

Phoenix, AZ September 16th, 2019

My name is Clarence McAllister. I was born and raised in Panama and immigrated to the US as a college student. I obtained degrees in Electrical Engineering and after several years in the industry, established Fortis Networks with my wife Reyna in 2000 in Phoenix, AZ. We became Minority Business Enterprise and USDOT Disadvantaged Business Enterprise certified. These programs did not help us grow because neither the State of Arizona nor the City of Phoenix have minority business set-asides. DBE opportunities were far in between. It was difficult to compete in the commercial market because we lacked local relationships. Our only path to grow was federal contracting.

The entrepreneurial path has not been easy for us. We started Fortis using personal credit cards. After 7 years in business, we applied to the 8a program, which allowed us to grow the company fourfold through federal contracting. At the time we were new to Federal contracting. We had a huge learning curve to become familiar with the rules, the lingo and the requirements. Through much networking and joining trade groups such as the Society of American Military Engineers, we were able to obtain our first 8a federal contract 2 years into the program. Phoenix does not have a large number of federal customers. Therefore, I had to travel extensively to neighboring states of California, New Mexico and Texas to visit military bases and other agencies off the beaten path. Our marketing strategy was not to wait for the release of the RFPs on www.fbo.gov but rather to meet with the contracting officers to present our experience and capabilities. Our visits would start at the beginning of the fiscal year and over multiple meetings, we would line up sole source negotiated contracts to be awarded by the end of the fiscal year. Our first contract was for \$10,000. As we became more experienced in working with the agencies, the size and complexity of the contracts increased. After a failed experience through a Mentor Protégé Program, we landed a second Mentor that allowed us to pursue contracts that exceeded our bonding capacity. We were able to use our mentor's past performance and financial backing to land a 5-year multimillion dollar Multiple Award Task Order Contract along with a task order with the US Army corps of Engineers Savannah District. A third mentor allowed us to expand our capabilities and geographical footprint.

Today, 19 years later we are a General Contractor with projects nationwide. My wife and I have hired hundreds of employees over this time span.

Building a successful federal contracting business is a long and arduous process that requires skills that we did not have. Most of our peers were either former service men or women, or were previously employed by other government contractors, where they learned how to write proposals and negotiate contracts. We lacked these skills, and thus had to hire the right people with this expertise. Despite all the obstacle, we found the 8a program to be the best program to grow the company, because government agencies were eager to do business with us due to our good track record and ease of doing business with. This was the case with the smaller contracts and sole source contracts. As the contracts became larger and we pursued competitive contracts, we had to retain legal counsel and build a larger infrastructure. We were lucky to retain the services of attorney David Rose who has represented us for over 10 years.

Transition:

Transitioning out of the 8a program was very challenging.

Our first strategy was to compete for 8a 5-year Multiple Award Order Contracts (MATOC) prior to our graduation which would allow us to continue to compete for these task orders after year 9. We were very successful at this.

Our second strategy was to relocate to the HUBZone and obtain the HUBZone certification. Even though the HUBZone program does not allow sole source negotiated contracts, it allows us to compete among a smaller pool of qualified contractors. Most of our current contracts are HUBZone set asides.

Our third strategy was to mentor a new 8a to teach them the dos and don'ts of federal contracting, help them with our bonding capacity and through Joint Ventures, continue to compete for 8a set-asides. We are currently mentoring an 8a contractor and have helped them obtain their first federal contractor early in the program.

Our last strategy was to pursue commercial contracts. This has been the most tedious and so far the least successful strategy. Even though we have marketed to large and small commercial customers over the years, we have not been able to increase our commercial business as planned. It is heartbreaking to see other white owned competitors start in business, obtain funding and have substantial growth while after 19 years we are still struggling to get our foot in the door with those same customers.

Let's be honest, the 8a program was established as a result of the 1966 urban riots and executive orders by presidents Lyndon Johnson and Richard Nixon to encourage African Americans to enter economic mainstream. But it was not until the 1978 amendments to the Small Business Act when social disadvantage was defined and the program got structured.

I submit that even though minorities have indeed entered economic mainstream, the net worth of the average minority household is only a fraction of that of a white household. According to Forbes magazine, the median white household owns 86 times more wealth than its black counterpart, and 68 times more than its Hispanic counterpart.

Even though the 8a program is not a solution to American's inequality, it is a tool to assist minorities start and grow businesses. Minority businessowners are more likely to hire other minorities and help their communities. Minority businessowners set the example of what is possible when the media only highlights sports and entertainment as the path out of poverty for most minority youths.

The 8a program should not be terminated. Moreover, it should be improved and updated since it has not been reviewed in the last 30 years.

Recommendations:

I offer the following recommendations.

1. Extend the 8a program beyond 9 years. Most 8a contractors start getting traction on the program at year 5.

2. Federal construction contracts over \$100K are required to be bonded. Most 8a contractors are not able to bond because they have not built enough equity in their business. Therefore, provide more bonding assistance.
3. Expedite the application process to obtain 8a certification.
4. Provide more legal assistance to 8a contractors. The Federal Acquisition Regulations (FAR) is very complicated and has many landmines that if unknown could be costly to 8a contractors.
5. Provide more access to capital. Due to the stringent rules, an investor can only purchase 15% of an 8a company. New 8a companies without a history of credit are unable to obtain lines of credits to finance their operations. Non-profits such as Dream Spring serve as a conduit between the banks and small business to provide lending. But without collateral, lending is next to impossible.