

SMALL BUSINESS ADMINISTRATION  
ADVISORY COMMITTEE ON  
VETERANS BUSINESS AFFAIRS

PUBLIC MEETING

Wednesday, September 10, 2014

EDWIN E. FIELDER, CHAIRMAN

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

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## MEMBERS PRESENT:

EDWIN E. FIELDER, Chairman  
RHETT JEPPSON, Associate Administrator  
BARBARA CARSON, Deputy Associate Administrator  
ROBERT BAILEY  
KATHY ROTH DOUQUET  
ERIC EVERSOLE  
MARCIE ULSES  
ROBERT (KURT) MUELLER  
STEPHEN WHITE  
STANLEY Y. FUJII  
CHERYL SIMMS  
CRAIG HEILMAN (Via telephone)

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

2 CHAIRMAN FIELDER: As Chairman, I call the  
3 meeting to order, our meeting for September 10th.

4 As first order of business I'd kind of like to  
5 -- a couple new faces, Eric being one. Why don't we  
6 just go around the room and do some brief introductions  
7 starting here.

8 MR. JEPPSON: So morning, everybody. I think  
9 most -- I know almost everyone here. Rhett Jeppson,  
10 I'm the Associate Administrator for Veterans Small  
11 Business Development. And our role here is to support  
12 you on the task force, you are an independent body,  
13 obviously, so -- but we're here to help any way we can.

14 MR. BAILEY: I'm Rob Bailey, President and CEO  
15 of Information and Technology Consultants, a special IT  
16 services organization. We've got our own business  
17 located here in Northern Virginia.

18 MR. WHITE: I'm Steve White, I'm the founder  
19 and CEO of the Veterans Business Network and also  
20 President of White and Company, marketing programs for  
21 banks, and have been focusing on assisting veterans and  
22 growing veteran-owned businesses for probably the last

1 20 years.

2 It's up to you.

3 MR. MUELLER: It's great to meet you.

4 I'm Kurt Mueller, I have a small consulting  
5 practice, RKM Consulting, LLC, and focus primarily in  
6 helping people develop business development approaches,  
7 mainly to the construction industry. I also recently  
8 or over the last year have been President of Atlanta  
9 V&O Veterans Business Association which is an  
10 organization of 300 active members, all of whom have  
11 had military careers and business careers.

12 MR. EVERSOLE: I'm Eric Eversole, I'm Vice  
13 President of the U.S. Chamber of Commerce. I'm also  
14 the Executive Director of Hiring Our Heroes Program,  
15 I've been in that position for about a year. And  
16 Hiring Our Heroes has done about 775 hiring fairs over  
17 the last three years and we've launched over the last  
18 two years a host of digital programs to help service  
19 members and military spouses find meaningful employment  
20 opportunities.

21 MR. MUELLER: And I'll add to that, I'm also  
22 involved in this program. We are -- our organization

1 works with the Georgia operation, and anyway you guys  
2 have got a great program. We work through the USO with  
3 you guys.

4 MR. EVERSOLE: Yes. Great.

5 CHAIRMAN FIELDER: Stan, back to you.

6 MR. FUJII: Stan Fujii, U.S. Small Business  
7 Administration Office of Veteran Business Development.

8 CHAIRMAN FIELDER: Joe?

9 MR. WILLIAMS: Good morning. Joe Williams on  
10 the Service Disabled Veterans Task Force. Good to be  
11 here this morning.

12 MS. TOLBERT: Good morning. Tyreena Tolbert,  
13 I'll be working with the Veterans Business Development  
14 in support of Rhett Jeppson and his office.

15 CHAIRMAN FIELDER: Welcome aboard.

16 MS. TOLBERT: Thank you.

17 CHAIRMAN FIELDER: I think I heard earlier,  
18 what -- first day or second day?

19 MS. TOLBERT: Third day.

20 CHAIRMAN FIELDER: Third day.

21 (Laughter.)

22 CHAIRMAN FIELDER: Welcome.

1           MR. JEPPSON: So I should mention, so she's  
2 our most recent hire over at OVBD, she'll be working  
3 primarily on the Boots 2 Business Program with Craig  
4 and Hamed over there in his shop. I think one of the  
5 things that's really kind of cool is she's got a great  
6 background but she's also a Sergeant Major in the  
7 National Guard as well. So -- not National Guard, Army  
8 Reserve, I apologize. So, yeah.

9           CHAIRMAN FIELDER: So do we have anybody on  
10 the phone?

11           MR. HEILMAN: Good morning everybody. Craig  
12 Heilman on the phone. I'm Veterans Programs Director  
13 for Rhett in OVBD and Boots 2 Business and I'm looking  
14 forward to listening in on the meeting here this  
15 morning.

16           CHAIRMAN FIELDER: Thank you.

17           Anyone else on the phone?

18           (No response.)

19                            OPENING REMARKS

20           CHAIRMAN FIELDER: Okay. My name is Ed  
21 Fielder and during the last meeting as we were wrapping  
22 up the last meeting you guys were so generous to elect

1 me to be the Chairman of this group. And so my first  
2 introductory remarks are kind of what my vision and  
3 agenda is that we'll, later on this afternoon at 4:00  
4 o'clock, spend a great deal of time sharpening and  
5 getting everyone's input. And it doesn't necessarily  
6 end up being my vision, it becomes the committee's  
7 vision.

8           But essentially I think what our actions are,  
9 and Rhett and Barb and I talked two weeks ago on a  
10 Wednesday in Rhett's office. But to some extent to  
11 rejuvenate the committee, to reenergize the committee.

12 The first thing that needs to be done is we need to  
13 get back to the 15 members that we're supposed to have.

14 There are folks in vetting now that would quickly get  
15 us to eleven or twelve and then there are some folks in  
16 the pipeline that would then get us to fifteen maybe as  
17 soon as two or three months. But I think we need to  
18 sort of sharpen our focus on making that happen, that's  
19 sort of dragged out for a while. And you know, we're  
20 sitting here today and I'm unsure right now whether or  
21 not we have a quorum in the sense of what we can do,  
22 but I think we're just going to keep going in the sense



1 of having the meeting.

2           Secondly, as we start to look at -- and this  
3 will be -- again I'm slipping ahead to the 2:00 o'clock  
4 conversation. But what are the things that we want to  
5 accomplish within the next 12 months? And if you all  
6 have some ideas on that, I've got a few, I know Steve  
7 and Kurt have had many ideas. What we've got to do is  
8 we've got to kind of throw them all out there, see  
9 which ones stick, pick two or three major ones and  
10 maybe four or five ancillary ones so we can start  
11 shaping our agenda and what we do on our next three  
12 meetings throughout the 2015 fiscal year.

13           I think the last point that I wanted to cover  
14 is that this is actually our third meeting but we've  
15 had three meetings without a quorum, if you will.  
16 We've got minutes for each of those meetings. I kind  
17 of want to kind of talk through how we might put  
18 together or how we will put together an annual report  
19 for this closing fiscal year and put out some taskers  
20 to do that.

21           Now I was very serious about making sure that  
22 everybody was on the same step, if you will, in the

1 sense of the ladder, and especially for the new members  
2 like Eric and Davy and Kathy. So every document that I  
3 could think of in the sense of that was provided to me  
4 over the two years that I've been part of this  
5 committee, to include the original legislation, some of  
6 the reports for the last three or four years, to  
7 include the report that we did in 2012, I kind of  
8 pulled all that together and fired off about four or  
9 five emails maybe early August, late July. If you have  
10 not received those just let me know and I'll pump them  
11 out again.

12           And now the very last thought, I spent a lot  
13 of time moving data and moving information and keeping  
14 people networked and talking. If you all would accept  
15 a reply all email in the sense of to keep an ongoing  
16 conversation, and I'll throw it out there as I did a  
17 week ago when I was looking for agenda items for today.

18    If you guys could then throw your ideas in on a reply  
19 all, we'll just keep that kind of thing going. I think  
20 that's the best way for us to communicate.

21           We've been told that, in the sense of this  
22 being a public meeting, conference calls and that kind

1 of thing are not wise because of the public nature of  
2 our committee. But I think we have to have an ongoing  
3 dialog as we shape the agendas for each of the upcoming  
4 meetings, particular as we're preparing for an upcoming  
5 meeting. And so be looking for these and basically the  
6 line will start with "Advisory Committee on Veterans  
7 Business Affairs," and then it will be a topic. And  
8 then if you guys would then respond.

9           So those are my introductory remarks. We have  
10 our first speaker -- Mark, are you up now?

11           MR. ROCKEFELLER: So if I could --

12           CHAIRMAN FIELDER: I'm going to finish up  
13 first.

14           MR. ROCKEFELLER: We can delay for a few  
15 minutes, we're actually waiting for them to text --

16           CHAIRMAN FIELDER: Okay. I just wanted a  
17 timing check.

18           MR. JEPPSON: I was just going to suggest that  
19 maybe we could just go into -- maybe talk a little bit  
20 about IATF and the government contract issues while  
21 we're waiting for that.

22           CHAIRMAN FIELDER: I was just trying to get a

1 timing check from Mark.

2 So questions for me?

3 (No response.)

4 CHAIRMAN FIELDER: Questions from the phone?

5 (No response.)

6 CHAIRMAN FIELDER: No questions heard.

7 We're going to go ahead and then, as Rhett has  
8 now suggested, restack the agenda a little bit to give  
9 some technology time for Mark Rockefeller's  
10 presentation. So we're going to go right to the Inter-  
11 Agency Task Force update.

12 IATF MISSION BRIEF

13 MR. JEPPSON: Okay. So I think one of the  
14 things we talked about last time was we just wanted to  
15 spend a little bit of time and discuss the Inter-Agency  
16 Task Force and what the purpose was. And then I wanted  
17 to follow up with some time on government contracting,  
18 where we're at and where things are going. And then  
19 the third part I want to add, and maybe Barb will be  
20 back by then and I'll let her speak because you'll be  
21 tired of hearing from me by then.

22 We have some pretty good things going on here

1 in the Agency. And to give you a sense of what's going  
2 to happen over the next couple of months and where  
3 we're headed because we have changes aplenty coming.  
4 And we're starting to move in directions that we never  
5 -- that we haven't. So and we just want to make sure  
6 that one, you have awareness, and that if you guys have  
7 got input we want to hear that here but also in the  
8 future.

9           So let me just dive on in the IATF a little  
10 bit.

11           So by statute and by executive order, we have  
12 an inter-agency task force on veterans small business.

13    And so our next meeting will be tomorrow morning, it  
14 will go from 9:00 to 12:00. We meet once a quarter and  
15 similar to this committee we look at veterans small  
16 business and we issue a report each year. The first  
17 two are on the street, the third is in draft, we're  
18 still waiting for one of our agencies to give us their  
19 input on it and then we'll have the third one out.

20           The task force is just over three years old.  
21 It is chaired by statute and by executive order by the  
22 Administrator of SBA. And then it has, by order and

1 statute, representatives from the Department of Labor,  
2 Treasury, DoD, VA and then it has several VSO members  
3 and the Legion is on there as well as Vet Force has a  
4 member on there as well. There are two open slots.  
5 But by statute we have some VSO members as well.

6 But the focus of the Inter-Agency Task Force  
7 is all veterans small business, all areas of small  
8 business just very similar to this only the composition  
9 is a bit different because you do have the inter-agency  
10 component to it. Obviously the Inter-Agency Task Force  
11 where we actually have representatives from each of the  
12 agencies. So the focus is really on what the federal  
13 government can do to help veterans small business.

14 One of the big pieces, and I want to come back  
15 to that, is this contracting, and we'll talk about that  
16 in a few minutes. But if we can really focus on the  
17 three C's of SBA. The training and counseling piece,  
18 the access to capital, and then lastly the contracting.

19 If you come tomorrow you'll see how it's further  
20 refined. Usually it's very similar in nature to this  
21 except it's a half-day event where we'll actually have  
22 a few presentations by various people who are active in

1 the community doing different things. It will be a  
2 little thinner tomorrow morning and then followed up by  
3 reports from each of the Agency representatives and the  
4 VSOs that sit on the task force.

5           So the -- if you go back and you look at the  
6 first report that the Agency -- that the task force put  
7 out, it had a broad range of 18 things, recommendations  
8 that we should look at from the federal government.  
9 Some of that was some low-hanging type of fruit, if you  
10 will, that we've easily actioned to more difficult or  
11 complicated things which would take statutory changes.

12       And I'll give you a sense. The reports are on the  
13 website and are available for you to look at if you're  
14 interested.

15           But to give you a sense of some of the things  
16 that the report offered up, one was stuff that's being  
17 implemented like Boots 2 Business for the transitioning  
18 service members. And so the task force also had some  
19 things which were more difficult to accomplish such as  
20 a contracting preference, if you hired a certain number  
21 of veterans in your proposal. So if you're hiring  
22 veterans on a government contract, you know, you would

1 be given some type of point advantage, a little more  
2 difficult to implement.

3           One of the most innovative things but also one  
4 thing that would require statutory changes, use of the  
5 GI Bill for startup. And we've had a lot of discussion  
6 and happy to go into different ways that that could be  
7 done from a cash benefit to stipends to a guarantee  
8 type of thing. There's three or four different courses  
9 of action. So the task force has got some innovative  
10 ideas out there, and we've accomplished some, some are  
11 working and some are great ideas. But just because of  
12 the difficulty and the complication of the legislative  
13 requirements it will be some time, but we will actually  
14 review those.

15           If you look at the first report, it was pretty  
16 much just a review of topics that they thought might  
17 make sense out of the Inter-Agency Task Force. The  
18 second report looks more at what was accomplished and  
19 then refines those same ideas with no new additions.  
20 And the third report, it's very much like that and it's  
21 in draft and staffing right now where we review what  
22 are the accomplishments and then further refinement of



1 that.

2           So as you begin to work on your report, I  
3 would actually look at that and there may be some  
4 things that you could amplify, get some guidance or  
5 reinforce that may make sense. So I would encourage  
6 you to look at that.

7           Do I have any questions on the Inter-Agency  
8 Task Force? It is tomorrow morning if you're around.

9           CHAIRMAN FIELDER: Yeah, I want that, but I  
10 want to introduce the three people that just joined us.

11          MR. JEPPSON: Okay.

12          MS. ROTH DOUQUET: Kathy Roth Douquet with  
13 Star Families.

14          CHAIRMAN FIELDER: Welcome.

15          MS. ROTH DOUQUET: Thank you.

16          CHAIRMAN FIELDER: Mark, you didn't get a  
17 chance to introduce yourself.

18          MR. ROCKEFELLER: I didn't. Good morning, I'm  
19 Mark Rockefeller with Street Shares.

20          CHAIRMAN FIELDER: Okay. Cheryl?

21          MS. SIMS: Hi, I'm Cheryl Sims, Program  
22 Liaison, Office of Veterans Business Development.

1           CHAIRMAN FIELDER:   And Barb?

2           MS. CARSON:   Good morning.   I'm Barb Carson,  
3   the Deputy Associate Administrator here at SBA's Office  
4   of Veterans Business Development.

5           CHAIRMAN FIELDER:   Yeah.   So just following on  
6   on Inter-Agency Task Force, it became apparent to me as  
7   we were wrapping up our 2012 report, and I was looking  
8   at the Inter-Agency Task Force, there's -- and I may  
9   overstate this a little bit just to make my point, but  
10   there's some overlap between what the two committees  
11   do.   And it's always been my mind and several of us  
12   have talked about it that we need to sort of connect  
13   with that group.

14           And so an initiative that we move forward  
15   after our last meeting was, could we time our meeting  
16   so that we could at least go as a group to see how that  
17   group functions.   Ultimately I had this idea that maybe  
18   one of the members that's a local Washington, D.C.  
19   member could then, maybe not be one of the VSOs or one  
20   of the organizations that's there, but an ex officio or  
21   unofficial capacity help us connect the two committees  
22   so that -- and again I'm overstating to make a point.

1 But this redundancy that we actually are supporting and  
2 collaborating rather than doing different things when  
3 we can help each other. Does that make sense to all of  
4 you?

5 (Audience response.)

6 CHAIRMAN FIELDER: Okay. So we'll work from  
7 tomorrow's meeting. And is that fair?

8 MR. JEPPSON: Yeah, that's perfect.  
9 Absolutely.

10 CHAIRMAN FIELDER: Another initiative -- and I  
11 just want you to know it's still on the table -- but  
12 the Administrator was going to join us this morning.  
13 She got called to testify this morning so -- in fact,  
14 part of it is why we're actually in her conference  
15 room, and I hope that would actually happen at the next  
16 meeting. Because I think that's a -- that needs to be  
17 sort of an official -- at least an introduction.

18 Yes, sir?

19 MR. WHITE: Just a question on the Inter-  
20 Agency Task Force. You said that obviously the GI Bill  
21 to use those dollars for a startup type of thing would  
22 be a great idea, but this was in the third year.

1 You've got all the key players, everybody in the  
2 government that is trying to do something for small  
3 business and you're still at the recommendation level,  
4 right?

5 MR. JEPPSON: Right. So as I mentioned in  
6 there, the 18 recommendations, some we've actually  
7 actioned and are ongoing now. Some are still in -- you  
8 know, we're in progress of moving towards them. And  
9 others are still great ideas that, just because of the  
10 required -- you've got a requirement for legislation  
11 and the consensus building that has to go around that,  
12 they have not moved.

13 So if you look at kind of the graph of high  
14 impact, easy to do, we've kind of got those. But as  
15 you move further out, high impact but hard to do, up in  
16 here, we're still working on those. That being one.  
17 Another would be the use of UCX during startup, another  
18 difficult thing to do but it may make sense. Another  
19 one is on the contracting side, if you -- when you  
20 contract if, in your proposal you had a guarantee to  
21 hire, you know, 30 percent veteran on your workforce  
22 when you hire would be a benefit. These are the

1 type of ideas that we think that make a lot of sense  
2 but actually moving through the process, whether it's  
3 through OFPP or taking it to the Hill and getting  
4 members of the legislature to buy in. We've had a lot  
5 of discussions of the Hill at the inter-agency level.  
6 There's not any -- there's no real consensus although  
7 we've floated three or four different courses of action  
8 but just there is no one single one stakeholder in  
9 here. And then many of these require legislative  
10 change.

11 For example, Senator Moran has come up with  
12 several ideas, put several bills on this, they just  
13 have not got picked up. But anything that would --  
14 like I say, on that, maybe more specific on the access  
15 to capital, use of the GI Bill for veterans. So you  
16 know --

17 MR. WHITE: That doesn't make me feel any more  
18 -- you know, less discouraged.

19 MR. JEPPSON: Right. The things that we can -  
20 - that are in our purview we're moving out on. But  
21 still some of these things will take some time. And so  
22 you can be another voice to help maybe move this, move

1 the needle on some of this.

2 CHAIRMAN FIELDER: And if -- you might  
3 remember of the four or five emails that I flooded you  
4 all with at the end of July, early August, one of them  
5 was the last two reports, annual reports from the  
6 Inter-Agency Task Force or legislation that created  
7 them so that you would have a good sense as we go into  
8 tomorrow's -- we're not going into a meeting, we're  
9 going to attend their meeting and listen. But you have  
10 a sense of what they've been -- the initiative they've  
11 been working on and what they've accomplished and what  
12 they have not been able to accomplish.

13 MR. JEPPSON: I will give you another one that  
14 is -- and Joe can mention -- will attest to this, too.  
15 One of the -- I won't say bones of contention but one  
16 of the areas of friction is already between the  
17 community the task force is involved in and we try to,  
18 you know, help lessen that. There is friction with the  
19 CV over at VA in the community. There's some  
20 discriminants.

21 MS. CARSON: Can you explain that?

22 MR. JEPPSON: Yeah. So VA has its own

1 procurement preference process for veterans over there  
2 and they certify or verify veterans small business or  
3 service disabled veteran on small business separate  
4 from what SBA does for the rest of federal government.

5 And it's part of their Vet First Program. They have  
6 their own statute and their own organization to do  
7 that.

8 Sometimes the process has been rocky for some  
9 veterans and there are many who are vocal in the  
10 community. The committee hears a lot of that stuff and  
11 is sympathetic to it and is, you know, working within  
12 the constraints that they have to make some  
13 recommendations. But there is a statute still in  
14 place, the VA has a requirement by statute to do that  
15 and so the task force makes recommendations and  
16 advises. But you know, it can't make --

17 MR. WHITE: Isn't there a bill pending to  
18 change that?

19 MR. JEPPSON: There is. It's through the  
20 House, it's with the Senate now. And I don't know if  
21 there's a companion bill in the Senate yet, do you,  
22 Joe?

1           MR. WYNN: It is all in the Senate. As a  
2 matter of fact -- it's pending in the Senate right now.  
3 And as you know Congress has reconvened, there will be  
4 some discussion of it because you know it was included  
5 in the National Defense Authorization Act.

6           MR. JEPPSON: Right. So it's out of the House  
7 but --

8           MR. WYNN: It's out of the House.

9           MR. JEPPSON: -- I haven't seen a companion  
10 bill in the Senate yet.

11          MR. WYNN: Right.

12          MR. JEPPSON: But if it goes to conference as  
13 part of the CR, it may happen or may not.

14          CHAIRMAN FIELDER: One of the dynamics, and  
15 maybe we don't -- and I'm suggesting we don't get into  
16 in-depth questions. But one of the items that I have  
17 on -- that I put on the list for consideration as one  
18 item that we would track closely is the Mentor Protégé  
19 Program where a service disabled vet and initially the  
20 Defense Appropriation Act allowed for the service  
21 disabled vet and women-owned businesses to be added to  
22 the same status that ADA companies have in the sense of



1 Mentor Protégé. But later legislation, almost a year  
2 old now, says all small businesses be added to that.

3           And at our last meeting, for those that were  
4 here, the gentleman that's actually chairing that and  
5 moving that initiative forward internally, one of the  
6 dynamics he suggested was is that he was now moving to  
7 the step where it would be then commented on by other  
8 agencies. Well other agencies have their own Mentor  
9 Protégé programs that don't have the teeth as the SBA  
10 program. And so this is one dynamic that I think this  
11 committee could track and maybe energize around to get  
12 that done. Because if you look at the service disabled  
13 vet, that would be the one that we would be most  
14 interested in. Women-owned business one, that one is  
15 three years old and has not moved at all. And it was  
16 legislation that didn't pass in the Defense  
17 Appropriation Act three years ago.

18           So those are some of the dynamics that you're  
19 alluding to that we can sort of at least speak up  
20 about.

21           MR. JEPPSON: Yeah. So just to amplify that  
22 because that was kind of a lead-in to the next thing

1 which was the other government contract, but let's talk  
2 about the Mentor Protégé.

3           So they have formalized the rules and are now  
4 going out for inter-agency comment. It's because with  
5 the new legislation it becomes mandatory that there is  
6 a unified plan and that everybody participates in it.  
7 So but the process is that you have to go through the  
8 rulemaking process before you can enact it and force  
9 everybody into the program. So they'll go out there.  
10 Once there's -- you know, there are these waiting  
11 periods so there's these gates that have to be met for,  
12 you know, inter-agency comment and then it will go out  
13 for public comments. And there's two rounds of public  
14 comments. So when we look at best timeline, we're  
15 still probably nine months from that rule set being  
16 made.

17           But the issue is we're almost through for  
18 service disabled when the new NDA came out, and then  
19 expanded it and made it so we have to restart the rule  
20 process in the process. So it's not a bad thing but it  
21 just caused probably two years worth of delay in  
22 actually getting to something with some teeth in it.

1 But I'll tell you that there's real opportunity in it.

2           So we in our shop are going through -- we ran  
3 three types of contracts this year to support various  
4 programs. We did one off the GSA schedule which was  
5 okay. We did an -- we're in the process of finishing  
6 up an 8-A and then we have an open full right now.  
7 After having used that 8-A which we could have very  
8 similar with the Mentor Protégé, that's really an  
9 effective contract vehicle. Lots of scope, just kind  
10 of ride out from solicitation right into negotiation on  
11 the events.

12           So in all cases we use service disabled  
13 companies or set-asides for all of these, but I think  
14 that when we do get the Mentor Protégé in place that  
15 it's really going to be good for the small service  
16 disabled veterans, especially as contracting officers  
17 become more familiar with the program and the ease of  
18 use for veterans. It really will -- I mean, it's been  
19 a win for us so far.

20           CHAIRMAN FIELDER: The key -- for those that  
21 have not been involved in that from an 8-A perspective,  
22 the key to that is that when you form joint ventures,

1 and you can do joint venture solicitations as in wins,  
2 you can do multiple solicitations. But if you get --  
3 you can do two and then there's an exception where you  
4 can do three. But it allows the small business entity  
5 to do a joint venture without having to count a large  
6 business's revenue in the threshold number which is  
7 huge. A huge shot in the arm for service disabled  
8 startups.

9 MR. BAILEY: Just for clarity, can you help me  
10 understand 8-A? And I heard Mentor Protégé. Can you  
11 just help me understand the two different initiatives  
12 that we're --

13 CHAIRMAN FIELDER: Well, the 8-A and the  
14 Mentor Protégé already exist. It's already here and  
15 it's live. The assumption, at least on my part is that  
16 as they create a Mentor Protégé Program for service  
17 disabled, that other categories, it will be modeled and  
18 have the same teeth. When I say "teeth," it's the  
19 threshold where you can bring the joint venture in and  
20 not count the large businesses. But more importantly  
21 it's the teeth and the enforcement that the SBA then  
22 provides that literally there's a contract, it's called

1 a Mentor Protégé Agreement, which is a basis of the JV  
2 that then says that the mentor will -- the protégé  
3 needs the following support. And then the mentor says,  
4 I will provide the following support and that document  
5 gets approved by the SBA. And then the SBA checks it  
6 on an annual basis to make sure that is, in fact,  
7 happening. And that's huge. That's huge.

8 MR. FUJII: So for the 8-A portion?

9 CHAIRMAN FIELDER: Right.

10 MR. FUJII: So you have the Mentor Protégé,  
11 yeah, the mentor and the protégé. So they both do an  
12 assessment of what is needed, they form the agreement.  
13 The agreement is really what -- out of that assessment  
14 came out for business development. So that's what the  
15 Mentor Protégé is really set up for.

16 From that you set up a joint venture  
17 underneath it for those contracts and the joint venture  
18 can be used up to three contracts wins. And size is  
19 only determined upon the 8-A firm. It's not determined  
20 by the mentor so therefore the mentor can be another  
21 small business, medium business, business small or  
22 large, right? So under the new Mentor Protégé Act that

1 they're trying to get through, they're trying to do  
2 that for all small businesses to allow them to have the  
3 same type effect of having a Mentor Protégé Agreement  
4 with any business they wish to, large or small, and  
5 then be able to form a joint venture underneath it.

6 MR. BAILEY: Thank you for that clarification.

7 CHAIRMAN FIELDER: And just to get it all out  
8 there so that -- just to get it all out there so when  
9 this topic comes up later, the key difference between  
10 the 8-A Mentor Protégé Program that is hosted by SBA  
11 and all of the Mentor Protégé programs that are hosted  
12 by the other agencies is that threshold number for  
13 three deals in the year. That's huge. And so although  
14 the other programs are valid and helpful, they don't  
15 have the structure nor do they have this exception to  
16 the threshold number.

17 MR. FUJII: Oh, and I should state that in the  
18 joint venture outside of the 8-A Mentor Protégé, all  
19 parties to the joint venture must be small. So that's  
20 why having the Mentor Protégé Agreement in place allows  
21 you to now mentor with other than small because it's  
22 only based on the protégé.

1           MR. JEPPSON: Great. So we kind of beat that  
2 up.

3           Let me mention just something that's happened  
4 with government contracting since we met last. So we  
5 had the scorecard for 2013 come out, you know, we're  
6 one fiscal year behind because the way the scorecard  
7 does. Is everybody familiar with the government  
8 contracting scorecard or do I need to -- so each agency  
9 receives a grade from SBA, this is by statute, on how  
10 you do on your small business goals.

