

SMALL BUSINESS ADMINISTRATION

ADVISORY COMMITTEE ON
VETERANS BUSINESS AFFAIRS

PUBLIC MEETING

Wednesday, December 17, 2014

EDWIN E. FIELDER, CHAIRMAN

Eisenhower Conference Room
409 3rd Street, S.W.
Washington, D.C. 20416

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MEMBERS PRESENT:

EDWIN E. FIELDER, Chairman

BARBARA CARSON, Acting Associate Administrator

STEPHEN H. WHITE

KEN QUAGLIO

RONALD AUMENT

DAVY LEGHORN

MICHAEL PHIPPS

ROBERT (KURT) MUELLER

ROBERT BAILEY

JIM O'FARRELL

KATHY ROTH-DOUQUET

MARCY ULSES (Via telephone)

CHERYL SIMMS, Program Liaison

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1 P R O C E E D I N G S

2 CHAIRMAN FIELDER: We'll go ahead and bring
3 the meeting to order. And if you'll allow me to do
4 some brief introductory things before we get into the
5 agenda.

6 Rhett Jeppson, who has been with us -- at
7 least for me -- from the beginning, has been promoted
8 to be the chief operating officer, and, of course, Barb
9 is filling in for him. So I'd kind of like to
10 acknowledge Rhett in the sense of what he's done for
11 the group, and how we've gotten to where we are, and
12 what's going on, and allow him to say a farewell today.

13 MR. JEPPSON: Okay. Yeah. Sure. Thanks. I
14 appreciate it. So first off, let me just say a couple
15 of things that kind of come to mind. I will promise
16 you one thing, you haven't seen the last of me because
17 I wasn't just in the job because it was a job or an
18 opportunity. It's because, you know, I'm concerned,
19 and I'm passionate about Veterans, whether it's their
20 welfare, their health. But I still think that this is
21 kind of the sweet spot because we're not focusing on
22 all the issues that are difficult to grapple with.

1 We're talking about Americans participating in the
2 American dream here, you know. It's a new focus, a new
3 life permission.

4 This is one of the really great Veterans
5 missions. I don't mean to take away from the social
6 service type of things we do, which have real value,
7 and benefit, and meaning in people's lives. But this
8 is really where we're focused on hope and a path
9 forward that is really tangible. It's part of what
10 larger America does. It's part of what we've earned.
11 So you have not seen or heard the last of me on these
12 things.

13 But just let me talk about the committee. I
14 think there's really kind of a new day for the
15 committee here because as you look around the table
16 here, we've got a really good crowd of people here who
17 have real tangible business experience inside the
18 government, outside the government, finance and things
19 like that. So we have a real opportunity to make a
20 real difference here as a committee and to be engaged
21 and proactive.

22 So one of the things I'm very proud about is

1 the work that we've done within the office but also
2 within the committee here and how it's forming up here.
3 I think that it can be something more than it has been
4 in the past. It really depends upon you as new members
5 of the committee. I know that we just had another
6 member approved the other day, Ken. Ken Q. was another
7 guy, who is not here today, another guy who has vast
8 experience in the entrepreneurship space.

9 So I think the path forward is bright for the
10 future. You know, there's been some questions about
11 the committee, and what it should do, and its roles and
12 functions. But with as many smart people as we have on
13 the committee now and the experience, I would encourage
14 you to take a very broad perspective as you look about
15 your role here, think about Veterans small business.

16 One of the things, and I'll foot stomp this --
17 you've heard this from me before -- there's a tendency
18 to look at government contracting and to have a huge
19 focus on that because we're inside the beltway. But
20 you go 100 miles in any other direction, you know,
21 there are 1,000s of veterans out there starting small
22 businesses that have nothing to do with that. So think

1 about their needs.

2 If you put it in perspective, veteran small
3 business accounts for over trillion and a half dollars
4 in the economy every year, about \$13 billion goes to
5 government contracts. So that means most veterans
6 aren't in that space. So your charter is to look at
7 all the veterans and those things that are tangible to
8 them.

9 I'm certainly not suggesting that we forget
10 that. We're doing well on the veterans contracting.
11 We're up. We're going to have another good year this
12 year, so we can't let up on that. But we need to be
13 very inclusive of all our brother veterans and focus on
14 those larger big rocks.

15 Let me tell the longtime members of the
16 committee, thank you. I appreciate your service and
17 you being patient with me while I was here. I'm very
18 grateful for that. To the new members, welcome. And
19 the mid-term guys, thanks for being here as well.

20 I would be remiss if I didn't just take a
21 minute in this forum and every other forum opportunity
22 I get while I'm here to say thanks to my team is OVBD.

1 I really had great support. I think we accomplished
2 some good things, but it was really the team that did
3 it. I've looked at -- you know, Chery, and Shirley,
4 and those longtime members that have worked on the
5 committee with me and then the new members like Barron,
6 and Jaime, and Craig, and Mike. I mean, we really have
7 a talented group that's moving out.

8 And if you see -- I don't know how much Mark
9 is going to be able to share today, but if you look at
10 the work and the fidelity, again, it really has become
11 the model of how SBA interacts with large and small
12 business, you know, a little bit smaller road
13 (inaudible), but we have all the components that SBA
14 focuses on, capital, training, outreach programs, all
15 of those things; and it coleuses together.

16 I can tell you that the veteran shop isn't
17 getting perfect, but they're getting it right most of
18 the time. They're doing a good job.

19 If I have to look back, and I think I had more
20 successes than failure. And I'm not trying to brag,
21 but I've looked back over the two plus years. I can
22 put tangibly in words that the large part of success I

1 had was because Barb Carson was there to help me out.
2 We couldn't have a better person running that today
3 than Barb.

4 I've worked with Barb for a while, and I'll
5 tell you that she's the best person I've ever worked
6 with, smart, insightful, caring, good leader. I look
7 up to her in every respect, and so as I leave the
8 office, I leave it with a sense of pride in what I was
9 able to do while I had the office and grateful for the
10 opportunity. But I also leave it in the best hands
11 possible.

12 So I know that you guys will support Barb. I
13 would just ask that you continue to reach out to her,
14 stay in contact with her, keep her engaged in your
15 activities and your thoughts because I know that you'll
16 find somebody who is able to get it, advise you, and
17 then help you come to some form of action. Because too
18 often the federal government, we don't have -- we talk
19 about things, but we don't do things. We, for our
20 veterans, should be doing things.

21 So again, it has been a privilege to work with
22 you. I'm grateful for you. I look forward to seeing

1 you around, and actually one of these days I'm sure
2 I'll be sitting on the back row going, hey, what about
3 this issue. I'll be that guy showing up.

4 So, anyways, thanks again, and have a great
5 day.

6 (Applause)

7 OPENING REMARKS

8 CHAIRMAN FIELDER: So, first of all, I'd like
9 to share his comments about Barb and being there for
10 us. It's been a pleasure working with her, just
11 starting out. And also the theme of it's getting
12 better.

13 I started as the Chairman, championing let's
14 revisit the community; let's rejuvenate the community;
15 let's get restarted. And there were several reasons
16 why we lost traction over the last couple years, the
17 number of members and issues to do with funding, to
18 fund some of our travel and that kind of thing. But
19 nonetheless, all that is fixed.

20 And the result of that is -- let's start with
21 four new members. I think that officially puts us at
22 11 or 12 of the 15 that we're supposed to have with

1 others in the queue already. When you figure we were
2 at 3 just about 18, 20 months ago, that's pretty
3 phenomenal. So now we have the capacity and the
4 resources to do things meaningful.

5 So I welcome Jim Mingle, Ken Q. -- and I'm
6 going to try his name, Quaglio, and then Jim O'Farrell,
7 and Ron Aument to the committee.

8 MS. CARSON: And Michael right here.

9 CHAIRMAN FIELDER: But you were new as of the
10 last meeting as I remember; were you not?

11 MR. PHIPPS: This is my first meeting.

12 CHAIRMAN FIELDER: Okay. That's right. You
13 weren't there last time.

14 MR. PHIPPS: I saw you at the conference.

15 CHAIRMAN FIELDER: Yeah, yeah, Michael Phipps.
16 I'm sorry. Michael Phipps. So welcome to the new
17 members, but you can see this is -- what we set into
18 motion is likely whether it's happenchance or because
19 of our plan. It's happening. We now have the capacity
20 to do things together.

21 And you'll also notice that as we finished up
22 last year's report, we sort of set out and said these

1 are the 8 or 9 things that we intend to accomplish and
2 look at over the next 12 months. And if you take those
3 items and you match them to our agenda today, you
4 should be able to check off about six or seven of them.
5 So we had meaningful discussions, and people that have
6 been invited to come and talk to us, whether it --

7 MS. ULSES: Hello?

8 CHAIRMAN FIELDER: Welcome. Who just joined
9 us by phone? Is there someone on the phone? Okay.
10 I'll keep going until they answer up again.

11 So here we are, whether it's what we consider
12 to be our number one agenda and focusing on access to
13 capital and understanding that. There are folks here
14 today that are going to talk about that, both from the
15 SBA's perspective and from industry perspective, and
16 we'll continue that theme for our next two meetings for
17 this fiscal year. But nonetheless, I think we're
18 starting to make progress and at least get organized to
19 be able to move this football down the field a little
20 bit.

21 With that said, I'd like to turn it over to
22 Barb for introductory comments, and then we'll get into

1 the agenda.

2 INTRODUCTIONS

3 MS. CARSON: I think I'll be brief and say I'm
4 really grateful to be here and for the leadership of
5 the advisory committee.

6 Rhett said it all. We've come a long way, and
7 I'm looking forward to where we're going with this
8 team. I'm also thankful that we have speakers here
9 today who are engaged in the space that we -- you're
10 not going to let us stay (inaudible) on what the
11 federal government can do. Thanks for helping to
12 broaden the aperture and give us things to consider.

13 The Institute for Veterans and Military
14 Families team is in the back as well, and we have
15 members of business communities and franchise --
16 international franchise association, VetFran. And I
17 hope that they provide some feedback to us as we go
18 through the day.

19 For those who are on the line, you are welcome
20 to provide comment or interject at any time as well.

21 I would love to introduce our first presenter
22 today who is going to look at the landscape access to

1 capital for veterans, not at the lower end but more
2 mid-market and tell us what it looks like right now,
3 what you're providing to vets.

4 So I would like to welcome Sergio Rodriguera.

5 And you are with Credit Junction?

6 MR. RODRIGUERA: Mm-hmm.

7 MS. CARSON: So please go ahead.

8 SMALL BUSINESS SUPPLY CHAIN FINANCING

9 THE CREDIT JUNCTION

10 MR. RODRIGUERA: Great. Thank you. Thank you
11 for the invite, and thank you folks at the SBA. It's
12 good to see you, a lot of familiar faces. Actually I
13 look at the list, the agenda. Geoff Orazem is a good
14 friend of mine. So I know he's speaking after me, so
15 it's a very small world, and the VetFran folks are
16 great. I know Mr. Caldera very well and the folks over
17 at IFA. So, yeah, it's great to see them in the room.

18 I'll just give 30 seconds on myself. I'm a DC
19 guy, but I'm originally from Southern California.
20 After undergrad, I was a Naval officer, active duty,
21 for about four years. Got interested in politics. My
22 last tour of duty was in the White House, and I moved

1 next door over to 1500 Pennsylvania Avenue to the
2 Treasury building. And I was senior advisor to the
3 Undersecretary for Terrorism and Financial
4 Intelligence, a very long title, but we worked on
5 sanctions and antiterrorist financing.

6 In 2009, with the surge in Afghanistan, I got
7 called up as a reservist. I was -- still I'm a Navy
8 Intel reserve officer, drill here in the Pentagon. And
9 spent a year in Kabul, was working with the Afghan
10 Threat Finance cell.

11 Came back to DC in 2010 and went to Capitol
12 Hill, worked for the former House majority leader and
13 spent two years on the House Financial Services
14 Committee working on Jobs Act, Dodd-Frank reform, cyber
15 security, access to capital, mobile banking, so a lot
16 of technology issues.

17 I left the Hill and went to go raise capital
18 for a startup late last year, actually the summer of
19 2013, and that's where I -- just being involved in a
20 lot of venture capital and entrepreneurial summits and
21 events, I met my current cofounder, Michael
22 Finklestein. And I'm happy to email the brief that we

1 have.

2 Basically we clicked. He's a serial
3 entrepreneur, Stanford MBA, incredibly just smart and
4 driven guy and had an idea for mid-market type of small
5 and midsize businesses that are in need of working
6 capital.

7 It was something that I was very familiar with
8 being a Hill staffer, being at Treasury working on
9 banking regulations, working, again, on Dodd-Frank
10 reform. I'm very familiar with why banks and
11 especially community banks are not lending. With 55
12 percent of Dodd-Frank being implemented so far,
13 unfortunately, it's just going to get worse.

14 There are initiatives up on the Hill to kind
15 of roll back some of Dodd-Frank, but for the small
16 business owner who is in need of 500,000 to 3 million,
17 it's really tough out there. And I'd like to think on
18 Capitol Hill we get to talk to people or small business
19 owners, but we really didn't do that. A lot of times
20 we just met with lobbyists or advocates for small
21 business.

22 But it's been really great to go out. I spend

1 a lot of time traveling. I'm all over the country.
2 I'm at minority-owned business events, women-owned
3 business events, veteran-owned business events, and
4 Chambers of Commerce. And, you know, we really wanted
5 to -- we built the Credit Junction to help all sorts of
6 businesses, but we focus on industrial and
7 manufacturing. Those are the types of business,
8 because we do asset-based lending and that's -- I'll
9 get into that in a second. But we work with a lot of
10 businesses that have inventory, parts, receivables.

11 We don't necessarily do -- well, we don't do
12 factoring. We don't do purchase order finance, but if
13 a small business owner were to show me a contract that
14 he has with the state, or DOD, or Department of Energy,
15 we're happy to help.

16 And because we're not a bank or a lender,
17 we're essentially a financial technology company. We
18 are facilitating loans for these small and midsize
19 businesses. So we do all the credit, underwriting. We
20 do a lot of the risk.

21 Our tech -- and a lot of people get confused
22 when I say we're a financial technology company because

1 they say, well, I don't understand. You're doing
2 lending. Where's the technology piece in this? The
3 tech piece is really, when you look at our credit team
4 who come out of GE Capital and Aires Capital, really
5 focus on mid-market -- they're gurus in asset-based
6 lending. The tech team is taking what's in their head
7 and expediting a lot of the assessing of aircraft, or
8 machinery, or inventory.

9 So we like to say that we can assess a
10 customer or a client within 24 to 48 hours. We don't
11 ask for a lot of information. We basically just need,
12 you know, how many years they've been in business, what
13 their needs are, what their debt picture looks like,
14 and if they have two years of financials, if they have
15 an inventory schedule. Obviously the more information
16 helps us, but we can turn around in about 48 hours, let
17 them know if they've been approved or not. And
18 depending upon what size loan they're looking for,
19 whether it's -- and our sweet spot is really 200,000 to
20 3 million. We can provide them the capital in about
21 three weeks.

22 So we think we're a very efficient process.

1 Again, that's where the technology piece really comes
2 in, but we think we're a great partner; and actually we
3 work with -- we're not competing with community banks.
4 We think we're a great partner because we don't do
5 lines of credit, and they do. So we have partnerships
6 with community banks all over the country, very close
7 with folks over at ICBA and also the Consumer Bankers
8 Association, you know. We sit in a board similar to
9 this with them over there.

10 And we're really trying to focus on -- we
11 launched in January. So as a technology company, we
12 went through our own seed capital raise. We closed a
13 \$2 million round this summer. We're in the midst of
14 another seed capital raise for us. Now that doesn't go
15 to our balance sheet. We're not lending off of that
16 money that we've raised.

17 Again, we do that due diligence, and then we
18 take the -- we take that loan package to one of our
19 network partners, and those are private capital
20 sources. So those are hedge funds, family funds, high-
21 net worth individuals. Again, we're doing a lot of the
22 brunt work because we're, again, assessing the risk,

1 and then we bring that to one of our -- our lead
2 investor from the summer, and we bring in more hedge
3 funds that are interested in what we're doing because,
4 again, they see what's happening with Dodd-Frank. They
5 see basically what's happening with the market.

6 And I'll be honest, what's been happening with
7 the small business, online lending, OnDeck, Lending
8 Club. Lending Club, obviously, a lot of you know filed
9 their IPO last Friday. It has created a lot of buzz in
10 the industry, and, you know, we have partnerships with
11 a lot of those guys. I know Street Shares have briefed
12 this committee before.

13 We have a partnership with Street Shares
14 because we don't like to focus on loans sub 100,000.
15 Now, we will, but we let that to Fundera, to Street
16 Shares, to OnDeck. There's plenty of players on the
17 space that focus on sub 100,000, and we're happy to
18 kick those over to them.

19 We have partnerships with Chambers of
20 Commerce. We're about to institute a pilot program
21 with the state of North Carolina. The governor there
22 is very interested in helping small business that have

1 contracts with the state.

2 So hopefully here we should be announcing in
3 early 2015 a program where we are helping provide
4 access to capital, to small businesses that have been
5 awarded construction projects, airport projects. But
6 then also part of this pilot is bringing in Fuqua
7 School of Business, Wake Forest Law School, and
8 creating a mentoring and training program in the state
9 of North Carolina so that these small business owners -
10 - you know, we'd like to help -- can get funding. But
11 that they can get mentorship --

12 And obviously SBA and the state are great
13 resources. We're just trying to bring in more players
14 into the space, and the law school and the business
15 school can then do, you know, an extracurricular
16 activity, assessing their business. They can learn
17 more about small business, entrepreneurship, and so we
18 think that's a great program.

19 Again, I'm happy to take questions. That's
20 kind of what we do, and I'm happy to email out -- you
21 know, I have the slide, which I didn't really go
22 through because I'd rather just talk about what we do

1 and not bore you.

2 MR. WHITE: Sounds very cool. Do you have any
3 programs specifically set up for veteran business
4 owners?

5 MR. RODRIGUERA: Well, the thing is, when we
6 launched the business, we basically were opening --
7 we're trying to fill a void, right, small -- so when we
8 say small business, that's small business across the
9 country.

10 MR. WHITE: Sure.

11 MR. RODRIGUERA: But the nice thing is, myself
12 being a veteran, it adds -- it gives me better -- I
13 feel better when I'm helping out a veteran-owned
14 business, you know, Hispanic or minority-owned
15 business. I have a couple sisters, a woman-owned
16 business. So it's not like that's our focus, but we
17 open it up to all small business. I don't know if that
18 answers your question.

19 MR. WHITE: Well, the answer is, no, you don't
20 have --

21 MR. RODRIGUERA: Right. I mean, we help all
22 small business.

1 MR. WHITE: No. I understand. But have you
2 considered doing anything like specifically targeting
3 veteran-owned businesses or some sort of a marketing
4 program or campaign towards that?

5 MR. RODRIGUERA: I mean, we're open to that.
6 Yeah. I mean, you know, when I spoke with Craig, you
7 know, that's one of the things that we -- being a very
8 small operation, we're starting to branch out now, and
9 so that's the thing.

10 We focused really this past year since our
11 launch on building the business, and so we sort of had
12 our heads down and were doing our own capital raise.
13 But we have about 100 million to deploy. So we're out
14 there now at tradeshow and events. We're about to
15 push a big online marketing campaign, you know. We
16 don't do any TV/radio right now. We probably won't.
17 We won't because that burns a lot of cash. We don't
18 need to do that.

19 But building partnerships and alliances, I
20 speak to a lot of -- I'm at a lot of regional events.
21 So if VA or SBA are there, we're usually on a panel
22 with them. And, no, love to entertain any ideas that

1 folks have.

2 MR. WHITE: Yeah. I'd love to get your card.

3 MR. RODRIGUERA: Sure.

4 MR. WHITE: Do you service the loan district
5 itself then, or how do you manage servicing?

6 MR. RODRIGUERA: You mean as far as actually
7 providing the capital?

8 MR. WHITE: No. As far as managing the
9 repayment process, all of that?

10 MR. RODRIGUERA: Yeah. No, exactly. That's
11 what our credit team does. Yes.

12 MR. WHITE: Okay.

13 MR. RODRIGUERA: Exactly.

14 MR. WHITE: All right.

15 MR. LEGHORN: So your tech platform, the
16 platform itself is regulated by the SCC?

17 MR. RODRIGUERA: No. Again, we're not a
18 broker-dealer. We're not a bank. We we're not reg'd
19 by AB. We're not reg'd like a broker-dealer I guess is
20 DE. No. We're basically just a facilitator.

21 Now, we are open and talk to the banking
22 commissions. Me being here, having been a former

1 banking staffer, I know the folks at the fed, and the
2 SCC, and the CFPV, and they're really focused on
3 consumer banking. They're worried about folks payday
4 lending, that sort of thing.

5 We have a very open and transparent process,
6 but currently there's only five states that we have to
7 get a license to, to operate in. And in all the other
8 states, again, we're just facilitating deals.

9 CHAIRMAN FIELDER: Sergio, I want to give you
10 a scenario because the market that you're in is
11 midlevel --

12 MR. RODRIGUERA: Mm-hmm.

13 CHAIRMAN FIELDER: -- 200,000 to \$3 million.
14 I've just taken a company through that process. A
15 Typical entrepreneur -- and we'll focus on this because
16 that's where all about here today.

17 MR. RODRIGUERA: Mm-hmm.

18 CHAIRMAN FIELDER: We start a business. We
19 start growing the business. We're doing small
20 contracts that we can fund with local banks, and then
21 we find this big huge opportunity. And by the time we
22 win it, we're staring down payroll of a couple million

1 dollars -- maybe \$1 million a year. And so we go from
2 \$50,000 to \$100,000 deals to \$1 million deal almost
3 overnight, and now we've got this payroll plan.

4 And so take us through the online application
5 process, the rigor of the vetting process that would
6 get us the loan because at some point -- I wish we
7 could be in the place where we knew we were going to
8 sin and have gone already through the process and have
9 this line of credit lined up.

10 MR. RODRIGUERA: Yeah.

11 CHAIRMAN FIELDER: But that's not generally
12 the case.

13 MR. RODRIGUERA: Right.

14 CHAIRMAN FIELDER: Generally the case is that
15 I just killed this big monster beast. Now I got to
16 figure out how to eat it and bite off chunks, and I'm
17 trying to find the capital at rates that don't put me
18 upside down in the sense of the profit rates within
19 what's going on.

20 So that's sort of a scenario, long-winded
21 question, but take us through this three-week vetting
22 process. We now know we need the capital, and if

1 there's any possibility of somehow going through the
2 vetting process while we're going through the bid
3 process to have this available so we can move quickly.
4 But take up through this.

5 MR. RODRIGUERA: Yeah. I'll give you two
6 quick examples, one on the federal level, one on the
7 state level. So being in DC, you obviously were
8 surrounded by a lot of government contracting. So we
9 will often times get folks who have a DOD contract or
10 Department of Energy contract. They'll win the award.
11 They have to ramp up operations. They'll either have
12 to hire 10 folks with clearances, which is not cheap.
13 So that may cost them, let's just say \$1 million.

14 They have to get that capital obviously fairly
15 quickly. So that small business owner or veteran-owned
16 business owner can come to use with that contract.
17 And, again, most of the time we want to see that
18 they've been in business for at least a year, have
19 100,000 in revenue, and we'll hold the loan against,
20 again, parts receivables, some sort of machinery.

21 But if you can show me that contract, that
22 paper is as good as gold in our mind because that's --

1 right. That's the government. My partners and our
2 credit team understands that very well. They've been
3 doing this for 30, 40 years. So that's -- there's --
4 again, now, it's just path to grow. That's what we
5 want to see, right, path to revenue, path to paying us
6 back. That's the real goal that we're doing.

7 CHAIRMAN FIELDER: We're all not in the
8 federal sector. Some of us are in the service sector.
9 So startup costs include a major outlay for equipment,
10 and we're typically looking at, if we're looking, is 45
11 to 60-day startup; but we're generally looking at 30-
12 day startups.

13 MR. RODRIGUERA: Mm-hmm.

14 CHAIRMAN FIELDER: So a three-week application
15 windows are kind of long when you're trying to get a
16 startup and get quarter million dollars of equipment on
17 the site, in addition to hiring the people that you
18 suggested.

19 MR. RODRIGUERA: Mm-hmm.

20 CHAIRMAN FIELDER: So kind of take the
21 conversation beyond the IT part. IT is kind of federal
22 government, DC centric thing. A lot of us are outside

1 of DC, and we're in the service industry.

2 MR. RODRIGUERA: Right. So I'll give you
3 another example at the state level because this is an
4 issue that may kind of hit more to your point.

5 So we're -- when we launched, we wanted to
6 focus on manufacturing businesses. The South has done
7 a great job, right, South Carolina, North Carolina.
8 You look at Air Bus in Alabama, you know, Volkswagen in
9 Tennessee. So we spend a lot of time down there.
10 Actually, your regional person, Mr. Betts, I see
11 constantly at events in Atlanta and all sorts of
12 places.

13 But the state came to us and said, look, we
14 have all these service type of businesses that have
15 been awarded state contracts with the State Department
16 of Transportation. They are -- they all vary, right.
17 Some are looking for loans let's say under 25,000.
18 Then there are some that are looking for let's call it
19 100,000 to 250,000 and then beyond. So each of those
20 is going to be tricky in their own sense because these
21 are state contracts, and we have to evaluate the small
22 business and all that.

1 But the thing that they were curious about
2 because we're new, and they didn't know who we were.
3 Again, I've been spending a lot of time down there, so
4 we were building relationships. So what they were
5 interested in was us creating a path to be kind of a
6 flexible rate, right.

7 So on our slide deck we say that we advertise
8 -- our rates are anywhere between 8 and 15 percent,
9 depending upon the health of your business, your credit
10 score, but we're not just tied to your credit score.
11 Again, because we have the flexibility to assess your
12 business, and we want to see path to growth; and that's
13 really what we're interested in, you know, if you've
14 got a great business and we see the ability to pay us
15 back, you're obviously going to get a better deal than
16 the higher rate.

17 But in some of these instances where you have
18 these small business owners, veteran-owned businesses
19 who have been awarded these various contracts or in
20 various stages of the contract and might not be able to
21 repay right away -- and usually our loans, it's a cash
22 flow issue. So we see a lot of 6 to 24-month type of

1 loans or loan timeline.

2 But we have the ability to be very flexible
3 and, say, charge a lower rate. We're not to going to
4 try to take advantage of the person or take advantage
5 of the deal and backend everything on the end, but we
6 have the ability, again, because we're a technology
7 company not a bank.

8 So I can -- and especially to a veteran-owned
9 business, or a woman-owned business, minority-owned
10 business, we want to get them off the ground. We want
11 them to be successful. Obviously, if we're in a
12 partnership with the state, with the governor, the
13 mayor, whoever it is, SBA, Department of
14 Transportation, we want them to be successful because
15 it makes us look successful.

16 So, again, we have some flexibility to play
17 there with the rates, especially a young company
18 needing a ramp up.

19 CHAIRMAN FIELDER: Okay. Go back to the
20 original question, and I'll stop. The rigor of its day
21 one. I go online and make a loan application. What do
22 you expect in the sense of the documentation? What are

1 you looking for in the sense of collateral? How does
2 the approval process move along? You said three weeks.

3 MR. RODRIGUERA: Mm-hmm. Yeah. So we can
4 look online because we get all sorts of referrals. We
5 get all sorts of folks incoming, folks who are in need
6 of a loan.

7 So really it's four big things. And the
8 questionnaire on our website, or even when we email out
9 to somebody; or if I'm at a tradeshow, and I have my
10 iPad; and I say, you know, basically just tell me four
11 things: how long you've been in business; your revenue
12 of last year; what you're looking for, the size of your
13 loan, and your debt. Those four things will tell me
14 fairly quickly off the top of my head whether we can --
15 whether you're a good partner for us.

16 If you need 25,000, I can kick you to one of
17 our number of partners. Say Fundera, Street Shares,
18 OnDeck, Lending Club is not at the event or they've
19 never heard of them, I'm happy to connect them, and
20 that's the network that we have. So, again, those four
21 -- if they can answer those four questions, that gives
22 us a pretty good sense of whether or not it's going to

1 be us who can help them, or we will find them someone.

2 Now, if it is in our wheelhouse, say you're
3 looking for 100,000 and above and you're an industrial
4 company; you're a defense contractor, a service
5 provider, wherever it is, yeah. We'd love to help you
6 out. One of my team members will call you.

7 If you can provide two years' worth of
8 financials, again, kind of an asset inventory picture,
9 I can tell you within 24 hours whether or not we can
10 approve you. And then, depending upon the size of the
11 loan, I say two weeks or three weeks, but honestly we
12 can probably do that -- again, if it's a 250,000 loan,
13 we can probably do it within five to eight business
14 days.

15 CHAIRMAN FIELDER: We're still missing the
16 collateral part of the conversation to include the
17 value of the contract. So two parts to that. Kind of
18 cover that if you can.

19 MR. RODRIGUERA: Well, you know, that all
20 depends, but the value -- well, again, the credit team
21 would have to assess the value or the award if you
22 don't have any assets. Again, my chief credit officer

1 could probably answer that better than I could, but you
2 know, we want to help them. So again, that's just a
3 conference call or a meeting with our team.

4 CHAIRMAN FIELDER: I guess, by comparison, we
5 look at some of the SBA loans, and we're putting up our
6 personal residence. We're having our wife sign some
7 document that sort of defers that. We're signing over
8 some of our 401K interest. I was kind of hoping you
9 might go into --

10 MR. RODRIGUERA: No. Honestly, yeah. We
11 don't --

12 CHAIRMAN FIELDER: That's kind of honors when
13 --

14 MR. RODRIGUERA: No. I get it. Again, we
15 don't really get into that because --

16 CHAIRMAN FIELDER: Many of us have
17 corporations just to protect ourselves and have this
18 separate entity, but then we go to the government for
19 these loans. And we're giving up our personal assets
20 as collateral.

