

**FEDERAL AND LOCAL GOVERNMENT SERVING
FREDERICK'S DIVERSE SMALL BUSINESSES**

FIELD HEARING

BEFORE THE

**COMMITTEE ON SMALL BUSINESS
AND ENTREPRENEURSHIP
UNITED STATES SENATE**

ONE HUNDRED SIXTEENTH CONGRESS

FIRST SESSION

AUGUST 8, 2019

Printed for the use of the Committee on Small Business and Entrepreneurship



Available via the World Wide Web: <http://www.govinfo.gov>

U.S. GOVERNMENT PUBLISHING OFFICE

38-872 PDF

WASHINGTON : 2020

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**FEDERAL AND LOCAL GOVERNMENT
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BUSINESSES**

THURSDAY, AUGUST 8, 2019

UNITED STATES SENATE,
COMMITTEE ON SMALL BUSINESS
AND ENTREPRENEURSHIP,
Frederick, MD.

The Committee met, pursuant to notice, at 2:05 p.m., in the First Floor Hearing Room, Winchester Hall, Hon. Ben Cardin, presiding.
Present: Senator Cardin.

**OPENING STATEMENT OF HON. BENJAMIN L. CARDIN,
RANKING MEMBER, A U.S. SENATOR FROM MARYLAND**

Senator CARDIN. Hello. Good afternoon. Welcome. First, I want to thank the people of Frederick for allowing us to use this facility for a Small Business and Entrepreneurship hearing. It is always good to be here in Frederick. I want to thank the staff of the Small Business and Entrepreneurship Committee for making all these arrangements, and I want to particularly thank Senator Rubio, our Chairman. I serve as the Democrat on the Small Business Committee, and during Congressional recesses, it is more convenient for us to do field hearings. And I thank the Chairman and the members of the staff for arranging this field hearing in Frederick County. But first I am going to recognize Jan Gardner because it looks like she is standing there. Jan does an incredible job as County Executive here in Frederick County. I will say a few more things about Frederick, but let me first turn it over to the County Exec.

**STATEMENT OF JAN GARDNER, COUNTY EXECUTIVE,
FREDERICK, MD**

Ms. GARDNER. Well, good afternoon. I really wanted to be here today to welcome you Senator Cardin. We are always happy to have you come and visit us in Frederick County. We appreciate the good work that you do for our county, and our State, and our nation. I want to thank you for holding this hearing here today. We are really happy to have you. For those—I assume everybody here knows Ben Cardin. He has represented us and been dedicated to public service for many years. We knew him first in the Maryland general assembly and now as our U.S. Senator, and I know that you work hard for us every day on lots of Federal policies.

I know you are an advocate and a national leader on healthcare, and retirement security, and the environment, and that today we

are here to talk about the economy, and job opportunities, and small businesses, and supporting our middle class and our most vulnerable citizens. So for those of you who don't know, he is the Ranking Democrat on the Senate Committee on Small Business and Entrepreneurship. And we are really pleased to welcome you here and to have you here, and to support you in any way that we can in the future.

We do have a great business community here. Between 2015 and 2018, the small business partners that work out of our business development center at ROOT, which is right around the corner, helped more than 100 small businesses to launch, and they created about 350 new jobs so that more of our residents can work where they live. So thank you for all your efforts to help small business. We know you have introduced some bills lately to help our businesses, particularly underserved communities, afford loans through the Small Business Administration.

And so, we are proud to have you here and appreciate all the work that you do. So with that, I will sit down.

Senator CARDIN. Well Jan, first of all again, thank you. I can assure you, I am familiar with the businesses this year. Myrna and I visit Frederick often. We love what you have done in Carroll Creek. We have visited, I think, just about every shop on Market Street. So we have spent some money in this town, and it is Main Street America.

So we thank you very much for being that the type of environment which small businesses can flourish. Let me acknowledge that we do have the staff from the Small Business Committee that is here, both from Senator Rubio's staff and my staff, and we thank them again for all the work they did in making this possible. All I do is show up and everything is arranged. So we thank you all for being willing to do this.

I do want to acknowledge we have representatives from Congressman Raskin and Congressman Trone's office. We thank both of those representatives for being here. Earlier today, I was in Washington County with Senator Van Hollen, and with representatives from Congressman Trone as we were able to see the grand opening of the aqueduct in Williamsport, and the groundbreaking for the C&O Canal National Headquarters in Williamsport, which is pretty exciting. We then went to the Museum in Hagerstown. So this has been a day in this part of the State. But the highlight is this hearing, so we thank you all for participating in this. Frederick is an incredibly diverse community for small businesses.

The individuals in Frederick City identify 40 percent as minority. When you take a look at the demographics of the business community here in Frederick County, you find that 97 percent are small businesses, but the diversity of the small businesses is extremely impressive. Over 7,200 women-owned businesses, over 3,000 minority businesses, over 2,000 veteran-owned businesses that we have. This is a really diverse State, county, and city. So we recognize that, and we want to make sure that these tools are working. So today's hearing is how the Federal and local Governments are serving Frederick's diverse small business community. And we have incredible panels here that will help us in dealing with this. Frederick itself is a magnet for technology.

There are a lot of great institutions here, not the least of which is Fort Detrick, which has some of the most highly sophisticated lab work in the world. It spins off technology that is critically important, that can be developed by companies. The commercialization of new technologies has been a highlight of this region. So I am interested to know how the tools of the Small Business Administration, how the tools available to small businesses, have helped develop this climate here in this region, and what we can do more effectively in looking at the tools that are available. Can they be fine-tuned?

Senator Rubio and I are going through a process of reauthorization of all the tools under Small Business Administration, and we have had a number of hearings throughout this year that have been very helpful for us in dealing with it. We have, of course, the procurement availability, particularly from the Federal Government. The PTAC office here is, I believe, the closest to Maryland's office at College Park, but there are eight other offices that are available, which was developed by the Department of Defense to help specifically with technology growth with small companies in DOD procurement. How is that working? Are there things that we can do better? What more can we do to help?

It is interesting that you have a strong veterans community, but there is no VBOC that is located here. It is something I want to talk to Mr. Umberger about, as to why Maryland, a State that has one of the largest concentrations of veterans, why we do not have a Veterans Business Outreach Center located in our State that could assist veterans in getting more opportunities under the Small Business Administration. If you are here, you have to travel 60 miles to go to Springfield, Virginia, in order to get assistance.

We do have HUBZones in Frederick County. There are five HUBZones in Frederick County, three located within the City of Frederick. Interested as to how that is operating. That gives you an advantage on procurement. Is it working the way it is intended? We have heard that some of the restrictions in HUBZones as far as where your employees must live may be an impediment and we want to hear from our witnesses today whether there are ways that we can try to improve that. Women-owned businesses. You have a branch of the Women's Business Center, which is headquartered in Rockville, Maryland, located here in Frederick.

I also find this amazing that the State of Maryland does not have a Women's Business Center in Baltimore. Now, I know I am here in Frederick, but it seems to me we could have more than one Women's Business Center and is that impacting the opportunities of women businesses here in this community? The Small Business Development Center, I believe headquartered at Frostburg. You have a presence here and you have a presence in College Park. Interested to know how that is working and whether we can do things a little bit differently. You have a SCORE Mentoring program here. That is good.

We have had some controversies nationwide on the SCORE programs. It is a valuable program. Interested in how that is working, and we are always wanting to hear from our witnesses on the SBA's financing tools that are available. We know the two major tools, the 7(a) and 504 that it has been challenging for underserved

communities to get those loans. Interested in what we can do to help.

I recently filed legislation that would make the 7(a) Community Advantage program, which is a pilot program now making it into a permanent program under the SBA because it has a much better success rate in reaching the underserved communities. And I have also filed legislation on the Office of Emerging Markets to help underserved communities in how they can access the tools of the Small Business Administration.

So there is a lot we can talk about, and we got two excellent panels. In the first panel we are going to hear from Government officials who are working at the national level, our District Director, and here in the county to help small businesses, to get your perspective. And then from the second panel we will have the opportunity to hear what people who are in the field, business owners, as to how we can do a better job in promoting small businesses. Why do we want to do this? I think you all understand that small businesses are the engine of growth in our country. It is not only where most jobs are created, and most jobs are created in small businesses. But it is also where innovation takes place. Where people figure out a better way to do things. Where they take technology and turn it into an innovative approach to dealing with our Nation's problems.

So we want to have the most healthy climate possible. This area is blessed. You are rural to a certain degree, but yet you are very much connected to both Baltimore and Washington, you have incredible institutions that are located here and close by. This is a place where people want to work, live, and do business. So there are a lot of good things going on here. How can we help to make it better?

And with that, I am going to introduce our first panel. Starting first with Steve Umberger. Steve has been at the SBA, I have been told, for 25 years. An incredible record. He has been a great friend. We share an office building together. That is not exactly accurate. We are in the same office building in downtown Baltimore. But Steve is the Director for most of the State of Maryland, including areas here in Frederick, and we would be interested in his perspective as to how the SBA tools are being used, and how perhaps we can even be more effective in reaching out to the small business community here in this part of our State.

Richard Griffin is the Director of Economic Development, City of Frederick Department of Economic Development. I understand you also have 25 years of experience in this field, 17 years as the Director. So we can hear how things have changed over your career here in Frederick County.

And Kathie Callahan Brady, who is President and CEO of Frederick's Innovative Technology Center, FITCI, and we welcome how Frederick has been able to use this tool in order to help small businesses. So we will start with Mr. Umberger first, and we will go right on down the line. And for all of you, your full statements will be made part of the record. You can summarize as you see fit, but I want to get into a conversation.

**STATEMENT OF STEPHEN UMBERGER, DISTRICT DIRECTOR,
U.S. SMALL BUSINESS ADMINISTRATION, BALTIMORE, MD**

Mr. UMBERGER. Good afternoon, Senator. Thank you for all your advocacy for small businesses across this great State and thank you for your support of our programs both at the national level and in our Baltimore district. I am Steve Umberger. I am the District Director of the Baltimore District Office. And like the Senator said, I have a territory that covers the State of Maryland with the exception of Prince George's and Montgomery Counties.

Now, much of what I wanted to say, was going to say, you have mentioned but I will just kind of reiterate that of the SBA resources other than myself and my staff traveling around the State, we do spend a decent amount of time in the Frederick County area, City of Frederick. And we also have SCORE America's counselors to small business represented here. We have a Small Business Development Center, both of which are Federally funded through my agency, Representative in Frederick.

The Women's Business Center which you mentioned is located outside of our district headquarter, and Rockville also has a counselor here. So our federally funded resource partners, part of SBA, are all located right here in Frederick. Some of the other things that we have that we provide, and I can provide some numbers as to our business development and contracting programs, the flagship program our 8(a) business development program. As we all know, the Federal Government is the Nation's number one purchaser of a wide variety of goods and services. Our main program, or the 8(a) program is a socio- and economic development program, and the businesses, in order to qualify, need to be in business for two years.

Currently, there are 10 firms in Frederick County that are active in the 8(a) program. We also offer historically underutilized business zones, HUBZone certification, Service-Disabled Veteran certifications, and Women-Owned Small Business certifications. All these certifications let these companies, once they have obtained them, gain a leg up on Federal contracting. Twenty-three percent of all Federal contracting needs to go to small business, and there are subsets for each of these that require the agencies to focus their efforts on HUBZone, on 8(a), on Service-Disabled Vet, and Women-Owned firms. We have nine HUBZone firms in Frederick County. We have 57 Service-Disabled Veteran-owned firms certified in Frederick County, and we have 138 certified Women-Owned small business firms in Frederick County.

So there are a fair number of firms out there that have acquired certifications through SBA, mainly through assistance from my office, and we think that is a good representation on average based on what we have in the entire State. The number one challenge for small businesses, as we all know, is access to capital, and SBA, although we do not make loans directly, we act as a guarantor, and with the tools provided by Congress and by our agency, we reach out to many national and community lenders who are all within our portfolio of roughly 90 lenders in the State. We reach out to them to keep them up to speed with the requirements to make sure that they are using our programs, and we also entertain and look for, search out lenders that may have at one time used our pro-

grams, but for some reason they may have a myth that is causing a barrier to the get them to what today's processes actually look like.

So we reach out to them and recruit, re-recruit and recruit new lenders. The 7(a) program is the flagship program and it can be used for a number of reasons. Certainly any business need, furniture, fix your machinery, equipment, inventory, receivables, and that covers pretty much the gamut on what our 7(a) loan is for; 708 entrepreneurs throughout our district received SBA guaranteed loans in Fiscal Year 2018, which was October 1st, 2017, through September of 2018; 708 deals for over \$236 million. In Frederick, there were 81 deals to small businesses, 81 loans to small businesses, for over \$35 million, just over \$35 million.

Senator CARDIN. This is a very—we should get this in Washington.

[Laughter.]

Mr. UMBERGER. Did I put that on hold?

Senator CARDIN. No, you are fine.

Mr. UMBERGER. So those totals I gave you, that includes 7(a) and 504. The 504 loan is focused on real estate acquisition or improvement, major capital equipment purchases, and both the 7(a), 504 program have a ceiling of \$5 million, which was recently increased, I would say over the last 5 years, from \$1 million and \$2 million, depending on certain circumstances, \$5 million, which is being used a lot more by lenders.

And we see from time to time in our top 10 lenders they may do one loan, but it may be for \$5 million, and that creates a lot of jobs and a lot of opportunities in different neighborhoods throughout our State. That is what I have brought with me.

And again, I want to thank you for everything you do for us and the small businesses across this great State of Maryland and thank you to the committee for this opportunity.

[The prepared statement of Mr. Umberger follows:]



**Statement of Stephen D. Umberger
District Director
Baltimore District Office
U.S. Small Business Administration**

**before the
Senate Committee on Small Business and Entrepreneurship**

**Field Hearing on "Federal and Local Government Serving Frederick's
Diverse Small Businesses"**

**Frederick, Maryland
August 8, 2019**

**Statement of Steve Umberger
Baltimore District Director
U.S. Small Business Administration**

Good afternoon. I am Steve Umberger, District Director, of the U.S. Small Business Administration's Baltimore District Office. I'd like to thank the Committee for the opportunity to testify this afternoon and to thank Senator Cardin for his unwavering advocacy for Maryland's entrepreneurs.

While a small business owner's dedication, experience, and skill are clearly the heart of the business, today's changing business climate often prompts the owner to seek outside help. This help can come from federal programs, like SBA, as well as state and local programs.

SBA was created in 1953 to offer programs and assistance to the nation's small business owners. Our mission is to foster success among small businesses. We have a variety of financial guarantee, technical assistance, and business development programs, aimed at helping entrepreneurs start, run, and grow their businesses. In addition, the SBA plays a critical role in times of disaster by assisting business owners, homeowners, and renters with their recovery efforts.

The Baltimore District Office serves the entire state of Maryland, with the exception of Prince George's and Montgomery counties which are served by the Washington Metropolitan Area District Office. Though located in downtown Baltimore, my staff and I routinely visit communities across the state to train entrepreneurs, economic development professionals, and lenders alike on the merits and benefits of our programs.

