SMALL BUSINESS ADMINISTRATION
INTERAGENCY TASK FORCE ON VETERANS
SMALL BUSINESS DEVELOPMENT

PUBLIC MEETING

Friday, December 6, 2013
9:00 a.m.

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

Diversified Reporting Services, Inc.
(202) 467-9200
MEMBERS PRESENT:

Rhett Jeppson, Office of Veterans Business Development
Barbara Carson, Office of Veterans Business Development
Craig Heilman, Office of Veterans Business Development

ALSO PRESENT:

Matthew Blum, Office of Management and Budget
Anthony Eiland, General Services Administration
Jessica Milano, U.S. Department of Treasury
Timothy Hale, New Mexico Department of Veterans' Services
David Boddie, Federal Allies Institute
Bill Ferguson, D.C. American Legion
Aditi Dussault, Small Business Administration
Kevin Blanchard, IFA/VetFran
Billy Jenkins
Ruth Samardick, U.S. Department of Labor
David Leghorn, The American Legion
James Wilfong, Vet-Force (via telephone)
Tom Leney, Veterans Affairs (via telephone)


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

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

MR. FERGUSON: Yes, sir. I'm Bill Ferguson,
PARTICIPANT: How does this thing work?

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

PARTICIPANT: All right. Sure -- no problem.

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

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

MR. EILAND: Tony Eiland, GSA.

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

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

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


(Crosstalk.)

MR. JENKINS: Bill Jenkins, Chairman, American

American Legion.
Legion Small Business Taskforce.

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

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

MR. FUJII: Stan Fujii, SBA.

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

MS. MCCLELLAN: Jen McClellan, SBA.

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


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

MR. WILFONG: Yes, trying to.

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

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

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

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

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

So I'm not sure that we'll need, as I said,
the full three hours, but we'll move through this as quick as possible and capture what we need to here. So with that in mind, any comments from the group before we begin?

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

PEARL HARBOR REMEMBRANCE

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

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

In his address to the Congress, then-President Franklin D. Roosevelt affirmed that with confidence in our armed forces with the unbounded determination of our people, we would gain inevitable triumph. Many
responded to that call and went to fight across Europe and into the Pacific. In addition, ladies went to work in the factories and shipyards across America filling the arsenal requirements to support the war effort that would propel America to victory.

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

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

To all warriors past and present, let this day be a reminder to you that this nation will never forget
you, and it will never be able to thank you enough for your scores of sacrifices and your unwavering commitment to our freedom. May we have a moment of silence please.

(Moment of silence observed.)

From the Battle of Concord to the Battle of New Orleans, from the shores of Utah Beach to the jungles of Vietnam, from the sands of Iraq to the current killing fields of Afghanistan, fine men and women have served and continue to serve this nation.

We extend our best and brightest to the vortex we call military service. While many have safely returned, there are many that have not.

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

"Day is done, gone the sun,
From the lakes, from the hills, from the sky.
All is well, safely rest.
God is nigh.
Then goodnight, peaceful night
Till the light of dawn shineth bright.

God is near. Do not fear.

Friend, goodnight."

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

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

Thank you.

PROGRESS REPORT REMARKS

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

We really needed to dig into this thing before we get ready to release it here. And we want to
release it. We're kind of behind the power curve, and we understand that with the shutdown and restart-up and a few of the things that have happened here has caused some delays, and I understand that. But we can't delay much past July. And just to be -- I'm sorry, past January.

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

Again, because we need -- we can't send it up without your agencies' input into it, and I would ask that you give it more than the hand-wave. I know you're busy, but this request -- what the taskforce says. It's the culminating event of all the meetings that we come to. It should inform the agenda that we as the interagency and the BSOs are telling the White House and Congress that they should take when it comes to veterans' small business.
And so we do have -- there's been a couple of things that have happened lately that may be of interest to us that may influence our discussions, so we'll have -- entertain input into the report that would be affected by that as well. So Barb, comments? Over to you.

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

MR. JEPPSON: I've heard it all.

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

Right now it is in SBA clearance. It will
leave that status very soon. We are, as Rhett said, waiting for a couple more substantive contributions from agencies where we do have at least something from everyone, but we are missing some more meat on the bone that we really need to have a report that can make a difference for veterans.

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

It's not that the agency is going to approve the report. But we need to make sure that we have the agencies whether it's Treasury or DOL or OMB or whoever that they say, yeah, that data there from our -- is correct, accurate, and that -- that we have a level of
confidence that we've done due diligence and that we're issuing things that are true and factual. But I can't put it in until there's a couple of additional -- and I'm going to beat on the drum just a little bit, and I'll contact you individually afterwards.

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

I look, for example, the 3 percent contracting, the first time we've ever made that, and I think that when we look back about some of the reasons why we've made that and that this taskforce under Marie's leadership played no small role in accomplishing that. Some of the ideas that were generated here, her leadership, the engagement with
OMPP, the deputies in your agencies holding the SESs and the flag officers accountable for this small business -- those things we need to highlight in the report so we can show the successes, and then that will reinforce future efforts.

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

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

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

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

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

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

OFFICE OF CAPITAL ACCESS

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

So we are now about the six-month mark since they've -- pledge initiative, but we're now going through region by region with the regional
administrator and the district directors and the banks themselves in having -- call to update at where they are on the score card of where they are in progress and help keep them focused on making veterans loans. So we've done two of the ten regions, and the next three weeks we'll do the next eight regions to help remind the banks.

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

We -- I think with our little simple minds, we figured, one loan, one veteran served. But there is components -- there's -- we're going to add a component to track the number of veterans, because some of these companies are owned by two veterans, and if it's a company that's a 51 percent-owned veteran small
business and there's someone else who's in the company, cosigns on a loan, we will not count that person, that there's two veterans.

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

Along that same line, Jeanne made this announcement. I guess it was about a month ago in Arkansas there at -- we have approval now for the express loan program, not just Patriot Express, but the express loan program, the entire SBA express program.

Beginning of January, we will reduce the fee -- the lender fee of the loans to zero.

So by statute we can't avoid the fee, so we're reducing the fee to zero on the loan. The subsidy model allows us to do that right now. Now we announced
earlier in the year that we would do that on all of SBA express loans of 150,000 or below for everyone. But for veterans who apply for an SBA express loan, which is our most common form of loan, then we have more delegated lenders in that area than any other loan program for 350,000.

So an additional 200,000, we'll waive the fee on that. And that's a savings on the loan of between 2 and a half and 4 percent depending on the loan itself. So we believe this is a real value to the veteran, and it will save the veterans money, and it's a true preference for the veteran here.

