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U.S. SMALL BUSINESS ADMINISTRATION

ADVISORY COMMITTEE ON
VETERANS BUSINESS AFFAIRS

PUBLIC MEETING

THURSDAY, MARCH 8, 2018

9:00 A.M.

Reported by: Jennifer Metcalf Razzino

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

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3 (Meeting called to order, 9:12 a.m.)

4 MS. CARSON: Good morning and thank you for
5 joining the Advisory Committee on Veterans Business
6 Affairs. I apologize for the brief delay. We have
7 exciting news, and I am pleased to announce that the
8 committee met this morning and have elected as Chairman
9 Mike Zacchea of the University of Connecticut
10 Entrepreneurship Bootcamp for Veterans Program. And I
11 shall turn it over to you, Chairman, thank you for your
12 commitment.

13 MR. ZACCHEA: Thank you, Barb. For the
14 record, my name is Mike Zacchea, I run the Entrepreneur
15 Bootcamp for Veterans at the University of Connecticut
16 as a part of the veterans and military families.

17 The first thing I'd like to do is thank all of
18 our chairmen emeritus, most immediately Jim O'Farrell,
19 for his work with the committee, and then as well we
20 have Mike Phipps and Ed Fielder are in and so I'd like
21 to thank them as well.

22 We have a number of new members here today, so
23 I would like to go around the room and introduce our
24 new members. And if you would, please say a couple of
25 words about yourself.

Public Meeting
Advisory Committee on Veterans Business Affairs

3/8/2018

1 MR. LOWDER: Do you want Mark?
2 MS. CARSON: The one with the face.
3 MR. LOWDER: Yeah.
4 MS. CARSON: Until the red light comes --
5 there you go.
6 MR. LOWDER: We good?
7 MS. CARSON: Um-hum.
8 MR. LOWDER: I'm Lynn Lowder, I'm the CEO of
9 One Vet at a Time and I'm a United States Marine.
10 MR. ZACCHEA: Thank you and welcome aboard.
11 MR. LOWDER: Thanks, Mike,
12 MS. CARSON: Fran.
13 MR. PEREZ-WILHITE: Oh. Good morning,
14 everyone, I'm Fran Perez-Wilhite with the North
15 Carolina Military Business Center.
16 MR. LOWDER: Good morning.
17 MR. ZACCHEA: Good morning, Fran, and welcome
18 aboard. Just a couple of items for administration.
19 One, when you speak into the microphone, please press
20 the button that has a face on it, identify yourself for
21 the record, and, two, if you have a cell phone, please
22 put it on do not disturb, or do not ring, or whatever
23 your phone has. Thank you.
24 MR. O'FARRELL: Good morning, everyone, I'm
25 Jim O'Farrell with AMSG. And I also just want to make

1 one following comment to Lynn Lowder, introducing him.
2 He said he's a U.S. Marine and I just want to go on the
3 record as saying that he's somebody that a lot of us
4 look up to. He's a Marine Corp combat Vietnam veteran,
5 first recon, just an outstanding person who has spent a
6 good part of his adult life helping veterans in many
7 different capacities, including helping them start
8 businesses.

9 MS. CARSON: On the phone. Thanks, Jim.

10 MR. ZACCHEA: Do we have anybody on the phone?

11 (No response.)

12 MR. ZACCHEA: If you -- if you're on the
13 phone, would you please speak up and identify yourself,
14 thanks.

15 MR. MCADAMS: Good morning, Rich McAdams --

16 MS. CARSON: Rich McAdams.

17 MR. MCADAMS: -- of ReliaONE, focusing on
18 cybersecurity. I'm a Veterans Strong vet and I am
19 wrapping up my term on the committee, but it's been
20 great fun.

21 MR. ZACCHEA: Thank you for your service,
22 Rich. Anyone else on the phone?

23 (No response.)

24 MR. ZACCHEA: Okay. I'll take silence as
25 permission to move forward. We're going to go to the

1 next agenda item, OVBD updates for Barb.

2 MS. CARSON: Thank you. Thank you, Mike, I
3 appreciate that. I am Barb Carson, the associate
4 administrator for the Office of Veteran Business
5 Development, I'll be sharing a brief update with you
6 today and I also want to thank the members of the
7 committee.

8 I know that the annual report is in draft and
9 it looks fantastic. I really value the work that you
10 do and so does the President, Congress, and our SBA
11 administrator. I look forward to having that finalized
12 report so that we can share the recommendations and
13 begin to take action on them.

14 And it takes an incredible amount of work from
15 volunteers who have served on this board in the past,
16 those of your who have accepted a new commitment and
17 those you who are enduring for longer with us. I do
18 also add my gratitude to Rich McAdams and Ed Fielder
19 for your service as you transition and finish your
20 terms, and Mike Phipps as well, who's in the room,
21 incredible contributions. It's another full-time job
22 and you can't do it without grit and have the heart for
23 it. It means a lot to me, thank you.

24 I'm going to move on to -- moving on to our
25 first update on the Veterans Business Outreach Center

1 Program. In the fall we did put out a funding
2 opportunity and as you know, Ray Milano is a former
3 deputy -- or, excuse me, the former director of the
4 VBOC program. We have a new director who stepped in as
5 Ray was promoted to my deputy, that is Stan Kurtz. He
6 has been onboard since mid December and he will lead us
7 into this new land of VBOC. Even the current ones,
8 everyone is recompeting and we expect to announce those
9 by April the 1st and they will begin operations on May
10 1st.

11 The big changes here are building their
12 capacity. They are now expected to teach and
13 participate in 100 percent of the Boots to Business
14 coverage around the United States. We had been 20
15 VBOCs with approximately 60 personnel training or
16 17,000 people in Boots to Business alone, not counting
17 their additional mentorship and training and connection
18 to VSOs, for example.

19 So there's a -- they've got a big, big job
20 ahead of them, but I feel the competition was tough,
21 and I look forward to announcing those, introducing
22 them to you at that very next meeting.

23 A reminder of what their goals are, as I said,
24 first priority is Boots to Business, reaching service
25 members, spouses, Reserve, and Guard while they are in

1 the ideation and feasibility stage. That really is
2 about introducing them to all the resources that are
3 out there, it's been a focus of this committee. There
4 are so many resources, how do we get them in the right
5 channel at the right time, we'll continue working on
6 that.

7 Also we expect them to connect with our SBA
8 infrastructure in the field, really support the
9 district office and their vision for their veteran
10 outreach strategy.

11 Again, training and counseling, it's something
12 that's common to all resource partners of SBA. We do
13 value the ability of Veteran Business Outreach Centers
14 to refer to others who can help veterans at whatever
15 stage of business they're in.

16 And, finally, this referral, we've got to get
17 a way to measure it. This is something else I saw on
18 the draft report, we still have trouble tracking our
19 clients from the time that we are first introduced to
20 making sure we stick with them through every phase of
21 business.

22 OVBD is leading the agency in our client
23 relationship management both as a typical tool that
24 everyone thinks of commercially, but also to track
25 outcomes and to make sure that we provide value and get

1 more feedback. And we use it for logistics and
2 operations as well, so please help us continue to do
3 that work, your recommendations are helping us move
4 forward. That's all on the Veterans Business Outreach
5 Center program at this time, any questions?

6 MR. O'FARRELL: This is Jim O'Farrell. So,
7 Barb, I do have a question. Last year several of us
8 visited several of the VBOCs around the country and one
9 of --

10 MS. CARSON: Um-hum.

11 MR. O'FARRELL: -- the themes that emerged
12 from those visits was the need for increased resources
13 to support the counseling, because they were being
14 taken -- a lot of the time was being taken up with the
15 Boots to Business program.

16 Have there been any, you know, discussions
17 about that within SBA about enhancing the funding,
18 enhancing the resources to provide that counseling,
19 because I think what we found in the discussions and
20 what we hear over the last couple years is that folks
21 go to the -- the Business to -- I'm sorry, the Boots to
22 Business program and then it's kind of, like, okay, you
23 got this two-year -- two-day emersion in -- in starting
24 a business, and then you need some counseling, you need
25 something that comes, you know, on day three and --

1 MS. CARSON: Um-hum.

2 MR. O'FARRELL: -- and four, and five.

3 MS. CARSON: It's a great question, Jim, and I
4 wish I could more fully answer it as we still await a
5 fiscal '18 federal budget, and that could pass. So we
6 continue to be on this continued resolution with -- had
7 multiple ones in this fiscal year, so we've done the
8 best that we can to stretch the resources that we have.

9 At the same time, with agency reform, as
10 directed by Executive Order last spring, late winter,
11 looking at ways to be effective and efficient. I need
12 to go back to statute, what is the Veterans Business
13 Outreach Center role, what do we need to do at a
14 minimum. And what we are called to do is serve the
15 transitioning service members and the population that
16 it has access to TAP, and so I must start there, and
17 fully execute that mission, and even that was a
18 stretch.

19 There are a couple bills that are out right
20 now that have been introduced. It's too soon that
21 they've even left committee, but I will provide
22 information to the Advisory Committee on perhaps some
23 ways that you could address those concerns in that
24 channel. And then I hope to demonstrate to you with
25 funding how we would increase our capacity, but at

1 this time I can't do more.

2 One additional update on the Veteran Federal
3 Procurement Entrepreneurship Training program, that is
4 our single grantee. The Veteran Institute for
5 Procurement will have their 1,000th graduate this
6 month, the SBA administrator will be there to celebrate
7 that milestone.

8 I would love to share with you that 30 percent
9 of the VA sector prime contractors were VIP graduates.
10 We're seeing similar success, the GWAC 2 for IT, and
11 there's another that I'm forgetting the name of, we
12 talked about it yesterday. So what I'm seeing is that
13 graduating from this program has value in the market.

14 Agencies are seeing companies that graduate
15 from this as ones that they have capacity and
16 capability to excel with a prime or subcontract, so
17 we're thrilled with the outcomes of this program and
18 look forward to continuing to take feedback from this
19 committee on what else they can address that would help
20 veteran business owners and federal procurement avoid
21 some of the pitfalls that are out there.

22 Moving to the next page, quick updates on
23 Boots to Business. We have completed the curriculum
24 update and, again, your feedback was helpful here. One
25 big thing that you'll see that was written by Mike

1 Phipps' report, I believe, was a speciality track, the
2 need for some attention after Boots to Business.

3 One of the outcomes of Boots to Business that
4 we do measure is the connection to follow-on resources,
5 we can't have everything hung on the Christmas tree of
6 Boots to Business. There are other great resources in
7 the SBA network where we should be sending folks and
8 there are some amazing nonprofits, and community, and
9 state resources, too. So it really is about finding
10 the next fit and perhaps not building it all here, but
11 we do agree there's some room for specialization.

12 Some of the areas we're looking at ruling out
13 are in federal procurements, franchising, social
14 enterprise, service, and manufacturing technology.
15 Those will not all happen in this first year, but they
16 are things that we will continue to look for your input
17 on, on where you see some gaps and where we could
18 address specific needs that are appropriate at this
19 phase, which is the introduction, feasibility, and
20 launch.

21 This is not the place where we're capturing
22 the market. We're of established business owners,
23 honestly, at the -- most of our transitioning service
24 members. And there are other resources outside Boots
25 to Business, but within SBA, that are probably a better

1 fit, so we just need to do a better job of connecting
2 people at the right place.

3 For a few collaboration updates that we're
4 proud of, the American Legion, who is serving on both
5 the Interagency Task Force and this advisory committee
6 met -- the SBA administrator and deputy administration
7 met with the new commander, Rohan, just last week and
8 it was a great collaboration. It's good to get your
9 key leaders together to agree on where we've been
10 successful in the past and where we're going in the
11 future.

12 I will remind you that the American Legion was
13 with us from the creation of Boots to Business and then
14 further helped us identify the need for veterans of all
15 eras to have access to such programming, which is how
16 Reboot came about. They demonstrated their commitment
17 by allowing us to use venues across the nation to host
18 these events and really open up the doors to veterans
19 of all eras. Because there was a focus on post-911
20 that was perceived, we didn't want to leave anyone out.
21 We've had great success, that will continue.

22 Another area where we have seen a need is
23 we've got this incredible pipeline of folks who are
24 launching what happens next, what happens to scaling,
25 and making some good decisions, getting capital, all

1 the things that come right after you've opened the
2 door. The American Legion would like to see SBA do
3 more. There were some conversation on that and I look
4 forward to providing an update in the next quarterly
5 meeting.

6 With the Department of Defense, of course we
7 continue with our transition assistance work. We also
8 have Liz O'Brien, who's a new member. She's
9 representing the U.S. Chamber of Commerce Foundation, a
10 great intersection for the military spouse work that
11 both Department of Defense and the U.S. Chamber are
12 doing for economic opportunity via entrepreneurship for
13 military spouses.

14 A third plan of effort with Department of
15 Defense is new, their deputy assistant secretary of
16 public affairs is a former SBA member as a regional
17 administrator and now on the other side of the fence at
18 DOD sees a great opportunity for synergy to bring
19 forward the Reserve and Guard members in particular who
20 are entrepreneurs.

21 We have a new initiative called, This Is Your
22 Military, and they want people to be aware of those who
23 are serving right next door to you that you may not
24 even be aware wear the uniform periodically and serve
25 both in the community and in uniform. So we'll meet

1 with that senior leader on Monday and, again, provide
2 an update in June on what we're doing.

3 The interest in -- this came up, I believe, in
4 the legion meeting and elsewhere, what are we doing
5 with pre-deployment, and there's a new bill introduced
6 yesterday that talks about this. I'll send these links
7 to each of you members, and anyone who's on the phone
8 you're welcome to write to us and get them as well.

9 We really need to capture those folks and try
10 and help them save their business or help their
11 employers save their business if there's going to be a
12 great loss in operational capacity if they deploy. So
13 that's a multiphase and multiline of effort, work with
14 defense and also probably the National Guard Bureau, so
15 Jaime Wood, our director of policy engagement, is
16 working on the team right -- the development of that
17 plan to bring it all together and we'll share that with
18 you.

19 For the Department of Veteran Affairs, our
20 deputy administrator met with the Deputy Secretary of
21 Veteran Affairs to talk about a variety of issues. One
22 is the move potentially at some point of the
23 verification program to SBA, it's again still a -- just
24 discussion phases, that has been a focus of this
25 committee and the Interagency Task Force. There is no

1 other update at this time, except to say that the two
2 agencies are talking about that and looking for ways
3 that that would make sense.

4 We also expect to sign very soon a memorandum
5 of understanding with the Department of Veteran Affairs
6 to better link our referrals in the field between
7 vocational rehabilitation and employment beneficiaries
8 who have that self-employment eligibility for benefits
9 to our resources here at SBA. Instead of having just
10 VA counselors who are working really hard, but they may
11 not be the best to judge whether a business plan is
12 good to go, we're happy to do that. That's in our
13 wheelhouse, we can do that.

14 We also want business owners who hit SBA first
15 to say, hey, you may be eligible for Chapter 31
16 benefits and that could be something you could use in
17 your self-employment journey. So understand each
18 others' eligibility, knowing where to refer, and how to
19 connect, that's what we're working on. It happens some
20 places around the country already in great ways, but we
21 need it to be more consistent so that you have -- if
22 you do this in Michigan, you're going to get the same
23 connection that you would in Florida.

24 And finally with Department of Labor, this is
25 a strong partner for us. They have veterans employment

1 training that we met this past month. Pardon me, I'm
2 losing track, those years went so fast. They brought
3 together members of every one of their administrations
4 to talk with us and find new connections on ways to
5 share data, so that we could learn where some gaps are
6 and where we're having success in terms of economic
7 opportunity and employment.

8 Also licensing and credentialing, particularly
9 for military spouses. Pretty well -- I don't see the
10 problem as solved, mission is not accomplished, but for
11 those service members who are coming out of the service
12 and have a credential or license, they're having better
13 success with these inner-state compacts to make it
14 transferrable. Reciprocity is there for the service
15 member. Military spouse needs the same service and
16 we're getting further along there.

17 Finally, for Department of Labor, the HIRE
18 Vets Medallion Program. If you haven't seen it, it's
19 in pilot phase this year and I encourage you to check
20 it out. They are looking to reward and recognize
21 employers who are hiring veterans, retaining them, and
22 training them. So small businesses are included in
23 this pilot, and we look forward to some ways that we
24 can learn some best practices -- and encourage more
25 small business owners to hire veterans, Reserve, and

1 Guard.

2 And finally on my last page, looking ahead at
3 what we hope to tell you more about in June. Among the
4 things I already committed to, here are a few more.
5 National Veterans Small Business Week will remain the
6 first week of November. This year the administrator is
7 onboard and has approved us to go ahead, so we should
8 have our theme and some basic framework and would love
9 your input on what you'd like to see. You are an
10 important stakeholder, we will not declare that we have
11 finalized planning until we've met again and talked
12 about it.

13 For Boots to Business, we do survey
14 participants at the one-year point once they've
15 completed to here, have you gone into business, what's
16 your next step, how's it going. Although we collect
17 this all year round, we report on it in quarter three,
18 so that's an update you'll receive.

19 And finally on Boots to Business Reboot, which
20 is the Boots to Business curriculum, but delivered for
21 veterans of all eras, we're doing a bottom-up review.
22 We are finding some trends, these are people who are
23 likely already in business. They tend to be older,
24 more established, may have different resources and
25 interests, so we are doing a review and look forward to

1 your input there.

2 And finally the VBOCs, you'll get to meet
3 them. If not in person, you'll have a profile on each
4 one. And we want to make sure that like you did last
5 year, you have an opportunity to connect with them and
6 be a part of their mission.

7 And VBOC 2.0, we have been testing over the
8 last year how can -- if we say referral's important,
9 how are we enabling this consistent referral network
10 across the nation with only 60 people touching it? So
11 technology is one of the aspects that's important.

