OPENING REMARKS FROM ADVISORY COMMITTEE

MR. FIELDER: Okay, I call the meeting to order, and the -- and I’ll repeat a little bit of what I said just a few moments ago, but nonetheless, if, in fact, our goal was to reinvigorate the committee and bring the membership of the committee to the appropriate numbers, and then to create agendas that are meaningful and that we can, in fact, make serious comment and review on what is going on with veteran entrepreneurship and service-disabled vet and veteran-owned businesses within the small business community, I’d like to put out there that I think we’re on track. We’re not perfect, but we’re making headway.

I think this -- if you look at our agenda today, as we provided our 2014 report, we said that we were going to look at these eight or ten things, and you can take those eight to ten things and you can map them directly to the agenda topics for today, whether that be certification, access to capital, it doesn’t matter. They map directly -- the Mentor-Protégé Program -- they map directly.

And, so, I’m kind of excited as we finish our next meeting, which would be the week of June 10th, whatever that Wednesday is, that as we conclude that meeting and go into our September meeting, that we are going to have meaningful things to comment, that our report in comparison to the 2013 report that never was submitted, because we didn’t -- we weren’t able to meet as a committee, to our 2014 report, which had many meaningful comments and things in the report, that report did get filed, I think you’ll see that there’s a progression and a growth that the 2015 report will be even more meaningful than the 2014 report.

With that said, I guess with some trepidation, I end up being the last of the long-term members of the committee, and that’s not a way of introducing woe on my part, but excitement on my part, but I’d like to notice everyone: Steve White, who has been a member of this committee for six years. He served two consecutive terms, and by the charter, he’s not able to extend his service to the committee, but his service to the committee has been nothing more than exemplary.

Unlike many of the committee members going back three years when I joined the committee, about half the folks would show up; Steve was there every time. And Steve always took us back to we need to stop talking about inside the Beltway; we need to stop talking about procurement; we need to talk about access to capital and all these other major issues, and he kept redirecting us and redirecting us and redirecting us.

And, so, with a little bit of emotion, Steve’s no longer with us, and he was a very meaningful part of this committee and kept us focused on the issues of the day that had the most meaning.

The other committee member is a dear friend of mine and the gentleman that dragged me into this, and there’s still a chance that he may come back as a VSO. He happens to be the chairman of the Atlanta Businessmen -- Atlanta Vietnam Veteran Businessmen Association, a very large organization in Atlanta, but he did close up his company and his first term did, in fact, end. And, so, he’s in a new vetting process to fill one of the VSO slots. And as everyone around this room knows, that sometimes takes a little bit of time. And some of us wonder why it takes so much time, but nonetheless, it takes a little bit of time. And to tell the truth, I think Jaime, he got his VSO application in within the last three, four --

MS. WOOD: He did, yeah. We’re talking about -- yeah.

MR. FIELDER: Three weeks maybe, four weeks.

MS. WOOD: Mr. Mueller, yep. And he’s vetted right now.

MR. FIELDER: And he has committed to me that if he gets vetted as a VSO he’s ready to come back for...
another three-year term. And I think the great thing
about that is is that he brings some longevity and some
connection back when the committee was functioning
several years ago. Five, six years ago, there were still
people that could talk about how – the great things that
they were accomplishing and whatnot.

With that said, the great thing is is that we
have all these new faces and all these new committee
members that can come in with a fresh enthusiasm and a
fresh look at this thing and reenergize, again, our
stated purpose was to reenergize the committee and do
meaningful work.

And I thank all of you sitting around the room,
and I hope that as we go into our closed session to talk
about agenda items and committee members at the end of
the meeting, toward the end of the day, that when we sort
through all of the requirements for the committee
membership, how many veteran business members do we have,
how many VSOs are represented, do we have a geographic
dispersion outside of the DC Beltway area, that each of
you all, if you haven’t already, and many have already
done this, could come forward and say there’s this guy
that could fill that VSO slot; there’s this guy. And
I’ll -- I will make the connection.

And the second thing that I -- and I’ll wrap up
and turn it over to you in just a second -- but the
second thing is is that as we build these agendas,
they’ve sort of been kind of an Ed-and-Barb thing in the
sense of trying to pull it together. And some of that,
and I don’t even pretend to make excuses, but you guys
are all new, and so some of you your first meeting was
the last time, and so you sort of got to see it.

But as you now attend your second one and get a
sense of what we’re trying to accomplish, if you all
could start pulling a couple oars to help us get
meaningful speakers and get folks in front of the
committee when we get off into our session, and Steve
left us with part of his legacy. He -- there’s a
meaningful capital access speaker today that Steve
arranged as he was going out the door, but if you all
would do that and, again, I appreciate everyone’s new
reinvigorated energy and the fact that you all want to be
part of this in the first place. Enough said.

Barb?

OVBD UPDATE

MS. CARSON: Thank you so much, Mr. Fielder.

And I, too, am very grateful for the contributions of Mr.
Mueller and Mr. White. I’m really going to miss them,
but they haven’t severed all connections. I still get
valuable mentorship and advice and counsel from them, and
I look forward to that continuing.

I will turn over to the OVBD update and share
some of the great things that are going on within SBA.
I’m not the only person that will represent the agency
today. We will hear from the Government Contracting and
Business Development Office. You’ll get an ethics
briefing about what kinds of things we need to be aware
of as you serve on this committee.

And next time, I really do -- I’ll tell you
why, but we want to get more into cap access and have a
lot of time for my colleagues at that point, but I’ll
share with you where we are right now.

Okay, so we’re going to turn over to the OVBD
update. So, the first one, and they’re up here, our
office, Veterans Business Development, touches all of the
primary core missions of SBA, and there they are, the 3
Cs and a D: counseling, capital, contracting, and
disaster. So, top line, I’m going to give the 30,000-
foot view of what’s going on in each of those, and then I
will deep dive into two sections in just a moment.

So, for counseling, which is also our training,
right now, today, three of our four programs are in
action across the country, with sessions going right now.
One is the Veterans Institute for Procurement run by the
Montgomery County Chamber Foundation. That’s for folks
who already have past performance and are of size that
are veteran-owned. They can get significant technical
assistance that takes them to the next level. 85 percent
of the graduates say that they make significant changes
to their business operations based on what they learn at
this course, resulting in some pretty significant
performance indicator improvement, as well. So, I will
have an update for you on this latest cohort at our June
meeting.

MR. PHIPPS: What was the name of that
organization?

MS. CARSON: Veteran Institute for Procurement
run by the Montgomery County Chamber Foundation. It’s a
nationwide program, 50 businesses per cohort. SBA has,
through a grant relationship, funded three programs per
year. This one will graduate tomorrow.

MR. FIELDER: Mike, if you go back to our
minutes for I want to say May or June of last year?

MR. PHIPPS: Are those posted?

MR. FIELDER: The Montgomery person, the
executive director of that program, did a presentation --

MR. PHIPPS: Okay.

MR. FIELDER: -- on that organization.

MR. O’FARRELL: They’re on that website.

MR. FIELDER: Okay.
MR. O’FARRELL: I notice that -- it looks like
you’ve got all the minutes up --
MR. FIELDER: Oh, yeah, all the minutes are on
the website.
MS. CARSON: The Entrepreneurship Boot Camp for
Veterans with Disabilities is also going on right now
this week at Syracuse University. PBS is up there taking
a look at that program. They’re also in contact with us
as we will highlight veteran entrepreneurship during
National Small Business Week. Look for that on May 7th.
I’m really excited about that and will share developments
with the committee and the public as I get more
information.
Boots to Business, all over the world now, so
151 military installations in the United States, correct
me if I’m wrong, Tyrena, and now overseas. We have
multiple sessions going on today.
The only one that we are not -- that doesn’t
have a program going today is Veteran Women Igniting the
Spirit of Entrepreneurship. The next one is coming the
last week of May in Washington, DC. And that one has
been -- it’s on a wait list. It has been for a couple
months. We’re getting up to 200 women --
MR. PHIPPS: V-WISE?
MS. CARSON: V-WISE. Veteran women and female
military spouses are eligible to attend this program.

Again --
MR. PHIPPS: My wife did V-WISE.
MS. CARSON: She did?
MR. PHIPPS: In New York. So, it’s active?
MS. CARSON: Oh, yeah.
UNIDENTIFIED MALE: It’s very active.
MS. CARSON: It’s all over the country. We’ll
have four sessions this year.
MR. PHIPPS: So, when you say it’s not
active --
MS. CARSON: I just mean today. It’s not this
day, but I wanted you to understand --
MR. PHIPPS: I got it. Oh, okay.
MS. CARSON: -- how much more --
MR. PHIPPS: Sorry, I misinterpreted that.
MS. CARSON: Oh, no, no. Thanks for
clarifying.
MR. FIELDER: At the national conference in
December, if you had any questions whether or not V-WISE
was active, the ladies were everywhere.
MS. CARSON: Good.
MR. FIELDER: With all of their associated
enthusiasm.
MS. CARSON: Good. I expect to have an
announcement in the training realm. I can’t share that
yet today, but this committee and anyone who’s logged in
for the meeting will get an update as soon as I can with
another program that we will be working on through
district offices primarily and a public and private
partnership. I’m looking forward to that. Expect to
hear more from me in April.

Moving to capital. We will hear from Selah Rhodes, a colleague on our team for veterans business
development, in a few minutes, but what is very new and
exciting to us is that we, OVBD, have not had access to
to all the data that we needed to be a more meaningful
partner in what happens with the focus on veteran access
capital.

Because Selah is an amazing analyst and also
she does far more than analyze, she has some great
recommendations about things that we could do
differently. So, we’re building stronger relationships
with a variety of people in cap access to get a better
idea of what the landscape really is, what can SBA be
doing differently, and where should we be connecting with
veteran business owners to learn more. So, you’ll hear
from her in just a moment.

For contracting, as I said, you’ll hear from
two colleagues from the government contracting business
development. Again, here, we did not have the
relationships nor the data that we needed to be effective
partners for our community in effecting change here. So,
yes, we’ve made the 3 percent goal for service-disabled
vet procurement, but that’s not enough.

Now, we can see the data by NAICS code, by
agency that shows exactly where we are meeting the mark,
where agencies are, where they’re not, and for example,
if in construction the whole of the Federal Government is
able to do 17 percent of their spend for service-disabled
vets but an agency is only doing 3, we can obviously
easily target them and say there’s obviously room for you
to grow in this area. And that’s the conversation that
we want to be in.

So, our office now participates in the Small
Business Procurement Advisory Council meetings. Those
happen every month. If you have other suggestions on
other ways that we can be more involved, we’re open to
it. We’ve built capacity and talent on our team, and we
really want to be there.

MR. AUMENT: Is that publicly available data?
Is that posted, Barbara?
MS. CARSON: Agencies can see it, but I’m still
working with GCBD to see which parts are public. That’s
a great question. So, we’re at the beginning of the
MR. AUMENT: And how current is it? Do you have all of Fiscal 14?

MS. CARSON: Not yet. As soon as those scorecards -- that’s still being resolved with the agencies, validating the information that we have, so when you see the scorecard posted for the public, which could be anywhere from May to August of this year, that’s when we will also have access to the data. The agencies do deserve a chance to make sure it’s valid, what we’re about to report. That’s where we’re at. So, I have it through Fiscal 13.

MR. FIELDER: So, for us to have a meaningful presentation on goaling and how the agencies are doing to get some sort of sense of which ones are doing better and which ones maybe not, then maybe our September meeting would be an opportunity to have a guest from SBA come in and present that?

MS. CARSON: I think they should be on the calendar both June and September.

MR. FIELDER: Okay.

MS. CARSON: We can talk about which things are most ready for a deeper dive, but there’s a lot going on in this realm, obviously. You’ll hear more today about teaming, joint venture, as well as Mentor-Protégé. Both joint venture’s was just extended.

I’m going to move on to disaster, and I could use your help through your channels to get the word out that I think the Military Reservist Economic Injury Loan is something -- it’s one direct loan program that SBA has for veterans. This is for business owners who have a Guard or Reserve member that’s deployed, and it’s an essential employee, and it causes an economic injury to the business. It could also be the Reservists or Guardsmen themself who gets deployed, and if they’re a business owner and it affects their able ability to operate, this provides economic injury relief through working capital.

The loan terms are at 4 percent. It can be paid over 30 years. The average loan size is $88,000; 373 businesses have been supported by this since August of 2001. Not many people know about it, and I’m watching the news as are the rest of us. Deployments are not ending. Whether we draw down or not, there’s more reliance on the Guard and Reserve, and this is an important thing that can save a business. And I would appreciate your help getting the word out about this.

All right, so we’re going to do --

MR. O’FARRELL: What was the name of that loan?
cover that for --  

MR. LE: Well, you know, I am part of the  
procurement law team at SBA, and I’m really a fill-in  
today on advising the advisory committee. Our primary  
attorney that’s working with the advisory committee is  
Larry Webb, so imagine that I look like Larry Webb. He’s  
about my height, so it’s not that bad. But any questions  
that come to me, I think I’ll have to save for him to get  
back to you, because I don’t want to -- I don’t want to  
answer out of turn on any specific questions. But I can  
go through the ethics handout and give you a broad  
overview of the requirements for ethics as a member of  
this committee.  

Everybody has this handout. Now, something  
unique about the committee here as compared to some of  
the other committees that we have at SBA is this is a  
statutory committee that’s provided for in the Small  
Business Act. So, you have a statutory role that’s been  
approved by Congress and signed by the President, so when  
you look at that purpose paragraph, if there’s any issues  
that come up that there’s a distinguishing feature  
between a statutory committee and what’s called a  
discretionary committee or a nonstatutory committee, know  
that here you’re working with a committee that’s actually  
provided for in the statute in 15 USC.

The status of individuals on this committee is  
separate from the status of a government employee or a  
special government employee. So, if you hear the term  
“special government employee,” many other agencies have  
their committee members be special government employees.  
That’s not the case here. The distinction there is if  
you’re a special government employee you’re subject to  
the government ethics rules in Title 5 of the Code of  
Federal Regulations. And those are very detailed ethics  
rules that go over the ins and outs of fundraising, of  
accepting gifts.  

You might hear sometimes about the lobbying  
rules that apply to people who work with Congress, and  
the ethics rules that I’m going over here are separate  
from those government employee ethics rules. So, you’re  
subject to the ethics rules that are on the sheet, that  
are in this document. This is the standard operating  
procedures for SBA advisory councils, and there’s about  
three or four pages in this document that apply to  
committee members in general. Most of this is relevant  
to the SBA officials that are coordinating committees.  

MR. FIELDER: Amy, was that -- excuse me,  
Jaime, was that part of our --  

MS. WOOD: I just was saying to Cheryl we  
should include that in the notebook, so --  

For The Record, Inc.  
(301) 870-8025 - www.ftrinc.net - (800) 921-5555
to the public or whether it’s something that’s being
shared with you in confidence here at the committee.
MR. FIELDER: The committee meetings are public
meetings. I don’t think that’s an issue.
MR. LE: Okay.
MR. O’FARRELL: Has that ever come up before?
MR. FIELDER: No. They’re public meetings, so
it wouldn’t apply.
MR. LE: Okay, good, good.
MR. FIELDER: And we’ve also been advised that
-- we had started trying to keep the momentum going by
having conference calls and counsel us that no, by
charter, by law, we’re supposed to have public meetings.
So, we don’t even do that anymore. We did that very
briefly.
MR. LE: Good, so, another thing off --
MR. FIELDER: Yep.
MR. LE: -- your conscience there. And then
you’ll see this -- this theme throughout the rest of the
document. You’re to keep yourself in a neutral position
with the committee. So, this number four here, seeking
approval, you’re to seek approval from the Standards of
Conduct Committee, which is really led by Larry Webb at
OGC. He’s the standard of conduct counselor for the
advisory committee, so you seek approval through your
program officials, and they’ll get it up to OGC through
Larry Webb.
And you’re to seek approval from that standards
of conduct counselor and the Standards of Conduct
Committee prior to applying for any SBA assistance, so
that includes 8(a) certification, HUBZone certification.
It includes a SBA loan, other than as identified here a
disaster loan. If you’re involved with SBIC or SBLC,
that would be an SBA certification program, as well.
MR. FIELDER: And just so that -- you can
reflect on that, but in your initial application, many of
which you all have done in the last six months, but those
are actually covered in the original vetting.
MR. LE: Oh, good. And, right, the other ones
are a certificate of competency or a size determination.
Interesting, okay.
Okay, now we’re going to get to the don’ts on
this list. Number one, don’t lobby or fundraise for or
on behalf of SBA, Federal Government, or the committee.
This, again, goes back to your status as not being a
federal employee, so you’re not to represent yourself as
an employee of SBA or the Federal Government.
Conduct. Don’t engage in conduct which calls
your good character into serious doubt or creates a
conflict of interest or appearance of a conflict of
to the public or whether it’s something that’s being
shared with you in confidence here at the committee.
MR. FIELDER: The committee meetings are public
meetings. I don’t think that’s an issue.
MR. LE: Okay.
MR. O’FARRELL: Has that ever come up before?
MR. FIELDER: No. They’re public meetings, so
it wouldn’t apply.
MR. LE: Okay, good, good.
MR. FIELDER: And we’ve also been advised that
-- we had started trying to keep the momentum going by
having conference calls and counsel us that no, by
charter, by law, we’re supposed to have public meetings.
So, we don’t even do that anymore. We did that very
briefly.
MR. LE: Good, so, another thing off --
MR. FIELDER: Yep.
MR. LE: -- your conscience there. And then
you’ll see this -- this theme throughout the rest of the
document. You’re to keep yourself in a neutral position
with the committee. So, this number four here, seeking
approval, you’re to seek approval from the Standards of
Conduct Committee, which is really led by Larry Webb at
OGC. He’s the standard of conduct counselor for the
advisory committee, so you seek approval through your
program officials, and they’ll get it up to OGC through
Larry Webb.
And you’re to seek approval from that standards
of conduct counselor and the Standards of Conduct
Committee prior to applying for any SBA assistance, so
that includes 8(a) certification, HUBZone certification.
It includes a SBA loan, other than as identified here a
disaster loan. If you’re involved with SBIC or SBLC,
that would be an SBA certification program, as well.
MR. FIELDER: And just so that -- you can
reflect on that, but in your initial application, many of
which you all have done in the last six months, but those
are actually covered in the original vetting.
MR. LE: Oh, good. And, right, the other ones
are a certificate of competency or a size determination.
Interesting, okay.
Okay, now we’re going to get to the don’ts on
this list. Number one, don’t lobby or fundraise for or
on behalf of SBA, Federal Government, or the committee.
This, again, goes back to your status as not being a
federal employee, so you’re not to represent yourself as
an employee of SBA or the Federal Government.
Conduct. Don’t engage in conduct which calls
your good character into serious doubt or creates a
conflict of interest or appearance of a conflict of
that would not be permitted.

MR. FIELDER: Got it.

MR. LE: Okay? Are there business cards? Do I need to go over that?

MS. CARSON: Yes.

MR. LE: There are business cards, okay.

MS. CARSON: Well, there aren’t, but there was a question about business cards, whether membership of the committee could be on a person’s personal business card.

MR. LE: Personal business card?

MS. CARSON: Right.

MR. FIELDER: Yeah. Cover it from an ethics perspective and I’ll go over it from a practical perspective.

MR. LE: So, the committee member would be creating his or her own business card?

MS. CARSON: The example provided was a business owner who serves on the committee would also note on their -- that professional business card their membership on the committee.

MR. FIELDER: Which I understand is not correct.

MR. LE: Yes, I don’t think you could -- you couldn’t create that

MR. FIELDER: The history -- let me set up the history, and then you could address it more wholly.

Previously, members of the committee on their own, there was a particular location, you could go and get a business card that really said that you were clearly a member of this committee and that was all that was on the card. It had your contact information and your email address, and it had a seal, which I think is -- someone created a seal for the committee at some point. That was on it. And it looked like an official government card.

And I have known of one member, and I’ve been on the committee for three years, that had one of them that thought it was important. The rest of us thought, well, you know, if we’re talking to people and they need to get in contact with us, we’d just hand them our business card and they know that that is -- and, so, there’s this additional hassle of going out and going to this printing group. And if anybody’s interested, I have the information, but I never saw a reason to do it.

MR. LE: And I think the -- particularly if that individual is putting their outside business affiliation on the business card, that violates the number four under the don’ts, just using your title and status as a committee member to endorse the products and services of outside entities. That would include your own entity. So, if you’re putting, you know, Sam Le Bakery and then putting “member of advisory committee” on that same document, that suggests endorsement of that entity by the individual.

MR. QUAGLIO: So, let’s extend that to the digital world, adding to your LinkedIn profile that you’re a member of the committee, it’s just another committee that you serve on, would not directly endorse a business of any kind. I assume that would be acceptable?

MR. LE: That’s a good question. I think that would be reasonable, but let me actually look into that and get back to you.

(Several simultaneous speakers.)

MR. FIELDER: We’ve actually raised that question before.

MR. QUAGLIO: And, in fact, it would enhance the committee’s reach as you reach your LinkedIn contacts, people would know of the role on the committee and that would increase the access to the committee through the general public, as well.

MR. LE: That makes sense.

MR. FIELDER: And I think we’ve had a conversation around that point before, Sam, because many of us have done that and currently have that, yeah.

MR. O’FARRELL: And I have a question related to that. In the social media world, I was going to ask if -- going back to Boots to Business, if they have a Facebook page and if I were to leave the meeting today and say I was at the committee meeting today, what a great job Boots to Business is doing and shared that out on Facebook, is that considered a --

MR. LE: An endorsement?

MR. O’FARRELL: -- an endorsement or a -- you know, we come in and we say let’s get the word out --

MR. LE: Mm-hmm.

MR. O’FARRELL: -- and yet then are we constrained in some way from getting the word out.

MS. WOOD: They’re public meetings.

MR. LE: No, I don’t think -- I don’t see any ethics issue with that.