The process of starting a business can be overwhelming, but help is available. There are a variety of challenges that all entrepreneurs face when opening or growing a small business. Of course, planning is key. Whether completing a business plan or a marketing plan – it requires a great deal of thought and research. SBA and our resource partners have services and the expertise to assist small businesses with accessing capital, engaging international markets, and reaching their business goals.

Free one-on-one counseling is available through our federally funded resource partners, the Maryland Small Business Development Center (SBDC) Network and the Service Corps of Retired Executives (SCORE). Both organizations are available to guide entrepreneurs through difficult processes, including business planning, loan packaging, and marketing. Counseling services are free, and counselors serve every Maryland county. The SBDC network and SCORE also offer educational workshops, for a nominal fee, that cover everything from "getting started" and bookkeeping, to social media and website development.

SCORE has a chapter here in Frederick at the Frederick Innovative Technology Center (FITCI) at Metropolitan Court, serving Frederick and Maryland's western-most counties. The SBDC network has counselors located at Frostburg State University, also serving Frederick and western counties.

SBA also funds Women's Business Centers. The Maryland Women's Business Center is located in Rockville, with an office here in Frederick on North Market Street. They too offer free counseling and low-cost training.

Additionally, SBA provides government contracting and business development assistance through our 8(a) Business Development Program. The federal government is the nation's largest purchaser of a wide variety of goods and services. Doing business with the government can be a great way for entrepreneurs to expand their markets and increase their client base. There are specific socio and economic requirements for the 8(a) program and, in most cases, the firm must have been in business for a minimum of two years to qualify. Once approved for the program, the small business is assigned a Business Opportunity Specialist in the District Office who will work closely with them during their enrollment in the nine-year program. There are 10 firms in Frederick County currently active in the 8(a) program.

We also offer the Historically Underutilized Business Zones, or HUBZone, certification program. This contracting program is tailored around specific geographic areas in which the federal government focuses to foster investment, redevelopment, and job creation. There are currently nine HUBZone certified firms in Frederick County.

Additional contracting assistance is available to Service Disabled Veteran Owned Small Businesses and Woman Owned Small Businesses. There are 57 self-certified Service Disabled Veteran Owned Small Businesses and 138 self-certified Woman Owned Small Businesses located in Frederick County. Furthermore, our office has marketing and outreach specialists who focus on opportunities for veterans and women's business owners, which are priorities for the agency.

A universal challenge for small businesses is access to capital. This is an area where the SBA can greatly assist entrepreneurs. The SBA acts as a guarantor of funding provided by a traditional banking source. Our participation in the loan process is beneficial to an entrepreneur who may have difficulty acquiring the necessary capital to start a business. We work closely with over 90 lenders across the state to meet the needs of Maryland's entrepreneurs. Both national and community lenders are within our portfolio and well versed in SBA programs.

SBA offers several loan guaranty programs. Our hallmark loan program is the 7(a) loan, offering flexibility in loan structure in amounts up to \$5 million dollars. These loans are made through mainstream banking sources and other approved non-bank lenders. Another program is our Microloan program. It is geared for smaller capital needs with amounts up to \$50,000. These loans are made through non-profit intermediary micro-lenders, of which we have five serving Maryland.

For anyone interested in purchasing or improving real estate or acquiring machinery or equipment, the SBA 504 Certified Development Company Loan Program is a very attractive option. The program provides long-term, fixed rate, subordinate mortgage financing. The entrepreneur invests 10% of the loan amount and the balance is provided by a conventional lender and an SBA Certified Development Company (CDC). Key features of this loan are long-

term repayment options, historically low interest rates and a job creation requirement. These loans are made through the CDC and there are currently four serving Maryland.

In fiscal year 2018, 708 entrepreneurs throughout our district received SBA guaranteed loans totaling over \$236 million dollars. So far this fiscal year, through July 31, 534 loans have been made in excess of \$183 million dollars.

Here in Frederick County, over the past two years, SBA has supported 81 small business loans valued at a total of just over \$35 million dollars.

Before I close, I wanted to mention an additional outreach event that SBA is coordinating in Maryland. In September, SBA and the 11 participating Small Business Innovation Research (SBIR) program agencies will make an SBIR Road Tour stop at the University of Maryland. The SBIR program helps foster small business innovation through early-stage research and development awards. This event is another chance for the SBA to connect the Maryland small business community with resources and opportunities.

In closing, thank you to the committee for the opportunity to join you today and to Senator Cardin for all your support of the small businesses and entrepreneurs throughout the great state of Maryland.

Senator CARDIN. Well, thank you very much.
Mr. Griffin.

STATEMENT OF RICHARD GRIFFIN, DIRECTOR OF ECONOMIC DEVELOPMENT, CITY OF FREDERICK DEPARTMENT OF ECONOMIC DEVELOPMENT, FREDERICK, MD

Mr. GRIFFIN. Good afternoon. It is a pleasure to be here. I would like to just take a moment to introduce that I have two of my staff. Mary Ford-Naill is a Manager of Economic Development for the City of Frederick, and Emma Damazo is an intern in my office, headed down to UVA in the fall. And I know that I saw Alderman Roger Wilson in the back, one of my elected officials. I do not think the Mayor was able to join us yet in the room, but he may yet. So you did your homework on Frederick. You had a lot of the great statistics that I had in some of my testimony, so I will not repeat those, but what I will say is that 44 percent of the 73,000 people that make up the City of Frederick represent themselves as individuals of some color or ethnicity, but when you look at the percentage of minorities and women that own businesses in Frederick, there is a gap. We are about 26.2 percent.

So we have a gap between the representational population and the business ownership of somewhere around 18 percent, and it is that gap that we are working on every day between our partners at Frederick County Economic Development and the city to try and increase minority ownership, women ownership, and veteran and service-disabled ownership. And we are making some progress. I would like to just highlight a few of the things that together with Frederick County Economic Development that we have been working on jointly.

First, let me say that City of Frederick and Frederick County get recognized nationally now for high quality of life, for our high-quality workforce. In fact, recently WalletHub recognized Frederick as one of the most diverse cities in America. We came in number eight, and we have been the fastest growing community in Maryland for Asian and Hispanic population. So we are a quickly diversifying community. One of the challenges that we have had at the city and the county is identifying and reaching out to that gap, to those individuals who might be interested in starting a business or operating a business, whether that is creating a new business, or franchising a business, or whatever.

And so we have had to be resourceful. And a couple of the things that we have done have been, you know, I think it worked out kind of interesting. For instance, trying to reach out to all households in the city is complicated but we figured out that water bills go into every single household. So we took flyers and put flyers in every water bill going out to the city saying, if you are interested in starting a business, if you are an entrepreneur, if you are minority and women business and you need assistance, reach out to us. And from that we have gotten a dozen or more companies that have emerged, individuals that want to start companies, and now are working their way through the process of building business plans and doing the things necessary to grow their business. But we understand that growing that number or shaving down that gap is a

process that starts back in school and it does not end until, you know, people are in business for themselves and to succeed.

So the Frederick County Public Schools, for instance, has put in place programs like the LYNX program, which is linking students, and businesses, and high schools so that students from a very early point in their education get a chance to see what it is like in different career settings and grow some understanding of how businesses are formed and how businesses are started.

We have worked with the State of Maryland, the Governor's Office of Small Minority and Women-Owned Business Affairs to put on programs like the Ready, Set, Grow! program. We had 80 people participate in that program when they came out to hear about the various resources that are available to, you know, minority and women-owned companies to move their business ideas forward and get the various financing.

We work with SBDC and obviously SCORE and others to try to provide many of those services, and I will highlight that in a moment. Frederick County took a leadership role in creating the Frederick County Minority Vision program, and I think perhaps you are going to hear more about that, but that program is specifically intended for small businesses and opening doors to Government, public-private resources for minorities and women to start businesses and assist them with the division that they need to have in order to be able to pull that off. That is a year-long program. That has been very successful with a number of graduating classes now.

And then finally, you know, we work with the city and the county on procurement so that our own procurement offices are trying to award more of our—in the city's case \$20 to \$30 million in controllable spending each year, awarding that to, you know, capable and successful MBEs that, you know, would be part of the pool of applicants for that type of work. And we are just starting. The Mayor did a pointed panel to try and provide advice to the city on policies that it might undertake to encourage and improve in procurement activities.

While we do not do business plan assistance in our office, we refer to a number of partners, and you have heard some of them, SCORE, we recently did a franchise event with them, the Small Business Development Center where they provide no-cost, obviously, counseling to a lot of different business types, the Maryland Women's Business Center who I think you will hear from, our technology incubator and acceleration. We knew that taking and providing resources to technology companies, many of whom you are going to hear all about, are women and minority owned. It was critical and we have had now many graduates from that program. Tech transfer, you are going to hear from tech transfer. We have really worked hard to try and promote programs to get the technology off of Fort Detrick and the National Cancer Institute as well as other Federal facilities in Maryland to companies so that they can commercialize that, sell it on the private market, sell it back to the Government when necessary, and we have had a lot of success. You are going to hear from one of those companies.

And finally, I would just like to recognize the fact that the non-profits in this community provide an immense amount of support in the area of minority- and women-owned business support.

Centro Hispano, working with the Hispanic community, the Spanish-speaking community of Maryland, the Asian American Center of Frederick, the Maryland Hispanic Chamber, the Maryland Black Chamber, the Maryland Washington Minority Companies Association, and then finally even the State of Maryland created the video lottery terminal fund out of the lottery proceeds to assist small minority- and women-owned businesses across Maryland through capital financing, and that data resides with the Maryland Department of Commerce, but has been successful. And I would like to end on just saying that the Federal HUBZone program has been successful here in Frederick.

We have been successful getting companies to relocate to Frederick or to open up businesses in Frederick specifically because of that HUBZone program. Now, we only have in the City of Frederick six of the, I think, the nine HUBZone certified companies that are in Frederick County, six of them are in the City of Frederick, which is a small percentage of the total in the State. I think there are almost 400 in the State, total 381, with the largest number of gain, amazingly enough I did not realize, in Baltimore City. But those companies do depend on that program initially to get started.

The challenge that they have and the reason we have heard that there aren't more of them is the difficulty in being able to hire employees that live in a HUBZone because of the, you might not have enough housing to support that. And then finally, the making sure that they have a plan for transitioning off of that HUBZone program as that certification ends so that they have an exit strategy into more normal contracting processes.

And so we have lost a few companies that have gotten to the end of the HUBZone certification and went away. We have had a few that have made the transition. We have a few that, you know, have relocated to other parts of the State. But one thought that I have seen the State of Maryland do is that cities within the State are priority funding areas, and that is because traditionally or over many years you saw a lot of jobs, and a lot of companies, leave our urban communities go to the suburbs. It might be interesting to think about a model instead of the smaller HUBZone, a HUBZone that matches the urban boundaries of the city, which would allow for more housing to be in that zone and more potential to hire from that zone as well.

I think in closing, clearly small businesses are the heart of the community. You said before, 97 percent of our businesses are small, and we are working every day with the county to try and deliver the services that they need in order to shave that gap down and get our minority and women businesses closer to the representational percentage they are in our community.

Thank you.

[The prepared statement of Mr. Griffin follows:]

Michael O'Connor, Mayor
62nd Administration

Aldermen

Kelly Russell, President Pro Tem
Derek Shackelford
Roger Wilson
Donna Kuzemchak
Ben MacShane



Richard Griffin, AICP, CEcD
Director of Economic Development

Field Hearing Testimony – Richard Griffin, AICP, CEcD – Director of Economic Development
The Senate Committee on Small Business and Entrepreneurship
“Federal and Local Government Serving Frederick’s Diverse Small Businesses”

August 8, 2019

The Honorable Senator Benjamin Cardin
Ranking Member - US Senate Committee on Small Business and Entrepreneurship
Washington, DC 20510

Dear Senator Cardin and Committee Members;

On behalf of The City of Frederick Department of Economic Development (DED) I am pleased to testimony to the Senate Committee on Small Business and Entrepreneurship regarding “Federal and Local Government Serving Frederick’s Diverse Small Businesses.”

Frederick (city and county) is working hard to coordinate services and programs to assist minorities, women and veterans to start and successfully operate businesses. We are beginning to achieve positive results partially due to the many programs and services offered coupled with incredible intellect, passion, and perseverance of our diverse residents.

DEMOGRAPHICS AND STATS

First, a little background on Frederick. From our historic downtown, unique and creative residents, world cultures, award-winning food and music scene, and creative businesses, Frederick has become known as a highly diverse and welcoming community. Frederick is listed as one of the top most livable cities in America by Livability.com.

Today, the City of Frederick is the second largest municipality in the State of Maryland after Baltimore. The City is approaching 73,000 residents of which 44% identify themselves as Black or African Americans (20%), Asian (7%), and/or Hispanic or Latino (18%) (ESRI, 2019). Recently the City of Frederick was named one of the Most Diverse Cities in America (#8, WalletHub, 2016). Frederick has the fastest growing Asian and Hispanic population in Maryland, By 2020, Maryland is predicted to be majority minority.

Out of the nearly 3,500 businesses in the City of Frederick – approximately 26.2% are reported by census as minority owned (2010 Census) showing an 18% gap between resident demographics and business ownership rates. While that rate continues to increase each year, the road to running a successful business is far from simple. Research shows that these entrepreneurial challenges are significantly heightened for women and minority business owners. Access to capital, language barriers, and



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discrimination are all examples of barriers to entry that can prevent hopeful entrepreneurs from launching their business ventures. 51,345 people are employed by Frederick based businesses.

OVERVIEW OF PROGRAMS AND SERVICES

Increasing the participation rate of Frederick minorities, women, and veterans in business startups requires a systematic approach starting in the schools with internships and STEM programs, higher education exposure to entrepreneur curriculums, mentoring programs, one-on-one start up counseling, business plan assistance, incubator/accelerator programs, tech transfer initiatives, workforce development, government contracting opportunities, access to capital and more.

Frederick offers these programs and as a result, minority, women, and veteran owned businesses are beginning to flourish. The programs are not housed solely in local government, but across a variety of local, state, federal, and non-profit platforms. Here are few notable ones which are beginning to pay dividends for the community:

LYNX

LYNX stands for Linking Youth to New Experiences and is a program of the Frederick County Public Schools located at Frederick High School - a highly diverse student population. The program centers on creating highly individualized plans for student success, maximum student choice, and flexibility in setting and meeting academic and career goals. The program matches students to selective employers for unique learning experiences based on student interest. LYNX partner organizations are directly influencing and fostering future workforce and entrepreneurs.

City Business Start Up Tool Kit Flyers

Communication with the target populations is a challenge since there is not a direct database available to government and non-profit partners to identify prospects interested in starting a business. Much of the work requires these individuals to self-identify and reach out for assistance.

One low tech but successful way that the City DED has communicated to prospective individuals is through City Water Bills. Since these bills are sent to every household in the City, DED includes a flyer specifically soliciting interested individuals to contact the office for one-on-one business startup counseling by one of our staff. This results in a dozen or more contacts annually with business prospects of which 95% are minorities or women. In addition to in house services, we provide referrals to support services.