11           So we have -- by statute there are thresholds  
12 for set-asides. The small business set-aside goal for  
13 prime contracting dollars in eligible dollars is 23  
14 percent. Now relevant to us, it's three percent for  
15 veteran owned small businesses so this is the first  
16 time ever that we've met the twenty-three percent  
17 spend. First time ever was this year and it's a pretty  
18 big deal. We're short in two areas, HUB zone and in  
19 women's small business. Women's set-aside is five  
20 percent and so we -- I think we were just over -- just  
21 a little shy of four percent with women.

22           With veterans though, and important for us, is

1 for the second time we hit the goal, we were over three  
2 percent. So last year we were at 3.01 percent; this  
3 year we were at 3.13 percent. So a gain of about 12  
4 points in government contracting. And so we've had --  
5 you know, we've probably had six years of sustained  
6 improvement here but these are the first two times  
7 we've hit the statutory -- it's a statutory goal not a  
8 statutory mandate, but a statutory goal of three  
9 percent. So we've very proud of that, especially the  
10 fact that we did that in a year when we had, you know,  
11 a CR for the entire year. So there's not a lot of new  
12 spending. So in some cases the budgets have shrunk.  
13 So that's good news. That's good news for us.

14           What that translates into is about thirteen  
15 and a half billion dollars in prime contract dollars  
16 going to veterans. So when you look at where veterans  
17 are and when we do annual receipts, it's about one-  
18 point-five trillion. So you get a sense of where we're  
19 at. It's not a small percentage but it's not where  
20 most veterans are at but still it's a great thing. And  
21 it's important, especially in this area just because of  
22 proximity here where we're at. So we're excited about



1 that, we're going to continue to track that. But it  
2 shows that we're -- I think that we're making -- we're  
3 moving the needle in the right direction for veteran  
4 small business.

5           One of the interesting things is that we've  
6 talked to the agencies as well, is that because we have  
7 not met all of the goals, we still allow what's called  
8 double accounting. So if you have a set-aside, you can  
9 actually set it aside as a woman/veteran service  
10 disabled owned small business and help the percentage,  
11 or 8-A service disabled which in one case we did. We  
12 went service disabled veteran owned small business in  
13 our contract. So it's not mutually exclusive. So we  
14 really -- we really leaned into the agencies.

15           I will tell you there are three things that we  
16 have done that I believe have helped in the  
17 administration. One is the scorecard itself helps.  
18 Two is that every other month at the Deputy's meeting,  
19 our Administrator or Deputy Administrator goes over and  
20 gives each of the agency deputies an update on where  
21 their agency is on the scorecard so they know what's  
22 coming up.

1           The third thing that we did was we worked with  
2 the agencies so that all procurement officials, SCFs  
3 and flag officers who handle procurements, it's a  
4 performance element in their review or their fitness  
5 report as to whether they need their small business  
6 goals. So that makes a tremendous difference when you  
7 personalize and let the individual be held --  
8 individual accountability here. So he receives  
9 administrative attention from here, from the White  
10 House and at the rating officer level. And I think  
11 those things will really help focus.

12           So any questions on the government contracting  
13 side for me?

14           (No response.)

15           MR. JEPPSON: So the last thing that I wanted  
16 to talk -- and I'll save the VBOC discussion for later  
17 this afternoon when Barb and I have another one. But  
18 I'd just like to talk a little bit about some of the  
19 things we have going on in OVBD that we've just  
20 recently accomplished and what we have -- what we're  
21 going to do in the future. So I'm going to put Barb on  
22 the spot just a little bit to talk about where we're --

1 a couple of the things we've got coming up here and  
2 we're working on in the next couple of months. You  
3 want to talk about the Veterans Small Business Week and  
4 how we're moving up towards that?

5 MS. CARSON: Sure, if you'll scope where --  
6 which projects you're ready to share, that sounds good.

7 MR. JEPPSON: Maybe just give them a sense of  
8 where we're going and what we're working on.

9 MS. CARSON: Okay.

10 MR. JEPPSON: We're working hard to build  
11 awareness about veterans small business, we think  
12 that's one of the things we have to do is be a champion  
13 and an advocate for it. And so we've got several  
14 initiatives that we're working on in various phases.  
15 So if you've ideas how to help us refine those, amplify  
16 those, add on to those or participate in those events,  
17 we want your input and participation.

18 MS. CARSON: One thing we know we're moving  
19 forward with and that you may have heard about at our  
20 last meeting was Boots 2 Business Reboot, when we  
21 talked about trying to reach the twenty-plus million  
22 veterans that are already out in the national economy,

1 either with an existing business or they're aspiring to  
2 own a business. We've got a great start on  
3 transitioning vets. We wanted to get -- our hypothesis  
4 was that there would be demand for vet entrepreneurs  
5 that are already there, and that the Boots 2 Business  
6 curriculum might be valuable to them. So we tested  
7 that over 12 cities this summer starting at the White  
8 House, ending at the American Legion in Charlotte,  
9 right? Charlotte, excuse me.

10           And right now we are learning -- we are  
11 capturing what we learned, whether our hypothesis was  
12 correct and how we would move forward. And so I expect  
13 to have an update on that, exactly what that looks like  
14 by mid-October. What I know for sure is that, yes, we  
15 will go out and do outreach in this model to the  
16 existing vets. We just need to refine some of the  
17 points and we have a need for private interest and  
18 support in this. We're not going to do it alone as an  
19 agency in fiscal '15. So we have folks who are  
20 interested. It will be a really effective blend, I  
21 think, between the academic, SBA, the federal, and a  
22 private sponsor to really get the most useful and

1 innovative information out for vets. So you will see a  
2 highlight on that during National Veterans Small  
3 Business Week.

4 Also in the --

5 MS. ROTH DOUQUET: When is that?

6 MS. CARSON: November 3 to 7, 2014.

7 A couple things in development that I will  
8 have more information on but we're just in the  
9 beginning stages. USDA is working with veteran  
10 farmers. They have found great uptake in that and  
11 we're finding out where are the synergies and gaps  
12 between USDA and the Small Business Administration.  
13 And there are obviously grants at USDA for farmers of  
14 all kinds and they have an office -- or not an entire  
15 office but they are focused right now on vets. They  
16 see what we see, that this is a great opportunity.

17 They've gone as far as to partner with DoD on  
18 Skillbridge which is the training program for vets that  
19 are within six months of separation, being able to go  
20 to a training program that's likely to lead to  
21 employment. And that -- they've got a great model.  
22 One you might want to look at is Archie's Acres who is

1 recognized as a champion of change at the White House.

2 CHAIRMAN FIELDER: I was hoping you were going  
3 to mention that.

4 MS. CARSON: Yes. So we think that we should  
5 be there. We have some small business training and  
6 expertise that SBA can share and they have the money  
7 and also specific expertise in the farming arena.

8 MR. WHITE: Barb, do they have numbers of the  
9 number of vets that want to go into farming?

10 MS. CARSON: We're going to talk again on the  
11 19th of September with USDA, so I'd welcome you to join  
12 that conversation, these are good questions.

13 MR. WHITE: Yeah.

14 MS. CARSON: And there's -- Rhett, you may  
15 know more about this but, within the technology field,  
16 in clusters within SBA, there's an agriculture focus  
17 right now as well. So great time to bring a lot of  
18 things together. We're not talking about just the  
19 traditional farm, there's a lot of technology, bio --  
20 what is it called? Hydroponic --

21 CHAIRMAN FIELDER: Hydroponic. That was what  
22 the champion was talking about.

1           MS. CARSON: Exactly. And a chance to bring  
2 small businesses into supply chains this way too, so a  
3 whole bunch of things. We're trying to scope the  
4 appetite but it's endless right now.

5           MR. JEPPSON: This is actually a field that's  
6 within a microcosm. This is kind of where the things  
7 where I think that -- and we'll have this discussions a  
8 little more about the VBOCs and things later on.

9           So if you take a look at this right here, we  
10 have unprecedented amount of money and ability for  
11 veterans in the farming arena with USDA. There are  
12 this attention that we have here from DoD with their  
13 ability to get into the work training program. Then if  
14 you look in the private sector, if you look at like  
15 Publix, I know Publix is not big here but in the south  
16 it's a huge chain and it's -- they're a Florida chain  
17 and they're awesome, so let's put it that way. But  
18 they will help a veteran get into business and promise  
19 to buy everything they grow in their greenhouse space.

20           So if you start to look at the scope of what  
21 we can do with the federal dollars, USDA where they let  
22 veterans go out and go into the training program and

1 then where private industry is at, we need to do a much  
2 better job, in my opinion. This is where we really  
3 become effective for our veterans, is helping them pool  
4 the resources together. Because the veterans space is,  
5 quite frankly, it's cluttered. And we have a bunch of  
6 -- we have lots of well meaning people out there, and  
7 entities who want to do good but it's hard to sift  
8 through all of this and the noise and get to the  
9 meaningful ones. And also it's hard for the  
10 philanthropic people to figure out who give to. It's  
11 also hard for the veteran to figure out where to go.  
12 And I think that we have some responsibility to help  
13 organize and disseminate the information about the  
14 community and how we operate. So this is some really  
15 strong work Barb's doing there.

16 MS. CARSON: I'm going to try and stay in the  
17 narrow scope of National Veterans Small Business Week,  
18 but I'd love to highlight what we're doing with my  
19 colleague, Eric Eversole, and Hiring Our Heroes. The  
20 U.S. Chamber has recognized that self-employment is a  
21 valuable option for veterans. And you've been kind  
22 enough to invite us to be at a caregiver event for



1 service disabled vets and their families and offering  
2 self-employment as a viable alternative as well as the  
3 job summits that are being held at military  
4 installations. And I'll turn it over to you in just a  
5 second.

6           But we're looking for the best thinking on is  
7 that a place where people would go to find information?

8     If you heard "job summit," you're probably thinking  
9 that you're going to be employed by someone. What  
10 could we get out about being your own boss in that  
11 venue? And then how do we follow up on it? So that's  
12 what we're learning.

13           And one other, before I get there, the service  
14 disabled hiring and retention is a hypothesis that I  
15 haven't proven yet and I have more research to do, that  
16 small business may be more agile potentially in hiring  
17 a service disabled vet or their family member. We know  
18 some of the constraints that are there for those folks,  
19 that they're going to need medical time away. So  
20 absenteeism or the ability to work offsite, these are  
21 things that may be managed better in a small business  
22 than in some place that's trying to make standard

1 policy for 30,000. So that's where we see a nexus  
2 between small business and service disabled and  
3 caregiver that we're exploring with Chamber.

4 Eric, anything you want to add?

5 MR. EVERSOLE: From my perspective I would say  
6 that, you know, we're obviously thrilled to work with  
7 you all. I mean, it's really our honor. In part  
8 because it is -- you know, I started as the executive  
9 director about a year ago and what I wanted to do is  
10 really -- I asked a pretty simple question of my team,  
11 and that question was, who are our customers and what  
12 are we doing to serve them? And I got a couple puzzled  
13 looks at first.

14 But for me, that was really the essence of  
15 trying to figure out what services needed to be  
16 provided from the Chamber's perspective, from Hiring  
17 our Heroes' perspective. And you know, one of the  
18 areas where I -- you know, we ended up with three basic  
19 customer sets. The veterans and the transitioning  
20 service members -- I guess now it's four. Spouses,  
21 business's customers because we think they have their  
22 own unique skill sets, and more recently in the

1 caregiver and recovering warrior space.

2           And I will tell you, and I'm a little bit  
3 embarrassed about this, I probably shouldn't say this  
4 on the public record, you know, I want to make sure, as  
5 part of the Chamber, that we're focusing as much as we  
6 need to on that business as a customer and helping find  
7 those small business opportunities. Because I think  
8 it's absolutely critical for all of our customer sets  
9 to find those small business opportunities. It's  
10 especially critical in the caregiver and the recovering  
11 warrior space to have the flexibility to kind of manage  
12 your schedule, it's still not easy. I grew up in a  
13 small business so I know how much work is involved.  
14 But having flexibility over your own schedule is  
15 absolutely critical.

16           So you know, we're throughout -- in fact, the  
17 entire time I've been taking notes about how -- some of  
18 our digital programs we should do a better job of  
19 perhaps incorporating some of the opportunities that  
20 exist out there for the various customers. So I'm sure  
21 we'll explore those. I'll go back to my team and say,  
22 hey, I've got a whole list of great things for you to

1 do.

2 (Laughter.)

3 MS. CARSON: You're already doing them, Eric.

4 MR. EVERSOLE: I know. I can't even really  
5 take credit for it. You credited me for the great  
6 work, it's really my team.

7 MS. CARSON: So during Veterans Small Business  
8 Week, for example, the Chamber is hosting a job summit  
9 in Germany where we also have quite active and  
10 successful Boots 2 Business being delivered on military  
11 installations. So we will highlight that as a best  
12 practice and move forward from there.

13 Did you want to talk about shark tank?

14 MR. JEPPSON: Sure. So as many of you know we  
15 had Champions of Change event at the White House week  
16 before last and we had several of the Sharks from Shark  
17 Tank, three of them there. And we had -- it was  
18 essentially, the bulk of it was three panels, was  
19 people we recognized who talked about their experience  
20 as veteran entrepreneurs. And then we had the three  
21 Sharks there.

22 Last week the First Lady taped the intro for

1 the Shark Tank that will air the week of the 3rd of  
2 November and then the four participants who will be  
3 pitching that day will be veterans on there. So we'll  
4 actually, you know, talk about Veterans Small Business  
5 Week, we have a Presidential proclamation that's being  
6 worked right now for that week. We'll have that  
7 version of Shark Tank and the First Lady will open  
8 that. So we think that that really -- quite frankly,  
9 that will do more to amplify veterans small business  
10 than anything else we do.

11 But that's not all we have planned for that  
12 week. So we've asked all of our 68 district offices to  
13 hold events in their districts to highlight Veterans  
14 Small Business. Some are going to teach Boots 2  
15 Business and I think Chicago is actually planning two  
16 Boots 2 Business events that week, or Reboot, rather,  
17 excuse me. We've asked them to hold media events, to  
18 do Veterans Small Business visits to bring attention,  
19 lenders roundtables with veterans. So the districts  
20 are formulating their plans now to do things that  
21 highlight veterans small business.

22 Additionally we're going to try -- we're in

1 the process of working up several events here in the  
2 D.C. area to host, and then the Administrator will also  
3 do some visits around the country to veterans small  
4 business.

5 Do you want to talk about any of the events?

6 CHAIRMAN FIELDER: Could I do a follow-up?

7 Robert and I had an opportunity to attend the  
8 White House event, and I want to compliment Rhett and  
9 Barb for probably one of the most uplifting events that  
10 I've attended at the White House. It wasn't politics,  
11 it was all about vets and the champions that they  
12 selected and the panel discussions. It was just so  
13 encouraging to listen to people that have done it and  
14 made it happen, figured out the capital issues, figured  
15 out how to do business. And the group of people that  
16 were in the room, the networking that was going on with  
17 the interested parties, Robert and I were like, going  
18 90 miles an hour.

19 And I made a connection to a veterans support  
20 organization in Atlanta, Georgia that I've been  
21 crossing paths with but never connecting with literally  
22 in the doorway, and he was actually recognized as one

1 of the champions. And then of course, the Shark Tank  
2 guys, the first round of questions they were just, you  
3 know, TV show right down the line. But after that, the  
4 second round of questions were meaningful discussion  
5 and insight on their parts as significant entrepreneurs  
6 and what needs to be done with that.

7 Robert?

8 MR. BAILEY: I think you summarized it well,  
9 Ed. It was a great event and Barb and Rhett, you  
10 definitely did a good job.

11 MS. ROTH DOUQUET: Yeah, I was there as well.

12

13 CHAIRMAN FIELDER: Oh, we missed you. I'm  
14 sorry.

15 MS. ROTH DOUQUET: Yes. It was actually the  
16 best event I've been to at the White House. I go to a  
17 lot of them, it was really well done. Great job.

18 MS. CARSON: May I ask -- we've kind of given  
19 the broad overview why Vets Small Business Week. But I  
20 -- Rhett and I would both support any ideas that this  
21 committee had on what we should amplify that week.

22 It's not just publicity that we're trying to do, we're

1 trying to draw attention and amplify things that are  
2 going on and need work, and where we think we have  
3 solutions. So we would gladly take your advice.

4 MS. ROTH DOUQUET: I'd like to work with you  
5 and bring in the Philanthropy Joining Forces  
6 Foundations and maybe we can -- someone here can help  
7 bring in some corporation and do like little mini  
8 whiteout on vet entrepreneurship.

9 MR. JEPPSON: Good. I've got something I'll  
10 share with you at the break on that.

11 MS. ROTH DOUQUET: Okay. Thank you.

12 CHAIRMAN FIELDER: I did notice a question and  
13 it doesn't go to your question in the sense of  
14 answering it. But the timing of this is pretty close  
15 to the VA's national conference, is it not? Or is that  
16 --

17 MR. WHITE: No, it's in December.

18 CHAIRMAN FIELDER: December? So it's -- okay.

19 MR. JEPPSON: We actually positioned this when  
20 there's a move on Veterans Day because we didn't want  
21 to -- you know, you're going to get lost in Veterans  
22 Day so we wanted it just on the front end. You know,



1 the Shark Tank will -- a couple events will happen and  
2 then we'll do that.

3 But I should mention that, you know, we are  
4 looking with IFA to host an event on supply chain  
5 initiative, looking at working with the larger members  
6 of International Franchise Association to have veterans  
7 in their supply chain. You know, whether it's lawn  
8 services for Marriott or -- you know, I'll just throw  
9 that out there as an example. Or janitorial services  
10 or, you know, whatever it might be. But a supply chain  
11 initiative with them hosted by IFA.

12 CHAIRMAN FIELDER: Do you happen to have dates  
13 for the national conference? You said December.

14 MR. JEPPSON: Oh, for --

15 MS. CARSON: For national conference?

16 CHAIRMAN FIELDER: Yeah, the VA.

17 MR. FUJII: December 11 or something.

18 MR. WHITE: Are you talking about the VA or --

19 CHAIRMAN FIELDER: The VA's --

20 MR. WHITE: I'll give it to you online.

21 CHAIRMAN FIELDER: Is that -- you said it's in  
22 Atlanta?

1           MR. WHITE:   It's in Atlanta.

2           MR. FUJII:    December 11.

3           CHAIRMAN FIELDER:  Yeah.  I'm just going to --  
4 one of the -- when I first joined, so you're going to  
5 have to hear, you know, what I think a lot here.  But  
6 when I first joined the Board one of the first things I  
7 did was I purposely went to that conference.  And  
8 there's a lot of people there, there's a lot of  
9 activity there.  I'm just going to lay it out that I  
10 think it's a -- I didn't realize it was going to be in  
11 my hometown, but it's a great opportunity to go and  
12 connect with other vets and see what they're thinking.  
13    This discouraging message about we can't find capital  
14 and all this, if you want -- December 9th through 11th  
15 in Atlanta.  Thank you, Stan.

16                        But if you want to go here, what Small  
17 Business Veterans are up against and just have one-on-  
18 one conferences, you can find people in the halls all  
19 day long.  And it's a great insightful opportunity for  
20 me to find that kind of information out.  So I would  
21 recommend that, if you have an opportunity, please join  
22 me, I will be there.

1           MR. JEPPSON: So let me just mention this to  
2 you because this came up with your predecessor. So if  
3 you want to go to that event as a task force member and  
4 operate as a task force member, we can help with that.

5     But it means you can't go as a business owner. You  
6 don't go to represent your business. So if you're down  
7 there you're not passing out business cards. But if  
8 you're going down to be part of the task force and you  
9 have a task force business card that says task force  
10 business, we can help with that. So if you're going  
11 down there for your company I think it's a great  
12 opportunity for you to go down there for your company,  
13 but there's opportunity to do some matchmaking between  
14 government officials and things, they've got a trade  
15 show, there's some good lectures there. Stan actually  
16 will put on a couple of seminars there talking about  
17 government contracting. It is a government contracting  
18 focus there.

19           MR. MUELLER: And financing.

20           MR. JEPPSON: And finance. So but if you want  
21 to go down there as a member of the task force, we can  
22 help with one or two members off the task force.

1           MR. MUELLER:  And maybe Ed and I will host you  
2 all with a little event, if you are a task force  
3 member, right?

4           MR. BAILEY:  There you go.  We'll use his  
5 money and my facility.

6           (Laughter.)

7           CHAIRMAN FIELDER:  Can we go back for a minute  
8 to -- I guess Barb was asking in regards to ideas for  
9 the Veterans Week?

10          MS. CARSON:  Veterans Small Business Week,  
11 yes.

12          MR. BAILEY:  Veterans Small Business Week.  
13 You know, again I'm making my comment on the fact that  
14 I haven't seen the agenda.  But for me, I guess as a --  
15 I call them New Era Entrepreneur, if you will.  I think  
16 what's important, and as I go around the country and  
17 talking with veterans, you know, financial literacy is  
18 important.  You know, getting access to capital is one  
19 thing, but before you get the access to capital, we  
20 need to have, you know, more training and education on  
21 what exactly are you going after?

22                   And I think that's where the veterans get lost

1 with understanding the fundamentals of internal  
2 controls and how to actually keep the business viable,  
3 what they're going after. How do you -- you know,  
4 those functional aspects. It's not just, you know,  
5 move forward quickly to what we want to sell without  
6 understanding how to support the infrastructure. And I  
7 think if there was some, you know, working sessions or  
8 small -- you know, small little training classes about  
9 that and helping them with their internal controls, it  
10 means so much more.

11           That's oftentimes what I get caught up in is  
12 working with veterans on infrastructure, looking at  
13 profitability, price points, pricing, you know, those  
14 things that aren't in the light, you know, the neon  
15 signs flashing out there. Because when all the  
16 hoopla's gone, well, that veteran is trying to figure  
17 out, well, how do I keep the lights on between managing  
18 my financials and keeping the business up and going?  
19 How do I do that? How do I manage payroll? Things  
20 like that. So what have we done to shore that up so  
21 they can sleep at night? And those are the things that  
22 keep you up.

1           MS. CARSON: I'll take that one for action and  
2 then pitch a few things your way.

3           MR. BAILEY: I would love to.

4           MR. JEPPSON: That's one of the things that  
5 SBA is looking at in general. And we realize it, too.  
6 And there's been some disconnect with some, even  
7 Congress says that a startup, you know, needs different  
8 things than --

9           MR. BAILEY: Well, it's tough.

10          MR. JEPPSON: -- you know, by the time you get  
11 to two or three employees your needs change instantly.  
12 And then when you get to ten and you're going to  
13 fifty, the needs are different again than what you  
14 needed. And so you're right, there's this continuum of  
15 supporter education that's needed.

16          MR. BAILEY: Right. Depending on what  
17 business you're in, I mean if you're professional  
18 services you try to hire someone, how do you manage  
19 that payroll? Manage supporting your payroll and  
20 running a business, how do you do that? The banks  
21 aren't going to finance you that way. And then you  
22 know, there's a lot of things that you need to make

1 sure that you have in place in order to even go after  
2 capital. And that help with filling out the  
3 application, those kind of things.

4 And the last thing that we want to see as a  
5 veteran is someone giving us more forms to fill out  
6 without really helping us. How can you get someone to  
7 really help them, help them down that path?

8 CHAIRMAN FIELDER: Robert, I think you've been  
9 very consistent. Steve's been champion access to  
10 capital as a significant theme. And I think because of  
11 what happened to the committee over the last 12 months  
12 that will probably be our most significant topic. But  
13 financial literacy is certainly a part of that. And I  
14 just took a note to add that to our conversation this  
15 afternoon about our agenda for the year.

16 MS. ROTH DOUQUET: Barb, I know you're coming  
17 to our Blue Star Family survey release on Tuesday but  
18 all of you are welcome.

19 CHAIRMAN FIELDER: I'll try.

20 MS. ROTH DOUQUET: Yeah. But I think Rob said  
21 he's trying to as well.

22 CHAIRMAN FIELDER: Yeah.

1           MS. ROTH DOUQUET: But our survey this year,  
2 which is active duty, guard, reserve family members and  
3 veterans shows that among active duty, guard, reserve,  
4 financial insecurity is the number one concern for  
5 people currently serving and their families. For  
6 military spouses, it's their lack of job -- either  
7 their lack of job or their underemployment is their  
8 highest stressor. And the majority of military spouses  
9 would prefer to be self-employed. So I think there's a  
10 tremendous -- and that again is not something that just  
11 helps the military spouses. The eco system, it helps  
12 the entire family and also it helps that spouse with  
13 transition because then you figure you're in a position  
14 to become -- whatever business she starts, or he, you  
15 know, is a position of a family business or this person  
16 becomes ombudsman for how you go about starting a  
17 business. So I think there's a lot of benefits to  
18 including that population.

19           MR. JEPPSON: This kind of speaks to the first  
20 conversation you and I ever had. It instantly went  
21 from, hey, you're so-and-so to, you know, the -- with  
22 Blue Star Families, just the impact that this has. And



1 when you look at the -- eighty percent of all small  
2 business is self-employment.

3 MS. ROTH DOUQUET: Right.

4 MR. JEPPSON: So small business employs half  
5 of America.

6 MS. ROTH DOUQUET: Right.

7 MR. JEPPSON: Employs half of America. And  
8 one out of every two jobs that's created in America is  
9 created by small business. But still, that's only  
10 twenty percent of the small businesses that do that.  
11 Eighty percent of small business is self-employment.  
12 And so when you realize that, you know, everybody goes  
13 well, geez, you know, I don't know if they're going to  
14 succeed or fail. Most people, it's self-employment is  
15 really what it translates to. And in many cases that's  
16 very portable and I think that that really speaks to  
17 what a lot of the military spouses need.

18 MS. ROTH DOUQUET: And caregivers and  
19 recovering warriors. And it's also the path off into a  
20 larger business. You start self-employed and then as  
21 the success grows, you grow it up.

22 MR. JEPPSON: Okay.

1           CHAIRMAN FIELDER: Questions on things that  
2 Rhett's and Barb's group are working on as sets of  
3 initiatives?

4           MR. JEPPSON: As the week gels and we start to  
5 -- the events run up here, we'll obviously try to be as  
6 proactive -- we will be as proactive as possible in  
7 letting you know about the different events. We'll  
8 have a list of things happening around the country that  
9 may be relevant to your area, but also things that  
10 we're going to do in the region here. We've got a  
11 couple of things that will -- you know, will anchor  
12 around here. But it should be a good week, we're  
13 excited about it and we'll make sure that we save you a  
14 copy of the Proclamation when we finally get it.

15           CHAIRMAN FIELDER: Okay. Do we want to take a  
16 break and then go to Mark? And Mark, we're imposing on  
17 you so are you okay to take a break and --

18           MR. ROCKEFELLER: That's fine. Yes.

19           CHAIRMAN FIELDER: Technology is good?

20           MR. ROCKEFELLER: Technology is good.

21           (A short break was taken.)

22           CHAIRMAN FIELDER: As we were sort of kicking

1 this off and started the initial dialog of our purpose,  
2 Davy Leghorn and I started talking offline and he  
3 introduced me to Mark and said, what about having Mark  
4 come -- and by the way, this is a sort of a new way of  
5 funding in the sense of getting capital, crowd  
6 sourcing. And I thought, what an excellent topic to  
7 sort of kick this whole capital conversation off and  
8 kind of this is the newest thing kind of thing.

9           And so Mark Rockefeller and his company is  
10 called Street Shares. He's graciously -- back in June  
11 or July was the first time we talked and he said, your  
12 next meeting, I'm going to be there. And so Mark, if  
13 you would take it from there?

14                           CROWD SOURCING STARTUP

15   STREET SHARES

16           MR. ROCKEFELLER: Thank you for having me.  
17 It's really a pleasure to be here. Thank you to the  
18 SBA for having us, Rhett, Barb, Ed and Davy for  
19 inviting us to be here.