21 MR. RODRIGUERA: No. I understand that. I
22 guess my point is we're not asking for that

1 information, right. We're assessing your path to
2 revenue, your path to pay us back.

3 So if I see that award, I'm not going to ask
4 you to put up your house or put up your -- give up your
5 401. We're not interested in that. Again, because we
6 have the ability to provide you the capital, we're
7 taking a risk, but I'm not asking you to put up your
8 life savings, you know, again.

9 MR. BAILEY: Right. But to Ed's point --

10 MR. RODRIGUERA: Right.

11 MR. BAILEY: -- I guess for me where I shiver
12 a little bit is basing everything on the revenue, the
13 profit and being able to sustain the cash flow for that
14 business owner. I think that's what Ed is driving at.

15 CHAIRMAN FIELDER: And the market and interest
16 rate offsetting the profit.

17 MR. BAILEY: Exactly. This process seems to
18 be very simplistic, but now in the reality, the
19 individual person (inaudible). I mean, you're taking a
20 very high risk, so you want your payment back to
21 mitigate your loss.

22 MR. RODRIGUERA: Right.

1 MR. BAILEY: That's pressure against that --

2 MR. RODRIGUERA: Right. But one of the
3 things, being a very young company, we know we're going
4 to take a loss in the first couple years coming out of
5 the gate, right, because we're building a brand. We're
6 building a name. So again, that program I was telling
7 you about where we're working with the state of North
8 Carolina, we know we're not going to make a lot on a
9 small -- because the pilot program encompasses all
10 sizes of businesses, all sizes of loans.

11 So granted -- you know, we're in the business
12 of making money. Granted I'd love to see million
13 dollar loans all day, but we want to help small
14 business. So if it's a \$25,000 loan and that gets them
15 to profitability because -- or revenue downstream where
16 they come back to us in six months or a year and want a
17 million dollar loan, that's what we want to see.

18 So we're willing to take not a loss in the
19 sense of I'm working with businesses that have awful
20 credit scores, and you have a pie in the sky type of
21 business. I mean, we want to work with good
22 businesses, and if they're in partnership with SBA, or

1 the Department of VA, or whoever, you've done some
2 initial vetting. And the same thing goes for a lot of
3 the state contracts or a lot of the businesses that we
4 work with in the state. The state does monitoring and
5 evaluating.

6 That was part of the pilot program where we
7 want to be able to help these businesses. So let's
8 bring in some lawyers. Let's bring in some MBAs to
9 help the small business owner not handhold them, but
10 provide some guidance and assistance. And anyways,
11 that's kind of the --

12 CHAIRMAN FIELDER: Okay. All right.

13 Questions? Sir.

14 MR. BOWES: How long have you been in
15 business? Sorry. I was a little late. How long have
16 you been in business?

17 MR. RODRIGUERA: Yeah. We launched in
18 January. So we're fairly --

19 MR. BOWES: January, so almost 12 months?

20 MR. RODRIGUERA: Right.

21 MR. BOWES: Out of your portfolio, how much do
22 you think you have loaned to small business?

1 MR. RODRIGUERA: Through our partners and --
2 well, I guess for our -- the ones that we take credit
3 for, it's somewhere around 5 million.

4 MR. BOWES: Okay. So out of that 5 million,
5 what went to veteran-owned businesses?

6 MR. RODRIGUERA: I'd have to look it up, but -
7 -

8 MR. BOWES: So what I'm saying is, you know,
9 maybe -- like this gentleman had asked, maybe we need
10 to come up with something to really concentrate on
11 supporting the veteran-owned businesses. And I think
12 that what you're saying is good with assignment of a
13 contract in order to collateralize the loan versus
14 personal assets.

15 MR. RODRIGUERA: Mm-hmm.

16 MR. BOWES: But in terms of veterans, we want
17 to see you concentrate or come up with a program that
18 can focus in on veteran businesses.

19 MR. RODRIGUERA: Yeah.

20 MR. BOWES: I support you, and I think it's a
21 great idea.

22 MR. RODRIGUERA: Yeah. No. I'm happy to.

1 You know, I -- being a very young company, part of the
2 reason why I'm here is -- you know, I spend a lot of
3 time educating Chambers of Commerce. I spend a lot of
4 time talking to folks, introducing our platform because
5 it is new. There are other players. That's the only
6 other slide I was going to show.

7 A lot of times I tell people the fairway.
8 You've got banks that a lot of times are not -- in
9 today's world, not providing assistance, especially
10 community banks. Then on the FAR end, you've got
11 payday lenders that are charging you 40/50 percent.
12 We're right --

13 MR. BOWES: Right.

14 MR. RODRIGUERA: We think we're filling a
15 void. So I'm -- yeah, trying to --

16 MR. BOWES: Well, if you're doing from 8 to 15
17 percent, then small business guys can go to the street
18 and get 10 percent.

19 MR. RODRIGUERA: Mm-hmm.

20 MR. BOWES: So then it becomes can you be
21 expeditious in the time frame of the loan, and I think
22 some people were dancing around that issue. But if you

1 really want to help small businesses, then -- and they
2 have contracts with the federal government, they going
3 to want aggressive support in terms of that line of
4 credit and that money.

5 MR. RODRIGUERA: Exactly. And that's what --
6 that's what our technology does. It assesses the value
7 of the contract, of the parts receivable inventory --

8 MR. BOWES: Yeah.

9 MR. RODRIGUERA: -- so we're quickly about to
10 assess the health of your business. And then because
11 we're not constrained by various regulations, we can
12 provide the capital because it's coming from a private
13 source, a hedge fund, a family fund, you'll have the
14 capital within -- and I can't make promises -- but
15 anywhere between 7 to 12 working days.

16 MR. BOWES: And I hate to ask a risk
17 management question, but how are you controlling the
18 risk of your investors? Are they at risk totally, or
19 is there an umbrella or something that protects their
20 investment, or how is that set up?

21 MR. RODRIGUERA: Well, we're doing the due
22 diligence on behalf of them.

1 MR. BOWES: Okay.

2 MR. RODRIGUERA: Again, and that's also part
3 of the platform. The platform expedites our risk
4 management.

5 MR. BOWES: Yeah.

6 MR. RODRIGUERA: And I'm happy to email you a
7 copy of our -- we have an outline of our team. You
8 know, a lot of these other guys that are in the space
9 are tech guys. They're coming out of Harvard Business
10 School or Google and saying we'll give you -- you know,
11 we can quickly assess your value of your business
12 because we have this online program.

13 MR. BOWES: Yeah.

14 MR. RODRIGUERA: There's no way you could do
15 that on a million dollar loan, right. It can't be all
16 online.

17 MR. BOWES: Right.

18 MR. RODRIGUERA: So that's how we're
19 different. We're different because we're a hybrid.
20 Now, 80 percent of the assessment -- and I hate to bore
21 people -- but 80 percent of what we're doing is online.
22 The remaining 20 percent is what our credit team is

1 doing.

2 And so those guys, who come out of -- and I
3 mentioned earlier -- GE Capital, Aries Capital, CIT,
4 these guys have been doing this for 30 to 40 years, you
5 know. They're not just like 22-year-old kids coming
6 out of Google that say, oh, I can help a small
7 business. That's not what we're doing.

8 MR. BOWES: Thank you for your time.

9 MR. RODRIGUERA: No problem. Thank you.

10 CHAIRMAN FIELDER: We're going to need to go
11 ahead and complete. What we're going to do now is Jim
12 Mingey with the Veteran Business Services is actually
13 on the 11:05 slot. We need to cue up his -- you have
14 slides, Jim?

15 MR. MINGEY: They've already got them up.

16 CHAIRMAN FIELDER: Oh, they're already cued
17 up.

18 MR. MINGEY: They're ahead of you.

19 CHAIRMAN FIELDER: And then what we'll do is
20 when Geoff arrives -- he's here.

21 Go ahead, Jim.

22 For those that are here that are not committee

1 members, we will take more questions on Capitol Hill
2 during the public period (inaudible). We have a
3 longstanding record of letting speakers go long, and
4 then jamming everything in at the end of the day.
5 We're trying to improve ourselves.

6 Go ahead, Jim.

7 INTEGRATION OF RESOURCES AVAILABLE TO SDV

8 VETERANS BUSINESS SERVICES

9 MR. MINGEY: Well, I'll try and speed it up so
10 you can have a little better flow.

11 My name is Jim Mingey, and I've been around
12 the veteran scene, small business for a long time, and
13 it's refreshing to see Mr. Fielder. And it's
14 refreshing to get the support I have just from my
15 presentation from the team that they have. Barb has
16 been great and so -- the big team behind me, especially
17 Jaime.

18 I have a little bit different presentation
19 here for you today rather than the higher end of
20 lending. My focus is on the lower end. My focus is
21 on, shall we say, the ones that are born to battle, who
22 are in the VA system right now in what's called the voc

1 rehab system. They use an acronym of VRE.

2 And I am very intimate with that. I am a
3 combat veteran myself. I have participated in that
4 program, and I'm going to take you through what we're
5 going to try to do in 2015 to basically take our
6 initial data and expand it four times with four new
7 veterans.

8 So we're calling this our self-employment
9 program, which is one of five tracks in the VRE
10 vocational rehab that is not that well known as far as,
11 you know, having that availability.

12 So let's see if I can -- a couple initial
13 slides here. As probably most of the people on this
14 committee know, over nine percent of the businesses in
15 the United States are veteran small business, and
16 that's great; and I hope this committee can help that
17 grow to more.

18 But what's unusual about the VRE program, less
19 than one half of one percent of the 30,000 people that
20 are in the VRE program actually get into self-
21 employment. That slide up there is an actual quote
22 from the -- or comes out of the vocational rehab

1 report. They're required to make a report to Congress
2 each year.

3 So we're dealing with a situation where what
4 I'll consider the most deserving of service stable
5 veterans really don't get that much access to become a
6 business, and my objective is to try and do something
7 about that.

8 What am I here? Veteran Business Services is
9 a veteran-owned company. So we fit in the mix here.
10 I'm a combat veteran. I relate well to combat veterans
11 who are in this program, and I have actually been
12 through this accelerated program. For the last two
13 years, I've been involved in every single aspect of
14 that at the VA. So I'm able to relate to a veteran
15 coming through there exactly how the steps work.

16 And one other thing, as we went through
17 developing this program, the VRE and the CVE side of it
18 were impressed enough with this that we are now on the
19 VA website. So if you go to the website and their
20 entrepreneurial portal, there's a listing for Veteran
21 Business Services, which will take you to our, what we
22 call our franchise accelerate program.

1 In the process I decided I wanted to go
2 through every single aspect of what training resources
3 were available to a veteran coming through, especially
4 younger veterans who are disengaging and reintegrating.
5 So not only going through the -- so not only the VRE
6 program, but you folks have done some great work with
7 Boots to Business, both the DOD when they originally
8 started the test and now with the Boots to Business
9 program reboot.

10 I've been through the reboot myself, and now
11 I'm an instructor in the Boots to Business at other
12 places. So I'm very familiar with that. I've even
13 instructed at the VRE program itself. I'm getting
14 cooperation from DOD in their Boots to Business, and
15 I'm involved with both EBV; and there's a new veteran-
16 owned entrepreneurial course called Vet to CEO that I'm
17 very impressed with that does online training free for
18 veterans, and they ran 600 people through their course
19 this year, very impressive.

20 And then the final piece for me is, you know,
21 the mentoring aspect of this, the hands-on mentoring.
22 I'm a mentor for what's called American Corporate

1 Partners. That doesn't have a strong small business
2 side but are growing it, and I'm also a mentor for
3 what's called the Heroes E-Mentoring program that comes
4 under the US Chambers of Commerce.

5 So I'm trying to combine these things. That's
6 who VBS is, which is really me. I'm trying to take
7 that expertise and replicate it.

8 The description we have here is -- we're
9 looking right now, and this is a private initiative.
10 This is not proprietary. Anybody wants to copy this,
11 we will help them copy it, whether it's for franchises
12 or other small businesses. Programs like this can be
13 created to go through VRE, and ironically helping the
14 most deserving veterans will create models that will
15 help all veterans.

16 So we now have gone through this. We take --
17 it's interesting. I'll get into it a little bit more,
18 but the whole end of the game here is the business
19 feasible? Does the business plan -- is it financeable?
20 Does it meet commercial standards? If it does, it has
21 a good possibility of working.

22 So this idea here is to take this through a

1 holistic program and essentially have a coach, if you
2 would, that is specific to the VRE program that is
3 essentially an adjunct support for a VRE counselor,
4 who, unfortunately, there are over 1,000 VRE counselors
5 in this country, and they're very limited in their
6 experience as far as helping people in self-employment.
7 They need support and collaboration from organizations
8 like this, from DOD, from other folks who can take a
9 team-mentoring approach to these cases we're talking
10 about.

11 I can handle this much myself. It's a private
12 entity. I really don't need support for this. I'm
13 here today to kind of reach out for more collaboration
14 so people can understand more what we're doing and
15 learn from this process.

16 But our philosophy, or my philosophy is, if I
17 can't combine these things in a real time basis, the
18 Veteran is coming out and saying, well, they're going
19 this way for the financing, and they hit a stone wall.
20 They get frustrated. They stop, whatever. They go
21 back to the beginning. Like this country is made up,
22 entrepreneurs are, you know, boot-strapped, and they go

1 on their own. But this is a different world now that
2 requires teams, requires mentoring, and we need to get
3 better at that.

4 So my context for this is the vocational rehab
5 has a section, as I mentioned, it's called Self-
6 Employment Track 3, and interesting, they have a whole
7 set of rules.

8 What I'll mention now, the M28R Vocational
9 Service Manual has about a 12-page operations manual on
10 how it's supposed to flow through that. Well, I love
11 that because, for me, I'm an experienced entrepreneur,
12 so I can just go down there and do the checkpoints and
13 help somebody go through that process, which is
14 complicated. But it is actually very useful because at
15 the end of the day, the government should be the last
16 person providing the resources, by that I mean the last
17 one in. When they underwrite the deal, if everything
18 else in place, they maybe can put some reinforces in or
19 provide the guarantee, but they should be the last one
20 in the deal.

21 The pilot or the beta that we did will meet
22 these general parameters. That is, if a client, a VRE

1 veteran, has 10 to 25 percent equity, they have a good
2 chance of doing a \$100,000 transaction. How do they do
3 that? There are programs available in New York, in
4 Maryland, and in many other states that will provide a
5 non-asset-based primary loan for a small business.

6 So that doesn't get you that far if you have
7 15 percent before -- you're not home. But you can come
8 on top of that, and you can take an SBA micro-loan and
9 you begin adding to that; and that can be anywhere from
10 15 to 20 percent.

11 And finally, the VA grant under the self-
12 employment program can go anywhere from 15 percent to
13 what's called a category 2 designation for a veteran or
14 up to 75 percent and up \$100,000 to help somebody get
15 involved in that business. That's grant money, but
16 it's also equity. So if you do get that, you can walk
17 over to the local bank and say I have more equity. I
18 have my own 10 to 15 percent. Now I have a grant. So
19 I could be walking in the bank's door with 30 to 40
20 percent equity, which makes it a lot easier to do.

21 So why do this? Why am I here today? I think
22 that the best successes from this can benefit all the

1 parties involved, not just the entrepreneur. We want
2 to help the counselors get better at what they do.
3 There's 1,000 counselors. If we can make 10 percent of
4 them better at doing this, and if they did one a year,
5 that's 100 businesses that they could get in place.

6 I want to help support and grow what are
7 called peer support networks inside the VA. I don't
8 know if people know it in here, but there are over 900
9 peer support individuals that have been trained inside
10 the VA to support all aspects of the veterans' free
11 integration. Those folks can be conduits. They can be
12 local resource facilitators for a business. This is
13 not rocket science as far as knowing who's doing what
14 in a local town.

15 And then finally, you have the organizations
16 that you folks are already building. I am refreshed to
17 see that this is not your -- what they used to say
18 about -- your grandfather's Oldsmobile anymore. This
19 is growing people. It's got more sophisticated. The
20 Boots to Business is still embryonic, but it is really
21 a good foundation. And those courses will improve.
22 The relationships around those courses will improve

1 over time.

2 So they're the touch points I want. So who's
3 going to benefit here? Well, the counselor in the VRE
4 program are going to benefit themselves. They're going
5 to have increased efficiency because a lot of them,
6 frankly, do not know how to implement this. So if they
7 have veterans in the program helping them do it,
8 they're learning together.

9 This is what happened to me going through the
10 program. I taught my counselor. She taught me. We
11 went back and forth, and by the end, she not only
12 understands more of it, but she's more competent. She
13 can do two or three of these cases now. So they get
14 increased efficiency.

15 They get a better overview. Right now we put
16 the whole documentation, underwriting and everything
17 else on this counselor that does not have the
18 sufficient underwriting capabilities, the language
19 speak for talking to an SBDC, or a SCORE counselor, or
20 a private counselor. All of this is thrown on them,
21 but if you use a teaming approach and you use some
22 technology where you're doing this all at one place,

1 that counselor can access all that data and watch the
2 flow of the transaction. Did it stop? Did it go
3 forward? Did it go backwards? And before they make
4 their final recommendation, they need to know all about
5 that.

6 So the process itself is improved because we
7 can leverage private self-employment plan training.
8 For instance, EBV, we can leverage grants from several
9 parties, and we're using a central -- we're using a
10 central facilitation mechanism to help do that.

11 And I'm a private resource myself. People are
12 leveraging me for expertise, for grants, for the best
13 prices in franchising that are available to veterans
14 that they can get through a VetFran program or
15 additional resources to make that acquisition of a
16 franchise better. And I'm using franchising because
17 franchising are businesses. They mitigate rules
18 because they have rules etcetera, but they also provide
19 me a model that helps me take this through that in an
20 easier fashion. So anybody coming through my pilot,
21 they can get involved in the franchise industry helping
22 other veterans. They can acquire a franchise, which

1 are eligible under this program, or they can find out
2 there's not enough who are going through it; and they
3 can off-ramp and go become an employee in that
4 industry.

5 The success rate, as I said, there's a half a
6 percent that's going through there. I wouldn't say
7 it's shameful, but it needs to be improved. The
8 benchmark is set so low. It's not that hard to do it.

9 And then, as I said before, the SEP management
10 techniques, instead of being on one person, you can go
11 across to the Boots to Business, the EBV, the mentoring
12 programs, and they can all be watched in one place.
13 They can all be collaboration in one place. So they're
14 the benefits to the process.

15 So what's the veteran get out of this? He
16 gets a greater chance of success because he's got more
17 concentrated support. They get what I call here an
18 acceleration of peer-to-peer small business knowledge
19 access. What that means is if they tap into these
20 various resources and understand the networks, they can
21 more quickly access whatever works for them or what
22 doesn't work for them. And the many veterans who have

1 already gone through this program, they can use that
2 experience.

3 And finally, they get better management of
4 their own mentors. People talk about mentoring like
5 you find a mentor and that mentor is the key. You may
6 need six mentors to get through this particular process
7 that all have various -- and it's unfair to SCORE, for
8 instance, to say, here, this one person who's in
9 manufacturing or retail knows every aspect of this
10 business. They don't.

11 So I'll leave this one up here, but a lot of
12 people put up these charts like this and say, oh, well,
13 we're going to do all these particular things. We're
14 going to do the relationships. Every relationship up
15 there right now is already involved in this pilot.

16 On the philanthropic side, grants have been
17 provided by two entities. VetFran, of course, has
18 their own program. I love VetFran having their own
19 program. It helps me accelerate the best situation for
20 someone who is interested in franchising. Multiple --
21 or at least the two I'm involved in is the US Chambers
22 mentoring program and the ACP program and. They

1 provide much more depth of mentoring.

2 And doing down on the government side, of
3 course, I'm in the VRE program. I have worked both on
4 the micro lending side and on the VBOC side, the Boots
5 to Business program, and have an actual state loan.
6 They're not listed up here, but I am using the Street
7 Shares program. KEBA, if no one thinks about KEBA
8 here. You can get a \$10,000 loan from KEBA to start a
9 business if you can tell a good story, and you can
10 build it right from there and go into this.

11 The education resources, I've been through
12 EBV. I'm part of their network. The franchise course
13 I mentioned before, the SBDC universities do an
14 oversight of this. We help people facilitate that.

15 On the community resources side, people don't
16 recognize that there are community involvement
17 corporations that would love to partner with a veteran
18 to create a business in the community to create some
19 jobs.

20 There are what are called community
21 development financial institutions that make loans.
22 There are 2,000 CDFIs that have access to billions of

1 dollars' worth of credit, and they're focusing on small
2 business right now. There should be a cross-
3 collaboration between those particular entities at a
4 local level.

5 And then, of course, the VSOs that have
6 relationships at a local level.

7 On the business side, I mentioned the US
8 veterans -- US Chamber of Commerce. There is a cadre
9 of state-sponsored veteran Chamber of Commerce
10 developing over this country that should be a part of
11 this. We are related to the two ones that are in the
12 forefront of it, and they have helped us do this
13 particular pilot.

14 There's a network at EBV now that's been
15 around for five years. I'm involved in a network.
16 They have 1,000 graduates out there that are already
17 connected, have gone through these processes. They can
18 be brought into this.

19 And then, of course, the franchise business is
20 huge. We have a smaller network, but we're developing
21 our network that can basically help a veteran. Our
22 philosophy is, if you come in and you're a veteran,

1 whether there's any revenue to our transaction or not,
2 we're going to help you go through that process.

3 So all these things here are focused on this
4 private program. We're going to hopefully replicate
5 this four times in 2015. It's not just applicable to
6 franchises. It can be applicable to manufacturing,
7 other niches. We have people that want to do lawn-care
8 franchises, that want to develop franchises.

9 The winner this year of the EBV
10 entrepreneurial program of a \$30,000 is a veteran-
11 sponsored farming business, nonprofit, in North
12 Carolina, who wants to replicate that under a franchise
13 model.

14 There are several other businesses like this
15 that are veterans trying to get in there, and we're not
16 the end all be all there; but we can help them do their
17 franchise concepts.

18 So all those different aspects to this are
19 very exciting to me. My history is when I was 25 years
20 old -- I'm a combat veteran -- I came back from
21 Vietnam, and guess who helped me? SCORE, a bank, SBA
22 helped me do a half million dollar transaction to

1 develop a racquetball club. It was successful, and I
2 got through that.

3 So anyway, I'm droning on here. So if there's
4 any questions, fine. This presentation is available to
5 anybody in the room, and I'm happy to talk to anybody
6 here offline. I'll be here for a couple hours.

7 CHAIRMAN FIELDER: We're not going to take
8 questions now, Jim, if you could stay. We've got to
9 move ahead, and we've got some speakers that have
10 conflicts that they need to resolve in the sense of get
11 --

12 MR. MINGEY: I'm gone. Thank you.

13 MS. CARSON: Will you be available for
14 questions? Will you be able to stay for a little
15 while?

16 MR. MINGEY: I'll be available until 3
17 o'clock.

18 MS. CARSON: Thank you.

19 CHAIRMAN FIELDER: Excellent. When we get
20 done with public comment, we can do questions then.

21 MR. MINGEY: All right, great.

22 MS. CARSON: For the presentations that were

1 given today, Ms. Cheryl Simms -- she is right here --
2 will connect during one of the breaks.

3 CHAIRMAN FIELDER: Without further ado, I'd
4 like to introduce Annmarie Mehlum. She's the Associate
5 Administrator at the SBA for Capital Access. So as
6 we've always tried to get an industry balanced with a
7 governmental perspective on these issues, she's going
8 to take us through the governmental perspective on
9 Capital Access from an SBA perspective.

10 Thank you, Ann.

11 SBA OFFICE OF CAPITAL ACCESS

12 MS. MEHLUM: Thank you, Ed. Thanks for the
13 nice introduction, and it's really great to be here
14 with you guys today.

15 I also want to introduce Linda Rusche. Linda
16 Rusche is the Director of the Office of Financial
17 Assistance, which oversees all of the policy for our 7A
18 and 504 loans, and she is going to help me make sure
19 that I get all the details right on these programs.

20 So what are we doing for slide turning the
21 pages?

22 MS. CARSON: Cheryl is right behind you.

1 MS. MEHLUM: Cheryl, okay.

2 So I'll just give you just quickly a brief
3 overview of the lending programs that we are involved
4 with, and for the most part they're guaranteed
5 programs. So that means the loans are made by banks
6 and credit unions all over the country.

7 We'll start with just sort of the state of
8 where we are. So far on this administration the SBA
9 has facilitated over 300,000 loans, totaling over \$125
10 billion to American small businesses, and they have
11 made a significant impact, especially throughout this
12 recovery period.

13 1.8 billion of them have been under \$150,000,
14 and that's a big increase. And one of the reasons why
15 it's so important to talk about these small loans is
16 because typically people that are starting companies,
17 and trying to start a new life, and starting
18 businesses, they need to start -- they start at the
19 smaller levels. And what we were finding was the
20 smaller loans were not being made so much. So we've
21 been really focusing on helping lenders make the
22 smaller loans.

1 The reason that they were declining is because
2 they were just becoming more and more costly to make
3 with more regulation and more requirements. So it
4 became a business decision. So we've been focusing
5 very, very hard on lowering the cost for lenders so
6 they can make small dollar loans.

7 Veterans lending almost doubled between the
8 period of 2009 through '11, and I'll show you a little
9 bit more detail on that in a minute.

10 So our total lending, this includes 504 and 7A
11 lending looks like this for the last few years. The
12 down part slightly is because of a decline in the 504
13 program. The 504 program is a real estate-related
14 program, and that program has declined over the last
15 couple years. The 7A program, if I just showed that to
16 you, would show a steady increase.

17 This represents all the loans supported to
18 veterans. This is an interesting slide, and I don't
19 have all the answers for the decline. It's something
20 that we've been talking about with Barb and her group
21 to understand what should this slide look like. Is it
22 reflective of opportunities in terms of veterans that

1 are deciding that they want to expand businesses or
2 start businesses, and we don't have all the answers.
3 But this is certainly a conversation that we would
4 appreciate having. So that's information there that's
5 good for all of us.

6 So I mentioned that we're really focusing on
7 the small dollar loans because we were seeing a decline
8 there. The things that we've done there is we have
9 reduced fees on loans under 150,000. That went into
10 place the beginning of the last fiscal year, and it's
11 had a big impact.

12 We've also implemented a credit scoring system
13 on loans under 350,000, which makes the underwriting a
14 little more streamlined and less costly.

15 I think what we were going to do is tag team a
16 little bit.

17 MS. RUSCHE: Mm-hmm.

18 MS. MEHLUM: So I think what Linda is doing to
19 do is talk you through the next few slides that we
20 have, and then I'm going to come back at the end. And
21 then we'll take some Q and A. I'm going to give you
22 this too.

1 MS. RUSCHE: I have the power --

2 MS. MEHLUM: You have the clicker.

3 MS. RUSCHE: I'm Linda Rusche, and I am the
4 Director of the Office of Financial Assistance. We
5 write the policy for the programs for which we deliver
6 dollars to the small business customers, and we have
7 several variations and nuances of our program that we
8 have more recently developed to attempt to assist some
9 of our smaller borrowers.

10 As Annmarie just said, many of the veterans
11 coming out are looking to start a small operation that
12 isn't going to take a huge loan, but lenders are
13 resistant to making small loans. Every loan costs a
14 certain amount of money to book, but then the interest
15 on a smaller dollar size is less return to the bank
16 than a large loan. And we recognize these dynamics of
17 lending. So we're attempting to find places where we
18 can reduce the cost to the lenders, make them more
19 willing to make the smaller size loans.

20 The first initiative that we created and are
21 very excited about in just this past July is moving
22 into the credit scoring arena for business loans. All

1 of us know credit scoring on our personal basis. It's
2 been around for decades almost, but business credit
3 scoring is a fairly new idea. Some of the largest
4 banks use it, but many smaller banks do not.

5 SBA has enhanced our programs to let banks use
6 business credit scoring, a model that SBA supports with
7 its funding and receive a quicker, more speedy and
8 easier answer from SBA regarding the small loan
9 requests.

10 And it's hard to read, but when you have a
11 copy of these slides, you will see that by being able
12 to ping our system with an electronic set of
13 information -- very simple information, some basic
14 information on the business owner, the veteran, and on
15 the business itself or the startup type of business --
16 we're able to reduce the multipage credit memo that
17 most lenders are required to submit to SBA with a few
18 abbreviated pieces of information, as detailed on this
19 slide, and that credit score response.

20 Now, if that credit score response is still
21 below the salt so to speak because we look to find all
22 viable loans and see that they're made, even if the

1 credit score is somewhat thin. You know, a veteran
2 coming right out of the service may not have the kind
3 of personal credit that's very robust, which along with
4 the business credit can provide the threshold that's
5 needed, well, then we still have the way of one of our
6 original programs. There's the fallback position so to
7 speak.

8 So if the credit score doesn't work in a very
9 quick fashion but the lender still wants to make the
10 loan to the veteran-owned business, they have several
11 other options that they can work through. Again, those
12 options are not quite as streamlined. They're not as
13 least costly as the credit score, but in this manner
14 we're hoping to get a greater efficiency of the small
15 loans done quickly and more cheaply. And yet, we still
16 have our fallback position, if in fact, the credit
17 score isn't met.

18 And the other major initiative that we have
19 developed to enhance small loans is what we call fee
20 relief. Fee relief that was started last year for
21 small loans, loans of what we define as less than
22 \$150,000 created a significant amount of small loan

1 activity, a real uptick in our small loans. Therefore,
2 last January -- this is a year ago in January, January
3 '14 -- we enhanced our veteran delivery by extending a
4 particular fee relief to veterans.