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

Part of what we'd like to do is reduce -- and this goes beyond just veterans, but SBA. We've gotten so many loan programs out there that it becomes difficult for the lenders to manage the different rule
sets for all the different programs and all the
different loan products out there. So we, for a long
time, have been trying to streamline the process of
lending, the paperwork and all those things, but also
the number of loans out there to make it easier for the
lender to say yes because he's not tracking as many
programs.

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

So we're trying to make it easier and simpler.
And the goal is to broaden the benefit to veterans, to
all the SBA lending products that exist so that we give
them a preference against the products that we would
have whether it's in fee reduction or some other
benefit for the veteran.

So that's kind of a little bit of a paradigm
shift rather than having a specific lending product
just for the veterans which had a cap of 500,000 and
had some other things in there. Just to use the SBA lending products, what more of the lending community is familiar with, a broader range of lenders, and then give them a benefit that applies across the loan programs.

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

And then hopefully shortly we can share that with you -- with this as soon as we get the -- the President pushes the budget up to the Hill. So then so that's kind of an overview of we're we are on cap access, the two big things that are ongoing right now. We're kind of making a pivot, and I'll let Barb jump in as appropriate here. She's kind of been leading the effort a little bit.

We've been focused for a while, have been wanting to focus for a while on micro-lending. We
think that that's a substantial gap to the veteran -- I think even with the traditional lending, all these programs we're talking about -- the lending pledge and with the cap access or with the changes in cap access with the reduction of fee -- those are still through traditional lending banks.

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

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

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

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

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

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

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

Not all of them are technically micro-loans, but 53 percent of those Patriot Express loans were
under 50,000. So we have -- there's a demand. We've been unable sometimes in the past to show demand. Now we can. So AXEON decided to build a portal that will be restricted to only graduates of Boots to Business, and V-Wise and ABB. It will open in January, and this is for micro-loans.

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

A good look at their documents, their business, and figure out whether that's a good time for capital. I mean it may make sense, but it's burdensome to do that for every type of loan. But we want to try this with this population. So we expect to start having data on that by midyear to see who's interested, what does it look like, and how successful is that model.
If it looked like something that we could scale, then that's a model we will work with our private and public partners to make on a bigger level and within SBA if that counseling is something that can happen with the products that we offer through SBA micro-loan programs and lenders network. So that's what I had on that one. Did you want me talk about them at all?

MR. JEPPSON: Please do.

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

But the portion -- what was said overall is that there is not a significant impact for many employers. That is not the case with small employers. However, small employers, of this survey, were only 10 percent of those employers who employ reservists. We -- or I also mentioned that there are those even smaller
segment of business owners who are reservists themselves, and that can be catastrophic to be deployed. So SBA does have a program.

Because it is such a small population, it is not used that often. Since attacks of September 11th, we've only had 682 applications. Of those, 70 percent were approved. It's up to $2 million. I could give you all the facts on this sheet if you like at the end. And the rate is at 4 percent. This is for economic injury, for working capital only, and it doesn’t have to start being repaid until after -- a period of time after the reservist returns from duty.

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

So it showed me that we need to reenergize our interface with employment -- employer support to the guard and reserve at DOD and also that SBA could encourage DOD to have better communication with small
employers. And we have channels to do that, but we haven't exercised them frequently. So we're going to work on that. Did you want to say anything, Ruth, about yesterday?

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

MS. CARSON: Thank you.

(Crosstalk.)

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

So there's always a balance with you USERA between protecting the appropriate rights of service members when they return from deployment and entering employment and also avoiding discrimination, which is also protected under USERA. But of course, it's the
hardest thing to prove. So I think that we could put
out some very friendly information to small business
owners. Not just veterans, small business owners
obviously.

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

Anybody who has any weight or any decision
making in any part of the federal employment process,
so that goes down to the people who review resumes all
the way to the people who actually make the selections.
And as with way too many of the federal --training
those feds around here know that there's that favorite
next, next, next, next, next, next, so you get through your
training.

So I'd be interested in trying to figure out --
clearly a small business owner has a lot of incentive
for figuring out what they can -- what they are
required to do under the statute. But part of the RAND
study that didn't surprise me was that among those
business owners who did not employ any guard and
reservists, the knowledge of the statute was fairly
low. Well, you figure out how many federal laws and
state laws and local laws that a business has to comply
with, and, oh, don't employ any of those so it's not
too big of a problem. But I think that we can put
together some very user friendly -- and the real
question I have is: What would be the best venue to
communicate that information?

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

So we think if we put everything on our
website sometimes, we think, oh, that's good enough,
everybody's going to see it, or I've talked to my
district offices. Obviously they know it. So I think
one of the challenges that you -- rightly is that where
we as the federal government don't have a big marketing budget, at least with related to SBA. We don't -- how do you effectively communicate and advertise your resource partners. I think that it's going to take some creativity on our part, and I look forward to the discussion on this.

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

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

So it was women veterans Boots to Business class and we called it For Heroes. We did it in association with the Legion and Syracuse down at their national conference in Houston this past year. And
because we put it on the Legion's website, we filled that class in about three days.

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

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

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

MR. EILAND: One of the suggestions, at least -- gosh knows this feels like a whole world ago, but when I was at the Veterans of Foreign Wars, what we would do to support USERA is that we were going to the trade associations, and we were doing presentations before them and using the employers who support the
guard and reserve and then doing joint little
operations together. I used to teach those workshops,
gosh knows, 1999, 2000. I'm showing my age. And it
really worked out well, because then we started getting
some of the trade associations that saw hiring veterans
was a good idea.

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

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

MR. JEPPSON: It's interesting. We talked
about this and maybe a little bit of confluence here is
just that, so talking with the joint forces leadership
just recently, they've certainly focused on the big
businesses hiring veterans here, and I wanted to make a
pivot. The First Lady kind of forecasted that in her remarks, and Orlando just recently -- they're kind of pivoted -- so okay, we've gone down the road with the big corporations hiring, but there's a lot of medium and small businesses out there hiring as well.

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

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

There's no any longer a spouse or family application. Okay? So also the guarantee level that had been for Patriot Express was higher than the rest of the express program, so that has moved to 50
percent. So these are also things that we did not feel that we had time to coordinate with everyone nor within our own agencies.

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

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

This was the most meaningful way that we could have an improvement in what we -- that was commitment to lending to veterans. One of the things that caught my attention was when we were talking just a minute -- we talked about the number of loans under 150 -- or under $50,000. When we looked at the number of loans
that defaulted on Patriot Express under the 50,000 --
most of them were under the 50,000, but we actually had
two lenders that caused a high volume of those
defaults.