Additionally we provide the flyers to the non-profits to distribute to their clients, which results in additional business start-up meetings.

Ready Set Grow—

Annual event hosted by the City DED with the Governor's Office of Small Minority and Women Business Affairs with 80+ attendees in 2019. This is a Procurement Connections Workshop where we connect small, minority & women businesses with various state agencies and resource partners surrounding procurement opportunities. This State-sponsored office is committed to connecting the small business community to greater economic opportunities in both the public and private sectors. The office offers subject matter experts in a variety of areas including the Small Business Reserve (SBR) program and the Minority Business Enterprise (MBE) program.

Frederick County Minority Vision Program - The Minority Vision Business program provides a supportive environment for small businesses and opens doors to government, public, and private resources. The program features regular networking & informational events, and has introduced a year-long Leadership Development Training initiative. The Frederick County Minority Business Vision (MBV) was established in 2015 with the assistance of an initiative advisory committee made of minority business owners and advocates.

City of Frederick Procurement – Depending on the year, the City of Frederick can have between \$20 to 30 million in “controllable” spending in its budget. The resulting contracting opportunities extend beyond just construction, and include many professional services — such as engineering, consultants, graphic design — as well as general services — such as HVAC, cleaning, maintenance, and painting. The City has recently appointed an Minority Business Enterprise (MBE) Advisory Panel to help ensure that city policies are inclusive and that a pool of qualified MBE’s are routinely included in solicitations and are bidding on such work/products.

Business Mentorship and Business Plan Services – Frederick DED partners with several organization to provide business mentorship and business plan development services including:

Small Business Development Center (SBDC) – Counseling is available for no cost:

- Business Plan Development and Business Structuring
- Market Planning and Research; and Marketing Strategies
- Financial Projections; Debt and Equity Financing, Cashflow Management
- Management Techniques
- Government Procurement
- Contact information for starting a small business
- Licensing Information for Home-Based Businesses

Maryland Womens Business Center

Frederick’s branch of the Women’s Business Center works with women to start, sustain, and grow their businesses. Their services include workshops & seminars, online training, and business counseling.

Woman to Woman Mentoring

Woman to Woman works to cultivate mentoring relationships between women to provide “guidance, support, and community connections.” The organization hosts events and connects mentees with mentors to promote confidence, new skills, and new relationships.

Technology Incubation/Acceleration – Helping tech entrepreneurs is a critical strategy for Frederick. Business incubators drastically reduce the risk of small business failures by providing entrepreneurs with the tools necessary to create a solid business foundation. A high proportion of tech startups are minority and women owned – many by the scientist with intellectual property.

Frederick DED and OED are founding members of and partners in the Frederick Innovative Technology Center, Inc. (FITCI) – a high tech business incubator/accelerator. You will hear from Kathie Brady, CEO of FITCI later on this panel regarding the incredible support provided to tech startups. FITCI has graduated a number of minority and women owned businesses since its inception.

TechTransfer - DefTech is an initiative of the Maryland Department of Commerce, funded by the Department of Defense Office of Economic Adjustment and the US Department of Commerce Economic Development Administration through its Regional Innovation Strategies Program and includes twelve

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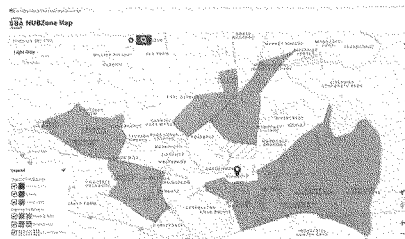
partner organizations across the state. Frederick DED and OED are partners. This program seeks to license technology from Federal Labs at places like Fort Detrick and the Frederick National Laboratory for Cancer Research to tech companies for commercialization. Many of these technology transfers occur with minority and women owned businesses.

Non-Profit Assistance – DED refers clients and accepts clients from groups like

- CENTRO HISPANO DE FREDERICK - Centro Hispano de Frederick's mission is "to inform, refer, and educate the limited English proficient residents of Frederick County in order to promote full participation in the community." The non-profit organization offers English classes, citizen preparation classes, basic computer courses, legal assistance, translation services, and more.
- SPANISH SPEAKING COMMUNITY OF MARYLAND - The Spanish Speaking Community of Maryland is an international community services agency. The organization is committed to empowering low-income families and immigrants from diverse backgrounds by promoting self-sufficiency, greater social change, education, and legal rights.
- ASIAN AMERICAN CENTER - The Asian American Center is dedicated to providing essential tools to the immigrant community members. The Center focuses on citizen integration, health & human services, English as a Second Language courses, and interpreter/translation opportunities.
- MARYLAND HISPANIC CHAMBER OF COMMERCE - The Maryland Hispanic Chamber of Commerce aims to "promote the establishment, growth, prosperity and retention of Hispanic businesses" in Maryland.
- MARYLAND BLACK CHAMBER OF COMMERCE - The mission of the MBCC is to "educate, connect, and advocate for black businesses across Maryland." The MBCC offers training and education, programs promoting business growth, and events encouraging networking and creating business partnerships.
- MD WASHINGTON MINORITY COMPANIES ASSOCIATION - The MWMCA offers networking events, training, and advocacy for minority- and women-owned business across Maryland. It also strives to connect small businesses with larger businesses to create opportunities for Disadvantaged Business Enterprises.
- MD VIDEO LOTTERY TERMINAL FUND (VLT) - Created with the small business owner in mind, the state's Video Lottery Terminal (VLT) fund uses proceeds from video lottery terminals to assist small, minority, and women owned businesses across Maryland through capital financing. The Maryland Department of Commerce administer the program.

Federal HUB Zones and 8A (Veteran) Programs

Frederick is a participant in the US Small Business Administration HUB Zones and 8A Veteran Programs. There are six HUB Zone areas currently designated in the City of Frederick



Presently Frederick County has nine (9) certified HUB Zone Companies (six are in the City of Frederick; and ten (10) certified 8A Veteran owned companies (two in the City of Frederick). Over the years the biggest challenge for HUB Zone certification in Frederick is finding 35% of the workforce from the HUB Zones. Recent additions of HUB Zones on Frederick west side has added significant residential neighborhoods to the prospective pool of workforce for HUB Zone Companies. One thought is to designate the full municipal limits of all cities as HUB zones to encourage investment in these areas.

MARYLAND HUB ZONE AND 8A CERTIFIED COMPANIES				
By County (as of 8.8.2019)				
County	HUB Cert	HUB %	8A	8A %
Baltimore City	105	27.6%	43	7.2%
Prince Georges Co	86	22.6%	192	32.3%
Montgomery Co	52	13.6%	161	27.1%
Baltimore Co	38	10.0%	40	6.7%
Dorchester Co	13	3.4%	1	0.2%
Anne Arundel	12	3.1%	28	4.7%
Garrett Co	12	3.1%	0	0.0%
Worcester Co	11	2.9%	2	0.3%
Howard Co	10	2.6%	70	11.8%
Frederick Co	9	2.4%	10	1.7%
Charles Co	9	2.4%	16	2.7%
Washington Co	6	1.6%	0	0.0%
Harford Co	4	1.0%	11	1.9%
Allegany Co	3	0.8%	0	0.0%
Saint Marys Co	2	0.5%	5	0.8%
Somerset Co	2	0.5%	1	0.2%
Wicomico Co	2	0.5%	1	0.2%
Carroll Co	1	0.3%	5	0.8%
Cecil Co	1	0.3%	1	0.2%
Kent Co	1	0.3%	0	0.0%
Queen Annes Co	1	0.3%	0	0.0%
Talbot Co	1	0.3%	0	0.0%
Calvert Co	0	0.0%	7	1.2%
Caroline Co	0	0.0%	0	0.0%
Maryland Total	381	100.0%	594	100.0%
The City of Frederick	6	1.57%	2	0.3%
Data Research by City of Frederick DED				
Data obtained From SBA Dynamic Small Business Search (DSBS)				

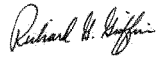
Another key issue for HUB Zone certified and 8A companies to consider is how to transition contracting from these programs to traditional contracts. This transition must start early and be planned – otherwise the business risks failure after the program certifications run out.

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In closing, here in Frederick and across America, small businesses are at the heart of our communities. Our local entrepreneurs including minority, women, and veteran owned businesses are part of what make Frederick a hub of innovation and economic growth, as well as one of the most livable cities in America.

Frederick stands ready to continue our deep partnerships with Frederick County, the State of Maryland, and the US Government as well as non-profit providers to support growth of minority, women, and veteran owned businesses.

Sincerely,



Richard G. Griffin, AICP, CEcD
Director of Economic Development

Senator CARDIN. Thank you for your testimony.
Ms. Callahan Brady.

**STATEMENT OF KATHIE CALLAHAN BRADY, PRESIDENT AND
CEO, FREDERICK INNOVATIVE TECHNOLOGY CENTER, INC.,
FREDERICK, MD**

Ms. CALLAHAN BRADY. Good afternoon, Senator Cardin, County Executive Gardner, other elected officials. My name is Kathie Callahan Brady. I am the CEO of Frederick Innovative Technology Center, also known as FITCI. We are actually a 501(c)(3). We were created 15 years ago as a public-private partnership, and we work with many clients whose businesses hinge on SBA support.

And so firstly I want to say thank you and thank you for being here and giving us your attention. Right now we have 49 clients. That is up from 15 clients three years ago. And, thank you. They are still talking about you coming out to meet them. There are also the 49 clients that we talked about. Each one of them has looked to apply for SBA programs. So I asked each one of them, along with our number one small business loan officers, which is M&T Bank, they told me that 20 SBA loans were, this particular year, in Frederick of the 340 across Maryland.

And I also asked some of our other banks who don't lend as much to SBA, and so my testimony is really their input on this. So one of the things that they said was local access is one reason that was mentioned by a woman-owned disadvantaged client company. She noticed that the process was lengthy but during that time she had to drive out of Frederick County to Montgomery or Howard County to connect with appropriate offices. The good news is she said that the benefit was invaluable, and it increased her business as well. Another—

Senator CARDIN. Did you meet with bankers or did you meet with people to help her with that?

Ms. CALLAHAN BRADY. I meet with people to help her. Her belief was that those offices were not here. Another client spoke of the Federal contracting, saying that it has gotten very difficult since 9/11 for small businesses to really go about finding out the requirements. And so their suggestion was to really potentially increase sole-source opportunities among the 8(a) HUBZones and WOSB firms.

Another client talked about making it easier for the average small business owner to compare the SBA loan programs, including the qualifications on what makes a good candidate for each program. And another client suggested that SBA could highlight or reinforce the importance of the applicant's relationship with his or her banking, and the banker's role for the SBA loan process. Another client suggested offering predetermined terms on defaults would be helpful since they believe that the SBA loans are often given to people who are shortfall on collateral or a higher risk. Input from the banks that I had spoken to, they said banks are not lending as much on the smaller loans as they believe that they are becoming significantly less profitable.

And they also noted that a few years ago, they said it was either two to three years, there used to be a program where they waived the fees on loans that were under \$150,000. And of course, that

program has closed, and they believe that that is a result of fewer small loans being approved, which is what most businesses need. And for all of the loans, they talked about the process being cumbersome, and long, and therefore, costly, and was hoping that there could be a program put in place for these loans that are smaller than \$50,000 to potentially cut some of the process or even the bank's SBA relying on the bank's process.

And with that, I hope the suggestions are helpful.

[The prepared statement of Ms. Callahan Brady follows:]



FREDERICK INNOVATIVE TECHNOLOGY CENTER, INC. (FITCI)

TESTIMONY OF KATHE L. CALLAHAN BRADY

President and CEO, Frederick Innovative Technology Center Inc,

**United States Senate Committee on
Small Business & Entrepreneurship Field Hearing
Thursday, August 8, 2019**

Senator Cardin and members of the Committee, Good afternoon and Thank you. I am Kathie Callahan Brady, CEO of the Frederick Innovative Technology Center Inc., also known as FITCI.

FITCI mission is to encourage technological innovation and accelerate the development of commercially viable technology-based businesses by providing tough love from proven growth fanatics. This includes an array of intensive workshops and training opportunities, as well as connecting emerging business leaders to proven mentors in related industries as well as capital.

We work with many clients whose businesses hinge on SBA support. So, the first thing I want to say is "thank you." Thank you for being here, giving attention to this issue, and for this opportunity to give testimony, because the Small Business Administration's efforts mean so much to so many.

Right now, FITCI has (49) clients. That's up from (15) client companies just three years ago. We've even added a second location, ROOT on North Market Street just a block from here, in complement to the labs and offices available at our Metropolitan Court location.

That percentage of growth outpaced population, the economy, and so many other indicators, because we were able to engage and activate community support. Magic happens when people believe in a cause. Their passionate commitment transforms possibility into reality.



FREDERICK INNOVATIVE TECHNOLOGY CENTER, INC. (FITCI)

It also shows how much hidden potential was just waiting to be tapped.

Of those 49 clients I mentioned, just about all of them look to apply for SBA programs.

So, I asked them along with our number one loan officer of SBA Loans in Frederick, M&T Bank (20 SBA Loans in Frederick, 340 total in Maryland this year) as well as the other Banks who don't lend many SBA Loans for ideas to make SBA contracting programs better and I'm happy to pass along their input.

SBA CONTRACTING PROGRAMS

1. Local accessibility is one issue mentioned by a woman-owned, disadvantaged, client company. She noted that the process was very lengthy. During that time, she had to drive out of Frederick County to Montgomery or Howard County to connect with the appropriate offices.
 - a. The good news is that she also said the benefit was invaluable and it has increased her business.
 - b. We work very hard to give emerging entrepreneurs the best start here, but it's a common challenge that they think they have to go somewhere else to grow, whether that's Baltimore or Boston. We'd like to keep them here.
 - c. Being able to connect locally would help reinforce the fact that opportunity is everywhere and allow us to see a long-term return on our investment in fellow community members.



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2. Another client spoke of the federal contracting saying, "it's gotten increasingly difficult for small firms to get access to federal clients prior to requirements hitting the streets to try to better understand their needs so they can write a winning proposal. Security standards since 9/11 make it impossible to walk the halls of federal agencies meeting people without an appointment and the marketing events are run by gatekeepers who are often overbooked and unhelpful. Meanwhile large businesses hire a former SES from a target agency with the reach back to get excellent direct business intelligence. There needs to be way to level the playing field beyond just setting requirements aside in these small business pools. Because if you can't market effectively, you can't gather the info you need to win competitive bids and most 8(a) firms, for instance, don't last much beyond their 9-year program limit. When that ends they need to be able to compete. One consideration might be to increase sole source opportunities among 8(a), SDVOSB, HUBZone and WOSB firms in substantive areas that will allow them to gain the past performance experience they'll need to continue in the focus areas they choose".

3. Another client suggested making it easier for the average small business owner to compare SBA loan programs, including qualifications on what makes a good candidate for each program. This could save time and effort on both sides of the equation.
 - a. Our client suggested a simple web-based Q and A app to help route potential applicants and give them the next steps.

4. An additional client suggested: The SBA could highlight/reinforce the importance of the applicant's relationship with his or her banker and the bank's role in the SBA loan process. Most budding business owners have to learn this as they go. They may be an expert in their particular industry, art or science, but banking and business loans are a new territory.



