

SMALL BUSINESS ADMINISTRATION
ADVISORY COMMITTEE ON VETERANS BUSINESS DEVELOPMENT

PUBLIC MEETING

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Edwin E. Fielder, Member, OVBD, Georgia

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Marcie Ulses, Executive Director for the National SDVOSB Council

Timothy Hale, Cabinet Secretary, New Mexico Department of Veteran Services

Lloyd Calderon, Government Contracting and Business Development Groups, Small Business Association

Rob Frank, Consumer Financial Protection Bureau

Davy Leghorn, American Legion

Joe Wynn, Vietnam Veterans of America

Bill Offutt, Government Affairs for Victory Media
(By telephone)

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

2 OPENING REMARKS AND INTRODUCTIONS

3 MR. JEPPSON: Good morning, everyone. Thank
4 you for being here. We appreciate it. Just before we
5 get started today, because everybody's kind of new here
6 and we've had a lot of folks. There was a lot of the
7 membership that's been on here for quite a while who
8 left at the end of the last fiscal year. So I don't
9 think that we've met together in over a year, now. And
10 we can talk more about that, if we want to, later on.

11 I'd like to go ahead around the room and get
12 introductions, and then we'll go to people on the phone
13 for introductions. So if you're online and if you're
14 on the phone and you can hear me, we'll come to you
15 right after we get done with just who's in the room
16 here. And then I'll go over the agenda and what we
17 hope to accomplish today. So, with that, we'll start
18 with Tim, please.

19 MR. HALE: I'm Tim Hale, cabinet secretary
20 from --

21 MR. JEPPSON: I'm sorry. Real, quick, yeah.
22 If you just push the little speaker button there when

1 you're ready to speak, it will let two of us on at any
2 one time.

3 MR. HALE: Okay. Tim Hale, cabinet secretary,
4 New Mexico Department of Veterans Services.

5 MR. FIELDER: Ed Fielder, Veteran Business in
6 Georgia.

7 MR. MUELLER: I'm Kurt Mueller. I'm from
8 Georgia as well.

9 MS. ULSES: Marcie Ulses, the Executive
10 Director for the National SDVOSB Council.

11 MR. LEGHORN: Davy Leghorn from the American
12 Legion.

13 MR. FUJII: Stan Fujii, SBA, Office of
14 Veterans Business Development.

15 MR. JEPPSON: Okay. Rhett Jeppson. I'm the
16 Associate Administrator for Veterans.

17 Lloyd, would you guys introduce yourselves on
18 the back row, there?

19 MR. CALDERON: Yeah. Lloyd Calderon; I'm with
20 the Government Contracting and Business Development
21 Groups.

22 MR. FRANK: I'm Rob Frank, Consumer Financial

1 Protection Bureau.

2 MR. JEPPSON: Okay. Anyone who's online, if
3 you'd please introduce yourself?

4 No. No one online? I thought we had four
5 people online.

6 MR. OFFUTT: Oh, yes. My name is Bill Offutt,
7 and I'm in charge of Government Affairs for Victory
8 Media.

9 MR. JEPPSON: Okay. Anybody else?

10 MR. OFFUTT: I understood there are about four
11 people on the line.

12 MR. JEPPSON: Anybody else who's on the line,
13 please identify yourself.

14 Okay. All right. Thanks. So, as I mentioned
15 earlier, it's been a little while since I met. And so
16 I want to give you -- I sent out a letter last year,
17 when there were some questions about why we didn't meet
18 in person last year, and it was simply this fact:
19 Travel money was tight. The decision was made at the
20 highest levels in SBA that the committees would not
21 meet last year; and, so, fortunately, we were there.

22 I had asked, anyway, or encouraged that we

1 would meet by phone. And I'm not -- you know ---
2 through that process would help, but it didn't take
3 place. And so we're kind of in the forming stages
4 again here. We invited every board member that was
5 currently an active member, and those who are currently
6 vetting to attend today. And so for those of you who
7 traveled in, I appreciate it.

8 I understand Steve WHITE, we actually thought
9 he was going to be here today as well, so hopefully
10 he'll join us shortly. Just so you know, the
11 administrator may stop down here in just a little bit.

12 She does standup at 9:00, but may stop in here for
13 just a few minutes to welcome you here. So what we'd
14 want to accomplish today is talk a little bit about the
15 advisory committee roles and responsibilities that
16 we've got here, what the future of the committee looks
17 like, and what we'll do in the coming year.

18 ACVBA ROLES AND RESPONSIBILITIES

19 MR. JEPPSON: I think that the advisory
20 committee has got an important function, and it's
21 something that we need to task organize and make sure
22 that we have the right membership. And so I look

1 forward to working with you to make sure that we make
2 it a more effective organization. There's a slide deck
3 that they're printing out right now that we'll go
4 through in just a few minutes, and they'll have that
5 now for you. But, for the time being, can I get slides
6 for us real quick over there?

7 MR. FUJII: Sure.

8 MR. JEPSON: What we wanted to do was give
9 you an update on what things are happening, because
10 it's been a while since we met, give you an update on
11 things that are happening here at the agency, so you
12 get a sense. Because some of it you may have heard;
13 some of it you may not have heard. And then we want to
14 focus on task organizing to accomplish the business.

15 For those of you, the one time I've been to
16 one of the advisory committee meetings before, I
17 mentioned that I feel that it's an independent body,
18 should be run and operated independently by the
19 advisory committee. And so we've kind of acted --
20 tried to act, anyways -- during this first go-round
21 here, as the forming entity, just to help get it kicked
22 off. So we want to be out of that business.

1 We want you to operate independently, call
2 your own meeting times, publish your own report, and
3 act independent of our office; but, we will support,
4 you know, with travel -- arranging for the court
5 reporter, the scheduling of the rooms -- and things
6 like that. But the production of the report, et
7 cetera, that is the committee's business and we want to
8 be independent of that. So let me run over the
9 schedule here right now.

10 So we have about an hour on here to discuss
11 the business roles and responsibilities as we see them.

12 At 10:00, Patrick Kelley, who's the deputy
13 administrator for Access to Capital, will come down and
14 talk a little bit about what we were doing on the
15 Access to Capital and the Veterans Fund. He'll talk
16 about two important initiatives, a fee reduction that
17 we have on SBA loans for veterans, and also the lending
18 commitment that we have from 120 of our top national
19 members.

20 Then, Cal Jenkins from our Government
21 Contracting Branch will come down, give us an update
22 where we're at on the federal contracting. There's

1 many of you who may know last year was the first time
2 we hit the three percent statutory goal we have for
3 Veterans Small Business. We'll see how we fared this
4 past year, here, as we normalize the data. You know,
5 it was a tough year, because of sequester and other
6 things, but I think Veterans have done pretty well, and
7 we'll be happy when we see those numbers again in light
8 of the circumstances we're in.

9 Also, he'll talk a little bit about the Mentor
10 Protégé program, which is important to a lot of
11 veterans. As you know, there's been some turmoil in
12 that process. So we'll press on with that, then take a
13 15-minute break. So we'll have more time to get
14 coffee, come back. We'll talk a little bit about the
15 legislative update on what's on the Hill, just so you
16 can know for your essay. There's a couple of bills up
17 there that we have seen that are important.

18 A couple have been filed; a couple, they've
19 held hearings on them prior to filing them. So, I'll
20 kind of review where we're at on two of those, and then
21 Davy will look for you to add anything that might be
22 relevant on those two from the Legion's perspective.

1 Then we want to give you time to begin to talk about
2 selection of the chair. As you know, right now, we are
3 currently without a chair.

4 Dan Caine was the chair, the last chair that
5 we had, and he was recalled to active duty, and so he's
6 stepped down. Marilyn Harris stepped in in his place,
7 but her time is up on the board, here. So then we'll
8 move on to the planning session, just continuation of
9 what the scheduling ought to be for the taskforce and
10 how we can meet together. I keep saying "taskforce,"
11 and I apologize for that; for the advisory committee,
12 and how we could meet throughout the coming year under
13 the travel restrictions that we have. And we'll give
14 you an update on some programs here.

15 Boots to Business is a big initiative we've
16 had out of our office, focusing on the transitioning
17 veterans. Craig Heilman, our new director for Boots to
18 Business, will come down and brief you on the status of
19 that. And then Kevin Blanchard will talk a little bit
20 about the alliance we just signed with IFA, the
21 International Franchise Association and the work we're
22 doing with him in support of veterans, and then it

1 actually shows me.

2 But Ramona Peyton will be down here to talk a
3 little bit about the VBOC program, where it's at right
4 now and what will happen with the VBOC program in the
5 next year. And then we actually have Rachel
6 Kestenbaum, who is one of our attorneys in OGC, will
7 actually be here, and she'll give us an update on just
8 what the vetting process is right now, so you
9 understand it. And I will talk a little bit more about
10 that in a minute here, and then kind of a review of the
11 ethics issues that we have.

12 I think it's important for us to just review
13 some of the rules around here, and ethics issues around
14 you participating in as board members, and so the dos
15 and don'ts in your capacity here. And we just opened
16 up a half hour towards the end of the day here for
17 public comment. So we can adjust the schedule as we
18 need to here. I think that we'll be pretty flexible
19 here at you guys' discretion, and we can drill down on
20 things that are important to you or move on when you
21 guys tell me it's time to move on here. So I'll look
22 to you for that as support.

1 So with that, why don't we just -- if you guys
2 want to come up, there's no need to sit around to sit
3 around the table there. And that way we can ask
4 questions and we can have more of a discussion on these
5 things as we move along.

6 [Slide.]

7 MR. JEPPSON: Okay. So one thing that I asked
8 some of the staff to do was just go through Public Law
9 106-50, and pull up -- as you know, Section 3 talks
10 about the taskforce. I mean -- excuse me -- the
11 Advisory Committee. And so before I move into this,
12 real quick, Steve, do you want to introduce yourself to
13 everybody that's here?

14 MR. WHITE: I'm Steve White. I'm founder of
15 the Veterans Business Network and also have a marketing
16 company called White and Company. We focus on the
17 veterans helping grow veteran-owned businesses. For
18 the record, I was here at five minutes of nine this
19 morning, but I applaud you, because I feel very safe,
20 now, coming into the building.

21 MR. JEPPSON: And we've well hidden the room
22 from everyone, as well. So they'll have a hard time

1 finding us down here.

2 MR. WHITE: I like the fact that it's the
3 concourse level and not the basement, though. I
4 appreciate that.

5 [Laughter.]

6 MR. JEPPSON: Right. You know, at one point
7 it was not about actually having a color guard in here
8 for some of the ceremonies, and I can see how well that
9 would work down here too. We have great ceiling height
10 here.

11 So if we have somebody else joining us online?
12 Anybody else? Okay. All right. So what I do is just
13 actually had some staff pull out some of the high level
14 stuff here for the advisory committee, just to review
15 real quick here. So, you know, your mission, really,
16 the purpose, as defined by statute, is to serve as an
17 independent source of advisory and policy. And so when
18 Rachel gets here today, she'll talk to you a little bit
19 about when you all produce a report.

20 We in the agency, won't review it. That's
21 because it's independent. And if we put it through our
22 review process, then it's not independent. What we'll

1 do is just give it a cursory look to make sure there's
2 nothing in there that shouldn't be in there that would
3 cause an ethics issue, or something like that. We did
4 at the last report express some concerns about that,
5 and she'll actually address that. But we will not make
6 any substantive changes or anything else. This is your
7 report, independent, to be distributed from the
8 committee to the President, Congress, the
9 Administrator. And so with that in mind, I know that
10 that may not have been the way it's always been done in
11 the past.

12 I think there may have been a lot of
13 conversation, but the statute's very clear that you all
14 are to be an independent body. We'll provide
15 administrative support to you, but input, direction,
16 those things, recommendations, we won't interfere or
17 engage with you. I'm happy to give you all the
18 information, tell you about what's going on with
19 programs within SBA, and everything else, but we want
20 you to have your autonomy.

21 So with that, the way it was set up,
22 initially, is it was set up for three years, and we

1 have to extend it for a while. And then the Advisory
2 Committee was made permanent about -- I think it was
3 about four years ago. And so it is now a standing
4 committee that SBA was required to run for its support.

5 The way it's set up right now is that there are eight
6 veteran-owned small business slots on the committee and
7 there are seven veterans service organization slots on
8 here.

9 And so I will show you in a little bit when it
10 gets printed here a copy of the make-up right now of
11 who is serving in as VSOs and who are serving as small
12 business owners here. And I will talk about -- I will
13 give you the names exactly who's in vetting, but I'll
14 tell you which organization that they're from. But we
15 have several people who are in vetting. I will tell
16 you that from my perspective one of my frustrations --
17 and this applies to not only this committee, but
18 interagency task force -- we have, and I had
19 conversations with leadership about it just yesterday
20 -- was our vetting process is incredibly long right
21 now.

22 We've had people who we have had in this

1 committee in vetting for more than six months right
2 now; and so we're working to fix that in the agency,
3 but it's problematic. And we're leaning forward on
4 that. It's just it's really, in my opinion, not
5 acceptable; but, we do have people who are in vetting
6 and I will talk to you offline about, if you need
7 specifics on them. But we have engaged several of the
8 VSOs, and I think some additional small business
9 owners. I wish I could make it move faster, but we're
10 moving at the pace of federal bureaucracy to be right.
11 Okay.

12 MR. FIELDER: Rhett, do you want questions as
13 we go along, or --

14 MR. JEPPSON: Oh, yeah. Yeah, please.
15 Please. I would prefer to the extent we can.

16 MR. FIELDER: So the Public Law -- we've been
17 down to seven or eight folks, before we weren't meeting
18 over the last year. And, oh. By the way, the offer of
19 the conference call that's kind of interesting is that
20 because we were told that legal here at SBA had
21 reviewed the fact that we were meeting by conference
22 call, even when we were still having meetings quarterly

1 here, and we were told that we could not do that any
2 longer.

3 MR. JEPPSON: Yes.

4 MR. FIELDER: But, let me make this point
5 about the Public Law. It says that the vacant
6 positions are to be filled within thirty days of the
7 vacancy. The positions have been vacant for almost two
8 years that I've been on the committee.

9 MR. MUELLER: Longer than that.

10 MR. FIELDER: Longer than that.

11 MR. JEPPSON: Yeah, so --

12 MR. MUELLER: And, Rhett, this is Kurt. I
13 will echo that as well. A number of us has submitted
14 candidates over a year and a half ago, and we requested
15 updates on those candidates. We never got any
16 information. So it hasn't just been six months. It's
17 probably been 18 months.

18 MR. JEPPSON: Okay. Fair enough. We can go
19 over, too, if you want. We can do it on the break or I
20 can bring it back out to what the taskforce looks like
21 as of October. And we only had a couple of slots that
22 weren't filled then. You had members or did not show

1 up or participate, but people were occupying slots as
2 of then, and I'm happy to go over that with you.

3 MR. FIELDER: But there wasn't any meeting.
4 When the committee was meeting, we were asking
5 questions about, if you will, clearing the folks that
6 weren't showing any participation. Interestingly
7 enough, one of their names is here on a placard,
8 expecting to be here today. I haven't seen -- I've
9 been on the committee almost two years. I have not
10 seen any of them.

11 MR. JEPPSON: Yes, still on the --

12 MR. FIELDER: And so at some point, I think
13 the biggest issue in the sense of if the committee is
14 to be effective, and let me give you my spin on the
15 history. When I was brought onto the committee a year
16 ago, Stan was the chairman, and we made a concerted
17 effort to refocus and purpose the committee to do
18 purposeful things and execute what the Public Law said.
19 We spent a year doing that, and we had an agenda for
20 the following year when the sequester and whatever the
21 funding problem was that we couldn't get back together
22 again.

1 We submitted an annual report in September of
2 2012, which, in standup you commented it wasn't going
3 to be reviewed. To my knowledge, it spent six months
4 in you all's legal department, and, probably, to our
5 knowledge, has never been delivered to Congress and the
6 President. And I personally wrote that report based on
7 everybody else's input. And the last report I have on
8 it is that it was in your legal department, and that
9 was nine, ten months ago.

10 MR. JEPPSON: Okay. So if you go back and you
11 look at the letter that I sent out at the end of last
12 year, so there's a couple things here. Let me just
13 take them in order here.

14 MR. FIELDER: Well, let me make the last
15 point --

16 MR. JEPPSON: All right.

17 MR. FIELDER: -- and I'll be quiet for a
18 while. The most urgent requirement for this committee
19 to move forward is to staff the other -- what I think,
20 if I'm getting my head counts right, is the other 11
21 positions. Without the other 11 positions -- you've
22 got six people sitting here in the room, and I'm

1 assuming Terry Schow is no longer in this room, but we
2 need to have a committee of good enough size that we
3 can do meaningful work. A committee of six is really
4 hard for us, because this is our full time job.

5 MR. JEPPSON: Sure. I think, you know, I
6 couldn't agree with you more. We need a robust
7 committee with members who are dedicated to the mission
8 of making it happen. And so we're working on that, and
9 I'll give you more of an update here. I've got a slide
10 deck coming, a slide coming for you that will actually
11 go over the vacant slots as they just now -- I do want
12 to, though, and we'll do this offline at a break, here.
13 I want to grab that slide that shows the membership as
14 of October 30th. So, the next part is let me talk to
15 you about the phone call piece, because it's going to
16 come relevant here.

17 The committee cannot meet or is not supposed
18 to meet other than a coordinating function to discuss
19 committee business under the VAC rules by phone unless
20 you put it in the *Federal Register*. So when I sent the
21 letter -- if you guys remember, Marilyn sent a letter
22 saying we need to meet. And I wrote a letter back, and

1 I e-mailed it, PDFed it, and sent it to everybody on
2 the committee. We outlined the fact that, hey, we
3 don't have the funds to travel right now. The decision
4 was made that we don't travel on committees. It didn't
5 apply just to us; it was underserved.

6 I mean our deputy, Marie Johns, was very, very
7 disappointed and that we couldn't travel with
8 committees, including underserved and others, during
9 this NAC Committee. So in that letter, though, we did
10 offer to use SBA call-in numbers or go to meeting, or
11 other virtual connect line, make that available, and
12 that we would put it in there. We also offered to
13 Marilyn to put an announcement out for additional
14 members through the *Federal Register*. I never got a
15 response to that letter, period, on any of that. And,
16 so --

17 MR. FIELDER: Rhett, I never saw that letter.
18 If you sent the letter to all the committee members, I
19 never saw that letter.

20 MR. JEPSON: I sent it to all the members.

21 MR. FIELDER: I would have probably acted on
22 it, if I thought --

1 MR. JEPPSON: Yeah. I'll tell you what. And
2 just so because we're meeting back here, I want you to
3 have the full story. So I'll provide you a copy of the
4 letter and the e-mail that was sent on that. Did you
5 see the letter she sent requesting it to me?

6 MR. FIELDER: Yes, I did.

7 MR. JEPPSON: Okay. So we replied to that in
8 a pretty robust letter. It was a two-page letter,
9 back. And so you can meet by phone as a committee or
10 other virtual means. We just have to notice it to the
11 public, and then we have to allow the public to
12 participate in it, just like we've done in this
13 meeting. It had to go in the *Federal Register*. We had
14 to do provide a call-in mechanisms. So it's not that
15 you can't meet by phone. It's that you have to make it
16 a public meeting, other than a recording. It's the
17 same thing that we face with the Interagency Task
18 Force.

19 We occasionally will have a phone call, just
20 to do coordinating measures, and there's not an issue
21 with that. But, if you're going to meet and discuss
22 policy or the procedures of the business, that, you

1 know, we need to make that a public meeting and notice
2 it. And the requirement's not that bad. It's only --
3 it's 15 days prior to the phone call or the public
4 meeting. So, and, you know, that's certainly on my
5 office to do. But what I'd like to do is just when we
6 come to one of the first breaks here, let's take that
7 organization chart and I'll show you.

8 We can do who shot John later on, exactly who
9 was here and fill in those slots; but, then, we can
10 actually show where I think things are at and get your
11 input. Let me go back to this point, though, that as
12 soon as I get a name, I will submit them for clearance,
13 if there's not an issue that we see right off the
14 thing. But the management of the membership will be on
15 the chair of the committee, and that's one of the
16 points of business that we need to work on today is to
17 determine who will be the next chair.

18 Now, we had a vice chair last time. As far as
19 my reading of the statute, there's not a slot for vice
20 char. There's just a chair.

21 MR. FIELDER: The reason we did that was
22 because Dan, at the time, was going back and forth

1 active duty, and we needed to assign one of us to be
2 that person to fill in when he was not available. The
3 law says that the SBA Administrator will appoint
4 members. It doesn't say the chairman will appoint
5 members.

6 MR. JEPPSON: Right, right. But to run the
7 recommendations to her, you know, we'll help facilitate
8 that, but we'll let the chairman be independent and
9 make the recommendations.