12 We are finding a place that we can collaborate
13 using shared software, for example a business plan. I
14 can work on it as a VBOC counselor and Jim over there
15 is at the Small Business Development Center for the
16 next phase. I can share my client's business plan and
17 progress so far, of course with the client's
18 permission.

19 Also reaching into rural places. If we only
20 have 20 or 22 VBOCs, it's not realistic that we're
21 going to have to face-to-face interaction every time.
22 How can we make it feel most engaging and authentic
23 while working on some of those platforms as well?
24 Those are my updates at this time, are there any
25 questions at all?

1 (No response.)

2 MR. ZACCHEA: I'll take silence as no
3 questions, but thank you, Barbara, that was great.
4 Next item on the agenda is the SBA ombudsman update
5 with Natalie Duncan, our Deputy National Ombudsman.

6 MS. DUNCAN: It's okay. Thank you, Barb, for
7 inviting me to join you. And congratulations, Mike, on
8 your election as the new Chair.

9 So I'm really excited to be here. I am
10 married into a three-generation Navy family and spent
11 six years with the Department of the Army, including
12 time working for the CG of TRADOC, so veterans issues
13 are near and dear to my heart. And thanks, everyone,
14 for your time.

15 So in her visits across the country with 600-
16 plus businesses across 31 states, the administrator, on
17 her ninth tour, has really highlighted the ways in
18 which regulations have really just had adverse impact
19 on a number of small businesses in terms of its --
20 really, the complexity of regulations, the sheer
21 volume, and really the cost associated with compliance.

22 And I, too, across my travels from coast to
23 coast, have heard from small business owners that have
24 really voiced similar types of concerns and shared
25 those specific examples of how regulations have, you

1 know, impeded their ability to grow and then in some
2 cases even driven them out of business.

3 And so I think as the administrator has said
4 many times, it's -- I think there's a recognition
5 certainly that regulations are important to protect
6 people, the environment, American workers, but at the
7 same time the government really needs to strike a --
8 the right balance to make sure that small businesses
9 and their equities are also taken into account when
10 enforcement actions are taken against them.

11 And in my travels across the country, one
12 thing that I should mention is that with respect to
13 veteran small businesses is the whole issue about
14 certification. The dual certification has been
15 something that's been -- like, I think for the people
16 I've met with from places in, you know, Tulsa, Oklahoma
17 to, you know, Phoenix, Arizona, and to, you know,
18 Pittsburgh, that there's been the whole -- the need for
19 the dual certification from the VA and SBA has been
20 viewed as sort of an impediment, and so I'm really glad
21 to hear from Barb's last presentation that there's
22 discussions that have been initiated with Allie and the
23 senior leadership of the VA to begin to address that.

24 MS. CARSON: Um-hum.

25 MS. DUNCAN: And so I wanted to just very

1 briefly highlight the work of the -- the SBA's Office
2 of the National Ombudsman and how we assist small
3 businesses. And feel free to break in at any time and
4 ask me questions, or you could hold off until the end,
5 whatever you would prefer.

6 Slide three, please. So the National
7 Ombudsman really serves as a champion for small
8 businesses when they encounter instances of unfair
9 regulatory enforcement actions taken against them, and
10 by that what I mean are excessive fines, penalties,
11 investigations, audits, and instances where there's
12 retaliatory actions taken, and so that's where we come
13 in and can be of help.

14 So in terms of what we do, we fulfill our
15 mission to small business owners by first just
16 listening to their concerns through forums that we
17 host, whether it may be public hearings or roundtables
18 across the country, and then engaging in outreach
19 events, serving on panels, speaking engagements with
20 trade associations, as well as directly with small
21 businesses, and we're able to solicit their comments as
22 well as understand, you know, what are their concerns,
23 and what we do is, you know, raise those concerns to
24 the attention of federal regulators.

25 So we have established relationships with not

1 just folks within SBA, because we're not just the SBA's
2 ombudsman, but we're also the ombudsman really for the
3 -- of the interagency. And so when there are concerns,
4 we raise those to the attention of federal regulations,
5 whether it may be OSHA, or Wage An Hour, or IRS, or
6 Department of Transportation, and we shine a light on
7 those issues so that they would really -- it's to raise
8 awareness and get them addressed.

9 And also when we do that, I think we offer
10 some unique platforms where small businesses have an
11 opportunity to share those concerns to the attention of
12 members of Congress, as well as congressional staff.
13 And so, you know, as I tell many people who are small
14 business are -- they're in situations that are quite
15 untenable, is that oftentimes when you look to for
16 regulatory relief it's not a matter of just something
17 where you can just ask and -- and it will go away.

18 So it's not like something that it's a press
19 a button and it's done, but rather it takes a long
20 sustained effort across multiple fronts to really bring
21 the attention to -- of the issues to people in the
22 legislative branch and -- and also bring it to people
23 in the executive branch.

24 And it could be a long slog, but oftentimes
25 you need to, like, sort of have that persistence to

1 kind of stay on course and to not give up, because
2 it -- there are a lot of dynamics in the sort of
3 broader environment that may turn in one's favor, and
4 so I think we're very fortunate now to be in a climate
5 that's very favorable for regulatory reform and
6 regulatory relief.

7 As you know, the President had -- back in
8 January and February when he first took office, had
9 issued two executive orders focused on offering
10 regulatory relief to big and small businesses.

11 Nat Miller, who is the SBA ombudsman, is
12 serving as SBA's reg reform chair and so he certainly
13 is working across the government with his counterparts
14 to kind of look at regulations and to look at the
15 economic impacts, and in aggregate, and to look at what
16 can be done to kind of strip out or modify regulations
17 that are duplicative or unnecessary.

18 So in terms of, like -- okay. So in terms of,
19 like, our work, I think oftentimes I don't know if any
20 of you have worked with SBA's Office of Advocacy, so
21 there -- have any of you?

22 MR. O'FARRELL: We've had -- this is Jim
23 O'Farrell, we had them come in and give presentations,
24 briefings to us over the past several years.

25 MS. DUNCAN: Okay. Great. So some of you are

1 new, right, so pretty much in a nutshell is they focus
2 a lot on listening to the concerns of small businesses
3 on the front and when regulations are still kind of
4 being contemplated and being formulated.

5 And so small businesses have an opportunity to
6 shape those regulations by providing input and we come
7 in more on sort of the back end when regulations are
8 already on the books and enforcement actions, as I
9 described earlier, the actions are taken against the
10 small business and what we can do is help through sort
11 of a few -- in terms of, like, the process, what small
12 businesses need to do is really kind of go through a
13 formal, you know, filing process to kind of get their
14 complaint on the table.

15 So please turn to slide five. So what we do
16 is -- I think in terms of our work is we help to break
17 down barriers, you know, between small businesses and
18 federal agencies and help to achieve tangible results
19 in terms of time and cost savings.

20 Next slide please. And so I'd like to just
21 kind of highlight a few of those regulatory fairness
22 levers. And so I think, as I mentioned earlier, in
23 terms of issue resolution, we do have a formal
24 complaint-filing process where businesses are able to
25 document their concerns in writing and so that we can

1 raise those to the attention of the federal agencies
2 and get them to respond.

3 And so I think the benefit of going to us
4 versus going direct to the agencies is -- one is they
5 get -- the small businesses will get high-level review
6 of the issue. So oftentimes when there's an
7 enforcement action taken against them, they're dealing
8 with the regulator, meaning, like, the inspector, or
9 the auditor, or someone like that, and it can be kind
10 of, you know, it may cause a lot of anxiety for folks.

11 And so coming to us they'll get a higher
12 level, independent look from that agency to see if the
13 action that was taken is fair and if there's any sort
14 of ways to mitigate the penalties in the form of
15 reductions in fines, and pay the penalties, or even
16 waivers based on size of the business, or the fact that
17 it's a first-time offense. So we don't guarantee that
18 in every instance that there will be favorable
19 outcomes, but in many instances we are able to
20 effectuate a positive outcome.

21 And then there's a practical matter, this
22 falls a little bit outside of our original
23 jurisdiction, but there is legislation that's currently
24 in the works that addresses contracting issues. So for
25 a lot of veteran small business owners some of the --

1 that the issues that we get are around federal
2 contracting, like in the -- like, for instance, it may
3 be -- it's the cases where they had not -- they
4 performed work for the Air Force, but they had not yet
5 gotten payment, and so we can help with bird-dogging
6 those kinds of issues.

7 And just in terms of statistics, to let you
8 know, we had 460 cases last year, which was the highest
9 in a decade --

10 MR. O'FARRELL: Um-hum.

11 MS. DUNCAN: -- that we're filed and 21 of
12 those cases were Department of Defense and two were VA
13 cases. And then in terms of contracting cases it was
14 37, so those may or may not be filed by, you know,
15 veteran small businesses, but, you know, many are. So
16 --

17 MR. O'FARRELL: This is Jim O'Farrell.

18 MS. DUNCAN: -- yes.

19 MR. O'FARRELL: So sorry to interrupt.

20 MS. DUNCAN: Um-hum.

21 MR. O'FARRELL: Natalie, I do have a question
22 then.

23 MS. DUNCAN: Sure.

24 MR. O'FARRELL: Do you actually track veteran
25 business ownership in terms of the roundtables that you

1 have in public hearings?

2 In taking that feedback, do you have that data
3 separated out that you can say? For example, you just
4 gave the number 460 cases, but that's the entire
5 population of --

6 MS. DUNCAN: Correct.

7 MR. O'FARRELL: -- complaints or --

8 MS. DUNCAN: Um-hum.

9 MR. O'FARRELL: -- or things that you were
10 taking in. And then about 24 were DOD, and so you're
11 kind of making an assumption for some 20-plus number
12 were DOD?

13 MS. DUNCAN: Um-hum.

14 MR. O'FARRELL: So you're making an assumption
15 then that those are veteran businesses, but they may or
16 may not be?

17 MS. DUNCAN: I'm not making --

18 MR. O'FARRELL: Sorry.

19 MS. DUNCAN: -- an assumption that it is, but
20 it's --

21 MR. O'FARRELL: It is.

22 MS. DUNCAN: -- it's -- I'm sorry. So I'm not
23 making an assumption that it is, but I'm just letting
24 you know that those were the number of cases that were
25 submitted.

1 MR. O'FARRELL: Um-hum.

2 MS. DUNCAN: But at this point we -- in terms
3 of -- and, you know, this had come up in, you know, our
4 last meeting.

5 MR. O'FARRELL: Um-hum.

6 MS. DUNCAN: In terms of the case management
7 system, the agency has made a decision to -- so with
8 our case management system it's very arcane, it's
9 legacy, and so -- and we recognize the need for a new
10 one, so we have put a business case together, we've
11 asked for funding for it, but I think as an agency --
12 the agency as a whole has made a decision to go with an
13 enterprise-wide customer relations management, CRM,
14 system --

15 MR. O'FARRELL: Um-hum.

16 MS. DUNCAN: -- rather than have us or a
17 standalone for economies of scale and other reasons,
18 and so that's all driven by the CIO's office.

19 MR. O'FARRELL: Um-hum.

20 MS. DUNCAN: And so what we have done is
21 provided them with our business requirements to better
22 have that kind of segmentation. But because we were
23 told not to go out and buy our own system and to --

24 MR. O'FARRELL: Uh-huh.

25 MS. DUNCAN: -- at this point we're not able

1 to kind of segment that out. So we will, when -- once
2 the agency has a system that's rolled out.

3 MR. O'FARRELL: Okay. So, Jim O'Farrell
4 again. You know, the -- kind of the purpose of my
5 question is to --

6 MS. DUNCAN: Um-hum.

7 MR. O'FARRELL: -- kind of -- was to elicit
8 that type of response. So, you know, for Mike Zacchea,
9 our new Chairman, as we think about the annual report
10 that we'll submit for the current fiscal year, one of
11 the recommendations in that report could be the ACVBA
12 strongly endorses the SBA's procurement of the new CRM
13 solution that is state of the art and allows for
14 tracking of veteran businesses within the larger --

15 MS. DUNCAN: Yes.

16 MR. O'FARRELL: -- census of businesses that
17 are being handled through the ombudsman program, so
18 that at some future date you can say we did a listening
19 session in San Diego and we heard -- we had three
20 veteran business owners who told us these stories of
21 things that they were being -- that were being done to
22 them, they perceived --

23 MS. DUNCAN: Um-hum.

24 MR. O'FARRELL: -- and we wanted to help fix
25 that. And so then as a result of that, if you just

1 keep, you know, rolling this out, you could say that by
2 tracking those three veteran businesses and allowing us
3 to see that information --

4 MS. DUNCAN: Um-hum.

5 MR. O'FARRELL: -- of what they were concerned
6 about, we may be able -- then in the following annual
7 report --

8 MS. DUNCAN: Um-hum.

9 MR. O'FARRELL: -- be able to say here's
10 something that we think needs changing within our
11 Federal Government to support our veteran businesses.

12 MS. DUNCAN: Yes.

13 MR. O'FARRELL: Does that make sense of kind
14 of the --

15 MS. DUNCAN: Yeah, I --

16 MR. O'FARRELL: -- the --

17 MS. DUNCAN: -- think it --

18 MR. O'FARRELL: -- thread there?

19 MS. DUNCAN: -- it absolutely does. And I
20 think some of these businesses, and we would need
21 certainly to have their permission in order to be able
22 to release information, and we can certainly share it
23 in terms of, like --

24 MR. O'FARRELL: Right, in --

25 MS. DUNCAN: -- you know --

1 MR. O'FARRELL: -- general terms.

2 MS. DUNCAN: -- in general terms.

3 MR. O'FARRELL: That's right.

4 MS. DUNCAN: Like --

5 MR. O'FARRELL: You don't have to --

6 MS. DUNCAN: -- Atlanta --

7 MR. O'FARRELL: -- name names.

8 MS. DUNCAN: -- based.

9 MR. O'FARRELL: Exactly.

10 MS. DUNCAN: You know, 30 person, small
11 business, veteran owner.

12 MR. O'FARRELL: Yeah, or just -- we're seeing
13 trends across the country and it's these three trends
14 that we want to try to help leave at -- ACVBA would
15 like to help you address those, any trends that you're
16 seeing that are not positive, and that we can help
17 advocate for a change.

18 MS. DUNCAN: Yeah, so -- and it concurred
19 without the other piece we're also doing and this is
20 part of the administrators, you know, making the agency
21 more effective and efficient is in terms of -- and just
22 more customer-friendly -- is in terms of our form for
23 complaints filing, that's sort of on the front end. So
24 the system is on the back end of it, but the form is --
25 on the front end is to make changes to it to provide

1 that segmentation.

2 And so I think part of it is, it's striking a
3 balance, because you don't want to ask too much of
4 people, because it's onerous on them but at the same
5 time we do need it for reporting purposes and to better
6 understand the populations we're serving.

7 MR. ZACCHEA: If I could -- if I could just --

8 MS. DUNCAN: Um-hum.

9 MR. ZACCHEA: -- Mike Zacchea, if I could just
10 chime in. Jim, thanks.

11 MS. DUNCAN: Thank you, Mike.

12 MR. LOWDER: Natalie, I'm going to --

13 MS. DUNCAN: Yes.

14 MR. LOWDER: -- chime in --

15 MS. DUNCAN: Um-hum.

16 MR. LOWDER: -- here if I can make the
17 technology work. I am a --

18 MS. DUNCAN: The second one.

19 MR. LOWDER: -- I am a Marine, so -- there we
20 go. A little for One Vet at a Time. Natalie, a couple
21 questions, please.

22 MS. DUNCAN: Yes. Uh-huh.

23 MR. LOWDER: You said there were 460 cases
24 that --

25 MS. DUNCAN: Um-hum.

1 MR. LOWDER: -- your office handled?
2 MS. DUNCAN: In '17.
3 MR. LOWDER: In '17?
4 MS. DUNCAN: Um-hum.
5 MR. LOWDER: Twenty-one were DOD centered?
6 MS. DUNCAN: Um-hum.
7 MR. LOWDER: Two were -- were VA centered?
8 MS. DUNCAN: Yes.
9 MR. LOWDER: Tell me, where's the -- is there
10 a majority of departmental issues if you were going to
11 look at -- I'm interested -- which department is most
12 of the action occurring in?
13 MS. DUNCAN: Within these two or within the
14 broader?
15 MR. LOWDER: Aggregately.
16 MS. DUNCAN: Um-hum. Aggregately a lot of
17 them within CMS, so Centers for Medicare and Medicaid
18 Services, and those are around -- they're small
19 business durable medical equipment providers that have
20 issues with the competitive bidding process of CMS as
21 well as repetitive audits. So with the new
22 administration coming in, a new secretary for HHS, they
23 are at this point kind of taking a hard look at the
24 competitive bidding processes.
25 MR. LOWDER: Okay. After --

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1 MS. DUNCAN: So --
2 MR. LOWDER: -- after --
3 MS. DUNCAN: -- but it's --
4 MR. LOWDER: -- after that, then what?
5 MS. DUNCAN: -- so what --
6 MR. LOWDER: CMS?
7 MS. DUNCAN: -- it's really -- at this point,
8 I mean, it's really, I think, the -- in terms of what
9 -- what do you mean by, "What's --"
10 MR. LOWDER: I'm still driving at the
11 aggregate figure.
12 MS. DUNCAN: -- oh, I see.
13 MR. LOWDER: You said --
14 MS. DUNCAN: Okay.
15 MR. LOWDER: -- CMS --
16 MS. DUNCAN: So CMS --
17 MR. LOWDER: I got --
18 MS. DUNCAN: -- is --
19 MR. LOWDER: I got it.
20 MS. DUNCAN: -- is one. Another one is, like,
21 IRS, we get a lot of taxation issues.
22 MR. LOWDER: Okay.
23 MS. DUNCAN: And Wage and Hour within
24 Department of Labor.
25 MR. LOWDER: Okay.

