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U.S. SMALL BUSINESS ADMINISTRATION

ADVISORY COMMITTEE ON  
VETERANS BUSINESS AFFAIRS

THURSDAY, DECEMBER 5, 2019

9:00 A.M.

Reported by: Jennifer Razzino, CER

1 C O N T E N T S

2 PAGE:

3 Welcome and Introduction - Larry Stubblefield 3

4

5 ACVBA Chairwoman Remarks - Elizabeth O'Brien 3

6

7 Introduce New ACVBA Committee Members 6

8

9 OVBD Updates - Larry Stubblefield 7

10

11 IVMF V-WISE Update - Maureen Casey & Deanna Parker 19

12

13 American Legion Access to Capital Roundtable -

14 Joe Sharpe 35

15

16 U.S. Department of Veterans Affairs CVE

17 Certification Process Update - Ruby Harvey 49

18

19 Government Contracting and Business Development

20 Update - Sam Le 84

21

22 Public Comment 118

23

24

25

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

2 - - - - -

3 (9:06 a.m.)

4 MR. STUBBLEFIELD: All right. Well, good  
5 morning, everyone. Welcome to our December ACVBA  
6 committee meeting. I want to welcome you and thank you  
7 all for being here this morning. A special thanks to  
8 the American Legion for hosting us here. Special  
9 thanks also goes to my right here, Stan Kurtz and his  
10 team for working hard for putting everything together.

11 For those of you who are online, our slides  
12 can be found at [sba.gov/ovbd](http://sba.gov/ovbd) -- Oscar, Victor, Bravo,  
13 Delta. And if you want to get in touch with us, go to  
14 [veteransbusiness@sba.gov](mailto:veteransbusiness@sba.gov).

15 All right, at this time, I will turn it over  
16 to our Chair, Liz O'Brien.

17 MS. O'BRIEN: Thanks, Larry. Good morning,  
18 everyone. Special thank you, of course, to the  
19 American Legion for hosting us today. I was pretty  
20 fired up when we walked in the front door and came  
21 straight up without going through security, so I  
22 appreciate the opportunity.

23 How long will the renovations last at the SBA?

24 (Laughter)

25 MR. STUBBLEFIELD: Unfortunately, they're

1 finishing up in the next day or so.

2 MS. O'BRIEN: It's been a year that has  
3 certainly probably gone more quickly than I think any  
4 of us ever thought it would, but it has been a year  
5 that I think that we've had an opportunity to shine a  
6 light on some things that perhaps we weren't focused on  
7 in the past, to include CDFIs and looking forward to  
8 how those continue to play out and impact our community  
9 as we move forward.

10 This will be my last meeting today, correct?  
11 And we'll look forward to electing our new chair as we  
12 close doors later today, so this certainly has been an  
13 educational experience and allowed me to take  
14 information forward into the evidence but most  
15 specifically the military spouse community as we look  
16 to create opportunities for entrepreneurship for  
17 different populations within our community as well.

18 So I think on that note, are we going to move  
19 forward? Do you want me to introduce members? Are you  
20 going to do it?

21 All right, we're going to go around and do  
22 roll call. We will start to my left with Joe.

23 MR. SHARPE: Joe Sharpe with the American  
24 Legion.

25 MR. PHIPPS: Michael Phipps, the Lending

1 Group.

2 MS. PEREZ-WILHITE: Fran Perez-Wilhite with  
3 the North Carolina Military Business Center. I'm also  
4 American Legion Post 1819.

5 MR. ZACCHEA: Mike Zacchea, University of  
6 Connecticut School of Business, Entrepreneurial  
7 Bootcamp for Veterans.

8 MR. LOWDER: Lynn Lowder, Veteran Business  
9 Project.

10 MR. O'FARRELL: Jim O'Farrell, Advancement and  
11 Strategies Group.

12 MS. PORTER: Kandis Porter, Effective Flow  
13 Connections.

14 MS. VALERIE LEWIS: Good morning, Valerie  
15 Lewis, Valerie Lewis Janitorial, American Legion Post  
16 1, Small Business Task Force, Service-Disabled Veteran-  
17 Owned Small Business Network, and -- wow -- VetForce.

18 MR. STUBBLEFIELD: Do we have anyone -- any  
19 committee members on the phone?

20 MR. BANTON: Yes. This is Glenn Banton with  
21 OSB.

22 MR. STUBBLEFIELD: All right, thank you,  
23 Glenn.

24 MS. ANTHONY: This is Michelle Anthony with  
25 AEI.

1 MR. STUBBLEFIELD: Thank you, Michelle.

2 Okay, if we -- I guess we're going to move on.  
3 Next on the agenda, I guess, is introducing our new  
4 ACVA members. So I guess we'll have the mic swing back  
5 to you. And first of all, welcome. We're very happy  
6 that you're here and very appreciative of your interest  
7 in being on our committee, so welcome. So tell us a  
8 little bit about yourselves.

9 MS. PORTER: Hello. I'm Kandis Porter. I'm  
10 based in Reno, Nevada. I'm an Air Force veteran, and  
11 I'm founder and managing director of Effective Flow  
12 Connections. It's a management consulting company, and  
13 we go in and help organizations -- program management,  
14 project management, change management, leadership  
15 development. We've been in business for about three  
16 and a half years, all private sector. We mostly work  
17 out on the West Coast. And I'm so excited to be here  
18 today. We are a service-disabled veteran-owned small  
19 business certified through CVE, and also self-certified  
20 woman-owned small business. So thank you.

21 MR. STUBBLEFIELD: Thank you.

22 MS. VALERIE LEWIS: Good morning, everyone.  
23 Thank you for having me. My name is Valerie Lewis,  
24 owner of Valerie Lewis Janitorial. I started in 2005,  
25 so I've been in business since then. Service-connected

1 disabled veteran. I've had contracts with the VA,  
2 amongst other agencies. So it's been about 14 years.  
3 So been really active in advocacy, with the Task Force,  
4 my own network, and others around the room, I see a lot  
5 of familiar faces.

6 I'm a Marine veteran, and I think that's about  
7 it. Thank you for having me.

8 MR. STUBBLEFIELD: Again, welcome, and thank  
9 you both for being here to be part of our committee.

10 All right, I guess we will go -- move forward  
11 to the OVBD updates. I'll go through these really  
12 quickly because we really have a great agenda here.  
13 We're going to have Joe Sharpe talk about our  
14 roundtable that we had, and we also have our VA  
15 partners here as well. And, then, we're going to have  
16 Sam Le here to talk about a lot of the legislation  
17 that's going on.

18 And yesterday, I was very -- very, I guess,  
19 active engagement, if you will, with -- we had Chris  
20 Clarke here. He's one of the attorneys that, you know,  
21 focus on all the legislative proposals and things of  
22 that nature, but Sam is part of Government Contracting  
23 and Business Development, and so I think for the amount  
24 of things that he needs to go through, I'm pretty sure  
25 it's going to be an active discussion and we probably

1 need to allow a little bit more time.

2 So in that regard, for the OVBD updates, I  
3 just have four there real quickly. I'll just jump to  
4 the second one first because I kind of missed it a  
5 little bit yesterday and had to backtrack to it, but,  
6 you know, because of this body, a number of times  
7 things come up in terms of contracting, issues and  
8 things of that nature -- mentor protégé, 8(a), and so  
9 forth -- and no one in OVBD, we don't necessarily have  
10 the expertise there, so what we've done is established  
11 a liaison position, if you will. And that's Amy  
12 Garcia. I know all of you know Amy.

13 Amy came to OVBD from Government Contracting  
14 and Business Development. She's meeting on a regular  
15 basis with Barb Carson and her team, and she'll be our  
16 liaison back and forth with Government Contracting and  
17 Business Development. And yesterday she got a taste of  
18 all the legislation that she's got to get her arms  
19 around, so we're looking to have an expertise here in  
20 the committee for those issues.

21 Okay, we'll go to the next slide, and this is  
22 just an update on the GSA federal surplus property bit,  
23 and just kind of like tells you where we are. We're in  
24 the rulemaking area right now, if you will, but the  
25 bottom line is we're looking to have the surplus



1 property up and running by March/April time frame 2020.

2 We'll go to the next slide, if you will.

3 Okay, all right. National Veteran Small Business Week,  
4 you know, just a shout out to a number of folks that  
5 participated in National Veteran Small Business Week  
6 this year, and in particular our district offices, our  
7 68 district offices located around the country.

8 All in all, we had over 130 different events  
9 around the country, and the purpose of National Veteran  
10 Small Business Week is to just highlight to the  
11 American people our 2.5 million veteran-owned small  
12 businesses, what they bring to the communities, and  
13 also to let those business owners know about the  
14 resources that we have available to help them, you  
15 know, promote their businesses and so forth.

16 So this year we were very fortunate to get the  
17 acting administrator -- we were very fortunate to get  
18 the acting administrator out to New Mexico and down to  
19 Business the Battlefield. And so, all in all, it was  
20 just, you know, a great team effort for National  
21 Veteran Small Business Week. And if you look on the  
22 slide where it talks about social media, the fact that  
23 we were able to reach, you know, 2.8 million people,  
24 you know, promoting National Veteran Small Business  
25 Week, was also, you know, something that we're very,

1 very pleased with.

2 All right, so is that the -- that's my last  
3 one, I believe. Oh, okay, no, I'm sorry. The SBA --  
4 okay, we're in the process right now of planning  
5 Veteran Small Business Summit, and we're actually  
6 partnering with the American Legion on the summit. At  
7 SBA, I can tell you that the senior leadership from the  
8 acting administrator through our regional  
9 administrators are all very excited about this  
10 opportunity because the focus for the Veteran Small  
11 Business Summit this time will be on rural. We're  
12 looking at Rural America, and the administration is  
13 also looking at opportunity zones, so this goes hand in  
14 hand with what the administration is looking at.

15 So we met. We've had -- I guess we had our  
16 initial meeting where we talked through the roundtable,  
17 which Joe will talk about the roundtable here very  
18 shortly, but during that meeting, the American Legion  
19 had gone out and looked at, you know, poverty levels  
20 across the country. The American Legion identified  
21 Mississippi, I guess as being the number one state in  
22 terms of, you know, the high levels of poverty, and  
23 then the next state was New Mexico.

24 Now, I was surprised that -- I know  
25 Washington, DC isn't a state, but it was, like, number

1 nine -- number nine on the list. When you think of the  
2 Federal Government here, you know, all the things  
3 associated with the Federal Government, but DC was  
4 number nine. So we initially wanted to take a look at  
5 Mississippi, but to show you the amount of importance  
6 the administration is putting on this and the SBA is  
7 putting on it, their regional administrator responsible  
8 for Mississippi is actually on a detail to the White  
9 House, so the SBA leadership, in conjunction with the  
10 American Legion, we decided to focus on New Mexico.

11 So we're in the process right now of looking  
12 at what resources are on the ground in New Mexico, what  
13 resources we have in SBA that can help with this, and  
14 where are the veterans. Where are the veterans in New  
15 Mexico? And we're also going to take a look at the  
16 tribal community as well.

17 So the plan is to have the summit in the  
18 March -- February/March time period. The SBA has taken  
19 one of the regional administrators out of her position  
20 and created a new position that's called Rural  
21 Initiatives, so she's the director of Rural  
22 Initiatives. She's working with us on this. In our  
23 office, we have sitting here to my right -- Star, you  
24 can raise your hand, Star Wilbraham has come over.  
25 She's going to lead with the effort from the OVBD

1 perspective. I don't see Kathy McShane here. I think  
2 all of you know Kathy. Kathy's working on it. And  
3 then we've got Stan here and his team. So we're really  
4 going to pull this off, and the goal is to go into the  
5 rural communities to know what the problems and issues  
6 -- banking -- financing issues, banks moving out of  
7 those communities and things, to go where veterans are  
8 in those areas and promote opportunity in terms of  
9 entrepreneurial opportunities and things of that  
10 nature.

11 All right, so on that note, this is our second  
12 collaboration -- oh --

13 MR. O'FARRELL: Jim O'Farrell. So, Larry,  
14 when you're going out to an issue like this, are you  
15 all -- who are you partnering with locally in New  
16 Mexico to -- and it's a loaded question because I have  
17 the answer I'd like to provide for one snippet of  
18 possible connection is through work that my company  
19 does with the Veterans Health Administration. We've  
20 discovered that the University of New Mexico has a  
21 phenomenal rural medical capability, and I realize all  
22 the HIPAA rules and all that involved in health care,  
23 but if there's a way to connect with the University of  
24 New Mexico's medical school and that kind of thing,  
25 maybe there's a way to access veterans that you might

1 not otherwise be aware of.

2 And so going back to my first question, how  
3 are you all connecting with the local folks that want  
4 to work with you?

5 MR. STUBBLEFIELD: Okay, well, first, I'll say  
6 in terms of the University, we're happy, and I can see  
7 Stan nodding his head, we're happy that you passed that  
8 on because we started off working with Mississippi, and  
9 we were working with Mississippi State University, and  
10 we really would like to partner with the University  
11 because one of the -- part of our plan we'd like to be  
12 able to stream some of the sessions, you know, around  
13 the country and so forth, so we will definitely take  
14 you up on that offer.

15 MR. O'FARRELL: Okay, and it's through a  
16 partnership we have with Ernst & Young, one of their  
17 senior partners is a doctor from the medical school,  
18 and she plugged us in there, and they're really easy to  
19 work with, and I think that would be a channel we could  
20 tap.

21 MR. STUBBLEFIELD: All right. And I'm pretty  
22 sure they're all over the state, too.

23 MR. O'FARRELL: Well, and as far as the  
24 bandwidth issues and everything, the telemedicine  
25 efforts that they've been undertaking there have been

1 pretty good, too.

2 MR. STUBBLEFIELD: Yeah, we will definitely  
3 follow up with you on that.

4 MR. O'FARRELL: Okay, thanks, Larry.

5 MR. STUBBLEFIELD: And in regards to the local  
6 partners, you know, we've got VA at the table with us,  
7 the Department of Agriculture. You know, we're looking  
8 into the Department of Interior, and I will tell you  
9 that during National Veteran Small Business Week, I had  
10 a chance to travel to New Mexico, so we had our  
11 district offices on the ground there, the VBOC, you  
12 know, I mentioned the regional administrator. So we're  
13 really putting the team together here to make this  
14 really successful.

15 MS. O'BRIEN: Thanks for letting me borrow  
16 your microphone. I just also want to share as we're  
17 talking about efforts focusing on rural areas, we  
18 are -- we have finally wrapped up our survey in  
19 conjunction with Google, so it's a year-long study,  
20 but taking a deep dive into specifically how military  
21 spouses are impacted in rural areas that want to launch  
22 small businesses and barriers they're facing. So I  
23 certainly would be more than happy to share some of  
24 that information with you guys in advance before our  
25 release if you need it.

1           MR. STUBBLEFIELD: Absolutely. Thank you very  
2 much for that.

3           Yes, Fran.

4           MS. PEREZ-WILHITE: Larry, thanks so much for  
5 going out to rural areas. It's going to make a big  
6 difference. I'd like to remind you, too, about the New  
7 Mexico Military Institute. It's a military junior  
8 college. The majority of their graduates are veterans.  
9 You might be able to tap into their network. I'm sure  
10 they're across the state, and I'm sure they'll want to  
11 be involved with this worthwhile endeavor.

12           MR. STUBBLEFIELD: Great, great point. I was  
13 just wondering, Stan, did I miss anything that you want  
14 to add?

15           MR. KURTZ: No, I think those are great  
16 points, and I'll definitely reach back out to you. If  
17 anybody else has connections in New Mexico, please let  
18 us know. But as Larry said, we're really relying on  
19 our district office because they're plugged into the  
20 local community. We're hoping you're plugged into the  
21 University because we need a place to be able to stream  
22 it.

23           And, again, as Larry said, our vision is to  
24 stream it to rural areas. And I did talk to Student  
25 Veterans of America. I'd like to plug in some of those

1 agricultural schools, Texas A&M and some of the other  
2 agricultural schools across the country to maybe, you  
3 know, tune in and learn about our resources. So  
4 definitely, if you have anything, contact me and we'll  
5 be in communication. So we're starting to work it now.

6 MR. STUBBLEFIELD: Okay, hey, Lynn, how you  
7 doing?

8 MR. LOUDER: Hey, Larry. How you doing?

9 I've been with mayors in downstate Illinois.  
10 I'm a small-town guy to begin with, and there is a  
11 hunger in small town America. They've had Walmart go  
12 through, and they've had Costco go through. It's been  
13 devastating to the local economies. So we have, and I  
14 think you guys have the stats on a surprising number of  
15 our veterans that live in rural, small-town America,  
16 for all the reasons if you were raised in rural areas,  
17 we know why they're there. Calmness; your kids can  
18 still play outside unsupervised; you don't have to lock  
19 the doors. It's a -- and you're not anonymous, put it  
20 that way.

21 So we have a number of small business people  
22 in small towns that are coming up on the -- they're my  
23 age, you know, they're baby boomers, and they want to  
24 flip their businesses, sell their businesses and  
25 retire. So there's -- and we're finding there's lots



1 of opportunities there right now in small-town America  
2 to keep those businesses open and have no more closed  
3 storefronts.

4 But beyond all that, with the CDFI program  
5 we're teaming up with, there's tremendous opportunities  
6 now for veterans to start their own businesses. What  
7 we do, you know, is match up people looking -- veterans  
8 and spouses -- with existing businesses, not startups.  
9 So we see rural America all across the country as a  
10 fertile ground for small business opportunity and  
11 greatly welcomed by small town mayors.

12 So what we're going to do, Larry, is we're  
13 going to roll these mayoral associations in various  
14 states and they meet out here nationally. I think that  
15 would be a great place to establish relationships and  
16 push top-down, bottom-up.