MR. O’FARRELL: Okay.

MR. LE: With saying that you were here.

MR. QUAGLIO: What about a general media release, just saying you’ve been appointed to the committee?

MR. LE: Without other --

MR. QUAGLIO: If your business just does a release saying that you’re now a member of the committee, is that acceptable or is that against it? Not an
endorsement, just to say --

   MR. LE: Well, I’ll say usually with releases
that we -- we at SBA put out that might have mentions
of businesses, we put a disclaimer on that to say that
SBA -- SBA’s participation is not an endorsement of any
entity, product, or service mentioned in this document.

   MR. QUAGLIO: Right, so --

   MS. WOOD: So, you probably could -- if your
business wants to do a release, they should vet it
through us --

   MR. QUAGLIO: Who would we send it to?

   MS. WOOD: We have a public affairs office that
you could send it to and then we’ll work with the
public affairs office.

   MR. QUAGLIO: “Us” being you?

   MS. WOOD: Our -- yes.

   MR. QUAGLIO: Okay.

   MR. PHIPPS: Maybe we could just get a general
statement, the legal --

   MS. WOOD: Our office, the Veterans Business
Development, can help.

   MR. PHIPPS: -- from the legal department that
everybody -- that could just be distributed to everybody.

   MR. FIELDER: Once we get a vetted -- the
general statement --

(Several simultaneous speakers.)

   MR. LE: Disclaimer.

   MR. FIELDER: -- maybe the rest of us could use
the same statement.

   MS. CARSON: Ed, can I -- an administrative
thing. There’s been a lot of good cross discussion, but
if you could identify yourself by name, that would be
helpful for a public record and making sure we get your
comments. Thanks.

   MR. LE: Sure, and we can work with our press
office to ensure that it’s acceptable to them. Okay?
And that gets to the last point on this sheet.

   You can express your personal views when speaking to the
media, Congress, or a government official using “I”
statements. You also -- you can express official
committee recommendations which have been reached through
consensus and provided to the SBA. You may not speak for
the SBA or represent SBA.


   MR. LE: Yes, sir.

   MR. AUGMENT: I’m assuming since we’re not
designated as special government employees that we have
no Hatch Act restrictions on us.

   MR. LE: That’s right. That’s right.

   MR. AUGMENT: Okay. Thank you.
Advisory Committee on Veterans Business Affairs
3/11/2015

1. particular course.
2. For quality assurance, our SOP is basically
3. going over our policies and procedures, best business
4. practices, operations, primarily with the SBA offices.
5. When you see LOC, the letters of coordination, which is
6. in sync with our SOP, speaks to our site visit. So, when
7. we actually go out there to the district offices, they
8. are familiar with the SOP. They are seeing, they have
9. input as to terms of best business practices for what
10. they have realized with working with the Boots to
11. Business programs, which leads to our instructor
12. evaluations.
13. We have great instructors, but we want to make
14. sure that they’re doing the right thing as we assure that
15. they are doing the right thing. So, we have those
16. quality checks to make sure that they are getting the
17. latest and greatest updates for curriculum, for training,
18. to reevaluate our instructor criteria to see if we do
19. need to update it and make any changes to it.
20. Our IT management systems. Sharepoint.
21. Internally, we are doing some checks to make sure that
22. internally we are managing our own processes and
23. procedures. And in the long term, we’re working with SBA
24. IT to make sure that those automated processes, to
25. include CRM, to include just different ways of trying to
in a successful business practice, meaning a company,
then it’s all for naught.

MR. TOLBERT: The short term, yes, and Sally,
you can let me know, is no. The long term, because it is
such a new program and we are going through so many
classes, we don’t have that data available just yet.

MR. FIELDER: Well, I’m not asking for the
data.

MS. TOLBERT: Okay.

MR. FIELDER: I’m asking for --

MR. QUAGLIO: A process by which to --

MR. FIELDER: Do we have a maintainable
contract process, as in we can then go back and survey
them 12 months, 24 months from now and know where they
are and we maintain connectivity with them.

MS. CARSON: I’ll take that one.

MS. TOLBERT: Okay, thank you.

MR. FIELDER: Barb wants to take that one.

MS. CARSON: Tyrena did an excellent job of
teeing up what and because I want to go into that, why
did we do the deep dive on some of these things that are
really granular, it’s because many of you who have worked
with the Federal Government before understand that
measuring performance is a challenging thing to do. You
don’t just get the permission to go back and talk to your

participants. So, for example, Tyrena and our team have
gone to OMB. Right now, the question -- I mean even the
registration form is a brand new form. We can’t register
people without clearing that. What’s the burden?

Same thing for performance and to do a survey
on the effectiveness. So, we’re doing a few things
behind the scenes. One is a data sharing with DOD,
because it’s an important connection point to have. Yes,
we might have gotten an email as they are transitioning.
Do they give us a military one that is not valid the day
they leave? Do we have a personal one? What can we use
it for? And also data sharing between federal agencies
now has to be machine-to-machine. So, we -- we’ve got
three major efforts that take cross-coordination with OMB
and the federal agencies to get after-performance data.

Also, to your point, Ed, what is the purpose of
Boots to Business. The first phase is introduction to
entrepreneurship. So, there is a valuable -- it’s a
throughput, which is an output, and it’s not an outcome.
So, there’s -- we still think that it’s valuable to get
the conversation started. Feasibility is what a person
comes out with after the two-day session. And some may
decide I don’t have what I need right now to be
successful in business, which we also think is -- can be
valuable. If you throw your treasure and talent into

something you’re not prepared for, that could be a
devastating outcome.

If they are ready, then they follow on to the
phase two, which is the eight-week, and that’s where we
expect -- we’re looking at conversion rates, how many
really are ready and what happens after that. So, that’s
why the data ability to pull later is important and we’re
building.

One more thing, some visibility that I’ll
share, and I’d love to deep dive into is within our own
system. I want to be able to show they got training in
Boots to Business, they then went on and successfully got
a contract, they had access to capital when they need it.
Can I prove that now? No. Our internal systems don’t
even communicate in that way.

OVD’s talent on this has grown exponentially
over the last four months. The data requirements plan
that we have built for the agency were being used as a
model for how does IT enterprise improve and elevate the
entire agency to have all those systems connected. So, I
wish that our short answer was, yeah, we’re doing that.
The answer is we are working on doing that and expect to
have meaningful updates for you every three months.

MR. AUMENT: Have you had any discussions with
the Bureau of Labor Statistics on this, because they have
a lot of good stuff in there, as well?

MS. CARSON: Absolutely. So, Department of Labor is at the table with us for this program in particular --

MR. AUMENT: Good.

MS. CARSON: -- through MOU. DOD, VA, SBA, yes.

MR. FIELDER: The only problem with that as we move forward is as we’ve been briefed on some of these data collections that go through the Department of Labor or through Census, and it’s very troubling when you get those briefings because you come to the realization that the only meaningful data that they’ve got to a point that is useable is now seven years old, and I think that’s the right number, seven years.

And you’re sitting there listening to someone that’s got full faith and confidence in their data and sorting it, and I would say the status of veterans coming out of Afghanistan and Iraq today is substantially different than it was seven years ago. Certainly the TAP program and the Boots to Business program is substantially different, and so relying on that data, it becomes sort of problematic.

MR. AUMENT: Well, not every shred of data falls into that category. The community, you know, survey data is typically fairly current on that, as well, too, so...

MS. CARSON: I am not ready to go in-depth, but we do have -- we have been given funding this year to conduct a gap analysis and survey of the data sources available to get to more current information. So, that will be underway. Within the next month, I’ll have that. And then I can brief this committee on what exactly we learned and what we will dive into at our June meeting.

MR. FIELDER: Good.

MR. QUAGLIO: Ken Quaglio. There’s so many public, private, semi-public programs that are meant to accelerate business ownership and business success for veterans. I think it’s critical that we find a way to assess the efficacy of those programs and then be able to dive in and say what part of the programs work well and then provide some guidance to anyone who is putting together a program on what works and what doesn’t work.

You know, there’s EBV, there’s Boots to Business, you’re aware of all of them. And the question is what is truly working and what are the elements of it that are driving success, and I don’t think we have any visibility into that today. And that concerns me because a veteran, first of all, has to make a choice which one will I go to and has no data on the outcomes associated still today don’t know where the resources to do that kind of a comprehensive study would be.

MR. PHIPPS: Michael Phipps. When these programs are initially funded, that’s when that requirement should be put in before money is even let. How was Boots to Business funded initially?

MS. CARSON: We did it with internal funding.

MR. PHIPPS: With internal SBA funding?

MS. CARSON: Mm-hmm. Nothing --

MR. PHIPPS: So, when that -- when that funding --

MR. FIELDER: It was truly boot-strapped.

MS. CARSON: It really was.

MR. FIELDER: It was boot-strapped.

MR. PHIPPS: The idea being if you have that mentality from the beginning it will be built in to all the processes that drive it going forward, including saying if you’re going to participate in this program you agree to long-term studies. And if you’re going to use government resources and not agree to that --

MS. CARSON: Unfortunately, federal doesn’t --

I can’t do that.

MR. FIELDER: We can’t do that.

MS. CARSON: I can’t compel someone who takes advantage of a federal program to be on the hook to
respond to me at any interval.  

MR. PHIPPS: They could -- you could have -- do

you voluntarily --  

MS. CARSON: It’s -- we are working every

process the right way to get there, and it just takes

time. Yes, absolutely. We didn’t set out to do

something for the good of it; we really do care about

performance, because we don’t want to fund a program

that’s not effective either.  

MR. PHIPPS: That’s right.  

MR. FIELDER: But OMB still requires under

their performance metrics that all programs have

measurable outcome-based metrics.  

MS. CARSON: Mm-hmm.  

MR. FIELDER: And there typically are three to

five for every program, not only to be funded in the

first place, but to -- to continue to be funded. And

OMB looks at those measures annually.  

MS. CARSON: Yes.  

MR. LEGHORN: Barb, I have a --  

MS. CARSON: Yes, go ahead, Davy. Davy

Leghorn.  

MR. LEGHORN: I have a suggestion. Davy

Leghorn. You know, we talked about Bureau of Labor

Statistics, but what about the IRS? It doesn’t take that

long to register a business. You could do it with the

people that are in Boots to Business over the eight weeks

portion, the online class portion.  

MS. CARSON: Mm-hmm.  

MR. LEGHORN: If you could get them down and

get them to report on whether they registered their

business or not I think you could track them, start

tracking them through the IRS when they start paying

taxes. And machine-to-machine, SBA to IRS. So, that

might be one way to do it.  

MR. PHIPPS: IRS is really jealous of their

data.  

MS. CARSON: Can we -- yes. Selah is going to
come up and talk. She’s been doing a lot of data

analysis for us. And she will also transition into

access to capital if we can do it. Otherwise, she’s just

going to respond to that point.  

MR. FIELDER: Okay.  

MS. MUN-RHODES: Jaime, you can go back to the
chart after we cover the B2B analytics.  

Right, just to that specific question, so

eight-week population versus two-day population is a very

small percentage. So, we’re working with Syracuse and

our stakeholders there to start to get tracking on

business formation from eight-week, but we don’t want to

just track the smallest population; we want to grab

everyone that -- at point of registration to point of

business formation. We somehow have cultivated a

relationship along their life cycle.  

So, that’s what we’re aiming for is to get to

to-end-to-end relationship management, but we are working

through all the different channels, because different

programs have different capabilities right now. Does

that make sense?  

MR. FIELDER: Go ahead. Keith, do you have a

question?  

MR. KING: So, does that mean an interface with

IRS would be impossible?  

MS. MUN-RHODES: I’m not saying it’s

impossible. I’m saying eight-week, if you’re looking at

that population, it’s actually a very small population

compared to two-day.  

MR. KING: Okay. Right.  

MS. MUN-RHODES: Because it’s an extensive

optional curriculum, where two-day is the entrepreneurial

track for all DOD TAP-eligible work force.  

MR. KING: Okay.  

MR. FIELDER: And I wouldn’t want to say the

majority, but going from the two-day to the eight-week,

isn’t that a natural course of I think I might be
Fiscal Year 2009 to current, as of end of Q1 2015. So, each of these color blocks, and I know it may be difficult to compare, each of them actually are one-to-one. The left side is showing your SBA veteran loan portfolio by number of loans. The right chart is showing you loan size by dollar of loans. So, you can tell that there actually is a big difference when you’re comparing dollars and numbers.

So, for instance, if you’re looking at the number of loans, a huge majority of the loans are really in the $150,000 and below. However, if you’re looking at number of loans, 53 percent alone are in the 350-plus to 2 million, and you even have 18 million and 2 million and above. So, all that to say is we’re not just trying to look at one metric; we want to look across the board, because veterans are clearly doing well at getting a wide range of approved loan dollar amounts.

MR. QUAGLIO: What’s the total number of loans, the raw data, you know?

MS. MUN-RHODES: Right.

MR. QUAGLIO: Not by segment, but the total numbers of loans that were let and over what period?

MS. MUN-RHODES: So, if you’re looking, again, at the same data set of 2009 to current --

MR. QUAGLIO: Yeah.

MS. MUN-RHODES: -- we’re about at like 22,000.

MR. QUAGLIO: Twenty-two thousand, ’09 to ‘15, correct?

MS. MUN-RHODES: Yes, yeah.

MR. O’FARRELL: So, 53 percent is 10,000 loans or between 350 to 2 million?

MS. MUN-RHODES: Right, so, it was over the cross -- it’s not just a snapshot of one year; it’s over the cross of the whole scale. This is kind of the loan portfolio as of today. So, it definitely changes, right, year to year and definitely after 2011 the portfolio kind of changed itself. But just wanted to kind of give you a picture, because I know we hear a lot about vet loans being great in the smaller realm, but they’re also doing well, you know, if you’re a mature business or you have the business plan to get approved for more.

MR. FIELDER: And do you have a follow-on slide before I --

MS. MUN-RHODES: Yes, we do.

MR. FIELDER: Okay.

MS. MUN-RHODES: So --

MR. AUMENT: How many loans were applied for?

MS. MUN-RHODES: So, that data is not housed by SBA. We asked our capital access folks just to confirm. That is a separate entity and it would be done by the
lenders. You know, possibly -- it’s a number that we
care a lot about because we’re looking at yield, right?
How many were approved versus denied versus the demand
itself. So, that’s definitely in our game plan, but we
can’t get it internally in SBA.
MR. FIELDER: Selah, I had a follow-on question
to the last one.
MS. MUN-RHODES: Okay, go for it.
MR. FIELDER: And I could probably interpolate
it if my eyes were good enough to read that next chart,
but if we’re looking at 2009 to 2015 data, do you have a
general sense of either from the number of loans or from
an annual total dollar value of loans to veterans, is that
increasing year to year?
MS. MUN-RHODES: Right.
MR. FIELDER: And just a general comment. I
think it’s embedded --
MS. MUN-RHODES: Sure. I’ll show you. We have
a slide that kind of visualizes that.
MR. FIELDER: See, I went ahead and just jumped
the gun.
MS. MUN-RHODES: Yeah, but in general, I would
say it’s definitely not an increase. You know, if
anything, it’s stable to falling, and it’s not
necessarily that veteran loans are doing worse than SBA
in general. They’re pretty much on track. But we’re
looking more into that and validating with our capital
access folks on what is the disparity between vet lending
versus the total SBA portfolio.
MR. FIELDER: Got it.
MR. O’FARRELL: Jim O’Farrell. Is there a
potential here for a policy change to have the lender
have to check a box that says “I will submit this data,
whether the loan was approved or not” to SBA?
MS. CARSON: I would -- this is Barb Carson. I
would like cap access to talk to us about what the
potential is when we have them in June, so if we can --
and that’s a great question. Let’s finish what we have
here, and then I would absolutely like to start
collecting those questions so we can get answers back in
time.
MR. QUAGLIO: Just -- I’m sorry, Ken Quaglio.
MS. CARSON: Yeah.
MR. QUAGLIO: One quick question. As I look at
the data, if I look at the general macro trends in the
economy, the fall-off at industry segments doesn’t seem
to jibe. I would expect a significant increase in the
professional, scientific, technical services loans and
they’re decreasing over time. And I don’t know if that’s
just a general trend that all SBA loans are decreasing,
but if I look at individual industry segments, I’m a
little bit surprised by some of the data. I would have
expected to see something else that mirrored the broader
economy, and it doesn’t exist. So, that concerns me a
little bit, actually.
MS. MUN-RHODES: Right, and that’s something
that, again, we are doing further validation with our cap
access folks to look at -- there could be a lot of
causes, right, for these numbers that are here.
MR. QUAGLIO: Yeah.
MS. MUN-RHODES: So, we just want to give you
the top line, here’s what the numbers look like. I think
in June we’ll have a better understanding of here’s the
rationale behind what’s driving the numbers.
MR. QUAGLIO: Okay, great.
MS. MUN-RHODES: That’s a great question. What
we’re showing on this next slide is, again, by -- oh,
sorry, yeah, Jaime, thanks -- by number of loans where
does the larger population of loans seem to be driving as
far as industry segmentation. So, each bar is a separate
fiscal year, right, and all the fiscal years are bunched
by industry.
So, what we’re trying to show is across FY09
through FY14. The top six actually don’t change that
much, so we’re looking at construction, retail,
professional services, manufacturing, accommodation and
food services, and healthcare and social assistance.
You’ll see for a majority of loans, in case you’re
wondering, that after 2011 there’s a significant drop­
off, so that went to the regulatory environment of the
SBA loans itself, so that was kind of across the board.
But this is where we’re trying to look at areas
for training and counseling, also areas for new outreach
and marketing, whether it’s in, you know, the underserved
population industries or the ones that are currently
doing really well.
The next slide is the same exact view but it’s
by loan dollars. So, you see a couple of industries, you
have different types of spikes. So, the top six are
actually the same, but they’re actually in different
quarters, so now you’re looking at manufacturing, retail,
and this is approximate, healthcare, accommodation,
professional services, and construction.
The next slide will show you kind of what we
were getting at with how our -- how are we doing overall.
So, another segmentation we were able to do is existing
businesses versus new businesses. Now, this is not
necessarily a checkbox on the loan application. Our
capital access folks actually analyzed the loans to
determine whether they would qualify them as existing.  
So, the blue line is showing you the number of loans  
across time, and then the red bars are showing you the  
dollar of loans. So, the left side is showing you  
extisting business, and the right side is showing new  
business. And I don’t want you to be confused. 2015,  
you know, we’re only in -- after Q1, so that’s why it’s a  
drop-off, so it’s not like 2015 is determining a trend.  
So, you can see existing businesses, the  
approved loans are decreasing over time. That is -- you  
know, we’ll come back with more information on how SBA is  
doing over time, but it’s somewhat similar in trend, but  
you’ll see that new businesses are relatively constant  
around 500 loans per year, around 200 million in approved  
lending.  
MR. QUAGLIO: In the existing businesses, at  
what stage in their life cycle do they come back  
typically and ask for a loan? Is it three years, five  
years?  
MS. MUN-RHODES: Right, that’s a great question  
that --  
MR. QUAGLIO: We don’t know.  
MS. MUN-RHODES: -- we don’t have the answer  
to.  
MS. CARSON: Not today we don’t.

MR. QUAGLIO: Okay, yeah.  
MS. CARSON: But we can get that for you.  
MR. QUAGLIO: Yeah, because you could use a  
leading indicator of the number of loans let in ‘09 and  
‘10 as an expectation of what we should see in --  
MS. MUN-RHODES: Right.  
MR. QUAGLIO: -- you know, ‘14 or ‘15 for the  
same business coming back for more money, perhaps.  
MS. MUN-RHODES: Sure.  
MR. FIELDER: Do you have a slide or could you  
comment on how that slide would look if, in fact, the  
heading was all SBA loans?  
MS. MUN-RHODES: Right. So, all SBA loans, it  
kind of looks similar in that there is definitely a drop-  
off from 2011, but there’s less of a drop-off in each  
year. So, we can definitely come back with  
that next year, but it will look somewhat similar to the  
old business, just not as significant year to  
year.  
MS. CARSON: Yes. So, a few things that I’ve  
heard -- this is Barb -- that for June you’d like to see  
how that lending looks in comparison to all SBA and what  
time periods do businesses come back, those existing  
businesses, what -- how old is the business when they  
look for more capital. And was there anything else in

MR. PHIPPS: Michael Phipps.
MS. CARSON: Yes.
MR. PHIPPS: I would like to know the  
indicators that SBA is using to measure the data. I  
think you mentioned one indicator, but if we could just  
get a list of those indicators --  
MS. CARSON: Sure.
MR. PHIPPS: -- it will give us a better  
picture of --  
MS. CARSON: Sure.
MR. PHIPPS: -- the increase/decrease in loan  
amounts.
MS. MUN-RHODES: And the great thing is is that  
there is a lot of information on the loan applications  
that helps us to see like female veterans versus male  
veterans, rural areas versus urban, like we mentioned the  
new size of the businesses by state, as well, so you can  
start to see where the large growth trends are across the  
country.

MS. CARSON: Yes. For today, we know there’s a  
lot more to be done, but this is, I think, for those of  
you who have been here for years and those who are new,  
this is the deepest dive that we’ve ever sliced and diced  
veteran data at, and that’s -- it should have been this  
way a long time ago. So, I appreciate your support as we  
try to do better and be even more transparent going  
forward and not -- because in the past we have focused on  
the loan programs, Patriot Express or the Fee Relief on  
Veterans Advantage and not done a deep dive to assess  
what -- so, what are we doing right or wrong with this  
and what more could we be doing. That’s where we’re  
headed now. This is the first step. And, so, we  
definitely value your feedback and suggestions.

MR. FIELDER: Yeah, let me do this by way of  
compliment, and I don’t want to get into an old guy/new  
guy kind of thing, but this is the best data I’ve ever  
seen. And, so, compliments to Barb and her staff.  
They’ve been listening to us. They were doing it  
already, what we were asking for and what they wanted to  
do are complementary, and so this is -- this is giant.  
This is giant in the sense of moving this forward and us  
being able to see things.

