranking Member Richard Shelby
Senate Small Business Committee Chair Maria Cantwell
Senate Small Business Committee Ranking Member Jim Risch
House Small Business Committee Chairman Sam Graves
House Small Business Committee Ranking Member Nydia Velázquez

JAY INSLEE
Governor



STATE OF WASHINGTON
Office of the Governor

June 13, 2014

The Honorable Harry Reid
Majority Leader
United States Senate
522 Hart Senate Office Building
Washington, DC 20510

The Honorable John Boehner
Speaker of the House of Representatives
House of Representatives
H-232, U.S. Capitol Building
Washington, DC 20515

The Honorable Mitch McConnell
Minority Leader
United States Senate
317 Russell Senate Office Building
Washington, DC 20510

The Honorable Nancy Pelosi
Minority Leader
House of Representatives
H-204, U.S. Capitol Building
Washington, DC 20515

Dear Leader Reid, Speaker Boehner, Leader McConnell, and Leader Pelosi:

On behalf of Washington State, I write to thank you all for your continued leadership in working with the State International Development Organizations (SIDO) and the Council of State Governments (CSG) to ensure the success of the visionary State Trade and Export Promotion (STEP) grant program (Section 1207 of the 2010 Small Business Jobs Act). In 2011 and 2012, the STEP program provided $30 million annually to state trade offices, including two grants to Washington State totaling $3 million, to directly assist small and medium-sized enterprises entering and expanding into new export markets.

Reauthorization of the program will further strengthen the nation's global competitiveness and, most importantly, create sustainable jobs in America. In Washington State alone, STEP funding has helped more than 445 small businesses, resulting in an aggregate increase of $136 million actual and $276 million forecasted export sales, and supporting more than 2,230 jobs. The program has also funded export training for 47 financial institutions to increase the availability of export credit for small businesses.

A key component of this success has been our STEP Export Voucher program, which has to date awarded 249 vouchers to small businesses around Washington State. I am especially proud that nearly 32 percent of these voucher applications were received from companies exporting for the first time and 26 percent were from women, minority and veteran-owned businesses.

Washington State remains committed to the continued success of the STEP program, and we believe it contributes directly to the realization of the Obama Administration's National Export

Initiative (NEI) goal of doubling U.S. exports. According to a 2006 World Bank study on exports, the return on investment for each dollar spent on export promotion is 40:1. Overall, states are experiencing that same success, with Washington State generating a 45:1 return on its STEP grant funds. The STEP program has been a much-needed boost for states, but most importantly, it has positioned state trade offices to positively impact the nation's small businesses by enhancing the export assistance services they receive.

I strongly encourage you to support the continued authorization and funding for this vital and effective program.

Very truly yours,

Jay Inslee
Governor

cc: The Honorable Hal Rogers, Chairman, U.S. House Appropriations Committee
The Honorable Nita Lowey, Ranking Member, U.S. House Appropriations Committee
The Honorable Barbara Mikulski, Chairman, U.S. Senate Appropriations Committee
The Honorable Richard Shelby, Ranking Member, U.S. Senate Appropriations Committee
The Honorable Maria Cantwell, Chairman, U.S. Senate Small Business Committee
The Honorable Jim Risch, Ranking Member, U.S. Senate Small Business Committee
The Honorable Sam Graves, Chairman, U.S. House Small Business Committee
The Honorable Nydua Velasquez, Ranking Member, U.S. House Small Business Committee

Sharing capitol ideas.

The Council of State Governments

June 17, 2014

The Honorable Maria Cantwell
Chairwoman
Committee on Small Business and Entrepreneurship
United States Senate
Washington, DC 20510

The Honorable James Risch
Ranking Member
Committee on Small Business and Entrepreneurship
United States Senate
Washington, DC 20510

Dear Chairwoman Cantwell and Ranking Member Risch:

On behalf of Governor Earl Ray Tomblin, Tennessee Senate Majority Leader Mark Norris, and the officers of The Council of State Governments the Council of State Governments (CSG), we write to support the continuation of the State Trade and Export Promotion (STEP) grant program (Section 1207 of the 2010 Small Business Jobs Act). This act ensures that states have the resources to help small businesses increase their exports and create new U.S. jobs.

Increasing exports is an important component for the long term growth and sustainably of many small businesses in our states. According to census data, the U.S. exported nearly $2.3 trillion in goods and services in 2013. Those exports helped support nearly 10 million good paying U.S. jobs, including about 4 million with small businesses.