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- a. Personal credit scores are extremely important as does a willingness to take personal financial responsibility for a business loan, regardless of corporate status
5. And another client suggested: Offering pre-determined terms on default would be helpful, since SBA Loans are often given to people with a shortfall of collateral and a higher risk of default. Those terms should be affordable by an individual on a salary, which is where most people will get income if they have to close their business and take an alternate job. In the event of default, a laxer re-payment schedule could kick in.
 6. Input from the banks I interviewed: Banks are not lending as much on smaller loans as they are significantly less profitable. The smaller loans are what the businesses need the most.
 - a) Just a few years ago SBA used to have a program where they waived their fees for loans under \$150,000 and that program was closed which has resulted in fewer small loans being approved.
 - b) For all loans the process is very long, cumbersome and therefore costly. They would like the process to be more streamlined or for loans of \$150,000 or less have the SBA waive or cut out some of the process and rely more on the banks process.
 - c) Outside of the fees & costly process on small loans their response was: "They love the program because it allows them to approve loans they otherwise would not have been able to be approved. Then they added the painful process makes them want to avoid the program."



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I had asked these questions early last week so if other responses arise that might be different then I'm happy to forward these to your office. I know the Senator has come to visit our Biotech center although if the Senator or the committee would like to visit our Technology Center not a block from where we are at today, I'd love to give you a tour.

We do hope that these suggestions are helpful as you continue to refine the SBA's interactions with small business owners, especially in underserved communities. As always, if you have any questions, please contact me anytime at (301) 874 - 5291.

Sincerely,

A handwritten signature in black ink, appearing to read 'Kathie L. Callahan Brady', written in a cursive style.

Kathie L. Callahan Brady

Senator CARDIN. Well, thank you. Thank you, all three of you, very much. They were very helpful, and I want to get to some of these points but let me first start with the point that you raised about having to travel to get help because as I look at the SBA tools, they have been developed over a period of years. A particular Congress might feel like they should do something to help veterans, and later Congress might well do something to help minority businesses, and other Congress might want to do something in regards to women-owned businesses, and they sort of layer these programs on top of each other and they are not consistent on all of the procedures that are used or all the opportunities that are available.

So in Maryland, we do have a very diverse small business community. As I said in my opening comments, I am surprised that for entrepreneurship help, we do not have what I would think is a representative number. We have none for veterans, one for women with a satellite office in Frederick, but nothing in the Baltimore area. That does not seem to be adequate for the needs that we have in Frederick or through the State of Maryland. Your observations, am I right? Obviously that was one of the points you raised, but what can we do to change that?

Mr. GRIFFIN. One thing that we hear from the providers is that there is not enough bandwidth. In other words, there are more businesses that need assistance than there is bandwidth sometimes to assist or it takes longer, and clearly, the further they have to go for that assistance. Now, today some of it can be done digitally or over the phone, but clearly we have a much better and higher take-up rate with people that can meet in person here in Frederick than we do on the longer distance connections. But I would just like to say that bandwidth, in addition to distance, bandwidth is an issue.

Senator CARDIN. And Mr. Umberger, I know that there has to be a private sector interest. There are also funding challenges, etc., but if the State of Maryland wanted to set up a second Women's Business Center, and they had the interest to do it, how would they go about doing it under the current setup?

Mr. UMBERGER. What we need to do is obviously have the funding made available, and it was about, I want to say two years ago, a year and a half ago, so January of 2017, that we had a Women's Business Center located in Salisbury, headquartered in Salisbury. They had, a couple of years prior, worked on developing a position in Baltimore City. They opened a branch in Baltimore City. Then a year and a half ago, they contacted me to tell me that they were closing, out of the blue, no discussion. We had been in constant contact. We are always in contact with our resource partners and this was just out of the blue, they are closing the Women's Business Center. So that put us out of Baltimore City. That put us out of Salisbury in the Eastern Shore.

Rockville, WBC had come along outside of our territory, worked with Kiesha Haughton Smoots and had some discussion back and forth, and then the office in Frederick was born. But in the meantime, there was an appropriation, a request for proposal put out by SBA across the country limited to five locations, of which Baltimore was not one, that I was able to go to them and say we need one.

I want Baltimore added to that list. They did a supplemental to it, added Baltimore to the list.

So Baltimore, even though that was what was listed, it is Baltimore District that would therefore cover our State. There was some interest and the RFP closed. The proposals were analyzed, and we were not one of the successful proposals. So that leaves us in this syndrome of waiting till resources become available again. We know of one in particular that would be very interested in expanding across the State, in particular into Baltimore. We would be more than happy to have them submit a proposal.

There are a couple other folks that I have heard from, but obviously with historical record and the track record, there may be a leg up with what already exists in expansion scenario, but the money and the folks—

Senator CARDIN. Let me follow up on this for one second because there has been some interest in the Rockville Centre to expand to Baltimore, and I know Rockville comes under the Washington office not under your office, but they cannot do it unless the grant level is increased above its current limits of the grant level. One of the areas under consideration in our committee is to increase the limits on the Women's Business Center to a higher number. I am not sure that is the right answer for services in Maryland, but that is an avenue that may be available to expand services. And of course the Frederick office is under the D.C. District, not under the Baltimore District.

Mr. UMBERGER. Well, Frederick is in our office, but the headquarter of the WBO—

Senator CARDIN. Yes, I get that.

Mr. UMBERGER. Yes, I am sorry.

Senator CARDIN. So that does create a little bit of confusion and that certainly is one of the things that we are always interested is accountability, and there are so many different lines that are inconsistent on drawing accountability here. So let me get to veterans. Why don't we—I mean Maryland is—explain to me, I know you have the local interest. We have a great deal of veteran interest. Why don't we have a VBOC here?

Mr. UMBERGER. I cannot answer that question. Again, we have—a proposal came out, I supported an entity from Maryland. The folks from Virginia made an application, the folks from Maryland made an application. I am not the decision maker. The decision was made to put this VBOC or expand the VBOC that existed in Virginia to cover Maryland, Pennsylvania, Delaware, Virginia, D.C.

We do in fact have a representative from that VBOC that focuses his efforts in Maryland. And we do the Boots to Business program, which we had one in Frederick here back in March, that is run by them. But we really are the ones that support the curriculum and provide the instructor, one of the instructors. SBDC typically participates. SCORE many times has a part of that. But to answer the question as to why we don't have a VBOC is a tough one for me to answer because I don't know why. We should have one. I fully agree.

Senator CARDIN. Ms. Callahan Brady, you raised several issues I have heard over and over again, the difficulty of applying for a 7(a) loan, the trying to find a banker who is interested because

their interests today are not what they were 10 years ago or 5 years ago. We do not have many community banks available anymore, so you have to go through a much larger banking bureaucracy, which is not always sensitive to small businesses, particularly, you know, outside of a major urban center.

So we hear about that. We hear about the costs. We have tried to do a couple things to counter that, and I am interested in your views. We have the micro-loan program, which can be pretty quick in getting money out. It is a small loan, but it has a much better record with underserved communities. And we could try to expand that program. We have the 7(a) Community Advantage pilot program, which are smaller loans, and has a much faster track time, and has a much better record on reaching, particularly minority businesses. And then we have a fee waiver program that is modest at this stage.

But Congress is looking at expanding the fee waiver programs to try to make SBA loans less costly. It may require a change in statute. It certainly requires an appropriation. So there are two hurdles to get to that point, and I am interested as to whether you think that would help or is it just a lack of interest from commercial bankers to deal with businesses particularly in underserved communities?

Ms. CALLAHAN BRADY. That is a lot to jump into. It is definitely not a lack of interest in the banks and stuff here. They definitely want to. I have got great relationships with all of the banks here. They spend quite a bit of time with our small businesses. They are always looking to see what they can do to help. So I think all of the things that you mentioned, yes, absolutely it could help. I would love to be able to, and you know we are happy to host it, either at our Metropolitan Court location or our ROOT building here, but why couldn't we do something as simple as—so we work really closely with SBDC out of Frostburg, and they spend a lot of time in our facilities doing teaching and training.

The Rockville Centre that I hear about all the time has so many amazing resources. What if they just came up once a month to start with? Your VBOC, why don't they come up once a month, and we have on a consistent basis. We all work together as a community so well to be able to get those resources and to allow people to know about those types of resources that are available, and they are here on the third Wednesday or whatever it is you decide. So maybe it doesn't have to be this big huge funding effort and we could do something tomorrow.

Senator CARDIN. Mr. Griffin, you mentioned the HUBZones, and there is a challenge here. The requirements for people, for the employees, to live in the HUBZone is intentional because we are trying to help that community. It is an underserved community and we want to make it clear that we want it to benefit the community, which is within the zone, but you raised some legitimate concerns. The city like Frederick is not that big of a city. From the point of view of its workforce being able to get to a job pretty much anywhere within Frederick, that is not the issue. So are you suggesting that we change the geographical area where the business can be located, or the geographical area where the employee could live from to qualify, or both?

Mr. GRIFFIN. That is good. What I was suggesting was that some of the programs that the State has for assistance, for either underserved or rehabilitating neighborhoods and retail corridors and things like that, is done on a municipalwide basis, so the boundaries of the programs are the same as the boundary of the municipality. And I know that greatly expands the area, and maybe that takes the program to a much different place financially, but the likelihood that you would have more companies participating and being able to hire if the geography was slightly larger, I think, is more likely. You would have a lot better participation.

Additionally, I believe, if I am not mistaken, it is not required that all the employees be in the HUBZone that the business is located in, so that is helpful. And we do have some companies that have had relationships. For instance, we had a tech company in Frederick that had an office up in Frostburg as well. And I want to say they had some employees in a HUBZone up there working, they were programmers, and they also had an office here, and working back and forth. But it seems as though that is the biggest challenge for these companies, and sometimes they have to incent their employees to consider living in the HUBZone in order to be able to meet that requirement.

Senator CARDIN. Yes, well, you are correct. There is a percentage that must live in the zone, which raises an issue. On any given year, if you ask small businesses what is their number one concern, Mr. Umberger, you are right, access to capital will always be in their top tier of issues. In previous years it has been access to healthcare for their employees. That has changed dramatically for two reasons, one the Affordable Care Act, there is no requirement of companies under 50, but secondly, there is now an exchange of available so they can at least have access to health insurance products.

We can argue the affordability, etcetera. That is a separate issue, although we do have some credits available for smaller companies, but what is now making the top three regularly, which didn't before, is access to workers, trained workers. So if you are a large company, you have a lot more opportunities for how to attract workers than if you are a small business. So I think it is past time that we consider programs to help small businesses in trained workforce. I am curious as to what is being done here in Frederick, and whether the SBA has any partnerships with workforce development offices to help small businesses obtain qualified workers. Whoever wants to start on that.

Mr. UMBERGER. We do not have any specific programs, but I do know, and to confirm your statement, absolutely as I have traveled through the State and I have managed to get myself into a couple meetings on workforce development, it has become the number one issue. Eastern Shore, there were five county economic development entities represented, and there were three jobs for everyone one employee available. There were two jobs. There was half an employee for each job. You know, it is just a negative number everywhere you go.

Some of the things—in a stretch scenario to address workforce development, we do go into the inner city in Baltimore, to the libraries, and we encourage younger individuals, high school kids,

middle school children, to attend or their parents and learn about small business, about starting a business, but it is not the trade education or the trade training that we need. So other than being aware and attempting to reach different audiences that we typically would, we don't have any special initiative that would focus on workforce.

Mr. GRIFFIN. Frederick County, I believe, probably is leading the State. We are certainly one of the leaders in the State in terms of what it is doing with workforce development. The Frederick County Workforce Services Organization provides and retrain an enormous number of workers into our local businesses, including some of our startups. We have had some companies who have relied solely on employees that have come out of Frederick County Workforce Services to populate, you know, their staff, and the one really crucial thing is that the Frederick County Workforce Services will do all of the upfront vetting of employees to take that load off the business initially, so that the only employees that they kind of passed through to them are qualified, capable, you know, trained individuals. But they will do skills training and things like that.

Clearly, across every industry right now, the number one thing that we hear soon as we walk into the business is being able to find and retain the workforce that they need. And part of that is inherent in our current economy with low unemployment, but also we are trying very hard to grow certain industries here in Frederick. Biotechnology is one of them and gaining critical mass where employees from around the country see Frederick, Maryland, as a great place to be in the biotech industry and come here. And that helps our small start-up companies because now you have got someone with years of skills working in the biotech industry, coming up here into this market, maybe even starting a business. I hope that answered your question.

Senator CARDIN. It does, and I would invite you, if you have suggestions on how we could incentivize more help for small businesses and workforce development, let us know. We are scheduled to take up the Work Innovation and Opportunity Act reauthorization, and our committee will try to get some input into that for special help for small businesses. It is not within our jurisdiction, the bill, but we will try to influence the final reauthorization to include help for small businesses. So if you have suggestions on how we could help you tailor that more for the smaller companies, that would be helpful.

Ms. CALLAHAN BRADY. One suggestion. I completely agree with you. We talk about capital all the time and then it is workforce. Actually Terry and I were just talking right before this started. He needs 25 new people. You know, what a great problem to have. But some of the things I know my clients look at and really depend on is the schools. We utilize interns quite a bit so if there is anything we can do on that.

There are also the apprentice programs have been phenomenal here, as well as if there is anything else that we can do for that would be tremendous as well.

Senator CARDIN. And we are looking at the apprenticeship programs in regards to small businesses because we do put a lot of confidence into that for trained workers. So, absolutely. I want to

ask you one more question, if I might, about the SCORE program here. I am curious whether any of your businesses are using the mentoring available through the SCORE program here in Frederick County, and how effective that is.

Ms. CALLAHAN BRADY. Actually, several of them. We work really closely with them, so a lot of our clients are the same, many of them. We work together in terms of putting together what their business model is, and then they spent quite a bit of time going over our business plan and then shoot them back to us. That is their key to fame is really spending time on that comprehensive business plan.

Senator CARDIN. Good. And Mr. Griffin, you are shaking your head. So it has been working well here in the county. There has been some recent controversies in regards to the SCORE program but unrelated to the program here at Frederick County, I assure you of that. So there have been some challenging audits that we have had.

Mr. GRIFFIN. The SCORE program here has been very helpful. We have referred many clients over the years to SCORE who come back and say that they have gotten great services out of that program. We have a good relationship with the local leadership of SCORE. In fact, as I mentioned earlier, we did an event recently with them on franchise development because for some people, you know, starting a business might not look the same as it does for someone else. Maybe the idea of opening a franchise is an option for them, and so we had a whole program on that using SCORE and it worked out very well. We had a number of people participating.

Senator CARDIN. So you talked about bandwidth, how the bandwidth—in regards to the various services that are available, which ones are the most taxed right now?

Mr. GRIFFIN. I would say they all—out of the response we get back out of the SBDC counselors, out of the Women's Business Center, out of SCORE is that they will continue to accept new clients, but that they all have very low bandwidth to be able to get very deep. They can only scratch the surface. They aren't able to go quite as deep as they would like with each company because there are so many companies in need of their services.

