

Testimony of

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Hearing on Small Business Financing: Progress Report on Recovery Act Implementation and Alternative Sources
of Financing

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Chairwoman Landrieu, Ranking Member Snowe, and distinguished members of the Small Business and Entrepreneurship Committee: Thank you for the opportunity to testify today on the topic of Alternative Sources of Financing for U.S. small businesses.

My company, **Entrex, was founded as an Entrepreneurial Exchange; the place to find, research, track, manage, and trade interests in private companies.** It was created to serve businesses that have succeeded in growing beyond the scope of economic support of friends and family while outside of the scope of the existing debt and equity markets.

We track these private companies revenue performance every month through an nationwide index we created called the Private Company Index... the companies grow on average 35% a year... and represent an average of 17 Million dollars in annual revenue and 13 years in age... truly the American success story for their owners.

Financial support to these companies represents not only the American dream but also economic stability, viability and the future of our nation—these are not of the companies of Wall Street but rather Main Street...or Your Street.

As my peers here today have testified, or will shortly, traditional structures for working capital are available but certainly at a contracted pace and with confining terms. The lending community is in a state of flux and currently exists only for those entities or individuals who maintain credit worthiness in these challenging times.

What we recognize at Entrex is that there is a world of expansion funding that is lacking for companies: For those companies that exist with financing needs in between the commercial banking structure and Wall Street capital markets. This is the growth capital that allows companies to hire more employees and execute a greater volume of work, stimulating the economy, and represents risk capital that's not available from traditional bank financing and has been nonexistent in the capital markets.

It is unfortunate that today the 26 U.S. "regional exchanges" no longer exist to bring local risk-based capital to local companies. As these capital markets consolidated; capital transactions on the remaining exchanges have become less frequent and their size is typically beyond the reach of "Small Business" as defined by the SBA. These changes have led the National Venture Capital Association to expect no venture backed deals to

go public in 2009. The impact on small businesses is a huge void of a capital market structure for the very growth engine of our nation!

Our focus at Entrex is to fill this void through an innovative, institutionalized, solution utilizing a security structure that we call TIGRcubs™.

TIGRcubs™; an acronym for Top-line Income Generation Rights Certificates, provide a lump sum of growth capital to companies. It is repaid through a simple percent of monthly revenue, for a designated period of time, which makes the instrument self liquidating, without the needs of traditional IPO exits, while providing an immediate monthly return to investors.

Entrex TIGRcubs™ manages monthly cash distribution back to the investor through an institutionalized system that is administered, in part, by Bank of New York Mellon as the fiduciary partner and Corporate Trustee.

Entrex created an information and transactional market which brings efficiency to the entrepreneurial sector, through the TIGRcub™ security, which was previously unavailable to the institutional capital markets.

The TIGRcub™ bridges the financing gap between credit cards, commercial banks and credit unions, and venture-style investment. Within one year of this new security structure's debut Entrex rallied billions of dollars from private and institutional capital around TIGRcub™ transactions.

Through the Small Business Administration, the U.S. Government has supported small business through the Small Business Investment Company (SBIC) program. It has been the mission of the SBIC program to try to improve and stimulate the national economy and small businesses by stimulating and supplementing the flow of private equity capital and long term loan funds into small business operations while ensuring the maximum participation of private financing sources. This program has faced significant challenges primarily because of investment structures that depend on capital market liquidity events (primarily IPOs of portfolio companies) in order for investors to realize a satisfactory return.

We believe that **Entrex's TIGRcub™ securities fit well within the parameters of SBA goals and should be attractive investment products for SBICs seeking to diversify their portfolios.** This, in turn, will increase the opportunities for the SBA to provide lower-risk leverage to these growing businesses.

I would also like to point out that the Recovery Act provides special incentives to the energy business, primarily in the area of alternative, renewable energy and the construction of transmission facilities. It is anticipated that many new small businesses will be formed to pursue these projects, but that, once again, these businesses will require capital. We would be especially eager to discuss with the committee and the Administration ways in which TIGRcub™ financing could be combined with Department of Energy loan guarantees and other incentive programs to bring much needed capital to these important national initiatives.

To conclude, **Entrex welcomes the opportunity to work with the Committee and the SBA to develop alternative investment structures for small business through SBICs and in other ways to satisfy investor return expectations and increase the flow of capital into small businesses.**

Thank you for the opportunity to present this information to your committee. Entrex feels the future is bright for U.S. small businesses, as investors are prepared to rally around the growth and success of this self-sustaining American economic sector.

Leading the Entrex team, Stephen H. Watkins rallied nearly \$8.5 billion in capital which is forming around the Entrex TIGRcub™ security structure. He's orchestrating and leading an evolution in the world of corporate and institutional finance that will alter the landscape of capital placement for investors (accredited and institutional) as well as private and public companies in the \$5M-\$250M sector which seek capital. Designing Entrex to be a marketplace for private and public company financial instruments led Watkins to obtain numerous Provisional Patents from the USPTO as well as various political endeavors including authoring "No Action Letters" requests to the SEC, and asking Treasury Secretary Paulson to establish a governmental regulatory framework to create a U.S. based Alternative Investment Market that includes private companies. He frequently addresses the media and investor groups about revenue-based investing and efficiency in financing deals in mid-market and public micro cap companies.

