From: Tony Zalewski [tonyzal@umahexagon.com]
Sent: Monday, December 13, 2004 1:01 PM
To: Size Standards Review
Subject: SBA Size-Standards Comments

Tony Zalewski
CEO
Hexagon Interactive Inc.
6750 Wedgewood Place
Los Angeles, CA 90068

December 13, 2004

Size Standards Review
Administrator
,

Dear Size Standards Review:

Please consider my comments below in response to the request for comments on size-standards modifications.

My comments are general:

To the vast majority of people (and businesses) a company with 500+ employees is NOT a small business.

SBA sizes should include “microsize businesses” or very small businesses of approx 50 employees or less. In particular, many cutting edge high tech companies are very small and simply don’t need more people than that to be highly effective.

The current definition of “small business” creates two problems:

1) “Microbusinesses” like my own are de facto discriminated against when we compete for Federal Awards – especially for SBIR/STTR programs - since we do not possess the administrative staff necessary. Nevertheless, through having outstanding and/or unique abilities we do win competitive bids – and then have to very expensively subcontract these roles with funds we would rather commit to R&D.

2) High technology R&D ventures are most often new very small companies. We usually don’t have extensive commercialization records – since the R&D we do for the government is by definition forging into “uncharted waters.”

The whole point of government funding of research is that it is very high risk and private funds are unavailable. It is counterproductive and counter intuitive to first require the very small and new R&D company to prove previous commercialization success.

However, the STTR and SBIR proposal requirements mandate commercial track records be taken into consideration as part of the evaluation process.

The SBIR/STTR proposal example given on their website implies that commercialization should only be taken into consideration after several Phase II awards. However, my company recently lost an award (we were told) because we had not yet commercialized our first Phase II research effort that we had only just concluded the previous year.

We discovered that the SBIR/STTR system was being manipulated. For

example, a competitor was funded as they claimed commercial success when they sold a thousand or so items at $49.95 (grossing maybe $50,000) after spending $750,000 of government grants to develop the item.

This is a clear abuse of the system. The system needs to be made more rational and it needs to create a more equitable definition of what a “small business” actually represents, and what are reasonable expectations of “commercial success.”

We need different rules to ensure that truly “small” new high tech companies of under 50 employees representing the future of US enterprise are treated equitably, and not treated in the same way as companies with 500+ employees.

Thank you for your consideration…

Tony Zalewski
Hexagon Interactive Inc.

Thank you for considering my comments. To learn more about the National Association of Government Contractors, visit www.contractaccess.org.

Sincerely,

Tony Zalewski
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CEO
Hexagon Interactive Inc.