17 MR. STUBBLEFIELD: Greatly appreciate that.  
18 I'm thinking like, I guess they were partnering with  
19 the American Legion, and they're just like SBA.  
20 They're everywhere as well. So the more, you know,  
21 data, resources, and things that we can bring to the  
22 table on this in collaboration, you know, this is going  
23 to be, you know, all for the good for our veteran  
24 community and rural communities.

25 Now, speaking of the Veteran Small Business

1 Summit, this is summit number two. Back in July, we  
2 had that summit number one, which is, again, our great  
3 partnership with the American Legion hosted the summit  
4 here. We brought Corporate America here. We had JP  
5 Morgan/Chase, First Data, Booz, Allen and others and  
6 small businesses who were able to have that dialogue in  
7 terms of, you know, what Corporate America looks for in  
8 supply chain and things of that nature. But we would  
9 not have had the summit if it hadn't have been, again,  
10 for the American Legion. So at this time, I just want  
11 to take a moment to present a letter to Joe Sharpe from  
12 our Acting Administrator for your support for the first  
13 summit.

14 (Applause.)

15 MR. STUBBLEFIELD: And it just says on behalf  
16 of the U.S. Small Business Administration, I would like  
17 to express our sincere appreciation to you, the  
18 American Legion, for hosting the Veteran Small Business  
19 Summit on July 25th, 2019. During the event, you gave  
20 SBA's Office of Veterans Business Development staff the  
21 opportunity to educate and present SBA programs to our  
22 nation's veterans and military spouses.

23 This collaboration helped us to better engage  
24 with veterans and military spouse small business  
25 entrepreneurs and connect them with other veteran-owned

1 small businesses. We truly appreciate your  
2 collaboration in accomplishing our mission to help  
3 start and grow veteran-owned small businesses. Thank  
4 you again for your continued support to SBA, and please  
5 congratulate your staff on a job well done. Sincerely,  
6 Christopher Pilkerton, Acting Administrator.

7 (Applause)

8 MR. STUBBLEFIELD: Okay, do we have IVMF on  
9 the line? You're on the line?

10 MS. CASEY: Good morning. This is Maureen  
11 Casey. Can you all hear me?

12 MR. STUBBLEFIELD: Yes, Maureen. Thank you  
13 very much for being with us. Let me just say here to  
14 the committee, one of the things that, you know, we've  
15 heard at OVBD is that some of you are hearing from your  
16 constituents what do we do for -- you know, for women  
17 business -- for veteran business owners. So what I  
18 thought I would do for this, our meeting here today, is  
19 just highlight a very successful program that's  
20 sponsored by IVMF, known as the V-WISE program. You'll  
21 understand what V-WISE means here in a second when  
22 Maureen gives you, you know, a briefing on V-WISE.

23 I have had the opportunity to go attend two of  
24 the V-WISE sessions, and the way I look at V-WISE, it's  
25 not just about -- it's just not about, you know,

1 business development and things of that nature. It's  
2 also something for the participants. And the way I  
3 describe V-WISE, to me, it's a life-changing event.

4 The first one I went to was in Atlanta, and  
5 the type of things that they cover -- like I said,  
6 there is workshops, and Maureen, she'll get into it,  
7 but this thing about developing the person, the inner  
8 being of a person, is really, really powerful.

9 So with that, I'm going to turn it over to  
10 Maureen Casey at IVMF. Maureen, thank you very much  
11 for being with us.

12 MS. CASEY: Larry, thank you, and I am joined  
13 here today by Deanna Parker, who is the actual program  
14 manager for V-WISE. And Misty Stutsman, who directs  
15 our entrepreneur program, the portfolio here at the  
16 IVMF, regrets that she cannot be with you today  
17 unfortunately. She had a death in her family last  
18 week, so we're just giving her a little bit of time to  
19 deal with that situation, but I do want to make one --  
20 add one thing to what you said, Larry, about the V-WISE  
21 program and it being sponsored by the IVMF.

22 We do this program in partnership with the  
23 Small Business Administration. As Mike Haney, my boss,  
24 often tells the story, it is the SBA that got V-WISE  
25 started with a grant a number of years ago, and it was

1 a grant to do six of these V-WISE programs nationwide  
2 over a two-year period, and as we'll talk about in a  
3 bit, we are now on -- going into program number 23.  
4 We've done the program 22 times in 20 different states,  
5 and we have a waiting list of 1,000 women, veterans,  
6 transitioning service members, military spouses and  
7 partners, all waiting for the next opportunity. So  
8 what we do here at the IVMF with respect to V-WISE and  
9 some of our other programs would not be possible  
10 without the partnership of the SBA and others that are  
11 in the room.

12 So with that, I'll -- I know we only have 15  
13 minutes. I want to be able to move through this  
14 presentation pretty quickly -- you have it there -- and  
15 leave a few minutes for questions at the end. I am now  
16 on Slide Number 2. Just very briefly for those of you  
17 who do not know who the Institute for Veterans and  
18 Military Families is, we are situated here at Syracuse  
19 University, a lovely location to be in the middle of  
20 December, with our first foot of snow on Monday, but,  
21 you know, and we -- the IVMF was founded nine years  
22 ago.

23 Really the focus at our founding was on  
24 entrepreneurship and small business training. Since  
25 then, we have certainly expanded with regard to other

1 kinds of career preparation, employment programs,  
2 community-based support, and care coordination through  
3 our American Serves initiative and a whole host of  
4 other entrepreneurship programs that we'll review with  
5 you in a moment.

6 We also have a very deep research and policy  
7 analysis focus. And I think that is one of the things  
8 that makes the IVMF unique is that not only are we  
9 doing direct service delivery to transitioning service  
10 members, veterans, and their families, but we're also  
11 doing research and analytics that support not only all  
12 of the programs and services that we deliver, but we  
13 also offer that service to others around measuring the  
14 efficacy and efficiency of their programs and services.

15 I'm now moving on to Slide Number 3. This  
16 just gives you an idea of the growth of the IVMF since  
17 our launch in late 2006. To date, we've delivered  
18 programs and services to more than 125,000. As we can  
19 see by that timeline, V-WISE, Boots to Business, Ignite  
20 EBV, EBV Accelerate, Strive, all of those are  
21 entrepreneurship programs and I need to give a special  
22 shout-out to Mike Zacchea in the room. He is a great  
23 partner of ours on the EBV program and does a great job  
24 over there in Connecticut.

25 If we move on to the next slide, Number 4, I

1 think the thing that we come to appreciate as our  
2 entrepreneurship and small business training has worked  
3 and we've certainly come to this in partnership with  
4 the SBA as we've come to understand what our  
5 transitioning service members, veterans, and their  
6 family members need as they move along on their  
7 entrepreneurial journey. Certainly some of our early  
8 programs focused on that ideation, early-stage, startup  
9 work.

10 We then realized under Misty's leadership a  
11 couple of years ago that we started all of these small  
12 businesses over the course of the last several years,  
13 and they'd gotten to a place where they need to grow  
14 their business, figure out how to sustain their  
15 business, or, in some cases, look to see how to sell or  
16 transition their business into something else. And  
17 while there are a great deal of programs and services  
18 in that ideation, early-stage, startup phase, we didn't  
19 have a lot in that "how do I grow my business." So you  
20 see in that third column EVB Accelerates, Veteran Edge  
21 and VetSource. All of those particular programs are  
22 really focused on established veteran and spouse-owned  
23 businesses and how can we deliver programs and services  
24 to them as they look to take their businesses to the  
25 next stage.

1           The other thing that we're doing is figuring  
2 out -- and I know there was some conversation earlier  
3 around supplier diversity and connecting to larger  
4 companies and how to figure out getting into the supply  
5 chains of these larger companies. So each of these  
6 programs, particularly Edge, which is a very large  
7 training conference that we do in March, and then  
8 VetForce are really focused on not only figuring out  
9 how to make sure that our veteran-owned and spouse-  
10 owned small businesses are procurement ready but that  
11 they also have the opportunity to connect with supplier  
12 diversity professionals from a host of companies,  
13 medium-sized, large-sized companies, to ensure that  
14 they know what they need to do to be successful,  
15 whether it's a Tier 1, Tier 2, or a Tier 3 supply chain  
16 effort.

17           And we had one particular veteran-owned  
18 business coming out of our Edge conference last year in  
19 Dallas that connected with Walmart, a company called  
20 Aqua Blue. They sell a vitamin water. He was invited  
21 to Walmart All Call in the spring to present to their  
22 supplier diversity professionals, and his water will  
23 now be on the shelves of a number of Walmarts across  
24 the country. So -- and there are a number of success  
25 stories that we have like that.



1           We just also did something in November with  
2 Fox Business. We profiled a number -- three of our  
3 veteran-owned small businesses. One of them was a lawn  
4 game called Rollers, and we just learned that he has  
5 sold out his supply for the Christmas season as a  
6 result of his appearance on Fox News. So we know that  
7 we're gaining some traction with these veteran-owned  
8 small businesses that have figured out how to be  
9 prepared to do business on a larger scale, and we're  
10 going to continue those efforts.

11           Now on to the next slide. This one is a  
12 little more of a complicated slide, I guess I would  
13 say, but the bottom line is it really depicts what  
14 we're talking about with regard to the prior slide  
15 about meeting veterans where they are on their  
16 entrepreneurial journey, so what does this ecosystem  
17 look like, how do we from the IVMF's perspective  
18 support them along their journey, and certainly the SBA  
19 is a part of that.

20           Now to just talk a little bit more  
21 specifically about V-WISE, I'm going to ask Deanna to  
22 step in and walk you through at a high level what the  
23 V-WISE program is.

24           MS. PARKER: Thank you, Maureen. Can everyone  
25 hear me okay?

1 COMMITTEE: Yes.

2 MS. PARKER: Great. So I am the program  
3 manager, as Maureen said, of the V-WISE program, as  
4 well as Entrepreneurship Bootcamp for Veterans Program.  
5 And V-WISE is a very special program to me, mainly  
6 because I am also a woman veteran, and I can tell you  
7 from personal experience that in the Marine Corps that  
8 I -- that VWISE is the only place that I have ever been  
9 in front -- or I guess engulfed into that many women  
10 veterans and military-connected women.

11 And so it's very impactful for that purpose  
12 alone. And I know a lot of the women expressed the  
13 same views and have that -- had a similar experience as  
14 I do because being in the Marine Corps, I was  
15 surrounded by about two to three other women at one  
16 time in each platoon that I was in.

17 So V-WISE is a three-phase program, and what  
18 V-WISE is focused on is -- and we can move to the next  
19 slide. I'm going to kind of give you a brief overview  
20 of the whole program. It talks about the different  
21 phases of V-WISE is a training program that is an --  
22 that provides education and ongoing support and all the  
23 tools that is needed to start a business -- ideation  
24 and pushing them through the launch and then into the  
25 growth phase through our coach program support.

1           As Maureen said, we've done this in 22 -- or  
2 20 different cities. We go on to our 23rd conference  
3 in 2020, lots of twenties there, and the cost for this  
4 program is a very nominal registration fee and travel.  
5 So they have to pay a \$50 registration fee to guarantee  
6 their spot at the conference and find a way to get  
7 there. We also like to help with scholarships for  
8 registration, and that is something that's included in  
9 our grant, so when we have someone connect with us, we  
10 work with them to provide them an avenue to attend this  
11 conference.

12           So these three phases, what are they? The  
13 first phase is a three-week online course. So it is 15  
14 days, and it is instructor-led. So we do have an  
15 instructor on -- we use various instructors. The one  
16 we've been using recently is also a graduate of some of  
17 our programs and he's kind of been there, done that,  
18 and been in a place where some of our participants have  
19 been, so she's very relatable. And they have a lot of  
20 reading, classroom discussions on the online portion,  
21 and they have webinars.

22           Some of them are videos that they watch and  
23 discuss afterwards, and they also have three different  
24 webinars that are with the instructor as an office  
25 hours type to kind of go over what they're going to be

1 learning that week, introduce that, and to ask  
2 questions why with their instructor. Those are very  
3 vital to this group, and we try to make it very  
4 interactive as possible through that.

5           They also have access to this online portal  
6 for a year prior. So the Phase II is the three-day  
7 conference that we hold in a different city each time.  
8 This conference is really set to dive deep into the  
9 business fundamentals. It's really there to connect  
10 them. They've been on the online course. They've  
11 connected virtually. Now they're connecting face-to-  
12 face. And it's really there to be face-to-face with  
13 the instructors, to go through the different  
14 fundamentals on Saturday, like marketing, selling in an  
15 entrepreneurial venture, economics, business planning.

16           And then the third day is elective. So we  
17 have a multitude of electives that they can choose. If  
18 you want to move on to the next slide, you can see  
19 those. We have -- I won't go through each of them in  
20 detail, but really they can choose two different  
21 tracks. If they're in the ideation phase, they attend  
22 the 101 classes, which is very basic knowledge of  
23 entrepreneurship, and then 201 guides them a little  
24 deeper into those fundamentals. And then on Sunday,  
25 as I said, they attend a multitude of breakouts.

1 Although we offer certain breakouts every time, we  
2 really look at the registrants to see what their needs  
3 are and try to provide electives that will meet those  
4 needs.

5 Phase III is the ongoing support that we have.  
6 I like to say a lifetime of support for the life of  
7 your business. So some may attend V-WISE and choose  
8 that it's not the right time to start their business,  
9 and some may say I want to start it right now. Well,  
10 for both of those crowds, we have that coach support  
11 program that really helps them whenever they're ready  
12 to dive in and continue their business. Let's move on  
13 to the next slide.

14 MS. CASEY: This is Slide Number 8.

15 MS. PARKER: Back to Maureen to talk more  
16 about the impact.

17 MS. CASEY: Got it.

18 The other thing that I would add to what  
19 Deanna just covered with regard to the -- really the  
20 fundamentals of business operations, as Larry  
21 referenced in his opening remarks about V-WISE, I think  
22 the other thing that is unique about the program is  
23 that it also offers a series of keynotes that are  
24 really structured around things like work/life balance,  
25 to the extent such a thing exists, other kinds of sort

1 of life experience type things between transitioning  
2 out of a military lifestyle into a civilian lifestyle,  
3 so it really does try to look at the veteran as a  
4 whole, as opposed to we're just focused on the small  
5 business aspect of this, and I think it is a very  
6 unique aspect of the V-WISE program.

7 I am now on Slide Number 9, which just gives  
8 you some of the demographics of those that we serve,  
9 the age of our businesses, veterans and spouse  
10 breakdown. That promoter score is always an important  
11 thing for us to look at. The demographics, I think,  
12 are important of the diverse group of people that we  
13 serve, and we're always trying to be focused on that.  
14 And then you see the age range of those that we are  
15 serving.

16 Moving on to Slide Number 10, I think again  
17 another differentiator for the V-WISE program and  
18 really all of the programs of the IVMF is the outcome,  
19 not just the fact that we've put more than 3,000 women  
20 through this program but we have a 55 percent venture  
21 creation rate, and then of those that have started a  
22 small business, they are still in business today. So  
23 we feel -- feel very good about the fact that not only  
24 are we giving these women experience, but the outcomes  
25 and the contribution from income to the number of folks

1 that they employ and all of those kind of things are  
2 real economic drivers for the communities across our  
3 country.

4 Moving on to Slide Number 11, that just tells  
5 you about the -- you know, as I said, the 3,000-plus  
6 that we have put through the program, the industries  
7 where these businesses come from. I don't think that  
8 would be any surprise between professional services,  
9 retail, health service. I will tell you that on the  
10 IVMF website right now is a veteran-owned business  
11 shoppers guide. It's got more than 200 veteran and  
12 spouse-owned businesses that are there, and I've done  
13 some retail therapy over the last couple of days  
14 getting some of my Christmas shopping done, so I'd  
15 encourage folks to look at that. It's really  
16 impressive what businesses and products they have to  
17 offer.

18 Slide Number 12, I'm just going to move  
19 through these. That's a couple of success stories that  
20 we've included here.

21 Slide Number 13, as Deanna mentioned, those  
22 ongoing supportive services, that's -- this slide  
23 just gives you an idea of the range of host program  
24 support that we offer to our program participants. We  
25 have worked very hard over the course of the last few

1 years to understand what their needs are and then  
2 figure out how we can develop partnerships with those  
3 that want to provide those services. And most of them  
4 are free of charge. Some might charge a nominal fee,  
5 but we do our best to ensure that the host program  
6 support services are available to our V-WISE  
7 participants but also all of our entrepreneurship  
8 programs participants.

9 Slide 14, again, just gives you a snapshot of  
10 some of what our women participants have said. I would  
11 echo Larry's comments that I truly believe it's a life-  
12 changing experience. You all would be welcome anytime.  
13 We can share the dates of the upcoming conferences.  
14 We're locking them in for next year, but it truly is  
15 profound to see the networking and the development of  
16 an environment like this which is focused on women  
17 veterans and military spouses.

18 I can't help -- I'm on Slide 15 -- can't help  
19 but to give a shout-out to what's going to happen here  
20 next year at Syracuse University campus. The  
21 University has invested significantly in our veterans  
22 program here. What you see there is a rendering of the  
23 National Veterans Resource Center that will open here  
24 on Syracuse University's campus next April. It is --  
25 it will be a building totally dedicated to veterans and



1 their families. Not only will it house the IVMF but  
2 all of Syracuse University's military-connected  
3 programs, and it will also have conference space and  
4 space for community -- our own community-based veteran  
5 servicing organization, but we hope to make it  
6 available for others nationally to leverage as well.

7 On to Slide 16. It just gives you an idea of  
8 some of the upcoming events that we have, but I think  
9 the biggest thing I would share with you is in March.  
10 I've mentioned it a couple of times, the Dallas Edge  
11 program. It is a three-day -- very intensive --  
12 training and networking event for established veteran-  
13 owned businesses. Last year, we had more than 250  
14 veteran-owned businesses, more than 400 participants.  
15 We also have established a partnership with Inc.  
16 Magazine, and during this event, we announced the 100  
17 fastest growing veteran-owned businesses. So it's a  
18 very exciting partnership that we've developed with the  
19 Inc. Magazine and with a specific focus on veteran  
20 entrepreneurship.