1 MS. DUNCAN: As well as OSHA.

2 MR. LOWDER: OSHA. All right.

3 MS. DUNCAN: So those are kind of the top
4 ones.

5 MR. LOWDER: Thank you.

6 MS. DUNCAN: And then we get smatterings of --
7 oh, sorry, of everything else.

8 MR. LOWDER: Thanks, Natalie. Next question,
9 compliance assistance.

10 MS. DUNCAN: Um-hum.

11 MR. LOWDER: I should have asked this earlier,
12 so just let me come back, if I might. Do you have any
13 idea how many compliance-assistance matters you work
14 through in a year, give or take, just ballpark?

15 MS. DUNCAN: So versus --

16 MR. LOWDER: Anything.

17 MS. DUNCAN: -- just --

18 MR. LOWDER: No versus, just do you find your
19 department consulting or people out there, small
20 business owners, can call you and say, I'm really
21 pulling my hair out?

22 MS. DUNCAN: -- um-hum.

23 MR. LOWDER: It's not a problem in my case,
24 but, I'm pulling my hair out?

25 MS. DUNCAN: Yeah, it's not your problem.

1 MR. LOWDER: I'm trying to work through this
2 whole compliance matrix here.

3 MS. DUNCAN: Yes.

4 MR. LOWDER: Does that happen?

5 MS. DUNCAN: So -- okay. So there is a bill
6 that's -- right now it's -- that's been introduced and
7 it's having to -- basically, it's expanding the
8 authority of the Ombudsman's Office to provide best-
9 practice guidelines, like compliance assistance for
10 small businesses. So it's something where, I think,
11 because the subject matter experts on the actual
12 regulation -- let's say on, you know, silica -- you
13 know, crystalline silica, that's an issue with the, you
14 know, construction industry.

15 MR. LOWDER: Um-hum.

16 MS. DUNCAN: It's an OSHA issue, that's
17 something where, you know, we don't have the expertise
18 on that regulation. We facilitate a process to get the
19 complaints to the attention of the agencies, but
20 they're the subject matter expert on what it takes for
21 a company of this size in the construction industry to
22 comply with the crystalline silica rule, but that's not
23 something that we do, but what we are doing, meaning
24 that really falls within the responsibility of OSHA.

25 MR. LOWDER: Um-hum.

1 MS. DUNCAN: But what we are doing is -- one
2 of the things we do as federal agencies, we grade them
3 in our annual report and we're including some
4 additional criteria next year that's never been
5 included before to look at their compliance assistance
6 in terms of -- because in the statute this is for -- 21
7 years since the office has been in existence it's been
8 on the books, but it hasn't yet been sort of enforced,
9 if you will.

10 MR. LOWDER: Okay.

11 MS. DUNCAN: Which is to -- one is to provide
12 -- for agencies to provide compliance assistance guides
13 to small businesses shortly -- by the date of the
14 publication of the rule or shortly thereafter, so
15 that's in the statute.

16 MR. LOWDER: Um-hum.

17 MS. DUNCAN: And then the other is done on an
18 annual basis to report to Congress on the compliance
19 assistance that they provide to -- to small businesses.
20 So that's written in section 212 of SBREFA, but it's
21 something that for 21 years had not been enforced, and
22 so we're actually introducing new criteria in the -- we
23 piloted this year without penalizing them for --
24 meaning for 2017. Not this year, last year.

25 MR. LOWDER: Um-hum.

1 MS. DUNCAN: But beginning 2018 we're going to
2 include a dimension -- two dimensions in the grading to
3 grade them based on the -- both the reporting to
4 Congress as well as the compliance assistance that it's
5 timely, so that's --

6 MR. LOWDER: Let me --

7 MS. DUNCAN: -- what we're doing.

8 MR. LOWDER: Let me ask you one last question.

9 MS. DUNCAN: Um-hum.

10 MR. LOWDER: I'm going to stick on this
11 compliance assistance here for a minute. In the
12 staffing of that in your office, if some person calls
13 in and says --

14 MS. DUNCAN: Yes.

15 MR. LOWDER: -- gosh, I just can't seem to get
16 this, will -- do you find or have you found that you
17 will -- I don't want to misread anything here, but in
18 the process of taking a company through -- a new
19 veteran entrepreneur through, then you stick with them,
20 or they come to you serially for a period of time, or
21 are they hitting -- if they have continuing issues, do
22 they get a new person on staff every time?

23 MS. DUNCAN: Oh, no, they go to the same
24 person, because --

25 MR. LOWDER: All right.

1 MS. DUNCAN: -- of the way we set up our
2 portfolios. So it's -- they don't have the frustration
3 of every time calling someone and that they have to
4 explain the story again to someone new, so we divide
5 our portfolios by department or agency.

6 MR. LOWDER: Great.

7 MS. DUNCAN: And so --

8 MR. LOWDER: Okay.

9 MS. DUNCAN: -- and of course some are
10 multiagency, but they'll stick with that person.

11 MR. LOWDER: Okay.

12 MS. DUNCAN: I mean, on occasion if there's
13 someone who's -- you know, let's say on leave for two
14 weeks, then I'll move the case to somebody else, but
15 that's an exception.

16 MR. LOWDER: All right. Any idea how many of
17 those compliance-assistance issues you guys deal with
18 in a year?

19 MS. DUNCAN: What do you mean by --

20 MR. LOWDER: Just numbers of issues that
21 revolve around compliance assistance, how many --

22 MS. DUNCAN: -- so --

23 MR. LOWDER: -- people call on an annual basis
24 and say, I need help?

25 MS. DUNCAN: -- so we get the 460 cases and

1 121 of those -- sorry, this is -- I'm sorry, this is
2 '16. So it's 316 --

3 MR. LOWDER: Okay.

4 MS. DUNCAN: -- cases in FY16. We're still
5 tabulating '17. And then of that 316, 121 are
6 enforcement related, so those tend to time more to
7 compliance -- regulatory compliance, whereas 190 of the
8 316 are non-enforcement. So it could be things like,
9 you know, contracting issues, but they're not
10 regulatory --

11 MR. LOWDER: Okay.

12 MS. DUNCAN: -- in nature.

13 MR. LOWDER: So, Natalie, thank you.

14 MS. DUNCAN: Um-hum.

15 MR. LOWDER: In a while I think I'll be better
16 disposed on small things if I read your annual report.
17 If I get a copy of that, that would be great.

18 MS. DUNCAN: Sure.

19 MR. LOWDER: Thank you very much.

20 MS. DUNCAN: There you go, so --

21 MS. CARSON: Natalie, can you --

22 MS. DUNCAN: -- yes?

23 MS. CARSON: -- do you have a hard copy
24 available for the committee or do -- is there a --

25 MS. DUNCAN: Yeah.

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1 MS. CARSON: -- website that they could go to?
2 MS. DUNCAN: You're talking about the annual
3 reports?
4 MS. CARSON: Yeah.
5 MR. LOWDER: Um-hum.
6 MS. DUNCAN: I can bring a couple copies down.
7 MS. CARSON: Thank you.
8 MS. DUNCAN: And it is on our website.
9 MR. ZACCHEA: Natalie, you had mentioned very
10 quickly, this is Mike Zacchea --
11 MS. DUNCAN: Yes.
12 MR. ZACCHEA: -- about a bill that was
13 introduced expanding the authority of the ombudsman,
14 could you -- what is the name of that bill or what's
15 the number of that bill?
16 MS. DUNCAN: I think it's 1146, but I'll have
17 to --
18 MR. ZACCHEA: HR?
19 MS. DUNCAN: -- get back to you.
20 MR. ZACCHEA: To -- house -- house bill?
21 MS. CARSON: House.
22 MS. DUNCAN: Senate --
23 MS. CARSON: Senate.
24 MS. DUNCAN: -- I think. Let me -- I'll have
25 to -- if you don't mind, I'll -- I'll Google it, but

1 that -- I think that's what it is.

2 MR. ZACCHEA: Thank you.

3 MR. O'FARRELL: Jim O'Farrell, one quick
4 followup.

5 MS. DUNCAN: Yes.

6 MR. O'FARRELL: So you mentioned --

7 MS. DUNCAN: Um-hum.

8 MR. O'FARRELL: -- that in FY16 you had 316
9 and then it jumped to 460?

10 MS. DUNCAN: Yes.

11 MR. O'FARRELL: Okay. My math isn't all that
12 great, but off the top of my head is that like a 40-
13 percent increase or something?

14 What -- to what do you -- whatever the
15 percentage is, it's a sizable increase, what -- to what
16 do you attribute the increase?

17 MS. DUNCAN: That's a very good question. A
18 very good question. So I think there is, you know,
19 causation and there's correlation, right, so they're
20 different. So I would say this is not causation,
21 this is a correlation that pretty much it's kind of
22 like a -- think about it like an ecosystem.

23 So the more outreach we do, the more we raise
24 awareness that we exist, and that we are here to assist
25 small businesses, and then the more filings we get. So

1 I'm under, actually, no illusion that there will be no
2 problems in previous years and all of a sudden there
3 were new problems last year that just, you know, crept
4 up, so I don't believe that that's the case.

5 And I think there has always been sort of the
6 sense that, you know, the 30 million small businesses
7 we have we hit so few, just because we just don't have
8 the bandwidth to be traveling all over the place and
9 it's -- you know, it's recourse constraining to --
10 right, so one thing that we are doing this year more of
11 is I've done a number of webinars in addition to --

12 MR. O'FARRELL: Um-hum.

13 MS. DUNCAN: -- doing the in-person regional
14 roundtables. And Nat, the ombudsman, has also gone out
15 to talk to a lot of associations and so forth. So some
16 of the webinars, like last week I did one with the
17 National Customs Brokers, Freight Boarders Association,
18 and that hit, you know, 300 -- close to 300 numbers.

19 MR. O'FARRELL: Um-hum.

20 MS. DUNCAN: So something like that is very --
21 it's -- and it's free, so I'm always happy to look for
22 ways, I think, to kind of expand our reach and impact
23 and raise that awareness through these sort of
24 technology means in addition to the in-person.

25 MR. O'FARRELL: Um-hum.

1 MS. DUNCAN: But one thing that would be great
2 is if -- for instance, if there are groups that you'd
3 like for us to talk to, we would be happy to talk to
4 them.

5 MR. O'FARRELL: Um-hum.

6 MS. DUNCAN: And so the other thing I would
7 attribute to in terms of increased outreach, it's
8 really -- we really worked very hard in the past year
9 to establish good relationships with federal agencies
10 and so that has led to greasing the wheels in terms of
11 resolving case issues, but on the other hand, an added
12 benefit has been being invited to speak at their events
13 where they touch thousands of small businesses.

14 And out of that I always arrange, you know,
15 like sidebar meetings to meet with certain associations
16 or groups, and then that -- one thing leads to another,
17 and then they'll invite me to their events, and so it's
18 sort of a chain reaction. So if --

19 MR. O'FARRELL: This --

20 MS. DUNCAN: -- if you can help generate that
21 chain reaction by, you know, like, introducing us to
22 small businesses that would benefit from our services
23 or big groups --

24 MS. CARSON: Um-hum.

25 MS. DUNCAN: -- we can do that and it would be

1 really impactful.

2 MR. O'FARRELL: Yeah, this is Jim O'Farrell
3 again. So two that come to mind right off the bat, the
4 VA holds an annual National Veterans Small Business
5 Conference, it was in St. Louis in December in 2017, it
6 will -- they'll do it again November/December time
7 frame.

8 MS. DUNCAN: Um-hum.

9 MR. O'FARRELL: And then also the National
10 Veterans Small Business Coalition, if you Google, and
11 the SBC.

12 MS. DUNCAN: Um-hum.

13 MR. O'FARRELL: That's a nationwide, you know,
14 chapter-based organization.

15 MS. DUNCAN: Um-hum.

16 MR. O'FARRELL: And I'm clear --

17 MS. DUNCAN: Okay.

18 MR. O'FARRELL: -- on many others.

19 MS. DUNCAN: Great.

20 MR. LOWDER: Natalie, I'm not -- I want to ask
21 you one more thing --

22 MS. DUNCAN: Um-hum.

23 MR. LOWDER: -- or just --

24 MS. DUNCAN: Sure.

25 MR. LOWDER: -- just really it -- thank you

1 for all you're doing, by the way, and going to bat for
2 these veterans.

3 MS. DUNCAN: Um-hum.

4 MR. LOWDER: Not speaking -- just from me
5 personally, the whole issue to me is getting veterans
6 in business and making it as painless as possible --

7 MS. DUNCAN: Yes.

8 MR. LOWDER: -- if you will. One of the
9 things we experience -- frankly, what I do is I run
10 with veterans all the time and they come to me for --
11 because of my law background, they want to file a
12 claim, you know, that kind of thing, and one of the
13 constant things we hear -- and they're not complaining
14 loudly, but I can -- I sense the frustration in them
15 getting through all the widgets.

16 MS. DUNCAN: Yes.

17 MR. LOWDER: So anything and everything you
18 all are doing to make that as painless -- I know
19 there's standards and all the rest, but in what you're
20 doing, helping these people get there is so vital so
21 they don't get frustrated, and I feel like somebody's
22 really in my corner. So thank you for doing that, to
23 me that's one of the most valuable things that we can
24 do.

25 MS. DUNCAN: Thank you. I mean, I feel like

1 what we do every day is -- it's about breaking down
2 barriers and being their champion, so --

3 MR. LOWDER: Um-hum.

4 MS. DUNCAN: -- in -- because it -- it is
5 really frustrating to just deal with big bureaucracy or
6 just --

7 MR. LOWDER: Right.

8 MS. DUNCAN: -- getting -- I mean, it's like,
9 you know, getting -- in a world of telemarketing, I
10 mean, everything -- you're put on hold for so long, and
11 no one picks up, and, you know, lights are on, but
12 nobody's home.

13 MR. LOWDER: Right.

14 MS. DUNCAN: So I understand how frustrating
15 that can be and so --

16 MR. LOWDER: Okay.

17 MS. DUNCAN: -- we're there to break down
18 those barriers. So --

19 MS. CARSON: Um-hum.

20 MS. DUNCAN: -- so just very quickly, because
21 I do need to go to another location at -- and depart
22 here at 10:10, just to -- in terms of -- so I'm not
23 going to go through it slide-by-slide. So we -- I
24 think we talked a lot about these and so I'll just kind
25 of -- let's skip to slide 14.

1 So really in terms of kind of our
2 accomplishments -- and we talked about the breadth and
3 depth of the outreach, so hitting, I think, 15 states,
4 10 regions in the last seven months or so, and also I
5 talked about the vitality of the partnerships with
6 federal agencies as well as building relationships with
7 state and local small business advocates and
8 regulators.

9 And so although our jurisdiction is to deal
10 with federal issues from a small business standpoint,
11 they want sort of a continuum of care. So when we do
12 our roundtables, oftentimes we will invite state and
13 local advocates to come, the Office of Advocacy, and so
14 to just make sure that all of their questions are
15 answered if we're not able to address them.

16 One thing that I wanted to just quickly touch
17 upon is, you know, boards, is -- we are -- like you
18 guys, you're a FACA board. We have 10 FACA boards that
19 are regulatory enforcement fairness boards across the
20 country and these -- and so we're looking for people
21 who are small business owners and operators across
22 different regions to fill a number of vacancies and so
23 -- and I think what we look for is really sort of a
24 diversity in terms of industries represented and
25 geographies.

1 And I think the only -- sort of from a, I
2 think, standpoint, the only thing that precludes people
3 from service is if there's, one, ethical issues, and
4 then two is if they're a current beneficiary of SBA
5 services. If they're a current, you know, 8(a) or
6 HUBZone, but then they're not eligible or have a loan,
7 but it's after a certain sort of period that they
8 become eligible again, so each case will be evaluated
9 by the attorneys on a case-by-case basis in our
10 vetting.

11 MR. O'FARRELL: Um-hum.

12 MS. DUNCAN: But if you know of people who
13 are, I think, interested and passionate about
14 regulatory issues to sort of be our eyes and ears out
15 in their respective regions, and industries, and we
16 would be happy to bring them in for the administrator's
17 consideration.

18 MR. O'FARRELL: And vice versa.

19 MS. DUNCAN: Um-hum.

20 MR. O'FARRELL: This is Jim O'Farrell. If you
21 know of people who are passionate about veteran
22 businesses, and starting them, and growing them, we'd
23 be happy to hear from you with nominations.

24 MS. DUNCAN: Great.

25 MR. O'FARRELL: All right.

1 MS. DUNCAN: Thank you. Thank you. And so I
2 think with -- slide 15. So in terms of -- sorry, 16.
3 So in terms of our '18 Way Ahead, really we want to
4 continue to expand our reach and impact upon a greater
5 number of small businesses, and continue to build that
6 trust with the regulators, and so any time I have an
7 opportunity to speak with -- for instance, like, with
8 regulators, I'm happy to do that to kind of give them a
9 more balanced view of, okay, why there's a need to kind
10 of take into account these concerns of small businesses
11 when they take these enforcement actions.

12 So I think, fortunately, having built
13 relationships with our points of contact, it's led to
14 opportunities to educate regulators that work within
15 their departments, and so we'll continue to -- I think,
16 in addition to, you know, filling more vacancies, it's
17 really -- I think the issues that are kind of near and
18 dear to, you know, OVBD and some of the small business
19 veterans with whom we spoke, does this address the
20 board of the DOD to address this issue around, like,
21 cyber reporting requirements for DOD contractors that
22 are small business.

23 So there's this thing called the DOD NIST 800-
24 171 rule, that's been something -- I don't know if you
25 are familiar with that, but it took effect on January

1 1st, and so the number of small business veterans, as
2 well as other small business contractors, are
3 struggling to comply with these DOD requirements.
4 There's no sort of set penalty to fine and -- or fine
5 in terms of dollars, but it's written into their
6 contracts. So that if we don't comply, it's considered
7 a breach of contract.

