

SMALL BUSINESS ADMINISTRATION
INTERAGENCY TASK FORCE ON VETERANS
SMALL BUSINESS DEVELOPMENT

PUBLIC MEETING

Friday, December 6, 2013

9:00 a.m.

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

Diversified Reporting Services, Inc.
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MEMBERS PRESENT:

Rhett Jeppson, Office of Veterans Business
Development

Barbara Carson, Office of Veterans Business
Development

Craig Heilman, Office of Veterans Business
Development

ALSO PRESENT:

Matthew Blum, Office of Management and Budget

Anthony Eiland, General Services Administration

Jessica Milano, U.S. Department of Treasury

Timothy Hale, New Mexico Department of Veterans'
Services

David Boddie, Federal Allies Institute

Bill Ferguson, D.C. American Legion

Aditi Dussault, Small Business Administration

Kevin Blanchard, IFA/VetFran

Billy Jenkins

Ruth Samardick, U.S. Department of Labor

David Leghorn, The American Legion

James Wilfong, Vet-Force (via telephone)

Tom Leney, Veterans Affairs (via telephone)

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

2 OPENING REMARKS

3 MR. JEPPSON: So what I'd like to do anyways
4 is just, first off, welcome everybody here. Thanks for
5 being here on a rainy morning. I think that we -- I
6 don't think we could have picked a worse morning for
7 this meeting, to be honest, just with the confluence of
8 things going on. So -- but it is what it is, and we're
9 here, so we'll press on, and we'll move through this as
10 quickly as possible. And if it takes a full three
11 hours, great. If it takes a portion of that, great.
12 But we'll put a check in the box this time.

13 So what I'd like to do is just so everybody --
14 so we introduce -- introductions around the room here
15 since this is a small crowd, and then with folks on the
16 line, so I'll go ahead and do a little bit of roll
17 call. Well, why don't we just do the introductions,
18 and that way I can know who all is here if I'm keeping
19 track. So anyways, so if we could get the gentleman at
20 the end to start down here. I think it's Mr. Ferguson.
21 Is that right?

22 MR. FERGUSON: Yes, sir. I'm Bill Ferguson,

1 American Legion.

2 PARTICIPANT: How does this thing work?

3 MR. JEPPSON: Just press the button with the
4 voice there.

5 PARTICIPANT: All right. Sure -- no problem.

6 MR. BODDIE: I'm David Boddie with Federal
7 Allies Institute.

8 MR. HALE: Tim Hale with the New Mexico
9 Department of Veterans' Services representing the
10 National Association of State Directors of Veterans
11 Administrations.

12 MR. EILAND: Tony Eiland, GSA.

13 MR. HEILMAN: Craig Heilman, SBA Office of
14 Veterans Business Development.

15 MS. CARSON: Barb Carson, deputy associate
16 administrator, Veterans Business Development at SBA.

17 MR. JEPPSON: Yeah, Rhett Jeppson. I'm the AA
18 for -- at SBA.

19 MR. BLANCHARD: Kevin Blanchard, International
20 Franchise Association.

21 (Crosstalk.)

22 MR. JENKINS: Bill Jenkins, Chairman, American

1 Legion Small Business Taskforce.

2 MS. SAMARDICK: Ruth Samardick, Department of
3 Labor, Veterans Employment Training Service.

4 MR. LEGHORN: Davy Leghorn. I'm with the
5 American Legion as well.

6 MR. FUJII: Stan Fujii, SBA.

7 MS. TRINKO: Jennifer Trinko, The D.C. Group,
8 contractor for SBA.

9 MS. MCCLELLAN: Jen McClellan, SBA.

10 MR. JEPPSON: Okay. And then if we could, if
11 the folks on the phone can identify themselves, I
12 believe we'll start with Jim Wilfong. I believe you're
13 on the phone.

14 MR. WILFONG: Yes, I am. Jim Wilfong, member
15 of the taskforce representing Vet-Force.

16 MR. JEPPSON: Jim, thanks for joining us by
17 phone. I hope you're staying warm up there.

18 MR. WILFONG: Yes, trying to.

19 MR. LENEY: Tom Leney, Department of Veteran
20 Affairs.

21 MR. JEPPSON: Hey, Tom, how are you?

22 MR. LENEY: Good, good.

1 MR. JEPPSON: Good, good. Anybody else on the
2 phone?

3 Okay, so I did have confirmations from Matt
4 and Jessica -- or from Matt Blum and from Jessica
5 Milano who would be filling in for Don Grace, so that
6 would give us pretty much everybody on the taskforce
7 here, so -- with the exception of DOD. I did not have
8 an answer from them. So that gives us almost everybody
9 on the taskforce if they show up. So with the weather
10 maybe they'll join us after a little bit with some
11 luck.

12 So anyways, everyone, welcome. It's been a
13 little while since we've met. I think it's probably
14 been probably, what, two and a half months since we met
15 last. We don't have a lot on the agenda today, but the
16 big focus we'll talk about some of the lending that's
17 gone on, talk a little bit about some of the
18 legislation that's out there right now, and then just
19 briefly about some of the access to capital and the
20 report that's going on as well. So we'll have some
21 other folks join us as well.

22 So I'm not sure that we'll need, as I said,

1 the full three hours, but we'll move through this as
2 quick as possible and capture what we need to here. So
3 with that in mind, any comments from the group before
4 we begin?

5 I'll turn it over to Tony Eiland here for a
6 little bit as we're kind of coming up on Pearl Harbor
7 Day, so a little bit -- remember fellow veterans.

8 PEARL HARBOR REMEMBRANCE

9 MR. EILAND: Thank you, Rhett. I was given
10 the honor of talking about the remembrance for Pearl
11 Harbor Day, and I have a small presentation.

12 Today we recognize the National Pearl Harbor
13 Day where we remember and honor all those who died
14 during the attack on Pearl Harbor on the morning of
15 December 7, 1941. This holiday offers us an
16 opportunity to reflect on the remarkable legacy of
17 valor, dedication, and selfless service made by those
18 brave individuals.

19 In his address to the Congress, then-President
20 Franklin D. Roosevelt affirmed that with confidence in
21 our armed forces with the unbounded determination of
22 our people, we would gain inevitable triumph. Many

1 responded to that call and went to fight across Europe
2 and into the Pacific. In addition, ladies went to work
3 in the factories and shipyards across America filling
4 the arsenal requirements to support the war effort that
5 would propel America to victory.

6 On every front, we faced impossible odds, and
7 out of the ashes of conflict, America rose more
8 prepared than ever to meet the challenges of a future
9 with the knowledge there was no obstacle that we as a
10 nation could not overcome together. Today after more
11 than a decade war, we are reminded that the concept of
12 this hallowed day of remembrance resonates evermore
13 deeply with every person that's ever worn the uniform
14 of our proud country.

15 As we continue to heal from the scars of war
16 with past and present, we commemorate Pearl Harbor Day
17 this year. Let us also reflect on the honor, courage,
18 and devotion forged by our predecessors and express our
19 deepest gratitude to those that served and continue to
20 serve with utmost courage and devotion today.

21 To all warriors past and present, let this day
22 be a reminder to you that this nation will never forget

1 you, and it will never be able to thank you enough for
2 your scores of sacrifices and your unwavering
3 commitment to our freedom. May we have a moment of
4 silence please.

5 (Moment of silence observed.)

6 From the Battle of Concord to the Battle of
7 New Orleans, from the shores of Utah Beach to the
8 jungles of Vietnam, from the sands of Iraq to the
9 current killing fields of Afghanistan, fine men and
10 women have served and continue to serve this nation.
11 We extend our best and brightest to the vortex we call
12 military service. While many have safely returned,
13 there are many that have not.

14 As military tradition, we honor those that
15 have paid the ultimate sacrifice with the playing of
16 taps. Many know the haunting melody, but few know the
17 words:

18 "Day is done, gone the sun,
19 From the lakes, from the hills, from the sky.
20 All is well, safely rest.
21 God is nigh.
22 Then goodnight, peaceful night

1 Till the light of dawn shineth bright.

2 God is near. Do not fear.

3 Friend, goodnight."

4 We can talk about programs and initiatives,
5 but in the end, it all comes down to the respect and
6 appreciation we as a nation must have for the
7 dedication and service of the brave men that sacrificed
8 for our freedom on this national Pearl Harbor Day.

9 I say fair winds and following seas to my
10 shipmates. You stand relieved. We now have the watch.

11 Thank you.

12 PROGRESS REPORT REMARKS

13 MR. JEPPSON: Thanks, Tony. I appreciate
14 that. Okay. So moving right along, talk a little bit
15 about the progress on the taskforce report. So Barb,
16 before you start, we'll just kind of -- well, let me
17 just mention we've sent it around a couple of times,
18 and I appreciate this report that we've gotten back.
19 We're still waiting for some answers, and so there's a
20 couple of you I'm going to contact personally.

21 We really needed to dig into this thing before
22 we get ready to release it here. And we want to

1 release it. We're kind of behind the power curve, and
2 we understand that with the shutdown and restart-up and
3 a few of the things that have happened here has caused
4 some delays, and I understand that. But we can't delay
5 much past July. And just to be -- I'm sorry, past
6 January.

7 To be frank, just -- we need you to look hard
8 at it and give us some input in this so it has some
9 meaning, and sometimes the -- we've done what we can
10 from our perspective here. I've weighed in a lot, but
11 we need your agencies. Those agencies that have given
12 us solid info, we appreciate it. But if not, we'll be
13 contacting you personally.

14 Again, because we need -- we can't send it up
15 without your agencies' input into it, and I would ask
16 that you give it more than the hand-wave. I know
17 you're busy, but this request -- what the taskforce
18 says. It's the culminating event of all the meetings
19 that we come to. It should inform the agenda that we
20 as the interagency and the BSOs are telling the White
21 House and Congress that they should take when it comes
22 to veterans' small business.

1 And so we do have -- there's been a couple of
2 things that have happened lately that may be of
3 interest to us that may influence our discussions, so
4 we'll have -- entertain input into the report that
5 would be affected by that as well. So Barb, comments?
6 Over to you.

7 MS. CARSON: Thanks, Rhett. I think you
8 covered most of the status of our report, so I'll make
9 -- (laughter).

10 MR. JEPPSON: I've heard it all.

11 MS. CARSON: That's okay. So the only things
12 that could be outstanding right now are, for example,
13 SBA had a program that will no longer be a -- but it's
14 going to sunset this year. We'll talk about that
15 later. So we're updating our input into the report
16 since it hasn't gone out yet to reflect that as
17 required. And there are now opportunities for your
18 fiscal year measurements. If there's anything that you
19 know now that -- we've had a period of time since the
20 close of fiscal year 13, we'd be grateful for those
21 updates. Thank you so much.

22 Right now it is in SBA clearance. It will

1 leave that status very soon. We are, as Rhett said,
2 waiting for a couple more substantive contributions
3 from agencies where we do have at least something from
4 everyone, but we are missing some more meat on the bone
5 that we really need to have a report that can make a
6 difference for veterans.

7 MR. JEPPSON: Let me just give more clarity.
8 So it's in SBA clearance. Just because we're an
9 independent organization and because we followed our
10 FACA, it doesn't go through -- we don't give the same
11 clearance that we would like an interagency document.
12 We're supposed to be -- well, we just look for some
13 factual stuff within the agency, make sure that we're
14 on track. So once we get out of that, we're going to
15 put it into OMB clearance, though, so the agencies get
16 a chance to make sure the data that's in there is
17 correct in regards to their agency.

18 It's not that the agency is going to approve
19 the report. But we need to make sure that we have the
20 agencies whether it's Treasury or DOL or OMB or whoever
21 that they say, yeah, that data there from our -- is
22 correct, accurate, and that -- that we have a level of

1 confidence that we've done due diligence and that we're
2 issuing things that are true and factual. But I can't
3 put it in until there's a couple of additional -- and
4 I'm going to beat on the drum just a little bit, and
5 I'll contact you individually afterwards.

6 I still need a couple more agency inputs in
7 this thing here. Some of the bigger agencies who have
8 substantial pieces of this we're still missing. So we
9 think we've got a pretty good report. We think that
10 across the board we've got a great story to tell, so
11 let's tell it in this story here or in this report, and
12 then we can use it amplify the work not only of this
13 taskforce, but also of the administration and also of
14 the different agencies, and we can kind of hold that
15 out as proof of where we're going.

16 I look, for example, the 3 percent
17 contracting, the first time we've ever made that, and I
18 think that when we look back about some of the reasons
19 why we've made that and that this taskforce under
20 Marie's leadership played no small role in
21 accomplishing that. Some of the ideas that were
22 generated here, her leadership, the engagement with

1 OMPP, the deputies in your agencies holding the SESs
2 and the flag officers accountable for this small
3 business -- those things we need to highlight in the
4 report so we can show the successes, and then that will
5 reinforce future efforts.

6 But we need to take -- this is a chance for us
7 to take some credit for what we've done here and also
8 forecast where we think that as an independent body
9 where policy and practices ought to go to support the
10 veterans small businesses as -- we can draw and approve
11 that. I will tell you that when I read this thing when
12 I first came on the taskforce, it informed me as to
13 what the thinking was and directions.

14 As I worked with Jessica on the second report,
15 it was very informative about the challenges. Even on
16 the ideas that were good ideas, the challenges and the
17 bureaucratic hurdles we have to overcome in some of
18 those areas. But as we explore the -- those areas that
19 may not have been attainable or maybe didn't get a --
20 we saw other avenues or other things come out there.
21 So this report really is a valuable tool.

22 Sometimes -- I've seen plenty of reports that

1 get just generated, and then they go sit on the shelf,
2 and nobody probably ever reads them. But I will tell
3 you that this one does get read and that it has had an
4 impact at the interagency level on how we support the
5 veterans small business owners. So again, I know
6 you're busy, but I would appreciate you -- when it
7 comes back around that there will be clearance, make
8 sure that you go over it clearly.

9 And if you're one of the agencies that I still
10 need some additional input from, I'll be contacting you
11 here on Monday to get you to lean into it. So thank
12 you. I appreciate that. Moving on, and this is -- I
13 hate to turn this into the Rhett show a little bit
14 here, but the next slide -- Patrick Kelley from Office
15 of Capital Access was going to come down and to kind of
16 give you an update, and he's been to a couple of
17 taskforce meetings before.

18 But he has a sick child and has headed out,
19 and the other staff up there -- it's a busy week, and
20 when I talked -- when I mentioned earlier kind of the
21 perfect storm right now about -- with activity going
22 on, so for those of you who have made it here, I

1 appreciate it.

2 I'm just -- so I'll give the access to capital
3 brief, and so I'd ask for Barb, since she's been pretty
4 involved in this to hop in here with input on the
5 things that I might have missed. So just an update on
6 the veterans budget initiative. I think there's a
7 slide, and I'll go back into that in just a second, but
8 we've talked about probably two of the past four times
9 that we've met.

10 OFFICE OF CAPITAL ACCESS

11 MR. JEPPSON: As you recall, we went out and
12 recruited for the 120 SBA lenders in the nation a
13 commitment from those lenders to increase their lending
14 by 5 percent per year over the next five years for
15 veteran loans. That equates to well over 2,000
16 additional veteran loans and a half a billion dollars
17 in additional capital. So it's not just the total loan
18 dollar volume by 5 percent, but it's also the number of
19 loans that they produce. So there's two components.

20 So we are now about the six-month mark since
21 they've -- pledge initiative, but we're now going
22 through region by region with the regional

1 administrator and the district directors and the banks
2 themselves in having -- call to update at where they
3 are on the score card of where they are in progress and
4 help keep them focused on making veterans loans. So
5 we've done two of the ten regions, and the next three
6 weeks we'll do the next eight regions to help remind
7 the banks.

8 One of the interesting things that came out of
9 a conference call that we did yesterday, they wanted to
10 know how we're counting this if you have a veteran-
11 owned company that had three principals in it, and
12 they're all service-disabled veterans. They were
13 wanting to know if we could count that. So we've kind
14 of -- we're in the process of adding third category.
15 So it will be loans made, total dollar, and then
16 veterans served.

17 We -- I think with our little simple minds, we
18 figured, one loan, one veteran served. But there is
19 components -- there's -- we're going to add a component
20 to track the number of veterans, because some of these
21 companies are owned by two veterans, and if it's a
22 company that's a 51 percent-owned veteran small

1 business and there's someone else who's in the company,
2 cosigns on a loan, we will not count that person, that
3 there's two veterans.

4 So we'll really give you a sense of when we
5 talk about an additional 2,000 loans, it may be a lot
6 more than the 2,000 veterans. So it's something we
7 hadn't really thought about. I'm sure that as we do
8 some more discovery learning on this, this loan
9 initiative, it will -- but we're going to keep track of
10 it, report back the numbers. We're not going to report
11 them back by bank, but we'll look at the total volume,
12 to the committee, and then -- update it on this.

13 Along that same line, Jeanne made this
14 announcement. I guess it was about a month ago in
15 Arkansas there at -- we have approval now for the
16 express loan program, not just Patriot Express, but the
17 express loan program, the entire SBA express program.
18 Beginning of January, we will reduce the fee -- the
19 lender fee of the loans to zero.

20 So by statute we can't avoid the fee, so we're
21 reducing the fee to zero on the loan. The subsidy
22 model allows us to do that right now. Now we announced

1 earlier in the year that we would do that on all of SBA
2 express loans of 150,000 or below for everyone. But
3 for veterans who apply for an SBA express loan, which
4 is our most common form of loan, then we have more
5 delegated lenders in that area than any other loan
6 program for 350,000.

7 So an additional 200,000, we'll waive the fee
8 on that. And that's a savings on the loan of between 2
9 and a half and 4 percent depending on the loan itself.