20           We're now six years after the financial  
21 crisis. I can tell you from my experience I came back  
22 from Iraq in the summer of '08. Bear Sterns had just

1 collapsed, Lehmann Brothers was about to and the crisis  
2 was just about to kick off. We're now six years beyond  
3 that crisis and I think our country is looking for  
4 something or someone to sort of kick start the economy  
5 again, and I believe with all my heart that veterans  
6 are that someone to do that. And I believe that  
7 because they've done it before and we'll talk a little  
8 bit about what happened after World War II, the access  
9 to capital that that generation had that my generation  
10 right now does not.

11           And you know, I would add that I'm, I guess,  
12 categorized as a representative of my generation of  
13 veteran owned startups, and there is a healthy  
14 community out there building. I'm not sure if you can  
15 sense it from the organization that you've a part of.  
16 There's a lot of folks who came back from Iraq and  
17 Afghanistan and have started some very, very  
18 interesting businesses. You know, tech plays, IT,  
19 manufacturing, main street retailers, government space.  
20 There's a couple great breweries in the area that have  
21 just popped up, both founded by veterans.

22           There are support organizations on the non-

1 profit side that have popped up. There are vet focused  
2 incubators, there are vet focused accelerators, West  
3 Coast, Chicago, New York. There are vet focused Angel  
4 Funds and VC funds. There are a lot of exciting things  
5 happening in the private sector right now to help my  
6 generation of veterans.

7           One of those things, what I want to talk about  
8 today is the role of technology and then some of the  
9 legal and cultural changes that have created some new  
10 options for veterans to fund our businesses that are  
11 outside of the traditional channels, those channels  
12 being banks and large institutional capital providers.

13

14           So I want to take a few minutes and talk about  
15 some of these trends and then perhaps we can have a Q  
16 and A at the end. I do not plan on pitching my company  
17 Street Shares, I want this to be fairly educational  
18 kind of objective, kind of covering the waterfront.  
19 I'll happily tell you about my company afterwards but  
20 the intent here is for this to be educational.

21           Very quickly on me, I spent nine years in the  
22 Air Force, spent some time in Iraq doing various law

1 activities, I was a JAG lawyer, and very much enjoyed  
2 that experience. So when I separated from the military  
3 I did a few months as an advisor to a micro finance  
4 organization here and then a few weeks on the ground in  
5 Africa and got exposed to the entire microfinance  
6 realm, and there's lots of great nonprofits out there  
7 doing that, providing micro loans to business owners  
8 in, you know, underprivileged or less developed areas.

9           Went from there to a prominent Wall Street law  
10 firm, tried to pick up the pieces after the Lehmann  
11 Brothers collapse. The contrast of those two  
12 experiences was fairly formative for me and in essence  
13 with some of the knowledge that I acquired at the law  
14 firm and then prior to that my background was in  
15 business and finance with an MBA and all that, to  
16 cofound Street Shares. So I partnered with some great  
17 guys to create Street Shares. And so I think I can  
18 speak to this from kind of a legal and a policy  
19 perspective a little bit as well, in addition to my  
20 experience as an entrepreneur.

21           Street Shares is very, very new. We're a  
22 brand-new startup, been around for less than a year.

1 Just got our seed funding a few months ago. We've  
2 grown very, very quickly but I would say the people at  
3 this table have a lot more experience in business than  
4 I do so there's a lot that I can learn from you. What  
5 I hope to do today is be a bit of a representative of  
6 kind of my generation and hopefully highlight a couple  
7 of things that are happening right now in the space out  
8 there in terms of access to capital.

9 All right. So the photograph here for the  
10 folks on the phone, it's 1945 VJ Day, so it's the end  
11 of World War II. This is Times Square, you know, the  
12 iconic photo of the sailor kissing the nurse, right,  
13 that's probably happening around the corner from this  
14 photograph here.

15 Let's talk about what happened sort of after  
16 that -- after that kiss. You had an entire generation  
17 come off of military service or defense-related  
18 service, about twenty million people in transition into  
19 the private sector. For that generation of veterans,  
20 they returned to start businesses fueled by access to  
21 capital. One number that I've seen out of IVMF at  
22 Syracuse says 49 percent of that generation went on to

1 own or partially own a business at some time in their  
2 life, which is extraordinary. It's huge, a huge  
3 number.

4 Well, they came back to find 13,000 commercial  
5 banks, many of them small, many of them local, focused  
6 on funding business. There was extraordinary economic  
7 growth between '45 and about '70, sort of those post-  
8 war golden years and that was driven largely by  
9 veterans coming back and becoming business owners.

10 Fast forward now to my generation, the post-9-  
11 11 generation of veterans. It's the exact opposite.  
12 So we came back to half the number of banks and  
13 declining, increased regulation on the banks, which is  
14 certainly appropriate in some cases. Bank  
15 consolidation, the dissolution or absorption of a lot  
16 of community banks, the access to capital for my  
17 generation through traditional sources is not there the  
18 way it was for our grandparents. And my generation  
19 wants to do what our grandparents did but access to  
20 capital is not there from the traditional sources.

21 Here's a quote from the fed about banks  
22 exiting the small business lending market for over a



1 decade. Several reasons for this, there's people in  
2 this building and at this table who know more about  
3 this than I do. But it's consolidation, it's  
4 regulatory burden. The place where Street Shares  
5 focuses is the smaller end of the loan spectrum so we  
6 do unsecured commercial loans, term loans up to 100K.  
7 That lower end of the spectrum there is very, very  
8 difficult for the banks to do. The underwriting costs  
9 and the regulatory burden is practically the same for a  
10 50K loan or a much larger loan and so they're largely  
11 serving this space through credit cards and other  
12 products.

13 MR. JEPPSON: Yeah, Mark, if I could just tell  
14 a number that's important in that, too, is when we look  
15 at SBA lending below 150, the reason we do a fee on  
16 that is because we're at less than 30 percent of what  
17 we were in that space pre-recession. So this is the  
18 biggest underserved area that we have in lending today.

19 MR. ROCKEFELLER: So let's look at technology.  
20 Technology then for that generation -- I'm not sure if  
21 this is meant to, you know, prove a point here, right,  
22 but we have telegraphs and telegrams on the left side

1 and we have an old bank building on the right.  
2 Technology now, Amazon, Google, Twitter, Pinterest,  
3 Facebook. Companies like this have transformed the  
4 way that we interact with our world, right? The way  
5 that we shop, the way that we find information, the way  
6 that we interact socially, date, everything is now  
7 very, very different.

8           The question really is why has banking or  
9 access to capital not been similar transformed? If  
10 technology has changed every other area of life, why  
11 has it not changed access to capital yet?

12           So then in 1945 banks would take deposits from  
13 depositors, they've got to cover their costs, overhead,  
14 buildings, staff and so forth and make profitable  
15 loans. That model has not changed at all between then  
16 and now. All that has happened really is there are now  
17 some increased things for that middle chunk, right?  
18 The regulatory burden is now more difficult. And so  
19 their ability to make profitable loans to the borrower  
20 there at the end is decreased.

21           If you think about the cost of making a loan  
22 to a lender, right, you've got a couple of components

1 here. You have the cost to acquire a borrower, right,  
2 marketing, advertising. In the case of most  
3 traditional institutions, that means branch offices and  
4 a bank which are extremely costly for them to maintain.

5 You have the cost of capital to lend. In this case  
6 the banks are superior to alternative lending models  
7 because the cost of bank capital is in essence what  
8 they're paying us as depositors, which I think the  
9 average is point-one-one percent APY. So I'm not sure  
10 what your bank pays you on your deposits but on my  
11 savings account I get less than one percent, right?  
12 That's right.

13 So the bank access to capital, their cost of  
14 capital is extremely low. You compare that to an  
15 alternative lender and there's lots of platforms that  
16 have popped up that are in essence online payday  
17 lenders. Their cost of capital comes from hedge funds  
18 on Wall Street and those funds want, you know, 20  
19 percent, 30 percent or more.

20 You look at a platform like mine and it comes  
21 from individual investors bidding. And you know,  
22 investors certainly want more than one percent. Our

1 belief is that this auction model drives down the cost  
2 of capital. So to be fair here, the cost to acquire a  
3 borrower is much higher for a bank than it is for  
4 alternative lenders but the access to capital, the cost  
5 of the funds to lend is generally lower for banks than  
6 it would be for alternate lenders. And then you have  
7 various, you know, fixed and variable costs and profit  
8 to the lender, transactional, legal, regulatory. On  
9 nearly all of those your alternative lenders that are  
10 popping up will be less expensive than a bank. So  
11 there's some pros and cons in terms of what's out there  
12 now in the alternative finance space.

13           So are we still dependent on traditional  
14 financial sources? The answer is sort of yes and no.  
15 There's a current move away from traditional sources  
16 driven by a couple of things. First you have  
17 technology. People are becoming increasingly used to  
18 doing financial transactions online, right? We now  
19 bank on our smart phones, you know, if you're a bank  
20 like USAA they don't have branch offices generally,  
21 it's all online. So there's kind of a comfort with  
22 that.

1           For companies raising capital, there's social  
2 media which has increased both the reach and the  
3 velocity of their message, right? So they can sort of  
4 get the word out there very quickly. Technology has in  
5 essence, if your capital is in the hands of private  
6 individuals and not banks or institutions, technology  
7 allows for a very, very efficient electronic passing of  
8 the hat, which is sort of the essence of crowd funding.

9    We get our capital from individual investors or people  
10 out there instead of the institutions. That is now  
11 enabled by technology. Prior generations couldn't  
12 really even do that.

13           A new legal framework, now this is popping up.

14    There's some laws that have been passed that actually  
15 make it more difficult for the banks to do these loans.

16    We discussed those. And there's other laws that have  
17 been passed, although their implementation is still  
18 being worked out, that make it easier for nonbank  
19 sources to pop in here. The most prominent of them is  
20 the Jobs Act that was signed by the President in April  
21 of 2012. It was in tracking the progress of the Jobs  
22 Act as it went through and was passed that my interest

1 in this space was piqued. As the Jobs Act has been  
2 implemented, as the rules have been written by the SEC  
3 to implement the statute, it's -- there's various  
4 opinions out there on whether it's workable or not as  
5 they try and balance the need for investor protection  
6 with access to capital for entrepreneurs.

7           And then lastly, necessity. Necessity being  
8 the mother of invention. That is exactly what has  
9 happened for my generation, right? So they come back  
10 from Iraq and Afghanistan, they find a capital  
11 landscape that's, you know, nearly as barren as the,  
12 you know, battlefields they left behind and they have  
13 to create new ways to access this capital. So  
14 technology, new legal frameworks and necessity have  
15 created a bit of a move away from traditional sources.  
16   And this is largely demographic driven as well.

17           The Millennial Destruction Index was a survey  
18 of 10,000 millennials. It was done last year.  
19 Seventy-one percent of them would rather go to the  
20 dentist than a banker.

21           (Laughter.)

22           MR. ROCKEFELLER: More than half of them were

1 looking for tech startups like us to disrupt the  
2 banking sector and provide some alternatives. And I  
3 believe a third of them that thought they would not  
4 even need a bank at all in the future. I'm not sure  
5 that's the case, I think people tend to -- when you  
6 grow up and have kids, you need mortgages and so forth.  
7 That may change. But there's a generational moment  
8 here. Younger people are increasingly dissatisfied  
9 with these large institutions.

10           Very quickly on kind of the legal tension here  
11 between old laws and new technology. We have  
12 securities laws that were written in the '30s and '40s  
13 following the Great Depression. Those really have in  
14 mind sort of traditional funding institutions. And  
15 this dichotomy between accredited investors and non-  
16 accredited. So accredited investors are folks who make  
17 200K or more or have a net worth of a million dollars  
18 or more, and the assumption there is that those folks  
19 can both absorb losses from bad investments better and  
20 that they have certain sophistications, that they can  
21 go out and they can engage in private investments that  
22 ordinary Americans, let's say, couldn't, right? Non-

1 accredited investors couldn't. That is the assumption  
2 that is built into the existing securities law  
3 framework.

4 Technology then enters the picture and sort of  
5 increases our capability to raise funds beyond these  
6 dichotomies and so the SEC is, you know, trying to keep  
7 investor protection in mind and yet also deal with new  
8 ideas like crowd funding and changes in technology.  
9 And you still need investor protection. It's a very  
10 important sort of balancing act that everyone is trying  
11 to walk, and there's different -- you know, different  
12 perspectives on how you weight those priorities.

13 I want to talk a little bit about crowd  
14 funding. What I do at Street Shares is not crowd  
15 funding and I can explain why. But I want to give a  
16 bit of an overview of what crowd funding is and sort of  
17 who's out there. I personally don't like the word  
18 "crowd funding" at all because it's the same term used  
19 for three very, very different activities that are  
20 regulated differently, that have different risks. And  
21 I think hopefully going forward we can find ways to,  
22 you know, parse the language a little bit better and



1 have more descriptive, you know, terms for actually  
2 what's going on.

3           The first kind of crowd funding is donation or  
4 rewards based crowd funding. This is where the  
5 contributor of funds does not receive anything in  
6 return except for some nominal, you know, gift, right?

7 I have backed veterans organizations through a  
8 donation and I get a dinner and that's great, or a  
9 concert ticket or, you know, a thank you letter from  
10 the president or something like that, right? Leaders  
11 in this space are Kick Starter and Indigo, the two  
12 largest donation or rewards based funding platforms.

13           There are two that focus on vets, both fairly  
14 new, fairly young. One is Repay Vets run by a great  
15 Annapolis grad, friend of mine, and then Vet Launch,  
16 both quite new. The real limitation here is in order  
17 for this to take off, you need something truly kind of  
18 viral about your, you know, campaign or your story.  
19 Crowd funding campaign is where they have a celebrity  
20 endorsement or there's something especially compelling  
21 about their story. Those can really take off and go  
22 viral and do quite well. So this is a funding option

1 for veterans. It is very low cost, you can set up one  
2 of these platforms, create a profile and give it a try,  
3 but it would be very difficult to raise a lot of money  
4 this way.

5           It is a good use for presale of product and it  
6 is being done now. So instead of just a t-shirt or a  
7 concert ticket, if my company has created some new  
8 widget I can in essence presell that widget through  
9 crowd funding. So in exchange for your donation you  
10 get a first-generation widget instead of a t-shirt.

11           MS. ROTH DOUQUET: I've done that many times.

12           MR. ROCKEFELLER: That's right.

13           Crowd funding type two is investment crowd  
14 funding and this is truly where sort of the technology  
15 bumps up against the securities laws and there's some  
16 tension there. Leaders in this space seed invest crowd  
17 funder Rock The Post and many, many others. As the  
18 rules for the Jobs Act were written by the SEC there's  
19 a consensus growing that they're just simply not  
20 workable for a lot of platforms because the entity of a  
21 small business raising money in this case, the  
22 regulatory burden to comply with those laws largely

1 rests on them. And if you're a startup in somebody's  
2 garage with three people and 10K in the bank account,  
3 it's very, very hard for you to get things like audited  
4 financials and some of these requirements.

5 MS. ROTH DOUQUET: So does the accredited  
6 investor apply to these crowd funding --

7 MR. ROCKEFELLER: So that's what the Jobs Act  
8 was. The Jobs Act basically tried to create an  
9 exemption to the '33 Act. So the '33 Securities Act  
10 says all securities must be registered except these  
11 exemptions, right? The Jobs Act tried to create an  
12 exemption for crowd funding. If we crowd fund this  
13 then we don't have to register these securities.

14 MS. ROTH DOUQUET: Okay.

15 MR. ROCKEFELLER: So it would be similar to  
16 the accredited investor exemption, which is another  
17 one.

18 MS. ROTH DOUQUET: Right.

19 MR. ROCKEFELLER: But on a broader scale. So  
20 that was the purpose of the Jobs Act.

21 The third kind of crowd funding, but again I  
22 don't call it crowd funding, is peer lending. This is

1 what my company does. We are a peer lender. This is  
2 not crowd funding because the company stands in the  
3 middle of the transaction. Crowd funding, the platform  
4 makes the market in essence, and then there's privity  
5 between the borrower and investor and then the platform  
6 kind of backs up, right? In our model we stand in the  
7 middle. So we issue the loan to the borrower  
8 ourselves, we underwrite the loan ourselves, much like  
9 the way that a bank would. But then investors then bid  
10 to then back the loan to that. And so then the  
11 security is between us and the investor. So we stand  
12 in the middle as the entity that can be regulated which  
13 is better for the state regulators who want to make  
14 sure that, you know, no one's getting charged too much,  
15 and it's good for the SEC because they can regulate us  
16 that way as well. So that's the purpose.

17 MS. ROTH DOUQUET: So is it a loan or equity  
18 that people -- that the investors get with you?

19 MR. ROCKEFELLER: Loans.

20 MS. ROTH DOUQUET: It's a note?

21 MR. ROCKEFELLER: Yes.

22 MS. ROTH DOUQUET: Yeah, okay. And so then

1 you don't have the accredited investor problem?

2 MR. ROCKEFELLER: We do. We do right now,  
3 yeah. There's an element of the Jobs Act that is --  
4 has still got to come from the SEC that might create --  
5 hopefully we can bring in some non-accredited  
6 investors. That's our hope. MS. ROTH

7 DOUQUET: Okay.

8 MR. ROCKEFELLER: We're trying to find  
9 veterans and there's a lot of supporters out there that  
10 aren't accredited.

11 MS. ROTH DOUQUET: Right. But by you being a  
12 lender, I think you're easier to regulate --

13 MR. ROCKEFELLER: Exactly.

14 MS. ROTH DOUQUET: -- I think than the  
15 individuals.

16 MR. ROCKEFELLER: And we welcome that, and  
17 that's as it should be.

18 MS. ROTH DOUQUET: Yes.

19 MR. ROCKEFELLER: You need an entity there in  
20 the middle that can be appropriately regulated.  
21 Absolutely.

22 Key thing here is that type one and two, so

1 the donation based crowd funding and investment crowd  
2 funding are subject to very, very different laws. In  
3 the case of type one there's no security regulated by  
4 the SEC. You have, you know, tax laws and that kind of  
5 thing if you're preselling a product, that's about it.

6

7 In type two, that is now a security regulated  
8 by the SEC and the states and then subject to all of  
9 those laws, the '33 Act, '34 Act, '40 Act, et cetera.

10 So a little bit on peer-to-peer lending. So  
11 in this case the loan was issued by the platform and  
12 then backed by supporters of the loan. So the  
13 investors are not directly connected with the  
14 borrowers. This has really taken off and there's a  
15 workable model here that the SEC has approved. Over  
16 about the past six years, seven years, there's been \$6  
17 billion of consumer loans done this way. The two  
18 largest players in the space are Lending Club and  
19 Propser.

20 Lending Club just filed notice of their IPO  
21 week before last and so they will go public here in the  
22 coming months. Strong history and a track record of

1 doing business in Europe so we kind of know what this  
2 looks like. Incidentally, there the state actually  
3 invests in small businesses through platforms like  
4 this.

5 All kinds of models popping up to do this with  
6 auto loans, mortgages, you know, real estate  
7 investments. In the small business space where we are  
8 there's primarily two players. We are the newer one.  
9 Funding Circle which came over from the U.K. with a  
10 very good model there, and then Street Shares, that's  
11 my company. Street Shares focuses on funding affinity  
12 groups. So our belief is that investors will like to  
13 invest in someone who is like them, and veterans are  
14 our first and our largest affinity group so we are  
15 focused right now on funding veteran owned small  
16 businesses. The market is there, and also because of  
17 who we are we've hired a lot of veterans and that's our  
18 focus.

19 MR. JEPPSON: Mark, at the risk of prolonging  
20 this, one thing that we talked the other day, you talk  
21 about the affinity group?

22 MR. ROCKEFELLER: Yes.

1           MR. JEPPSON: And the impact that can have on  
2 that. Would you tell them the story about the guy that  
3 had the ballet, the Marine that had the --

4           MR. ROCKEFELLER: Yeah.

5           MR. JEPPSON: Yeah. It just -- when I heard  
6 that story I was like, yeah, this is where -- yeah.

7           MR. ROCKEFELLER: Yeah. I was at a conference  
8 a couple months ago and one of the speakers said, it's  
9 impossible to blend economic and let's call the non-  
10 economic or social benefits for an investment, right?  
11 I was in New York two days ago talking to some  
12 investors and they said the same thing, right? They  
13 said, we are not interested in, you know, charity, you  
14 know, social impact. We just care about, you know, the  
15 returns.

16           I think there's a way to blend the two and the  
17 way that we do that is through an auction model. So on  
18 Street Shares, we're the only platform with this model.

19       The investors bid to back a loan to that veteran in  
20 small business. And they bid to back just a fraction  
21 of the loan so you can go in and bid, you know, I'll  
22 put a hundred dollars on that loan but only if I get a



1 12 percent return, right? Twelve percent rate. And  
2 then we fund their loan in a reverse auction like e-  
3 Bay, so for investors it's very much like an e-Bay  
4 experience, they go in and the lowest interest rates  
5 fund the bid and up.

6           And we had in our pilot group that we did in  
7 February, it was some very, very small loans to kind of  
8 test our plumbing a little bit, we had a Marine Corps  
9 veteran in New York City who was doing a ballet  
10 company. He was a ballet dancer before the Marines and  
11 went back to afterwards. And the fundamentals there  
12 were, you know, fairly risky as investments. So as we  
13 priced the loan it was priced fairly high. And so  
14 investors came in after that higher rate and it wasn't  
15 going to fund. And then a gentleman came in and, you  
16 know, funded the rest of it at one percent interest,  
17 right? So it was a blending of economic returns and  
18 social or non-economic returns in the same loan.  
19 Because every investor who backed the loan gets the  
20 rate that they bid.

21           That kind of throws traditional financing a  
22 little bit on its head because the thinking is, for a

1 given investment, there is one risk level and therefore  
2 one appropriate return that's going to be the same for  
3 everyone. But our auction model allows people to blend  
4 economic and non-economic returns. And I know a lot of  
5 people, if they could get decent but not extraordinary  
6 returns, but get decent returns consistently and back  
7 veteran owned businesses, they would do that all day  
8 long. And so it's folks like that that we think our  
9 platform is great for on the investor side.

10 On the veterans side you have people competing  
11 to lend to you which will drive down the price of your  
12 loan.

13 MR. WHITE: Did you like it because it was a  
14 Marine or a ballet dancer?

15 (Laughter.)

16 MR. ROCKEFELLER: Both. But no, I just -- I  
17 look at this and I look at people who would come into  
18 the market that may be willing, you know, yet there's a  
19 component, there's a nuance to this that, if you go to  
20 SBA or you go to venture capital -- I mean, not that  
21 venture capital's going to go into the ballet market.  
22 But you know, if you look at the traditional lending

1 model there's this social component where most banking  
2 and institution looks at this as this is a sunk cost of  
3 doing business and it's part of my public affairs  
4 campaign and other things.

5           There is -- there are those individuals in  
6 those institutions who will look at this and I think  
7 that it brings a new dimension to the access to  
8 capital, especially in the veterans community. I can't  
9 imagine -- can you imagine a spouse with a compelling  
10 story that needs to do X and there's potential for real  
11 term. We don't want to see -- we don't want to have  
12 any businesses funded that are going to fail but the  
13 reality is small business, whether it's financed or not  
14 fails. But when you put that, you know, individual out  
15 there with that story, there's a chance that someone is  
16 going to fund them I think at a lower cost than if they  
17 go down to even the Service Members Credit Union and  
18 try a loan or the chances of getting that loan may be  
19 higher, especially when, you know, you understand the  
20 circumstances behind it.

21           And I don't want to be a salesman for Street  
22 Shares but there's some things we are doing that are

1 innovative. When you put your business plan out there,  
2 it can -- there can also be a video component to it as  
3 well and you can actually tell the back story to it  
4 other than just, you know, here's my financials, here's  
5 how I gain market share, here's my segment in the  
6 market, et cetera, et cetera.

7 MR. MUELLER: Can we ask you a question now or  
8 do you want to wait until later?

9 MR. ROCKEFELLER: Please. Please, yes.

10 MR. MUELLER: So based on your ability to  
11 auction and look for investors as you're, let's say,  
12 quibbling or bundling these guys to come together, what  
13 dictates the rate that is charged to the firm that  
14 you're loaning to?

15 THE WITNESS: So they pay the weighted  
16 average. So the blended weighted average.

17 MR. MUELLER: Oh, so they don't know what it's  
18 going to be until the auction is completed?

19 MR. ROCKEFELLER: So right now, right now our  
20 model is that, at the end of the auction there's an  
21 offer of a loan to them and they can take it or not.

22 MR. MUELLER: Okay. But these are not equity

1 loans, they are debt loan?

2 MR. ROCKEFELLER: Just debt. That's right.

3 MR. MUELLER: Okay.

4 MR. ROCKEFELLER: There are ways down the road  
5 where we think we can, you know, get clever with  
6 reserve pricing and this kind of thing, a bit like e-  
7 Bay, right? And give them some more certainty going  
8 into it. But this entire industry is in its very, very  
9 early stages. You know, we are one of a handful of  
10 companies who are kind of on the front edge of this  
11 wave, and many will do well. There's a need for  
12 capital out there and all kinds of models can arise.

13 MR. MUELLER: What terms are these loans  
14 usually based on?

15 MR. ROCKEFELLER: So they're one, three and  
16 five year term amortizing loans.

17 MR. MUELLER: Uh-huh.

18 MR. ROCKEFELLER: And what's unique about us,  
19 and I'll show this here in a second, is that we  
20 actually co-invest in every single one ourselves,  
21 Street Shares does.

22 MR. MUELLER: Oh, okay.

1           MR. ROCKEFELLER: So that way our investors  
2 can sort of see what the pros, you know, would price it  
3 as. Now they may have more information about the  
4 company than, you know, we do, it's a local business  
5 that they know better than we do. But we look at the  
6 financials, the way that a bank would price it, and we  
7 price it according to a bank type model, in essence.  
8 And then it's an auction and we are just a participant  
9 in that auction, fully, transparently, we want to make  
10 sure that everyone knows what we're looking at. We  
11 have the information that they do and here's how the  
12 pros price this. And investors come in and they price  
13 it based on their own information, you know, above or  
14 below it.

15           MR. MUELLER: So how do you -- how do the  
16 investors understand the risk involved in these various  
17 organizations? What's really provided them other than  
18 just a business plan?

19           MR. ROCKEFELLER: Yeah. So here's a walk-  
20 through.

21           MR. MUELLER: Oh, sorry.

22           MR. ROCKEFELLER: So I was on media here.

1 When was the last time we --

2 MR. MUELLER: Can I -- he prompted me on all  
3 the questions.

4 MR. ROCKEFELLER: Actually let me just fast  
5 forward to these guys so you can see the laws, I guess.

6 All right. So this is Andrew and Kyle,  
7 they're the owners of Wazza Media. They needed a  
8 business loan but of course they've got a problem.  
9 They haven't been around long enough to qualify for a  
10 bank loan and the alternative are various online  
11 lenders that will charge them 60, 70, 80 and up, very,  
12 very high rates.

13 What they also have, though, to Rhett's point,  
14 is they have a unique story. Andrew and Kyle met in  
15 the Marine Corps while stationed overseas. They  
16 deployed together. They have a very unique way of  
17 telling a story through their media company, and it's  
18 the kind of information that traditional lenders or the  
19 new online lenders never get, right? This is the kind  
20 of stuff that 60, 70 years ago you could walk into your  
21 local bank and tell them your story. Those days are  
22 largely gone. And so we are trying to recreate that

1 through technology.

2 MR. MUELLER: That's where the video thing  
3 comes in?

4 MR. ROCKEFELLER: That's right. That's  
5 right. And so here's what it looks like. So this is  
6 their actual pitch, I got their consent to share this.  
7 So they can pitch narrative, images, videos and just  
8 tell all about their company, who they are and what  
9 they do, what makes them special and unique. We do not  
10 verify those things. We tell them, that's -- this is,  
11 you know, coming directly from the borrower, we can't  
12 verify all these facts.