Senator CARDIN. Well, that is certainly a challenge, but it is a good challenge to have. I mean, it just shows that the interest is there, so the entrepreneur spirit and the desire is needed. You should not have to travel 60 miles. It should be available to them.

Ms. CALLAHAN BRADY. Absolutely, and that makes it even more complicated. I agree, bandwidth is tough. We are having at FITCI quite a bit as well. I mean we are going to have to close our program off as well. If you were looking at the ones that have probably the largest bandwidth, and this is my opinion, I am seeing it with SCORE because we work with them quite a bit and I am looking for a specific skill set, and they are tapped out. I would also say the Women's Business Center. I think they are pretty much tapped out as well. SBDC has probably got the best resources, and then of course the veterans and procurement is just kind of non-existent up here.

Senator CARDIN. I have one final question. I think I will start with Steve on this, and that is, it has been frustrating on contracting, to get small businesses prime contracts because of the size of the contracts, the failure to fund procurement offices within different agencies so that they do not have the capacity to look beyond traditional suppliers, the new category management programs where they are trying to save money by making things big which makes it impossible for a small company to be able to get a prime contract. And the list goes on and on and on.

We try to deal with this in a couple of ways by dealing with abuses in bundling. We have also dealt with it by certain requirements between prime contractors and subcontractors. I am just interested as to whether you see this as a problem in our region or in Frederick, and whether this is something we really need to put more attention on how we can get more prime contracts to small businesses.

Mr. UMBERGER. Well, what I see is a challenge there is, obviously you are going to have a firm regardless of what certification they may be able to obtain from the SBA, that has to first, they should already have had their foot in the door. They should have been doing some sub work for primes that are Federal contractors to gain the experience, so that when they go to the agency, they can position themselves and represent themselves as being fully capable of obtaining and performing on a prime contract.

The main challenge I see is with those procurement officials at the agencies themselves. As a small business, I need to have the experience, the capability, and the expertise. Then, I have to prove myself to those contracting officers and specialists that have been doing certain things a certain way for a number of years. How do I break through that barrier to get the prime is up to me, and I have to continuously, until I find an opening or can provide the proper—really that is a heck of a challenge. It is a tough question to try to answer.

That would be the scenario if it were me to get there, but then breaking through that last final step to obtain the prime contract for many is insurmountable. So we probably could use some guidance to the agencies themselves as to what they need to do to assist and increase the number of prime offers that they put out.

Senator CARDIN. Of course, I really do think this is a major responsibility for the SBA in Washington. We are going to have a confirmation hearing on a new Director, and I expect this will be one of the areas that we will want to know how well of an advocate we will have on behalf of small businesses with other agencies, because if you do get into turf issues and how much—we have done a very good job on the 23 percent. That has been a sea change in the last decade. So that has been done. Subgroups, not quite as well, but the 23 percent we have done fairly well. Is this a problem in Frederick?

Mr. GRIFFIN. We do hear, from time to time, with some of the companies that are contracting with Federal agencies that smaller companies are having a hard time getting in the door for prime contracts. I am not that familiar with the specifics of it so I cannot go into a lot of detail, but I can say that one of the things that I have heard, and we hear this at the city level as well, is that for

the smaller companies to get the bigger contracts, the amount of, you know, financial capacity that they have to have in place in order to be able to show that they can fulfill the contract, or in our case sometimes it is a bonding issue of the city or whatever.

Those are significant hurdles for small companies to overcome, but beyond that I can't comment any further. I just don't have that much detail on it.

Senator CARDIN. That is helpful, and I would invite all three of you, if you have ideas on this, just let us know. In regards to tech transfer, which I know is a big issue. Particularly in this community, tech transfers are very, very important for the types of businesses that are starting out here. We passed laws and statutes and we have—we try to encourage this, but if there is a way that we can make it easier for innovative people to be able to use technology for commercialization, please let us know as we go through this.

Thank you all very much. Very helpful.

Mr. UMBERGER. Thank you.

Mr. GRIFFIN. Thank you very much.

Senator CARDIN. We will transition to the second panel. And I will introduce our panel first. Mr. Terry Collins, who is Co-founder and CEO of Blue Sources in Frederick, Maryland. In preparation for the hearing, I was trying to understand your business. It seems fascinating how little fish can help us determine——

Mr. COLLINS. Sir, I am happy to tell you whatever you can stand to listen to.

[Laughter.]

Senator CARDIN. It sounds fascinating.

Mr. COLLINS. It is pretty wild stuff.

Senator CARDIN. It impressed me. Masai Troutman who is the CEO of MASAI Technologies Corporation in Frederick, an SBA HUBZone certified minority business enterprise MBE. And we have Ms. Emily Dorr, the Owner and Creative Director of Postern LLC of Frederick, Maryland, a woman-owned business. It is a pleasure to have all three of you here. We will start off with Mr. Collins.

**STATEMENT OF TERRY COLLINS, CO-FOUNDER AND CEO,
BLUE SOURCES, LLC, FREDERICK, MD**

Mr. COLLINS. Senator, I want to thank you for the opportunity to appear today, and give testimony, and discuss Blue Sources' experiences using small business resources provided by Federal, State, and local Governments available in Frederick County, and the City of Frederick, and the State of Maryland. I am Terry Collins, the CEO and Co-founder. There are two other partners who are not here with me today and that is our Executive Chair and Co-founder P.J. Bellomo, and our other Co-founder David E. Barr. And David is in charge of our Federal business development area of which we think that will do a lot of business in that area. But I would also like to thank Kathie Callahan Brady of FITCI for co-operation and working together in preparing the testimony for today.

Blue Sources is a FITCI client, so Kathie has had a lot to do with where we have gotten today and getting us along in this process.

What we do, as you have already read, is provide a product and a service that detects acutely toxic chemicals in drinking water sources and wastewater effluent. Our customers are public water utilities, industrial wastewater treatment facilities, and the U.S. military. It is in use in the U.S. military today, actually. Our aquatic biomonitor product relies on a group of bluegill fish to constantly test water for acute levels of toxins used by using computer algorithms to measure a fish's biological responses, such as respiratory rate.

The aquatic biomonitor is essentially an early warning system. It does not tell you what is in the water, but it tells you that something there is a problem, and it is up to you to figure out what it is. The fish tell us when something is wrong with the water right before we might normally know. Blue Sources was formed in the second quarter of 2015 after discovering the aquatic biomonitor technology at a Technology Transfer conference at the BWI Airport Marriott in Q4 of 2014.

We stumbled across this. The aquatic biomonitor technology was invented and developed by the U.S. Army Center for Environmental Health Research, which I am going to call USACEHR, their acronym, at Fort Detrick, Maryland. A USACEHR research scientist at the conference explained the operation of the aquatic biomonitor and how the bluegill fish managed to tell us when toxic chemicals are present in our drinking water sources and wastewater effluent. This is essentially a canary in the coal mine, is what it boils down to.

A short time after that initial meeting, Blue Sources signed a patent license agreement with the U.S. Army and a Cooperative Research and Development Agreement with USACEHR. And that process was started through the Office of Research and Technical Applications with the U.S. Army's Medical Research and Development Command at Fort Detrick, where their ORTA office is. Federal technology transfer is a massive opportunity to license technology invented in defense labs and use it to build, innovate, and expand businesses. Discoveries made by Federal scientists and engineers are patented and then offered for businesses to license, which enables businesses to commercialize the technology and then sell to the private sector or back to the military.

The U.S. Army's Office of Research and Technical Applications, the ORTA, facilitated the tech transfer process and agreements required to transfer the technology and knowledge of this device, the two mechanisms most often used by Federal laboratories for technology transfer or patent licensing agreements, and the CRADA, the Cooperative Research and Development Agreements. Legislation creating technology transfer in the CRADA established the requirement that a company or entrepreneur applying to license a Federal Government invention must submit a plan for development and marketing of the intervention and make a commitment to bring the invention to practical application within a reasonable amount of time. You have to tell them how you are going to do it, and how you are going to sell it, or they are not going to give you the patent license. It is that simple. You have got to have a plan.

TechLink is the DOD's partnership intermediary organization that facilitates technology transfer between Federal labs and the

private sector. The process of licensing technology from a Federal laboratory from start to finish usually takes about six months. Ours was about four months in total. Went by pretty quickly, I thought, but it can be as short as one month. TechLink was an intermediary between Blue Sources and the U.S. Army patent attorneys. TechLink's assistance and guidance was instrumental in paving the way for easily acquiring our exclusive patent license with the U.S. Army.

A CRADA is a written agreement between a Government laboratory and a private party to work together on research and development of new technologies. Our CRADA with USACEHR afforded Blue Sources with a way to collaborate and build valuable relationships within the USACEHR organization. Our CRADA with USACEHR was the primary tool by which technology and technical expertise is transferred from USACEHR to Blue Sources personnel.

Our CRADA allows USACEHR to provide staff access to facilities, equipment, data, and other resources, not funding, with payment by us or without payment or by providing in-kind services, which is what we are doing with Fort Detrick today. Having this level of access to USACEHR was critical to our success for commercialization of the fish biomonitor system, which is what we are calling the technology that we developed. Frederick Innovative Technology Center, Inc., as I said earlier, we are a client and it is the local business incubator and accelerator, and without it, I doubt that we would have been as far along as we are today. We joined FITCI in July of 2016, when we realized that we needed help getting this company off the ground.

At this point, we had already bought patent licenses. We had our CRADA in place. We needed to figure out how to get funding and things of that nature to get where we were going. We had experience in running existing businesses, but I had never started one from nothing. So I know how to run a business, but I had never taken one from the ground up. Kathie Callahan Brady found Blue Sources that summer and convinced us that we would benefit from the programs and connections that she could offer. She was right.

As CEO of Blue Sources, I participated in FITCI's Strategic Growth and Advisory Board, and other advisory coaching programs. Kathie Callahan Brady introduced us to the Maryland Technology Development Corporation, TEDCO. TEDCO provides resources and connections that early stage technology companies need to thrive in Maryland, including funding. Blue Sources maintains an office at FITCI in an environment that is conducive to success. Everything we need as a business can be obtained in some way through FITCI.

As we progressed through programs at FITCI, it became apparent that Blue Sources needed an experienced resource to guide us through the process of starting funding and growing our business, as Mr. Barr and I had never been through that process. Kathie Callahan Brady introduced us to Mr. P.J. Bellomo, who had taken several early stage businesses from nothing to success. P.J. joined Blue Sources as a full-share partner. We didn't just let him in. He had to write a check, as we both did since we were self-funded initially, in January 2017 and was key to helping us obtain our SEED funding from TEDCO and other sources. TEDCO provided Blue

Sources with mentoring, resources, expertise, and connections to find SEED funding. Essentially, they provided it.

Our first contact with TEDCO was Mr. Chuck Ernst, the Rural Business Innovator Mentor for the Western region, which includes Frederick County. Chuck Ernst introduced us to TEDCO programs and helped us navigate the process of applying for SEED funding. As we prepared our pitch to TEDCO for funding, Chuck mentored our progress throughout the funding process. SEED funding was received from TEDCO in Q2 of 2017. Blue Sources had the funding to commercialize the fish biomonitor technology developed by USACEHR.

A commercially viable fish biomonitor product was completed and available for sale in Q1 of this year. So we have something to sell now. Additional funding. With the SEED funding provided by TEDCO, Blue Sources completed several production-ready fish biomonitor system devices. This will give Blue Sources the jumpstart needed to close additional sales and to raise investor funds for expansion, but we will use our sales money. All of it will get poured right back into the business. So we are going to bootstrap ourselves initially. We need to get traction before we can go looking for funding in many other places. So in Q4 of this year, Blue Sources will sell multiple units to several Washington, D.C., area water utilities.

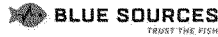
Some of these utilities have committed verbally to purchases once they have received funds from grant applications submitted by the Metro Washington Council of Governments to the Department of Homeland Security Urban Area Security Initiative grant program. These grants were awarded in May of 2019 and the utilities will see their portion of the grant in October of this year. So our purchases are imminent. Funds from the sale of these FBS units to the D.C. area water utilities will be plowed back into the business for marketing, additional manufacturing of more FBS units, and hiring Blue Sources' first employees. Essentially, we will bootstrap the next phase of growth. Once we have gotten some traction, we will start looking around for larger investors.

We are actually doing that right now to start talking to people and get that process going because we know we are going to close these additional sales. But we are looking, we are being pretty particular about who we want to fund our business. We want funding and investments from people that are already involved in the environmental science space. So we are looking for those investors through channels that Mr. Bellomo knows of and looking to get the first round of funding so that we can greatly expand our offering as quickly as we can.

I will say one thing about all this. I have been in Federal contracting as a vendor and a contractor for more than 40 years, and this is probably one of the best experiences I have ever had in going through this process with the Department of the Army, the county, and the city, FITCI, the State of Maryland, all the programs that we have used. Everybody has been exceptionally cooperative. The information has just flowed. Anything we have needed and asked for, we have pretty much received it.

It has been a great experience for us.

[The prepared statement of Mr. Collins follows:]



4539 Metropolitan Court
Frederick, MD 21704

TESTIMONY OF TERRY N. COLLINS
Co-Founder & Chief Executive Officer, Blue Sources, LLC

**Senate Small Business &
Entrepreneur Committee**
Thursday, August 8, 2019

Senator Cardin, thank you for the opportunity to appear before this committee to discuss Blue Sources' experiences using small business resources provided by federal, state and local government as available in Frederick County, Frederick City and the State of Maryland.

Officers of the Corporation

CEO & Co-Founder, Terry N. Collins
Executive Chair & Co-Founder, PJ Bellomo
Federal Business Development & Co-Founder, David E. Barr

I would like to thank Kathie Callahan Brady of FITCI for her cooperation in working together on this testimony over the past week.

BLUE SOURCES, LLC

Blue Sources provides a product and a service to detect acutely toxic chemicals in drinking water sources and wastewater effluent. Our customers are public water utilities, industrial wastewater treatment facilities and the US military.

Our aquatic biomonitor product relies on a group of bluegill fish to constantly test water for acute levels of toxins by using computer algorithms to measure a fish's biological responses, such as respiratory rate. The aquatic biomonitor is essentially an early warning system. The



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fish tell us when something is wrong with the water before we might normally know.

Blue Sources was formed in the second quarter of 2015 after discovering the aquatic biomonitor technology at a Technology Transfer conference at the BWI airport Marriott in Q4 of 2014. The aquatic biomonitor technology was invented and developed by the US Army Center for Environmental Health Research (USACEHR) at Fort Detrick, MD. A USACEHR research scientist at the conference explained the operation of the aquatic biomonitor and how the bluegill fish manage to tell us when toxic chemicals are present in our drinking water sources and wastewater effluent.

A short time after that initial meeting Blue Sources signed a patent license agreement with the US Army and a Cooperative Research and Development Agreement (CRADA) with USACEHR.