MS. CARSON: Thank you, Selah. Thank you both  
to Selah and Tyrena for this.
MR. FIELDER: Lloyd.
MS. CARSON: Lloyd, we took some of your time.
MR. FIELDER: Come on, buddy.
MR. CALDERON: That’s all right. I can keep it short and sweet.
MR. FIELDER: Jaime?
MR. CALDERON: May I sit here?
MR. FIELDER: Jaime?
MS. CARSON: Please.
MR. FIELDER: Just while he’s setting up, is there a chance that all of the slides, to include you all’s slides, that they be collected and sent to us?
MS. WOOD: We were going to do that.
MR. FIELDER: And I have one further request.
MS. WOOD: Yes.
MR. FIELDER: And --
MS. WOOD: I’m going to default yes.
MR. FIELDER: -- some of these guys may say, no, I don’t want -- no, I don’t want it, but I find that for my own personal use taking notes on the slides as they’re being presented and trying to read those kind of graphs from across the room, if you could drop them in front of our places, just before the presenter comes up, because if I’m the presenter, I don’t want people to be two slides ahead of me, but it would be very helpful for taking notes.
MS. WOOD: We will -- and for this afternoon, you’ll have the slides for all of them.
MR. FIELDER: Thank you, ma’am.
8 (a) AND SERVICE-DISABLED VETERANS
MR. CALDERON: I better stand up, and I’m kind of short. So, good morning. My name is Lloyd Calderon. I’m part of the 8(a) Business Development Program here at SBA. And in the interest of time, I won’t give you my whole background. I know I spoke to Ed earlier in the month and Ms. Carson. Thank you for allowing me the opportunity to chat. So, if it’s okay with everybody, I’m going to go ahead and sit down. If you can’t hear me, please tell me, because I might, you know, lose some volume.
So, one of the things that I do here is called continuing eligibility, but one of my tasks has been to help attract more veterans to take advantage of the 8(a) Business Development Program. How many of you are familiar with the 8(a) program that SBA has?
So, a few hands went up; that’s good. My job, I hope, in working in partnership with Ms. Carson’s team is to expand that knowledge base to the community of veterans that are out there trying to do business with the Federal Government. So, as you’ll see by the slide here, there’s a statutory requirement to do business with small businesses of 23 percent of prime contracts.
In the next slide, we’ll get a little breakdown on how the goals are met. So, you’ll see that there’s a 3 percent set-aside goal for service-disabled veteran-owned small business and 5 percent for small disadvantage-owned businesses. And that’s part of the 8(a) program.
So, next slide, please. What have you heard and know about the 8(a) program, and this is kind of a rhetorical question, because I’m going to pass out a little fact sheet that I put together. While that’s going around, it’s -- I want to kind of summarize what the program is. The program is a business development program, and it’s designed to assist small businesses to develop and be successful through -- in part, through federal contract work.
So, since it’s a business development program, it’s broken up into two stages. There’s a developmental stage, which is a four-year deal, and then there’s a transitional stage, which is a five-year deal. And within that transitional stage, we’re hoping that small businesses are growing smartly and then weaning themselves off federal work so they can engage more of the maybe private sector work. They can obviously continue doing federal work, but we’d really like to see companies evolve so that at the end of the nine-year program they’re self-sufficient and can stand on their own two feet and be very marketable and very competitive within whatever market they want to pursue business in.
Next slide, please. So, there’s two things that we look at for the 8(a) program. One is a social disadvantaged status, and on the slide you’ll see that they are U.S. citizens that are already presumed to be socially disadvantaged. Now, I’m not going to go into the details of how the law came to be and, you know, those discussions that go back and forth about that. This is what the law says, and for our purposes, that’s all we need at this point.
So, you’ll see African Americans, Hispanics, Native Americans, Subcontinent Asians and Asian Pacific Americans. Those are folks that the government, your Congress, has said, hey, these folks have traditionally been disadvantaged because of prejudice, because of other things. So, if you’re not one of these presumed groups, you have to be able to prove by a preponderance of evidence that you have been disadvantaged in some way, shape, or form. Next slide.
Go the other direction. So, a preponderance of evidence is just what it is. There’s experts that deal
you’ve had it for two years, three years, four years, and get a competitive edge than enter into our 8(a) Business company in that time frame. So, if you own a company and to have a competitive edge, right? What better way to measure success by how much money have you made as a edge out there in the marketplace and, you know, you got success, and we're looking at a two-year window. And we But if a guy or gal wants to have a competitive outreach center, director for Region 6. I kept asking the question, hey, what’s the big deal with the 8(a) program, right? And everybody kept telling me it’s the way to go, it’s the way to go.

Okay, next slide. So, what does the participant have to do? Pretty simple, here on a PowerPoint presentation, it’s not much complicated in the federal reg. We just want to make sure the individual is controlling the company, as at least a majority owner of 51 percent ownership or 51 percent of ownership of stock in a company. Next.

We like to see companies that have a record of success, and we’re looking at a two-year window. And we measure success by how much money you have made as a company in that time frame. So, if you own a company and you’ve had it for two years, three years, four years, and

if you’ve only made $500, is that a good indicator that you’ll be successful in the federal marketplace? Eh, probably not, right? Not a good indicator.

But if you had some -- a record of success, then the SBA looks at that a lot more favorably than if I came in with a $500 profit statement for two years or more. So, next.

So, the one I wanted you to focus on here is they’re all important, but the third one probably is really important because we’re -- what the program does is kind of partner up the federal government with your company, and we like to see success, right? The Federal contract doesn’t get executed correctly, there’s a big problem, because now the feds have to go back and do a bunch of things. So, we want to have a good track record of performance for anybody that wants to be part of the 8(a) program. Next slide.

What do you get out of this? What’s the big deal? And that’s the one question I asked when I was the director of Business Development for Veterans in New Mexico and then later as the VBDC, Veteran Business Outreach Center, director for Region 6. I kept asking the question, hey, what’s the big deal with the 8(a) program, right? And everybody kept telling me it’s the way to go, it’s the way to go, it’s the way to go.

And this is part of the big deal. You get resources that you may not otherwise have gotten access to so that you can be competitive and marketable to the Federal marketplace. There’s workshops; there’s all kinds of stuff. And we try to emulate that in our veteran program with the resources we had, and it’s real difficult to do that with limited resources. But this is a big deal for any veteran who is in business, wants to be in business, and wants to do work for the Federal Government, because these are the things that will make you competitive in the marketplace. Next.

So, here’s some links and some website information that is on your slides. What I -- this is what I like to do is I just want to suggest that you go back to your constituents and whatever state you’re in, whatever organization you’re a part of, and let folks know that the 8(a) Business Development Program is another tool that they can access, not that everybody’s going to be approved, right, because sometimes people make too much money, right? They blow those thresholds; or they don’t meet the control requirements for a firm.

But if a guy or gal wants to have a competitive edge out there in the marketplace and, you know, you got to have a competitive edge, right? What better way to get a competitive edge than enter into our 8(a) Business Development Program and take advantage of those opportunities? I don’t know of any out there that will do that.

This is a great program. And I get some pushback from veterans from my previous life saying, well, you know, I’m not disadvantaged and I’m not this and I’m not that. Look, you served your country and if you have a physical disability or a disability that nobody can see, you know, traumatic brain injury, PTS, military sexual trauma, anything that affects you, that’s a disadvantage because you can’t compete always as best as the next guy or gal who doesn’t have issues to deal with.

So, I would encourage veterans, disabled or otherwise, to look at this as an option. We have district offices across the nation, and we also have your veteran business outreach centers spread out through the region. And at least make the call, look into it, and if it works for that individual, have them look into it and apply, and let SBA prove otherwise when it comes to preponderance of evidence and that kind of stuff.

MR. FIELDER: So, let me take that just for a second, and I’ve had the advantage of spending some time with Lloyd talking on the phone. And, so, if you look at the facts versus fiction, 8(a), the fact is is most of us
think that the 8(a) program is a minority-based program.
And I’m here to tell you there are economically
disadvantaged handicapped folks -- I actually have a
client today that falls into that category, that they are
an 8(a) company.
And what’s been suggested here, that is
that a service-disabled vet company that might not be a
minority -- obviously if they’re a minority, then there’s
a perfect fit -- but a service-disabled veteran company
that might not be a minority through the economic
disadvantage of having -- and this sounds a little bit
getting on the stump and being overly patriotic, but
because they served their country, they are at an
economic disadvantage in establishing a company and
getting the funds to do that and the development -- the
business development part of the 8(a) program, and that
could be a basis for application.
That they’re handicapped associated with their
service, disabled veteran status, may, in fact, be
economically challenging to them in the sense of doing
that. And what I’m suggesting, and I don’t want to put
Lloyd on the spot, is that if we know of companies
that fall into those one or two or maybe there’s three or
four more categories, could they then now apply and
literally start the process to see how that would go in
the sense of the SBA looking at them and then approving
them because the business development aspect of the 8(a)
program, as Lloyd has put on a slide for us, is huge in
the sense of the resources. The set-aside in the sense
of 5 percent in addition to the 3 percent service­
disabled set-aside is huge.
The sole sourcing -- excuse me, the correct
word is directed award. The directed award capability up
to currently $4 million, that is huge in the sense
of getting that first Federal Government win where you’re
challenged with you can’t do business with the Federal
Government because you’ve not done business with -- or
what I call the catch 22. And, so, I guess what I’d like
to see come out of this conversation is is that we go out
and find some companies to get better willing to get into
that application process and get them in the application
process and see where that goes.
And, so, he teed it up, I sort of put the
hammer right on the nail, but, guys, questions for Lloyd?
MR. PHIPPS: Can we get this electronically?
Michael Phipps.
MR. CALDERON: Yes. Not a problem. Matter of
fact, I’ll email everything in that to Jaime.
MS. WOOD: We already have the briefs, and so
we’ll be sending you all the briefs.
for the contractors who are eligible is where contracting
agencies can make direct awards to 8(a) companies.

MR. CALDERON: Right. That’s correct.

MR. WYNN: And for the committee, what would be
good to pursue is in the service-disabled vet program to
have that same option for service-disabled vets in their
program where contracting officers can make direct
awards. Also, but could you explain how that works?

MR. CALDERON: Well, I guess that’s a new term,
direct -- direct -- what was the word again?

MR. WYNN: Direct award.

MR. CALDERON: Direct award? I’m used to the
old term of using set-asides and that kind of stuff,
sole-sourcing.

MR. FIELDER: Yeah, sole sourcing contractually
means that it’s going to be sole-sourced to a very
specific company and it’s typically the contract’s
expiring, they don’t have time to recompete it, we’re
going to sole-source it, and they put out a notification.

Directed award is we’re going to do an award to a
specific company that falls under the 8(a) program under
the $4 million threshold and they negotiate with that
company individually.

MR. CALDERON: So, I’m not the total expert --

MR. FIELDER: Even contracting officers mix up
those two terms.

MR. CALDERON: -- on that, so bear with me.

So, in my past experience is there was two or more
service-disabled veteran-owned small businesses that
could do the work, the contracting officers had the
authority to do a set-aside and look at just those firms
that were -- that had a particular, in this case, veteran
certification. In this case, what happens is -- and this
is really big -- is that the SBA is the prime contractor,
and the person, the company that gets the award is the
subcontractor to SBA, who is now the prime, basically
saying, hey, we stand up because we have confidence in
this firm; and the government says, okay, if the SBA is
going to be the prime and responsible, we’re going to go
with that.

And that’s the huge thing here, is your U.S.
Government saying we’re standing up next to this firm
because they’re a participant in our 8(a) program. So,
how many -- how many can get that? Well, guess what, the
8(a) program gives you that opportunity. And I used to
call it the gold seal of approval. I’m not sure that’s
technically correct, but that’s how I looked at it when I
was out there on the street working with my clients, was,
look, this is the Federal Government saying we trust you,
and because we trust you, we’re going to stand behind you

and we’re going to award this contract to you, and it’s
part of our business development initiatives.

Well, that’s -- what a fantastic way to get
yourself into the mix when you’re competing with, you
know, rather than competing with a bunch of folks that
are out there that who are bigger and stronger and
whatever.

MR. FIELDER: And apologize to Joe for
interrupting, but I just realized we left off another key
element, Lloyd, in the discussion, and that’s the
existing 8(a) Mentor-Protégé Program. That program is
huge. It allows you to do two, three deals a year. Just
you get to not count the large business partner’s revenue
in the joint venture entity that you create. That is a
huge engine in the sense of getting a service-disabled
vet company. That would become part of this
accessibility.

MR. WYNN: Right.

MR. FIELDER: And I’m sorry, Joe, I
interrupted, but we did miss that point.

MR. WYNN: No. Oh, no, I appreciate it.

MR. CALDERON: And the same with joint
ventures. So, what I would like to suggest, you know,
for maybe a future meeting is maybe a full-blown 8(a)
briefing from the folks that have been doing it for, you
know, a thousand years, because there’s so much to it and
so many things that are involved, you know, I can’t do it
the service here, but what -- I can do this. What I can
do is this, if you want your constituents to be
competitive in the Federal marketplace and beyond, then
why not look at this initiative, this program, as a tool
that they can latch onto.

Again, not all of them will be approved, right,
because some of them are very successful and they don’t
need it, but what if we were able to get our veterans,
our disabled vets, opportunities that they wouldn’t
otherwise get because they’re competing with -- you know,
it’s like -- it’s like combat, you’re out there and
you’re competing to win or lose, right, so it’s no
different than combat, but this is one heck of a forced
multiplier and --

MR. FIELDER: Wow, all those commentary.

MR. CALDERON: -- you know what, yeah, I used
to be a recruiter, so I have to learn all these things,
right?

MR. FIELDER: Forced multiplier.

MR. CALDERON: So, we -- I’m sitting here
looking at folks, and I’m thinking of my vets all the
time, and I’m thinking why -- our veterans need to be
doing this. They need to be involved. Let the SBA say
MR. FIELDER: Okay, trying to get us back on time, and you’re saying --

MR. CLARK: Can I -- can I just say one thing?

I’m sorry.

MR. FIELDER: Joe gets me excited.

Joe, were you finished? I wanted to make sure you had an opportunity --

MR. WYNN: I’ll make a closing --

MR. CLARK: I’m sorry, Joe, come on up --

MR. WYNN: No, no, go ahead.

MR. FIELDER: You go first, and then Joe will wrap up and then we’ll move on.

MR. WYNN: How you doing?

MR. CLARK: Good, good.

Major Clark, I’m with the SBA Office of Advocacy. I’ve got a little bit of history with the 8(a) program since the late 1970s. It was part of a legislative initiative that I was part of when I was working for the House Small Business Committee. So, this whole issue of the handicapped, the handicapped has been part of the 8(a) program for a long time now. It hasn’t been used extensively, but it has been used.

The other thing to keep in mind is that when you start talking about companies coming into -- service-disabled vets coming into the 8(a) program, the question that you’re going to have to -- that’s going to have to be asked is whether or not they’re going to come in and be counted as 8(a) or whether or not they’re going to be counted as a service-disabled vet.

So, as we are on one hand working with Joe and some of the other groups is we are trying to actually increase the number of contracting opportunities for service-disabled vets, we got to kind of be careful about the category that they fall in because we don’t want the actual contract award to service-disabled vets to show a drastic decrease.

You mentioned the Mentor-Protégé Program. It’s a very good program, but the House Small -- the Congress in the 11, I think, Defense authorization bill authorized the creation of a Mentor-Protégé Program similar to the 8(a) program for all small businesses.

SBA has already published a proposed rule on this, so whether you are in the 8(a) program or not, SBA’s proposed rule, once it goes final, will allow small businesses, service-disabled businesses, and women-owned business, all businesses, to actually participate in a very similar Mentor-Protégé Program where the prime contractor and the small business can actually come together as a joint venture and that entity is considered to be a small business. So, Congress did that in 2011. That regulation is out there, and SBA is seeking public comment on that.

And the only other thing that I would suggest that when we talk about the benefits as you were talking about the gold seal, there’s another program out there which is not utilized that much, but it has been out there since the early ‘70s, and that is SBA was given authority by Congress to do what they call certificate of competencies. And these CoCs basically are designed for the agency to ask SBA whether or not this particular business out there has been determined to be a responsible business, has the ability to financially do the work or needs technical assistance.

SBA then looks at that business, makes a determination, gives that seal of approval to that agency, which thus allows that business to do the work. So, when you’re looking at opportunities, I mean, there are a lot of buckets out there that these opportunities can fall in, and we have a lot of opportunities and SBA will be down a little bit later on to talk about all of these other opportunities that are out there. So, the one thing to keep in mind with the 8(a) program is that at the $4 million level, there is no competition; at the $5 million going up, there is competition.

Also, there are issues with some other entities, and I got to be politically correct, because I know I’m on tape or whatever, there are issues with other entities not having to compete for the work within the program, and that’s been a dilemma going forward with a lot of the 8(a) companies, that they do work up to a certain level and other entities are able to come in and take that work away from them. But notwithstanding all of that, the program is still, I think, a very viable program.

MR. FIELDER: Yeah, and just to follow up on your comment about Mentor-Protégé, the National Defense Act, the first time the Mentor-Protégé was passed as law was 2011, as you’ve correctly -- and that was for woman-owned businesses and service-disabled veteran businesses.

Nothing happened between 2011 and 2013 when the National Defense Act then added the other socioeconomic categories to that program, and I think it’s very interesting the way the law actually states it, it says like the 8(a)Mentor-Protégé Program, in which meaning it’s going to be all the same, and I guess my comment would be that if a company was then a service-disabled veteran company but then they were able to qualify as an 8(a) and get to the Mentor-Protégé Program sooner, which my best guess is still 18 to 24 months out from being in place.

For The Record, Inc.
(301) 870-8025 - www.ftrinc.net - (800) 921-5555
MR. CLARK: From the regulation -- final regulation?

MR. FIELDER: From final regulation in place, then that would be a good thing to do. Going back to the goaling, if a company qualifies as a service-disabled vet and then further qualifies as an 8(a), from a goaling perspective from an agency, it’s what I used to call the multiple word score, they can count the service-disabled vet goaling and then recount it as the 8(a) goaling for the agency’s total goaling for the numbers.

So, I don’t think being in both classifications or in multiple classifications, to include woman-owned business and others, I don’t think that’s a detriment in the sense of finding the service-disabled vet numbers. Those numbers will always come up to the top based on the current goaling statutory requirements.

MR. CLARK: Okay. We’ll talk about that offline.

MR. FIELDER: You don’t think so?

MR. CLARK: Well, I mean, I think -- I think you’re -- you’re right in a sense, but I think when they start putting all of these pieces together to come up with what the number should be for the end of the year, it becomes a matter of if this pot is low, then I want to put some things over here. And if this pot is too high, then I want to take things away. So, when we start looking at those -- those numbers, you know, if the service-disabled vet numbers we have a good year, Joe, and those numbers are really, you know, bursting out of the seams, and they say, well, let’s take some of these numbers and put them over into another pot, so it looks like the service-disabled vet numbers are not good when in actuality they’re probably much better than anyone -- so, it’s --

MR. FIELDER: I understand.

MR. CLARK: -- we start playing with the numbers when they’re trying to come out with what those goals really look like at the end of the year, and that’s what bothers me.

MR. FIELDER: Okay. Well, let’s do this. Let’s let Joe wrap up, and then do you --

MR. PHIPPS: I just have some -- Michael Phipps. I just have some questions for Lloyd to see if we can’t get some data back on the 8(a) program.

MR. FIELDER: Well, let’s do this, and we’ll do that as part of the wrap-up.

MR. PHIPPS: Sure.

MR. FIELDER: And let Joe finish, because he’s been in the queue here -- in and out of the queue a couple of times, but go ahead and finish up, Joe.

MR. WYNN: Well, I won’t hold up your process. I just want to impress upon this committee to really take a closer look at that feature within the 8(a) program, what I call direct awards to the contractors that participate in that program. Look at some type of a recommendation that could be made for the service-disabled vet program.

Service-disabled vet program was originally designed to be simply a procurement program. And 8(a) was business development. But as we all know now, there are many businesses, veteran and service-disabled vet businesses that need assistance in their business development. SBA now is pushing out more assistance through their VBOCs, Veteran Business Outreach Centers, which is a good thing. But more help is needed because there’s only a few VBOCs around the country.

But if this feature could be approved, and it has to be Congressionally approved, of course, if that could be approved for service-disabled vets, there would be a remarkable increase in the improvement and the quality of the number of companies that participate in the Federal marketplace.

MR. FIELDER: Thanks, Joe.

MR. WYNN: Mm-hmm.

MR. FIELDER: Michael, we’ll take your question as wrap-up, and then we’ll take a hygiene break.

MS. CARSON: A quick, five-minute break.

MR. FIELDER: Yeah, and as we move towards lunch, there’s a 15-minute wrap-up that’s on the schedule that I think will allow us to get to the point where by noontime we absorb that and then at noontime we can take an hour break for lunch.

MR. PHIPPS: I can do my question offline.

MR. FIELDER: No, the rest of us probably want to hear it.

MR. PHIPPS: So, during the 8(a) process, in the application, do you ask the companies if they’re veteran or service-disabled veteran-owned?

MR. CALDERON: Well, the application process is electronic, and it’s done -- all of it’s done online, and I want to say -- I don’t believe that that question’s asked. Now, in the dynamic small business search, the old CCR database --

MR. PHIPPS: SAM, SAM.gov.

MR. CALDERON: -- you know, when you used to self-certify in SAM, you could self-certify as a veteran-owned small business. I don’t believe -- but don’t quote me on that -- that on the SBA application process it doesn’t ask for veteran status. Now, going back a few years, veterans used to be considered automatically into...
MR. FIELDER: We think this is like 20 year ago.

MR. CALDERON: -- the Vietnam Veterans Readjustment Act, you know, way back. So, and I don’t know --

MR. FIELDER: I wasn’t aware of it.