13 And then you have the financials, and this is  
14 -- the slide's not rendering great but -- so all kinds  
15 of information about the company that we provide, you  
16 know. So the basics, how long they've been around, the  
17 type of entity that they are, we verify those things.  
18 NIAC codes, social media links, MAP. Here's the  
19 financials, so this is what we do verify. So we look  
20 at, you know, revenue, debt, all the things that a bank  
21 would do. We calculate some ratios there for  
22 everyone's benefit. We look at the guarantor, their



1 income -- this is the banking page. As an investor you  
2 get all these tabs.

3 MR. JEPPSON: Can you go back one?

4 MR. ROCKEFELLER: Yeah.

5 MR. JEPPSON: So the six and a half percent,  
6 is that what your -- what you would bank?

7 MR. ROCKEFELLER: That's right. So that is an  
8 ELR, effective loss rate. So a portfolio of similar  
9 loans like this, we would expect -- Street Shares with  
10 our own investment, we expect a six-point-five loss  
11 rate on that. So we want to be fully transparent, we  
12 are not investment advisors. We are not telling  
13 investors, you know, how risky this is. But the only  
14 way that we can co-invest in an open market is to be  
15 transparent about it. And so we share our internal  
16 calculations for how we made our own bid. And then you  
17 have information about the owner himself, in this case  
18 that he's a veteran, he was in for eight years and so  
19 forth. This is veteran -- you know, veteran focused,  
20 obviously, but this could be used in other affinity  
21 group as well.

22 MR. MUELLER: Just out of curiosity, knowing

1 the fact is that we have so many veterans coming out  
2 with a number of -- really with medical discharge and  
3 issues like that --

4 MR. ROCKEFELLER: Yeah.

5 MR. MUELLER: -- do you validate the fact is  
6 that these people are not into unfortunately  
7 psychological, significant psychological medical  
8 programs that could impact their ability to perform?

9 MR. ROCKEFELLER: No. We validate whether  
10 they are a part of a VBOC program, a Boots 2 Business,  
11 a Reboot, right? We want to know things like that  
12 because our investors, to back this loan, would want to  
13 know.

14 MR. MUELLER: All right.

15 MR. ROCKEFELLER: You know, they would love to  
16 know that they have the support or that, you know,  
17 they're a graduate of a particular program. No but we  
18 do not get into, you know, their health records at all.  
19 We do validate their -- you know, their status, we get  
20 a DD-214 from them.

21 MR. MUELLER: If they are on disability, do  
22 you understand what the --

1 MR. ROCKEFELLER: Yeah.

2 MR. MUELLER: Okay.

3 MR. ROCKEFELLER: So that kind of income will  
4 show up.

5 MR. MUELLER: Right.

6 MR. ROCKEFELLER: But their health records are  
7 not, so they're not something we look at.

8 MR. MUELLER: Okay.

9 MR. ROCKEFELLER: And this is sort of what the  
10 auction would look like. At this point -- I'm trying  
11 to see when I took this shot if they were fully funded,  
12 I believe they were. So you know, you can see the bids  
13 there are ranging from, let's see, 19 through the 20s.  
14 This particular bid or this loan, I believe, was  
15 funded by 66 different bids. I believe 35 were knocked  
16 off right as being too high.

17 MR. MUELLER: What are the value of some of  
18 the money that people are putting into this?

19 MR. ROCKEFELLER: It's a minimum of \$25.00 so  
20 they can go in and just diversify, right? We get in a  
21 whole bunch of these things. And then it's a maximum  
22 of the entire balance of the loan beyond the Street

1 Shares portion because we want to make sure that, yeah,  
2 we have --

3 CHAIRMAN FIELDER: So that's \$15,000 here to  
4 fully fund that they're requiring?

5 MR. ROCKEFELLER: Yep, that's right.

6 MS. ROTH DOUQUET: The administration of all  
7 these little loans is not so burdensome for you that it  
8 doesn't prevent you from making money?

9 MR. ROCKEFELLER: No, because we built up a  
10 platform to do it. And so we make the loan, we service  
11 the loan. As we collect repayments our platform  
12 distributes it. Each investor at the rate that they  
13 bid to their Street Shares accounts, and then they can  
14 withdraw, they can reinvest, they can do whatever they  
15 like.

16 MR. MUELLER: So they set up an account with  
17 you that they put money into an account basically?

18 MR. ROCKEFELLER: Exactly.

19 MS. ROTH DOUQUET: Do you have to issue 1099s  
20 to people?

21 MR. ROCKEFELLER: Yeah.

22 MS. ROTH DOUQUET: And even with that it's

1 still not too much?

2 MR. MUELLER: Unless you can be -- can you be  
3 an LLC and invest into this?

4 MR. ROCKEFELLER: Yes. Yes, that's right.  
5 Yeah. Right now we have everyone from individual  
6 investors doing this, we have funds, we have, you know,  
7 high net worth people. We have -- well right now they  
8 have to be accredited.

9 MS. ROTH DOUQUET: Oh, they do?

10 MR. ROCKEFELLER: And so all of our investors  
11 right now are accredited.

12 MS. ROTH DOUQUET: Okay.

13 MR. ROCKEFELLER: Again, we are waiting for  
14 some potential change on that.

15 MS. ROTH DOUQUET: Okay.

16 MR. ROCKEFELLER: But for right now --

17 MS. ROTH DOUQUET: So friends and family can't  
18 use this as a way to fund their --

19 MR. ROCKEFELLER: Yeah, no. No.

20 MS. ROTH DOUQUET: Okay.

21 MR. ROCKEFELLER: You know, this is kind of  
22 for the accredited crowd for right now.

1 MS. ROTH DOUQUET: Right.

2 MR. ROCKEFELLER: We are hopeful that there  
3 will be -- (inaudible).

4 (Brief interruption.)

5 MR. ROCKEFELLER: That might be my signal to  
6 just finish up here.

7 CHAIRMAN FIELDER: Mark, am I to understand  
8 that the investors get one shot at bidding the rate?

9 MR. ROCKEFELLER: No. No, they get -- they  
10 can bid over and over again. Yeah, in fact a lot of  
11 our folks have a strategy where they go in and they'll  
12 bid at, you know, ten basis point increments, right,  
13 all the way through so that at least they get some of  
14 the loan.

15 MR. MUELLER: What is the -- when you say be  
16 accredited, what is -- what are the thresholds now that  
17 you look at for being accredited to be a partaker of  
18 this?

19 MR. ROCKEFELLER: Right now it's 200K in  
20 income as an individual annually --

21 MR. MUELLER: Uh-huh.

22 MR. ROCKEFELLER: -- for the past two years.

1 And we expect the same this year. It's 300K for a  
2 couple.

3 MR. MUELLER: Uh-huh.

4 MR. ROCKEFELLER: It's a million dollars in  
5 net worth, not including your primary residence, and  
6 then there's some other ones if you're a fund and that  
7 kind of thing. But those are the most pertinent ones  
8 to individuals.

9 MR. MUELLER: You have to have all those in  
10 place?

11 MR. ROCKEFELLER: Yeah.

12 MR. MUELLER: Even if your net worth is well  
13 over a million?

14 MR. ROCKEFELLER: Yeah.

15 MR. MUELLER: Okay.

16 MS. ROTH DOUQUET: But I have to say that is  
17 important because, even in our space, I have seen  
18 people pressure colleagues to invest beyond what they  
19 should be investing. It's at least to protect people  
20 from --

21 MR. ROCKEFELLER: This is to -- right. You  
22 know, we also test -- you know, we -- as people join

1 our platform to be investors we want to make sure that,  
2 one, their credit and, two, that frankly they're  
3 sophisticated enough to kind of, you know, look at  
4 these financials and be able to make wise bids and  
5 decisions. If they want to make a charitable bid, like  
6 a friend in New York, right, we notify them, say hey,  
7 you know, by the way the expected return on this after  
8 some losses could be negative, right? Or it's below  
9 what you -- but that's their choice, right? It's a  
10 marketplace approach to funding veteran owned small  
11 businesses.

12 MR. MUELLER: Well, it's not much different  
13 than, quite honestly, investing into some IPO that  
14 might start up. You know, you buy it at a certain deal  
15 and you put it in at \$30.00 a share and --

16 MS. ROTH DOUQUET: But they are required by  
17 the SEC to be -- create much more disclosure.

18 MR. MUELLER: Yeah, that's true. That's true.

19 MS. ROTH DOUQUET: And that's the --

20 MR. MUELLER: That's right. I agree with you  
21 on that.

22 MS. ROTH DOUQUET: Yeah.



1           MR. MUELLER: But it still provides that  
2 opportunity. You take the risk like you mentioned that  
3 this could turn into a loss. But the thing is you can  
4 be partaking in this thing for a very little amount of  
5 money --

6           MR. ROCKEFELLER: That's right.

7           MR. MUELLER: -- and getting -- helping back  
8 the veteran community.

9           MR. ROCKEFELLER: And the fact that we let  
10 them bid such small amounts, they can diversify.

11          MR. MUELLER: Yes.

12          MR. ROCKEFELLER: Lending Club has a stat that  
13 they throw out that no one who has invested in at least  
14 a hundred loans has ever lost money on lending club.  
15 That's their stat, right? So diversification there is  
16 key. But I mean, there's a lot of people who would  
17 love to back veteran owned businesses and do so for a  
18 reasonable return, hear directly from the veteran and  
19 that veteran's story and it makes them different, it  
20 can impact that bid. It was the only place in America  
21 that I know of where a veteran can go in and tell their  
22 story and translate their military service into sort of

1 a real economic utility in a tangible way on the  
2 market.

3           Anyway, so that's the structure. But getting  
4 back to sort of bigger principles here, here's my  
5 conclusion slide.

6           MS. ROTH DOUQUET: You were telling me where  
7 KIBA fits in.

8           MR. ROCKEFELLER: Yes. So KIBA has a overseas  
9 micro finance model and then they also have a -- it's  
10 called KIBA ZIP, a U.S. model. They do very, very  
11 small loans to under represented individuals.

12           MS. ROTH DOUQUET: Which they're trying to  
13 loan to veterans and military --

14           MR. ROCKEFELLER: Yes. So it's a similar idea  
15 except we can do it for more meaningful amounts of  
16 money.

17           MS. ROTH DOUQUET: But they would be a  
18 category three?

19           MR. ROCKEFELLER: Yes, that's right. That's  
20 exactly right. Yep.

21           MR. BAILEY: So Mark, quick question for you.  
22 So I saw the summary tab there that speaks to the

1 financials. Any reason why you don't particularly ask  
2 for P&L or, you know, balance sheets?

3 MR. ROCKEFELLER: Yeah, we do. We do.

4 MR. BAILEY: Okay. And so --

5 MR. ROCKEFELLER: Yep, we get those, we verify  
6 those.

7 MR. BAILEY: Okay. And so historically I know  
8 you guys just started, and you're going to start  
9 looking at some of the demographics in regards to the  
10 success of the veterans or -- I mean, these type of  
11 loans, I don't know if there's been a study with crowd  
12 funding or not. But the failure rate of veterans out  
13 there, I mean that's -- I think I read an article  
14 about, you know, you don't need to be a rocket  
15 scientist to figure out it's challenging anyway. So  
16 what do you guys -- what is some of your research  
17 telling you in regards to success rates of these  
18 veterans and how do you, you know, think that you can -  
19 - you know, the loans that's being offered is really  
20 giving it to them because they're -- the forecast says  
21 that they're lacking profitability. What are some of  
22 the thoughts on that?

1           MR. ROCKEFELLER: Peer lending has not been  
2 around long enough to really have good historical data  
3 on peer originated loans. There is data from the SBA.

4           MR. BAILEY: Right.

5           MR. ROCKEFELLER: There's a good white paper  
6 on peer lending in the -- for -- it was done by the  
7 fed, so there has been some, you know, government study  
8 into this. But even that wasn't analyzing historical  
9 data. It was looking at sort of current rates and that  
10 kind of thing. So we don't have great data on veteran  
11 peer funding businesses. It's just too new.

12           MR. BAILEY: All right. So let me just ask  
13 this in follow-up. So if the veteran defaults on a  
14 loan, what's the ramifications behind that with your  
15 organization?

16           MR. ROCKEFELLER: It's a very similar process  
17 to a bank, a bank loan default, right? So there's  
18 emails and then calls and letters. And at a certain  
19 point it's -- you know, it's charged off and will go to  
20 collection. So it's very similar from a bank loan in  
21 that regard.

22           MS. ROTH DOUQUET: So it seems like it would

1 be natural for you to start to take a stake in trying  
2 to set people up for success who participate in your  
3 program?

4 MR. ROCKEFELLER: Yes. And that's why we're  
5 working with the VBOPs and other training programs.  
6 That's important information for investors to know, if  
7 they've been through this program they might still have  
8 the support of that program, right? That's very  
9 important for them to know. We want to frankly partner  
10 with as many of those programs as possible.

11 MS. ROTH DOUQUET: Right.

12 MR. ROCKEFELLER: It's better for everybody if  
13 they have that support.

14 MS. ROTH DOUQUET: Right.

15 MR. ROCKEFELLER: Right. So --

16 MS. ROTH DOUQUET: That's great.

17 MR. MUELLER: So I guess when you kind of  
18 describe some of your approach to marketing, looking  
19 for the companies that would be candidates for the  
20 loans, how do you go out and market to find out where  
21 the investors are?

22 MR. ROCKEFELLER: There's a small group of

1 innovative investors who have been involved in Lending  
2 Club and Prosper for a couple of years that know about  
3 this space. There's also lots of funds that are  
4 getting into it, so if we can, you know, find good  
5 veteran borrowers, we think we'll be able to find the  
6 capital, you know, with no problem. There's lots of  
7 people looking for yield. And when you think on a big  
8 picture demographically, the current generation with  
9 most of their funds in the stock markets will be  
10 pulling those out and looking for fixed income type  
11 assets like these down the road. And so we feel pretty  
12 good about the investor side. We just have to kind of  
13 get the word out there to --

14 MR. MUELLER: Are like the big mutual health  
15 funds like the Fidelities and Vanguard's, have they  
16 established funds or funded programs that invest in  
17 something like this?

18 MR. ROCKEFELLER: It is -- I can't speak for  
19 what they know about it. I'm not aware of any  
20 investments from large groups like that.

21 MR. JEPSON: But still each of those large  
22 houses, they could offer some type of impact fund

1 through their institutions, those impact funds, you  
2 know. I'm not familiar with all of them out there but  
3 I know that in other areas within SBA we see funds that  
4 focus on, you know, the under served communities on the  
5 commercial side. So it doesn't stretch my imagination  
6 very far that we'll see funds that have kind of an  
7 impact related mission to their fund and they would,  
8 you know, come into this space as it develops.

9           You know, I think to Mark's point is this is  
10 so new.

11           MR. ROCKEFELLER: Yeah, yeah, that's true.

12           MR. JEPPSON: But we look at the -- where it's  
13 going, for example with Kick Starter which is a square  
14 bencher who hosted a METCAP force which is a new and  
15 exciting thing, we're going to do one here. They've  
16 done very, very, very well at that with Kick Starter.  
17 And so it's something that's -- I think that we're  
18 going to see rapid growth here in this space in the  
19 next couple of years. It really is changing the  
20 landscape.

21           MR. MUELLER: Well of course, all it takes is  
22 that you begin to have people repaying their debts,

1 people are getting their returns. As soon as you have  
2 that substantial evidence, because you've not even been  
3 involved in a year, I guess?

4 MR. ROCKEFELLER: That's right.

5 MR. MUELLER: So how many do you have --  
6 outstanding loans do you have?

7 MR. ROCKEFELLER: We've only funded 14, we are  
8 brand-new. We --

9 MR. MUELLER: Brand-new, okay.

10 MR. ROCKEFELLER: We launched in June, we got  
11 funded in May. We spent the first nine months in my  
12 basement building the platform to do what it's supposed  
13 to do. We are a true startup, very, very early stage.  
14 One of many models that I think can succeed because  
15 there is an absolute need for capital out there.

16 MR. WHITE: You're living in the basement  
17 instead of your garage?

18 MR. ROCKEFELLER: Well you know, there's the  
19 basement set and the garage set. Yes. This was the  
20 basement set.

21 MR. BAILEY: So just a question. It begs me  
22 to ask with regards to the SBA's Patriot Express, are



1 there some lessons learned that we can take away from  
2 this type of funding to where we can potentially offer  
3 some lessons learned back to modify, you know, some of  
4 the regulatory things that have been challenging  
5 veterans against those products?

6 MR. JEPPSON: So there's two pieces. It's the  
7 way SBA is structured right now that we don't do any  
8 direct lending. It's all done through the banks and  
9 it's set up to lend through the banks. But then we  
10 also have the SBIC portion which backs venture funds.  
11 So if you have an SBA license and there's that piece  
12 which is still indirect. So we don't do any direct  
13 lending, and that's really to the banks.

14 I think that what you may actually see, it  
15 depends on what role and function, where they go in the  
16 future, there may be a position, you know, whether it's  
17 them or somebody else who's at SBA because they want  
18 that guarantee behind the loan. There may be a way  
19 that they could apply and participate in the program  
20 there.

21 But all of our focus for the most part, when  
22 you talk about like Veterans Advantage or the 504 loans

1 and things like that, because we are -- SBA -- you  
2 really have to look at what the mission of SBA lending  
3 is. SBA lending really is just write guaranteed loans  
4 for -- to increase the risk in the portfolio because we  
5 will guarantee a percentage of the loan. But we are  
6 really the lender of last resort in a lot of cases  
7 because the banks will make the loans that they feel  
8 comfortable with without us unless the market's in a  
9 downturn.

10           So if you look at the veterans number -- and  
11 I've been asked to explain this one -- we're lending  
12 less to veterans right now on SBA loans than we were  
13 during the height of the recession. You know, 2011 was  
14 our biggest and we did over a billion dollars. And  
15 we're down probably three, four hundred million  
16 dollars. It's really inverse to the market so that  
17 when the banks, to help keep liquidity in the banks and  
18 to keep them lending, you know, we'll do things to do  
19 that. As the banks become more comfortable and willing  
20 to lend, you'll see less of our lending because there  
21 is more paperwork and regulation because it's a  
22 federally-backed loan and that guarantee's in there.

1 So that's just the nature of where we're at.

2 So what we hope is that the markets take that.

3 So we still provide a very important part to the  
4 market to help it keep going, but where we see our  
5 impact during the most bearish times. So but we do  
6 have the micro lending component, and I think that  
7 we've talked just briefly about this, there's some  
8 nexus here that I don't have the code broke on. But I  
9 -- you know, it's one of those things where you could  
10 feel that it's there where, as they expand in this  
11 area, there may be opportunity. You know, we've lent  
12 up to 5 million through the micro lending in the  
13 institution and there's money that comes with it and  
14 stuff. But --

15 MR. BAILEY: I would just offer that maybe  
16 it's something to look at during the Small Business  
17 Week agenda items because I attended the Veterans  
18 Conference out in St. Louis last year and they were  
19 pushing the SBA-backed products. And so maybe it would  
20 be a good time to kind of correct the -- do some course  
21 correction or what have you, just as a suggestion.

22 MR. JEPSON: I think it's a good suggestion.

1 I will just mention briefly, and I can give you more  
2 details on this because I know we need to move along.

3 So one of the things we've done two of now is  
4 this VETCAP event where we've actually worked with  
5 venture capital. We host a -- we did the first one in  
6 San Francisco and the last one in New York, we're going  
7 to do one here in D.C. -- where we bring a panel  
8 together of lenders, anywhere from venture to bank  
9 lending, Angel Funders, Crowd Investors, certainly Mark  
10 would be a unique niche in there. And we talk about  
11 different types of access to capital, which is very  
12 interesting, and then the veterans pitch business ideas  
13 and we get to see just really where the veterans are in  
14 this space.

15 Once you leave the D.C. area, leave the belt  
16 route, I never even heard anybody mention government  
17 contracting at all. They were bringing some of the  
18 most creative ideas, and it was people looking for C  
19 round of venture capital to a sergeant who came in who  
20 had -- I don't think he had a bachelors degree, and he  
21 had written a business plan on a cocktail napkin about  
22 use of UAVs to do some infrastructure inspection.

1 Absolutely brilliant. He gets a business plan, this  
2 thing can scale, they'd have to -- so but you can see  
3 where the veterans and the creativity are going. It's  
4 huge.

5           And so we want to do more of this where we  
6 provide venues for veterans to come, discuss their  
7 business ideas because as they discuss those business  
8 ideas with capital, they get a lot of -- you know,  
9 lenders and capital, but funders. They get a lot of  
10 really meaningful insight really fast and they learn  
11 how to get their business plan into about 30 seconds.

12           When the Sharks were at the White House with  
13 us one of the pieces of advice they gave was you had  
14 better be able to tell anybody in about 60 seconds why  
15 your business plan's good and it's going to make money.  
16 They'll be able to make a judgment and see if there's  
17 anything there or not. But if you can't do that -- the  
18 second thing they mentioned, and this is important when  
19 it comes to the capital discussion. You've got to have  
20 a fire burning already because all capital is is fuel  
21 to the fire. You won't start a fire. So your business  
22 plan's already got to be -- you've already got to be

1 going, you know, you're not going to find it there.

2           So some good stuff. And we think that this is  
3 the space where SBA and the public/private partnership  
4 needs to be formed, the awareness piece. We talk about  
5 the VBOCs and where we think they're going in the  
6 future, this is certainly the type of thing we want to  
7 see the government involved in.

8           MR. ROCKEFELLER: You know, business lending  
9 is fractured anyway, right? Because there's so many  
10 different kinds of business loans, there's different  
11 needs of businesses. We simply want to inform people  
12 that this is out there and there's, you know, all these  
13 different kinds of loans but let veterans compare them  
14 all. Some combination of them will hopefully get them,  
15 you know, what they need. It's primarily an  
16 educational, you know, mission I think for the rest of  
17 us.

18           Anyway, thank you for your time.

19           MR. MUELLER: Very interesting.

20           CHAIRMAN FIELDER: Very good. You want to  
21 leave us your contact information?

22           MR. ROCKEFELLER: You bet.

1           CHAIRMAN FIELDER:   Some way to contact you?

2           MR. ROCKEFELLER:   Happy to, yeah.   Thanks for  
3   having me.

4           CHAIRMAN FIELDER:   Thank you.

5           MR. JEPPSON:   Okay.   So moving along, so we've  
6   asked Joe Sobota and Jules to come talk a little bit  
7   about the Office of Advocacy, what their role and  
8   function is here in SBA.   They're an independent office  
9   here.   And then a couple of the studies that they've  
10   done on veterans small business and where they see the  
11   trends going.

12           I will just -- Joe's coming up here, let me  
13   just tell you that one of the first people that --  
14   first persons that reached out to me was -- when I got  
15   here was Joe Sobota, when I got here.   And we've been  
16   best friends since my second day at SBA.   He's a great  
17   American, as a matter of fact that night he took me up  
18   to the Democratic Club there and we drank a little  
19   scotch and had a nice time.   So --

20           (Laughter.)

21           MR. JEPPSON:   So yeah, we -- he is knee-deep  
22   into the small business and really an advocate

1 professional. So Joe?

2 MR. SOBOTA: Well, I need to introduce  
3 somebody as well. Let me get situated. Where do you  
4 want me?

5 OVERVIEW: ADVOCACY, LAST TWO REPORTS

6 MR. SOBOTA: I have with me, by the way, Dr.  
7 Jules Lichtenstein, a senior economist with our office.  
8 He is actually the most knowledgeable person about  
9 these most recent studies that Rhett asked us to talk  
10 about.

11 But I know some of you, we've -- I've been  
12 coming to these meetings now since the very first ones  
13 which this committee was authorized by Public Law  
14 10650, the same law that gave us the mandate to do  
15 research on veterans issues and especially veterans  
16 data and the role that veterans play in the economy.

17 For those of you that haven't heard me say  
18 this before, I'll just give you this much about  
19 advocacy because I know we're running late. The Office  
20 of the Advocacy is an independent office housed within  
21 SBA but it is headed by the chief counsel for Advocacy  
22 that is appointed by the President and confirmed by the



1 Senate in much the same way that the Administrator of  
2 the Agency is. And so we have an independent mission,  
3 we have our own statute, we're not a Small Business  
4 Act. We have our own statute, we have our own  
5 personnel authorities, we have our own appropriations  
6 budget line item. We are very much separate and that  
7 independence allows us to operate outside of the  
8 direction of SBA or any other federal agency, for that  
9 matter.

10           We have -- we're perhaps best known for two  
11 major functions and that's regulatory advocacy, we work  
12 with federal agencies throughout government, all  
13 federal agencies or most federal agencies to help  
14 mitigate the effect of regulations on small business  
15 and help agencies write smarter rules that accomplish  
16 their objectives with the least possible impact on  
17 small business. And we work both before rules are  
18 actually proposed and throughout the regulatory  
19 development process, sometimes after regulations are  
20 finalized we're able to advocate for changes in  
21 regulations that turn out to be more burdensome than  
22 expected.

1           But the primary nexus that we have with the  
2 veterans community is our economic research component  
3 and since our statutory charter in 1976, this has been  
4 our primary mission for us, economic research. And  
5 Public Law 10650 in 1999 further clarified that and  
6 asked us to do specific research on veteran  
7 entrepreneurs in roles at veteran owned businesses and  
8 service disabled veteran owned businesses play in the  
9 economy. And we've been doing that ever since.

10           We actually got a program started right away,  
11 it took a few years to get the first modern research  
12 out, we actually had some dedicated funds back in the  
13 1980s in which we did some research back then, too.  
14 But the modern research really started to bear fruit  
15 about 2004.

16           So I'm going to let Jules talk about specific  
17 projects but I just wanted to say one thing about the  
18 most important source of data that we have on veteran  
19 owned businesses and their owners. And that is the  
20 Census Bureau's survey of business owners and self  
21 employed people, or self-employed business owners, and  
22 that is a survey that's done once every five years.

1 And it uses data, the data years are years ending in 2  
2 and 7 and the most current data that we now have using  
3 this very important source is from 2007, so it's a bit  
4 dated. It's very important data, it's the best we have  
5 but it's getting old. And we've had a whole  
6 recessionary cycle between now and then and we're  
7 anxiously awaiting the 2012 data.

8           Now that will be released beginning next year  
9 and the veterans data, there's a whole series of  
10 reports that are generated from this product. And the  
11 veterans report will be released in November of 2015.  
12 When we say the 2012 survey -- or we call it the SBO,  
13 survey of business owners -- it's really for data year  
14 and they can't even construct a sampling frame until  
15 the tax returns for 2012 are in because that's how they  
16 figure out who's in the survey.

17           And of course, as you know, business owners  
18 don't file 2012 returns until '13, often until October  
19 '13. And so they're still constructing sampling frames  
20 right into '14, and that's when the action is. This  
21 year has been the real crunch year to put the data  
22 together. And this survey went out -- in this round

1 went out to about 1.75 million business tax filers.  
2 And the 2007 survey went out to 2.3 million business  
3 tax filers. And that reduction is due to a number of  
4 circumstances including some of the resource issues  
5 that we've had after sequestration.

6           But I must say that the Department of Commerce  
7 and the appropriations committees understood the  
8 importance of keeping this survey alive. And even  
9 though there was some question about its future during  
10 the midst of the sequestration process they agreed to  
11 continue it and the Census Bureau found some  
12 efficiencies and better, more modern ways to generate  
13 hopefully the same quality of information with a bit  
14 smaller sample. At any rate, 1.75 million business tax  
15 filers is a lot and we're expecting some very important  
16 information.