21 On to Slide 18, there's our team, and always  
22 happy to answer any questions if you have anything not  
23 only related to V-WISE but to any of our  
24 entrepreneurship programs or anything that's going on  
25 in this space. I think Misty and her team have really

1 grown to be a critical part of the national veteran  
2 entrepreneurship ecosystem and so they're available  
3 here as a resource to all of you.

4 And with that, we'll pause. We've gone a  
5 little bit over, but happy to take questions that you  
6 might have.

7 MS. PORTER: Hello, this is Kandis Porter. I  
8 just want to say I went through the V-WISE program a  
9 number of years ago. It was a fabulous program. You  
10 make so many connections there. And I'm signed up for  
11 the EDGE program in March, so I really look forward to  
12 that, but I just want to say thank you to you and your  
13 team for providing women a place to go and connect and  
14 really learn a lot about how to successfully run a  
15 business. So thank you.

16 MS. CASEY: Thank you.

17 MR. STUBBLEFIELD: Okay, Maureen, there's no  
18 other questions in the room right now at the moment,  
19 so, again, thank you very much for taking the time to  
20 present here for our committee. We really appreciate  
21 it.

22 MS. CASEY: Anytime, Larry. Thanks so very  
23 much. We really appreciate your partnership. We're  
24 going to sign off now. Thanks again.

25 MR. STUBBLEFIELD: Okay, well, we're up to a

1 small break here, if you will. So it's 9:55. I'd ask  
2 everyone to be back in their seats at 10:05.

3 (Recess.)

4 MR. STUBBLEFIELD: We are going to get  
5 started. Okay, we're back on.

6 Okay, I had mentioned earlier that back in  
7 September, Joe Sharpe hosted a roundtable discussion on  
8 capital access. And so at this time, I'm going to turn  
9 it over to Joe and his team to talk about the  
10 roundtable and the world of small-town initiative that  
11 we talked about earlier.

12 MR. SHARPE: You know, we've all talked in the  
13 past about the number one issue for small businesses is  
14 access to capital. And at the American Legion, we have  
15 about over 2 million members, and many of them are in  
16 our small towns and rural areas across the country.  
17 And we know that many of -- that having access to  
18 capital is a huge issue.

19 Since we had the recession, a lot of the  
20 community banks have left those areas. And many of our  
21 small towns and rural areas more or less have been left  
22 behind with this new economy. So those are some of the  
23 issues that, you know, the group here has been talking  
24 about for the last couple of years. And so that's one  
25 of our new initiatives, along with the SBA, USDA, and

1 the Treasury and other departments.

2 But now I want to introduce you to Theresa  
3 Lewis. Theresa Lewis is on loan with us from HHS, and  
4 she's going to talk about -- present some of the slides  
5 that we presented during our meeting.

6 MS. THERESA LEWIS: Thank you, Joe. Can you  
7 hear me? No. My voice is struggling, but I'll do the  
8 best I can.

9 Okay, so how's that? All right, next slide,  
10 Cheryl, please. So the primary purpose of the  
11 roundtable, in particular, is to address what's  
12 happening in rural America. We know that small  
13 business entrepreneurship is a way to help a lot of the  
14 local communities with overcoming the impoverished  
15 rates. What we learned is that there are some states  
16 that have -- there are some states that have poverty  
17 levels over 25 percent, which is pretty sad. There are  
18 some counties that we have found in Mississippi, for  
19 example, that have poverty rates over 50 percent. And  
20 so we know that veterans are the ones who can make a  
21 difference in those communities.

22 And those of you who know Joe know how  
23 passionate he is about improving the lives of veterans,  
24 and entrepreneurship is one of those ways that it can  
25 be done. And, so, next slide, please, Cheryl.

1           So these are the types of resources that we  
2 have identified so far. We know that there are more.  
3 In fact, just listening earlier, we heard some of those  
4 that you are using and that we definitely want to tap  
5 into. I want to say also regarding this list of  
6 resources, the American Legion has posts throughout the  
7 country. We identified -- I think there were close to  
8 40 posts in the state of Mississippi, and those are on-  
9 the-ground resources that we intend to connect with as  
10 we go forth with this initiative.

11           So these are the poverty rates that Larry  
12 mentioned earlier. These are the top ten, and it  
13 included the District of Columbia as well, top ten  
14 states -- top ten states and DC. And as you can see,  
15 it's pretty high.

16           So one thing that I thought about -- yeah,  
17 thank you. So when you think of poverty, you think  
18 that, right, poor people? What I didn't realize until  
19 I started talking to Joe about this initiative is even  
20 underemployment can result in poverty. So you can have  
21 someone that has a job but they're not making enough.  
22 And so that's an impact. And we have veterans that  
23 fall into that category. And so those are areas that  
24 we intend to look into as well.

25           So these are the areas. On here, we have two

1 maps. The one on the right shows the association  
2 between income and life expectancy. And so the darker  
3 -- as you can see, the majority of the darker color  
4 shows the lower income which is in the middle of the  
5 country. The one on the left shows the distressed  
6 communities. And, again, as you can see, most of that  
7 is in the middle of the country, which is one of the  
8 reasons that Joe and the American Legion kept taking  
9 this initiative on.

10 And, again, I just -- I'll probably say it 12  
11 times, is we as veterans know that veterans can make  
12 the difference in those communities. Veteran-owned  
13 small businesses are the ones that can get in and hire  
14 people and pay them fair wages. Next slide, please.

15 So we started our research with the first one,  
16 Mississippi. And looking at this, we see where the  
17 veterans are. There are over 180,000 veterans in the  
18 state of Mississippi. The majority of them are Vietnam  
19 vets. So the unemployment rates -- and these numbers  
20 are based on veterans only -- 9.6 percent poverty rate  
21 for veterans in the state of Mississippi. I think  
22 that's an oxymoron, right? We should not have veterans  
23 that are impoverished. We know you should not leave a  
24 veteran behind. So there's definitely a need.

25 What I found, which is not on this slide, but

1 the veterans, even though we have a 9.6 percent -- or,  
2 I'm sorry, 6.9 percent unemployment rate and a 9.6  
3 percent poverty rate, what I found when looking at the  
4 education is that the veterans in the state of  
5 Mississippi have a higher educational level than the  
6 overall state average. So that says a lot about our  
7 veterans. Next slide, please.

8 So those are the types of information that we  
9 are starting to gather in each state. So we want to do  
10 that type analysis on those ten top states as well as  
11 Mississippi and then make the connection. We've  
12 already met with the CDFI, and they are gathering and  
13 providing information to us. We've met with USDA.  
14 They have provided a wealth of information to us on the  
15 services that they provide. Joe has brought forth a  
16 resolution within the American Legion for SBA to  
17 reinstate or to instate a direct lending program, which  
18 is similar to the same authority that the USDA has.  
19 And so just those are the types of things that we're  
20 working on right now.

21 So any questions for me and Joe? Yes.

22 MS. O'BRIEN: Is your database solely on  
23 veterans, or is it inclusive of military families?

24 MS. THERESA LEWIS: It's veterans.

25 MS. O'BRIEN: Thanks.

1 MS. THERESA LEWIS: Yep.

2 Okay? Hey, Valerie.

3 MS. VALERIE LEWIS: Hey. I'm just curious.  
4 I'm not familiar with the CDFI. Can you elaborate on  
5 that?

6 MS. THERESA LEWIS: Yeah, so the community  
7 development investment. And so the CD -- institutions.  
8 So the CDFI falls under the U.S. Department of the  
9 Treasury. And they, again, are located -- a lot of  
10 them are located in rural areas, and they provide  
11 lending support, financial support to small businesses,  
12 and it's based on economic development within that  
13 particular community. And they, too, have -- they give  
14 out grants and they give out lending support as well.

15 MR. PHIPPS: So is the American Legion  
16 proposing -- what is the American Legion proposing in  
17 terms of addressing those issues that you're working on  
18 right now?

19 MS. THERESA LEWIS: So as far as connecting  
20 the veterans with those resources, what we have found  
21 is that a lot of veterans aren't aware of all of the  
22 resources that are available. And so what we want to  
23 do is make sure that, one, that we identify those  
24 resources, put them in a place so that we can -- so  
25 that the veterans can find this information and then



1 connect those veterans to those resources.

2 We really want to identify what those local  
3 needs are, and then work with those local resources to  
4 have the veterans, if the veterans have a business,  
5 help them grow their business. And if not, then help  
6 start businesses that can meet the needs of that local  
7 economy. So that's the long-term goal of this project.

8 MS. VALERIE LEWIS: So, Ms. Theresa, I'm just  
9 wondering, have we identified veterans who want to  
10 start businesses, and if the economy can, you know, can  
11 withstand that?

12 MS. THERESA LEWIS: We haven't yet, Val, but  
13 we are working towards identifying who those veterans  
14 are. Just looking at -- the Home Depot has a  
15 foundation, and they actually have identified where all  
16 of the veterans are in the respective states. And so  
17 looking at the map that they have created, the majority  
18 of the -- the greatest percentage of those veterans are  
19 in the lower part of the state, which is near several  
20 military bases, and I think that's probably, you know,  
21 a natural progression for them to just leave the  
22 military and stay in that particular area. And so we  
23 know where they are.

24 Identifying -- and, again, we're just starting  
25 this, but identifying what the economic needs are in

1 that particular community and then making that  
2 connection so that we can go in, which is why SBA --  
3 we're working with SBA. SBA is going to the second  
4 highest impoverished state, New Mexico, and working  
5 with those local resources to identify, you know, where  
6 are the veterans, what we can do to get the information  
7 to them and get them on track to supporting that  
8 particular local community.

9 MS. VALERIE LEWIS: So what can we do as this  
10 committee? You know, what is it that this committee  
11 can do to help you and the American Legion and SBA in  
12 that effort?

13 MS. THERESA LEWIS: Yeah. So, Joe, I don't  
14 know if you want to take that, take that question.

15 MR. SHARPE: Help get the word out.

16 MS. THERESA LEWIS: Yep.

17 MS. VALERIE LEWIS: So help get the word out?

18 MS. THERESA LEWIS: Help get the word out.  
19 Identify resources. I think that will be -- that will  
20 be a great support, and making those connections, so...

21 MS. VALERIE LEWIS: Mentoring, some of us who  
22 are older. Businesses can provide --

23 MS. THERESA LEWIS: And provide mentorship,  
24 absolutely.

25 MR. O'FARRELL: I wanted to go back to your

1 earlier comment about the loan program that the Legion  
2 is proposing. Is that a direct loan program?

3 MS. THERESA LEWIS: Yes, as opposed to a  
4 guarantee.

5 MR. O'FARRELL: Right. So then my question --  
6 then I look down the table to Stan and Larry. What is  
7 the SBA's appetite for a direct loan program for the  
8 Federal Government to be getting into that business?

9 MS. THERESA LEWIS: The Federal Government is  
10 already -- let me just clarify. The Federal Government  
11 is already in that business. USDA has several direct  
12 loans that they provide.

13 MR. O'FARRELL: So -- but I was -- you don't  
14 want to speak on the record, Larry?

15 MR. STUBBLEFIELD: I was going to say we had  
16 John Noah here when we had the roundtable, kind of had  
17 a little bit of a discussion, and we need to get back  
18 together.

19 MR. O'FARRELL: Okay, because I know some of  
20 us have been looking at this issue. If I'm not  
21 mistaken, we lost -- on the 7(a) program, we lost the  
22 fee waiver for veterans in October, and that seems like  
23 it should be an initiative.

24 To your comment, Valerie, a minute ago, you  
25 know, what can this Committee do, historically what

1 this Committee does is it focuses on identifying  
2 issues, challenges for veteran business owners, those  
3 that want to start and grow their businesses. And we  
4 try to put policy in place, working with the Hill,  
5 through our annual report, so that things can change in  
6 the Government. And so, you know, to me, if we have  
7 this program where there was this -- where with 7(a) we  
8 had a fee waiver and now that's gone away, that seems  
9 like something that I think the Chair, you know, we  
10 would want to look at for this year.

11 But my question is kind of driven by -- so, to  
12 me, that's what the American Legion might want to be  
13 focusing on as opposed to a direct loan program. And  
14 I'd asked the other committee members if they have  
15 thoughts or comments on this. Appreciate it.

16 MR. LOWDER: Lynn Lowder, Veteran Business  
17 Project. Joe, we are -- I'm on the advisory committee  
18 for Veteran Launch out of Oakland, California. They're  
19 one of the 15 CDFIs that loan to veterans already. The  
20 thought here was to get veterans as a group, and the  
21 other targeted population for the CDFI program, once we  
22 found out, our organization, about the CDFI, we're on  
23 that thing like a laser right now.

24 There are 15 approved CDFI now out of the  
25 1,000 outlets around the country that are currently

1 authorized to lend to veterans. They cover about 60  
2 percent to 65 percent of the country. So I'd be happy  
3 to -- and Jacob Singer, who is the CEO of Main Street  
4 Launch, of which Veteran Launch is a program, Jay could  
5 pull together that 15 CDFI coalition, so you're  
6 definitely going to want to talk to him. He can help  
7 kick the word out about this.

8           It's a natural marriage. \$250,000 loan, no  
9 FICO score, and minimal to no collateral. Their  
10 default rate in California is less than 4 percent with  
11 veterans. They've been doing this now for about five  
12 years. So the track record is there, too. Be glad to  
13 help you on that.

14           MS. VALERIE LEWIS: Are they also affiliated  
15 with Street Shares?

16           MR. LOWDER: Nothing to do with Street Shares.

17           MS. VALERIE LEWIS: Just nothing -- it's a  
18 different.

19           MR. LOWDER: No, un-nuh.

20           MR. SHARPE: In response to you, James, again,  
21 the American Legion is looking at all resources to help  
22 veterans start a business, access to capital. So it's  
23 not one thing over the other. This resolution was done  
24 about four months ago during our October NEC, National  
25 Executive Committee, meeting. The issue that you

1 brought we're also looking at. So it's not one thing  
2 as opposed to the other. We're trying to look at all  
3 avenues to make sure that veterans across the country  
4 have access to capital.

5 MR. PHIPPS: Joe, would it be possible for  
6 this Committee to get a copy of that resolution just  
7 so --

8 MR. SHARPE: I got it right here.

9 MR. PHIPPS: Awesome. That way we can take a  
10 look at it.

11 MS. THERESA LEWIS: You know, I just want to  
12 add, in speaking with the Office of Cap Access and the  
13 research that we've done, initially with the Patriot  
14 Act, there was a -- what they considered to be a high  
15 default rate amongst the veterans with that particular  
16 loan guarantee program.

17 Part of the problem was that there was no  
18 followup literacy training -- financial literacy  
19 training for the veterans. So once they got the money,  
20 nobody taught them, you know, how to spend the money,  
21 you know, how to spread it out, what to spend the money  
22 on, that sort of thing. So a lot of them didn't know  
23 what to do with the money. And, to me, that's got to  
24 be that connection, is not just say, yes, we want to  
25 give them financial support, you know, from a lending

1 perspective, but we also need to give them the  
2 necessary training so they can continue and keep their  
3 business going and growing.

4 MR. STUBBLEFIELD: I was just going to say,  
5 going back to your question, Jim, the answer really is,  
6 like, we had John Noah here. John Noah, he's from our  
7 -- he's the deputy in our Office of Capital Access.  
8 And we started the discussion, but it's -- you know, I  
9 guess we just need to follow up with that, with the  
10 discussion. But, you know, like right now, the 7(a)  
11 program, as we speak, is a little down overall, and  
12 part of it is, you know, SBA, we're kind of like  
13 secondary, if you will. You can go to a bank and get a  
14 loan. You know, you don't come to SBA. So we're  
15 looking at it from the perspective that the economy is  
16 doing very well, and the 7(a) program is down a little  
17 bit, and that like in -- we're still looking at FY19  
18 numbers, but in FY18, the 7(a) program, there was like  
19 over \$1 billion in loans to veterans. So when you  
20 start talking about additional programs, that's where  
21 we -- we got to socialize this, if you will, with the  
22 Capital Access because they don't see a need, you know,  
23 necessarily to do it. So we'll just continue the  
24 dialogue.

25 MR. PHIPPS: Can we ask Capital Access to come

1 to the next --

2 MR. STUBBLEFIELD: We certainly can.

3 MR. LOWDER: The way I view the 7(a) program  
4 is if you want to get more veterans involved,  
5 particularly the junior enlisted personnel that deserve  
6 this more than anybody, they do the heavy lifting in  
7 combat, we all know, we've got to look hard at the  
8 criteria that is out there by way of credit score and  
9 collateral in the 7(a) program. I've heard that if the  
10 SBA would bump up into your threshold of 80 percent --  
11 I've had community bankers tell me this -- they'd be  
12 more interested in getting involved, but until then, I  
13 think that's one of the things we want to look at  
14 really carefully, please.

15 MR. STUBBLEFIELD: No, no, great, great point.  
16 And one of the things for Joe's roundtable, he had a  
17 few lenders here. We talked about, you know, lender  
18 readiness standards and what they look for and things  
19 of that nature. So you're absolutely right. We have  
20 to work a little bit more in terms of getting veterans  
21 lender-ready. And I thought that was a great session  
22 during the roundtable.

23 All right, I'm going to tell you, we're a  
24 little bit over, but, you know, we're very fortunate to  
25 have our VA partners here with us. You know, Ruby



1 Harvey and her team is here. You remember the last  
2 Council meeting -- Committee meeting we had, Ruby came  
3 and she briefed, and so this is a followup to the last  
4 time that she was here. So with that, I'll turn it  
5 over to Ruby Harvey.