5 There are two basic fees in the SBA loan
6 program. One is an upfront fee. It's not technically
7 a processing fee. It's more like a fee that the
8 borrower ends up paying to SBA when the loan is booked.
9 The lender actually pays it and then gets the borrower
10 to pay it back.

11 The second fee is what we call an ongoing fee,
12 almost like an ongoing insurance premium, and it is
13 paid every year by the lender. Last year we provided a
14 waiver of that fee upfront for veterans for loans of
15 less than \$350,000 booked under our express program.

16 This year we have increased that fee relief to
17 our entire size population of loans. In other words,
18 now the fee relief is one-half of the upfront fee on
19 loans all the way up to \$5 million. So as of last
20 year, in fiscal year '14, we delivered over \$1 million
21 of reduced fees to veteran loans.

22 And this fiscal year, the last three months

1 already, we have already generated a \$2 million savings
2 of fees, in other words, fees the veterans were not --
3 did not need to pay because they received the benefit
4 of this fee relief. And we will continue that
5 throughout this fiscal year, and our plans are and our
6 projections are that, that will continue into the next
7 fiscal year as well. So our subsidy calculations are
8 based on that.

9 Now, what we need to research is how do we
10 also extend some of that fee relief to the ongoing fee
11 that the lender pays because this is a dance. Every
12 loan is a dance between the borrower and the bank. The
13 borrower fee relief has been very successful, but we're
14 looking to see if we can find some fee relief for the
15 lender as well to entice more of those lenders to
16 become engaged in these programs.

17 Those are our two big pieces of an initiative
18 that we presently have to bring for which we are,
19 again, working with veterans department here to see if
20 we can better make public, better disseminate
21 information, so that we can encourage more veteran
22 loans.

1 And then the last piece we're really excited
2 about. I'm going to turn it back to my boss, Annmarie.

3 MS. MEHLUM: So part of the issue with these
4 fee reductions is getting the word out, and one of the
5 things that we do is we just try and get that word out.
6 And we don't have a big marketing budget. We talk to
7 our lenders through the trade associations, on our
8 website, directly to lenders at conferences, but any
9 help that we can get to get the word out on these
10 special loan programs for veterans is appreciated.

11 The other thing that we didn't mention that
12 I'd like to mention -- and this is really why I brought
13 you here because I forget the details -- on
14 eligibility. The second things we did was we increased
15 the eligibility on our veteran loan products.

16 Can you describe that?

17 MS. RUSCHE: That's a good point, and I did
18 forget to speak to that.

19 In historical terms, a veteran was basically
20 someone who was discharged from military service,
21 honorably discharged. However, we have extended that
22 benefit and definition for these fee relief issues to

1 not only the veteran but the veteran spouse, and
2 dependents, and active-duty spouses and dependents.

3 So at this point in time if a veteran comes
4 out and has a spouse that is a part owner of the
5 business, in times past a 50/50 business veteran and
6 spouse was sometimes not considered a veteran loan, but
7 we recognize that, in fact, it is.

8 Additionally, if the spouse is the owner of
9 the business, and the veteran has another job, this
10 same benefit of the fee relief can be extended to that
11 spouse who own the business or to a child dependent or
12 to an individual who is dependent upon the veteran.
13 There are also certain widow provisions or widower
14 provisions that also apply.

15 So what we call this is the extended veteran
16 definition, recognizing that the veteran is not just
17 the person impacted by the service but also their
18 extended family.

19 MS. MEHLUM: Thank you.

20 MS. ROTH-DOUQUET: I'm with Blue Star
21 Families --

22 MS. MEHLUM: Oh, sure.

1 MS. ROTH-DOUQUET: -- and the majority -- so
2 60 percent of military spouses are unemployed or
3 underemployed, and the majority of spouses who work
4 prefer to be self-employed or have small businesses.

5 MS. MEHLUM: Right. This benefit will apply
6 to them.

7 MS. ROTH-DOUQUET: Yeah. I'd love to work
8 with you in helping to get the word out because most
9 people don't know.

10 MS. MEHLUM: And encourage them to push it
11 with their lender because the lenders don't always know
12 either. This is one of our biggest challenges, to get
13 the word out. It is certainly in our standard
14 operating procedures, but it's a challenge.

15 MS. ROTH-DOUQUET: Yeah.

16 MR. BAILEY: Can I go back to one point you
17 made --

18 MS. MEHLUM: Sure.

19 MR. BAILEY: -- in regards to lenders? And
20 I'm not going to call out any lender's name. However,
21 my experience has been that certain lenders -- this is
22 a particular large one, doesn't necessarily understand

1 how to execute the programs.

2 So have you all addressed that with -- or is
3 there such a thing as a preferred lender list? Are
4 those folks educated on your products?

5 MS. MEHLUM: Again, this is our challenge. We
6 work with our lenders all the time, and we do work
7 closely with our largest lenders. And some of them are
8 better at it than others, and some of them don't do all
9 the programs for whatever their internal strategic
10 reasons are.

11 MR. BAILEY: They advertise it. Then when you
12 go in the door, they don't quite understand how to
13 execute it, and that's the part that we really
14 challenge.

15 MR. BAILEY: Yeah.

16 MR. WHITE: We've been talking about that
17 since I've been on this committee that there's a
18 disconnect between the SBA and the bank.

19 MS. MEHLUM: Mm-hmm.

20 MR. WHITE: I know you're trying to work with
21 them. When I go talk to the bank, they don't get it.

22 MS. MEHLUM: Right.

1 MR. WHITE: It doesn't come all the way down
2 to the person that I'm talking to.

3 MS. MEHLUM: So until a year ago I was a CEO
4 of a community business bank in Eugene, Oregon, and I
5 know exactly what you're talking about from firsthand
6 experience.

7 MR. BAILEY: Right.

8 MS. MEHLUM: So we understand this, and our
9 new administrator, Maria Contreras-Sweet, also a banker
10 from California, also a SBA lender, also understood
11 that the SBA loan products didn't always get
12 communicated and certainly needed some improvements.
13 So these are the things that we're working on.

14 MR. BAILEY: So let me ask a different
15 question.

16 MS. MEHLUM: Mm-hmm.

17 MR. BAILEY: So what can a service member do
18 if they walk in and have that challenge. Is there a
19 helpline or something? How can we help this?

20 MS. RUSCHE: We have a field structure. We
21 have 68 district offices plus about another, I think, 8
22 or 10 branches distributed throughout the country, at

1 least one in every state, multiple in several states.

2 And we would strongly urge that you have your
3 service member get in touch with that district office
4 closest to where they are. You can find that by going
5 to the SBA.gov page and click on district offices field
6 structure to find out what the closest geographic one
7 is. Then give them a call or an email because if
8 they're having difficulty finding a receptive lender,
9 we do, in those district offices, maintain information
10 on what are the more active lenders in the area.

11 We have to be very careful about saying you
12 should go to this lender because we recommend then.

13 MR. BAILEY: Right.

14 MS. RUSCHE: But we certainly can provide you
15 public information, who is making the most loans in
16 this area. That's just basic facts.

17 MR. BAILEY: Right.

18 MS. RUSCHE: And that district structure can
19 also connect you with some of the other services we
20 have such as our SCORE volunteers, our small business
21 development centers, an all of those conduits have
22 information about who's doing loans, who's doing the

1 credits, the kind of credit that's needed.

2 MS. MEHLUM: And furthermore, the district
3 staff people, they do know about these programs, and
4 they can go and help with a lender to make sure that,
5 that lender knows about the benefits of these programs.
6 And that sometimes doesn't get through.

7 CHAIRMAN FIELDER: So to answer part of his
8 question and redirect and ask you all a question, last
9 week at the Veterans Small Business engagement, Louis
10 Berger (phonetic), one of your folks --

11 MS. MEHLUM: Mm-hmm.

12 CHAIRMAN FIELDER: -- he's a regional guy,
13 he's a lending specialist, he gave a class.

14 MS. MEHLUM: Mm-hmm.

15 CHAIRMAN FIELDER: He directed us to this web
16 page, and interesting enough, on his web page, very
17 down on the lower left hand corner, you can get lending
18 resources to come up with a 61-page regional guide that
19 actually listed the preferred vendors, and it walked
20 you through everything these ladies just talked about;
21 and it was like, how did I not know that was there.

22 MS. MEHLUM: Right. I love that.

1 CHAIRMAN FIELDER: And that's an endorsement
2 of what she just said. These lending specialists that
3 are in the regional headquarters are incredible. I
4 walked away with his business card. If I ever have a
5 question, I can go directly to him.

6 MS. RUSCHE: And we interface with them to
7 keep them up to speed on all these as well, and they do
8 make field calls to individual bankers when they
9 have --

10 CHAIRMAN FIELDER: Okay.

11 MR. LEGHORN: So it's kind of a multi-
12 information.

13 CHAIRMAN FIELDER: So, Linda, the redirected
14 question, outside of the slides, as you were scrolling
15 through the slides, you were giving all this definitive
16 information about dependents and spouses. Where can we
17 find that in writing? Because as we try to communicate
18 that amongst the veterans community, outside of this
19 committee, where are the documents, the PDFs that we
20 can download or you can share with us that we can read
21 through, and scratch through them, and take notes on?

22 MS. RUSCHE: Well, what I'm hearing you say is

1 that -- and half of the answer is those rules are in
2 our standard operating procedure. So they do exist.

3 CHAIRMAN FIELDER: So how do we --

4 MS. RUSCHE: How can you get to them?

5 CHAIRMAN FIELDER: Right.

6 MS. RUSCHE: You need some walk-away leave
7 behinds.

8 CHAIRMAN FIELDER: Yeah.

9 MS. RUSCHE: And we will work to create some
10 good -- I think we have some already.

11 MS. MEHLUM: Yeah.

12 MS. RUSCHE: But we will work to get you some
13 of those so you have that concrete.

14 CHAIRMAN FIELDER: Attached with some of that
15 detail of the things --

16 MS. RUSCHE: Absolutely.

17 CHAIRMAN FIELDER: -- you just got us excited
18 about, and frankly, the spouse thing I did not know
19 about.

20 MS. RUSCHE: Interest relief, extended veteran
21 definition, yes, yes. We will do that.

22 MS. MEHLUM: We were excited about that too,

1 but it is kind of complicated. But it's good
2 complicated. It really broadened the availability.

3 MS. CARSON: I have a quick comment. Mr.
4 Bowes to your point on when can we get this information
5 to you, Jaime Wood is our new Director of Policy and
6 Engagement, and she and I are working closely with the
7 Capital Access team. And Linda and I had our first
8 meeting that really we dug deep into the numbers of
9 what is happening, and we have a few hypotheses that we
10 need to investigate.

11 So we can get the information on the products
12 out to you with a walk-away probably in the next couple
13 weeks. It won't be in this presentation that comes
14 your way. We promise that; that we'll work together
15 and get that.

16 MR. BOWES: Well, I'm going to take the advice
17 of Chairman and just pass on my card to some folks, so
18 I can get some direct information. And I'll just wait
19 to get whatever you going to provide.

20 MS. CARSON: That sounds good.

21 MR. BOWES: Thank you so much.

22 MS. CARSON: And then you will hear from us

1 again when this body meets on what we've learned in the
2 studies that we do on the data that we have.

3 CHAIRMAN FIELDER: Does somebody have a loaded
4 up I-got-the-best-question-in-the-room before we move
5 to the next speaker?

6 MS. MEHLUM: We have one more.

7 MS. RUSCHE: I just have one more comment I
8 want to make.

9 CHAIRMAN FIELDER: Go ahead.

10 MS. RUSCHE: There's just one more thing I
11 want to talk about because this is going to help. When
12 we talk about this whole -- these issues that you
13 brought up about how to get the details out to the
14 lenders and make sure they're doing it right. And one
15 of the really exciting things that we're working on
16 now, not implemented yet -- we're testing it
17 internally; we're going to have lenders testing it
18 starting in January; we're hoping that it's out to all
19 lenders in March -- we test BA1. It's really an
20 upgrade to our platform in the system.

21 And the exciting piece for this program is
22 that there's an origination tool, and it's kind of like

1 Turbo Tax that will walk the lender through making the
2 loan. And one of the questions is, is this a veteran?
3 Is this a veteran qualified, and then it takes them
4 right to, okay, you can do this, this, and this, and
5 this; and these are all the savings.

6 So I think this is going to be a big booster
7 because it's going to be there for every lender when
8 they make the loan. And it's not here yet, but we're
9 really close. We've been working on it for about a
10 year and a half.

11 MR. WHITE: Congratulations. You're finally
12 going to ask if you're a veteran when you're making a
13 loan.

14 MS. MEHLUM: Yes.

15 MR. WHITE: Congratulations.

16 MS. MEHLUM: They're supposed to be asking
17 that now.

18 MS. RUSCHE: It's in a place that you can
19 respond voluntarily now, but the last thing we would
20 ever want you to think is that you have to say yes or
21 you can't get the loan. We don't want to infer that,
22 that is -- there's certain demographic information that

1 is a voluntary response, but we always struggle with
2 that issue.

3 MR. AUMENT: These are some really great
4 products that you've been developing here. Do you have
5 a layer of outreach on top of all this? I know --

6 MS. RUSCHE: We are right now. We actually
7 spoke with 1,500 bankers just two months ago on a
8 conference call, and we try to talk with the bankers
9 about once a month in a conference call. We try to
10 reach out to the largest banks one on one, and we also
11 provide our regional specialists a monthly information
12 call. In fact, I have one of those this afternoon with
13 my team to share with them the latest, greatest
14 updates, so then they can go out to their geographies.
15 But it's just a never-ending struggle to get everyone
16 to know what the rules are.

17 MR. BAILEY: It begs for this to be at the
18 VBOC and the other transition type platforms that are
19 sponsored through the SBA.

20 CHAIRMAN FIELDER: It would be really big on
21 talking about SCORE and how they could help you through
22 that process.

1 MS. RUSCHE: Yes.

2 CHAIRMAN FIELDER: There were actually a
3 couple SCORE counselors that were in the presentation.

4 MS. RUSCHE: Absolutely.

5 CHAIRMAN FIELDER: Does anyone else have a
6 question because I do have a question?

7 We talked a little bit about -- with our first
8 speaker about collateral, and to some extent I was
9 surprised at how onerous some of the banks are in the
10 sense of collateral for -- these are small business
11 startup corporations. They're looking for personal
12 collateral of the owners and waivers from their spouse
13 on their residence, and 401k, you know, that kind of
14 thing. Have you all thought through some of that?

15 MS. RUSCHE: SBA does not get involved with
16 retirement accounts. So we don't ask --

17 CHAIRMAN FIELDER: That's what we heard last
18 week, but --

19 MS. RUSCHE: No.

20 CHAIRMAN FIELDER: But still these are the
21 things that are being asked.

22 MS. RUSCHE: Right. We are a cash flow

1 lender, and that means if the cash flow of the business
2 operation is demonstrated, we ask for the collateral
3 that exists, but we will not turn the loan down for
4 lack of collateral. That is the primary difference
5 between us and the bank. Banks have regulators. They
6 must meet requirements in most instances.

7 CHAIRMAN FIELDER: Right.

8 MS. RUSCHE: So we work to help support that
9 secondary or tertiary payment ability by the guarantee
10 that we provide. But we do -- I mean, we don't walk
11 away from collateral either.

12 So to the extent we are a subsidized federal
13 government loan program and right now we've been great
14 to be at zero subsidy, we still look for reasonable
15 collateral that is at the business level to be pledged.

16 MR. AUMENT: What percent of the loan do you
17 guarantee?

18 MS. RUSCHE: Up to 85 percent for the smallest
19 size loans. Up to 75 percent for the larger -- greater
20 than 150 we go 75 percent.

21 MR. AUMENT: And that's all financed through
22 the fees that --

1 MS. RUSCHE: Basically it is, cash flow,
2 through the agency.

3 MS. MEHLUM: And the 7A program is at zero
4 subsidy, and the 504 loan we expect to be there next
5 year. It's close. So it's a really, really good
6 public partnership.

7 One thing I was going to add as a lender. You
8 know, the whole issue with collateral, as a lender I
9 loved having the SBA loan in my tool box because often
10 times with a veteran or with -- you know, small
11 businesses are struggling or just starting. Often
12 times that's the whole point. They were just too weak,
13 not enough collateral, not enough experience, not
14 enough something. And I can go to the SBA.

15 The SBA is like the rich uncle doing the
16 guarantee, and if you don't have one, you go to Uncle
17 Sam and get the SBA guarantee; and the program is
18 working at zero subsidy.

19 MR. BOWES: At zero subsidy?

20 MS. MEHLUM: Yep, right.

21 MR. BOWES: A lot of people need to hear that,
22 at zero subsidy.

1 CHAIRMAN FIELDER: We're not going to take a
2 break. We're going to keep moving. If you need to
3 take a healthcare break, run and do that.

4 MS. RUSCHE: Thank you very much.

5 MS. CARSON: Thank you Annmarie, Linda, very
6 much.

7 We're going to introduce Geoff Orazem. He's
8 going to talk to us today about Eastern Foundry, which
9 is addressing the gap that exists in how we get the
10 entrepreneurs to that first step in federal
11 procurement.

12 We do have SBA resources. DOD has PTEC, but
13 this is an interesting conversation that we wanted to
14 continue. I've been having with Geoff over the past
15 few months, and thank you, Ed, for making time that we
16 could hear from Eastern Foundry. So thanks for joining
17 us.

18 RESOURCE FOR TECH SB ENTERING FEDERAL PROCUREMENT

19 EASTERN FOUNDRY

20 MR. ORAZEM: Thank you for having me.

21 No need for the slides. Besides running a
22 tech incubator, I'm a bit of a luddite.

1 CHAIRMAN FIELDER: Who?

2 MR. ORAZEM: I see by your cufflinks that we
3 come from the same cloth. I've got a hostile crowd in
4 front of me.

5 (Audience laughs)

6 At the end of the day what we try to do is we
7 try to help businesses get into the government
8 procurement process, and my cofounders and I, we're all
9 veterans; but we aren't necessarily a veteran-specific
10 program. What we try to do is look at the barriers to
11 entry for small businesses of all stripes. Although
12 right now we're specifically focused on those in tech,
13 both service and product.

14 So the reason we came to this idea was we each
15 had tried to start our own small business. Well, two
16 of us had. The other two of us came from the large
17 primes. But we discovered that from both sides of the
18 equation there were a lot of friction points, a lot of
19 transaction costs that exist when a 10-person, 5-person
20 small business is trying to do business with a 20,000
21 person prime or 100,000-person military service.

22 The questions we came down to, or the reasons

1 we found were threefold. Number one, you just need to
2 have a space. If you're going to have credibility in
3 the government market, you need to have a place to
4 bring your clients, conference room, internet,
5 professional appearance.

6 Number two is informational. The FAR is a
7 giant volume of regulation filled with -- to paraphrase
8 previous (inaudible), unknown unknowns. When we were
9 starting our own small businesses, we lived in fear
10 that we were going to run afoul. We'll fly America.
11 Somebody is going to come onto us with a bid process.
12 We wouldn't know how to even begin responding to it or
13 any of these other myriad things that exist when you
14 have a legislative history that would fill this room.
15 So it's informational.

16 And a third part was business development
17 related. There's just a fundamental asymmetry, going
18 back to this idea that a 5 to 10-person company trying
19 to do business with a 20,000-person prime or even
20 larger agency.

21 How do you get recognized? How do you get
22 your foot in the door? We were all frontline infantry,

1 intelligence officers. We didn't know the right people
2 in positions to give us that first cut at the apple.
3 So that's what Eastern Foundry tries to resolve, those
4 three issues.

5 Right now we have 21,000 square feet of space,
6 70 offices, conference rooms, internet. When you walk
7 in, it feels like you're in a professional location.

8 Number two is around the information sharing.
9 Right now because we specifically have tech-focused
10 government contractors in our space, if you walk into
11 our kitchen during lunchtime, you're going to hear
12 people talking about GSA schedule. You're going to
13 hear people talking about the Eagle II re-compete, all
14 these big contracts. This is the information people
15 need.

16 We pair that off with our formal training. So
17 because we have this critical mass of small businesses,
18 we have people nominate classes. So last week it was
19 getting on the GSA schedule. This week it is bid
20 protest. We're able to bring in lawyers, bring in
21 consultants to give an hour and a half class that they
22 wouldn't be able to get so easily on the outside. So

1 we're pairing them off with the information they need
2 that's largely being requested from our own community.

3 And then the business development/sales side,
4 because we now are achieving this critical mass of --
5 people would set aside 8(a)s. It's women-owned
6 business. It's STBOs. It's businesses that are doing
7 the kinds of work that are in high demand right now.
8 I'm talking about staff augmentation companies for
9 cleared UNIX programmers. We're talking about due
10 programmers. We're talking about companies that are
11 doing products in the high demand areas, cyber
12 security, cloud computing.

13 So when a big prime wants to find a small
14 business to fill out their bid package, we become their
15 easy button. Instead of going out and meeting 28 small
16 businesses, they can just come to us. Say we'd like to
17 set up a lunch and learn. We want to do a brown bag
18 with all your 8(a)s. Done. It facilitates that
19 transaction.

20 So at our most basic, that's what we do is we
21 just leverage our size to be able to achieve a
22 disproportionate result for the small businesses.

1 So maybe I'll just pause there. We have a lot
2 of other initiatives. We're already 80 percent
3 occupied. We're already looking at expansion planning.
4 We're going to be moving into the cleared space by mid-
5 summer. We're looking at doing some satellite offices
6 into DC. But at our core business model, maybe we'll
7 just pause there and open it up for questions.

8 UNIDENTIFIED AUDIENCE MEMBER: Where is your
9 office?

10 MR. ORAZEM: We're in Crystal City.

11 UNIDENTIFIED AUDIENCE MEMBER: In Crystal
12 City.

13 MR. ORAZEM: So we're about two blocks from
14 the Crystal Metro. It's in the building with the
15 (inaudible) in it, if you're familiar.

16 UNIDENTIFIED AUDIENCE MEMBER: Who are some of
17 your clients with the large prime contracts that you're
18 doing business with?

19 MR. ORAZEM: Yeah. So right now, the group
20 that we have actually in our space, we have a
21 delegation from Booz Allen in our space. We're talking
22 to MANTEC, Ecanture, Booz (phonetic). We've got a

1 couple more coming in, in the New Year.

2 The intent is to try to convince them to put
3 their small business liaison offices into our space.
4 Right now we're not there, but we are in conversations
5 to be able to create that curated privileged touch
6 point between the primes and our smalls.

7 MR. BAILEY: So what's your value proposition
8 to the veteran business owner?

9 MR. ORAZEM: To the veteran business owner,
10 it's largely the same as the value proposition to any
11 other small business owner that wants to engage in the
12 federal space with the caveat that, by definition,
13 veterans -- (inaudible) veterans are a privileged
14 class. They have the economic set aside that opens
15 them up to preferential contracting, so 2 percent. I
16 believe it's at 5 percent for regular veteran-owned
17 businesses.

18 We have a special interest in supporting those
19 because from a selfish perspective, they open up a lot
20 of conduits into the primes, into the agencies as they
21 try to meet their econ set aside quotas.

22 From an altruistic perspective, the four of us

1 who founded this organization, we all served. I was a
2 Marine. My cofounders were all Army. So we have a
3 special interest in that community just from a personal
4 perspective.

5 MR. BAILEY: Right. You have to stay in
6 business. So I'm just trying to understand the
7 business model in regard to this --

8 MR. ORAZEM: Absolutely.

9 MR. BAILEY: -- new startup coming into your
10 space. I mean, how does it work? I don't quite
11 understand. How do you charge them?

12 MR. ORAZEM: Yeah. So the economics are
13 pretty straightforward. It's a fee for service model,
14 and basically we're a rental arbitrage business. We
15 rent space in bulk from a big property manager, in our
16 case Fernando (phonetic). We've partitioned that out
17 into 70 small offices, and then we rent those out in
18 retail.

19 So we make our revenue on the (inaudible). So
20 we have offices that range from 45 square feet that go
21 for about \$500 a month, and that's all inclusive. So
22 that brings you your phone, your internet, five hours

1 per person of free conference room time, free access to
2 your lunch and learn series, and all the networking
3 events that we try to do with the big primes. Then we
4 go all the way up to about 300 square foot office, six
5 to eight people can sit in one of those, and those --
6 it's an interior or exterior office, right around 3,000
7 a month.

8 MR. BAILEY: So one of the pieces parts,
9 you're obviously doing a lot more in the sense of
10 incubators, but one of the pieces part that's sometimes
11 frustrating for vets and other socioeconomic categories
12 that sometimes have multiple socioeconomic
13 categories --

14 MR. ORAZEM: Sure.

15 MR. BAILEY: -- to include vet is that if
16 you're trying to do that with a small business
17 utilization office at a particular agency --

18 MR. ORAZEM: Right.

19 MR. BAILEY: -- you're doing it at 10, 12, 15
20 agencies, whatever you've decided to target. And they
21 do matchmaking, but they're not real helpful because
22 they're at risk in the sense of, gee, Northrop Grumman

1 is the one you really need to meet. Let me -- there's
2 a Northrop Grumman person that's going to talk to us.
3 They don't do that, but you don't have that challenge.

4 MR. ORAZEM: That's right. So (inaudible),
5 how do we differentiate ourselves from the PTAP in the
6 PTAC?

7 MR. BAILEY: Right.

8 MR. ORAZEM: And I'll just -- I'll put a plug
9 out for the PTAP out at George Mason. Anna Erman
10 (phonetic) is an angel. She's a phenomenal woman and
11 doing great work on behalf of the -- on behalf of
12 getting small businesses into the federal procurement
13 cycle. She does amazing training. In fact, she'll be
14 doing a lot of training at our facility.

15 But the way that we differentiate ourselves is
16 our ability to be an advocate. Anytime you have a
17 federal official involved with a small business,
18 there's a concern that they're going to open themselves
19 up to a big protest because of undue influence or
20 otherwise giving preferential or non-public
21 information.

22 Not that we're free of those concerns. We do

1 have to be very judicious in how -- if we have
2 government officials coming in, for example, last week
3 we had two people from GSA come in asking us about our
4 small business experience going through the GSA
5 schedule process because they're in the process of
6 trying to redesign that application. But as you may
7 know, it's extremely expensive and time-consuming.

8 So we're becoming a knowledge resource for
9 them, and when we do work with those officers, we have
10 to be very -- we're very open and transparent because
11 we don't want to encumber those officers, nor do we
12 want to open up any of our small businesses to
13 accusations of preferential treatment or non-public
14 information.

15 But we are able to be far more of an advocate,
16 far more of an activist matchmaker because we are a
17 private entity.

18 MR. BOWES: So, Geoff, I'm going to ask a
19 quick question. Are you prepared to partner or team
20 with other incubators?

21 MR. ORAZEM: So we've had a lot of luck there,
22 especially out of state. So we're talking to Atlantic

1 Village, and obviously Atlanta, Benjamin's Desk up in
2 Philadelphia, a few others on the West Coast. We're
3 interested in trying to collaborate with other
4 incubators to provide a resource for those businesses
5 that they have that want to do government contracting.

6 MR. BOWES: We're thinking about a process of
7 doing a service-disabled veteran-owned business
8 incubator --

9 MR. ORAZEM: Right.

10 MR. BOWES: -- and other veterans only.

11 MR. ORAZEM: Mm-hmm.

12 MR. BOWES: Not for everybody else, but for
13 veterans --

14 MR. ORAZEM:

15 MR. BOWES: -- in the Hampton Roads area. And
16 we have expertise in bid protests and things that you
17 don't have. So maybe sometimes we could have a
18 discussion that we could support each other.

19 MR. ORAZEM: I would be happy to.

20 MR. BOWES: Okay. Thank you.

21 CHAIRMAN FIELDER: Geoff, can you get a little
22 bit --

1 MR. BOWES: I'm sorry, Mr. Chairman. I'm
2 sorry, Mr. Chairman. I just wanted to --

3 CHAIRMAN FIELDER: Want to wrap up questions?

4 MR. ORAZEM: Sure.

5 MR. PHIPPS: I just had a quick -- could you
6 get a little bit more into the business development
7 side on what you guys do because I think for small
8 businesses, that's a huge point.

9 MR. ORAZEM: Absolutely huge point. One of
10 the -- when we talk to the big primes and because of
11 what we're doing, we've had great access and line of
12 sight into both the staffing and the small business
13 requirements and the barriers to them utilizing these
14 small businesses.

15 And I'll tell you the biggest thing is that it
16 comes down to awareness and trust. When I say
17 awareness, I think to the point about the small
18 business matchmaking days when a lot of the agencies
19 run.

20 There's a real -- a breakdown of a lot of the
21 big primes between the people that are receiving the
22 small business resumes/capabilities statements. Those

1 are generally being handled by their small business
2 liaison offices. Unfortunately, the people who are
3 putting together their bid packages are being run by
4 proposal managers, and often you see a breakdown there.

5 So proposal manager has their rolodex of small
6 businesses that they've used in the past, and if they
7 can't find somebody new, there's -- this handoff in big
8 prime is not working as efficiently as it could be.
9 Best of intentions. There's a lot of friction right
10 there.

11 So number one, they're the internal mechanism
12 that would bring new small business into that proposal
13 team isn't always working well. That's the number one
14 place we can punch in is to be able to give that
15 proposal manager a resource to find new small
16 businesses to bring into that bid.

17 Number two, every time a big prime takes on a
18 new small business, they're actually taking on a
19 tremendous amount of risk and cost because they have to
20 go vet that small business in a way that I didn't
21 appreciate when I was running my own small.

22 They have to understand that if they bring

1 that small business in that they'll be able to write
2 their part of the proposal; that they'll be able to be
3 compliant with the budgeting requirements that are
4 going to flow down to them. The reporting requirements
5 are going to flow down to them, and if that small
6 business sub makes a mistake that cascades up to the
7 prime, now if they get an audit, that prime is the one
8 who's going to be held responsible. And because of
9 that they have to do a lot of vetting and a lot of
10 trust building anytime a small interacts with a new
11 prime.