10 MR. FIELDER: The 2012 report was the only one
11 he didn't respond to.

12 MR. JEPPSON: Okay. The 2012 report, we sent
13 that back. I'll be frank, as we're on the record. I
14 got the report back. We answered legal, just for an
15 issue. I brought it back to Dan, because there were
16 some ethics issues involved in this. I asked for them
17 to get an opportunity to clear it up. I got it back,
18 and it was still in track change mode, still had track
19 changes in the document. I sent it back. I sent it to
20 Marilyn, and I said, "It's your report. We can help
21 you publish it, if you want. What do you want us to do
22 with it?"

1 MR. FIELDER: I was the writer.

2 MR. JEPPSON: But nothing else.

3 MR. FIELDER: I was the writer of that report.

4 Steve and Kurt wrote a substantial part of it, but I
5 blended it. When I saw the track, when I got the
6 changes back that supposedly came from legal, I think
7 the most significant change was that we weren't
8 supposed to be meeting by conference call; and the
9 language where we discuss what we had accomplished via
10 conference call was removed.

11 MR. JEPPSON: Hmm-hmm. And when I got it back
12 the second time from Dan, it still had track change in
13 it. I think it was the final. I asked. I sent it
14 back to Marilyn. I said, "What do you want us to do
15 with this?" And I got nothing else, so.

16 MR. FIELDER: Okay.

17 MR. JEPPSON: So I'm more than happy to talk
18 with you on breaks about this, you know. Believe me.
19 My goal is to make as meaningful a report as detailed
20 as we can in the future with future recommendations.
21 I'd like for it to -- we can talk more about it offline
22 on that report.

1 MR. FIELDER: Okay.

2 MR. JEPPSON: Okay. All right. So, next
3 slide, please.

4 [Slide.]

5 MR. JEPPSON: Okay. We'll actually wait and
6 talk a little bit more about this with Patrick when he
7 gets here. Next slide?

8 [Slide.]

9 MR. JEPPSON: Okay. So what time are we
10 dealing with here? We've got about 20 minutes before
11 we actually have -- before Patrick's supposed to be
12 here to talk about the Access to Capital. So this is
13 what I've got right now as far as four on the
14 committee. It's obviously Kurt -- we've got you -- Ed
15 Fielder. Steve, you're here. Terry Hill is --

16 MR. FIELDER: Terry Hill resigned.

17 MR. JEPPSON: He's still listed on the
18 committee until the 14th. Then, Terry Schow is still
19 on the committee.

20 MR. FIELDER: Has anyone talked to Terry
21 Schow? Because I believe he's now retired from the
22 Veterans Affairs.

1 MR. JEPPSON: He did. He did retire from
2 there, but he's still on the committee until --

3 MR. FIELDER: Okay.

4 MR. JEPPSON: And I have talked to him. I
5 thought that he would be in attendance. So, and then
6 Marcie has been added to the committee. We have --
7 they've been vetting from the Legion. We have one in
8 vetting from VVA and one from VetForce. And then we
9 have two other small business in vetting as well. That
10 leaves us with two small businesses, and one VSO.

11 MR. FIELDER: Are you still counting Darryl
12 Hill?

13 MR. JEPPSON: What's that? We were counting -
14 - let's see. When I said Terry Hill I meant Darryl
15 Hill. He leaves at the end of January. It's his last
16 month.

17 MR. WHITE: Well, we had -- I thought we voted
18 on that a long time ago and recommended, because he
19 hadn't been here. He hadn't attended for --

20 MR. MUELLER: Over two and a half years, so
21 it's been ten years.

22 MR. WHITE: -- a few years. So if he's not

1 here, let's get rid of him and put yet another name? I
2 mean that was over a year ago.

3 MR. JEPPSON: Yeah. I didn't know that you
4 guys had voted.

5 MR. FIELDER: It should be, but this would get
6 us within two, which would get us to 13.

7 MR. JEPPSON: If you had any evidence of
8 vetting right now, you'd be shy three slots.

9 MR. MUELLER: Well, Rhett, why don't you
10 clarify the expiration dates of our team work on the
11 committee today?

12 MR. JEPPSON: So, Kurt's is the 14th. It will
13 be the 14th of May of next year. So it is April of
14 next year.

15 MR. WHITE: April '14 or April '15?

16 MR. JEPPSON: April '15. I'm sorry. Steve,
17 February of '15. Terry expires in May, and, Marcy,
18 you've got three years still left. And then Darryl is
19 up in January of this year. So there'd be another
20 slot.

21 MR. WHITE: So, you mean month after next he's
22 off anyway?

1 MR. JEPPSON: Hmm-hmm.

2 MR. WHITE: And you said when you talked to
3 Terry, he said he was going to stay on?

4 MR. JEPPSON: To Terry, no. No. Terry's
5 never moved. No.

6 MR. WHITE: Terry Schow?

7 MR. JEPPSON: Terry Schow is on. He said he
8 was still staying on until his term was expired. He
9 asked if we were going to reappoint him and I told him
10 that I didn't know, but I doubted it. I mean Terry's a
11 great guy. We helped use him in some other capacities
12 here. He is now sitting on the Legion's -- one of the
13 Legion's committees back here in D.C. So we'll
14 continue to use him, but probably not on this
15 committee.

16 MR. FIELDER: Because of the large turnover of
17 the committee, and I'd just like to put a bookmark when
18 we get to a future conversation about that, I think we
19 should consider extending a couple of the members that
20 we have for continuity throughout the rest of this
21 fiscal year. And, again, that's just a bookmark for
22 continuity.

1 MR. JEPPSON: Okay. So if we extended a few
2 of the members, so if you look at --

3 MR. FIELDER: I think the new members gain
4 traction and the history of the committee. Yeah.

5 MR. JEPPSON: Okay. So if you take Terry out,
6 everybody's in the 15, except for you? Okay. So with
7 that said, what we'll be looking for then is two
8 additional small business owner names. And two small
9 business owner names and one VSO.

10 MR. WHITE: You should have 15 total. Right?

11 MR. JEPPSON: Right.

12 MR. FIELDER: Does that include replacing
13 Darryl in January?

14 MR. JEPPSON: It does not. We'll have another
15 replacement in January.

16 MR. FIELDER: Why don't we go for that all at
17 once? Is he a VSO member or a --

18 MR. JEPPSON: He's under small business.

19 MR. FIELDER: Do we really need to come up
20 with three small business and one veteran-owned?

21 MR. JEPPSON: Yeah, one VSO. So the one VSO,
22 we actually asked some of the larger VSOs if they had a

1 recommendation. One of them declined and said they
2 didn't want to participate. So that one -- that one's
3 vacant. I've got a recommendation that we can talk
4 about offline. If you want to know who the specific
5 names are and stuff, I'm happy to share that with you.
6 We just won't make it a part of the record in case
7 they don't make clearance.

8 MR. FIELDER: Would vetrepneur qualify as a
9 VSO? They're on the phone.

10 MR. JEPSON: Vetrepneur?

11 MR. FIELDER: The National --

12 MR. WHITE: NAVBO?

13 MR. FIELDER: I can't say it right.

14 MR. WHITE: National Association of Veteran
15 Business Owners.

16 MR. FIELDER: This is Ed Fielder. There's a
17 vetrepneur person on the phone.

18 PARTICIPANT: Yes. I'm still on. I was a
19 veteran magazine, yes.

20 MR. FIELDER: You're an emerging organization.
21 NAVBO, whatever. Would they consider membership on
22 the committee?

1 PARTICIPANT: Sir, the veteran owned business,
2 I'd have to check with them whether they would like
3 that representation. I think they'd probably be, yes.
4 They may, but I have to talk with the folks back in
5 Pittsburgh.

6 MR. FIELDER: Would you make sure that Rhett
7 Jeppson gets the contact information for that as a
8 potential add as either a veteran-owned or a small
9 business, or a vet organization, please?

10 PARTICIPANT: Sure. Will do. Who do I follow
11 up with?

12 MR. FIELDER: Rhett Jeppson.

13 PARTICIPANT: Oh, okay. Yeah, sure.

14 MR. JEPPSON: Yeah. So, to be clear, we'll
15 have to talk to them about they'll take a look at all
16 the entity around that. You know. If it's
17 vetrepreneur -- you know -- I don't know what their
18 status is. But now they're chartered as a VSO and
19 we'll have to look at that.

20 MR. FIELDER: And if they're one of the
21 nationally recognized groups in defense of fostering
22 small business.

1 PARTICIPANT: I'll follow-up and we'll get
2 back to you.

3 MR. FIELDER: At the back of my computer,
4 there are figures on the back of my computer. They're
5 one of the top groups.

6 MR. JEPPSON: Okay.

7 MR. WHITE: But they also represent -- as does
8 the Veterans Business Network, they represent a lot of
9 veteran business owners, so.

10 MS. ULSES: Right.

11 MR. WHITE: And if you need some more veteran
12 business owners on here, we've got thousands you can
13 pick from.

14 MR. JEPPSON: Okay. So, all told we're
15 looking for need three names, one VSO.

16 MR. FIELDER: Rhett, my point is it's not that
17 hard.

18 MR. JEPPSON: Okay. All right. So with that
19 said, we'll take a break here. And what I'd like you
20 guys to do is to talk in between there. What we can do
21 during this timeframe here is, if you're so inclined,
22 you all can choose who's going to represent you all as

1 the new chairman. You've got four representatives.

2 As I understand it, that's a quorum, and you
3 guys can either choose somebody to lead -- lead, lead
4 and speak as the chairman, or you can have a designated
5 representative until we get the next meeting, whether
6 it's done by telephone or virtually, to choose the
7 chairman. But I think that you have enough by the
8 statute and the charter that you could choose if you're
9 going to do that. So, with that, anymore questions on
10 the organization here?

11 MR. ULSES: Rhett, will you be giving us a
12 copy of what we've got there?

13 MR. JEPPSON: Yeah. I can. I can print you
14 out a copy and share it with you. You'll see the
15 proposed member if the names are in there. If the
16 names are in vetting, we didn't put names on there,
17 because sometimes the organization won't clear. We had
18 one, just recently, that wouldn't clear. And then
19 sometimes the individuals can't clear vetting and we've
20 had a lot of that, so, much to my chagrin.

21 Okay. So we'll break until 10:00, or why
22 don't we go 'til 10:15? That will give us about a half

1 hour, and then Patrick will be down to actually talk
2 about Cap Access and he'll give you an update on that.

3 [A recess was taken.]

4 MR. JEPPSON: I think Steve will be with us
5 here in just a second, but I just wanted to go ahead
6 and make a quick introduction before we start. So one
7 of our good friends and partners here at SBA is Cap
8 Access, our office at Capital Access, and,
9 specifically, Patrick Kelley, who's the deputy
10 administrator, associate administrator up there for Cap
11 Access.

12 I've got to tell you. I'll just tell you a
13 quick story real quick. So we were out at Nagel there
14 and we were talking Boots to Business. And we were
15 focused on the lending commitment that we have and some
16 of the lending issues that he'll talk about out at
17 Nagel. And, Patrick, although not a veteran, probably
18 made the most impassioned speech for veterans or for
19 Access to Capital that I've ever heard of in my life.
20 And so we really do have a strong friend in Patrick and
21 his office up there. And we've got some pretty good
22 things going on as far as Access to Capital that we're

1 going to share with you, and then hopefully we'll be
2 kind of a watch board for things that the Advisory
3 Committee will want to deep-dive on. So, with that,
4 Patrick, welcome.

5 CAPITAL ACCESS INITIATIVES

6 MR. KELLEY: Thank you. Great, thanks, Rhett.
7 I appreciate the feedback. I may not be able to
8 serve, but I can talk about it. So, at any rate, it's
9 good to be here with you guys, and I do want to go kind
10 of what we're focused on, and I'll get into the details
11 in a second.

12 [Slide.]

13 MR. KELLEY: But I think the overall framework
14 of where we're headed, first, what the agency has done
15 recently -- and I'll give you the details of it in a
16 second -- is finally embraced what I believe was almost
17 a 30-year directive from Congress, which was Congress
18 at some point said to the SBA: "SBA, you should confer
19 a benefit on veterans." And, whatever reason, the
20 agency through the years in interpreting legislative
21 history, and so forth, did not interpret that to mean a
22 benefit, believe it or not. And, so, over the years --

1 PARTICIPANT: Excuse me.

2 MR. JEPPSON: I'm sorry. If you're dialing in
3 on the phone call, if you wouldn't mind, that would be
4 great. And then if you need to ask a question or want
5 to ask a question or have a comment, just please
6 interject yourself. But, otherwise, if you would stay
7 on mute, that would be great. Thank you.

8 MR. KELLEY: But, for whatever reason, we
9 hadn't interpreted that to mean a benefit to veterans.
10 And, so, over the years, and for me I've been with the
11 agency for over three years, and I've attended a lot of
12 different veterans task force meetings and so forth,
13 members of the public and then privately with different
14 members. And what that manifested itself into is folks
15 would come and day to the loan programs, you know, what
16 are you truly doing for Veterans.

17 [Slide.]

18 MR. KELLEY: The previous administrations
19 attempted meeting that was to launch a pilot program,
20 Patriot Express, in 2006. And what that program tried
21 to do was it tried to leverage a delivery method for
22 loans, SBA Express, and add on the full 7a guarantee.

1 So, typically, an SBA Express loan comes with a 50
2 percent guarantee for the lender and a 7a, a full 7a
3 loan, or standard 7a loan, has an 85 or 75 percent
4 guarantee. And it's what Patriot Express did, and it
5 was pretty decent logic.

6 They said, "Well, we know that we have over
7 1400 delegated lenders using the SBA Express program
8 versus 700 delegated lenders in the 7a program." And
9 when you ask lenders, "Well, what about express makes
10 it more attractive?" well, it's easier for me to
11 document and originate the loan and staying in
12 compliance with the SBA's rules. But if you could give
13 us the full guarantee, boy, that might make a
14 difference. And so I think that's kind of what the
15 previous administration launched with Patriot Express,
16 and the pilot's been in existence for the last seven
17 years.

18 And, in each of those years, veteran lending
19 actually went down and not up, and more loans were made
20 to veterans outside of Patriot Express than within
21 Patriot Express. So, as you do move a pilot, you try
22 things, and then you take an assessment; you take stock

1 of is it working. And so at the end of this year, the
2 pilot program is set to sunset; and what we're going to
3 do beginning January 1st is finally not tinker with
4 delivery methods and things that might make it
5 attractive to banks, but actually finally confer a true
6 benefit to the veteran borrower. And, so, beginning
7 January 1st on SBA Express loans, the borrower fee, the
8 up-front fee, which can range from 2 to 3 percent for
9 loans up to 350,000, will be set to zero for veteran
10 borrowers. And, our intent, going forward, where we
11 are subsidy neutral and where we can is to expand that
12 to every single veteran involved. And, you know, the
13 goal is to confer that benefit, not only in the SBA
14 Express program, but beyond that in all 7a loans going
15 up to \$5 million. And for a \$2 or 3 million loan to,
16 let's say, a veteran-owned contracting firm, the fee
17 could be as high as 3.75 percent. So setting that to
18 zero means about six figures of not having to pay
19 principal and interest on that six figures.

20 The other thing we learned is that the
21 overwhelming majority of loans were being done outside
22 the program, and, you know, we think that we've got to

1 chase that benefit, you know, to those other programs
2 as well, the Cap Alliance Program, as well as standard
3 7a.

4 So, January 1st, finally, after 40, 50 years
5 -- I think it was that long -- I don't know, but we
6 were finally conferred a key benefit on the veteran
7 borrowers that is any kind of a -- I don't want to say
8 gimmick, because I think it was decent thinking. But I
9 want to say that it was directed towards lenders, which
10 is smart, because we don't do direct lending, and so
11 we've got to incentivize. And, let's face it. This is
12 a free market economy and people are going to do what
13 makes money. So it was good thinking, but we think the
14 benefit will be better and truly demonstrative of the
15 SBA's emphasis on helping veterans through our Access
16 to Capital Program.

17 Now, that's going to happen January 1st, and
18 then we hope later in the year when the President's
19 budget comes out for 2015, and we hope that right now
20 we're going through the modeling with the Office of
21 Management and Budget. And, obviously, the economic
22 headwinds look comparable to 2014, which is to say we

1 think that we're going to grow, not shrink. And, so,
2 therefore, the model says there'll be less defaults,
3 and therefore it's likely that the 7a program was
4 subsidy neutral this year in 2014 and should be subsidy
5 neutral next year. And we intend to use any money that
6 we can in operating the program to push that towards
7 expanding that benefit of setting the fee at zero.

8 Where at a minimum, there was legislation
9 passed, I believe, in the second term that called on
10 the veteran loan programs to split the fee in half for
11 veterans. So we're exploring both options right now,
12 and we feel confident that we'll probably be able to
13 get one of the two, and hopefully the program, which is
14 the zero. But that will be announced in the spring.
15 But, beginning January 1st, the loan program, SBA
16 Express, where 57 percent of our loans are originated
17 year-in, year-out, where we have a two to one advantage
18 in terms of delegated lenders -- lenders that do the
19 most volume utilize -- we're going to have a fee for
20 veteran borrowers set to zero.

21 So that will happen January 1st. There will
22 be a notice to lenders. We talked about it. I think

1 the day after that Nagel conference, Jean Huilet, who
2 is the acting administrator, was in Arkansas with Sen.
3 Pryor, and I think a field hearing on veterans issues
4 where she announced it. So that's what we're going to
5 do January 1st.

6 What we did around Memorial Day this May down
7 at Fort Bragg with then administrator Mills is we
8 announced the commitment from 120 plus 7a lenders to
9 increase their collective lending to veteran borrowers
10 by five percent each year for the next five years.
11 What that will amount to is an additional 2,000 veteran
12 borrowers, about 2,400 veteran borrowers getting Access
13 to Capital over that five-year period versus the prior
14 year, the base year, which I think was 2012.

15 And what we did in that effort is first, as
16 you can see up there, we went to the SBA top 20 lenders
17 by volume. We said, okay. Year-in, year-out, this
18 list is pretty much the same. And we got the top 20
19 lenders to all sign on to a collective commitment to
20 increase veteran borrowers. And, as you can see, what
21 the projected year-end total is is that they will make,
22 you know, just over a thousand loans and meet their

1 goal, which was 914 approvals, which of course is an
2 increase of five percent up front from 858 in 2012.

3 We didn't stop with just the large lenders,
4 because obviously, you know, there are community bank
5 networks and credit unions throughout the country. And
6 so region by region, we identified those credit unions
7 and community banks that had demonstrated in the last
8 couple of years that they were able to find veteran
9 borrowers more than the rest in the region. And so we
10 went to 10 -- at a minimum -- 10 banks in all 10 SBA
11 regions, and they made the same pledge. And, so, Rhett
12 and I are currently going through a mid-year kind of
13 report card with them.

14 You know. We're about six months into the
15 first year, but we have representatives in all 10
16 regions. So the important thing about that is, as you
17 know, Rhett's been working hard on modifying, together
18 with DOD, the transition program to include a learning
19 module and several additional tools beyond that in the
20 Boots to Business platform. Well, of course, what we
21 want to do is be able to provide the lenders with the
22 list of those members, service members, who

1 participated in those trainings. And I think there's
2 about roughly 133 that have happened across the nation.

3 And those veterans, they may not be credit
4 ready this year or over a five-year period, given the
5 fact that, one, for veterans want to be an
6 entrepreneur, and of course they come back with
7 tremendous skills. And many do become, we think, over
8 that five-year time rise, there's going to be a good
9 fit between having done the training this year -- maybe
10 gotten a little bit more training, got the idea of the
11 business plan together -- worked with an STDC or a
12 veteran development center through the SBA network to
13 score counselor.

14 And then by years 3, 4 and 5, the veterans
15 from the most recent conflicts can get Access to
16 Capital. And obviously the commitment and the pledge,
17 as well as the zero fee, is for all veterans,
18 regardless of when you served or what era. So,
19 obviously, the larger dollar loan will probably go to
20 existing veteran businesses, which is good, because we
21 now have a working capital program, CAPLines, which for
22 15 plus years prior to 2011, it only seen 1300 loans

1 done and about a quarter of a billion dollars. So, to
2 give you some context, we do about 60, 70,000 loans a
3 year in 7a.

4 So to say that the CAPLines program was not
5 working is generous. And so in 2011 I called 150
6 different banks, spent one hour with each bank -- three
7 in all 50 states -- and asked a very basic question:
8 How do you underwrite and monitor a conventional line
9 of credit? And then we did something truly remarkable.
10 We did that over the course of June and July and the
11 first week of August. We actually launched the changes
12 October 1st.

13 So in the span of four months, we did outreach
14 to 150 banks. We had the courage to change our rule
15 pretty dramatically. So, as a result, there have been
16 1300 loans, 1300 plus loans done in the last two years
17 and a billion dollars. And we've got well over a
18 thousand different lenders that have done at least one
19 capital, working line of credit.