8 So it's pretty exquisitely complex and so what
9 we -- what we are doing now is -- been working with
10 NSBA as well as Department of Defense and -- on this
11 and on March 15th at 2:00 p.m. NSBA is hosting a call
12 for its members on this issue where we bring in the DOD
13 subject-matter expert, and we'll also go through kind
14 of the work of our office and how we can help, and so I
15 have kind of struck an agreement with NSBA that if you
16 guys want to attend that call and to provide a few
17 seats to be able to do that, if it's of interest to
18 you.

19 MR. O'FARRELL: This is Jim O'Farrell and it
20 is definitely of interest to me as a veteran business
21 owner. We have -- are in discussions right now with a
22 couple of contractors to provide that service to our
23 company, because it is something that is so kind of
24 esoteric.

25 MS. DUNCAN: Um-hum.

1 MR. O'FARRELL: And if you can imagine, it's
2 -- they're looking at the tens of thousands of dollars
3 to charge us to come and be in compliance.

4 MS. DUNCAN: Yes.

5 MR. O'FARRELL: So --

6 MS. DUNCAN: So hopefully this will provide
7 some -- an overview and kind of look at -- have them
8 look at it from sort of a small business standpoint, so
9 --

10 MR. O'FARRELL: -- um-hum.

11 MR. LOWDER: Natalie, I have one last question
12 --

13 MS. DUNCAN: Yes.

14 MR. LOWDER: -- if --

15 MS. DUNCAN: Uh-huh.

16 MR. LOWDER: -- I can.

17 MS. DUNCAN: Sure.

18 MR. LOWDER: Lynn Lowder, from One Vet at a
19 Time.

20 MS. DUNCAN: Uh-huh.

21 MR. LOWDER: Communication running both ways.
22 Do you -- the other departments here, DOD and what have
23 you, do you get calls from them occasionally asking you
24 what's happening out there in the field, what are the
25 issues that your small business owners are facing, do

1 they ever do that with you?

2 MS. DUNCAN: I would say less, like, calls,
3 but what I do get are, like, when we have forms. So,
4 for instance, when we had a national hearing back in
5 August --

6 MR. LOWDER: Um-hum.

7 MS. DUNCAN: -- and when we had our annual
8 meeting, Dr. James Galvin, the acting director of the
9 small business programs at DOD, came not only to speak
10 at our invitation, but he decided to come early to
11 listen in to hear about the concerns. So, no, I
12 haven't gotten sort of random calls, but when we do
13 have something kind of scheduled, he made that effort
14 to come, which was really great.

15 MR. LOWDER: That's good.

16 MS. DUNCAN: He was the only one who did that,
17 by the way.

18 MR. LOWDER: Well, I -- you know, that's --
19 then that's it.

20 MS. DUNCAN: Yes.

21 MR. LOWDER: That's really what I'm driving
22 at.

23 MS. DUNCAN: Um-hum.

24 MR. LOWDER: Is that, you know, sometimes
25 information flow is one direction, and you're trying to

1 find out if there's anybody on the other end hearing,
2 and are they coming back to you proactively and saying,
3 Natalie, what are you experiencing in the compliance
4 issue, that kind of thing. I think you'd be a valuable
5 piece of information if I was on that end of it, I'm
6 just curious how that's been working.

7 MS. DUNCAN: Yeah. So I think oftentimes,
8 like in our world, we -- I mean, I always kind of view
9 that we have to kind of take the initiative.

10 MR. LOWDER: Okay.

11 MS. DUNCAN: And so when we take the
12 initiative, then people will think of us.

13 MR. LOWDER: Got it.

14 MS. DUNCAN: And so it's -- it's like in --
15 it's like in sales, right. It's like the ball is
16 always in your court, right. Sometimes I kind of feel
17 that way, so --

18 MR. LOWDER: Thank you.

19 MS. DUNCAN: -- to move things to the next
20 step. So in closing really -- just next slides. I
21 just have two requests, so if you are aware of small
22 business owners that have issues that -- on the
23 regulatory front, please bring them our -- send them
24 our way and also we're actively soliciting nominations
25 for board memberships.

1 MR. ZACCHEA: Um-hum.

2 MS. DUNCAN: And also if anyone's interested
3 in this call next week, please -- it's not sort of
4 an -- open to all, so -- but do send me your name and I
5 will get you on the list.

6 So in closing, you know, we're really -- this
7 office stands ready to work in collaboration with
8 federal agencies to advance the President and the
9 Administrator's goal of creating a favorable
10 environment for small businesses to grow and thrive,
11 and to level the regulatory playing field.

12 So our contact information is on the very last
13 slide, so if you need to get a hold of Nat or me,
14 that's how you reach us and that's our website. Thank
15 you very much, and thanks for all your questions, and
16 very informative questions.

17 MR. ZACCHEA: This is Mike. Thank you,
18 Natalie, that was a very excellent, important
19 presentation. The time on deck I have is 10:10, so
20 what I'd like to do is call a break now for 10 minutes.
21 I'd like to ask everybody to be back here at 10:20.
22 Thank you.

23 (Recess.)

24 MR. ZACCHEA: All right, everybody, I'd like
25 to ask you to take your seats. Okay. The time on deck

1 is 10:23. Can we take our seats, please? Thank you.

2 Okay. This is Mike Zacchea, we're back in session.

3 What I'd like to do is now ask -- Chris, is it?

4 MR. CLARKE: Yes, it's Christopher Clarke.

5 MR. ZACCHEA: Okay. We're ready for you.

6 MR. CLARKE: Well, thanks. Thanks for having
7 me, I'm really happy to present today. I am not Ken
8 Dodds, he couldn't make it today, but I am Christopher
9 Clarke. I work in SBA's Office of General Counsel and
10 I'm going to go through a new proposal rule that SBA
11 just published in consultation with the Department of
12 Veteran Affairs, it has to do with service-disabled,
13 veteran-owned ownership and control.

14 A little background before I start, just in
15 case people aren't aware. But just a little
16 background, I'll go through it quickly. And also if
17 anyone has questions, you don't have to wait until the
18 end, please feel free to interrupt. It's a pretty
19 dense subject as you go through, it will be nice to
20 have, like, little breaks.

21 So the background is, is that since about 2010
22 SBA and Department of Veteran Affairs basically have
23 been running parallel a service-disabled, veteran-owned
24 small business government contracting program and they
25 had separate regulations, and separate rules, separate

1 requirements, and separate statutes.

2 So what this proposed rule is, is an attempt
3 by SBA and VA to harmonize part of those regulations,
4 specifically the ownership and control regulations. So
5 we'll still have two separate programs running parallel
6 at the two separate agencies, but we're going to be
7 using one common set of regulations to determine
8 ownership and control, so we don't have different
9 language between the programs, so here we go.

10 MS. SIMMS: No?

11 MR. CLARKE: No.

12 MS. SIMMS: Press it hard again.

13 MS. CARSON: Just go ahead and role it,
14 Cheryl. Okay.

15 MS. SIMMS: Mine. One moment.

16 MR. CLARKE: Oh, yeah. So while we're going
17 through that, I'll also --

18 MS. CARSON: They all have briefs, so you can
19 ask.

20 MR. CLARKE: -- yeah, I'm just going to go
21 through. I'll just keep going. So the first thing
22 that you're going to see is just where the rule is.
23 You can see the federal citation, everything, we
24 published it on January 28th. The comment period is
25 still open, so if anyone has any comments, we're

1 listening today, but formal comments that are published
2 is the easily best way to comment on the rule. So
3 that's the first one.

4 I'll talk a little bit, even before I start
5 getting into it, about what we're doing here and kind
6 of -- like, it's in the proposed rule and you can read
7 it, but just generally what the -- if you're making a
8 comment, you can see what SBA's trying to do.

9 What we're trying to do is make a rule that
10 provides guidance to businesses that want to be in our
11 program, and how to be eligible, and we want to follow
12 Congress' intention and Congress' language when we do
13 it. So generally, Congress requires that a business
14 that participates in the program be owned and
15 controlled by a service-disabled veteran. On its face,
16 that usually sounds very simple, because we all know
17 people that own a business, and they own it, and it's
18 them, and they run it, and in that case they're
19 eligible.

20 For the most part if you read these rules, or
21 our old rules, or VA's old rules, the overwhelming
22 majority of service-disabled veteran and veteran-owned
23 firms are going to easily meet and fit the definitions
24 that we supply.

25 So when we're talking -- when we're going

1 through these rules and we're going through the other
2 stuff, we're really talking about the guidance for
3 firms that are slightly different than average, meaning
4 they have a slightly different organizational
5 structure, stuff like that, but we still want to have
6 rules to give them guidance. So you can think of these
7 rules, at least from SBA's point of view, as more of
8 guidance to the businesses on how to be eligible more
9 than as a strict yes-or-no, up-and-down type
10 regulation.

11 Okay. So we're going to start out, the first
12 thing that we started to do is we added a few extra
13 definitions to SBA's rules, and most of these are just
14 done to add clarity. Like, if you look at this, the
15 first thing we have is a definition from daily business
16 -- for daily business operations. We used to have the
17 term, daily business operations, in our rule, we kind
18 of -- we just use it as, like, a -- a term of art. We
19 added a definition so people just understood what we
20 mean elsewhere in the rules when we say that.

21 Same thing for ESOP. It comes up often, what
22 is an ESOP, how does it apply. We added a definition,
23 so it's very clear.

24 You can go to the next slide. Did I give it
25 away? Okay. This one is very new, this is going to

1 come up later when we get into control. There's always
2 a lot of issues with control. So what we're doing here
3 is basically defining what an extraordinary
4 circumstance is, so later on we can give a slight
5 exception to controlling all decisions.

6 So when you say a service-disabled veteran
7 controls a firm, generally SBA's view is that means
8 they control the firm, anything that needs to be done
9 requires that the SBA, SDVO can do it by himself or
10 herself.

11 As you may know, if any of you are in
12 business, that's not normally how, like, all business
13 structures are set up, so we wanted to, like, take that
14 into account and basically add, like, a little
15 provision that may grow over time, may not, but start
16 out with exceptions to that general policy that the
17 service-disabled veteran control all decisions. So we
18 define it here and then you'll see it later when we get
19 to it where it first comes into play.

20 So we can go to the next slide, still doing
21 definitions. If you weren't aware of it, SBA and VA
22 have different definitions for permanent caregiver and
23 surviving spouse. What we're doing here is just
24 harmonizing the two regulations, so that they're
25 exactly the same. So if you have any questions about

1 what this is or why we're changing it, that's the
2 reason, SBA's definition was different than VAs.

3 If you go to the next slide, more information
4 about permanent caregiver, basically when it's
5 appropriate to have one, how you have one, how you
6 register. And there's more than just having -- it goes
7 back to this, SBA had the term, now we're giving more
8 details so people have more guidance about when the
9 term applies.

10 Next slide. This is just an overall
11 definition of, like, what a small business concern
12 owned by a service -- so you can think of this as a
13 general definition and then later on in the regulations
14 we're going to -- we're basically going to explain what
15 those different things mean.

16 So I can go through this if you want or we can
17 get into the more detail. It doesn't change much from
18 before in terms of -- it's basically the definition as
19 it comes from the different statutes, but clarified a
20 little bit in the rules.

21 So the next slide, this is just the same --
22 the same thing, still the definition.

23 And then the next slide, this is one that's
24 new for SBA. We've always had the term, unconditional
25 ownership. So what this means is, like, when we say a

1 service-disabled veteran owns the firm, SBA has two
2 main requirements, one that they directly own the firm
3 themselves, not through one, or three, or our four, or
4 five intervening entities, such as trusts, holding
5 companies. There's a variety of different reasons for
6 that. One of the main reasons is, it's so we know what
7 service-disabled veteran owns the firm, because if they
8 directly own it, it's very easy and clear, the chain of
9 ownership for us to -- to see.

10 And then the unconditional is the next part.
11 It can tend to be a little bit difficult for people to
12 grasp, but what -- basically what it means is, like,
13 you own it and there's not a condition on your
14 ownership, meaning, like -- I guess I can give some of
15 the worst-case examples of one is, like, you own it,
16 and it says you have a share, but when it sells you get
17 \$5 even if your company's worth a billion, that seems
18 like a condition subsequent.

19 So what we -- what we basically -- and this
20 outlines, like, SBA's thought process on this on what
21 we mean by unconditional, which is you basically own
22 the shares, or membership interest, or whatever, like,
23 unfettered in a way that doesn't hurt your ability to
24 run the business, or if the business sells, enjoy the
25 benefits of it, so it's -- you have to own it not just

1 on paper, but actually be able to a derive the benefits
2 of that ownership now and in the future, does that make
3 sense to people?

4 AUDIENCE: Um-hum.

5 MR. CLARKE: It can be a little confusing in
6 the specifics, but we didn't used to have, like, a
7 regulatory definition, so we're adding it, once again,
8 to provide clarity.

9 Next slide. So we're changing, now we're
10 getting into the actual, like, meat of the rules, which
11 is before it was, like, the general definition. So now
12 we get into our -- how we determine if someone controls
13 the firm, this is changing. So you can see these two
14 -- these two new, B and D. One is we have a new term
15 for 51 percent of the aggregate voting interest must be
16 unconditionally owned.

17 Before we had a -- each share, each percentage
18 of each -- say you had two classes of voting stock,
19 you'd have to have 51 percent of each. Now it's just
20 you have to have 51 percent of the aggregate of all
21 voting shares, provided that splitting the shares
22 doesn't create some type of super majority.

23 A lot of this -- and you'll see we added it
24 for partnerships, too, when we get there. We had a
25 provision where we split it to general limited

1 partnerships, it kind of meant you also had to be a
2 general limited partner. That wasn't our intention,
3 that isn't what we meant. We basically just want you
4 to be able to control the firm.

5 MR. ZACCHEA: Chris?

6 MR. CLARKE: Sure.

7 MR. ZACCHEA: Oh, sorry. Chris, this is Mike
8 Zacchea. So I just want to make sure I understand.
9 Would a veteran be able to create a special class of
10 shares, for instance, just for the sake of argument,
11 called V shares that have a sole voting right, but be
12 able to sell off equity as long as he retains special
13 voting rights or sole voting rights?

14 MR. CLARKE: It depends on how many nonvoting
15 shares he issued.

16 MR. ZACCHEA: Okay.

17 MR. CLARKE: So we require that they -- I'll
18 have to read -- so current, one, we don't know how
19 they'll turn up, but one of the things is generally we
20 wouldn't allow them to take -- to basically sell 80
21 percent of the equity, meaning turn 80 percent of the
22 equity into nonvoting, and then only have 30 percent --
23 own, like, 30 percent, 100 percent of the voting
24 shares. That would be problematic, because then if you
25 sold the company, the nonvoting shares would get 80

1 percent of the sale value.

2 MR. ZACCHEA: Right, that's what I'm trying to
3 get to.

4 MR. CLARKE: Yeah, you --

5 MR. ZACCHEA: Okay.

6 MR. CLARKE: -- wouldn't be able to do that.

7 MR. ZACCHEA: Okay.

8 MR. CLARKE: You'd still have to maintain a
9 51-percent share of the proceeds of the sale. So, yes,
10 if you had 30 percent of the firm was nonvoting shares
11 and you didn't own any of it, that would probably be
12 fine. I can't say yes or no in any instance, but you -
13 - we wouldn't want -- we -- our rules is not designed
14 to enable, like, the nonvoting share to own most of the
15 company.

16 MR. ZACCHEA: Okay. That's helpful, thank
17 you.

18 MR. CLARKE: Okay.

19 MR. FIELDER: Chris, Ed Fielder.

20 (Microphone feedback.)

21 MR. FIELDER: I don't know why it's doing
22 that, but -- I was going to hold this question to the
23 end, but you're getting into this granular detail of
24 how this is going to work, and I'm sort of seeing
25 similarities, and I'd have to go back to make a -- a

1 more detailed comparison to some of the 8(a)
2 requirements that have been in law, in policy, and in
3 rulings for a couple decades now.

4 MR. CLARKE: Um-hum.

5 MR. FIELDER: Just a brief compare and
6 contrast, if there's -- this looks to be about the
7 same, is -- am I -- am I wrong or --

8 MR. CLARKE: No, you're not wrong at all.

9 MR. FIELDER: Okay.

10 (Microphone feedback.)

11 MR. CLARKE: It's actually -- if you're -- I
12 think it's your -- so if you press it, it will stop
13 echoing.

14 MR. FIELDER: Yeah, I don't know why it's
15 doing that.

16 MR. CLARKE: Are we done echoing? That's not
17 your fault, I think it was just your thing. So that's
18 intentional, that -- and it's something that the VA had
19 already done, the VA had adopted some of 8(a)'s policy
20 positions in its rules.

21 The SBA had adopted most of the 8(a) policy
22 positions in its regulations as well, we just didn't
23 articulate them in the rules. Basically we had very
24 broad rules in which we said we would look to 8(a)
25 rules for guidance, but we didn't articulate it. So

1 what we're doing here is being much more specific that
2 we are and it's even in the rule that we're officially,
3 like, putting in the rule that we're applying these
4 policies from 8(a) that we think are useful.

5 (Microphone feedback.)

6 MR. CLARKE: So if --

7 MS. CARSON: So turn yours off.

8 MR. CLARKE: So if you turn yours off, it will
9 stop that echoing.

10 MS. CARSON: There you go.

11 MR. ZACCHEA: Okay.

12 MR. CLARKE: There we go.

13 MR. FIELDER: So let me just auger down on
14 that and see if I can get more clarity and definition.
15 Are you now saying -- don't let me put words in your
16 mouth, but I think I'm hearing you say that this brings
17 the service-disabled veteran business to be not only
18 similar, but to be the same?