10 So we believe this is a real value to the veteran, and
11 it will save the veterans money, and it's a true
12 preference for the veteran here.

13 We're in the process of looking right now with
14 the agency and with OMB, discussions now about what we
15 can do for FY '15 with lending and we have some pretty
16 aggressive thinking -- I think that would be the right
17 word to use -- about how we may be able to further
18 refine the loan product program for veterans.

19 Part of what we'd like to do is reduce -- and
20 this goes beyond just veterans, but SBA. We've gotten
21 so many loan programs out there that it becomes
22 difficult for the lenders to manage the different rule

1 sets for all the different programs and all the
2 different loan products out there. So we, for a long
3 time, have been trying to streamline the process of
4 lending, the paperwork and all those things, but also
5 the number of loans out there to make it easier for the
6 lender to say yes because he's not tracking as many
7 programs.

8 If you'll look at delegated lending, for
9 example, with SBA express, we have over 1,400 delegated
10 lenders for SBA express. But for Patriot Express, we
11 only have less than 700. So half of the lending
12 committee be out there making express loans. They
13 weren't even making a Patriot Express loan.

14 So we're trying to make it easier and simpler.

15 And the goal is to broaden the benefit to veterans, to
16 all the SBA lending products that exist so that we give
17 them a preference against the products that we would
18 have whether it's in fee reduction or some other
19 benefit for the veteran.

20 So that's kind of a little bit of a paradigm
21 shift rather than having a specific lending product
22 just for the veterans which had a cap of 500,000 and

1 had some other things in there. Just to use the SBA
2 lending products, what more of the lending community is
3 familiar with, a broader range of lenders, and then
4 give them a benefit that applies across the loan
5 programs.

6 And so we'll explore -- as we get the models
7 back from OMB, the economic forecast, we can determine
8 what the subsidies look like. We're going to have that
9 discussion with OMB, and we have a wide range of plans
10 out there right now. Once modeling -- we get the
11 modeling back, we can -- and we have passed back, we'll
12 be able to submit a plan for FY '15.

13 And then hopefully shortly we can share that
14 with you -- with this as soon as we get the -- the
15 President pushes the budget up to the Hill. So then so
16 that's kind of an overview of we're we are on cap
17 access, the two big things that are ongoing right now.

18 We're kind of making a pivot, and I'll let Barb jump
19 in as appropriate here. She's kind of been leading the
20 effort a little bit.

21 We've been focused for a while, have been
22 wanting to focus for a while on micro-lending. We

1 think that that's a substantial gap to the veteran -- I
2 think even with the traditional lending, all these
3 programs we're talking about -- the lending pledge and
4 with the cap access or with the changes in cap access
5 with the reduction of fee -- those are still through
6 traditional lending banks.

7 And there's still a certain segment of the
8 veterans population out there that's just not -- no
9 matter what we do with the fee or the guarantee or --
10 it's just not going to be bankable at a traditional
11 lending institution, but it could be served by a micro-
12 lender.

13 And so we think that this is an area that we
14 need to really kind of -- as we -- we need to pivot
15 that, the capital, that we really need to focus on. We
16 have some good partners in that area who are very
17 interested in working with us.

18 We've talked with AXEON and VAVF and others,
19 but this is something that I think that needs our
20 attention. We've got a great working relationship with
21 cap access, and we're going focus on that with them
22 with our valued partners over the course of the next

1 year.

2 MS. CARSON: I'm not trying to rush you.

3 MR. JEPPSON: No. I'm getting tired of
4 hearing myself. So please do.

5 MS. CARSON: Micro-lending and micro-loans are
6 not a new topic. We covered it last time that we were
7 together for our taskforce meeting when we had DBA give
8 a short presentation, I believe. So just to give you
9 another update on -- of course, we're doing a lot of
10 coordinating, trying to get smart before we take
11 action. That's probably a good way to get things in
12 order, and AXEON is helping us.

13 So Citi Foundation gave a grant to AXEON in
14 partnership with Syracuse University Institute for
15 Veterans and Military Families to create a portal and
16 work on this micro-loan specifically for veterans. And
17 why do they do that? Because we are finding, as seen
18 in the research that we saw from the GAO report for
19 Patriot Express lending, veterans have a need for the
20 smaller dollar amount loans.

21 Not all of them are technically micro-loans,
22 but 53 percent of those Patriot Express loans were

1 under 50,000. So we have -- there's a demand. We've
2 been unable sometimes in the past to show demand. Now
3 we can. So AXEON decided to build a portal that will
4 be restricted to only graduates of Boots to Business,
5 and V-Wise and ABB. It will open in January, and this
6 is for micro-loans.

7 What we're looking to them for is this model
8 of some education and training that goes along with the
9 access to capital before the loan and through the
10 duration of the loan. Because that some who seek a
11 product like this may not be ready or they may need
12 some -- it may not be an appropriate time for capital
13 in their business, so that's the kind of counseling
14 they're going to get.

15 A good look at their documents, their
16 business, and figure out whether that's a good time for
17 capital. I mean it may make sense, but it's burdensome
18 to do that for every type of loan. But we want to try
19 this with this population. So we expect to start
20 having data on that by midyear to see who's interested,
21 what does it look like, and how successful is that
22 model.

1 If it looked like something that we could
2 scale, then that's a model we will work with our
3 private and public partners to make on a bigger level
4 and within SBA if that counseling is something that can
5 happen with the products that we offer through SBA
6 micro-loan programs and lenders network. So that's
7 what I had on that one. Did you want me talk about
8 them at all?

9 MR. JEPPSON: Please do.

10 MS. CARSON: Okay. Yesterday, Ruth and I
11 shared a panel opportunity to talk with Reserve
12 Officers Association, and the topic was a RAND
13 Institute study on the effects of deployment on
14 employer -- to employer service. And it was
15 illuminating. I would love it if you commented as
16 well, Ruth.

17 But the portion -- what was said overall is
18 that there is not a significant impact for many
19 employers. That is not the case with small employers.
20 However, small employers, of this survey, were only 10
21 percent of those employers who employ reservists. We -
22 - or I also mentioned that there are those even smaller

1 segment of business owners who are reservists
2 themselves, and that can be catastrophic to be
3 deployed. So SBA does have a program.

4 Because it is such a small population, it is
5 not used that often. Since attacks of September 11th,
6 we've only had 682 applications. Of those, 70 percent
7 were approved. It's up to \$2 million. I could give
8 you all the facts on this sheet if you like at the end.

9 And the rate is at 4 percent. This is for economic
10 injury, for working capital only, and it doesn't have
11 to start being repaid until after -- a period of time
12 after the reservist returns from duty.

13 The most frequent types of businesses that use
14 that would be the legal, psychotherapy, social workers,
15 those who have a personal connection, and their
16 deployment or loss is of significant impact to that
17 business. It's not for loss of income. That's not
18 what this is about. But it's economic injury.

19 So it showed me that we need to reenergize our
20 interface with employment -- employer support to the
21 guard and reserve at DOD and also that SBA could
22 encourage DOD to have better communication with small

1 employers. And we have channels to do that, but we
2 haven't exercised them frequently. So we're going to
3 work on that. Did you want to say anything, Ruth,
4 about yesterday?

5 MS. SAMARDICK: Well, I'll certainly have to
6 use the term that you never put out. The Uniformed
7 Services Employment and Reemployment --

8 MS. CARSON: Thank you.

9 (Crosstalk.)

10 MS. SAMARDICK: Which was kind of the subject
11 of the study, and it looked at not only impact, but
12 employers' awareness of the statute and their
13 responsibilities under that statute. And one of the
14 recommendations was that we work with SBA to increase
15 the knowledge of small business owners on their
16 responsibilities to guard and reservists in their
17 employ.

18 So there's always a balance with you USERA
19 between protecting the appropriate rights of service
20 members when they return from deployment and entering
21 employment and also avoiding discrimination, which is
22 also protected under USERA. But of course, it's the

1 hardest thing to prove. So I think that we could put
2 out some very friendly information to small business
3 owners. Not just veterans, small business owners
4 obviously.

5 MS. CARSON: Yes. And maybe we can look at --
6 I'd be interested in the taskforce's views on what the
7 best mechanisms for such communication are. We're
8 mandated to implement mandatory training for all
9 federal HR professionals, which was extremely broadly
10 categorized.

11 Anybody who has any weight or any decision
12 making in any part of the federal employment process,
13 so that goes down to the people who review resumes all
14 the way to the people who actually make the selections.

15 And as with way too many of the federal --training
16 those feds around here know that there's that favorite
17 next, next, next, next, next, so you get through your
18 training.

19 So I'd be interested in trying to figure out -
20 - clearly a small business owner has a lot of incentive
21 for figuring out what they can -- what they are
22 required to do under the statute. But part of the RAND

1 study that didn't surprise me was that among those
2 business owners who did not employ any guard and
3 reservists, the knowledge of the statute was fairly
4 low. Well, you figure out how many federal laws and
5 state laws and local laws that a business has to comply
6 with, and, oh, don't employ any of those so it's not
7 too big of a problem. But I think that we can put
8 together some very user friendly -- and the real
9 question I have is: What would be the best venue to
10 communicate that information?

11 MR. JEPPSON: Yeah, it's interesting. We
12 talked about -- I think that we talked about this
13 yesterday. We have the Veterans Advisory Committee,
14 and it was a different topic, and we talked about
15 communicating with the small business owners. We
16 talked about how the loan information, so this -- how
17 we're getting out there.

18 So we think if we put everything on our
19 website sometimes, we think, oh, that's good enough,
20 everybody's going to see it, or I've talked to my
21 district offices. Obviously they know it. So I think
22 one of the challenges that you -- rightly is that where

1 we as the federal government don't have a big marketing
2 budget, at least with related to SBA. We don't -- how
3 do you effectively communicate and advertise your
4 resource partners. I think that it's going to take
5 some creativity on our part, and I look forward to the
6 discussion on this.

7 One of the -- we can use the trade
8 publications as well, but in many cases, if you want to
9 get into their print or some of their other things,
10 there's an associated cost with that. And so that,
11 again, presents some challenges.

12 So if you've got creative ideas, I sure want
13 to hear them, because I'm not sure exactly how we --
14 and I'll tell you, though, one of the things that we
15 did, though, that this surprised me -- and this is just
16 tangentially -- is so if you know, if you know, we did
17 with American Legion, we just -- kind of a version of
18 Boots to Business, a kind of cross-hybrid of V-Wise.

19 So it was women veterans Boots to Business
20 class and we called it For Heroes. We did it in
21 association with the Legion and Syracuse down at their
22 national conference in Houston this past year. And

1 because we put it on the Legion's website, we filled
2 that class in about three days.

3 I may be exaggerating a little bit here, but
4 really quick. And so I think that this -- I'm kind of
5 prone to thinking out loud. I know that the VSO is --
6 especially the big ones like Legion -- there's so much
7 traction, there's so much that's on there that we could
8 probably do a lot there to really reach the veterans
9 community.

10 MS. SAMARDICK: Yeah, but I'm not sure that's
11 reaching the audience that we need for the USERA
12 information. It's one thing when people are shopping
13 for what you've got to sell. It's another thing when
14 you're telling them --

15 MR. JEPPSON: I'm sure there's a few that
16 would be out to share with their bosses, but --

17 MR. EILAND: One of the suggestions, at least
18 -- gosh knows this feels like a whole world ago, but
19 when I was at the Veterans of Foreign Wars, what we
20 would do to support USERA is that we were going to the
21 trade associations, and we were doing presentations
22 before them and using the employers who support the

1 guard and reserve and then doing joint little
2 operations together. I used to teach those workshops,
3 gosh knows, 1999, 2000. I'm showing my age. And it
4 really worked out well, because then we started getting
5 some of the trade associations that saw hiring veterans
6 was a good idea.

7 MS. SAMARDICK: I think that's a good idea,
8 and also we could have something print available and
9 then let the trade associations know it's theirs for
10 the taking. That might be a really good way to do it.

11 MR. EILAND: And we do have a couple of trade
12 associations that have been hiring veterans in some of
13 their lead positions. And if you get that veteran
14 onboard to assist you, we have one that just -- what
15 was it -- the Restaurant Association, which was picked
16 up by a veteran -- took over as their vice president
17 from our team.

18 MR. JEPPSON: It's interesting. We talked
19 about this and maybe a little bit of confluence here is
20 just that, so talking with the joint forces leadership
21 just recently, they've certainly focused on the big
22 businesses hiring veterans here, and I wanted to make a

1 pivot. The First Lady kind of forecasted that in her
2 remarks, and Orlando just recently -- they're kind of
3 pivoted -- so okay, we've gone down the road with the
4 big corporations hiring, but there's a lot of medium
5 and small businesses out there hiring as well.

6 And so it would be a bit of a pivot to
7 encouraging those to make a commitment to hiring
8 veterans. And we're going to hear a little bit about
9 that through the Franchise Association today, which is
10 a lot of small business owners hiring veterans so --
11 yeah, okay.

12 MS. CARSON: And may I go back to access to
13 capital for just a moment? On the Patriot Express, we
14 wish it were in the reduction of the fee to zero.
15 There were a couple other changes, and I didn't want
16 anyone to be surprised if you hadn't heard it earlier,
17 but with the laws of a single program, changes
18 occurred.

19 There's no any longer a spouse or family
20 application. Okay? So also the guarantee level that
21 had been for Patriot Express was higher than the rest
22 of the express program, so that has moved to 50

1 percent. So these are also things that we did not feel
2 that we had time to coordinate with everyone nor within
3 our own agencies.

4 Some of these were -- this was our
5 presentation, and that is something we would like to
6 have a meaningful conversation with this group and
7 others before major decisions go forward for '15 as
8 well. So I just didn't want to gloss over some of the
9 changes that occurred over the last month. Thanks.

10 MR. JEPPSON: And so -- and I think that's a
11 pretty good point, Barb. As we move forward on '15,
12 we're going to have to assess that in a more detailed
13 manner. We did some quick analysis and we looked at
14 what the impact is on that, and we looked at it in
15 conjunction with what the GAO report that -- and what
16 we could do at the moment.

17 This was the most meaningful way that we could
18 have an improvement in what we -- that was commitment
19 to lending to veterans. One of the things that caught
20 my attention was when we were talking just a minute --
21 we talked about the number of loans under 150 -- or
22 under \$50,000. When we looked at the number of loans

1 that defaulted on Patriot Express under the 50,000 --
2 most of them were under the 50,000, but we actually had
3 two lenders that caused a high volume of those
4 defaults.

5 I say they caused. I won't accuse them of
6 causing them, but there was a certain two lenders that
7 were making -- allowed these to default. And they're -
8 - those smaller dollar loans made through a bank with a
9 high fee -- with a high lender fee and a high user fee
10 in both -- were questionable and that's why our office
11 of oversight removed them from the SBA lending pool.
12 But even with traditional lending with banks, we think
13 you're right. You're on your own. You make the
14 payments. And that's not true with the micro-lending
15 community.

16 More so there's a lot more handholding that
17 goes on. It's much more into the community development
18 corporation type of lending that we do. And so that's
19 what we -- when we make the pivot to capital, we think
20 that we've got some important steps here working with
21 OMB and the Hill. We'll continue improve the
22 traditional lending products at SBA, and streamline and

1 make them easier in those matters for veterans, but
2 with the access to capital in that smaller dollar
3 amounts, we really need to look at these other lending
4 mechanisms, whether it's micro-loans or CDC type of
5 lending to help support that.

6 PARTICIPANT: Sorry. CDC?

7 MR. JEPPSON: Community development
8 corporations.

9 (Crosstalk.)

10 PARTICIPANT: Acronym.

11 MR. JEPPSON: Not the Center for Disease
12 Control. Okay. Yeah. So yeah, so you know SBA does
13 have a network or works with the network with community
14 development corporations that actually do do SBA
15 lending.

16 As a matter of fact, I -- this is where --
17 after cap access -- kind of Patrick was here, he would
18 point out that when we did the lending commitment with
19 the top 120 national lenders which are banks -- they're
20 all members of the National Association of Guaranteed
21 Government Lenders, NAGL, there's also a trade
22 organization called NACDCO, which is the National

1 Association of Community Development Corporations.

2 So they are -- have -- many of them have
3 joined in this initiative on their own and are waiving
4 fees for veterans as well. So I think right now might
5 be just a good time for us to just shift gears here,
6 and I actually asked our acting administrator, Jane
7 Hulit, to come down and just say hello and join us for
8 just a moment. So I just saw her and Richie walk in,
9 so this would be a great time to turn it over to her.
10 Thanks.

11 MS. HULIT: Good morning, everybody. I just
12 wanted to stop in and say hello and thank you for the
13 good work that you're doing, and do I really need this?
14 Do I really need this?

15 MR. JEPPSON: I don't think so.

16 MS. HULIT: So I just wanted to stop in and
17 say hello and thank you for the good work that you're
18 doing. You don't look like than Don Graves.

19 (Laughter.) And Rhett is doing a great job leading our
20 veterans affairs office here in our -- as well. So I
21 just wanted to get a sense of how you folks were doing
22 and encourage you to continue the work cooperatively on

1 all the issues that affect our veterans and our service
2 men and women as they come back to the country. We've
3 got some great programs we're doing here at the SBA,
4 but I know a lot of work is being done across the
5 agencies. So I want to welcome you to the SBA. Thank
6 you. And I'm here if there's anything you wanted to
7 just --

8 MR. JEPPSON: No, we're just -- we've just
9 been kind of going over some of the access to capital
10 stuff that you're very familiar with that we worked
11 with you on. And then also the interagency -- or the
12 interagency taskforce report that will also be coming
13 to your desk shortly for a signature.