OFFICE OF RESEARCH AND TECHNICAL APPLICATIONS – TECH TRANSFER

Federal technology transfer is a massive opportunity to license technology invented in defense labs and use it to build, innovate, or expand businesses. Discoveries made by federal scientists and engineers are patented and then offered for businesses to license, which enables businesses to commercialize the technology and then sell to the private sector or back to the military. The US Army's Office of Research and Technical Applications (ORTA) facilitated the Tech Transfer process and agreements required to transfer the technology and knowledge.

The two mechanisms most often used by federal laboratories for technology transfer are patent licensing agreements and Cooperative Research & Development Agreements (CRADAs). The legislation creating technology transfer and the CRADA established the requirement that a company or entrepreneur applying to license a federal government invention must submit a plan for development and marketing of the invention and make a commitment to bring the invention to practical application within a reasonable amount of time.



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PATENT LICENSING - TECHLINK

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CRADA

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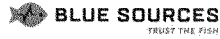
Our CRADA with USACEHR is the primary tool by which technology and technical expertise is transferred from USACEHR to Blue Sources. Our CRADA allows USACEHR to provide staff, access to facilities, equipment, data, and other resources (but not funding) with payment, without repayment or by providing in-kind services by Blue Sources. Having this level of access to USACEHR was critical to our successful commercialization of the Fish Biomonitor System (FBS).

FREDERICK INNOVATIVE TECHNOLOGY CENTER, INC.

The Frederick Innovative Technology Center, Inc. (FITCI) is a business incubator and accelerator designed to cultivate entrepreneurship. Business incubators drastically reduce the risk of small business failures by providing entrepreneurs with the tools necessary to create a solid business foundation.

Blue Sources joined FITCI in July 2016 when we realized that we needed help in getting Blue Sources off the ground. We had experience in running an existing business but had never started a business from nothing. Kathie





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THE MARYLAND TECHNOLOGY CORPORATION OF MARYLAND - TEDCO

TEDCO

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As we prepared our pitch to TEDCO for funding Chuck mentored our progress throughout the funding process. SEED funding was received from TEDCO Q2 2017. Blue Sources had the funding to commercialize the fish biomonitor technology developed by USACEHR. A commercially viable fish biomonitor product was completed and available for sale in Q1 2019.

ADDITIONAL FUNDING

With the SEED funding provided by TEDCO Blue Sources completed several production ready FBS devices. This will give Blue Sources the jump start needed close additional sales and to raise investor funds for expansion

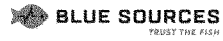
BOOTSTRAPPING

In Q4 of 2019 Blue Sources will sell multiple units to several Washington, DC area water utilities. Some of these utilities have committed verbally to purchases once they have received funds from a grant applications submitted by the Metropolitan Washington Council of Governments (MWCOC) to the USDHS Urban Area Security Initiative grant program These grants were awarded in May 2019 and the utilities will receive their portion of the grant in October of 2019.

Funds from the sale of these FBS units to the DC area water utilities will be plowed back into the business for marketing, additional manufacturing of more FBS units and hiring Blue Sources first employees. Essentially, we will bootstrap the next phase of growth.

LARGE INVESTOR FUNDING





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Frederick, MD 21704

Now that Blue Sources has traction in the form of product and subscription service sales, we can begin the search for larger investors for our first round of funding to continue hiring, expansion of our direct sales effort and implementation of our program of contracting with existing water industry distributors and service providers to build a national presence.



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Senator CARDIN. We rarely hear from happy campers, so it is good.

[Laughter.]

Mr. Troutman.

**STATEMENT OF MASAI TROUTMAN, CEO, MASAI
TECHNOLOGIES CORPORATION, FREDERICK, MD**

Mr. TROUTMAN. Good afternoon. Thank you, Senator Cardin for inviting me to testify today. My name is Masai Troutman and I am the CEO of Masai Technologies Corp. MTC is a small advantaged business in HUBZone company with over 20 years of private and public sector information technology services contracting experience. MTC is a prime contract holder with the GSA, Schedule 70 for IT services and healthcare IT.

The National Institute of Health, CIO SP3, a HUBZone category, contract, in the State of Maryland Consulting and Technical Services plus contract. MTC began doing business in Frederick, Maryland, as a prime 8(a) HUBZone certified business in 2004 on a \$2.6 million contract providing enterprise logistics, and financial application software support and data analytics for the Army Medical Material Agency.

At MTC, we also partner with local Frederick small businesses and we provide internships and mentorship for the high school students. In my experience, effective business operation within the public sector requires continuous marketing by the small business and by directional goodwill actions from Government, contract officers, and program management throughout the five-phase procurement process. That process entails vendor outreach, where the vendor markets and the Government agency then cultivates that pool of vendors to make sure they are ready to bid when opportunities come out. To capture, process number two, where the vendor is going to drill down and try to find the specifications of the requirements, and really understand if we should be investing our time or not.

Then there is the proposal phase, the award, and then program execution, and closeout. I am going to highlight how the improvements that I see in that procurement process, and what I have been able to experience here in the Frederick County, are doing business. From the vendor outreach phase, I work a lot with Frederick County's Minority and Business Vision program. They do events every month. They invite minority and small women-owned businesses, and they train us on—they talk to us about how to finance, how to do financing with your business, networking, marketing, and different business development skill sets that you will need in order to function as a business here in the county.

The State does a great job as well as running the Ready, Set, Grow!, different events they have all around the county, and all around the State. We attend those and we meet with program managers, and they give us forecast and insights on what is coming so we can put together teams and we can get financing and get ready to bid and compete. In 2018, we bid as a subcontractor, as a minority business enterprise subcontractor on a State of Maryland contract that required, going to say 7 or 8 percent minority

business enterprise, like African American, set aside for subcontracting.

We bid as a sub with a prime and we won an award. We bid in July 2018. By January, we got the award, and we have key resources on the contract. So some recommendations I have on the outreach. Our outreach phase is to make sure we do partner the Government partners with those nonprofits, the local and national nonprofit, that can service the Frederick County area, African American, Latinos, those underrepresented demographics, with training on how to bid, on how to obtain financing and market, technical skills. I am in IT and a high demand of technical skills such as cloud computing on AWS, Microsoft Azure, Cloud, artificial intelligence, machine learning, programming, Python, getting Python certifications. Those type of skill sets is what my business would need as a HUBZone.

To take people who could be in lower income, we got to educate them so that we can make the 35 percent and maintain a HUBZone status, and keep winning work, and keep hiring people, but they got to have skills, and those skills can be learned. As far as outreach, we work with Fort Detrick sometimes. They run a SMART PROC annual conference here in Frederick where they bring their program managers out and they market to small businesses. Fort Detrick has lowered its HUBZone. Its HUBZone is set aside to 1 percent. The DOD standard is 3 percent, and my recommendation to them would be to start locally and let's work together to identify the contract vehicles of HUBZone like the CIO SP3 has a HUBZone category. We have teams with different skill sets under us, team members. We can deliver services that can help Fort Detrick to get its numbers back up to 3 percent from the 1 percent they dropped it to.

And in the capture process, that is where we as vendors, we go and we try to get more detailed to see if we should be investing our money, our time, to going after these contracts. And on a Federal level, locally, Fort Detrick puts out a forecast and we look at those forecasts to see if we can get an order to go for those bids if it is worth it to us. At the State level, they do a lot of industry days where they invite us in, and we meet with the program managers. And they share their pain points and problems, and we can really shape our solution and partnering to say, hey, we can bid on this or not.

So I think definitely on the State, city, county level, they definitely need more industry days, more forecast provided to us small businesses, and a person of color small businesses and HUBZones, more key performance indicators and goals set for subcontracting. So definitely have set asides, I think on the city level and county level, I don't think that set-asides exist. I think we need them because on the subcontract level and on the prime contract level, they need to be enforced. I don't think that they are being enforced.

And in many cases if they are on the city level, or the county level. I use the State as an example because those set-asides they have on the prime and sub, they enforce it. When we thought we were not going to get utilized by the prime that won the contract, I called the contracting officer and they did a group meeting between myself as a sub, the prime, and they said is there a problem

here, and the prime said no, there is no problem. We are using MTC. They will be great, and we have one of the top key personnel on the contract.

One of the last things I want to say, the proposal process, when we are responding to a solicitation, the solicitations, I say, definitely we want to look at the Government providing, again, more set-aside similar to the State where they have set-asides for minority business enterprise, women. They break minority business enterprise down to, they say African Americans like 7 percent, they say Latinos, because in IT these are the groups that are underrepresented.

So they make sure you say hey, you want to have goals to try to make sure they get a fair chance. Track the contracting of HUBZone utilization to make sure not only dollars but the number of small businesses being awarded contracts are growing, because basically they are just bundling funding a couple contracts with vendors they like and they are just giving them all the work, and that is not really growing the economy the way we need it to. IDIQ contracts are big contract vehicles that we are on.

We have to make sure that they are opened up so that new players can participate, especially with category management coming, those contract vehicles will be used more to make purchases. So I mean, those are the type of things that we are seeing. More monitoring and enforcement of the subcontracts and the percentage goals for the prime contracts, and definitely set-aside work.

And more so, sole sources for the, at least SDB HUBZones. HUBZones that SDB, like MTC, we do not see many HUB sole sources. We get a lot of opportunities to subcontract but the prime contracts usually are through some type of vehicle, and we have three vehicles. If they don't come out under those vehicles, we really don't get access to them, but we get a lot of opportunities to sub.

So we are big on enforcing subcontracting enforcement of percentage goals.

Thank you very much.

[The prepared statement of Mr. Troutman follows:]

Masai M. Troutman, CEO of MASAI Technologies Corporation

August 7, 2019

Kathryn Eden
Chief Clerk
United States Senate
Committee on Small Business & Entrepreneurship
Washington, DC 20510-6350

Dear Kathryn Eden:

I want to thank Senator Cardin and The Senate Committee on Small Business & Entrepreneurship for inviting me to testify at this hearing on "Federal and Local Government Serving Frederick Diverse Small Business." My name is Masai M. Troutman, and I am an African-American business owner and operator of MASAI Technologies Corporation (MTC), a certified Federal Small Disadvantaged Business (SDB) and HUBZone company with over 20-years of private and public sector (i.e. Federal, State & local) Information Technology (IT) systems integration contract experience. The Historically Underutilized Business Zones (HUBZone) program helps small businesses in urban and rural communities gain preferential access to federal procurement opportunities.

Also, MTC is a State of Maryland certified Minority Business Enterprise (MBE), Disadvantaged Business Enterprise (DBE), and Small Business Enterprise (SBE) by the Maryland Department of Transportation (MDOT). MTC is a Prime Contract holder for government-wide Indefinite Delivery and Indefinite Quantity (IDIQ) contract vehicles for the General Services Agency (GSA) Schedule 70(IT) & Health IT Services, National Institute of Health (NIH) CIO-SP3 HUBZone category, and The State of Maryland Consulting & Technical Services Plus (CATS+) contracts. Specifically, MTC provides IT process and project management and technical services for mission-critical classified and unclassified systems both in the continental U.S. (CONUS) and outside continental U.S. (OCONUS). To enhance our services capabilities, we are in partner programs with large companies (i.e. Tableau, Inc. for Data Visualization, Amazon Web Services (AWS) for cloud services and Machine Learning, and ServiceNow Inc. for IT operations management services).

I will describe my experience operating my business, MTC, interacting with The City of Frederick, Frederick County, State of MD, and Federal Government. Being a small business owner and member of a historically disenfranchised group (i.e. African-Americans, Latino) has me both hopeful and frustrated at times as a Frederick business owner over the past 13-years.

MTC began doing business in Frederick, MD as a prime contractor 8a and HUBZone certified business from 2004-2006 providing enterprise logistics and financial application software support and data analytics services on Fort Detrick for the U.S. Army Medical Materiel Agency (USAMMA). Although MTC received "excellent" performance ratings (Exhibit A), our subsequent bids and pursuit of other opportunities on Fort Detrick yielded no further contract work to date. MTC is grateful for the courage and intelligence of the Government Program Manager (PrgMgr) who was a diversity and HUBZone business advocate that recognized MTC's qualifications, industry certifications, and expertise to evaluate

Masai M. Troutman, CEO of MASAI Technologies Corporation

our offer fairly and recommend MTC for our initial Fort Detrick prime contract award in 2004 and again in the 2nd year option in 2005 for a \$2.6 million contract.

From 2006-2019, MTC has been awarded prime and subcontract work from many other Federal Agencies (i.e., Army PEO-EIS, Intelligence Agencies, U.S. Air Force, State of Maryland, etc...) across the DMV region. We have delivered subcontract services for large business prime contractors in the continental U.S. and Overseas for classified and highly classified programs for over 10-years. MTC's technical staff has performed as key personnel on mission critical DoD and Intelligence Agency programs for over 15-years.

In my experience, effective business operation within the public sector requires continuous marketing by the small business and bi-directional good will action from Government Agency contract and program management throughout a five (5) phase procurement process, including these 5 phases:

- 1) Vendor Outreach – Vendor markets to Government Agency and Agency cultivates the vendor pool with information on procurement process, products and services being and to be procured, and how to work together;
- 2) Capture - Vendor attempts to capture salient Government opportunity requirements and specification information through formal and informal contacts with Government Program stakeholders in order to better scope the opportunity,
- 3) Proposing on Solicitation –Government issues bid request/solicitation and vendor forms team and responds to solicitation with a proposal,
- 4) Award - Government issues award, and
- 5) Program Execution and closeout - Vendor performs contract in compliance with the scope of work and Government regulations for the period of performance (PoP).

Next, I provide my experiences and improvement recommendations across key phases of the procurement process for the Federal, County, State, and City Governments.

Masai M. Troutman, CEO of MASAI Technologies Corporation

1-Vendor Outreach

Frederick County – I periodically attend the monthly outreach to Persons of Color through the Frederick County Office of Economic Development and the Frederick County Minority Business Vision Program networking events to provide fundamental business development knowledge and skills (i.e. networking, marketing techniques, financing, etc).

City of Frederick - I have not seen or attended to date any consistent Persons of Color vendor procurement cultivation activity from the City of Frederick.

State of MD - I periodically attend monthly procurement vendor meet contract administration and program management hosted events by the State of Maryland at their Crownsville, MD Department of IT. Also, there are perpetual events during the year called "Ready. Set. Grow" sponsored by The Governor's Office of Small, Minority & Women Business Affairs to acclimate and ready historically disenfranchised business owners to the procurement process and current and future business opportunities.

MTC partnered and bid on a CATS+ TORFP as a subcontractor MBE as in July 2018 and was awarded the contract in February 2019 for base 2-years with 3-year options.

Federal Government - Fort Detrick, U.S. Army Research Acquisition Activity (USAMRAA) is the major procurement entity in Frederick County. Outreach to Local persons of color occurs about once per year at an annual outreach conference for vendors that occurs every October here is Frederick called SMART PROC Event. USAMRAA has a below Federal DoD HUBZone utilization goal of 1% and did not achieve that in 2018.

The Department of Defense has a 3% HUBZone Target spend%; Fort Detrick has lowered its HUBZone target to (1%) and didn't even meet that (.9%) in 2018. The USAMRAA did over \$800 million with small businesses in 2018 according to Federal Procurement Data System Next Generation (FPDS-NG) 1 October, 2018.