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

More so there's a lot more handholding that
goes on. It's much more into the community development
corporation type of lending that we do. And so that's
what we -- when we make the pivot to capital, we think
that we've got some important steps here working with
OMB and the Hill. We'll continue improve the
traditional lending products at SBA, and streamline and
make them easier in those matters for veterans, but with the access to capital in that smaller dollar amounts, we really need to look at these other lending mechanisms, whether it's micro-loans or CDC type of lending to help support that.

PARTICIPANT: Sorry. CDC?

MR. JEPPSON: Community development corporations.

(Crosstalk.)

PARTICIPANT: Acronym.

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

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

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

Thanks.

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

MR. JEPPSON: I don’t think so.

MS. HULIT: So I just wanted to stop in and say hello and thank you for the good work that you're doing. You don't look like than Don Graves. (Laughter.) And Rhett is doing a great job leading our veterans affairs office here in our -- as well. So I just wanted to get a sense of how you folks were doing and encourage you to continue the work cooperatively on
all the issues that affect our veterans and our service
men and women as they come back to the country. We've
got some great programs we're doing here at the SBA,
but I know a lot of work is being done across the
agencies. So I want to welcome you to the SBA. Thank
you. And I'm here if there's anything you wanted to
just --

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

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

Jeanne's been instrumental in helping us as we
navigate from the expansion or the introduction of the
fee reduction on the loans and the rollout of Boots to
Business and making sure that we're funded there and
the things that we'll talk about there. So we appreciate your help and support for the veterans community.

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

Our Boots to Business program, I know -- I'm sure Rhett gave you an update on our funding status. But we do have a request in the 2014 budget to expand Boots to Business, and I know all of you suffer from the vagarities of the CR, so you know what we're struggling with. But we're very hopeful that we'll find a solution to make sure that the program continues and expands. So anyway, thank you for coming in, and
I'm going to let you get back to business.

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

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

(A brief recess was taken.)

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

MS. CARSON: We must have needed to do
something. That’s why.

MR. JEPPSON: That’s right.

(Crosstalk.)

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

So before we went to break, though, I guess I was kind of rushing along there a little bit. Is there any follow-up, any other discussion or points that we needed to bring up about the access to capital piece here before we move on, questions, concerns? Some of this stuff happened very rapidly as Barb mentioned and we’ll be more deliberate as we look at 15. There are certainly some impacts for this. It’s not that -- when we take the spouses out of the Patriot Express, there won't be -- there could be some impact. They're still available with the Express loan. I think the real impact in my opinion is that there's a reduction of the guarantee, but we saw a lot of people going o the Express loan anyways.

The expansion of the delegated lenders from 1,700 or 1,500, we think these are all offsets where we look at the small dollar amounts where the impact -- the impact of the higher percentage guarantee probably
ought to be some other lending mechanism, a lot of
those -- (coughing). When you look at that total,
there's a lot of good reasons.

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

Okay. Hearing and seeing nothing then, we'll
go ahead and move into an update from GCBD, so that's
Mentor Protégé, but Aditi, feel free to address an of
the myriad of topics that you and your office
addresses. So John Shoraka was scheduled to be with
us, who is the AA there, but he had a family emergency.
So we're fortunate to have Aditi come down. She's
pretty knowledgeable in all these areas. So Aditi,
thank you.
MS. DUSSAULT: I'm actually over here. Is that okay?

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

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

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

UPDATE TO THE MENTOR PROTÉGÉ PROGRAM

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

PARTICIPANT: Everybody still there?

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

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

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

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

So it has gone through several different iterations, because the Small Business Jobs Act first authorized us to expand the 8A Mentor Protégé program to also include the other socioeconomic programs. So
our Hub Zone program, our women-owned small business program, and our service-disabled vet program, and we have been making considerable progress in drafting that rule, seeing what the legislation indicates, how do we implement that, how do we develop that plan, what are we going to do to make that program happen, and also drafting the regulations themselves.

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

So we are pretty much through our process in developing that rule. It's now in internal clearance here in this building. As you know, these regulations do take some time in terms of going through the various clearances, but we do expect that it will come out for public comment in the future. I'm not going to say in
the very near future, but moving it forward toward that, and at that time, we certainly welcome your input on what we've proposed.

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

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

I was just at an event yesterday at the Department of Homeland Security focused on women-owned small businesses, and they are now rolling with setting aside contracts of -- one of the businesses was talking
about the 32 million BPA that she was able to win as a consequence of the set-aside program, and with the caps there, that would not have been eligible previously. So hopefully it will make it easier for contracting officers to take the steps needed to get closer to that 5 percent goal for women-owned small businesses.

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

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

PARTICIPANT: Good morning -- Vet Force.

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

MS. DUSSAULT: So as I mentioned, the rule right now is going through internal clearance, and it's not just specific to the service-disabled community. It is per the National Defense Authorization Act of 2013, going to be for all small businesses. So SDVOSB
is act one of several different types of businesses that would be able to benefit from such a program. It will be some time before that program is actually in place and accessible to the public. We're currently doing an internal clearance of the draft rule, and then it needs to go through several different steps of clearance and -- in the regulatory process before it is actually implemented. So it will be at least a year before the program is out there, and it's hard to divine exactly the rate at which it will go through the regulatory process.

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

MS. DUSSAULT: Yes.

MR. LENEY: Thanks.

MR. WYNN: Good Morning, Aditi. Joe Wynn, Vet Force and PBA. You just mentioned that the caps had been lifted from a set-aside for women-owned small business program, that there are no limits now. Are you saying that there are limits with regard to service-disabled vets set-aside program, but no limits for the women?
MS. DUSSAULT: I believe there are no caps on the SDVOSB program at all. When the women's rule is implemented, yeah, there are no caps for the SDVOSB program. The way the women's rule was written, it borrowed heavily from the 8A program, and the 8A program actually had those ceilings in place there for certain types of contracts, and that part of the rule, where the women's rule is being drafted, was taken as well, without consideration of how it may impact the implementation of the program or the efficacy of the program. And so those were pulled out.

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

MR. WYNN: Thanks.

MS. DUSSAULT: Thank you.

MR. JEPPSON: Okay, anything else? All right. Thank you, Aditi. I'll -- SBA is not just one homogenous thing. We are kind of our own offices
working, much like many of your agencies in our own kind of -- but we've got great partners in both cap access and GCBD who do great work on behalf of veterans, and we appreciate it, so thank you.

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

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

MS. DUSSAULT: Yes.

MR. EILAND: I know I spoke to John at the
last meeting that he said he would come out and let us know when the other programs that wanted to stay as Mentor Protégé programs would need to submit our request. Is that going to wait until the rules come to us or go final, or is that something we will do internally as government to government?