14 So we're just reviewing those things to talk a
15 little bit about Boots to Business, but just while
16 we're here, just take time just to thank you personally
17 for the interest you've shown to the veterans and the
18 support that you give us and the community.

19 Jeanne's been instrumental in helping us as we
20 navigate from the expansion or the introduction of the
21 fee reduction on the loans and the rollout of Boots to
22 Business and making sure that we're funded there and

1 the things that we'll talk about there. So we
2 appreciate your help and support for the veterans
3 community.

4 MS. HULIT: Well, thank you. It's something
5 near and dear to my heart, I know to most of the folks
6 at the agency as well. And we have to do more, and the
7 opportunity -- the fee reductions on the small dollar
8 loans is a first step in what we want to do in terms of
9 more expansion of cap access products for our veterans
10 as they go from warriors to entrepreneurs with cap
11 access -- access to capital and the counseling services
12 that are provided through our VBOCs and our other
13 resource partners and service partners are a critical
14 part of that effort.

15 Our Boots to Business program, I know -- I'm
16 sure Rhett gave you an update on our funding status.
17 But we do have a request in the 2014 budget to expand
18 Boots to Business, and I know all of you suffer from
19 the vagaries of the CR, so you know what we're
20 struggling with. But we're very hopeful that we'll
21 find a solution to make sure that the program continues
22 and expands. So anyway, thank you for coming in, and

1 I'm going to let you get back to business.

2 MR. JEPPSON: Thanks, Jeanne, for stopping by.
3 Appreciate it.

4 So with that said, we're kind of at the first
5 break here. So if you guys want, I know we started a
6 little late, but we'll take 10 minutes, and then we'll
7 come back. And then we'll launch into the next piece
8 which will be the update from our folks up in GCBD and
9 talk a little bit about mentor-protégé and federal
10 contracting and then Boots to Business before we go to
11 the task -- or into the reports or subcommittee
12 reports. So let's see what time we've got right now.
13 So let's be back here at about 10 after? 10 after 10.

14 (A brief recess was taken.)

15 MR. JEPPSON: Get ready to move on here. I'd
16 appreciate it, so - all right. So I think in
17 recollection, I think this is the first time we've ever
18 taken a break during the interagency taskforce. We've
19 done it in the others. The first time we've taken a
20 break, and maybe I see why we didn't end up having
21 breaks.

22 MS. CARSON: We must have needed to do

1 something. That's why.

2 MR. JEPPSON: That's right.

3 (Crosstalk.)

4 MR. JEPPSON: Anyway, so okay. Welcome back.

5 So before we went to break, though, I guess I was kind
6 of rushing along there a little bit. Is there any
7 follow-up, any other discussion or points that we
8 needed to bring up about the access to capital piece
9 here before we move on, questions, concerns?

10 Some of this stuff happened very rapidly as
11 Barb mentioned and we'll be more deliberate as we look
12 at 15. There are certainly some impacts for this.
13 It's not that -- when we take the spouses out of the
14 Patriot Express, there won't be -- there could be some
15 impact. They're still available with the Express loan.
16 I think the real impact in my opinion is that there's
17 a reduction of the guarantee, but we saw a lot of
18 people going on the Express loan anyways.

19 The expansion of the delegated lenders from
20 1,700 or 1,500, we think these are all offsets where we
21 look at the small dollar amounts where the impact --
22 the impact of the higher percentage guarantee probably

1 ought to be some other lending mechanism, a lot of
2 those -- (coughing). When you look at that total,
3 there's a lot of good reasons.

4 And we'll watch the metrics very closely over
5 the next three quarters here. So it's our best attempt
6 to correct some of the issues identified in the GA
7 report and provide real value product and have deeper
8 market penetration, if you will, or lender penetration
9 and to the veteran-owned small businesses. So hence
10 some of the decisions we've reached. But concerns,
11 issues, things that we ought to be thinking about,
12 ideas that we want to draw up to the taskforce to begin
13 to chew on?

14 Okay. Hearing and seeing nothing then, we'll
15 go ahead and move into an update from GCBD, so that's
16 Mentor Protégé, but Aditi, feel free to address an of
17 the myriad of topics that you and your office
18 addresses. So John Shoraka was scheduled to be with
19 us, who is the AA there, but he had a family emergency.

20 So we're fortunate to have Aditi come down. She's
21 pretty knowledgeable in all these areas. So Aditi,
22 thank you.

1 MS. DUSSAULT: I'm actually over here. Is
2 that okay?

3 MR. JEPPSON: That's perfect. I thought you
4 were behind --

5 MS. DUSSAULT: I was behind you, but --

6 MR. JEPPSON: I'm confused now. Okay, thanks.

7 UPDATE TO THE MENTOR PROTÉGÉ PROGRAM

8 MS. DUSSAULT: So again, John apologizes for
9 not being able to be here, but I will do the best I can
10 in holding down the fort on his behalf. He asked me to
11 give a bit of an update not only on the matter of the
12 protégé program, but on some of the other provisions of
13 the Small Business Jobs Act and the National Defense
14 Authorization Act of 2013 that affects small business
15 contracting programs, and I know that he's provided
16 updates to the taskforce previously, so hopefully I
17 will not cover something that he has already gone into
18 great detail on. But we have been working in the
19 Office of Government Contracting to implement many of
20 those provisions. Many of them are already done.

21 PARTICIPANT: Everybody still there?

22 (Crosstalk.)

1 MS. DUSSAULT: We're still here, but -- all
2 right. Sorry about that. And so as I mentioned, with
3 the Small Business Jobs Act, there were several
4 different provisions there that affect small
5 businesses, and many of them have already been
6 implemented, things like parity across the contracting
7 programs, the repeal of the comp demo program, the
8 pilot of the teaming program, and all of those things
9 happened at this point a few years ago.

10 Having it passed in 2010, we were able to do
11 some of those things very quickly, and now we're moving
12 onto the next set of things that were in that law. So
13 over the summer, we were able to do a few different
14 things. We published the size and status integrity
15 rule, which basically, long story short, makes it
16 really bad or worse that you misrepresent yourself in
17 any of our small business contracting programs, and
18 that is a really great thing for small businesses in
19 terms of making sure that they are -- when they say
20 that they are a service-disabled vet or if they say
21 they are a woman-owned small business that they really
22 are who they say they are, and the penalties for

1 misrepresenting that have been increased.

2 We've also done the subcontracting rule and a
3 little bit about that. We basically are looking -- as
4 a consequence of that, subcontracting plans have to be
5 -- have -- there's a little more accountability on when
6 a prime contractor says they're going to do X, Y, and
7 Z. The subcontracting rule makes sure that -- gives us
8 more oversight to make sure that they're doing more of
9 what they say they would do.

10 And then the other two things that have been
11 in progress, and I think we'll end up spending a little
12 bit more time, these two, are the map rule which allows
13 for set-asides on task orders of multiple-org
14 contracts. We are -- it's better to say that that will
15 be finally effective in its final format at the end of
16 the month, and it's been a long time in coming. And
17 then the Mentor Protégé rule has gone through several
18 different -- let me repeat back.

19 So it has gone through several different
20 iterations, because the Small Business Jobs Act first
21 authorized us to expand the 8A Mentor Protégé program
22 to also include the other socioeconomic programs. So

1 our Hub Zone program, our women-owned small business
2 program, and our service-disabled vet program, and we
3 have been making considerable progress in drafting that
4 rule, seeing what the legislation indicates, how do we
5 implement that, how do we develop that plan, what are
6 we going to do to make that program happen, and also
7 drafting the regulations themselves.

8 And we've made a fair amount of progress on
9 that. And then the NDAA of 2013 happened last January,
10 which then further expanded the expansion of that
11 program to all small businesses. So instead of taking
12 a two-step approach to implementing the expansion of
13 the Mentor Protégé program, we decided to take a step
14 back on the progress that we had made with the initial
15 expansion, and we are now doing a bigger rule basically
16 that will do all small businesses.

17 So we are pretty much through our process in
18 developing that rule. It's now in internal clearance
19 here in this building. As you know, these regulations
20 do take some time in terms of going through the various
21 clearances, but we do expect that it will come out for
22 public comment in the future. I'm not going to say in

1 the very near future, but moving it forward toward
2 that, and at that time, we certainly welcome your input
3 on what we've proposed.

4 And as you know, all agencies are required to
5 respond to all the comments made, and we know that this
6 really does impact a lot of the folks in this room from
7 many different angles. So the only other main
8 provision that we were able to implement very quickly
9 that I wanted to mention was the removal of the caps on
10 the WSB federal contract program, which was the set-
11 aside program for women-owned small businesses.

12 Originally, when it was implemented, it had
13 caps on the value of the contract award, and we were
14 able to remove those caps. The FDA implemented that
15 rule fairly quickly, and then it has also been
16 implemented in the -- far as, I think, June. So now
17 contracts of any dollar amount can be set aside, which
18 is actually proving to be good.

19 I was just at an event yesterday at the
20 Department of Homeland Security focused on women-owned
21 small businesses, and they are now rolling with setting
22 aside contracts of -- one of the businesses was talking

1 about the 32 million BPA that she was able to win as a
2 consequence of the set-aside program, and with the caps
3 there, that would not have been eligible previously.
4 So hopefully it will make it easier for contracting
5 officers to take the steps needed to get closer to that
6 5 percent goal for women-owned small businesses.

7 So that was a quick overview. I know we have
8 a lot of time on the agenda, so if you have questions,
9 I will do my best to either answer them or make sure
10 you get referred to the folks in my office who can
11 help, and go from there.

12 MR. JEPPSON: So any questions for Aditi on
13 the phone?

14 PARTICIPANT: Good morning -- Vet Force.

15 MR. LENEY: I have a question, Rhett. When do
16 you think your -- you may approach a program for SDVOSB
17 --

18 MS. DUSSAULT: So as I mentioned, the rule
19 right now is going through internal clearance, and it's
20 not just specific to the service-disabled community.
21 It is per the National Defense Authorization Act of
22 2013, going to be for all small businesses. So SDVOSB

1 is act one of several different types of businesses
2 that would be able to benefit from such a program.

3 It will be some time before that program is
4 actually in place and accessible to the public. We're
5 currently doing an internal clearance of the draft
6 rule, and then it needs to go through several different
7 steps of clearance and -- in the regulatory process
8 before it is actually implemented. So it will be at
9 least a year before the program is out there, and it's
10 hard to divine exactly the rate at which it will go
11 through the regulatory process.

12 MR. LENEY: No problem. I just wanted a rough
13 figure. So you're close to done.

14 MS. DUSSAULT: Yes.

15 MR. LENEY: Thanks.

16 MR. WYNN: Good Morning, Aditi. Joe Wynn, Vet
17 Force and PBA. You just mentioned that the caps had
18 been lifted from a set-aside for women-owned small
19 business program, that there are no limits now. Are
20 you saying that there are limits with regard to
21 service-disabled vets set-aside program, but no limits
22 for the women?

1 MS. DUSSAULT: I believe there are no caps on
2 the SDVOSB program at all. When the women's rule is
3 implemented, yeah, there are no caps for the SDVOSB
4 program. The way the women's rule was written, it
5 borrowed heavily from the 8A program, and the 8A
6 program actually had those ceilings in place there for
7 certain types of contracts, and that part of the rule,
8 where the women's rule is being drafted, was taken as
9 well, without consideration of how it may impact the
10 implementation of the program or the efficacy of the
11 program. And so those were pulled out.

12 I think part of why the SDVOSB program has
13 been more successful is that those caps don't exist.
14 As you know, in fiscal '12, we hit our 3 percent goal
15 for the first time, and we're very excited about that,
16 and the numbers continue to look good for both '13 and
17 so far into '14 regarding our SVDOSB goal.

18 MR. WYNN: Thanks.

19 MS. DUSSAULT: Thank you.

20 MR. JEPPSON: Okay, anything else? All right.
21 Thank you, Aditi. I'll -- SBA is not just one
22 homogenous thing. We are kind of our own offices

1 working, much like many of your agencies in our own
2 kind of -- but we've got great partners in both cap
3 access and GCBD who do great work on behalf of
4 veterans, and we appreciate it, so thank you.

5 MS. DUSSAULT: And if at any time you or -- I
6 know many of you represent veterans organizations. If
7 any of your members ever have questions, I know both
8 myself and John Shoraka are very -- very much value the
9 accessibility that the community has to us. So please
10 don't hesitate to reach out to us directly, or if you
11 not quite sure how to find us, Rhett has no qualms
12 about just hitting the forward button, and I think
13 that's very important that we -- although we're not
14 homogenous, we are very well connected with one another
15 across different offices. So appreciate you being
16 here, appreciate you giving us the time to provide the
17 update, and let's do whatever we can.

18 MR. EILAND: I have one question real quick
19 considering Mentor Protégé programs from other federal
20 agencies.

21 MS. DUSSAULT: Yes.

22 MR. EILAND: I know I spoke to John at the

1 last meeting that he said he would come out and let us
2 know when the other programs that wanted to stay as
3 Mentor Protégé programs would need to submit our
4 request. Is that going to wait until the rules come to
5 us or go final, or is that something we will do
6 internally as government to government?

7 MS. DUSSAULT: My understanding is from the
8 way -- so for those who are not as informed, many other
9 agencies have Mentor Protégé programs. GSA is a fine
10 example of a program. I think Treasury also has a very
11 robust Mentor Protégé program.

12 One of the provisions of the NDAA is that SBA
13 will have oversight and authority over these programs,
14 which our stance has been we don't want to hold any
15 agency back from doing great work, and I think that the
16 other Mentor Protégé programs have done great work
17 historically.

18 And so in this new role, my understanding is
19 that it will be part of the regulations and that as it
20 goes through interagency clearance, we would expect
21 partners like GSA to make comment formally or
22 informally as well. So we've done that before and we

1 really want to make sure that it allows folks to do
2 what they want to do and have been doing in the past,
3 but make sure we're meeting the requirements.

4 MR. EILAND: So we'll wait till the end.

5 MS. DUSSAULT: Yeah. We can talk about it
6 further at an SB pack meeting, too. I think that's a
7 great place for that to happen, too. Okay?

8 MR. EILAND: Thank you.

9 MS. DUSSAULT: Any other questions? All
10 right. Well, again, thank you.

11 MR. JEPPSON: Thank you, Aditi, appreciate it
12 very much. So moving along with -- if there's no
13 further questions, we'll turn it over to Craig Heilman.
14 Craig, were you here at the last --

15 MR. HEILMAN: I was.

16 MR. JEPPSON: Okay. Great. So for those of
17 you who weren't here the last time, Craig Heilman is
18 our new Boots to Business program manager here. He has
19 the distinct privilege of running a very -- from my
20 perspective, very, very important program, and he also
21 has the disadvantage of this was my baby for a year and
22 a half, and sometimes you when you own something for a

1 while, you have a hard time letting go, and so he has a
2 tough row to hoe, but he's doing a great job. So --

3 MS. SAMARDICK: And running a program with no
4 appropriate funds.

5 (Crosstalk.)

6 MR. JEPPSON: And we're going to talk about
7 that, so because we've talked about it several times,
8 he'll give you the highlights, and then we're going to
9 talk about where we're at right now and where some of
10 the thinking is and courses of action for funding at
11 this program, and we'll tell you what the consequences
12 are if we don't, so --

13 UPDATE ON OBVD PROGRAMS

14 MR. HEILAND: Thanks, Rhett. Hi, everybody.
15 Good morning. I did have an opportunity to briefly
16 introduce myself in August, the last taskforce meeting,
17 and I do come out of the private sector, so running a
18 lean program with no funding is something that I
19 actually have some experience with.

20 I spent a lot of time in business management
21 and marketing management with the Dupont Company,
22 specifically on the Kevlar brand and the body armor

1 industry, and during that time, worked on all of our
2 veterans hiring initiatives, which led me here, because
3 I believe really strongly we can do more for veterans,
4 and I really wanted the opportunity to do that from a
5 civil servant, public service perspective. So it's an
6 honor to be here.

7 It's an honor to be a part of this program in
8 particular. And I know that this audience is really
9 familiar with the program and so some of the background
10 that's in here I won't spend a lot of time on. I want
11 to spend time on, as Rhett alluded to, kind of the
12 strategic direction of the program and the funding
13 scenarios, because the theme for us as we've moved,
14 we've got one full year of operations under our belt.
15 We've learned a lot.

16 And all the energy and the motivation around -
17 - the theme is from start-up to scale-up. So we had
18 all the energy and motivation around that start-up
19 phase, and sometimes it's really hard to execute in a
20 start-up mode and also be doing the planning for the
21 future that you need to do for scale-up and looking at
22 the -- all of those issues, funding again being

1 primary. So I look at this a lot from a business
2 operations perspective, so I'll -- my remarks will
3 reflect that. So -- and we'll go from there. Our
4 mission is pretty clear. We want to develop veteran
5 entrepreneurs.

6 That's what Boots to Business is all about.
7 We want to be the lead in doing so within the federal
8 government as it relates to transition of service
9 members and prepare them for post-service career
10 success.

11 The other theme that I'll touch on here as far
12 as from start-up to scale-up is integration. So we
13 heard about micro-lending from Barb and what we're
14 doing with capital access, and so a lot of our focus is
15 how do we make sure that Boots to Business, if that's
16 the entry point for a lot of service members as they
17 become veterans, that they are connected to all the
18 other things that we're doing in our other programs.
19 Integration will be a big theme.

20 And that improvement is a big theme because
21 we've got our initial product out there, and we can
22 always improve on that, and we've learned a lot about

1 that as well. So those are the couple things that I'll
2 talk to and then entertain any questions, comments,
3 suggestions, which I'm sure there will be some.