Vendor Outreach Improvement Recommendation:

- Establish partnerships with established effective non-profit African-American and Hispanic focused professional development organizations (i.e. Black Data Processing Association (BDPA), HBCUs, Latino Economic Development Center (LEDC) to provide outreach and procurement participation information and proposal training for its members and alumni.

We want to avoid the situation where the Government Procurement Agencies doesn't know the Persons of Color and HUBZone companies exist or their capabilities and the vendor pool of Persons of Color and HUBZone companies are not informed or prepared to participate in procurements.

Masai M. Troutman, CEO of MASAI Technologies Corporation

- Fort Detrick /USAMRAA needs to put their HUBZone dollar Utilization % target back to 3% immediately work with MTC and other certified HUBZone businesses to fulfill the requirements.

2-Capture

Federal

Fort Detrick is locally viewed by Frederick small businesses as a closed eco-system that seeks to exclusively recycle small and large businesses that are already a part of the community, which creates a barrier and constraint to businesses run by owners Persons of Color, and other socio-economic designations, and HUBZone businesses growth and opportunities.

Fort Detrick posts a yearly Forecast of Opportunities on their Small business website with summary information of bid opportunities with an email of requirement point of contact (POC). The POC does not respond to inquiries in our experience, so the clarification and scoping of requirement opportunity for the vendor is neutralized; it is not effective in benefiting companies who are not currently working with that Agency or requirement owner.

Frederick County and City of Frederick Agencies:

MTC has registered our business capabilities, socio-economic status, and experiences into online vendor databases for City of Frederick and county agencies. We have no evidence of the database being used for business development benefits for us getting a bid opportunity or impacting Government procurement.

State of Maryland

We attend and receive monthly notifications of industry day informational sessions being held by The State of Maryland Dept of IT (DOIT) office. We find their support of the capture process effective in allowing vendor pool to scope the requirement and understand to invest in bidding or not.

Capture Improvement Recommendations:

- Publish all Pre-solicitations notices for Sources Sought and Request for Information (RFIs) prior to the determination of socio-economic determination of solicitations.
- Create Key Performance Indicators (KPIs) with incentives and disincentives for contract officers and contract specialists to increase their Frederick County Persons of Color (i.e. African-American and Hispanic), HUBZone, socio-economic designation procurement outreach, capabilities tracking, bid response, and awards.
- The use of Vendor databases by Government agencies should lead to some type of meaningful Government engagement with vendor process or workflow towards doing business. We consider vendor databases in Frederick to be database "graveyards" where our vendor info goes to die.

Masai M. Troutman, CEO of MASAI Technologies Corporation

3-Proposing on Solicitation

Federal

MTC does not track or see many of the solicitations for Fort Detrick/USAMRAA contracts due to their being released on contract vehicles that if you're on a prime contractor or a team contract task orders are not accessible.

State of MD

We find the State of MD to be effective in solicitation set-asides. The State of MD CATS+ IT contract vehicles through the Maryland Department of Transportation certify vendors into Small Business Enterprise (SBE), Minority Business Enterprise (MBE), and Veteran Small Business Enterprise (VBE) to establish set-asides and subcontracting requirements. The MBE vendor category has specific goals for African-Americans and Hispanics due to the historic economic and social discrimination against these groups require them addition support to compete. **Both large and small businesses must comply with MBE set-aside goals.**

Frederick County and City of Frederick Agencies:

MTC has not yet bid upon the solicitations released for the City of Frederick or Frederick County. There has not been the capture opportunities or vendor pool cultivation by Government to warrant MTC investing forming a team to respond to a bid opportunity we know nothing about.

Proposing on Solicitation Improvement recommendations:

- MTC believes the contracting officer or small business officer must be a true advocate of diversity (Persons of Color) and HUBZone Small Business. The advocate must have oversight of every procurement transaction and possess the autonomy and willingness to halt the procurement process to ensure proper outreach to Persons of Color and HUBZone including fair set-aside practices occur.
- Frederick County and City of Frederick should establish Prime contractor Set-asides goals to ensure MBEs (broken down further for African-Americans and Hispanics), SBEs, and VBEs fair access to contracting opportunities
- Require subcontracting MBE and HUBZone utilization goals for large and small prime contractors where applicable.
- Ensure pre-solicitation and sources sought notification get out to the vendor pool prior to solicitation release
- Federal Agency should measure and have goals of success Key Performance Indicators (KPIs) for their HubZone and small disadvantage business (SDB) utilization in (**dollars**) and (**# of small businesses**) awarded.
- Increase contract vehicle open-seasons to allow new vendors to participate in bid process and inactive vendors to leave vehicle.

Masai M. Troutman, CEO of MASAI Technologies Corporation

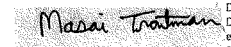
4-Awards

Improvement for Award phase:

- Monitor the large business spend with MBE, SBE, HUBZone subcontractors
- Enforce Agency MBE and HUBZone prime contractor award utilization goals
- Enforce prime contractor subcontract plans and incentivize and disincentive companies to meet goals.

The procurement process works best when there is cooperation and good will amongst vendor and government agency. I have shared my experience and recommendations as a certified HUBZone and Person of Color operating a small business in Frederick County while doing business with Federal, State & local Governments.

Thank You Again for this opportunity,



Digitally signed by Masai Troutman
DN: cn=Masai Troutman, o=MTC, ou,
email=masai@masai-tech.com, c=US
Date: 2019.08.07 04:36:07 -04'00'

Respectfully,

Masai Troutman

CEO of MASAI Technologies Corporation (MTC)

203 Broadway Street, Suite 120

Frederick, MD 21701

Tel: 301-694-26751

masai@masai-tech.com

www.masai-tech.com

Masai M. Troutman, CEO of MASAI Technologies Corporation

Exhibit-A

PAST/PRESENT PERFORMANCE QUESTIONNAIRE

SECTION 1: CONTRACT IDENTIFICATION

- A. Contractor: MASAI TECHNOLOGIES CORPORATION
- B. Contract number: GS-35F-0547N
- C. Contract type: FFP
- D. Was this a competitive contract? Yes X No _____
- E. Period of performance: 1/12/04 -1/11/05 (FIRST) / 1/12/05 – 1/11/06 (CURRENT)
- F. Initial contract cost: \$ 1,500,000.00
- G. Current/final contract cost: \$ 1,110,000.00
- H. Reasons for differences between initial contract cost and final contract costs:

The initial contract cost was established based on the support services (sustainment) needed after post go-live of the USAMMA Revolution In Logistics (URL) ERP system implementation. The reduction in contract cost per option year of the initial contract is factored by the resource requirements in which sustainment services were required. As the contractor provided knowledge transfer, too government resources the levels of contractor resources reduced per option years.

- I. Description of service provided:

Provide knowledge transfer, functional and technical business process sustainment plus enhancement support services to the USAMMA URL (ERP) system within the areas of System Application Products (SAP), Plant Maintenance (PM), Financial/Controlling (FI/CO), Funds Management (FM), Materials Management (MM), and Business Intelligence (BI)/ Business Warehouse (BW) development and configuration of business processes. Assess functional business requirements and recommend implementation solutions and approaches in support of business process requirements.

Provide knowledge transfer, BASIS system operations sustainment support services to include implementation of required system upgrades, patches, enhancements and configuration within the areas of SAP R/3 transactional and BW systems environments.

Provide knowledge transfer and technical sustainment support within the areas of ABAP program development, code configuration, design, testing, and upgrades within the areas of SAP R/3 and BW systems environments.

SECTION 2: CUSTOMER OR AGENCY IDENTIFICATION

- A. Customer or agency name:
- United States Army Medical Materiel Agency (USAMMA)
- B. Geographic description of services under this contract, i.e. local, nationwide, worldwide, other Commands:
- Local - Fort Detrick Maryland

Masai M. Troutman, CEO of MASAI Technologies Corporation

Exhibit-A continued

SECTION 3: EVALUATOR IDENTIFICATION

- A. Evaluator's name and title:
Mr. Cal-Abram C. Johnson, USAMMA CIO, Chief, IM/IT
URL Sustainment - Contracting Officer Technical Representative (COTR).
- B. Evaluator's phone/fax number:
301-619-4463/Fax 301-619-4372
- C. Number of year's evaluator worked on subject contract: 2

Masai M. Troutman, CEO of MASAI Technologies Corporation

Exhibit-A continued

SECTION 4: EVALUATION

Please indicate your satisfaction with the contractor's performance by placing an "X" in the appropriate block using the scale provided to the right of each question. This scale is defined as follows:

<u>CODE</u>	<u>PERFORMANCE LEVEL</u>
O	OUTSTANDING - The contractor has demonstrated an outstanding performance level that was significantly in excess of anticipated achievements and is commendable as an example to others, so that it justifies adding a point to the score. It is expected that this rating will be used in those rare circumstances where contractor performance clearly exceeds the performance levels described as "Excellent".
E	EXCELLENT - The contractor has substantially exceeded the contract performance requirements.
G	GOOD - There are no, or very minimal issues and the contractor has met the contract requirements.
F	FAIR - Overall compliance requires minor agency resources to ensure achievement of contract requirements.
P	POOR - Overall compliance requires significant agency resources to ensure achievement of contract requirements.
U	UNSATISFACTORY - Non-conformances are jeopardizing the achievement of contract requirements, despite use of agency resources. Recovery is not likely. If performance cannot be substantially corrected, it constitutes a significant impediment in consideration for future awards containing similar requirements.
N	NOT APPLICABLE - Unable to provide a score.

Quality of Product or Service	O	E	G	F	P	U	N
Ability to understand/comply with customer objectives and technical requirements	X						
Effectiveness of assigned personnel in terms of the appropriate mix of education and experience to accomplish the requirement.		X					
Adequacy/effectiveness of quality control program	X						
Quality/effectiveness of sub-contracted efforts							N

Masai M. Troutman, CEO of MASAI Technologies Corporation

Exhibit-A continued

Program Management, Timeliness of Performance & Business Relations	O	E	G	F	P	U	N
Effectiveness of overall contract management (including ability to effectively lead, manage and control the program)	X						
Timeliness/effectiveness of contract problem resolution without extensive customer guidance	X						
Ability to successfully respond to emergency and/or surge situations		X					
Effectiveness of material management (including Government Furnished Property or Material)	X						
Contractor proposed alternative methods/processes that reduced cost, improved maintainability or other factors that benefited the customer	X						
Contractor implemented responsive/flexible processes to improve quality and timeliness of support.	X						
Contractor was reasonable and cooperative in dealing with your staff (including the ability to successfully resolve disagreements/disputes)	X						

Transition/Phase-in & Employee Retention/Attraction	O	E	G	F	P	U	N
Contractor ability to smoothly transition resources and personnel.		X					
Contractor effectiveness on maintaining continuity of mission support while transitioning/phasing in resources and personnel to support other efforts.		X					
Ability to hire/apply a qualified workforce to this effort.		X					
Ability to retain a qualified workforce on this effort.	X						

Cost Control	O	E	G	F	P	U	N
Accuracy in forecasting contract costs		X					
Ability to meet forecasted costs and perform within contract costs		X					
Ability to alert Government of unforeseen costs before they occur	X						
Sufficiency and timeliness of cost reporting		X					

Masai M. Troutman, CEO of MASAI Technologies Corporation

Exhibit-A continued

Government Contracts Only: Has/was this contract been partially or completely terminated for default or convenience or are there any pending terminations?

Yes____ Default____ Convenience____ Pending Terminations____
 No X_____

If yes, please explain (e.g., inability to meet cost, performance, or delivery schedules, etc).

SECTION 5: NARRATIVE SUMMARY

What were the contractor's greatest strengths in the performance of the contract?

In support of the USAMMA URL system and business process sustainment and overall mission support the contractor displayed, presented and demonstrated outstanding quality services and commitment to ensuring any system and process issues were addressed in a timely manner to include quality documentation in support of all findings and or recommended solutions. The contractor always provided on time status reports and if required to provide assessments of key system and or key business process changes the information was above what was required. The Program Management staff for the MTC contract was very professional in their workings with government Managers and the internal user community. The MTC Management staff was quick to resolve issues and resolution of system problems. Another strength the contractor demonstrated was their ability to perform Knowledge Transfer within the key areas of SAP BASIS operations and business processes to the internal government staff with the methodology they presented. The strengths of this approach used in performing the Knowledge Transfer to the USAMMA personnel was detailed in nature and allowed the COTR to validate its use with key performance matrix's.

What were the contractor's greatest weaknesses in the performance of the contract?

I have found in my assessment no weaknesses in the performance of the MTC contractor's in support of the URL sustainment support.

Would you hire this contractor in the future to perform one of your critical and demanding programs?

Yes, I would hire the Contractor in the future to perform services of critical and demanding programs based on the experience the contractor has presented in support of the USAMMA URL ERP system. They have demonstrated that they have the skills to support such an effort.

Please provide any additional comments concerning this contractor's performance, as desired.

The Contractor has demonstrated the ability to perform services within the government arena and has provided quality services and support as such. The skills and depth in knowledge the contractor has demonstrated can be assured to benefit and support the needs of the government especially in areas of Business Process Re-engineering, Quality Assurance, and Project Management..

Col-Abram C. Johnson, Chief IM/IT for U.S. Army Medical Materiel Agency 27 Oct 2005
 Evaluator's Signature Date

Masai M. Troutman, CEO of MASAI Technologies Corporation

Exhibit -B

CATS+ MBE/SBE/VSBE Participation

EFFECTIVE June 9, 2014, GOSBA revised all MBE procedures, forms and reports

<http://goma.maryland.gov/Pages/Reporting-Tool-MBE.aspx> . Note that CATS+ Specific forms are located in the Agency Service Center.

New regulations for MBE and VSBE prime contractors:

MBE: New regulations effective June 9, 2014, allow a certified MBE prime contractor to apply up to fifty-percent (50%) of the MBE participation goal (overall) and up to one hundred percent (100%) of not more than one of the MBE participation subgoals, if any, established for the contract.

VSBE: New regulations effective March 16, 2015, allow a certified VSBE prime contractor to apply up to one hundred percent (100%) of the VSBE participation goals established for the contract.

Objective

The information on this page provides guidance to CATS+ contract users tasked with setting Minority Business Enterprise (MBE) and Veteran Small Business Enterprise (VSBE) goals for CATS+ Task Order Request for Proposals (TORFP). The objective is to establish reasonable and attainable MBE and VSBE goals for each task order.

MBE Goals

The overall CATS+ Master Contract MBE subcontractor participation goal is 20 % with sub-goals for Women-owned of 8 %, African American-owned of 7 % and Hispanic American-owned of 2 % for the aggregate of all task orders awarded. This does not mean that every TORFP must set a 20% goal; some will be higher and some will be lower, depending upon the pertinent circumstances of each task order.

MBE goals must be evaluated on an individual task order basis, with the objective to establish a reasonable and attainable MBE goal, given the specifics of the TORFP scope of work and other factors as discussed below. Establishing an appropriate MBE goal will minimize the need for waivers, a benefit to both State agencies and Master Contractors.