12 We think that we're able to break that down
13 and increase the efficiency of that transaction a
14 couple ways. Number one, anytime a prime comes to us
15 for a small business, they know that, that small
16 business is being surrounded by a community of practice
17 that's helping support or enforce them.

18 Number two, we're actually going to be
19 launching a government contractor certification
20 process. Hopefully we'll be launching our first cohort
21 in early February of this coming year. That would be a
22 project management professional parallel styled

1 certification, but instead of testing folks on project
2 management, it's on all the regulatory compliance
3 burdens for expectations that small business has. So
4 that a small business can say you've never worked with
5 me, but we have these 10 certifications from Eastern
6 Foundry that will give you the reassurance that we'll
7 be able to hold up our part of the proposal and
8 performance.

9 MR. BOWES: Based on the type of technology
10 they're in?

11 MR. ORAZEM: This is going to be more broad
12 spectrum. This is more looking at what is the far say,
13 what is the reporting requirements, agnostic of tech.

14 MR. BOWES: Yeah.

15 UNIDENTIFIED AUDIENCE MEMBER: Do you have any
16 special relationship with companies like bidmine
17 (phonetic) or GovWin to do --

18 MR. ORAZEM: Absolutely.

19 UNIDENTIFIED AUDIENCE MEMBER: -- in-house
20 that are more economical?

21 MR. ORAZEM: Yeah. We've been able to take
22 the Costco model for a lot of our shared services.

1 Deltek is a great example. Without going into the
2 details of the deal, they gave us a really tremendous
3 price point for our small businesses because we were
4 coming to them, and we were able to get the group rates
5 effectively. And we've paired them off with Gavini
6 (phonetic), GovTribe, GovWin, a lot of the other RFP
7 and RFI proposal intelligence resources to be able to
8 give a menu of options to our small businesses at a
9 price point that they would never be able to get on the
10 outside.

11 UNIDENTIFIED AUDIENCE MEMBER: Any special for
12 veterans?

13 MR. ORAZEM: Right now we're looking at doing
14 some extra conference room hours. So when you come in
15 you get some free conference room time. We've been
16 able to bump that up. Right now we're at a place in
17 our revenue model where we are profitable, but our
18 ability to take on basically debt financing or
19 otherwise give incentives to veterans in particular is
20 limited.

21 We will be opening up our -- one of the
22 blessings that we have was that we ended up having

1 40,000 square feet of conference room -- of event space
2 given to us as part of our lease. So we're looking at
3 turning that into a veterans training center, going
4 back to this point around our excellent line of sight
5 into their staff shortfalls that the big primes have on
6 our their staff augmentation contracts.

7 For example -- I won't name names -- one of
8 the big primes right now is 30,000 people short on
9 their staff augmentation requirements. We know exactly
10 what those skill profiles are, and because we have --
11 because of our backgrounds, we have a good sense for
12 what the current capabilities of a lot of veterans are.
13 They've already been cleared, which is the biggest
14 hurdle for a lot -- for getting these people into these
15 federal contracts.

16 So we're working with the iron yard in Crystal
17 City to develop training packages that just address the
18 Delta between what a soldier or Marine gets at their
19 MOS school and what it is that a big prime needs to be
20 able to have all the certs and quals to sort of float
21 it into a contract.

22 UNIDENTIFIED AUDIENCE MEMBER: That's good.

1 That's good.

2 MR. ORAZEM: Yeah.

3 UNIDENTIFIED AUDIENCE MEMBER: How about
4 virtual access?

5 CHAIRMAN FIELDER: Geoff, we need to move on,
6 or we're going to lose one of our speakers.

7 MR. ORAZEM: Sure thing.

8 CHAIRMAN FIELDER: We're going to do the next
9 speaker, and then we're going to have a lunch break.

10 Could you stay around so that some people can
11 have some one-on-one conversations with you?

12 MR. ORAZEM: I have a lunch thing at noon, but
13 I'm happy -- until noon, I'm happy to hang out.

14 CHAIRMAN FIELDER: Okay.

15 MS. CARSON: Can you leave your cards too?

16 MR. ORAZEM: Absolutely. I'll leave a stack.

17 MS. CARSON: Thank you so much.

18 MR. ORAZEM: Thank you.

19 CHAIRMAN FIELDER: If anybody needs to make a
20 health or comfort break, please do.

21 MS. CARSON: And John Shoraka is our Associate
22 Administrator for Government Contracting and Business

1 Development. That is an area of interest to many who
2 are here.

3 And I appreciate very much that you've given
4 us some time today, John, to tell us what is coming.
5 And there were some particular questions this group had
6 about Mentor-Protégé Program and other developments.
7 That would be super.

8 MR. SHORAKA: Sure.

9 MS. CARSON: Thanks again.

10 SBA OFFICE OF GOVERNMENT CONTRACTING
11 AND BUSINESS DEVELOPMENT

12 MR. SHORAKA: Thanks for having me. I'm
13 always happy to joint his forum. I know that I have
14 spoken to you guys before a number of times.

15 Just to make sure that everybody knows my area
16 of responsibility, government contracting, business
17 development, the HUBZone Program, the 8(a) program,
18 STB/OSB, and WOSB programs fall under my umbrella
19 office. We have our procurement center representatives
20 that sit at the buying activities. We do our protests
21 on the WOSB and the STB/OSB programs, and we establish
22 the goals for the various agencies and report back on

1 those to Congress on an annual basis.

2 Obviously, also the other major area that we
3 work in is the size standards and revising the size
4 standards. So any of those I'm happy to discuss and
5 answer any questions with regards to any of those
6 programs.

7 I did want to sort of chat a little bit about
8 -- we've been briefing you as we go along in the
9 process of the Mentor-Protégé Program, rolling that out
10 to the other socioeconomic categories as well as the
11 National Defense Authorization Act of '13 had a number
12 of provisions, some of which are of particular interest
13 to the STB/OSB or actually to all the socio categories
14 but allows for teaming, and that's out for public
15 comment.

16 With respect to the Mentor-Protégé Program, as
17 you know, we were required or authorized by the Small
18 Business Jobs Act of 2010 to roll that out to other
19 socioeconomic categories. As we were about to role
20 that out for public comment -- and it was supposed to
21 be modeled after the 8(a) program, right.

22 So not like some our sister agencies where

1 it's more of a prime sub relationship similar to the
2 8(a) program, where the protégé is actually the prime
3 in the joint venture, and they have a mentor that joins
4 them up. And there's some benefit to be transferred
5 from the mentor to the protégé, right. It's not just a
6 contracting opportunity. It's a mentor-protégé
7 relationship for benefits flowing from the mentor to
8 the protégé, but under that scenario, the mentor
9 benefits in being able to pursue set aside contracts.

10 We were required or authorized, as I said, to
11 roll that out to the other socioeconomic categories.
12 As we were about to release that rule for first
13 interagency clearance and then public comment, the
14 National Defense Authorization Act of '13 basically
15 required us to pull that back and expand it to all
16 small businesses. In other words, not just specified
17 for each of the categories, but open to all small
18 businesses.

19 We've done that. It's gone through
20 interagency clearance. We've incorporated the comments
21 of our sister agencies, and we're in the process of
22 releasing it through the Federal Register in the next

1 couple of weeks so that we can guard our public
2 comment. And I think it's really, really important for
3 this community to comment on how the rule is written
4 and how we project it to be rolled out and implemented.

5 And I can speak to the challenges around the
6 Mentor-Protégé Program briefly. As you can imagine,
7 under the 8(a) program, we have roughly 5,000 to 5,500
8 firms in the program at any given point, certified in
9 the program at any given point. Our number of mentor-
10 protégé plans under that program that we approve and
11 monitor are roughly 500 at any given point, so 10
12 percent. And under that obviously flows the joint
13 venture agreements. I think there's three per mentor-
14 protégé plan that you're allowed so you can joint
15 venture and bid on opportunities.

16 And obviously, all of that is -- we have the
17 ability to monitor the implementation of that through
18 our district offices. As you know in the 8(a) program,
19 every firm is assigned a business opportunity
20 specialist who is able then to do the annual reviews
21 and confirm that the protégé is really benefiting from
22 the contract and getting a fair share of that contract.

1 So imagine expanding that out to -- we have
2 about 227,000 small businesses registered in DSBS,
3 Dynamic Small Business Search. Roughly half of those,
4 130,000, receive one-off contracts. I would say
5 roughly 50 percent of those or 75,000 are continuous
6 government contractors, right, year in, year out
7 receiving a number of contracts. So you take 10
8 percent of that roughly just as an estimate figure.
9 That's 7,500 as opposed to 500 that we're managing
10 right now.

11 So the question becomes, is this sort of an
12 unfunded mandate, right. We have the rule process
13 going through, but once the rule process is finalized,
14 how are we going to actually institutionalize and
15 implement this, and be able to monitor it, and make
16 sure that the benefits are actually flowing to the
17 intended recipient. So it's not a front.

18 So we've been tasked with creating options for
19 our administrator to take a look at, and some of those
20 options -- and we're in the initial phases of putting a
21 team together to be able to prepare those options.
22 Some of those options are let's have our field offices

1 do what they do with all the other firms as they do
2 with the 8(a) firms. The challenge there is we don't
3 have the resources at the field offices to put
4 additional burdens of that magnitude on them.

5 Another is to create a centralized unit that
6 would be our Mentor-Protégé and JV centralized units to
7 be able to approve the plans and monitor them on an
8 annual basis to make sure the benefits are flowing to
9 the intended recipients.

10 Another is to delegate that authority to
11 agencies and allow them to monitor implementation of
12 the joint ventures, and then have some sort of audit
13 function, annual audit and reporting function. Those
14 are sort of the three models that we're looking at, but
15 we are obviously interested in feedback from the
16 community with respect to how this can be implemented.

17 I do -- again, the rule is going out into the
18 Federal Register in the next couple weeks. I really
19 encourage this community to comment on the rule itself,
20 and there are, in the preamble, discussions about how
21 it should be implemented; and that feedback is helpful
22 in our options as we --

1 MR. BOWES: Compared to the DOD?

2 MR. SHORAKA: I'm sorry?

3 MR. BOWES: Have you compared it to the DOD
4 mentor program?

5 MR. SHORAKA: Yeah. Unfortunately, the DOD --
6 obviously, we -- so the other thing with this program
7 is that all the other civilian agencies are supposed to
8 fall under this umbrella within five years. DOD is
9 statutorily different --

10 MR. BOWES: Right.

11 MR. SHORAKA: -- and operates on its own. The
12 challenge with the DOD program is that there are funds
13 in there for the mentor as opposed to this where there
14 are no funds.

15 MR. BOWES: So we don't have those incentives?

16 MR. SHORAKA: No, no.

17 MR. BOWES: So how then do we handle the
18 scorecard? How does that go into the scorecard? So
19 you have the Mentor-Protégé, but you got the scorecard
20 that we have to do all of that.

21 MR. SHORAKA: Right. So the scorecard is just
22 like the --

1 MR. BOWES: I won't ask any more questions.

2 MR. SHORAKA: Yeah. No, no. It's just like
3 the 8(a) program. So the JV gets the benefits of the
4 8(a) program. So it gets allocated towards the
5 service-disabled entity.

6 MR. BOWES: Okay. All right.

7 CHAIRMAN FIELDER: Kind of direct questions
8 from the committee. Are you at the end of where you --

9 MR. SHORAKA: On the Mentor-Protégé Program.
10 I want to talk about NDAA '13 as well.

11 CHAIRMAN FIELDER: Let's ask questions on the
12 Mentor-Protégé.

13 MR. SHORAKA: Sure.

14 CHAIRMAN FIELDER: We've been waiting for
15 three years. The first time the law passed was three
16 years ago.

17 MR. SHORAKA: Yeah.

18 CHAIRMAN FIELDER: And then last year they
19 added women-owned businesses and --

20 MR. SHORAKA: All small businesses actually.

21 CHAIRMAN FIELDER: All small businesses, okay.
22 So it was kind of like a reset process.

1 MR. SHORAKA: Right.

2 CHAIRMAN FIELDER: Those of us that understand
3 how it's going to work, know the benefits of how it's
4 going to work, particularly as it effects the
5 affiliation rules in the sense of that being a big shot
6 in the arm.

7 MR. SHORAKA: Sure.

8 CHAIRMAN FIELDER: What does the timeline look
9 like? And before you answer that question, how did the
10 government agency comment period go? Are there any
11 hangers in there as a result of those that still need
12 to be worked?

13 MR. SHORAKA: No. So I think -- so we worked
14 out --

15 CHAIRMAN FIELDER: You got through? They're
16 on?

17 MR. SHORAKA: They're on board.

18 CHAIRMAN FIELDER: Because we thought there
19 was going to be this issue with their existing mentor-
20 protégé programs and some conflict.

21 MR. SHORAKA: Yeah. The civilian side is very
22 different than the Mentor-Protégé Program and agencies.

1 They're very different than this, right, because it's
2 sort of the prime sub-relationship.

3 Most of the -- even GSA and some of the others
4 already have a mentor-protégé plan. If you're familiar
5 with them, they're not like the 8(a) program. It's
6 more like --

7 CHAIRMAN FIELDER: It doesn't have the rigor
8 of the teeth or the advantages.

9 MR. SHORAKA: Right, right. So the challenge
10 was can we authorize them to continue with the sort of
11 operations or mentor-protégé plans that they have and
12 roll this out federal government wide and not hinder
13 them, but make sure that they implement this across the
14 federal government. And I think we came -- so those --
15 those --

16 CHAIRMAN FIELDER: So you get some
17 accommodation?

18 MR. SHORAKA: Yeah, exactly. And those --
19 those discussions are included and presented in the
20 rule that will be presented for public comment, right.
21 So it already incorporates all of the concerns that
22 were raised.

1 CHAIRMAN FIELDER: So moving to the next
2 step --

3 MR. SHORAKA: Timeline.

4 CHAIRMAN FIELDER: -- is the public comment
5 and the timeline.

6 MR. SHORAKA: Yeah.

7 CHAIRMAN FIELDER: So when we last talked
8 about this in the committee, and I think it's been
9 about nine months --

10 MR. SHORAKA: Yeah.

11 CHAIRMAN FIELDER: -- we were optimistically
12 looking that it would have come out of public comment
13 by now.

14 MR. SHORAKA: Yeah.

15 CHAIRMAN FIELDER: But it's going in.

16 MR. SHORAKA: It's going into public comment.

17 CHAIRMAN FIELDER: Let's just say the calendar
18 starts on a timeline of January --

19 MR. SHORAKA: Yeah.

20 CHAIRMAN FIELDER: -- how would that transact?
21 What's the timeline on that, and then what would it
22 get to -- where could we optimistically look at the

1 rule?

2 MR. SHORAKA: So, you know, having been in the
3 federal government now for four years and coming from
4 the public -- private sector, I know it's very hard to
5 pin down particular time frames, right, because even in
6 the rule-making process, Lord knows -- I was --

7 CHAIRMAN FIELDER: For those of us that have
8 been waiting for three years, we understand.

9 MR. SHORAKA: Yeah. And obviously, when I
10 came into this position -- now it's been three years --
11 I never expected the process to take this long because
12 not only is it the interagency process, right, even
13 before that it has to get through our own building. So
14 we have to talk about going through our Office of
15 General Counsel our Office of Inspector General. So
16 all that has taken place, right.

17 So now we're talking about a 60-day public
18 comment period. We're having discussions with
19 (inaudible) with respect to is that 60 or 90. I would
20 prefer it to be 60, but obviously, at the same time, I
21 think if we want to garner the feedback from the
22 communities -- and it's not just obviously the SBO/OSB.

1 CHAIRMAN FIELDER: Who is pressing for 90?

2 MR. SHORAKA: I'm sorry? It's either 60 or
3 90.

4 CHAIRMAN FIELDER: But who is pressing for 90?

5 MR. SHORAKA: I think in the context of making
6 sure that we get feedback from all of our stakeholders,
7 the concept is the longer the better. Having now been
8 through this now for three years, I think 60 days would
9 -- because everybody is expecting this, right. Your
10 community, the WOSB community, the HUBZone community,
11 they're all expecting this to come out, but we do want
12 to make sure that we give ample time for our
13 stakeholders.

14 CHAIRMAN FIELDER: I think the original -- and
15 I don't mean to be hard (inaudible).

16 MR. SHORAKA: No.

17 CHAIRMAN FIELDER: But the original language
18 said that it would be like the 8(a) program.

19 MR. SHORAKA: Yeah.

20 CHAIRMAN FIELDER: That is kind of the
21 community's expectation. As long as it results in
22 being -- I don't know that we need to add another 30

1 days.

2 MR. SHORAKA: Yeah, yeah. So point well
3 taken.

4 CHAIRMAN FIELDER: I mean, if you expand the
5 timeline, the final ruling, you have the resources to
6 start processing applications.

7 MR. SHORAKA: Right. .

8 CHAIRMAN FIELDER: Companies start processing
9 applications, if it's similar to the 8(a) mentor-
10 protégé, it can take three to six months --

11 MR. SHORAKA: sure.

12 CHAIRMAN FIELDER: -- if you do everything
13 right.

14 MR. SHORAKA: Sure.

15 CHAIRMAN FIELDER: And it goes beyond the
16 region. The final approval resides in the SBA office
17 in Philadelphia, I believe. Let's just say in a
18 perfect world that this happens by March. It could be
19 calendar year 2016 before we have the first mentor-
20 protégés in place.

21 MR. SHORAKA: Sure, sure.

22 CHAIRMAN FIELDER: Am I wrong?

1 MR. SHORAKA: No. You're absolutely right.

2 It's -- it's going to be --

3 CHAIRMAN FIELDER: And now you back off that
4 this has been waiting for three years.

5 MR. SHORAKA: Yeah.

6 CHAIRMAN FIELDER: And you've added another
7 two years.

8 MR. SHORAKA: Right.

9 CHAIRMAN FIELDER: It's a five-year process.

10 MR. SHORAKA: Right. No. I mean, I
11 completely agree, and the challenge is not only just
12 getting the rule completed, right, the challenge is
13 going to be being able to institutionalize the process.

14 CHAIRMAN FIELDER: I can't speak for the
15 entire committee, but I'm advocating for 60 days in
16 comment.

17 MR. SHORAKA: Sure. But even beyond --

18 CHAIRMAN FIELDER: We'll make sure that the
19 veteran community comments --

20 MR. SHORAKA: Within 60 days.

21 CHAIRMAN FIELDER: -- within 60 days.

22 MR. SHORAKA: Point well taken, but what I

1 would say is that it's not even the public comment
2 period that I'm more concerned about. It's the
3 institutionalization of the staff. I've been through
4 -- around the 8(a) program where we set up a continuing
5 eligibility because we had continuing eligibility being
6 done at 68 district offices, and we wanted to
7 centralize that to bring efficiencies, to bring
8 consistency into the process. It took us a good year
9 and a half to be able to establish that unit to be able
10 to do that.

11 So talking about establishing a unit to be
12 able to do mentor-protégé plans, and monitoring them,
13 and have the processes, and workflow documents, and
14 manuals, et cetera, is going to be a long process. So
15 I don't want to -- I don't want to give the impression
16 that once we get through the final rule, the next day
17 we're going to be able to turn it on. The final rule,
18 when it gets published, will probably have a period of
19 time that says here's the final rule. It becomes
20 effective on such and such date, giving us the time to
21 actually set up the office.

22 MR. AUMENT: That mechanism, does that not

1 have to be built into the rule itself?

2 MR. SHORAKA: The rule itself asks for
3 comments around that.

4 MR. AUMENT: Right. But you're final rule --

5 MR. SHORAKA: The mechanism --

6 MR. AUMENT: Your final rule probably will
7 then?

8 MR. SHORAKA: Yes.

9 MR. AUMENT: Okay.

10 CHAIRMAN FIELDER: So if we're optimistic, it
11 gets out two weeks from now, let's just say they go in
12 January, 60 days -- wink, wink, 60 days -- final rule
13 by end of the summer?

14 MR. SHORAKA: Yes. I would say you could have
15 a final rule --

16 CHAIRMAN FIELDER: But certainly before the
17 next fiscal year?

18 MR. SHORAKA: Yes. You could have a final,
19 but again, that's not my major concern. My major
20 concern is having the operations to be able to
21 implement that plan.

22 CHAIRMAN FIELDER: And where are you on the

1 self-certified versus creating a certification process?

2 I see that as a major issue --

3 MR. SHORAKA: Sure.

4 CHAIRMAN FIELDER: -- if we start wrestling

5 that after we get to the point where we think we're

6 able to implement it? Where are we on that?

7 MR. SHORAKA: Yeah. I mean, obviously --

8 CHAIRMAN FIELDER: We're all for self-

9 certified.

10 MR. SHORAKA: Right. Well, that's -- that's a

11 much broader question, and I'm assuming you're

12 referring to -- and I know Tom Leney is going to be

13 here this afternoon. I'm assuming you're referring to

14 our program as opposed to the VA's program, right?

15 CHAIRMAN FIELDER: Are you creating a program,

16 or are you taking over the program?

17 MR. SHORAKA: No. I mean, that would be a

18 statutory change.

19 CHAIRMAN FIELDER: Right.

20 MR. SHORAKA: And obviously, I can't comment

21 on or suggest that the Hill should be doing anything in

22 particular.

1 CHAIRMAN FIELDER: So at this time --

2 MR. SHORAKA: What I will --

3 CHAIRMAN FIELDER: At this time it's self-
4 certified --

5 MR. SHORAKA: Yes, absolutely.

6 CHAIRMAN FIELDER: -- as it's moving forward?

7 MR. SHORAKA: Somebody has to muck it up to
8 get it to be something else?

9 MR. SHORAKA: Correct. As it stands -- and
10 this is something that we as an office are very
11 concerned about, right, because I think there's a lot
12 of confusion in the community. And we've been working
13 closely with Office of Federal Procurement Policy to
14 make sure that we address that confusion in the
15 community, right. We're holding meetings. We're
16 trying to address the issue.

17 Our position has always been that the VA has a
18 program that's four the VA, right, the certification
19 process is for the VA. Our program, which is self-
20 representation with a protest function, is for the rest
21 of the federal government.

22 I know that there's confusion in the

1 community. I know that some contracting officers would
2 prefer to have that certification and sometimes put
3 that in the solicitation, but it's -- I think it's
4 incumbent upon us as an agency to make sure that
5 whenever we speak, we make it very clear that our
6 program is a self-representation program with a protest
7 function.

8 I don't think -- and I believe the jury is
9 still out with respect to the efficiencies that a full
10 front end certification puts -- or brings forth or
11 brings to bear on a program, right, the amount of
12 resources, the amount of cost and expenses, not only on
13 the federal government side but on the private sector
14 side. Those efficiencies as compared to the fraud,
15 waste, and abuse that you might rot out of the system,
16 those benefit -- cost-benefit allowances I don't think
17 has been done here today.

18 I would argue that --

19 MR. AUMENT: Two million dollars' worth of
20 fraud, waste, and abuse puts the whole system --

21 MR. SHORAKA: I would argue that a protest
22 function that's very stringent and strictly enforced is

1 and efficient mechanism to address fraud, waste, and
2 abuse. In the last four years, we've seen more
3 suspensions, debarments, proposed debarments than the
4 previous decade.

5 MR. AUMENT: The penalty is now the price of
6 the contract.

7 MR. SHORAKA: And we keep your product, and
8 you don't --

9 MR. AUMENT: That's a force that will take the
10 vet (inaudible) jobs away.

11 MR. SHORAKA: Right, right.

12 So real quick, I know I have limited time,
13 because you spoke about affiliation and issues of
14 teaming. And there's another provision of NDA '13
15 that's going through for public rule-making, and it
16 actually should be out, if not this week, next week.

17 NDA '13, National Defense Authorization Act of
18 '13, gave us the authority to write a rule around
19 similarly situated firms teaming. In other words, you
20 all know, if it's STB/OSB set aside, the prime has to
21 do 51 percent of the work, right.

22 CHAIRMAN FIELDER: Right.

1 MR. SHORAKA: But we all know that contracts
2 are being consolidated; requirements are getting
3 larger; they're getting more complex, and it's been
4 more and more difficult to pursue contracts.

5 The authority that we were given was that
6 similarly situated companies, even though they're
7 subcontractors, will count towards that 51 percent. In
8 other words, you're a prime, STB/OSB, a number of your
9 subs are sub-STB/OSBs. Together you can account for
10 that 51 percent. This gives a huge incentive for
11 teaming amongst socio categories.

12 Obviously if it was small business set aside,
13 all of your smalls, no matter what designations they
14 would have, would count towards the 51 percent. But
15 once we get into the socio categories, they would have
16 to be similarly situated.

17 We think that's a big plus for the community.
18 We're hoping that the community will take advantage of
19 it, but at the same time, again, we're hoping that the
20 community will take a look at our rule and make sure
21 that we get the feedback we need to make sure that
22 we're incorporating how -- your thoughts about how it's

1 going to affect the community. But we think it's a
2 great advantage with respect to the affiliation issues
3 and the limitations on subcontracting issues.

4 MR. AUMENT: Will the prime still take all the
5 revenue hits for size standard calculation purposes?

6 MR. SHORAKA: Yes. That is incorporated in
7 the rule-making process, but, yes.

8 MR. AUMENT: Okay.

9 MR. SHORAKA: The prime would have to be the
10 small. The determination on size will be the prime.

11 CHAIRMAN FIELDER: The majority owner of the
12 joint venture.

13 MR. SHORAKA: Now, it's not a joint venture.
14 It's a prime-sub relationship.

15 CHAIRMAN FIELDER: But it's the whole --

16 MR. SHORAKA: It's a prime-sub relationship,
17 but the subs count toward the limitation subcontract.

18 MR. AUMENT: The whole point of the mentor-
19 protégé --

20 MR. SHORAKA: No. This is different. This is
21 separate.

22 MR. AUMENT: This is a different issue?

1 MR. SHORAKA: Yeah. This is a different and
2 separate rule that's going to --

3 MR. AUMENT: It would not work like a CTA, for
4 example?

5 MR. SHORAKA: No.

6 MR. AUMENT: Okay.

7 MR. SHORAKA: Okay.

8 MR. PHIPPS: Is this in effect right now?

9 MR. SHORAKA: No. The law was effective as of
10 the National Defense Authorization Act of '13, but the
11 rules have not been finalized.

12 MR. PHIPPS: And how long do you anticipate
13 that getting into the FAR?

14 MR. SHORAKA: That's a great questions. So we
15 were talking about the rule-making process, right.
16 Once we get a final rule --

17 As you all know, we wrote the final rules for
18 set a size and for multiple contracts, 1331. We wrote
19 the rules around the sub-K, subcontracting
20 requirements, around the contracting officer getting
21 notice before subcontracting plans are changed. Those
22 rules were finalized last year. They're not yet in the

1 FAR.

2 We're working with the FAR counsel as we
3 speak, writing the case, FAR case to incorporate it
4 into the FAR. We anticipate -- that's taking over nine
5 months. Now, we anticipate that, that will happen the
6 first quarter calendar of '15, but that's entirely out
7 of our hands as an agency because we don't sit on the
8 FAR council either.

9 So once that teaming provision is finalized, I
10 suspect -- there's been a lot of pressure on us as an
11 agency to get that teaming rule out. I think it's
12 going out for public comment, again, in the next couple
13 of weeks. I think, again, 60 or 90 days. That rule
14 should also be finalized over the summer. I would
15 expect that the FAR would move relatively quickly, but
16 I can't really speak to a time frame. I would say six
17 to nine months after our rule gets finalized.

18 CHAIRMAN FIELDER: This was a question that we
19 asked Linda and Ann. Around this issue -- and I didn't
20 realize this issue was going to come up --

21 MR. SHORAKA: Sure.

22 CHAIRMAN FIELDER: -- but I'm kind of excited.

1 Could you provide the committee some written
2 documentation on that, that Barbara could then share
3 with the committee?

4 MR. SHORAKA: Sure. About the rule?

5 CHAIRMAN FIELDER: About the rule --

6 MR. SHORAKA: Yeah.

7 CHAIRMAN FIELDER: -- and where it is.

8 MR. SHORAKA: Sure.

9 CHAIRMAN FIELDER: And maybe the original law.
10 So we can take a look at it and maybe discuss it at our
11 next committee meeting.

12 MR. SHORAKA: Yeah, no problem.

13 MS. CARSON: Thank you.

14 MR. SHORAKA: Yeah.

15 MR. WEIDMAN: Rick Weidman for the record. A
16 couple of comments, the --

17 MS. CARSON: Can we get you on a microphone?

18 MR. WEIDMAN: It's rare that anybody can't
19 hear me.

20 (Audience laughs)

21 Thank you. The delay usually is on
22 promulgation of rules is what happens after the

1 comments are offered, that's number one. And so the
2 question really is, have you vetted your proposed rule
3 to the point with OMB and the White House that once the
4 comments are in and incorporated, that you can move to
5 final rule quickly?

6 MR. SHORAKA: Yeah. I think that was the
7 question with respect to our sister agencies, but I
8 would include the White House and OMB in that process
9 as well. So that's why when we talk about an
10 interagency clearance process -- and it's generally 90
11 days before it closes -- after it closes there's a lot
12 of discussions that go on amongst ourselves, our sister
13 agencies, OIRA, OMB, and that process has already taken
14 place.

15 MR. WEIDMAN: The second thing is veterans
16 obviously have an interest, not just in things that say
17 veterans but in other rules promulgated by this agency,
18 and VA, recognizing that, at least shares the link to
19 rules that are published for comment. And if you can
20 do that with all of the folks that might be on
21 Barbara's mailing list and things that should be added,
22 which is basically all the MSOs, VSOs, this committee,

1 and anybody else who expresses an interest, to have
2 wide comment, only make the rule better.