6 MS. HARVEY: Thank you, Larry. First of all,  
7 let me, on behalf of VA, thank both the Chairwoman for  
8 the kind invitation to return and SBA for working with  
9 us to ensure that we were providing the information  
10 beforehand to aid today's discussion.

11 As was noted, this is our second visit. I'm  
12 actually joined by some of my colleagues from the Small  
13 Business -- Office of Small and Disadvantaged Business  
14 Utilization at VA. The intent of today's discussion  
15 with you really is to follow up on a list of about 18  
16 questions that we received back in September. So to  
17 that extent, I will be calling on some of my colleagues  
18 to join in the discussion, given their subject matter  
19 expertise, especially as it relates to the verification  
20 process.

21 Let me just share with you that of the  
22 questions that we received, we found that most of them  
23 related to some understanding of our verification  
24 statutes, how many companies are verified, what share  
25 of those companies are receiving contracts with VA. We

1 also included information in the slide deck -- I'm at  
2 Slide 2 for the folk on the phone -- we also included  
3 information in the slide deck that speaks to the  
4 concentration geographically of verified organizations.  
5 So we can go to the next slide, please.

6 What we've done in your packets, and hopefully  
7 everybody in the room and on the phone had an  
8 opportunity to not only receive the responses to the  
9 questions that were provided, but hopefully you had  
10 some opportunity to consider the material that we  
11 provided. The approach that we took was to consider  
12 the question. In the slide deck that you have, you  
13 should note that the question is repeated on each page  
14 of the slide deck, along with a clarification as to the  
15 questions that were raised.

16 I'm going to at this point ask that Tom  
17 McGrath join me up front just to ensure that as we move  
18 to Slide 6 -- let's go to slide -- actually, we can  
19 pause on Slide 5 for just a moment, please. Slide 5 is  
20 that geographic representation that I spoke with you  
21 about in terms of the concentration of our verified  
22 firms. This was not one of the original questions that  
23 we were asked to respond to; however, we thought it  
24 might be useful for you all to know where organizations  
25 are doing business once they've been verified by VA.

1           Given our discussion about rural participation  
2 by company, this might be useful to SBA and the  
3 American Legion at some point. You'll see that many of  
4 the rural areas certainly do not have the concentration  
5 of veteran-owned small businesses, but if VA can  
6 support your efforts in any way to further identify --  
7 currently verify veteran-owned small businesses ready  
8 to do business with the Government, whether they're in  
9 a rural area or a more populated area, we'd be happy to  
10 do that.

11           That was a fascinating discussion. I heard a  
12 lot that I do believe VA would be able to support,  
13 including access to our medical centers through VHA,  
14 but for purposes of today, we'll stick with the  
15 questions. I will stay around for a little bit if  
16 anyone wants to talk about any of the other  
17 initiatives, including the V-WISE program. Again,  
18 that's just something that VA wants to also be a  
19 supporting partner in ensuring the success of that  
20 effort.

21           So, Tom, if I could get you to walk us through  
22 the breakout of the stats, please.

23           MR. MCGRATH: Thank you, Ms. Harvey.

24           All right, good morning, everybody. My name  
25 is Tom McGrath. I'm the director for the Center for

1 Verification and Evaluation. Our job is to certify  
2 veteran-owned small businesses so they can compete for  
3 set-aside funds, and also compete across the Federal  
4 Government for business opportunities.

5 Just a little bit of a background, to meet the  
6 qualification, very generally, you have to be a  
7 veteran, one day of active-duty service, not including  
8 training, and you have to own that business, 51  
9 percent, and you have to fully control the business,  
10 okay? And I'll show you some numbers here. Next  
11 slide, please.

12 So the question was current inventory with the  
13 number of VA contracts right now in our inventory,  
14 13,000 on this slide of early November -- actually it's  
15 up to 13,853. I count it every day. And you can see  
16 the breakdown that we have here of the entire database.  
17 SDVOSB contractors, 11 percent -- 11.6 percent. And  
18 you can see the small number of VOSBs. And if you look  
19 at the legend, you can see the large number of veteran-  
20 owned businesses with the VA that do not have  
21 contracts, so there's a lot of opportunity out there.

22 If there are any questions, please, you can  
23 ask them now, ask me later, I'm an open book. You have  
24 my phone number. You have my email address, and I'll  
25 be more than happy to entertain anytime. Next slide,

1 please.

2           Next current inventory across other government  
3 agencies with contracts. And you can read the details  
4 there. Again, lots of opportunity across the  
5 Government. The good news is that if you go through a  
6 process -- it's a rigorous, it's a thorough process --  
7 many of you in here have been through it. It's a very  
8 fair process, I believe. It protects veterans and  
9 reduces risk to you and to the Veterans Administration.  
10 You are who you say you are. I'll stand by that. And  
11 if you're not and we find you, we'll remove you that  
12 day. We've done that, but not a lot, because we do  
13 that very thorough analysis on the left-hand side.  
14 Next slide, please.

15           And this is just a breakdown of self-  
16 certification that we have in the Government. VA does  
17 -- for contracts within the VA, we do require you guys  
18 to be verified. So you can see self-certification  
19 versus verification. Next slide.

20           Okay, so here's -- the question was the  
21 applications completed, how many applications have been  
22 looked at over the last couple of years. Well, you can  
23 see there's quite an increase over the last two years,  
24 and the best we can go back with really good data  
25 because we changed the process around early on. Some

1 of you have been here from the very beginning, and you  
2 can see that things have changed for the better, which  
3 I believe.

4 Right now, we have 18 days to get your  
5 application -- we are pushing your application through  
6 in 18 days right now, application time, which is down  
7 from 61 last year at this time, so our people are doing  
8 a great job. But you can see the numbers here.  
9 Withdrawn, that means the veteran, as he or she are  
10 going through the process, decided that they may not  
11 have met the requirements, can't meet the timelines or  
12 whatever, they withdrew themselves with no penalty.  
13 They can come back in anytime, as long as they're  
14 meeting the qualifications.

15 Yes, sir.

16 MR. PHIPPS: Tom, I think one of our questions  
17 last time was the rest of -- one of the issues that we  
18 had brought up last time was this bucket of the  
19 administrative removal.

20 MR. MCGRATH: Yeah.

21 MR. PHIPPS: And some of the details within  
22 that administrative removal. Some of the feedback that  
23 we have gotten throughout the community was as  
24 companies were hitting a certain day mark, they were  
25 getting administratively withdrawn or there were a

1 number of issues with the software, also for the  
2 verification software. So we had kind of wanted to see  
3 a breakdown of this administrative removal and really  
4 what was the driving force behind that. Was it the  
5 contractor? Was it a process? Like, what were those  
6 issues, because it seemed especially in FY19 it makes  
7 up the majority of the removals.

8 MR. MCGRATH: Yes, and we'll talk about that  
9 and the denials, also, in more detail, but for most of  
10 the removals, they're dormancy issues. You have 30  
11 days to act on your application. Each phase of the  
12 application, you're uploading a document. If  
13 somebody's sitting there for more than 30 days, they're  
14 removed. Okay, it's an efficiency issue, the way I  
15 look at it, in that, you know, we have queues of  
16 applications lined up and we try to keep those at a  
17 manageable level, and we want people to move on it, to  
18 go through.

19 If you are removed, you can come right back in  
20 that next day. No harm, no foul. So I think that's a  
21 fair way of doing things. And it also increases our  
22 efficiencies to people who come who are ready to go  
23 through, upload the documents, and meet the  
24 requirements. Does that help?

25 MR. PHIPPS: Yeah, thanks.

1           MR. MCGRATH: Also, denials, you'll get a  
2 letter from me that you didn't meet the requirements  
3 and you're removed from the system for 180 days.  
4 Approval is you did meet the criteria. You'll receive  
5 a letter from myself, and you're in the system for a  
6 period of three years.

7           As you can see, 14,635 is very high volume.  
8 We're getting a bunch every month as you can see,  
9 1,200, 1,300 a month, but not everybody gets in. So I  
10 think we have a very good process to filter out those  
11 who aren't ready, those who don't meet the  
12 qualifications. It's about 40 percent, 5,695 that are  
13 getting through.

14           The reduction in the denials, we'll go into  
15 that. It is a lot of the rule change that came out  
16 October of '18. And one of the biggest things was  
17 full-time. And we're able to relax the rule on that  
18 for startups and people who are doing two or three  
19 businesses at the same time, and that opens the door up  
20 for opportunities for veterans coming in. Next slide.

21           And we're still working the data on 2019, so I  
22 apologize, but it goes back to control. Again, if  
23 you're not controlling your business, you will be  
24 denied. So we want to make sure there's no  
25 passthroughs. We want to make sure that the veteran



1 isn't a rent-a-vet. But if you look at the number, 64,  
2 it was pretty low, the numbers that are coming. So I  
3 feel very confident that if you're denied, it's for a  
4 good reason. Interesting point is if you are -- we  
5 give you every opportunity to pull out, fix things if  
6 necessary. It is kind of interesting as people take it  
7 all the way.

8 But, anyway, the next slide we cover by --  
9 yes.

10 MR. SHELTON: So Brandon Shelton. So we've  
11 talked -- I think we've talked in the past.

12 MR. MCGRATH: Sure.

13 MR. SHELTON: So in my business, we're dealing  
14 with a lot of veterans who are taking on venture  
15 capital and angel investment, so thus there's -- each  
16 time they do that, there's certain terms that go along  
17 with this investment document, and I know that when Tom  
18 was in the seat there was always an issue around does  
19 that qualify or does that not. So in denials of the 78  
20 percent last -- or the last fiscal year, do you have  
21 any idea how many of those were around the fact, okay,  
22 well, you have investors, you have other owners, and  
23 there's right to first refusal, all those other legal  
24 terms that are in there.

25 MR. MCGRATH: Yes. It falls across several

1 areas --

2 MR. SHELTON: Is this of all percentage --

3 MR. MCGRATH: -- it's a very small percentage  
4 because the numbers on denial are small anyway. I know  
5 we've talked before about this.

6 MR. SHELTON: Yeah.

7 MR. MCGRATH: You know, as a rule issue, I  
8 would think something --

9 MR. SHELTON: But you're not seeing any type  
10 of, like, density of it.

11 MR. MCGRATH: No. No, I'm not seeing stuff  
12 like that. It's more in the control thing, that you  
13 are in full control of the daily operations.

14 MR. SHELTON: Okay.

15 MS. VALERIE LEWIS: So I have a question. I'm  
16 wondering about the full-time requirement.

17 You talked about the full-time requirement and  
18 the VA relaxing some of the rules for full-time.

19 MR. MCGRATH: The SBA, ma'am.

20 MS. VALERIE LEWIS: I'm sorry?

21 MR. MCGRATH: The rule covers SBA.

22 MS. VALERIE LEWIS: Can you talk a little bit  
23 about what that is?

24 MR. MCGRATH: We used to have if you were  
25 going to be running your business, you had to be -- and

1 I'll keep it simple -- in the office from 9:00 to 5:00,  
2 okay? What we're saying now is if you have another  
3 job, if you're starting up, with full-time -- daily  
4 operations really don't -- can be flexible. Does that  
5 help?

6 MS. VALERIE LEWIS: So that's specifically for  
7 startups, or is that for --

8 MR. MCGRATH: No, it's for everybody. It's  
9 for everybody, but most people are -- if they are  
10 starting up, I think it's going to help them keep the  
11 business generated and moving, that they don't have to  
12 sit there all day long because they don't have any  
13 business yet. They may be doing something else.

14 MS. VALERIE LEWIS: Well, we've been getting a  
15 lot of reports that there's still a lot of remnants in  
16 the database from some of our contacts, and I'm just  
17 wondering if it could be for that particular reason,  
18 because one of the biggest criteria, if you're in  
19 control of the business, if you're the one running the  
20 business. So if the rules are relaxed, I'm just  
21 wondering how are you verifying, you know, if they  
22 actually --

23 MR. MCGRATH: Really day-to-day operations,  
24 and you still have to maintain that control, that  
25 you're owning the company 51 percent, you're making the

1 decisions, you're fully involved. What we're saying is  
2 you don't have to be sitting there from 9:00 to 5:00,  
3 the core hours. Those have been relaxed a little bit  
4 that you can do a startup business, if you wanted to  
5 start up a business, it takes time, it takes coverage.  
6 It doesn't mean you're doing that 100 percent of the  
7 time.

8 So if you -- [overtalking] if you have issues,  
9 if you think you have rent-a-vets out there, let us  
10 know, we'll take a look at it. We have opportunities,  
11 and I'll show you here on our site visits, okay?

12 MS. VALERIE LEWIS: Great, yes. Yes.

13 MS. HARVEY: We are actually going to do a  
14 thorough review of the definitions of control.

15 MS. VALERIE LEWIS: Right, see that's what I  
16 was --

17 MS. HARVEY: You know, what the differences  
18 are. Cordell Smith is our policy director. I don't  
19 have a mic, but hopefully we can hear it. He's going  
20 to actually, you know, drill down a little bit on those  
21 types of questions. So, Cordell, why don't you go  
22 ahead and launch into that, and, Tom, we'll probably  
23 keep you close at hand and get the numbers --

24 MS. SMITH: I have a question --

25 MS. HARVEY: Yes.

1 MS. SMITH: Hi, Essence Smith here from  
2 VetFran. So, of course, I have to ask, and it's just a  
3 great question for myself, how are these rules going to  
4 be, as you say, a little bit more refined if you're  
5 looking at veterans who are going into franchising,  
6 which in this very case, depending on how you define  
7 small business that can be a small business. But the  
8 world of franchising, a franchise owner can own the  
9 business and kind of be offsite all day, you know, up  
10 to three days where he isn't -- like, how would they  
11 qualify for programs such as these?

12 MR. SMITH: So very good question, and I think  
13 some of this will become clearer as we walk through  
14 this. We did talk about the issue of franchising at  
15 the last Advisory Committee meeting, and that's  
16 something that we have committed to looking into more.  
17 As you know, there are issues about control and what's  
18 the role of the franchise owner and the resources that  
19 they commit and the obligations that they impose. And  
20 how that fits within our rules is something I don't  
21 have an answer for you today, but I think it's  
22 definitely something we're looking into.

23 So my name is Cordell Smith. I am deputy  
24 director for acquisition policy here in the OSDDBU, and  
25 I got engaged with this to try to put some sort of

1 response together for Question 6, which was what are  
2 the top ten reasons that people get denied and can we  
3 get some visibility into what are the things that trip  
4 people up.

5 So we gathered -- and the slide that Tom  
6 showed a moment ago that showed control is by far the  
7 dominant issue in that ownership was actually kind of a  
8 smaller secondary issue, is derived from these slides.  
9 And, actually, Valerie, your question is directly  
10 relevant as well, and we'll get to that here in a  
11 second.

12 So what I did here was try to take some of the  
13 policy issues that kind of get into my bailiwick with  
14 the different -- the changes in the regulations that  
15 occurred. You know, currently, we are now governed by  
16 the ownership and control regulations as worked out  
17 with the Small Business Administration. We no longer  
18 have a VA ownership and control regulation. But for  
19 part of the period that we're looking at here, you know,  
20 we have the SBA rule, but we had the VA rule before,  
21 and the language is similar but not quite exactly the  
22 same, and so we tried to establish some traceability  
23 and have some consistency that you can see what the  
24 issues were.

25 And just to look at -- and so this ranking

1 here is of the FY19 reasons for denial. I ranked them  
2 by numerical order one through ten here by the 19  
3 issues and then tried to put where that similar issue  
4 occurred in '18, if there was a ranking we can see for  
5 where that fell in the last couple of years. And you  
6 see I put where I was looking at the two different  
7 regulations and tried to match them up so that we could  
8 see that there was a consistency here.

9 And you'll see actually on the four here, I  
10 dubbed them in parentheses at the beginning whether I  
11 classified them as control or ownership issues. And  
12 you can see all four of the ones on the first slide  
13 here are control. And one of them -- and you see  
14 actually it's the top three, not only in '19, but it's  
15 certainly the top two of the previous years as well.  
16 There were some recurring issues that we've been  
17 dealing with.

18 And one of those actually, Valerie, your  
19 question about full-time, you'll see I mentioned that  
20 under the former VA regulation of 74.4(c)(3), there was  
21 a requirement that there had to be full-time devotion  
22 to the business as one criterion of control.

23 Under the SBA regulation, and we have SBA in  
24 the room, so if they disagree with my view, by all  
25 means, speak up, but the way SBA reckoned that in their

1 new regulation is that there's a presumption that if  
2 you're not working full-time we may question whether  
3 you are really in control. But that's a rebuttable  
4 presumption, so that's kind of the flexibility that Tom  
5 is referring to.

6 We look at that as an issue, but you can come  
7 back in and say, well, no, I don't work full-time but  
8 here's the reasons why I'm still working full-time.

9 MR. GOLDSCHMITT: Mark Goldschmitt. I wanted  
10 to -- I've been known to have a few comments about  
11 control, management. I wanted to give a little bit of  
12 perspective, how I look at it from a business owner  
13 perspective, which I think is different from what I've  
14 seen at somewhat the SBA and at VA. And it is one of  
15 the old "he who has the gold makes the rules," and when  
16 I look at control, to me, it's a matter of who is  
17 allocating and managing the allocation of resources and  
18 who's the ultimate authority for doing that.

19 In any of those cases, I can delegate. I can  
20 delegate signature authority for checks. I can  
21 delegate signature authority for contracts. And I can  
22 do that through the experts and contracts rather than  
23 me. I really don't know much about contracts, so I can  
24 delegate it to other folks that can do the --  
25 understand the nuances of all the pieces, and not me



1 who has an overview, so they can advise me and counsel  
2 me with what the liabilities are, what the risks are,  
3 et cetera.

4           So the control, when you look at decisions,  
5 there's a range of decisions from the absurdly low  
6 level to high level. A lot of decisions can be  
7 essentially automated or if it's smaller than X, the  
8 decision is -- and it doesn't take much to really look  
9 at that and do that. So in setting what decisions are  
10 important, and to me it's really allocation of  
11 resources and who's the ultimate authority. I don't  
12 have to spend a lot of time doing that. And I don't  
13 have to be onsite to do that.