MR. CALDERON: -- if it’s a policy issue or a law issue, but, again, that’s beyond my pay grade, but that is a good conversation to be having. But to your question, I’ll double check. I would say I don’t believe so.

MR. PHIPPS: Well, what I would like to see is the statistic on the number of veterans that apply for the 8(a) program, both minority and non-minority, and what are the approval ratings of all those categories of veteran and service-disabled veteran-owned companies, just to see some of the metrics that are associated with veterans in the 8(a) program.

MR. FIELDER: Yeah, that would be outstanding. And just recognize that there are other dynamics coming into that in the sense of total net worth and some other things.

MS. CARSON: Thank you, Lloyd.

MR. FIELDER: Thank you.

MR. CALDERON: You bet. Thank you.

MR. FIELDER: Excellent briefing. Thank you so much.

Five-minute hygiene break.

(Brief recess.)

NATIONAL VETERAN BUSINESS DEVELOPMENT COUNCIL

MR. FIELDER: Okay, we’re back, reconvened.

We’ve got two speakers prior to lunch. If our second speaker does not appear at the appropriate time, what we’ll do is we’ll cut out and take an hour for lunch 30 minutes earlier, and then we’ll hope that he arrives and we’ll make him the first speaker after lunch.

One of the topics that we picked, and if you go back to the 2014 report, was looking forward, these are the eight or nine things we want to accomplish. And one of the topics was we were going to look at the certification of veteran-owned businesses. And clearly the SBA position on certification of service-disabled veteran businesses is the law and the rules now say that with the exception of the VA, it is self-certification.

And, so, we had Tom Leney -- Tom Leney came to us in our last meeting and did a very good presentation about where they are on their certification program.

And, so, as we look at outside of government, to include commercial activities, we have a couple speakers, Keith King with the National Veterans Business Development Council, who has been working with commercial companies to create certification programs outside of government that commercial activities would then use in their programs outside of the VA certification or self-certification and so on. And we have another group that’s also looking at the same kind of thing.

And, so, by way of introduction, Keith is going to come and talk to us about some of his discussions with some pretty significant commercial entities that are looking for this. And if you were at the Vet Force meeting yesterday -- give me Tony’s last name.

MR. KING: Tony Jimenez.

MR. FIELDER: Jimenez. He raised a whole series of questions yesterday about what if I finally get to that small business threshold by NAICS code and if you will I outgrow this capability? I’m still a fairly small business, and I think he’s an IT business, so he’s talking about a $17, $18 million threshold --

MR. AUMENT: No, he’s about a $500 million, somewhere around there.

MR. FIELDER: Jimenez. He raised a whole series of questions yesterday about what if I finally get to that small business threshold by NAICS code and if you will I outgrow this capability? I’m still a fairly small business, and I think he’s an IT business, so he’s talking about a $17, $18 million threshold --

MR. AUMENT: No, he’s about a $500 million, somewhere around there.

MR. FIELDER: Okay, well, whatever -- whatever he was throwing around yesterday was the smaller number.

(Several simultaneous speakers)
So, in the sense of talking about a veteran-owned business and a disabled-veteran-owned business, I’m okay. And, so, what happened in this process, when the laws were passed back in 1999, one of our good friends, Joe, Rick Wiedman called me and said, hey, you’re a vet and you’re a disabled vet, you own a company, we just got these laws passed, we want you to basically be our guinea pig and go Federal — do Federal contracting. And as I said to Rick, I’ve been taking his name in vane ever since.

But the point is this, I have been out there and I’ve been doing it and we’ve been quite successful at it. But what happened is as I was given an opportunity to sit with Walmart and Kmart and Kellogg’s and Ford and Chrysler and General Motors and AT&T and Johnson & Johnson, and I asked them point blank, why are you not hiring veteran-owned businesses? And their answer, universally, was is because you’re not certified.

I went, whoa, time out. I am certified, by the CVE, by the VA. I am, in fact, one of the first veteran-owned businesses ever certified in America, somewhere between 20 or 25 — or the first 25 of us in the country. I helped organize the first veteran-owned business meeting, what was it, eight, nine years ago when there was like 2- or 300 of us. And we got together and didn’t know who we were or what we should be doing. I’ve been doing this from the get-go. I’m certified.

And they went, no, you don’t understand. First off, we don’t want the government in certification. Secondly, we don’t accept their certification process. As a matter of fact, we want you to create a certification program that’s acceptable to us, and I went, oh, my God, what does that mean? And they said, well, if you really want to know what it means, go and learn your business, go and learn your craft, go and learn what we do about certification. Why do we accept woman-owned business certification? Why do we accept the National Minority Supplier Development Council certification?

That’s what we’ve done. We being a group of us who put this together over two years ago. It’s almost a year now that we did our beta test. We had originally seven companies apply. We only certified three of the seven. In that meeting were, in fact, representatives of the SBA and the VA, Ford, Chrysler, General Motors, Kellogg’s, state representative from Michigan, and about four to five other companies.

What they said to us is is that we probably have gone too far. Our certification is too hard and too harsh. We got to back off. And we thought, well, but would you accept our process? Has it met your goals? Has it met your standards? And everyone in that room acknowledged yes, it does. So, what we knew that we’ve done is we’ve created the certification program that was acceptable to what we call Corporate America or to the commercial side.

As I sit here today, I can produce documents if you want. The one I love to produce the best is the one for General Motors, who has named us as the third-party veteran certification entity that they not only endorse but have now put out to something like 35,000 of their suppliers to come to us.

In the last week before I came here, I’ve gotten five large companies who are tier one suppliers to Ford asking for me to certify them because Ford has gone to them and said you’re identified as a self-certified, veteran-owned business, and we want you to be certified by what we call the council or the NVBDC, which is what we’re here to talk about.

So, if you take a quick look, you know, we are a 501(c)(3). I will tell you, we created this as an LLC, went back to the corporations I’ve been telling you about. They said absolutely not. You can’t be a for-profit. We will not want that. So, I had to refile.

That’s one of the reasons it took me another year to get
MR. KING: Yeah.

MR. FIELDER: -- and then above that would be --

MR. KING: Large.

MR. FIELDER: -- what we call -- okay.

MR. KING: Yeah. You know, we just use what we can find, whatever the government indicators are, medium and large. But the fact is is what we’re trying to do is we will and we have certified all sizes of veteran-owned businesses. In fact, one of the things that happened with the large corporations, they said, yeah, they’re required to report small business spent, but the fact of the matter is is that many small businesses, regardless if they’re veteran or not, cannot scale up, they can’t do the size of the work, the volume of the work. They just simply aren’t capable of doing the work that the big companies want or need or require.

And, so, it is the corporations who pushed us to certify medium and large companies. In fact, they insisted on it. They said if we’re going to back you, you need to be able to do this. That has required us to staff and do all kinds of stuff that we did not anticipate. You know, thankfully my charger is a certified forensic CPA. What a godsend he’s been, Gus. We’re dealing with trust and stock stuff that I didn’t expect to.

That red sentence there, “Veterans Affairs’ Executive Director,” that’s Tom, basically said his department is going to work with us to match strategic development initiatives and provide the certified veteran businesses with opportunities. It is not my intent to slam the CVE. I am CVE-certified. But here’s the fact of the matter: I have, again, in the last month put out probably four or five alerts to major corporations looking for veteran-owned businesses. And I have been sending that out to the companies that we’ve already certified and the companies that we have in the pipeline. So, we’ve been sending that out to our own, and I just thought why not, and I’m trying to help my fellow veterans, I am one. I would send this up to the CVE.

They, in turn, wrote me back, said thank you; we want to send all of our certified veteran-owned businesses that match these qualifications to your corporation; are you okay with that? And I said, sure, why not. Since it’s a cooperation, we’ll try to help, because the problem that we’re dealing with, when I talk to the CVE, there is -- approximate number is about 7,000 of us who are already certified. And that’s an issue by itself, but I’m going to sit that aside.

But when I asked -- again, numbers. One of the things, you know, I’ve heard today is you love the numbers. I asked them of our 7,000 of us how many of us have active contracts; the answer was closer to 2,000.

So, that becomes an issue of value. If you’ve ever gone through the CVE process --

MR. FIELDER: Is that active contracts with the VA or active contracts --

(Several simultaneous speakers)

MR. FIELDER: Yeah, and, so, that number could be much larger in the sense of the rest of the Federal Government, okay.

MR. KING: But, again, because it is a VA program for VA certification, these are their numbers, not mine. My point being is is that we just felt that it was too restrictive and that it did not provide veteran-owned businesses like myself an opportunity to go beyond the VA or beyond being self-reported or even the rest of the Federal Government, because at the bottom we were invited to a group that’s called the Billion Dollar Roundtable. And that Billion Dollar Roundtable is 19 --

I think they just added their 20th company -- companies that spend a billion dollars a year or more with women and minority-owned companies. And as far as I know, we’re the only veteran group ever invited and asked to speak. We did that.
One of the things that happened at that meeting is they shared with us their supplier diversity best practices manual. That manual clearly says they will not and do not want to work with the government. It is not within their best practices and that there must be an established third-party NGO. 

Now, maybe you all know what NGO was. That was a new term to me -- non-governmental organization. And I went, oh, my God, whoa, wait a minute. That’s why I’ve been pushed to create this is they want that third-party independent NGO. So, that’s where we’re at, and two years later, I’m sitting here. Next slide.

Okay, our objectives. Obviously everybody loves the term “gold standard.” And, again, the idea is to ensure credible doc for the business’ veteran status, ownership, and control. I will tell you quickly, it’s easy to pretty much prove the veteran status, but ownership and control is two different issues. And control is particularly. I mentioned to you early on, we had seven companies originally apply to us; we only certified three. The reason was is the ownership and control issues. We could not prove that these veterans actually operated and ran and controlled their companies, and we wouldn’t certify them in our beta test.

Again, we might have been too harsh, but I’d rather have been too hard the first time in. But we’ve learned our business, if you will, of what it is to meet these goals, these standards as acceptable again to what I call Corporate America. The rest of this in the sense of building a searchable database. I joke about I’m only the president of the group. My IT director is continually correcting me. Our database was supposed to have been launched in December. I’m now being told it will be launched somewhere between April 15th and April 30th. We’re doing our testing there.

As a matter of fact, I just went through the whole test with my project manager. But what we’re having created, customized database, and what I’m thrilled about is because I’ve been on almost all of these government databases and all the other things, is what we’ll be able to do but more importantly the service it’s going to provide for what I consider my customers. My first customer is my fellow veterans; my second are what we call our sponsors, our corporate sponsors, because this portal, you’ll be able -- if you’re a sponsor, if you’re looking for veteran-owned businesses, you can do noun search, you can do proper terms, you can do more search, you can do all these kind of things. If you need a landscaper in Arlington, Texas, you’re going to be able to find him.

But what I’ve been telling the fellow veteran business owners is you can also find veteran-owned businesses the same way. In my Federal contracting, the largest group I’ve done is eight other companies that have pulled together to do a bid together that we won. I do joint and teaming agreements all the time. Right now, I have a bid out with four companies in it.

The idea that this portal will be able to find other certified veteran-owned businesses all over the country for us to work with excites me because I believe we can do a lot together, and that’s all part of my -- what I consider my deliverables. For the council, it’s doing this database. If you want to go ahead, next slide.

MR. FIELDER: Keith, just so I don’t forget the question --

MR. KING: Sure.

MR. FIELDER: When you turn that database on, those of us that are using the databases that now exist, whether that be the dynamic SBA database, which essentially is all self-certified and, frankly, it’s a hard -- you get too much information of companies that have not been qualified by anyone and you have to sort through it. But using the SVE database, the question is how many companies do you think that will be in there when you turn this on in the next couple months?

MR. KING: It will probably be right around 100 when we turn it on. And, again, we tell everybody -- we make no bones about the fact that we’re still in startup mode. I’ve been running my company for 17 years. I got to tell you, it’s a rude awakening to be a startup all over again. I’ve been out talking about leases and buying furniture and hiring people. And, so, that’s where we’re at.

MR. FIELDER: Okay.

MR. KING: We’re in the startup mode.

MR. FIELDER: That’s a good start.

MR. KING: But I will tell you what our market is. We felt -- legitimately felt in our business plan when we wrote it, if there’s 3 million that we should be able to service about 10 percent or 300,000. And we figured we could get to that number somewhere between five and seven years.

Now, is that aggressive? Yeah, it’s aggressive, but we felt it was a pretty solid business plan and that’s what we’ve written it for. Our program will accommodate that and more.

In the sense of our certifications for the veterans and veteran-owned and disabled veterans, obviously certification, annual meeting, online,
networking, searchable database, these are all things that we’re going to be delivering the services for our VOB. Next.

This is about our keys to success. What is it going to be for the council to be successful? And, of course, corporations want a certifying to represent VOBs. They want one. I will tell you, one of the things we -- I hope I get some time with you today about is that the SBA, which we’ve talked about, remember we talked on the phone about has named four organizations to certify women-owned businesses. The Department of Commerce, as far as I know, has named one organization for certification of minority-owned businesses. That’s the National Minority Supplier Development Council.

And the question that we’re poising is that who, what does it take to be named by either Commerce or SBA or any of the other organizations as a certification body for veteran-owned businesses? Because what the corporate said to us is that they want one body. So, when I talked to them about the dichotomy, if you will, of the fact that, you know, the SBA has listed four, they said, yeah, you can list all you want, but we accept one. I was invited to a meeting -- and I hope the NABO representative is here, because I would like to talk to her, about that situation, because what happened was is that WBENC is the certifying body that is accepted by most of the major corporations for certification of women-owned businesses. Again, I don’t have anything to do with this. This is their policy.

And, so, it looks as if there is a situation between what the government says and does and what the commercial side of the business world is doing. And that’s one of the things that I think is really relevant, is if the commercial Corporate America is saying we want to recognize and work with one group, how do you become that group? Who is it that allows you -- or who is it that gives you that? Who bestows that, waves the magic wand and says you’re it? I don’t know. I would hope that maybe in this room you could help me find that answer. But that’s one of the things.

One of the other things about all of this is -- and it’s one of the conversations I had with Tom. There is, in fact, a requirement for Federal contractor primes to meet small business spend, minority spend, women spend, and veteran spend. But the corporations were very clear to me. They’re going to do this not to meet their Federal requirements; they’re going to do it because it’s good business. They’re going to do it for public and PR reasons. And don’t make any mistake about the fact that you’ll see corporations promoting minorities specifically, women specifically, and now veterans specifically because it’s good business and good marketing. And that’s exactly what they’re going to do, and that’s exactly what they are doing. And they were very up-front about that.

Again, expanding our relationships, corporate funding. Okay, go ahead on the next slide. Supplier diversity --

MR. FIELDER: Ken, we need to get questions quick.

MR. KING: Okay. Got a question?

MR. FIELDER: No. As in wrap up.

MR. KING: Right, okay.

One of the things that we learned is about the establishment in the supplier diversity programs. And our early comment and our early conversations with other fellow veteran businesses is they didn’t believe that we should -- we being veterans -- should be in the supplier diversity lane; in fact, we should be separate. I found that to be not only impossible, I found that to be completely counterproductive.

So, when we sat down with the supplier diversity managers and asked them what is their help, what do they do, we found out that they are in many ways the gatekeepers; they are in many ways your advocate; they are in many ways our friends. And it’s through the supplier diversity portals, it is through the supplier diversity managers, that veteran businesses are now getting recognized in Corporate America and now getting spent. And this has nothing to do with the government; it’s strictly inside.

But here’s what we’re finding. I’ve had three companies approach me already about setting up their supplier diversity to include veterans. It’s not there. It’s not on -- just like the gentleman about the 8(a) program, your application doesn’t ask if you’re a veteran. There’s still a whole lot of corporations out there that do not have veteran designation as one of your entry points for supplier diversity.

Any questions on that? All right.

Go ahead. I know, you know, we’re trying to get this on. In the sense of the supplier diversity, here’s what we’re telling our veteran businesses, to honor and respect the supplier diversity team for their leadership. They are our voice within their corporations and, again, the idea of them being our gatekeepers. The whole idea here is is that for us to do well in Corporate America, we need to learn what they want, not what we have learned in a sense of how to work with the Federal Government. This is a whole new arena. Learn their
We learned a lot about the onsite visits. We literally I've told you we were going to start up -- I've been told
that's something that's working very, very well. Next slide -- is about with any business with a business-to-
business supplier diversity model, make sure that they have VOBs in their supplier diversity. We're looking --
you know, one of the things that we keep finding is as veterans, and I had a conversation a couple of weeks ago
with a guy that came out of the Navy as a submarine --
nuclear submarine. He has skills that are so tightly
focused that -- I mean, there's only a very few jobs anywhere in the nuclear industry for this guy to use
these skills in it, but it's been amazing to me how many
guys want to talk to him because of the technical stuff that he knows. And that's one of the things that we're
finding is is that veterans come out of the military with highly trained, highly specialized skill sets that are
applicable to a lot of different jobs. And we're trying to be able to match that up with Corporate America.

In this one here, government agencies that do not accept or require CVE certification, all right, we're
reaching out to the states and Federal departments to

...accept us, our survey, to become an advocate and to help us to help you. That's why I'm here. I don't know what it's going to take. I don't know if we'll ever get any help or support with the Federal Government or being one of those organizations or not, but the idea is that we already know that we're opening doors in Corporate America, we're already doing the certification, we're already getting veteran businesses jobs. We know that. We're already there.

So, the fact of the matter is is we're filling a slot out here that I would hope that we can talk to somebody and help us figure out how we can work together and make this thing actually grow. Last slide.

I talked about the National Minority Supplier Development Council and WBENC, the National Gay Lesbian Chamber of Commerce. We have what we call MOUs pending with them, basically a reciprocal agreement that says if you have been certified by the National Minority or Woman-Owned Business, we'll accept their certification. We'll then fast track you as a veteran. Matter of fact, that's something that's working very, very well. Next one.

In our certification, it consists of both the owner and the business documentation and an onsite visit. We learned a lot about the onsite visits. We literally went in the street with the women and with the minorities and went onsite with them on their onsite visits. We were in their certification hearings and went out with them to learn what we needed to do, because the onsite visit validates the application and confirms the actual work facilities, equipment, on and on and on.

But what we are saying is is that we can determine within 60 days of receiving a completed application -- and you'll see I put that in red and underlined it. I love my fellow brother and sister veterans, but complete application and paperwork is not necessarily one of their fortes. And, so, what we've learned is as the clock -- my clock doesn't start ticking until you get your application done.

RECORDING: We're sorry; your conference is ending now.

MR. KING: Well, thank you very much. Next slide.

RECORDING: Please hang up --

MR. FIELDER: Time is up.

MR. KING: I'm up. All right, so, just to wrap all this stuff up, you can go ahead, slide -- next slide.

Okay, guidelines, availability, Federal participation. Okay, go ahead. This is what I wanted to get to. People have asked me about cost. Yeah, there's a cost for...
as of two days ago that what we need to do is raise all
of our prices. So, on one hand I’m being told we
shouldn’t charge veterans; on the other hand, we’re
undercharging. But the fact of the matter is is today
that is our rate. Next slide.

This is our corporate level at 50, 25, 10 and
5. I’m pleased to tell you I have -- I got four founding
sponsors so far and I’ve got two more pending. Next slide.

This is what we’ve done and what’s next.
You’ll see we completed our beta test. We’re going to
launch our actual certification program. We’ve created
our fast track. We’ve already done that. And in our
first quarter is to launch the database. Again, I’m
being told mid-April that we’ll launch, so that’s
probably now, it needs to be updated to the second
quarter. But as again, you can see the people who were
involved with our beta test. And the final slide.

Here’s what we’re saying. We feel a sense of
history. We feel a sense of pioneering this. And we’re
asking our veteran businesses to take a leap of faith
with us and to help us shape the future success of
American veterans. We want you to add your name, your
money, your support and be part of the beginning of our
veteran business acceptance into the supplier diversity
of Corporate America.

We’re also asking the same of the corporations.
We would love our government to jump in and help us, as
well, because what we believe is is that our opportunity
is not within the government; it’s outside. And what
we’re already seeing is the spinoff and that spinoff I
can tell you point blank the first company that
approached me was Lear. Lear Corporation said I want to
hire 900 veterans, you’re my veteran guy, can you find
these 900? That took me on a path that I was not
prepared to go.

Ford invited us to come to their logistics
meeting and pledge 2,000 jobs on the spot for veterans if
we can find and hire them. So, I already know that the
impact of what we’re doing is above and beyond just us,
because here’s what I tell people. I absolutely believe
it. I don’t know if I can find the numbers to support
it, but everybody I’ve ever talked to, veteran-owned
businesses have a higher propensity to hire veterans than
non-veteran-owned businesses. You help veteran-owned
businesses grow, we’re going to hire veterans. You
actually kill two birds with one stone or you take two
steps at the same time, to help the veteran, to help the
small businesses. Help us grow and we’re going to hire
veterans. And with that, I’m done.

of Corporate America.

We’re also asking the same of the corporations.
We would love our government to jump in and help us, as
well, because what we believe is is that our opportunity
is not within the government; it’s outside. And what
we’re already seeing is the spinoff and that spinoff I
can tell you point blank the first company that
approached me was Lear. Lear Corporation said I want to
hire 900 veterans, you’re my veteran guy, can you find
these 900? That took me on a path that I was not
prepared to go.

Ford invited us to come to their logistics
meeting and pledge 2,000 jobs on the spot for veterans if
we can find and hire them. So, I already know that the
impact of what we’re doing is above and beyond just us,
because here’s what I tell people. I absolutely believe
it. I don’t know if I can find the numbers to support
it, but everybody I’ve ever talked to, veteran-owned
businesses have a higher propensity to hire veterans than
non-veteran-owned businesses. You help veteran-owned
businesses grow, we’re going to hire veterans. You
actually kill two birds with one stone or you take two
steps at the same time, to help the veteran, to help the
small businesses. Help us grow and we’re going to hire
veterans. And with that, I’m done.
MR. KING: And that’s exactly what we did. I actually have a comparison chart that I put together to address that exact issue.

