



**Opening Statement of Braulio Castillo
President and CEO
Strong Castle, Inc.**

June 25, 2013

Chairman Issa, Ranking Member Cummings, and Members of the Committee:

My name is Braulio Castillo. I am the President and Chief Executive Officer of Strong Castle, Inc., and I am pleased to have the opportunity to address the House Oversight and Government Reform Committee on the subject of Strong Castle's contracting practices with the Internal Revenue Service.

Company Background

In January 2012, my wife and I purchased a small company called Signet Computers, Inc. ("Signet"). At the time of the purchase, Signet had over fifteen years of experience as a government contractor. Because I personally have fifteen years of experience serving the IT needs of the IRS, our plan was to transform Signet into a small business that focused initially on IRS IT procurements.

When we considered how we could best position the Company to support the agency, we came to learn that the IRS desired to award contracts to small businesses, and decided to pursue HUBZone and Service-Disabled Veteran-Owned Small Business (or "SDVOSB") credentials in order to increase our competitive position.

Soon after we purchased Signet, we changed the name of the company to "Strong Castle, Inc.," which reflects the English translation of my last name.

We have never received any improper preferential treatment, and have competed fairly for every IRS contract that we have received. In the short time that we have owned Strong Castle, I believe that the Company has made meaningful contributions to the IRS's mission, and offered the government cost-effective solutions to very difficult problems. We also have been instrumental in forming teams with large software suppliers and the IRS.

SDVOSB and HUBZone Applications

In order to improve the Company's competitive posture for small business contracts, in early 2012, my wife and I began working with the Department of Veterans Affairs and the Small

Business Administration to have Strong Castle qualified as a Service-Disabled Veteran-Owned Small Business Concern and a HUBZone Small Business Concern.

We understood that these small business credentials were important because of the IRS's increased focus on awarding contracts to small businesses. In order to achieve high internal small business participation goals, the IRS drafted certain of the agency's solicitations to give favorable consideration to qualified SDVOSB and HUBZone concerns.

In order to compete with other small businesses, we approached the VA and the SBA to apply for SDVOSB verification and HUBZone certification. We worked closely with the VA and the SBA throughout the application process. For example, we attended multiple HUBZone "boot camp" presentations at which Mariana Pardo and Brenda Washington of the SBA's HUBZone office were speakers. After meeting Ms. Pardo and Ms. Washington, we continued to communicate frequently and regularly with them, and often on a daily basis.

The SBA advised us on all aspects of HUBZone qualification, specifically including the establishment of a principal office in a HUBZone, and the hiring of college student employees. Because we believed that HUBZone status would be a significant benefit to the company, we consulted with the SBA on every detail of our applications and plans. The SBA approved Strong Castle's HUBZone application on June 22, 2012.

At the time, we believed that we were acting prudently by maintaining close communications with the SBA and seeking its guidance. As we now know, our reliance on the HUBZone regulations and SBA's guidance was insufficient to protect us from the volatile business and political environment of the day. Ultimately, our participation in these small business programs has caused our Company and our family to face intense and costly scrutiny from the Government Accountability Office, from Congress, from the press, and from the SBA.

Indeed, last month, the same individuals at the SBA who helped shape our HUBZone applications and strategy issued a decision decertifying Strong Castle from the HUBZone program. We believe that the substance of this enforcement action reflects a new bias against the Company, and we are working to address the issue with the Ombudsman.

Cooperation by Strong Castle

Since receiving copies of the Committee's February 20, 2013 letter to Acting Treasury Secretary Wolin, we have worked diligently and at enormous personal and financial expense to cooperate with the investigation, and to respond to all of the Committee's extensive requests for documents. Thus far, we have provided more than 20,000 documents, including business records, e-mail communications, text messages, and even the college registration papers and class transcripts of our student employees.

The cost of our efforts to cooperate has been tremendous. The mischaracterization of the facts has caused Strong Castle to lose contracting partners, lines of credit, and goodwill among our important government customers. It has hurt our reputation.

The Corrected Record

Having responded to the Committee's requests for documents and information, I believe Strong Castle has addressed the central issues of interest to the Committee that are reflected in the February 20 letter to Acting Secretary Wolin.

1. First, it is not true that Strong Castle received \$500 million in IRS contracts. Strong Castle has successfully competed for Blanket Purchase Agreements pursuant to which the IRS may or may not issue subsequent orders to Strong Castle. In reality, Strong Castle has received contracts from the IRS valued at approximately \$50 million in total. Of that amount, approximately \$49 million has gone to Strong Castle's suppliers and other partners, and approximately \$1 million has gone to Strong Castle. Last year, Strong Castle lost approximately \$138,000. Strong Castle's losses this year will be even greater due in part to the costs of defending the GAO protests and cooperating with this investigation.
2. Second, it is simply not true that Strong Castle has no "track record or past performance" on government contracts. As I mentioned, the company that we purchased in 2012 had more than fifteen years of contracting with the government, and I personally have worked with the IRS for almost twenty years. My prior experience at Xerox Corporation, Oracle/Sun Microsystems, Government Acquisitions, Inc., and Capgemini Government Solutions is directly relevant to the work that Strong Castle now performs for the IRS. As a company, Strong Castle is uniquely qualified to serve the IRS based upon our years of past performance.
3. Third, Strong Castle has not received inappropriate preferential treatment from the IRS. We competed fairly for each Blanket Purchase Agreement and contract order that we received. To my knowledge Strong Castle has never received any contract award as a result of inappropriate preferential treatment.
4. Fourth, Strong Castle has been entirely open, truthful, and forthcoming with the SBA in connection with the HUBZone application process. Because obtaining HUBZone status was significantly important to the Company, we took extreme care to work in close consultation with the HUBZone office, and sought approval and guidance for every action that we took during the certification process. All of our actions were taken in consultation with the SBA, and we have never sought to deceive the government.

Conclusion

Strong Castle has not sought nor has it received any unfair advantages in its pursuit of any government contract, including those that the Company has pursued at the Internal Revenue Service.

We are a responsible small business, and have expended a great deal of time, effort, and money to pursue our HUBZone and SDVOSB credentials. In so doing, we have worked closely with

the VA and the SBA, and have endeavored to remain qualified under the complex terms of both small business programs.

Unfortunately, other companies are able to use status challenges as competitive weapons in their efforts to overturn contract award decisions made by agencies pursuant to formal procurement procedures. In this case, Strong Castle has already spent hundreds of thousands of dollars to defend itself in a politically charged environment.

To reiterate:

- Strong Castle was properly awarded all of its IRS Contracts.
- Strong Castle did not receive any inappropriate advantage in pursuing its GSA Schedule Contract.
- Strong Castle was duly verified as a Service Disabled Veteran Owned Small Business by the VA.
- Strong Castle was properly designated as a HUBZone business.

Our critics are other small businesses who are disappointed bidders for the same contracts that were awarded to Strong Castle. We believe that they have used the bid protest process at GAO and the status protest process at SBA to gain business advantages by spurious claims about our qualifications and contracting practices.

These tactics have been successful. The combined pressures and expense of defending multiple bid protests, a proposed HUBZone decertification, and this investigation have gravely harmed our ability to remain in business and serve the government customer.

Despite these challenges, Strong Castle remains committed to delivering results as a valued small business partner to the United States and the IRS, as I have done for nearly fifteen years.