

U.S. House of Representatives
Committee on Science and Technology

Testimony of Patrick Humm
Chairman and President of Hie Electronics

September 14, 2009

Thank you, Committee Chairman Congressman Bart Gordon and Ranking Member Congressman Ralph Hall. It is my privilege to testify before the House Committee on Science and Technology.

My name is Patrick Humm, Chairman and President of Hie Electronics. Hie Electronics manufactures and sells the TeraStack[®] Solution. Our product is intended for government, commercial and industrial users.

Our system securely stores critical data for periods up to and beyond 50 years. Data storage is a huge and rapidly expanding market which is expected to have an annual market spend of over \$55B within ten years.

Because our product is an innovative, “green” and secure means of storing our nation’s data for such an extended period of time, our potential growth may result in as large as \$2.5B in revenue by 2016 or 2017.

The TeraStack Solution’s unique combination of the latest technologies is a breakthrough for long term data integrity, durability and reliability. While the data stored can vary;

emails, electronic medical records, digitized documents, satellite imagery, video surveillance, or data used in criminal prosecution; the longevity remains the same.

The TeraStack Solution has one other fantastic advantage - it is an energy efficient, green, data storage product. As compared to current data storage systems, the TeraStack Solution is up to 90% more energy efficient and operates with a nominal power draw of just 500 watts; the power of a single 110 wall outlet. Our product significantly lowers the energy consumption and cooling costs of data centers, reducing electronic e-waste.

We are actively involved in the Northeast Texas Innovation Economy, its educational institutions and businesses. Our customers include architects, pharmaceutical companies, the USAF and a Fortune 100 company.

Hie Electronics' currently has a 30-person staff and approximately \$2M in annual revenue. Our office and manufacturing facility is located in McKinney, Texas.

Our employees have decades of experience at Texas Instruments and other local tech companies. TI is also one of our suppliers. One of the most important aspects of our startup is the ongoing generational transfer of engineering process - what I have heard called "engineering voodoo knowledge" to the younger staff.

Hie Electronics is proud to employ veterans and an active-duty military spouse. Our Company also "pays it forward" with an internship program that employs local college

students (Southern Methodist University, University of Texas at Dallas, University of North Texas, Texas A&M University and Texas Christian University). Several graduates have become full-time employees with the company.

Hie Electronics is one of the companies that your committee wants to see be successful. As a technology manufacturer and green-job employer, we are developing a clean technology, contributing to maintaining our country's competitiveness, and creating jobs for the future.

The topic before us today is to identify the regional innovation elements necessary for companies like ours to develop and grow the nation's high tech economy. Simply put, at the beginning it is a steady, available investment stream that helps launch a startup, and then fuels the development of innovation and ultimately, world market competitiveness.

Early stage capital funding is critical to small high-tech companies. Private funding from angel investors of high net worth typically starts the process. Traditionally the next stage comes from private equity groups and venture capital firms. Often at this stage the VC takes over 50% control, exits the founders and flips the company.

An alternative, state-based funding like the Governor's Emerging Technology Fund provides capital with different requirements. This funding vehicle allows technologies and companies to be built the old-fashioned way, hard work by those who know the most

about the new technology, and this allows the new company to fully contribute to the local economy.

We will actively seek support from all regional economic incentive vehicles. For example, Hie Electronics will be looking for support from organizations like the McKinney Economic Development Corporation. The MEDC is a Texas 4a community based non-profit which supports economic growth.

A thought for your committee – consider how Singapore helps new technology companies with considerable tax incentives. For example double depreciation on first year capital expenses, or perhaps giving tax deductions to angel investors who initially capitalize companies like ours.

Regarding national innovation, we heartily thank you for your role in developing ARPA-E opportunities. We look forward to utilizing this streamlined process. We ask your committee to continue to expedite the cumbersome government contracting and product certification processes. It is the government sector who calls now for innovation, green and secure products like ours. The reality is, it takes generally two years to be vetted by government agencies for purposes of contracting and certification.

For every day new technology waits in the wings of bureaucracy, the opportunity cost for the nation increases, while our foreign competition delivers products faster than we are able.

Viable contracts and capital funding for newly developed products are critical to our sustainment and our growth. Hie Electronics wants to be a green employer; expand our American-based manufacturing facilities; meet the increasing demand for green, secure, and long-term data storage; and contribute to our nation's effort to become energy independent and secure.

Thank you, personally it is humbling for me to have been asked to submit constructive input. We are persistent in our pursuit of excellence and need your help to deliver the promise of high tech, good paying jobs for our youth, through local innovation.