14           MS. O'BRIEN: Thank you. As we're moving  
15 forward in this process, we're going to ask that the  
16 questions right now are reserved for committee members  
17 and for folks that are part of the public. You will  
18 have the opportunity to provide public comment and  
19 questions for these folks during the public comment  
20 time in about 20 minutes. So just ask that you take  
21 your notes and your questions and we'll circle back to  
22 that because we have a lot of information to get  
23 through.

24           MR. SHELTON: Can I make a request real  
25 quick since we're on this topic of you guys? So real

1 quick --

2 MR. SMITH: Do you mind if I speak very  
3 quickly to the question that was put --

4 MR. SHELTON: I don't think it was a question.  
5 I think it was a statement, right?

6 MR. SMITH: Okay, go ahead.

7 MR. SHELTON: I just -- so by the way, this is  
8 -- can you hear me? Okay, well, where's that mic?  
9 Awesome.

10 So I will tell you, this information is  
11 awesome. So for the past year, we've been asking for  
12 this level of data, and it gives us context to what's  
13 going on versus passing judgment on what's going on, so  
14 thank you, number one.

15 I think, not to make more work for you guys,  
16 but one of my issues on control is the type of legal  
17 entity the business is. So I don't know if you know  
18 right now or maybe you can report later, but the 14,000  
19 VOSBs, you know, how many are C Corps? How many are  
20 LLCs? You know, because that's really important  
21 because when you talk about control, the companies,  
22 like, that are private businesses that take on outside  
23 capital generally have to be C Corps for tax purposes,  
24 thus, they have to have a board, thus, it puts into  
25 jeopardy this control issue, right, because the board's

1 going to have governance and stuff like that.

2 So it would be helpful -- if you have it off  
3 the top of your head, great, but maybe in another  
4 meeting, just it helps us understand, because if it's  
5 13,000 are single-member LLCs, that's a whole different  
6 --

7 MR. SMITH: That's very good. And I think we  
8 can -- but I think as you noted, the fourth item in  
9 2019 was touching on one specific, which is a recurring  
10 issue with the LLCs and whether the veteran is actually  
11 really running the show.

12 MR. SHELTON: Yeah, of course.

13 MR. SMITH: And there's criteria in the  
14 regulation for looking at LLCs and how we look and say  
15 that the veteran really is in charge of not being run  
16 by a board of attorneys.

17 Why don't we go to the next slide for a  
18 second. So I just want to touch on some of the other  
19 issues here. Again, as I mentioned, the beginning ones  
20 are mostly about control, and you actually -- to get to  
21 an ownership issue, the first one we run into is the  
22 direct ownership of the firm, whether the veteran  
23 actually is the direct owner, and that's number eight.

24 So, actually, once -- you had to go all the  
25 way down to eight before you get to ownership. That's

1 how dominant control is. And it's only -- in FY18, the  
2 direct ownership was only 3 percent of the denials, so  
3 people seem to have a good handle on ownership. It's  
4 the control that's the problem.

5 So one more slide. So you see that's the end  
6 of the top ten for '19. There were a couple of other  
7 issues and from the previous years that were just  
8 slightly different from the regulation as we reckon  
9 them now. And you see that that is about outside  
10 employment, kind of touches on the full-time but not  
11 quite. It's not quite the same issue, but if you have  
12 outside employment, are you really running the firm.  
13 That was kind of the language of that was a little bit  
14 different, so we treated that separately here. But you  
15 see that's still in the top three issues for the two  
16 years. And one more slide, I think.

17 So, again, some more ownership and control.  
18 The 51 percent is way down on the list. People seem to  
19 have a pretty good grasp of that. So I think that kind  
20 of summarizes those data.

21 Ruby, do you want this next, or who's next?

22 MR. O'FARRELL: Can I just get a question in,  
23 Ruby, before you talk?

24 I did want to echo what Brandon said a minute  
25 ago, that we -- it's not just been one year. He's new

1 to the Committee, but unlike the rest of us who've been  
2 here for five or six years, we've been trying to get  
3 this information, and we really want to give you strong  
4 credit for your actions and your leadership and coming  
5 back here. I can pull up on my phone the questions  
6 that we asked, and I was going through them to check  
7 off with the PowerPoint what you actually are  
8 responding to, and it does lead me to a couple.

9           You addressed how many verified SDVOSBs are in  
10 the database. You gave us what percentage of the total  
11 number of companies are certified in SAM. You said how  
12 many times the companies in question one have won a  
13 contract in the past five years. And you gave that  
14 information. I had a -- and then, let's see, what  
15 metrics do you have that show the percentage of  
16 companies in the CVE database that are winning  
17 contracts at VA, so you have that. I notice those  
18 numbers are fairly low.

19           Could you go back a few slides, Cheryl, to  
20 that slide? Keep going, keep going, keep going, keep  
21 going, back, back, back, back. Back. We're going to  
22 come back to that FAR chart in a second. Yeah, right  
23 there. Go forward one. Go forward one. There you go.  
24 Keep going. There you go.

25           That's current -- with VA contracts. So one

1 of the questions we had was is there any kind of an  
2 80/20 rule going on here? Are 20 percent of the  
3 contractors winning 80 percent of the contracts, for  
4 example? Is there, you know, a proportion that's  
5 overly large that are getting those contracts?

6 MR. SMITH: There's not a formal requirement  
7 or any kind of benchmark like that, but there are -- it  
8 is working out that way in practice that there's some  
9 who are more competitive than others for whatever  
10 reason. And it's --

11 MR. O'FARRELL: Okay, so for whenever --

12 MR. SMITH: -- actually also true about  
13 other --

14 MR. O'FARRELL: Right. So I want to make sure  
15 we follow up with that, the for whatever reason. We  
16 would like a continuing dialogue, as the Chairperson  
17 said earlier in the year, is maybe at a future meeting  
18 for you all to dig into that a little bit, because one  
19 of the themes that we've tried to bring to your office,  
20 Ruby, over these past couple of years before you were  
21 here is there is an effort that's tens of millions of  
22 dollars of taxpayer dollars are spent every year on  
23 this contract with contractors to do this job and the  
24 federal employees that work on it. But there should be  
25 a separate effort, and we think there is, but it should

1 be boosted, which is how do we help veterans win  
2 contracts at the VA, because the VA -- I think it's  
3 historically whereas the quota across the Government is  
4 -- you know, the tag is 3 percent for SDVOSBs, you guys  
5 are doing 24, 25, in the twenties percentage-wise of  
6 spend every year.

7 So it is -- and it's the second largest  
8 federal agency. I'm telling you stuff you know, but  
9 it's such a large target for SDVOSBs and VOSBs that we  
10 think there should be more effort on helping make that  
11 happen, and so then when we hear that there are a small  
12 percentage winning a larger percentage of the work.

13 And then I just have one other follow-up  
14 question. So you just went through the discussion of  
15 the denial. So if we go to the next slide real quick,  
16 the one with the bars. Keep going. Sorry, Cheryl.  
17 Keep going, sorry. There you go. Let's stay there for  
18 a second.

19 So we look at the denials. We see in '17,  
20 '18, and '19 it was 55, 111, and 64, and we know that  
21 we have 14,000 companies in the database. So we're  
22 talking about a very small percentage of the overall  
23 that's been denied. What really jumps out at me, and  
24 it's interesting that it's in blue, because I see blue  
25 as kind of a peaceful color, is that should really be

1 red because those are the companies that have been  
2 removed.

3 And I'm not going to put it on the spot, but I  
4 had a similar situation last year, and the comment was  
5 made to me that the administrative removal, you're  
6 saying that there's time allotted and we won't remove  
7 you, we'll give you time, but I personally dealt with a  
8 situation where we incorporated in Delaware, and I went  
9 and they said you need the Delaware proof of  
10 incorporation.

11 And I said, here it is, here's a screen  
12 capture from their website. And they go, oh, the  
13 status is from 2011. And I said that -- they -- I  
14 called them and stood on hold for an hour and a half  
15 and finally got them on the phone. And they said,  
16 yeah, that's the last time anything happened. You're  
17 incorporated. See over in the right corner, it says,  
18 you know, ongoing or something like that.

19 And I had this big back-and-forth with the  
20 CVE, but the whole time we were having this back-and-  
21 forth, they said, you have five days. You better get  
22 this done in five days. And she just told me, just  
23 tell the crowd what you just told me.

24 MR. PORTER: This is Kandis Porter, and I had  
25 the exact same thing. There was a huge emphasis on



1 local permits. They wanted, you know, the City of Reno  
2 permit, the county permits. And they're really getting  
3 into that level of nitty-gritty versus looking at the  
4 state level. And it was back and forth, and every time  
5 I was given five days before being administratively  
6 removed.

7 And so I'm not sure where that 30-day comes  
8 from, but to try to turn something around in five days  
9 when you're dealing with local, city, or county, it's  
10 impossible.

11 MS. HARVEY: Kandis and James, if I may  
12 attempt to start responding to some of the questions.  
13 First of all, let me just go back to our use of the  
14 data. You talked about, you know, the 80/20 scenario  
15 and so forth. What this type of data analysis allows  
16 us to do at OSDBU and as the advocate group within VA  
17 for small businesses is to work with our acquisition  
18 community at VA to say let's look at the numbers, let's  
19 look at how the data is stratified. Of course, we want  
20 to meet our overall goal, which was 29.6 percent this  
21 year for all small businesses, 17 percent for VOSBs, 15  
22 percent -- thank you -- for SDVOSBs.

23 We want the data that we're presenting to you  
24 and the data that we are analyzing daily -- I have my  
25 IT guy here with me today. We're committed to taking

1 the data that we know to be the case in terms of our  
2 contracting breakout across the veteran community, and  
3 we're using that information to meet with our senior  
4 procurement executive, our chief acquisition officer to  
5 say we think we can do better.

6 If it's a training matter with the veteran-  
7 owned small businesses, we will attend to that. We  
8 have already moved very -- very rigorously forward with  
9 our training offerings to small businesses, so all that  
10 you're saying, my probably long way of addressing it is  
11 to say I agree. I agree. That's useful information.

12 Go ahead.

13 MR. O'FARRELL: Can I just follow up real  
14 quick? So just the feedback from the veteran  
15 community, though, could be -- and I have -- and I see  
16 a couple of my friends against the wall there that own  
17 veteran businesses, and we have these discussions, so  
18 let's take two specific examples -- the VA Vector IDIQ.

19 MS. HARVEY: Right.

20 MR. O'FARRELL: It's got approximately 65  
21 total primes. Each of those have some SDVOSBs  
22 underneath. So as we've seen across the Federal  
23 Government in the last 10 or 15 years, the  
24 consolidation and the organization of contracts with  
25 IDIQs and BPAs, there's -- Vector is one of them, and

1 the VHA IHT is another one, Integrated Healthcare  
2 Transformation. We could -- you could view those in  
3 the consolidation as what is driving what's happening  
4 in your database with a smaller percentage.

5 And I'll just take the IHT. The contractors  
6 that received the upcheck, the URA viable/vital letter,  
7 I was told that four out of five of them or five out of  
8 ten, whatever it was, a very large number of joint  
9 ventures. So now it's really the larges are staying  
10 fully engaged and taking the revenue away from the  
11 veteran-owned businesses.

12 So -- and as a Vector prime, we're happy that  
13 we're a Vector, and we finished in the top ten of those  
14 companies, but as with my ACVBA hat on, I'm trying to  
15 look out for those companies across the country, not  
16 inside the Beltway, that want to win business at the  
17 VA, as I said earlier, a large pot. And I -- once  
18 again, Ruby, I commend you on what you are trying to do  
19 because I don't envy you that job.

20 So can I just come back to, though, if the  
21 VA would consider some sort of a pilot program where  
22 they could change the rules about who's going to be at  
23 -- what the time frame is for administrative removal  
24 and said instead of using these five-day windows they  
25 were to give a 30-day window, just -- you have your IT

1 guy here. What would that do to the data? What would  
2 that potentially -- if you just plugged that in and  
3 said, okay, instead of removing -- instead of making it  
4 five days, we made it 30 days, would that 8,099 number  
5 drop by how much? Because we -- hypothetically, we  
6 could give them more time, and I'm looking at the  
7 gentleman standing behind you, Ruby.

8 MS. HARVEY: Well, I'll pass him the mic in a  
9 moment. I'll respond to some of what you said, but  
10 going back to Kandis' question, what we're doing in  
11 OSDBU at this point, because we want to make sure that  
12 our approach to processing, our approach to  
13 communicating to you what you need to do differently,  
14 is reasonable. I discussed with Larry prior to the  
15 meeting starting today that we are -- we are now  
16 applying a reasonableness test to everything that we  
17 do, and there's processing times allowed you, whether  
18 it is, you know, communications that we have with our  
19 policy folk about how this is going to affect small  
20 businesses. We still have work to do, we do, but just  
21 be assured that we are looking at approaches, as long  
22 as they're in alignment with legislative requirements  
23 and policy, and overlaying that with the reasonableness  
24 test within OSDBU. That I will commit to you we will  
25 do.

1                   Who wanted the mic?

2                   MR. O'FARRELL: And I guess I'll -- while  
3 you're handing the mic, I'll just say that, you know,  
4 the charter of this Committee, since 1999, whenever it  
5 was formed, has been to help shape policy. And so when  
6 you say things like that, we would like to also hear  
7 from you -- like I said, we're beginning this dialogue  
8 that we haven't really had previously. And so maybe at  
9 a future meeting you might come to us and say, you  
10 know, if you were going to help us, ACVBA, with  
11 changing some of the policy, here are some policy  
12 recommendations we'd like you to incorporate into your  
13 annual report.

14                  MS. HARVEY: Thank you. Your questions alone  
15 helped us because it allowed us to do some self-  
16 analysis, to anticipate, okay, what would make a  
17 difference to the small business community.

18                  MR. O'FARRELL: Appreciate that

19                  MS. HARVEY: So being here helps out. If  
20 we're invited back, we're happy to address those  
21 questions and more.

22                  Larry, are we off the stage now?

23                  MR. STUBBLEFIELD: We'll go another minute.

24                  MS. VALERIE LEWIS: I just wanted to ask a  
25 quick question before your IT people leave. In that --

1 in the count, are you counting -- when you count  
2 service-disabled veteran numbers, are you counting  
3 veteran-owned small business within your SDVOSBs, or  
4 how is --

5 MS. HARVEY: Other way around.

6 MR. MCGRATH: It's broken down.

7 MS. HARVEY: SDVOBs are included in -- SDVOSBs  
8 are included in the VOSB numbers, so the targets that I  
9 spoke about -- are you looking at this slide? Slide 9?

10 MS. VALERIE LEWIS: No, I was just looking at  
11 the numbers in general, when you say that you're  
12 meeting your targets, I was concerned about are you  
13 counting -- you know, if you counted them once, you're  
14 counting them again.

15 MS. HARVEY: Okay, Cordell, go ahead. I think  
16 you've got a better sense of what she's asking.

17 MR. SMITH: So of the pie charts that we were  
18 looking at earlier, breaking it out, who has gotten  
19 contracts, we actually separate those out so that if  
20 it's SDVOSB that they had that verification status in  
21 the database. If they were VOSB, it was only that. We  
22 did not include SDVOSBs as part of that because we  
23 wanted to have that granularity to see what was going  
24 on. And that's why when you look at the pie charts  
25 you'll see VOSBs actually have a smaller slice than the

1 SDVOSBs, but that's because we have an SDVOSB first  
2 requirement.

3 MS. VALERIE LEWIS: So in your 11 percent that  
4 have contracts, I'm wondering, are veterans that were  
5 not service-disabled included in that 11 percent.

6 MR. SMITH: No. Can you go back to Slide 6?

7 So of the SDVOSB contractors are 11.6, those  
8 are SDVOSB -- in the database, in the VIP database,  
9 they're listed as SDVOSBs.

10 MS. VALERIE LEWIS: Not --

11 MR. SMITH: Right. It was not -- then right  
12 below it is the VOSB contractors that are not SDVOSBs.  
13 So we separated that out. That number would be larger  
14 if we included SDVOSBs in it. So we wanted that  
15 granularity to see what was going on.

16 MS. HARVEY: Thanks.

17 Valerie, is that what you were asking?

18 MS. VALERIE LEWIS: Yes.

19 MS. HARVEY: Okay.

20 MS. VALERIE LEWIS: I was just trying to be  
21 clear about, you know, what the numbers are.

22 MS. PEREZ WILHITE: This is Fran Perez-Wilhite  
23 with the North Carolina Military Business Center. I  
24 sense we're running out of time, so I'd like to ask  
25 officially with the VA OSDBU and the IT professionals

1 here, we all know that FedBizOpps is now changed over  
2 to Beta.Sam.Gov. And when we wanted to follow VA  
3 opportunities on FBO, you signed up for a saved search,  
4 and it was fantastic. It sent you an email every day.  
5 If we wanted to drop down on the search engine and say  
6 VA VISN 6 opportunities, we got an email with that. If  
7 you wanted to say VA National Cemetery Administration,  
8 you got a daily email with that. And you could look at  
9 the opportunities and decide quickly which  
10 opportunities you wanted to pursue.

11 Now with the Beta.Sam.Gov, you can still do  
12 that with the majority of the other federal agencies;  
13 however, with the VA, you cannot do that at all. Now,  
14 I have three members of my team looking into this.  
15 They've been day and night looking at this, trying to  
16 figure out if maybe it's us, maybe we don't know how to  
17 do this, okay? We don't think it's us at this point.  
18 Two of my employees are IT professionals.