MR. O’FARRELL: Can we get a copy of that comparison chart?

MR. KING: Yes, I have it, but I’ll make sure you get it.

MR. O’FARRELL: I’d like to see that. Thanks.

And the funding side --

MR. FIELDER: Keith, if you could help us communicate with one of those companies, whether that be Ford or whatever that might be.

MR. KING: I’d be more than happy to.

MR. FIELDER: And maybe it’s the company that has the largest lead position in the -- whatever that group was called, billion dollar something.

MR. KING: Billion Dollar Roundtable.

MR. FIELDER: Roundtable? Maybe if it’s the corporation that’s the founding member and sort of makes that group work.

MR. KING: Well, I can reach out to any of the corporations that I’ve named, but I will reach out to the one that I think is probably the most relevant, is the director of supplier diversity of General Motors. I’m still -- that will be largest corporation in America.

MR. FIELDER: Okay. All right. And if you would pass that on to me, that would -- how quick we do that.

MR. KING: I’ll be more than happy to, if he’s willing. If not, I’ll give you the list.

MR. FIELDER: Okay. Other questions?

MR. O’FARRELL: Well, just one natural follow-on --

MR. FIELDER: Go ahead.

MR. O’FARRELL: -- is you’re from Detroit and I’ve been up to TACOM many times and enjoy that city, and one of the thoughts that went through my mind was what Silicon Valley, and since you just said GM’s the largest company in the United States, I’m not sure that, you know, Google and some of those companies in Silicon Valley, what’s -- is there a plan for moving in that direction for business -- in the tech business?

MR. KING: Thank you for the question. Two things that’s already happened. One, we’ve already certified companies in Arizona, Kansas, Texas, I’ve got two in New York, a couple in New Jersey, Ohio, Indiana, and Illinois, plus all the ones I have in Michigan already either in the pipeline or done. And then second to that, I was invited to go to AT&T’s headquarters down in Dallas, and in that meeting, they gave me some very specific marching orders. And part of that -- and I’ll share this with you -- part of that is they want this database launched and they want to be able to go in and play in it. They want to be able to play -- and what they said is is that once that’s done, they will reach out to their partners, which is Google and all these other people, because they want to bring the entire industry onboard with them.

You know, their guy who’s now head of purchasing is a former NASA Air Force guy, and he immediately embraced me in front of everybody in the group. So, yeah, I mean, again, these are paths that we’re on, but my vice president is a brigadier general who was a commander of our troops in Afghanistan. He commanded all of Southern Kandahar.

My board of directors include Tony Brown, the senior vice president of Ford Motor purchasing worldwide. He bought 80-some-billion a year. I have the ex-president, chairman, CEO of HBO, who’s another Vietnam vet on my board of directors. I have a major general as well. So, I have a lot of people around me -- I don’t want you to think this is a one-man show -- who have already lent their name, time, and money to help this organization grow. Okay, and I’d be more than happy to share my board with you.

MR. FIELDER: Other questions or if you had some more specific questions maybe we can take them offline with Keith.

MR. KING: I’m going to be here all day.

MR. FIELDER: We have two opportunities. One is we’re at 10 minutes to the lunch hour, and we have Ken Dodds here, who I think has committed that he’s willing -- he’s actually on the last part of the schedule for this afternoon. He’s willing to squeeze in and condense his briefing and get it done right now. Or come back after lunch.

MS. WOOD: He’s from -- so, one thing to think about, and we’ve had such terrific synergy this morning and great questions, and so he’s coming from our office of -- well, your business -- I don’t want to say --

MR. DODDS: Government Contracting and Business Development.

MS. WOOD: I’m still new here, so I do use that excuse, but so he’ll have a lot of questions that go off of kind of the 8(a) conversation that we had earlier and some of the questions that we had. He can help answer some of those. So, I envision there’s going to be a bit of dialog, so some of the options are we can go into the lunch time a little bit and extend the lunch or -- so we can do it right now, or he could come back later. But
MR. DODDS: Yeah, and I think what --
MR. PHIPPS: All in favor of doing it now?
MR. FIELDER: And I’ll commit to a one-hour lunch, and then if we have to squeeze on the very end of the day, which is our --
MR. PHIPPS: The nows have it; let’s go.
MR. FIELDER: Let’s go. You’re up.
MR. DODDS: Okay. Can I sit right here?
MS. WOOD: Do you want us to wait? No?
MR. FIELDER: Keep going. I’ll be right back.
MR. DODDS: Hi, I’m Ken Dodds. I’m the Director of Policy at SBA, and I work on all the government contracting regulations that SBA puts out implementing legislation and creating policies, as well as size standards and goalings and things like that. So, I’m going to brief you on some of the rules that are in the pipeline that we’re working on, and, you know, you can ask me whatever questions you have on those, or we can talk about whatever else you want to talk about and I’ll try to help.
The two biggest rules that we have going on right now are the National Defense Authorization Act of 2013 rules, which we published at the end of December.

And these are rules that implement the language around how we calculate the limitations of contracting. That’s changing by statute right now. It’s based on a cost incurred for personnel, for example, for services and things like that. In the future, it will be based on the amount paid, so there will be a difference in how you calculate it.
And then the other thing that legislation did is allows all types of businesses to rely on subcontractors to meet those performance requirements that apply. Right now, in the service-disabled veteran and HUBZone programs you can use your subcontractors to meet those performance requirements, but in all of our other programs like 8(a) and small and women-owned you cannot. And that’s based on the way the statutes were written. When Congress is real specific, we apply it to the prime; when they don’t address it, we’ve allowed the subs to do it because we think that’s a good way for small businesses to team together to win these contracts that are -- you know, seem to be getting bigger and bigger as the years go by.
In addition to addressing that statutory requirement, we’re going to -- we’re proposing to kind of loosen up the joint venture rules. Right now, if two firms joint venture we aggregate their receipts or employees, you know, basically and they’d have to collectively meet the size standard, although we have a different rule for large contracts where we just require each member to the joint venture to be small.
So, what we’re proposing is let’s just say for a joint venture each member of the partnership basically has to be small and then they could qualify as a small business for government contracts. That’s our proposal.
MR. O’FARRELL: Can you say that again?
MR. DODDS: Right now --
MR. O’FARRELL: Just the last part. Your proposal is?
MR. DODDS: Is that you can joint -- a small business -- let’s say the size standard is 20 million.
MR. O’FARRELL: Right.
MR. DODDS: And you’re 19 and partner is 19.
You can collectively joint venture as a small business for a government contract.
MR. O’FARRELL: Okay.
MR. DODDS: You know, right now, if you two got together, your revenue would be 38 million, you would not qualify under the general rule, but we have this exception for large contracts. It’s kind of confusing.
MR. O’FARRELL: Okay.
MR. DODDS: It’s hard to figure out. It depends on what type of industry it is and so forth.
MR. O’FARRELL: So, as long as both --
MR. DODDS: Right.
MR. O’FARRELL: -- or whatever number of entities meet the small --
MR. DODDS: Right.
MR. O’FARRELL: -- business NAICS code, then --
MR. DODDS: We will allow you to do it. Now, you have to be careful, though, because if you’re constantly working with another company, we can affiliate you, you know, because a joint venture is supposed to be, you know, kind of a one-time thing, you know, to perform a contract. We did this rule where let’s say we didn’t want to make you to do a joint venture each time you bid, so we said, well, let’s do three and two years trying to help. That’s also a complicated rule in my opinion, but I think people are starting to get the hang of that.
So, the idea would be since we’re loosening the rules on teaming and allowing subs to count, we thought we should make joint venturing also, you know, a little looser because, you know, businesses have different reasons to do it different ways. Sometimes they want to do a prime/sub and sometimes they want a joint venture, and we don’t want to be in the way of businesses doing that.
So, that rule was published on the 29th. The comment period closed on February 27th, but we had a lot of stakeholders who wanted us to extend the comment period, and so we did. And, so, now the comment period is going to close on April 6th. We have over 160 comments so far. They’re all publicly available on regulations.gov. That’s where you can go and comment, groups can go and comment, companies can comment, individuals can comment. All the comments are posted there so that everyone can see. It’s transparent, see what’s being said and what’s being commented on.

There’s a lot of other little technicalities in that rule, as well, but, you know, it’s mainly about teaming. There are some -- there are some proposals around the non-manufacture rule. I think that’s confusing for people. Our rules aren’t very good in terms of how you’re supposed to get waivers and how the contracting officer should tell companies that there’s a waiver.

And also in the area of software, you know, we’ve had some questions about that because if you hire someone to do software, that’s a service, but in a lot of other ways, you can buy software as a commodity, you know, and so we’re trying to figure out when will we consider that a service and when will consider it a supply because that -- all the rules on performance kind of flow from how you dictate that. So, we’re trying to address it through our rules, because up until now, we really haven’t.

So, once we get comments on these rules, it will take us a couple months to go through them, analyze them, and then draft up basically a response to them and then a final rule. And then we submit that for clearance, and that takes several months as well, so this final rule I’m hoping will be done, you know, sometime in the fall of this year, best case scenario.

Then once we’re done, we have to send it to the FAR counsel, and then they take it and put it into the FAR. You know, we set the policy by our regs, but until it really gets in the FAR, it doesn’t -- it doesn’t get into your contracts and the COs don’t -- that’s -- the contracting officers follow the FAR, not necessarily our rules. So, there is still going to be a delay, frankly, until these things start taking effect. So, I’m hoping that that will be sometime this fall.

The other major rule we issued this year was the Mentor-Protégé proposed rule. In 1998, SBA created a Mentor-Protégé Program for the 8(a) program, right? That allows 8(a)s to joint venture with their mentor, and the mentor can be a large business and they count as small.

And they can do that for not just 8(a) contracts but any government contract. That’s been around since 1998 -- in 1998.

In the 2010 Jobs Act, Congress gave us authority to create one for SDVO, HUBZone, and woman-owned small businesses. And we were working on drafting that rule and had it ready to go, and then the NDA of 2013 said let’s open it up to all small businesses, so we had to kind of go back, rewrite it and change it because that’s a vastly different, you know, market when you think about it, you know, potentially there’s usually around 300,000 small businesses registered in SAM at any given time.

So, we issued that proposed rule to try to see how we’re going to implement this in February. The comment period on that also closes on April 6th. But there have already been some requests to extend that. We haven’t decided whether we will, but if enough people request it, we often have to. But then again, that’s a proposed rule, so we’ll have to get the comments, come up with a final rule, and go through the clearance process on that.

That one is going to take longer because it’s going to require resources. If we’re going to approve these agreements, if we’re going to vet the proteges and mentors and then monitor how they’re doing and make sure that the benefits are flowing to the proteges, like we do in the 8(a) program, that’s going to take some resources that we don’t have yet. So, that’s going to be, you know, kind of a heavy lift for SBA.

The other -- there’s two other rules that I’ll briefly mention. One has to do with counting lower-tier subcontracting towards your prime -- your subcontracting plan performance. I don’t know if there’s any large businesses here, but right now if you have a subcontracting plan, you only record -- you only report at the first-tier level. Under this legislation that we’re going to have to implement, it’s going to allow large business primes to count lower-tier subcontracting towards their subcontracting plan. So, that should be out as a proposed rule sometime this --

MR. PHIPPS: Like a third tier or --

MR. DODDS: As low as you can go.

MR. PHIPPS: So, that means you’d have to get the subs to report as well.

MR. FIELDER: Right, but then they would count in the same category? Or are you talking about establishing a tier-two or tier-three quota system?

MR. DODDS: It remains to be seen because we’re going to propose it and get comments, but the way I read
MR. FIELDER: Yeah, I mean --
MR. FIELDER: So, prime/subcontractor.

MR. PHIPPS: Well, it would only really apply
if the primary sub, the first-tier subcontractor is a
large business, because after that you're just double
counting. If you're a subcontractor to a small business
and that company is subcontracting to another small
business, it doesn't matter in terms of calculating of
percentages, but if like BAE is subcontracting to PAE,
and they're two large businesses, all of the subs under
that large business then could count towards
subcontracting goals.

MR. DODDS: Well, you know, my reading of it is
it's -- if you're a large business prime, it goes all the
way down. So, I mean, it's -- you know, we'll have to
see how we implement it and what the reporting
requirements are going to be. We might have to create
new reports and things like that.

But it's been asked for by firms that believe
that they're subcontracting at the first tier to a small
business when they really shouldn't be, that the small
business is really below. They don't want to do that
just to have it pass through to a large business on the
other end, so there was some thought that, you know, one,
yeah, we need to get credit all the way down, but also
make sure that we're actually subcontracting the right
way, not just for numbers and not just to meet quotas.

So, that's the idea around it. It's only going to apply
if you have a subcontracting plan for a contract. So --
and it's reported that way.

And then the third or the fourth rule that will
be coming has to do with women-owned small business. I
don't know if that applies or you guys are interested in
that, but the NDA of 2015 basically said three things.

You know, one, it gave contracting officers the authority
to do sole-source awards similar to service-disabled
veteran and HUBZone, where if you do market research and
you can't find two but you find one you can do a sole-
source award. So now that authority is extended to the
women-owned program.

They also -- Congress also directed us or
required us to do a new study of the industries. You
know, right now, you can only do a set-aside in certain
industries. The legislation gives us until January of
2016 to do a new study. So, we'll be looking at -- we're
working on getting that -- getting a study up and going.

And then the third thing that they threw in
there was this certification requirement. You know,
right now, the women-owned program is similar to service-
disabled vet for SBA and also the Small Business Program
where it's a self-certification program, where there's --
and then there's a protest process, as well. The
legislation kind of says that firms are going to have to
be certified by SBA, another Federal agency, a state
government or a certifying entity.

So, we have to figure out how we're going to do
that. You know, they didn't give us money to actually
implement that or to stand up a certification program, so
what are we going to do? We're going to have to -- we're
going to have to change our rules to address that in the
future.

MR. FIELDER: Is that possible that that would
be a third-party non-profit similar to what's being done
with the woman-owned businesses? I think there's four --
MR. DODDS: I think the way it works is SBA does a proposed rule and then does a final rule. Okay, that’s what I think --

MR. FIELDER: At what point would be the final rule being in place?

MR. DODDS: Well, let me be clear. It’s SBA’s final rule, so we set the policy. Here’s -- we say here’s how it’s going to be. That might be done, I’m hoping, by the fall.

MR. FIELDER: That’s what I thought I heard.

MR. DODDS: But the next step, before that --

MR. FIELDER: Carry me through the but.

MR. DODDS: -- before that gets into your contract and before that -- you know, it has to go to the FAR council, and they do the same kind of rulemaking process. They have to change the FAR clause. Right now, your FAR clause says one thing. They have to go through the rulemaking to change that.

MR. FIELDER: And, so, being familiar with the FAR and being a former GSA chief acquisition officer --

MR. DODDS: Okay, well, then you are familiar with it.

MR. FIELDER: You made an interesting comment, and I just wanted to make sure we got that corrected on the record, that your rule would be in place but clearly the FAR council has to implement that rule.

MR. DODDS: Yeah. I mean, in reality, until --

MR. FIELDER: There won’t be any agencies, to include SBA, acting on your rule without the FAR council --

MR. DODDS: Well, that’s a different question. I mean --

MR. FIELDER: See, that’s the question I’m raising. Is it --

MR. PHIPPS: Can contracting officers use their discretion?

MR. FIELDER: I don’t -- I believe that they have to wait for it to pass through the FAR process.

MR. O’FARRELL: So, in the past couple --

MR. FIELDER: Which is another level.

MR. O’FARRELL: -- years, the SDBO change, from that, what was it, the ‘12 or ‘13 Defense Authorization, I think it took -- it’s taken two years, hasn’t it? Two or three? Sorry.

MR. FIELDER: Well, and that’s where I’m going. The time line is getting longer and longer. Could you -- and there’s a couple folks that are getting back to us later today, but so that we get it on the record, could you go back and check, your final rule, what has -- for that rule to be implemented or used by contracting officers in the agencies, what has to happen at the FAR level or not happen at the FAR level for that to be actually executed, and if you could clear that point up for us.

MR. DODDS: Well, I could clear it up now, because --

MR. FIELDER: Okay.

MR. DODDS: -- I’ve already seen it.

MR. FIELDER: Okay.

MR. DODDS: I mean, there was a --

MR. FIELDER: Then do it.

MR. DODDS: -- GAO case called Sealift, where they actually cited in a footnote this NDA of 2013, where someone had protested that the small business couldn’t meet the performance requirement, and GAO said, well, it doesn’t matter because their sub’s a small business and they noted this law. So, there could be agencies that go ahead and start doing this. I think, in my opinion, they’d have to change the solicitation to address it, because right now, the FAR tells you to put a certain clause in there, and that doesn’t contemplate this.

MR. FIELDER: So --

MR. DODDS: But if you do it up front and you tell the public we’re going to follow NDA of 2013, not the FAR, and no one protests that, you might be able to get away with it. I’m not -- I wouldn’t tell anyone to do that. If you’re a conservative, you wouldn’t do that; but if you want to push the envelope, if you want to try, I think -- I would guess that agencies have already tried to do this.

MR. FIELDER: Yeah, and the basis of the question is what Jim was alluding to, is for some of us, we’ve been waiting since 2011. That’s when the service-disabled -- and that carried into 2013. Whether or not things were being done or not, you say that they were being worked, but -- and I’ll take your word at that, but 2013, it started all over again.

UNIDENTIFIED MALE: On the Mentor-Protégé.

MR. FIELDER: And, so, as we’re looking at it, this is a huge development tool for a service-disabled vet small business. It’s been a huge tool for the 8(a) program, which is meant to be copied after. And we’ve been waiting since 2011. I suspect that if we’re waiting for a final rule in the fall and then we’re waiting for the FAR council to then act on it and then include it in the FAR, we’re still talking 12 to 18 months maybe.

MR. DODDS: Well, there’s two things there. I mean, the good news -- on the NDA -- on the performance requirements, that will have to get into the FAR because it does affect your contracts. I’m not sure the Mentor-
MR. FIELDER: In the sense of government comment, some of the agencies were taking the exception, but modeled after the 8(a) Mentor-Protégé Program is a program that is totally different than what the agencies are able to do amongst themselves.

MR. DODDS: Right.

MR. FIELDER: There’s no -- there’s no discounting the large business that -- in the sense of the monetary threshold for the size and being able to do a joint venture to do two or three deals in two years, whatever that number is. These programs are purely voluntary. There’s no rigor and there’s no -- there’s no SBA annual review of the Mentor-Protégé document. The DOD program stands on its own. And what makes it unique is is that the DOD that can then pay the mentor, and I don’t think the 8(a) program or these other --

MS. WALTERS: Yeah, they have an initiative to pay them if they have the funds.

MR. FIELDER: That’s right, that’s right.

MS. WALTERS: Yes, I understand.

MR. O’FARRELL: This is Jim O’Farrell. Don’t they also have in the current program the ability to award points to that bidder that has and is part of the Mentor-Protégé Program and has proteges --

MS. WALTERS: Yes, you’re absolutely correct.

I guess I still was trying to understand --

MR. FIELDER: But, Ken, if you could address the three of those things and how they’ve been impacted into the rulemaking.

MR. DODDS: Yeah. The legislation itself specifically said don’t mess with the DOD program, because that’s a statutory program, but what it did say was that SBA in the rules that we propose and in the final rule, they want us to basically within a year, an agency that has a Mentor-Protégé Program will have to come to us and we have to decide whether it’s going to continue or not.

So, basically our Mentor-Protégé Program, because it’s going to be modeled on the 8(a) program is going to be more prime contracting-related and joint venturing for prime contracts. Now, you can still subcontract and do it for subcontracting as well, but it’s primary focused -- that’s the real benefit, you know, frankly, whereas a lot of the other programs are subcontracting-related, including the DOD one.

So, it’s possible, there’s a couple scenarios that could happen. We could create our own Mentor-Protégé Program and basically tell all those other non-statutory ones, you know, that will not continue. Or we could say in a final rule that if you’re already in one
of those programs, you know, you will get the benefits under this law and we won’t have our own program. We’ll -- you know, that’s been floated as an idea. Use the programs that already exist and extend these benefits to firms already in those programs. So, that’s -- we don’t know how it’s going to come out. A lot of that might depend on the resources we get, you know, and the input we get from agencies as well. They’re going to come to us and show us. We don’t know right now what they’re doing, how great they’re programs are, are or they great, you know. They’ll have an opportunity once we issue a final rule.

MS. WALTERS: Okay. And I was just looking at it from a state of having just -- having to expend the time as a small business to work through that mentor-protégé agreement, and there’s a lot of effort that was put into that. So, hopefully that would transition somehow into the new program if you decided it was going away. So, you know, I would want you to take into consideration all of the expenses and resources that have been put forth in doing a mentor-protégé, finding a mentor and going through that with one of these other programs. So, I hope there is some good synergies there.

MR. DODDS: I mean, you make a valid point, and it could be, I mean, if we take a look at these and we see that there’s been really, you know, robust vetting, I mean, the one thing we don’t want to have is large businesses taking advantage of small businesses or small businesses not getting any benefit.

MS. WALTERS: Right.

MR. DODDS: You know, the whole point of this is to benefit the small business. And, so, I think maybe, you know, it could be that if we’re comfortable that all these other agencies have done a good job with that, then maybe that would be something that we could accept, you know what I mean?

MS. WALTERS: Thank you. Thank you.

MR. PHIPPS: Michael Phipps. Could you explain, and this might not be your area of expertise, but the current set-aside rules for SDVOSBs, because it’s presented by the SBA, and I know there’s some limitations, and are you familiar with that legislation and exactly how that’s interpreted?