20 I mention that, because for contracting, for
21 veteran contracting businesses, for any veteran-owned
22 business that's been in existence for, we'll say, more

1 than two years, they're going to be looking to expand
2 as the economy starts to rebound. And when they look
3 to expand, that's when they can look to hire veterans
4 that are coming out looking for a job. And so that
5 working capital is going to be pretty good, because you
6 can get prime plus two and three-quarters for 10 years
7 of working capital, which is remarkably low cost of
8 debt service for that type of product.

9 So, all of these things are being done to
10 expand the doors that veterans can knock on and enlist
11 the help of, you know, the lenders and the network. In
12 addition, I should say it was not on the slide, and I
13 didn't catch this yesterday, but we have 55 CDCs, who
14 of course are partnered in administering the 504
15 program, which is primarily a commercial real estate
16 program, but it also includes equipment.

17 That program, 55 CDCs have stepped forward to
18 waive fees for borrowers as well. They've also -- you
19 know, they're different. Each CDC kind of tailored
20 their own to meet their own needs. Some offer free
21 technical assistance and counseling, you know. So
22 we're building a network of doors for veterans to knock

1 on in conjunction with the work that's Rhett's doing in
2 training. And, sometimes, in the past, like any
3 organization, it probably seemed like when you're
4 dealing with us -- you know -- you talk to the
5 counseling folks. You talk to the contracting folks
6 and you talk to the capital access folks. And it seems
7 like you're the bind, and -- you know -- you wonder if
8 those three people ever talk to one another before the
9 meeting. And I'm pleased to report that in all of
10 these efforts -- the contract CAPLines piece -- we
11 worked with John Shoraka, who's the associate
12 administrator for GCBD. He, himself, is a former small
13 business contractor. And we worked very closely with
14 Rhett's team since he came on board, to think the full
15 spectrum of the development of a veteran owned
16 business.

17 So, you know, every guy like me comes to a
18 committee like this or comes to a room like this and
19 tells you you've got the new, shiny thing where it
20 solves all the world's problems, it's going to be a
21 slow grind to do this. And we're finding as we kind of
22 deal with our regional banks and credit unions -- you

1 know -- at their midyear check up, there's a little bit
2 of whining sometimes from the banks about borrow,
3 demand and so forth. But we're going to keep the
4 pressure on them. They know it's right. They've
5 stepped forward and made a commitment, you know, and
6 it's difficult to forecast sometimes, particularly when
7 the government shuts down every few months.

8 So, you know, we're going to keep the pressure
9 on, and I think that what is happening with not just
10 the administration or not just the SBA, but across the
11 administration broadly is I think there's a very real
12 choice that we're contemplating as a country. And, you
13 know, my grandfather served in World War II. And if
14 you look at the legacy of what society did for those
15 veterans in terms of the GI Bill and their reentry into
16 society versus, say, how we maybe didn't take the best
17 step with veterans coming back with the Vietnam War, we
18 now have another opportunity to demonstrate that we
19 were with every veteran when they went off the war.
20 Are we going to be there now that they return? And I
21 think that that is one of the most important things
22 going forward.

1 The President gave a great speech yesterday on
2 the economy and about social mobility; and, you know.
3 I definitely sit here today because of what happened
4 with my grandparents and my parents. And so that's the
5 choice we have. You've got a good leadership team.
6 The good thing is Rhett is a bulldog and he's been
7 here. And we're working well together and there's a
8 lot of promise. And I think it's only going to be
9 reinforced and bolstered when we finally get a full-
10 time administrator and a deputy onboard. And I think
11 you'll see even more action, because there's a lot of
12 stuff right now that Jean is certainly driving and in
13 full support of. And, you know, so I think the next
14 year is going to be better than this one, and this one
15 was pretty good.

16 I'm happy to take questions on this or any
17 topic you want. I'll even talk about Cal's program. I
18 may be wrong, but he's here. He'll clean up
19 afterwards, so, but any questions? And I guess there's
20 some people on the phone.

21 MR. JEPPSON: Okay. Any questions for
22 Patrick? Anybody on the phone?

1 MR. WHITE: I'd just like to ask. You said
2 that the --

3 PARTICIPANT: No. No questions on the phone.

4 MR. WHITE: Thank you for getting a mike.

5 MR. JEPPSON: That's all right. They can hear
6 you.

7 MR. WHITE: That the Patriot Loan Express is
8 going to sunset, going to end?

9 MR. KELLEY: Yes.

10 MR. WHITE: So you're going to have the
11 Express Loan only?

12 MR. KELLEY: Yes. So, first off, as I
13 mentioned, each year loans were made from the 504
14 programs to the 7a program, to the CAPLines Program, to
15 the SBA Express Program and to the Patriot Express
16 Program. And when you looked at the tapestry of loans
17 to veterans, the loans outside of the Patriot Express
18 Program exceeded, you know, the Patriot Express
19 Program. But, in particular, SBA Express almost met
20 each year the loans to veterans. And, one of the
21 reasons that lenders would cite why they were still
22 using SBA Express as opposed to Patriot Express is

1 because of that borrower fee.

2 When presented with 50 percent of, you know, a
3 two percent fee on 50 percent, or a three percent fee
4 on 50 percent versus 85 or 75, it's cheaper to the
5 borrower to go with the SBA Express. So that feedback
6 led us to believe why don't we try to enhance what
7 seems to be working where they're finding it. The
8 other thing that we found about programs just in
9 general is that lenders have difficulty keeping track
10 with all the different buckles.

11 They think in terms of term loan, revolver,
12 and then use of proceeds. Right? So real estate,
13 working capital equipment -- you know -- and that's
14 basically how they think. And they understand that the
15 business under SBA has to be small, so they understand
16 that eligibility principle. But, when you start
17 creating different delivery methods and you say, well,
18 under Patriot Express you'll have the SBA express
19 collateral policies up to 350,000; but then you'll have
20 the 7a collateral policies from 350 to 500,000. You
21 know. Do I need to get a DD14 on this program when I
22 don't have to get a DD14 over here?

1 All of that adds to time, and the government
2 guarantees lending process is a labor intensive process
3 to begin with. It's roughly -- for a decent size 7a
4 loan, from soup to nuts, it's roughly 100 hours; costs
5 you about \$11,000 from a transactional standpoint from
6 the bank, fully burdened. So, you know. What we said
7 was what we learned from them is just simplify and
8 enable us to do things around term loan revolver and
9 that use of proceeds.

10 And then the other thing that happened, we had
11 the *Recovery Act* and the *Small Business Shop Act*. And
12 what we saw with a fee waiver was that there was
13 tremendous activity and as a result of that fee waiver,
14 more so than the higher guarantee. And the reason I
15 say that is the guarantee was never raised for Express,
16 but the loans under 350 were still done routinely
17 through Express. So, even with the higher guarantee,
18 the banks still liked the delivery method of Express.
19 They liked the ease of the use. They were familiar
20 with it; they stayed with it. And they obviously liked
21 the fee waiver.

22 So we can't waive fees, because we need

1 Congress's help for that, and they're very busy doing
2 whatever it is they do. And so we decided to set the
3 fee at zero, which we had the subsidy to do and the
4 authority to do.

5 MR. WHITE: And the guarantee is going to be
6 what?

7 MR. KELLEY: The guarantee for Express will be
8 50 percent. It will stay the same.

9 MR. WHITE: So the Patriot Express with the 75
10 or 85 is gone?

11 MR. KELLEY: Is gone, correct.

12 MR. WHITE: And the regular 7a, though, is
13 still going to be 7a.

14 MR. KELLEY: Correct. So what we hope to
15 follow on in the President's 2015 budget is, again, as
16 I mentioned, either half off the fee as one of the
17 pieces of legislation that was passed in the prior
18 administration called for, and the agency hasn't ever
19 implemented. Or, if we have additional subsidy and we
20 can get to zero dollar up front fees to borrowers from
21 0 to 5 million through the standard 7a, we'll do that.
22 So it really just comes down to these deliberations

1 with our math elites in the CFO office over the next
2 few weeks.

3 MR. JEPPSON: Yeah. Let me just kind of
4 dovetail into a couple things Patrick said that are
5 really important here. So, when we did SBA lending in
6 total, we did 1.8 billion last year. And Patriot
7 Express we only did about 118 million. So it's a
8 fraction of the lending that we do. When you look at
9 the number of delegated lenders we have, and we double
10 the amount, and we reduce the fee as an actual cash
11 benefit to the veteran, you know, there's some trade-
12 offs, obviously, but there's some pretty good trade-
13 offs in favor of the veteran.

14 That will be for the balance of '14, from
15 January until September. We're now going through the
16 subsidy models and the economic forecast, and the
17 numbers that we're given, submitting data to OMB to
18 work with as we figure this. We're now working through
19 the President's budget. We'll get pass-back. If you
20 guys are familiar with pass-back, we give our original
21 input to OMB. It comes back. As soon as that comes
22 back, we've already had the discussions about different

1 options we have as far as what we can do for fee
2 reductions. We will get as generous fee reductions as
3 we can under the models, and we'll work through that
4 differently.

5 So it's hard for us to tell you what we're
6 going to be able to do, because we don't have all those
7 assumptions in place. But we're working hard on it, so
8 that as we reduce the number of loans out there -- I
9 say, reduce the number of loan products we have out
10 there so it's easier for the borrowers -- we'll make
11 sure that what applies for the veterans is across that
12 line of loan products, so that he or she could have
13 access to the loan that's best suited for them at a
14 reduced fee, at a real advantage in savings to them.
15 Not that there's just some specific one loan for them
16 that have a cap at 500 so that we can help medium-sized
17 small business that's growing, we can help the start-up
18 that's really our intent.

19 I will tell you that we're working closely as
20 well on the micro lending piece. We think that with
21 the boost of business and the amount of startups that
22 will come with the veterans that there's still an

1 underserved piece that we have not gotten to with the
2 micro lending, but we need to. There are a lot of
3 business ownerships because of their equity position,
4 and now the service, because of other circumstances,
5 the micro lending piece, the non-traditional lending
6 banks are a better fit, where they give a lot of
7 mentorship and handholding with that.

8 So that's another area we're working closely
9 with Cap Access or the White House on. You know. I'm
10 happy to talk about the different partnerships that
11 we're looking at there right now, trying to form those.

12 Hope to in the next couple of months have some pretty
13 big announcements in that area as well. Still trying
14 to get there, because no matter what we do, working
15 with the traditional lending community, there's still
16 going to be a big -- there's going to be a segment
17 who's not going to be ready for the bank. And we need
18 to try to help this, because there are a lot of small
19 business owners who are going to raise their families
20 and do well.

21 Just coming out of the services at E3 or E4,
22 when they've got to take that welding skill or that

1 skill they picked up in the service, the bank's still
2 not going to be ready to lend on that. They'll be
3 outside the credit box. They just may not be
4 comfortable with it, but there's other methods that
5 we've got to work through to help ensure that there's
6 some access to equity to these other non-traditional
7 methods.

8 MR. KELLEY: And I think the other thing
9 that's important too is -- this is coupled with a
10 lesson learned, too -- that if you roll out a program,
11 the notion "If you build it, they will come" sometimes
12 works. But it's also helpful to identify lenders and
13 get them to commit to hitting lending targets, while
14 simultaneously you're kind of giving the veteran a
15 benefit as well. And so what we've done is we've got
16 the network now. It's admittedly, you know, a small
17 footprint.

18 We have about 2,000 lenders in a given year
19 make at least one SBA loan, but it's concentrated on
20 the ones that make almost two-thirds of the loans --
21 SBA loans in the region and nationally. So we've got
22 the right lenders. We've got them focused on veterans;

1 and, I'll tell you again it's always easy to say
2 things, and so forth. And so they're realizing they've
3 got to start thinking about the pipeline and what
4 they're doing, and in finding the resource partners to
5 get a pipeline of demand. Those banks are all -- you
6 can access the whole list of them on our website.

7 The district offices were the ones that
8 recruited the banks, so sometimes in the past, you
9 know, inadvertently we've done things in Washington and
10 forgot to tell the field that we're doing them. So you
11 call the district office, and they're like, well,
12 nobody told me that so and so bank is participating.
13 Or, we launch a pilot program, and then the next day
14 somebody calls the bank, and the banks says I haven't
15 heard anything about it.

16 And so we started first in May with getting
17 the banks onboard. And what we're seeing happening --
18 and I think it's in your deck, and you probably talked
19 about it -- is we're seeing it kind of spiral out from
20 there. So there are networks associated with our
21 lending programs, like the Franchise Association that
22 had been doing a hiring effort for veterans, but

1 they're also working closely, obviously, to start a
2 franchise. You need capital. So they're working.

3 And some of the third-party service providers
4 that help the banks process these SBA loans are also
5 waiving their packaging fees for veteran loans. So
6 it's starting a spiral. And, like anything, you get
7 what you monitor. So it's nice that we're going to
8 have these calls with Region 1 this afternoon, and the
9 scoreboard says what it says. And so, you know. And
10 my friend from People's Bank in Washington and Oregon
11 were going to help him out with his marketing, and
12 we're just going to keep pushing it, so.

13 MR. MUELLER: I'm Kurt Mueller. I applaud you
14 all for what you're doing. You did bring up one,
15 particular interesting point is the ability to
16 communicate this to the regional and district offices
17 still within the SBA.

18 MR. KELLEY: Yes.

19 MR. MUELLER: For some of us, like living in
20 Georgia, I have worked with that office down in
21 Atlanta, Georgia, on a number of initiatives. And I
22 will say this, that it's interesting in communications

1 they either don't get or they miss, because they
2 clearly have positioned themselves as the communication
3 to the business, veteran business community. So my
4 question to you: How would you track the effectiveness
5 of how they get the information to the actual veteran
6 business community.

7 MR. KELLEY: So some of it's going to be
8 anecdotal. So, for instance, we had our first kind of
9 mid-term report card call with Region 10, and
10 admittedly it was a mixed bag. And the regional
11 administrator was on, and so part of it is recognizing
12 that we've got this challenge across our 68 branch
13 network, and we've got to be conscious of it and
14 repeat. You know. Most of the messaging is just
15 repetition over and over until it sinks in.

16 So we were on the call Monday, I think, with
17 all of the nation's district directors, as well as the
18 RAs, reminding them again about organizing their
19 regional checking calls, which we've got most of those
20 organized for this month, but also reiterating that
21 January 1st, the veteran's fee is going to go to zero.
22 You've got this bank network that's looking to find

1 borrowers. Borrowers are going to like the idea of not
2 having to pay the fee getting connected to.

3 But I think the other thing we're doing, which
4 is important and not just related to veterans -- but it
5 will impact veterans -- is they have two, large
6 contracts in both the 504 and the 7a programs which
7 have an IT component. And the first time we're going
8 to leverage both contract vehicles to fully automate
9 the loan lifecycle. And our goal there is again this
10 concept of more doors for more dollars. And so we
11 believe that the hundred hours and that \$11,000 can be
12 reduced by about 86 hours, down to about 38, and by
13 \$6,400, down to about 3,800, just by creating online
14 forms and data collection, and allowing e-signature in
15 the closing and packaging phase. And these are all
16 concepts that are available right off the shelf.

17 So, sometimes, it's difficult to create a
18 website. This won't require that. There are products
19 that already exist that we can license. We can hang
20 off of our existing platform. And what that will do in
21 terms of communication, it's been difficult through the
22 years when you made an adjustment in policy. For

1 example, in the clips today, the *Bloomberg Business*
2 *Week*, there's a person responding from *Bloomberg*
3 *Business Week* to an entrepreneur whose question is "I
4 need a \$300,000 working capital loan, and I've been
5 turned down three, different times for an SBA loan,
6 because they say that my wife has to pledge our
7 jointly-owned collateral."

8 And the article explains that it's a bedrock
9 long-held principle that the SBA requires all available
10 assets, which is a nice story, except it's no longer
11 true. It hasn't been true, and SBA expressed since its
12 inception when it was ratified by Congress in 2004 it
13 is not true in the CAPLines program and has never been
14 true in that program. And it is not true in the Small
15 Loan Advantage Program in 7a. So, I, lastly, for our
16 communications guide, I'll be talking to a person from
17 Bloomberg later today. We'll get the small retraction,
18 you know. But I think that you have, what's important,
19 you know, is a bunch of people in leadership that
20 recognize the rewards. And sometimes we do a great job
21 of trying to cover them up, but we're taking them head-
22 on, and we realize communication is going to be an

1 important part of that.

2 MR. JEPPSON: Yeah. And if I could dovetail
3 into that real quick, and then we'll move on. There's
4 just two things that are happening right now. You
5 bring up a good point. It's really, no matter how
6 fully effectively we communicate with the district
7 offices, how does it get to the veteran out there. And
8 that is key. So if we talk about Boots to Business,
9 we'll tell you how we communicate with the
10 transitioning veterans, but that's only one slice of
11 the pie. There's the existing veteran community.

12 Well, first steps first. We actually do -- I
13 actually sit every other week or so. I'm actually on
14 the district director call and I talk about a veterans-
15 specific issue. This time we started to lay out what
16 would be happening with Patriot Express and with the
17 fee reduction, and we laid out a little bit about where
18 we're going in '15. So we do that with the district
19 offices. As you know, each district office has a
20 Veterans Business Development Office or the VBDO in a
21 district. Every other week we do a conference call
22 with field staff and our staff there. It initially

1 focused on Boots to Business, and we started this right
2 after I got here. And we've moved into other areas:
3 government contracting and Access to Capital. And so
4 we give them updates on what's happening in other areas
5 as well, but we do that call every other week. It is
6 specific to the field.

7 We're working now to try to get one with the
8 resource partners, and we're trying to figure out what
9 the schedule will be, for the most part because of the
10 way we focus traditionally on Boots to Business. And
11 I'll talk more about this, the way we execute Boots to
12 Business through the district offices. That's been the
13 conduit. It's kind of the skeletal structure that we
14 have. We need a way to strengthen the muscle, which
15 would be our resource partners, so we do that. But we
16 do do that. That's the first step.

17 The next part is making sure that they're
18 effective in communicating with the veterans in their
19 community -- lots more to do. It's only dollars away
20 from a really good solution, and that's the challenge
21 we face is how do we do that, because there's some cost
22 associated with that. And then how do we measure that

1 when you measure the effectiveness to know that we're
2 doing a good job. There's a cost issue. So, you know,
3 we can do certain things that are low cost, e-mail and
4 things like that, and some will be more effective.

5 But to measure it and do other things to be
6 really more effective we need to figure and build
7 process to do that, and we're not there yet. So you've
8 got the first step, but it's a spiral process here, and
9 it's something that's only been in existence for
10 probably about six to eight months right now where
11 we've actually been doing these consistent regular
12 calls with the district offices every other week with
13 the VBDO. And then we hit the RAs, the regional
14 administrators, probably once a quarter on their call.

15 MR. KELLEY: The other thing that we've done
16 in the last year is we went through a reorganization of
17 our division under the Office of Capital Access, and
18 what we did is we moved some activities out of the
19 Office of Financial Assistance, which is the policy
20 shop, to make it more outward facing so that they could
21 be available. They had the band width to conduct
22 monthly training and what they call training the

1 trainer. So what they're doing now, pretty robustly --
2 both for 504 and 7a -- is talking to the lender
3 relations specialists at these district offices.

4 Because what I found is when they tell the RA, but they
5 may not tell the DD, and the DD may not tell the DDD.

6 And the DDD might not tell the LRX. So we have to tell
7 them all individually sometimes, and that's fine.

8 That's the challenge. But that training will
9 reinforce -- you know -- what the vision is, why we're
10 streamlining. Making less programs will actually be
11 easier to navigate. And the collateral policy changes
12 are important too, because one of the real outcries
13 from the *Small Business Jobs Act*, we're listening
14 toward the spring of 2011. You go to the banks in the
15 morning and they say 'We don't have a revolving line of
16 credit program in 7a that works with 350,000,' and of
17 course that's what we fix with CAPLine. But then in
18 the afternoon the borrowers would say, 'Geez,' you
19 know. 'My wife -- we don't want to pledge our personal
20 collateral for a \$50,000 loan or a \$100,000 loan on a
21 start-up business. We know it's a challenge. We'll
22 pay our debt, but we don't want to have to put up a

1 second lien on that.' Not to mention in some states,
2 like New York, there's an excise tax when you do that.
3 So we have listened and we have dramatically changed.
4 So that, universally, under 350,000 now, there is no
5 longer the requirement of the borrower must put forward
6 their personal assets.

7 MR. WHITE: Just one thing I'd like to offer
8 is that you've got access to a lot of communications
9 sitting at the table right here. You've got the
10 American Legions. You've got Service Sale Vets.
11 You've got the Veterans Business Network. I mean put a
12 PDF together and show very clearly, very simply, what
13 the package is.

14 MR. KELLEY: Sure.

15 MR. WHITE: And I'll blast it out. I'll put
16 it up on the website. We'll reach a lot of people and
17 do something. We can put in the magazine.