19 MR. CLARKE: No, I'm definitely not saying
20 that.

21 MR. FIELDER: Then tell me what's the
22 difference.

23 MR. CLARKE: There will be slight differences
24 between the rules, just because the statutory basis for
25 each rule is slightly different, and there's different,

1 like, requirements. Like, 8(a) has a full-time
2 requirement, there's some -- generally, yes, but in
3 specific -- I can't say yes in all cases.

4 MR. FIELDER: So where would be the nos that
5 we might take exception to?

6 MR. CLARKE: Well, in terms of what?

7 MR. FIELDER: More restrictive.

8 MR. CLARKE: Are you asking is the SDVO more
9 restrictive than 8(a) or less restrictive?

10 MR. FIELDER: I would say more.

11 MR. CLARKE: No, I'd say based on -- its less
12 restrictive. There's no, like, good character
13 requirement, there's no full-time devotion requirement
14 in SDVO type thing, so there's less, like, specific
15 statutory requirements that have to be reviewed for
16 SDVO. So we adopted the similar language from 8(a)
17 where we thought it was appropriate, but it's not
18 identical.

19 MR. FIELDER: Is there any chance that you can
20 provide the committee a compare and contrast between
21 the two?

22 MR. CLARKE: Compare and contrast in terms of
23 how?

24 MR. FIELDER: These are the 8(a) requirements
25 for ownership and structure, these are the service-

1 disabled veterans. We've always been concerned that --
2 frankly we've been working under self-certification for
3 so long and it's been kind of sketchy for some time,
4 now you're trying to put some meat around it and we
5 want to make sure that that meat is consistent with
6 what others are having to deal with.

7 And we're certainly not minorities, but we are
8 a group of some size and some importance, and I just
9 want to be able to say, okay, the similarities are this
10 and where they're different, there's a sound reason for
11 that difference.

12 MR. CLARKE: To something different than the
13 actual, just, published regulations? I'm a little just
14 confused. Like, I would think, like, if we published a
15 regulation -- like, if you read the regulation -- if
16 you read the proposed regulation, we pointed out where
17 the similarities with 8(a) were, and where they
18 weren't, and why they were different in the actual
19 proposed regulation.

20 MR. FIELDER: Um-hum.

21 MR. CLARKE: So, like, if you look on page --
22 like, I'll just read, like, "FDA is proposing to add
23 several new paragraphs to 120 --" we haven't gone to
24 125.13 yet. "These proposed paragraphs incorporate
25 provisions from SBA's 8(a) B and D program," so we

1 actually say which --

2 MR. FIELDER: Where are you reading from?

3 MR. CLARKE: -- I'm reading from the Federal
4 Register, the page 4,007.

5 MR. FIELDER: Okay.

6 MR. CLARKE: Section 125.13.

7 MR. FIELDER: Okay. I'll --

8 MR. CLARKE: So --

9 MR. FIELDER: -- I'll read through that while
10 you --

11 MR. CLARKE: -- if --

12 MR. FIELDER: -- continue.

13 MR. CLARKE: -- but if we can give more
14 guidance on it. I would really like to help and
15 provide the guidance that I just was a little confused.

16 MR. FIELDER: Okay.

17 MR. CLARKE: So we do want to --

18 MR. FIELDER: I'm a very simple conceptual
19 guy. If you're saying that they're similar, I want to
20 see mapped out here's where they're exactly the same,
21 and here's where they're different, and there's some
22 justification of why they're different.

23 MR. CLARKE: Okay.

24 MR. FIELDER: Very simple.

25 MR. CLARKE: It was SBA's -- like, I'm -- I'm

1 still --

2 MR. FIELDER: And you're telling me that
3 125.13 will tell me that?

4 MR. CLARKE: -- the proposed rule does lay out
5 where we incorporated language directly from 8(a).
6 Like, it will say, like, "We incorporated this
7 provision from 8(a.)" And if we said that, it's
8 usually word for word from 8(a).

9 MR. FIELDER: But as I scan down and look at
10 that, it's -- it's -- it's in a narrative paragraph and
11 I would have to understand all of the 8(a) regulations.
12 And what I'm asking you to do, put them on the same
13 piece of paper and let me map that.

14 MR. CLARKE: Okay.

15 MS. CARSON: And this is Barb Carson, just a
16 quick question. The public comment period's open
17 through the 12th, right?

18 MR. CLARKE: Yes.

19 MS. CARSON: Which is Monday.

20 MR. CLARKE: Um-hum.

21 MS. CARSON: And there are two places where we
22 can look at the -- you're right, you -- we're not going
23 to have a slide that -- that would simplify the CFR,
24 but you could tell us the CFR -- where you could find
25 the 8(a) definitions and you've provided here the

1 proposed rule plus additional information?

2 MR. CLARKE: Yes.

3 MS. CARSON: So we just -- we don't have it in
4 exactly the format that you're asking for, but we could
5 get the direction on where --

6 MR. CLARKE: Oh, yeah.

7 MS. CARSON: --- where --

8 MR. CLARKE: Yes.

9 MS. CARSON: -- CFR to CFR?

10 MS. TORRES: Barb?

11 MR. CLARKE: So --

12 MS. CARSON: Come on, can you come up here?

13 MS. TORRES: Yes.

14 MS. CARSON: Oh. Excuse me, we have one more
15 comment and question.

16 MS. TORRES: Actually, I was just going to say
17 the comment period on this rule is open through the
18 20th.

19 MR. CLARKE: -- um-hum.

20 MS. TORRES: The VA rule is open through the
21 12th.

22 MR. FIELDER: Thank you, ma'am.

23 MS. TORRES: Um-hum.

24 MR. FIELDER: And I'll -- I promise Chris this
25 will be the last one and I'll let you continue, but

1 short of a side-by-side comparison, which seems to be
2 too difficult to produce, your point -- and please
3 don't let me put words in your mouth, your point is, is
4 that they're similar, but the service-disabled vet
5 requirements are less, is that correct?

6 MR. CLARKE: In some areas.

7 MR. FIELDER: Where would they -- where would
8 they be more?

9 MR. CLARKE: They have to be a veteran, a
10 service-disabled veteran, so that's --

11 MR. FIELDER: Okay.

12 MR. CLARKE: -- more restrictive. And so one
13 of these things is, like, yes, it's very nice to have a
14 slide here and here. I -- and while that might be
15 helpful in some ways, it can be deceptive in other
16 ways. I don't think it would be as informative as
17 possible, because it's misleading. That just because
18 they're similar language, doesn't mean for -- so you
19 have to remember 8(a)'s a business development program.

20 MR. FIELDER: Um-hum.

21 MR. CLARKE: So the core principal of what
22 they're trying to accomplish there is different, and
23 the way they're going to interpret those regulations
24 for their program are going to be different, and the
25 way they're going to approach that program is going to

1 be different.

2 So we're trying to have the regulations as
3 similar as possible. Not to make it so that all people
4 that are eligible for one program are automatically
5 eligible for the other, it's so that the guidance is
6 the same and for the majority of companies they'll be
7 the same.

8 There's always going to be, like, outliers and
9 how those outliers are treated by the different
10 programs is going to be different, because the programs
11 are different and they have different goals.

12 MR. FIELDER: So if I was an 8(a) certified
13 company at this time and I decided that I wanted to be
14 an 8(a) service-disabled veteran company, I would be
15 clearly in, because its less restrictive?

16 MR. CLARKE: I can't say, I'd have to look at
17 the -- I'd have to look.

18 MR. FIELDER: Okay.

19 MR. CLARKE: I'd say more than likely you
20 would eligible.

21 MR. FIELDER: That's the question I've been
22 asking for five minutes and we've been dancing on it,
23 but never mind, go on.

24 MR. CLARKE: I know everyone would like that
25 answer to be yes, that if you're eligible for 8(a)

1 you're automatically eligible for all the other
2 programs. I am telling you in the overwhelming
3 majority of the cases the answer is yes, but it's
4 just -- like, it would be -- like, as a lawyer it
5 would be -- it would be -- I would be doing you a
6 disservice by saying in every instance the answer's
7 going to be yes.

8 I know that's an answer people would like, but
9 it's just not -- it's just never going to -- it's not
10 going to work out that way, because they are two
11 different programs with two different goals. And it
12 would be nice if the answer was clean, but we try and
13 make it as easy as possible for people to end up in the
14 buckets that they're supposed to end up in if they
15 follow the guidance, but I hope that answers the
16 question.

17 We want most people that are eligible for 8(a)
18 under those guidelines to be eligible for this program,
19 that's the goal, but we can't say with 100-percent
20 certainty that every company will be.

21 MR. ZACCHEA: Chris, Mike Zacchea again. What
22 I understand you're saying is that there's no
23 categorical answer, that's basically -- the bottom line
24 is you can't say categorically yes or categorically no?

25 MR. CLARKE: Yeah, it's not that the answer is

1 no and it's not that the answer is yes. The answer is
2 the policy is for the programs to be as similar as
3 possible with as similar a guidance as possible, given
4 that they're two different programs, but the end result
5 is that there's statutory differences and regulatory
6 differences between the two programs that are going to
7 result in different outcomes.

8 MR. ZACCHEA: Right. Got it. Thank you.

9 MR. CLARKE: The next slide. So this is also
10 going to be new for SBA regulations, and it comes
11 slightly from VA, and just general. Oh, so this is
12 also somewhere where it's going to be different from --
13 different than 8(a).

14 So if you look at this like -- likely
15 issues -- the answers should be similar between the two
16 programs, so we're -- what we're looking at here is --
17 also this goes back to unconditional, it's a -- when
18 you say someone owns a firm, this is like what we would
19 be looking at. If you look at it this way, it's a
20 policy where -- what we're going to say is we're going
21 to look at this type of information to determine
22 control and what we're looking at here is distributions
23 and dividends.

24 Our assumption is, is if you say you own 51
25 percent of a company, when that company pays

1 distributions and when it issues dividends, you should
2 probably be getting 51 percent of the cash. If you're
3 not, we're going to have questions about that and
4 that's what this rule is about. So what we're saying
5 is we have a policy that this is what we want, here's
6 the guidance of what we're looking for, here's why
7 we're looking for it.

8 The next is community property. We currently
9 don't apply community property laws and we're going to
10 just be clear that we're not doing that.

11 Next slide. So this is where we come in. We
12 had a definition for surviving spouse, and this is
13 where we lay out how we're going to determine ownership
14 when a surviving-spouse issue arises, it's conceptually
15 similar to what we had before. Once again, we just
16 added more detail to bring in, in accordance with VA's
17 regs, and really just to provide more guidance to
18 community on how we're going to adjudicate these
19 issues.

20 Next slide. So if you're going to ask, this
21 is -- 13 is probably where the biggest number of
22 changes are coming in, this is when we're talking about
23 control. For the most part, once again, the rules are
24 not fundamentally different than they are previously,
25 they're just more detailed and provide more guidance.

1 Yeah, so corporations. I think when we get to
2 the next slide I might go a little bit into board of
3 directors' issues that people have. So this comes up a
4 lot, of issues with board of directors and how this
5 works.

6 So if you think about it, when we say control,
7 you have to not just control -- like, if you organize
8 yourself as a corporation, you have to control the
9 corporation through shares, owning enough shares to
10 make decisions, because it's a corporation, actually
11 controlling the board of directors, because technically
12 the board of directors sets long-term policy, hires
13 people for senior officers positions, and be the
14 officer in charge of, like, the day to day. So it's a
15 couple of different stages that you have to control and
16 you have to control all of them.

17 A lot of questions come up with boards of
18 directors and control necessarily, because a lot of
19 times people aren't thinking about it in terms of
20 program eligibility when they set it up. So if you
21 have multiple shareholders and all this other stuff,
22 how you set up your board of directors can be
23 problematic for our rules, depending on quorum and
24 everything. So what these rules are designed to do is
25 just kind of add more clarity of what we're looking

1 for.

2 If anyone wants an example of one that was,
3 like, weirdly bad, I can give it. I got yelled at for,
4 like, an hour on the phone, but I'll give it. We had a
5 firm come in that they were a California firm,
6 majority-owned by a service-disabled veteran, minority
7 owner not a service-disabled veteran, they set it up
8 with two shareholders -- two shareholders, two board of
9 directors.

10 Under California's law -- and California's law
11 is not that different than a number of other states
12 that have mandatory cumulative voting for shareholders.
13 It's somewhat common, but everyone's a little bit
14 different.

15 So basically what the California law said is
16 no matter what happens, if you set it up this way, that
17 other shareholder's always going to be on the board of
18 directors and you need more than one board of director
19 to do something. So we said, "Yeah, you're not
20 eligible," and the person and their lawyer got really
21 angry. They're, like, "This is what California told us
22 to do, we have to do it this way."

23 So I listened to them and I was, like, "I
24 understand, I understand," and they're, like, "Well,
25 what are we supposed to do?," I was, like, "California

1 doesn't prevent you from having three board -- three
2 board members," they're, like, "What?" And I was,
3 like, the answer to your solution isn't to yell at me.
4 Like, I didn't say this, but the answer to those --
5 sometimes the solution is you do have to change your
6 corporate structure.

7 So in that case their default corporate
8 structure under California law just wasn't eligible.
9 The change wasn't that difficult, they just add another
10 director, and so that's -- one of the issues that we
11 run into in this program is sometimes our rules run
12 afoul of what you would consider just a default thing,
13 so that's one of the areas where it comes up. We hope
14 with extra guidance people will notice that they may
15 need to make a change and that's what these will hope
16 to apply.

17 All right. Next one. So this also gets into
18 -- we give a -- our current rules have, like, just a
19 word or two that says super majority, like, don't do
20 this if there's a super majority. What these rules are
21 going to do is give more guidance on when the super
22 majority becomes an issue and how to resolve that.

23 So if you read these, they say when you have a
24 super-majority requirement, do this. Our rules didn't
25 currently have that. Our rules previously just said

1 don't -- if you have a super majority, it's a problem,
2 which could lead to confusion, but providing more
3 guidance is usually helpful.

4 Next slide. This is more -- like I said, the
5 board of directors is problematic, it comes up a lot,
6 so we went into a lot -- currently we only have a
7 paragraph in SBA's rules about board of directors, we
8 found that it was problematic. People had trouble
9 understanding what SBA's policy was, so we work with VA
10 and we have adopted a lot of, like, VA's best practice
11 is in terms of, like, informing the community about how
12 we're going to evaluate board of director control and
13 we're incorporating that into the rule.

14 MS. PEREZ-WILHITE: Excuse me, I have a
15 question.

16 MR. CLARKE: Oh.

17 MS. PEREZ-WILHITE: Let me see if I understand
18 this properly. I have a client, SDVOSB, he recently --
19 his board of directors did not allow him to hire
20 someone he wanted to, is that saying then he is not
21 following these guidelines with that board or am I
22 misunderstanding that?

23 MR. CLARKE: So I always caveat this with I
24 cannot answer the question yes or no without reviewing
25 everything.

1 MS. PEREZ-WILHITE: Um-hum.

2 MR. CLARKE: But I'll give you -- it's
3 problematic if the rule requires that an SDVO control
4 the firm and control the board of directors.

5 MS. PEREZ-WILHITE: Um-hum.

6 MR. CLARKE: The fact that the SDVO could --
7 the service-disabled veteran couldn't hire the person
8 that he wanted to hire --

9 MS. PEREZ-WILHITE: Um-hum.

10 MR. CLARKE: -- and apparently couldn't remove
11 the board of directors --

12 MS. PEREZ-WILHITE: Um-hum.

13 MR. CLARKE: -- to hire the -- that's a
14 problem. It could be that he could remove the board of
15 directors if -- is it a he? You said, "He?"

16 MS. PEREZ-WILHITE: It's a he.

17 MR. CLARKE: Yeah. It could be that he could
18 remove the board of directors if he wanted to and for
19 whatever reason chose not to, that's not a problem.
20 What we look at is does -- would he -- would the
21 service-disabled veteran have the power to execute on
22 that decision if the service-disabled veteran wanted
23 to.

24 The decision not to is -- should be the -- the
25 decision not to remove the board or to challenge the

1 board should be the service-disabled veteran solely is
2 how the rule reads. So it's not that the board has to
3 do everything that the service-disabled veteran wants.

4 MS. PEREZ-WILHITE: Right.

5 MR. CLARKE: It's that if the board does
6 something the service-disabled veteran doesn't like,
7 the service-disabled veteran can unilaterally, like,
8 change the board to meet the needs.

9 MS. PEREZ-WILHITE: Um-hum.

10 MR. CLARKE: Does that make sense?

11 MS. PEREZ-WILHITE: Yes.

12 MR. CLARKE: All right. Next slide. Once
13 again, more -- we are getting a lot -- like, as you saw
14 right here, these issues with board of directors come
15 up a lot.

16 One of the things that we might end up seeing
17 after comment period is maybe some examples. In our
18 rules lately, we've been giving more examples.
19 Sometimes we put them in the preamble, but more likely
20 this is -- like, this is just generally SBA. We've
21 been putting more examples into our rules for people to
22 follow, because people have said that they're helpful.
23 So given that I had a question here about board of
24 directors and just based on comments, we might end up
25 clarifying with some examples.

1 MR. O'FARRELL: This is Jim O'Farrell. I
2 think if you turn your -- yeah. So do you ever give
3 examples related to S Corp., C Corp., LLC, I think
4 that's what I see where people have questions too,
5 specifically on the VA verification program?

6 MR. CLARKE: Can you -- can you clarify
7 exactly what you mean by --

8 MR. O'FARRELL: Well, how you structure an
9 LLC, versus an S Corp., versus a C Corp. So an S Corp.
10 might require bylaws, an LLC might just require an
11 operating agreement, things like that. And I know from
12 talking to veterans in the community that bylaws become
13 -- can become a sticking point for VA verification and
14 since you're moving toward a common process and -- and
15 it -- it also begs -- a follow-on question is, so you
16 are working directly with the VA, the CVE Office and
17 those folks to get lessons learned that they've learned
18 the hard way over the past many years?

