

join Austan Goolsbee, the Chairman of my Council of Economic Advisers, as he takes questions and suggestions from Americans live on whitehouse.gov and on Facebook.

So I'm going to be sitting in on some of the other panels to make sure that my staff is doing their work. And then we're going to come back here, and I'll try to sum up what I've heard.

So again, I am very grateful for all of you being here. This is a working session, not a photo op, so I expect all of you will express your opin-

ions clearly. You won't hold anything back. And I'm looking forward to hearing from you and then trying to make sure that we're a good partner in helping you implement the great ideas that you have.

Thank you very much, everybody.

NOTE: The President spoke at 11:38 a.m. at Cleveland State University. In his remarks, he referred to J. Albert "Bubba" and Sabrina Baker, founders and owners, Bubba's Q Bar-B-Q and Catering.

Remarks in a Discussion at the Entrepreneur Session of the Winning the Future Forum on Small Business in Cleveland

February 22, 2011

Small Business Administration Administrator Karen G. Mills. So, Mr. President, we were just talking about you and how much you love doing this and how much you enjoy hearing from the small businesses. And raise your hand. Who is a small business in here?

The President. There you go.

Administrator Mills. Okay, there you go. And I thought you might want to meet Al from Bubba's BBQ.

The President. I just gave you a plug. [Laughter]

Administrator Mills. He says he's still shaking, you know.

The President. Where are the samples? [Laughter]

J. Albert "Bubba" Baker. Well, I brought pictures, but—

The President. Pictures? [Laughter]

Mr. Baker. Mr. President, I spent 13 years in the NFL, and I've never been shaken until today. [Laughter]

Administrator Mills. There you go.

The President. Well, the—listen, everybody, welcome. And it's great to see you. As I just mentioned when we were all together, the goal here really is to hear from you. And I just want to emphasize in this panel the whole issue of entrepreneurship and why it's so important.

The truth is, is that large companies are critically important to our economy: They export,

they employ thousands of people, and they also provide contracts to small businesses. So there's a little bit of an artificial separation sometimes. If large businesses are doing well, then small businesses also have an opportunity for great success.

But here's the unique thing about small businesses. Small businesses that grow into medium-sized and large businesses, that's the key to the future, because it's the new products, it's the new services, things that nobody else thought of before that are going to help absorb all the talented Americans out there who are looking for careers. And the large companies, there's only going to be so much additional employment that they add, partly because they're getting more and more efficient.

So what we want to figure out is how can we help you succeed. Now, many of you are already succeeding, so you can help us understand what it takes to help others succeed. The most important ingredients obviously are your work ethic, your—you initially have an idea, you're willing to take risks, you're willing to try to talk your family into going along with it, you're willing to hustle and scrape to get the financing, to market, to expand sales. We understand that you are the most important ingredient to success.

But there are a number of things that continually come up when it comes to what we're hearing in small businesses: problems with access to capital; problems with being able to connect with consumers and markets when you don't have a lot—a big infrastructure and a lot of capital that you can expend; problems in terms of finding the right employees.

So the goal here is to really get a sense of what you think are the things that we could be most helpful in ensuring your success and the success of other small businesses in the future.

And as I said, we're very lucky to have Steve Case here, who is somebody who grew a small business to a large business and was at the cutting edge of the technological revolution that we've seen over the last 20 years that has changed everything. And he is going to be working as our chairman for public-private partnership that tries to continue to encourage additional entrepreneurship.

So with that, I'm just going to spend most of my time listening. I will turn it over to you, Karen or Steve or others.

Administrator Mills. Well, we have a few small businesses, and I want to just ask Philip, maybe he'll—I'm going to cold-call a few people—makes the smallest microwave oven in the world.

The President. Is that right?

Administrator Mills. So you think we can't make microwaves here. That's pretty innovative, huh?

The President. How big is it?

Philip B. Davis. It's 0.73 cubic feet, 10.5 inches wide, 10 inches deep, and about a foot high. It has a handle. You can carry it around. People put it on their boats and campers, dorm rooms and bedrooms. And we made microwave technology portable. And that's—in terms of innovation, the Chinese are great at manufacturing, but never before had anyone broken the 1 cubic foot barrier. So I had an idea back in 2004, and in 2007 made my first trip to China, with no money down, convinced them to make the prototype. And then we had a chance to get into the sales in Sharper Image, then last year went on amazon.com, and now we're selling it directly off of our own web site.

The President. That's outstanding.

Mr. Davis. Thank you very much, Mr. President.

The President. So, at this point, how many microwaves are you selling?

Mr. Davis. We've sold—since it's been on the market, we've sold over 5,000.

The President. Outstanding.

Mr. Davis. So we're hoping this year that this will be our breakthrough year. It's been an exciting ride for us. But one of the things that we find challenging is, for example, access to capital, because we have a lot of demand for our product in Europe. We get e-mails all the time from France and Spain and Germany asking for the iWavecube.

Administrator Mills. Export it.

Mr. Davis. Yes, we could export it. But the challenge is, we don't have the capital to make the run because it's a different voltage system. It's 220 versus 120 here. And so we need money in order to grow into the European market, but the European Union is 500 million people, compared to 300 million here in the U.S. So that little bit of capital would help us grow.