18 MR. KELLEY: Well, what we do as a follow-up,
19 we'll get each of you in those networks, the regional
20 list of banks, and as we go through these calls we'll
21 suggest that we'd like to set up calls with the
22 veterans organizations region by region. That way, the

1 banks can be on and borrowers can hear from the banks,
2 you know, on maybe a two-, three-minute pitch. So we
3 can match borrower demand. I thought we could do that.

4 MR. MUELLER: Rhett, I do have one request.
5 When you do your calls to the districts and the
6 business development officers in those areas, is it
7 possible for us to be connected into that conference
8 call for our particular geographic area?

9 MR. JEPPSON: Let me run that to ground,
10 whether we can do that or not. We don't do it by
11 district. We do it nationally. So I have all 66
12 district offices on the line at one time, and I have
13 all the VBDOs on at one time, and it's usually about 48
14 to 50 of the VBDOs at any one time. The only reason I
15 hedge that a little bit is sometimes we talk internal
16 SBA business, and we're actually talking about --

17 MR. KELLEY: Right. You don't want to hear
18 about going on in your TPS report, or whatever, and a
19 new system that's broken.

20 MR. WHITE: Yeah. Get a cup of coffee at that
21 point.

22 MR. KELLEY: Yeah. That's right. That's

1 right. Or why you can't use a cell phone, or --

2 MR. MUELLER: I understand. You're not doing
3 it. You're not doing it on a regional basis or
4 district, but you're doing it globally across the 48
5 states.

6 MR. JEPPSON: Right. And in some cases we're
7 actually calling people accountants. We're calling
8 them out and holding them accountable. "Who's the
9 business?" When we talk here, Patrick and those guys
10 have been a great partner. And if you look at where
11 we're at right now, part one of the conveyance is that
12 we've been focused heavily on Boots to Business and
13 entrepreneur education, something that I think we've
14 got about right. And we're pivoting back to Capital,
15 and the first step was the lender commitments. The
16 next was the fee reduction, here, and we think there's
17 more that needs to be done with the small loan
18 programs.

19 Obviously, there's more, but the Access to
20 Capital has been our pivot here, and we need to do a
21 better job of communicating that. But that's one of
22 the focus areas here as we come up to speed on it. So,

1 Patrick, I appreciate it. Thank you very much for
2 being here. As always, we appreciate you as support to
3 the veterans community.

4 So, next, we've got Cal Jenkins.

5 MR. KELLEY: I'll only say this before Cal
6 speaks. He's been holding John Shoraka up for a few
7 years, so you've got a good guy here.

8 MR. JENKINS: Thank you.

9 MR. KELLEY: Thanks.

10 MR. JEPSON: So, next, we've got Cal Jenkins
11 from our GCBD, and he will give us kind of an update on
12 the federal contracting, where we're at on veterans
13 federal contractors in detail.

14 UPDATE ON FEDERAL CONTRACTING

15 MR. JENKINS: Good morning. I'm a little
16 cold, so bear with me a little bit. As you know, our
17 office is the Office of Government Contracts and
18 Business Development. We have the 8(a) Business
19 Development Program, the Hub Zone Program, as well as
20 the different protests, Service Disabled Veterans
21 Program and the Women-owned Small Business Program.

22 Our Office of Government Contracts is

1 responsible for working with the various agencies
2 through different means. For example, we have
3 procurement center representatives assigned to all of
4 the major buying activities. And, so, if we see
5 procurements that the contracting officer is looking to
6 go full and open, and we believe that there are two or
7 more small businesses, two or more veteran-owned,
8 disabled veteran-owned small businesses, we can always
9 stop those procurements and give the contracting
10 officer an opportunity to revisit their market
11 research. And where we become loggerheads and can't
12 agree, then it gets elevated through an appeals process
13 to the head of that agency, all the way up to the
14 secretarial level. So our folks have a lot of
15 statutory authority to really try to drive these
16 procurements toward small businesses that meet the
17 social, economic categories.

18 We also negotiate goals with all of the 24
19 major buying activities. Each year we establish goals.
20 We also scorecard those agencies on their performance.
21 We look at all of the categories, small business,
22 women-owned service disabled veterans, and small

1 disadvantaged businesses and Hub Zones. Have they met
2 their goals? What was their plan? Did they try to
3 meet the plan? What is the commitment within their
4 agencies?

5 Several years ago we talked of the number of
6 the agencies, especially at the under secretary level,
7 and we said, "You've got all these goals." And a lot
8 of them didn't even realize they had the goals. And so
9 I think the scorecard has really helped to, one, bring
10 it out and make it transparent so everyone can see what
11 a particular agency, how they're performing. And then
12 SBA actually grade that agency from A to F, depending
13 on if they met the goals, if they met the plan towards
14 the goals, because we're looking at a number of things.

15

16 Some of the tools that we've received in the
17 past-- some this year and a few years ago -- was the
18 *Small Business Jobs Act*. Within that *Act* there were 19
19 provisions that affected small businesses, and a lot of
20 it was a lot of really great tools. They have
21 something called the multi-award contracts, contract
22 bundling, contract consolidation. So we now have

1 additional authority, additional regulations that are
2 out there on the street. We went final with that group
3 of regulations in October of 2013, and so those will
4 now start to take hold.

5 It's going to be more difficult for
6 contracting officers to bundle contracts. They're
7 going to have to go through a number of hoops they can
8 do that and justify it. We also have a requirement to
9 submit a report to Congress on contract bundling so
10 that they're watching what's going on. Presumption of
11 loss is another big one. We have had time to find bad
12 actors in a number of these programs -- individuals who
13 in some cases commit fraud to take advantage of these
14 programs. Well, now, in the past, Department of
15 Justice would not prosecute those cases, because the
16 company eventually delivered the product and service to
17 the government. Even though they committed a fraud to
18 do it, the Justice wouldn't take those cases.

19 Now, in the presumption of loss, let's say
20 it's a \$10 million contract. You deliver those
21 products and services. The Justice Department can now
22 go after you for \$10 million. So we hope that's a huge

1 deterrent from those individuals, those bad actors, who
2 claim they're what they're not and get into the small
3 business programs.

4 A lot of good stuff on subcontracting, payment
5 requirements; there's some things that require faster
6 payment for subcontracts, so it covers the large
7 business products. There's a switch provision that
8 will make it a little bit more difficult for a large
9 firm to switch out a small business subcontractor once
10 they've identified who that small business
11 subcontractor is. They'll have to jump through a few
12 hoops before they can just switch them out. We think
13 that's hugely important.

14 Also, there were some goaling things that were
15 changed where additional goalings were added on the
16 subcontracting side. Those were great. Still, some of
17 the jobs -- and I'll run through these quick so I don't
18 boor you guys. But of course under the *Jobs Act* they
19 gave us authority to pre-mentor-protégé programs for
20 Women-Owned Small Business Services, Disabled Veteran
21 and Hub Zones. We are ready to go with those regs at
22 the beginning of this year, release them out into the

1 public domain.

2 However, we got the *National Defense*
3 *Authorization Act*, and when that *Act* came out, it told
4 SBA to look at a mentor-protégé program for all small
5 businesses. And so we're in the process of developing
6 those regs, actually, going through clearance within
7 the building now. We hope to get them to OMB within 30
8 to 60 days, and that will create a government-wide
9 mentor-protégé program for all small businesses.

10 What it told those other agencies -- there are
11 about 13 agencies that have mentor-protégé programs:
12 SBA program, Department of Defense -- those programs
13 are sort of pushed to the side a little bit and not
14 covered by this. All the other agencies cannot have a
15 mentor-protégé program unless they get SBA's approval.

16 It would affect any of the small business groups.
17 They can't have it. And what we've done, we've met
18 with those agencies. And we believe we've captured the
19 essence of their program within our program in terms of
20 the subcontracting benefits.

21 Our program, we'll waive the affiliation rule.
22 So as encouragement for mentors to participate, we are

1 looking to allow them to joint venture; and, if they
2 joint venture, we will waive the affiliation rule. So,
3 for example, if you are going out for procurement, then
4 you may not have all the experience and all what to do,
5 but you have your mentor, and your mentor could be a
6 large business. We will waive that affiliation.

7 Currently, regs do not allow for that to
8 occur. It says once you joint venture with other than
9 small, that union is other than small. But, if you're
10 covered under this mentor-protégé program, that will be
11 waived. So we think that's going to be critical,
12 especially as we see these procurements and try to open
13 new areas where small businesses have kind of been
14 pushed out.

15 MR. FIELDER: Cal, could I ask a question?

16 MR. JENKINS: Sure.

17 MR. FIELDER: This is one that I've been
18 tracking. The original law that required there to be -
19 - and the way I define it is a mentor-protégé program,
20 but similar to the 8(a) mentor-protégé program in the
21 sense that it had to keep that score, in the sense
22 there was an agreement that the SBA was reviewing, it

1 wouldn't be part of the agreement. And, of course, the
2 advantage is the fact the affiliation part and the fact
3 that the large business in the joint ventures revenue
4 doesn't count against something special. So the
5 original law that covers service disabled vets and
6 women-owned business, I believe, is about three years
7 old and never got through the implementation process.

8 MR. JENKINS: That's correct. That's correct.

9 MR. FIELDER: But you're not saying that there
10 was a national appropriation act that now has said,
11 whoa. Stop on that. Apply this --

12 MR. JENKINS: Yes, they applied it.

13 MR. FIELDER: -- so that all small business
14 categories --

15 MR. JENKINS: That's exactly right.

16 MR. FIELDER: -- will now have the same chief
17 advantages as the 8(a) mentor-protégé program?

18 MR. JENKINS: Yes. The legislation was clear
19 that we had the model of this new program, the
20 government-wide program, off of the 8(a) program. So
21 it will require the mentor to identify --

22 MR. FIELDER: It's a funded mandate, or an

1 unfunded mandate?

2 MR. JENKINS: Well, we the initial ones --

3 MR. FIELDER: That's what we all were watching
4 closely, because were weren't seeing you all getting
5 the funding to --

6 MR. JENKINS: No. It did not get additional
7 funding, but we're moving forward. You know. Over the
8 years I've heard from the various groups that said we
9 want a program similar to the 8(a) program. When
10 Congress, a couple years ago -- actually, under the
11 *Jobs Act*, we had a problem with something called
12 "parity." We have different set-aside programs.
13 Contracting officers were confused. What do I go to
14 first?

15 MR. FIELDER: Right.

16 MR. JENKINS: We took the position that
17 because all these programs fell under the *Small*
18 *Business Act*, we interpreted that they were on equal
19 footing. However, there was a little bit of language
20 in the Hub Zone legislation that said, "Notwithstanding
21 any other provisions of law," the contracting offices
22 had to go to Hub Zone first. That was a major problem

1 for us. So we were able to get the legislation to
2 eliminate that. However, there were those on the Hill
3 that 8(a) still had -- 8(a) now had a priority over
4 everything because of the mentor-protégé program. And
5 so that was one of the pushes I mentioned.

6 MR. FIELDER: Okay. So for those of us who
7 have been tracking this for three years, thinking that
8 the services to disabled vet or the women-owned
9 business part of it was one of the -- you know --
10 beyond Capital, it's the hugest potential to bootstrap
11 not an individual, but an entire company, by partnering
12 them with the large businesses. My expertise and
13 Kurt's expertise is in construction. And it just
14 happens that a lot of -- I won't say the majority, but
15 I think if we all thought about it, it seems like the
16 majority of services that were small businesses are
17 construction companies -- to be able to match those and
18 then move forward in the mentor-protégé. So we've been
19 waiting three years.

20 MR. JENKINS: Right. Yeah, we recognize.

21 MR. FIELDER: Cal, you've got a sense of the
22 timeline, because now you've got to go back to the

1 comment period?

2 MR. JENKINS: Yeah, well, we never got out the
3 comment period. We had drafted the regulations for the
4 three programs.

5 MR. FIELDER: Right.

6 MR. JENKINS: And once MDA was passed, we were
7 asked by OMB to not go forward with those to create --

8 MR. FIELDER: Oh. It never -- it never -- I'm
9 thinking it got out, but I never heard, because
10 VetForce had several meetings, and I think you all
11 might have participated in those when they were taking
12 comments so that they could put together a comment on
13 it.

14 MR. JENKINS: Yeah. We never put it out on
15 the public domain. Like I said, we're very close. We
16 met with all the agencies already and we got a lot of
17 feedback from them. We literally have drafted the
18 regulations, I guess, going through the building right
19 now for comments.

20 MR. FIELDER: So it's now internal to SBA?

21 MR. JENKINS: Internal to SBA.

22 MR. FIELDER: Then it will go to the other

1 agencies for comment?

2 MR. JENKINS: Right. It will go through OMB.

3 And the time line, basically, once it's released
4 outside of the SBA -- and this applies to all
5 regulations, not just this -- OMB requires a 90-day
6 period in which they coordinate with all of the
7 agencies or the interested parties of the agencies.

8 MR. FIELDER: Right.

9 MR. JENKINS: Then, if there's no comments or
10 any major differences, then they will go ahead and give
11 us the green light to go ahead and publish it for
12 public comments, and that can take 30, 60, 90 days,
13 depending on how important the regular and the feedback
14 were.

15 MR. FIELDER: So, I mean, would I be overly
16 optimistic if I would start assuming this summer?

17 MR. JENKINS: I would push it a little further
18 than summer to fall. It would probably be closer to
19 the fall, and the reason being --

20 MR. FIELDER: And I can't overstate that
21 beyond Capital this is probably one of the greatest
22 tools in the whole mentor-protégé structure in the

1 sense of you've got a small business doing \$1 million
2 and \$2 million projects. And there are set-asides for
3 \$8 million, \$10 million projects, that they don't have
4 the qualified experience and they need that mentor-
5 protégé relationship to do it.

6 MR. JENKINS: Oh, yes.

7 MR. FIELDER: And the way the mentor-protégé
8 programs work in the existing agencies, it's lacking
9 the incentive and it lacks the --

10 MR. JENKINS: That's correct.

11 MR. FIELDER: And it causes a great deal of --
12 I mean I'm not even sure that those programs -- they're
13 valid, obviously, because they do help with goaling and
14 things, but this would be huge, huge.

15 MR. JENKINS: Yeah. Oh, we recognize that Ed,
16 and we're doing all we can to get it out. We see the
17 regulations. It's not just going to be a straight set
18 of regs. We're going to be soliciting input from the
19 public so there would be some kind of questions as
20 there should be.

21 MR. FIELDER: Well, let me suggest that this
22 would be one of the top five things this committee

1 would love to track over the next 12 months. Because,
2 I mean, I'm speaking for the committee as if I'm some
3 sort of authority, but this is just so huge.

4 MR. JENKINS: Sure. Oh, yes.

5 MR. FIELDER: And we've been waiting for so
6 long.

7 MR. JENKINS: Oh, I agree. I mean the way the
8 Federal Government is buying, I mean I talked about
9 contract consolidation and bundling. It is getting
10 more and more difficult for small businesses to kind of
11 play in, and anything we can do, like mentor-protégé
12 strategic alliances, we also piloted under the *Jobs*
13 *Act*.

14 We did a teaming. Congress required us to do
15 a teaming pilot, and we issued grants to 11
16 organizations around the country and have them
17 experiment how can you bring teams of small businesses
18 that can go after legal procurement. Those are winding
19 down, and we're going to be pulling the best practices
20 from them and seeing what kind of regulatory changes we
21 can make to allow for these larger teams -- not just
22 the one on one mentor-protégé, but teams of small

1 businesses.

2 MR. FIELDER: Right. So, let me ask. Am I
3 correct to assume that part of your program would be to
4 either create or use the Veteran Administration's
5 certification program for services to a vet?

6 MR. JENKINS: No.

7 MR. FIELDER: Because then you need the VA and
8 their law.

9 MR. JENKINS: Yeah. That's exactly right.

10 MR. JEPSON: Yeah. Specifically, that
11 applies only to the --

12 MR. FIELDER: But you won't be pulling that?

13 MR. JENKINS: No.

14 MR. JEPSON: Absolutely not.

15 MR. JENKINS: No. We'll --

16 MR. FIELDER: So it will be what the original
17 service disabled category was self-identified?

18 MR. JENKINS: Correct.

19 MR. FIELDER: And then the contracting officer
20 has to validate it?

21 MR. JENKINS: Subcertification -- right -- our
22 staff.

1 MR. FIELDER: Okay. Well, let me just ask.
2 Since it's not a public, general announcement, at the
3 point that this becomes implemented, then the agency
4 mentor-protégé programs probably disappeared?

5 MR. JEPPSON: Yes.

6 MR. FIELDER: Because there's no reason for
7 them at that point?

8 MR. JENKINS: Yeah, and more than likely --

9 MR. FIELDER: And then lacked substance in the
10 sense of teeth and any kind of an advantage.

11 MR. JENKINS: That's exactly what happened.
12 And as I mentioned, we met with those agencies and
13 really went through the programs. And the greatest
14 benefit there was really subcontracting. And so we're
15 pulling that subcontracting component into this. So,
16 in addition to the weighing of the joint venture on the
17 prime side, we're looking to pull in their benefits on
18 subcontracting.

19 MR. FIELDER: Well, because of the existing
20 affiliation role, probably the only way to do a deal in
21 that sense is with a sub where the small business is
22 defined.

1 MR. JENKINS: That's correct. So, hopefully,
2 and I think the timeline is, pretty much. It was just
3 really based on -- and we'll push on as long as we can.
4 We've had opportunities and other regulations where
5 they've shortened the 90-day period, but there's two
6 sets of 90-day periods, which creates a problem. Once
7 we get the comments back, we draft a final regulations.
8 Then we actually have to go back double with the
9 proposed final regulations. They again clear it
10 through the agencies and then they give us a date in
11 which we could publish it.

12 MR. FIELDER: Let me just give, first. This
13 is exciting news, and again I think this would be
14 within the top five or six things that we would like to
15 kind of stay up on over the next 12 months.

16 MR. JEPPSON: Okay. Sure.

17 MR. JENKINS: Okay. The other thing I think
18 is important that Congress gave us some authority is to
19 create a pilot, which we call a PCR pilot, electronic
20 PCR. As you know, we have these procurement center
21 reps. They were at the major buying activity where we
22 only had 54 or 55 of these individuals. They can't

1 possibly be at every, single buying activity, even
2 though some are assigned specific buying activities.
3 Others have liaison responsibilities, but they're
4 trying to cover a few at one time. It's still
5 difficult when you look at the number of programs that
6 are being issued by agencies.

7 There are, literally, millions of transactions
8 on the procurement side. But the electronic PCR is a
9 concept we played with a few years ago, and Congress is
10 now supposed to move forward on a pilot. It is to how
11 can we capture all of the requirements electronically
12 that agencies do not want to set aside for small
13 businesses. They'll capture that electronically, go
14 through some routines to identify whether or not they
15 did good market research, match that up with or without
16 market research. If we can sign-off on it, we will.
17 If we can't, then we will dispatch a PCR, actually, to
18 them for some of that. But they didn't actually go
19 through the process of possibly appealing this up to
20 the secretary level. So I think that's going to help
21 us as we go down the road as well.

22 I'll talk about the pilot. Now, NDAA, there

1 was a number of changes that were made. There was an
2 accountability, as I mentioned in the past. There was
3 even deputy secretaries who had no idea of these goals,
4 the different small business goals. Well, now, under
5 NDAA, it's a requirement that agencies have
6 accountability. And, for example, every senior
7 executive here at the SBA has a performance element
8 that they will help the SBA meet its goals. And, if
9 they don't, whether or not there's a procurement that
10 your office is initiating, they should be going small
11 business. They should be going small service disabled
12 veterans. So it's literally every one of our
13 performance plans.

14 That is now starting to appear in all of the
15 agencies -- in a number of agencies -- in order to meet
16 this accountability. It requires the top agency to
17 send down directives, send out communications, express
18 the importance of this; but, yet, hold these individual
19 senior executives. Even if they have nothing to do
20 with procurement, they have some kind of influence, and
21 that's what we're trying to capture. So we think
22 that's going to be huge; a lot of training is being

1 occurred.

2 I talk about the PCRs a lot, because there was
3 a lot -- Congress created this, and it's a statutory
4 position several years ago. But now it elevates the
5 PCR, procurement center representative. They now have
6 to be level 3. In the past there was no requirement
7 that they were level 3 certified, just like the highest
8 level contracting officer. We have five years in which
9 to give all of our PCRs a level 3. I can't hire any
10 new PCRs unless they come in the door as a level 3.
11 That means they understand procurements. They
12 understand the Small Business requirements, and they're
13 able to communicate back and forth with the agency.

14 We also were successful in getting some
15 training into the level 1 of all contracting officers.

16 Any new contracting officers come in, they start at
17 level 1. They now have a marginal that they're
18 required to go through training on the Part 19 of the
19 FR or the Small Business Programs. We're also building
20 a number of modules on SBA's website. We have what we
21 call the GC class, government contracting class. There
22 are a ton of modules all geared at small business,

1 geared at contracting officers, geared at our resource
2 partners that talk about the different programs and
3 what the requirements are for those various programs.
4 We think that's important.