19 MR. CLARKE: Yes, but to answer all your
20 questions I'll start with the last question first about
21 working with VA. Yes, we've worked with VA closely in
22 developing these rules, learning from what they've
23 learned and what they might have been planning to make
24 changes in the future. And we did, we consulted with
25 them throughout the entire process to learn what

1 they've learned.

2 The second part, the differences between. So
3 you basically have corporations, limited-liability
4 companies and partnerships, and, yeah, we have separate
5 rules for each. In terms of the documentation
6 requirement, you have to be able to demonstrate that
7 you control and meet the requirements.

8 So if you don't have a bylaw or an operating
9 agreement governing your entity, it becomes difficult
10 to demonstrate that you meet the requirements. I'm not
11 saying it's required in every instance, it just becomes
12 more difficult to demonstrate that you meet the
13 requirements.

14 I'll give an example. If you go through some
15 -- a lot of cases -- in a lot of states you're not --
16 it's -- there's very few states that don't require
17 corporations to have bylaws, most states do. I don't
18 have a list in my head of all the ones that don't, but
19 there's a couple.

20 And most states don't require limited
21 liability companies to have operating agreements, but
22 what almost universally all states do have is if you
23 don't opt to create your own, they give you a default
24 set that you have to follow.

25 And sometimes if you're a sole owner or

1 something, it's not problematic. But if you're not a
2 sole owner, those default -- relying on the state of
3 whatever to determine how to run your company is --
4 it's likely that you're going to not meet the
5 requirements of the program, just because the
6 legislatures weren't taking into account the program
7 when they wrote the default rules.

8 MR. O'FARRELL: Jim O'Farrell again. Right.
9 I think one of the areas that I've seen a lot of
10 problems with is when you have a board of directors
11 that is mixed between veterans and nonveterans and that
12 there's the potential there that the nonveterans could
13 create a super majority. So kind of a sidebar, but are
14 -- is that an example that you've -- that you would
15 give in the rules?

16 MR. CLARKE: So, it depends on what comes up.
17 I know the questions come up all the time. Under SBA's
18 interpretation of the rule and our policy, we do not
19 require that the actual directors, the member of the
20 board all be service-disabled veterans. You can have
21 -- we require that one of them be and it doesn't have
22 to be the same service-disabled veteran that actually
23 owns the shares.

24 What we do require is, as the example that was
25 given earlier, if there's an action that's before the

1 board, there has to be mechanisms that the service-
2 disabled vet -- that a service-disabled veteran who
3 owns the majority of the shares has the ability to
4 control the decisions of the board either through
5 actually just all being service-disabled veterans or
6 through the ability to remove and replace directors in
7 a reasonably easy manner type thing.

8 There are problems though if there's, like,
9 quorum issues, they're addressed here. Yeah, but it
10 does raise problems. The more nonservice-disabled
11 veteran board members you have and the more difficult
12 it is to remove them, the more problems that can occur.
13 So the simplest way is to have as -- you know, mostly
14 service-disabled veteran board members, but it's not a
15 requirement.

16 MR. ZACCHEA: I'd just like to recognize our
17 chairman emeritus, Mike Phipps.

18 MR. PHIPPS: Thank you, Mike, I appreciate it.
19 So, Chris, as you were talking through these default
20 set of rules that occur on a state-by-state basis, SBA
21 has liaisons with every state for the default, you
22 know, with every state agency. Is that correct, that
23 SBA interacts with the state agency -- with every state
24 agency, especially with business formation in how the
25 states go through that process?

1 MS. CARSON: Our district directors are, as a
2 matter --

3 MR. PHIPPS: District directors.

4 MS. CARSON: -- of fact, the contact there,
5 but I don't know if there's a specific activity that
6 they would be required to do. Chris, perhaps you know
7 more than I.

8 MR. CLARKE: Well, this isn't specific to
9 service-disabled veteran companies. This is, like,
10 every limited liability company in a state, always the
11 same rules. So, like, they follow the rules, then
12 they're usually -- it's in -- it's not even in a
13 regulation. It's usually in a law, so it wouldn't be
14 interacting with another state agency. It would be --
15 interacting with another state legislature would be the
16 issue.

17 MR. PHIPPS: Perfect. So if that's the case,
18 then it would be really great to see -- this would --
19 because the SBA has all this resource knowledge in
20 house, when the final rule is passed by default, like
21 California, that set of laws, that's -- you know,
22 that's not like we're dealing with three sets of laws
23 for an LLC for the default setting of State of
24 California.

25 When this final rule is passed, what list of

1 states with their default laws to form an LLC are going
2 to be automatically not eligible as a service-disabled
3 program, it would be -- it would save veteran-owned
4 businesses millions of dollars in legal fees just to
5 say, oh, California's not -- we're not going to be in
6 compliance and maybe a possible solution or if -- we
7 don't want to give legal advice from the SBA, and you
8 can just simply let those companies know that they're
9 not going to be in compliance just by the passing of
10 this rule.

11 And it's just -- it would be a huge -- a huge
12 boost that can be consolidated here, because all the
13 resources are actually here for those default set of
14 rules for -- you know, for all states.

15 MR. CLARKE: So I have -- I'm not an expert on
16 every state, but I'll give -- this is -- once again,
17 like when the question was brought up about comparing,
18 doing that for veterans would be doing them a
19 disservice, because the true answer is in every state
20 the default rule will be eligible for most firms.
21 Like, they'll be eligible, because it's a single owner.

22 The only time that it comes up is when you get
23 more complicated ownership and control structures, so
24 the best advice, if I was giving someone advice and if
25 you wanted to be eligible for a government contracting

1 program and its benefits, is to read the regulations
2 and the rules and to craft your operating agreement to
3 comply.

4 The default rules for the State of Florida
5 will sometimes apply, so we can't -- we would never be
6 able to say -- like, it's just such a case-by-case
7 basis that the real truth is every single entity in the
8 country that drafts its own operating agreement has a
9 different operating agreement.

10 So I can't say all firms in California are
11 eligible if they meet -- because every firm in -- in
12 California probably has a different operating agreement
13 that needs to be reviewed. So the best advice that I
14 would give to people and that I do give on a regular
15 basis is if -- is write bylaws, write an operating
16 agreement and make sure it complies with our rules.

17 And that's what these rules hopefully are
18 going to be providing, more guidance on what are the
19 key issues that we're looking at and where some issues
20 might come up. That's why there's a lot more detail on
21 board of directors, because we knew that was -- an
22 issue for many firms was the control of the board of
23 directors, so we're hoping that the extra guidance
24 provides help.

25 MR. PHIPPS: So it seems a lot of this applies

1 to sole proprietorships where, for example, right now
2 the way I understood your explanation of this, in
3 California sole proprietorship, just by the default
4 settings -- the legal default settings when you form an
5 entity, you are not eligible, the -- which would be the
6 current set of guidelines to be a service-disabled,
7 veteran-owned business.

8 MR. CLARKE: No, that is not true. So you
9 have to -- a sole proprietorship is technically an
10 unincorporated entity, so the entity that I was talking
11 about was limited -- it was --

12 MR. PHIPPS: Analyses.

13 MR. CLARKE: -- it was analyses, it was a
14 corporation organized under their -- California. If it
15 was a single-owner corporation under California, it
16 would have been eligible. In order -- it added a
17 second minority owner under California law, that
18 triggers automatic cumulative voting.

19 So it's -- a multi-owner corporation in
20 California can run into problems and any state that has
21 mandatory cumulative voting you can run into problems
22 once you add more than one board, one -- you can have a
23 single board member, three board members, so it -- none
24 of -- in no state are you -- is there any rule that
25 prevents you from being eligible, they give you the

1 flexibility to structure your business any way you
2 want.

3 MR. PHIPPS: Are VBOCs going to get specific
4 training to give guidance to small -- to veteran
5 businesses on this issue, because this seems like a
6 perfect VBOC issue?

7 MS. CARSON: This is Barbara Carson. They
8 will get guidance, but it is not necessarily their
9 expertise, that's not their role. As we were talking
10 about earlier, transition assistance, feasibility, and
11 being able to refer to the right places to get the
12 information is the role of the VBOC, but absolutely
13 this is a big change in our ecosystem with a lot of
14 impact.

15 So they're going to know more about it than
16 they have in the past, but they must go to other
17 resources within the ecosystem, including procurement
18 technical assistance centers, talking with their SBA
19 procurement center representatives, and the small
20 business development centers.

21 MR. PHIPPS: So it's great that we're getting
22 one rule.

23 MS. CARSON: Yeah.

24 MR. PHIPPS: Is the office -- is OVBD doing
25 anything to -- is there anything on the agenda to

1 prepare for once this rule is passed for specific -- I
2 -- I guess that's where I'm getting to, is there going
3 to be some specific guidance, or directives, or
4 assistance from this office to the business -- to the
5 veteran business community once this final rule is
6 passed to help?

7 MS. CARSON: It's Barb again and we are
8 supporting, but not the lead. So we'll be working with
9 our Office of Hearing and Appeals, Office of Government
10 Contracting, Office of General Counsel, and we will
11 stay obviously in coordination with Department of
12 Veteran Affairs.

13 As you'll hear later in this presentation, I
14 believe the rollout date, we're trying to aim for the
15 same time so that there isn't a period of different
16 rules and that has impact in a few places. So
17 absolutely we are developing that plan, we've talked
18 about what it would look like, and the outreach that
19 should be done, it's just not ready to present that to
20 you right here.

21 MR. PHIPPS: Oh, that's great. Thanks, Barb.

22 MR. ZACCHEA: Real quick, I just want to make
23 a comment from the Chair here. So it's after 11:00, I
24 think this is a real important issue, so I'd like to
25 give it until about 11:15, and then we'd like to ask

1 Derrick to give his presentation. We're going to have
2 to truncate you a little bit and we're going to
3 encroach on the public comment time.

4 MR. CLARKE: Okay. I'll keep going. So if
5 you can go to the next slide. So this is another where
6 I pointed out before. We've run into issue with super
7 majorities, like SBA has a rule stating there's
8 problems with super majorities. What this is, is just
9 extra guidance on how we're -- our policy with regard
10 to how we're going to evaluate super majority issues.

11 The next slide. So this is more detail.
12 Like, we have it -- once again, this comes up a lot
13 where a business is supposed to be licensed to do a
14 certain type of business, and they don't have that, and
15 nobody at the business has it, but other people have
16 it, it becomes a weird issue with, like, who actually
17 is, like, able to actually do the business of the
18 business.

19 So what -- what this rule says is it's
20 something that we're going to be looking at to
21 determine eligibility, which is if you're -- if the
22 type of business you're in requires a license, we're
23 going to ask to see that you actually have it so you're
24 able to do the business you claim to be able to do.

25 So this actually comes up a lot and it's not

1 -- it's basically just something that we put out there,
2 which is sometimes people will have the right to do
3 something in a bylaw, but never actually do it or have
4 any semblance of actually being at the firm ever. They
5 maybe appear to be retired, but on paper they have our
6 unexercised right to do whatever they want, but then
7 they basically delegated all their authority to an
8 underling.

9 So what we're saying is your right to do
10 something is not the same as doing it. You have to be
11 -- you -- to control a firm you basically have to have
12 the right to do it, to exercise control, and then
13 actually demonstrate that you exercise control, and we
14 hope that gives a little bit of guidance to people
15 about what we mean. Control isn't just the ability to
16 control, you actually have to do it, too.

17 So the next slide. So this is incorporated.
18 Someone asked from -- what was some of the stuff that
19 we were incorporating from 8(a), here's a lot of it.
20 So 8(a) had a lot of detail about what it means for a
21 -- like, the noneligible individual having control over
22 a firm.

23 So they gave details, like in these instances
24 this is what we're going to be looking at. So what we
25 did is we added those in, these are the things it's

1 not. And when you read these, none of these are by
2 themselves, like disqualifying factors, it's guidance.
3 These are things that we will be looking at, they raise
4 a concern.

5 So the first one is, and it's a -- that we've
6 seen is you used to work for somebody that's in -- pick
7 a business, in the same line of business that your new
8 business is in, that's one factor, like -- and they're
9 now a minority owner in your firm, that's one factor.
10 That might not be by itself anything, but it's
11 something that we're going to look at when we're
12 considering.

13 And then we go to the next one, next slide,
14 and you just kind of add these all up. And none of
15 them are themselves -- they're not dispositive, they're
16 just factors that we're looking at. So we went back to
17 the other one, I'll just give you, like, an example of
18 -- at the end and we'll run through all of them.

19 So the next one. So now you're kind of seeing
20 what we're looking at here. So you used to work for
21 somebody who runs a firm; you are basically sitting in
22 the same office that you used to sit in when you worked
23 for them; you don't actually have any of your own
24 employees, you share receptionists, salespeople, all
25 these other things; you got financing from them to

1 start the firm; you're paying them back, those type of
2 issues is what we're looking at and what we're trying
3 to do is clearly highlight that that's why we're
4 looking at them and that we're looking at them.

5 Okay. And then the next one. Earlier we had
6 the -- we mentioned the license. So, one, we require
7 that the business have a license, we are going to look.
8 If someone that isn't the owner, or the president, or
9 the service-disabled veteran is the individual that
10 holds that critical license, that can sometimes be a
11 problem, because you kind of necessarily have to have
12 that person around to do your business, so if they walk
13 away that's problematic.

14 It limits your ability to actually control in
15 some instances, not all. Sometimes they're just a
16 regular employee, but sometimes your former employer
17 you have an office in their office. We look at
18 everything and that -- this is giving an idea that this
19 is -- we are looking at everything.

20 MR. FIELDER: So, Chris, going back to my
21 experience in government in 2001/2002, those same
22 series of rules were being applied against service-
23 disabled veterans. What's different in the sense that
24 -- is it just that -- does this mean, if you will,
25 codified in a policy and -- but these are longstanding,

1 organizational, collocation, ownership, former
2 employment?

3 MR. CLARKE: Yes, the best way I can put it is
4 we were already applying these principles.

5 MR. FIELDER: Okay.

6 MR. CLARKE: We had -- we were very general.
7 We said, "Here's our rules," and then we applied these
8 principles and we adopted them from 8(a), but we didn't
9 have them clearly in our rules, and this is really a
10 move to make the policy much more clear on its face
11 what we're applying.

12 MR. FIELDER: Okay.

13 MR. O'FARRELL: Jim O'Farrell. So if you --
14 if that -- if that entity, the startup entity, let's
15 call it, that sits in the same office space and there
16 are concerns about affiliation, for example, if that
17 entity forms -- goes -- joins the All Small Mentor
18 Protégé program with that larger firm and forms a JV,
19 does that negate what has been said here?

20 MR. CLARKE: Without stepping on Derrick's
21 presentation, but technically they'd both be small. So
22 for just small business contracts we don't really --
23 it's not an issue, but for the individual socioeconomic
24 programs, if that company wanted to bid on a service-
25 disabled veteran contract, the entity claiming to be a

1 service-disabled veteran company has to actually be
2 one.

3 So, yeah, they can do mentor protégé, all
4 small, they're both small businesses. Yes, they're
5 affiliated, but when we add them together they're still
6 small. Obviously, they can do that, but they do have
7 to -- when you -- for the socioeconomic set-asides, the
8 entity claiming to be service-disabled veteran would
9 have to be.

10 And this comes up, you brought up a thing.
11 The issue with that -- there is an issue with
12 affiliation there, but that's a size issue. What we're
13 looking at here is not a size issue, it's a control
14 issue.

15 So the terms seem similar, but at least,
16 according to our Office of Hearing and Appeals, SBA
17 keeps those two worlds separate when we're evaluating
18 eligibility. When we're looking at affiliation
19 criteria, we're only looking at that to determine if
20 the businesses are small. So that's the other reason
21 that we put these in those rules is to be clear that
22 you're evaluating this criteria for your control
23 issues, not for your affiliation issues.

24 If you want to go to the next slide. This is
25 more of the same examples. If you're familiar with

1 8(a), this comes directly from 8(a).

2 Next slide. Also straight from 8(a). Like I
3 said, when I brought out the -- brought up the proposed
4 rule there and I said we were incorporating language
5 from 8(a), these are the provisions that we're
6 incorporating from 8(a). We were already applying the
7 policies behind these, but we hadn't formally put them
8 in our rule and I think it's better to have them in the
9 rule and so does everybody else. Next slide.

10 MR. ZACCHEA: Just real -- did somebody on the
11 line say something?

12 MR. MCADAMS: Oh, my goodness. This is Rich,
13 I've got a quick question. We covered ESOP breakdown,
14 I want to make sure I understand that. And as a
15 service-disabled, veteran-owned small business as the
16 ESOP piece grows, as long as -- the remaining part
17 that's not owned by the ESOP, as long as that remainder
18 is 51 percent or more service-disabled, veteran-owned,
19 according to all the rules we covered, then the company
20 remains service-disabled, veteran-owned, correct?

21 MR. CLARKE: Not necessarily. The issue with
22 ESOPs --

23 MR. BROWN: There's no yes or nos.

24 MR. CLARKE: -- there are no yes and nos,
25 because everything is structured differently. The

1 issue that can arise with the way ESOPs are structured,
2 especially if there's a single -- it depends on how you
3 do the tiers, but the issue that can account -- and
4 this was brought up before with the nonvoting,
5 everything is mixed.

6 When we brought up before -- like if you
7 convert your ESOP shares into nonvoting shares, but
8 eventually, like, one of the issues with ESOPs is they
9 don't stop growing, they indefinitely get bigger. So
10 unless you have a mechanism to increase the voting
11 shares of the -- so you have to have another mechanism,
12 because we will -- like, if you read our rules, we
13 consider everything.