Since 2011, the STEP program has been essential to help spur small businesses to enter the export market. As you know, many small firms do not have the resources to navigate the export process, so they simply do not export.
Together with the federal agencies, the STEP program has helped small firms take that first step to sell their products and services in the global market. With only one percent of small businesses currently exporting, there is a tremendous opportunity for growth.

In the first two years of the program, STEP grants have had an average return on investment of 15 to 1. This means that for every dollar spent on export promotion, small U.S. companies experienced $15 in increased export sales. According to the U.S. Department of Commerce, every $1 billion in U.S. exports helps support more than 5,000 good paying U.S. jobs. Moreover, this program has helped create synergy between state and federal trade agencies to increase coordination of federal export promotion agencies to ensure efficient use of tax payer money.

The Council of State Governments National Headquarters
2760 Research Park Drive • Lexington, KY 40511-8482 • (859) 244-8000 • Fax (859) 244-8001 • [illegible]

Eastern Office	Midwestern Office	Southern Office	Western Office	Washington Office
New York	Lombard, Ill.	Atlanta	Sacramento, Calif.	Washington, D.C.
(212) 482-2320	(630) 925-1922	(404) 633-1866	(916) 553-4423	(202) 624-5400
[illegible]meast.org	[illegible]midwest.org	[illegible]atlanta.org	[illegible]	[illegible]

With our economic recovery still moving at a slow pace, exports serve as a catalyst for increased growth and job creation. We urge your Committee and Congress to support the long-term reauthorization of this commonsense, bipartisan and job creating grant program.

Sincerely,

David Adkins

David Adkins
Executive Director/CEO

State of
North Dakota
Office of the Governor
Jack Dalrymple
Governor

June 13, 2014

The Honorable Harry Reid
Senate Majority Leader
United States Senate
522 Hart Senate Office Building
Washington, DC 20510

The Honorable John Boehner
Speaker of the House
U.S. House of Representatives
1011 Longworth House Office Building
Washington, DC 20515

The Honorable Mitch McConnell
Senate Minority Leader
United States Senate
317 Russell Senate Office Building
Washington, DC 20510

The Honorable Nancy Pelosi
Minority Leader
U.S. House of Representatives
235 Cannon House Office Building
Washington, DC 20515

Dear Leaders,

I write to thank you all for your continued leadership in working with the State International Development Organizations (SIDO) and the Council of State Governments (CSG) to ensure the success of the visionary **State Trade and Export Promotion (STEP)** grant program (Section 1207 of the 2010 Small Business Jobs Act). As you know, the program was initially authorized for three years (2011 – 2014) and appropriated for two years (2011 – 2013). I write today to encourage you to reauthorize this program for 2015.

The STEP program has been a much-needed boost for states - but most importantly, it has positioned state trade offices to positively impact the nation's small businesses by enhancing the export assistance services they receive.

The great state of North Dakota has directly benefitted from the program, having received $671,437 in October 2012 and turning those funds into $23.8 million in international sales by March 2014. Fifty-two companies took part in STEP ND 2012, and the program is anticipated to bring a total of $89.2 million into our state by September 2014. We are proud of the success of this program and the part it has played in North Dakota's overall economic growth strategy.

Below are just a few examples of success stories from companies that have used STEP ND.

- **Fargo Jet Center – Fargo, ND:**
  Fargo Jet Center received a total of $15,800 of STEP ND funds to defer the cost of attending aviation shows in Switzerland, Canada, India, Brazil, and Las Vegas. This has resulted in their 2013 international aircraft sales reaching over of $11.1 million. With the help of STEP ND, Fargo Jet Center was able to make multiple trips to India in order to acquire five new aircrafts, which will result in future gross revenue of approximately $15.5 million. The trips helped to strengthen their relationships with existing clients, as well as aid in cultivating new relationships in different parts of the world where they see aviation growing.

  Fargo Jet Center maintains 24/7 jet services and opportunities as a United States customs port of entry, fixed-based operator and fuel supplier. They also offer sales, acquisition and brokerage services in aircraft markets all over the world. Fargo Jet Center opened 18 years ago, and has seen continuous growth since then. The STEP ND program has been a growth catalyst.

- **Norwood Sales, Inc. – Horace, ND:**
  Norwood Sales, Inc. was granted $4,000 of STEP ND funds to offset the cost of purchasing a booth at the Canadian Farm Progress Show in Regina, SK. In the past, Norwood Sales Inc. would only send a few key employees to this trade show in order to attend and view products. With the help of the STEP ND program, 2013 was their first year as a vendor at this show. As a result of securing a booth, they have now sold multiple units into Canada. Due to the interest and inquiries they received from the show, $238,315 in gross sales have been achieved, with numerous prospects on the horizon.