17           And my office, by the way, has been working  
18 with Census, as we do almost continuously. We don't  
19 actually fund this project and the other Census work.  
20 But we were able to include some expanded and revised  
21 questions in the pending survey that will for the first  
22 time give us information, we hope -- we haven't seen

1 the information yet, but we hope on not only veterans  
2 themselves and service disabled veterans which have  
3 been in the old product but for the first time we hope  
4 that it will have some good information on reservists  
5 who own business, on active duty service members, there  
6 -- that does happen because we have people coming in  
7 and out of active duty during a given year, and also  
8 veterans who have served post-9-11 so that we can  
9 basically look at younger veterans and the more current  
10 crop.

11           One of the problems that we have when we look  
12 at macro veteran data is that veterans are old as a  
13 group. We know from our past surveys that veteran  
14 owned businesses are very similar to businesses at  
15 large in most respects in terms of the types of  
16 businesses they're in and the number of employees and  
17 the amount of sales, and those kinds of things. But  
18 the two things that they are very different about are,  
19 first of all, the age of the owners and, second of all,  
20 the gender of the owners. And both of those reflect  
21 the underlying populations because veterans as a group  
22 are older and they're overwhelmingly male.

1           So this comes through the macro data for  
2 veterans when we look at veteran businesses, veteran  
3 owned businesses, and it turns out that their  
4 characteristics, anything that's related to age and  
5 gender are different in those respects than the general  
6 business population. And because there are so many  
7 older veterans, they tend to mask what's going on at  
8 the younger end of the spectrum. And of course, policy  
9 makers are very interested in what's going on at that  
10 younger end of that spectrum.

11           And so one of the things that our office has  
12 been doing, and Jules will mention this in the study,  
13 is looking for ways to control for age and look at  
14 group within the big picture, to try to focus a little  
15 bit more on what's happening in different age groups  
16 because policy makers are very interested in what's  
17 going on with reservists, what's going on with people  
18 that are just leaving the service maybe after only one  
19 enlistment instead of making a career out of it. And  
20 so we're trying to develop a little more sophisticated  
21 targeted information than just those big raw numbers  
22 show us. That's one of the things that we're about.

1           Now I've got a little pack in here, and I'll  
2 stop talking -- incidentally, by the way, I did check  
3 with my friends at Census Bureau before I came here and  
4 everything is on schedule and right now we should have  
5 brand-new 2012 information, we'll have that next year  
6 in 2015. But right now we're still operating with the  
7 older information.

8           The packet that I'm going to send around here  
9 has on two sides -- can you just take those over there?

10 Thank you, Cheryl.

11           The one side in here has some general  
12 information about our office and the latest economic  
13 statistics not specifically focused on veterans. On  
14 the other side of the packet are veteran related  
15 things. And Jules is going to talk about the most two  
16 recent products that he worked on. And then in back of  
17 that I actually included this larger booklet is the  
18 2007 Census data. And there is just a wealth of  
19 information about veteran business community. And  
20 Jules and I both worked on this, we basically ran many,  
21 many queries on Census Bureau data online where you can  
22 construct these. But the way that the Census Bureau

1 data is presented online, individual users can  
2 construct their own queries in just almost any number  
3 of ways. So you can go in and develop your own  
4 information in even much more detailed fashion than we  
5 have here.

6           So we're on track to have some great new data  
7 next year but right now we're still operating with the  
8 older data. And one of the problems that we've had in  
9 using this older data, obviously and after this  
10 recessionary cycle that we've gone through, is -- it is  
11 stale. And Jules and other folks have been trying to  
12 find, we've been really looking for better, newer  
13 sources of data. Better maybe I shouldn't say because  
14 this is still our best source of data. But data that's  
15 more current than this older stuff and also data that  
16 might be able to shed different -- a different light  
17 than our Census SBO data.

18           And with that, Jules, why don't I turn it over  
19 to you. We actually have two newer products that use a  
20 different source of data than the traditional SBO data  
21 that we know will come every five years and that's what  
22 Jules has been working on. Jules actually wrote an



1 issue brief on the -- a profile of veteran business  
2 owners. And then he was the COTAR, or I guess we call  
3 them CORs now, on a private sector contract that did a  
4 much more intensive look at veteran business ownership  
5 using the new data source that we haven't used before.  
6 And he'll tell you a little bit about that.

7 Both of these projects are really important in  
8 their own right partially because they give us more  
9 modern data but also we're encouraging research using a  
10 new and different data source and that's something that  
11 we really like to do if we can. We've got a few dry  
12 wells, too, we've looked at other sources that we  
13 thought might have some potential and they turned out  
14 not to, but that's part of our job. And this one that  
15 Jules will talk about we think does have some  
16 potential.

17 CHAIRMAN FIELDER: Joe, can I ask a question  
18 before you go on? Just a question?

19 MR. SOBOTA: Yeah, sure.

20 CHAIRMAN FIELDER: It pertains to what you  
21 were just talking about so I apologize, Joe.

22 We actually talked about this report, you came

1 and talked to us probably 18, 20 months ago, it might  
2 even be longer than that. So you know at that time we  
3 were looking at 2002, 2007 data.

4 MR. SOBOTA: Right.

5 CHAIRMAN FIELDER: You made a comment, and I  
6 just was hoping you could kind of postulate on that a  
7 little bit. Obviously you mentioned old data. The  
8 timeliness of the data, how do you suspect it affects  
9 the meaningfulness of the data in the sense of, you  
10 know, you've basically got 2012 data about to be  
11 published in 2015.

12 MR. SOBOTA: Yeah.

13 CHAIRMAN FIELDER: Lots has happened with the  
14 economy since 2012, lots happened with vets in  
15 particular with the draw down in Afghanistan and Iraq  
16 in the sense of those being now released from service.

17 So could you just sort of postulate on that?  
18 And again it might be just pure opinion but kind of  
19 postulate on that a little bit?

20 MR. SOBOTA: Well, we'd all love to have more  
21 data. We just don't have a good credible source, I  
22 mean of this quality. I mean, we're talking about a

1 survey that's going out to almost two million business  
2 tax filers and there's nothing equivalent to it.

3           What Jules has been working on is 2012 data  
4 from a different source but it's still, we're not going  
5 to have, you know, real time kind of data on this sort  
6 of thing. It's a frustration for all of us. By the  
7 way, I can say this is the same source from which we  
8 have data on women owned businesses and on minority  
9 owned businesses. It's exactly the same survey. So  
10 everybody's kind of in the same boat on this.

11           Frankly I don't want to get too far off the  
12 topic but when I worked on the Hill I did a little  
13 detour, 17 years I worked on the Hill for an  
14 appropriations chairman. And we used -- I could tell  
15 when they were doing a survey of the business community  
16 without actually knowing the details because we'd start  
17 getting complaints about paperwork. We'd start  
18 getting, you know, business owners that say, I'm not  
19 going to do it. They tell me I have to do this or I'll  
20 go to jail. And I knew that there was a survey out  
21 there happening when we started getting spikes in  
22 those.

1           So I -- there's a kind of a tension between  
2 getting that many businesses to participate in a survey  
3 on a regular basis, and also the expense of it. This  
4 is a fairly expensive -- you can imagine with that many  
5 business owners. So I mean, there isn't much future I  
6 think in having the survey done more often. It's hard  
7 enough for us to get the resources to do it once every  
8 five years and to get the political buy-in, if you  
9 will, of hassling business owners to fill out the  
10 survey. So I think, you know, long ago the Census  
11 Bureau decided that once every five years was about the  
12 right period.

13           But I confess we're as frustrated as most. I  
14 mean, the data cycle, it's never more than -- the most  
15 recent data we ever get is three years and sometimes  
16 it's eight years old, as it is now. We're at the back  
17 end of the cycle.

18           CHAIRMAN FIELDER: So and I'm not trying to  
19 corner you, Joe, but from the meaningfulness of the  
20 data, we're talking about a report coming out in 2015  
21 that will cover 2007 through 2012.

22           MR. SOBOTA: Well, it will cover 2012. It's a

1 snapshot of 2012. And yeah, they -- but it's certainly  
2 going to be important. For instance, I heard somebody  
3 mention that -- Rhett, I think you mentioned that once  
4 you get outside the beltway you don't hear a lot about  
5 contracts. One of the interesting items that's  
6 actually in this book here that you can see is that out  
7 of veteran owned businesses, only about three percent  
8 of veteran owned businesses have federal -- have the  
9 federal government as a major customer. And that is  
10 defined as some -- as a business -- excuse me, a major  
11 customer is one that accounts for ten percent or more  
12 of sales. So when you look at all businesses out there  
13 federal contracting is not very important to most of  
14 them. It's very important to businesses that do  
15 federal contracting but there's a lot of businesses out  
16 there that don't.

17           Well, we learn stuff like that from this  
18 survey. And I can't -- you know, there's no way for me  
19 to apologize for not having more current data, it's the  
20 best we have and we try to work with it.

21           Now by the way, Jules does have a better  
22 source, a 2012 source that we're coming up.

1           CHAIRMAN FIELDER:  Let's hear about that.

2           MR. SOBOTA:  Yeah, Jules, tell us about that  
3 and tell us how it's different from the Census and the  
4 limitations.

5           DR. LICHTENSTEIN:  Yeah, thank you, Joe.  
6 Thank you for inviting us here.

7           (Brief pause.)

8           Thanks, Joe, and thanks for inviting me here  
9 to discuss advocacy research.

10           And just to follow up on what Joe was talking  
11 about in terms of the survey of business owners, one of  
12 the reasons it's a very important survey is because of  
13 the way they measure the ownership, the way the Census  
14 Bureau measures ownership.  And it does measure up to  
15 four owners and the percent of the ownership that each  
16 one of those four owners has.  So they can fairly  
17 precisely define what a veteran owned business is, what  
18 a women owned business is, what a minority owned  
19 business is and so forth, by the actual percentage  
20 ownership of up to four owners.

21           And so obviously the data are not as recent as  
22 we'd like it and that was one of the reasons why I

1 suggested that we take a look at another Census data  
2 source which is more recent, and that is called the  
3 Census's Survey of Income and Program Participation  
4 which is sort of like the current population survey  
5 some of you may have heard of. But it is a major  
6 household census survey which is also a longitudinal  
7 survey that actually follows households over up to a  
8 four and a half year period. And it surveys between 40  
9 and 50,000 households on a regular basis which will  
10 include about 90, 95,000 individuals and identifies  
11 veterans as one of the major characteristics.

12           Now there's a difference between the survey of  
13 business owners that Joe was talking about and the  
14 SIPP, that's the Survey of Income and Program  
15 Participation. It's a household survey, it's asking  
16 individuals self identifying whether they're a veteran  
17 and whether they own a business. So they're telling us  
18 that they are a veteran owned business. Now there may  
19 be other owners of the business but this -- we just  
20 have the information from the household. So we don't  
21 have the same kind of information on ownership when you  
22 have a survey of businesses as opposed to household.

1 So it's a household survey.

2 But given that that limitation, it does  
3 provide more recent information. And that was the  
4 basis for this issue brief that I wrote in advocacy  
5 fairly recently using 2012 data. There's actually 2013  
6 data which I plan on updating this with. And it does  
7 allow us to basically identify veteran business owners.

8 I looked at change between 2008 and 2012 so I could  
9 get some changes that were going on, and I -- as you  
10 can see, if you were looking at the issue brief now --  
11 asked several questions. What share of business owners  
12 are veterans and there were 9.1 percent in 2012 which  
13 actually coincides with other numbers that we have from  
14 the Survey of Business Owners.

15 How old are veteran business owners? Well,  
16 7.1 percent were under 35 in 2012, which is an increase  
17 from 4.6 percent in 2008. So we're seeing an increase  
18 in younger veteran business owners. And that's one of  
19 the key findings of this issue brief. We're seeing an  
20 increase in the younger veteran business owners  
21 according to this dataset.

22 The -- and as you look at that figure, table 2



1 actually -- table 1, I'm sorry, you can see the fact  
2 that Joe also mentioned, that the age distribution of  
3 veterans is extraordinarily different from non-  
4 veterans. In other words, over 78 percent of veterans  
5 business owners are over age 50 in 2012 compared to  
6 about less than 50 percent of non-veteran business  
7 owners. So that's a major difference. It's even more  
8 significant when you look at owners over 65 and under  
9 65.

10 MS. ROTH DOUQUET: May I ask a question about  
11 that?

12 DR. LICHTENSTEIN: Sure.

13 MS. ROTH DOUQUET: So your notations B and A,  
14 less than 25, less than 50. Can you explain that?

15 DR. LICHTENSTEIN: That's the actual sample  
16 size. One of the problems we always have with  
17 datasets, even large datasets like the SIPP data or the  
18 CPS data where we have 45,000 households and 90,000  
19 individuals, is when you slice and dice it to get the  
20 -- to look at specific subgroups.

21 MS. ROTH DOUQUET: Right.

22 DR. LICHTENSTEIN: You end up with relatively

1 small sample sizes and that's always -- that's one of  
2 the reasons where we caveat some of the findings here  
3 because in some cases they're small sample sizes.

4 Now you can combine datasets and actually  
5 increase sample sizes but you're going to lose the  
6 ability to talk about particular years.

7 MR. SOBOTA: Jules, let me just add there that  
8 because -- this is one of the problems we've had in  
9 getting better data on businesses owned by service  
10 disabled veterans, is that they are a subset of the  
11 veterans and veterans themselves are a subset of the  
12 general population. When we boil it down, veteran  
13 owned businesses are about nine percent of all business  
14 owners or businesses. And amongst veteran business  
15 owners, about 8.7 percent of veteran business owners  
16 report that they were service disabled.

17 So if you kind of work those two numbers  
18 together, we think that there's less than one percent  
19 of all businesses are actually owned by service  
20 disabled veterans. And then when you start trying to  
21 slice and dice that as to their characteristics, it  
22 becomes trickier if you don't have a very large sample

1 size. And that's what the SBO is good because it is a  
2 very large sample. But if you're looking at a  
3 household sample, it's harder to get into the -

4 DR. LICHTENSTEIN: Yeah. You end up with --  
5 you end up with say between 4000 and 6000 business  
6 owners. And then you take -- you know, look at  
7 veterans and you're talking about ten percent of that.

8 And then when you slice it you're talking about a  
9 small number, so that's what those numbers --

10 MS. ROTH DOUQUET: Thank you.

11 DR. LICHTENSTEIN: That's what those footnotes  
12 mean.

13 Of course, as Joe mentioned also that not only  
14 do veteran and non-veteran owners differ by age but by  
15 gender, and that's clearly what we find in using the  
16 SIPP data, a relatively small portion of veteran  
17 business owners are women. However the percentages  
18 increase from two and a half percent to four, almost  
19 four and a half percent between 2008 and 2012. So  
20 we're seeing an increase there. Again, the numbers are  
21 very small because they're just a very small --

22 MR. JEPPSON: It's interesting that you see

1 within that time period we have newer veteran starts  
2 almost double, you see the women almost double. And we  
3 look at the Boots 2 Business data, participation by  
4 gender in Boots 2 Business, about 25 percent of the  
5 participants are female. That includes spouses within  
6 that, but we're only 14 percent female in the services  
7 right now. So even if we control for the spouses,  
8 we're over-indexing by three or four percent amongst  
9 the female service members leaving that choose  
10 entrepreneurship.

11 Now the reasons that they're leaving the  
12 services is clearly a different discussion so it's kind  
13 of funny -- it's not funny but it's interesting as we  
14 start to look at these different datasets directions  
15 and trends.

16 DR. LICHTENSTEIN: Yeah, right. And you have  
17 to, of course, describe the differences between the  
18 data and people can make their own decisions about what  
19 it means. But where we're -- we're trying to get the  
20 best, the newest data we can from this dataset.

21 And we've also looked at Renardi's and we see  
22 that the rate of Renardi business ownership by veterans

1 is lower than non-veterans, and it's -- but Hispanic  
2 business owners have increased between 2012, 2008 and  
3 2012 from about three percent to about six percent.  
4 But Hispanics are still -- business owners are still  
5 most likely to be non-veteran, the business owners in  
6 any case.

7 MR. BAILEY: May I ask a question real quick?

8 DR. LICHTENSTEIN: Sure.

9 MR. BAILEY: So if you take the  
10 characteristics that you have here, are you modeling  
11 this to map back against an SBA program or what are you  
12 doing with this data? You have it, it's good data,  
13 what are you using it for?

14 MR. SOBOTA: Let me answer that question.

15 We are not a program office. Advocacy is not  
16 a program office. When we do a research project, not  
17 just this kind of data but any research project --

18 MR. BAILEY: Right.

19 MR. SOBOTA: -- we do not set out with the  
20 intention of supporting or opposing any particular  
21 program or legislation. Once in a while we kind of  
22 know in advance when the Congress says we want you to

1 do a research project A, B and C, we kind of know where  
2 they're coming from maybe. They're looking for an  
3 answer. But we just provide the findings and the data  
4 and let policy makers use it as they see fit. And we  
5 literally have had instances in which the same report  
6 will be used for two different sides of an issue,  
7 different parts of it.

8           We don't set out to try to program this data  
9 for some purpose. We let Rhett do that. Rhett has the  
10 program office and he may find something useful in this  
11 data, and then that's fine. That's what we do it for.

12 Or perhaps the Vet Force, Joe you may find something  
13 useful. I'll give you an example that comes to mind  
14 off the top. My friend over at Axiom Bank, you know  
15 they've been in the press a lot lately, and they have  
16 been fairly active with the veterans community. And  
17 Gus over there asked me a question when we first  
18 reached this report that I just distributed to you and  
19 he says, well, what do you know about exports? You  
20 know, folks that are exporting?

21           And I said, well, let me run some queries for  
22 you. And I went back on the Census Bureau's website

1 and we ran some queries that do not appear in this  
2 particular book and I provided him that information.

3 Well that enabled him to go back to his  
4 management and crank up some programs over there that  
5 they are really working with veterans now to try to  
6 improve the footprint of Axiom Bank. So you know,  
7 we're really happy that our data helped him do that but  
8 we didn't do that for him. That was a decision that  
9 they made how to use that data.

10 I hope that answers --

11 MR. BAILEY: It does. And I'm just offering  
12 that it's good data. And as I go around the community  
13 just thinking about how this can impact programs,  
14 marketing and outreach to a particular, you know,  
15 entrepreneur veteran, you know, ownership demographic,  
16 and you can speak to them differently, it's a good  
17 start.

18 MR. SOBOTA: Jules, I interrupted you.

19 DR. LICHTENSTEIN: No, I -- let me just finish  
20 with this because I know we're running a little late  
21 here.

22 But the fact is that we also looked at

1 industries that these businesses operated and found  
2 most of -- veterans are more likely to be in the goods  
3 producing sector which I defined as agriculture,  
4 mining, manufacturing and construction as opposed to  
5 services, the services sector which is all the rest.  
6 They're also like -- in general more likely to be  
7 married, have higher levels of education, be citizens,  
8 own homes, which is information that we sort of know in  
9 general. And they're more likely to operate as  
10 corporations than non-veteran business owners and that  
11 -- in fact, the share that operates as corporations has  
12 jumped from 32 percent to 41 percent between 2008 to  
13 2012. So that may be an indication of how well they're  
14 doing because corporations usually might be more  
15 successful than non-corporate business forms.

16           And their businesses tend to be older, the  
17 actual age of the business as opposed to the age of the  
18 owner. And that again may be related to the age of the  
19 owner.

20           MR. JEPPSON: Did you look at it as a  
21 contributing factor or -- about the age of the owner?

22           DR. LICHTENSTEIN: I didn't. One thing I have



1 not done is I've not more sophisticated statistical  
2 analysis on this to actually look at the impacts of  
3 each of these factors on ownership, so I can't tell you  
4 what that would be. But -- and I'll just briefly get  
5 into the other report that -- so this was research that  
6 we did internally in advocacy.

7           The second, you have a research summary here  
8 called "Exploration of Veteran Business Creation and  
9 Management" using the Census's SIPP data, the same data  
10 source. This was a veteran owned business actually  
11 that did it for us, Compendium Federal Technology.

12           MR. SOBOTA: Service disabled.

13           DR. LICHTENSTEIN: Service disabled company  
14 that did this for us.

15           And the interesting part about this survey  
16 study was that it looked at data from -- the SIPP data  
17 from 1984 to 2004, that was the latest we could  
18 actually get for the study when we did it. But it  
19 actually looked at an enormous amount of SIPP data for  
20 this whole period and tried to look at how well  
21 veterans, how successful they were. And also looked at  
22 business creation, it could separate out business

1 creation from ongoing businesses, businesses owned and  
2 managed by veterans. So you could look at the  
3 differences there. And you could look at how well  
4 these businesses might have done over time, including  
5 during earlier recessions. So that was an interesting  
6 wrinkle that this contractor had using this dataset.  
7 Used all the data that we had during that period.

8           And basically, you know, the findings that we  
9 have, and I won't go into all of the details, but the -  
10 - let's see, the major finding was that there was  
11 basically a tremendous stability in the patterns  
12 relating to firms over this period. There is little  
13 evidence that veteran participation and creation and  
14 management changed very much over a 20-year period.  
15 It's been very stable which is very interesting.

16           And then in general there's a high level of  
17 firm creation of business ownership among veterans  
18 which is comparable to the amount of creation and  
19 ownership of non-veterans. It was very -- there's a  
20 lot of similarity there, okay, and I think that's --  
21 even though we didn't see major differences, the fact  
22 that we found similarities is a significant finding

1 because this is longitudinal data.

2           Also tracked the average over this whole  
3 period, I think it was over two years, almost two and a  
4 half years where they actually went and surveyed the  
5 same household over that period to see what happened to  
6 that business, okay, that was owned within that  
7 household. So that's what that found there.

8           The other thing, there is -- there are  
9 findings that happen to concern us and that was, again,  
10 younger veterans in this particular survey, those age  
11 18 to 34 appeared to be less successful than their non-  
12 veteran counterparts. They had slightly fewer  
13 employees, less sales and profit and they had -- their  
14 business had been -- was, in fact, operating for  
15 shorter duration than those -- than non-veteran  
16 businesses. So we -- the consultant flagged that  
17 finding as a key issue.

18           And again the -- one thing that this study  
19 did, it did control for various factors in the  
20 analysis, unlike my issue brief which was just  
21 descriptive statistics. This analysis actually  
22 controlled for different factors.

1           MR. SOBOTA: Let me jump in there, Jules.  
2 This is one of the instances in which, if you look at  
3 the macro picture, the large number of veterans at the  
4 older end of the age spectrum mask that finding. And  
5 so when you looked at all veterans you wouldn't know  
6 that those younger veterans were having a harder time  
7 and -- because there's so many of those older veterans.  
8 And if you look at the whole picture, the veterans as  
9 a group of all ages look very similar to the general  
10 population.

11           MS. CARSON: I've also wondered what happens  
12 in those very first few years in that dataset that  
13 you're talking about because the definition of veteran,  
14 there's no way to be one at least until age 20, right?  
15 So I think maybe that's negligible on both populations  
16 that are actually small business owners at that time,  
17 but I don't know.

18           DR. LICHTENSTEIN: Well, we're talking 18 to  
19 34, there are only a couple years there where they  
20 might not be --

21           MS. CARSON: Yeah, couldn't even possibly be a  
22 veteran until early 20s.

1           MR. SOBOTA: To our knowledge, this is the  
2 first study, the first look using credible data sources  
3 that has really broken this out controlling for age.  
4 We think this is an important finding. You know, I  
5 can't take it to the bank and say that it's absolutely  
6 certain but it's very suggestive that there's something  
7 going on here.

8           MR. JEPPSON: Well, it's interesting that the  
9 longer data said, you said, slightly less success with  
10 younger veterans of that age. But then we see new  
11 starts for in the past two years almost doubling  
12 amongst the veterans initially. So I think the data,  
13 there's something to pick at there.

14          DR. LICHTENSTEIN: The question is how well  
15 they do it.

16          MS. CARSON: How strong?

17          MR. JEPPSON: Not to pick at but for us to  
18 just learn -- you know, get a lot smarter.

19          MR. SOBOTA: If we were able to replicate this  
20 study in a few years using similar methodology and  
21 compare a newer class of younger veterans against this  
22 class, maybe we'll see something different. And maybe

1 it's something that we'll be able to do. We're right  
2 now a little bit too close to this study to get a  
3 meaningful result.

4 DR. LICHTENSTEIN: Yeah, we had the same  
5 problems with the -- they had the same problems in  
6 their study in terms of looking at women because they  
7 were relatively -- still a relatively small proportion  
8 of total owners during this entire period, so they  
9 basically focused on males. And so you know, in  
10 general, I think they found that veteran firms were  
11 very much like non-veteran firms. Veteran owned and  
12 managed businesses were found in all industries and  
13 economic sectors, involved a wide range of occupational  
14 skills and there were no major differences when they  
15 compared the veteran firms to non-veteran firms.  
16 Again, tremendous similarity, I think we found this in  
17 the SBO also, right?

18 MR. SOBOTA: That's right.

19 DR. LICHTENSTEIN: Very similar in terms of  
20 industry and sectors. So there's -- so we're finding -  
21 - we're confirming findings with using other datasets,  
22 using SBO, Census SBO dataset which is helpful and

1 there's room here to actually expand this particular  
2 study to make it even get more recent data, to get 2012  
3 data using the survey that I used and actually talk  
4 about what might have happened the great recession  
5 also. And that's in the area that we're talking about  
6 for future research.

7 MR. SOBOTA: One of the advantages of this  
8 dataset and what Jules has done is we don't have to  
9 wait every five years to update data. And I'm not  
10 promising that we'll be able to do it every year but it  
11 promises to give us some more current data than the  
12 five-year. I love the SBO, don't get me wrong, but it  
13 is frustrating when it's eight years old.

14 DR. LICHTENSTEIN: Yeah. Part of the issue of  
15 getting more recent data at the time is the fact that  
16 there's a company, I believe, in Los Angeles which  
17 produces comparable data, helps -- takes the census  
18 data and makes it more usable across all of these  
19 different years. And 2004 was the latest data that the  
20 contractor could get from that L.A. firm at the time.  
21 So the question -- you know, so there are other  
22 intermediaries in the data gathering process which

1 might affect the availability of most recent data that  
2 we can use for certain types of studies.

3 MR. SOBOTA: I should also add here that this  
4 newer data source that Jules is using is not quite as  
5 user friendly. I don't want -- since we're on the  
6 record, I don't want to suggest that it's impossible  
7 but it's harder to use than the SBO and it takes a  
8 little professional knowledge and practice and skills  
9 and tools and software tools and such to actually use  
10 it. And Jules has established contact with the  
11 management in the survey and, indeed, we're hoping that  
12 some of the give and take that we've had on this will  
13 help them improve the survey in the future.

14 DR. LICHTENSTEIN: Yeah.

15 MR. SOBOTA: So if I could just kind of cap  
16 that part of the discussion, we're certainly happy to  
17 take any questions now.

18 CHAIRMAN FIELDER: Can you take questions?

19 MR. SOBOTA: Sure. But let me just say this,  
20 and it kind of addresses the point you made earlier.  
21 Is that I was reminded of our dear friend, some of you  
22 knew John Lopez who was sometimes called the father of



1 veterans entrepreneurship movement. John passed away a  
2 couple years ago but John put these two words,  
3 "veterans" and "entrepreneurship" together before  
4 almost anybody else I know. John and I were working  
5 together on stuff back in the 1970s.

6           And he used to always say that good data -- or  
7 good policy requires good data. That was kind of a  
8 mantra with John. And that's also our mantra, we say  
9 that as well. And the reason that we work on all this  
10 data and all these fairly abstract issues that may be  
11 of limited interest to a lot of people who are trying  
12 to run a business and they don't see the connection is  
13 that the people that make these policy decisions,  
14 whether it's in the executive branch or the legislative  
15 branch, need to have good data to make their decisions.

16       And that's what we're in the business of doing. We're  
17 not making the decisions for them, we're trying to give  
18 them the data that they need in order to make the  
19 decisions.