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

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

And so in this new role, my understanding is that it will be part of the regulations and that as it goes through interagency clearance, we would expect partners like GSA to make comment formally or informally as well. So we've done that before and we
really want to make sure that it allows folks to do
what they want to do and have been doing in the past,
but make sure we're meeting the requirements.

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

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

MR. EILAND: Thank you.

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

MR. JEPPSON: Thank you, Aditi, appreciate it
very much. So moving along with -- if there's no
further questions, we'll turn it over to Craig Heilman.

Craig, were you here at the last --

MR. HEILMAN: I was.

MR. JEPPSON: Okay. Great. So for those of
you who weren't here the last time, Craig Heilman is
our new Boots to Business program manager here. He has
the distinct privilege of running a very -- from my
perspective, very, very important program, and he also
has the disadvantage of this was my baby for a year and
half, and sometimes you when you own something for a
while, you have a hard time letting go, and so he has a
tough row to hoe, but he's doing a great job. So --

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

(Crosstalk.)

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

UPDATE ON OBVD PROGRAMS

MR. HEILAND: Thanks, Rhett. Hi, everybody.

Good morning. I did have an opportunity to briefly
introduce myself in August, the last taskforce meeting,
and I do come out of the private sector, so running a
lean program with no funding is something that I
actually have some experience with.

I spent a lot of time in business management
and marketing management with the Dupont Company,
specifically on the Kevlar brand and the body armor
industry, and during that time, worked on all of our veterans hiring initiatives, which led me here, because I believe really strongly we can do more for veterans, and I really wanted the opportunity to do that from a civil servant, public service perspective. So it's an honor to be here.

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

And all the energy and the motivation around -- the theme is from start-up to scale-up. So we had all the energy and motivation around that start-up phase, and sometimes it's really hard to execute in a start-up mode and also be doing the planning for the future that you need to do for scale-up and looking at the -- all of those issues, funding again being
primary. So I look at this a lot from a business operations perspective, so I'll -- my remarks will reflect that. So -- and we'll go from there. Our mission is pretty clear. We want to develop veteran entrepreneurs.

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

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

And that improvement is a big theme because we've got our initial product out there, and we can always improve on that, and we've learned a lot about
that as well. So those are the couple things that I'll talk to and then entertain any questions, comments, suggestions, which I'm sure there will be some.

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

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

It was mentioned earlier about outreach and awareness and some of the marketing, and I have a passion for that, and we'll be doing a lot more of that as we grow from an initiative to a program of record,
which we hope to do in January. Rumors is of a bunch of DLC. So this is the remodel. Again, it starts in the middle of the orange scope there with what happens inside of SBA, and we're working to connect what we're doing in OVBD to we work closely with entrepreneurial development in the field, as I mentioned, and then cap access becoming a bigger piece as we integrate.

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

Syracuse has certainly been a partner. For those that may not be familiar, Boots to Business is three parts right now. There's an overview which everyone sees in the five-day TAP program, the revised TAP program. That then becomes an elective two-day course for those that want to pursue entrepreneurship
or get to learn more about entrepreneurship. That’s a classroom event over two days, eight modules.

It's all about getting from business idea to business concept and understanding what is required.

And then for those that are going to take the deep dive, there's an eight-week online, which is instructor-led, but online, so there's a -- (coughing) -- component, and that's designed to get the vetrepreneur from concept to full business plan and then to really understand what they need to do to action that and capital being, honestly, the big part of that generally speaking.

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

But we really can't go much further in terms
of the goodwill that everyone has shown, in particular
our resource partners who are not direct SBA employees.
And then the indirect customers or the consumers of
all of this, obviously the folks we're trying to help
are our transitioning service members.

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

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

So the next slide I'm going to give you
quickly the stats as it relates to what we were able to
do and kind of our initial operating capability here, proving out the model that we just looked at. One hundred and thirty-three installations are what we've touches as of in November.

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

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

And then looking at the -- kind of the demographics, there's some interesting things to note. Gender, we continue to see a high percentage of
females versus what the percentage of females in the
service are. So I think it's about double. And that's
great to see. Rank, we're seeing everything from the
first term, after one enlistment, leaving the service
or junior officers that are leaving the service all the
way through retirees.

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

That kind of leads us to the strategies for
this, and these are the themes that I've talked about
and we'll talk more about the funding aspect. But just
really just three things that we really want to do in
'14 to kind of go from start-up to scale-up. It's
certainly -- we need permanent funding to be a program
of record. We have that sort of program of record
status in the budget because we've been in the last few
budgets, but we're not now and that makes it awfully
difficult when you try to do reprogramming actions and
everything else.

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

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

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

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

So integration, the third, and a couple of milestones there that are just at eye level as that
will flow through. Again, it's -- a lot of the focus now is on the funding aspect of it, and as we get into January, we hope to have good news on that, and then we'll move right into these other areas, looking at curriculum and the model.

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

This isn't as easy as did the resume, got into the great hiring portal, and got a job, check. It's really a little bit more difficult. And I'm saying that's easy. Ruth's looking at me, yeah, that's easy. No. But this is certainly an outcome --

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

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

MR. HEILMAN: Yeah.

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

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

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

MR. HEILMAN: Yes, baseline.

MS. SAMARDICK: There's got to be something to
compare it to. Otherwise --

PARTICIPANT: Data.

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

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

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

MR. LENEY: Yeah, I have -- a couple --
mentioned the metrics of outcome. What -- do you have
any outcome measures at all? This program has grown
out of the Syracuse program. Years -- it's been going
on for a year, theirs a little longer. Do we have any
information? Have any of these people started
businesses?
MR. HEILMAN: Yes, we have outcomes coming out of the eight-week on new business starts. And then the -- for the time that we've been doing this, have they continued, how many of those new starts are still ongoing enterprises. I believe it's about a 70 percent on the eight-week, but I need -- I'm going to check that number, so if that's going into the record, I need a chance to go back and check that with Syracuse. One quick thing, and then the other outcomes and metrics are what you saw. A lot of it is the tracking of participation and some of the things that are just heuristic in nature.

Rhett.

MR. JEPPSON: Yeah, so, hey, let me just go back and I'm going to deep dive on that just a little bit, because it's important to understand. With the new TAP redesign, the idea is just to be at the service member about a year before they leave the service. So considering that we started our first classes in January, most of the people haven't separated from the service yet. Now that's not completely true, but ideally that's the case.
That's where we're trending to. So there's a margin there, and by the time they go through the eight-week course, one of the things that we'll have a hard time tracking, though, is we'll be able to survey those who actually go through the eight-week course and maybe do some surveys to get them to -- that's only a component of what we get.