3 MR. SHORAKA: Absolutely.

4 MR. WEIDMAN: The other question and that has
5 to do when you were talking about protégé. The DOD
6 protégé, we've heard from too many people who have
7 dropped out of that program that it's predator protégé.
8 What have you built into this rule to make sure that
9 the civilian agencies don't turn into the same thing?

10 MR. SHORAKA: Right. Obviously, I think we're
11 very careful with respect -- and I don't have the
12 specifics of the rule in front of me, but I think one
13 of the -- with respect to the rule itself and
14 implementing that rule, I think that's one of the
15 things that we have to be very careful of with respect
16 to implementation of the rule and monitoring the
17 benefits flowing to the intended recipients, where we
18 don't want the protégé to just be a front and the
19 mentor receiving 98 percent or 99 percent of the
20 contract.

21 MR. WEIDMAN: Right.

22 MR. SHORAKA: The way the rule is written

1 addresses some of those concerns with respect to
2 reporting requirements and monitoring. The challenge
3 becomes, as I said earlier, is that it's really an
4 unfunded mandate. So we don't have the staffing to
5 make sure that, that takes place.

6 So the question is do we carve it out of our
7 existing FDE limits? Do we -- and quite frankly, the
8 idea of delegating that authority, although appealing
9 to some because it limits the burden of this agency, is
10 a concern with respect to fraud, waste, and abuse
11 because you only sort of have an oversight audit,
12 potentially reporting requirement established or
13 written into it.

14 But I would say that, again, I encourage the
15 community to look at the rule. I completely agree. I
16 think the broader it is disbursed and the more input we
17 get, the more useful in finalizing the rule, to make
18 sure that it takes into consideration the community's
19 concerns.

20 With respect to oversight, as you review it
21 and you find that there are challenges or identify
22 challenges with respect to predatory opportunities for

1 mentors, I would encourage you to highlight this, so
2 that we can address them in the final rule.

3 MR. WEIDMAN: Will do.

4 MR. SHORAKA: And we'd be happy to make sure
5 that a link is sent out to the community when the rule
6 gets published.

7 MR. WEIDMAN: The last instance, in light of
8 the report the DOD did -- the Undersecretary issued
9 about \$1.1 trillion that was theoretically small
10 business but wasn't, what steps have you taken to make
11 sure that what's reported as a small business contract
12 in fact is a small business? There was much ado made
13 about the fact that the federal government met the
14 three percent this year. On paper it did, but I don't
15 believe it did.

16 MR. SHORAKA: Yeah.

17 MR. WEIDMAN: And the second part of that is
18 it has now been 15 years and four months today actually
19 -- it was August 17, 1999, when 106-50 was signed into
20 law. We still don't have, as far as I know, a means of
21 publicly tracking subcontracts. The law is very clear.
22 It's three percent of contracts and three percent of

1 subcontracts. And if you could comment on what
2 progress you've made, both DOD and on a civilian side
3 towards accurately tracking subcontracting.

4 MR. SHORAKA: Good. Those are awesome
5 questions.

6 Obviously, you're right. There's areas where
7 we've seen significant success with respect to small
8 business contracting, right. So because of the focus
9 from the administration, because of groups like this,
10 we've seen significant laser focus on getting agencies
11 to meet their goals. So the 23 percent, the STB/OSB
12 success, the WOSB increasing, the STB continuously
13 improving, and quite frankly, (inaudible) being
14 elevated in the agencies where they really have a voice
15 and a direct line to debt set, those are all positive
16 things.

17 In the -- in conjunction with that or parallel
18 to that, there's been a lot of work with the data
19 quality working group. As you all know, all of the
20 systems, acquisition systems, fall under IAE, which is
21 the governance body for all the acquisition systems,
22 and GSA owns those acquisition systems. I know I'm

1 limited on time. I'll try not to be too verbose.

2 But there was a lot of work with the data
3 quality working group to make sure that on prime
4 contracting dollars, our dollars reporting was
5 accurate. In fact, we had a MOU signed between our
6 administrator at the time, Karen Mills, and
7 Administrator Gordon over at OFPP to work through data
8 quality.

9 The agency, SBA, was tasked with doing what we
10 called anomaly reports, and quite frankly, the agencies
11 were all pissed at us because we would send them
12 thousands of lines of anomalies. And that doesn't mean
13 they're errors. They're anomalies. There's a missing
14 NAICS code. The revenue doesn't match the size
15 standard, and so we would send those to them for two
16 years in a row so that they could address it before
17 they certified their numbers to OFPP that everything in
18 FPDS was accurate.

19 We worked with GSA and OMB to create these,
20 what we call canned anomaly reports that the agencies
21 are now required to run on a quarterly basis and before
22 they certify their numbers to OFPP by January 31st.

1 Our administrator -- in the context that you
2 spoke, our administrator -- you know, when she came in
3 our new administrator said, well, what is this I keep
4 hearing that numbers can be inaccurate? And the truth
5 of the matter is it's not our data. It's agency data.
6 It's FPDS data. It's not our system. But what she
7 said is, look. I understand all that, and I understand
8 that you've done a lot of work in getting us to a
9 better place. But we still report this number out, so
10 I want you to be able to work with our sister agencies
11 to make sure that every year we do something to make
12 sure that the numbers are as accurate as possible.

13 So although agencies are not necessarily happy
14 that we may be getting into the anomaly process again,
15 we are committed to work with them, not only on a
16 continuous basis with respect to systems improvements
17 and tracking improvements, but also to still run -- we
18 promise that it won't be thousands of records passed
19 back to them -- still run anomalies on an annual basis
20 before they certify their numbers. We understand that
21 they have the canned reports that they're obligated to
22 run, but we're still going to run numbers and share it

1 with them so that they can correct it before.

2 What I would say is that once you start
3 getting into the weeds of FPDS data, there are all
4 sorts of reasons why an HB looks like it got a small
5 business contract. It could have been an acquisition
6 of a firm, and that firm now looks like an HB.
7 Therefore, it shows an HB got a small business
8 contract.

9 And I'll say when the reports come out, we get
10 tons of calls from Apple, and Boeing, and the others
11 that are on the list that say, wait a second, why is it
12 saying we got a small business set aside? And they'll
13 dig into it themselves and identify, well, yeah, I did
14 acquire this. Or sometimes it's the inappropriate
15 NAICS code assigned to a particular acquisition, or
16 sometimes it's manual error.

17 When we do -- what I'll say is when we do
18 identify specific contracts where there's potentially
19 fraud, we always follow up with a size protest or a
20 status protest because we as an agency can initiate one
21 of those at any time.

22 With respect to subcontracting data, that's a

1 really important question. Oftentimes agencies will
2 come to us and say why do I only get 10 percent credit
3 on my scorecard for subcontracting? My answer is that
4 we don't have the level of comfort and a level of
5 accuracy in any subcontracting reporting systems that
6 we have as a federal government to give you any more
7 credit. We should be happy that you're getting 10
8 percent credit because ESRS is the system that's
9 currently of record for subcontracting, but it's an
10 internal system; and it's not transparent to the
11 external world.

12 So whereas FPDS -- the reason we get hit on
13 the head every year with Boeing or Rathion (phonetic),
14 or so and so get a small business contract is because
15 FPDS is entirely transparent. The public can go in
16 there and look at everything. ESRS is not.

17 ESRS is also owned by GSA, and that is being
18 incorporated into the next version of SAM, and FPDS
19 rebuilt. We've been working on working groups with
20 OFPP and OMB with respect to what the data requirements
21 are around that, so that's an ongoing process. They
22 are looking at swallowing or incorporating ESRS into

1 FPDS in year '16 to '17. It's a long process to make
2 that happen.

3 But the other point that's also important is
4 that NDAA '14 required us as a federal government to
5 report not only on first tier subcontracting but lower
6 tier subcontracting. So in moving forward with system
7 revamps, the system has to acknowledge and build in
8 those requirements.

9 I'll be quite honest. The challenge is what
10 kind of reporting requirements are we going to be
11 putting not only on the primes but on the subs, on the
12 contracting officers. How can we capture this data and
13 be able to report it accurately? At that point, I
14 think if we have that transparency, if we have that
15 reliability, I think that's a point where we can maybe
16 give more credit to subcontracting data because it's
17 publicly available information.

18 MS. CARSON: Thank you.

19 CHAIRMAN FIELDER: Thank you very much.

20 MR. SHORAKA: Yeah.

21 CHAIRMAN FIELDER: The mentor-protégé ruling,
22 would you ensure that Barb gets that so that she can

1 distribute it to the committee?

2 MR. SHORAKA: Absolutely.

3 CHAIRMAN FIELDER: As quick as it goes to
4 public hearing so that we can start working with the
5 folks that we need to work with to get them excited
6 about 60 days and making sure we get our comments in --

7 MR. SHORAKA: Sure.

8 CHAIRMAN FIELDER: -- and they're constructive
9 and so on and so on.

10 MR. SHORAKA: Yep.

11 CHAIRMAN FIELDER: A bunch of people that
12 spoke this morning have agreed, and I think every one
13 of them is still in the room. So if you want to go one
14 on one with questions and discussion, please do that.

15 We're going to reconvene at 11:45. We're
16 officially on a lunch break.

17 (Recess taken from 11:33 to 11:54 a.m.)

18 CHAIRMAN FIELDER: I apologize to everyone as
19 we get back together. I had the schedule off a little
20 bit. So we're going to get back on that schedule.

21 I had failed to mention earlier, not showing
22 on the agenda, the administrator is going to come down

1 and speak to us for about 10 minutes hopefully. So you
2 might want to sort of prepare to ask questions.

3 MS. CARSON: I said I'm not sure she'll be
4 able to stay for questions --

5 CHAIRMAN FIELDER: Okay.

6 MS. CARSON: -- but we will hope that she can.

7 CHAIRMAN FIELDER: Two o'clock. That's a
8 first for the committee, so that's a major thing
9 accomplished.

10 With that said, it is now Barb's turn.

11 MS. CARSON: Thank you very much.

12 CHAIRMAN FIELDER: Let's just say associate
13 administrator. The acting part, we sort of figure
14 it's --

15 MS. CARSON: Thank you for your --

16 SBA OFFICE OF VETERANS BUSINESS DEVELOPMENT

17 MS. CARSON: And I'm really happy to see some
18 synergy between the Vet Force meeting yesterday, here
19 we are in the advisory committee to see a flow through
20 of information and sharing that's going on. So thank
21 you. The community is large, but we're starting to
22 commune in the same places, and it's helpful.

1 And tomorrow we follow the interagency task
2 force where some of these concerns can be brought where
3 action can be taken. It's not at SBA. Some of our
4 concerns and the opportunities are in other agencies.
5 So if you are available for that, that's from 9:00 to
6 noon tomorrow as well. And it's, again, a public
7 meeting. I'll make sure that we share that before the
8 end of this meeting.

9 I wanted to give a couple of things about
10 where we have been since our last meeting and where
11 we're headed. Some exciting things that I'll start
12 with, making sure we're getting outside the DC bubble.
13 I had my small tantrum that I really do care deeply
14 about federal procurement and the opportunities for
15 veteran-owned businesses and service-disabled vets'
16 procurement, but there's a big world out there beyond
17 DC.

18 We have experienced this for ourselves at
19 National Veteran Small Business Week, which took place
20 the first week of November this past year. There was a
21 presidential message establishing the week, and there
22 were over 100 events held by district offices and our

1 resource officers all over the nation.

2 How many did we reach just with that district
3 office lift? Seven thousand veterans had
4 entrepreneurial training or a panel on lending
5 procurement and general business development basics.
6 We used some of our Boots to Business curriculum to
7 provide some reboot classes, which are two days. Those
8 were in five cities across the United States during
9 that same time.

10 Here in DC we had Vets in Tech join us with
11 Street Shares, and we had everything from Angel
12 Investing Venture Capital, Standard Bank, SBA
13 guaranteed lending and online lending platforms address
14 veteran access to capital. That was lightly attended
15 but hugely impactful, and it's something that we hope
16 to replicate to get the word out about, you can get
17 money out of a wide range of ways. It might cost you a
18 lot if you're higher on the risk curb, but there are
19 opportunities. So that was exciting.

20 Jaime Wood helped and VetFran right behind me.
21 Miriam is here. And a suburb event with Marriott on
22 supple chain diversity with a focus on bringing veteran

1 small businesses into the supply chain, and I think
2 there's an intersection there with federal procurement.

3 We are most likely not going to see increasing
4 dollars in the procurement opportunities, federal.
5 Maybe I'm wrong, but that might be the way it's going
6 to go. And so we are, in several ways, messaging that
7 it's important to have some diversification if you can.
8 And a lot of the activities that make one business
9 successful at better procurement are going to help in
10 the commercial side, and so we are focusing a lot on
11 supply chain.

12 And there is a lot of interest right now from
13 large companies that want to focus specifically on
14 veterans and spouse-owned business, veteran spouses
15 have, as Kathy knows, great desire to be self-employed.
16 There is a distinction between self-employed and the
17 business because there is that locationship that
18 happens as one follows a military spouse, and it is
19 hard to have a growing, thriving multi-person business.
20 But self-employment is absolutely an opportunity that
21 we want to encourage through our policies, through our
22 lending. So you'll hear more from me on that in the

1 coming year as well.

2 Back to National Vet Small Business Week. I
3 just talked about supply chain and the 7,000 we reached
4 through outreach events. There is a model that we are
5 bringing together with DOD, or trying to support what
6 they are doing, and it's called Skill Bridge. It is,
7 180 days out from separation, a military member can go
8 to an apprenticeship or training program if it's low
9 cost or free that's likely to lead to employment.

10 We saw a potential model for this at the
11 opening of Dog Tag Bakery, which his in Georgetown.
12 It's a program that takes active duty folks and spouses
13 and puts them through a training to either work in a
14 bakery or own their own bakery. It is now -- just had
15 its grand opening, and I encourage you to check that
16 out, but that's another exciting opportunity for how
17 the Department of Defense is realizing -- they care a
18 lot about what happens to a service member and their
19 family after they leave.

20 Not only are there some fiscal realities, they
21 pay the unemployment bill if that person goes on the
22 rolls, and 48 percent of people do have a break in

1 employment when they leave the service. I'm not
2 talking about just enlisted or officers. That's
3 everyone. And that they have great interest in
4 resolving, not just for the immediate, but for the
5 long-term.

6 And we do feel that we have a part in that, so
7 labor is also working with us more strongly. We did
8 some partnering with them right after National Vet
9 Small Business Week, and you'll see more of this
10 happen.

11 And I heard, well, is that really in SBA's
12 wheelhouse? Well, I do think it is because labor is
13 stepping up their messaging and saying that they are
14 the HR for small business. Those American job centers
15 are more focused now on what they can do for small
16 businesses. Many small business owners, especially vet
17 ones, want to hire more vets. So we're looking for
18 those synergies there to bring the actions of the
19 federal government together.

20 Coming next year at National Vet Small
21 Business Week, many of you went to the event that was
22 in Atlanta that was hosted by the DA, the National

1 Veterans Small Business Enterprise Engagement
2 Conference. We're going to change the name of it,
3 first of all. I got to say that.

4 We want to help them make it more meaningful.
5 So we are looking for feedback on that, and so is Tom
6 Leney at VA. So please let us know, the earlier the
7 better. I'm talking January, not next December. That
8 would be helpful. And expect to see that event happen
9 the first week in November, and it will be linked with
10 National Veteran Small Business Week.

11 MR. BOWES: Are you going to have input into
12 that event?

13 MS. CARSON: Yes, sir.

14 MR. BOWES: Good.

15 MS. CARSON: All of us will.

16 MR. BOWES: Good.

17 MR. WEIDMAN: Pardon me. May I?

18 MS. CARSON: Yes.

19 MR. WEIDMAN: Is the veterans' community going
20 to have input to that event?

21 MS. CARSON: I'm offering a way through us to
22 have input into that, and I suggest when Mr. Leney is

1 here that could be a topic that we discuss, a little
2 bit of feedback on what that was and what it can be.

3 MR. WEIDMAN: Okay. Thank you.

4 CHAIRMAN FIELDER: For those that attended the
5 event, within the last 24 hours you got the post-event
6 survey.

7 MS. CARSON: There we go.

8 CHAIRMAN FIELDER: I strongly recommend that,
9 that would be an appropriate place to vent whatever
10 dissatisfaction that I heard yesterday in some of those
11 forums.

12 MS. CARSON: One more thing on where we've
13 been, and then I'm going to turn to what's right in
14 front of us.

15 Jaime took the lead in working with USDA --
16 Jaime Wood here -- and went to the very first
17 Farmer/Veteran Coalition Summit Stakeholder Conference
18 out in Drake, and there are so many opportunities
19 available. And it's very appealing to veterans to work
20 the land. A great number of veterans have come from
21 those rural places in America. Some call them the
22 flyover states. That's where -- Middle America is

1 where a lot of vets are going to go home to, and
2 agriculture and the incentives that are available there
3 in support are -- they're exploding. And SBA does have
4 a role in our business development, training, and
5 entrepreneurial learning that we can provide.

6 So I'm excited about where we will be
7 supporting USDA, who has money, grants, to give these
8 vet farmers and some of the programs that are emerging
9 there. I'll give you a brief at our next meeting.

10 MR. WHITE: I'm sorry, Barbara.

11 MS. CARSON: Yeah.

12 MR. WHITE: Are there any kind of numbers
13 about, like I hear a lot of vets want to go into
14 farming. Is that 12 or 12 million?

15 MS. CARSON: Tomorrow at the interagency task
16 force, we will have a rep from USDA briefing. So I
17 don't have his brief with me, but, Jaime, can we please
18 add that to the presentation that I ship to everybody
19 who puts their email address down. That will be
20 something that's added, even though they weren't
21 present today.

22 MS. WOOD: Well, we are -- if you don't

1 mind --

2 MS. CARSON: Sure.

3 MS. WOOD: -- just a caveat. What we are
4 seeing -- and I don't know if they have the numbers
5 because this was the first conference that they had,
6 and the stakeholders there were vets that are already
7 in the farming realm. Some of them are service-
8 disabled, missing limbs, but their equipment has been
9 augmented where they can still be lifted up into a
10 combine; or they can still go work sheep and cattle.

11 MR. WHITE: Right.

12 MS. WOOD: I mean, so -- and there were VA
13 representatives that are in the -- you know, the
14 medical part of it, you know, from psychological to the
15 actual physical medical doctors. There were farmer
16 entrepreneurs who were not veterans that were there.

17 And so this whole community -- and our agency
18 was there. This whole community of about 200 people,
19 and so they've had such strong feedback. They're
20 anticipating about 1,000 for next year. This was in
21 Des Moines at Drake University.

22 And so this is through the Farmers Coalition,

1 which is a nonprofit for farming, and so this coalition
2 of healing, they're finding that veterans are realizing
3 that they just feel better, you know. It could be from
4 PTSD or just physical ailments from the war because
5 this is the longest period of time that America has
6 ever been at war, and with good medicine, battlefield
7 medicine, there's more soldiers coming home, sailors
8 and whatnot, service members.

9 So food security is actually the hook of this.
10 Average age of the national farmer is about 58 years
11 old and some states it's 65 or older, and there's not a
12 generation coming back in to replace it. So the
13 veterans are a natural fit for this. Have to be a type
14 A. Have to be able to, you know, get after it on your
15 own basically, and there's a human making them feel
16 better being with the Earth. So it's really exciting
17 what's happening, and we look forward to tomorrow's
18 brief with USDA. If you can make it, you're welcome to
19 attend.

20 MS. CARSON: All right. And now looking
21 forward, what's right in front of us and consuming my
22 thoughts, and I hope it will yours, so that you can get

1 the word out - Veteran Business Outreach Centers.

2 As you know, there are 15, and 14 of those are
3 re-competing. I expect to have the program
4 announcement out in the next two weeks or so. No
5 matter when it is released, it will be -- the final
6 date for application will be February 12th.

7 What we are looking for is a standard of
8 excellence that they will know all about because we'll
9 train them on the core competencies of SBA, the
10 resources we provide, and they will be integrated with
11 the other resource partners and the district offices.

12 What we're looking for in our criteria is
13 something beyond that as well, and that is specialized
14 skill in one of the three core competencies, access to
15 capital, federal procurement, or education and
16 training. And what I think they need to demonstrate is
17 that they are already a part of an ecosystem that makes
18 them a multi-value organization, and I expect to see
19 reciprocity of service or in kind donations from
20 another organization that will make this successful.

21 The grant size will -- you may have seen the
22 omnibus, and as soon as it's signed, you can be sure

1 that this will happen. But the money allotted to VBOC
2 has gone from 2.5 million to 3 million this year in
3 fiscal '15. VBOC, by statute, does have a role in the
4 transitioning veteran population and services provided
5 there. So we have cleared through our legal that they
6 can be funded also through Boots to Business, and
7 you'll see a larger leadership role for the Veteran
8 Business Outreach Centers and Boots to Business going
9 forward.

10 So to be clear though, when I say that I want
11 to see that they're part of an ecosystem, that doesn't
12 mean that matching funds are required. We do, in
13 Veteran Business Development have the broadest grant
14 authority within the agency. Match has been
15 challenging when strictly defined for some other
16 resource partners, and so it will show in the selection
17 criteria. But I'm not demanding an exact match because
18 that is a very closed door on what that means and what
19 the limits are.

20 In a move to lending and what Annmarie and
21 Linda shared with us today, I am so grateful they came,
22 and honestly I'm more grateful for the attention

1 they've given us because there's been a disconnect.
2 Our office absolutely has a role in communicating
3 what's available, but we sometimes have been behind as
4 being a part of the conversations when the decisions
5 are made about what should be available. And these are
6 challenges that need to be addressed.

7 So here are a few, and perhaps you will have
8 some idea of how to resolve them. For one, as was
9 mentioned this morning, it's optional. You don't have
10 to say that you're a veteran. So I'm having trouble
11 assessing what is the demand for our problem anyway.
12 If you're a vet and you didn't even -- you chose to use
13 a different SBA product, and you didn't have to say you
14 were a veteran to get it, were you serviced somewhere
15 else successfully? What's the communication between
16 traditional lenders and SBA so that I can see?

17 We're just a small sliver. We're not right
18 for everybody. So is it good that numbers are coming
19 down on SBA guaranteed loans because they're more
20 successful in the traditional banks. I'm thinking
21 probably not, but I don't have the research to tell me
22 that. Building through Cap Access, the relationships

1 where I can talk to the trade associations and say what
2 can you share with us; what do you think we could be
3 doing. And I'm already getting a response that is it's
4 nice that you have reduced the borrower fee, but you
5 really need to look at the other side.

6 So Annmarie has seen this. They've done some
7 number crunching. I think they were not surprised
8 because they knew it in the back of their head, but
9 they've turned their attention to why does the chart
10 look different for veterans this way going down versus
11 the rest of SBA lending going up. We have their
12 attention. So, please, if you have input on where I
13 can be looking for better information and the
14 experience that you've had, that would be helpful.

15 I do want to clarify what she spoke of in
16 fiscal '15 when someone asked about the guarantee -- I
17 believe it was you -- for the express program. It's
18 only 50 percent, and that we have in this group. We've
19 discussed this, and I know Rick was in on this
20 discussion too.

21 When we had Patriot Express, which is a pilot
22 program, it wasn't successful in its sunset. The

1 guarantee was 85 percent. There is some activity
2 that's going to change when you lower the guarantee
3 rate to 50 percent. About 350K up to 5 million, which
4 we have, those guarantee rates do vary, and a veteran
5 has a chance to get up to 85 percent in those
6 portfolios. But in the smaller dollar loans where it's
7 already risky, we lost some guarantee. So that's
8 something that I may not be able to touch myself, but I
9 hope to bring enough pressure to bear where I can to
10 relook that.

11 I think that's my update from Veteran Business
12 Development, but if you have questions for me; or if
13 you think that there's something that we should be
14 focused on for action in '15, we'd really love your
15 feedback now or at any time.

16 MR. WHITE: One thing I suggest, like when you
17 were saying the session was not well-attended but a
18 good session on the access to capital and different
19 things. If that was videotaped, it could then be made
20 available to -- you know, now we can hear about it. I
21 would say, oh, I'll go look at it now.

22 MS. CARSON: Mm-hmm. I will talk to Vets in

1 Tech because we are going to do it again, and we will
2 partner with them to see if we can get the resources.
3 That's the other thing. Our shoestring budget for --
4 but that's a great idea.

5 MR. AUMENT: Barb, did you say that the
6 guarantee was reduced to 50 percent, or has it always
7 been that, the 50 percent level for the smaller loans?

8 MS. CARSON: We have an apple and an orange.
9 So there was a program, which was the Patriot Express,
10 which offered veterans an 85 percent.

11 MR. AUMENT: Mm-hmm.

12 MS. CARSON: And now we don't have a program.
13 We have a fee reduction to zero.

14 MR. AUMENT: But the guarantee level though,
15 you say that came down to 50 percent?

16 MS. CARSON: In line with the rest of the
17 Express program.

18 MR. AUMENT: And when did that happen?

19 MS. CARSON: That happened on January 1, 2014.

20 MR. AUMENT: Because I was just curious if
21 there was any correlation to the reduction, the numbers
22 that we had seen.

1 MS. CARSON: No. The numbers were still
2 coming the wrong direction.

3 MR. AUMENT: Trending that way?

4 MS. CARSON: That's right.

5 MR. BAILEY: I have a comment, Barbara, to
6 some of the things that you had stated. And I love
7 your energy, and I'm glad Craig is here as well. I
8 guess for me, where I have a hard time with the access
9 to capital, I believe the challenges are for most --
10 what I call the (inaudible) entrepreneurs. These are
11 the folks who are in the two years of present going
12 into the marketplace. Some of the challenges I have
13 experienced and plus witnessed is really on the cash
14 flow literacy issue.

15 MS. CARSON: Mm-hmm.

16 MR. BAILEY: It's really understanding what
17 you're going in there asking for and being prepared. I
18 think being that some of the programs from EBB, VIP,
19 and others boost the business. If the focus was more
20 on the access to capital literacy, if there was a
21 program specifically targeted at how to position it
22 better and be successful in preparing yourself to go in

1 and engage with lenders, I think it will lend itself to
2 a better outcome in the long run, and then having those
3 programs already established would help.

4 MS. CARSON: Exactly. Okay. I know you have
5 more than one comment. So --

6 MR. BAILEY: No, no. I'm good.

7 MS. CARSON: And I just realized that I
8 completely left out Boots to Business, which we have
9 big developments and changes in. So I want Craig to
10 come up in a moment.

11 I'll make one comment on cash flow literacy.
12 We do have an opportunity with DOD that I don't want to
13 miss, and that's while they talk about the military
14 lifecycle now --

15 MR. BAILEY: Yeah.

16 MS. CARSON: -- they're not just going to wait
17 until somebody is walking out the door and say, here's
18 your package. Hope you do well. Good luck.

19 MR. BAILEY: Right.

20 MS. CARSON: They are now saying from day one,
21 every time you're promoted, have a child added, or a
22 wife added, or you move, you'll be called in for

1 counseling, you know, that relates to where that
2 milestone has just taken you, and talking about
3 finances is one of them. I can't do the lift yet to
4 say business finance is something I can get in there,
5 but that is something that we're trying to encourage.

6 MR. BAILEY: I understand, yeah. But what I'm
7 offering is, is that in these programs, not only the
8 business credit, which is really a personal credit when
9 you're starting out. So gauging that and understand
10 the importance of having your own personal credit line
11 gives you a better foothold, and I believe those
12 programs really are -- to me, the nucleus of where that
13 should be really emphasized.

14 MS. CARSON: Do you mind if I pause here for
15 Boots to Business, or do you want to --

16 MR. BAILEY: No, no. Go ahead. That's fine.

17 BOOTS TO BUSINESS

18 MR. HEILMAN: Hi. Good morning, everybody,
19 Craig Heilman. As Barb mentioned, I'm program
20 director, and Boots to Business falls under me. And
21 I've had the opportunity to brief this group before in
22 the past, and so I'll just give you a brief update.

1 But I will start with Robert's question and
2 talk to the financial literacy part and, specifically,
3 what is in the curriculum that kind of gets at the new
4 entrepreneur that needs to come and pitch someone, some
5 investor and be able to speak to their cash flow and
6 other elements of the financials in a way that's going
7 to compel that investor --

8 MR. BAILEY: Right.

9 MR. HEILMAN: -- and certainly understand that
10 the day-to-day business operational experience in some
11 cases, particularly for our transition veterans, might
12 not be there. They might not speak that language.

13 So I just want to highlight on the Boots to
14 Business, and our team from Syracuse is here, Dan
15 Cohen, and Mike Schenic (phonetic), and Laura Rachel
16 (phonetic), and Clyde that they are here. We went
17 through a whole yearlong process bringing in Boots to
18 Business instructors to look at the curriculum that
19 we're offering, and that was the biggest change that we
20 made to the two-day piece of it. And the two-day piece
21 of it is the introductory piece, is entrepreneurship
22 right for me; is business ownership right for me. So

1 we are focused on that, primarily just that basic life
2 decision. But in the part of it that is the basics
3 business education, you know, leading into any follow-
4 on training to really go after the business plan and
5 the rest, that was the biggest change was adding in
6 more of the basic P&L, more focus on the income
7 statement.

8 MR. BAILEY: Right.

9 MR. HEILMAN: So I appreciate that comment.

10 Otherwise, with respect to Boots to Business,
11 most of '14 was doing -- our theme was kind of startup
12 to scale up, but a lot of that work was taking all the
13 -- you know, the startup piece, everybody knows you got
14 some initiative, and a few people, and a lot of
15 innovation. And that brought us Boots to Business, and
16 now it's all the fun stuff, process, and procedures,
17 and more people.