4 I just wanted to spend a little bit of time on
5 what our -- kind of our business model or delivery
6 model or value chain if you prefer is for Boots to
7 Business just as a reminder, because this is a pretty
8 big team effort, and SBA headquarters is really kind of
9 a small part of it in some ways.

10 And I want to recognize some of the team
11 that's in the room. Over in the corner Brian Goodwin
12 walked in, who is our field liaison, and I kind of look
13 at him as our national sales lead. He's the one who's
14 really out there making things happen for the program,
15 and he briefed this taskforce in August, and then Jen
16 Franco who is in the back who does a lot of the
17 strategic communications work for the program. She's
18 been helping us with our messaging.

19 It was mentioned earlier about outreach and
20 awareness and some of the marketing, and I have a
21 passion for that, and we'll be doing a lot more of that
22 as we grow from an initiative to a program of record,

1 which we hope to do in January. Rumors is of a bunch
2 of DLC. So this is the remodel. Again, it starts in
3 the middle of the orange scope there with what happens
4 inside of SBA, and we're working to connect what we're
5 doing in OVBD to we work closely with entrepreneurial
6 development in the field, as I mentioned, and then cap
7 access becoming a bigger piece as we integrate.

8 And then the interagency governance, which is
9 DODVA, DOL. I think sometimes it's easy to think about
10 Boots to Business and what we can do from just an SBA
11 perspective, but really it's DOD's program in some
12 regard, because that's where the transition assistance
13 program resides and we do need to go through them. So
14 that first step in the value chain, all the district
15 offices in our veteran business development, officers
16 that are coordinating all of this.

17 Syracuse has certainly been a partner. For
18 those that may not be familiar, Boots to Business is
19 three parts right now. There's an overview which
20 everyone sees in the five-day TAP program, the revised
21 TAP program. That then becomes an elective two-day
22 course for those that want to pursue entrepreneurship

1 or get to learn more about entrepreneurship. That's a
2 classroom event over two days, eight modules.

3 It's all about getting from business idea to
4 business concept and understanding what is required.
5 And then for those that are going to take the deep
6 dive, there's an eight-week online, which is
7 instructor-led, but online, so there's a -- (coughing)
8 -- component, and that's designed to get the
9 entrepreneur from concept to full business plan and
10 then to really understand what they need to do to
11 action that and capital being, honestly, the big part
12 of that generally speaking.

13 Then that next step in the value chain, our
14 resource partners who are providing a lot of the
15 instruction and couldn't do it without them. They, as
16 well as the SBA district offices, have been leaning
17 forward in a no-funding environment. In some ways
18 we've been too successful in delivering on this with no
19 funding, because, as I learned in the private sector,
20 if you can do it without money, why do you need money,
21 right?

22 But we really can't go much further in terms

1 of the goodwill that everyone has shown, in particular
2 our resource partners who are not direct SBA employees.

3 And then the indirect customers or the consumers of
4 all of this, obviously the folks we're trying to help
5 are our transitioning service members.

6 That map in the upper right-hand corner, 151
7 installations in the U.S. that we committed to provide
8 the two-day Boots to Business course or the
9 introduction to entrepreneurship course. And we worked
10 through all of the fleet and family service centers and
11 the top coordinators for all the services as we do that
12 to get to our target, which is our veterans. So that's
13 the model.

14 We're looking at this closely in terms of how
15 it worked over the last year and what percentage of --
16 for instance, which resource partners are teaching the
17 most versus others. What are ways that we can make all
18 of this operate even more cohesively than it did? But
19 that's a big part of what we're focusing on in the '14,
20 is the model.

21 So the next slide I'm going to give you
22 quickly the stats as it relates to what we were able to

1 do and kind of our initial operating capability here,
2 proving out the model that we just looked at. One
3 hundred and thirty-three installations are what we've
4 touches as of in November.

5 That's 371 of the two-day courses, and almost
6 closing in on 6,000 service members that are going
7 through the introduction to entrepreneurship two-day
8 class. So we're really excited about that. And then
9 follow-on -- following onto that, we're in our --
10 actually in our twelfth eight-week course right now.
11 It started December 2nd. So that number, 396, will go
12 to 496.

13 So 10 percent essentially of the two-day
14 participants have now done the eight-week -- we'll see
15 -- we're really anxious to build capacity in the eight-
16 week, because we think it's going to be higher than 10
17 percent follow-on from the two-day. So we're -- so
18 that's a key goal. You can see the breakdown by
19 service there as well as the attendee by service.

20 And then looking at the -- kind of the
21 demographics, there's some interesting things to note.

22 Gender, we continue to see a high percentage of

1 females versus what the percentage of females in the
2 service are. So I think it's about double. And that's
3 great to see. Rank, we're seeing everything from the
4 first term, after one enlistment, leaving the service
5 or junior officers that are leaving the service all the
6 way through retirees.

7 So we've got the full reflection there, and it
8 makes for a great class. A lot of times, as you see,
9 the different experience levels, the different goals
10 with regard to how they're going to pursue
11 entrepreneurship, and then just a quick chart on the --
12 we expected the eight-week attendants to start really
13 growing as the word got out, and it has, and it's just
14 a matter of providing capacity.

15 That kind of leads us to the strategies for
16 this, and these are the themes that I've talked about
17 and we'll talk more about the funding aspect. But just
18 really just three things that we really want to do in
19 '14 to kind of go from start-up to scale-up. It's
20 certainly -- we need permanent funding to be a program
21 of record. We have that sort of program of record
22 status in the budget because we've been in the last few

1 budgets, but we're not now and that makes it awfully
2 difficult when you try to do reprogramming actions and
3 everything else.

4 We have had the support, as Jeanne alluded to
5 earlier when she was in here, of the agency as it
6 relates to reprogramming, doing what we can
7 understanding that we're still in sequestration on top
8 of everything else. So we -- we'll need that, and once
9 we get it, the priority being increased throughput on
10 the eight-week, bolster our delivery through our value
11 chain on the two-day as it relates to how we are
12 working with the resource partners and our ability
13 compensate them for their time and energy and
14 materials.

15 Curriculum improvement, improving our product,
16 some of the money will go into that. And then the
17 really big use of it being the strategic communications
18 and outreach because we haven't been able to talk about
19 this program in the way we want to, and we haven't been
20 able to control the message the way we want to because
21 of the uncertainty around the sustainability of it.
22 And so we're going to focus an awful lot on clearing up

1 some points of confusion.

2 There's a lot of folks in this space as far as
3 trying to help veterans and providing entrepreneurship
4 training. Again, we want to be the lead in that space,
5 and we're willing to work with everybody, but we want
6 to be the trusted agent for the veterans that are
7 pursuing entrepreneurship, and so strategic
8 communications is a big place where some of that
9 funding will go as well as then improving the product
10 and the business model.

11 And integration, Barb touched on the AXEON
12 micro-loan program that is specifically for be it grads
13 and VYs, and we're working on business plan
14 competitions in the same vein. So that -- I mean,
15 that's really going to take us to the next level I
16 think in terms of seeing the results of new business
17 starts and really the impact of the economy that
18 veterans can have as they go and pursue
19 entrepreneurship as they have throughout the history of
20 the country.

21 So integration, the third, and a couple of
22 milestones there that are just at eye level as that

1 will flow through. Again, it's -- a lot of the focus
2 now is on the funding aspect of it, and as we get into
3 January, we hope to have good news on that, and then
4 we'll move right into these other areas, looking at
5 curriculum and the model.

6 And then importantly -- and Joe brought this
7 up yesterday when we were talking about it, Joe Wynn --
8 the assessments and the outcomes on all of this as we
9 go to justify the funding going forward into the -- FY
10 '15 and beyond, we have work to do on the assessment
11 and outcomes of what we can -- what we want to measure
12 and then the reality of what we can measure because
13 it's difficult to put an RFID tag on a veteran as they
14 leave the service and then try to understand is it
15 going to be two years after they get the training
16 they're going start a business. Is it ten years?

17 This isn't as easy as did the resume, got into
18 the great hiring portal, and got a job, check. It's
19 really a little bit more difficult. And I'm saying
20 that's easy. Ruth's looking at me, yeah, that's easy.

21 No. But this is certainly an outcome --

22 PARTICIPANT: Only measurable with data --

1 MR. HEILMAN: Right. So there's a lot of data
2 challenges that was a learning curve for me coming from
3 the private sector right where we have a lot more
4 degrees of freedom to measure our marketing programs
5 and things that I was involved with.

6 MR. JEPPSON: What the -- structure -- with
7 the PII, that's a killer for us, and --

8 MR. HEILMAN: Yeah.

9 MR. JEPPSON: And the great thing is we often
10 hear: Why aren't you measuring that? Well, the rules
11 that you gave us said we can't capture that. So it's -
12 - that's a catch-22 position.

13 MR. HEILMAN: Yeah, there's some creativity
14 we're trying to bring to bear on that, which I won't go
15 into detail on, but we've got some ways, hopefully,
16 that will get us the look that we need, revisit period
17 six months out, a year, five years.

18 MS. SAMARDICK: But then you also need a
19 comparison group given the high failure rates of small
20 businesses.

21 MR. HEILMAN: Yes, baseline.

22 MS. SAMARDICK: There's got to be something to

1 compare it to. Otherwise --

2 PARTICIPANT: Data.

3 MR. HEILMAN: Yeah, ultimately we'd like --
4 yeah, we'd like to be able to correlate the differences
5 between the veteran entrepreneurial group and all the
6 rest of the groups that are -- that we --

7 MS. SAMARDICK: And the veteran
8 entrepreneurial group that you've trained.

9 MR. HEILMAN: And the ones that we've trained,
10 yeah. So I'll stop there. Hopefully that helped a
11 little bit, illuminate kind of the strategic direction
12 for the program and some of the challenges which are
13 also going to be huge opportunities for us and take any
14 questions the taskforce has. Thanks for the time this
15 morning.

16 MR. LENEY: Yeah, I have -- a couple --
17 mentioned the metrics of outcome. What -- do you have
18 any outcome measures at all? This program has grown
19 out of the Syracuse program. Years -- it's been going
20 on for a year, theirs a little longer. Do we have any
21 information? Have any of these people started
22 businesses?

1 MR. HEILMAN: Yes, we have outcomes coming out
2 of the eight-week on new business starts. And then the
3 -- for the time that we've been doing this, have they
4 continued, how many of those new starts are still
5 ongoing enterprises. I believe it's about a 70 percent
6 on the eight-week, but I need -- I'm going to check
7 that number, so if that's going into the record, I need
8 a chance to go back and check that with Syracuse. One
9 quick thing, and then the other outcomes and metrics
10 are what you saw. A lot of it is the tracking of
11 participation and some of the things that are just
12 heuristic in nature.

13 Rhett.

14 MR. JEPPSON: Yeah, so, hey, let me just go
15 back and I'm going to deep dive on that just a little
16 bit, because it's important to understand. With the
17 new TAP redesign, the idea is just to be at the service
18 member about a year before they leave the service. So
19 considering that we started our first classes in
20 January, most of the people haven't separated from the
21 service yet. Now that's not completely true, but
22 ideally that's the case.

1 That's where we're trending to. So there's a
2 margin there, and by the time they go through the
3 eight-week course, one of the things that we'll have a
4 hard time tracking, though, is we'll be able to survey
5 those who actually go through the eight-week course and
6 maybe do some surveys to get them to -- that's only a
7 component of what we get.

8 But what we can do is we can make them draw
9 some conclusions from the cohorts that we do have right
10 now. If you take a look at EVB, which is the Syracuse
11 program, the one we support out of SBA, and then V-Wise
12 which is our program that IVMF runs for us. Both very
13 high-touch programs, a little bit different model than
14 this, but we track those cohorts very close.

15 The EVB, which is the longest and has been
16 existent for almost four years now, in the first year
17 we have a 50 percent start rate for those people who
18 actually go through the program and provide a business
19 plan. You have the three markets over 74 percent. I
20 would challenge any entrepreneurship training program
21 to come up with numbers that are verifiable like that.

22 We look at the V-Wise program, which is much newer,

1 about two years, two and a half years along.

2 We have over 50 percent new starts in V-Wise,
3 very good. Now these -- Boots to Business is on a much
4 larger scale. It's not as high-touch, so I don't know
5 that we'll see that type of number out of there, but I
6 still think that we'll see some good numbers.

7 We do know -- we know as a general rule,
8 though, because there's -- it does measure this, and
9 we're happy to bring ht people down from ED who really
10 do the detail work on this -- that we look at the
11 failure, the mortality rates of small businesses that
12 have SBA or some type of support and training,
13 mentoring, coaching a lot of the way versus those who
14 have none, and we have some various hard statistics
15 that say that those chances of success are much higher
16 if you do that.

17 So when you look at veterans, and we already
18 know from past studies that a lot of it comes out of
19 the data that DO produces, veterans are 45 percent more
20 likely to be a small business owner. They own 10
21 percent of the small businesses in the nation. You
22 already have a cohort that's doing pretty well. You

1 add in a component where we actually focus some
2 training and education up front.

3 And then at the integrated piece, what we
4 talked about with cap access, the contracting, those
5 other focus -- we're working to build an environment
6 that fosters that veteran small business. So I think
7 we'll see the numbers increase and improve because we
8 already have a good cohort that we've started with.
9 And so I think we're headed down the right track here
10 in a holistic approach.

11 As Ruth mentioned earlier, and this is the
12 nature of small business, small businesses start or
13 fail all the time. But I'll tell you that's one of the
14 beautiful things about America, is you look at the most
15 successful small business owners. They've done it once
16 or twice. They learn from that learning curve. Just
17 anecdotally, I came back from Europe here just recently
18 when I took this job.

19 I remember sitting there at dinner one night,
20 and we were talking with some Europeans there, and they
21 said -- they were like we love America. And I was
22 like, well, so many times you hear America -- what is

1 it you love about America. He says, "Because you guys
2 will try anything and you're not afraid to fail, and
3 you'll try again." Kind of like you fail once here and
4 you're done.

5 So I think that with the environment that
6 we've got, the risk takers we've got, I think it's
7 really coming together nicely. If you could bear with
8 me one more minute, I want to talk about the funding
9 piece on this here just to give you a sense. So as
10 Craig mentioned, we had -- it's been on the President's
11 budget the past two years.

12 We haven't had a budget passed, but when you
13 look at the House and Senate -- so we got both of those
14 years in markup, we were funded at a high level. So if
15 we would have had a budget, we'd have had -- it's kind
16 of we're caught in the perfect storm. So how do we get
17 around that right now. We'll wait and see on the 15th
18 whether we're under a CR or a budget again, and then
19 we'll make some decisions.

20 We do have some avenues to reprogram money,
21 but we need to see if we're in the CR again, and we
22 will do that on the 15th. That's kind of our -- where

1 we're at right now, though, is that we took 100,000 of
2 non-credit that we had in the agency here, and we used
3 it to bridge -- grant in place just to help keep the
4 eight-week online courses of production and materials.

5 We literally had more demand -- we had a forecast for
6 the materials, because we're not even reimbursing the
7 resource partners.

8 We're able to get about 12 percent of what the
9 demand is just using capacity, 12 percent, and that
10 still translates to close to 6,000 service members in
11 the year. The ramp-up with the number of books we had
12 -- the firm rate's been faster than we thought it would
13 be, and we were out -- and we were rushing to get that
14 -- so we're really not only in the perfect storm as far
15 as with the budget piece, but also demand is coming
16 out.

17 We're not marketing, we're not pushing it, or
18 anything else. We're just kind of letting it go a
19 little bit of laissez faire. Demand is going up. Our
20 resources are dwindled, so we're really kind of at that
21 point here in January where we will be hard broke if
22 additional funding is not found here. But we do have a

1 plan in place, and we're working close with the
2 leadership here at SBA and at OMB to make sure that
3 we're resourced after the first of the year.

4 So okay, any questions on Boots to Business
5 for Craig? So thanks, Craig. Moving along, next we'll
6 invite our good friends from IFA to come up and talk a
7 little bit about the SAM that we just signed with them
8 and a couple of things that are important about that --

9 IFA/VETFRAN

10 MR. BLANCHARD: I don't know if I can follow
11 Craig and Aditi. I think that was, what, 5-, 600 words
12 per minute, so that was pretty impressive. I'll slow
13 it down a bit. So again, Rhett, thank you and, Barb,
14 thank you for your support. Of course, I presented
15 yesterday, and I met some of you guys. If I haven't
16 met you, just real quick, a little background on me. I
17 was in the Marine Corps, and I was a combat engineer,
18 hoo-rah. Semper fi.

19 Got -- went to Iraq, did one tour, and turns
20 out one got me. So I got -- actually lost a wheel over
21 there, but did it for the parking space, so
22 everything's going pretty good. So after I got out of

1 the hospital -- I spent 13 months in the hospital, and
2 I went to school, and I've been involved in VSOs ever
3 since.

4 And I worked for the American Legion for about
5 a year, and I was vice president of Student Veterans of
6 America, so I've been in this space for a while, and
7 now I'm in private industry. So I'm glad we're talking
8 about trade associations and glad we were able to get
9 this SAM agreement signed so we can work together. So
10 just real quick about International Franchise
11 Association.

12 We have a program called Vet Fran, and
13 essentially what that is, it's a collection of over 600
14 companies, and we provide training, financial
15 incentives with discounts, and mentorship. So part of
16 this SAM agreement that we signed on November 5th --
17 and I'll show you some pictures of that so it's a
18 reality. It's really two components: education and
19 communication.

20 So as we say, we're going to coordinate on
21 franchising content for operations, Boots to Business.

22 Now that doesn't necessarily sound very profound after

1 hearing what we just heard, there's no resources. So
2 we're not really going to tack on another task to them.