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

The EVB, which is the longest and has been existent for almost four years now, in the first year we have a 50 percent start rate for those people who actually go through the program and provide a business plan. You have the three markets over 74 percent. I would challenge any entrepreneurship training program to come up with numbers that are verifiable like that. We look at the V-Wise program, which is much newer,
about two years, two and a half years along.

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

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

So when you look at veterans, and we already know from past studies that a lot of it comes out of the data that DO produces, veterans are 45 percent more likely to be a small business owner. They own 10 percent of the small businesses in the nation. You already have a cohort that's doing pretty well. You
add in a component where we actually focus some
training and education up front.

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

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

I remember sitting there at dinner one night,
and we were talking with some Europeans there, and they
said -- they were like we love America. And I was
like, well, so many times you hear America -- what is
it you love about America. He says, "Because you guys
will try anything and you're not afraid to fail, and
you'll try again." Kind of like you fail once here and
you're done.

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

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

We do have some avenues to reprogram money,
but we need to see if we're in the CR again, and we
will do that on the 15th. That's kind of our -- where
we're at right now, though, is that we took 100,000 of
non-credit that we had in the agency here, and we used
it to bridge -- grant in place just to help keep the
eight-week online courses of production and materials.
We literally had more demand -- we had a forecast for
the materials, because we're not even reimbursing the
resource partners.

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

We're not marketing, we're not pushing it, or
anything else. We're just kind of letting it go a
little bit of laissez faire. Demand is going up. Our
resources are dwindled, so we're really kind of at that
point here in January where we will be hard broke if
additional funding is not found here. But we do have a
plan in place, and we're working close with the
leadership here at SBA and at OMB to make sure that
we're resourced after the first of the year.

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

IFA/VETFRAN

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

Got -- went to Iraq, did one tour, and turns
out one got me. So I got -- actually lost a wheel over
there, but did it for the parking space, so
everything's going pretty good. So after I got out of
the hospital -- I spent 13 months in the hospital, and I went to school, and I've been involved in VSOs ever since.

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

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

So as we say, we're going to coordinate on franchising content for operations, Boots to Business. Now that doesn't necessarily sound very profound after
hearing what we just heard, there's no resources. So we're not really going to tack on another task to them. So the good thing about trade association is that we're talking about a slide, what is franchising, what's the opportunity for veterans, and where do I go to find out more information. That's really all it is. It's an email, and it's just an inclusion of a PowerPoint presentation, and the great thing about trade associations and what they do very, very well is marketing and media. So you're basically just sending -- redirecting them over to us, and we can connect with 618 Vet Fran member companies that are willing to help these guys actually either become employed or become business owners as well.

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

And then, of course, you guys can come to as
many events as appropriate and as possible. So we look forward to that. So we're starting the process on loans. This is just signed. So this is why -- this important and why the SBA is so important for the private industry.

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

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

So that was pretty cool.

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

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

We have a committee that -- they're all very successful, founders are larger organizations that -- CEOs, executives that are all veterans that want to help, and they fund the program, and so there's a
million things we can do. We've just got to focus.

Thank you.

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

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

MR. BLANCHARD: It's a little hokey, but I
mean we always say it's like being for yourself and not
by yourself. So it's -- the training and support is
there through the franchise or corporate headquarters,
and then the franchisee, me one day, will have the training and support. So I'm not just preaching this because it's a -- I believe in it, and I want to do it.

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

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

MR. BLANCHARD: Sure.

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

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

MR. EILAND: Trades?

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

MR. EILAND: I guess what I was looking for -- and you covered exactly trades. That goes exactly with what you're doing because you're taking the skill sets
coming right out of the military and are able to use them as business owners. Double whammy there.

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

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

MR. JEPPSON: Licensure.

MS. CARSON: Exactly, licensure. So we just received through the Veterans Employment Initiative
Taskforce an update on that that it is more challenging than one would think about the difference between each state. But as we make progress there, I think, as you said, Rhett, we'll see more business owners, too, who can use those.

MR. BLANCHARD: And one more thing. The automotive industry is pretty big with veterans as well, and so if you want to own an automotive shop, it's quite expensive as well. So what some of the franchise owners have figured out, like -- what should we call it? I can't think of the franchise right now, but anyway, they put them on a track, a managerial track. So you can come in and you can start somewhere. And eventually, you can buy equity into that company and become a franchisee, three, five years from now. So you're being trained to be a business owner while you're learning a trade.

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

MR. BLANCHARD: Truthfully, it's a little different, but I mean, yeah --
MR. EILAND: An internal mentorship.

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

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

MR. EILAND: From the states' perspective, that is a wide topic of discussion at all the NASVA
groups. New Mexico, for instance, we've brought on five different career fields this year that are now going for immediate certification. So it's being looked at at every state.

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

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

MR. SAMARDICK: Yeah, I love the guy -- our partner in the Department of Transportation always tells the story that when he first started looking into it, he found out that in the Army, while they drive a
lot of trucks, they don't back up. Forward. So a
little nodule that might --

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

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

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

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

MR. JEPPSON: Okay. So thank you, Kevin.
Appreciate it very much. Moving along, I'd just like to maybe call an audible here unless somebody's got real objections, because it's been a while since we've met here. So kind of the subcommittee report. What I'd like to do is just change it up, and let's go around to -- by agency.

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

MR. LENEY: Thank you, Rhett. I just want to let this group know a couple of updates. One, we continue to move forward on the verification process as everybody's interest. We're now averaging 27 days for initial determinations. We are approving 93 percent of
the initial applications due to our preverification findings assistance program and the quest for reconsiderations are averaging 11 days.

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

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

But we want to be sure to be collaborating very closely with the SBA. Since our regulations
currently are the same, any change we make obviously
would create a gap between what we do and what the SBA
does on its self certification program, and we think
that will probably be counterproductive and confusing.
It's already been confusing that people thought there
was a difference when there wasn't. What I don't want
to do is have us then create a difference without
people really understanding the whys and wherefores.
So that's all I have. I'm happy to take any questions.

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

MS. MILANO: Thanks, Rhett. Sorry. Can you
hear me on the phone? So just to give a quick preview
of what will be in the upcoming report when it's
released, a little update on what we've been doing.
Our office at Treasury supports two programs that help
support small business lending around the country: the
Small Business Lending Fund, which aims to stimulate
lending by providing capital to community banks. And it's a really unique funding mechanism, which as they increase their lending to small businesses, the cost of that capital actually decreases. So there's very strong incentives to increase lending to small businesses.

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

This program is a little bit different. It aims to give support to state small business programs, a variety of programs that states operate around the country. They could be lending programs. They could be venture capital programs. And we've also done a lot of outreach through that program, and the state program managers themselves have done a lot of outreach to that
program just to reach out to veteran-owned small businesses.