And my recommendation to you, Mr. President, would be that if you could figure out a way to change the tax policy so that when people invest in small businesses, perhaps the capital gains on an investment would perhaps be not taxed. Let's say if you put in \$10,000 or \$20,000, if you doubled your investment, the first \$20,000 would be——

The President. Now, I don't want to interrupt you, but that is such a good idea that we actually implemented it last year.

Mr. Davis. Did not hear about it.

The President. You did not hear about it? Karen, do you want to talk a little bit about——

Administrator Mills. Well, in fact, in the set of tax cuts that the President enacted—the 17 tax cuts—I want to make sure you all, when you do your taxes, make sure you ask about the 17 tax cuts, because it's money back in your pocket. One of them is, if you invest in a small business, certain criteria, you don't pay capital gains. You don't pay capital gains.

The President. You see there? Now, this was not a setup. [Laughter]

Administrator Mills. No, this was not a setup.

The President. I just want to——

Administrator Mills. I was going to say you did that one already. It was his promise.

The President. No, no, we reduced capital gains to zero for investments in small business.

Mr. Davis. Then that word needs to get out because I think that helps the investor make the decisions of where to allocate his capital. But that's a great step in helping entrepreneurs gain access to capital.

The President. Well, we'll make sure that Karen gets everybody the information. Now, what we're going to do is, I'm sure, distribute information on all these tax credits that are available as part of the follow-up to this conversation. But congratulations on the success.

Mr. Davis. Thank you very much, Mr. President.

Administrator Mills. Now, Ariane has a construction company. I like this because it's a woman-led construction company.

Ariane B. Kirkpatrick. I have a company, AKA Construction Management Team. And actually we started off with a franchise, and we actually had the opportunity to—[inaudible]—when you became President.

The President. Nice.

Ms. Kirkpatrick. And we did such a good job that we got more jobs, more opportunities. And I was asked if I would be interested in doing a project at the Cleveland Museum of Art, where I took lessons every Saturday. So I was proud to be part of it, but you had to be a union company. Being a minority female, I was scared to make that jump and my affiliations with the organization of President's Council—I talked to many of my mentors in that organization, and I studied it and I prayed on it for approximately about 6, 7 months before I made that leap. And I finally did. And it's actually been the best decision I've made.

I've only been in business for almost 2 years now. I've done it with no capital, no access, just with the pennies and dimes and nickels I have in my pocket. And I've been able to carry a payroll. I've been able to pay my union bills, in-

surance, everything on time. But I'm stressed because I have no access to capital.

You talked about being a risk taker. I've always been a risk taker, but I never was a smart risk taker. So I've had some credit issues. So I've had some barriers, some personal barriers that I've had to overcome to get to the next level. So those more so are some of my problems, on how do I overcome those personal barriers, being a risk taker—wanting to be an entrepreneur, wanting to be a part of that future and win—how do I win with those barriers that I have.

The President. Good. Well, this access to capital issue is going to, I suspect, keep on coming up. Obviously, one of the key things that we've done—and I'll talk about this in another panel that I'll be joining—is both through the SBA, where we expanded the loan guarantee program, increased the size of loans that could be taken out, and reduced fees. That is providing a lot of capital, particularly at a time when small businesses were getting hammered during this past 2 years of recession.

But through Treasury, we're also doing a range of programs, including, by the way, assisting State governments in their own programs so that they can start providing lending and counseling closer to the ground.

Administrator Mills. We've got some new platforms, our Community Advantage program that's designed exactly for your issue. So I'll talk about that, actually, later in the program.

But I want to get a couple other guys in here. Joe, talk about your——

Joseph Lopez. Mr. President, thank you, and welcome to Cleveland. I'm an entrepreneur. I've had one company since 1989—it's New Era Builders, a general contractor—and started another business called Sierra Metals. We just changed the name to Aster Elements. We're fortunate enough to follow the trend in the country where there's a lot of construction and that was in Las Vegas and that was City Center. And at one time that was 9 billion dollars' worth of construction.

We followed the pendulum, did a lot of work. Now we're back, but we've always been focused in northeast Ohio. My biggest chal-

lenge right now, and I think the challenge for a lot of, also, entrepreneurs, is not the working capital, but when we have contracts that are good contracts with viable entities, whether they're banks or law firms or such like that, we still have to wait the 90 days plus——

The President. To get paid.

Mr. Lopez. ——to get paid. Mr. President, when it costs us, whether it's \$30,000 or \$50,000 or \$100,000 a week in payroll and we're waiting 9 or 10 weeks later to get paid and the margin is so small, we can't grow, although we have the right deliverables and the right skill sets and the right talent to a point that we want to grow the business and have other investors, European investors, that we want to carry their products and to do—go national.

So we have a problem with that, of how to make the working capital regular, always on an incoming basis versus waiting for the 90-day payday. Because the 90-day payday just puts you out for another 4 weeks, and then you have to do it again and again. Those are issues that I think most of the fabricators here or manufacturers or even construction personnel have issues with. That's one problem.