MR. DODDS: I can try. I mean, the way -- you know, I’ll start broadly. I mean, we consider SDBO to be on the same level as our other programs, 8(a), you know, women-owned, and HUBZone. So, what our guidance is is if you’re a contracting officer, do market research first in these four groups, you know, and consider your goals, as well, you know. If you’re really meeting your 8(a) and HUBZone goals but if you’re missing your SDBO or women-owned goals, that would be -- and you do market research and find two or more, then I would think a rational agency would do a set-aside in one of those programs, since they’re not meeting their goals. And that’s kind of the guidance we’ve given.

But we do -- we do say, you know, consider these, but it’s not -- it’s not mandatory, even if you find firms in those areas, you know, really to do a set-aside. It’s a consider first; if you don’t find them, then you can move on; you know, if you’re not happy, then you can move on to small businesses --

MR. PHIPPS: Davy, do you know what I’m talking about? There’s a current -- I’ll get back to you, Ken, because there’s a current presentation done by the SBA on how to direct award or sole source to an SDVOSB if -- if the -- if the SDVOSB is the only one that can perform that service, so it almost falls into its own, you know, a regular sole source category, but --

MR. DODDS: Well, the way I read the language --

MR. LEHORN: I thought that was the same thing as the rule, too.

UNIDENTIFIED MALE: I always think of rule, too, also.
between -- for a vet and HUBZone, I think it’s between 20 million and 100 million last year in terms of those kind of awards. So, you know, you have to make sure you’ve done your market research. You have to have your legal counsel sign off on doing the sole source and all that.

MR. FIELDER: Sure.

MR. DODDS: So, there are a lot of steps. It’s not like 8(a) where it’s preferred that you -- that you’re actually required to do sole source if it’s below. It’s really only if, you know, you’ve done your market search and you just can’t do it competitively, is the way I look at it.

MR. FIELDER: Other questions?

MS. CARSON: And we might be done, but I don’t want to interrupt the natural flow of conversation. But please say your name when you’re doing this so that we can get the back and forth on the public record. Thank you.

MR. FIELDER: If there are no other questions, Ken, we would love to have you come back periodically and just give us updates on those three topics?

MR. DODDS: Absolutely.

MS. CARSON: Thank you.

MR. FIELDER: Those are topics that we’ve been tracking for about a year now, and your briefing today was excellent in the sense of catching us up to where we are.

MR. DODDS: Okay. I am here and I will do it.

MR. FIELDER: Thank you. Thank you very much.

MR. DODDS: All right. Thank you very much.

MS. CARSON: Thank you, Ken.

MR. FIELDER: I have 12:15, give or take a couple minutes. 1:15 back here, okay. (A lunch recess was taken.)

144

LEGISLATIVE AND REGULATORY UPDATES FOR SMALL BUSINESSES

Mr. FORD: Thank you, Ed. As much as I would like to say I am the president of PilieroMazzo, I am not.

MR. FIELDER: Wow.

MR. FORD: I’m just an associate attorney, but I won’t tell Dan that.

MR. FIELDER: You can keep that if you’d like to take it with you.

MR. FORD: I will, I’ll put it on my desk.

But, no, like Ed said, we met at the Veterans Conference in Atlanta in December and we gave three presentations, one of which was a legislature regulatory update for small businesses. We did another presentation on GAO protests and then another on joint ventures. I think this is the one that Ed actually attended and thought could be relevant for purposes of today.

There’s a lot of material in here. I understand I only have 30 minutes and now it’s only 20 minutes. So, there are a couple topics that we may just not get through or we’ll breeze through. But we’ll try.

So, as far as what I want to talk today about, it’s the Small Business Mentor-Protégé Program and, specifically, the proposed rule that came out earlier this year, as well as the joint venture changes, which are also reflected in that proposed rule as well.
Kingdomware decision that was issued last year that I’m sure many of you are familiar with, recent changes to the limitations on subcontracting that are being proposed in connection with the proposed rule that was issued at the end of last year, the Rotech decision and the presumed loss rule.

So, the 2010 Jobs Act directed the SBA to create a new mentor-protégé program for all of its status preferred programs. And in the 2013 NDA, they further expanded that to cover all small businesses. And SBA was basically directed that this new mentor -- new program should be identical to the current 8(a) program which some of you may be familiar with, and that new program could be modified them to cover all small businesses.

So, just a quick overview of the current 8(a) program, it’s designed to enhance the capabilities of the 8(a) protégé firm and help the 8(a) protégé firm achieve the targets, objectives and goals in its business plan. There are certain requirements to be a protégé and there’s certain requirements to be a mentor. For example, if you want to qualify as a protégé, you have to meet one of three things. You either have to be of a size that is, you know, one-half less or a size that is less than half the size standard corresponding to your primary NAICS code, have never received an 8(a) contract initially the SBA gave some consideration to creating a program for each of your status-preferred programs. So, initially the SBA gave some consideration to creating a separate program for each of these, you know, status-preferred programs. So, a separate program for HUBZone, a separate program for SDVOSBs, for WOSBs, and there’s even a program just for small businesses.

As to how this mentor, if it’s going to get the benefit of this mentor-protégé relationship, is going to be able to address those needs, meaning what can it offer to the protégé that the protégé doesn’t currently possess in order to get that protégé in a better position not just to succeed in the 8(a) program, but to succeed once it graduates from the 8(a) program.

Once approved, the mentor-protégé relationship is reviewed annually by the SBA and, you know, if they look at it and they think that the assistance that the mentor has agreed to provide to the protégé, you know, that’s actually working, they can go ahead and renew the agreement. If, on the other hand, it’s not working and the protégé is really getting nothing out of this relationship or, on the other hand, the mentor is getting the bulk of the benefit, they can go ahead and decide to not renew that relationship.

Okay. So, the new mentor-protégé program, as I mentioned earlier, so Congress pretty much told the SBA, you guys need to go out and create a new mentor-protégé program for each of your status-preferred programs. So, for the purposes of the new program, the protégé just have to this in a moment -- is they got rid of those last two and they actually got rid of all three, the protégé, and now to be a protégé for purposes of the 8(a) program and for purposes of the new program, the protégé just have to be small, under its primary NAICS code.

Requirements for a mentor: A mentor has to possess favorable financial condition, has to be of good character, can’t be listed on the excluded parties’ list system and it has to be able to impart value and knowledge to the protégé. A requirement that is in the 8(a) mentor-protégé program that carried over to the new program is that the mentor and the protégé are required to enter into what’s called a mentor-protégé agreement, a written agreement that is submitted to and approved by the SBA.

The principal purpose of this agreement is, one, to identify the needs of the protégé firm, specifically in the areas of technical and management assistance, contracting assistance, financial assistance, business development assistance, and just general and administrative assistance.

At the end of the day, they landed on proposing a single small business mentor-protégé program, which I think, at the end of the day, is probably a good idea. And the basis for doing so in the proposed rule is that it’s, you know, one set of rules for everyone to follow, which should, you know, make it a little easier not just for small businesses, but the acquisition community in general.

So, notably, one of the benefits of the 8(a) program that is now carrying over into the new mentor-protégé program is that a mentor and its protégé in an improved mentor-protégé relationship can joint venture for any federal contract for which the protégé is eligible. So, what that means is if you have, for example, an 8(a) protégé firm that also happens to be an SDVO company, those two firms, meaning the mentor and the protégé, can go after 8(a) contracts and they can go after SDVO contracts as a joint venture with regard to affiliation and the only requirement is that the protégé be small, under the size standard for the procurement. So, that is something that I know is a welcome benefit to
a number of our clients and I’m sure to a number of, you
know, businesses across the country.

So, like the 8(a) program or like the 8(a)
mirror-protégé program, this new mentor-protégé program
is also designed to assist the protégé in terms of
developing its capabilities and how that is done is
through the provision of assistance. And, again, like
the 8(a) program, that assistance falls into several
categories. It’s technical assistance; it’s management
assistance; it’s, you know, financial assistance, which
can be loans, you know, taking an equity interest in the
protégé firm; it can be business development assistance;
and it can also be just general and administrative
assistance.

And, again, like I kind of touched on before,
they do have the ability to assist the protégé through
performing contracts as a joint venture to include both
prime contracts and subcontracts.

Okay. So, I’m sure that all of you know that
there are all of these other mentor-protégé programs out
there right now. So, under the NDAA, an agency that is
currently conducting its own mentor-protégé program can
continue to do so for -- up until -- for one year after
the SBA finalizing these new mentor-protégé relationships
-- I’m sorry, these new regulations. So, once these
rules get finalized -- and who knows when that’s going to
happen -- all of these other agency mentor-protégé
programs have a one-year grace period. And the only --
well, the NDAA, I’ll say, specifically excluded the DOD
mentor-protégé programs. So, that one grace -- one-year
grace period just doesn’t apply to them.

After that one year, they actually have to
apply to the SBA if they want to continue with their
mentor-protégé program, and to the extent they do, on an
annual basis, they are required to report to the SBA, you
know, a certain number of things. For example, you know,
the number of participants and who are the participants
that are in their program. You know, what are the
benefits that the protégé is getting and, you know, what
progress has this relationship between the mentor and the
protégé reached in terms of allowing this company -- this
protégé small firm, to better compete for federal
contracts and prime contracts.

So, changes to joint venture, so, again, in the
proposed rule for the mentor-protégé program that came
out, I believe, in February, they also are proposing some
changes to the current joint venture regulations, one of
which is they’re proposing to do away with populated
joint venture if they’re formed as a separate legal
entity. So, what that means is if you want to go out and
form -- and a lot of our clients do and we recommend that
they do -- is form a joint venture in the form of a
separate legal entity like an LLC, it can’t be populated.

It has to be unpopulated.

And, of course, with an unpopulated JV, there
are no labor force employees housed in the joint venture.
You may have some administrative employees in there, but
all of the work is really being performed by the
individual joint venture partners through subcontracts.

And the rationale behind that is with a populated joint
venture in the context of the joint venture itself, there
really is no specific percentage of work that the 8(a)
firm is required to perform. All it has to show is how
that relationship is going to benefit and how performance
of the contract is going to benefit the 8(a) firm. So,
if there’s really no designated percentage of work that
it has to perform, it’s really difficult for the SBA to
track what benefits, if any, this 8(a) firm is getting,
especially when, you know, all of these employees are not
badged as employees of an 8(a) firm and as partner to the
JV, they’re badged as employees of the joint venture
entity itself.

So, I mean, I think in that regard, it makes
sense. I do know that we have had clients tell us that
there are certain federal agencies that just they do not
like unpopulated joint ventures and reason being is they
want to know who they’re working with. And if they’re
not dealing with, you know, employees of the prime
contract or entity on a daily basis and instead they’re
really looking through this joint venture entity and if
it’s unpopulated, basically it’s a shell, you know,
there’s a lot of risk to that.

MR. FIELDER: So, Peter, coming from that from
an operational perspective, and I have a couple of joint
ventures in place with my clients now, and principally,
we’re in the O&M, operations and maintenance, and I guess
it would apply to some of you IT guys in the sense of
service contracts. When you get an unpopulated joint
venture on the ground and you got, in one of my cases,
150 employees, and they’re doing janitorial work and they
all work for different companies, it becomes impossible.
And I’m picking my words here, it’s impossible to manage
on the ground.

And the idea of populating the JV where the
small business group owns 51 percent and sometimes higher
and they’re -- and they have day-to-day management
control of the populated JV and there’s a distribution of
work, but all the employees, in the case of O&M stuff,
are wearing the same uniforms, they’re blue-collar
people, technicians, that is a manageable reality.
MR. FORD: Yeah.
MR. FIELDER: Unpopulated with 150 employees doing technical O&M on a facilities maintenance contract or an IT services contract, it’s a management nightmare.

MR. FORD: Yes.
MR. FIELDER: So, I mean, that whole populated versus unpopulated and why they want to go in that direction, I understand they think that they’re going to be able to prove how much work was done by each entity, but as long as the small business entity has an ownership percentage that’s more than 50 percent and is running the day-to-day part of that, I don’t see that that’s practical.

MR. FORD: And that was probably a better question for Ken who was with us earlier, but I didn’t --
MR. FIELDER: I had forgotten that you had shown me that entity, but --

UNIDENTIFIED MALE: Next month, next quarter.
MR. FIELDER: Yeah. We need to hit him on that.

MR. FORD: I mean, it’s a good point, I mean, we just went through the process of working with a client trying to get their populated JV approved for a NASA procurement and it got held up because they kept coming back with questions, you know, asking us. You got to tell us, you know, what is the 8(a) firm going to be doing if they perform this contract. What are the functions that the 8(a) firm is going to be performing?

I mean, obviously, we can tell them that, yes, the 8(a) firm is going to employ the project manager, they’re going to be assisting in negotiating the contract.

But beyond that, when you get into this -- you know, the real statement of work, it’s hard for us to go back to the agency and say, all right, well, these are the tasks that 8(a) firm is doing and these are the tasks that non-8(a) firm is doing because neither of the firms are really doing anything.

MR. FIELDER: Right.

MR. FORD: All the work is being done by the employees of the joint ventures, not by the joint ventures in their individual capacities.

MR. FIELDER: Well, you could argue that if you’re trying to track it by who the employees are actually doing the work, I think it’s a control issue, not a number of employees issue or whose employees are whose.

MR. FORD: Right.

MR. FIELDER: I’ll let that one go and I think you’re right.

MR. QUAGLIO: The intent is to avoid rebadging.
MS. WALTERS: Okay. In an unpopulated and populated JV?

MR. FORD: Well, populated joint ventures are under the proposed rule, are gone.

MS. WALTERS: Okay, all right. So, then both will then own the past performance? That’s what you’re saying.

MR. PHIPPS: She’s talking about -- Michael Phipps. She’s talking about after the contract is performed.

MS. WALTERS: And you’re looking at using that contract for a new evaluation factor when you go out and you proposed on a new RFP. And they say, okay, you have to list what you’ve performed on because it’s an evaluation factor, past performance. And that is a problem going on right now with JVs I know that we’ve seen it addressed as well. If you are either the lead venturer or managing venturer or -- or you are -- let’s say you have two other members of the JV, then you can claim that as if you were the prime. You say as a member of JV umpty-squat, we did this work. If you’re a subcontractor to that JV, then it falls right back to the prime sub. As a subcontractor, we performed the following work on this program. And you get to submit that.

MS. WALTERS: Yeah, okay. I was just wondering because I’ve seen it all over -- I’ve seen it -- I’ve seen NAVFAC evaluate it differently than the Army differently than the Air Force. I mean, I’ve seen them evaluate the performance on these -- under these JVs very differently. So, that’s why I was asking.

MR. FORD: Yeah, no, it’s a question that comes up a lot, especially with joint ventures. I mean, to give you a perfect example, we’re seeing it a lot with,

The Advisory Committee on Veterans Business Affairs 3/11/2015

25 venture that’s been unpopulated?
Mr. O’Farrell: I don’t know.

Mr. Phipps: I mean, it seems like an account -- I mean, because profits are not -- profits are just one section of your costs, you know, if you’re doing a cost breakout.

Mr. O’Farrell: I would expect they would.

Mr. Ford: All right, so I’ll speed up a little. Some additional changes that the SBA is proposing to joint ventures. One of the things they’re trying to do is find a way to better track awards to joint ventures. And, so, one of the things that they’re considering is requiring that if you’re forming a joint venture, you -- in the name of the joint venture, you have to include the phase “joint venture.” If it’s a mentor-protégé joint venture, you have to include the phase “mentor-protégé joint venture.” Or, you know, make some sort of disclosure in SAM.

And, again, I think there’s some benefit to that, especially from, you know, a contracting official’s standpoint, being able to recognize that this is what it is, I can look at this entity without having to go out and do, you know, my own due diligence to figure out that it’s a joint venture. It’s clear from the face of the document that it is. But, you know, I do think that there are some confidentiality concerns that small businesses may have in terms of, you know, letting the whole work know that this is a joint venture and, you know, we’re a party to this joint venture. But, again, that’s just our take.

With regards to 8(a) joint ventures, the SBA is proposing to move away from the current rule. It’s not really a rule really, but under the SOP, 8(a) joint ventures aren’t approved by the SBA until an award is imminent. So, what they’re now proposing is that these 8(a) joint ventures can pretty much get approved at any time, which, again, in your opinion is a great idea.

And then, lastly, there’s case law out there that says an SBA approved 8(a) joint venture is basically immune from a size protest and the SBA is proposing that that no longer be the case.

So, Kingdomware, I’m sure you guys are all familiar with this decision from last year. This was really a crushing blow to SDVOSBs and, in a nutshell, the Court basically held that the VA could procure goods and services using an FSS schedule without first considering whether, you know, an SDVOSB could satisfy the requirements. And the analysis, according to the two-judge majority, was that the purpose of Veterans First is to ensure that the VA is meeting its goals. And so long as the VA is meeting its goals, it doesn’t necessarily...
have to use the rule of two and can instead go straight to the FSS schedule.

Limitations on subcontracting. So, like I said, at the end of last year, the SBA proposed to review the limitations on subcontracting in 13 CFR 125.6. As revised, compliance is going to be determined by placing a percentage cap on the amount of the prime contract that can be subcontracted. The percentages aren’t going to change from the old rule, meaning that if it’s a services contract, that cap is 50 percent; construction contract, 50 percent; specialty trade construction -- I’m sorry, construction contract, 85 percent; specialty trade, 75 percent.

And there are exceptions for similarly situated entities, and this is also something new. So, for example, if you have an SDVOSB firm that is subcontracting to another SDVOSB firm, that amount that’s being subcontracted isn’t going to have any effect on that cap.

So, in order to ensure that this really works in terms of, you know, a prime contractor saying that, you know, we’re going to meet these performance of work requirements with our similarly situated entities, they have to do a few things. One if they have to identify these companies in their proposal and the percentage that they plan to subcontract. They have to go ahead and enter into signed agreements with these subcontractors, again, you know, giving an idea as to, you know, what is the percentage of work and how is this subcontracting going to be taking place once this award is made.

And assuming that this contractor is awarded the prime contractor to the extent, after the fact, they want to go ahead and make any sort of changes to the subcontract -- to the subcontractor’s award, they have to notify the contracting officer of that change and inform that CO and give them a plan as to how they’re still going to be in compliance despite the changes to the subcontract.

Rotech decision, I’ll just go through these pretty quickly. This was also another decision last year and, basically, Rotech brought in the reach of the nonmanufacturer rule such that it covers supplies contracts, even if there is a services component. And, so, what that basically means is if there is a contract that has both a services component and a supply component, and let’s just say that the services component represents the majority of the contract work, the nonmanufacturing rule still applies to the supply component of the procurement, which raises a number of questions because, when you think about it, it could have the effect of limiting competition because, you know, there are only a certain number of small businesses that can satisfy the requirements of the nonmanufacturer rule and satisfy that supply component according to Rotech. Presume Loss Rule, so, this, I believe, was finalized probably actually in September of 2013. Basically, this rule is aimed at preventing firms from receiving contract awards, prime contracts, subcontracts, cooperative agreements or grants based on a willful misrepresentation of size or status. And if that is established, then there is a loss presumed to the Government for the full extent of the amount expended on that contract, subcontract, grant or cooperative agreement.

So, what constitutes a willful and intentional representation. Basically, three things. If you submit a bid on -- if you submit a bid in connection with a set-aside contract, that’s one. If you submit a bid which encourages an agency to make a set-aside award, you’re also making a willful and intentional representation. And then, finally, if you register in any sort of federal electronic database, for example, SAM, for the purposes of going after federal contract work, that again is considered, you know, an intentional representation.

Let’s move ahead. The final rule did lay out some situations where they would come back and say, all right, it wasn’t necessarily willful and intentional as far as the representation is concerned because, you know, there was an unintentional error, you know, a technical malfunction, something of that nature. And, you know, that list was not all-inclusive by any means.

But the penalties, you know, they are harsh. You can be suspended or debarred. There’s civil penalties and there’s also criminal penalties. So, I mean, in our experience, we actually haven’t seen this, you know, come into play yet. But, I mean, it’s out there. So --

MR. PHIPPS: So, you’re saying that you cannot do those three things?

MR. FORD: No, no, no, no, no. So, for example, if you are -- if you go out and you submit a bid for the purpose of getting a set-aside contract award and it is determined that you received that award based on a fraudulent representation of your size or status, then the mere fact that you submitted that bid makes the submission and the representation willful and intentional.

MR. PHIPPS: That’s fraud.

MR. FORD: So, with that, I mean, hopefully I’ll have some time for questions.
hand out your packets to you.

So, I wanted to give greetings from our chair, Phyllis Hill Slater. She hails from New York. And, actually, she’s vacationing in Florida right now, too, because she said she had to get away from that weather. So, she, like myself, says that she’s so happy that we had this opportunity to present to you today.

So, what is national certification? Well, it is proof that a veteran owns or controls 51 percent or more of a corporation, an LLC, or obviously, 100 percent of a sole proprietorship. We do not round up. So, if someone comes to us with a 50.8 percent ownership, they do not own their company in the majority. We are very, very, very strict about that.

They also control 51 percent or more of the company’s resources. They have to manage the daily operations. They cannot be engaged in another company. They have to be managing that company. They must hold the highest office in the company. So, if there’s a CEO and a president and the CEO is considered to be the higher position, that’s the position they must be in.

We don’t guarantee a company makes money. We don’t guarantee they’re the best at what they can do or they’re an expert at what they do, how long they’ve been in business, and we don’t guarantee the size unless we’re working with SBA.

Now, it doesn’t mean that we don’t see all these documents. We do. So, we know they’re profitable or they have a loss. We know that they’re capable of doing what they do by their NAICS codes and by the work that they provide to us. We know how long because we’ve studied all their documents. But, again, that’s not what certification is proving.

So, why do people get certified? Mainly to legitimize that their company is indeed veteran-owned and veteran-controlled or woman-owned or woman-controlled or minority-owned or minority-controlled. They want to increase their customer base. They want to participate in goals and outreach programs, of which there are many.

They want to be listed as third party certified. So, when they get into a database of a corporation, say they want to do business with Macy’s and they want to list themselves in that database, they want to be able to say we’ve had third party certification.