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

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

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

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

MR. JEPPSON: Great. Thank you, Jessica.

Secretary Hale.

MR. HALE: From the state's perspective, one of the things that most every state director that I've worked with that we're all looking at is -- and Illinois has a great program called Illinois Joint Forces, and that is to become a single portal that a veteran or a veteran family walking in the door can
find access to help. And we've got so many different
programs out there in the veteran community, almost so
many programs and great programs that the veterans that
we encounter that feel like they're lost.

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

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

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

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

We can keep a lot of veterans out of the homelessness cycle, we can keep a lot of veterans out of the self-medication cycle if we've got them in good jobs, if we're building both veteran businesses and jobs. So that's really a main emphasis from the state
MR. JEPPSON: Great. Thanks. Just to follow on, you mentioned during the last NASDA association that the secretary is talking about, I actually presented there, and we talked a little bit about where SBA is at and veterans space right now and what we're doing in support of veteran small business owners.

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

So Tony --

MR. EILAND: Thank you, Rhett. Since Andrew is not here, I'm not going to take the thunder off from DOD, but we have been cooperating on a few items, primarily this train. We've been really trying to emphasize doing more sharing information between the
VBOCs, also between the PTACs, make sure that information train is out for everyone to find. We have made a big push on increasing our service-disabled veterans small business outreach training.

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

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

For example, to set aside provisions of using service-disable veterans and set-asides. This is also for projects that are being done by other agencies as well GSA -- and I’m just going to speak to GSA -- from
FAS and from Public Building Service, and also Mentor Protégé in promoting not just our program, but also other programs that are working with Mentor Protégé. And that's pretty much a quick little lowdown.


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

At the subcontract level, we waived cash management to create a goal of paying within 15 days. And as I mentioned, I think our last gathering, we were starting to do some outreach to think about what other alternatives might exist. Waiver of cash management
may not always be the best approach, but we want to maintain and institutionalize accelerated payment as much as we can. And there are varying ideas that have been floated ranging from giving credit as an evaluation factor in a solicitation problem.

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

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

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

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

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

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

As you know, the jobs act provided not only authority to deal with partial set-asides and order set-asides, but also spoke to the opportunity to use
reserves, which many agencies had been doing before the
jobs act. But it's a different tool and I think one
that there's going to be some questions that were posed
in the context of SBA will make it process. So we have
been working closely with SBA, and the '14 alliance and
additional guidance in that area.

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

And as the initial report explained, this was
built around the model that we used for HUB zones where
we had to give preferences for HUB zones based on
having a certain percentage of the workforce residing
in historically utilized business zone. As we recorded
in our 2012 progress report, the creation of set-aside
programs is going to involve statutory changes that can
take them and have complexities. So we were looking --
we began to look at administrative alternatives, and I think based on our conversation that we had, as Rhett pointed out, there is a larger question notwithstanding the goodness of this as to whether this is really a contracting issue or more appropriately considered a labor issue. In other words, should it be focused just on small businesses? Is it something that is --

PARTICIPANT: The OFCCP world --

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

And also, as part of that, looking to see whether the authority that GSA to create for the schedules program to create consideration of small businesses before the set-aside authority was applied, whether that model might be married up with some of the authorities in VEVRAA to -- again, I mean, look at -- their not different than what the recommendation is currently at, but the bottom line goal would be still
an incentive to give credit for increasing hiring of vets.

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

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

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

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

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

MR. JEPPSON: Remind me what -- it's actually a VA portal that comes out of the universal portal,
isn't it?

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

MR. JEPPSON: In e-benefits, right.

MS. SAMARDICK: Yes.

MR. JEPPSON: It's a --

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

(Crosstalk.)

MR. JEPPSON: Great. Okay.

PARTICIPANT: I mean all under VA --

MS. SAMARDICK: Absolutely and wonderful partners.

MR. JEPPSON: Great. Okay, Barb.

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

MR. JEPPSON: Yeah, absolutely, Tom.

MR. LENEY: I was happy to hear about your comments about subcontracting and the issue of prompt payment with primes and subs -- but I guess my concern is the ability to promote it. We keep running into -- contract issues and our lawyers are very hesitant to have my office or anybody else be a -- engage between
the primes and the subs. So is there anything that's
giving us for the additional tools to encourage primes
to pay their subs more promptly?

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

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

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

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

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

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

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

(Crosstalk.)

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

So if you could just give us an update on
that, it's the one with the states where the money passes through.

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

Once it hits the states, it isn't. So what happened was there was a law passed called MAP-21 or Moving Ahead Progress of the 21st Century Act which leaves 10 percent of what DOT gave to the states to 8As and women-owned small businesses. When it was written, it was expected that because the 8A law, the way it's written was so broad that it would encompass a lot of other people or a lot of other groups, but unfortunately for a myopic or a really strict interpretation of law by the states, they have kept a lot of groups out of it and especially veterans.
Some states do do a very good job doing it, but some states to not walk the veterans on automatically. There's a separate application, and a lot of them require -- a lot of states require veterans to prove that they're 8A somehow before they will walk them onto what they call -- into that pot of the 10 percent that's set aside.

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

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

MR. LEGHORN: Okay. So we have relatively decent -- there's -- it's bipartisan. It was co-introduced by Cheri Bustos from Illinois. And we just
met with Congressman McKinley yesterday and his staff says -- that was pretty promising, that they might be able to back it, or rather cosponsor. So in terms of where we see it going, we would like to see this attached to either MVAA or something like that, hopefully.

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

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

And we're adding to the pool. We're alleviating that burden. I think -- well, when -- we
really think this law is a good law, and it's going to be good for the states. And in a nutshell, that's pretty much what it is.

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

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

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

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

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

And then there's an additional question then of kind of understanding the impact of what we're doing
currently versus if the goaling rules were changed in this part. By the way, I'm not saying anything right or wrong, but just to make the point that the issue of whether we apply set-asides as a matter of policy could be considered separate and apart from the larger conversation about what's the right way to --

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

MR. FERGUSON: I've tried to run this gauntlet for the past three years with the USAID, particularly Department of State. I believed when I got out of the military that we fired first shots in the warzone, that we had an obligation and a right to finish the mission. I believe that peace through business is a better way than actually going and shooting people. I was in the infantry, and I can tell you how that works. I traveled on my own dime to Kabul, Afghanistan in 2011
and to do business development with the provincial reconstruction teams, which were a big success somewhat.