  Norwood Sales was founded in 1992 with a main goal of distributing high quality, reliable agricultural products through a dealer network and to local farmers. Norwood Sales Inc. is similar to many other small manufacturing companies in North Dakota in that displaying products to foreign buyers tends to be a desire rather than reality. The STEP ND program has helped allow Norwood flexibility in displaying to these buyers and achieve sales and market awareness in the Canadian Seed, Grain & Fertilizer Market.

- **Summers Manufacturing – Maddock, ND:**
  Summers Manufacturing received $4,000 of STEP ND funds in order to attend the Agritechnica trade show in Hannover, Germany. As a result of this show, they not only increased sales to existing customers by $1.5 million, but also sold

to new customers a total of $600,000 of farm equipment. A new distributor of their products was also acquired.

Summers Manufacturing was founded in 1965. In 1969 the firm was incorporated, and in 2007 Summers Manufacturing Co. Inc. become a 100% employee owned company with production facilities in Devils Lake and Maddock, North Dakota. Their specialized aggressive primary tillage equipment and residue management equipment is now exported globally.

- **WCCO Belting – Wahpeton, ND:**
  WCCO Belting received a total of $4,000 of STEP ND funding to offset costs for a 13-day trade mission to and around Australia. Total sales orders generated equal $699,639.59.

  WCCO Belting began as a one-man shoe repair shop in Wahpeton, North Dakota. Nearly six decades later, WCCO Belting, Inc. has diversified and grown into a multi-million dollar specialized rubber product supplier to agricultural and industrial businesses all over the world. In 2003, the company was named North Dakota Exporter of the Year and in 2010 it won the President's "E" Award for Excellence in Exporting.

- **Posi Lock Puller – Cooperstown, ND:**
  Posi Lock Puller received a total of $4,000 of STEP ND funding to offset costs for personnel to attend a trade show in China and an additional $4,000 to ship their product – a gear puller – to China for demonstration. As a result of this initiative, Posi Lock Puller generated $77,345.47 of immediate sales and anticipates an additional $125,000 in sales through the end of 2013.

  Posi Lock Puller has a distribution network in every country in the world, and currently employs 35 people. Although their products are shipped world-wide, all of the pullers are made in the U.S., with most of the outsourcing needs handled within a 200-mile radius of their small plant in Cooperstown, ND. Tamara Somerville, Vice President of Posi Lock, was also selected as the U.S. Small Business Administration (SBA) 2013 North Dakota Small Business Exporter of the Year.

- **JM Grain – Garrison, ND:**
  JM Grain was granted $4,000 of STEP ND funds to defer costs for a targeted sales trip to Brazil and Colombia, which resulted in an immediate contract in Colombia for green peas, yellow peas and lentils. The first sale of $175,000 has already been shipped and more orders are pending a mere two months after the visit to Colombia.

JM Grain is a processor and exporter of dried peas, lentils and chickpeas headquartered in Garrison, ND. The company began as a family farm and now exports to markets throughout the world. JM Grain was awarded the 2012 North Dakota Exporter of the Year award by Gov. Dalrymple and the North Dakota Trade Office.

- **Healthy Oilseeds – Carrington, ND:**
  Healthy Oilseeds received $4,000 to offset costs for a targeted sales trip to Brazil and Colombia. The company made an immediate sale of golden flax to Brazil – their first sale into the market – for $90,000 and expects Brazil to be a 'million-dollar market' for Healthy Oilseeds.

  Healthy Oilseeds is a grower, processor and exporter of grains and oilseeds, both organic and non-organic. Healthy Oilseeds is operated by the Gussiaas Family, a second generation farm, which has grown flax for more than 50 years. Healthy Oilseeds began exporting in 2002 and today over 60 percent of all sales are international.

According to a 2006 World Bank study, the global return on investment for each dollar spent on export promotion is 40:1. Across the board, states are experiencing that same success, with several of the more advanced and financially supported programs seeing upwards of 90:1 returns on investment.
Full appropriation and reauthorization of the program will ensure continued growth in the nation's global competitiveness and, most importantly, create sustainable jobs in America.

I strongly encourage you to support this vital and effective grant program. Please feel free to contact Donavon Johnson (donavon@ndto.com), STEP ND administrator at the North Dakota Trade Office, or SIDO's Executive Director, Catherine Bray (cbray@csg.org) with any questions.

Sincerely,

Jack Dalrymple

Jack Dalrymple
Governor
State of North Dakota

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