14 So if you're issuing -- if your terms of your
15 ESOP issue either convertible debt, nonvoting, or
16 voting -- I'm getting really dense here, that's why I
17 said it's not easy. The problem -- the best problem is
18 it's a monster that eats the hole.

19 Technically, as ESOPs are set up, they grow
20 exponentially with time, but the results are already --
21 we consider the results that will happen 10 years in
22 the future to already have happened, because you said
23 they were going to happen. So what you'd have to do is
24 -- because you realize that the results in the ESOP are
25 eventually going to happen, you'd have to create a

1 provision -- you have to create a provision that
2 counteracts them eating and some of it's simple, some
3 of it's hard.

4 MR. MCADAMS: Let me ask you this. Let me ask
5 it this way. There is a way to establish the ESOP
6 knowing the requirements of the service-disabled,
7 veteran-owned policy program so that you can stay
8 compliant and stay service-disabled, veteran-owned
9 small business while enjoying the benefits of an ESOP
10 and your employees enjoying the benefits of an ESOP if
11 it's structured, correct?

12 MR. CLARKE: Yes, 100 percent. There's
13 nothing preventing you from having an ESOP and being
14 eligible for the program. It's not as simple as a
15 normal one, just because, like, ESOPs aren't simple,
16 but it's -- there's nothing preventing from a company
17 with an ESOP shareholder from participating in the
18 program. It does have to be structured specifically
19 for the program though.

20 MR. MCADAMS: Okay. Thank you.

21 MR. CLARKE: Here we're adding something, this
22 is more to the guidance. This does not come from 8(a),
23 but it comes from just something that we're already
24 applying. It's like a policy, but without clear
25 guidance, there's a couple of them here. So what we're

1 saying here is that normal business hours, so if
2 someone says they control a firm, but they don't ever
3 work when the firm is operating, but someone else does,
4 type thing.

5 So there's usually a presumption that
6 whoever's at the office all day is actually controlling
7 the firm, just generally, that's just a presumption,
8 but it's a presumption that a service-disabled veteran
9 can -- it's not a yes or no. Very few things are yes
10 or no, it's a rebuttable presumption.

11 And this is just giving the community the
12 awareness that we're basically already applying this
13 principal, because it's a basic, common-sense principal
14 that if there's someone at a firm that everyone looks
15 to for answers on a daily basis, we're going to assume
16 that that person controls. And if that person isn't a
17 service-disabled veteran, we're going to have issues
18 with control.

19 So that's what this one is meant to address,
20 is that issue, and to provide basically public notice
21 that this is the policy that SBA thinks is the best
22 approach.

23 MS. PEREZ-WILHITE: Can you still have that
24 presumption -- this is Fran, by the way. Can you still
25 have that presumption even though a lot of businesses

1 work remotely now?

2 MR. CLARKE: It's a rebuttable presumption.
3 So the presumption is, yeah, you don't, then you --
4 you'd provide a written statement saying -- which is
5 under -- like, is if you lie to us then, it's a false
6 statement to the government, it's a crime. So we
7 assume if you write it to us and tell it to us, we just
8 believe you, because you should be telling us the
9 truth.

10 You tell us your business is circumstances,
11 which is nobody -- but, yes, I work remotely, this is
12 what I do, I travel to all my sites, it's a -- it --
13 you know, it's a countrywide business and I travel
14 around, that's a very standard, common business
15 practice and there's nothing wrong with that.

16 The only thing is, a lot of times that's the
17 case. And I'll be honest, people get upset when we ask
18 the question. So now what we're going to do is we're
19 saying this is why we're asking the question. We don't
20 have a specific concern about your firm, we just have a
21 specific concern about this issue and we're collecting
22 a piece of paper from you demonstrating that there's no
23 problem.

24 Next one. This is the same question, it comes
25 up all the time, which is you get a contract, it's in

1 San Diego, and you are in, like, New York, and someone
2 files a protest or something saying how can they do
3 that, and then we ask, and it's the same thing.

4 The presumption is that whoever's closest to
5 the site where work is being done is controlling it on
6 a day-to-day basis, that's just a presumption. It's a
7 rebuttable presumption that's -- if you're actually
8 doing work and controlling the firm is easily
9 rebuttable, we believe, and it's something that we see
10 common, and it's, once again, just laying out and --
11 you know, what our policy is.

12 Next one. A really long time ago at the very
13 beginning of this I had a definition from extraordinary
14 circumstances. This is where that definition comes
15 into play, which is an exception where we will now find
16 that lack of control exists where the service-disabled
17 veteran doesn't have unilateral power to exercise
18 control in extraordinary circumstances and we listed
19 them out.

20 That's like if you're putting the company into
21 bankruptcy, you're selling all the company, or stuff
22 like that, the enumerated list of extraordinary
23 circumstances, there's an exception that multiple
24 owners might be required to execute those extraordinary
25 circumstances. Technically, it's a policy that we are

1 favorable towards already in some -- it's not been
2 clear what SBA's position on this issue has been, we're
3 trying to make that clear here, and it's a limited
4 exception to begin with.

5 I think is -- next, that might be the last.
6 The last one is -- I don't think VA had an exception
7 for this either before.

8 MS. TORRES: No, we wanted to add it.

9 MR. CLARKE: And so we -- both programs wanted
10 to add this exception. So this is an exception for
11 reservists, if they're called to duty that it doesn't
12 affect their control negatively.

13 MS. CARSON: I have a clarification question,
14 this is Barb, that to -- and we may have to just do
15 this internally, but make sure that there are words --
16 if they were meant to include the Guard, include
17 National Guard, rather than just the Reserve components
18 of the active duty forces. It's something we can
19 followup on.

20 MR. CLARKE: Yeah, let's -- and we've -- I'm
21 not going to guarantee that we're going to get a
22 comment on that, but we'll probably either get a
23 comment or can address it, but at least from SBA's
24 point of view the intent was to cover everybody that
25 was called to service --

1 MS. CARSON: Um-hum.

2 MR. CLARKE: -- regardless of the branch of
3 the military or National Guard. Next. That's just
4 more on that. And then the next one I think we've
5 done.

6 MR. BROWN: Yeah.

7 MR. CLARKE: That's it.

8 MR. FIELDER: Thank you, Chris. Ed Fielder.
9 (Microphone feedback.)

10 MR. FIELDER: Somebody else's fault.

11 MR. CLARKE: This is still on.

12 MR. FIELDER: Thank you very much.

13 MR. CLARKE: Sorry about that.

14 MR. FIELDER: At the risk of going down the
15 rabbit hole that's right next to the one that I took
16 you down just about 15 minutes ago, if I was to stack
17 up -- and I love what you're doing here. I may sound
18 overly critical, but putting structure and putting
19 rules out there that we can all look at, understand,
20 grasp, build our organizations around them, rather than
21 have them kind of come up on us and sneak up on us,
22 this is great work, Chris.

23 And so the Vet First program, some people over
24 at the VA call it the platinum certification program.
25 If I was to stack up this, I see similarities there,

1 too. And, again, I don't want to go down that rabbit
2 hole that's right next to the line I took you down the
3 last time, are they copesetic and so if a company
4 complies with all of these, would we therefore be
5 complying with all of the Vet First certification
6 requirements?

7 MR. CLARKE: The Vet First requirements are
8 going away and being replaced by these. And so if the
9 question is -- if you're currently in the veteran --
10 Vet First program, do you comply with the new
11 regulations is a question that's going to come up.
12 It's SBA's -- and I don't like to speak for VA, but we
13 did discuss, we think most firms that are already
14 eligible for both programs will remain eligible under
15 these new regulations.

16 And then if the question is are these going --
17 are these new regulations similar or the same as VA's
18 old regulations, they're similar, they're very similar.
19 If anything, what we think they're doing is just
20 highlighting and providing more guidance, not making
21 major changes to the underlying eligibility.

22 And, yes, the VA's old ownership-and-control
23 regulations are going away. And Barb mentioned it
24 earlier, the goal is for theirs to go away and the
25 joints to go up at the same time. I'll defer to --

1 MR. FIELDER: And you're saying that you have
2 agreement on that with the VA?

3 MS. TORRES: This is VA.

4 MR. FIELDER: Oh. Hello, VA.

5 MS. TORRES: Hi. Yes, what -- we actually
6 have published a proposed rule --

7 MR. ZACCHEA: Oh.

8 MS. TORRES: -- at the same time.

9 MR. ZACCHEA: Could you identify yourself,
10 please?

11 MS. TORRES: Oh, this is -- I'm Beth Torres
12 from VA and we have published a proposed rule on
13 January 10th. Our comment period closes March 12th,
14 Monday. We have removed the ownership-and-control
15 portions of our regulations. What is currently in part
16 74.3 and 74.4 are being replaced by a direction of
17 saying, you know, see the SBA regulation on ownership
18 and control.

19 However, all the other ancillary things
20 around verification about how the process works, where
21 to go for appeals, and how long you can be, and who
22 you have to notify, and things like that, those -- that
23 is included in the new version of 38 CFR part 74, so
24 the -- we just have removed the ownership and control
25 and we've basically said anything that applies to the

1 SDVOSB ownership-and-control portions from the SBA
2 regulation we also apply to veteran-owned businesses
3 that are not service-disabled.

4 MR. FIELDER: Thank you. I can only speak for
5 myself, but that's refreshing to hear that.

6 MR. CLARKE: Okay. So if there are no other
7 question, then I'm done. Thank you. Once again, thank
8 you very much, I was very happy to have presented here.

9 MR. ZACCHEA: Thank you, Chris. That was
10 great and I hope to be able to continue to engage with
11 you on this, it's a really important issue. Next up we
12 have Derrick from the protégé program.

13 MR. BROWN: Good morning. My name is Derrick,
14 Derrick Brown, I'm just going to give you a quick
15 update on the Mentor Protégé program.

16 Next slide. All right. We have 451 approved
17 mentor protégé agreements in our portfolio, our average
18 turnaround for review and approval is -- the average is
19 about 10 days. Really, eight to 10 days. We have 102
20 All Small B clients -- application B clients and
21 they're soft B clients. Basically it's because -- I
22 mean, if we decline you, it's because you haven't sent
23 in any information that we requested and to keep our
24 processing times within 10 days we have to make that
25 decline, we have to make a decision on it.

1 The lessons learned since the inception of our
2 program is we continue to work with federal agencies
3 partners to increase the awareness of our program, work
4 to enhance program evaluation and annual evaluation
5 report process. That's starting up now, because a lot
6 of firms -- I mean, whether -- early part of the firms
7 are starting to approach toward the year of being in
8 our program, so we now are asking them to report to us
9 the successes so far in the program.

10 Opportunities in our program, we're working to
11 enhance customer experience, and we do provide a
12 protégé community of practice, and we are developing
13 additional joint venture resources for firms. We will
14 have a joint venture template up on our website soon
15 and, excuse me, we're working on facilities security
16 clearances for firms, particularly when they joint
17 venture. Next slide.

18 MR. O'FARRELL: Jim O'Farrell. Just a quick
19 question for you, Derrick. What is the percentage of
20 the SDVOSBs? I see the 38 percent, what is the
21 percentage of those that have JV agreements in place
22 now?

23 MR. BROWN: That's a good question. Well, we
24 -- I -- now, that number I can get for you. We haven't
25 pulled that number out, but they are starting to -- the

1 joint ventures they have to report once they set up
2 their joint venture. So they're starting before, but I
3 can get that number for you --

4 MR. O'FARRELL: Okay.

5 MR. BROWN: -- so I can give an exact number.
6 Right now I know that 38 percent of all of the firms in
7 our portfolio consist of SDVOBs, which is about 171 of
8 them for our 51 -- 451 accounts, but it's been --
9 SDVOBs have -- ever since we started they've always
10 commanded a large percentage, which is a great thing.

11 What I will suggest and I -- as I stated and I
12 stated before is that before you get into this program
13 you need to date your mentor a little better. We are
14 having some people who are -- well, they got into this
15 dating thing, and they got married, and realized the
16 marriage is not working out the way that they need it
17 to work out, you know, and really it's for the
18 betterment of their business. So if you tried to
19 increase longevity and profitability, then I would
20 probably date my mentor a little more. And that's it,
21 that's just my quick update.

22 MR. O'FARRELL: Another quick question. This
23 is Jim O'Farrell again. So if -- if you have an
24 existing joint venture agreement that's not -- and
25 you're not part of the All Small Mentor Protégé

1 program, is it possible to take that existing JV and --
2 and back it into the All Small Mentor Protégé?

3 If you go through the All Small Mentor Protégé
4 application process and you're accepted with that
5 mentor, is it possible to then put that JV agreement in
6 place?

7 MR. BROWN: Well, no, you need to become --
8 you need to -- first of all, we have to look at your
9 mentor protégé agreement, so the answer to your
10 question is no. Based on what you're telling me, no,
11 we need to look at the relationship and look at your
12 mentor protégé agreement, what you're planning to do.
13 And then after you're approved in the program, then you
14 can form your JV, you know, and then the JV, you know,
15 then you can do business with the JV.

16 MR. O'FARRELL: Okay. You're saying you'd
17 need to look at the mentor protégé agreement, but there
18 -- it would -- there isn't a mentor protégé agreement,
19 there's a JV agreement. In other words, the JV is
20 untethered to any mentor protégé program. You're going
21 to enter the All Small Mentor Protégé program, so
22 that's going to be GSA's mentor protégé agreement, so
23 to speak. You see what I'm saying, there's a JV
24 agreement already in existence.

25 MR. CLARKE: Can I answer that?

1 MR. BROWN: Yes, you can.

2 MR. O'FARRELL: I was wondering if he might
3 have something to say about that --

4 MR. BROWN: Right.

5 MR. O'FARRELL: -- given our --

6 MR. CLARKE: Okay. This is going to, like, go
7 really well with everything else I said, not
8 necessarily, but almost --

9 MR. O'FARRELL: -- yeah.

10 MR. CLARKE: -- the real answer is almost no.
11 It's actually a really -- it's a -- I don't like to
12 give advice all the time, but the advice is it's a
13 really bad idea if you're planning to enter into a
14 mentor protégé with somebody.

15 The issue is, the joint venture agreement. If
16 you're drafting it, there are specific requirements for
17 the mentor protégé program that have to be in the joint
18 venture agreement. So the likelihood that you drafted
19 a joint venture agreement before being in the mentor
20 protégé program that's compliant with the mentor
21 protégé program is really small, unless you did it on
22 purpose before, but there -- it's unlikely that the one
23 that you drafted prior to being in the program's going
24 to be complaint with the one you need while you're in
25 the program.

1 MR. O'FARRELL: Right, so we all know the --
2 so if you -- just for a second. It's -- we all know
3 the -- there are administrative burdens on the small
4 business as they -- and the large for that -- that
5 matter to put a JV agreement in place, the tax is --
6 and registration, and sam.gov, and get a tax ID number,
7 and all of that. So if you put that together, and then
8 -- and the All Small Mentor Protégé program was not in
9 existence at the time, and you've not used up your
10 three contracts, you could be awarded under that JV
11 agreement.

12 I know there are a lot of -- and you're going
13 to come back and say it -- it depends, but if you've
14 gone through that process of putting that JV agreement
15 in place, you could then, because it's the All Small
16 Mentor Protégé program.

17 Step one is to go through the mentor protégé
18 application process. If you went through that process
19 and then you decided to attach that existing joint
20 venture to the mentor -- the All Small Mentor Protégé
21 program, you could conceivably modify that JV agreement
22 to be in compliance rather than start all over going
23 through the -- forming a joint venture.

24 MR. CLARKE: That is -- so the advice that
25 I've given on this exact question is exactly one you

1 just said, which is modifying the already-existing
2 agreement.

3 MR. O'FARRELL: I got it, thanks.

4 MR. CLARKE: So you do -- you will have to do
5 something --

6 MR. O'FARRELL: Right.

7 MR. CLARKE: -- to the agreement. One of the
8 issues that people -- so just --

9 (Applause.)

10 MR. O'FARRELL: Yeah, clap.

11 MR. CLARKE: -- I'm going to give you, like,
12 just another little piece of advice that people have
13 run into is the structure of the modification. I don't
14 know if it's a formal recommendation of SBA yet, but a
15 recommendation that I have is to make the modification
16 as an addendum, because you're already performing
17 contracts under the previous agreement that you
18 provided to the government and said you were going to
19 perform in this manner.

20 So you might -- like, you run into problems
21 when you modify an agreement in the middle of a
22 contract with the government, so -- but an addendum
23 where you address those -- basically, an addendum
24 specifically addressing the mentor protégé is probably
25 a nice way to modify it, rather than restructuring and

1 redoing the entire agreement.

2 MR. O'FARRELL: Thanks very much.

3 MR. FIELDER: Derrick, Eddie Fielder. Flip
4 back to the slide with the -- with the bar graph on it,
5 please. I think I know the answer to this, but I'd
6 like to hear some dialogue around how that's working.
7 If you add that up, it's 160 percent.

8 And so I'm assuming that there are companies
9 that are applying under two categories, or even three,
10 or four categories, and so that's always an issue to
11 me. And so when I was with government, I used to call
12 those double, triple word scores in the sense of the
13 Scrabble game. And you become much more attractive to
14 an agency that's looking at goaling, because now you're
15 -- now you're being able to count, we're still able to
16 -- tell me this, Chris, are we still able to count in
17 more than one category, yeah, exactly?

18 MR. CLARKE: Yes, though -- just so it's
19 recorded, yep.

20 MR. FIELDER: Okay. Good. And so tell me how
21 that's going, Derrick, in the sense of how the
22 application occurs when someone's coming in for a
23 double certification, or a triple certification, and I
24 think every once in a while probably a quadruple
25 certification.