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

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

PUBLIC COMMENT, CONSTRUCTIVE SUGGESTIONS & DISCUSSIONS

MR. JEPPSON: Thank you for that comment. So I think we're at that point where we'll open up the floor for a public comment here. We've got about 30 minutes or so here. So I'm happy to take any questions
on the phone or off the floor and -- for the panel. So
the time is yours, the public. What I do is just to
make it a bit easier, we've got kind of two open chairs
if you don’t mind where Mr. Ferguson's at.

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

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

So like I think that a suggestion to the issue would
be that you know how when you walk into any business
they have the labor law on the wall? Like you have a
right to be paid 7.15 an hour, et cetera, et cetera.

If you just added the USERA portion to that already --

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

MR. FERGUSON: I don’t even comply with that,
so I don’t even know that exists. So --

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

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

(Crosstalk.)

MR. FERGUSON: What?

PARTICIPANT: You just confessed. (Laughter.)

(Crosstalk.)

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

The second thing I wanted to talk about was we discussed a lot about micro-lending, and I think that a lot of veterans have this false assumption when they get out of the military that public law 106-50 is a guarantee. It's not a guarantee. So a lot of guys -- I spent money trying to chase the big bucks, the million-dollar contracts. A lot of guys need to get
past performance before they can bid on things, and I think that micro-purchases, since we're talking about micro-lending, and things that are smaller than -- flat acquisition threshold, particularly the three grand and other stuff, that keeps a lot of vet businesses going, particularly mine.

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

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

It -- you could actually take a loan as part of that, because -- I just want to say a story. I had
machine gunner. His name was Broach. The guy was as dumb as a box of rocks. There's no way in the world he's going to even make it into college, but he was a mechanic, and he had this 1972 Dodge Dart, and this was his life. His dream was when we were in Baghdad as grunts walking and doing patrols, was to come home and open a little garage to fix cars.

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

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

(Laughter.) Sorry for the --

MR. JEPPSON: If I had a prize to give out for most entertaining -- I've ever had -- you're the winner, though. I appreciate it. And you make some
great points there that -- one thing I hadn't thought about was the micro-purchases and how that affects. So that's a great point. Thank you. So, sir --

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

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

Thank you, Mr. Leney, for that. And the second comment I want to make is that all the comments that we're talking about here today and the initiatives that are talked about warrant as much visibility as possible within the veteran entrepreneur and the service-disabled veteran entrepreneur community. And
that's tough, right? How many people are on the phone today? How many people are in the meeting? Not a lot of us.

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

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

Our membership is not limited to just service-disabled veteran companies. It's also very well represented by a lot of the name brand tier-one contracting primes in this community who are
aggressively looking for SDVOSBs to partner with. They have a heck of a tough time doing that.

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

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

Again, our programs are generally dinner programs. We have a 5 o'clock networking hour, 6 to 8 o'clock meeting, and -- but also in the afternoon, we
have a boot camp program. So immediately preceding the
dinner meeting, like 3 to 5 or 3 to 4 or 3:30 to 5,
whatever you want to run, we will run boot camp
programs for any information that you would like to
pass onto our constituencies.

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

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

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

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

It's all of us that are business owners and people that own companies in the, say, 2- to $50 million range is really our sweet spot. Although we do have, again, a lot of major firms there. Please contact me, Scott Simple. Tony knows who I am -- knows who I am. Please contact me or Chad afterwards. We'd
love to have you come speak to us. And most
importantly, pass on the incredible value of programs
that you're talking about here into the ears of the
people that can actually use them. I want to check
with you about the franchise program. That's something
that would be red hot for some of -- again, thank you
very much for your time.

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

And we talk about maybe some of the factors of
why that is because of holding procurement officials
accountable in their performance reports, the deputies
meeting that our administrative holds. I've seen a change because when I was in the service, I dealt -- I had to manage my own contracts. The change I've seen in the primes, the primes -- actually I have a friend who's a retired SF-o6.

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

They're actually out there searching them, so I can see why they're certainly showing up at your venue looking to see who the competitive small businesses are that they might be able to partner with. So I think that it's a -- we're seeing that trend in other places, and I hope that portends well for our government contracting. So, Joe --

MR. WYNN: Thank you. And good morning again. My name is Joe Wynn representing DBA, Vet Force. And thank you for the opportunity to provide some comment
to the taskforce once again. As many of you know, I try to make all of the sessions, at least as many as possible, because I appreciate what everybody is trying to do to help veteran businesses, particularly -- and including myself, an Air Force veteran, too.

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

MR. JEPPSON: Can I ask you a question?

MR. WYNN: Sure.

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

MR. WYNN: No. Well, I do see the notice. I'm not sure it was coming directly to me or if it was
being forwarded by someone else about the notice, when
it's going to be scheduled. It's been in the federal
registry, yeah.

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

PARTICIPANT: You have too much time on your
hands.

MR. JEPPSON: Yeah, I know. (Laughter.)

Apparently, so --

(Crosstalk.)

MR. JEPPSON: Now that I have Barb and Craig
here, I've got all the time in the -- no, kidding.
They're doing a great job, but I still have not got back a lot of time yet. And then the -- and the agenda about a week out, the draft agenda. And we actually were soliciting for input into topics that want to discuss.

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

I was in that part of the military where we -- death by PowerPoint, but we'll try and produce this, and we'll try and get this out as we mature the process a little bit. So you get it out at -- in advance just to read ahead, so you'll see the topics that are being covered and do that. As well for the taskforce members and -- not to cut into your time. If you have talking
points that you want up there, we'll send them -- we'll be building this deck from now on with this, so thank you. I apologize, Joe --

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

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

MR. JEPPSON: Joe -- yeah, we'll talk with the rest of the taskforce members to see what we can do, and I think that that's a great suggestion, much like I
always know when Vet Force is going to meet, so --

MR. WYNN: Right. Right.

(Crosstalk.)

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

MR. WYNN: Another comment I had, too.

Progress reports with regard to the implementation of previous taskforce recommendations. I know each year you're submitting a report to the White House, the President. What happens to that?

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

The other thing I was going to mention, too, is it seems like -- I would like to see this particular group to do more to address the issue of fraud and
misrepresentation in the service-disabled vet federal procurement program. There's been -- and of course, we're going back and forth about this discussion about the VA verification process, and I heard Tom Leney on the phone this morning, and again, I also appreciate the fact that there have been improvements made in the process.

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

So when do we -- or when does this taskforce really address this issue about government-wide verification of veteran business owners. You've got a self-certifying process for other agencies. These same companies that are capable -- legally qualified to do business apply to VA and get denied. I mean there's
some -- there's still some problems that exist with that. And I know Davy talked a little about some legislation, but there's been no discussion about one of the biggest pieces of legislation laying out there right now H.R. 2882 about moving the process from VA to SBA, and I know this is kind of a --

MR. JEPPSON: No, I was just going to mention. I make no comment on that. The thing that you have is that -- and we generally stay away from that, Joe, because we're all part of the Administration. And until the Administration takes a position, we really can't comment on that.