19 So we can't figure it out. We have a lot of  
20 companies now in my state asking for assistance. We're  
21 spending a lot of time with this. I cannot save any  
22 searches. I have to look up VA, go through all the  
23 opportunities that the VA sends out every single day,  
24 which is a lot. I know I'm missing opportunities. I  
25 know the companies in my state are missing the



1 opportunities they want to know about. Is there any  
2 way we could either find out how to do the saved search  
3 properly if we're making a mistake or can VA get  
4 consistent with the other federal agencies on  
5 Beta.Sam.Gov?

6 MS. HARVEY: Great.

7 MR. SMITH: Excuse me. We'll have to check  
8 with GSA's integrated acquisition environment, which  
9 runs the whole SAM operations. I'm not aware of what  
10 would have caused that change, so maybe there is some  
11 sort of glitch, but they would be the owners of that  
12 system, so we'll have to see what's going on. And  
13 maybe our system isn't talking to their system right.  
14 I don't know --

15 MS. PEREZ-WILHITE: Well, what used to take me  
16 five to ten minutes is now taking me three to four  
17 hours, and I know I'm missing out. I'm not finding  
18 what I need to find.

19 MR. DOCKERLY: I was just going to agree with  
20 what's been pointed out. We don't own that portion of  
21 the system. And so -- but I will follow up with GSA --  
22 our GSA partners.

23 FRAN: I'm just a little bit disappointed --

24 MR. O'FARRELL: Fran, could you say that to  
25 the mic? Could you say -- could we request that

1 SAM.gov come to the next meeting --

2 FRAN: Yes, can we have SAM.gov and -- I'm a  
3 little bit surprised, actually, that no one noticed  
4 this from the VA for -- or from GSA when this was  
5 rolled out. And I know it was rolled out quickly, and  
6 I understand because I've been involved with IT in the  
7 past. I know things don't change over perfectly, but  
8 this is really slowing us -- businesses down.

9 MS. GARCIA: This is Amy Garcia. I'm  
10 wondering if the change control board at IAE could help  
11 with that effort, and so basically that you come up  
12 with these issues and send it to the change control  
13 board, and each agency should have that. So maybe  
14 that's a venue to make that happen.

15 MR. SMITH: That's a very good thought. Thank  
16 you.

17 MR. ZACCHEA: Mike Zacchea from UCONN EBV. So  
18 I want to thank you, Ruby, for coming. This is -- I'm  
19 now four and a half years on this committee. This has  
20 been a multi-year effort to get this kind of visibility  
21 and transparency into CVE. So in that regard, it's a  
22 very illuminating breath of fresh air. It raised a lot  
23 more questions for me, unfortunately. I'm not going to  
24 ask them right now, but I'm going to collate -- figure  
25 out my thoughts and I'll get them back to you, but I

1 would like to make a suggestion perhaps. It might not  
2 be possible to do a quarterly briefing, but I would  
3 like to certainly recommend -- and I've never seen if  
4 you do an annual report. If you don't, I would like to  
5 recommend that. If you do, I'd like to recommend that  
6 you bring that to the committee or socialize it with  
7 the committee. Thanks.

8 MS. HARVEY: Thank you. We'll consider that,  
9 absolutely.

10 MR. PHIPPS: Ruby, when Tom was here, there  
11 was a comment that he made at one point, if you invite  
12 us, we would be more than happy to come. There was a  
13 forever invite and extension for the VA to attend every  
14 meeting that we have because you're such an integral  
15 part of this committee that you don't have to be  
16 invited. Please every -- we can work that out with  
17 Larry, but we would like every meeting for you guys to  
18 be here, and hopefully we'll get to the point where  
19 your portion shortens up, but the invitation is just  
20 ongoing.

21 MS. HARVEY: Thanks, Mike.

22 MR. O'FARRELL: Hey, Mike, could you put  
23 that into the record that we'd also like to have  
24 Larry and/or Stan invite the -- whoever in the  
25 procurement/acquisition side of VA would be willing

1 to come, or maybe, Ruby, you could help us with that  
2 invite. We promise --

3 MR. PHIPPS: Every meeting we put that on the  
4 record.

5 MR. O'FARRELL: -- to be nice, but we -- yeah.  
6 Every meeting.

7 MS. HARVEY: Handing the mic to Larry. Thank  
8 you.

9 MS. O'BRIEN: Okay, we're going to thank you  
10 for your time. I know that we've gone quite a bit over  
11 and want to be respectful of time, and we certainly  
12 have some great asks out, and remain that standing  
13 invitation always for you to come back. We're going to  
14 turn it over now to Government Contracting and Business  
15 Development update with Sam.

16 MR. LE: Well, thanks very much for inviting  
17 me here. I don't want to take up too much time, so I'm  
18 going to get right into it and really deviate from the  
19 slides a bit because SBA's been very busy, even in the  
20 last two weeks. Just today, we published the final  
21 rule changing the averaging period for our dollar-based  
22 size standards from a three-year average to a five-year  
23 average, so you'll find that in the Federal Register  
24 today.

25 We've issued a press release if you want a

1 quick summary about it, but essentially we decided --  
2 you know, the statute directed us to make this change  
3 right away. We thought that was too sudden. We got  
4 comments from businesses saying they needed somewhat of  
5 a transition period. So we instituted a two-year  
6 transition period.

7           Since we published today, the rule's effective  
8 on January 6th, 2020, which is a Monday. It's a bit  
9 more than 30 days after the date of publication today.  
10 So the two-year transition period will be from that  
11 Monday, that January 6th, 2020, until January 6th,  
12 2022. And during that two-year transition period, any  
13 business that goes into certify for government  
14 contracting can choose between using a three-year  
15 average and a five-year average.

16           So if you don't want to make the change right  
17 away and you want to keep using three years as you've  
18 done before, you can continue to do that at least until  
19 the transition period ends on January 6th, 2020. We  
20 heard some concern from businesses that have declining  
21 revenues, which means under a five-year average, they  
22 would have two years that were big years that would  
23 average in and might goose them out of small business  
24 consideration, and we want to have everybody on the  
25 same basis, so we added those two years for a

1 transition period. After that transition period, the  
2 intent is that all businesses would be on a five-year  
3 average. So that was just issued today.

4 Even last week, we had a couple policy  
5 changes, one in the HUBZone program, which came out on  
6 -- one of them came out on Friday and one of them came  
7 out on Tuesday. I think the HUBZone was the Tuesday  
8 one, and then a more wide-ranging rule about  
9 limitations on subcontracting and subcontracting plans  
10 came out on Friday. Both those rules will be effective  
11 before the end of December.

12 So roughly speaking on the HUBZone rule, if  
13 anybody's interested in the HUBZone program, we talked  
14 about this before with how we had proposed initially  
15 to make changes to two big requests in the HUBZone  
16 program -- the 35 percent employee requirement and the  
17 principal office requirement, the requirement that the  
18 business be located in a HUBZone.

19 On the 35 percent requirement, where we came  
20 out is if you have an employee that qualifies your firm  
21 for HUBZone because that employee lives in a HUBZone,  
22 we don't want to disadvantage the business because that  
23 employee then moves outside of that HUBZone area. So  
24 we've essentially created a once HUBZone, always a  
25 HUBZone employee rule. If that employee stays with

1 your firm and that employee moves outside of the  
2 HUBZone area, as long as that employee was with your  
3 firm when you qualified, then that employee stays in a  
4 HUBZone status, no matter where that employee moves,  
5 and I think that's good.

6 You know, even for businesses that don't have  
7 that situation with their employees moving a lot, it at  
8 least helps you out in terms of having to keep track of  
9 where your employees live on a consistent basis. Now  
10 you can just say that that employee lived in that  
11 HUBZone area at the time that you qualified.

12 On the principal office side, we had heard  
13 concerns, you know, these maps changed, the HUBZone  
14 maps changed because unemployment numbers changed. We  
15 had heard concerns from firms that make investments in  
16 HUBZone areas, that buy a property or they sign a long-  
17 term lease, and then the maps change, you know? And  
18 it's hard to -- when you've already printed out all  
19 your business cards, already made the investment in  
20 that area for you to keep track of what's a HUBZone  
21 area and what's not. So we've said that if you're in a  
22 HUBZone area with your principal office and you have a  
23 long-term lease or have purchased real estate there,  
24 then you get to keep your HUBZone status, even if the  
25 maps shift and somehow your area moves out from being

1 HUBZone.

2           So those are the two big changes on the  
3 HUBZone comprehensive review. There's a whole lot of  
4 other stuff in there, so if you're in a business that's  
5 interested in becoming HUBZone, the intent of these  
6 rule changes is to make HUBZone more attractive for  
7 more firms and potentially, if we can get more firms in  
8 the program, especially in industries where there  
9 aren't a whole lot of HUBZone firms, then we can  
10 increase the number of firms and get closer to the 3  
11 percent government-wide goal.

12           On the other comprehensive rule change, the  
13 wide-ranging change that I mentioned that was published  
14 on Friday, that'll be effective by the end of the  
15 calendar year, we made some changes to the limitations  
16 on subcontracting. We heard from firms that, you know,  
17 they're required under most contracts to perform 50  
18 percent of the work themselves or with, you know,  
19 another small business or a similarly situated service-  
20 disabled, veteran-owned business. But that's tough to  
21 do if you are working in cloud computing, IT, or you're  
22 working in travel because there's no -- you know,  
23 there's not small airlines, and on the IT side, most of  
24 the cloud computing services are performed by large  
25 businesses.



1           So in our final rule, we exempted those  
2 industries and several other industries that you're  
3 probably not as interested in. We exempted those  
4 industries from the limitations on subcontracting, so  
5 those would not count toward the base for your 50  
6 percent. And then on the subcontracting side, for  
7 those of you that work as subcontractors to larger  
8 businesses, we put some more heft behind the  
9 subcontracting requirements, you know, to assess  
10 liquidated damages or contract remedies against a prime  
11 contractor that's not meeting its subcontracting goals.

12           The agency has to find that that contractor  
13 has not made a good faith effort toward finding and  
14 employing small business subcontractors, but that's a  
15 fairly broad term --

16           MS. VALERIE LEWIS: Right.

17           MR. LE: -- good faith effort. You know, you  
18 ask somebody, I don't know that they would be able to  
19 tell you what "good faith effort" means. So we came up  
20 with a list of examples of what it means to not  
21 exercise a good faith effort, what a failure to  
22 exercise a good faith effort is. And we published  
23 those examples in this rule that just came out on  
24 Friday. Some of them are not performing market  
25 research to find small businesses, not complying with

1 directives from SBA or for DoD DCMA when we perform our  
2 compliance reviews on subcontracting.

3 Last year, we performed over 500 compliance  
4 reviews, and that's up fivefold from what we've done in  
5 previous years. So we're really trying to put an  
6 emphasis on subcontracting compliance and, in fact,  
7 every week or so we have somebody from SBA -- myself or  
8 people from our Government Contracting office go out to  
9 speak to large businesses about their responsibilities  
10 as prime contractors to comply with the subcontracting  
11 requirements and further the purposes of small business  
12 contracting. And we've received good reception from  
13 those large primes.

14 More changes in that NDAA rule deal with  
15 contracting in Puerto Rico, contracting in disaster  
16 areas, which have been major focuses of congressional  
17 attention. And I'd refer you to take a look at that  
18 rule because there's a lot of changes for small  
19 business contractors that are relevant, no matter what  
20 industry you're in.

21 We also are looking for comments from you,  
22 from businesses and from the public in general, on  
23 changes to our mentor protégé programs. I think  
24 somebody brought up recently the issues that they've  
25 faced with competing against joint ventures. We put

1 out a proposed rule on November 8th asking dozens of  
2 questions about how we can make changes to our mentor  
3 protégé programs and our joint venture rules.

4 Some of the changes we proposed were to  
5 consolidate the 8(a) and all-small mentor protégé  
6 programs and really fold those into the all-small  
7 program using that program's criteria. We asked for  
8 views on changes to the joint venture program.

9 One of the big ones is if you're a joint  
10 venture, you're subject to what's called a three-in-two  
11 rule. You can only receive three awards over the  
12 course of two years. And we asked whether we should  
13 change that to just having a two-year, carte blanche,  
14 you know, as many awards as you want in two years you  
15 can get. So it would just be two instead of three-in-  
16 two.

17 There's been a lot of talk since we issued  
18 this rule about some of the changes we proposed to  
19 multiple-award contracts, task order contracts. We  
20 said in the rule that we found that on some multiple-  
21 award contracts there is a problem with firms that got  
22 onto the contract with a certain status -- you know,  
23 they might be small or they might be 8(a), and then  
24 they leave that status. They grow to be other than  
25 small or they graduate from the 8(a) program, but on

1 some of these long-term contracts, they might be 20, 25  
2 years, they get to keep that status during the  
3 contract. And it seems strange for a firm that  
4 graduated from the 8(a) program in the first year of  
5 the contract to keep that status for the next 15 years.

6 So what we'd like to do, what we propose to  
7 do, is to prevent firms that lose their status from  
8 continuing to compete on certain set-aside orders. So  
9 say there's a service-disabled vet order off of a  
10 multiple-award contract. As long as that multiple-  
11 award contract was not initially set aside for service-  
12 disabled vets, then if a firm lost its service-disabled  
13 vet status -- you know, maybe it became other than  
14 small or the vet left the company -- there was a big  
15 case about that, or, you know, maybe they don't meet  
16 the control requirements anymore, that firm should not  
17 be able to keep its service-disabled vet status for a  
18 set-aside order down the line under this proposed rule.  
19 So we'd like to see if you agree with us or disagree  
20 with us, and we're accepting comments up until the  
21 middle of January on that rule.

22 That's three rules already. We had another  
23 one that came out about HUBZone governor-designated  
24 areas. Governors can propose HUBZones for inclusion in  
25 the program. We have another one coming out about

1 veteran surplus property, opening up the GSA surplus  
2 property program to service-disabled vet-owned firms,  
3 to Puerto Rico firms, and to firms in a disaster area.  
4 That rule, we hope, should be out sometime in the  
5 January/February time frame.

6           And we are watching legislation on the Hill.  
7 As you probably know, the House passed their version  
8 of the VA SBA Act, and that's being reviewed by the  
9 Senate. The House also passed a bill to allow  
10 surviving spouses of service-disabled veterans to  
11 continue to control that firm for up to three years  
12 after the death of the veteran. That's already in  
13 place. If it was 100 percent disabled veteran owner  
14 and that was already in place, allows the surviving  
15 spouse to control up to ten years, but there was no  
16 provision for a surviving spouse of a veteran that  
17 had fewer -- or less than 100 percent disability.

18           So this bill that just passed the House is  
19 being considered by the Senate to allow surviving  
20 spouses of other service disabled veterans to control  
21 up to three years.

22           There's a few bills that are being considered  
23 by the House as a whole, but at the passthrough  
24 committee. One of them looks at employee-based size  
25 standards. So as I had mentioned, just today, we

1 changed the three-year average for receipts-based size  
2 standards to five years with that two-year transition  
3 period.

4           The House is now considering whether to make a  
5 similar change to employee-based size standards. And  
6 that generally applies to manufacturing firms. There's  
7 an employee-based size standard also for IT value-added  
8 resellers. And the proposal there is to change the  
9 current 12-month average to a 24-month average with the  
10 idea that that would expand the number of firms in  
11 those industries that would be qualified as small  
12 businesses.

13           One additional bill that came out from the  
14 House Small Business Committee that's being considered  
15 by the full House is dealing with past performance  
16 evaluations for businesses that are submitting offers  
17 as primes. What we found is that agencies are  
18 sometimes reluctant -- not all agencies -- but some  
19 agencies are reluctant to consider past performance  
20 from small businesses that participate in our joint  
21 ventures and past performance from small businesses  
22 that have participated as subcontractors.

23           So there's a big problem, we've heard, of  
24 transitioning from subcontracting to prime contracting  
25 because the subcontractors don't have prime contracting

1 experience, and there might be a similar problem from  
2 transitioning from being a part of a joint venture with  
3 other firms to being a prime on your own. And the  
4 House, this -- I think it's Unlocking Small Business  
5 Opportunities Act of 2019, is considering making it  
6 mandatory for agencies to consider those types of past  
7 performance in their evaluation of prime contracts. So  
8 we'll continue to watch those bills coming out of the  
9 House

10 On the Senate side, Senator Duckworth  
11 introduced a bill to require the OSDBUs -- the VA OSDBU  
12 to report if they're not meeting any of the statutory  
13 requirements for OSDBUs, and the Senator is also  
14 considering some bills about raising the thresholds in  
15 the 8(a) program for sole-source requirements and  
16 looking at allowing more venture capital funding and  
17 private equity funding in women-owned and small  
18 disadvantaged businesses.

19 Those bills have been introduced, but as far  
20 as I know, there hasn't been any sort of significant  
21 legislative action on that. So as we go through, I  
22 think I'm at 11:30, but --

23 MR. STUBBLEFIELD: Let me just say this. I've  
24 noticed the committee members are looking through the  
25 slides, and you're not using the slides, so I'm asking

1 the committee members, look through -- glance through  
2 the slides. Is there something in there you want to  
3 talk about?

4 MR. PHIPPS: Yes.

5 MS. VALERIE LEWIS: Yeah.

6 MR. STUBBLEFIELD: Is there something in there  
7 you want to talk about? We're not going to -- I mean,  
8 this is a significant presentation today. So we're not  
9 going to miss anything. If there's something in there  
10 you see -- I know you were here yesterday, Mike, we  
11 really had a robust -- yeah, over some of the --

12 MR. PHIPPS: And this one is going to apply to  
13 the VA as well, so I know -- so the question, and I  
14 don't know, Sam, if you can really answer this, and  
15 that's on H.R. 1615, and the certification going over  
16 from the VA to the SBA, and there's so many details in  
17 that. Instead of asking very specific questions, it  
18 would be good if you know a little bit about that, what  
19 is that going to look like? How does that interact  
20 with CVE? How -- there's just so many questions  
21 involved.

