

Cobalt named small business of year

Owners of Granite Falls parts supplier up for national SBA honors this month

By Jim Davis
HBJ Editor

GRANITE FALLS — Curt Peterson peers through a lighted magnifying glass at an unfinished aluminum electrical panel in the Cobalt Enterprises machine shop.

With eyes and fingers, Peterson and fellow machinist Doug Lawson scour for small metal burrs or rough edges to smooth on the panels, which are to be used on aircraft.

"I basically have to make everything look like jewelry before it leaves here," Peterson says.



Fred Schule



Paul Clark

It's this care with detail that has helped Cobalt Enterprises expand from a small operation in a home garage 10 years ago to being the largest employer in Granite Falls. The company expects annual sales of \$10 million this year.

Precision is needed in an industry in which measurements are made in the thousandths of an inch, said Paul Clark, Cobalt's vice president

and one of its owners.

"Our quality rating has been over 99 percent for many, many years," Clark said.

The company has found a niche creating parts for aerospace firms as well as defense, medical and other industries. Cobalt often works with companies looking to place small orders, in search of replacement parts or even in need of prototypes.

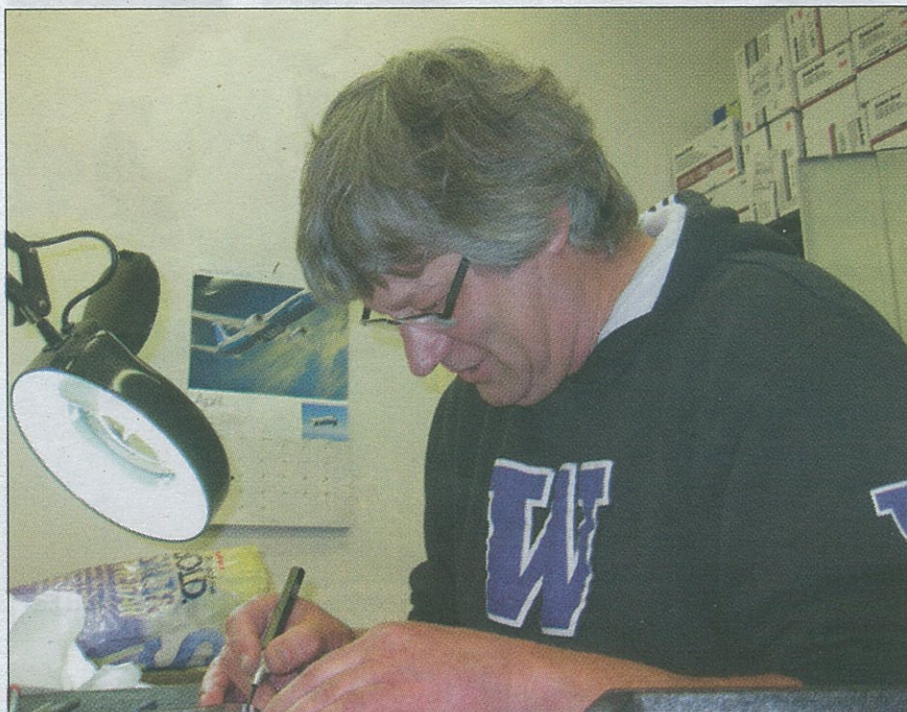
It's built its reputation on a labor force nimble enough to handle frequent changes in production, said Fred Schule, Cobalt's president, who founded the company.

"We're trying to create craftsmen here, not button pushers," Schule said.

Cobalt Enterprises has attracted the attention of the U.S. Small Business Administration, which named Schule and Clark their businessmen of the year for the state of Washington. The pair will be in contention for the national honor this month, awarded in Washington, D.C.

It's a remarkable rise for the company and for Schule, who faced family hardship almost immediately after beginning the business.

Schule, 51, has been in manufacturing since graduating from Oak Harbor High School. He had worked for years with the former Lowell Group in Marysville, being promoted to the company's general



JIM DAVIS / HBJ

Curt Peterson uses small blades to polish aircraft parts at Cobalt Enterprises in Granite Falls. The company's owners won small businessmen of the year awards for the state of Washington.

manager-vice president.

After Lowell folded, Schule decided to start his own business, naming the company for the cobalt glass his wife, Debbie, kept on their window sill. He opened in July 2004.

Just months later, Debbie Schule, who had an enlarged heart caused by a virus, needed open-heart surgery. Fred Schule didn't realize before striking out on his own that he couldn't tap into COBRA Health Insurance, because his former company went out of business. And no one would insure her because her heart problems were considered a pre-existing condition.

Fred Schule praises the efforts of Providence Regional Medical Center Everett, saying he didn't have the money at the time to pay their \$300,000 hospital bill.

"The care and respect they gave to someone who didn't have insurance was the same as someone with a million dollars," Schule said.

A group of anonymous businessmen — Schule still doesn't know who — actually paid half his wife's bills. He spent months caring for her while nurturing his new business.

"She not only lived, she did it on my cooking," Schule jokes.

His wife, who had a second heart surgery in 2009, is now fine. Schule makes sure that every one of his employees has medical insurance.

Over the years, Cobalt has grown its operations at 10917 Mountain Loop Highway. The company, which was nominated for the award by Banner Bank, has obtained several SBA-guaranteed loans to expand capacity, finance a second building and support international trade. It employs 80 people.

"We started with two old machines," said Doug Lawson, who was Cobalt's first employee. "To grow this much has been fun."

Schule says the industry is too focused

on the bottom line and cares too little about the quality of parts and service. He says that separates his business from his competitors. He also never commits more than 25 percent of the company's manufacturing capacity to any one customer.

"This is the mistake that I've seen kill more machinist shops than anything else," Schule said.

He shares his office with the customer service department so they can make decisions in minutes rather than days. He never instituted annual reviews. And he makes sure on paydays to hand out envelopes with check stubs, shaking each employee's hand.

"I have a decent handshake," Schule said. "There's a little competition with the guys in the shop."

In 2011, as the company started growing, Schule brought on Clark as an equity partner.

Clark, 48, had a background in publishing in Seattle and had worked as a contract executive for other aerospace firms. They met through a contact at their bank.

"I'm coming at it from the financial end of things," Clark said. "Fred is coming from the practical end of things."

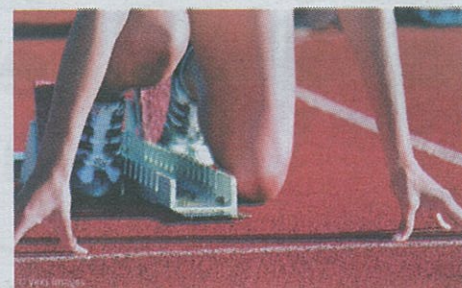
Schule has kept his business involved in the Granite Falls community. He works with the Granite Falls School District to bring on teenagers who are troubled or struggling with school.

Cobalt has hired more than 25 teenagers over the years.

"It's not just how much money you can take home at the end of the day," Schule said. "As a business owner you can effect change."

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