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

The second thing I think that you brought up here is -- you brought two things up here, and I just want to make sure I'm understanding right. When you
talk about fraud and misrepresentation, the
verification and certification is a bifurcated process
that we have through VA and applying to VA and then
through -- that's its own animal and has to be
addressed.

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

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

But there has been not continuing discussion
about -- to go government-wide and pro and cons one way
or the other. And like I said, with this legislation
that's pending at the moment, which is talking about
moving the VA process to the SBA, it's still limited in
many respects, because it's talking about having the 
SBA do the verification process for only the VA. So we 
still aren't addressing the issues that's happening 
outside -- government-wide. So this particular 
taskforce seems like a good place to have that 
discussion and debate pros and cons.

I've got one other --

MR. JEPPSON: Yeah, please.

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

Maybe you might consider going back over what 
the executive order called for, what we were supposed 
to be focusing on, and consider also including the 
emphasis on increasing contract opportunities to 
service-disabled vets in the federal marketplace where 
we had that minimum 3 percent requirement, and I know 
some folks are talking about the government surpassed
the 3 percent this year, but what about where's the breakdown within those agencies?

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

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

MR. O'FARRELL: I don't know if I jumped in front of someone. Thanks. I'm Jim O'Farrell. I'm the president of AMSG. We are a service-disabled veteran-owned small business. I'm co-owner with another gentleman, service-disabled vet, Mike McCormick who is a Marine, semper fi. I'm a Navy guy. One of the things we learned early on in the military was don't stand between bigger people and their chow when they're
in the chow line. Don’t be holding them up. So what
I'm doing right now is keeping you all from that, so
I'll try to be as brief as possible.

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

And then I heard -- I believe his name is Mr.
Simple from the SDVOSB Council mention the improvements
that Tom -- and reiterated what Tom had said about the
93 percent verification on their first try in seven
days, eleven days and the redo. And we think that's
great, too. And I'm here, I guess, to tell an
anecdotal story real quick about the execution phase.
So you go through the process, and I have the three-ring binder that's this thick, everything from our bylaws and everything, and that’s great. And then you get into the execution phase.

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

So we have a problem with this because it comes a little bit across like I'm here to -- I'm in your face and there's nothing you can do about it. You're helpless. I'm in control. I'm in power. Whereas we have gone through the six-inch thick, three-ring binder. So we decided to give a call to this company and ask who this person was, and we ended up
talking directly to his supervisor, and we were told on Monday of this week he no longer works at the company. He was a consultant to us.

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

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

One is: What is -- what are these business alignment things that are going to happen, aligning it with business practices? And what are the safeguards between having someone who may have a conflict of interest? What if this person, Sultan Hassan had some
interaction with a member of AMSG in the past and has –
– they're never going to let you pass that audit if
that's the case. So that's the questions.

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

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

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

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

We have a rigorous verification that you've
gone through and you have a three-ring binder, and we
are quite confident having gone through that process
that at that time you were a legitimate, gold-standard
service-disabled veteran-owned small business. As you
know, it doesn't take much to change the nature of the
business, the character of a business. Therefore, we constantly seek to balance Joe Wynn's concern over fraud and misrepresentation with speed of processing and to make it into -- to enable this program to work, a program where we put a billion dollars a year in SDVOSBs -- to make sure that the integrity of the program is maintained.

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

I'll leave it at that, but the -- we use contractors and we go out and we attempt to -- with either no notice -- we normally do not have our people demand the presence of the CEO, but we are expecting to be able to look at this to ensure that nothing has changed. One of the things we have done to enable both you and people behind you to have a minimum amount of
effort to stay in the program, we have a self-
certification process as well, which is once you've
been through the process, you clearly -- when it comes
up for renewal after two years, you certify that you
have made those changes.

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

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

MR. O'FARRELL: Just responding briefly --
MR. LENEY: Did that answer your question?

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

MR. LENEY: Absolutely not. Absolutely not.

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

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

MR. O'FARRELL: Well, it's still -- yeah --
MR. LENEY: We absolutely recognize that in small business you may -- hopefully you're on a jobsite. Hopefully you're with a customer.

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

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

But on the other hand, having said everything I just said, I think what you've done -- like you said, you've reduced the backlog and everything. I think that's tremendous. I think there are probably lessons
that can be learned across to the -- to cut into some of the fraud that we read about as well, and we are disgusted by it when we read about it. There was a Washington Post article two weeks ago. I'm sure you all are familiar with micro-tech -- what I call that -- we don’t think that's good for business for anyone, so I thank --

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

There are so many great veteran-owned small businesses out there that are the real deal, and the kind of headlines in the Washington Post really hurt everybody. They hurt -- they tend to cause CEOs to shy away from this category, and so our goal is to make sure somebody's been verified by us. Bring it on down, because these guys are the real deal.
MR. JEPPSON: Okay. Thanks, Tom. And just in the interest of everyone's time here. We'll make Rick Weidman our final comment here for the day. And so Rick, the floor is yours.

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

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

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

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

And this is not against anything that you're
doing at SBA or that anybody at VA is doing. But it
needs to happen, and I would suggest that we need a
coordinated campaign working with all the IGs to report
-- you see something, say something. If you know about
a bad contract or a problem contract, call the IG of
the particular agency.

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

There have been people who have been verified
who, in fact, aren't legitimate, and the verification -
- the problem -- I'm going to go back for a second.
I'm being inarticulate as usual. The problem was we
see the fraud going on, and to some -- plus its stolen
valor -- because the folks are screwing up and
tarnishing my honor, Tony's honor, all the veterans in
America when they pretend to be something that they're
not, and in this case, get a financial reward for doing
so. Those people need to go to jail.
There hasn't been a lot of publicity about people who have been caught, and there are a number of people in jail. Certainly Vet Force, we will work to publicize it, but we need all of the veterans organizations, plus the federal government in order to push that thing through. One last question, and I'll hush, and I once again apologize for being tardy this morning, but the whole issue of contractors and verification process I think it very well taken.

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

PARTICIPANT: '11.

MR. WEIDMAN: 2011. So I would encourage folks to look at that and to take action, and once again, I wanted to say on behalf of everybody at Vet Force, how much we appreciate the work of everybody
here and all of your agencies, and we look forward to working with you on both ends both to get the agencies to start doing what they should have been doing in the first place and on the other end to help more veterans access your services in order to become more competitive. Thank you very much.

CLOSING REMARKS

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

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

So thank you again for everybody being here.

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

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