Now, some of the facts about veterans are fabulous. I mean, what wonderful statistics you have. $1.22 trillion in revenues, employing almost 5.8 million people with an annual payroll of $210 billion. That’s outstanding. That’s really commendable.

What are the major markets for any business,
<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>paper like it’s 100 percent and it’s just so easy and you get there and what a different picture. And other times you’ll say, oh, my gosh, we’re so skeptical about this one and you go and do the site visit and you’re absolutely convinced that person’s in control. So, it’s a very interesting -- and it’s always the control that’s the hard part to prove; it’s not the ownership.</td>
</tr>
<tr>
<td>2</td>
<td>So, after the site visit, that site visitor -- and we have some 150 of them in the country that we’ve trained to do this for us, then they send that report to the committee and they make a final determination.</td>
</tr>
<tr>
<td>3</td>
<td>If the application is approved, we then prepare their certification packet. If it’s denied, we have to give them a letter with all the reasons why we’ve denied it. They have a 30-day appeal process to come back and say, I don’t agree with your decision, but they must support and provide extra documentation for what we’ve pointed out in our letter of denial.</td>
</tr>
<tr>
<td>4</td>
<td>Sometimes an appeal is overturned; sometimes it’s not. More often, it’s not. But sometimes it is. And then if they have had a final denial, they can’t apply for another year. So, we’re pretty strict about that as well.</td>
</tr>
<tr>
<td>5</td>
<td>Other things are that we don’t allow ownership changes and control changes overnight. In other words, a</td>
</tr>
</tbody>
</table>

---

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>whether it’s veteran or minority or woman-owned or male-owned? Obviously, the public sector and the private sector.</td>
</tr>
<tr>
<td>2</td>
<td>So, the public sector, the Government alone purchases over $200 billion in goods and services annually. So, there’s a lot of room for everything. And services are important as well. Always important.</td>
</tr>
<tr>
<td>3</td>
<td>The private sector, corporate America. We know Walmart alone purchases $104 billion. So, that’s one company out of how many are there, you know. So, there’s a lot of room and opportunity for anyone to do business.</td>
</tr>
<tr>
<td>4</td>
<td>So, what is the process with NWBOC? Well, first of all, they submit a completed application. They can print them from our website. We do a preliminary review -- when we intake an application, we look at it to make sure all the documents we’ve ask for are included.</td>
</tr>
<tr>
<td>5</td>
<td>People are great about -- there’s something about business owners. They know what they do, but they’re not great business people sometimes and you get so aggravated with them because they will say, I don’t have bylaws, I don’t have articles of incorporation. And we’ll say, yes, you do and you need them.</td>
</tr>
<tr>
<td>6</td>
<td>So, it’s kind of a check when it comes in, does it have everything, because we can’t submit it to a review committee until we’re sure everything is there.</td>
</tr>
</tbody>
</table>

---

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>male owns a company and we have a female veteran who’s a minority owner of the company and he says, honey, we can get certification, you know, as a veteran and take advantage. So, let’s give you 51 percent, let’s make you president, and tomorrow, we’ll apply. It doesn’t work that way. You have to have a track record of at least six months.</td>
</tr>
<tr>
<td>2</td>
<td>And we’re going to say to you, why did you make that change. If it’s to take advantage of outreach programs when really clearly there’s nothing changed in their roles, he’s still running the company and she’s not or vice versa, then we are not going to certify them. We’re going to make them prove that indeed their roles have changed, that the way they’re conducting their business has changed, that that person has risen to a leadership position.</td>
</tr>
<tr>
<td>3</td>
<td>Our application is $400. It doesn’t matter what size your company, it’s $400. We reimburse attorneys, accountants, site visitors and it’s very -- you know, that is -- a little bit that comes back to the organization after all is said and done. But we believe that it should be a certain fee no matter where you are in the country, no matter what size your company.</td>
</tr>
<tr>
<td>4</td>
<td>If we have a female who has applied for veteran certification, we give her WBE, the Womens Business</td>
</tr>
</tbody>
</table>
Enterprise certification, at no charge. If she is a
female WBE with us, we then will give her veteran at no
charge. So, there’s a little perk for being a female if
you want both certifications and you qualify for both.

We have an annual renewal. At the end of the
one year from your certification date, if you have --
there have been no changes and everything seems right,
there’s no questions, then you renew. You send us very
little paperwork compared to applying because applying
can be two notebooks, two big cardboard boxes of things
that come into us, and it’s $200 if your gross sales are
$2 million or under or $300 if they’re over $2 million.

And, again, that’s the only distinction that we make in
size of company, and as you see, it’s very small.

MR. QUAGLIO: Ken Quaglio. How did you get
that breakpoint of $2 million just out of curiosity?

MS. HARRIS-LANGE: Because a lot of the -- we
have a lot of companies that maybe have only been in
business a year or so, maybe two years, and they just
haven’t gotten to that next threshold. So, we sort of
made a break for them. It’s been that way for many
years.

MR. QUAGLIO: Okay.

MS. HARRIS-LANGE: We haven’t changed that fee.

So, some of the benefits, we give them, of
course, a certificate and a letter. So, now they can
present to a procurement officer, here’s my certificate
with my certification number, et cetera, and it has the
end date and the start date of that certification. We
give them a spreadsheet of procurement contacts, a logo
that they can use on -- we say product packaging,
website, marketing materials, anything that they want to.

We have what we call a zone database that right
now a buyer can go in there at no charge. We don’t
charge a buyer for being -- having access to that
database because our object is to grow these companies,
to help these people grow their companies. And, so, when
a buyer goes in, he can research by NAICS code, he can
research by a name if he wants to check to make sure the
company is certified or still certified, he can search by
an area of the country or by a keyword like architecture,
consulting, medical device, whatever it happens to be.

So, the other thing that we encourage is people
doing business with each other because we don’t have
to -- we keep saying to them, don’t depend on a major
corporation coming into the database and sucking you up
and saying you’re perfect for us. Do business with one
another, you know. If you are a manufacturing facility
and you’re going to build a big addition, look to other
certifieds to do that construction work for you. So,

we’re really all about that teamwork and they seem to be
catching on because we see some of it coming on.

We have, of course, eNewsletters and special
events and we have an annual conference, which will be in
next October.

And that’s just our contact information. So,
let me give you your packets and then I’ll explain the
other materials that are in here.

MS. ULSES: Janet, can I ask you a question?

MS. HARRIS-LANGE: Yes, absolutely.

MS. ULSES: Marcie Ulses. Are there a lot of
companies such as yours doing this?

MS. HARRIS-LANGE: Well, I’m going to explain
that in the next group of materials.

MS. ULSES: Okay, all right.

MS. HARRIS-LANGE: But let me jump in with
that. NWBOC is 20 years old. We started certification
20 years ago. We were the first to do it. We led the
way for certification for women-owned companies. So,
what we did was we started as a special interest group of
the National Association of Women Business Owners, which
is a membership organization. I used to be the president
of that organization as well. And this group of women
said, why can’t we develop a national certification
program for women. So, there was no supplier diversity
for female-owned companies. There were no other people
doing national certification for women until we created
that program. And then, from then, yes, a couple of
others have come from that, but we actually paved the
way.

MS. ULSES: I’m sorry, another question. So,
do companies, agencies recognize this company?

MS. HARRIS-LANGE: Yes, yes.

MS. ULSES: Do they recognize just any -- I
want to go out and do this, let’s say. Would they
recognize me just because I say I’m doing this? Is there
some --

MS. HARRIS-LANGE: If you want to start -- if
you were starting up a certification program on your own?

MS. ULSES: Right, right.

MS. HARRIS-LANGE: There usually -- usually,
they want to see some consistency, they want to see some
history, they want to see -- you know, they want to look
at all your materials. I mean, we --

MS. ULSES: Past performance?

MS. HARRIS-LANGE: Yes, actually. Not only
that, but what do you do in a review process, what do you
-- you know, what do you look at?

And let me, with that, jump into kind of the
history. When we started, we assembled 700 public and
private sector people to say, okay, what does it look like to have an application, what is that going to say on it, what it’s going to ask for, what documents do we need, how do we do a review, how do we do a site visit, what’s the team look like that has to review an application. So, all of that -- those 700 people put this process in place, and that is what we’re still using today. We have to tweak it every once in a while because of government regulations or, you know, income tax laws or, you know, business law or whatever. So, it gets tweaked, but basically it’s the same program. So, we -- in all that input from all those individuals, they had tremendous experience and knowledge. And, so, they knew we were using the formula that they, you know, presented and that they worked on together as a team. So, that’s why it gained wide acceptance.

And we are a 501(c)(3). When we started with the other organization, we separated and became a 501(c)(3), as we are to this date. So, we have been since inception. So, any other -- are there any questions on that history? Yes?

MR. QUAGLIO: How many veteran certifications have you done to date?

MS. HARRIS-LANGE: We just started in November, veteran certification.

MR. QUAGLIO: Okay, just started.

MS. HARRIS-LANGE: Yes. So, what happened -- so, our history was we started with the WBE 20 years ago.

MR. QUAGLIO: Right. right.

MS. HARRIS-LANGE: In 2011, SBA was looking for people to certify the WOSB and the EDWSB.

MR. QUAGLIO: Right.

MS. HARRIS-LANGE: We applied for that and won that. So, they approved four organizations. Three do the ED, as well as the regular. One of them only does the WOSB.

MR. QUAGLIO: Got it.

MS. HARRIS-LANGE: So, we have been doing that ever since. Then, in November, some corporations came to us and said, we want to do business with veterans and we’re not -- though we understand if they’re service-disabled, we feel badly for them, but we just want to use veteran certification. So, our board passed that in November to do that as well.

MR. QUAGLIO: Thank you. Ken Quaglio, one more question. For the SBA, much like they are certified as a third party for women, is the SBA looking at doing the same sort of thing for veteran certification?
MS. ROTH-DOUGUET: So, right now, say that where a company applies, that he’s set up a company for husbands and wives want to own a business together, the husband is a veteran, the wife is a woman --
MS. HARRIS-LANGE: Mm-hmm, oh, tricky. It’s always tricky.

MS. ROTH-DOUGUET: Kathy Roth-Douguet.
MS. HARRIS-LANGE: I mean, we have a lot of -- obviously, there are a lot of those companies that apply for certification. Same with the -- you know, to get female certification as well. So, it’s the challenge of are they running it 50/50. If they are, then probably we’re not going to go along with it. I mean, clearly the one who’s -- whatever certification they’re applying for, that has to be the lead person. Who’s really overseeing it, you know? Things like hiring, borrowing, firing, you know, all of those different compositions, signing checks, doing finances, doing the vision planning for the company.

MS. ROTH-DOUGUET: So, then they can’t be equal co-owners of the company.
MS. HARRIS-LANGE: No, no. They have to -- it has to be 51.0 percent on either side, whichever kind of certification they’re applying for. And the same with minorities. I mean, minorities go through this as well.

MS. ROTH-DOUGUET: Is there -- which is a preferable designation?
MS. HARRIS-LANGE: Veteran is kind of the new kid on the block and it’s -- you know, it’s -- there’s a lot of interest in that because, my goodness, we’ve paid attention to gays and lesbians, to minorities, to women, now we want to focus on veterans. And that’s -- I mean, it’s a long time coming. So, that’s the new and that’s going to be very trendy and they’re certainly going to allocate, you know, resources to that as well.

MS. ROTH-DOUGUET: Okay, thank you.
MR. FIELDER: And I don’t know this to be true, Kathy, but as I talk to government contracting officers on a regular basis, it seems to be service-disabled vet, women-owned businesses and HUBZone businesses seem to be their top "I got to find" right now.

MS. ROTH-DOUGUET: Right.
MR. FIELDER: And that’s just my calibrated eyeball just in conversations.

MS. ROTH-DOUGUET: A husband and wife should actually break it down into two businesses. One is 51 of --
MS. HARRIS-LANGE: Oh, but that can be a challenge, too. Because sometimes we have situations where a company applies, that he’s set up a company for her, and all the work is being funneled through and that’s not going to go. I mean, I can tell you a perfect example of when I tell you on paper it looks great.

There was a 100 percent women-owned company in the Midwest. They applied for certification. It was for plumbing distribution. Looked fabulous, looked like there wouldn’t be any problem. Site visitor goes to the location. It’s in the husband’s company. The woman met with her in a broom closet. She had no office, she had nothing, no desk, no nothing. She met in a broom closet with her. And they chatted and she said, so, what do you do at this company? She said -- and she could not think of what she did because she didn’t do anything. Her husband ran it.

The way it turned out was we wanted the distributorship for this other state for this plumbing device and the company wouldn’t give it to him because he had all these other states. So, they formed her company so that they could have a new company to be issued to.

And when the site visitor left, she was getting in her car, the woman ran after her and said, I know what I do, I proofread. That was what she did. So, yes, on paper -- that’s why I said site visits are kind of important. I mean, we -- unfortunately, we do face that.

MS. ROTH-DOUGUET: Right. Obviously, we’re a nonprofit. We have -- we’re very careful about supplier diversity both on -- you know, and diversity itself on our board and the site visitors that we have and our committee members and so forth.

We’re very proud of the fact that our companies really support their own organization. Though we do have corporate partners and we do have sponsors and so forth for our conferences and whatnot, the women are supporting, the veterans are supporting their own organization and we think that’s really excellent and that’s how it should be.

We’re accepted by, you know, all the major companies and some government agencies as well. Like State Government Missouri has worked with us for years and years accepting our certification. Louisville Urban County Government, they said we don’t want to certify anymore, we’re just going to accept certification from third parties. So, we work with them.

So, there are many different that are starting to say, you know, why are we spending this money, the state funds or county funds or whatever, why don’t we just start to look at a third-party certification. So, they are.

Yes?
MS. CARSON: It’s Barb. Can I clarify that...
Public Meeting
Advisory Committee on Veterans Business Affairs
3/11/2015

federal agencies that accept certification are certifying
women, not veterans.

MS. HARRIS-LANGE: Yes, yes, correct. Good
point.
And I’ve kind of explained all the different
requirements, as you saw. And we also have -- we have an
Eclipse Awards Program that we’re very proud of that
comes out of our conference, too, so people can apply for
that as well.
And one of the things that we think is
important is that we work with corporations, too. We had
a call from Caterpillar who said, we have a major job, we
think this women owns her company and controls her
company, we do believe she’s qualified. We’ve taken her
through every Nth degree of research and she has the
funding for it, she has everything for it, and we think
that -- you know, but we don’t want you -- obviously,
don’t certify her if she’s not qualified, but we would
like you to do a review and do it as fast as you can. We
had it done in a week. Her whole review was done in a
week. She was awarded the contract. She was clearly
women-owned and controlled, and it meant a lot to her.

On the other side, we have women that are
frantic, I have to get certified right away, I have a
five-year contract pending if I -- you know, if I
certify. And, again, when you see those things, I mean,
I don’t know how to explain how passionate we are about
what we do because we really are, everybody on our board,
everybody right down to the people that do site visits.
We feel that it’s so important.

As a matter of fact, with every new
certification, I do a handwritten note. My very last
sentence is we are committed to your success. And we
really, truly -- every single one of us believes that.
Because when they grow, they employ more people, they
impact their communities and they impact the nation at
large. So, there’s nothing that can be said enough for
what we feel about them and about growing their
companies.

And to give you a little bit of background as
far as veterans, our chair was telling me, she said --
she started rattling through all the veterans in her
family. And I hadn’t even known this, we had never had
this conversation before. My two late husbands were
veterans. My father taught the military math -- calculus
and math and so forth. My grandfather served in a world
war. My uncle was a career vet. My -- one of our board
members, they are a military family currently. So, we
have a lot of that experience as well and, so, we’re
passionate about the veteran program. So, it was an easy
sell to our board. It was like, yes, you know,
absolutely, go for it. So, they were very happy to do
that.

I think basically the other information -- I
know that you’re a little bit behind, so just some of the
things to tell you about why, you know, to look to us.
That we are experienced. We have 20 years doing it.
We’re experts at what we do. We have committees that are
so talented and they can find the littlest, tiniest
details that companies need to correct, or if something’s
wrong or whatever, they can find it.

We have a national footprint because we’ve
certified companies in all 50 states and territories and
we have committees across the country and we have site
visitors across the country as well.

We’ve been approved by SBA, and a copy of that
letter is also in your packet. I included that so you
could see that.

And, you know, our passion. We have a
centralized process. Everything gets funneled through
one office so that we can keep track. When I first took
over this job some, I don’t know, 16, 17 years ago, we
had different groups that did it on their own and they
would receive -- they were affiliated with us, but they
were separate, and they would receive the application.

And when people would call me and say, well, where am I
in the process, it was so hard to figure it out. We’d
have to call them and find out, okay, what have you done
and where are you.

So, now, everything is funneled through. We
can track everything and we can -- that way, it helps
corporate America, it helps our federal agencies who are
looking for where we are in process with somebody as
well. So, it’s really, really important that we do --
work like that and we think that that was a good decision
on our part and it’s worked very well for us since.

And I think that’s about it. And I’m happy to
answer any questions.

MR. FIELDER: Okay. We’ve got one more speaker
and, so, with the staff time, let’s do one or two
questions and --

MS. CARSON: And then can we take a break
because we need to set up for her brief after the
questions.

MR. FIELDER: That’s right, she’s got a video
component to it.

MS. CARSON: Yes.

MR. FIELDER: But, Kathy, I think --

MS. ROTH-DOUGUET: Kathy Roth-Douguet. To Ed’s
point before about disabled veteran-owned companies, are
you considering doing a disable veteran certification?

MS. HARRIS-LANGE: I’m -- it would depend on if we were approached by that and so forth. The board, at this point, said let’s start with veterans and go through that. And if we have to do a size component, that’s easy because, you know, I think the most challenging -- the economically disadvantaged is challenging because every renewal, we have to look at three years’ worth of materials and figure that out and approve or disapprove.

But as far as just having a small business, that’s an easy designation. But then when we get into service-disabled, that’s a whole ‘nother layer. And if we were asked to do that, I’m sure we would take on that challenge, but I can’t speak on behalf of the board until they vote on it.

MR. FIELDER: Any other questions?

(No response.)

MR. FIELDER: Thank you, Janet.

MS. HARRIS-LANGE: You’re welcome. Thank you.

MR. FIELDER: And we’ve got some set-up time.

While we’re doing set-up, Barb’s going to, oh, by the way, some things she forgot to mention this morning that she wants to get on the record.

MS. CARSON: Just a few alibis on a couple other activities that are going on so that you’re aware

and you’re looking for these things. We work best when we have partners. Our office, as you may know, is very small. So, we work with others so that we can get the word out about what is available to all veterans and military spouses. So, I’m glad Kathy -- seeing your face reminds me that I wanted to bring up, since we last met, strategic alliance memorandums. Those are kind of like an MOU. We have signed off on one with Blue Star Families.

And why is that important? It’s another chance for us to reach out to military spouses who find that employment is one of the greater concerns for military families right now. And being a transient population, both the service member and the spouse, self-employment is a way to keep a viable and progressing career. So, we are now going to be working with Blue Star Families. We also join at transition events, like Hiring Our Heroes. So, the second strategic alliance we will sign is with the U.S. Chamber to formalize our contribution -- SBA’s contribution to Hiring Our Heroes.

So, what that does for us is it gives us -- it backs up the time line. When we were talking this morning about Boots to Business, two days, it’s at the end -- are you ready for business? You might not be right then. If we can go to these formations, which are DOD approved, Hiring Our Heroes events, those are often before someone signs up for TAP. It gives a little more time to get some capital in hand, to work on a business plan and to really see, I think more clearly, about what the next steps are. So, we are thrilled about that.

With American Legion, we have partnered in the past on certain events. We are working on a strategic alliance memorandum as well there to have more breadth to our relationship and some more depth. And, so, Davy and I and other on his team are working that as well.

For supplier diversity, that’s critical. We need more revenue streams for vet-owned businesses and spouse-owned businesses. The kinds of talents that we already help them with in procurement, a lot of those translate to supplier diversity. So, for example, we’re doing events with Marriott right now to focus on that. You’ll see those during National Small Business Week, which is May 4 to 8. So, please look for us then. And, again, in National Veterans Small Business Week in November. So, you’ll see more messaging coming from us on that.

I would also -- like I don’t know procurement as well as each of you who are business owners in it and I know it is a vital part of the work that we do here at SBA, but I do want to remind us that we -- there’s a lot of activity out on Main Street and that I hope that -- Ken suggested that we talk about training and education next time and I’d love that. There’s a lot more out there. The typical business to consumer selling and we want to support those. We have a responsibility to do so.

So, I would like to see this group focus on that as well, especially in access to capital, which we’ll hear about today. That’s one. But what else can we be doing to build community ecosystems because that’s how we’re distributed. SBA is everywhere. So, if you could think over these next three months about the resources we have, what could we be doing better, that I would be grateful for.

And, finally, back on the military spouse side, and I know I’m biased because I am one, I would like us to think about how the family is involved in entrepreneurship because SBA does have equities there. Those military spouses are eligible to get veteran preference -- it’s not preference, excuse me, that word.

No. The items that -- the fee reduction which is for veterans is also available to military spouses. So, SBA absolutely wants to elevate the entire military family. That’s part of our -- that’s what we’re supposed to do. So, I’d like our committee to look at that as well.
Thank you.

MR. FIELDER: Barb, you have a question behind you.

MS. PAONE: Hi, I’m Megan Paone with Hiring Our Heroes.

MS. CARSON: Yes.

MS. PAONE: A military spouse as well. But I was -- you mentioned students. I was wondering, are you guys in touch with the Student Veterans of America? Are you working with them to build entrepreneurship as they transition out and get involved in entrepreneuring?

MS. CARSON: That is a great question. Students Veterans of America is a group that we need to build a tighter bond with. We are seeing a lot more entrepreneurial activity at universities through incubators and accelerators, for example. And undergrads have a great deal to say and they’re going to often go into business as entrepreneurs before they could do a formal degree, like an MBA. So, that is one that we have not developed as fully. It’s through personal relationships that we have that. But it needs to be formalized. That’s a great idea.