20           So that's both for policy makes and high  
21 levels of management on the Hill and the Congress,  
22 certainly. But also for program people like Rhett who

1 have programs to run and need knowledge to figure out  
2 the best way to deploy their resources. So we're not  
3 running programs ourselves and we're not making the  
4 final policy decisions but we are trying to give those  
5 that do those things better data.

6 CHAIRMAN FIELDER: Jules, I'm trying to  
7 catalog in my brain what the significance of these two  
8 reports are. So if you could help me by answering a  
9 couple questions?

10 DR. LICHTENSTEIN: Okay, sure.

11 CHAIRMAN FIELDER: Am I to understand that  
12 your report is really kind of a snapshot of the  
13 anticipated data coming from the 2008-2012 data  
14 collection? Is that correct?

15 DR. LICHTENSTEIN: From this --

16 CHAIRMAN FIELDER: Particular survey, yes.

17 DR. LICHTENSTEIN: -- Survey of Income and  
18 Program Participation?

19 CHAIRMAN FIELDER: Yes. This is kind of a  
20 snapshot early report of what Joe was talking about  
21 coming out early 2015?

22 MR. SOBOTA: No, that's longitudinal. That's

1 totally different survey.

2 CHAIRMAN FIELDER: I'm on the first report,  
3 I'm on Jules's report.

4 MR. SOBOTA: Yeah, I know. This --

5 CHAIRMAN FIELDER: The name of the report is  
6 "Profile of Veteran Business Owners." It's Jules's  
7 report.

8 MS. CARSON: Okay, thanks.

9 CHAIRMAN FIELDER: And it's says in here that  
10 basically it's collecting data from 2008 to 2012 which  
11 is the same time period as the census data. So is it  
12 from the same data base?

13 DR. LICHTENSTEIN: No, that's different. I  
14 mentioned earlier -- and Joe knows, he also talked  
15 about it. The data that Joe was talking about that's  
16 going to come out in 2015 is the census -- is also  
17 census data but is a survey of businesses. And it's  
18 called The Survey of Business Owners.

19 CHAIRMAN FIELDER: Okay. So we should look at  
20 this as a different dataset --

21 DR. LICHTENSTEIN: Yes. This is how --

22 CHAIRMAN FIELDER: -- which is a snapshot of

1 what we might anticipate to come out of the data that's  
2 coming out of the census data?

3 MR. SOBOTA: The SBO is a five-year survey of  
4 businesses. This is a household survey, an annual  
5 survey of owners.

6 CHAIRMAN FIELDER: Got it.

7 MR. SOBOTA: And by the way, sometimes you'll  
8 see differences in numbers because the one's looking at  
9 owners and the one's looking at businesses. They're  
10 not the same thing.

11 CHAIRMAN FIELDER: Okay. I got that report  
12 cataloged.

13 DR. LICHTENSTEIN: The other thing is that you  
14 might want to mention that the SBO has data on  
15 businesses as well as owners. It provides both. And  
16 as I said, it will allow you to more precisely define a  
17 business owner, what that -- who that business owner  
18 is, whether a veteran, minority or Hispanic or woman.

19 MR. SOBOTA: Right.

20 DR. LICHTENSTEIN: Because it takes up to four  
21 owners and measures the proportion of ownership.

22 CHAIRMAN FIELDER: Yeah, 49 percent versus 51

1 percent?

2 DR. LICHTENSTEIN: Yeah. And then it adds  
3 those together and it says, okay, this is a veteran  
4 owned business because 51 percent of the ownership is  
5 veteran.

6 CHAIRMAN FIELDER: Now I need to catalog the  
7 second report.

8 DR. LICHTENSTEIN: Okay.

9 CHAIRMAN FIELDER: The second report is dated  
10 February 2014, and I believe it was created by a  
11 company called Compendium --

12 DR. LICHTENSTEIN: Compendium Federal  
13 Technology.

14 CHAIRMAN FIELDER: Thank you. Compendium  
15 Federal Technology.

16 It says in the report that they're pulling  
17 data from 1984 to 2004 to do this report. I wonder  
18 about the timeliness of the data, whether there's any  
19 significance at all in this report, particularly the  
20 fact that younger veteran business people fail at a  
21 higher rate. That one kind of hit me in the heart,  
22 frankly, and I'm looking at this thing being 20 year

1 old data that's, the last part of the data was 2008.

2 So that's what, six years ago?

3 DR. LICHTENSTEIN: Yeah. Well again, the fact  
4 that that was -- when we did this study that was the  
5 latest data we could get to do the study. The purpose  
6 of the study was more exploratory in the sense that  
7 nobody had ever done this before with this data set.  
8 Basically what they did was they -- it's a household  
9 dataset which has information about business owners and  
10 businesses and the businesses that they own. What they  
11 created for the first time was a business dataset. In  
12 other words, they took all those businesses and  
13 actually created a dataset of businesses from this  
14 household survey.

15 So this was sort of an experimental thing that  
16 they did. They looked at the changes in the ownership  
17 in the businesses over this 20-year period during which  
18 we had some recessions and various economic cycles. It  
19 showed you a certain amount of stability over that  
20 time. Now whether that's continued now we don't know.

21 But the fact is that it's possible to update this  
22 information and look at what's happened since the great

1 recession.

2 CHAIRMAN FIELDER: But I'm troubled by trying  
3 to use that information for any meaningful programming  
4 when in fact the information is 26 years old.

5 MR. WHITE: What happened to the quote that  
6 the veterans are 25 percent more likely to start a  
7 business than non-veterans and after five years are  
8 significantly more successful than non-veterans?

9 MR. SOBOTA: Well I think -- the first part of  
10 that I think relates to the self-employment rate. And  
11 we have another study in 2004 and then the BLS data  
12 since then continues to show that veterans have, over  
13 the long haul since at least 1979, had higher rates of  
14 self employment. And I think that has been  
15 interpreted, self employment has been interpreted as  
16 business creation. It isn't exactly the same thing but  
17 it's used as a proxy. And that may be the first part.

18 Now I don't know where that second part, the  
19 success part comes. I'm not familiar with that.

20 MR. WHITE: It was stated by the IM using the  
21 SBA's study. The Institute for Military Veterans and  
22 Military Families from Syracuse.

1           MR. JEPPSON: So let's go back and look. The  
2 rate of business ownership, and this comes from the  
3 advocacy report as well, is that when we control for  
4 certain things, age and other things, that it's 45  
5 percent more likely to be self employed or small  
6 business owner than a civilian counterpart. So that  
7 comes primarily from the 2007 census data, I believe  
8 that's where that one was derived from. It may have  
9 been the other -- it may have been -- what's the other  
10 dataset that we use out of there?

11           CHAIRMAN FIELDER: Oh, I know --

12           MR. JEPPSON: The mortality rate on the  
13 businesses, so I'd have to go back and look where  
14 Syracuse came up with that one.

15           But it's like the total receipts. We both  
16 have datasets that give us different total receipts in  
17 a year and it depends on how we slice and dice that.  
18 So if I look at veteran owned small business, which is  
19 defined as 51 percent or more, it's about 1.2 trillion  
20 a year. If I look at veteran owned small business  
21 which includes half owned by veterans it's well over  
22 1.5 trillion a year. So you start to get into some of



1 these definitions but that's also census data as well.

2 CHAIRMAN FIELDER: Let me correct myself. I  
3 said data that was six to twenty-six years old. It's  
4 ten years and thirty years old data that's in that  
5 report.

6 MR. SOBOTA: Let me just also suggest, it's  
7 probably not the only -- like Jules said in answer to  
8 your question, we certainly wouldn't say make policy  
9 decision based on the final numbers of that report.  
10 But the actual numbers reported are perhaps less  
11 important. I mean, they're old, right? 2004 was the  
12 most recent in that. But it's the comparison of what  
13 happened between veterans and non-veterans during that  
14 time period. That's suggestive that something is going  
15 on and that's what we're really interested in. We're  
16 not trying to -- the 2004 data of and in itself has  
17 very limited use. That's really not what that report  
18 is good for. What that report is most useful for, I  
19 think, is the comparison of veterans and non-veteran  
20 owned businesses over that time period to suggest to us  
21 that there's something going on that we need to look at  
22 more carefully in maybe using a different dataset. But

1 I certainly wouldn't use 2004 data as current data, no.

2 CHAIRMAN FIELDER: And I'm not trying to put  
3 words in your mouth, Joe, but try to find a positive in  
4 this. This report may help use the census report in a  
5 year from now or early next year when it comes out to  
6 take a closer look at some of the indicators that came  
7 out of this report? Is that fair?

8 MR. SOBOTA: Certainly. We could -- we can do  
9 that. I would hope that we could update this report,  
10 too. Because see, one difference is, between the SBO  
11 and the SIPP or the one that Jules is talking about,  
12 the SBO is a snapshot. It just tells us what's going  
13 on in data year 2012, the one that's coming up. What  
14 we're trying to get out of SIPP is longitudinal. We've  
15 tried to look at what happens over a period of time.  
16 Not a snapshot but over a period of time and that's --  
17 that would be very valuable information if we could do  
18 that. Right now we have some limitations, the period  
19 of time we're looking at is relatively narrow, the data  
20 is older than we'd like. We're just kind of beginning  
21 this line of inquiry. I wouldn't look at 2004 data and  
22 draw too many conclusions by itself.

1           CHAIRMAN FIELDER:   Okay.

2           MR. SOBOTA:   The most important data source  
3 we're going to have coming up here is the new census  
4 data that will be released next year on 2012 data, the  
5 2012 data year.   That's going to be good data.

6           DR. LICHTENSTEIN:   And that's a snapshot also.

7           MR. SOBOTA:   That's a snapshot.

8           DR. LICHTENSTEIN:   It's not longitudinal data,  
9 it's not following these firms over that, you know,  
10 four year period.

11          MR. SOBOTA:   And I might add, the census will  
12 caution us not to do what I'm going to suggest because  
13 there are certain methodological differences between  
14 the 2007 and the 2012 survey.   For instance the number  
15 of business owners that are allowed to report is going  
16 up from three to four.   But it will still be  
17 interesting to look at and compare data in the 2007 SBO  
18 with the 2012 SBO.   So how many veteran owned  
19 businesses are there?   How many are women owned?   How  
20 many are minority owned?   What are their changes in  
21 sales after adjusting for inflation?   We may be able to  
22 get some interesting information about the effect of

1 the recessionary cycle because we're looking at a 2007  
2 dataset and a 2012 data set. We need to be a little  
3 careful about that because there are a couple  
4 methodological changes but there are some data elements  
5 that that won't make a lot of difference.

6 CHAIRMAN FIELDER: This report, it's going to  
7 be through 2012 and it's going to come -- you said it's  
8 going to --

9 MR. SOBOTA: It will be a snapshot of 2012.

10 CHAIRMAN FIELDER: Right. And it's on  
11 schedule?

12 MR. SOBOTA: Yes.

13 CHAIRMAN FIELDER: For 2015 release. What is  
14 that date?

15 MR. SOBOTA: Well, the census isn't going to  
16 give us raw data until November 2015. Unfortunately  
17 the veterans are at the end of a long list of other  
18 reports that come first. The first report I think is  
19 women owned businesses or it might be minority. But  
20 anyhow, there are some statutory reports that are at  
21 the head of the line, and then the veterans were at --

22 CHAIRMAN FIELDER: So it's a year off?

1 MR. SOBOTA: Yes, it's a year off now.

2 CHAIRMAN FIELDER: So when is the next time  
3 that you and Jules can come back to us and report based  
4 on this new dataset?

5 MR. SOBOTA: The next time that we can do  
6 what?

7 CHAIRMAN FIELDER: Report from that new  
8 dataset that's --

9 MR. SOBOTA: Oh, new dataset. Oh well, it  
10 would be in the -- right after the -- I would say  
11 January 2016. Yeah, January 2016.

12 CHAIRMAN FIELDER: I got it. Thank you.

13 MR. SOBOTA: Maybe December, maybe  
14 Christmastime 2015, we have a gift maybe.

15 CHAIRMAN FIELDER: Any questions for Jules and  
16 Joe?

17 MR. WYNN: I've got a quick question about --

18 MR. SOBOTA: Yeah, Joe is an expert at this so  
19 --

20 MR. WYNN: Yeah, right.

21 No, my question really is about the -- you  
22 know, we always hear about the number of businesses

1 that start up, it seems like a majority of businesses  
2 that start up fail in the first three to five years.  
3 Is that still a standard statistic and does that  
4 continue to be, you know, the view at this point in  
5 time? I mean, that's been -- we've been hearing that  
6 for years. I just wondered because there's such  
7 emphasis now in some of the SBA programs that help  
8 veterans start businesses. So I'm just wondering how  
9 that success rate --

10 MR. SOBOTA: Joe, you're quite right and  
11 that's a fair old statistic. And it's developed by the  
12 Department Commerce, it's online. And by the way,  
13 everything in this right here is online. But the  
14 number has not changed much over time at all, and  
15 generally speaking it's five percent -- or excuse me,  
16 five years, about fifty percent, about half of all  
17 businesses survive to five years. And there is a curve  
18 that's online and you can look at it and it just  
19 doesn't make a lot of difference over the years, it's  
20 always been about the same.

21 Now by the way, that doesn't mean that the  
22 businesses fail in the negative sense of the word, that

1 they go bankrupt or whatever. Sometimes it just means  
2 the owners decided to quit, do something else, maybe  
3 they were highly successful and were bought out. There  
4 are different reasons a business ceases operations and  
5 they're not all negative. So it just means that no  
6 matter what you do -- and it also, by the way, the  
7 economic cycle doesn't seem to have as big an effect as  
8 you might think. Some businesses might close earlier  
9 but at the end of five years you're still going to be  
10 at the same point that that number has always been.  
11 I've looked at those numbers over the years, they don't  
12 change very much.

13 CHAIRMAN FIELDER: Any other questions for Joe  
14 and Jules?

15 (No response.)

16 CHAIRMAN FIELDER: Thank you. Thank you very  
17 much, Joe.

18 MR. SOBOTA: Let me put one little hitch in  
19 here. If anybody here -- this is a likely group -- has  
20 ideas for economic research let us know. Let Rhett  
21 know. He knows how to get a hold of me. Because  
22 annually, subject to the availability of resources, we

1 let a new round of contract research out and the boss  
2 is always looking for new and interesting ideas. So if  
3 you think of something that you'd like to have us look  
4 at we're certainly open to hearing your suggestions,  
5 okay?

6 MR. ROCKEFELLER: Would an access to capital  
7 study be appropriate, if it's kind of themed?

8 MR. SOBOTA: I think we already have quite a  
9 few of those. But we're -- yeah.

10 CHAIRMAN FIELDER: And it --

11 MR. JEPPSON: I think that we're -- you know,  
12 not today but that's certainly one of the areas. I  
13 think we could really dice that one and have some very  
14 specific things we look at, especially with the change  
15 in the markets and some of the things you highlighted  
16 here.

17 There's always been a barrier to capital, one  
18 that we should look at, but how does it change? How  
19 does the small dollar affect -- you know, I think that  
20 we could take a hard look at that. And we actually  
21 have some money that we need to coordinate with you,  
22 Joe, because we've got some research dollars out there



1 now.

2 MR. SOBOTA: We'll take it.

3 (Laughter.)

4 MS. ROTH DOUQUET: Can I --

5 CHAIRMAN FIELDER: Go ahead, Kathy.

6 MS. ROTH DOUQUET: This would be very  
7 interesting to represent for the Blue Star Families. I  
8 don't know with the census data, if there's any way to  
9 look at people who are married to active duty, guard or  
10 reserve and the degree to which they are filing as  
11 1099s or filing as people who are getting income as a  
12 sole proprietor or with a business. Is --

13 MR. SOBOTA: We will have reserve data. I  
14 don't -- frankly we haven't seen a census report yet so  
15 I'm just speculating. There probably is a way to  
16 cross-tabulate with family that they do have a data  
17 field for family's involvement in the business.

18 MS. ROTH DOUQUET: Not in the business. But  
19 if you're a military spouse, so you know, you're filing  
20 jointly, one person said their occupation is military.  
21 So then the spouse, to what percent -- we're finding  
22 that a majority of spouses of military are saying that

1 they are or wish to be self employed. So to track that  
2 from the survey data just to see if that --

3 MR. SOBOTA: I'll certainly look at this when  
4 -- I'll look at the 2007 database which is much larger  
5 than this book --

6 MS. ROTH DOUQUET: Yeah.

7 MR. SOBOTA: -- and just see whether there's  
8 anything in there that might be helpful. And of course  
9 when the 2012 comes out, we know we're going to have  
10 some new data available on reservists. But I think the  
11 question that you ask about spouses, I should be able  
12 to figure out from what they've already done in 2007.

13 MS. ROTH DOUQUET: Yeah.

14 MR. SOBOTA: Thank you for asking the  
15 question, you know, that's a good question.

16 MS. ROTH DOUQUET: That would be very useful  
17 to us.

18 MR. SOBOTA: I'll take a look at that. I  
19 haven't been asked that question before. That's good.

20 MS. ROTH DOUQUET: Great. Thank you.

21 MR. JEPPSON: Did you -- on that same note,  
22 though, if you took a look at that, you know, I mean,

1 obviously get Kathy's card but hit me up as well. We  
2 talk frequently about this, this is a high interest  
3 area for my office right there.

4 MR. SOBOTA: Excellent. Excellent, we will.  
5 We're very excited about the -- for the first time ever  
6 having data on the reservists. And I wish some years  
7 ago that we'd had this when -- at the height of the  
8 deployments. This was a big, big issue.

9 MR. JEPPSON: Thanks, Joe.

10 CHAIRMAN FIELDER: In an attempt to get  
11 everybody lunch and be reasonable about that, I think  
12 we have -- I've got 12:25. Can we be back in this room  
13 at 1:30 and start with her and then we'll catch up with  
14 you guys?

15 (A lunch break was taken.)

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1                   A F T E R N O O N     S E S S I O N

2                   CHAIRMAN FIELDER: We're reconvened.

3                   We're going to go ahead and Barb's going to go  
4 first and then we've going to get the update on VBOC  
5 and OVBP, excuse me, from Rhett. And then we're going  
6 to go to our moment to talk about what we want to do  
7 next year and about the report for this year.

8                   Barb?

9                   MS. ASHE: I'm on? Great.

10                  CHAIRMAN FIELDER: Do you need a formal  
11 introduction?

12                  MS. ASHE: I'm perfectly fine. Hang on to  
13 your hat.

14                  CHAIRMAN FIELDER: You can introduce yourself.

15                  (Laughter.)

16                  BARBARA ASHE, EXECUTIVE VICE PRESIDENT

17                  MONTGOMERY COUNTY CHAMBER OF COMMERCE

18                  MS. ASHE: Good afternoon. Thank you for  
19 inviting me to come speak with you. This is pretty  
20 exciting. We have some familiar faces here, I've  
21 interacted with some of you folks through the years,  
22 right? And so it's great to reconnect.

1           I'm Barbara Ashe, I'm the Executive Vice  
2 President of the Montgomery County Chamber and I'm also  
3 President of our foundation that runs the Veteran  
4 Institution Procurement, which is really why I was  
5 invited here today. So I just wanted to share a little  
6 bit about what VIP is. We have a graduate here, Mr.  
7 Bailey is in the house.

8           (Laughter.)

9           MS. ASHE: So certainly he could probably, as  
10 a first-hand experience and knowledge, give a better  
11 description, really. It's designed for the veteran  
12 business owner but we've been doing the program since  
13 2009 locally, it went national in 2011. We have 348  
14 graduates from 29 states, it's a national program. We  
15 are very excited that we've been doing only one program  
16 for the last two years, only 50 companies have been  
17 able to come through.

18           We pick up a hundred percent of the costs so  
19 we've been doing it through fundraisers, friends and  
20 family, anybody I know has been hit up. And that's how  
21 we've been funding it since 2009. So we're very  
22 excited that with a cooperative agreement through SBA

1 we can now service 150 companies over the next 12  
2 months. We have our incoming class this October, we  
3 already have 50 in the class, already taking  
4 applications for March and June. We're almost at 800  
5 applications since the launch of the program.

6           And it's unique in the marketplace. I haven't  
7 seen anything like it yet. We started locally to sort  
8 of solve a problem we saw, you know, just here at the  
9 Montgomery County Chamber working with businesses and  
10 soon we found out that it could serve a much broader  
11 group of veterans. It focuses in one -- it's very  
12 unique, it's just for veteran owned businesses that are  
13 small that sell to the federal government. And our  
14 goal is to scale them, accelerate their growth. We  
15 don't plant the seed, that's what -- you know, I'm so  
16 glad to partner with Boots 2 Business, but we -- you  
17 know, we continue to water the plant and to make sure  
18 that they go to harvest with employees and growth. So  
19 that's really the market segment we serve.

20           There's a couple of qualifiers for VIP. You  
21 have to be in business two years, have three full-time  
22 employees and already have business either as a sub or

1 as a prime with the federal government. You can have  
2 other business but you have to -- so we're not teaching  
3 you how to get started or how to understand the initial  
4 phase of government contracting.

5 We encourage those that are interested that  
6 don't meet those qualifiers to use the resources that  
7 already exist through PTACS, through SCORE, SPDC, those  
8 resources are out there. But then where do you go when  
9 you have ten, fifteen, twenty employees and have seven  
10 contracts, and all of a sudden you're at a different  
11 phase in your development and growth, have different  
12 risk factors, and that's where we come in. And I'm  
13 pleased to report that we survey our graduates one year  
14 after graduation and on average they grow 44 percent.

15 MS. CARSON: Wow, that's amazing.

16 MS. ASHE: It is amazing. And that's why we  
17 do it.

18 We have no employees. It's a -- right, it's  
19 all volunteer. And I'm looking at Robert because he  
20 got a phone call from me. I go back to my successful  
21 veterans, right? And we ask them to share lessons  
22 learned and we go to the business community. We seek

1 out the best in the world at what they do. We have  
2 three days of instruction at the Bolger Center which is  
3 where the National Center is headquartered. It's an  
4 83-acre campus with -- it's a training facility owned  
5 by the United States Postal Service in Potomac,  
6 Maryland. It has 500-room hotel. As I mentioned, we  
7 pick up the whole cost except for transportation. The  
8 veteran does have to get to us but once they're there  
9 they stay with us for three days at no cost, meals and  
10 hotel and training.

11           It's set up perfectly, it's got a good  
12 cafeteria and it's set up for training rooms. And so  
13 that's where we run the program. And we have in 27  
14 hours of instruction about 28 instructors. And the  
15 curriculum is based on market-based instruction. We  
16 don't have any professional instructors. We take  
17 people out of what they do best, usually in the  
18 consulting area or they're business owners and we  
19 determine what topic we need and who's the right person  
20 and that's who we go after and get on their schedule.

21           So you know, you might just talk for 20  
22 minutes, you may talk for an hour, but it's really



1 getting the best of your thinking and guidance on a  
2 specific topic.

3           The curriculum is really -- as I mentioned  
4 it's market based but also it's internal and  
5 operational control based. We do have a small segment,  
6 a few hours on market analysis, business development  
7 capture, but the other 20-some hours is really about  
8 internal and operational controls. Trying to reduce  
9 the risk, as you scale your risks go up. And how do  
10 you -- if you put in a strong infrastructure,  
11 operations that can handle the growth.

12           The worst thing I can do is, you know, have  
13 you win something and your infrastructure can't handle  
14 your operation, your program controls cannot handle  
15 that growth and that's where you usually get into  
16 trouble, you know, is when you're juggling multiple  
17 contracts, employees in, you know, five different  
18 states and now you're dealing in financing and it just  
19 goes from there. So it's really hard to scale if you  
20 don't know -- if you don't have an infrastructure that  
21 can easily plug and play into those wins.

22           And so that's why I think our veterans that

1 come through the program do well, is because they get a  
2 really good foundation and a structure that can just  
3 keep scaling and they scale fast because of that.  
4 Because when you win you have to focus on the customer  
5 but if you don't have the operations to take it then  
6 now you can't help the customer and now you can't go  
7 after new work and you're too busy doing operations  
8 when you should just start with the infrastructure so  
9 that it can -- you can just keep going, you know.  
10 Because that's what usually happens.

11           You know, you win, you have past performance,  
12 you have relationships, you know what you're doing and,  
13 you know, take that momentum. Take that wave. And so  
14 that's what we focus on in the VIP program.

15           So I don't know if there's any questions? I  
16 certainly want to yield to our VIP graduate that's  
17 sitting here at the table for any other --

18           CHAIRMAN FIELDER: What does VIP formally  
19 stand for?

20           MS. ASHE: Veteran Institute for Procurement.

21           CHAIRMAN FIELDER: Got it.

22           MS. ASHE: And we just short VIP.

1           MR. JEPPSON: I'm sorry if I spaced it out at  
2 the beginning. So you guys are -- how are you with the  
3 Montgomery Chamber of Commerce? What's their function  
4 to you?

5           MS. ASHE: Their function to me is they're my  
6 employer.

7           (Laughter.)

8           MS. ASHE: That's my paying job and then I do  
9 the VIP for fun.

10          (Laughter.)

11          MS. ASHE: Yeah. So that's the relationship.  
12 Now the Chamber is a foundation where we run a number  
13 of programs, not just VIP. We have five different  
14 programs coming through our foundation. I run the  
15 foundation, I am the President of the foundation, I do  
16 not receive a salary from the foundation.

17          MR. EVERSOLE: You're in the same boat.

18          MS. ASHE: Yeah.

19          MR. EVERSOLE: Except I'm on the national  
20 side. I work for the --

21          MS. ASHE: The U.S. Chamber, yeah.

22          MR. EVERSOLE: Exactly.

1           MS. ASHE: Same thing. And we've worked with  
2 the -- we've got an award, it's on our website, the  
3 Valor Award, thank you, from the U.S. Chamber  
4 foundation. So and we have partnered with you all of  
5 course in Hiring our Heroes. So we've had our VIP  
6 graduates who have scaled and go to -- you know, to the  
7 hiring fairs.

8           MR. EVERSOLE: Yeah, exactly.

9           MR. BAILEY: I think just as an add-on,  
10 Barbara, for Rhett's education, I might have spoken to  
11 you about this before. As a graduate of both programs,  
12 Entrepreneur Boot camp Syracuse Group and Barbara's  
13 team, I would tell you that the transition through both  
14 as a veteran both helped me. I mean EBV aligned you  
15 with the foundation of, well, I think I want to do  
16 something but you're not quite sure what you want to  
17 do. You go out and start doing something, make  
18 something happen, you start to get traction.

19           And as Barbara alluded to, the fact that, oh,  
20 we've got our contracts and we're starting to scale up,  
21 and then they come in with those, you know, best  
22 practices of internal controls. And I think it's a

1 wonderful marriage of how that goes. I don't know if  
2 there's something out there to -- for the veterans to  
3 know, hey, there is something out here that -- you  
4 know, the Veteran Institute for Procurement, that can  
5 help you with those internal controls.

6 But as I go around, that's one area where  
7 veterans are really struggling at, is really, you know,  
8 understanding what does it mean? How do you put  
9 together competitive pricing? What are indirects? How  
10 do you manage that to be not only for the here and now  
11 but how do you really strategically plan to go forward  
12 with the statements?

13 And definitely some good instructors come  
14 through that. Building value in your business, there's  
15 a lot of good things that come out of that short window  
16 of education. I thought it was really helpful.

17 MR. MUELLER: Where do you draw your folks  
18 from that come to this? Since Montgomery County is  
19 obviously not Alabama or anywhere down south, so where  
20 do you get people? Do they come from other parts of  
21 the country?

22 MS. ASHE: We have 29 states that have sent us

1 veterans. So on this incoming class we have our second  
2 incoming from Hawaii. We have graduates from Alaska,  
3 California, Florida, all over.

4 MR. MUELLER: All two of them from Alaska?

5 (Laughter.)