I think the other problem is that being a contractor, we're very successful through the SBA program, through the SBA office here—very successful, and we did very well with that. Some of the issues that I have with that—or, I think, most people—is that same thing: the Government takes their time; you're making payroll, putting your process through the——

The President. Processing for a loan?

Mr. Lopez. Not for the loan, just for——

The President. Or for the contracts?

Mr. Lopez. For the contracts.

The President. So if you've gotten a Government contract——

Mr. Lopez. If you've got a Government contract, sometimes it takes you 60 days to get paid. And we know the Government is good for it. [*Laughter*]

The President. Well, let me say this. In a Cabinet meeting that we just recently had, I instructed Karen to work with all of our agen-

cies to make sure that we are cutting back on the amount of time that it takes for vendors to get paid to the Government, at least at the Federal level. So that's where I've got some control.

Steve, maybe you—I don't know, maybe you have some suggestions in terms of in the private sector, obviously, if you're a small company you may be at a disadvantage working with a large company, and their attitude is, if the contract says you got to be paid in 90 days, we're going to hold on to that money until the 90th day. And I don't know whether that's just a discrepancy in bargaining power that makes it hard for small businesses in that situation. But this is something that obviously I've heard. On the Government level we can start doing something about it; in the private sector, Steve, you might have some better ideas on it.

Startup America Partnership Chairman Stephen M. Case. I don't really have better ideas. I think you're right that once it's set up, whatever the precedence, whether it's 60 days or 90 days, it's pretty hard to move, and people generally assume they're not going to pay until they need to, with the exception being to the extent you've really been able to differentiate and people really believe you're an essential part of their value chain. Sometimes there's a little bit more flexibility, but generally, people are trying to hold their money as long as possible.

But I'm really here just to listen and also to celebrate everything you've done. It really—I view entrepreneurs as our great American heroes, who really create the products and services that drive the economy and create the jobs and preserve our national competitiveness. I'm really here more as a cheerleader and a listener to understand your stories and your needs.

Participant. Mr. President, is there a way that you could pledge some of those contracts that are viable, that are solid contracts to get working capital?

Administrator Mills. Absolutely. That's something that we do quite a bit of in bank lending and in SBA lending. So those are some of the avenues that we can talk about in order to make sure there's more working capital. I

hear all the time that working capital for growth is as hard to get as any other kind of capital. And we're doing a very good job right now on real estate lending and on equipment capital, and we're working hard on working capital as well.

One of the things, though—I want to underline what the President said about what he said to everyone in the Cabinet about small-business contracting. He has told all of us around the table that the small-business contracting programs are a real big priority and that we know that gives oxygen into your revenue lines. And we also know that it's good for the agencies because they get the most innovative entrepreneurs working for them. And usually, the CEO is right there at the table helping them out.

So this is something that everybody across the administration under the President's leadership is pushing forward on, and I hope that lots of you work with us at the SBA to get qualified to bid on these contracts, because I—there's going to be a really good positive momentum in Government contracting for small business going forward. And they're going to pay on time.

The President. Anybody else? Jeff?

Jeffrey Wadsworth. I come from a slightly different background, and I have a big organization, but we spin out small companies. We have our own venture fund because we're fortunate enough to have a major invention that

created money, and we created a venture fund. We have adults running it because it's hard to run your own fund.

One of the big assets in this country in the investment the Government makes in its national laboratories. Now, I just wanted to let you know, we're working closely with Secretary Chu to try and remove those barriers. This 90-day thing comes up there. We believe the contractors for those laboratories could take that risk and—because we need and we hear constantly from industry that we have to move at the speed of business. And there's a massive investment there that is untapped, in my mind, and that we need to make it easier for businesses to work.

The President. Okay. And Steve Chu is already talking to you about it.

NOTE: The President spoke at 11:58 a.m. at Cleveland State University. Participating in the discussion were J. Albert “Bubba” Baker, co-founder and co-owner, Bubba's Q Bar-B-Q and Catering; Philip B. Davis, chief executive officer and founder, iCubed International, LLC; Ariane B. Kirkpatrick, owner, AKA Construction Management Team, Inc.; Joseph Lopez, chief executive officer and president, Aster Elements, Inc., and president, New Era Builders, Inc.; and Jeffrey Wadsworth, chief executive officer and president, Battelle Memorial Institute. Audio was not available for verification of the content of these remarks.

Remarks at the Access to Capital and Tax Breaks Session of the Winning the Future Forum on Small Business in Cleveland

February 22, 2011

Well, I'm not going to make any long remarks in the opening, just to say that since Tim and I moved to Washington, I think our biggest priorities have always been to make sure that we stabilized the capital markets and made sure that they're working for businesses large and small.

I think Tim did extraordinary work in our first 2 years to make sure that the capital markets sort of regained some sense of normalcy.

But what we're well aware of is that if you're a big company, it's very easy to borrow right now and you can borrow very cheaply. If you're a medium-sized company, you may be doing okay. If you're a small business, capital is still tough, partly, as I understand it, because one of the key ways that small businesses were able to get loans was because it had some sort of assets that they could offer up as collateral. And if those asset values have declined, that makes