3 So the good thing about trade association is that
4 we're talking about a slide, what is franchising,
5 what's the opportunity for veterans, and where do I go
6 to find out more information. That's really all it is.

7 It's an email, and it's just an inclusion of a
8 PowerPoint presentation, and the great thing about
9 trade associations and what they do very, very well is
10 marketing and media. So you're basically just sending
11 -- redirecting them over to us, and we can connect with
12 618 Vet Fran member companies that are willing to help
13 these guys actually either become employed or become
14 business owners as well.

15 So that's really what that piece is, and then
16 we're going to bring in two veteran franchisees,
17 nominate them to join the SB veterans advisory
18 committee, and, of course, there's -- we have a number
19 of events. I know you guys do, too. Anytime you need
20 speakers in any area, any district and local region,
21 we're happy to provide speakers for that.

22 And then, of course, you guys can come to as

1 many events as appropriate and as possible. So we look
2 forward to that. So we're starting the process on
3 loans. This is just signed. So this is why -- this
4 important and why the SBA is so important for the
5 private industry.

6 So can we go to the next slide? When -- while
7 there's -- I think you know one of those people in that
8 picture, acting administrator Jeanne Hulit, so that's
9 Jeanne and our CEO Steve Caldeira signing the SAM
10 agreement at the UPS store. Can we go to the next
11 slide please? And that's the signing ceremony, so it
12 was a pretty good turnout, and -- yeah, so in the
13 center, there's Wade. That's the franchisee. He was a
14 Navy franchisee that got out about two years ago, and
15 he used the SBA loan to fund his business venture.

16 And next to him to his left is going to be the
17 president of MOAA, Military Officers Association of
18 America. And then next to him is the -- Colonel
19 Morales, which is the executive director of the White
20 House joint forces that we actually won an award a
21 couple weeks ago for the number of veterans and
22 military spouses we invited or recruited as business

1 owners or employers within the franchising industry.

2 So that was pretty cool.

3 Can we go to the next slide? Now just a brief
4 update on kind of where we are to date. Since we
5 started tracking in 2011, we have -- there's over 1,100
6 business served and participating in the survey. And
7 of those -- and this is where this aware comes from --
8 151,000 veterans and military spouses have either been
9 business owners or employers within the franchising
10 industry since 2011.

11 So we had a goal of 80,000, and we kind of
12 blew through that obviously. So we're going to keep
13 going and keep measuring. So I don't really want to
14 read this to you guys. I know that it's boring to hear
15 just numbers. But anyway, it's an awesome initiative
16 and program now, and we have, like I said, 600
17 companies who are very passionate to help veterans and
18 military spouses.

19 We have a committee that -- they're all very
20 successful, founders are larger organizations that --
21 CEOs, executives that are all veterans that want to
22 help, and they fund the program, and so there's a

1 million things we can do. We've just got to focus.

2 Thank you.

3 MR. JEPPSON: Oaky. Thank you. I've got to
4 tell you, the numbers -- sometimes it is a little dry
5 maybe, but I'll tell you, the number that strikes me is
6 that over 5,100 veteran small business owners in that
7 timeframe as franchise owners, that's a pretty
8 significant amount. And one of the reasons why we felt
9 IFA was such a good -- to have a SAM with, it was just
10 because it's a great model for veterans.

11 I mean there are many who are going to have to
12 start up, and they're going to -- or they're going to
13 run a small business with the trade they've learned,
14 but for those who are just in business ownership,
15 they've kind of got that op order, if you will, and
16 that's what they execute hard against, and so it just
17 makes a lot of sense, and they've been great partners,
18 and we appreciate that. So questions for --

19 MR. BLANCHARD: It's a little hokey, but I
20 mean we always say it's like being for yourself and not
21 by yourself. So it's -- the training and support is
22 there through the franchise or corporate headquarters,

1 and then the franchisee, me one day, will have the
2 training and support. So I'm not just preaching this
3 because it's a -- I believe in it, and I want to do it.

4 MR. JEPPSON: Great. Comments or questions
5 for Kevin?

6 MR. EILAND: I've got one. It's kind of
7 simple, and I hope I don't put you on the spot.

8 MR. BLANCHARD: Sure.

9 MR. EILAND: These are great numbers, but what
10 are some of the franchises? You don't have to give me
11 a specific one, but some of the major ones that
12 veterans seem to be going into?

13 MR. BLANCHARD: Home inspections is big. Like
14 WIN Home Inspections down in -- I think they're down in
15 Georgia, Mr. Electric. A lot of the trade kind --

16 MR. EILAND: Trades?

17 MR. BLANCHARD: Yeah, a lot of trades. Still
18 a lot of restaurants, too, but that's quite a bit more
19 expensive to get into the restaurant business.

20 MR. EILAND: I guess what I was looking for --
21 and you covered exactly trades. That goes exactly with
22 what you're doing because you're taking the skill sets

1 coming right out of the military and are able to use
2 them as business owners. Double whammy there.

3 MR. JEPPSON: Yeah, that kind of goes back to
4 -- and this is -- one thing that I've maintained is
5 with the classes, if you look at the new TAP redesign
6 program, whether it's -- you have the four kind of
7 tracks -- higher ed, traditional employment, votech, or
8 entrepreneurship. They're not mutually exclusive. I
9 think that there are a lot of folks who go through the
10 trades who may end up being small business owners as
11 well, and so I don't think -- especially -- so that's
12 one of the reasons why I like the fact that they can
13 attend more than one of the tracks.

14 MS. CARSON: And I'll do the shoutout for DOD
15 even though they're not here. Ruth, back me up if I
16 get any of this wrong since we sit around the table
17 with them. But they're working really hard on
18 specifically -- for trades, credentialing, that what an
19 electrician is --

20 MR. JEPPSON: Licensure.

21 MS. CARSON: Exactly, licensure. So we just
22 received through the Veterans Employment Initiative

1 Taskforce an update on that that it is more challenging
2 than one would think about the difference between each
3 state. But as we make progress there, I think, as you
4 said, Rhett, we'll see more business owners, too, who
5 can use those.

6 MR. BLANCHARD: And one more thing. The
7 automotive industry is pretty big with veterans as
8 well, and so if you want to own an automotive shop,
9 it's quite expensive as well. So what some of the
10 franchise owners have figured out, like -- what should
11 we call it? I can't think of the franchise right now,
12 but anyway, they put them on a track, a managerial
13 track. So you can come in and you can start somewhere.

14 And eventually, you can buy equity into that company
15 and become a franchisee, three, five years from now.
16 So you're being trained to be a business owner while
17 you're learning a trade.

18 MR. JEPPSON: So it's like -- type of model
19 where you manage it before you own it type of thing
20 then?

21 MR. BLANCHARD: Truthfully, it's a little
22 different, but I mean, yeah --

1 MR. EILAND: An internal mentorship.

2 MR. BLANCHARD: Exactly. Yeah. Hotel
3 industry is doing this as well. Marriott, La Quinta,
4 they're both doing this. Of course, buying a hotel
5 would be about 7 million. So if you guys could help me
6 out, we could put this together. All right. Thank
7 you.

8 MS. SAMARDICK: I was going to say that the
9 Department of Labor has a cooperative agreement with
10 the National Governors Association, and we've got five
11 states working on licensing and certification, and
12 they're able to choose three to four occupations that
13 they want to work on in different -- and DOD's been a
14 fantastic partner in opening up the curriculum, because
15 in fairness to the states, I was a medic in the
16 military, what do you mean I can't immediately have an
17 EMT certification? Well, what do they teach you
18 exactly? So I think part of it has to be the ability
19 of the states to look at the curriculum and see how it
20 aligns with their requirements for their licenses.

21 MR. EILAND: From the states' perspective,
22 that is a wide topic of discussion at all the NASVA

1 groups. New Mexico, for instance, we've brought on
2 five different career fields this year that are now
3 going for immediate certification. So it's being
4 looked at at every state.

5 MS. SAMARDICK: Right. And for those states
6 that -- and for those occupations aren't an immediate
7 licensing, to ensure that they only have to do the gap
8 training as opposed to do the soup to nuts. So one of
9 the things that -- one of the challenges is, like,
10 commercial truck drivers. And surely somebody that's
11 been driving in the military doesn't have to do the
12 soup to nuts, but so much of that training is by the
13 owner of the truck driving association's licensing
14 thing, so it can be tricky. And of course getting a
15 truck to do the testing.

16 MR. EILAND: And the requirements that the
17 unions have that overlap that you've got to cooperate
18 with.

19 MR. SAMARDICK: Yeah, I love the guy -- our
20 partner in the Department of Transportation always
21 tells the story that when he first started looking into
22 it, he found out that in the Army, while they drive a

1 lot of trucks, they don't back up. Forward. So a
2 little nodule that might --

3 MR. EILAND: That's called retreat. We don't
4 retreat. We don't take --

5 MS. SAMARDICK: Which could, of course, be
6 tricky in the streets.

7 MR. BLANCHARD: I just have a comment. I was
8 listening to you guys, and I was trying to think of an
9 example within the franchising industry that does this
10 within the system that we have. And home healthcare
11 does this a lot. So if you trained in -- a lot of
12 veterans go to the VA, and they have medical experience
13 in the military. They want to go to the VA and
14 continue their career.

15 At some point you want to own your own
16 business in home healthcare, that is a huge industry
17 for veterans right now, and that's because the
18 incentive package -- I don't necessarily know why, but
19 it's moving to trend, but there's a lot of giveaways in
20 that particular space, giveaways meaning they waive the
21 franchising fee. Yeah, opportunities.

22 MR. JEPPSON: Okay. So thank you, Kevin.

1 Appreciate it very much. Moving along, I'd just like
2 to maybe call an audible here unless somebody's got
3 real objections, because it's been a while since we've
4 met here. So kind of the subcommittee report. What
5 I'd like to do is just change it up, and let's go
6 around to -- by agency.

7 We can get an agency update and then for your
8 component as a subcommittee what your input is. So if
9 that's okay, and I don't hear any real objections, I'd
10 like to proceed that way. So what I'd like to do is if
11 we could, Jim Wilfong, let's start in reverse order,
12 the time, let's start with everybody that's on the
13 phone. I did get a note -- Jim Wilfong had to check
14 off for a minute. He was on the phone. So we'll
15 excuse him. And then, Tom, if you're still on the
16 phone, we'll start with VA.

17 SUBCOMMITTEE REPORTS

18 MR. LENEY: Thank you, Rhett. I just want to
19 let this group know a couple of updates. One, we
20 continue to move forward on the verification process as
21 everybody's interest. We're now averaging 27 days for
22 initial determinations. We are approving 93 percent of

1 the initial applications due to our preverification
2 findings assistance program and the quest for
3 reconsiderations are averaging 11 days.

4 We, as part of the normal contracting
5 exercise, our five-year contract for support for OSDBU
6 expired on the second of December. We have a new
7 contract. It's in place. The transition of personnel
8 is underway already, and it has had no material effect
9 on the ability of CDE to continue to meet and exceed
10 its goals.

11 We also are -- we'll be coming to the SBA. We
12 have been drafting a revised regulation based on input
13 we received from a lot of folks around this table. And
14 in collaboration with the SBA, we seek to pursue a
15 regulation we think will -- we hope to end up with a
16 regulation that will be more relevant to sort of normal
17 business practices perhaps is the best way to say that,
18 but we don't anticipate reducing the standard and
19 trying to diminish the intent of the original law that
20 generates that first.

21 But we want to be sure to be collaborating
22 very closely with the SBA. Since our regulations

1 currently are the same, any change we make obviously
2 would create a gap between what we do and what the SBA
3 does on its self certification program, and we think
4 that will probably be counterproductive and confusing.

5 It's already been confusing that people thought there
6 was a difference when there wasn't. What I don't want
7 to do is have us then create a difference without
8 people really understanding the whys and wherefores.
9 So that's all I have. I'm happy to take any questions.

10 MR. JEPPSON: Any questions for Tom from
11 around the committee members here? And we'll have an
12 opportunity to talk -- a public discussion here in just
13 few -- committee reports. So with that, moving around
14 to -- we'll start with Jessica representing Treasury
15 today who doesn't like anything like Don Graves.

16 MS. MILANO: Thanks, Rhett. Sorry. Can you
17 hear me on the phone? So just to give a quick preview
18 of what will be in the upcoming report when it's
19 released, a little update on what we've been doing.
20 Our office at Treasury supports two programs that help
21 support small business lending around the country: the
22 Small Business Lending Fund, which aims to stimulate

1 lending by providing capital to community banks. And
2 it's a really unique funding mechanism, which as they
3 increase their lending to small businesses, the cost of
4 that capital actually decreases. So there's very
5 strong incentives to increase lending to small
6 businesses.

7 And there's also emphasis on outreach to
8 veterans and veteran small business ownership. In June
9 2013 SBLF released their first annual lending survey
10 for community banks participating in the program, and
11 participants reported spending over a million dollars
12 on outreach to veterans and veterans groups, so we are
13 excited about that, and that will be in the upcoming
14 report. The other program that I mentioned is the
15 State Small Business Credit Initiative.

16 This program is a little bit different. It
17 aims to give support to state small business programs,
18 a variety of programs that states operate around the
19 country. They could be lending programs. They could
20 be venture capital programs. And we've also done a lot
21 of outreach through that program, and the state program
22 managers themselves have done a lot of outreach to that

1 program just to reach out to veteran-owned small
2 businesses.

3 In June of this year, we used our annual state
4 program manager convening to emphasize the importance
5 of targeting vets, and we also in late summer/early
6 fall issued guidance to SBA district offices through
7 SBA's network on opportunities to collaborate and refer
8 veteran-owned small businesses to our state programs.

9 MR. JEPPSON: Thanks, Jessica. One thing that
10 I think that -- I always wondered kind of what -- some
11 of what the tie is going to be, but I think as we kind
12 of pivot the capital, consider -- there's so much that
13 you all do, that we're going to see -- maybe not be
14 through the organizations, exactly, but some of the
15 institutions that leverage the SBA products and
16 services will also be leveraging spending of your
17 products and services, and we'll see a synergy where
18 we're actually -- I can think of one case in point
19 where we actually have one of our micro-lenders
20 apparently going through a process -- I always forget
21 the acronym. CD --

22 MS. MILANO: CDFI.

1 MR. JEPPSON: -- FI as well. Which it's great
2 because we do have a pretty good micro-lending program,
3 but the dollar amounts are pretty small. But much,
4 much larger capacity within the community development
5 funds. So --

6 MS. MILANO: And one more point I wanted to
7 add. We're very much looking for more opportunities to
8 leverage SBA's broad field network to get the word out
9 about SSBCI programs around the country in particular
10 and how those can be used. There are opportunities --
11 bars SB ineligible. They still may be eligible for an
12 SSBCI-supported loan. Also, bridge financing with our
13 504 program. So not to get too technical, but there's
14 some interesting opportunities to collaborate.

15 MR. JEPPSON: Great. Thank you, Jessica.
16 Secretary Hale.

17 MR. HALE: From the state's perspective, one
18 of the things that most every state director that I've
19 worked with that we're all looking at is -- and
20 Illinois has a great program called Illinois Joint
21 Forces, and that is to become a single portal that a
22 veteran or a veteran family walking in the door can

1 find access to help. And we've got so many different
2 programs out there in the veteran community, almost so
3 many programs and great programs that the veterans that
4 we encounter that feel like they're lost.

5 So whether you want to call -- they come into
6 the state veterans offices and have a navigator to help
7 them navigate into the systems, that's becoming very
8 much an emphasis item, is how do we get that veteran
9 experience down to the one or two clicks to get them
10 into the right door for whether it's Department of
11 Labor, whether it's Department of Health, et cetera,
12 we're replicated very much down in the state levels to
13 how do we get them into the right program like I
14 mentioned yesterday for the veteran who comes in who
15 has zero experience but has a great idea and thinks
16 they want to become an entrepreneur.

17 How do we get them into the right track,
18 especially if they've been out of the service for two,
19 three, four years to get them the experience and the
20 training before they start trying to work their way
21 into a business. So that is becoming a very big
22 emphasis, and we'll have our national midwinter meeting

1 here in the end of February.

2 So that I'm sure is going to be probably one
3 of the emphasis items. Again, we are the one state
4 that has a veterans business outreach center imbedded
5 within my department, and it's very, very much involved
6 right now with Boots to Business. That very small team
7 is all over our state and Colorado. They're working
8 now to start looking at getting into Texas to conduct a
9 portion of that Boots to Business class, and that's a
10 huge task.

11 So from the funding aspect, I would encourage
12 us all to talk to your -- the different local state
13 directors and working with the VSOs because I think
14 it's time for us to bring pressure upon our legislative
15 groups to really try and work that funding. That --
16 this to me is one of the key points for working veteran
17 issues over the next five years.

18 We can keep a lot of veterans out of the
19 homelessness cycle, we can keep a lot of veterans out
20 of the self-medication cycle if we've got them in good
21 jobs, if we're building both veteran businesses and
22 jobs. So that's really a main emphasis from the state

1 directors standpoint.

2 MR. JEPPSON: Great. Thanks. Just to follow
3 on, you mentioned during the last NASDA association
4 that the secretary is talking about, I actually
5 presented there, and we talked a little bit about where
6 SBA is at and veterans space right now and what we're
7 doing in support of veteran small business owners.

8 And the one thing that there was a lot of
9 interest was in the VBOC program, and when I mentioned
10 it, we were going to -- the five-year grant period
11 expires for VBOCs this year, and the grants -- we'll
12 recomplete the grants toward the end of calendar '15 --
13 or excuse me, calendar '14. There was a lot of
14 interest from the states and participating in that
15 program, so -- and New Mexico has certainly been a
16 great partner of ours as well.