6 MS. ASHE: There's quite a few. There are  
7 quite a few from there.

8 MR. BAILEY: I had Mississippi, you name it --  
9 in that class. You name it, just --

10 MS. ASHE: Yeah.

11 MR. BAILEY: Everyone had different  
12 commodities that they specialized in. It was a pretty  
13 good, well diversified class.

14 MS. ASHE: And so how we -- how they find  
15 their way to us, which is a really good question  
16 because we don't spend a dime on marketing, I mean I  
17 have a flyer and a website -- it's word of mouth. It's  
18 word of mouth.

19 MS. ROTH DOUQUET: It's a great ROI you have  
20 there. It's pretty amazing.

21 MS. ASHE: It is.

22 MR. MUELLER: But the Agency is like the GSA

1 and all the contracting people that do all that work,  
2 do they promote your business?

3 MS. ASHE: They promote the program. So I  
4 work -- I do present usually annually at the -- the  
5 OSDBU Council meets periodically and Maurice Yoverra  
6 has been the council chair. There's OSDBU, USAID, and  
7 so I use that as an opportunity. I get five minutes  
8 and it's all -- and there are maybe 20 different OSDBUs  
9 in there and I can put in a plug, you know, and they  
10 know we're a resource. I go to the Veterans  
11 Conference.

12 MR. WHITE: Like in Atlanta this coming year?

13 MS. ASHE: That's right. I've been to, you  
14 know, St. Louis and New Orleans and so I network and  
15 spread the word. I go up and down the 500 booths, you  
16 know, and just work it, work the line, right? You  
17 know, and spread the word when I'm there.

18 I also work closely with the primes and --  
19 because even though they may have a Mentor Protégé  
20 program that they're very proud of, you can't ask  
21 anybody at Lockheed Martin actually how they do  
22 accounting. Somebody does it and it gets done, right?

1 You know? And so they teach things that I don't, you  
2 know, and so they really appreciate.

3 And most of what we do will reduce the risk of  
4 doing business with a veteran. And so they love it  
5 because, you know, who isn't risk adverse, you know,  
6 from a customer standpoint to the agencies appreciate  
7 it as well as the prime. So I get referrals from --  
8 Lockheed sends -- if you type in -- if you go into  
9 Lockheed Martin's website or Google it and put in  
10 "veteran," VIP pops up. So I get a lot from Lockheed  
11 Martin because of the positioning they gave us on their  
12 website.

13 I get a lot from L-3 booths, you know, the  
14 primes. Word gets out, you know, through the primes.  
15 So that's how -- SBA, we've been getting -- so you must  
16 have done something because on our application I've  
17 been getting them from SBA in the last couple weeks.  
18 Something must have happened. I mean, we had a press  
19 release, right, and so we're getting a handful now, now  
20 that we have this, you know, closer relationship with  
21 SBA.

22 We ask them because it tells me where we're



1 effective, but the majority, bar -- anything else is  
2 from graduates.

3 MS. ROTH DOUQUET: You should ask for a -- for  
4 five percent of the margin in their business in the  
5 second year after they take your program as a fee and  
6 reinvest it in the program.

7 MS. ASHE: Oh, I make them work.

8 (Laughter.)

9 MS. ASHE: He's already been there.

10 (Laughter.)

11 MS. ROTH DOUQUET: Forty percent increase,  
12 that's an amazing result.

13 MR. BAILEY: Yeah, when I went into the  
14 program I had four employees, about 200-something K  
15 revenue. I'm now 25 employees and we're a mil in  
16 revenue. So we've got multiple contracts, handling one  
17 at the time dealing with prime -- I mean, I'm subbed to  
18 major primes around the beltway that she named and  
19 more.

20 MS. ROTH DOUQUET: That's great.

21 MR. BAILEY: Yeah. Solid.

22 MS. ASHE: So it's -- you know, as long as it

1 works we'll do it. We survey it constantly, I'm big on  
2 data metrics as Robert knows.

3 MR. BAILEY: Yeah.

4 MS. ASHE: You know, because of their ROI, it  
5 gets me up in the morning and keeps us going and works.  
6 And you know, we have applicants that just find their  
7 way to us and there's no shortage of that. We're  
8 constantly retooling, the curriculum has never been the  
9 same for any one class. And we have a curriculum  
10 committee, Robert just joined it. We have a  
11 representation of industry, graduates that help advise  
12 us on curriculum, what's relevant in the marketplace.  
13 And then my role is to pull it together, you know, to  
14 put a -- you know, put action around it, put the  
15 program around the ideas and deliver it.

16 MR. MUELLER: Do you adapt your programs to --  
17 your curriculums to the audience that's coming there or  
18 do you -- is it just -- I mean, I'm just thinking about  
19 the variety and different types of subs or primes that  
20 will show up. I mean, primes that would -- subs --  
21 this is all for veteran owned businesses, right?

22 MS. ASHE: Uh-huh.

1 MR. JEPPSON: It's government contract.

2 MS. ASHE: U.S. government.

3 MR. JEPPSON: It's all government contract.

4 MR. MUELLER: Do you adapt it based on the  
5 audience that's going to be showing up for your program  
6 or you just --

7 MS. ASHE: The curriculum itself is not --  
8 does not adjust. We know who's coming as we get closer  
9 but the curriculum is more generic. As Robert  
10 mentioned, right now it is our dream someday we'll have  
11 enough resources to have VIP construction, VIP global,  
12 VIP manufacturing. But right now -- you know, and  
13 technology. But right now they're all in the same  
14 class. And so it is more uniform in terms of best  
15 practices.

16 We do have -- now that we have a class that's  
17 been accepted and onboarded for October session, we're  
18 pulling all the data on them that we have and we share  
19 it with the instructors. And our expectation is that  
20 they will adapt their presentation for the audience.

21 MR. MUELLER: Okay.

22 MS. ASHE: Their topic doesn't change but now,

1 now that you know what you know, now you can shape your  
2 remarks appropriately. And so that's -- and so we're  
3 actually doing that in the next couple of days, they'll  
4 get that from us and then that gives them about a month  
5 to fine tune. And materials may be different.

6 I will share with you, the average out of the  
7 348, take an average of how many years they've been in  
8 business, how many employees, on average they've been  
9 in business six and a half years or have ten or fewer  
10 employees. This last class we had which -- you were  
11 2013?

12 MR. BAILEY: 2012.

13 MS. ASHE: 2012, you were two years ago.

14 Last year's class, 2013, the statistic there  
15 is that they had been in business an average of ten  
16 years and had twenty-two employees. That's just fifty,  
17 you know.

18 So then this year, you know, I just got some  
19 quick statistics, we just finalized the class two days  
20 ago. It's almost identical to last year's class, on  
21 average they have 26 employees, so about the same, and  
22 have been in business about ten years. So I'm guessing

1 that's going to start impacting the -- you know, the  
2 bigger number.

3           So I don't know, we're watching that. I've  
4 had some theories on why we're seeing larger -- they're  
5 still small, you have 20 employees you're still pretty  
6 small out there in the marketplace -- is that it could  
7 be that we finally have developed a reputation in the  
8 marketplace and they now -- you know, maybe they  
9 thought, oh, I don't need that, you know, that's for a  
10 really startup. You know, I've got three wins under my  
11 belt, I don't need to go. That could be one idea.

12           The other is that the market got pretty  
13 competitive. So the last two classes, 2013 -- because  
14 we've only been able to do it once a year. The average  
15 jumped up in terms of size of company and years in  
16 business. So we'll see. We have a class that we're  
17 already onboarding for March and June, and so I think  
18 having more classes will have a better sense. But I  
19 think it's probably a little bit of column A, column B.

20           But you know, it takes a few years to be in  
21 business before you have an employee which is probably  
22 a good thing, you know. And so with having to require

1 that you've got -- and we don't count 1099s or part-  
2 time, it has to be two -- three FTEs. So you know, it  
3 doesn't surprise me that it's -- the average is six and  
4 a half years when you have three full-time employees.  
5 That's about right.

6 I think my work in the Chamber and the fact  
7 that we're in Montgomery County, which is number two in  
8 the nation in the number of small businesses that sell  
9 to the federal government, and I have run our  
10 government contracting program for 12 years there,  
11 informs me and keeps me at the post of what I do in the  
12 VIP, in the veterans program. So it would be -- it's  
13 not so out of the park that you've got a local chamber,  
14 that local chamber that happens to be located in the  
15 epicenter of government contracting and -- you know,  
16 and so we had an awareness, a knowledge, an  
17 understanding of how to help companies. And you know,  
18 it was just a matter of packaging it for veteran small  
19 business. So it's what we do and know how to do and we  
20 have the right people here.

21 So we were contacted with we did it locally  
22 for two years out of the Clark Construction is

1 headquartered in Bethesda, and they have a conference  
2 room that they donated, you know, that we could use.  
3 So we did it from 5:00 to 8:00 o'clock at night on  
4 Tuesday nights and did that for a couple years there.  
5 But right away we started getting calls from veterans,  
6 word of mouth, how do I go? Well, it was every other  
7 Tuesday for three months, you know, and it was like,  
8 well, you really -- you know, it's not set up that way.

9           And so then we got, you know, Congressional  
10 members calling us thinking we were -- you know, got  
11 federal funding, you know, gosh darn it, give me one of  
12 those. How do I get one, you know? I'll tell you how  
13 you get one.

14           And so then we started thinking well, this --  
15 how do we have this so it can go on the road? So we  
16 tried taking it on the road and I didn't get but four  
17 weeks into trying to do it. And what happens is you  
18 don't have the same capability in St. Louis and  
19 Minneapolis and Texas. You can't find 28 of the best  
20 people in the world on federal procurement.

21           And then when I started talking about my folks  
22 getting on the road, these aren't -- whoa, wait a

1 minute, you're talking about three days out of town on  
2 a plane. I can send so-and-so. I was like, I don't  
3 want so-and-so. You know, I want you. Well, I can't  
4 be out of the office three days, I know what that's  
5 going to cost me. You know, or I can't give up three  
6 days, you know, I've got client meetings.

7           And so it -- so then we started thinking,  
8 well, it's right. It's sort of like the Olympic  
9 training center is in Park City, Utah for a reason.  
10 It's not in -- you know, not done in Gatlinburg,  
11 Tennessee. I know they've got a ski lift there but  
12 it's not where you would go to train at that most  
13 competitive level. And that's really where we are in  
14 federal procurement, it is that competitive. And  
15 unlike Olympics -- you know, they get second and third  
16 place -- it's just win or lose here.

17           So having the National Center here in the  
18 Washington area is where it should be, you know, for  
19 federal procurement. And so we just leverage, access  
20 and knowledge. And we -- and the reason why I think  
21 veterans are the right group for it is because they  
22 already know the customer, they work for the customer.



1 They're called a mission in their DNA and so they  
2 already have an edge with any other small business  
3 socioeconomic group. They get it. You know, they get  
4 it to a core.

5 The one disadvantage they have is the stuff we  
6 teach you learn over time, and sometimes decades. And  
7 if you've been busy protecting your country and another  
8 country, you haven't had the benefit of, you know,  
9 learning from a father's business or mother's business  
10 or a brother or friend seeing how -- what a bad teaming  
11 agreement looks like or what a good attorney should say  
12 and do. And so you learn by doing.

13 And so what we do is we try and accelerate  
14 that. We show them what the best looks like, we teach  
15 them what questions to ask and, you know, you don't  
16 know what you don't know. So that you can go back to  
17 St. Louis, you can go to Tennessee and have awareness  
18 as to who your experts are that are advising you and  
19 the landmines that -- you know, the business landmines  
20 so that you don't have to fall on them and find out  
21 about it. Because that's really how it happens is,  
22 over time you learn don't go left, don't go right,

1 don't go left, don't go right. And we just shorten  
2 that learning curve.

3 MS. ROTH DOUQUET: Is there an application  
4 process?

5 MS. ASHE: There is. It's an online  
6 application and it takes about two minutes. We gather  
7 as little information as we -- we only gather what we  
8 need.

9 MS. ROTH DOUQUET: And what percentage of  
10 applicants participate?

11 MS. ASHE: That's a good question. We have --  
12 we will have 400 with this new class coming in and I  
13 have about 807 applicants, so it's about 50 percent.

14 MS. ROTH DOUQUET: Right. And is it largely  
15 self-selecting? In other words, is it pretty clear if  
16 someone is qualified to do it and that's who goes or do  
17 you have to actually make some cuts?

18 MS. ASHE: Oh, we -- yeah, so out of 800  
19 applicants only 300, you know, 400 made it there.

20 MS. ROTH DOUQUET: But I mean, are all of  
21 those applicants qualified?

22 MS. ASHE: Oh, no. I mean, there's a waiting

1 list and so -- which is now -- is great because  
2 normally you have to wait a whole year.

3 MS. ROTH DOUQUET: Right.

4 MS. ASHE: So now we're enrolling March and  
5 June which is so exciting. I mean, I don't know, can  
6 you tell I'm excited? But anyway -- because I really  
7 feel bad telling somebody that they -- they come back,  
8 they go, when's the next class? You say, October 2015.

9 MS. ROTH DOUQUET: Right.

10 MS. ASHE: Really? October? Yeah. It's  
11 going to take me all year to raise the money, you know,  
12 because we do it -- you know -- and that's if I raise  
13 the money we'll do it next year and I'll call you, you  
14 know?

15 MS. ROTH DOUQUET: So you try to get all the  
16 qualified people eventually in a class?

17 MS. ASHE: Oh, yeah. I mean, we go back -- so  
18 you're on a waiting list. So we go back to the ones  
19 that didn't make it in so we actually have folks coming  
20 in this October that were in the waiting list last  
21 year, we go there first. And also I go back -- this is  
22 -- I'm glad you brought it up because I would want to

1 mention that, if you didn't make it in and applied  
2 let's say in June, you get a note from me saying why  
3 you didn't. You know, first you didn't have the full-  
4 time employees or -- I also send them back their  
5 application because you can make a mistake. I mean,  
6 it's a thing, you're on a keyboard. This is your  
7 application, this is why we made this decision. You  
8 didn't -- is there anything wrong with it? Or did you  
9 grow?

10 MS. ROTH DOUQUET: Right.

11 MS. ASHE: So hey, you won your contract and  
12 I picked up five employees. You're in.

13 So they see their application again and we  
14 figure out there's that. And if they say no, you know,  
15 no change, that's it, then we go back to them first  
16 before I take anybody else for March.

17 MS. ROTH DOUQUET: That's nice.

18 MS. ASHE: To say, did you change? Did you  
19 grow? Before we take somebody who just applied today.

20 MS. ROTH DOUQUET: And if money were no  
21 object, how large would you like your class to be? How  
22 many people would you like to have going through this?

1           MS. ASHE: I'm glad you -- we choose only to  
2 have 50 for a couple of reasons. It's an interactive,  
3 you have executives like Robert who are there who, you  
4 know, they know -- I mean, they're in business. They  
5 have -- you know, it's an interactive. They're going  
6 to not -- I shouldn't say challenge but they're going  
7 to follow up questions and you learn a lot from each  
8 other. And so it's not a lecture hall setting.

9           Here's a -- they brought up the Power Point, I  
10 don't know if you can clicker, you can go through and  
11 kind of see a classroom in there.

12           MS. ROTH DOUQUET: Yeah.

13           MS. ASHE: There they are in front of -- at  
14 the Bolger Center in front of the steps at one of the  
15 buildings. You can see the classroom, there's the  
16 Bolger Center's campus. There's the classroom on the  
17 bottom left. We have a graduation ceremony at the very  
18 end where they get a Congressional citation from their  
19 Congressional member. So we reach out to every one of  
20 the incoming graduates' Congressional member to let  
21 them know that they have a company in their district  
22 coming to this class. Would they like to provide a

1 letter, citation? We give them different choices. We  
2 do that so that they will have a resource when they go  
3 back, make a friend before you need one is one of our  
4 mottos. And so this is a great way, if you don't know  
5 who your Congressional member is to let them know that  
6 they're a stakeholder in your success.

7           And then we have keynote lunches at -- you  
8 know, so they're there for three days and, you know, we  
9 have different keynotes. And so we're pretty busy the  
10 whole time.

11           CHAIRMAN FIELDER: Yeah, you are busy.

12           MS. ASHE: Yeah. So that's sort of what it  
13 looks like. I like having it away from Washington, I  
14 don't know if I'd be able to -- we do take attendance.

15           It's mandatory attendance and if you miss more than  
16 one session you are asked to leave. It's a deal you  
17 make with the foundation because we pay for it, and you  
18 have actually taken the seat of another veteran. My  
19 assumption is that you're committed to those three  
20 days, that you'll show up. I've got volunteer  
21 instructors who are leaving their business to help you,  
22 and that you will be in the class when we take

1 attendance. And if you're not -- if you miss more than  
2 one session then we give you -- you know, we give you a  
3 warning before you get there.

4 MR. MUELLER: And that includes the ones who  
5 just drop in and drop out, I guess you -- some people  
6 will come to those things and they walk out or go for  
7 two hours.

8 MS. ASHE: Never happened.

9 MR. MUELLER: Good for you.

10 MS. ASHE: Never happened. We never lost  
11 anybody. And in five years nobody has ever not come  
12 back. Now we -- there's been death in the families,  
13 things happen.

14 MR. MUELLER: Well, I'm talking about people  
15 that get sidetracked with stuff and they --

16 MS. ASHE: I had one person last year, no two  
17 years ago, that had a business crisis and I didn't ask  
18 what it was. And -- but they can't come back and he  
19 knew that. So I'm not -- you know, he took a seat.  
20 You know, if you have a death in the -- personal, the  
21 foundation will pick up the tab again to come back.  
22 But if it's a business reason, we're all busy people.

1 You're very busy and, you know -- right?

2 MR. MUELLER: That's right.

3 MS. ASHE: So I've only had that happen once  
4 and that was last year. But it was -- I'll just point  
5 out that last year we did this -- the VIP October was  
6 October 15th, 16th and 17th during the government  
7 shutdown. Yeah, I've been through it all. Yeah. So  
8 I'm sure he had a crisis and so it was not a -- it was  
9 the toughest thing I've ever done. Three days with 50  
10 government contractors. Yeah.

11 MR. MUELLER: Well, if they had nothing to do  
12 they had nothing to do so why --

13 MS. ASHE: Well, you're managing -- oh --  
14 (Laughter.)

15 MR. JEPPSON: Keep the contractors working  
16 because, yeah, contractors are obligated.

17 MS. ASHE: Whoo, it was a whoo, yeah.

18 MR. BAILEY: It was tough.

19 MS. ASHE: So I called my curriculum committee  
20 and we had, you know, powwows at midnight, you know.  
21 Not that I was losing instructors so much as, you know,  
22 what's relevant? So we had to retool the curriculum.



1 Now we have to teach them how do you go through a  
2 shutdown. How to find instructors that knew shutdown?  
3 Because now this is what's relevant in the  
4 marketplace.

5           So there we were at midnight because you  
6 didn't know when they were coming back. So we were in  
7 -- on the 17th they came back in business, but that's  
8 the day -- that's our last day. So these are the kind  
9 of things that we react to. But he had a crisis and  
10 I'm guessing that's why I had my first one in five  
11 years.

12           MR. JEPPSON: So if I could, one of the  
13 reasons why we funded this is that -- you know, so we  
14 thought that it had enough value that it ought to be  
15 done three times a year. So the grant currently is for  
16 three years so they can pull off three events per year.  
17 You know, that will get us 450 graduates over the next  
18 three years.

19           We want the lessons learned out of this as  
20 well. And as part of the grant there's some reporting  
21 that's due back. So what we see is that, you know, in  
22 the District here, you know, the greater metropolitan

1 area there is a huge focus on government contracting.  
2 When we look in SAM, the database where all the  
3 contractors register to do business, by far and away  
4 the largest concentration of veteran owned small  
5 businesses wanting to do business with the federal  
6 government here, it's overwhelming. So let's, you  
7 know, provide services where they're valuable to the  
8 people.

9           But as we look at Boots 2 Business and what it  
10 means for the veteran entrepreneur, it's at this point  
11 -- Robert was talking about this -- the echo system, if  
12 you will, of startup, you know, Boots 2 Business is  
13 focused on the startup. What are the next milestones  
14 where we begin to affect the veteran's scope. So when  
15 we look at where we might take some lessons learned  
16 where the focus is different. If you go to New York or  
17 you go to San Francisco it's very much a tech savvy  
18 startup, scalable, will interact more with venture  
19 capital. In the heartland the needs are a little bit  
20 different from some of the companies. So we'll look at  
21 these kind of centers of excellence or where we've  
22 positioned these.

1           But it's that we help veterans in small  
2 business go from startup to where the next step is.  
3 SBA in total is looking at how they do it but we want  
4 to be veteran specific with some of these things here.

5     So with SBA here, you know, we have the SBDCs and the  
6 network there that scale up, and then E-200 which takes  
7 you from 50 employees to, you know, a large. So we  
8 want to provide some type of ladder in the  
9 entrepreneurial development for our veterans, tailored  
10 somewhat specific because different parts of the  
11 country have different focuses, you know. But you  
12 could travel as -- it's not regionally exclusive.

13           But you know, if I'm talking about tech  
14 startup, you know, New York and California is where it  
15 happens. That's where the venture's at, that's where  
16 the people know. Just like government contracting  
17 here, government contracts all over the world but the  
18 epicenter is here. So we want to have that focus.

19           And as we look at that also, is it built into  
20 the access to capital piece here? So we want to have  
21 all of that in some type of cohesiveness, if you will,  
22 that we just don't do one piece for you and let you go,

1 or at least we're active in networking you to the other  
2 pieces necessary for the growth of your company that  
3 provides an environment where it's supporting the  
4 veteran as they start, grow and scale their business.  
5 Not that we can do it for them, you're individuals,  
6 success will be based on you and your effort. But  
7 where can help connect the dots for you and provide  
8 some milestones like this.

9 I mean, you look at the average cost now with  
10 what we've got, we're going to be somewhere's in the  
11 neighborhood of about -- I think it's about \$2000 that  
12 we put in for everybody here. That's a pretty good  
13 investment when you look at what happens on the  
14 company, and then the ROI the government will make  
15 back. You know, we get better educated contractor  
16 veterans in this space, but increased revenues too for  
17 our veteran small business owners. So for us it's a  
18 good thing.

19 MS. ASHE: One thing I'd like to just -- we  
20 talk about the return on investment and the one thing  
21 that we started learning is that we -- of course we  
22 were focused on the growth, right? You know, if we're

1 successful they will grow, let's measure that. You  
2 know, let's backtrack. What we found out is that we  
3 were also saving companies. So how do you measure what  
4 doesn't happen, right?

5           You know, so we started hearing from them, you  
6 know, well, I didn't grow but let me tell you, I also  
7 didn't go out of business because of what I learned.  
8 So we started tracking also a statistic how you change  
9 the way you do business. Because that's just as  
10 impactful. If you've got 12 employees and assets on  
11 the ground, you know, you don't want to -- that's  
12 actually more important. And so 82 percent of the  
13 companies come back last year and told us that they  
14 changed the way, in a significant way, that they're  
15 operating and doing business.

16           So you know, it's hard to know. And hopefully  
17 they'll be a part of -- they might have grown too, but  
18 we weren't asking. You know, we were focused on the  
19 growth and not, you know, gee, you know. Because  
20 oftentimes the things that will get you in trouble can  
21 do you in.

22           Anyway, I just wanted to point that out, that

1 we track. We hope they stay in business, the goal is  
2 to keep them in business and have them grow.

3 MR. JEPPSON: We're believers, we're excited  
4 about it. We think that it has a lot of applicability  
5 to the other areas so that's why we decided to make a  
6 grant, an investment if you will, in VIP. So we're  
7 excited about it.

8 MS. ASHE: We're honored.

9 MR. JEPPSON: Perfect.

10 MS. ASHE: Is there anything else? We could -  
11 - I think that was it. I just thought sometimes  
12 pictures are helpful so I think we're fine. I mean, it  
13 was just I didn't know if you needed, you know, to have  
14 a sense of what it looks like when you're in the class.  
15 But we keep it at 50, like I said, for interactive  
16 conversations.

17 MS. ROTH DOUQUET: What would you say the  
18 breakdown is demographically with age?

19 MS. ASHE: Oh, that's interesting. If you  
20 could -- you can see also that we have, if you think  
21 about a veteran owned business we have -- you know,  
22 you've got HUB zone, you have women owned, you have 8-

1 A, you have minorities, right, so you involve the  
2 diversity you would get in a small business. The one  
3 thing is that they're all veteran owned.

4 In terms of age, it's all over the place. But  
5 given the fact that their average one has been in  
6 business six and a half years, they've served in the  
7 military, it's pretty rare to see someone -- you know,  
8 we don't ask their age but I'd say that probably one of  
9 our younger ones is in their 30s. And they're mostly  
10 40s and 50s. But we also -- 44 percent are 8-As, so  
11 that's another -- so we're helping 8-As.

12 MR. JEPPSON: How much?

13 MS. ASHE: Forty-four percent.

14 MR. JEPPSON: Part 8-A?

15 MS. ASHE: Uh-huh, yeah. This incoming class  
16 has a lot of women, unusual number. And I mean, you  
17 just don't know --

18 MR. MUELLER: Of what now?

19 MS. ASHE: Women veterans. Our average is 12,  
20 13 percent, you know, so this class I think is almost  
21 at 20 percent.

22 MR. WHITE: You perked right up on that,

1 didn't you?

2 MR. MUELLER: I couldn't hear her. One of  
3 those disability things.

4 (Laughter.)

5 MS. ASHE: So we do track that, too, so we  
6 have diversity all across the board.

7 MR. BAILEY: If I may add one piece, too,  
8 Barbara, that I think is really not advertised, but  
9 it's the ability to network with other veterans in that  
10 setting is just priceless. I mean you have someone  
11 that's doing medical staffing, you have someone in  
12 construction. Just to be able to collaborate and share  
13 those lessons learned. Believe it or not, even though  
14 they're very different services, the core need is  
15 common for those financial managements to be able to  
16 value, branding, understanding proprietary -- I mean at  
17 the core the commonalities are there. And you'd be  
18 amazed at the ability in those 27 hours or whatever it  
19 is, the networking and the camaraderie that is built  
20 out of that. It's just amazing.

21 And then you do have some folks out of  
22 Syracuse and other venues that are there as well. But



1 I would tell you that the networking is just phenomenal  
2 from there. It's just -- you're indoctrinated into a  
3 whole new club and it's really great how you can build  
4 on the lessons learned and things that folks didn't  
5 know in regards to, in this case, with government  
6 contracting and different pricing models, you know,  
7 labor pools. How do you build a competitive bid  
8 against an acquisition, acquisition strategy. I mean,  
9 it's really good.

10           And things that you can't walk out of the  
11 military and know unless you've done it to some degree.

12   And so even though you might have been lucky to get a  
13 small acquisition, now you want to get into the larger  
14 acquisitions. Well, how do you shape an RFI and help  
15 the government understand your capabilities? And it's  
16 things like that and you're getting it from major prime  
17 contractors who are coming in. Those BD folks, those  
18 contract officers both civilian and government are  
19 really giving some good quality material, it's  
20 something that's a guide you can really use to go back  
21 and say at the 25 employee threshold, at the 50, here  
22 are some of the things you need to look at in regards

1 to bringing in an HR. Do I need a full-time HR person?  
2 Can I go into a PDO? What are the offsets? What's  
3 the risk and pros and cons? I mean, it's just  
4 wonderful.

5 MS. ASHE: Yes. They get a curriculum binder.  
6 Every presentation we require, it's printed and it  
7 goes into a binder. So as we go through the  
8 coursework, it's their binder, they can make notes and  
9 they take it with them so they have a resource document  
10 basically.