5 One of the strongest things is holding
6 agencies accountable, so the goaling. So one of the
7 things the *National Defense Authorization Act* asked us
8 to do is in the past SBA you've had a lot of exclusions
9 from the pool of what the Federal Government buys. We
10 commonly say the government currently buys about 475
11 billion dollars. In fact, it's closer to 5, 600
12 billion dollars. There's certain things that have been
13 excluded; for example, overseas contracting has been
14 excluded.

15 Other than DAA, Congress said, SBA, look at
16 the *Small Business Act*. Look at everything the
17 agencies are out there buying, and you come back with
18 an analysis to determine whether or not these things
19 should be included. They also put a requirement on our
20 advocacy office to do an independent review as well.
21 So advocacy is doing an independent review and they've
22 already hired a contractor to do some research for

1 them. And we're working with our general counsel to
2 determine what should be in there, like the leases of
3 GSA space.

4 Those are items. And when you think of
5 leases, well, maybe they're not contracts. Well, they
6 are contracts and they may need to be included in the
7 base. So it could be where that pie or that pool gets
8 bigger, which is going to put more pressure on the
9 agencies to try to meet their goals, our position is
10 we're continuing to maintain the score card. In the
11 past when the Federal Government didn't meet the goals,
12 SBA got dinged, and a lot of agencies were coming in
13 the back, quiet.

14 SBA only buys about \$133 million. The Federal
15 Government buys, as I said, over 400 billion. And so
16 with the score card, we're putting a laser light on
17 each agency and saying this is how you perform. Here's
18 what you said you were going to do. Here's all the
19 great things you've said. We're going to evaluate
20 whether or not you did that, and we're also going to
21 evaluate you on the actual results and then we'll issue
22 a score card. So we will be coming out with a score

1 card for 2013, probably between the March and June
2 timeframe.

3 The agencies right now are required to
4 validate the data, the accuracy of the data. That's
5 the other problem we've had in the past. Well, a lot
6 of the data, you found a lot of the nation's Fortune
7 500 companies were quoted as small businesses. And
8 there's a number of reasons why that occur. But, now,
9 agencies are required to validate that data. We built
10 what we call an anomaly tool, and we have shared that
11 with every federal agency, where if you said it was a
12 set-aside for small business -- in one field you
13 checked -- but yet you didn't check that it's full and
14 open, that creates an anomaly and you need to go back
15 to check the data. Its not saying something is wrong.
16 It's not Small Business, but there's an anomaly there.

17

18 Each agency has that, and we're not going to
19 run it anymore for them. We're going to do some spot
20 checks, but it's their responsibility, now, to run that
21 anomaly report and correct their data so that we're
22 getting real numbers. This year's FY '13 numbers are

1 going to be a lot better. Certainly, FY '12, we're
2 going to hit some areas that we haven't hit the goals
3 in the past, and dollars are going to be a little bit
4 less, but the percentage of the cost is going to be
5 down. A lot of things with the budget issues have
6 caused agencies, so, certainly the pull-back on some of
7 the procurements, but they still have a lot of room.

8 One of the tools we also built was something
9 called the simplified acquisition threshold tool.
10 Anything between 3,000 and 150,000 dollars is supposed
11 to go to small businesses by statute, yet when we
12 looked at it, it was a very small percentage of that
13 going to small business. So we created another tool
14 for the agencies where they can look at anything that
15 they're buying within that band by NEXCO, and look at
16 why they're not actually setting them aside. And we're
17 putting a goal on them to increase the usage of Small
18 Business in those categories each year; but, each year,
19 they have to continue to improve. We know they won't
20 get to 100 percent, and there'll be reasons for it, but
21 at least they can do a lot better than where they are
22 today. So we think those are going to be increasingly

1 important as we go forward.

2 Some of the other things, we meet monthly with
3 a group called the OSDBUs. The administrator, SBA, is
4 the chair of what we call the Small Business Advisory
5 Committee, and the OSDBU is all from the committee.
6 There are now new requirements that that committee now
7 has responsibilities to review each OSDBU and determine
8 their effectiveness. They don't work for us, SBA, but
9 that committee now has that authority. They laid out
10 additional responsibilities for the OSDBUs as well, how
11 they interact within their own agencies. But, at the
12 end of the day, we're going to evaluate or the
13 committee is going to evaluate their performance, and
14 we think that's critical as well.

15 All right. Talking about subcontracting,
16 there was some duplicated language there as well,
17 because the Women-Owned Small Businesses, they finally
18 took the caps off. So our hope is that we will start
19 to see more procurements, just in the Women's Small
20 Business area alone, and the fact they were held to
21 that low cap and that created a lot of problems for the
22 agency. So we hope those will go up.

1 Those are kind of the highlights that occurred
2 within these two pieces of legislation which are
3 critical; and, certainly, if you have any questions,
4 I'd be happy to answer you.

5 MR. FIELDER: I had a question.

6 MR. JENKINS: Sure.

7 MR. FIELDER: And this may be a placeholder
8 for a future time that you come to talk to the
9 committee, but as I'm sort of clunking around within
10 DOD and agencies like GSA, and CDC doing my business,
11 what I'm finding is that there's a -- for a new, new
12 business, if that's a term -- new, new business, a
13 recent business, two, three years old, or a commercial,
14 active, viable small business that just now has gone
15 and gotten their certification to penetrate the federal
16 contracting market, there are two barriers that I'm
17 finding.

18 And one is that there's a plethora of IDIQs,
19 GWAC contracts, that have three- to five-year cycles on
20 them; that if you don't hit one of those three- to
21 five-year cycles, there are fewer and fewer 8(a)
22 service disabled vets fully compete in full and open

1 competition out there, so that it becomes a barrier for
2 a newer company. It could be a brand new company or it
3 could be a company that has success on the commercial
4 side that's now trying to penetrate a procurement
5 sector.

6 And the second thing is that as you come --
7 and my most recent experience is DOD, but it applies to
8 all the agencies -- it's what I refer to as the catch
9 22 of federal contracting. If you've never done
10 business with the Federal Government, then, therefore,
11 you can never do business with the Federal Government.

12 And you may have this huge -- you know -- commercial
13 and experience qualifications that directly relate and
14 come over, but when they score experience and -- but
15 you may actually be entered in the Dun and Bradstreet
16 performance basis based, which is independent, which is
17 the same one that's used by the Federal Government.
18 And you could still have 94-95 percent numbers, but
19 they won't look at it, because contracting offices are
20 risk diversity.

21 If you've never done business with the Air
22 Force, then you need to find some other ways to get

1 started and teaming and subcontracting. I mean I know
2 those answers, but it does get frustrating.

3 MR. JENKINS: Yeah. Oh, yeah. Certainly, on
4 the first point as you raise that, we just met
5 yesterday with NOAA. NOAA has about a 2.8 billion-
6 dollar procurement where they're pooling all their IT.
7 We dealt with them a few years ago. In setting up,
8 they made certain commitments to us how they're going
9 to set that contract up. One of the things they
10 committed to but didn't follow up on was the on- and
11 off-ramping. And that has now created a huge problem
12 for them. For example, part of the requirement set
13 aside, let's say, 300 million for 8(a), and then 2.5
14 billion with all other small businesses.

15 Well, some of those 8(a)s are no longer small
16 anymore, and they can't get them all. And the same
17 problem with the 2.5 -- some of those small businesses
18 are no longer small. Therefore, if they continue to
19 use it, they can't count those towards their goals.
20 When you get the contract vehicle itself, don't have
21 that off-ramp requirement. So they're either going to
22 have to cancel that entire procurement at some point

1 and create a new one, and we've committed them that we
2 will help them with the on- and off-ramp. We worked
3 with a number of agencies on how you create that on-
4 and off-ramping.

5 MR. FIELDER: CDC is a good example of folks
6 that ran into the same issue, and it took them 18
7 months, 24 months to figure it out. But through either
8 poor past performance or graduation, if you will, they
9 went from five or six companies on their IDIQ
10 contracts. It's called CDC SIMS, I think. Two, they
11 only had one, and they literally had to scramble to
12 create an on-ramping.

13 MR. JENKINS: That's exactly right. And I
14 think that's what NOAA's going to try to do, when we
15 talked to them yesterday about as a multi-award
16 contract. So as they issue task orders, in order to be
17 fair to the small businesses that are so small on it,
18 we would like them to reserve those task orders to
19 small businesses. So in order to bid on that
20 particular task order, the firm would have to certify
21 that they're small at that point in time, and that way
22 it becomes fair.

1 If not, those firms have grown other than
2 small will basically sit there and gobble up all of the
3 dollars there. So we're going to continue to work with
4 the agency to look at that. And, you're right. One of
5 the things on the other point is mentor-protégé, joint
6 venturing, continuing strategic alliances. Usually,
7 when I go out and speak and it's a crowd, I usually ask
8 how many contracting officers in the room. Once I
9 don't see any hands go up, I start talking about them.

10

11 [Laughter.]

12 MR. JENKINS: The contracting officers do not
13 like small businesses, if they're not in that business.14 If you can think right now there's 29,000 contracting
15 officials out there, 10, 15 years ago there probably
16 were 39,000 to 49,000 contracting officials out there.17 The amount of work that's going through those offices,
18 they cannot possibly keep up with the volume. So you
19 get things like consolidation. You get things like
20 bundling.21 You get things like, "If you had a choice
22 between" -- and I use them all the time -- "IBM or ABC

1 Small Business?" If I picked IBM and IBM failed, "Who
2 would have thought it?" If I picked ABC Small Business
3 and it failed, "Why did you do that?" And so they're
4 going to try to nudge, and that's the importance of our
5 PCRs, to say if there are two more small businesses out
6 there that provide the product within a reasonable
7 price, we want it to go small business. That's the
8 rule of thumb.

9 MR. FIELDER: Yeah. And that would have been
10 one of the hidden agendas in the mentor-protégé program
11 we were talking about?

12 MR. JENKINS: Right.

13 MR. FIELDER: Risk of the government
14 contracting officers when they see that there's a large
15 business --

16 MR. JENKINS: A partner --

17 MR. FIELDER: -- a partner in the joint
18 venture that takes the risk out for them.

19 MR. JENKINS: That's exactly right.

20 MR. JEPSON: Yeah. I think that when we
21 look, though, on where we're moving as government
22 contracting in the veterans' community though, that

1 obviously we always want to do more and encourage more.

2 But when you look at where we're going, we're moving
3 in the right direction. We met three percent for the
4 first time ever, last year; I think nine percent for
5 the year, previously. We were at 11.6 billion and we
6 went to 12.6 plus billion the year before.

7 The thing I do want to mention, though, is
8 just because I think our location -- I mentioned this
9 when I was up on the Hill the other day -- was we put a
10 lot of effort into this and a lot of focus on this.
11 And I think the GCBD deserves a lot of credit, and the
12 SBA deserves a lot of credit for where it's moved right
13 now by putting into SES and flag officer performance
14 evaluations, you know, are you meeting your small
15 business goal. That's probable.

16 Our administrator meets regularly with the
17 deputies from all the agencies and updates them on
18 where they are on their goal, and I think that's pretty
19 important, because we're actually with the White House:
20 "Here's where you're at right now."

21 MR. JENKINS: Yeah.

22 MR. JEPPSON: Well, is it every two weeks, two

1 months they meet?

2 MR. JENKINS: Yeah.

3 MR. JEPPSON: And they go over where that
4 agency is, so it's going in the right direction. The
5 one thing that we look at though, so I think that
6 government contracting is an important avenue for a lot
7 of veterans. But we look at it in total on the
8 veteran-owned small business when you do over a
9 trillion dollars in the economy, and there are receipts
10 in the economy a year. It's only a fraction of where
11 the veterans are at, and so it's important.

12 We need to pay attention to it, but we really
13 need to focus on the organization, where we're going to
14 make the biggest difference to our veterans. And
15 there's only a small percentage who are ever going to
16 be in the government contracting arena, because the
17 barriers that get in there and even the money that's
18 there. You know -- \$12.6 billion -- they've met the
19 statutory goal.

20 I think there'll be numbers in the following
21 year. I think our trend line will continue; but,
22 still, not that much money, realistically, for a

1 veteran-owned small business, especially for the number
2 that we have out there. So although I certainly think
3 that we're doing all the right things and there's more
4 to be done, when we talk about affecting the thousands
5 of veterans that are out there, small business owners
6 and where they're going to be, Access to Capital is
7 probably our single, biggest challenge that we have out
8 there for veterans.

9 MR. JENKINS: Yeah. One of the things -- and
10 Patrick isn't here, so I can talk about him now, we
11 have more internal things between capital access and
12 GCBD government contracting. And I remember telling an
13 administrator that she was going to a speech, and she
14 said, "Well, give me some talking points." And I said,
15 "Well, if you think about our loan programs, we do
16 about \$60-70 billion a year. If you look at the
17 government contracting, we assist all small businesses
18 in getting close to \$170 billion a year, and," I said,
19 "you don't have to pay it back." So she said, "Oh,
20 that's going to be one of my talking points."

21 [Laughter.]

22 MR. LEGHORN: Cal, I have a quick question for

1 you. Since you brought it up, where does the agency
2 stand on opening up an overseas contract to small
3 business goaling? Because I know that there is just a
4 huge pot of money tied into Department of
5 Transportation, USAID and DOD.

6 MR. JENKINS: Yeah. We have our internal
7 results, which I can't get out yet. We were just
8 waiting on advocacy to complete theirs and see if
9 they're on the same vein. This statute is very clear.
10 The statute goes way beyond where a lot of folks think
11 it goes. It says, "Don't even look at where the money
12 is coming from," appropriated, not appropriated.

13 If it's being purchased by the U.S.
14 Government, it should be included. And so we had some
15 conversations with DOD Office of Procurement Policy on
16 it. So they're aware of it. They understand the
17 impact. Let's say today if we were to put overseas
18 numbers in today, it would significantly affect the
19 goal achievement.

20 And so we're being very cautious to make sure
21 we have a solid base, because it will affect all those
22 agencies you mentioned, especially DOD. They struggled

1 to get to 20 percent in most years, but they carry the
2 whole weight of the whole country. If DOD meets all of
3 their goals, pretty much, the entire government meets
4 all goals, that's 70 percent of the 5. So if we flip
5 in another -- I think numbers like \$30, 40 billion in
6 there, and they can't get a significant portion of that
7 to small businesses, we'll take it under. That's not
8 to say that's what's driving it. If it belongs in
9 there, we're going to put it in there, and that's the
10 position we'll take.

11 MR. LEGHORN: Thanks, Calvin.

12 MR. JEPSON: Any more questions for him?

13 Cal, thank you. Thank you for being here.

14 So, just kind of real quick here, it's 11:38
15 right now, and on the schedule we're supposed to break
16 for lunch here at 11:30. So there's two things that we
17 haven't gotten to yet, and one was that, you know --
18 when we talked about this kind of at the break --
19 discussion of a new chair and the legislative update.
20 So what I'd like to do -- because we have a pretty full
21 afternoon here, what I'd like to do is if we could try
22 to break for lunch now.

1 And I'd like to have everybody, if you're not
2 adverse -- tell me if you are -- if we could go grab
3 lunch down at Phillips or Potbelly's, whatever, come
4 back here and we'll have lunch. I'd just like to have
5 a discussion where we actually take care of just some
6 administrative stuff when we talk about the planning
7 session for when we want to meet next. Let's put the
8 tentative dates on the calendar and when we can get
9 there.

10 We can talk a little bit more about forming
11 the organization so we have a whole complement of
12 members, when we can get there, how we can meet, and
13 then the agenda and topics that you want to see who's
14 going to be responsible for inviting guests and helping
15 set the agenda, and then how our office helps
16 disseminate that and gets the word out, et cetera. And
17 kind of work through some of just the mechanics and
18 housekeeping issues that we have as we try to
19 reinvigorate the advisory committee. So any concerns
20 with that?

21 MR. FIELDER: I just wanted you to be aware
22 several of us were scheduled for 5:00 flights.

1 MR. JEPPSON: 5:00 flights.

2 MR. FIELDER: But 3:00 is looking like a --

3 MR. JEPPSON: I will assure that we get you
4 out of here on time. But while we're here and we're
5 still on the record, I want to tell you.

6 MR. WHITE: You can leave right now, if you
7 want. [Laughter.]

8 MR. JEPPSON: Yeah. You wouldn't have to
9 listen to me. Would you? I appreciate your patience
10 on the travel piece. This -- we just moved to this new
11 concur system, and it's a new system that when we
12 travel on SBA business it's painful. Trying to bring
13 someone who is not an SBA employee into the process and
14 go through that has been pretty painful. So I would
15 appreciate your patience on that. Hopefully it will
16 get better in the future.

17 MR. FIELDER: If we were to walk out the door
18 at 3:00 and head to Metro, we can make 5:00 flights?

19 MR. JEPPSON: Yes, you will. So, with that,
20 we'll take a break and pick back up at 12:45 with the
21 Boots to Business.

22 [A lunch recess was taken.]

1 AFTERNOON SESSION

2 MR. JEPPSON: So with that, we have just a few
3 minutes before we kick-off here. So let's just go
4 ahead and I'll try to keep the timeline going tightly
5 as possible here. So one of the things we didn't do
6 before we broke and we're going to do here at lunch is
7 when we talked about some of the housekeeping stuff, we
8 had 30 minutes for public discussion and comment right
9 here. We'll roll that right into the end where we
10 actually talk about what we think the timeline and
11 topics ought to be for this and then just some of the
12 housekeeping we discussed, hereabout. You know --
13 determining who the chair would be and things like
14 that.

15 MR. WHITE: It will be easy. They'll be gone
16 when they're selected.

17 MR. JEPPSON: Congratulations. So, having
18 said that, let me introduce Craig Heilman. Craig just
19 joined us in the Office of OVBD. He's managing Boots
20 to Business for us, his primary function. He comes to
21 us -- he's a Navy Veteran, an NFO, as a matter of fact
22 -- Navy Flight Officer. He's a graduate MEA out of

1 Virginia, and so it has to do with a wealth of
2 experience in the private sector. So we're lucky to
3 have him on our team here, working and leading the
4 Boots to Business effort.

5 So, what I've asked Craig to do is just kind
6 of give you an overview of where we're at on Boots to
7 Business and forward it, because this has been my baby
8 for a year, probably my big focus for the year. I'll
9 ask him not to forgive me when I interject myself here,
10 because there's a few things that I just get really
11 wound up about. He has that individual task of taking
12 over your office, you know, as a pet project which he's
13 loved and cared for and had such strong opinions about.
14 So he has a tough row to hoe in that respect. And so
15 with that, Craig, we'll turn it over to you.

16 BOOTS TO BUSINESS OVERVIEW

17 MR. HEILMAN: Thanks. It's a good looking
18 baby, Rhett, and I'm always happy to have the
19 opportunity. And I think I kind of know a couple of
20 you, but not everyone. I look forward to getting to
21 know you, and I will give a little bit more on my
22 background as representative for nine years at VBD and

1 reserve aviation intelligence. Went to Virginia and
2 studied, pursued entrepreneurship while I was there,
3 and then was at DuPont for half a decade in parity --
4 you know -- variety of marketing business manager
5 roles. When I left, I was running their Northern Body
6 over Business, which was Kevlar for North America.

7 So that was a really great experience for me,
8 but it wasn't my favorite experience at the time. My
9 favorite experience was founding the veterans' network
10 for the company and being engaged in getting a CDO to
11 start the veterans hiring initiative, and that's kind
12 of where we saw the need to develop the passion around
13 what this office does. And so this was a great place
14 for me to come in and try to accomplish initiatives and
15 develop veteran entrepreneurs. So I'm just going to
16 spend a couple minutes on giving you a snapshot. I'll
17 show where we're trying to go in 2014, and look forward
18 to getting your questions and input, not only today,
19 but as we go forward.

20 [Slide.]

21 MR. HEILMAN: So, as I said, developing
22 veteran entrepreneurs is really what we're all about.

1 We in entrepreneurship training or the flagship
2 training program for the Federal Government's
3 transitioning service members, but we don't
4 necessarily --

5 MR. JEPPSON: I apologize. You have to speak
6 into the mike, because some of the folks can't hear
7 you.

8 MR. HEILMAN: They can't hear me? Wow.
9 Okay. That won't be a problem.

10 MR. JEPPSON: I apologize.

11 MR. HEILMAN: Do you want me to come to the
12 mike?

13 MS. ULSES: It's on the cord.

14 MR. HEILMAN: All right. I'll stand next to
15 the mike here.

16 MR. JEPPSON: Thanks.

17 MR. HEILMAN: Two mikes. Okay. So you need
18 this program. It's a collaborative effort across
19 interagency as well as INTADA SBA, and it's really
20 about the post transition success and our part about
21 whether the Boots to Business program needs revamped.
22 It's what they call transition goals, plans of success,

1 which needs to be tasked. What is it specifically?