18 And so we spent a lot of time working on the
19 operations aspect of it. Going global, so we're real
20 excited to get overseas, and we've now -- geez, I've
21 lost count on how many countries -- we're everywhere.
22 And really it's been well-received, and average class

1 size is higher overseas than it is in the US, the
2 overall community engagement, spouses. You know, as
3 you can imagine, it's a little tighter over there in
4 terms of taking advantage, and they're thrilled to be
5 able to not be shorted some of the opportunity that the
6 folks get through transition here. So we went
7 overseas. It was a big deal in fiscal year '14.

8 The numbers continue to grow. We were just
9 about at 15,000 for total that went through the two-day
10 program in fiscal '14. Fiscal '13 was somewhere around
11 6,000, and we didn't start until January. So it's not
12 a true comparison, but we do continue to grow.

13 We're grateful to Congress and the
14 administration for resources us. When the (inaudible)
15 was signed out yesterday, we got our full budget plus a
16 little bit, and we're using that money, again, to work
17 on our operations, to fund the partners that are
18 helping us.

19 I won't call out some of the other parts of
20 TAP that don't have our model where we're able to
21 utilize our partners in the nonprofit center out there,
22 but the difference in terms of what it costs the

1 taxpayer is great; and I'm glad to be able to have that
2 comparison, if it ever comes up, what a value this is
3 to the taxpayer.

4 So shoring that up but making sure the
5 partners do get reimbursed for their time and their
6 travel, and we're able to sustain that, adding to the
7 VBOC and helping them be the integrators of all of this
8 in places where we might be light on other support.
9 The district offices are thin. The VBOC are able to
10 come in and really make sure that all the demand is met
11 as well as help train and promulgate best practices.
12 So we're focusing on that.

13 And then the other piece is going to be
14 (inaudible), you know. We've got the model. We're
15 getting the product out the door consistency and the
16 quality. It's about making sure that everybody knows
17 and that the outreach is there; and so a lot of focus
18 on the outreach.

19 And then coming to the most important element
20 of all, which is the outcomes. And so starting to do
21 the work on survey and our first couple cohorts to come
22 through to see what our business formation rate is, and

1 some of that -- you know, everything comes back to
2 being an IT problem sometimes it seems like, but some
3 of that is tying all of our systems together.

4 So Barb had mentioned and we talked about it
5 at the Capital, you know, checking a box to say that I
6 was a veteran. Same thing, checking a box to say that
7 I started thinking about this in Boots to Business. My
8 initial training came from Boots to Business, and now
9 I'm at Syracuse or one of the partner schools doing
10 eight-week follow-along training; or I'm at school, or
11 I just got a mentor. Robert is mentoring. However it
12 is that, that veteran is continuing in the process that
13 we're able to account for that, find them, and see how
14 they've done, and build on the program from there.

15 So those are the three areas we're really
16 engaged in. We're excited the program is continuing to
17 grow. We're thrilled about the support that we get
18 from everyone, including our agency partners and DOD.
19 That's been a great journey for us as we've gotten
20 really engaged in a big robust interagency process.
21 They keep laughing when, you know, two of us show up on
22 every committee because DOD loves to have lots of

1 committees and lots of governance, and we're not that
2 many people. So we're on every committee, but we've
3 been able to really -- they've really lifted us up in
4 terms of -- you know, by being able to report through
5 the interagency and leverage some of what the other
6 agencies are doing. It's helped us grow faster. So
7 we're glad about that.

8 So that's it from Boots to Business, and thank
9 you. It's great to see this committee has grown, and I
10 really appreciate the support that you give us because
11 we can't do it in a vacuum here.

12 MS. CARSON: I'll turn it back over to you,
13 Chair. Public comment, questions.

14 CHAIRMAN FIELDER: Public comment. And we're
15 going to open it up to public comment. Those that are
16 on the sides here, if you want to --

17 MR. WHITE: Before you do that, I just want to
18 thank Craig and all the partners. You guys have done a
19 great job on this thing, and it's -- you know, if
20 you're talking to him, you turn around, sit down, and
21 do what he says. But between Syracuse, and you guys,
22 and all the things you're doing, and VetFran, I mean, I

1 just think things are happening and coming together
2 that make me feel good about being involved.

3 MR. BAILEY: And you make a good point. And,
4 Craig, I mean, I've been to Syracuse VIP, a number of
5 programs under Craig's, you know, guidance there, and I
6 like that energy. He and I were having a sidebar
7 trying to discuss ways of how to show that linkage for
8 growth progression. So when you graduate from one
9 program, how do you go in? More importantly, you have
10 veterans that are falling out.

11 MR. HEILMAN: Sure.

12 MR. BAILEY: So the question is how do you
13 capture those ones who are challenged?

14 I traveled actually out West about a month
15 ago. It was one little business that went through one
16 of the programs, leave nameless, but then she was
17 disenfranchised because she wasn't able to get the
18 government procurement. She put her -- you know, she
19 took the challenge. She went out there, but, you know,
20 it took some tweaking and some (inaudible).

21 So I'm working with her on the side, but more
22 importantly, she wasn't -- she was overwhelmed with the

1 amount of resources that are out there and didn't know
2 how to parse away what's really important for me right
3 now, the here now, to survive. But referring her back
4 to those programs, look at your guides, you know, some
5 help that I gave her, she's doing much better.

6 So, you know, my concern is just the ones who
7 are really going out there that are falling off, and
8 the ones that are in between trying to start a business
9 in the medical centers. That's something that we can't
10 solve here, but it's something to consider because they
11 get frustrated. And how do you really keep that
12 enthusiasm involved? And I think working with the
13 programs that Craig has is very important.

14 MS. ROTH-DOUQUET: Craig, Kathy, Roth-Douquet,
15 with Blue Star Families. We are big fans and love
16 partnering with you all. How many military spouses
17 have gone through the program?

18 MR. HEILMAN: We're 22 percent female. Not
19 everybody reports accurately on spouse. You know,
20 sometimes the spouse will come in and just, you know,
21 check the rank box for their significant other.
22 Sometimes they won't report at all. We don't mandate

1 that they report on the demographics.

2 But between 22 and 25 percent female depending
3 on, you know, the quarter. So in total we're just
4 under 20,000 total. So a quarter of that would that be
5 your total kind of spouse/other category, and we're
6 thrilled by that just because we know the services are
7 12 to 13 percent female. So we've got more --

8 MS. ROTH-DOUQUET: But you don't specifically
9 target if someone is a spouse?

10 MR. HEILMAN: Well, we do specifically target
11 in terms of they are eligible to receive the --

12 MS. ROTH-DOUQUET: But you can't tell if
13 that's what they are, if they're a spouse?

14 MR. HEILMAN: Well, we can if they check
15 spouse. We --

16 MS. ROTH-DOUQUET: Separate from being female?

17 MR. HEILMAN: Separate from being a dependent
18 or -- dependent is what they would check.

19 MS. ROTH-DOUQUET: Yeah.

20 MR. HEILMAN: So, no, I don't have that
21 specific.

22 MS. ROTH-DOUQUET: But all female veterans and

1 all female spouse.

2 MR. HEILMAN: Right. That's assuming
3 spouse/female, which is a reasonable assumption but not
4 an accurate -- but not an accurate assumption.

5 MS. ROTH-DOUQUET: So how many are dependents?
6 Let me ask you that.

7 MR. HEILMAN: I'll have to check.

8 MS. ROTH-DOUQUET: Okay.

9 MR. HEILMAN: I'll have to check because it's
10 open to spouses but not dependents right now. The
11 transition services are open to spouses but not
12 dependents, so we don't track that.

13 MS. ROTH-DOUQUET: So a spouse is a dependent.
14 I don't like that term. But that's what they're
15 considered for DOD?

16 MR. HEILMAN: Well, I don't -- they're not --

17 MS. ROTH-DOUQUET: I wish I wasn't, but I'm a
18 dependent as far as the DOD is concerned.

19 MR. HEILMAN: Right.

20 MS. ROTH-DOUQUET: Right. And, you know, 10
21 percent of military spouses are male, and I think
22 they're great -- they don't target to attend this. We

1 certainly want to help you work on getting the number
2 of -- this is in our interest to get the number of
3 spouses up, but it would be great to know what the
4 number was separate from the number of females because
5 a certain percentage of females aren't military
6 spouses.

7 MR. HEILMAN: Understood, understood.

8 MS. ROTH-DOUQUET: Yeah. So I don't know if
9 you have the ability to track that number, and if you
10 do, I'd be interested in it.

11 MR. HEILMAN: We do as we work through
12 changing the way that the registration and the front
13 end demographic collection works. We were kind of
14 beholdng to the way that it had worked in legacy, as
15 you refer to, and so we'll make sure that, that is
16 reflected accurate. I'm pretty sure that it is in
17 terms of what we've done with the registration, but
18 I'll check it.

19 MS. ROTH-DOUQUET: And I think it's also true
20 that often true that often military spouses are trying
21 to hide that, that's what they are because they think
22 they won't be as welcome. So I think that's an issue

1 just to be aware of.

2 MR. HEILMAN: Yeah. I mean, I can say that we
3 certainly made a conscious decision to open it to
4 spouses and not dependents and are saying spouses.
5 What I can't speak to from the DOD perspective is
6 whether that's totally reflected in everything that
7 they're tracking outside of what we're doing as SBA.
8 So that's a very good point.

9 MS. ROTH-DOUQUET: Yeah. Thanks.

10 CHAIRMAN FIELDER: Other questions?

11 MS. BREWER: Not a question, just a comment.

12 MS. CARSON: Can you come up to the microphone
13 please?

14 CHAIRMAN FIELDER: So we're going to go
15 officially to the public comment period, all right.

16 MS. CARSON: Okay.

17 CHAIRMAN FIELDER: Okay. Let's do that.

18 PUBLIC COMMENT

19 MS. BREWER: Good afternoon, I'm Miriam
20 Brewer. I'm with the International Franchise
21 Association. I actually don't run the VetFran program.
22 That program actually -- we are in the process of

1 looking for another coordinator, so I was just trying
2 to make a plea. If you know of individuals that -- and
3 we would prefer to have a veteran in that position that
4 would fit that role. We certainly would love to hear
5 from you.

6 As you're aware, the -- I'm going to assume
7 you're aware -- the VetFran program has been in
8 existence since Desert Storm, and we are proud that we
9 have over 650 of our franchise member companies
10 involved in the VetFran program, offering discounts to
11 qualified veterans to become franchise owners and their
12 spouses. And since 2001, 5,100 veterans have become
13 business owners. So -- and over 151,000 have become
14 business owners and/or employees of franchises.

15 So again, I'm thankful for being here. I'm
16 not representing the program, but we are looking for a
17 VetFran coordinator. And I would love, if you have
18 individuals that you think may work, please give me a
19 call, or I can give you my card because we hope to have
20 someone in place before the end of next month. So it's
21 going to be a quick turnaround.

22 MS. CARSON: Do you have a position

1 description?

2 MS. BREWER: Yes. I can certainly email that
3 to you because I can't elaborate off the top of my
4 head, but I will certainly email that out to all of
5 you.

6 MR. O'FARRELL: And just for the record, what
7 is your position?

8 MS. BREWER: My position, I'm Senior Director
9 of Education and Diversity.

10 MR. O'FARRELL: Okay.

11 MS. BREWER: So my role is to educate the
12 general community about what opportunities exist in
13 franchising. So whether it's women, minorities, just
14 diverse communities about opportunities or franchising.
15 I work with our members. I work with mayors, members
16 of Congress to do educational programs in their cities.

17 I also work with our member companies that
18 somehow say that, you know, we would love to have more
19 diverse people in franchise, and we don't know where to
20 find them. I help them find them, and so that's my
21 role in, again, education and diversity.

22 MR. O'FARRELL: Thank you.

1 MR. MUELLER: And I'm assuming the position is
2 here in the DC area?

3 MS. BREWER: Yes, it is. And our office just
4 moved right before Labor Day. We're located at 1900 K
5 Street Northwest.

6 MR. WHITE: Kevin Valantra (phonetic) is not
7 involved anymore?

8 MS. BREWER: No. Kevin left two weeks ago to
9 explore other opportunities.

10 MR. WHITE: Okay.

11 MS. BREWER: Thank you.

12 MS. CARSON: Thank you.

13 CHAIRMAN FIELDER: Are there other comment?

14 MR. WEIDMAN: Thank you for the opportunity.
15 I mentioned before that it literally is 15 years and 4
16 months to the day since 106-50 was enacted. So a lot
17 of the things that we're still talking about really
18 revolve around -- and all of the subsequent laws and
19 executive orders -- all were trying to get 106-50
20 implemented correctly across the government. And we
21 needed the electoral definition and creation of STBOBs
22 and BOSBs, which we had never had before in order to

1 start to do anything.

2 But I guess what I'm trying to push is a sense
3 of urgency. This administration has two years left.
4 Effectively they've got between now and next December,
5 a year from now, so that your work and pushing the
6 interagency task force to get revitalized --

7 They haven't delivered a report. There was
8 one due September 30th in 2013, and there was one due
9 September 30th in 2014 and neither one has come
10 through. Unofficially I have heard, that the problem
11 is VA. So you may want to ask Mr. Leney if he has
12 fulfilled his part in that report, but in any case, it
13 needs to go to the president.

14 If you don't get that through and on the radar
15 of the domestic policy council literally within the
16 next three to five months, you're never going to get
17 anything implemented in the rest of this
18 administration, which means you start all over again in
19 January 1, 2017.

20 So it is that sense of urgency that I press on
21 you. If you have a contact list, Ed, particularly with
22 emails, I'd be glad to make sure that everybody gets

1 the minutes of Vet Force, and if there's things that
2 you think that we need to address with a broader
3 community, by all means any of you, just contact myself
4 or Joe anytime, Joe Wynn. I know we have that sense of
5 urgency and are really going to press on the new
6 Congress.

7 It's always a mix. We work both sides of the
8 aisle no matter what the issue, both VVA and Vet Force.
9 I will tell you it's been -- we've gotten more done for
10 small business when the Republicans have controlled the
11 House, and that's largely because of the individual who
12 is now the ranking Democrat on that committee. And
13 that's not an ad hominem argument. It's a fact. You
14 can go look it up, and we'll point you to the places
15 you need to go.

16 But I will say that in terms of education of
17 yourselves, I would encourage you to go back and read
18 all of the laws, and certainly Barbara can provide that
19 to you, plus both of the executive orders, as well as
20 the presidential letters having to do with veteran
21 small business.

22 And most importantly to go back and read the

1 committee report for 106-50. It's well written. It's
2 a fairly long document for a committee report and was
3 accepted when it went to conference, the bill, as the
4 conference report by those in the Senate. And it
5 explicates everything that we're talking about now,
6 about the way in which they envisioned the law to work.

7 So when people say, well, you know, this,
8 that, and the other thing, it's not reasonable that
9 after 15 years they can't even start to measure
10 subcontracting. I mean, it's just dereliction of duty.
11 That's not Barbara. It's above her pay grade, but the
12 point is this: nobody has put the pressure on the head
13 of this agency or on OMB.

14 And you all are perfectly situated in order to
15 do that. I can tell you that Vet Force is going to
16 start to do that big time in the coming Congress and
17 hitting the vested policy council and the White House
18 directly all the way up to Dennis McDonough, who is a
19 veteran and should be placing more emphasis on this.

20 So that's my pitch. That's my plea to you all
21 is to acquire that sense of urgency even more than you
22 have now, and I'm hopeful -- I know VVA does, and I

1 suspect Allegiant will, but we need to motivate all the
2 VSOs to start to have that sense of urgency because if
3 you want to do something about veteran employment among
4 the young people coming home, it's useful to remember
5 that 40 percent of those on active duty today come from
6 towns of 25,000 or less. Think about that a minute.
7 That's the most rural Army we've fielded since World
8 War I.

9 MS. CARSON: Can you say that again?

10 MR. WEIDMAN: Sorry?

11 MS. CARSON: Say that statistic again.

12 MR. WEIDMAN: I'll say it again, 40 percent of
13 those on active duty roughly -- it varies a little bit
14 because Guard and Reserve are now fulfilling over 50
15 percent of those on active duty -- come from towns of
16 25,000 or less.

17 What that means is when people separate, and
18 the majority are the junior enlisted and in some cases
19 the company-grade officers, many of them are going to
20 want to go home because that's where their family is.
21 That's where all their ties are. Well, when they go
22 home, they're not going to want to be slinging grain

1 sacks down at the ag way. So self-employment and micro
2 business is really essential for that group, not just
3 for the numbers for small business opening up; but that
4 creates jobs, and they'll hire other veterans. And it
5 is the job creation for veterans, and particularly
6 disabled vets and recently separated vets that from our
7 point of view at VVA and at Vet Force has always been
8 the strongest motivation.

9 So I'm just kicking that out to you all.
10 Thank you.

11 CHAIRMAN FIELDER: Thanks, Rick.

12 Mr. Bowes?

13 MR. BOWES: Yes, sir. I just wanted to add
14 something to the previous statement on 106-50, and I
15 wanted this gentleman that made the comment to know
16 that based on my previous discussion with Ms. Carson,
17 Mr. George Johnson of Netherwood Consulting Group, we
18 did a review of the veterans and service-disabled
19 veteran-owned business statistics for the SBA
20 scorecard.

21 And when we had an opportunity to take a look
22 at that, we were concerned about the methodology. Mr.

1 Johnson took my statement. I said, George, look,
2 something is wrong with these statistics because all
3 these agencies have As for small business, but if you
4 look at the veteran-owned businesses and the service-
5 disabled businesses, they're getting failing grades.
6 You can't get an A with a failing grade in veterans and
7 service-disabled veteran-owned businesses.

8 By example, if you have \$100 million contract
9 and you have a \$30 million requirement, you may meet
10 the \$30 million requirement for small business, but in
11 terms of vets and service-disabled, you may have a zero
12 or you may have 12 or 18 percent. So instead of me
13 going through all the statistics, I'm just going to
14 take one agency, Ms. Carson, if you don't mind.

15 MS. CARSON: I would --

16 MR. BOWES: Well, it's public information.

17 All right. It's public information.

18 And this refers, sir, to your statement. In
19 this example, the Department of Education got an A in
20 its scorecard, and it's -- you know, it's public. But
21 in veteran-owned business, out of a score of 100 for
22 prime contracted, they got 28 percent. I don't know

1 what school you guys went to, but where I went to, if
2 you got a 28 percent and took that report card home,
3 I'd have got a belt. Okay. You can't get an A with a
4 28.

5 In terms of subcontracting, which has been my
6 sensitivity since we did 95507 and tried to work with
7 dealing with prime contractors, they got 16.67 percent.

8 Now, how does that relate to loss of economic
9 opportunity? In the first instance is 56.57 million.
10 In the second instance, based on overall budget of
11 Department of Education of 2.6 billion, that's \$65.48
12 million. That's over \$110 million right there. You
13 can't get an A in not doing what you're supposed to do
14 for the veterans.

15 The good news is, Ms. Carson and Mr. Chairman,
16 the gentleman that gave the presentation of government
17 contracting, I had a talk with him during the break.
18 And he said, Mr. Bowes, I understand your concern. I
19 said, yeah, because we have to sit down and deal with
20 this methodology. He wants to have a meeting, and Ms.
21 Carson, I hope you can make that meeting with us. So I
22 just want to let you know.

1 And, sir, I agree with you 100 percent, but
2 I'm going to end it saying you can't make an A without
3 having good grades in veterans contracting. Thank you.

4 MR. BAILEY: What's the date of your
5 information, your data?

6 MR. BOWES: This is current. All this is -- I
7 mean, it's published.

8 MR. BAILEY: I just wanted the date, this
9 year --

10 MR. BOWES: Yeah.

11 MR. BAILEY: -- the fiscal year '14 or '13?

12 MR. BOWES: But I went to SBA and just pulled
13 it.

14 MS. CARSON: '13.

15 MR. BAILEY: '13. Okay. I'm just trying --

16 MR. BOWES: The one that's most recent at SBA,
17 but I think it's '13.

18 MR. BAILEY: Since the data is older, I just
19 want to make sure, for the record, we put a date stamp
20 on the date.

21 MR. BOWES: Yeah. It's the most recent data
22 published by SBA --

1 MR. BAILEY: Okay.

2 MR. BOWES: -- on their site.

3 MR. BAILEY: All right.

4 MR. BOWES: But you understand the concern?

5 MR. BAILEY: I understand. I just wanted to
6 make sure the date is stated. That's all.

7 MR. BOWES: Yeah.

8 MR. WEIDMAN: It's FY 2013, and FY 2014 is not
9 due until the end of January.

10 MR. BAILEY: Thank you, Rick. That's all. I
11 just wanted to --

12 MR. BOWES: That subcontracting is a very
13 sensitive area among these guys. I've been involved in
14 small business for a long time, and I'm glad you're
15 pushing that, sir. I appreciate it. 106-50.

16 MR. BAILEY: Got it.

17 MR. BOWES: Thank you, Mr. Chairman.

18 CHAIRMAN FIELDER: Barbara, could I ask you to
19 do something? It's something that Rick talked about.

20 When I first joined the committee, all of the laws and
21 executive orders to do with, not only this committee
22 but the task force, we were all given them. And up

1 until the last group of folks that joined us, I kind of
2 championed getting that information to everyone.

3 MS. CARSON: Absolutely.

4 CHAIRMAN FIELDER: But in addition to that,
5 the full -- I do not have this -- the full 106-50 law
6 for education, as Rick wisely told us, if we could get
7 those. I think it's essentially five to six documents.

8 MS. CARSON: Okay, sure. I think we also need
9 to make those more easily accessible on our
10 SBA.gov/veterans. That would be a lot better than
11 taking on the responsibility to make sure everybody
12 gets emailed. We will do that, but for those who
13 aren't here, we need to get it there on the website.
14 So I'll follow up with you on that link.

15 CHAIRMAN FIELDER: Because what I'd like to
16 do, at least for the education process of the new
17 members -- actually, I need to more fully, Rick,
18 explore 106-50, as it leads to a larger part of this.

19 MR. WEIDMAN: We'll get you the committee
20 report.

21 CHAIRMAN FIELDER: Yeah. And any time any
22 other veteran support organization wants to send the

1 committee its meetings, if you want to send it to me
2 personally, I will distribute it to the other committee
3 members.

4 Any other public comment?

5 (No response.)

6 Okay. Lunch, this time it's the right lunch.

7 MS. CARSON: And we are going to be in place
8 at 2 o'clock for Administrator Contreras-Sweet?

9 CHAIRMAN FIELDER: Please, please. In fact,
10 be back here 15 minutes early so we can make sure that
11 we got our act together.

12 MS. CARSON: Thank you.

13 (A lunch recess was taken from 12:45 p.m. to
14 2:02 p.m.)

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1 A F T E R N O O N S E S S I O N

2 CHAIRMAN FIELDER: Okay. Guys, we're going to
3 go ahead and get started. The administrator is
4 delayed. She'll be here in 15 minutes, so we're going
5 to move to Tom and get started. Tom is going to be
6 watching the door, and he's going to sound the trumpet.

7 Tom Loney is the Executive Director of the
8 Office of Veterans and Small Business Programs at the
9 VA. He had a huge conference last week. We were just
10 chatting about it in (inaudible), which I thought was
11 very good. It seems to kind of get bigger and better
12 every year, even though some picking will find little
13 things to take and quirk about. But I'd like to
14 congratulate him for that.

15 MR. LENEY: Thank you.

16 CHAIRMAN FIELDER: And I've asked him to come
17 and talk about the verification programs and what's
18 going on with them and sort of give us an overview of
19 his larger programs, and he has graciously agreed to do
20 that.

21 So he's going to get started, and as soon as
22 the administrator comes through the door, he's going to

1 go. I'm out, and we're going to do that. And then
2 we're going to get back on him.

3 MR. LENEY: Okay.

4 VA OFFICE OF VETERANS AND SMALL BUSINESS PROGRAMS

5 MR. LENEY: Thank you for inviting me. It's a
6 good opportunity to give you guys a little bit of an
7 update. I want to give you an overview and then take
8 any questions you have.

9 Verification has changed a lot in the last two
10 years, and a lot of people have a challenge sort of
11 keeping up to where we are now versus where we were two
12 years ago. Two years ago the (inaudible). Now what
13 you find is -- for example, in 2012, the average
14 initial application time was 110 days. The target was
15 60. The application time is now under 40, okay.
16 Request for reconsideration time two years ago was 120
17 days. Now it's about 21 days.

18 We extended the verification period. We now
19 have instituted a very, I think, valuable and effective
20 program that's called predetermination and findings.
21 What we do is we evaluate a package. We establish some
22 findings, and we notify the vet and say, hey, here's

1 what we found. You got a couple of choices. You can
2 fix what we found. You can walk away, or we will
3 continue to move forward to determination.

4 The result of that approach is now we do
5 approvals on about 93 percent of all of our initial
6 applications, and the other 7 percent, interesting
7 enough, is largely people who, for whatever reason,
8 internal reasons in the company, can't make a change to
9 their business model.

10 As has historically been the case, the biggest
11 challenge to vets being verified in this program is
12 business model. The business model is defined by the
13 valuation.

14 So where we're at right now is a lot of people
15 -- the process is still rigorous. The standards are
16 still high, but people's main concern right now is the
17 rules. They don't like the rules.

18 We have initiated a rule change process, which
19 is a very long and laborious process. It is now going
20 through the final wickets at the VA. Our effort is to
21 make the rule a little more consistent with what we
22 call normal business practices.

1 But there's a really important thing for
2 everybody to understand about the rules. There's a
3 giant myth out there. There's a myth that the VA
4 created rule, special rule for the Vets First Program,
5 and that, that rule is onerous, inappropriate, and
6 compared to the SBA rule, is much more laborious.
7 That's a myth. It's absolutely a myth. The two
8 regulations are essentially the same.

9 There's a couple legislative differences. For
10 example, we allow the spouse of a 100 percent disabled
11 veteran who died as a result of the disability to
12 retain control of the company. The SBA doesn't allow
13 it.

14 The only other one is we have a difference in
15 what I call split voting -- and that's something that
16 we're fixing in our rule change -- which is in the VA
17 regulation, if you have three people on the board, two
18 are vets, one is a non-vet. Our Office of General
19 Counsel said if you have a vet and a non-vet gang up on
20 a vet, that's not eligible.

21 Frankly, I'll be honest with you, it doesn't
22 pass the common sense test because now add people to

1 the board. If you have 100 vets on the board and 1
2 non-vet, the problem with our rule is if you have 50
3 vets plus a non-vet that can outvote 50 vets, not
4 eligible. So essentially what it means is boards end
5 up being advisory organizations.

6 So that's probably in my mind the biggest
7 single difference between the SBA and the VA, one
8 difference. But again, there's this myth out there.
9 We're all for having -- we have no objection to
10 adopting the SBA's rule. We think the SBA rule and the
11 current VA rule is still a little onerous, so we're
12 going to a rule change to make the rule, like I said, a
13 little more consistent with common business practices.
14 That will cause the two regulations to diverge.

15 If there's legislation or if we're able to
16 reach an agreement with the SBA, that's fine. If not,
17 we're going to push ahead because our view is we want
18 to make this regulation a little more amenable to
19 businesses.

20 So majors changes in process. We're
21 anticipating some changes in the rule here, but to be
22 honest with you, it's going to take another either

1 months to get through that process.

2 We've done a lot of work on sort of our
3 customer service side. My central focus right now is
4 improving the customer experience, and one of our
5 challenges is we approached this sort of like an
6 assembly. When you're at 110 days to get initial
7 approves and 120 days on requests for reconsideration,
8 and you've got a huge backlog, what do you do? You
9 make sure you can turn the crank and get people through
10 the process. Now that's not an issue.

11 So once we got that, we eliminated the
12 backlog. That's when we started the predetermination
13 findings program, and now what we're looking to do is
14 how do we improve the customer experience.

15 We have some challenges. One of our major
16 challenges is still with our management information
17 system. It is what it is. We've made some steps to
18 improve it, but that's a contracting issue. We led a
19 contract. It turned out not to be successful and we
20 had to terminate it. Now we're letting another
21 contract. Do I like that? Heck no. Is it a reality
22 in the procurement process? Yes.

1 So what do we do when a contract doesn't work?
2 You terminate it, and you do it over again. And
3 that's where we are right now.

4 I think once we get a new management
5 information system in place that actually supports the
6 process, the customer experience will be much less
7 problematic, you know, because we have problems in our
8 information system uploading documents, those sorts of
9 things.

10 And those things, I understand, they frustrate
11 people. You go to upload a document, first you're
12 frustrated by the amount of documents required, and you
13 can't get it uploaded. That's -- you know, I have sat
14 there shoulder to shoulder with vets as they go through
15 this process.

16 So I can not only sympathize, I can empathize.
17 I understand what they go through, and we've tried to
18 address that by having counselors. We have 300 plus
19 counselors that at no charge to the veteran can help
20 them through this process. We do pre-application
21 workshops to give people sort of tips and tricks to get
22 them through the process. We try to continually

1 increase the amount of communications we get, so when a
2 person runs into a problem, they know -- they
3 understand, hey, this isn't me. This isn't something
4 that's failing. Here's how I have to (inaudible).

5 I think there's been a lot of work done. A
6 sign of that was we just came back from Atlanta. We
7 had two town halls for verification, which is an
8 opportunity for people there in Atlanta, if they had
9 issues with verification to come and give us some
10 feedback. First town hall we had 4 people, and the
11 second town hall I left after 15 minutes into it
12 because there was nobody there.

13 So I can remember two years ago standing room
14 only town halls, where a lot of people had a lot of
15 things to say. So that's an indicator in terms of our
16 feedback, the progress we've made.