<https://doit.maryland.gov/contracts/Pages/CATSPlusMBEParticipation.aspx>

Senator CARDIN. Thank you for those comments and recommendations. Ms. Dorr.

**STATEMENT OF EMILY DORR, OWNER AND CREATIVE
DIRECTOR, POSTERN LLC, FREDERICK, MD**

Ms. DORR. Thank you for having me here today, Senator Cardin, and for everybody else in the room that is here to participate, thank you for being here. I am a much smaller business than I think some of the businesses you have heard from already today, and maybe a little bit less sophisticated but still have a lot of needs to help grow my business.

I purchased my business two years ago after having worked for the previous owner for 19 years. It was Jean Peterson Design. We were a small graphic design studio at the time, and I saw the opportunity to grow the business to a full-service marketing agency, boutique size, but still full service, offering services such as copywriting, public relations, management, digital marketing. So services far outside of just the graphic design area. Mostly because I think there were many businesses doing solely graphic design and there is a tremendous amount of freelancers in that industry.

So having been in business for 20 years as Jean Peterson Design and developing the base that she had, I saw it as a great opportunity for myself and even for the businesses in Frederick to have another full service agency to turn to. So since, I think, during the transition time was probably where I needed the most help, but it happens all the way up until today. Talking to bankers today about expanding my access to capital. So I would say during the first year, we were able to maintain all of our existing clients and even grow.

In the last two years, we have grown our employees too. I am about to hire the fourth new employee. We started off as a five-person business when I bought it. So we have not lost any employees, have not lost any clients, anything. We are foreseeing our vision of growing into that full service agency, including eight new clients in the last two years to use in that capacity from planning their strategies, to budgeting, to all the way down to the graphic design services we are very well known for. We work with clients in various industries from nonprofits, profit, for profit, Government departments, a couple of them are here today. We work with the hospitality industry working with businesses such as Visit Frederick, recently winning The Visitor Guide for Howard County that we will do in 2020.

And so, as we grow, the things that a business like I need, I find sometimes hard to locate when I am doing research myself. I know there are several people in the room that I turn to on a regular basis and ask for assistance, including Richard Griffin in the city Office of Economic Development and the folks at the county Office of Economic Development. As a business, we have used the Frederick County Workforce Services program that you have heard about already today. They have helped us with sorting through and sifting through resumes when we are hiring for certain positions and picking out some of the people that are the best qualified for the job.

We have hired people through that program and some which are still employed in the office today. I think the majority of my assistance though comes from the people that I hire, such as my bookkeeper, and accountant, and lawyer, and business coach. I haven't necessarily used the services outside of work for service and a handful of other things. I am not a women-owned certified business. There are only very few times where that would come in handy to me that I know of, and so I think that is probably where I may offer resources or information to you is that the information that I think I need, I find kind of hard to find sometimes, and so the information that I would be looking for things in the area of corporate planning, growth of the business, leadership training, human resources management.

Right now, we are in the process of possibly expanding our services again, deciding whether to set it up as a sub-company, a sister company, acquiring the additional capital to do so, and a lot of times it happens. And as you acquire new contracts and things like that, so I think that would be the other thing that would be helpful to me is being able to find those resources more quickly than I have been able to find them. And I think that is all I have.

[The prepared statement of Ms. Dorr follows:]



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Ms. Emily Dorr
Owner and Creative Director
Postern LLC

August 8, 2019

Senator Cardin, in July of 2017 I purchased Jean Peterson Design—a graphic design company that had been in business for 20 years. Having worked at Jean Peterson Design for nearly 19 of those 20 years, I recognized there was opportunity to grow the business to something more than just a graphic design company. My vision was to create a full-service marketing agency that in the short-term would focus on growing our business within our Frederick County market and mid-long-term would need to grow outside Frederick County to achieve it's greatest success.

During the first two years in business, Postern would grow to include copywriting, press management, digital marketing such as web design, search engine optimization and social media management and execution. However, with the diversification of services came the overwhelming need to provide strategy and the development of comprehensive marketing plans and budget that would help our clients coordinate their marketing efforts to see better results. During this time, we renamed ourselves to Postern as part of our own marketing strategy.

Within the first year, Postern maintained all existing clients and began to see the growth of clients using services beyond graphic design. Now entering year three, we have more than 8 clients who use our full breadth of services, 22 who use more services than just design, and 24 others who still rely on Postern for sole design services.

During the acquisition of Jean Peterson Design, I utilized the internet to research the resources available to me at the City and County levels. Many of the resources I found seemed geared toward start-ups and businesses with income or needs much lower than Jean Peterson Design or significantly higher income or needs. Additionally, there appeared to be special programs for merchants, information technology companies, and bio-tech. I researched what I could find through the Frederick County Office of Economic Development, Frederick City Department of Economic Development, Frederick Chamber of Commerce, Workforce Services, Frederick Score, and others.

As Postern is connected directly to several of these offices, as we assist with their marketing, I was aware of some of the programs available but was needing the most assistance to ensure I was setting up all the proper business accounts accurately.



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It was through my own relationships that I found the most support. An accountant to set up my business with the state and local agencies, a bookkeeper for weekly needs, a lawyer to contract the acquisition appropriately and client contracts, a brother who is a partner in a mergers and acquisitions company for the valuation, and my father who has extensive experience running his own business in the state of Maryland but on a much larger scale including launching the company public on NASDAQ. Additionally, I have hired a business coach to help with goal setting, sales and leadership training as well as staff professional development. The coach has worked with me since day one and continues to do so on a monthly basis.

Over the years, Jean Peterson Design used the resources of Frederick County Workforce Services to assist in the hiring of team members, who today are still employed by Postern. From time-to-time when I have a question related to doing business in the City or County, I reach out to my personal contacts at both the City and County Economic Development Offices. Lastly, Postern and its staff continually take advantage of training programs, networking events, and existing relationships to inform and help guide our company growth.

If there are resources available for businesses such as Postern, they aren't well promoted. Registering a business through the State should trigger ongoing promotions of resources for business owners. Business owners are busy people so those promotions could come in various forms such as email and mail or when other information is mailed. Simple reminders are very helpful.

Specifically, I would like to see resources for service businesses in the areas of planning, corporate structure, growth, sales and leadership training, human resource management, and workforce training.

In conclusion, since July 2017, I am proud to say I have grown my staff by two members, to a total of seven, and this summer we are employing our first paid intern. Finally we are also beginning to realize our growth outside of Frederick County having recently acquired a contract in Howard County.

Postern's growth has been steady and planned. My goals are for Postern to be a regionally known marketing agency in the State of Maryland, with the aspirations to at least double our staff and triple our income.

Senator CARDIN. Well, I thank all three of you for giving us some real life examples. So between Mr. Troutman and Ms. Dorr, you have two different views on the importance of being certified to have single source contracts. You are relatively a young company from the point of view of your ownership. You have, it looks like, a comfortable list of customers. Are you doing Federal Government procurement?

Ms. DORR. No. We do answer some RFPs that are put out by local Government like the Howard County Office of Tourism and different departments within the Frederick City and Frederick County, but not large scale of Federal contracts.

Senator CARDIN. And of course the State has its own certification programs also, but you had, from the business you bought, at least a list of clients to work with, so you didn't find it necessary to go down that route?

Ms. DORR. No, not necessarily. Neither did the person before me.

Senator CARDIN. Right. Mr. Troutman, you seem to think that the certifications are critically important, both your 8(a) originally as well as now your HUBZone for single source contracts that otherwise would not be available to you. It seems like that is what you are saying. So the certifications here were critically important for your business to grow?

Mr. TROUTMAN. Yes. Yes, the HUBZone has primarily been beneficial on the subcontract level. When it comes to prime, I have not been getting direct prime. We now have a HUBZone prime contract IDIQ vehicle with the CIO SP3 by NIH. Now we see more opportunities with bidding as a prime, but just having a HUBZone certification to bid as a just a company off the street, from what I do, there were not many opportunities.

Senator CARDIN. Why not? Did you win prime contracts? Are they too big?

Mr. TROUTMAN. Yes, I mean we have done prime contracts, and it is just a lot of work. When I had 8(a) it was a lot easier. It was a lot easier because they could sole source. Now with HUBZone, not many sole sources are awarded to HUBZones, but a lot of the enforcement is on the subcontract level, so we get to—partnering with a lot of the big companies, they will bring us in to be their sub. That is my only thing. Let's get more HUBZone sole sources, more HUBZone direct contracts, but it is actually going the opposite. It is going to the big vehicles, contract vehicles. That is what we have right now.

Senator CARDIN. And Mr. Collins, as I said, if you finish your remarks, we don't normally get people as satisfied as you were as witnesses, but you have helped at both ends here, which is not typical of a tech transfer startup company. You had helped here in the county in two respects, one from the county on its FITCI opportunities. You were in an incubator so you had the shelter of an incubator that was interested in your business growth and started you off in a way that you could take advantage of opportunities.

And then you had TEDCO, which is a State operation that takes a look at tech transfer and provides extra attention. So you were protected and helped by both the county as well as by the two local Government agencies. We facilitate tech transfer through a Federal statute, the Tech Transfer Act, but you explained that the tools

that are available for technology to be commercialized. It is very interesting that a lot of taxpayer dollars go into basic research.

We all know NIH, but DOD, a lot of money goes into research, and then they come up with technology that could be used to keep our water supply safe, not necessarily from DOD's interest, they have some interest in that, but we allow that to be commercialized and you took advantage of it. So, my question to you, and you may not be able to answer it, what can the Federal Government do more to encourage more happy campers like you?

Mr. COLLINS. I don't have an answer, but I have an opinion.

Senator CARDIN. Okay.

Mr. COLLINS. Alright. So after going through this process, and as I told you, I mean we literally fell across this technology. I was at that conference to look for something completely different. I have another business that is in the same space as Mr. Troutman, and we were looking for a different type of product that had been developed by a Federal agency because there were a lot of them there. A couple of the three-letter agencies there. A couple of the military, Fort Detrick obviously, but we found this because I said, oh there is Fort Detrick, let's see what they are doing.

I have found in going through that process that the military and Government in general are not very good marketers. So a lot of people probably don't know about technology transfer or the products that are available, even though that information is freely available. There is websites TechLink has a website where you go out there and search through their database of products. The local ORTA office out at Fort Detrick. They have a database that you could sort through for the research and development that they do in the medical industry. They have already approached me about, is there anything else that you would like to develop as a product, and I said, let me get this one done first, then we will see about that.

But I think that somehow find a way to advertise this more. I just happen to drive down to go to that one because it was, you know, easy to get to, it was at the Marriott, and I think our local Congressman was actually speaking as a keynote speaker, which was another reason why I went. So that was the draw for me, and we just happened to find this technology. Wouldn't it be nice if they had an event like that here locally in Frederick?

Senator CARDIN. More outreach.

Mr. COLLINS. Yes, and maybe in other locales like that. I mean this is a national thing. It is not just in this area but anyplace where there is a military organization that develops some sort of technology, they should have something more local as well as in the big cities to have people there.

Senator CARDIN. That is a good suggestion. You were able to enter into licensing agreements and cooperative agreements. That could be intimidating. You had the help of, as mentioned earlier, TEDCO could help you in regards to some of that, as I assume?

Mr. COLLINS. Actually for the licensing and the CRADA, TechLink was instrumental in that. And of course, I have a little bit of experience at negotiating contracts and things like that so that helped quite a bit. I have no patent license knowledge at all. We actually hired a patent attorney to review those licenses for us,

but at the same time TechLink facilitated all that and made it really a not very painful process at all. And the local people, the local patent attorney for the Army here in Fort Detrick, he was very, very available to us with suggestions and things we had to consider explaining things to us. They were all a big help in getting that done.

Senator CARDIN. I am pleased to hear that. I will take your suggestion back as to how we can get more opportunities in local communities on technology transfer information so that it is more widely available. That is a good suggestion. I want to get to the workforce issue. Ms. Dorr, if you go beyond your current workforce, and we hope that you will because you are going to go into these new fields and you are going to need more people, can you find them?

Ms. DORR. In some cases. Most of the way that I have grown has been through talking about what I am doing with the company and the conversations lead to I know somebody who, and fill-in-the-blank what the need I am looking for so far. Then, we still are heavily in the graphic design part of the business. And so, I have resources that I use, colleges that I go to. We have local associations like the American Advertising Federation that has portfolio review days for that part of the business. So yes, I do think, as we expand, there will be a challenge in finding the right people to fit the need and also fit into the existing team.

Senator CARDIN. And Mr. Troutman, you are still in a HUBZone. You know, we recognize there is some flexibility on who you can hire and not everyone has to live in the HUBZone, but are you going to be able to find, when you get that prime contract, to hire another 15 people. Can you find them?

Mr. TROUTMAN. It is going to be rough. It is going to be rough especially in technology with the technology we are going after, solutions with artificial intelligence, machine learning. What I am doing is I am active in the High School LYNX program. So I am ingratiating and incorporating IT professions to the students here at Frederick County and trying to get them interested because I will train them myself, you know, and that is what I am doing.

I am planning to see now to try to build my workforce. It is a lot of work, but at least programming. Yes, so am I going to be able to readily find them if I finally got a contract tomorrow? It is going to be a challenge, but give me a year, after I put in this work with training the students, and then I will at least have programmers.

Senator CARDIN. And as far as access to capital, you did not talk about that at all. I take it that was, you were able to work that out when you acquired the business?

Ms. DORR. I was, but as of the last couple of weeks, I have had a need to expand even just a line of credit and talking even today to the bank that I work with. We talked about SBA Express line of credit.

Senator CARDIN. Good. Mr. Troutman, anything on access to capital?

Mr. TROUTMAN. Yes, we have been with M&T since 2003, and we did an SBA loan and line of credit maybe about eight years ago. So yes, we are good with them, but we could go back and get more. They call me all the time. They say, do you need more, and I say

no, I am good, right now working on it, working on getting some that pushes me, that stretches me. So, yes.

Senator CARDIN. So I don't know who found this panel, but this is really a happy panel.

[Laughter.]

I must tell you, I mean it is a good way for a hearing to conclude, to see that you have been able to use your own ingenuity, and when you needed help, you were able to get the help you needed. And all of you are going to be expanding. You are going to be doing more business. You are all looking for the next chapter of business and you are pretty optimistic. You are going to get there. We are going to find some prime contracts for you, and you are going to have to grow a little, but you are going into a new field. So it is exactly what small businesses should be doing is looking for innovative ways to expand opportunity, which is going to mean job growth, but it is also going to mean that you are going to show what entrepreneurship is all about.

And it starts with the individuals, and we have three really talented people here before us, so congratulations to all three of you.

Mr. TROUTMAN. Thank you.

Mr. COLLINS. Thank you.

Ms. DORR. Thank you.

Senator CARDIN. I do not believe I have to keep the record open, do I? So I have to for two weeks. Thank you. I appreciate that. The record will stay open for two weeks in case someone is going to ask questions to you, which we are not planning to do that I know of. But anyway, the record will stay open for two weeks.

And with that, the Small Business and Entrepreneurship Committee will stand adjourned. Thank you all very much.

[Whereupon, at 3:46 p.m., the hearing was adjourned.]