2 It's three components.

3 It's an overview component that everyone gets
4 in a curriculum or the transition program, which is a
5 video, see if you're interested in entrepreneurship
6 track, and then the next is electives. So it's a two-
7 day course that's elected that service members can
8 participate in, and then follow-on for an eight-week
9 deep-dive on entrepreneurship with the goal of getting
10 the board's completed business plan. And understanding
11 what that's going to take if it turns out that that's
12 not the right time for that particular service member,
13 et cetera.

14 And, so, 2013, we really got to what we call
15 initial operating capabilities, committed to 151
16 installations, once per quarter in partnership with
17 everyone else involved in the program. And I'll show
18 you how we're doing on that in a second. And the 2014
19 is really to go from start-up -- the start-up process
20 that we've been in -- to the scale-up, because we've
21 got a lot to do to meet the true demand. It's been
22 well received. We want to do more in the U.S., but

1 also overseas. We're not delivering overseas right
2 now. There's a need for that. If I can get to the
3 next slide?

4 [Slide.]

5 MR. HEILMAN: So this kind of shows the model
6 of Boots to Business from my perspective. It's a
7 business to business delivery model. We don't sell
8 directly to the transitioning service member. We've
9 got a lot of partners in the chain that we've got to go
10 through. And how we do that is the key to our
11 effectiveness in actually helping the veterans.

12 So, in the middle of this, we're in the middle
13 of that front target site there, working inside the
14 agency and coordinating with Capital Access, the
15 contracting folks, to make sure that we're putting the
16 right information out within the entrepreneurship
17 training. And, the inter agency part is really key as
18 well. So that is the governance is all coming out of
19 interagency task force. This came from the security
20 group for the veterans support initiative and everybody
21 a constructive path. And so working with them, but to
22 get the requirement right. Make sure we meet their

1 needs. And then that next line down the chain, our
2 partners in the field, the district offices, the
3 veterans business development officers are the key to
4 coordinate this whole orchestra as it gets to the 151
5 installations. They're working with the resources
6 partners on that next part of the chain that are
7 actually teaching the classes for the most part.

8 So they have to be seen in the VBOCs as well
9 as in some cases SCORE and Women's Business Centers.
10 And that last part there is, of course, a map of all
11 the installations where they touched. And the task
12 coordinators that are on those installations are
13 working, most of the time directly with the VBDOs that
14 coordinate the courses. And that's the two-day.

15 Once they leave the two-day, the eight-week is
16 being hosted and run by Syracuse University. It's
17 online, but it's instructor led. So they get to touch
18 base with that instructor continuously if they go
19 through that ten weeks of online instruction. So it's
20 a high cost model. It's not -- it's available. It's
21 available. This whole thing is available, virtually,
22 via the JKO, but that's kind of a form your own pace

1 without the high cost instructor. Getting instructors
2 was found to be pretty key in keeping them engaged and
3 getting them towards that business plan, which is the
4 goal.

5 MR. FIELDER: Craig, this is in addition to
6 the residents' program where -- I forgot his name now,
7 the guy at Syracuse.

8 MR. JEPPSON: You need the microphone.

9 MR. FIELDER: Sorry.

10 MR. JEPPSON: But he's talking about can you
11 be up in Syracuse.

12 MR. FIELDER: Yeah. This is in addition to
13 the what Syracuse is doing with the veteran
14 entrepreneur center that Mike Haynie's doing?

15 MR. JEPPSON: Yes.

16 MR. HEILMAN: In collaboration and partnership
17 with, so --

18 MR. FIELDER: But the other line is additive.

19 MR. HEILMAN: It's additive, but, they
20 facilitate that. And in most parts they are the
21 instructors for that.

22 MR. FIELDER: So it's the same instructors?

1 MR. HEILMAN: For the most part, yes, they
2 have networked of instructors.

3 MR. FIELDER: And the syllabus, is the
4 syllabuses overlapped if you do one or the other?

5 MR. HEILMAN: They're linear. So you come
6 through the two-week -- excuse me, the two-day, to be
7 eligible. And then go forward to the eight-week online
8 that Syracuse has provided in partnership with us.

9 MR. JEPPSON: Yeah. Let me add one thing
10 here. So Syracuse is a big partner as far as IBM MAF.

11 IBM MAF is the leading national veterans
12 entrepreneurship educator out there right now in the
13 higher education. There are some other really good
14 organizations that do some stuff, but we have a couple
15 of grants with them right now. One does EBV, which is
16 entrepreneurship boot camp for veterans. It's very
17 high touch. It's expensive.

18 I say it's expensive, because it's -- we've
19 only funded for about 150,000 a year. Corporate
20 sponsors funded on eight different university
21 donations. IBMF leads that consortium of universities
22 that does that EBV. They do another program with Force

1 called V-WISE. It's the women's program. It's
2 rotationally around the country for four to five days.

3 Again, another program where we have very high
4 touch, a lot of corporate sponsorship. And, both of
5 these are really focused on people, who, for the most
6 part, have already existed the service. It's not for
7 the transitioning service member. They can
8 participate, but there's issues. There's challenges,
9 like right now with some of the DOD who came back, and
10 duty service members that take part in a program where
11 everything's fully funded for them. You've got to go
12 through the lawyers and everything else.

13 MR. HUILOT: Right.

14 MR. JEPPSON: If you are a partner of the
15 curriculum, so it's very similar, but they look for the
16 transitioning veteran in the two-day and in the eight-
17 week online course. So before you go to EVB for the
18 week in residence, you do a very similar course; eight
19 weeks of online, where you actually write your business
20 plan before you go on the two-week. You do a very
21 similar eight-week online before you go to V-WISE.

22 The programs are complementary, not

1 repetitive, or we're seeing. With Boots to Business
2 it's a from start to finish product, so that when you
3 get done with going through the Boots to Business
4 program, you come out with a business plan ready
5 program. And --

6 MR. FIELDER: So the ones who rated this
7 program, you might sort of cast it as kind of like a
8 graduate program to all the other things that we --

9 MR. HEILMAN: Well, et cetera. So EVB
10 operates separately than Boots to Business. The Boots
11 to Business, the official DOD federal offering for
12 transitioning service members through transitions he
13 gets or the legacy task program. There is, certainly,
14 similarity in the curriculums in terms of what you
15 would get if you were a disabled veteran that was
16 fortunate enough to go through EVB or a female veteran
17 in V-WISE, but they are separate. Make sense?

18 MR. FIELDER: Hmm-hmm. Yes.

19 MR. HEILMAN: Okay. Just a quick look at the
20 stats for calendar year 2013 through about mid-
21 November. We've got some accounting to do on the last
22 few weeks in November, but we did 133 installations.

1 So we feel good about that. 371 two-day courses,
2 35,000 service members. You kind of see the split
3 there in that second bar graph there, "By service."
4 And it makes sense in terms of already being one of the
5 largest -- Air Force -- and the attendees "By service."

6 And then we've got the "Gender, FSD and Rank."

7 And it's some real challenges, you know, with the
8 curriculum to make sure that we're accommodating
9 everyone that's in that class, everybody from the major
10 general, in some cases, to the easier E3 coming off a
11 form 4, because we're getting everybody, which is
12 great.

13 And then eight-week, we have had 396 folks go
14 through that deep-dive eight-week. We've got another
15 class that started up this month. It's another
16 hundred, so it will be another and that's the demand
17 for that has been growing as we have expected. So one
18 of our key goals is 14. This is to build the task,
19 which is again to get everybody who wants that training
20 to get that training.

21 MR. WHITE: Excuse me. Is that backed up?
22 Does he have -- 5500 went through the two-day, and only

1 396 took the eight-week course. Is that because they
2 didn't want to or you backed up because they were
3 privates?

4 MR. HEILMAN: It was a combination. So we do
5 have a good waiting list on the eight-week course.
6 It's challenging, that funding related that we're
7 actually rectifying. But in terms of what fund's going
8 to look like over time, that's the day that we've got
9 our first year. By the time we get to the end of 2014,
10 we hope to have a real clear picture of what, if we've
11 got 250,000 transitioning service members, you know,
12 how many of those are going to go through Cap. All of
13 them are mandated to do it, but that's not exactly
14 what's happening yet. And how many are going to want
15 the two-day? And how is that going to get down to
16 completed business plans and new business starts or
17 existing business programs?

18 MR. JEPSON: Right. So I apologize up front.
19 So let me just mention a couple of things that I think
20 are of interest on this slide here. So if you take a
21 look at January, we probably did 10 classes in January,
22 10, 12 classes. So the number of classes is really

1 just like this and was really picking up the number of
2 people. The number of people in the class is sort of
3 to ramp-up too, so the numbers are creeping up to an
4 average of 15 that's been creeping up.

5 If you look at the Army right now, one of the
6 reasons why the Army is skewed heavy, is that if you
7 look at a couple of the installations, we're out the
8 front door of the installation. So the capacity of
9 Boots to Business at those installations is much higher
10 than some of the others. We're only meeting 12
11 percent. Right now, we only have resources to meet
12 about 12 percent of what the demand signal is.

13 The core of the demand signal comes from
14 overseas, 50 installations. So we asked which bases
15 you want us on. They gave us a list of 102 bases, or
16 201 bases. Only 151 are in the U.S.; 50 are overseas.
17 We've done some pilots overseas that had class sizes
18 of nearly 50 classes overseas. So we haven't even
19 scratched the surface with overseas guys; just don't
20 have capacity to do it.

21 Our ask with the resources partners was try to
22 get to each of the bases once a quarter, if you can.

1 And we knew that would take a while, because the bases
2 weren't ready to come online either, because they were
3 implementing the core of transition GPS and they had a
4 new piece that came on later. So when you see where
5 we're going, it's really kind of taken off here.
6 What's also happening, though, is resources have
7 declined.

8 So if we have 100,000 that we've committed
9 against Boots to Business to keep live support until
10 January 15th, and we'll burn through that 100,000 like
11 that. So it was imperative that we find the money
12 somewhere after we find out whether we have a budget or
13 CR or something on the 15th. That will be my number
14 one priority, when I come in to work the 15th was,
15 okay. Where are we? Where are we getting the money to
16 continue this?

17 One of the things that I want to point out
18 here too is if you look at the gender piece, only 14
19 percent of the service in the service is female. And
20 so the female veterans are more attracted to this than,
21 say, their male counterparts as a ratio, even if you
22 count that five percent slice, which is dependence up

1 there. Let's just make the assumption anyways that
2 it's spouses. They're still over-indexing by three or
3 four percent of their counterparts. And then the last
4 thing I'll do is mention rank dependent.

5 If you look at breakdown by rank, and you say
6 E5 and O3, below, are first term service members -- you
7 know -- an enlistment or their first hitch as an
8 officer. And, again, higher ranks are career, which is
9 not completely retroactive, but we're actually not
10 completely divided, so, between retirees and first term
11 enlistees. So I think that when we start looking at
12 the metrics here, we can talk about this, if we really
13 have an interest in co-worker veterans who were coming
14 through here.

15 And so we're going to follow on that, but I
16 think the take away from this is we really have a lot
17 of traction. But veterans who are really interested in
18 this exiting the service, but now we've run out of
19 splits to provide our training to them. We have got to
20 fix that. So, anyway, sorry, Craig. Thank you.

21 [Slide.]

22 MR. HEILMAN: No. I'll start the next slide,

1 which is the final slide, but concerns the 2014
2 strategy to make sure this program is sustained and
3 what's the need in the vault and in funding to the top.

4 And we've got to get the program record. It's in the
5 budget; it's been in the budget. And we really need
6 that so that we can get the full operational
7 capability, and meet all this demand, whether it's
8 overseas or just our funnel, and we're getting more
9 through that funnel, and we've got thousands more.
10 We've got a line of thousands instead of hundreds, and
11 so kind of focused on that DNB.

12 And then improving our model, so we've got our
13 operating model. We think it's the right one. It
14 works. Where can we treat that? How do we enable the
15 resource partners, enable our district offices to make
16 those processes the very best that they can be. You
17 know. I just got this spreadsheet from LS on all the
18 installations and what they kind of want to do, and
19 you've got everything from Fort Bragg doing two per
20 month to some that are maybe doing one per quarter.
21 And while our average is coming up, we've got variance
22 in terms of the class size. You know. I might be able

1 to get six in Annapolis in a given week, and 36 in Fort
2 Meade, as long as it makes sense to do some
3 rationalization there; you know, not necessarily
4 because of a money thing, although that's certainly a
5 driver, but from a personal perspective.

6 So, you know, there's an optimum size for the
7 class of interaction which folks get to start talking
8 about, new businesses. It's really -- you know.
9 That's where a lot of it comes from is that
10 brainstorming process in that two-day class, and we
11 want to make sure we've got the right conditions for
12 that to happen. And so improving that existing model
13 is we've got feedback now that we can work with, and so
14 that's 24 team-based. And then that might mean the
15 curriculum had to look at that feedback to review ways
16 to treat that as well, because that hits the mark even
17 better than what we're doing.

18 And then the integration piece not only inside
19 the agencies, how do we tie Boots to Business to the
20 other things that we can do at the SBA, Access to
21 Capital being key, and then the contracting piece as
22 well. And then even harder than that, though, is the

1 interagency piece, because we all know that everybody's
2 doing things for veterans. And one of the biggest
3 challenges that we all face is where do I go, which
4 portal. You know, the OSHA entrepreneurship, is that
5 SBA, or is that somebody else? There's a lot of
6 confusion out there in the kind of marketplace, and the
7 more that we can integrate the better. We think that
8 it's for the ultimate customer, the better, so.

9 A couple of milestones, and these are just
10 kind of high level milestones, but Rhett mentioned that
11 January 15th that we're all looking for, and so we can
12 do a lot of work on that and continue to use. So we
13 look to have great news in January in terms of what our
14 profile's going to be going forward; you know, looking
15 at the middle of the year to kind of convene a
16 curriculum model as we look at all the data we got from
17 an outgoing team; what adjustments might we need to
18 make, and then roll them into the budget for the
19 following year and hope that these on a path for
20 sustainability on the program.

21 So that's where I'll stop. I'll be happy to
22 answer questions.

1 MR. WYNN: Craig, my name is Joe Wynn. I'm
2 with the Vietnam Vets of America, and also a member of
3 VetForce. Just a couple of questions come to my mind.
4 One is just to know what the budget is now to run this
5 program and what do you need to do to expand it to its
6 full capacity. What kind of money are we talking?
7 And, also, how do you measure success? Are we talking
8 about just the number of veterans that attend the
9 session, or go through the online course, or after the
10 fact? Are we following them after the program?

11 MR. HEILMAN: Okay. A couple questions. The
12 first one was budget, and our budget request is seven
13 million to get us to full operational capability where
14 the initial demand rejections that we got from DOD as
15 part of the interagency process, and that's what we
16 need to do to deliver the frequency in the U.S., as
17 well as get overseas and support all that within the
18 agency.

19 We've been in the hundreds of thousands of
20 dollars, and it kind of depends on how you count it,
21 because it's done a lot of what we've been able to do
22 to get us to initial operating capability with existing

1 resources. We've leaned really hard on our partners,
2 who both want to work directly for SBA, our district
3 offices, and our resource partners that we grant to.
4 Because part of their mission is devoted to veterans.
5 It's not new that they would address veterans and their
6 needs, specifically, in their charter and the money
7 they receive, because they've done a lot, but it's not
8 sustainable.

9 It's not sustainable in its current model
10 without more resources and being able to assure that
11 all the basic things, travel the classrooms, books,
12 materials, just all the things you need to kind of run
13 the railroad. So we've probably done too much with too
14 little, you know. Because what's the problem when
15 everybody's doing a great job? But that's not -- we
16 can't keep that going indefinitely. Question number
17 one, did that help?

18 Question number two was metrics and measures,
19 right? What's the success? And so we were counting a
20 lot of things, a lot of statistics, demographics.
21 Right? Who's getting through the door, how many?
22 That's kind of the answering the initial how do we get

1 the true demand. You know. It's going to be 150,000
2 vets that are going to do it, and we think it's in the
3 30 or 40,000 vets that are at least going to go through
4 the two-day entrepreneurship tracks.

5 And then, you know, we certainly want to look
6 at new business starts and completed business plans,
7 and all those kinds of things; and, then, not easy to
8 measure -- we're not saying we're going to -- but
9 successful transition. Right? You know. How does this
10 stay in the entrepreneurship track? You know. Hey,
11 baby. You want the entrepreneurship track and figured
12 out to start your business was exactly the wrong thing
13 to do.

14 That's probably a successful outcome if we
15 kept you from, you know, throwing your life savings.
16 And we all know that self-employment and
17 entrepreneurship is a different road than traditional
18 employment. And particularly, I'm sure, that many in
19 the room have pursued it or have businesses today. So
20 I see another part of 2014 is getting crisper on what
21 success is beyond plussing seats. Right? So that's a
22 great point. And there was a third question that you

1 asked, Joe. I apologize what the third was.

2 MR. WYNN: Tracking after the fact.

3 MR. HEILMAN: Tracking; that was not a tricky
4 one, only because of what we're allowed to do as the
5 Federal Government, kind of reaching back to John Q
6 Citizen now that he's not in the military service,
7 service member anymore. So we are working with DOD in
8 terms of sharing data, what's personal data versus not
9 personal. We're very careful about what we're going to
10 do in terms of reaching back to them after they're now
11 newly separated citizens.

12 Syracuse has some capability to do that in
13 terms of as they work them through the eight-week, but
14 I can't give you a clear cut answer today on this.
15 This is what our revisit is going to be six months, one
16 year, two years. That's something we're trying to
17 understand; what's the maximum we could do within the
18 limits, you know, both through law and what guidelines
19 we get coming through OPM. So that's not a great
20 answer, but we certainly the need to do it.

21 MR. JEPPSON: Yeah. Let me just come back and
22 just weigh on those two really briefly. So our budget

1 to-date is zero. We're doing it with almost zero
2 dollars. The only thing we had for start-up was we had
3 initial \$600,000 in *Jobs Act* program that really kind
4 of went into the curriculum development, and stuff like
5 that, printing the books that we used for the first
6 round.

7 All that's been done, everything that's been
8 done to-date so far, with the exception of the eight-
9 week online course, which is open to the original 650,
10 is because we're leveraging the existing capacity.
11 That rubberband stretches as far as it could go. It
12 can't go any farther. Matter of fact, we're jumping
13 through our tails getting books right now for the
14 classes to make it happen. We've got \$100,000 to
15 bridge the gap for the next month or so until we find
16 out what happens in the CR. So we're hanging on for
17 dear life on that.

18 It's ironic that it was in the President's
19 budget, and that we got good House and Senate marks
20 when we were at the roundtable. We kind of outlayed it
21 out there, and Sen. Patrick said "It's just mind-
22 boggling, because seven million dollars is so a little

1 bit of money for such an important thing." So there is
2 kind of a perfect storm preventing us, but we hope,
3 anyways, that we'll do that. So thanks for bringing
4 that up. And two is I can't underestimate how
5 important it is that we have exactly what Joe's asking
6 for -- how do we have provisions that matter on this.

7 I will tell you, though, that you also have
8 retention of things in Federal Government. And
9 everything that we collect around that, around tracking
10 individuals, there's a PII information chain that's
11 very good for us, because the rule sets tracking all
12 those veterans through there. So we're going to kind
13 of use the eight-week online course to provide facts to
14 us and we're trying to be creative; that they actually
15 marry a Social Security Number to somebody who couldn't
16 EIN to start a business, and then watch the mortality
17 of that business.

18 That's a hard nut for us to crack with the
19 current rules that we have, because of the PII, that
20 tension between Big Brother monitoring you and us
21 having valid veterans to make our program a success.
22 And I can't underestimate the bureaucracy that's at

1 fault in that. You know. DOD flipped out when they
2 knew that we were capturing -- that the service members
3 could actually provide us their personal e-mail
4 address. They didn't even like that, to be honest.

5 So to say there was tension and they had
6 conflict on that would be an understatement. So yeah,
7 that is tough, but in my opinion it's essential that we
8 find some mechanisms to give us some solid perspective
9 on that. But it's not easy. So everybody comes up
10 with creative answers to do it, but we go back to the
11 lawyers and actually application of it. You know.
12 We're back to the drawing board.

13 Does anyone have questions for Craig? All
14 right. So, Craig, thank you very much.

15 MR. HEILMAN: Thank you. I look forward to
16 meeting you all and working with you, and I'll be
17 around here.

18 MR. JEPPSON: Okay. So, next step here, we
19 just recently signed a memorandum, a strategic
20 memorandum with VetFran. So I'll turn it over to Kevin
21 to kind of update us on VetFran and some of the things
22 going on with VetFran. You know. If you look at where

1 veterans do well -- veteran entrepreneurs do well --
2 there's a large segment that end up in this community.

3 So we think that's really appropriate that we
4 have good relationships with those training
5 organizations that veterans have done well, and it must
6 be a real valued part or a real important part of our
7 value chain to the veterans. So, obviously, that's
8 exactly why we went with IFA on our first SAM.