22 MR. LE: Sure.

23 MR. PHIPPS: It might be better just to get an  
24 overarching explanation.

25 MR. LE: Yeah, I would refer you to take a



1 look at the legislation itself, and you can go to  
2 Congress.gov and look up the legislation number, but  
3 it's very prescriptive about how this transfer would  
4 happen. It looks at -- the legislation itself directs  
5 how the database would go, how the center itself could  
6 transfer from VA to SBA. It has a timeline of two  
7 years, plus six-month extensions after that two-year  
8 period with reports to Congress on how SBA and VA would  
9 proceed on transferring everything.

10 It also has provisions on what happens if  
11 you're already in the VA database and what happens if  
12 you're self-certified in SAM but you're not in the VA  
13 database. And that situation, if you're self-certified  
14 and not in the VA database, under the legislation, you  
15 would get one year to actually go in and get certified.  
16 But, you know, the legislation is pretty extensive, so  
17 I would take a look at it and see what's actually in  
18 there. And I know we were just talking to some of our  
19 friends on the Hill, and we know the Senate is looking  
20 at that closely.

21 MR. PHIPPS: And I have one more question and  
22 then I'll pass the mic. For S. 1981, would changed  
23 ownership requirements for women-owned small businesses  
24 and the 8(a) program for firms and venture capital  
25 investment. This has an overarching reach to some of

1 our other questions that were with the VA. Can you  
2 give an overview, in layman's terms, of what that's  
3 considering, because we would like to see if there's  
4 some kind of recommendation that could come out of that  
5 for VA ownership control, especially I know Brandon is  
6 involved with venture capital investment --

7 MR. LE: Sure.

8 MR. PHIPPS: -- and it affects a lot of  
9 companies.

10 MR. LE: Sure. That -- from what I understand  
11 from the description of the legislation that's posted,  
12 which I think deviates a bit from the actual text of  
13 the bill, the description says that the intent of the  
14 legislation is to allow women-owned small businesses  
15 that have investment from venture capital firms that  
16 are themselves owned by women to continue to qualify  
17 for the women-owned small business program.

18 And on the same side, on the 8(a) side, if  
19 you're a disadvantaged business owner and you get  
20 investment from a venture capital firm that is itself  
21 owned by disadvantaged individuals, then that would  
22 continue to qualify for the 8(a) program. And that's  
23 the intent of the bill, but I think the -- and I've  
24 told people, I think the actual text of the legislation  
25 deviates from that a bit and actually expands the

1 qualification for the program, the possibility for  
2 qualification for the program much more significantly  
3 than what's in the description of the intent.

4 MR. PHIPPS: So as a lawyer, would that set a  
5 legal precedent for if I was a service-disabled  
6 veteran-owned company that was a venture capital firm  
7 to supply another service-disabled veteran-owned  
8 company with capital, that that wouldn't -- is there a  
9 precedent that we could use for the veteran-owned side  
10 is what I'm trying to get at. And maybe -- and we may  
11 be able to take that offline --

12 MR. LE: Sure.

13 MR. PHIPPS: -- and ask for a full --

14 MS. VALERIE LEWIS: So I would be concerned  
15 about a dollar threshold as a receipt.

16 MR. SHELTON: Hey, so Brandon Shelton here.  
17 So I am the only VC firm in the United States that's  
18 solely focused on veteran-backed startups. There are  
19 couple others that dabble in it. I don't like that  
20 rule because that's ridiculous. I get why the intent  
21 is, but for us as a committee, what I would suggest we  
22 do is monitor that and see what happens, but I think  
23 I'm more akin to saying that rules, the certification  
24 rules, and they all left, but the certification rules  
25 that you are a veteran-owned -- a VSOB should start to

1 factor in the type of business you are.

2           If you are a C Corp, you have a board. The  
3 board has governance, and this is where the VA CVE gets  
4 all sideways because they -- you know, lack of control,  
5 terms of control, and then that's -- that suffocates  
6 that startup veteran-owned business from applying for a  
7 VA contract, Health and Human Services contract,  
8 whatever they need that certification for. I think we  
9 should monitor the process, but on this committee next  
10 year, I mean, I've been for the last year trying to  
11 push on this, but I think it's less about the capital  
12 and I think it's more around the certification and  
13 allowing them to compete for contracts as a startup  
14 because it could swing their whole business as a five-  
15 person, ten-person business. They had to take venture  
16 capital to start.

17           This change of control, I'll tell you I've had  
18 long conversations with Tom and then Ruby's  
19 predecessor. Let's see what happens with that. I  
20 would just recommend for us, on this committee, that we  
21 just monitor that going into next year, and we can get  
22 some more ideas for proposals, we can propose on that  
23 front.

24           MR. O'FARRELL: Jim O'Farrell, just changing  
25 subjects here for a minute. The Runway Extension Act,

1 so a lot of discussion about that over the past year or  
2 so. So President Trump signs a law, we think it's  
3 going to happen right away; we find out that it  
4 doesn't, it's going -- it's in SBA December 2019, as in  
5 this month. Are we going to see it go into effect, or  
6 what's your feedback on the time frame?

7 MR. LE: Sure. It's in effect January 6,  
8 2020.

9 MS. VALERIE LEWIS: Which bill?

10 MR. O'FARRELL: Runway Extension Act. It  
11 allows --

12 MS. VALERIE LEWIS: What's the number? Is it  
13 on here?

14 MR. O'FARRELL: -- it's on here. It's on --

15 MR. STUBBLEFIELD: It's the --

16 MR. O'FARRELL: -- Slide 4.

17 MR. LE: Slide 4 there, and then we have the  
18 proposed rule described later on in --

19 MR. O'FARRELL: It allows agencies to look  
20 back five years instead of three years to determine  
21 size. And then the only -- the other one had to do  
22 with the cyber certification that's coming down the  
23 pike.

24 MR. LE: Oh, sure.

25 MR. O'FARRELL: Could you just talk about that

1 and the time frame? It's on one of the slides and now  
2 I can't find it in here.

3 MR. LE: Yeah. Sure. It's toward the end,  
4 and I was just at DoD this morning. They had a talk  
5 from their Director of Industrial Policy. And CMMC is  
6 the number one priority of their acquisition director  
7 there. The idea there is that DoD recognizes that  
8 there are cyber deficiencies in their contracting base,  
9 and the proposal, which I don't think there's any way  
10 to walk back on this, the proposal is to require all  
11 contractors to have a cyber security certification in  
12 order to work with DoD.

13 They put out several drafts of what the  
14 certification would look like. A couple months ago,  
15 they put out a Version 0.4, asked for comment. SBA  
16 submitted some comments saying, you know, you really  
17 have to consider small business in this. This is going  
18 to be very costly for small business, and maybe give  
19 them some -- a break on the timeline or on the cost of  
20 it. And DoD, about a month and a half later, issued  
21 Version 0.6 and did not ask for comment that time. So  
22 that's out there for the public to review, but there's  
23 not any sort of opportunity to submit your thoughts on  
24 that to DoD.

25 When this goes into place, and they're looking

1 at rolling this out starting June 2020 according to the  
2 information they have on the website, DoD would require  
3 not only that firms have the cybersecurity measures in  
4 place but also that they've received a certification  
5 from what appears to be a third-party partner of DoD.

6 So there initially was going to be a cost for  
7 all businesses to obtaining the certification. I  
8 believe they're considering having some sort of small  
9 business flexibility for obtaining the certification,  
10 but that still doesn't relieve you from getting the  
11 measures in place. And so if a firm doesn't have those  
12 measures in place, it has to put in the cost to, you  
13 know, shore up its IT systems, get a new email system,  
14 whatever it is.

15 Now, what DoD said this morning is they are  
16 looking to their prime contractors, their large  
17 business contractors, to assist the small businesses,  
18 you know, subcontractors and whatnot, to get those  
19 cybersecurity measures in place. And they're working  
20 very strongly with their prime contractors to roll out  
21 some sort of system so that small businesses would be  
22 able to comply.

23 MR. O'FARRELL: All kinds of thoughts on that  
24 one. As a company that has 100 employees and eight --  
25 16, 17 million in revenue, and we are not -- and 93

1 percent of our revenue is prime, we're not looking to  
2 have larges explain to us how to do this kind of a  
3 process. The concern, I think, that's driving this,  
4 though, is that you go get your ISO certification, it's  
5 not -- the Government doesn't say, you can't do work  
6 with us unless you have an ISO certification. What  
7 could very quickly happen is that DoD adopts the stance  
8 and a position that says you can't do work with us  
9 unless you have this certification that you have to go  
10 spend money on, and there may not be a source of supply  
11 to get you the certification at the time that you need  
12 to get it done.

13 So I was going to ask that -- for the next  
14 meeting perhaps we have someone come from the DoD and  
15 talk to us maybe through your connection with IV&T.

16 MR. PHIPPS: So Shannon was here yesterday.  
17 This is Mike Phipps. Shannon was here yesterday. He  
18 briefed this. They are going to be posting -- the  
19 terms to Google are CMMC and Project Spectrum. We can  
20 absolutely put something out to Shannon. He will  
21 respond with the lengths, but DoD is going to have a  
22 large/small business -- they're going to address small  
23 businesses specifically within the -- for this  
24 certification.

25 What we're really interested to hear from DoD



1 is the third-party certifier, who is that, how many of  
2 them are there, and then all the stuff that Sam brought  
3 up. So I think we should propose, just like we did  
4 with the VA, we should have the committee members pose  
5 a list of questions that we can pass on to Shannon.

6 MR. O'FARRELL: Well, what we could also do is  
7 have in our annual report propose language that says,  
8 okay, so GDIT can now train a cadre of small veteran-  
9 owned businesses to go out and grow businesses doing  
10 the certification.

11 MR. PHIPPS: Right.

12 MR. O'FARRELL: GDIT and other large  
13 businesses could -- if we're going to use your thought  
14 that larges are going to help the smalls, they could  
15 actually create the training and then train the  
16 trainer, and so now you could have veteran-owned  
17 businesses grow their businesses by using this cottage  
18 industry of certification.

19 MR. PHIPPS: That's a whole industry right  
20 there.

21 MS. VALERIE LEWIS: I had a question. This is  
22 Valerie Lewis. I had a question about the HUBZone and  
23 the small business subcontracting legislation. So on  
24 the HUBZone, you talked about businesses are able to --  
25 if the employees move, they were able to keep their

1 HUBZone, and you said something else about how the  
2 business itself, if they were able -- there's some new  
3 law now that they were able to keep that HUBZone  
4 status.

5           And I'm just wondering is that going to be  
6 retroactive, so for, like, you know, when the maps  
7 change, that's what it was referring to. So there were  
8 a lot of businesses that lost their HUBZone status  
9 because they were no longer in a HUBZone area. So now  
10 that you guys are moving it back, I'm wondering, the  
11 businesses that were in HUBZones before the maps  
12 changed, will there be some retroactive allowance for  
13 that?

14           MR. LE: If you lost your HUBZone  
15 certification before the maps froze, I don't think this  
16 rule is going to help you, but we are freezing the maps  
17 until 2021. And you want to follow up with me with the  
18 exact situation of when the business potentially lost  
19 its certification or its HUBZone eligibility, then we  
20 can look into that, but generally speaking, from a  
21 legal perspective with new regulation changes, they're  
22 effective when they say they're effective, so this  
23 one's effective at the end of 2019.

24           MS. VALERIE LEWIS: And on the -- there was  
25 some conversation about -- it was a couple of years

1 ago, it was a couple years back, about the  
2 subcontracting requirement for large primes. I'm just  
3 wondering, has there been any discussion around instead  
4 of using the stick, you know, is there some discussion  
5 going on about how we can possibly help prime  
6 contractors or incentivize contracting officers for  
7 that matter so that we can get the subcontracting  
8 levels up?

9 MR. LE: Certainly. We're -- you know, from  
10 the legal side, mostly it's the stick. You know,  
11 mostly it's trying to get them to be scared of  
12 liquidated damages and contract remedies.

13 MS. VALERIE LEWIS: But contracting --

14 MR. LE: From the policy side, we are trying  
15 to use the access that we have to data to encourage  
16 large primes to subcontract more. So if we see, you  
17 know, in this industry, large primes are able to  
18 subcontract 40 percent and, you know, there's a large  
19 number of small business subcontracts out there. And  
20 we can use that data to tell a prime that its 25  
21 percent subcontracting goal is not high enough, it  
22 should be at 35 or 40 percent. So we're trying to use  
23 data.

24 We have a challenge there with the data  
25 because that system, you know, as we talked about

1 before with Beta.Sam.Gov, that system doesn't give us  
2 subcontractor-specific data. It just looks at the  
3 prime contractor, and the prime contractor puts in the  
4 percentages, so we don't get full visibility into how  
5 that contract is being performed at all levels. We may  
6 get more information once this lower-tier  
7 subcontracting system gets rolled out. So if that  
8 happens, we'll get even more data, and we'll be able to  
9 use that data to try to encourage, as you said, you  
10 know, use the carrot instead of the stick there.

11 MS. VALERIE LEWIS: Yeah, I think there was  
12 some discussion at Theresa's meeting. Remember the  
13 prime contractors came back and said that they didn't  
14 have -- if -- I don't know if it was the dollar  
15 threshold or what it was, but they were saying that  
16 only -- they only have to do subcontracting if they  
17 were required. And I thought that was, like,  
18 guaranteed over the --

19 MR. LE: 700,000.

20 MS. VALERIE LEWIS: -- exactly. You know,  
21 like the date -- no matter what contract you get,  
22 you're supposed to be looking for subcontracting. So,  
23 I mean, that's education that needs to, you know,  
24 occur.

25 MR. LE: That is really interesting, because

1 I've never gotten that question before, and this is the  
2 second time in two days that I've gotten that question.

3 MS. VALERIE LEWIS: You know what, it's good.

4 MR. LE: This is coming up a lot.

5 MS. VALERIE LEWIS: Yeah, because that's what  
6 the prime contractor said, you know, at her event. And  
7 my last question, and I'll get your card afterward, but  
8 I just want to know if the SBA is considering this  
9 whole push. We know that S -- is it S. 49 or the House  
10 Bill 4920, again, they're trying to diminish, I guess,  
11 veterans within the VA Ability -- right. Well, its  
12 AbilityOne preference.

13 I'm wondering if the SBA is taking any  
14 position on that and, I mean, there was some talk from  
15 the CMR from San Francisco before he retired that  
16 AbilityOne was trying to get small business status.  
17 Can you talk just a little bit about that, if you know  
18 if there is a push or if there's any support for  
19 veterans within the VA and the law that's trying to  
20 get, you know, pushed now.

21 MR. LE: I mean, I think that is a VA-specific  
22 issue, so SBA has not been very involved on the  
23 AbilityOne VA issue.

24 MS. VALERIE LEWIS: Right, but --

25 MR. LE: But I will say on the small business

1 issue, we had -- specific to the 8(a) program, we had  
2 some provisions in these rules that reached on  
3 AbilityOne. We got a bit of pushback, but we went  
4 ahead and said, at least in the proposed rule that we  
5 just discussed on the mentor protégé program, that if  
6 the agency is switching from using the 8(a) program to  
7 using AbilityOne, they have to -- over at SBA, because  
8 that's happening, and we got some negative reaction to  
9 that, but if we get positive comment, that might be  
10 able to weigh out the negative reaction that we got on  
11 that.

12 MS. VALERIE LEWIS: I'm confused by what you  
13 mean by positive comments. So veterans are small  
14 businesses.

15 MR. LE: Sure.

16 MS. VALERIE LEWIS: So I just want to make  
17 sure that the SBA doesn't push this off onto VA and the  
18 SBA comes alongside veteran small businesses as well,  
19 so -- and has somewhat of a policy statement on, you  
20 know, what your position is. So for a supported  
21 veteran-owned small business --

22 MR. LE: Well, I will say, the reason this is  
23 a VA-specific issue is because the court case, which I  
24 think PDS Consultants is the court case --

25 MS. VALERIE LEWIS: Right.

1 MR. LE: -- is specific to VA, giving SDVOSBs  
2 preference over AbilityOne. And I think what -- the  
3 movement that you're referring to is trying to address  
4 that court case. That court case doesn't apply to  
5 other agencies. So other agencies are still required  
6 to prefer AbilityOne over SBA small business programs.

7 MS. VALERIE LEWIS: So FAR Part -- you're  
8 talking about FAR Part 8?

9 MR. LE: Right. So, you know, there's an  
10 order of priority in FAR Part 8 and AbilityOne and  
11 UNICOR are above small business.

12 MS. VALERIE LEWIS: So --

13 MR. O'FARRELL: Right, so I think isn't the  
14 AbilityOne case, it's basically seen as a pushback  
15 against the Kingdomware decision at the VA that said  
16 we're going to go to our veteran businesses first.  
17 Now AbilityOne comes along with the PDS Consultants  
18 case and says, well, wait a minute, hold on, we  
19 should let the -- we should let -- and I know that  
20 there was an NVSCBC newsletter that came out and  
21 said the AbilityOne folks have gone and gotten 40  
22 Congressmen, Representatives to, you know, try to enact  
23 a law that says AbilityOne can get in front of the  
24 veterans within the VA. What I hear you saying is,  
25 hey, not really my agency, that's -- and it's VA-

1 specific, but I think what Valerie is saying is, but  
2 you guys are the SBA, so we would help -- we would hope  
3 that you would support veteran businesses as small  
4 businesses.

5 MR. LE: I mean, on that and on the large  
6 theoretical end, yes, we want small businesses to  
7 continue to work with the Government. We don't want  
8 other --

9 MS. VALERIE LEWIS: That's why --

10 MR. LE: -- preferences to get in the way of  
11 that. So generally, when we've had questions about  
12 UNICOR and AbilityOne, we direct agencies to comply  
13 with their small business responsibilities. You still  
14 have to meet your goals; you still have to apply the  
15 rule of two; you still have to do your market research.  
16 So on the general end, yes, we recognize that agencies  
17 have multiple responsibilities, and we want them to pay  
18 the most attention to small business.

