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2011 PBN #1 Hawaii's Fastest 50 Company

Pelatron beats 'big boys' for defense work

Fast-growing Native Hawaiian company will develop Marine Corps communications system

Premium content from Pacific Business News by Curtis Lum, Pacific Business News

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Sometimes David does beat Goliath.

Such was the case with Pelatron Inc., a Honolulu-based small business that went up against the big boys to win a lucrative Department of Defense contract to develop a war zone command and control communications system for the Marine Corps. The competition for the contract was tough, but in a few months Pelatron will begin manufacturing the system at its offices near the Honolulu International Airport.

Last year, Pelatron, which specializes in I.T. technical and support services for the Department of Defense, was awarded a contract to develop and manufacture the system. The first portion of the five-year contract is worth about \$5 million, and the total value could stretch to \$32 million.

"Most of these developments are really done by large companies" such as General Dynamics or Raytheon, said Pelatron Chairman and CEO [Thomas Aimoku McClellan](#). "We worked with both these companies back in the early days of the development of the system. But when it came time to transition it into the Marine Corps, we were selected as the prime contractor. [It's] highly unusual that something like that would happen."

McClellan believes his company was able to win the contract because it had built a solid reputation with the federal government. McClellan and business partner Harvard Kim purchased Pelatron in 2004, when it was still based in California.

"We've always been very aggressive about business development, but the federal government is only going to give you work if they think you're capable of doing it," McClellan said. "So those first three years we had to really spend our time building our reputation. Trust me, you'll see by the numbers it was a very small reputation."

To his point, Pelatron's revenue totaled \$235,000 and the company had only one employee the first year it was in Hawaii. It now employs 100, and plans to hire several dozen more by year-end.

But McClellan said his company worked hard to establish itself and “grabbed every contract we could get our hands on.” Pelatron served as subcontractors to larger companies to “get us in the door,” and McClellan said this helped his company pick up more jobs.

“When we put our skills up against some of the other companies and the government started to see how skilled our guys were, then they started to talk to us more about working directly for them,” McClellan said.

Pelatron reported revenues of \$2.49 million in 2008 and \$4.74 million in 2009. Last year, the company reported \$12 million in revenue.

These impressive numbers vaulted Pelatron to the top of PBN’s list of fastest-growing companies.

Pelatron is classified as a U.S. Small Business Administration Native Hawaiian Organization 8(a) business. This allows it to receive what are known as sole-source awards from the Department of Defense that exceed contract limits available even to other disadvantaged businesses under SBA. The program is similar to ones available to Alaskan natives and Native Americans.

SBA Hawaii District Director Jane Sawyer said Pelatron is one of 19 NHO 8(a) businesses serviced by the SBA in Hawaii. She said these businesses must meet strict criteria to achieve and maintain the classification.

Sawyer said Pelatron is successful because of its ability to expand while delivering high-quality work to the government and the private sector.

“One hallmark of their success is their strategic collaboration with other small and large firms that has allowed them to leverage and align skills and resources,” Sawyer said. “These partnerships have ‘fast-tracked’ their diversification into a greater number of industry segments.”

McClellan said being in the program doesn’t mean his business will be given preference for a job. In fact, he said, the government often will scrutinize a small business greater than a large one before awarding it a contract.

“The government is reluctant to hand out sole-source awards unless there’s a reason for it, unless they see that you provide something specific that no one else can do, or it’s a way of getting the job done faster,” he said.

McClellan and Kim are graduates of Kamehameha Schools, and McClellan said one reason they formed the NHO 8(a) business was to give back to the Native Hawaiian community. They created the nonprofit Pacific Center for Economic Development, which owns a controlling interest in Pelatron, for this purpose.

McClellan said one of his goals is to mentor Hawaiians who want to start a business, and provide them with business and job opportunities. But he said they shouldn’t come his way expecting a handout.

“I’m not a hip liberal. I don’t believe in just giving something to Hawaiians because they’re Hawaiians,” McClellan said.

He said most of the 40 workers in Pelatron's Honolulu office are Native Hawaiians, and McClellan credited the employees with the success of the company.

"Our people are extremely devoted, and they're very capable," he said. "Without them, we don't have anything. Honestly. All this would go away."

In addition to his employees, McClellan said he's also proud that Pelatron does all of its manufacturing in Honolulu. Once the Cobra3 communications systems begins production later this year, he said he expects to increase his production staff from eight to at least 40.

"If there's anything that we're most proud of as a business, it's that. That we've been able to bring manufacturing into Hawaii," McClellan said. "One of our biggest efforts is to try to keep the work here."

#1 Pelatron Inc.

Percent growth 2008-10: 392.34%

Research and development, systems integration, broadband telecommunications and programming

Chairman and CEO: Thomas Aimoku McClellan

Address: 3375 Koapaka St., Suite F200, Honolulu, HI 96819

Phone: (808) 629-7000

Website: www.pelatron.com