17 So Tony --

18 MR. EILAND: Thank you, Rhett. Since Andrew
19 is not here, I'm not going to take the thunder off from
20 DOD, but we have been cooperating on a few items,
21 primarily this train. We've been really trying to
22 emphasize doing more sharing information between the

1 VBOCs, also between the PTACs, make sure that
2 information train is out for everyone to find. We have
3 made a big push on increasing our service-disabled
4 veterans small business outreach training.

5 For instance, this Tuesday coming up on the
6 10th, I'll be doing the first veterans webinar for
7 teaching veterans how to navigate and do this with GSA,
8 and I'll make sure that's available to anybody who's
9 interested. But we are also working on increasing our
10 service-disabled veteran small business goals. We've
11 been above 3 percent, but we have a twofold goal.

12 One is to maintain our 3 percent, but to help
13 all the other agencies meet their 3 percent if we can't
14 by using the GSA scheduling process to find veterans to
15 be able to work with them and be able to successfully
16 use them. We have been trying to make sure that we are
17 increasing the use of the tools that are out there for
18 opportunities.

19 For example, to set aside provisions of using
20 service-disable veterans and set-asides. This is also
21 for projects that are being done by other agencies as
22 well GSA -- and I'm just going to speak to GSA -- from

1 FAS and from Public Building Service, and also Mentor
2 Protégé in promoting not just our program, but also
3 other programs that are working with Mentor Protégé.
4 And that's pretty much a quick little lowdown.

5 MR. JEPPSON: Okay. Great. Any questions or
6 -- for Tony? All right. Moving on. Matthew.

7 MR. BLUM: Thanks, Rhett. Three things I
8 wanted to make mention of. One is on bridge pay on
9 this. As we talked about, OMB has one initiative to
10 encourage accelerated payment not only for client
11 contractors -- I'm sorry -- to prime small business
12 contractors, but also to subcontractors -- small
13 business contractors under large business contracts.
14 And we extended the policy with respect to
15 subcontracting by a year, and I mention that because at
16 the prime level, it's just a matter of encouraging
17 contract -- client agencies to pay faster.

18 At the subcontract level, we waived cash
19 management to create a goal of paying within 15 days.
20 And as I mentioned, I think our last gathering, we were
21 starting to do some outreach to think about what other
22 alternatives might exist. Waiver of cash management

1 may not always be the best approach, but we want to
2 maintain and institutionalize accelerated payment as
3 much as we can. And there are varying ideas that have
4 been floated ranging from giving credit as an
5 evaluation factor in a solicitation problem.

6 There is an marginalized consideration at this
7 point since it's likely not to be given a lot of credit
8 in the grand scheme of things, or other approaches
9 where, for example, the prime doesn't get paid until
10 the subcontract gets paid. But all of these things
11 have a tendency to dramatically affect the relationship
12 between the prime and the sub.

13 Or within industries we also know that there
14 are standardized commercial practices. So construction
15 can be very different, for example, than service
16 industries and so forth. And so we have gotten --
17 while we've gotten positive feedback to the initiative,
18 there are some challenges where understanding that the
19 way small businesses would like to see some of these
20 time periods reduced, and it's hard for us, as a policy
21 office, to know the best way to work on an across-the-
22 board reduction when we don't want to disrupt some of

1 the longstanding relationships that have been built by
2 industry.

3 So the one point you made, Rhett, about
4 thinking about ways to extend access to capital, I
5 think one thing we're going think about in this space
6 is in addition to reducing the time periods, whether
7 there are alternative and also beneficial opportunities
8 to encourage prime contractors, for example to provide
9 greater access to credit for their small businesses.
10 So there was an initiative in the UK that some of you
11 may be familiar with where they challenged some of
12 their largest businesses to work with banks.

13 And with banks being confident that the prime
14 contractor is going to pay on a timely basis, they
15 wouldn't have to disrupt the typical time period for
16 pay, so they still only pay, say, in 60 days. Once the
17 kind contractor indicates that the sub is entitled to
18 payment, that sub would be able to go to a bank and get
19 paid to immediately and get that credit at a lower rate
20 than they otherwise might be able to. So it improves
21 access to capital without necessarily disrupting the
22 prearrangements that these large businesses have with

1 many of their small businesses.

2 So mention that no decision has been made at
3 this point, but it just is an illustration, I think, of
4 how we can pull some of these ideas together and think
5 creatively to get to the bottom line goal which is to
6 improve liquidity for our small businesses and the
7 like. So more to come on this, and we will be doing
8 more outreach, for example, getting -- keep the test
9 scores posted. If you have thoughts, obviously, on
10 this, I would love to hear them.

11 Secondly, just to build on Aditi's comments
12 from earlier with respect to the implementation of the
13 jobs act, the rule to clarify the use of set-asides on
14 the multiple -- or contracts was finalized and
15 published, I think, right -- of October. There's
16 additional work going on with the FAR Council to
17 provide some further guidance and implementation of the
18 SBA's rules, specifically with respect to the use of
19 reserves.

20 As you know, the jobs act provided not only
21 authority to deal with partial set-asides and order
22 set-asides, but also spoke to the opportunity to use

1 reserves, which many agencies had been doing before the
2 jobs act. But it's a different tool and I think one
3 that there's going to be some questions that were posed
4 in the context of SBA will make it process. So we have
5 been working closely with SBA, and the '14 alliance and
6 additional guidance in that area.

7 And thirdly -- and I know we talked about this
8 a little last time, and we'll need to do more work on
9 this, but just in the event that some folks had not
10 heard this -- one of our recommendations in the report
11 -- going back to our initial report was to examine the
12 establishment -- small business procurement initiative
13 for firms whose total workforce is comprised of at
14 least 35 percent of veterans.

15 And as the initial report explained, this was
16 built around the model that we used for HUB zones where
17 we had to give preferences for HUB zones based on
18 having a certain percentage of the workforce residing
19 in historically utilized business zone. As we recorded
20 in our 2012 progress report, the creation of set-aside
21 programs is going to involve statutory changes that can
22 take them and have complexities. So we were looking --

1 we began to look at administrative alternatives, and I
2 think based on our conversation that we had, as Rhett
3 pointed out, there is a larger question notwithstanding
4 the goodness of this as to whether this is really a
5 contracting issue or more appropriately considered a
6 labor issue. In other words, should it be focused just
7 on small businesses? Is it something that is --

8 PARTICIPANT: The OFCCP world --

9 MR. BLUM: Exactly. And in light of the fact
10 that they have just done some important work on VEVRAA
11 which includes the establishment of contractors to
12 create benchmarks for hiring, we're looking to see
13 whether there's something within that space where we
14 can pursue this.

15 And also, as part of that, looking to see
16 whether the authority that GSA to create for the
17 schedules program to create consideration of small
18 businesses before the set-aside authority was applied,
19 whether that model might be married up with some of the
20 authorities in VEVRAA to -- again, I mean, look at --
21 their not different than what the recommendation is
22 currently at, but the bottom line goal would be still

1 an incentive to give credit for increasing hiring of
2 vets.

3 MR. JEPPSON: All right. Thank you. It's
4 interesting. I look at this one and also the cap
5 access one where we look at how we might use -- the GI
6 bill use of capital where we see some of the different
7 angles where it may move.

8 Certainly not where it was initially thought,
9 but where it moves just because of circumstances of
10 bureaucracy in where we end up, and it still of a
11 benefit to the veterans, so I think this is one of the
12 real values of the taskforce and it keeps us at least
13 focused not full time, but at least focused on some of
14 these issues and helping groups -- these ideas along.

15 And hence, again, the value of the report is
16 just that at least it -- it makes us write down where
17 we're at and kind of benchmark it as a forcing function
18 for us. And again, I will make my one pitch here. I
19 know it's a bit painful, especially as busy as you, but
20 it is our forcing function with a value. So thank you,
21 Matthew.

22 Ruth.

1 MS. SAMARDICK: Well, I'll thank Matthew for
2 sending any thunder from VEVRAA and the 503 regs, but,
3 yes, I wanted highlight that OFCCP has promulgated
4 final rules for both VEVRAA and section 503 of the
5 rehabilitation act. So those are worth mentioning, and
6 I'll have to revisit our contribution to the report,
7 because I don't think that we put that in our section
8 of the report. So I'll work with Kim on that.

9 Beyond that, we don't have any new updates.
10 On the portal, Secretary Hale, I just wanted to say
11 that the Veterans Employment Initiative is working on a
12 single portal that will at least harness all of the
13 federal portals, the federal websites that serve
14 veterans for employment and -- so at least there will
15 be, at the federal level for federal resources, but
16 then there's all the wonderful things with the VSOs and
17 the private sector and the states are doing, so it's a
18 challenge to not have them just be so overwhelmed by
19 all of the help out there that they can't find the help
20 that they need, so --

21 MR. JEPPSON: Remind me what -- it's actually
22 a VA portal that comes out of the universal portal,

1 isn't it?

2 MS. SAMARDICK: It's going to be housed in e-
3 benefits.

4 MR. JEPPSON: In e-benefits, right.

5 MS. SAMARDICK: Yes.

6 MR. JEPPSON: It's a --

7 MS. SAMARDICK: We don't want to say what you
8 just said, but --

9 (Crosstalk.)

10 MR. JEPPSON: Great. Okay.

11 PARTICIPANT: I mean all under VA --

12 MS. SAMARDICK: Absolutely and wonderful
13 partners.

14 MR. JEPPSON: Great. Okay, Barb.

15 MR. LENEY: Can I ask a question of Matt?

16 MR. JEPPSON: Yeah, absolutely, Tom.

17 MR. LENEY: I was happy to hear about your
18 comments about subcontracting and the issue of prompt
19 payment with primes and subs -- but I guess my concern
20 is the ability to promote it. We keep running into --
21 contract issues and our lawyers are very hesitant to
22 have my office or anybody else be a -- engage between

1 the primes and the subs. So is there anything that's
2 giving us for the additional tools to encourage primes
3 to pay their subs more promptly?

4 MR. BLUM: So Tom, that's a very fair
5 question, and it certainly framed what the longstanding
6 challenge has been in making a lot of progress in this
7 area. But when we -- we being when OMB issued guidance
8 to address this -- issue, it essentially -- what we
9 called for was for the FAR Council to develop a
10 contract clause which would say if the federal
11 government accelerates its payment to the prime
12 contractor, the prime contractor would accelerate its
13 payment to subcontractors.

14 And that's essentially what the FAR Council
15 just issued a final rule saying. The obvious challenge
16 with that is it's a very high-level framework that
17 doesn't have a lot of detail, and it doesn't attempt to
18 identify what the days are with respect to the prime-
19 sub relationship. It actually says that the prime --
20 I'm sorry -- that the government should accelerate its
21 payment to the prime. That's clear.

22 But it doesn't say how that translates in

1 terms of what level an acceleration that should occur
2 from the prime to the sub. The government is reducing
3 by 50 percent, it doesn't say that it has to be --
4 equal 50 percent.

5 And as I was mentioning, the challenge that
6 comes in there is it's hard to just meet these sorts of
7 assumptions, because we don't know within each of the
8 individual markets what the relationships are that the
9 primes have with the subs and also with their own
10 private companies so that there could be legitimate
11 reasons why companies don't want to disrupt these
12 relationships that they have and create differences
13 between subcontractors to federal primes versus in
14 their own private marketplace.

15 And the subs may be okay with that as a
16 general matter as long as they can get access -- get
17 the credit. Which is why -- I mention this as one
18 model that the UK has been experimenting with. So I
19 don't have a great answer to the question. I think
20 that we're, in our outreach, going to need to see what
21 the various range of options are.

22 I mean there are some people that would say --

1 you might call the cynics -- if you really want to make
2 progress here, you reinstitute the paid cost rule where
3 you make -- you don't pay the prime contractors until
4 the subs get paid, and that can create an incentive.
5 But again, it also creates a disruption in the
6 relationship that we have with the primes, and some
7 people would say it's also micromanaging. I probably
8 didn't answer his question at all, but I probably put
9 him to sleep is what happened.

10 MR. JEPPSON: Tom, are you still there? Any
11 follow-up?

12 (Crosstalk.)

13 MR. JEPPSON: Okay. So finally just I'll wrap
14 up on my end. We've seen a lot of legislation that's
15 out there that's proposed, and generally we don't
16 address that. But if I could, just because we have
17 Davy here, there is one piece of legislation that's
18 been -- come up. It's had some interest, but we've
19 talked about this yesterday recently, and that was on
20 the Department of Transportation, and it may have a
21 pretty big impact on veteran small business.

22 So if you could just give us an update on

1 that, it's the one with the states where the money
2 passes through.

3 MR. LEGHORN: Thanks, Rhett. Yeah, I can
4 actually give you folks an update, and it's a really
5 interesting piece of legislation if I could just give
6 everybody just a little bit of a background. So the
7 way the states pay for their road repairs is through a
8 federal fund that comes from the Department of
9 Transportation even though the Department of
10 Transportation's budget is a -- to small business
11 goaling.

12 Once it hits the states, it isn't. So what
13 happened was there was a law passed called MAP-21 or
14 Moving Ahead Progress of the 21st Century Act which
15 leaves 10 percent of what DOT gave to the states to 8As
16 and women-owned small businesses. When it was written,
17 it was expected that because the 8A law, the way it's
18 written was so broad that it would encompass a lot of
19 other people or a lot of other groups, but
20 unfortunately for a myopic or a really strict
21 interpretation of law by the states, they have kept a
22 lot of groups out of it and especially veterans.

1 Some states do do a very good job doing it,
2 but some states to not walk the veterans on
3 automatically. There's a separate application, and a
4 lot of them require -- a lot of states require veterans
5 to prove that they're 8A somehow before they will walk
6 them onto what they call -- into that pot of the 10
7 percent that's set aside.

8 So we've been working with Congressman
9 Fitzpatrick from Pennsylvania to introduce legislation
10 that would add veteran-owned small businesses as a
11 separate line identified as a group that would
12 automatically walk onto -- to do business in this 10
13 percent of --

14 MR. JEPPSON: Excuse me just a -- I'm sorry to
15 interrupt you. If you're on the conference call and
16 you're checking out or in your car, some of you, move
17 your phone. If everyone on their call -- check your
18 phone and make sure they're muted, we'd appreciate it.

19 Thank you.

20 MR. LEGHORN: Okay. So we have relatively
21 decent -- there's -- it's bipartisan. It was co-
22 introduced by Cheri Bustos from Illinois. And we just

1 met with Congressman McKinley yesterday and his staff
2 says -- that was pretty promising, that they might be
3 able to back it, or rather cosponsor. So in terms of
4 where we see it going, we would like to see this
5 attached to either MVAA or something like that,
6 hopefully.

7 And this is something that -- it's a huge
8 chunk of money. DOT is not going to meet their SBA or
9 small business goal because this chunk of money just
10 goes directly to the states. By getting us onto that
11 10 percent, we can stop that.

12 We can get it done to meet their goals. And
13 the other thing I want to talk about is we did approach
14 the General Contractors Association, and what they told
15 us what this was the way MAP-21 is written, the states
16 have been interpreting it, it is a burden for them
17 because they can't find enough 8As and women-owned
18 small businesses to do road infrastructure improvement
19 type construction, and a lot of veteran small
20 businesses are in the construction field.

21 And we're adding to the pool. We're
22 alleviating that burden. I think -- well, when -- we

1 really think this law is a good law, and it's going to
2 be good for the states. And in a nutshell, that's
3 pretty much what it is.

4 MR. JEPPSON: Great. Thanks, Davy. I just
5 wanted everyone to be aware of that. I saw that as
6 something that may affect the government contracting,
7 and it's sort of the issues that we look at. Some of
8 the agencies do struggle just because of the mechanism
9 by which they disburse money to the states or to other
10 agencies.

11 DOE is another one that we've talked about at
12 several meetings, that's come up several times at the
13 Vet Force meetings. There is one other piece that came
14 up yesterday that's along the same thing, and I'll
15 mention this, is that among other things when Aditi
16 talked about things in the NDAA besides the new Mentor
17 Protégé, and I think they've looked at -- is they've
18 been charged to do a study, and I'm not sure that OPP
19 is not looking at it, but it's the overseas family
20 which is not subject to small business as well, and
21 that's been revisited and looked at right now as well.

22 Now we are -- there is -- we're in the

1 bureaucracy of where we are, looking at studying the
2 problem, so it didn't offer a solution, but it's
3 something that's on the radar that we're looking at
4 jointly and then have some due outs back on, so that
5 again looks at the -- much the same as this other --
6 the scope of money that's not currently a part of the
7 set-aside program of subject to small business dollars
8 that may be impacted in the future.

9 MR. BLUM: And -- this is Matthew -- I don't
10 want to get ahead of that review, but there is --
11 people are aware of this -- as we're thinking through
12 it, there are multiple dimensions to this. So in other
13 words, the FAR has had this longstanding language where
14 it said that part of -- doesn't apply.

15 And so I think that's generally been
16 interpreted as set-aside -- part to be used. So
17 there's one issue about whether we have the authority
18 to allow for set-asides and whether we should be doing
19 set-asides, whether or not it's counted towards this
20 small business goal.