19 MS. VALERIE LEWIS: So is there something that  
20 we can get from the SBA to show support so to help  
21 garner the effort?

22 MR. STUBBLEFIELD: We're partnering with the  
23 American Legion. I was there at their convention, and  
24 this was a topic of discussion. And the bottom line is  
25 we're looking at what is the law, and that memo that we



1 put together, there was a lot of discussion as to how  
2 did that even come about, you know, that you would have  
3 a number of Congress members sign something that would  
4 go to Secretary Wilkie to tell him to break the law.  
5 So that's kind of like basically how we're looking at  
6 it. Like I said, I know the American Legion is all  
7 over it, and we're sitting at the table with the  
8 American Legion on this.

9 MS. VALERIE LEWIS: Right.

10 MR. STUBBLEFIELD: The law is the law.

11 MS. VALERIE LEWIS: But the information we're  
12 getting is that Congress is trying to push past  
13 veterans. I mean, that's absolutely unheard of. Who  
14 would --

15 MR. STUBBLEFIELD: Well, you know, it's a  
16 delicate situation because you're talking about people  
17 with disabilities, you know, and no one wants to go out  
18 and just -- you know, and completely --

19 MS. VALERIE LEWIS: Well, we have information  
20 on that as well. The people with the disabilities are,  
21 you know, some people are reporting back they're  
22 getting paid \$3 a week. I mean, veterans are the ones  
23 who help veterans and all disabled people. So a  
24 veteran company can do just as well with supporting --

25 MR. STUBBLEFIELD: You know, you're absolutely

1 right, and that all -- all of this is on the table.  
2 That discussion, we had it in Indianapolis, and I know  
3 that I'm probably speaking for the American Legion, but  
4 they're putting together something to go back to the  
5 Hill --

6 MS. VALERIE LEWIS: Good. That's what I want  
7 to hear.

8 MR. STUBBLEFIELD: -- to counter that. And,  
9 again, I'm still wondering for the staffers who got  
10 those members to sign something to go to -- well, I'm  
11 wondering if they're still employed.

12 MS. VALERIE LEWIS: Well, we need to make sure  
13 that they're not.

14 MR. SHARPE: We've already sent a letter to  
15 the Hill opposing this new legislation. David Leghorn  
16 sitting behind me has been up on the Hill talking to  
17 all the Congressional folks to relay our opposition to  
18 it. And I know VVA is about to send a letter of  
19 opposition to that legislation as well.

20 MS. THERESA LEWIS: So I'm asking on behalf of  
21 Joe. The question is on the limitations of -- on  
22 subcontracting. The problem that I found while serving  
23 as the OSDBU director at the Department of Health and  
24 Human Services was that the language surrounding  
25 liquidated damages is -- it gives the contracting

1 officer too much latitude. And because it said "may,"  
2 oftentimes I found as an OSDBU director that  
3 contracting officers found that the work the contractor  
4 was doing was more important than assessing -- than  
5 subcontracting. And so with the new rule, have you  
6 changed the "may" to mandatory?

7 MR. LE: No, it's still a "may."

8 MS. THERESA LEWIS: That was -- but, see --

9 MR. LE: That's a statutory requirement. Now,  
10 I know there have been talks with folks on the Hill  
11 about whether that "may" is the wisest way to phrase  
12 the statute, but that's what the law is.

13 MS. THERESA LEWIS: But, see, now, it is the  
14 law; however, annually, when SBA sends their  
15 legislation recommendations up, I definitely think that  
16 that is something that SBA should consider putting in  
17 that recommendation to the Hill because that's the only  
18 way they're going to do it.

19 MS. VALERIE LEWIS: Right.

20 MS. THERESA LEWIS: And it's the only way that  
21 you're going to bring attention to it. And it's the  
22 only way that contracting officers are going to do it.  
23 If you don't make it mandatory, they're not going to do  
24 it. So everything else you put in really is irrelevant  
25 to that mandatory requirement. And that's from my

1 experience as an OSDBU director working directly with  
2 contracting officers.

3 MS. PORTER: I just have a comment about the  
4 CMMC.

5 MR. LE: Yes.

6 MS. PORTER: I feel like this is definitely an  
7 issue for small businesses now because draft RFPs that  
8 are out there, primes are making their decisions on who  
9 they're going to team with, whether or not they have  
10 this here and now because there aren't a lot of  
11 resources. There's not a lot of information available.  
12 And so the sooner you can get small businesses  
13 resources so that they can work through this, it's  
14 going to be really helpful because I think there's  
15 going to be a gap where small businesses that don't  
16 have this, they're not going to be able to team now for  
17 businesses, it's going to hit their books later.

18 MR. LE: Yeah, that's definitely true, and as  
19 we talked about, SBA is being directed to focus on  
20 cybersecurity in conjunction with some other agencies.  
21 We're also looking at the DoD small business office,  
22 Shannon Jackson and Acting Director Scott Baum to lead  
23 the way since they know which direction DoD is going to  
24 -- this is a DoD-specific requirement, so if not --  
25 it's not government-wide, but who knows, after DoD

1 rolls it out, maybe other agencies follow. You might  
2 expect that that would happen since DoD has most of the  
3 plurality of the government contract dollars.

4 I think the timeline that you're referring to  
5 that -- at least the way the DoD described it, that  
6 timeline should not happen because this would only  
7 start appearing in RFIs in June of 2020 and then in  
8 solicitations -- I guess that would be the next fiscal  
9 year, Fiscal Year 2021, so it would not be present in  
10 contracts until those solicitations are awarded,  
11 because you don't even know what the certification  
12 looks like yet. There's not a process yet.

13 MS. PORTER: Right.

14 MR. LE: So that -- even that timeline is  
15 probably ambitious.

16 MS. VALERIE LEWIS: But they do, ISO.

17 MR. LE: So if you're out and looking at  
18 contracts that are out there today, this certification  
19 should not be required for that. That's not to say  
20 that it might not be rolled out very quickly and  
21 businesses might be strained to get into compliance,  
22 but as of today, it's not there yet.

23 MS. PORTER: I think people are anticipating  
24 this showing up really quickly and so wanting to go  
25 ahead and form their teams around it so they don't

1 have, you know, gaps whenever it does appear.

2 MR. LE: Right. And that's probably one of  
3 the purposes of putting out these draft versions, the  
4 .4 and .6, so that you can see what the certification  
5 is going to look like.

6 MR. STUBBLEFIELD: Okay, thank you. Thank you  
7 very much, Sam. We are now in the -- I know it's kind  
8 of late, but we're in the public comment period. I  
9 know we have one person there who's waited very  
10 patiently.

11 MR. GOLDSCHMITT: You asked me to be patient.

12 MR. STUBBLEFIELD: All right, before I say  
13 that, let's make sure that we capture Brandon and Sean  
14 on the record.

15 MR. GOLDSCHMITT: I had a hot button hit  
16 before, which is why I commented, but I've been doing  
17 the veteran advocacy and particularly around some of  
18 the verification and the certification issues for a  
19 long time. I was one of the original -- I was doing  
20 verification assistance counseling before there was a  
21 program. I helped start up the program with the Legion  
22 being actually the first group that was approved for  
23 verification and assistance counseling.

24 And I think as some of you have said, it's  
25 been a dark hole, black hole for a lot of information

1 that's been out there. And as we've gone through, I've  
2 had the benefit of talking to a lot of attorneys and a  
3 lot of small businesses, and the questions that come up  
4 usually aren't my questions that I'm asking but things  
5 of why are we doing that, what's the benefit. And  
6 sometimes it's been what's the statutory or regulatory  
7 basis for doing those things.

8 So it's been one of trying to ask those  
9 questions, and I think I was very pleased with Tom and  
10 Ruby and Cordell that you are now starting to see a  
11 questioning of the why are we doing these things. For  
12 those of you that are in the military or were in the  
13 military, I'm sure you all run across a, well, why are  
14 we -- well, that's the way we've been doing it for 20  
15 years. And in a number of cases, they've had people go  
16 back and look and say, well, why did we do that.

17 Well, that's because we had some rule at the  
18 time and we couldn't go left on this street and we  
19 couldn't go right on that street. Therefore, we did  
20 these things, and that's always been -- so you go back  
21 and look for the class in the Army -- I got to pick on  
22 the Army -- was the five-man battery, I guess, for the  
23 artillery. Why did they have that? Well, it turned  
24 out that the fifth man had been there forever, and he  
25 was the one that held the horses or held the mules. So

1 you start looking at these things and why did we do it.  
2 That's a true story.

3 MR. O'FARRELL: Then he got the coffee.

4 MR. GOLDSCHMITT: And I don't want to tell too  
5 many other stories, but it really came back and looking  
6 at it and going back from the business side, and from  
7 the attorneys' side -- I'm going to pick on the  
8 attorneys a little bit, there's a lot of stuff in VA,  
9 in SBA, other than just the Small Business Act or  
10 109.461 and 8127. And there's a lot of pieces, and as  
11 I get into some of these different issues, it becomes  
12 extremely, extremely nuanced and complex for some of  
13 the impact of the other laws and regulations.

14 And what can be done, what can be collected,  
15 how can you use things? Why do you need things, what  
16 are you doing? I think it will be a good time from the  
17 group here to start looking at -- for verification, and  
18 I think for SBA, too, on a combined effort to start  
19 looking at why the heck are we doing these things.

20 I've had the privilege or the pain, whichever  
21 one you want to call, of going through the 8(a)  
22 program, the HUBZone program, and the SDVOSB program,  
23 SBA's Emergent Leaders course, the Veteran Institute  
24 for Procurement and a few others, and there are some  
25 good lessons learned in there that combat issues of



1 control and how do I run my business and what makes  
2 good business sense.

3 And sometimes things that people know make  
4 good business sense are excluded because of some of the  
5 interpretations, and maybe unintentionally. And like I  
6 said, Liz, before, I could talk for a long time on  
7 this, I'm not going to because fortunately for you I  
8 have to get to another meeting.

9 MS. O'BRIEN: Are you done?

10 MR. GOLDSCHMITT: I'm never done, but I will  
11 be silent.

12 MR. O'BRIEN: Was there one -- someone else  
13 for public comment? Okay, go ahead.

14 MR. FOWLER: Hey, it's Charles Fowler. I'm  
15 with the American Legion Small Business Task Force.  
16 Issue, and I'll make this short. I've got some papers  
17 I can pass out with the background on it, but this has  
18 been an issue going on for decades now, is the sales  
19 tax issue. It's come to a head in the last few months  
20 with the Wayfair decision. It has a -- well, is and  
21 will continue to have crushing effect on small  
22 business. That's all small business, whether it's  
23 veteran-owned, SDVO, or any other small business trying  
24 to engage in national sales through e-commerce or any  
25 other platform.

1           This is something that I think that SBA is  
2 going to have to take a lead on to force the issue on  
3 the Hill and make this have a national discussion and  
4 policy on this issue. I mean, the bottom line is  
5 you're looking at the necessity to file up to 50 states  
6 income -- or excuse me, sales tax returns on a monthly,  
7 quarterly, or annually basis. If you sell a single  
8 product in a state once a year, you got to file a tax  
9 return. You got to -- first, you got to get a sales  
10 tax certificate to be able to do it, collect the tax,  
11 pay the tax. There are softwares out there that help  
12 calculate the taxes at the state and local levels. The  
13 minimum on these are \$15- to \$30,000 in cost. This is  
14 -- this is not something that is conducive to growing  
15 small business.

16           When we talk about the rural initiative, this  
17 kills that before it even gets started. Anybody who is  
18 living, manufacturing, or coordinating sales in a rural  
19 area on a multistate, interstate, or national level  
20 will never get started. The startup capital just to  
21 get the software to be able to collect and pay the  
22 taxes is prohibitive.

23           So, anyway, that's what I got. I'll pass the  
24 information out so you can take it with you and take a  
25 look at it, but this thing, again, it's been cooking

1 for 15 years at least. We've been talking about it,  
2 but with this latest Wayfair case, it has accelerated.  
3 I've had requests for a half-dozen new states tax  
4 certificates just in the last three months with my own  
5 company. So -- and I expect them every week for the  
6 next several months until I get all 50 of them, so...

7 MR. JENKINS: Okay, thanks for the opportunity  
8 to speak. I'm Billy Jenkins, retired SBA senior  
9 contracting officer and procurement liaison, and I now  
10 serve as the chairman of the American Legion Small  
11 Business Task Force. James O'Farrell, you hit on a  
12 point recently that dealt with the fact that small  
13 businesses are receiving less contracts, and, yes, they  
14 are. And the reason that they're receiving less  
15 contracts is because the procurement community, their  
16 strategy is to award bigger contracts to small  
17 businesses, and as a result of that, you have fewer  
18 small businesses receiving government contracts.

19 Now we're reacting to the phenomenon with a  
20 Runway Extension Act because those small businesses are  
21 becoming larger faster. Now, the other problem that we  
22 have is a diminished SBA. The Small Business  
23 Administration is shrinking every year, and has been  
24 shrinking, gosh, since the Carter -- the Clinton  
25 Administration. Each and every one of you should be

1 complaining to your representatives and saying, look,  
2 you need to give us the resources so that we can  
3 succeed.

4 As a result of this diminished agency, people  
5 that are living in rural communities are being  
6 overlooked because the resources are not there for the  
7 SBA to help those communities. Thank you.

8 MR. O'FARRELL: Can we make sure we -- Joe --  
9 thank you for those comments. And I just want to say,  
10 we want to make sure we include in our report again  
11 this year, as we've included in past years, that  
12 funding for the SBA needs to be a priority. It has  
13 been shrinking over these past years. That's all.

14 MS. O'BRIEN: Is there any -- are there any  
15 other public comments at this time?

16 (No response.)

17 MS. O'BRIEN: All right, thank you for  
18 attending -- you have something, Stan?

19 MR. KURTZ: Yeah. Great points brought up  
20 today. In going back to the VA, I want to thank Jim  
21 and Mike who submitted questions right after the  
22 meeting. That was very helpful, so that way the VA got  
23 started on answering those questions. They had to do a  
24 lot of research.

25 So I know we are on the record with some

1 questions, but by the time we get the record back, I'd  
2 rather get the questions as soon as possible so we can  
3 get either Sam or the VA looking at and answering those  
4 questions. We'll get them out to you, and then we'll  
5 get them to the meeting next time. So I think the  
6 quicker you can do that, it's still fresh in your mind,  
7 send them to us, we'll send them to the appropriate  
8 people and make sure they're at the next committee  
9 meeting to answer those specific questions. That's all  
10 I've got to say about that.

11 MR. O'FARRELL: So, Stan, thank you. Thanks  
12 so much for all that you're doing and Larry are doing  
13 and not to steal any of Liz's thunder, but we are  
14 really are feeling the momentum in this meeting today.  
15 I think most of us, all of us, would agree.

16 One of the things that I noticed that happened  
17 with the VA folks and being very transparent is for me  
18 a bit of a wake-up call was the transparency is leading  
19 to them actually revealing that -- and I'm sorry, you  
20 guys, Navy guys, I'm a little slow on the uptake, but  
21 you all have probably figured this out years ago, the  
22 acquisition side. So what I felt them doing a little  
23 bit was, well, you know, we're the CVE verification and  
24 we're the SADBUI (phonetic) and we advocate on behalf of  
25 you guys.

1           But over here you have this acquisition group,  
2           and they're doing contracts in a different way now and  
3           that's been shifting and all that. So I really think  
4           that we need to get -- we need to put them on the hot  
5           seat in the meetings coming up. Okay, thanks, Stan.

6           MR. STUBBLEFIELD: All right, so I guess I  
7           will officially close the meeting, but before I do, I  
8           just want to -- oh, I'm sorry, Sean, you had something?

9           MR. GWINNER: I was just going to say, didn't  
10          me and Brandon have to --

11          MR. STUBBLEFIELD: Oh, say their names. Yeah,  
12          we want to make sure you're on the record.

13          MR. SHELTON: Brandon Shelton, TFX Capital.

14          MR. GWINNER: Sean Gwinner, Bunker Labs, for  
15          the record.

16          MR. STUBBLEFIELD: Okay, I was saying before I  
17          close out, I just wanted to turn to Liz here for a  
18          minute and just thank you, you know, for your work as  
19          the Chairperson. You know, I know you're passionate  
20          about support for the military spouses and our veteran  
21          business owners. This has been a fantastic year, I  
22          reckon a great year. We're trying to get our policy  
23          changed, if you will, where the Chairperson can be two  
24          years because once you get up and running, then all of  
25          a sudden it's time for an election.

1           So we'll have that out here real soon,  
2   hopefully, but it's going to have to go through the  
3   legal process and so forth, but it's been a great year,  
4   and I just want to thank you for everything you've done  
5   for this committee and for our veteran small business  
6   committee.

7           (Applause)

8           MS. O'BRIEN: Well, I appreciate the  
9   opportunity. One of the things I felt strongly about  
10   was that this Chairperson should be two years, 18  
11   months to two years, so I'm glad to hear that that's  
12   going to be an opportunity potentially moving forward.  
13   And thank everybody on the committee for their hard  
14   work. There's some really passionate, driven people in  
15   here who I firmly believe aren't just making a  
16   difference here when we're meeting but are making a  
17   difference in their communities across the country.

18           And I think as we're starting to rebuild this  
19   committee, too, that the additional folks bringing  
20   their passion and drive and learning from people that  
21   have been here, I can tell you folks that have been in  
22   this fight for many years have learned a tremendous  
23   amount from you, so now having the opportunity for that  
24   to continue on. So thank you for the opportunity.

25           MR. STUBBLEFIELD: All right, I guess it's on

1 to lunch. On behalf of -- again, thank the American  
2 Legion for all their support. We've off the record  
3 now.

4 (Whereupon, at 12:11 p.m., the meeting was  
5 adjourned.)

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