17 There's a lot of people who sort of think
18 legacy terms. I still talk to a lot of vets. I talk
19 to a lot of people who have been through the process.
20 They say, oh, it's a horrible process. I said, when
21 did you go through? Oh, I went through 18 months ago.
22 Well, that's a different process. Or I went through

1 two years ago, and I'm not coming up on verification.
2 I'm all uptight because the process was so bad, and
3 it's going to be bad again. My view is, no, it's a
4 much more streamline process. So that's -- I guess
5 that's a little bit of a commercial.

6 There is a movement afoot by some folks to
7 move verification to the SBA. From bureaucratic
8 perspective, in my view, it would be great. Do it.
9 Why? It takes a load off my back.

10 From a veteran perspective, I have a different
11 view. And I remember when I talked to Secretary
12 Shinseki, back in the early spring, and we were talking
13 about this. Do we move? Do we support the move of
14 verification to the SBA?

15 His fundamental question was, Tom, in your
16 judgment, will it be better for veterans? And while
17 there is a piece of me that wants to say, yes, I don't
18 have to do that anymore, I had to tell him, no. It
19 won't be better for veterans, and that's my
20 perspective. That is also the VA's perspective. So
21 the VA does not support the move of verification to the
22 SBA. It certainly does not support if the VA is going

1 to continue to pay for verification and have some other
2 ways to do it.

3 We've invested a tremendous amount of time,
4 energy, blood, sweat, toils, and tears, and resources
5 in the verification program. We've made a lot of
6 changes, made a lot of improvements, and my view is
7 what I tell people. I say, okay, what do you got to
8 see to be comfortable with it?

9 So with that, I'm happy to take questions,
10 feedback, comments.

11 MS. ROTH-DOUQUET: I just wondered if you
12 could elaborate why it wouldn't be better for veterans.

13 MR. LENEY: Because the VA has a Veteran's
14 First program, okay, where we put \$3.9 billion into
15 veteran-owned small businesses, procure them. We are
16 committed to the success of this. When I came on
17 board, I got a two-line mission statement. The first
18 line was fix verification, okay.

19 Why? Because in the VA, veterans are first.
20 So this is important to us. It is manifested by the
21 fact that my budget has doubled every year to get it
22 done.

1 MS. ROTH-DOUQUET: So are you saying it's
2 better for veterans because you think the priority on
3 veterans is higher in the VA than it would be the SBA?
4 I'm just trying to respond.

5 MR. LENEY: Well, yeah, by definition. At the
6 VA, vets are first. At the SBA, they have parity
7 amongst all the socioeconomic categories.

8 MS. ROTH-DOUQUET: So you think that the
9 attention they'll get by keeping it there would be
10 better?

11 MR. LENEY: I think so. Yeah.

12 MR. BAILEY: Tom, let me ask a question with
13 regards to the program. Let's just say -- I've been
14 through the program.

15 MR. LENEY: Sure. I notice you got the
16 button.

17 MR. BAILEY: That's right. That's right.
18 Matter of fact, it wasn't that bad for me.

19 MR. LENEY: How long ago did you go through
20 it?

21 MR. BAILEY: I went through two years ago.

22 MR. LENEY: Okay.

1 MR. BAILEY: Yeah. Wasn't that bad.

2 MR. LENEY: You were lucky.

3 MR. BAILEY: Yeah. It wasn't that bad. So
4 here's what I want to understand in regards to what I
5 always call the new era. Entrepreneurs go back three
6 years today.

7 MR. LENEY: Mm-hmm.

8 MR. BAILEY: Once an entity has been
9 determined and certified under the program and they're
10 certified, I think there's some concern out there with
11 veterans saying, okay, we're approved now. Where are
12 the programs that actually support --

13 MR. LENEY: Excellent question.

14 MR. BAILEY: How do we get that? Because, as
15 you know, there's contract vehicles out there that
16 block folks from --

17 MR. LENEY: Excellent question.

18 MR. BAILEY: Help us understand that.

19 MR. LENEY: Yes. That's an excellent
20 question, and that's my focus right now.

21 Now that we've got verification -- it's not
22 where I want it to be completely, but it's, you know,

1 well on the way. My focus is let's make it matter.

2 MR. BAILEY: Right.

3 MR. LENEY: Okay. Now, there's a variety of
4 small businesses. Some people say I'm verified.
5 Where's my contract? Frankly, that person isn't ready
6 to do business with the federal government. They don't
7 understand --

8 MR. BAILEY: Right.

9 MR. LENEY: -- how procurement is done, but
10 your point is very valid, which is how do we -- there's
11 two pieces. One is being verified and then getting
12 some benefit out of it.

13 Now, at the VA, we have a Vets First program.
14 The dollars speak for themselves, but with strategic
15 sourcing, we are seeing a move that affects all
16 socioeconomic categories, including vets, which is the
17 more strategic source, the less the prime contracting
18 opportunities there are, absolutely, unfortunately, a
19 reality.

20 The other thing that happens is even when we
21 are able to include veterans, my concern is that we --
22 a few veterans become big winners. I'll give you a

1 classic example that's out there in our face today,
2 which is our T4, next generation.

3 MR. BAILEY: That's right.

4 MR. LENEY: We do -- 55 percent of all the
5 money that goes through our largest IT services vehicle
6 goes to veterans. That's great, right. So again,
7 we're very serious. Vets First, 55 percent. However,
8 what that means is there are currently seven veteran-
9 owned small businesses that are primes in that
10 contract. There are, I guess, eight large (inaudible).
11 The (inaudible) complain all the time the vets get the
12 lion's share of the work. The problem is if you're one
13 of those seven firms, man, you died and went to heaven.

14 MR. BAILEY: Right.

15 MR. LENEY: If you're not, there's been a
16 significant move of procurements that were once smaller
17 procurements, you know, individual contracts going into
18 the T4 program. Next generation, that trend is going
19 to continue.

20 I don't have a great solution. That's one you
21 want to talk with Barb and maybe the SBA administrator
22 about. I'm not trying to load you questions for her,

1 but, yeah, that's a big problem across the federal
2 government.

3 What we did -- I will tell you one thing
4 though. As we look to next generation, the difference
5 between the VA and elsewhere, when the idea came up,
6 let's reserve awards for women-owned small business or
7 HUBZones. The answer was no. We don't pass over a
8 more qualified veteran-owned small business, you know.

9 Is she here?

10 CHAIRMAN FIELDER: Yeah.

11 MS. CARSON: Yes.

12 MR. LENEY: Okay. I'll be quiet.

13 MS. CARSON: Good timing, isn't it?

14 MR. LENEY: Great timing.

15 MS. CARSON: I am very honored to introduce
16 our administrator today. On her first day back in
17 April, having a round table with veteran-owned small
18 business owners was her first order of business, and
19 since that day she's been a powerful advocate for us
20 and the concerns of this community and the
21 opportunities for the community.

22 I'm grateful for her support of our education

1 and training that we offer at SBA as well as the
2 lending that we have all talked about today that we
3 will see improvements in. And under your watch, it
4 already is stronger, and it's going to get better.

5 So I'm going to turn it over to Administrator
6 Contreras-Sweet to speak with us today, this advisory
7 committee, on veteran business affairs, and she will
8 have time perhaps for a couple questions. So thank you
9 so much.

10 ADMINISTRATOR CONTRERAS-SWEET: So I'll make
11 it really, really short so I can hear from you.

12 Anyway, thank you so much for the good work
13 that you're doing. That was a phenomenal conference.
14 That was just remarkable. Thank you for coming out and
15 visiting with us today and for helping guide the
16 important program and the work that you're doing here.

17 As was said, I mean, I think we all have a
18 family member. We've all been there somewhere. My
19 brother served, and so -- but you've heard my story,
20 and I just feel that the liberties that I've enjoyed,
21 the social mobility that I see, the peace, and freedom,
22 and values that we uphold here are all because we're

1 out there fighting. You are out there fighting for our
2 freedoms, and so I want to thank you so much for your
3 service then and now.

4 And essentially what I just wanted to say to
5 you, it's true. My very first meeting -- you know, my
6 team, when I was just going through Senate confirmation
7 process, they said, well, we'll come in, and we'll have
8 you walk around the building. You'll say hello. You
9 stand by the elevator. And I said no. I'm going to go
10 meet with our Department of Veterans Affairs. That's
11 the first meeting I'm going to have. And so I really
12 wanted to thank the vets for doing that for me,
13 allowing me to have that engagement.

14 This is really important work. You all know I
15 held office in California as California's Secretary of
16 Transportation, and there it was different. I was over
17 the highway patrol as Secretary of Transportation.

18 And I just saw the way we deployed our people
19 every time there was a state disaster because in
20 California, the state highway patrol are also the state
21 police, and they guard our buildings. And so just
22 having the responsibility, deploying our men and women

1 into buildings to keep our people safe was enough. I
2 cannot imagine deploying them abroad into war. So I
3 just appreciate the enormity of that responsibility.

4 In that regard, what I wanted to do as soon as
5 I took office was just to put in some efficiencies to
6 say as we transition from our uniform into business,
7 what can we at the SBA do to facilitate that process.
8 So I hope that you have heard that it's a three-prong
9 strategy, three different lines of effort.

10 First, I think that it's important that we
11 think about the outlets. Where can people get loans to
12 start their business? And so what I'm doing now is I'm
13 engaging the credit unions in unfettered ways, in ways
14 that they had not been recruited before. So I've asked
15 them to become important partners with SBA at providing
16 the \$50,000 and under loans just to help people get
17 started.

18 We're also creating other networks, but I felt
19 that it was important for me to deploy those that are
20 already in the system, already know how to underwrite,
21 know banking, and are in communities.

22 And so I think we're going to have much more

1 access through the credit union system in addition to
2 our community bankers and in addition to all the CDFIs
3 and all the other micro lenders that we have. We'll
4 just build the system up.

5 The second is the cost structure. So I hope
6 that you heard that we have zeroed out fees on loans
7 under \$150,000 for regular, for vets it's up to
8 \$350,000. And so we think that, that's another
9 important effort to make sure that we get to the
10 metrics that we're after.

11 And the third piece is the streamlining,
12 people say, okay, now I know where and the cost
13 structure makes sense, but I still don't want to deal
14 with that complexity, the arduous process that we have
15 to undergo to complete the paperwork. And so what we
16 were able to do is deploy three different technologies
17 that we're using, one of which allows the credit box to
18 be bigger that's already in place, and the other is
19 going to be launched Q2 of next year, where we're
20 actually going to change the entire interface that we
21 use with the financial institutions.

22 It will be transformative for the SBA. Now

1 you go into your bank. You get an application. You
2 complete it, you know, and submit it back, and it's
3 faxed back and forth to us until it's complete. Going
4 forward, it will be dynamic and interactive, and it
5 only populates certain questions when you say yes. It
6 disappears others when you say no. And so we think
7 that we're finally going to enter the 21st century here
8 at the SBA.

9 So that's essentially what we're doing, but we
10 can do more. I want to learn from you. I want us to
11 have an open mind, and that's why I relabeled the SBA
12 in the tag line, for those of you that didn't hear. We
13 now call it Smart, Bold and Accessible. And I wanted
14 to do that so that our team is very mindful about the
15 smart systems that we have to put in place. How we use
16 technology, not just for ourselves and for our
17 interfaces I just mentioned, but also to help small
18 businesses navigate to the complexity of
19 entrepreneurship using the smart systems that exist
20 today.

21 I just came out of a Google hangout, so I'm
22 trying to get caught up.

1 The "bold" to me means to help small
2 businesses be bolder in market making, you know. Today
3 at least -- you know, and I don't mind dating myself.
4 I used to work at a tiny little florist in my first job
5 and compete against a florist shop across the street.
6 Today, as soon as you turn on your website, you are an
7 international commerce. How do we protect our
8 entrepreneurs to make sure that they're navigating
9 through that global marketplace safely, as well as how
10 do we empower them to capture and eke out as much as
11 they can out of that marketplace? So it's about bolder
12 markets.

13 I've been doing that just domestically but
14 also talking to other countries and other heads of
15 state that want us to export the SBA model so that they
16 can also strengthen their middle class and made trading
17 opportunity more empowering for both their country and
18 ours. So we're entering into bilateral relations.

19 And the A as I mentioned is around accessible,
20 to make certain that we are bringing everybody along;
21 that our encore entrepreneurs have a place at the SBA;
22 that our millennials do; that women who are now

1 increasingly heads of household and don't have the
2 choice of working anymore, and our vets.

3 And so you saw that we launched also recently
4 the Boots to Business Reboot for those that are already
5 out in the community and have not found a proper way to
6 navigate through the SBA.

7 So that's it, and I just have time for a
8 couple more questions. But I wanted to make sure that
9 I came down and said hello. Can I answer anything,
10 please?

11 MR. WHITE: Just one thing. I just wanted to
12 congratulate you on your appointment, but also that
13 you're the first administrator that actually took
14 advantage of one of our recommendations, which was go
15 to the credit unions.

16 ADMINISTRATOR CONTRERAS-SWEET: Wonderful.
17 Well, thank you for the recommendation. I think that's
18 right. I think they really are an excellent network,
19 and as I said, they were so forthcoming. Let me just
20 say, I don't want to take credit for heavy, you know,
21 arm twisting because as soon as I approached them, they
22 welcomed me with open arms and just said they thought

1 it was a marvelous idea.

2 MR. WHITE: Absolutely.

3 ADMINISTRATOR CONTRERAS-SWEET: And it doesn't
4 affect, as you know, their small business threshold,
5 their lending cap.

6 MR. WHITE: Right.

7 ADMINISTRATOR CONTRERAS-SWEET: So I think
8 that's terrific.

9 Please.

10 MS. ROTH-DOUQUET: I just wanted to make a
11 comment for you that I appreciate how much you, and
12 Barb, and Rhett before him have embraced the military
13 spouse community. Small business is not only important
14 for our veterans but for our active duty who still need
15 two incomes to meet their financial goals. The
16 majority of spouses who aren't working, well, most of
17 them prefer to be sole proprietors or small businesses.
18 So making this more accessible here is really important
19 for our overall service.

20 ADMINISTRATOR CONTRERAS-SWEET: I think, as
21 you said, the spouses and women in our Armed Forces --
22 I actually attended -- I went to see one of our V-WISE

1 programs, the Veteran Women Inspiring Entrepreneurship.
2 I'm not good at acronyms, but anyway, I thought it was
3 a marvelous program. And I do think that women enjoy
4 interacting with one another. They sort of let their
5 hair down, no pun intended. But it was a really nice
6 setting. I was really pleased to see that.

7 But on behalf of women, because it's not just
8 helping you navigate and counsel through the process,
9 but also making sure that you actually have successful
10 outcomes. And so in that regard I've been working with
11 Senator Carl Levin to obtain sole source authority and
12 working with him closely. And it was something that I
13 said that I would commit to doing when I took office,
14 and I'm pleased to say that the president just signed
15 this into law.

16 So it's kind of nice when you actually come
17 in, you have a goal, and you actually get to complete
18 it. Now the goal is to make the number, which is the
19 five percent on contracting with women.

20 MS. ROTH-DOUQUET: Okay.

21 ADMINISTRATOR CONTRERAS-SWEET: And so with
22 that regard, to the extent that we can push out that

1 information that now we have that extra tool that we
2 had not had heretofore, I think that will be very
3 empowering for women. So I'm determined to make the
4 goal.

5 MS. ROTH-DOUQUET: Yeah.

6 ADMINISTRATOR CONTRERAS-SWEET: I think they
7 just told me I got to go. Any -- one last question
8 from anybody?

9 (No response.)

10 Well, again, thank you so much again. On
11 behalf of the American people, you are doing really
12 important work, and I look forward to deepening our
13 relationship. And I know that you and I still have a
14 little bit of unfinished work that we want to complete
15 out. And so you and I will get back together about
16 that, all right.

17 Thank you so much. Congratulations.

18 MR. LENEY: She mentioned the women-owned
19 goals, the strategy the VA is using to meet its women-
20 owned and small business goals and the sub-zone goals
21 are to recruit veteran women and the veterans who have
22 HUBZone terms.

1 In fact, last week when we were down in
2 Atlanta, we had a special reception for the veteran
3 women who own small businesses and the veterans who
4 have HUBZone businesses. And we are committed, because
5 we are very serious about the Vets First program, we're
6 committed to, okay, we may not meet our women-owned, or
7 if we can't find enough women veterans.

8 I will tell you, going back to your point,
9 Robert, my biggest concern and the place -- I'm
10 pivoting in two ways. One is to really focus in on
11 getting veteran-owned small businesses access
12 opportunities, and what that equates to is access to
13 the people who have the opportunities.

14 And I must confess a certain element of
15 disappointment last week. When we established the
16 event for the National Veteran-Owned Small Business
17 Engagement, the place that I first went to was the
18 7,200 firms that are verified, people that wear buttons
19 like that because that was the group we wanted to make
20 a difference with. And so for the first sort of month
21 of our marketing effort, it was all focused on that
22 group of 7,200 firms. Problem, I didn't get the

1 response, and when the secretary -- and I was a little
2 worried with -- Secretary Shinseki was deeply, deeply
3 committed to veteran-owned small businesses. I was a
4 little worried that the new secretary might not be so
5 committed. Coming out of a large business, he might
6 not have the same (inaudible) small business. The good
7 news is he does.

8 But the challenge I had is he supported
9 training 350 procurement decision makers to the loan.
10 Those are program managers, senior executives,
11 contracting acquisition managers. I didn't have the
12 verified firms there. I had more people from my side
13 than I had veteran-owned small businesses who were
14 verified.

15 So we expanded the marketing effort. We only
16 invited veteran-owned small businesses. Though I will
17 tell you, women-owned small businesses, HUBZones, other
18 small businesses have broken the code. They said, wow.
19 Where else can I go and meet with 350 procurement
20 decision makers, so they showed up, and we did not
21 exclude them. Why? Because if we're going to do that
22 kind of a heavy lift, we are vets first. We are not

1 vets only, and that's an important thing to keep in
2 mind.

3 So I'm interested from this group -- I haven't
4 asked. You know, part of our problem was I feel like
5 we've done -- this is the fourth one of these events
6 I've done, and I feel like it's the first time. I've
7 done event number one for the fourth time because we've
8 changed contractors. We changed people.

9 But I am seeking assistance to how do I
10 connect with people who wear that button and get them
11 in the door because the VA in my mind is doing its
12 part, but you got to have somebody else. I mean, you
13 know what the biggest complaint I got from Atlanta was?
14 Where are the veteran-owned small businesses. When I
15 have a senior executive from IT sitting there and he's
16 got nobody on the other side of the table to talk to,
17 that's a problem.

18 MR. BAILEY: Good point. Let me just -- I
19 can't speak for all of my colleagues, but I would offer
20 that there is a problem in the community in regards to
21 -- back to those acquisitions. A lot of us feel what's
22 the point, and we know that we're not going to be able

1 to compete when you already have that area locked down
2 on such a large contract. I mean, how do you address
3 that marketing issue in regards to that?

4 And then secondly, I guess, what I believe
5 would be good -- I do appreciate your candid feedback
6 here. In regards to -- right now we should be -- from
7 a business perspective, I'm looking already into next
8 year.

9 MR. LENEY: Yeah.

10 MR. BAILEY: Next FY, okay, because what's
11 planned now is planned for the most part, okay. So in
12 the acquisition strategy, have you looked at how you
13 can really impact us going to the next conference --

14 MR. LENEY: Yes.

15 MR. BAILEY: -- in this year? What new
16 initiatives wrapped around that, branding, outreach, no
17 kidding -- how can we no kidding move the needle and
18 help?

19 MR. LENEY: Excellent question again. How
20 we've addressed that is we have evolved who we bring to
21 our events. It used to be a lot of contracting
22 officers. (Inaudible) in the office was they're the

1 how and when guys, and when it gets to them, it's
2 pretty much locked down.

3 MR. BAILEY: Right.

4 MR. LENEY: So we've evolved that. We brought
5 -- about 90 percent of the people we brought down this
6 time were all program people to talk about 2015, 2016.

7 There's also a reason why we moved it to the
8 first quarter because here is some ugly truth. In
9 August, you know what they're all thinking about?

10 MR. BAILEY: End of year.

11 MR. LENEY: Close out the year.

12 MR. BAILEY: That's right.

13 MR. LENEY: That's what we found. Yeah. I
14 would love to say that we got program managers thinking
15 two years out.

16 MR. BAILEY: Right.

17 MR. LENEY: I hate to say it, they're not. So
18 the strategy now is let's get the program managers in
19 play so they can have the conversations with small
20 business while they're still thinking about their
21 problems, not thinking about their solutions. And one
22 of the -- I think one of the real successes of last

1 week is this movement toward program people was
2 positively received because they're now able to sit
3 down and say, hey, I got this problem because that's
4 when, as a business guy, what's your best play? When a
5 guy is talking about his problems and you're part of
6 that conversation, then you can do subsequent
7 conversations about solutions.

8 And where we're headed with this thing, just
9 to let you know -- and I realize we've sort of gotten
10 off verification -- but it's really a little more
11 important. How do we do business?

12 We're going to be moving away from the
13 national event into what I call community of interest
14 events. We're still going to have the national event,
15 but, you know, having an event once a year is kind of
16 limited. And quite frankly, having construction guys
17 next to IT guys, next to medical services guys, next to
18 toxic waste removal guys, they don't care about each
19 other.

20 So where we're headed is -- we're still
21 looking to have a national event. The other thing
22 we're looking to is community of interest. For

1 instance, we're thinking in April we'll have an IT
2 event, and we'll just bring the IT guys together with
3 the program manager people.

4 I cannot solve -- I'm going to rely on Barb
5 and the administrator to solve this challenge that
6 we're facing, which is strategic sourcing. What we do
7 is we work the niches. My office is -- we have focus
8 in on where are the real opportunities for veteran-
9 owned small businesses. That's where we put our time,
10 and it works at the VA level. We did -- 20 percent of
11 our total procurement went to veteran-owned small
12 businesses. So, you know, we're putting our money
13 where our mouth is.

14 What I worry about is more and more of that
15 money is going to a fewer and fewer number of veteran-
16 owned small businesses, you know. I will tell you, and
17 this is something you should raise with Barb. I'm
18 going to through her under the bus here.

19 (Audience laughs.)

20 MS. CARSON: Go ahead. (Inaudible)

21 MR. LENEY: I'm actually not throwing Barb
22 under the bus because she's very well aware of this,

1 but the challenge we have, again, across the federal
2 government, and that's subcontracting.

3 MS. CARSON: Yeah.

4 MR. LENEY: We don't have the ability to
5 manage it, track it, even monitor it.

6 CHAIRMAN FIELDER: You may be the third
7 speaker today that has made that point.

8 MR. LENEY: Yeah. And I got to tell you --
9 and this is a government wide issue. It goes beyond
10 vets, but that tide will raise all boats. And I would
11 encourage you, if there's one issue you guys want to
12 press on, is how do we fix how we manage
13 subcontracting. And there's legal issues, privacy of -
14 - all that noise. But I got to tell you, you know,
15 when subcontracting is an important way to get
16 business, if we can't manage it, we can't count it
17 until after the fact, it's not very helpful.

18 Sir, you had a question?

19 UNIDENTIFIED AUDIENCE MEMBER: You mentioned
20 how many verified veteran-owned small businesses did --

21 MR. LENEY: About 7,200.

22 UNIDENTIFIED AUDIENCE MEMBER: 7,200.

1 MR. LENEY: Yeah.

2 UNIDENTIFIED AUDIENCE MEMBER: So you're
3 trying to get a turnout and participation from that
4 cohort?

5 MR. LENEY: Yes. That's my -- That's my
6 priority cohort, no apology.

7 UNIDENTIFIED AUDIENCE MEMBER: Have you looked
8 at all at the VBA, Vocational Rehabilitation Self-
9 Employment track and within your own house taking
10 people who want to be category one or two and
11 connecting the dots between the procurement
12 opportunities that you're offering and the alumni that
13 are graduating from that program as far as vocational
14 rehabilitation?

15 MR. LENEY: Yes. And we do connect those
16 dots. But let me give you the simple response. If
17 those people are not verified, they don't play in the
18 VA. So we have people from that group that are part of
19 our verified cohort. It's the 7,200 who went through a
20 rigorous process.

21 And the reason -- one of the reasons this
22 process is so rigorous is only 2,100 of those firms do

1 business with the VA. So you got to ask yourself, what
2 are the other 5,000 doing? What they do is they see
3 value in the fact I'm a verified SB or VOSB, and you
4 can take it to the bank.

5 What I sell to my own contracting people,
6 which is why two-thirds of our small business goes to
7 vets. And it doesn't go to other socioeconomic
8 categories because they know, hey, this is the real
9 deal. I can count on these people. I don't have to
10 worry about a headline that says VA makes an award to
11 someone who is not --

12 UNIDENTIFIED AUDIENCE MEMBER: That doesn't
13 really answer -- my question is are you taking
14 graduates of the program that were given tax dollars to
15 fund them through an educational entrepreneurial
16 track --

17 MR. LENEY: Mm-hmm.

18 UNIDENTIFIED AUDIENCE MEMBER: -- and
19 providing them with the opportunity to do business with
20 the federal government?

21 MR. LENEY: Yes.

22 UNIDENTIFIED AUDIENCE MEMBER: Of those 7,200

1 how many are alumnus of Chapter 39?

2 MR. LENEY: I have no idea.

3 UNIDENTIFIED AUDIENCE MEMBER: Okay.

4 MR. LENEY: I have no idea. Good question.

5 It hasn't been something that we have focused on. Do
6 they have the opportunity? Absolutely.

7 One of the precursors to those opportunities
8 is to get verified, but we do not track how many --

9 CHAIRMAN FIELDER: Go back to the verification
10 process.

11 MR. LENEY: Yep.

12 CHAIRMAN FIELDER: I actually heard last week
13 -- and this is something I knew, but I'd never heard it
14 said this way. Having the verification was the gold
15 standard for the other agencies, contracting officers
16 as opposed to self-certification, which is the law.

17 MR. LENEY: Yeah. And it's the law everywhere
18 else but the VA.

19 CHAIRMAN FIELDER: That's correct.

20 MR. LENEY: You are correct. It is viewed as
21 the gold standard.

22 CHAIRMAN FIELDER: And so having been in the

1 general services administration, contracting officers
2 look at that and say, I don't have to worry about it.
3 They got that. So as you mentioned just a second ago,
4 there's value to that.

5 MR. LENEY: It's a risk reduction. The
6 biggest problem with small business doing business with
7 the federal government is risk, the perception of risk.
8 Why do I do business with a small business because I
9 don't know them? Are they going to fail?

10 CHAIRMAN FIELDER: As we move on parallel
11 tracks --

12 MR. LENEY: Mm-hmm.

13 CHAIRMAN FIELDER: -- maybe not, but I'm
14 suggesting that we do, Mentor-Protégé, (inaudible), and
15 now the law has been extended to include other
16 categories, but let's just say service-disabled vets.
17 And we move sourcing, our directed awards move down
18 that channel, where the verification ends up and
19 whether or not they require more arduous certification
20 beyond self-certification -- I guess my question is, is
21 your program -- if in fact it stays at the VA, is your
22 program ready to expand --

1 MR. LENEY: Yes.

2 CHAIRMAN FIELDER: -- if that comes your way?

3 MR. LENEY: Yes.

4 CHAIRMAN FIELDER: Yes?

5 MR. LENEY: In the spirit of full disclosure,
6 the one missing piece of the puzzle in my book is our
7 management information system, is to put that in place
8 because that's going to leverage everything.

9 CHAIRMAN FIELDER: So tell me more about what
10 does that mean?

11 MR. LENEY: I'll give you an example. I dealt
12 with a veteran today. It's arduous to upload the
13 documents. We have an extensive set of documents, just
14 like AA does.

15 CHAIRMAN FIELDER: You're talking about the IT
16 backbone of this?

17 MR. LENEY: Yeah, the IT backbone.

18 CHAIRMAN FIELDER: That's the biggest problem?

19 MR. LENEY: Yes. It's our biggest challenge
20 right now.

21 CHAIRMAN FIELDER: Robert, solve his problem.

22 MR. BAILEY: I can solve it. It's called case

1 management, system workflow.

2 CHAIRMAN FIELDER: It can't be that hard.

3 MR. BAILEY: It's not.

4 MR. LENEY: Colleagues, it's not that hard,
5 but like I say, I lost 15 months when I did a contract
6 with an SB/VOSB through T4 and it failed. So now I'm
7 back doing another contract. There's two pieces. It's
8 all about the verification, but it's also about the
9 whole procurement.

10 CHAIRMAN FIELDER: So just contemplating what
11 it might look like, if, in fact, there's a part level
12 of certification possibly required --

13 MR. LENEY: Mm-hmm.

14 CHAIRMAN FIELDER: -- because of these other
15 two parallel tracks, your program, with some revamping
16 on the IT backbone, could scale up?

17 MR. LENEY: Yes. And that's why we have
18 not --

19 CHAIRMAN FIELDER: What about the non-IT part
20 of it in the sense of what we sometimes refer to in the
21 Mentor-Protégé Program, the rigor or the certification,
22 the audit process?

1 MR. LENEY: Mm-hmm.

2 CHAIRMAN FIELDER: You've got the additional
3 audit process going?

4 MR. LENEY: Yes.

5 CHAIRMAN FIELDER: A couple of my clients have
6 actually gone through that.

7 MR. LENEY: Yeah.

8 CHAIRMAN FIELDER: They thought it was pretty
9 good.

10 MR. LENEY: And I got to tell you, here's some
11 really good news, powerful news. I just spent two and
12 a half hours this morning with our enterprise risk
13 management team, Office of Management, looking at our
14 audit program, and one of the really pieces of good
15 news that I'm really proud of is, you know, we audit.
16 Last year we audited 1,200 firms out of 7,200 in the
17 system. That's a significant percentage, okay. We
18 focused our audits on those firms that had business
19 with the VA.