9 STRATEGIC ALLIANCE WITH IFA/VETFRAN

10 MR. BLANCHARD: Well, thank you, Rhett. So,
11 first of all, I just wanted to say thank you. You
12 guys, Rhett, Jim, Barb, SBA in general has been
13 incredibly supportive and it's been a great partner for
14 us. And so I'm here to give you guys n update on our
15 strategic agreement, as well as an update on
16 franchising industry and veterans in general. So I was
17 here last time, but just to give you a refresher of
18 kind of where we stand. So the International Franchise
19 Association is a trade association and it's incredibly
20 military friendly. So in 1991 we launched a VetFran
21 program initiative, which supports veterans in
22 franchising industry through mentorship training, and

1 discounts in small business and franchising
2 specifically.

3 So also recently VetFran's been put under the
4 education foundation which is 501(c)(3) Non Profit. So
5 on November 5th you contested an issuer there. We did
6 a signing agreement for the approval of the Strategic,
7 for the SAM. That's a new term I just learned. So I
8 think you can attest it was a wonderful event. It was
9 at a UPS store in Arlington, Virginia, with a new
10 Veteran Franchisee that just went through our system.
11 He's a UPS store, the biggest UPS store I've ever seen,
12 in fact. He's used an SBA loan, Patriot Express, to
13 get his loan. I think it was \$70,000.

14 So, Rhett, thank you again for being there;
15 and acting administrator Jeanne Huilet, and our CEO,
16 Steve Caldera, signing this agreement. So, just I'm
17 not going to bring you through, obviously, every bullet
18 point, but just some highlights of the agreement are as
19 follows.

20 [Slide.]

21 MR. BLANCHARD: "IFA and VetFran will
22 coordinate franchising content in Boots to Business."

1 So I've done some research in myself in the field to
2 district level, so we get a lot of feedback that in
3 some cases there's franchising content that's a half a
4 slide long, maybe even a sentence. And so it's like
5 what now? Where do I go to find more educational
6 content and what is the benefit? So that's where we
7 come in and we can, you know, of course provide just
8 one slide. And Craig and I, we've talked about this,
9 to distribute throughout the districts. So hopefully
10 that's going to be implemented. So I know that the
11 struggles and resources are not necessarily there, but
12 this doesn't require any additional funds.

13 Second, "VetFran will nominate two veteran
14 franchisees to join this committee." So that's kind of
15 in the works now. I think you guys have everything you
16 need except the bios.

17 MR. JEPPSON: Yeah. So they're in the vetting
18 process now.

19 MR. BLANCHARD: Right.

20 MR. JEPPSON: They're in the count now.

21 MR. BLANCHARD: Okay. So next, "SBA and
22 VetFran will collaborate on educational programs and

1 information sharing including small business centers,
2 SCORE and women business centers." So we have a number
3 of events. I know you guys, too. I think you guys
4 will be coming to our annual convention, coming up in
5 February, for example. So, and lastly, "Providing
6 speakers where appropriate and vet coordination," both
7 for IFA and SBA.

8 So with that, in the last two years since
9 we've started measuring the success of VetFran, I just
10 want to give you our most recent report. We conduct an
11 annual report every year through our consulting firm,
12 and 1,159 franchise businesses were surveyed or
13 participated in the survey. Of that, 151,557 veterans
14 have started careers either as employees or veteran
15 franchisees within the franchise industry since 2011.
16 And, of that, there's been 5,192 veterans who've become
17 actual franchisees, business owners, within the
18 industry since 2011. This is all data from 2011
19 leading up to now.

20 Veteran franchise owners were 30 percent more
21 likely to hire a veteran than non-veteran-owned
22 franchise business. 36 percent of franchise owners

1 surveyed indicated that they had hired at least one
2 veteran or spouse in the corporate headquarters since
3 2011, and 32 percent within the franchisees. And, as
4 of today, we have 618 VetFran members, which means
5 there's 618 veteran-specific programs within the
6 private industry of these companies.

7 So that's the update. That's the general
8 overview of the SAM agreement. I look forward to
9 working with all of you guys and I'll be around for me
10 questions. We're just more -- pretty educated in the
11 mechanics of franchising. So if you have questions
12 about that, SBA loans, financing, any of that stuff,
13 I'd be glad to answer for anything in general.

14 Thank you guys, again. Appreciate it.

15 MR. WHITE: Thank you.

16 MS. ULSES: Can I ask you a question?

17 MR. BLANCHARD: Sure.

18 MS. ULSES: I mean I know you're getting the
19 vets through Boots to Business, but right now in the
20 last year when all of these people are being laid off
21 from CACI and SAIC, a lot of them were veterans. Were
22 they being reached about this program, too? Because I

1 mean here they've already been successful employees
2 somewhere, that it seems like they've been reasonable,
3 good sources of franchising.

4 MR. BLANCHARD: No. They aren't being
5 reached. That's the problem with Strategic Agreement,
6 actually. So it's tough, because this is a private
7 industry kind of incorporating content and the idea
8 that veterans are good at franchising over non-
9 veterans, and, you know, from the Federal Government to
10 the private sector. It's a hard divide to come to, but
11 we're working on it and through Boots to Business is
12 one way to implement it.

13 MS. ULSES: And you have these member
14 companies out on your website?

15 MR. BLANCHARD: Oh, definitely. You can go to
16 VetFran.com or you can go to Franchise.org/ veterans.

17 MR. JEPPSON: How many companies are there?

18 MR. BLANCHARD: 618, and you can search by
19 category; you can search by industry. So, if you're
20 ever interested in cleaning services or food industry,
21 you can narrow it down to pizza shops or Subway shops,
22 or whatever you want. And with any of those companies,

1 each of them have profiles. They'll tell you,
2 specifically, discount, and sometimes they give
3 giveaways or offerings, and they will completely waive
4 the franchising fee.

5 In a lot of cases, franchising fee, which is
6 basically binder rights to sell under Subway, for
7 example, in that case it's \$40,000, I believe. So,
8 there's giveaways; not consistently, but we try to
9 advertise as much as possible, and that will be
10 completely waived. And in the case of Wayne Franklin,
11 the UPS store veteran franchisee, that's exactly what
12 happened in that case. They waived the \$50,000
13 franchising fee and the SBA provided the loan for the
14 additional \$70,000 in capital that was required to
15 purchase. And now, hopefully, Wayne is living the
16 American dream.

17 MR. JEPPSON: One of the things that was most
18 surprising to me is that I've heard some good stories.
19 We've always heard veterans about franchising, but
20 when Kevin was here, I guess, earlier this year at the
21 Marie's last meeting, we actually went over some of the
22 opportunities out there. He opened up the website and

1 he started a small business. And he just told us about
2 a couple.

3 You know, it's amazing. They range from \$5,000
4 off of a hundred-thousand-dollar franchise fee to, in
5 some cases -- I think it was Papa John's had an
6 incredible deal. At that time, they were just very,
7 very generous, I mean to veteran small business owners.

8 The funny thing was the one that you mentioned that
9 was 5,000. I thought it was the stupidest franchise
10 concept I've ever heard of. Why would anybody pay
11 \$95,000 even to get it down to 5,000.

12 We looked at the SBA repayment loans on
13 franchises when I came back. It was like number one
14 and number two, and I was like, "Wow, was I wrong.
15 Maybe I need to spend more time there." But, all I
16 just wanted to ask is that veterans do well at
17 franchising, because you don't learn marketing and some
18 of the other things while you're in the service. But
19 you certainly know how to pay a couple of operations or
20 read it and figure out the instructions. And so I
21 think that it's a key component.

22 You did hit on exactly one of the things that

1 we struggle with in the agency, especially in our
2 offices. And it's the same thing, in fact, that we
3 talked about, you know, getting the word out on the
4 loans, and things like that. And we need to do better
5 on that. I think that we've gotten a little bit better
6 at it and we need to do a little better. We need to
7 leverage the rent free resources that Steve talked
8 about. There's also, you know, we need to be able to
9 give you ready product, and we're not there yet, but
10 we're working on it.

11 MR. BLANCHARD: And, you know, just to add to
12 that, in connection between franchisees and military
13 background, so, for example, I was a combat engineer in
14 the Marine Corps.

15 MR. WHITE: Blue Rock?

16 MR. BLANCHARD: At Blue Rock. And there's
17 always similar, or simplifier. It's normally "er" with
18 a grimace. Anyway, we're going to get to it. Anyway,
19 so I mean you have a mission and you kind of reverse
20 engineer. Like everything is figured out to where your
21 grenades are to everything positioned on your belt, to
22 where there's strategic movements when you clear out a

1 house, for example, to how you hold your weapon.

2 Everything has already been defined through
3 operational manual. And it's the same thing
4 franchising, because some entrepreneurs came up with a
5 good idea, and then they tested it in markets that's
6 the most appropriate, like California or Texas, or
7 Florida for various reasons. And then they've proven
8 this concept, and then what they've done is throughout
9 their process of approving this, they've written down,
10 line by line, the operational agreement that, if you do
11 this, there is a great chance that you're going to
12 succeed.

13 It doesn't mean you're going to be rich,
14 necessarily, like the idea of leveraging and finance,
15 whatever. But it does say that if you have a mission
16 and you have your agreement here, your operational
17 procedures, you know what to do by your training in the
18 military. The only thing left to do is execute and
19 execute hard. And I think that right there is very
20 difficult to come by in the civilian sector. So that's
21 the connection. It's difficult to describe, but it's
22 there.

1 MR. WHITE: I had the pleasure of spending
2 some time with Kevin yesterday; and one of the things
3 that we were talking about -- and it's the same time
4 that you continue to end up talking about -- is Access
5 to Capital. I mean it's one thing to get a discount on
6 it. You've still got to come up with a bunch of money
7 to buy a franchise, except for some of the great deals
8 that they make, but it's very infrequent that you get a
9 free franchise.

10 MR. BLANCHARD: Yeah.

11 MR. WHITE: So we're still going to be
12 struggling with that. We've had years and years of
13 approving program that provides a great opportunity for
14 veterans, and veterans are probably the best potential
15 franchise holders. So if there's any group that could
16 benefit from specialized financing, I mean here's the
17 appropriate opportunity.

18 MR. JEPPSON: Yeah, absolutely. So we can
19 talk offline about some of the ideas that have been
20 floated may actually have traction to go back to the
21 task force reports that I really don't want to get into
22 them right here. But one of the things that's got to

1 be unique is there's a veteran's assistance fund. Do
2 you remember the name of that, Kevin, that was
3 introduced last year? That's kind of in a pilot phase,
4 where they will help if the veteran is capable.

5 So, for example, a franchise X, if the
6 franchise -- a lot of franchises will do something on
7 the fee, but there's still start-up costs associated
8 with it. So even if in the case of some waive the
9 franchise fee, there's still the start-up capital for,
10 you know, your retail space equipment and stock. In
11 some cases where the veterans qualify for SBA loan,
12 except they don't have the delta between the loan on
13 the franchise, then they can actually get a second from
14 this fund, which will subordinate to the SBA debt. And
15 it's kind of in the pilot phase. I think they did one
16 or two last year.

17 MR. BLANCHARD: I am aware that these funds,
18 but they're normally state by state.

19 MR. JEPPSON: Yeah.

20 MR. BLANCHARD: So, yeah. If I need a
21 \$200,000 loan and I have no experience, well, and I
22 have no experience, the likelihood of you getting a

1 loan is probably pretty low. But if I do have some
2 experience in 2 and 3, and I'm a veteran and I have an
3 SBA-backed loan, but I still need to put down 20
4 percent loan, 20 percent equity. So, still, it's a lot
5 of money and a lot of veterans don't have that. So
6 where are you going to get that from? And, in some
7 cases, do these loans come into play? And, in some
8 cases, we're seeing non-profits pop-up state by state,
9 and in some cases by city. Manhattan has several.

10 MR. JEPPSON: Yeah. This is one that we need
11 to get to the details on it. It's one that was
12 announced a year ago at the IFA conference.

13 MR. BLANCHARD: Okay. Yeah.

14 MR. JEPPSON: With VBF.

15 MR. BLANCHARD: Where did the veterans get
16 this loan?

17 MR. JEPPSON: The Veterans Business Fund, I
18 think.

19 MR. BLANCHARD: Right. So that's not there
20 any more, and the reason why it's on hold, because it
21 wasn't a non-profit.

22 MR. JEPPSON: Oh, okay.

1 MR. BLANCHARD: And they're awaiting to get
2 the credentials to be a non-profit. So we're just
3 still waiting on that.

4 MR. JEPPSON: Yeah. Okay. So I'm just trying
5 to keep us on track on time here. Any other questions?

6 MR. WYNN: I have a question, if I may.
7 Again, I'm Joe Wynn, Vietnam Vets. Just a quick one on
8 the collaboration on educational programming to also
9 include the SBDC SCORE Women's Business Centers. I was
10 just wondering would that include VBOCs as well? I
11 mean I guess that was --

12 MR. JEPPSON: Yeah, it does. Probably just a
13 typo.

14 MR. WYNN: -- a given, yes. But the other
15 question I had was one of the things I was wondering
16 about. You know. The VetFran program had started some
17 years ago.

18 MR. BLANCHARD: 1999.

19 MR. WYNN: Yeah, but you're giving the status
20 from 2011.

21 MR. BLANCHARD: We've only started tracking,
22 so I don't know, you know, how many veterans came in in

1 2001. I have no idea. We just didn't have the
2 capability.

3 MR. WYNN: Okay. So it's a larger program
4 now. You've got staffing to do more things?

5 MR. BLANCHARD: Exactly; staffing, resources,
6 funding. We have 618 companies. And the reason why
7 we're able to track this now is because it's being done
8 pro bono. A consulting firm is doing this stuff pro
9 bono for us. If not, you know, just that survey alone
10 is probably \$50,000 to do it. So they're are members
11 of ours. So, you know, it's a club, and we're doing it
12 together as an industry.

13 MR. WYNN: Yeah. And let me ask you this
14 then. The opportunity costs that are often advertised
15 and promoted towards veterans getting into these
16 franchises, are there any different for veterans than
17 for non-veterans?

18 MR. BLANCHARD: I'm sorry. I don't
19 understand.

20 MR. WYNN: You know. We keep hearing about if
21 a veteran gets into this franchising, though, that
22 supports like VetFran, the franchise fee is discounted

1 for the veteran to go get in. Even though it sounds
2 like what you're saying, even after the discount the
3 veteran's still got to find 15 to 20 percent out of
4 their own funding source to get into it.

5 MR. BLANCHARD: Right.

6 MR. WYNN: And so even if that's a benefit to
7 the veteran, is this a better benefit than it is to
8 non-veterans?

9 MR. BLANCHARD: Absolutely.

10 MR. WYNN: But what's the deal with non?

11 MR. BLANCHARD: You're still making 50,000.

12 MR. WYNN: Non-vets don't get that discount?

13 MR. BLANCHARD: No. No. And, so, again, when
14 you pay \$50,000 or whatever the franchise fee is,
15 that's buying the rights to sell and operate under the
16 name and the brand that some people, lots of people,
17 worked so hard to build. That brand recognition is
18 very, very difficult and expensive. So I'll give you
19 \$50,000 to sell under that brand, and it's a one-time
20 fee.

21 So, for veterans, in some cases they don't
22 have to pay back, because it's free. In other cases,

1 maybe, it's 20 percent off, whatever the program is.
2 But, of course, that's a benefit if you're a veteran as
3 opposed to non-veteran. That's \$50,000 and 20,
4 whatever --

5 MR. WYNN: Right, but that's only for vets.

6 MR. BLANCHARD: And military spouses.

7 MR. WYNN: And military spouses.

8 MR. BLANCHARD: Right.

9 MR. WYNN: Okay.

10 MR. BLANCHARD: Yeah.

11 MR. JEPPSON: Okay. So, again, changing on
12 the schedule here, we had a break scheduled here at
13 1:30, and so what I'm going to propose to do is just
14 continue to press on through this so we get out of here
15 with more time.

16 We'll go ahead and move on VBOCs, and so I'll
17 ask Ramona to come on up here. So, you know, one of
18 the real privileges I've had since being at the SBA is
19 working with Ramona. She's been a hard charger and
20 done a great job. She initially handled Boots to
21 Business. She took that on as an extra duty, and she
22 worked herself to the bone to help make that success

1 before handing it off to Craig, before we got a full-
2 time person. So she actually was guilty of working two
3 jobs, almost.

4 And so what I'm going to do is just have her
5 give you a quick update on the VBOC program. And then
6 Barb Carson has just joined us here. So as soon as we
7 get done with that, I just want you to take a few
8 minutes and introduce her before we move into the piece
9 with Rachel, here.

10 UPDATE ON VETERANS BUSINESS OUTREACH CENTER PROGRAM

11 MS. PEYTON: Okay. Hello. My name is Ramona
12 Peyton as Rhett identified. I am a Veterans Affairs
13 Specialist in the Office of Veterans Business
14 Development, but I'm here today to talk to you about
15 the Veterans Business Outreach Program, which is better
16 known as VBOC.

17 A little background on myself: I've been with
18 the Small Business Administration for 37 years, working
19 with different agencies, then I worked at a VBOC
20 Program for the past 13 years. And in 1999, Public Law
21 10650 created the Veterans Business Outreach Center
22 Program. We started out originally with five centers,

1 then we increased to eight. And then we increased to
2 16, and now we are currently with 15 centers, as you
3 see identified on the map.

4 We have one in each region at a minimum, and a
5 couple of regions we have more than one. Rhett's goal
6 is to have one in every state. And, hopefully, before
7 he or I depart, that will happen. We are fortunate to
8 have a very strong network. The VBOCs provide
9 counseling, training, technical assistance, not only to
10 existing businesses, but also to start-up businesses.
11 They are participants with the Boots to Business
12 delivery program. Their duties, in addition to the
13 obvious, include working with the SBA district offices,
14 our state and local government and our other SBA
15 resource partners, Women's Business Centers, SBDCs and
16 SCORE. The goal is to not duplicate services, but to
17 strengthen the services in the outreach to veterans and
18 the delivery of entrepreneurship assistance.

19 We currently do have measurable outcomes. Our
20 outcomes are the number of businesses started, the
21 number of jobs provided, the number of contracts
22 awarded and mentoring through successful outreach

1 through the VBOCs. We are currently in our fourth year
2 of a five-year grant. The plan is December 2014 to
3 have a request for proposal released that will result
4 in a nationwide outreach of applicants to apply to
5 participate with the VBOC program. The start date for
6 the next group of VBOCs will be April 2015.

7 Most of our VBOCs are either standalone, co-
8 located with a university and SBDC, or just university-
9 based. I'm not sure if you're interested in metrics
10 for the 2012 and '13 year, but the VBOCs canceled over
11 73,000 veterans' service to disabled veterans. They
12 helped obtain -- the service members obtain -- 61
13 loans. The loans' value were \$4.1 million. In terms
14 of government contracts, they were able to help the
15 individual businesses secure 54 contracts.

16 The average funding of each VBOC is
17 approximately 166,000. The core funding of the VBOC
18 Program is traditionally 150. And that's pretty much
19 the extent of my presentation. Hopefully, everyone is
20 aware of the Veterans Business Outreach Center Program.
21 It would be very disturbing if anyone here today said
22 they have not heard of the VBOCs. That does

1 occasionally happen, but I think we're more proactive
2 in getting the word out, and I think our visibility is
3 stronger now than it has been in the past.

4 MR. JEPPSON: Okay. Thanks, Ramona. Don't
5 run off just yet. Have you got questions, Joe?

6 MR. WYNN: Well, I was just going to ask the
7 net outcomes, are they available to the public and do
8 you see a breakdown VBOCs?

9 MR. JEPPSON: Yeah. So I can provide them.
10 I'd like to give them to you high level. We can talk
11 about it specifically offline. Let me just put it this
12 way. They're going to figure into what the awards look
13 like next year. One of the things that we're focused
14 on right now is meaningful outcomes, and we talked
15 about this earlier when we talked about measuring Boots
16 to Business and unified definitions, or something, more
17 closely with our Office of Entrepreneurial Education
18 right now. And so ED oversees the SBDC's score and the
19 WBCs.

20 The VBOCs on our office, we're going to bring
21 in to align, of course next year, exactly what we're
22 measuring and how we're measuring it. It will be

1 unified across there. Let me say this as delicately as
2 possible is that if you ask me what's our accuracy on
3 exactly all those numbers and metrics that we have
4 there, I couldn't give you a real, high competence that
5 we've got exactly right.

6 I think in some areas, we're probably under-
7 reporting when you look at where we are in some of the
8 numbers like trained to counsel. It's important that
9 you understand how that's measured; you know,
10 counselors. Do they actually show -- excuse me. Make
11 sure I get this right. There's one where they're
12 actually just up in the office and they actually have a
13 one on one session. The other is kind of a
14 guesstimate, if we do a trade show or a big convention
15 where we actually would have 2 or 300 people in the
16 room, and that's training.