11 MR. BAILEY: Yeah, there you go. It's good to  
12 see you.

13 MR. JEPSON: All right.

14 CHAIRMAN FIELDER: All right. Thank you.

15 MS. ASHE: You're welcome. Shall I -- do I  
16 want to leave now or do I want to stay? I don't --

17 CHAIRMAN FIELDER: You can stay if you want.

18 MS. ASHE: Okay. I didn't know if this was --  
19 I thought I'd ask.

20 CHAIRMAN FIELDER: We've got a couple more  
21 things before we adjourn and then go into deliberations  
22 about our report for the year and we'll do that after

1 we close. So we're going to do VBOC and then we're  
2 going to do a short conversation about tomorrow  
3 morning. And then figure out when we're going to have  
4 our next meeting, I'm assuming it's first week or  
5 second week of December, and then we'll close. So  
6 starting with VBOC.

7 UPDATE: VBOC AND OVBD

8 MR. JEPPSON: Okay. So I just want to take a  
9 few minutes, I wish Barb was here but we'll -- I'll try  
10 and drive on without her. She's kind of leading the  
11 charge for the office on this.

12 As you know we have the Veterans Business  
13 Outreach Centers. We're funded and we've been  
14 flatlined at about 2.5 million for the past since 2008.  
15 The VBOCs we fund 15 centers currently right now, out  
16 of that in the base rate, the base funding is  
17 approximately 150,000 per. It's not a lot of money per  
18 Veterans Business Outreach Center.

19 To this point Veterans Business Outreach  
20 Centers have been structured or tasked to do things  
21 that SBDCs, WBCs and the SCORE chapter does. They had  
22 a client focus, if you will, you know a veteran

1 specific client focus. So as we come into the  
2 recompetete here because they're at the end of the five-  
3 year grant here, we'll recompetete those at the beginning  
4 of the year here.

5 We're going to take a look, a hard look at two  
6 specific areas. One, location of the VBOC in  
7 relationship to the veterans population. You know,  
8 it's great that we want to be in the rural areas but we  
9 need to be where the veterans are at when you only have  
10 15. So you know, when you're trying to service a  
11 region, let's position the VBOC to where it can service  
12 the majority of the veterans with easy commute.

13 So I'll give you two in specific and I'm not  
14 judging anything in the past other than just you can  
15 draw your own conclusions. We have one in Guam and we  
16 have one on a reservation in Montana. I've only got 15  
17 VBOCs. And so positioning of these, we're going to  
18 take a hard look at where they're positioned to service  
19 the largest number of veterans.

20 Second is, you know, we have over 900 SBDCs in  
21 the nation; 900 SBDC locations. We've got, you know,  
22 over 10,000 SCORE counselors out there, we have 100

1 women's business centers and they provide client  
2 services and that's available to the veterans too. Now  
3 our VBOCs have some good numbers but when they're in  
4 that position for the veteran and we already have this,  
5 we don't want to be repeating the services that we  
6 already offer through SBA. Sometimes it's even a bit  
7 of a competition. So as we look at what the VBOC --  
8 the primary focus and goal of the VBOC, it's got to be  
9 support to the veterans in that community and helping  
10 that small business owner. How do we best enable the  
11 VBOC to do that?

12           So we don't want to jettison client services  
13 but we want to make sure that we're positioning the  
14 VBOC to be a -- the duty expert in the region on  
15 applicability of regional services, federal government  
16 services, private non-sector services for the veterans  
17 and then that they work closely with the district  
18 offices in their region, with the states in their  
19 region, with the VSOs in their region and the resource  
20 partners to -- as an intersect, to be an intersection,  
21 a collaborator for veterans small business, that they  
22 are a force multiplier.

1           So I guess the best analogy is, let me use  
2 this one. So if you're familiar with how an SF team  
3 works, special forces team, you know, that's how I  
4 spent half my time. So the idea is you take 12 guys,  
5 right? And you go in and you partner with a host  
6 nation unit and you help that battalion or brigade  
7 operate. And so you've got 12 guys make it interactive  
8 with the rest of the U.S. forces, you know, and can  
9 operate. We want the VBOC to assume a lot of that  
10 role.

11           You know if you -- let's take for example New  
12 York right now. New York state has a set-aside for  
13 veterans small business in their state. There's a  
14 federal set-aside up there. But then we've got the big  
15 VA and New York VA there which has programs that are  
16 available that can be leveraged for the veterans small  
17 business owner. We want that VBOC to be kind of a  
18 connective tissue, if you will, focused on the veterans  
19 small business owner. So we will ask the VBOCs to do  
20 certain things like we want you to host conferences in  
21 your area where we bring the resource partners, the VA,  
22 you know.

1           For example, for the New York we'd want Robin  
2 hood Foundation there, we'd want other people who are  
3 active in the space so that we have some synergy and  
4 effort and awareness of the programs throughout there  
5 so that when -- there's no way that 15 Veterans  
6 Business Outreach Centers are going to counsel what 900  
7 SBDCs will do. One of the most effective things we can  
8 do is make sure that the SBDCs are aware of what's  
9 available for the veterans, and that as they counsel  
10 their veterans they're executing. The same thing with  
11 the district offices.

12           You know, we have more programs here through  
13 the SBA that are specific to the veterans. For example  
14 just -- I'll just mention this in kind of -- so right  
15 now we have SBA Advantage, zero fee for any veteran on  
16 Express Loan, veteran, the broad-definition veteran,  
17 military spouse, survivor, dependent pay zero borrower  
18 fee on a loan from zero to three-fifty for -- beginning  
19 on the first of the fiscal year here, on 1 October, or  
20 any SBA loan of our 7-A loans from 350 to 5 million,  
21 which is our cap. They'll pay half the fee. So on a  
22 million dollar cap line you save about 30, \$40,000 for

1 a veteran. That's now available. So we have those  
2 programs.

3           But you know, we saw the Street Shares here.  
4 You know, there are other veteran specific things.  
5 There are some venture capital firms that are  
6 interested in just veterans like Scout Venture up in  
7 New York. So we want that VBOC to take more of a  
8 connective tissue role than just being specifically  
9 training and counseling and make sure that the larger  
10 SBA network is really duty expert or really becomes  
11 duty experts and provides services to veterans local to  
12 their area.

13           It is hard for my VBOC in north Florida, for  
14 example, which has responsibilities over in Mississippi  
15 or in Atlanta to go up there and then start giving them  
16 market specific stuff when we've already got SBDCs up  
17 there. But he can actually help ensure that the  
18 resource partners in that area now what's going on.

19           So until Congress decides to expand the VBOC  
20 program to one in every state or make it more  
21 available, we think the most effective use is for them  
22 to be that connective tissue and really make sure that



1 we have energized a whole SBA network which is already  
2 funded, is focused and well organized around what we at  
3 SBA are doing, but the larger community and the states  
4 there. So there is a kind of -- it's not a complete  
5 shift in focus but we want to do that.

6           So what we're looking for is input, good ideas  
7 as we get ready because we're going to do a study  
8 between now and the time we do the -- let the grant to  
9 look at location and position of the VBOCs, and then  
10 roles, functions in particular areas of expertise for  
11 the VBOCs. One area that, for example, is -- we just  
12 talked about this, government contracting is a focus  
13 here but we don't have a VBOC that really helps with  
14 government contracting and there is a need in this  
15 area, in the D.C. area.

16           If you went out to California or New York,  
17 again there's specific need there on the tech sector,  
18 we see a lot of the veterans in that area. You've got  
19 a nexus and where is our center for excellence for  
20 that? So we're going to take -- get a sense of what  
21 might be relevant there and we're going to do an  
22 internal study to try and shape this so that we don't

1 just have 15 VBOCs out there trying to be another set  
2 of SBDCs which, although they provide value to the  
3 veterans, I think that we can be more effective.

4 So that in a nutshell is what we're looking to  
5 do with the VBOCs. So questions?

6 MR. WHITE: You mean there would be -- I mean,  
7 right now they're sort of like a setup to do training  
8 programs and the rest in the majority of them, right?

9 MR. JEPSON: Right.

10 MR. WHITE: So now you're saying take this  
11 person and let them -- maybe it's just one person.

12 MR. JEPSON: Most VBOCs are one person or one  
13 person and a half-time staff. That's generally -- by  
14 the time out of -- most of -- there's not a match  
15 involved with a VBOC so base funding is usually about  
16 150 -- it's about 150,000. It varies a little bit.  
17 But that pays for their rent, that pays for the person,  
18 that pays for the travel and everything.

19 We've got another way we're actually going to  
20 add some funding in to them but we want them to be able  
21 to be more of an organizer in their area.

22 MR. WHITE: So they're going to be a resource

1 for the veteran business community to help guide them  
2 into the right areas to go and encourage other  
3 organizations to be more vet specific?

4 MR. JEPPSON: Right, exactly. So let me give  
5 you a for example. If you want to go get your books  
6 looked at in an SBDC, you know, they'll get your books.  
7 There's -- you have to fill out all the questionnaires  
8 and stuff but they'll spend two or three hours prepping  
9 to do that. And they'll go -- and then you sit down  
10 and they get a counselor and they go through your books  
11 with you.

12 With a VBOC, we could do the same thing with a  
13 VBOC but I've only got one. But in any geographic  
14 location, you know, I've probably got, you know, 70  
15 SBDCs that are local to them. You know, it doesn't  
16 make sense to say, you know what, fly over to me in  
17 Seattle and I'll look at your books. Make sure that we  
18 have them connected and that person that's doing that  
19 knows all the specific things about a veteran.

20 It would be ideal if we had a veteran talking  
21 to a veteran but that's not the case. And so we want  
22 the VBOCs to be as effective as possible. What that

1 also means, though, is our measures of effectiveness  
2 for a VBOC, we'll not just look at the number of  
3 veterans trained and counseled, it's going to be --  
4 we're going to have to relook that piece, too. But we  
5 intend to remodel the VBOCs.

6 MR. BAILEY: Have you looked at the overall  
7 work flow or process flow from development perspective  
8 of the veterans, for example the transitioning veteran,  
9 first point of entry, you know, they should be here  
10 utilizing these services. They graduate from there,  
11 they're off into the next phase, they should be here.  
12 Have you looked at it from that perspective then see  
13 where your overlap is? Have you looked at it from that  
14 perspective?

15 MR. JEPPSON: So we've looked at it from one  
16 perspective. We've looked at it from the SBA and the  
17 SBA continuum of where they're at and how they're going  
18 to come in. And so we looked at the VBOC in the SBA  
19 continuum. And SBA -- the VBOC lane is very similar to  
20 what the SBDC, the SCORE --

21 MR. BAILEY: I see, yeah.

22 MR. JEPPSON: -- so we're trying to separate

1 that out. But you're right about the veterans path,  
2 and this goes back to the -- kind of the shaping of the  
3 environment, if we can, for the veteran entrepreneur.  
4 So the common point for the veteran coming out is the  
5 transition assistance, you know?

6 MR. BAILEY: Right.

7 MR. JEPPSON: So that's where we -- that's  
8 where our first touch will be for all the veterans as  
9 they come out.

10 We do have Reboot, we're working that hard,  
11 and that's for the 23 million veterans that are out  
12 there now. But we still hope that will be the entry  
13 point for our veterans. But then what are the segments  
14 as far as when do you -- what, you know, the next step  
15 will be a resource partner. You know, that free  
16 counseling is available there. You know, after they  
17 come, they're in business and they actually have cash  
18 flow, they're at, you know, self employment at least.  
19 The next step is, you know, start to grow. We've got  
20 to get a segment in there and that's where Barbara and  
21 her team may be a little bit further. They may be one  
22 more step but we'll look at that.

1           But the resource partners are going to be  
2 there all along and they're local to them. We want to  
3 do that to be involved. But there are so many other  
4 things that are veteran specific out there, we want to  
5 be sure we have some type of connective tissue between  
6 the resources that are out there, the resource partners  
7 and tying the veterans into those. And so with using  
8 the VBOC to be that force multiplier to engage all the  
9 parties in a meaningful way and then give them some  
10 resources to do it.

11           So right now I just pay him and he sits there  
12 and -- he or she sits there and then clients come to  
13 him. And it's good to have because they do help  
14 individuals. But if I give them the money to host the  
15 resource partners to come there and there's training  
16 events and we get them together and we have the VA and  
17 the state and the others energized around the veteran  
18 himself, him or herself, we can be much more effective.  
19

20           That's my belief. And that's kind of the  
21 hypothesis I've got going into the -- into this VBOC.  
22 The first is location and distribution. I just really

1 think that we don't have the VBOCs positioned where  
2 they need to be. And second is we just don't need to  
3 be another SBDC or another resource partner.

4           You know, the SBDCs get \$100 million a year to  
5 do this training and counseling. So let them do that,  
6 sort of let them have that lane in the road. Let us be  
7 -- leverage that money and make sure the veterans are  
8 there getting the services they need and that we're  
9 bringing the other resources to bear.

10           MR. BAILEY: The reason I say that is that  
11 their first point of entry could be a good area for a  
12 veteran, if they had the proper counseling and the  
13 assistance to help vet whether or not they're ready to  
14 go into business as opposed to seeking employment then  
15 going -- and that way you're moving a population to the  
16 left or to the right until they're ready to get the  
17 right training prior to stepping into entrepreneurship.

18           MR. JEPPSON: You're absolutely right. And  
19 that's one of the things that we have always said, you  
20 can't just judge -- discuss Boots 2 Business off the  
21 new start because as we go through we teach them how to  
22 do feasibility analysis. You'll see some veterans go,

1 well, I just didn't realize. I'm not interested in  
2 that. Well, that's success in some respects, too,  
3 because you know, you start realizing, oh, I've got to  
4 worry about competitive advantage and worry about  
5 funding options, real estate, all those types of  
6 things. You know, we give them a hard reality check  
7 right up front in the first two days.

8 MS. ROTH DOUQUET: To what degree are these  
9 collocated with other veteran or military oriented  
10 service outlets?

11 MR. JEPPSON: They're -- the 15? So most of  
12 them are -- not most of them. About a third of them  
13 are collocated with SBDCs, with other small business  
14 development centers. Sometimes the same grantee holds  
15 both grants.

16 Now there are two separate entities because we  
17 won't let an SBDC own it but the same organization may  
18 be. So like the University of West Florida has an SBDC  
19 grant and a VBOC grant, but two different chains they  
20 report in. So that's probably the majority. Then you  
21 actually have some that are held by just individuals  
22 because it goes back to the history of there was this



1 Veterans Corps that was created and it's now debunked  
2 and taken off the statute. Those legacies institutions  
3 came in. But we do have a couple where the state holds  
4 the grant.

5           And so in New Mexico we found -- and this is  
6 really -- and we're going to reach out to the other  
7 states. I'm actually going to go to the National  
8 Association of State Directors of the Veterans Affairs  
9 Conference. We're encouraging the states to apply for  
10 the grant. In New Mexico the State Veterans Affairs  
11 office has the grant. And so they use a hundred  
12 percent of their funding to fund people in the office  
13 because they get their space and support and accounting  
14 is all done through the state. So it's been very  
15 effective. We have several states attached to this.  
16 We don't want to exclude, you know, other partners but  
17 that is certainly a model that's worked well there and  
18 they've been very engaged. The only issue is sometimes  
19 when we go to the state, if we give you a multi-state  
20 area, you know, like well, they both have to be here  
21 where ours is, you own this space, you really need to  
22 be able to have the flexibility.

1           But I will tell you, you know, I certainly  
2 want to service Guam and I want the veterans there to  
3 have everything. But when I don't have one in  
4 Colorado, you know, which is probably the fifth largest  
5 group, you know, which has -- you know, you go to the  
6 Springs right there, how many military installations,  
7 how many veterans have you got? So how much business  
8 is being done there on the government side? It's  
9 pretty big.

10           So when I look at where we're at, we're not  
11 there. Fortunately we're in Texas, California, Florida  
12 and New York which are the largest. But you know, we  
13 don't have one in Pennsylvania and Pennsylvania has the  
14 six largest veterans populations in the nation. So we  
15 really need to take a hard look at where we're at.

16           MR. BAILEY: As far as your outreach have you  
17 considered looking at maybe removing administration to  
18 them in regards to webinars, VTCs because of, you know,  
19 resources are limited, looking at different medias and  
20 outlets in that regard?

21           MR. JEPPSON: So that's something we've got to  
22 get much better at. They have not been resourced to do

1 that. So we have this synergy now where -- and we'll  
2 rework this in the grant here this year. So in the  
3 statute for transition assistance, I have really strong  
4 language that says the VBOCs should be involved heavily  
5 in the transition assistance program. We were able to  
6 take \$600,000, about a third of what -- well, about a  
7 quarter of what their base grant is and funnel it back  
8 to the Boots 2 Business, money back to them to help  
9 them do Boots 2 Business related events and start to do  
10 some of these activities here.

11 So we want them to have the ability to travel,  
12 to host, and then to have that distance communication  
13 capability that -- we will be walking a fine line  
14 because they are grantees and not employees or an SBA  
15 entity. So we'll -- you know, there'll be some  
16 sensitivities there.

17 Okay. So that's the VBOC. I just wanted you  
18 guys to have awareness of that, that you'll be seeing  
19 that come out. We'll keep you updated on the next one,  
20 we'll give you a sense -- we'll meet again before the  
21 proposal's out but you'll actually see that and we'll  
22 brief you on it about the time it hits the street.

1           CHAIRMAN FIELDER: Okay. Then that gets us to  
2 the last two topics before we adjourn to do our work on  
3 the report. The next topic is tomorrow, 9:00 to 12:00,  
4 right where we're sitting. I'm assuming the outer  
5 seats this time.

6           And then from there, if one of you all that  
7 are local might volunteer to step up and say I think  
8 I'd like to attend that on a quarterly basis and report  
9 back to the committee that would be great. That's the  
10 vision I had for that kind of thing. So any questions  
11 about tomorrow morning?

12           (No response.)

13           CHAIRMAN FIELDER: Next meeting. Are we  
14 funded?

15           MR. JEPPSON: You're funded. Yeah.

16           CHAIRMAN FIELDER: What does it look like for  
17 the first couple weeks of December for you guys?

18           MS. ROTH DOUQUET: First couple weeks of  
19 December did you say?

20           CHAIRMAN FIELDER: Yeah, realizing the 9th  
21 through the 11th we're going to be in Atlanta, or some  
22 of us will be in Atlanta.

1           MR. WHITE: I was going to say, skip that  
2 week.

3           MS. ROTH DOUQUET: And the 2nd to 4th is out  
4 for me.

5           MR. JEPPSON: How about that last week in  
6 November, right there before -- right after  
7 Thanksgiving?

8           CHAIRMAN FIELDER: That might work if my phone  
9 would quit ringing so that I can move over to my  
10 calendar. Ah, there you go.

11          MR. WHITE: What dates are you looking at?

12          MR. EVERSOLE: I think I heard the last week  
13 of November.

14          CHAIRMAN FIELDER: That's actually the first  
15 week in December. Thanksgiving is the 27th.

16          MS. ROTH DOUQUET: Okay. Yeah.

17          CHAIRMAN FIELDER: How does that week look,  
18 2nd, 3rd, 4th through -- we've always made --

19          MS. ROTH DOUQUET: I can make the 1st or 5th  
20 but the 2nd, 3rd and 4th I have blocked off.

21          MR. WHITE: What day?

22          CHAIRMAN FIELDER: I'm looking at the week of

1 December 2nd being the Monday.

2 MS. ROTH DOUQUET: Really December 1st is the  
3 Monday.

4 MR. WHITE: I thought we were trying to  
5 schedule this with the task force which would be the  
6 second week?

7 CHAIRMAN FIELDER: Oh, you're right. I stand  
8 corrected. December 1st is the Monday?

9 MS. ROTH DOUQUET: Yes, December 1st is the  
10 Monday. And the task force, you said, is the second  
11 week?

12 MR. WHITE: They usually try to do the second  
13 Tuesday, which would be the 9th.

14 MS. ROTH DOUQUET: But that's when the Atlanta  
15 conference is, right?

16 CHAIRMAN FIELDER: Right.

17 MR. WHITE: Is that week?

18 CHAIRMAN FIELDER: It's the 9th through the  
19 11th.

20 MS. ROTH DOUQUET: Yeah.

21 CHAIRMAN FIELDER: Getting close to Christmas,  
22 but the week of the 15th?

1           MS. ROTH DOUQUET: I mean, 11th and 12th we  
2 could do.

3           CHAIRMAN FIELDER: The 11th being the last day  
4 of the conference.

5           MS. ROTH DOUQUET: Oh, right.

6           CHAIRMAN FIELDER: We've always tried to stay  
7 in the Tuesday through Thursday for those of us that  
8 have to travel.

9           MS. ROTH DOUQUET: Right.

10          CHAIRMAN FIELDER: Hopefully eventually we'll  
11 have members from California where that will be a  
12 serious issue for them.

13          MS. ROTH DOUQUET: So December 16th?

14          CHAIRMAN FIELDER: That's what I'm thinking.  
15 16th a travel day, meeting on the 17th? Any chance the  
16 18th might be the task force meeting?

17          MS. ROTH DOUQUET: No, the task force is the  
18 week before, I think.

19          MR. WHITE: Well, it might get changed because  
20 of the same thing.

21          MR. JEPSON: Do we have a date on the task  
22 force?

1           CHAIRMAN FIELDER: Yeah, a lot of the members  
2 -- I can remember seeing a lot of the members at --

3           MR. JEPPSON: Pick your date, I'll move the  
4 task force to the day after.

5           CHAIRMAN FIELDER: So we could have it on the  
6 16th, meet as a committee on the 17th and join the task  
7 force on the 18th?

8           MR. WHITE: No. Usually the task force  
9 usually meets on a Tuesday.

10          MR. JEPPSON: The task force has always been  
11 on a Friday until Maria left.

12          MR. WHITE: Not that. I'm talking about the  
13 Inter-Agency Task Force.

14          CHAIRMAN FIELDER: And I'm referring to the  
15 Inter-Agency Task Force. And if we can work it out  
16 with Joe that the Tuesday's the travel day --

17          MR. WHITE: I would bet that they won't do it  
18 the week of the 9th either because of the conference.

19          MR. JEPPSON: Tell you what, I'll reach out to  
20 -- we'll reach out -- if you guys set a date I'll reach  
21 out to Joe to do it the afternoon prior.

22          CHAIRMAN FIELDER: I think I've got it. Let



1 me restate. December 16th would be a travel day, those  
2 of us that are interested in the vet task force would  
3 show up early for 1:00 o'clock meeting with them. And  
4 then the -- our meeting would then be on the 17th, the  
5 Wednesday. And on the 18th we would then sit in the  
6 background of the Inter-Agency Task Force meeting.

7 MS. SIMMS: Okay. Now may I suggest  
8 something? And also I hear the dates that you're  
9 coming up with. Could you give me something else also  
10 because I'm -- after I leave you right now I'm going  
11 downstairs to see what's available. And I'm going to  
12 see if I can lock it in.

13 CHAIRMAN FIELDER: Okay. I kind of like this  
14 conference room.

15 MS. SIMMS: You like this? Really?

16 CHAIRMAN FIELDER: Yeah.

17 MR. JEPSON: I'll tell you what, we'll come  
18 back to you if those dates won't work.

19 CHAIRMAN FIELDER: Okay. 16th through the  
20 18th is where we are.

21 While we're still on the record let's go  
22 around, any "oh, by the ways?"

1 Davy?

2 MR. LEGHORN: No.

3 CHAIRMAN FIELDER: Robert?

4 MR. BAILEY: Come back to me. I do have  
5 something but come back.

6 CHAIRMAN FIELDER: Okay. Kathy?

7 (No audible response.)

8 CHAIRMAN FIELDER: Our guest?

9 MS. ASHE: How do you get on the committee?  
10 Because you have lots of great chocolate.

11 (Laughter.)

12 MR. WHITE: You're better off just visiting.

13 CHAIRMAN FIELDER: Steve, did you have any  
14 wrap-up?

15 MR. WHITE: No, I'm fine. By the way, I  
16 don't. Thank you.

17 CHAIRMAN FIELDER: Eric?

18 MR. EVERSOLE: No, nothing from me.

19 CHAIRMAN FIELDER: Rhett?

20 MR. JEPPSON: No, thank you.

21 CHAIRMAN FIELDER: Back to you, Robert.

22 MR. BAILEY: Yeah. I have a question and

1 forgive me for having to go back.

2           You know, I thought about it over lunch in  
3 regards to Mentor Protégé. And I know we talked about  
4 it and what we were trying to do. Just for  
5 clarification so I'm clear, because I'm currently  
6 familiar with the DoD Mentor Protégé program, I'm  
7 familiar with the 8-A development program. Can you  
8 give just a short answer on where --

9           CHAIRMAN FIELDER: We're going to be talking  
10 about it in the sense of our report. But as we've  
11 discussed it before, and some of this is just my  
12 opinion, is that we should follow that program as it  
13 develops. Since the first legislation passed three  
14 years ago and did not get enacted because a second more  
15 implicit legislation passed I think in January or  
16 December?

17           MS. ROTH DOUQUET: December.

18           MR. EVERSOLE: It was almost a year ago.

19           CHAIRMAN FIELDER: And so that implementation  
20 has been stalled and whatever. And I just think it's -  
21 - it behooves this committee to sort of keep tracking  
22 that and stay on top of when that finally happens.

1           MR. BAILEY: I guess where I'm a little cloudy  
2 is that the Mentor Protégé program, as I know it, is an  
3 involvement between, you have a mentor and a protégé  
4 and your mentor in development -- I guess in this  
5 regard, are we speaking of the same thing? Similar  
6 structure vehicle type or are we talking about  
7 something different?

8           MR. JEPPSON: No, it's an expansion and it's  
9 government-wide. So many agencies have their own  
10 mentor protégé arrangements.

11          MR. BAILEY: Okay.

12          MR. JEPPSON: So under the NDA, SBA now has to  
13 have a government-wide mentor protégé for all small  
14 business. It was included in the NDA a year ago. So  
15 what happened was we had some instructions to write a  
16 mentor protégé program. While we were doing that, we  
17 had the rules written, it was moving, it was going on,  
18 and then the new NDA comes out and says, no, it's  
19 government-wide and it's going to be everybody. So  
20 they had to take that off the table, retool it and then  
21 start over.

22          CHAIRMAN FIELDER: Or they mucked it up and

1 confused it, it's two parts. I've been intimately  
2 involved in it from a practical sense but more  
3 importantly we were talking about the Inter-Agency Task  
4 Force sometimes being at cross purposes with some of  
5 the things that they're doing.

6 MR. BAILEY: Right.

7 CHAIRMAN FIELDER: And I think what I  
8 mentioned was is that the mentor proteges in each of  
9 the agencies is one of the things that the -- I don't  
10 remember his name, can you help me? The guy that's  
11 running the --

12 MR. JEPPSON: John Schrock.

13 CHAIRMAN FIELDER: John Schrock?

14 MR. JEPPSON: From GCBD?

15 CHAIRMAN FIELDER: No, mentor protégé, moving  
16 that initiative.

17 MR. JEPPSON: Yeah, that's John Schrock. He -  
18 -

19 CHAIRMAN FIELDER: Yeah, John Schrock briefed  
20 us and he was anticipating that, as it goes to the  
21 agency discussion part, which is the first step after -  
22 - when they write rules, that that -- there may be some

1 pushback based on the existing agency mentor protégés.

2

3 MR. BAILEY: All right.

4 CHAIRMAN FIELDER: And I apologize if I

5 confused it but --

6 MR. BAILEY: Yeah, I just wanted to make sure

7 I was clear on it. Thank you for that clarification.

8 CHAIRMAN FIELDER: Okay.

9 MR. JEPPSON: It's just that rules making  
10 process.

11 MR. BAILEY: Right.

12 MR. JEPPSON: Just because of the comment  
13 period and then it incorporated the comments. It's  
14 cumbersome and it takes a while.

15 MR. BAILEY: Got it.

16 CHAIRMAN FIELDER: Then we stand adjourned?

17 We're adjourned. Thank you.

18 (The meeting was adjourned at 2:53 p.m.)

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