

**Senate Democratic Policy Committee Hearing**

**“Removing Barriers to Job Creation:  
Are Banking Lending to Small Businesses That Are Ready to Hire?”**

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Good morning Chairman Dorgan and the other members of this distinguished panel. My name is Barbara Biller and I am the President of Intellitech, Inc. Thank you for the opportunity to share with you the experience of a small manufacturing business that is working hard to survive the credit freeze imposed on small businesses by commercial lending institutions.

My husband and I founded Intellitech in the basement of our home in 1995 and have transitioned the company from an engineering services provider to a manufacturer of liquid packaging machinery for the biotech and pharmaceutical industries. We are very proud that Intellitech has grown into a successful, profitable business. Our company occupies 13,000 square feet in an industrial park in Westminster, Maryland. Through innovation, product development and commitment to customer requirements, Intellitech has realized continued growth in its manufacturing operations and has increased its workforce from nine to 14 over the past year. Our employees' current average annual wage exceeds \$50,000 per year.

Customers such as Lonza, Life Technologies, Becton Dickenson, Cell Signaling, Brookwood Pharmaceuticals, Illumina and others have purchased our machinery to package their products for market. More than 100 people have worked for our company since its inception, earning living wages and gaining the opportunity for training, development and the pursuit of career advancement. We have created 17 internships for

local students and approximately 20 percent of our employees were unemployed before starting to work for us.

In the beginning of 2009, with a \$2 million backlog of contracts, including the largest contract in the company's history, we believed that we were well-positioned for continued solid growth. Our business plan, however, quickly changed when we learned that M&T Bank, a recipient of \$600 million in taxpayer money through the Troubled Asset Relief Program (TARP), no longer wanted to support our company's growth. When we tried to draw on our company line of credit, which we used for working capital and to manage cash flow, we learned that the credit line had been frozen.

We were very concerned and upset by the M&T Bank's abrupt decision to freeze our line of credit, which left us feeling like the rug had been pulled out from under us. We had no prior notice that we would be unable to draw down our credit line. When I called the bank, I was told that the credit line was "up for renewal" and -- without us even knowing about the renewal -- a commercial lending officer at the bank had neglected to request financial information to support renewing our line of credit. I was informed that the decision to freeze the credit line was final and that we would not be able access the line.

Later, M&T Bank informed us that Intellitech had a "significant change in financial position," which meant that the amount we still owed on the account would be transferred to a Special Assets group at the bank and become immediately due. Apparently, the "change in financial position" designation was triggered in part by the fact that we were approaching -- but had not exceeded -- our credit limit. We thought that we could "work out" and resolve this misunderstanding. Intellitech was not and had

never been in payment default. We had a track record of success and, with a significant number of customer orders in hand, were poised for future growth in revenue.

We decided to make an early pay-off of a small equipment loan with M&T Bank and believed that the early pay-off would help to improve the company's already sound financial position. We were hoping that the bank would reverse its decision and reinstate our line of credit so that we could resume our normal business activities. In response, M&T Bank informed us that this was not a "work out" situation but, from the bank's perspective, a "get out" situation. We were strongly encouraged by a Vice President in the Special Assets group to quickly get a replacement line of credit.

The timely loan payments and early pay-off were barely acknowledged by M&T Bank, and my online access to company accounts was removed along with the ability to make online payments. Account statements were no longer received in the mail in a timely fashion, but would arrive one or two days prior to or even after the due date. In addition, M&T Bank turned the matter over to an attorney. We received a certified letter from the bank's attorney on July 6 demanding payment in full no later than July 22. We engaged an attorney to reply to the demand letter, which included a repayment proposal and a request for a loan payment history and a complete copy of the executed loan documents. From that point on, we have remitted our monthly payments to M&T's attorney. Our request for copies of the loan documents has been ignored. This has been incredibly frustrating for us and has made for a very challenging year for the business.

M&T Bank's actions caused us to put our longer-term business plan aside, which included future sales growth and an increase in hiring, to scramble to meet payroll and other operating expenses. Fortunately, we were able to turn to a small, local bank, to

draw on a personal, home equity line of credit to meet payroll. While the immediate crisis had been resolved, the home equity line of credit did not provide us with the flexibility and stability we previously had to not only meet payroll each month, but to invest in product development and new equipment that could open up new markets to the company.

Despite this setback, we were confident that we would be able to quickly secure a replacement line of credit. Unfortunately, despite our best efforts, this process has taken months and we are still relying on the personal, home equity line of credit and cash from operations to finance our business. Given the small business credit crunch and current economic conditions, we have been told that we no longer meet bank guidelines for asset-based lending (due to the capital-intensive nature of our business and the way our customer contracts are structured). We have also sought private equity investments, but have been informed that our business is too small to interest private equity firms.

Our company has been successful in working with a local community bank and the Small Business Administration (SBA) in getting approved for a term loan to repay the outstanding amount on the company line of credit. We are currently working with the local bank and the SBA to obtain a replacement line of credit, but the bank has been asking the company to secure an additional loan from another bank as a condition for opening the new line of credit. We are very hopeful that we will be in a position to close on the replacement line of credit in the very near future.

Given the success of our products in the marketplace and continued strong demand, we would like to obtain this line of credit, and then access additional capital to continue our product development, purchase new equipment, and re-start the company

marketing plan that has been put on hold. During the last ten months, despite the obstacles presented by M&T Bank, our company has managed to more than double our revenue and hire four new employees. If we are successful in securing the credit and capital that Intellitech needs, we believe we will be able to double our revenue again over the next two years and increase our workforce from 14 to 25.

Thank you for allowing me to share my story with you, and please make easing the credit crunch for small businesses a top priority. If small businesses like Intellitech are able to access credit and capital, we will create jobs and help lead the country back to recovery.