17 So that all gets pooled together. What does
18 that training and counseled number tell me when you
19 roll it together? I don't know that it tells me a lot.

20 When you look at the total loan numbers that are
21 generated, you know, I'm not sure that we have a real
22 accurate picture of that. So I'm just happy to give

1 you the metrics. But to tell you they're meaningful,
2 that we've got a measure behind it -- and we could tell
3 you exactly how we arrived and all that -- if they're
4 still in my mind some questions on that, I think they
5 begin to tell in some cases an area where we need to
6 focus and other areas that are good stories. But
7 there's still some work that needs to be done, and
8 we're committed to doing that. But we will use these
9 individually by VBOC when we consider that next year is
10 what the success rate is with respect to those
11 institutions. So the metrics are with the metrics are
12 right now. You know.

13 MR. HALE: Tim Hale, if I can jump in on that
14 one too, we do have a VBOC in New Mexico. And one of
15 the things that is very important about the VBOC is
16 also identifying customers who walk through the door
17 who aren't ready to start their business, and getting
18 them into the right path. So we may not see a loan
19 start to be generated for five years.

20 I would rather see that, but we won't really
21 have a good metric to measure that. Part of our
22 measured success is also honesty with that customer

1 that you need to go do these steps where we try and get
2 them tracked into that right direction also. Now, I
3 think that's a key, almost unmeasurable asset that we
4 need out there on the street also for those veterans.

5 MR. JEPPSON: Any more questions, comments for
6 Ramona? Okay. So thank you very much.

7 MS. PEYTON: Thank you.

8 MR. JEPPSON: So, next step is Rachel
9 Kestenbaum is supposed to join us from OGC's office
10 here. That's where we get into the really fun stuff
11 where we talk about the ethics and the other pieces
12 that I thought were important that we review here, as
13 we kind of form together.

14 But, real quick, since we've got a few
15 minutes, let me introduce my new deputy Barb Carson.
16 She's joined the task force. So, Barb, if you come up
17 here, we'll just give a few minutes for her to tell us
18 a little bit about herself and background. So, Barb?

19 MS. CARSON: Thanks. I appreciate it, Stan.
20 Thanks. It's hard to follow Ramona; she's a powerhouse
21 and does incredible work, and was very modest in what
22 the VBOCs do and her part in it. So I'll try to fill

1 your shoes, but won't come close.

2 My name's Barb Carson. I think Rhett
3 mentioned I'm still an Air Force Reservist serving.

4 MR. JEPPSON: Air Power.

5 MS. CARSON: That's right -- Air Power. And
6 I'm very honored to be a part of this SBA team to
7 ensure that veterans have the opportunities that they
8 deserve, and they can help make our economy stronger.
9 I just came from the Reserve Officer Association where
10 they're looking at how employers, why they would choose
11 to hire reservists and what happens when those
12 reservists are deployed.

13 There's a lot of work to be done for veterans
14 in employment altogether, and being an entrepreneur
15 gives them a little more control, and some more
16 challenges as well. So I'm happy to be a part of this
17 team and hope I can be a resource to each of you. I
18 haven't met all of you yet. I've been with SBA for
19 only six months, and put to the test in many ways
20 already.

21 We have -- I hope you've heard this morning --
22 the training and education that we're already doing,

1 the Access to Capital that we are really turning
2 attention to at this time. And then the procurement is
3 strong with Stan, and we have growth there, opportunity
4 as well. This is a brief introduction. I forgot one
5 thing.

6 I was a small business owner before. That was
7 a good experience for me. Being a military spouse,
8 though, meant that I closed my business when he had a
9 deployment that took him away for a year and made us
10 change the location where we needed to live. So I have
11 empathy for vet entrepreneurs that are entering or
12 trying to grow their businesses in this economy.
13 Thanks.

14 MR. JEPSON: So one of the great things about
15 having Barb on board is that I'm only a lieutenant
16 colonel and I get to order a colonel around on a day-
17 to-day basis.

18 [Laughter.]

19 MS. CARSON: Good stuff.

20 MR. JEPSON: Good stuff. So, anyways, so
21 obviously, as you can tell, we've got a strong team.
22 If you knew the team before they were strong, I think

1 that the one thing that I enjoyed that Bill didn't have
2 is that my team has actually grown with some really
3 strong people. And you've heard from Craig and Ramona
4 and Barb now. So, you know, if you get a chance before
5 our meeting the next time we come together, to perhaps
6 schedule some time to meet sometime with them.

7 They'll also be available to you, as you need
8 or as you want, to have further discussions with them.

9 The one thing, if I go back to the telecom thing, it
10 was specifically to the meeting. But if you guys want
11 to have small groups where we update you on things,
12 we're happy to do that and make sure that you're SA
13 level is where it needs to be. There are certain
14 things that our office is doing, and it's just how we
15 couch that in the meetings.

16 So there's kind of the nuance pieces. I'll be
17 honest. I'm not a details guy, and it drives me a bit
18 crazy, but it's one of the rules that we have to live
19 with. So with that, why don't we go ahead and take a
20 break. We'll go find Rachel, where she's at. And,
21 during the break, if you would, if you've got a few
22 minutes, why don't you just take a look at your

1 calendars. And let's kind of be forward thinking a
2 little bit about when we want to meet, and let's try to
3 plan the meeting between now and the end of September
4 next year, whether it's a couple by telephone.

5 And let's plan on -- if we can, tentatively,
6 let's make the September of this coming year -- our
7 next one -- in-person. I promise you if I get money,
8 if they free up any money for me where I could bring
9 and have a third meeting, I'd be happy to fund that,
10 but I think that we'll be lucky to have the one at the
11 end of the year.

12 I will promise you that I'll make every
13 effort, but let's at least try to put some telephonic
14 meetings together or blackboard adobe connect meetings
15 together with the hope that we can come together at the
16 end of next year. You know, subject to funding. I'm
17 also happy to have them here and do them
18 telephonically, where we meet together here in the
19 building for those who are local. And do it
20 telephonically, if that's the direction you guys want
21 to do it.

22 I'm here to support you in that role. And I'd

1 like to talk a little bit when we do the wrap-up, too,
2 about a way forward as topics that you want us to
3 cover. What do you want us to lean into? How do you
4 guys want to go forward crafting the agendas for these?

5 And then, finally, the task force report, how to go
6 forward on that, and I will give you my thoughts. It's
7 my thoughts only on how that ought to be produced and
8 how it ought to be distributed. And then I want to
9 have that discussion with you all about are we in sync,
10 what do we need to change, and come to some agreements
11 on how we proceed forward on getting that out and
12 distributing that out and producing that report.

13 So, with that, if you guys will mill about
14 smartly, have those conversations, we'll go find
15 Rachel, and then we'll be ready to roll when she gets
16 here.

17 MR. FIELDER: Rhett, a quick question. If
18 we're going to add nine people to this group over the
19 next three to four months -- for the group be
20 productive teleconferencing and reconnect and all of
21 that -- if in fact we know each other, is there any way
22 possible that the next meeting, even if that's in

1 March, could be an in-person meeting, and then we
2 finish the rest of the year with teleconferencing?
3 Because at some point, it would be extremely difficult
4 not knowing everybody, any initiatives or any
5 conversation forward.

6 MR. JEPPSON: So let me do this, then. Let us
7 get through and see what's going to happen on the 15th.

8 You know. Your guess is as good as mine. You know?

9 I mean we all have opinions about what may or may not
10 happen. Let me see what my budget's going to look like
11 and what I can craft out of the budget and what I could
12 steal and what I could get.

13 We face not only at the office level a cap on
14 travel, but an agency cap, and it's monitored by OMB.
15 So we're down to almost 20 percent out of the 2,010
16 when you look at what we've had in the past year. So
17 what you're suggesting certainly makes really sound
18 logic, pretty rationale. It's just, fiscally, can we
19 support that. You know. I mean exactly what the
20 statute says and it's exactly what we want to do, but
21 there's the fiscal reality that we've got to live with
22 and evil common sense. So, it is.

1 It is. So I will do everything I can, but I
2 can't commit to it until we know what it is. You know.
3 I will tell you that if we find ourselves in a CR for
4 the rest of the year, that gave me more flexibility if
5 they give us another 90 days or another 90- to 120-day
6 CR.

7 That really will hamstring us, because we'll
8 get an even smaller amount like we have right now,
9 which was really, really small amounts for us. When it
10 comes down to operating stuff, we have less than
11 \$10,000 in operating money this year so far for the
12 first quarter. So, you know, we'll be richer. If we
13 keep a standard, a full CR for the full year, we'll be
14 richer in the last quarter if they piecemeal it out to
15 us. But if we get the CR for the balance of the year,
16 I'll probably get the full amount when they do that in
17 the January-February timeframe.

18 So that's a long answer to -- I wish I could
19 tell you, but I just wanted to try. But it makes
20 perfect sense, you know. I mean I can understand why
21 that would be the best way to go. It's just would I
22 have the money to do it. Okay. So since Rachel's

1 here, why don't we do this? Let's just take five
2 minutes, and I mean five minutes to make a head call,
3 and then be back in our seats here, and then we'll
4 press. So, thank you.

5 [A brief recess was taken.]

6 PUBLIC DISCUSSION AND COMMENTS

7 MR. JEPPSON: I'm thinking you guys pick the
8 dates.

9 MR. MUELLER: How about like we did this one?
10 Come in on Wednesday, which would be the 6th of March.
11 Is that right?

12 MR. FIELDER: Hmm-hmm.

13 MR. MUELLER: It is? That Wednesday?

14 MR. FIELDER: Yes, the beginning of March
15 would be better for us.

16 MR. JEPPSON: So the 6th is a Wednesday.

17 MR. HALE: No, the 6th is a Thursday.

18 MS. ULSES: Yeah. The 6th is a Thursday.

19 MR. JEPPSON: Well, we could do it the next
20 week.

21 MR. HALE: Yeah. I'd say the next week works
22 probably better for me, because we're in the middle of

1 our legislative session.

2 MR. HALE: Yeah. Pick a day other than
3 Monday. We don't want to travel on Monday, I can tell
4 you that.

5 MS. SIMMS: So the 12th?

6 MR. HALE: The 11th is Tuesday and the 12th is
7 Wednesday.

8 MR. JEPPSON: Let's assume best case and I
9 mean, you know, please. I'm going to tell you this if
10 you say you said this. I'm going to tell you you're
11 wrong. I will do what I can to make it a two-day and
12 to make it in person, but I can't guarantee it.

13 MS. SIMMS: What day are you shooting for?

14 MR. JEPPSON: So the 11th, and then it would
15 be the 12th and 13th.

16 MS. SIMMS: Well, the 11th is on a Tuesday,
17 the 13th is Thursday.

18 MR. JEPPSON: Yeah. So you travel that
19 evening. You spend -- what day? Depart Thursday.

20 MS. SIMMS: When we meet again in March, just
21 like this new travel system, we'll need you all to go
22 through and do like you did. Book through El Sol,

1 because if you do not, you'll be designated travel
2 arrangements. You will not be reimbursed. And that's
3 kind of tough, but you have to go. We've been
4 preaching it for I don't know how long. Go through El
5 Sol. You have to do El Sol.

6 MR. JEPPSON: Yeah. Because you're here on
7 invitational orders from us, the thing is just one of
8 the rules, not that I agree with it. You're supposed
9 to travel on government fare through a government
10 vendor so that we don't incur a change fee if you miss
11 your flight. It gives you that flexibility, so --

12 MR. FIELDER: Things like hotels?

13 MR. JEPPSON: The hotel, it's going to be
14 underneath per diem.

15 MR. FIELDER: So we can book our own hotels.

16 MS. SIMMS: Well, actually, I've got to find
17 out more about that system, but this time I was able to
18 book it for you. Okay. It's a new public system I'm
19 not accustomed to. I'm kind of feeling my way through
20 it.

21 MR. JEPPSON: I'll work with Cheryl on that.
22 I'm pretty sure that we can do it that way. But what

1 we just need to do is obligate the full MIE amount,
2 what we did voucher. I'll work with that. So, yeah.
3 You can book your own hotel.

4 MS. SIMMS: Okay.

5 MR. JEPPSON: I just need to work with her on
6 it. But you'll be reimbursed your hotel rate. You
7 guys know that.

8 MR. MUELLER: Yeah, but it would be good if we
9 all were staying. One of the things we at least did
10 last time, we were all staying -- tried to stay -- at
11 the same hotel. It was from a camaraderie, and
12 whatever.

13 MR. JEPPSON: So Dan asked me to do that. We
14 did it one time before when we're it was at Residence
15 Inn.

16 MR. MUELLER: No, it was at the Embassy -- no
17 -- the Doubletree.

18 MR. JEPPSON: Was that in Alexandria? Right?

19 MR. MUELLER: Yeah, in Old Town.

20 MR. JEPPSON: Yeah, because I make the VBOCs.
21 We get a block reservation. The issue was if I try to
22 do that, I have a really hard time. It becomes a

1 contract for me to write a contract, and so it would be
2 best if we designate the lead, or whatever; designate
3 early on like now the dates that you want to be there
4 and ask for the government rate. And then you
5 guarantee it with your credit card and that makes it
6 easier for me. So if you guys would do that, that
7 would make life easier for us. So we set the dates and
8 you all can decide which one you're going to use.

9 MR. MUELLER: Yeah. We communicate among
10 ourselves. And so just like I'm fit to register
11 myself.

12 MR. JEPPSON: That's a joke, so --

13 MR. MUELLER: That was a good joke.

14 MR. JEPPSON: So March, there's little to
15 rally against here. So I think that we need to pick
16 two more dates between now and the end of the fiscal
17 year. So what does the team think?

18 MR. MUELLER: Let's go to June, which is
19 probably the next logical --

20 MR. JEPPSON: The second week, June 10th is
21 Tuesday.

22 MR. MUELLER: These may be in person or they

1 may be teleconference.

2 MR. JEPPSON: I think that June most likely
3 will be teleconferenced, even if I could squeeze three
4 out, which I mean it could be really tough. I think
5 you want to save that for your year end.

6 MR. MUELLER: Here's my recommendation. If we
7 identify three meetings, which I know is iffy, we have
8 three meetings face to face. My suggestion would be
9 that maybe we have plans from other -- you want to call
10 it conference calls or whatever. I found that we at
11 least started that last year, even though people
12 disliked what we were doing. It turned out to be
13 beneficial, because we could pick up on the
14 conversation that we had at the meeting, and it kind of
15 continued the dialog a little bit. If you only meet
16 three times, you can't get much done, quite obviously.

17 MR. JEPPSON: I certainly understand that and
18 appreciate it. So if you guys want to meet
19 telephonically every month, we could support that. And
20 if you want to make it so that it's one where we
21 discuss policy and issues, all we have to do is put the
22 *Federal Register* announcement in.

1 MR. MUELLER: Can we make that decision at our
2 first next meeting then about when we meet, conference
3 calls, or whatever?

4 MR. FIELDER: I think that would be fair.
5 We're sure of the time, because --

6 MR. JEPPSON: So let's do this then. Let's at
7 least put -- and there's programming against it again,
8 at least one towards the end of the year if I could
9 pull off another in-person. And I got to tell you and
10 it's pretty unlikely, but let's at least put a mark on
11 the wall. Or if I fund you your money, or something
12 like that, which we had for Labor Day.

13 MR. FIELDER: I'm looking at the March date, a
14 June date and then a September date. And what worked
15 well in 2012 was that with the meeting where we
16 substantively figured out how we were going to do the
17 annual report, and that's not something you usually
18 accomplish by teleconference.

19 MR. JEPPSON: Yeah. So I think that maybe
20 what we could do is put a conference day together and
21 you could have a working group day around those; but,
22 again, it will be a function of money. One thing that

1 we do have, though, is people who've been vetted right
2 now, currently, and many of them are in the D.C. area,
3 which will help save.

4 Every agency inside the Beltway focuses on
5 government business for the most part, but also we're
6 not representing the rest of the country, too, that
7 geographically think we're serious, so.

8 MS. ULSES: Rhett, Rhett, having said that,
9 when you say that, we're talking regionally and
10 geographically. For those of us who're running BSOs, I
11 talk to people. I feel like I represent people from
12 around the country, even though I'm in Virginia Beach,
13 because I talk to people and get their input. So
14 that's got to help, somewhat.

15 MR. JEPPSON: I don't mean to discount that.

16 MR. FIELDER: I've got five minutes before I
17 leave.

18 MR. JEPPSON: All right. So we'll schedule
19 the rest of the meetings in the year and meet in some
20 form and fashion March 11 to 13th. We'll put that on
21 the calendar. We'll get the *Federal Register*
22 announcement ready to go. Let's at least block on the

1 calendar an opportunity for this two days in September.

2 So which week in September?

3 MR. FIELDER: I would say the 1st or 2nd week.

4 MR. JEPPSON: The first week, that's Labor
5 Day. The second week, that leaves the second week.

6 MR. HALE: So if you schedule something in
7 September, are you running the risk of in the fiscal
8 year close-out issues?

9 MR. JEPPSON: So here's the easy part for me
10 on the fiscal year. That's when we sweep accounts, and
11 it's easy for me to get my hands on money at the end of
12 the year. So, actually, if we make it early September,
13 if I get into the last two weeks --

14 MS. ULSES: The second week.

15 MR. JEPPSON: Why don't you make it a travel
16 day on whatever that Tuesday?

17 MS. ULSES: It's the 9th.

18 MR. JEPPSON: 9th? Make the travel day on the
19 9th and meet on the 10th and 11th.

20 MR. WHITE: Before these guys run, could I
21 just ask everybody one, quick thing? Is it just that
22 we had to decide on one topic to focus on, because

1 we're not going to have a lot of time to start picking
2 stuff. What would it be for you?

3 MR. WYNN: It's the federal procure increase
4 in contract opportunities for veteran business
5 outreach.

6 MR. WHITE: And I forget your name -- his
7 name.

8 MR. JEPPSON: That's Tim Hale.

9 MR. WHITE: Sir, we wanted to pick one topic
10 to work on. Joe mentioned federal procurement. What
11 would it be for you?

12 MR. HALE: Vet jobs.

13 MR. JEPPSON: Vet jobs?

14 MR. HALE: Jobs.

15 MR. WHITE: Well, I'm not sure that falls in
16 our charter, growing businesses.

17 MR. FIELDER: I don't understand enough about
18 it, but I've been following you for a while. It's a
19 capital thing.

20 MR. JEPPSON: I would add that too, but I also
21 would add the whole communication process, what we do
22 to the communities.

1 MR. WHITE: Okay. Yeah. I listened here
2 today and I know what goes on in the field sometimes.
3 They don't get it.

4 MS. ULSES: Right, because it's Access to
5 Capital.

6 MR. LEGHORN: Responsible access to capital.

7 MR. WHITE: Okay. I just wanted to know that
8 so planning for the future we can be thinking about it.

9
10 MR. LEGHORN: We don't want to just hand out
11 free money.

12 MR. JEPPSON: Okay. So hold on. So you said
13 Capital Access?

14 MS. ULSES: Communications.

15 MR. JEPPSON: Communications. Okay. So let
16 me go back to the communications. You said
17 communications to the Veteran's community?

18 MS. ULSES: To the community at large, public.

19 MR. JEPPSON: Okay. Tim?

20 MS. ULSES: Access to Capital.

21 MR. HALE: Yeah. Same here -- Access to
22 Capital.

1 MR. JEPPSON: So I think that in a full day we
2 can cover each of these, so obviously Cap Access got
3 most of the votes here. We'll deliver a good portion
4 of that, and we really need to drill down on you. At
5 this point we should be able to talk about what we're
6 looking at for 15th, which is the big next one and get
7 your input in there in the micro meeting.

8 The communications piece I think we can
9 dedicate. Go back to the vets' jobs, please. From our
10 perspective we did a little bit on that, because you
11 look at 80 percent of small business is self-
12 employment, that is jobs. It's creating your own job.
13 And so I see the synergy in that. So sometimes when
14 they say that, there's a segment that's going to be
15 there.

16 MR. HALE: Right, and every one of the
17 application says how many jobs you wanted to grow with
18 this line.

19 CLOSING COMMENTS

20 MR. JEPPSON: And I think that just because of
21 the legislation that's out there right now and the
22 moves that are equipped, we're going to have plenty of

1 reverse conversation about the contracts and the
2 opportunities, because I'd be shocked if there's not
3 something more specific on the verification
4 certification process. So because some of you are
5 leaving here, I'll just call -- not being the chair --
6 this meeting closed.

7 I'm happy to stick around and talk with those
8 who've got time, but for those members, though, I want
9 to thank you for being here. Thank you for your
10 patience. We look forward to working with you closely.

11 And you can see the team's kind of starting to form at
12 SBA here and we're excited about where we're going.
13 Look forward to working more closely with you all, so
14 thank you very much.

15 [The meeting was adjourned at 2:45 p.m.]

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