21 And then there's an additional question then
22 of kind of understanding the impact of what we're doing

1 currently versus if the goaling rules were changed in
2 this part. By the way, I'm not saying anything right
3 or wrong, but just to make the point that the issue of
4 whether we apply set-asides as a matter of policy could
5 be considered separate and apart from the larger
6 conversation about what's the right way to --

7 MR. JEPPSON: Right. I think it would be fair
8 to say that what we were tasked to do is look at the
9 problems and identify and raise and to look at the
10 impacts and ramifications are and what the potentials
11 are here. And so it certainly didn't pass any
12 mechanism force -- than to come back and give a report
13 on it. So --

14 MR. FERGUSON: I've tried to run this gauntlet
15 for the past three years with the USAID, particularly
16 Department of State. I believed when I got out of the
17 military that we fired first shots in the warzone, that
18 we had an obligation and a right to finish the mission.
19 I believe that peace through business is a better way
20 than actually going and shooting people. I was in the
21 infantry, and I can tell you how that works. I
22 traveled on my own dime to Kabul, Afghanistan in 2011

1 and to do business development with the provincial
2 reconstruction teams, which were a big success
3 somewhat.

4 And what I found out the hard way was in --
5 and \$10,000 later was that the FAR language,
6 particularly 19.14 106-50 is that and five dollars will
7 get you a cup of coffee in Kabul. So after going all
8 that way and running around in a taxicab with no body
9 armor or weapon, it was kind of disheartening to find
10 out that way is very expensive.

11 So if there's any way that we could put
12 pressure on the overseas contingency operation funding,
13 particularly USAID and DOS mentions around the world, I
14 would like to see that done. Because like I said, it's
15 costing a lot of money personally, and it's not very
16 advantageous to us at this point in time. And that's
17 all I've got to say. Thanks.

18 PUBLIC COMMENT, CONSTRUCTIVE SUGGESTIONS & DISCUSSIONS

19 MR. JEPPSON: Thank you for that comment. So
20 I think we're at that point where we'll open up the
21 floor for a public comment here. We've got about 30
22 minutes or so here. So I'm happy to take any questions

1 on the phone or off the floor and -- for the panel. So
2 the time is yours, the public. What I do is just to
3 make it a bit easier, we've got kind of two open chairs
4 if you don't mind where Mr. Ferguson's at.

5 Obviously I think he has the first question,
6 and we also have the one right here next to Ruth. So
7 we'd ask you to come up here, identify yourself, ask
8 your question. If you have somebody special to direct
9 -- direct it to them, and we'll proceed that way.

10 MR. FERGUSON: I just wanted to run by a few
11 things that we had in this meeting. I had the
12 privilege of working on the USERA law several years
13 ago, the -- Veteran education -- support, are you
14 familiar with that? Yeah, we worked real hard on that.

15 So like I think that a suggestion to the issue would
16 be that you know how when you walk into any business
17 they have the labor law on the wall? Like you have a
18 right to be paid 7.15 an hour, et cetera, et cetera.
19 If you just added the USERA portion to that already --

20 MS. SAMARDICK: Well, there is a posting
21 requirement for USERA. It's got its own poster.

22 MR. FERGUSON: I don't even comply with that,

1 so I don't even know that exists. So --

2 MS. SAMARDICK: La, la, la. (Laughter.)

3 MR. FERGUSON: I'm with you really here. For
4 me this is -- so I think that the outreach that you do
5 helps --

6 (Crosstalk.)

7 MR. FERGUSON: What?

8 PARTICIPANT: You just confessed. (Laughter.)

9 (Crosstalk.)

10 MR. FERGUSON: I'm just being honest. And so
11 I think that outreach is very inexpensive, and it's --
12 if you're aware -- if you make this an example of
13 somebody in the media, like a company, I think that
14 news travels fast. Any time you hit a business in the
15 wallet we learn the hard way of course.

16 The second thing I wanted to talk about was we
17 discussed a lot about micro-lending, and I think that a
18 lot of veterans have this false assumption when they
19 get out of the military that public law 106-50 is a
20 guarantee. It's not a guarantee. So a lot of guys --
21 I spent money trying to chase the big bucks, the
22 million-dollar contracts. A lot of guys need to get

1 past performance before they can bid on things, and I
2 think that micro-purchases, since we're talking about
3 micro-lending, and things that are smaller than -- flat
4 acquisition threshold, particularly the three grand and
5 other stuff, that keeps a lot of vet businesses going,
6 particularly mine.

7 So that's the thing that I think that -- when
8 you talk about micro-lending, you should also talk
9 about putting the contractors -- not on GSA schedule,
10 FSSI -- I'm just talking about if you need a vacuum
11 cleaner and you need it today, call a veteran. About
12 the GI bill as a tangible asset, I think that's a great
13 idea. In '08 there was three bills.

14 There was the Clinton bill, the Lincoln bill,
15 and the Webb bill, and we obviously know the Webb bill
16 won. I walked three pairs of shoes on that
17 legislation, a year and a half, and we're proud of
18 that. But the Clinton bill had a tangible access where
19 the original GI bill was just drafted by the American
20 Legion back in the '40s, right?

21 It -- you could actually take a loan as part
22 of that, because -- I just want to say a story. I had

1 -- machine gunner. His name was Broach. The guy was
2 as dumb as a box of rocks. There's no way in the world
3 he's going to even make it into college, but he was a
4 mechanic, and he had this 1972 Dodge Dart, and this was
5 his life. His dream was when we were in Baghdad as
6 grunts walking and doing patrols, was to come home and
7 open a little garage to fix cars.

8 But his -- the bill did nothing for him. So
9 if -- anything we can do to make that a tangible asset,
10 that's a success. And prompt payment, that's the last
11 thing I wanted to say because I'm getting longwinded.
12 It's a double-edged sword. If you're -- the primes are
13 going to beat you down so hard and the government is
14 going to beat you down so hard on your margins, that
15 sometimes making a little late payment money is
16 actually going to save you in this market.

17 It might actually make some money without
18 cutting your throat. You all have a great day.

19 (Laughter.) Sorry for the --

20 MR. JEPSON: If I had a prize to give out for
21 most entertaining -- I've ever had -- you're the
22 winner, though. I appreciate it. And you make some

1 great points there that -- one thing I hadn't thought
2 about was the micro-purchases and how that affects. So
3 that's a great point. Thank you. So, sir --

4 MR. SIMPLE: Thanks, Rhett. My name is Scott
5 Simple. I'm the president of the SDVOSB Council and
6 also a cofounder of the SDVOSB program here in the
7 Washington metropolitan area. A couple of comments,
8 number one, I wanted to commend Mr. Leney who was on
9 the phone a little while ago about the strong
10 performance stats on the CD program.

11 That program is really critical to a lot of
12 our constituency, and the stability of the program and
13 the improvements and response times, I can tell you
14 from the -- level where we operate having several
15 hundred members, we're now getting very, very positive
16 feedback about that.

17 Thank you, Mr. Leney, for that. And the
18 second comment I want to make is that all the comments
19 that we're talking about here today and the initiatives
20 that are talked about warrant as much visibility as
21 possible within the veteran entrepreneur and the
22 service-disabled veteran entrepreneur community. And

1 that's tough, right? How many people are on the phone
2 today? How many people are in the meeting? Not a lot
3 of us.

4 So I wanted to update you just to offer up the
5 SDVOSB Council as a venue for you to use as outreach.
6 The SDVOSB Council now had regular meetings here in the
7 Washington area the second Wednesday of every month,
8 meaning our next meeting is next Wednesday, the 11th.
9 We meet at the Key Bridge Marriott. We're very
10 gratified to have developed a very, very strong
11 following.

12 We're averaging about 120 to 150 participants
13 in every monthly meeting. Our focus is very, very
14 heavily directed towards two mission statements. One,
15 networking, creating the opportunity for people like
16 Boots to Business new entrepreneurs, like seasoned
17 entrepreneurs to meet with fellow entrepreneurs as well
18 as to meet with a lot of our large members.

19 Our membership is not limited to just service-
20 disabled veteran companies. It's also very well
21 represented by a lot of the name brand tier-one
22 contracting primes in this community who are

1 aggressively looking for SDVOSBs to partner with. They
2 have a heck of a tough time doing that.

3 One of the other services that the SDVOSB
4 Council provides is a program called Matchmaking where
5 they -- firms are now coming to us at the rate of about
6 20 per month looking for a service-disabled veteran-
7 owned company with NAICS code 541-611 with quals at SBA
8 and that knows how to go over and talk to Tony Eiland
9 and figure out how to get stuff done. That's the
10 nature of it. So we're providing a lot of those types
11 of services.

12 We've grown tremendously here locally, and so
13 this is not an advertisement. It's an offer that we
14 now have a constituency and a following that's quite
15 substantial. At our last meeting in November, Andre
16 Gudger was kind enough to come speak, a very
17 entertaining speaker. I encourage all of you to let me
18 know when and how you would like to come and address
19 the council.

20 Again, our programs are generally dinner
21 programs. We have a 5 o'clock networking hour, 6 to 8
22 o'clock meeting, and -- but also in the afternoon, we

1 have a boot camp program. So immediately preceding the
2 dinner meeting, like 3 to 5 or 3 to 4 or 3:30 to 5,
3 whatever you want to run, we will run boot camp
4 programs for any information that you would like to
5 pass onto our constituencies.

6 So for instance, prior to Andre's speech in
7 November, we had a presentation -- custom presentation,
8 how to stuff your pipeline -- your business pipeline
9 with great opportunities in the federal marketplace,
10 custom research that was done for us by the Delta
11 GovWin folks.

12 And it was -- in the federal rating sheets
13 that came back from the 55 participants, averaged 4.2
14 out of 5 on the rating scale. And when people can say
15 that was crap, they will. So we're getting good
16 quality stuff. I've already hit up Mr. Jeppson to come
17 speak at our February meeting and offer it up -- we
18 would love to hear an afternoon boot camp presentation
19 on access to capital, because there are so many changes
20 taking place in that. And Mr. Jeppson was kind enough
21 to immediately throw Stan Fujii under the bus -- or I'm
22 sorry, offer up Mr. Fujii to help me put together the

1 program for that so, Stan, I'll be seeing more of you
2 soon.

3 Also just to -- kind of a footnote to that,
4 the SDVOSB Council primarily has been a chapter here, a
5 chapter in Newport News. We've now nationalized. We
6 form a national board, and we're in the midst of a
7 period of aggressive national expansion. We have four
8 new chapters opening in 2014. Love to tell you about
9 all that kind of good stuff.

10 And we're also making a tremendous effort to
11 work with the other VSOs in the Washington metropolitan
12 area in particular working very closely with Scott
13 Benson, the coalition. It's possible with Joe Wynn and
14 the Vet Force programs. So the idea is we have a
15 venue. We get to a lot of people. It's a gray-haired
16 crowd. I'll warn you now.

17 It's all of us that are business owners and
18 people that own companies in the, say, 2- to \$50
19 million range is really our sweet spot. Although we do
20 have, again, a lot of major firms there. Please
21 contact me, Scott Simple. Tony knows who I am -- knows
22 who I am. Please contact me or Chad afterwards. We'd

1 love to have you come speak to us. And most
2 importantly, pass on the incredible value of programs
3 that you're talking about here into the ears of the
4 people that can actually use them. I want to check
5 with you about the franchise program. That's something
6 that would be red hot for some of -- again, thank you
7 very much for your time.

8 MR. JEPPSON: Okay. Thank you. I want to
9 just follow up before you -- not follow, just make a
10 comment along the same lines. It's interesting you say
11 that, and I think this kind of goes back to where we
12 look at the government spend here. Obviously there's
13 always more we can do around the government contracts,
14 and we've had discussions about where additional
15 dollars may be or -- but when you look at the trendline
16 over the past few years where government contracting
17 has gone with SDVOSBs, we've seen this -- had the --
18 got the mark last year, it's trending well for this
19 year.

20 And we talk about maybe some of the factors of
21 why that is because of holding procurement officials
22 accountable in their performance reports, the deputies

1 meeting that our administrative holds. I've seen a
2 change because when I was in the service, I dealt -- I
3 had to manage my own contracts. The change I've seen
4 in the primes, the primes -- actually I have a friend
5 who's a retired SF-o6.

6 Part of his job right now is business
7 development officer for one of the big firms is they
8 actually go out and SAM -- and they actually produce
9 sheets right now of who the competitive small
10 businesses -- SDOBVs (sic) because the contracting
11 officers are now being forced to find -- through the
12 partnering program.

13 They're actually out there searching them, so
14 I can see why they're certainly showing up at your
15 venue looking to see who the competitive small
16 businesses are that they might be able to partner with.

17 So I think that it's a -- we're seeing that trend in
18 other places, and I hope that portends well for our
19 government contracting. So, Joe --

20 MR. WYNN: Thank you. And good morning again.

21 My name is Joe Wynn representing DBA, Vet Force. And
22 thank you for the opportunity to provide some comment

1 to the taskforce once again. As many of you know, I
2 try to make all of the sessions, at least as many as
3 possible, because I appreciate what everybody is trying
4 to do to help veteran businesses, particularly -- and
5 including myself, an Air Force veteran, too.

6 Just a couple of quick points that I jotted
7 down. One is as the taskforce is going forward into
8 the future, it would be helpful if they could provide
9 advanced notices of the agenda and the presentations of
10 the plan for the meeting in advance, because I think
11 Scott mentioned, too, more public participation in
12 these meetings when it first started a couple of years
13 ago. The room was full.

14 MR. JEPPSON: Can I ask you a question?

15 MR. WYNN: Sure.

16 MR. JEPPSON: So I appreciate the comment, but
17 I think there may be some issues there that we can
18 address, but did you guys not get a copy of the agenda
19 and the federal notice email to your VSO account? Did
20 it not hit?

21 MR. WYNN: No. Well, I do see the notice.
22 I'm not sure it was coming directly to me or if it was

1 being forwarded by someone else about the notice, when
2 it's going to be scheduled. It's been in the federal
3 registry, yeah.

4 MR. JEPPSON: Well, can I -- and maybe as a
5 follow-up and we can just talk -- one thing we have
6 tried to do here, and this is where I need some
7 feedback to see if we're successful as -- I've asked
8 and we do email to the -- we have a VSO list of all the
9 big VSOs, and we email out the federal register notice
10 once it gets published, the same day. I think it was
11 Rick Weidman who said it's amazing. I wake up every
12 morning and open put the federal register to read it.
13 So I said, okay, fine. We'll put this -- and lets mail
14 this thing out. I guess I'm the only person that does
15 -- kidding. And then --

16 PARTICIPANT: You have too much time on your
17 hands.

18 MR. JEPPSON: Yeah, I know. (Laughter.)
19 Apparently, so --

20 (Crosstalk.)

21 MR. JEPPSON: Now that I have Barb and Craig
22 here, I've got all the time in the -- no, kidding.

1 They're doing a great job, but I still have not got
2 back a lot of time yet. And then the -- and the agenda
3 about a week out, the draft agenda. And we actually
4 were soliciting for input into topics that want to
5 discuss.

6 So if you could check, I'd appreciate it. And
7 the same thing goes for the taskforce members. We've
8 tried to do that with each of you. So if you haven't
9 got it, please let me know, and we'll take corrective
10 action. The other thing that we are kind of doing at
11 least a little bit different is you notice the room
12 setup is a little bit different. So if -- I'm going to
13 try and next time we'll put maybe a podium up here for
14 the presenters, but trying to move to a slide deck to
15 keep us online here and get slides.

16 I was in that part of the military where we --
17 death by PowerPoint, but we'll try and produce this,
18 and we'll try and get this out as we mature the process
19 a little bit. So you get it out at -- in advance just
20 to read ahead, so you'll see the topics that are being
21 covered and do that. As well for the taskforce members
22 and -- not to cut into your time. If you have talking

1 points that you want up there, we'll send them -- we'll
2 be building this deck from now on with this, so thank
3 you. I apologize, Joe --

4 MR. WYNN: That's okay, Rhett. I appreciate
5 that comment, and it kind of leads to my other comment
6 which is determining a consistent schedule for these
7 meetings, because -- and that's probably what's been
8 happening. We'll get a notice two days before this
9 thing is going to happen.

10 Sometimes we'll even talk to you in advance
11 and even before you got here, this is not just since
12 you've been here, but it's not always determined a
13 month or two in advance when this meeting is going to
14 happen. So as a suggestion, if you could get on a
15 regular bimonthly -- if you're going to it bimonthly --
16 a bimonthly schedule, we can be sure that the veterans
17 community knows and remind them that this is what's
18 going to be coming down the pike. So if that's
19 possible --

20 MR. JEPPSON: Joe -- yeah, we'll talk with the
21 rest of the taskforce members to see what we can do,
22 and I think that that's a great suggestion, much like I

1 always know when Vet Force is going to meet, so --

2 MR. WYNN: Right. Right.

3 (Crosstalk.)

4 MR. JEPPSON: Just a brand new wonderful
5 facility we've got here, so --

6 MR. WYNN: Another comment I had, too.
7 Progress reports with regard to the implementation of
8 previous taskforce recommendations. I know each year
9 you're submitting a report to the White House, the
10 President. What happens to that?

11 It would be nice if out here in public kind of
12 knew what happened after those recommendations were
13 submitted. We see the report, we see what's submitted,
14 but what happens? And also if the taskforce would
15 consider maybe as it goes into its next year doing some
16 follow-up on some of those things that were recommended
17 this year about further implementing so that we're not
18 just -- just look like you're just making
19 recommendations each year.

20 The other thing I was going to mention, too,
21 is it seems like -- I would like to see this particular
22 group to do more to address the issue of fraud and

1 misrepresentation in the service-disabled vet federal
2 procurement program. There's been -- and of course,
3 we're going back and forth about this discussion about
4 the VA verification process, and I heard Tom Leney on
5 the phone this morning, and again, I also appreciate
6 the fact that there have been improvements made in the
7 process.

8 Also we're still getting a lot of feedback
9 from veterans who are concerned and having difficulties
10 and getting through based on the way those reviews are
11 made. But I think a larger part of what is going on
12 now is beyond the VA. It's the whole federal
13 government. I mean we're continuing now to get reports
14 with regard to, like I said, fraud and
15 misrepresentation in the federal marketplace, not just
16 in the VA.