20 CHAIRMAN FIELDER: Right.

21 MR. LENEY: -- even higher percentage. We had
22 about two percent firms we had to cancel, think about

1 that. Ninety-eight percent of the firms -- we got out
2 -- and these are no-notice audits. If you've had -- we
3 show up and say here we are. We're going to unpack
4 your stuff.

5 CHAIRMAN FIELDER: Yeah.

6 MR. LENEY: Ninety-eight percent are still the
7 real deal, and part of that I think is the impact of
8 realizing, wow, they're going to do this many audits.
9 I better make sure my stuff is straight.

10 But again, this contributes to this
11 recognition that if you're an STB/OSB, you're a VOSB,
12 and you're wearing one of those pins, that contracting
13 officer can take it to the bank. That -- more
14 importantly, that prime contractor takes it to the
15 bank.

16 And I'll answer my own question. Why do we
17 have 7,100 firms in VIP and we only have 2,100 doing
18 business with the VA? Because I get calls all the
19 time, hey, I got to get verified. Why? Lockheed
20 Martin says if I want to do business with them, they
21 want a verified VOSB. Our view is come on down.

22 Now, there are people in the VA that say why

1 are you doing that? We should only be doing this for
2 firms doing business with the VA. My response is, A,
3 the law says we will, and we ought to want to do it
4 because my mission is to enable veterans to gain access
5 to economic opportunity; and verification is a way to
6 do that.

7 CHAIRMAN FIELDER: So I assume that two
8 percent -- we can extrapolate that to two percent of
9 the 7,200.

10 MR. LEGHORN: 1,200.

11 MR. LENEY: Two percent of the 1,200. So,
12 yeah, if you do a straight line extrapolation, yeah,
13 two percent, which is a pretty darn low number.

14 CHAIRMAN FIELDER: I guess what I want to ask
15 you, that number -- I wholeheartedly agree. Some
16 people get ahold of two percent and it's like, oh my,
17 and they go into spins. But I think it's an incredibly
18 low number when you consider -- but your process is
19 pretty rigorous. What are the typical things that are
20 being caught on the audit that kicks one out as not
21 being compliant?

22 MR. LENEY: Changes in the business model.

1 What happens is someone makes a change in the business
2 model, and normally they bring in a non-vet player,
3 okay, sometimes for good and cogent reasons. I need
4 money.

5 MR. BAILEY: Yeah.

6 MR. LENEY: What's the problem? If I come in
7 -- if I'm a non-vet and I come into your business and
8 you want my money, I'm not going to give you 100
9 percent control over my money. And to me that is the
10 toughest element in the regulation, the toughest single
11 element in the regulation. And it doesn't matter -- by
12 the way, it doesn't matter whether you look at the
13 SBA's reg or our reg. It requires vets to have 100
14 percent control.

15 And I'll give you the legal definition of
16 control. Davy has heard this. If you as a veteran
17 owner cannot screw any one of your partners any time
18 you want, any way you want, and they can't do a darn
19 thing about it, you don't have control.

20 MR. BAILEY: That's a high standard.

21 MR. LENEY: You don't have control.

22 MR. BAILEY: That's a very high standard.

1 MR. LENEY: It's a very high standard, and
2 when you have to go out -- you heard -- one of the
3 things I think is really great -- what the
4 administrator is doing; what the SBA is doing that we
5 don't do, which is about money -- if you're starting up
6 a small business your biggest -- I've been in small
7 business. I've been two weeks from not making payroll,
8 and I lost my line of credit at the bank. So I get
9 that.

10 What's the biggest challenge to a vet coming
11 out and starting a small business? Money. And you're
12 not really in a position to do a lot of debt financing,
13 unless you do it on your credit card, okay. So what's
14 the kind of financing you want to do? Equity
15 financing. You want to go get yourself a partner who's
16 willing to invest in your business.

17 I only know of one person who would give me
18 100 percent control and give me a significant amount of
19 money. Unfortunately, that's my mom, and she's dead.
20 My dad wouldn't do that, okay. Who is going to give up
21 control of -- total control of their investment?

22 MR. BAILEY: Can I ask one other question?

1 MR. LENEY: Yeah. I'm sorry. Guys, I
2 apologize. Shut me up anytime, Barb. I get fired up
3 about this stuff.

4 MR. BAILEY: In regards to CV and --

5 MR. LENEY: Yep.

6 MR. BAILEY: -- this is post-verification --

7 MR. LENEY: Yep.

8 MR. BAILEY: -- have you looked at utilizing
9 the SAPs as a way of at least getting some of those
10 folks in the -- that have been verified, at least
11 getting them into the acquisition process?

12 MR. LENEY: You're asking really good
13 questions. Yes, yes. And part because the law says
14 100 percent of simplified acquisition, (inaudible)
15 simplified acquisition threshold goes to small
16 businesses, okay. Doesn't happen. Doesn't happen
17 anywhere in the federal government. We only did --
18 last year, 2013 we did about 56 percent, so absolutely.

19 One of the things that we are pushing very
20 hard is to make sure that these simplified acquisitions
21 are, in fact, going to small businesses. And frankly,
22 once I can get in the small business arena, the VA goes

1 to vets. The hard move is to go from big to small.

2 Pretty easy move to go from small to STB/OSB or VOSB.

3 The good news is that I believe the culture in
4 the VA is there because once we go to small business,
5 we go to vets. Like I say, two-thirds of our work, of
6 our small business work goes to vets. But, yes, we're
7 working that.

8 You know, a problem, we have 1.2 million SAP
9 level purchases. So part of it is managing that. One
10 of the things my office has done, we now drill down.
11 We have identified the NAICS codes where historically
12 the VA has done business with small businesses, and
13 wherever we do more than 30 percent of our past
14 procurements with small businesses, my office now
15 reviews those procurements all the way down to \$3,000.

16 I'll tell you what, that was a -- that was a
17 wakeup call to a lot of people. I had to move my car
18 every night because people didn't like it. I'm going
19 to do a \$20,000 purchase, and you're going to review
20 it? And my view was, hey, we can show you the market
21 research. We're doing 30 percent of our work with
22 small businesses or STB/OSB. Why not?

1 MR. PHIPPS: I have a quick question.

2 MR. LENEY: Yeah. Go ahead.

3 MR. PHIPPS: One of the biggest concerns you
4 had with subcontracting and how to manage it.

5 MR. LENEY: Yes. My number one concern.

6 MR. PHIPPS: So you have an awesome program
7 for auditing, auditing VOSBs. You could -- could you
8 or what is the plan to take that same audit process and
9 apply it to the big guys that are doing business at the
10 VA? Shouldn't they be subject to the same audit, and
11 then you have maybe a --

12 MR. LENEY: Great idea. The good news the VA
13 does have a subcontracting monitoring program where we
14 go out -- it's not my office. It's our Office of
15 Acquisition and Logistics. They go out and they do
16 check to see if folks are meeting their subcontracting
17 goals.

18 The biggest problem I'm finding is we just
19 can't track and measure. Seventy percent of the
20 subcontracting done in the VA is on what we call
21 corporate plans, okay. That is a big business. They
22 prorate -- they collect all their stuff for the federal

1 government, and they prorate it out to folks. They
2 don't report until after the fiscal year is over. They
3 get 90 days after the end of the fiscal year to report.

4 So I have no clue -- you know, one of Barb's
5 colleagues says how you doing on subcontracting? I go
6 (no audible response).

7 MR. AUMENT: Is that going to change with VAS
8 because it's fully online?

9 MR. LENEY: I don't know, but I don't think
10 so.

11 MR. AUMENT: You don't think so?

12 MR. LENEY: Yeah.

13 MR. AUMENT: It's all going to be pretty much
14 self-reporting then still?

15 MR. LENEY: Still self-reporting. And in
16 fact, we are meeting -- yeah. The secretary sat down
17 with some large businesses last week, and now he's
18 directed me to do a followup with them. How do we --
19 how do we collectively go after this? Because there's
20 a lot of those guys who say, wait a minute, I want to
21 get credit for what I'm doing.

22 MR. AUMENT: Yeah, of course.

1 MR. LENEY: One thing I will say for T4 Next
2 Generation -- or T4, they track that. They require
3 reporting. So we know what's happening. So there are
4 lots of firms are getting subcontracting dollars out of
5 T4.

6 But I'll be frank. I used to have a sign
7 above my desk when I was in business. It says it sucks
8 to suck. Who are you in business? Who would rather be
9 a prime or a sub? That's an easy answer, right.

10 MR. AUMENT: Easy.

11 MR. LENEY: So we've got to put some teeth
12 into this. Part of this is the reporting. There's
13 concern about the big businesses don't want to have to
14 invest more in reporting. So we're trying to do it
15 with our -- if we're going to go strategic sourcing --

16 MR. AUMENT: Right.

17 MR. LENEY: -- we're putting in place very
18 extensive subcontracting goals, but more importantly,
19 you got to report on them. And it becomes part of your
20 past performance on future (inaudible).

21 MR. PHIPPS: It would be cheaper for large
22 businesses to report that at the time of awarding a

1 subcontract instead of waiting until the end of the
2 fiscal year. You're using the same people. You're not
3 having to chomp on their overhead as much.

4 MR. LENEY: And there's a lot of issues with
5 that.

6 MR. PHIPPS: yeah.

7 MR. LENEY: Some people might say, wow, people
8 don't want to report because they don't want to report.

9 MR. BAILEY: I don't know if you've heard from
10 NGA or heard of a program called Prime of Primes. It's
11 an acquisition process that they're trying to --

12 MR. LENEY: I'm sorry. What's that?

13 MR. BAILEY: It's called Prime of Primes.
14 It's where they're trying to pull together small
15 businesses to collaborate. It's not a JV, but they're
16 trying to get, you know, private primes together. They
17 call it Prime of Primes.

18 MR. LENEY: Mm-hmm.

19 MR. BAILEY: You know, then you have one
20 company that's really the parent, but all of them have
21 relationships directly with the government.

22 I guess the nature of my question is this.

1 Have you looked at other ways of trying to get STB/OSB
2 as a veteran-owned business, women, more accesses to
3 the entry of the acquisition process? I mean, just as
4 a whole.

5 MR. LENEY: You say the entry of --

6 MR. BAILEY: Yeah. Of getting them into the
7 process of acquisition. We're procurement ready,
8 today. We're procurement ready. I was on your
9 webinar.

10 MR. LENEY: Yeah.

11 MR. BAILEY: Don't come to me unless you're
12 procurement ready.

13 MR. LENEY: That's right.

14 MR. BAILEY: And I'm with you, following that.
15 So some of us have gone out to other agencies and
16 gotten the past performance.

17 MR. LENEY: Mm-hmm.

18 MR. BAILEY: You answer the RFI, source of
19 (inaudible). We're ready to go. Of that though, I'm
20 excluding the blanket programs you already have -- I'm
21 just saying having you really looked at how else can we
22 get -- you know, there's someone out west who sees that

1 there's an opportunity for bidding? Well, instead of
2 only looking at one entity, have you looked at -- in
3 your outreach programs, look at trying to bring two
4 veteran businesses together to collaborate and to bring
5 a more efficient entity together and have them team --
6 I mean, looking at it from a team perspective, not
7 necessarily JV, but have them collaborate, looking at
8 it from that perspective. That way you're reaching out
9 to more than just a single entity.

10 MR. LENEY: We have not done that, and I can
11 tell you -- I don't have a great reason why not. I
12 will say this. One of the things that we have done and
13 are doing is -- and you heard the administrator, and
14 you've probably heard from Barb -- is to strengthen our
15 partnership with the SBA because they do some things a
16 lot better than we do, okay. They do money.

17 MR. BAILEY: Right.

18 MR. LENEY: They do the Mentor-Protégé
19 Program. They do Boots to Business. They do training.
20 They do education. And so what we're working to do and
21 have worked towards is let's work to compare the
22 advantage of that.

1 Barb and her colleagues in SBA are a lot
2 better at helping firms get procurement ready than my
3 organization, okay. So rather than us trying to
4 replicate that and have parallel programs and both be
5 sort of -- my approach is doing everything I can do.
6 And that's part of the conversation we're having with
7 the administrator. What can we do to help the SBA get
8 veterans' procurement ready?

9 And then my office's focus is access. What I
10 want to do is make people aware of veterans, reduce the
11 perception of risk, and verification is just a
12 (inaudible), okay. Then the key is access.

13 Because what Barb can do and what her
14 colleagues can do far better than I can do is this
15 preparation. As a matter of fact, they provided the
16 number of our instructors in Atlanta. Why? Because
17 they're better, and smarter, and more experienced than
18 we are. I'm telling my guys, don't go there. Let's
19 partner with them.

20 What they cannot do, they cannot bring the
21 opportunities. I can't bring the opportunities. It
22 has to be at a very senior level. That's part of the

1 conversation we hope in partnership with the SBA to get
2 other agencies to say, yeah. We got to come up with
3 access because at the end of the day it's about access.

4 I don't do business with people I haven't met.
5 I don't do business with people I haven't broken break
6 with. I probably don't do business with people I
7 haven't had a drink with, but I don't go there.

8 My point -- which is why when you look at what
9 we did in Atlanta, it was all about that.

10 MR. BAILEY: Yeah.

11 MR. LENEY: It was all about access. In fact,
12 if it were up to me, I would say, hey, SBA, go train
13 them. And then once they're trained, bring them in so
14 when my people sit down with them they go way.

15 And the best news to come out of Atlanta was I
16 had a bunch of people say, you know what, you dragged
17 me here kicking and screaming, okay. But I came here.

18 I spent three days. I couldn't leave. You tracked my
19 movements, but I met some small businesses, some vets
20 who can take care of business. That's what we're
21 about.

22 And what I want to do is get -- we had a total

1 of 400 people from of the VA, 350 of them were
2 procurement decision-makers. The challenge is the
3 other agencies, and it has to be at the top. I can't
4 bring the people. It had to be (inaudible).

5 Sir?

6 UNIDENTIFIED AUDIENCE MEMBER: Two questions.
7 First one is on the VA strategic plan that ties
8 homelessness with contracting and procurement. Can you
9 elaborate on what the goal is there to that strategic
10 plan?

11 And number two, let's look at the data that
12 you just said. So there's 2.4 million veteran-owned
13 small businesses in the United States, right --

14 MR. LENEY: Yep.

15 UNIDENTIFIED AUDIENCE MEMBER: -- according to
16 a recent --

17 MR. LENEY: Yep.

18 UNIDENTIFIED AUDIENCE MEMBER: -- census from
19 2007. So you said that there's only 2,100, which is
20 less than one percent that are actually doing business
21 with VA.

22 MR. LENEY: Yep.

1 UNIDENTIFIED AUDIENCE MEMBER: So how do we
2 then stretch ourselves to improve upon goal?

3 MR. LENEY: Well, to start with, there's only
4 55,000 veteran-owned small businesses (inaudible),
5 doing business -- interested in doing business with the
6 federal government.

7 UNIDENTIFIED AUDIENCE MEMBER: Right.

8 MR. LENEY: So of the couple million small
9 businesses, they don't -- they aren't government
10 contractors. They aren't interested in being
11 government contractors.

12 What we have done is to recognize -- again, I
13 have a unique mission, enable veterans to get access to
14 veteran economic opportunity. So what do we do? We
15 brought 110 corporations to Atlanta and said, hey, you
16 want to do business with vets, come to Atlanta and do
17 business, not to be partners on a government contract.

18 AT&T came. What? They want to build cell
19 towers. They're looking for veteran-owned small
20 businesses that can build a cell tower. So that's
21 another point of collaboration between Barb and I,
22 which is the SBA has got a pretty good network in the

1 commercial world. That's been one of their areas that
2 they've been working on.

3 What do I want to do? I want to leverage
4 that. Again, that's access to the commercial folks.
5 The quid pro quo and what's going to happen next year,
6 hey, if you're a big business and you come to this
7 conference, you got to pay to play. You got to be part
8 of active outreach because otherwise why would I have
9 you there.

10 And one of the things that's both interesting
11 and most disturbing to me about the conference, a
12 number of large businesses come to that conference, the
13 slope looks like that.

14 CHAIRMAN FIELDER: Is that going up or down?

15 MR. LENEY: Going up.

16 CHAIRMAN FIELDER: Okay.

17 MR. LENEY: Why? Because when you bring 350
18 procurement decision-makers, who gets it? Those guys
19 get it.

20 So what we're doing next -- frankly, we had
21 too many who weren't there to work with small
22 businesses. They were there to work with our

1 procurement decision-makers.

2 CHAIRMAN FIELDER: Yeah.

3 MR. LENEY: Now we're going to change the
4 rules.

5 CHAIRMAN FIELDER: Can we go back to the
6 access?

7 MR. LENEY: Yeah.

8 CHAIRMAN FIELDER: Your original question. As
9 a startup business or a commercially successfully
10 business now looks at the federal sector as an
11 opportunity. The procurements that were saved, the
12 full and open competition procurements. Some of them
13 were set aside to service disabled-vets.

14 MR. LENEY: Mm-hmm.

15 CHAIRMAN FIELDER: But there's competition.
16 They typically have what I basically refer to as the
17 catch 22. There are quals and experience requirements
18 that say that you have to have done like project.
19 Okay. We can check that off. We've done it on the
20 commercial side. But you have to have done it with a
21 government agency within the last sometimes two years,
22 sometimes they'll extend it to five. We've even seen

1 one from the Air Force that says you have to have done
2 business with the Air Force --

3 MR. LENEY: Mm-hmm.

4 CHAIRMAN FIELDER: -- to be qualified to do
5 business with them. And it drives us to teaming
6 arrangements, other arrangements, and some of these
7 contracts are small enough that we can compete fully on
8 our own. But that point of access that Robert was
9 referring to, they write it in the quals and
10 experience, not that you had the quals and experience
11 to do the work, but that you have the experience with a
12 particular agency or with other federal agencies.

13 MR. LENEY: That is a tough one, Ed. Let me
14 be candid. I don't -- I've not yet managed to break
15 the code.

16 One of the things we're pursuing is what
17 Robert was talking about, SAP. It's a small
18 procurement, two small procurements with small
19 companies, with veterans. That way they can get
20 qualifications.

21 MR. BAILEY: So part of that goes back to that
22 risk adverse thing.

1 MR. LENEY: It is all about the risk. It is
2 all about the risk, and it's -- I'll be honest. It's
3 hard for me to tell a program manager or contract
4 officer no. You need to reduce your requirements.
5 What I tend to focus on is, okay, if that's what you
6 say is important here, okay, let me go find a veteran-
7 owned small business that can meet that requirement.

8 Because at the end of the day, my obligation,
9 their obligation is the 23 million vets that we
10 support. They want the best value for their dollar,
11 okay, and they're afraid. I mean, some of the most
12 risk adverse people -- two categories of very risk
13 adverse people I've run into in my three years now in
14 government, contracting officers and senior executives.
15 We can make that work for us.

16 Now, if somebody in our focus area, NAICS
17 codes are setting it aside, might not concur, it takes
18 a senior executive to sign off and say I can't get this
19 done without you, you know, going outside the veteran-
20 owned small business world. And I have great success
21 with that because not that many senior executives want
22 to sign their name to that statement, and then if they

1 don't meet their goals, it's like let me try -- let me
2 pull out all the things you sign. You're program is so
3 important, when we come up with qualified vets.

4 I will tell you --

5 CHAIRMAN FIELDER: Let me add to the
6 statement.

7 MR. LENEY: Our approach is getting qualified
8 vets.

9 CHAIRMAN FIELDER: Robert, with being an IT
10 guy, you're sitting in front of a procurement exec and
11 program managers -- my experience recently has been the
12 Air Force -- and they're telling you that they want
13 industry ideas. They want -- they want off-the-shelf
14 solutions that are sustainable and new, and they want
15 to get rid of these legacy systems.

16 MR. LENEY: Yeah.

17 CHAIRMAN FIELDER: And then they -- it has
18 nothing to do with quals and experience. It has
19 everything to do with did you do business with the Air
20 Force.

21 MR. LENEY: It has everything --

22 CHAIRMAN FIELDER: That's the one that just

1 kind of takes --

2 MR. LENEY: And it has everything to do with
3 risk.

4 CHAIRMAN FIELDER: I know, but --

5 MR. LENEY: Hey, if you've done business with
6 the Air Force, you're a lower risk than a guy who
7 hasn't.

8 CHAIRMAN FIELDER: But bits and data are
9 moving through and software is exactly the same. I'll
10 let it go, but it's that point of access issue that --

11 MR. LENEY: I'm empathize with your
12 frustration, but I'll tell you what my strategy is.
13 Give me qualified low-risk veteran-owned small
14 businesses, and the more business people do with vets,
15 the more comfortable they get with doing it.

16 MR. WHITE: There is it right there.

17 MR. LENEY: And so, yeah, that's why some vets
18 do very well because they get a reputation --

19 CHAIRMAN FIELDER: You know what our
20 solicitors on this side, go find teaming partners that
21 have those, and then you work the relationship part.
22 Then you bring them in and give them part of your

1 deal --

2 MR. LENEY: Mm-hmm.

3 CHAIRMAN FIELDER: -- because you could put
4 them --

5 MR. LENEY: And you know what I tell people -
6 - women-owned small businesses and HUBZones and small
7 businesses that want to do business with the VA? Go
8 find a VOSB team to partner.

9 CHAIRMAN FIELDER: Okay.

10 MR. LENEY: You want to do business with the
11 VA, you better have a partner that's a vet.

12 But I guess there's a different -- there's a
13 couple different approaches. One is to say let's go
14 help the guy who is just starting up his business.
15 Let's go help the guy who is Chapter -- let's go help
16 the people who are most challenged to do business.

17 The problem is when you take that approach,
18 you're now taking a high-risk approach, okay. My
19 approach is let's go work with vets, and the more we
20 work with vets, the lower the risk profile of vets is
21 going to be. And everything I can do to lower that,
22 I'm pretty happy with. You know, I don't distinguish

1 between, wow, you're a vet. You're a different kind of
2 vet. You're a different kind of vet. You're from a
3 different program. Hey, if you're a vet and you're
4 capable, those are the people I want to put in front of
5 people because then it opens their mind. Yeah. There
6 are vets.

7 The other thing is, to be honest -- you know,
8 I get myself in trouble, but I have a rule, tell the
9 truth as I know it. I can't tell you how many times
10 I've listened to people say I want innovative and
11 creative solutions. I want cutting edge solutions.
12 Stop and look at what the government buys. Outside of
13 DARPA, outside of the SBIR programs, I got to tell you,
14 I've not been impressed that our people want the
15 cutting edge creative innovations. Why? Who are the
16 two most risk adverse sets of people?

17 So they're looking at not leading edge, not
18 leading edge. Hopefully they're not on trailing edge.
19 But I got to tell you, too many times I've seen people
20 say, yeah, I want innovation and creativity, and the
21 minute you put innovation and creativity in a proposal,
22 you're not selected.

1 MR. BAILEY: I just want to say -- I know that
2 time is getting close.

3 CHAIRMAN FIELDER: We are running out of time.

4 MR. BAILEY: Yeah. I just wanted to say for
5 the record real quick, I hope that you'll work closely
6 with Barb as we go forward for the next conference.
7 You did a wonderful job, and there is an underlying of
8 folks that were walking around from the commercial
9 sector that were reaching out to veterans. I'm talking
10 with some folks from North Carolina in the energy
11 sector. Nothing to do with energy, but there's a
12 geospatial component that we found that was in common.

13 So thank you for --

14 MR. LENEY: Yeah. The big companies, they do
15 get it.

16 MR. BAILEY: Yeah.

17 MR. LENEY: They want verified.

18 MR. BAILEY: Yeah.

19 MR. LENEY: One of the biggest problems I had
20 in Atlanta, I had unverified veteran businesses there.
21 My advice to them was get verified because bigs were
22 coming to me and saying, hey, I talked to these guys,

1 but they're not verified; so I'm not going to -- I
2 don't want to play with them. That's a reality.

3 Can I take one minute? I want to tell you
4 about the other pivot.

5 CHAIRMAN FIELDER: You said there were two
6 pivots.

7 MR. LENEY: Two pivots. There's another big
8 pivot. The best thing about T4 Next Generation, for
9 the first time, not the last time, veteran employment
10 is an evaluation factor. A lot of people talk about,
11 hey, I hire veterans. You know, you should give me
12 this deal because I hire vets.

13 MR. BAILEY: Interesting.

14 MR. LENEY: Now, it's put up or shut up time.
15 Where we are going with the T4 Next Generation, there's
16 an evaluation criteria that what is the percentage of
17 veterans you have in your firm.

18 MR. LEGHORN: Tom.

19 MR. LENEY: It applies, not just to veteran-
20 owned small business, it applies to big businesses.

21 MR. LEGHORN: But how will that be weighed?

22 CHAIRMAN FIELDER: Subjective.

1 MR. LENEY: No, no. In fact, here's the
2 secret sauce. It is not as important as technical
3 evaluation.

4 CHAIRMAN FIELDER: Right.

5 MR. LENEY: And that's more important than
6 management, which is slightly more important than past
7 performance, which is slightly more important than
8 veteran involved, which is subcontracting to vets,
9 which is slightly more important than vets in
10 employment. And stop and think for a second. Wait a
11 minute, vets in employment fit in the order.

12 Where is the first quantifiable evaluation?
13 Subcontracting. Everything above that is subjective,
14 and especially when you look at the big companies, the
15 Lockheed Martins and the (inaudible) and the Harris'.
16 What do you think they're going to get on their
17 technical proposal? Ron would do just fine. So that's
18 (inaudible).

19 How do you think Lockheed Martin is on
20 management? They probably do all right. How do you
21 think they are on past performance? These big
22 companies got a bazillion past performances.

1 Okay. Now you get down to subcontracting.
2 It's the first time there was something that's
3 quantifiable. And below that, now you have veteran
4 employment.

5 And here's -- why am I so excited about that,
6 even though it's the fifth thing? I've seen lots of
7 procurements where how do I get to a quantifiable thing
8 that I can choose you over you, and you can't protest
9 it. The difference maker is that you have 25 percent
10 vets in your company, and you have 20 percent vets in
11 your company. And you win? How do you protest that?
12 Especially if everything else comes out the same.

13 So, guys, in the VA, this is going to be a big
14 deal.

15 MR. LEGHORN: Tom, when you're a small
16 business, you don't do the hiring until you get the
17 contract?

18 MR. LENEY: Oh, sure you do.

19 MR. LEGHORN: So are you guys looking at
20 contingent hires?

21 MR. LENEY: No, absolutely not. Absolutely
22 not. Full-time hires.

1 MR. LEGHORN: Okay.

2 MR. LENEY: You got a veteran-owned small
3 business? You have vets in it? You have vets in your
4 business?

5 MR. BAILEY: I do.

6 MR. LENEY: What's your percentage?

7 MR. BAILEY: About 60, 60 percent.

8 MR. LENEY: You have vets in your business?

9 MR. PHIPPS: Ninety.

10 MR. LENEY: What's your percentage? These are
11 vets who have full-time --

12 MR. BAILEY: Full-time W-2s.

13 MR. LENEY: -- W-2s, and that's part of the
14 secret sauce. None of this contingent -- yeah, I
15 promise to hire a vet. Imagine this --

16 MR. PHIPPS: Does it (inaudible), the extended
17 veteran -- no.

18 MR. LENEY: You'd have to preach. Give me a
19 break, brother. Come on.

20 MR. PHIPPS: That was preached earlier.

21 MR. LENEY: You got to take the --

22 MR. PHIPPS: Don't step on SBA's program

1 though.

2 MR. LENEY: But my point is, think about this,
3 we got -- what's your percentage of vets in your
4 company now, the day you start (inaudible). And on
5 these begging IDIQs, if we make veteran employment a
6 task order evaluation criteria, what's your incentive?
7 You're at 60. He's kicking your butt because he's at
8 90. On task orders, what are you going to do?

9 MR. PHIPPS: Hire more vets.

10 MR. LENEY: You're going to hire more
11 veterans.

12 MR. PHIPPS: Or fire some people.

13 MR. LENEY: I prefer you hire vets. Where
14 we're using it is percentage.

15 MR. BAILEY: And he said W-2. He said W-2.

16 MR. LENEY: And the key is, it's head-to-head
17 competition.

18 CHAIRMAN FIELDER: Does anybody got a question
19 that just has to be asked before we close off this part
20 of the meeting because we're really getting on the
21 tight part of the --

22 MR. LENEY: I appreciate you guys letting me

1 come.

2 MR. BAILEY: Thanks for coming.

3 MS. CARSON: Thank you, Tom.

4 CHAIRMAN FIELDER: Thank you for coming. I
5 really appreciate your frankness and genuineness

6 MR. LENEY: Some time it's going to get me
7 fired.

8 CHAIRMAN FIELDER: You know what --

9 MR. LENEY: I'll go back to being a business
10 guy. I certainly made more money doing that.

11 CHAIRMAN FIELDER: It's refreshing believe me.
12 From where we're sitting, that's refreshing.

13 MR. LENEY: I'm a vet too, and I've been in
14 the business world. And I don't sympathize. I
15 empathize.

16 CHAIRMAN FIELDER: There's a lot of vets over
17 at the VA.

18 MR. LENEY: Our goal is 40 percent of our
19 employees be vets. I have not hired a non-vet since
20 I've been there.

21 CHAIRMAN FIELDER: So for those of us that are
22 100 percent, so what -- if that's the goal, what is the

1 actual number at the VA?

2 MR. LENEY: I can't -- I think it's like 36
3 percent.

4 CHAIRMAN FIELDER: It's lower than I thought.

5 MR. LENEY: I have not seen -- I have not seen
6 a hiring document.

7 MS. CARSON: Any last comments?

8 CHAIRMAN FIELDER: Any last comments before
9 the closing?

10 (No response.)

11 Then we're going to go ahead and adjourn and
12 come back in here and wrap up with our report from last
13 year. And then we'll figure out when we're going to
14 meet.

15 (The meeting was adjourned at 2:53 p.m.)

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