1 MR. BROWN: Yeah.

2 MR. FIELDER: A woman-owned, HUBZone, service-
3 disabled vet, minority.

4 MR. BROWN: Yes, sir. Thanks for that
5 question. Yeah, we have firms coming in. The process,
6 as far as how we evaluate the firm, is still the same,
7 we're going to evaluate the firm, evaluate the MPA
8 agreement, but we look -- we have firms that come in,
9 the 8(a), HUBZone, SDVOBs, we have some that's WOSBs,
10 EDWOSBs, so we make sure that we identify each category
11 that they're identifying themselves as. So -- but
12 still when you break it, out however you want to break
13 it out, SDVOBs still lead the pack.

14 MR. FIELDER: Okay. So when you count up from
15 the second page, 451 approved mentor protégé
16 agreements?

17 MR. BROWN: Right.

18 MR. FIELDER: Are you double counting when you
19 do that or are you only counting that -- that firm, and
20 so --

21 MR. BROWN: Well --

22 MR. FIELDER: -- one time?

23 MR. BROWN: -- we're only counting that firm
24 one time, that's all we're doing. We're only counting
25 the firm one time, but that firm -- that one firm could

1 have -- could be an 8(a), a VOB, an SDVOB.

2 MR. FIELDER: So you guys have been at this
3 for less than a year?

4 MR. BROWN: And I -- we started October 1st,
5 2017 -- I mean, 2016. I'm sorry.

6 MR. FIELDER: '16?

7 MR. BROWN: '16.

8 MR. FIELDER: So a little bit more than a
9 year. So 18 months?

10 MR. BROWN: Yes, sir.

11 MR. FIELDER: And 451 approved?

12 MR. BROWN: Yes, sir.

13 MR. FIELDER: And those 451 without counting
14 doubles and triples?

15 MR. BROWN: That's right.

16 MR. FIELDER: That's amazing --

17 MR. BROWN: Yes.

18 MR. FIELDER: -- guys. And when you compare
19 that to the Vet First program and how that thing
20 sputtered for eight, 10, 12 years, great job.

21 MR. BROWN: Thank you.

22 MR. LOWDER: Derrick, Lynn Lowder from One Vet
23 at a Time. I'm right where Ed's at, I -- the thing
24 that caught my eye probably more than anything you've
25 talked about on what the average of 10-days turn around

1 on review and approval.

2 MR. BROWN: Yes, sir.

3 MR. LOWDER: That's kind of astonishing.

4 MR. BROWN: Thank you. What -- the reason why
5 we are able to keep that is because of declines. And
6 don't look at declines as a bad thing, we're looking at
7 the declines in this sense as get your -- can you get
8 your stuff in for us so we can make a determination,
9 but we do decline -- like, if -- we'll give you 10
10 days.

11 Like, if I'm asking for you to send in your
12 business plan, because some business plans -- we need
13 to see the projections and financials in your business
14 plan and sometimes agencies are sending those
15 projections -- I mean, sending business plans, but they
16 don't have the projections.

17 So let's say I go out and I request that from
18 you, but you don't send it in, I have to make the
19 determination within that 10 days so that we can get
20 that -- keep that processing time where we are.

21 MR. LOWDER: A followup question for you.
22 We're in the business around here trying to get
23 veterans in business, do you need more work?

24 MR. BROWN: Oh, yeah. Yeah, I love -- I -- we
25 love to have the work, yes, sir, as far as doing what

1 we do, because this program is -- it's an excellent
2 program and I think veterans need to take advantage of
3 it.

4 MR. LOWDER: That's where I'm getting at. I
5 mean, it is. I think everybody believes it's a good
6 program, your turnaround time is wonderful. What can
7 we do to get more people into your program?

8 MR. BROWN: If you could just market our
9 program. And really -- we never really had a -- we
10 really had a -- a soft launch. We didn't really just
11 push it --

12 MR. LOWDER: Right.

13 MR. BROWN: -- out there --

14 MR. LOWDER: Right.

15 MR. BROWN: -- because --

16 MR. LOWDER: Right.

17 MR. BROWN: -- we had some things that we were
18 trying, some processes that we -- you've got to
19 understand this is a program -- something that I tell
20 everybody, a lot of people can work for SBA for a
21 while, but this is a very -- I mean, I can say that I
22 helped upstart a new program, which is amazing.

23 So we had a soft launch, you know, we kind of
24 got out there, and now it's starting to build. And
25 what we do is we met with other agencies, so that we

1 can market our program, and it's actually phenomenal.

2 MR. LOWDER: You know, I raised three kids.
3 I'm a big believer in training wheels, it teaches them
4 to ride a bike.

5 MR. BROWN: Yes.

6 MR. LOWDER: This is business on training
7 wheels. I -- and veterans, you know, we're taught --
8 Marine Corp, especially, you know, before we learn
9 how to do something we talk to an NCO, someone who's
10 been around, shows us what to do, tells us how to do
11 it, has some suggestions, so I'm a big believer in
12 this. You know, I just think it's a wonderful
13 approach philosophically. Especially for veterans,
14 we get this kind of thing.

15 MR. BROWN: Yes.

16 MR. LOWDER: The more people we can get
17 involved in here, the more we can get the word out. I
18 think it would be great and I'm all -- I actually --
19 obviously have big ears, so I am all ears when it comes
20 to this. I'd like -- I'd be very curious as to how we
21 can get more veterans into this, that's -- we're just
22 tweaked that way.

23 MR. BROWN: Yes, sir.

24 MR. O'FARRELL: Jim O'Farrell, so following up
25 to Ed's question before and some of the comments Lynn

1 has made. So in terms of being outcome based, do you
2 have any metrics yet on how many of the 451 MP
3 agreements have results in contracts and what's the
4 dollar amount of those awarded contracts are --

5 MR. BROWN: That's a --

6 MR. O'FARRELL: -- supposed to be?

7 MR. BROWN: That's a good question. General
8 O'Farrell?

9 MR. O'FARRELL: Jim.

10 MR. BROWN: Jim. Jim. Okay. I thought you
11 were a general, I'm sorry. We're right now getting
12 that information for you, because we're at a point
13 where a lot of our firms are starting to report back on
14 our annual evaluation, so we should be able to get you
15 some metrics roughly around June 1st, that time.

16 MR. O'FARRELL: So we'd love to have you come
17 back. I think Mike Zacchea, our Chairman, would be
18 glad to invite you through Barb to come back and give
19 that. And as a quick followup, I would also highly
20 recommend that for that VA Small Business Conference
21 that they have each year that you plan to attend that.

22 MR. BROWN: Um-hum.

23 MR. O'FARRELL: I'm sure they would want to
24 have you there and have a couple of your kind of rock
25 stars of the mentor protégé program who have won

1 contracts, who's learned lessons, come in and share
2 their perspective on being part of the program.

3 MR. BROWN: Yes, sir.

4 MR. FIELDER: Eddie Fielder again. Lynn sort
5 of leaned in on this and you responded, the -- about
6 your soft start and we understood why you did that.
7 And now that you've kind of gone beyond that soft start
8 and have significant numbers having measurable metrics
9 at the other end, as Jim has alluded, is -- is -- is --
10 is critical, but when -- what can we do, is what Lynn
11 said, and you said, "Marketing, help us market."

12 MR. BROWN: Um-hum.

13 MR. FIELDER: The biggest marketing tool that
14 you will have is to be able to tell the success stories
15 within those 451.

16 AUDIENCE: Amen.

17 MR. FIELDER: And I -- I can't remember if it
18 was Jim or Lynn said be at the VA conference --

19 MR. BROWN: Um-hum.

20 MR. FIELDER: -- be a speaker, and have two,
21 or three, or five, I don't care, people standing there
22 ready to do two, or three, to five minutes of, and this
23 is what it meant to me, and we've already got our first
24 contract, or we've got our second contract, and because
25 of the resources that my protégé -- my mentor partner

1 brought to me, I was able to grow my business in a way
2 that I could not resource or grow in the past either
3 due to lack of experience, or qualifications, or lack
4 of money resources. And you get a couple of those
5 success stories coming out in the VA conference, then
6 your marketing is there, Derrick.

7 MR. BROWN: Yes.

8 MR. O'FARRELL: And I would follow on also
9 that, it's not just -- you're not just appealing to the
10 small business, the veteran-owned small business, but
11 actually the large business, and they're -- as you
12 know, I'm telling you stuff you know, but they need to
13 be -- they need to see there's something to whiff --
14 you know, what's in it for me kind of thing.

15 MR. BROWN: Right.

16 MS. PEREZ-WILHITE: Getting a little too much
17 detail here probably, but when you know -- when you go
18 to that conference, you're only allowed to sign up for
19 sessions that are based in your NAICS code. I would
20 hope that your session is open to everyone that attends
21 the conference.

22 MR. BROWN: Okay.

23 MS. PEREZ-WILHITE: You have to sign up ahead
24 of time for these sessions --

25 MR. BROWN: Yes.

1 MS. PEREZ-WILHITE: -- based on NAICS codes.
2 There should not be any NAICS codes assigned to your
3 presentation.

4 MR. O'FARRELL: Right, because it's kind of
5 all encompassing.

6 MS. PEREZ-WILHITE: And it should be all-size
7 companies, too.

8 MR. ZACCHEA: Mike Zacchea, Derrick. So there
9 are a lot of these veteran business conferences around
10 the country regionally. Potentially we could, you
11 know, fill up your dance card for an entire year,
12 obviously, but there's a lot of tremendous
13 opportunities out of reach --

14 MR. BROWN: Yes.

15 MR. ZACCHEA: -- is the takeaway there.

16 MR. BROWN: Yes, sir.

17 MR. ZACCHEA: So thank you. It is very, very
18 impressive. Barb has something she'd like to add.

19 MS. CARSON: One more measurement, because I
20 know this is important to the Board and we discussed it
21 yesterday, the Interagency Task Force. As you get
22 these one-year evaluations, if you could tell the Board
23 at the next meeting what kind of assistance are the
24 proteges seeking when they make those agreements.

25 MR. BROWN: Um-hum.

1 MS. CARSON: And then what are you seeing in
2 their one-year report about whether they received that
3 support, and what the compliance aspect is, and that
4 might be the -- too-strong a word, but what do we --
5 what does SBA say about that?

6 MR. BROWN: Okay.

7 MR. MCADAMS: Derrick, Rich McAdams.

8 MR. BROWN: Yes.

9 MR. MCADAMS: Question for you and this is a
10 little out of your lane, but I'm just curious if you
11 happen to know, have the data, do you know how many --
12 of those 38 percent, how many actually form JV have you
13 heard is a success for contract wins by JVs, because I
14 think Jim O'Farrell alluded to it, that's where -- the
15 rubber meets road is where -- what's going to drive the
16 path to the program.

17 MR. BROWN: Sir, I can get those numbers for
18 you, but right -- what I can research those numbers for
19 you. Right now we are pulling those numbers as far as
20 the JVs -- the percentage of JVs formed out of the
21 SDVOBs. So if you would -- if you could e-mail the All
22 Small MPP at sba.gov I can followup with you on that.

23 MR. MCADAMS: Okay. I sure will. Thank you.

24 MR. BROWN: Yes, sir.

25 MR. FIELDER: Derrick, Eddie Fielder again.

1 I've been working this part of the -- in the sense of
2 matching small and large businesses through the 8(a)
3 mentor protégé program for years and had some -- few
4 success. There was a requirement in this and I'm just
5 asking, did it go away, is it still there?

6 But as I remember, there was an annual
7 review that literally questioned the protégé in the
8 sense that the agreement -- there generally are --
9 it's boilerplated and there generally were five or
10 six things that the mentor needed.

11 And then the second part of the agreement
12 would be those five or six things the protege's saying
13 -- excuse me, the -- that the protégé needed, and then
14 the mentor would then sign off that these five or six
15 things that they were willing to provide, and it was
16 typically marketing, qualifications, and experience,
17 money resources, lending resources, and they would be,
18 like, four or five of those, and -- but they would be
19 checked, I want to say, on an annual basis.

20 And so those of us that were working that in
21 the sense of making that work for large and small
22 businesses in a very altruistic way we always were
23 excited about the 8(a) program, because it has
24 substance and teeth.

25 And frankly we're always discouraged about the

1 individual agency programs that worked outside of the
2 8(a) program that had no substance or teeth to make
3 sure that there was a -- if you will, a rigor to the
4 process to make sure that whatever the protégé was
5 requesting and the mentor was saying they were going to
6 provide was, in fact, validated on a periodic basis and
7 there's a question.

8 MR. BROWN: All right. Yeah, what you're
9 speaking is, is the areas of assistance --

10 MR. FIELDER: Um-hum.

11 MR. BROWN: -- provided?

12 MR. FIELDER: Yeah.

13 MR. BROWN: All right. Which there are six
14 areas, management and technical assistance --

15 MR. FIELDER: Okay.

16 MR. BROWN: -- financial assistance,
17 contracting assistance. We call it trade education,
18 which is international trade, if you want to do
19 business overseas.

20 MR. FIELDER: Um-hum.

21 MR. BROWN: General and -- and/or
22 administrative assistance in business development.
23 Now, we -- like I said, when they -- it's a form that's
24 already on our website where you have to pull down and
25 you have to do your annual review, the mentor has to

1 report as well as the protégé.

2 And then what they're doing is they're taking
3 the qualitative information and pulling that, as well
4 as the quantitative information. And by June we should
5 have some information for you, but what we're doing is
6 looking at whether or not -- from the qualitative side,
7 whether or not they state that they are going to
8 provide management -- let's just say for example
9 management and training assistance --

10 MR. FIELDER: Um-hum.

11 MR. BROWN: -- and what they say. If they're
12 going to do X, Y, and Z, then we look at what their
13 report based on that year. Now, we have some firms --
14 I can say we have a particular one firm which I did
15 where they've already met their goals in the mentor
16 protégé agreement for that year, so they have to turn
17 around and basically adjust their mentor protégé
18 agreement so that they can add more goals to help
19 develop --

20 MR. FIELDER: Okay.

21 MR. BROWN: -- the company.

22 MR. FIELDER: Good. So the rigor's still
23 there?

24 MR. BROWN: Right.

25 MR. LOWDER: One last question, Derrick. Is

1 there an eHarmony.com out there for mentor proteges so
2 somebody can say, I'm looking for this or I'm looking
3 for that?

4 MR. BROWN: Currently we're not a matchmaking
5 program.

6 MR. LOWDER: Right.

7 MR. BROWN: But, you know, we -- I just want
8 to say it this way. We're not a matching program, but
9 we have had so many questions on it --

10 MR. LOWDER: Right.

11 MR. BROWN: -- and people requesting it, that
12 we have, you know, kind of thought about it, thrown it
13 out a little bit, maybe putting them in the same room
14 together type of thing, but don't hold me to it just
15 yet.

16 MR. LOWDER: No. No, I'm just --

17 MR. BROWN: Okay.

18 MR. LOWDER: -- I'm just thinking about that.
19 It's all about the art of the possible and we get the
20 word out there to the veteran community, hey, there's a
21 way that maybe you could get rolling. And if I'm a
22 good Marine corporal, I'm going to go, where are they?

23 MR. BROWN: Right.

24 MR. LOWDER: Where can I find one of those
25 guys, you know.

1 MR. BROWN: Yes, sir.

2 MR. LOWDER: Just a thought.

3 MR. FIELDER: Derrick, Eddie Fielder.
4 Historically some of the agencies, GSA is one of them,
5 Interior's another, have hosted conferences, small
6 business conferences, where SBA has been a
7 participating partner and the more significant ones --
8 once they get through the small business 101 generic
9 training, whatever, the more significant conferences
10 will spend at least an -- if it's a one-day conference,
11 at least an afternoon of four hours where they invite
12 large businesses to then host in different-room
13 situations.

14 MR. LOWDER: Um-hum.

15 MR. FIELDER: And they call it matchmaking.

16 MR. LOWDER: Excellent.

17 MR. FIELDER: And so I would encourage you, if
18 you've not dipped into that and been part of that,
19 check out the small business utilization unit at GSA.
20 They're doing it in a very large way and 50 percent of
21 their conferences are set aside for time to be
22 matchmaking sessions between large and small just for
23 these reasons.

24 MR. LOWDER: And Lynn Lowder. Can you go --
25 come back -- so what departments are invested in this

1 are really doing it?

2 MR. FIELDER: I know DOD's doing it, I know
3 Interior's doing it. And some of my information may be
4 dated, but I -- if you're looking for a prototype to
5 find out how it's being done, check out the GSA's Small
6 Business Utilization Office and their particular page
7 on gsa.gov.

8 And it sounds like I'm doing an advertisement
9 for GSA, but that happens to be where I was the chief
10 of staff and I know their program more than --

11 MR. LOWDER: Sure.

12 MR. FIELDER: -- I know the others. But I do
13 know that every time we hosted a major conference, and
14 they would be 2,000, 3,000 sometimes, the other
15 agencies that were in that location were more than
16 willing participants, they wanted to be part of it.

17 MR. ZACCHEA: Thank you. This -- so this is
18 Mike Zacchea. The time on deck I have is 11:52 and I'd
19 like to open it up for public comment if anybody -- the
20 audience would like to come up to the microphone.
21 Please state your name and I need you to have your
22 sign.

23 (No response.)

24 MR. ZACCHEA: Okay. Well, I'm going to take
25 silence as nobody has anything to offer. So great

1 presentation, great, great conversation here. I think
2 really, really created a lot value and especially the
3 -- the programs from the presentation we had from
4 Natalie, and Chris, and Derrick really was very, very
5 impressive.

6 So that's that. And I want to thank everybody
7 for your attendance at the meeting and I'm going to
8 turn it over to Barb.

9 MS. CARSON: Thank you, and congratulations
10 again, and thank you for your service. Welcome to our
11 new members and a farewell to those who have served us
12 in the past.

13 I will remind you that our next meeting of the
14 advisory committee on veteran business affairs is on
15 Thursday, June 7th. And thank you very much, that
16 concludes this meeting.

17 (Whereupon, at 11:53 a.m. the meeting was
18 adjourned.)

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