

**Testimony of Mark Gross, Founder and CEO  
Oak Grove Technologies  
Congress of the United States  
US House of Representatives  
Committee on Small Business  
Sequestration: The Threat to Small Businesses, Jobs, and The Industrial Base  
Thursday, September 20, 2012 1:00 P.M.  
Washington, D.C.**

Good afternoon Chairman Graves, Ranking Member Velazquez, and members of this Subcommittee. Thank you for the invitation to come before you and share my concerns relating to the topic of Sequestration and the impact it is having on small business today, and the potential impact it will have on companies in early 2013.

I am a veteran of the United States Army, and founder of Oak Grove Technologies, a Service Disabled Veteran owned small business, focused on Training, Strategic Communications, Information Technologies, and Intelligence and Analytical Services. We employ over 390 employees, over 70% of those are veterans, and over 20% are service disabled veterans. Geographically we are dispersed in 21 states, Africa, Afghanistan and Iraq.

The threat of Sequestration creates uncertainty, which paralyzes small businesses. Most small businesses do not have a robust or diversified contract portfolio supporting their operations. Small businesses often wait until they have a contract before they acquire the resources necessary to perform the contract. Without reasonable assurances of future business, small businesses cannot plan for the future and are not likely to invest in the company's growth by acquiring additional equipment, facilities, or personnel. However, small businesses that fail to invest or grow will find themselves less competitive for the opportunities that do remain.

Many of the business owners that I speak with are taking a similar approach as we are considering the uncertainty of Sequestration; we are putting expansion, infrastructure expenditures, and indirect hiring on hold. We are forced to prepare for the worse case in order to regroup and/or recover. Oak Grove has over 200 acres of land in Hoffman, NC adjacent to Camp MacKall Army Air Field where we support training for Special Forces, Military Information Support Operations, and Civil Affairs Soldiers. We are putting much of our planned construction on hold, minimizing our marketing campaigns and trade show participation, and in general tightening our belts because of the uncertainty surrounding Sequestration.

Sequestration in the short term will have the most impact on an agency's budget for operations. and services contracts are a large part of that budget. Most small business federal contractors provide the Government with services rather than products because there are fewer barriers to entry in the services market than the market for manufactured items or supplies. For supplies, a company needs personnel, equipment, facilities, distribution channels, etc. For services, a company just needs people. It is easier for an agency to eliminate two data processors from a contract, than eliminate a section of a fighter jet. By cutting services in a greater proportion than products, sequestration will affect many more small contractors than large contractors.

A small business with ten federal contracts will feel the effects of a loss of one of those ten contracts more than a company with 100 contracts that loses 10 of those contracts. Although both scenarios reflect a 10% cut in each company's contracts, larger companies have a greater ability to reallocate personnel and idle resources to the other contracts because of the large number of contracts remaining. Larger contractors, moreover, are more likely to have

commercial and/or international contracts that can offset the effects of a stymied federal market. Small businesses rarely have the ability to diversify in this manner.

We understand completely the necessity of budget cuts, especially while we have two military conflicts ending. However, an across the board cut will hurt everyone, although the same economic engine that powers America, small business, will be the one that suffers most. Thank you for your time.

Respectfully,

A handwritten signature in blue ink that reads "Mark J. Gross". The signature is fluid and cursive, with the first letters of each name being capitalized and prominent.

Mark J. Gross  
Founder and CEO