17 So when do we -- or when does this taskforce
18 really address this issue about government-wide
19 verification of veteran business owners. You've got a
20 self-certifying process for other agencies. These same
21 companies that are capable -- legally qualified to do
22 business apply to VA and get denied. I mean there's

1 some -- there's still some problems that exist with
2 that. And I know Davy talked a little about some
3 legislation, but there's been no discussion about one
4 of the biggest pieces of legislation laying out there
5 right now H.R. 2882 about moving the process from VA to
6 SBA, and I know this is kind of a --

7 MR. JEPPSON: No, I was just going to mention.

8 I make no comment on that. The thing that you have is
9 that -- and we generally stay away from that, Joe,
10 because we're all part of the Administration. And
11 until the Administration takes a position, we really
12 can't comment on that.

13 But I wanted to go back to this really about
14 the progress report. I think that's a great idea
15 you've got there, and one that we'll take and try and
16 weave into the schedule where we actually take in
17 sequence or by priority order some of the
18 recommendations and just really drill down on those
19 rather just cover them in progress reports.

20 The second thing I think that you brought up
21 here is -- you brought two things up here, and I just
22 want to make sure I'm understanding right. When you

1 talk about fraud and misrepresentation, the
2 verification and certification is a bifurcated process
3 that we have through VA and applying to VA and then
4 through -- that's its own animal and has to be
5 addressed.

6 And they're not totally separate, but it
7 sounds like almost we should have a special 40 minutes
8 in one of these sessions just on the -- how we handle
9 misrepresentation and ways ahead that we can reduce
10 that or attack that problem separate from that. Am I
11 hearing you correctly?

12 MR. WYNNE: Exactly. I'm not -- like I said,
13 I've been to pretty much every one of these sessions of
14 the taskforce, and there had been some discussion one
15 time with regard to VA verification, but -- and Tom
16 Leney addressed where they were at that point in time.

17 I think it was sometime last year.

18 But there has been not continuing discussion
19 about -- to go government-wide and pro and cons one way
20 or the other. And like I said, with this legislation
21 that's pending at the moment, which is talking about
22 moving the VA process to the SBA, it's still limited in

1 many respects, because it's talking about having the
2 SBA do the verification process for only the VA. So we
3 still aren't addressing the issues that's happening
4 outside -- government-wide. So this particular
5 taskforce seems like a good place to have that
6 discussion and debate pros and cons.

7 I've got one other --

8 MR. JEPPSON: Yeah, please.

9 MR. WYNNE: And I just also wanted to conclude
10 with -- at the top of each year, since as you come back
11 into session to reemphasize the goals and objectives of
12 the taskforce, this is probably now going to -- getting
13 ready to do your third report, and people are changing.
14 Even the agencies are still in place, but it's not
15 always the same representatives.

16 Maybe you might consider going back over what
17 the executive order called for, what we were supposed
18 to be focusing on, and consider also including the
19 emphasis on increasing contract opportunities to
20 service-disabled vets in the federal marketplace where
21 we had that minimum 3 percent requirement, and I know
22 some folks are talking about the government surpassed

1 the 3 percent this year, but what about where's the
2 breakdown within those agencies?

3 Where are the real problems at? I mean there
4 was a couple agencies that helped boost that above the
5 3 percent. If we've still got a bunch of problems in
6 various agencies, lets identify those and address them.
7 So at the top of each year, kind of overall goals and
8 objectives of the taskforce.

9 MR. JEPPSON: Great. I think they're very
10 helpful suggestions there, and we'll try to weave them
11 into future meetings here. So okay. We're right at
12 the top of the hour, but we'll take you as our last --
13 you and then Rick, and so if I could just ask you to be
14 brief. So sir, you first.

15 MR. O'FARRELL: I don't know if I jumped in
16 front of someone. Thanks. I'm Jim O'Farrell. I'm the
17 president of AMSG. We are a service-disabled veteran-
18 owned small business. I'm co-owner with another
19 gentleman, service-disabled vet, Mike McCormick who is
20 a Marine, semper fi. I'm a Navy guy. One of the
21 things we learned early on in the military was don't
22 stand between bigger people and their chow when they're

1 in the chow line. Don't be holding them up. So what
2 I'm doing right now is keeping you all from that, so
3 I'll try to be as brief as possible.

4 I have two things I just wanted to touch on
5 briefly. One is Tom Leney mentioned on the phone that
6 they're looking at regulation and enhancement or
7 improvements to the CVE verification process, and I
8 would be curious to know -- he actually wrote a quote
9 down to make it more in line with business practices,
10 and I'm curious what that means, because having
11 survived that process, we'd be very curious to know for
12 those who are behind us, those of the younger soldiers,
13 sailors, airmen, and marines, the veterans that want to
14 start their businesses and work with the VA, how that
15 process is going to be approved.

16 And then I heard -- I believe his name is Mr.
17 Simple from the SDVOSB Council mention the improvements
18 that Tom -- and reiterated what Tom had said about the
19 93 percent verification on their first try in seven
20 days, eleven days and the redo. And we think that's
21 great, too. And I'm here, I guess, to tell an
22 anecdotal story real quick about the execution phase.

1 So you go through the process, and I have the three-
2 ring binder that's this thick, everything from our
3 bylaws and everything, and that's great. And then you
4 get into the execution phase.

5 Last Tuesday -- or was it Wednesday -- last
6 Tuesday, the week of Thanksgiving, we had a visit from
7 a representative who claimed he was a representative of
8 the VA named Hassan Sultan, and his business card says
9 High-Tech Services on it. And I was PTO, because I
10 think you should be entitled to take a day off on
11 Thanksgiving week, and our CEO was working onsite at
12 Fort Belvoir. This gentleman basically told our office
13 manager who answered the front door, "I need to see him
14 now. I need to see one of them now. I need you to
15 produce them now."

16 So we have a problem with this because it
17 comes a little bit across like I'm here to -- I'm in
18 your face and there's nothing you can do about it.
19 You're helpless. I'm in control. I'm in power.
20 Whereas we have gone through the six-inch thick, three-
21 ring binder. So we decided to give a call to this
22 company and ask who this person was, and we ended up

1 talking directly to his supervisor, and we were told on
2 Monday of this week he no longer works at the company.

3 He was a consultant to us.

4 So my question is -- I'm not here -- we went
5 through this process. I'm here to figure out -- we're
6 -- another quick thing. We're undertaking ISO 9000
7 quality certification. We're doing that at AMSG. And
8 so we're always thinking about continuous process
9 improvements.

10 So how can the CVE process be improved? What
11 does it say when you have a consultant who is working
12 for a contractor who I'm not sure may be a
13 subcontractor to another contractor who is now coming
14 out and inspecting a service-disabled veteran-owned
15 small business who has survived the process. And
16 that's what I had. Thanks very much. So it's a two
17 part question.

18 One is: What is -- what are these business
19 alignment things that are going to happen, aligning it
20 with business practices? And what are the safeguards
21 between having someone who may have a conflict of
22 interest? What if this person, Sultan Hassan had some

1 interaction with a member of AMSG in the past and has -
2 - they're never going to let you pass that audit if
3 that's the case. So that's the questions.

4 MR. JEPPSON: Okay. Jim, thanks for your
5 comment. Tom, are you still online? Do you have
6 anything you'd like to add?

7 MR. LENEY: I'm still online, and I'm going to
8 address this in two ways. Can you hear me okay?

9 MR. JEPPSON: Yeah. It's a light, so if you
10 could speak up.

11 MR. LENEY: Yeah, lets address this in two
12 ways. One -- in the general and in the specific. In
13 the general, you just heard Joe Wynn talk about a
14 concern about fraud and misrepresentation. You heard
15 Joe Wynn talk about the disparity between self-
16 certification and verification.

17 We have a rigorous verification that you've
18 gone through and you have a three-ring binder, and we
19 are quite confident having gone through that process
20 that at that time you were a legitimate, gold-standard
21 service-disabled veteran-owned small business. As you
22 know, it doesn't take much to change the nature of the

1 business, the character of a business. Therefore, we
2 constantly seek to balance Joe Wynn's concern over
3 fraud and misrepresentation with speed of processing
4 and to make it into -- to enable this program to work,
5 a program where we put a billion dollars a year in
6 SDVOSBs -- to make sure that the integrity of the
7 program is maintained.

8 So yes, one of the things we do to get at
9 Joe's concern is that we go out and post-verification
10 audits, which is what you incurred. I'm -- now we go
11 to the specific. I'm not familiar with a consultant to
12 a contractor, which is something I'm going to go look
13 into, because it is not our practice to use
14 consultants. We do use contractors, because do you
15 really want a fed to come out.

16 I'll leave it at that, but the -- we use
17 contractors and we go out and we attempt to -- with
18 either no notice -- we normally do not have our people
19 demand the presence of the CEO, but we are expecting to
20 be able to look at this to ensure that nothing has
21 changed. One of the things we have done to enable both
22 you and people behind you to have a minimum amount of

1 effort to stay in the program, we have a self-
2 certification process as well, which is once you've
3 been through the process, you clearly -- when it comes
4 up for renewal after two years, you certify that you
5 have made those changes.

6 So now we're back in the self-certification
7 mode. So what we do rather than putting everybody the
8 entire process every two years, we go out and check.
9 This year we will do 1,200 no-notice, post-verification
10 audits. Why? On behalf of all those businesses who
11 are, indeed, SDVOSB, that Joe is concerned about and
12 cares about and businesses like yours.

13 We want to make sure that when people think
14 about doing set-asides for SDVOSB, they have great
15 confidence that these guys are the real thing. So I
16 can't make any apologies for doing audits. Obviously
17 if you're going to do an audit and we call you up two
18 weeks beforehand and say we'd like to come and visit
19 you, that's probably not a very good type of audit.
20 But on the issue of consultants, I would -- that's a
21 good issue, and let me -- I'll take that back.

22 MR. O'FARRELL: Just responding briefly --

1 MR. LENEY: Did that answer your question?

2 MR. O'FARRELL: This is Jim again. I guess
3 two very quick comments, because I know we're pressed
4 for time. One is it seemed like from the manner of the
5 interaction that there -- and so I'm driving to a
6 higher level of conclusion here, and you may disagree
7 with it -- and that is that the executive leadership,
8 the executive team of a 15- to 20-person small business
9 -- it fluctuates depending on which contacts we have at
10 what time -- must be physically present in the office
11 and cannot be working --

12 MR. LENEY: Absolutely not. Absolutely not.

13 MR. O'FARRELL: Okay. I think that -- and
14 that needs to --

15 MR. LENEY: In fact, about 30 percent of our
16 visits don't work out because people are not present in
17 the office, and we don't necessarily expect them to be.
18 And again, it's a balance. If I call you up two weeks
19 before and tell you I'm coming and you are doing --
20 misrepresenting, what do you think I'm going to find
21 when I get there? So --

22 MR. O'FARRELL: Well, it's still -- yeah --

1 MR. LENEY: We absolutely recognize that in
2 small business you may -- hopefully you're on a
3 jobsite. Hopefully you're with a customer.

4 MR. O'FARRELL: The other comment -- Tom, I'm
5 sorry. The other comment I would make is that, yes, we
6 would appreciate a government employee coming and doing
7 the audit rather than another contractor, because it's
8 a small pool that we all swim in here, and so that
9 would be appreciated.

10 And then finally one of the epiphanies I had
11 driving home from work last night when I was thinking
12 about coming here today was that it appears the CVE was
13 set up with kind of a large-business, global,
14 multinational firm in mind, and yet you're inspecting
15 us, the little guys, that are getting our feet under
16 us, getting our first contracts, sweating the payroll,
17 staying up at 3 in the morning and that kind of thing
18 to worry about those things. And it's one more burden.

19 But on the other hand, having said everything
20 I just said, I think what you've done -- like you said,
21 you've reduced the backlog and everything. I think
22 that's tremendous. I think there are probably lessons

1 that can be learned across to the -- to cut into some
2 of the fraud that we read about as well, and we are
3 disgusted by it when we read about it. There was a
4 Washington Post article two weeks ago. I'm sure you
5 all are familiar with micro-tech -- what I call that --
6 we don't think that's good for business for anyone, so
7 I thank --

8 MR. LENEY: I think part of the rule, James,
9 is to -- that we're looking -- I mean working with the
10 SBA on is to address some of these issues for the very
11 small businesses where there is no -- it may not be
12 appropriate to have an expectation of all of the
13 documentations that a larger business might have. And
14 again, I refer back to Joe. I'm very sensitive to
15 Joe's concern.

16 There are so many great veteran-owned small
17 businesses out there that are the real deal, and the
18 kind of headlines in the Washington Post really hurt
19 everybody. They hurt -- they tend to cause CEOs to shy
20 away from this category, and so our goal is to make
21 sure somebody's been verified by us. Bring it on down,
22 because these guys are the real deal.

1 MR. JEPPSON: Okay. Thanks, Tom. And just in
2 the interest of everyone's time here. We'll make Rick
3 Weidman our final comment here for the day. And so
4 Rick, the floor is yours.

5 MR. WEIDMAN: Thanks very much, Mr. Chairman.
6 I apologize for being -- (coughing). I know this
7 never happens to anybody else in a room, but our
8 national president couldn't make it from New York City,
9 so I had to pinch hit when meeting and briefing for the
10 county executive association. One of the things I was
11 talking about was employment and employment and veteran
12 small business, because they have a tremendous impact
13 at the county level in most of America.

14 We can talk more about that later in terms of
15 outreach from you all. But the -- what I also wanted
16 to mention in this is we believe that there is a need
17 for government-wide verification. And there is a need
18 for government-wide spot checks, not just on SDVOSBs
19 but on all the special categories. I would suggest
20 pensively the HUB zones, but my point is that it needs
21 to be checked, and they shouldn't be singling out
22 SDVOSBs. My problem with what's happening now in terms

1 of the verification is VA is counting contracts that
2 went to self-service.

3 In other words, when they report that they
4 have 20 percent of the contracts or whatever it was
5 last year, they're counting uncertified people who
6 didn't get their contract via a set-aside. So you have
7 to say wait a minute. Do you guys believe in this, or
8 don't you? And frankly, it's not legitimate in our
9 view to count those people at SDVOSBs when you're
10 rejecting people over here.

11 So it needs to be one standard across the
12 government, and when we have confidence that that
13 verification process and spot checking process is
14 working, we will push hard and get that to apply across
15 the board. When the folks at Vet Force put their mind
16 to it, we're pretty good at getting things to happen on
17 the Hill.

18 And this is not against anything that you're
19 doing at SBA or that anybody at VA is doing. But it
20 needs to happen, and I would suggest that we need a
21 coordinated campaign working with all the IGs to report
22 -- you see something, say something. If you know about

1 a bad contract or a problem contract, call the IG of
2 the particular agency.

3 And met with the IGs at two different agencies
4 the last couple of weeks, and we're going to do cross -
5 - put their website on the -- the Vet Force website and
6 on the VA website. We'll encourage all the other
7 veteran service organizations and military service
8 organizations to create a business corner, if you will,
9 or a business page on their website and to have
10 prominently featured the IGs of each one of those
11 agencies, because it's going to -- it's going to really
12 take that.

13 There have been people who have been verified
14 who, in fact, aren't legitimate, and the verification -
15 - the problem -- I'm going to go back for a second.
16 I'm being inarticulate as usual. The problem was we
17 see the fraud going on, and to some -- plus its stolen
18 valor -- because the folks are screwing up and
19 tarnishing my honor, Tony's honor, all the veterans in
20 America when they pretend to be something that they're
21 not, and in this case, get a financial reward for doing
22 so. Those people need to go to jail.

1 There hasn't been a lot of publicity about
2 people who have been caught, and there are a number of
3 people in jail. Certainly Vet Force, we will work to
4 publicize it, but we need all of the veterans
5 organizations, plus the federal government in order to
6 push that thing through. One last question, and I'll
7 hush, and I once again apologize for being tardy this
8 morning, but the whole issue of contractors and
9 verification process I think it very well taken.

10 The litmus test that ought to be applied is
11 OMB's litmus test on what functions are inherently
12 governmental. And you can say that it is a government
13 employee who makes the final decision, but if that
14 whole final decision is in a context and framed by
15 somebody who is not a federal employee, then it's
16 simply lip service to adhering to the standard that is
17 government-wide and put forth by OMB in 2010.

18 PARTICIPANT: '11.

19 MR. WEIDMAN: 2011. So I would encourage
20 folks to look at that and to take action, and once
21 again, I wanted to say on behalf of everybody at Vet
22 Force, how much we appreciate the work of everybody

1 here and all of your agencies, and we look forward to
2 working with you on both ends both to get the agencies
3 to start doing what they should have been doing in the
4 first place and on the other end to help more veterans
5 access your services in order to become more
6 competitive. Thank you very much.

7 CLOSING REMARKS

8 MR. JEPPSON: Okay. Thank you, Rick. So just
9 as we wrap up, I wanted to thank all the taskforce
10 members and the public as well. Very grateful for your
11 patience. I think that in the future we'll put on
12 there the 15 minutes -- we'll start 15 minutes, finish
13 15 minutes early. It will be very -- (laughter) --
14 just like church and along with the preacher, I guess.

15 So anyways, thank you again for all being here
16 -- or being here, and we'll look forward to -- Joe,
17 it's a well taken point to get a calendar -- forecast
18 calendar. We attempted to do that this year. We
19 didn't do well at it. We'll do better at it next year.

20 So thank you again for everybody being here.

21 (Whereupon, at 12:17 p.m., the meeting was concluded.)

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