Thank you, Ed.

MR. FIELDER: Okay. So, we had one speaker that was originally scheduled just before lunch and it was a capital access speaker, National Association of Federal Credit Unions, Defense Credit Unions. Quincy, whatever the disconnect was between Barb and I, we’ll fix it, and add him to the agenda the next time around.

But by way of introduction, Lara Hodgson is with us here today to talk about what she’s doing with NOWaccount. One of the most exciting conversations that I was involved in when in this group talking about capital access was the StreetShares, if you will. It’s something totally different, something that I never even expected as he walked in and gave that presentation.

A couple weeks ago, probably closer to five weeks ago, I’m sitting in an audience for one of my clients to do business with MARTA, the Metropolitan Atlanta Rapid Transit Authority, and Lara’s there presenting her company and what they do and it’s -- in my mind, it was the first time I realized there was such a thing.

MR. QUAGLIO: Well, there was an announcement today from StreetShares on $200 million that they’re making available in peer-to-peer lending for business -- veteran businesses.

MR. FIELDER: There you go. And, so, we think of the old brick-and-mortar, there’s these programs and there’s these banking institutions and that’s where you go to get capital. Well, there are others. StreetShares is one. But I would suggest to you that what I saw with Lara’s presentation at MARTA, this might be another and I think it’s fairly unique.

MS. HODGSON: Thank you.

MR. FIELDER: Is that a good enough introduction?

MS. HODGSON: That’s perfect, thank you.

NOWaccount NETWORK CORPORATION

MS. HODGSON: I typically open and say suspend what you think this might be because you haven’t seen it before. And it grew out of my experience as a small business owner trying to grow, only to find that I was growing the death. And I’ll explain how that happened.

Let me get the right button.

So, essentially, when you think about -- we always say small business is the engine of the economy. But that engine has no fuel. And we talk a lot about access to capital, but I want you to challenge what you think access to capital means. Traditional sources of capital have always been debt and equity. It’s been other people’s capital that comes into your structure.

But the challenge we have is the largest asset for 60 percent of small businesses is not property, plant or equipment. It’s accounts receivable. And the challenge with that is that is the one asset that doesn’t work well in a traditional lending environment. It used to work well, but as lending institutions have changed the way they work, it’s become less of a good match. That’s compounded by the fact that this is a growing problem because our economy has shifted to more of a service environment.

If you’re a service business, your assets are people. They leave your office every day. It’s hard to borrow against a person, right, if you don’t have the assets that the lender wants to see as collateral.

On the other side, we have financial institutions in the capital markets that are increasingly looking for yield, but they have to do so in a safe environment and you’ve got those same financial institutions being disrupted, sort of bitten at the edges by these unregulated lenders. Most of them are online.

We call them P2P at times. Whether they are or not is probably up for debate. But when you think about that, what we’re doing is enabling the financial institution to actually become the disruptor, not be disrupted.

I’ll just give you an example. The oldest form of P2P lending -- when people ask me what I think of P2P lending, my response is always, it’s not new. It’s not. The oldest form -- it is the original, absolutely.
<table>
<thead>
<tr>
<th>Page 201</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 mean, financial institutions became aggregators. That’s</td>
</tr>
<tr>
<td>2 all they were. Think back to the movie It’s a Wonderful</td>
</tr>
<tr>
<td>3 Life. Where’s my money? It’s in her farm. Where’s my</td>
</tr>
<tr>
<td>4 money? It’s in his store. That’s -- the financial</td>
</tr>
<tr>
<td>5 institution was just the aggregator.</td>
</tr>
<tr>
<td>6 But I would also say the oldest form of P2P</td>
</tr>
<tr>
<td>7 lending is an invoice. That’s where my business has</td>
</tr>
<tr>
<td>8 loaned your business money for some period of time. That</td>
</tr>
<tr>
<td>9 is a peer-to-peer loan. Unfortunately, for most small</td>
</tr>
<tr>
<td>10 businesses, we are indentured P2P lenders and we’re</td>
</tr>
<tr>
<td>11 prefer not to be lending to our customers in the context</td>
</tr>
<tr>
<td>12 that we’re doing it today.</td>
</tr>
<tr>
<td>13 So, what does this mean? If you look at the</td>
</tr>
<tr>
<td>14 seven to eight million small businesses in the United</td>
</tr>
<tr>
<td>15 States, each year they originate almost $10 trillion,</td>
</tr>
<tr>
<td>16 with a T, dollars of accounts receivable. Collectively,</td>
</tr>
<tr>
<td>17 they are the largest lender in the country. Those</td>
</tr>
<tr>
<td>18 dollars turn about every 7.3 times a year. So, at any</td>
</tr>
<tr>
<td>19 point in time, as we sit here today, small businesses are</td>
</tr>
<tr>
<td>20 holding over $1.2 trillion of accounts receivable. If</td>
</tr>
<tr>
<td>21 you could turn those dollars into cash in a way that was</td>
</tr>
<tr>
<td>22 safe and affordable, that may be the stimulus program</td>
</tr>
<tr>
<td>23 that you need because, remember, not all dollars are</td>
</tr>
<tr>
<td>24 equal.</td>
</tr>
<tr>
<td>25 If you walked in and said, Lara, I’m going to</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Page 202</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 loan you a dollar, that’s great. There’s a forward cost</td>
</tr>
<tr>
<td>2 to that, whatever the interest rate is, et cetera. If</td>
</tr>
<tr>
<td>3 someone else walked in and said, Lara, I’m going to</td>
</tr>
<tr>
<td>4 invest a dollar in your business, that’s great, too.</td>
</tr>
<tr>
<td>5 That’s actually more expensive because I’ve now given up</td>
</tr>
<tr>
<td>6 ownership in my company. And then if a third person</td>
</tr>
<tr>
<td>7 walked in and said, here’s the dollar I owed you last</td>
</tr>
<tr>
<td>8 week, well, you should have paid me last week. I’ve</td>
</tr>
<tr>
<td>9 already earned it. It’s not a loan. There’s no debt</td>
</tr>
<tr>
<td>10 involved with it.</td>
</tr>
<tr>
<td>11 And, so, when you look at this dynamic of</td>
</tr>
<tr>
<td>12 lending to your customers, what we know of as accounts</td>
</tr>
<tr>
<td>13 receivable, it’s not new. The irony is it started as a</td>
</tr>
<tr>
<td>14 sales tool. It’s actually the sellers that started it.</td>
</tr>
<tr>
<td>15 It’s like the old Popeye cartoon, I’ll gladly pay you</td>
</tr>
<tr>
<td>16 Tuesday for a hamburger today. Right?</td>
</tr>
<tr>
<td>17 So, we started it to sell more. If I let you</td>
</tr>
<tr>
<td>18 pay me later, you will buy more stuff. The problem is</td>
</tr>
<tr>
<td>19 that dynamic shifted as buyers got larger and larger and,</td>
</tr>
<tr>
<td>20 now, it’s not an option. I mean, I ask most people, how</td>
</tr>
<tr>
<td>21 do you decide what terms you’re going to offer your</td>
</tr>
<tr>
<td>22 customer and they laugh at me.</td>
</tr>
<tr>
<td>MR. QUAGLIO: They tell you.</td>
</tr>
<tr>
<td>MS. HODGSON: They tell you. Or in some cases</td>
</tr>
<tr>
<td>they don’t, right? They say net 30, but I came to</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Page 203</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 realize that that was simply a suggestion. I actually</td>
</tr>
<tr>
<td>2 thought when I said net 30, I’d get paid in 30 days.</td>
</tr>
<tr>
<td>3 Turns out I could probably write net never on my invoice</td>
</tr>
<tr>
<td>4 and it wouldn’t change a darn thing.</td>
</tr>
<tr>
<td>5 And, so, that same mechanism became a cash</td>
</tr>
<tr>
<td>6 management tool for the buyers in the economy, large</td>
</tr>
<tr>
<td>7 companies, governments, et cetera. And there’s an</td>
</tr>
<tr>
<td>8 important reason for that. And I’ll come back to this in</td>
</tr>
<tr>
<td>9 a minute. But when I ask most people, why do your</td>
</tr>
<tr>
<td>10 customers take so long to pay, their answer is always</td>
</tr>
<tr>
<td>11 because they can. But I would argue there’s a bigger</td>
</tr>
<tr>
<td>12 reason. It’s because they can’t not. And it’s not the</td>
</tr>
<tr>
<td>13 same thing. I’ll show you that in just a second.</td>
</tr>
<tr>
<td>14 The largest use of capital, the largest source</td>
</tr>
<tr>
<td>15 of capital for every small business in the country is</td>
</tr>
<tr>
<td>16 accounts receivable. And, yet, there’s no way to</td>
</tr>
<tr>
<td>17 monetize that.</td>
</tr>
<tr>
<td>18 So, is this a new issue? A lot of people think</td>
</tr>
<tr>
<td>19 this is sort of a result of the recent downturn. It’s</td>
</tr>
<tr>
<td>20 actually not. This dates back to some trends that</td>
</tr>
<tr>
<td>21 started back in the ‘80s. There was an important shift</td>
</tr>
<tr>
<td>22 that happened back in the mid to late ‘80s as the banks</td>
</tr>
<tr>
<td>23 and the thrifts started to come together. As banks</td>
</tr>
<tr>
<td>24 started to aggregate their capital, something important</td>
</tr>
<tr>
<td>25 happened. Community banks used to exist to do what’s</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Page 204</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 called C&amp;I lending, which is a commercial loan not backed</td>
</tr>
<tr>
<td>2 by real estate.</td>
</tr>
<tr>
<td>3 But in the late ‘80s, that shift happened,</td>
</tr>
<tr>
<td>4 meaning banks now do more lending against real estate</td>
</tr>
<tr>
<td>5 than they do C&amp;I lending. In fact, there’s almost no C&amp;I</td>
</tr>
<tr>
<td>6 lending anymore for small businesses. Well, remember</td>
</tr>
<tr>
<td>7 what the largest asset is. Not real estate. So, small</td>
</tr>
<tr>
<td>8 businesses have been left in this ever widening gap.</td>
</tr>
<tr>
<td>9 Banks are lending, absolutely. But you either have to</td>
</tr>
<tr>
<td>10 have personal guarantees, which at that point makes your</td>
</tr>
<tr>
<td>11 business loan a personal loan, or you have to put up real</td>
</tr>
<tr>
<td>12 estate.</td>
</tr>
<tr>
<td>13 Well, if I’m a staffing company, what real</td>
</tr>
<tr>
<td>14 estate do I have? None. So, I’m not a candidate for</td>
</tr>
<tr>
<td>15 that type of lending. And, so, this gap that is becoming</td>
</tr>
<tr>
<td>16 ever, ever widened is really what creates this</td>
</tr>
<tr>
<td>17 opportunity and the challenge.</td>
</tr>
<tr>
<td>18 So, when I look at how businesses fund this</td>
</tr>
<tr>
<td>19 trade credit -- and this isn’t unique to small</td>
</tr>
<tr>
<td>20 businesses. I mean, Coca Cola will tell you it takes 120</td>
</tr>
<tr>
<td>21 days to get paid by Walmart. But large businesses have</td>
</tr>
<tr>
<td>22 options. And if you look at the pie chart on the left,</td>
</tr>
<tr>
<td>23 large businesses fund over 60 percent of their working</td>
</tr>
<tr>
<td>24 capital from financial institutions. They fund another,</td>
</tr>
<tr>
<td>25 the blue category, from the capital markets. They sell</td>
</tr>
</tbody>
</table>
bonds. They can tap directly into that low cost of capital, which leaves them a relatively small piece of the pie to find other ways to fund. But if you’re a small business, your pie chart looks like the right. Very little amount of your capital is coming from financial institutions. Zero is coming from the capital markets because you have no way to tap into it and, so, you’re left to fund over three-quarters of your working capital needs with things like personal credit cards and home equity lines and all of these other mechanisms that, quite frankly, are risky and scary and don’t really fund growth well.

And, so, when you look at the competitive landscape -- and you mentioned, you know, some of the other folks that are playing here -- what’s interesting here is all of the focus today is in the little bubble on the left. Consumer credit is a $5 trillion market. I would argue it’s sort of red from the blood of competition, if you’ve ever read Blue Ocean’s Strategy. And there’s a lot of innovation going on in that space. There’s the OnDecks, there’s the Lending Clubs, there’s the CanCapitals, the Kabbages, all of these folks have taken an old product, which is a loan, and they’ve changed how you access it. They’ve used technology, they’ve aggregated people. They’ve allowed sort of unregulated different processes. But that’s where the innovation is. It’s in the access.

I would argue there’s a bigger market out there, which is trade credit. It’s business-to-business or business-to-government. The majority of which is not even counted in GDP, so nobody looks at it. And it’s $25 trillion and nobody is playing in it. So, when people ask who are you disrupting with what we’ve designed -- and I’ll show you in a second -- we’re not disrupting any of those folks. In fact, what we’re disrupting is what engineer by training and that math does not work, right? 95 percent of companies do today. They send an invoice and they wait. No financial institution is involved, no capital market is involved. No third party provider in involved. It’s a part-time bookkeeper, if that.

And, so, if we can move that off the balance sheet of the small business and manage it professionally, the impact is amazing. And I’ll show you the sort of example we looked at. So, I experienced this when I started my manufacturing company. I had designed a product that I patented, started selling to small retailers, small distributors. And the cadence of the business worked fine. Every order was about the same size, so the revenue I got from one order turned into a profit. I was able to fund the next order.

Then something awesome and awful happened. I got my first big order from Whole Foods. Yay. And then you start to realize, now, wait a minute, this is truckloads, not cases, okay. They want net 30. Hmm, don’t love it, but like all entrepreneurs, take the dang order and figure it out later. We’ll make it work. We all start scrambling and somebody said, oh, you’ll be lucky if you get paid in 60 to 90 days. Hmm. Well, I am engineer by training and that math does not work, right? Sixty to 90 days? I have to pay my vendors in less than 30. My employees would prefer to be paid sometime soon.

And, so, I had this awful realization that I was growing to death. That the very thing I had worked so hard for is what was going to put me out of business. And I went to look for solutions and I couldn’t find anything. Everything was a loan. I didn’t want a loan. I had a new baby. I had -- you know, I was not going to put my personal assets at risk. I wasn’t big enough for the big banks to do asset-based lending. They looked at my business plan and said, awesome, but our minimum line’s a million dollars. Well, I didn’t need a million dollars. I needed like $200,000.

And, so, I met a gentleman who had started a program with a regional bank in Atlanta and I mentioned to him, I said, you know, why can’t it work like a credit card. He said, that’s interesting, what do you mean? So, think about with a credit card debt. Now, I remember as a little girl every month going with my mother to the department store to pay the Rich’s bill, because Rich’s gave my mother credit. And every month, we’d go into the little window, pay our check, and then we’d be able to shop, right? That went away. Have you been to a department store recently? There is -- have you seen a house account? I mean, good lord, Cheers probably doesn’t even offer a house account at the bar anymore, right?

And the reason for that is financial institutions started issuing credit cards. So, merchants didn’t have to do it anymore. They didn’t want to do it to begin with. They just did it so that my mom would buy more shirts.

But over time, the credit card -- the bank-issued credit card did something amazing. It did a lot of things amazing. It accelerated the revenue to the merchant. So, when you walk into Starbucks -- I see a couple of cups -- you probably did not pay cash, you probably swiped a card, which means Starbucks is going to get paid that day. They get paid today. They pay a 2 to 4 percent merchant fee, but when and if you pay your Amex bill is not their risk. So, to them, it’s revenue. Not
Quite as good as cash because they had to pay a little fee for it, but it’s immediate revenue.

It also eliminated credit risk. The merchant didn’t have any risk anymore because the card -- the issuing bank had the risk. It reduced the administration. Think of all the work that these department stores used to do to manage their credit.

Didn’t have to do it anymore. But, most importantly, it exponentially increased sales. It increased the economy.

Because up until then, the sum total of credit that my mother had was what Rich’s gave her and she could only use that at Rich’s. And then Macy’s gave her some, but she could only use that as Macy’s, and Bloomingdale’s and so forth.

Once she had a Visa, Mastercard, American Express, she could shop anywhere. And the dollars available to her were exponentially higher because the capital markets and financial institutions could do it at scale more effectively and more efficiently.

The challenges -- so, today, 98 percent of consumer credit goes through the credit card system. It’s not managed in-house anymore. But if you look at B2B, it’s the opposite. Less than 5 percent of business-to-business transactions are touched by a credit card, by a factor, by a lender, by a financial institution or by a capital market. It’s still funded by that poor small business who’s waiting on their invoice to get paid.

And why is that? The credit card works fantastic for us as consumers because Starbucks gladly takes your card knowing that they’re going to get paid immediately and have no risk and they pay a 2 to 4 percent fee. They’re happy. You choose the card over your -- I would say $5, but coffee’s expensive now, over your $10 because you bought yourself 20 days of float. Everybody’s happy.

The problem is, on the trade side, there’s a mismatch. Because if you ask any small business seller of a good or service, if you had the choice, would you take a credit card and get paid today or would you send an invoice, most of them they’ll say, oh, I would take the credit card if somebody would offer it, but nobody does. The reason nobody does is because it’s the buyers. The large business and government buyers of good and services will not offer a card. There’s a reason for that.

They have a very smart CFO. Because the minute Whole Foods pays my small business with a credit card, they now owe a bank, and when the statement comes due and they don’t pay it, what happens? Interest and penalties.

But if you don’t pay my net 30 invoice on the 30th day, what happens? Absolutely nothing. It’s free. I am the cheapest source of capital in the economy today. It’s not a bank, it’s not selling shares. It’s me, I’m free. And buyers will not give us free for anything.

And we’ve actually sized it. So, I will tell you, if you look at any large business, look at their accounts payable compared to their short-term debt. Accounts payable will be two to three times larger than their debt. Smart CFO. If it went away, if all of a sudden you did not have the option to wait 30, 60, 90, 120 days and you had to get that money elsewhere and pay your cost of capital, for most businesses, their net earnings would drop double digits. Boeing’s would drop 23 percent, Lockheed’s, 28 percent. Across the entire economy, pre-tax profits would drop over 10 percent if this went away.

So, the answer’s not to tell the large company just start paying faster. They won’t do it. They can’t do it. They can’t not have this free credit. It’s part of their capital stack.

And, so, what we created is the first merchant service that connects the dots. A small business can sign up for a NOWaccount. They go online, give us their business name and address. We immediately qualify them. Once they have their NOWaccount, we can approve about 60 percent of small businesses in the United States. In certain states like Georgia, we can approve 85 percent because we participate in a program, SSBCI, which is a Treasury program. And, so, in some states, we can approve a much higher percentage.

Once you have a NOWaccount and you invoice a customer and you’d like to get paid immediately, you put it on your NOWaccount, you get paid immediately for a flat 2-and-a-half percent merchant fee. When and if the customer pays is not your issue. If they pay in 20 days, 50 days, 90 days, never, 2-and-a-half percent fee. You still get the full amount minus the 2-and-a-half percent fee.

The beautiful thing is your customer never knows that you did it, because you’re still going to send your customer your invoice. It has your company name at the top. You’re still going to offer the terms you’ve always offered. They’re still going to not pay during those terms. And when they do pay, they’re going to make the check out to you. It just happens to go to the P.O. Box that we control, because if we’ve already bought that asset. The beautiful thing is, it’s not debt.

MR. QUAGLIO: I’m sorry, Ken Quaglio.

MS. HODGSON: Yeah.

MR. QUAGLIO: You said you bought the asset.
MS. HODGSON: Mm-hmm.

MR. QUAGLIO: You’re actually buying the account --

MS. HODGSON: We are buying the asset in a true sale, yep.

MR. QUAGLIO: Got it.

MS. HODGSON: Yep. So, there is no --

MR. QUAGLIO: I’m sorry, what about the terms and conditions in case of a warrant issue or something like that? You’re buying the asset. If there’s follow-on conditions on the asset, are you buying that as well?

MS. HODGSON: It depends on what the conditions are.

MR. QUAGLIO: Okay.

MS. HODGSON: So, we do have -- we do a lot of government contracting. We have -- I would say, the largest category of our clients today is professional services; second large is construction and third is manufacturing. So, we do have various warranties. We just have to look at the contract.

MR. QUAGLIO: Okay.

MS. HODGSON: But the best part about it is there’s no liability to the accounting. So, it’s not a loan in any form or fashion. The small business’ cash goes up, their AR goes down, they have a flat expense.

That expense doesn’t change based on their customer’s behavior, so it’s not even priced like a loan.

But we did something else in the process of connecting those dots that is going to benefit the financial institutions in the capital markets. What we realized is that small businesses are sitting on this trillion dollars plus of really high-quality assets. But if you asked them, can you use that asset to access capital, they would say no. But the capital is there. It’s just over on the right-hand side sitting in financial institutions in the capital markets. But it can’t connect to those assets. There’s no facility for it.

You’ve got regulators enforcing safety and -- we do a lot of work with credit unions. You mentioned they’re one of our financial partners. And, so, you’ve got regulators telling them you can’t do anything new. At the same time, you’ve got to drive yield. So, I’m not sure how that’s supposed to work.

On the capital market side, AR is securitized all the time, but not by small businesses. It’s not enough in the bucket, right? Honda can securitize their AR, but a whole bunch of small businesses can’t until now, and that’s every pun intended.

MR. QUAGLIO: I’m sorry, Ken Quaglio.

MS. HODGSON: Sure.

MR. QUAGLIO: What is the discount that you’re applying when you purchase the asset?

MS. HODGSON: We purchase the asset for a flat fee of 2-and-a-half percent.

MR. QUAGLIO: Of the value of the asset itself.

MS. HODGSON: Of the value of the asset. And that includes -- that’s, obviously, the cost of capital, the cost of risk and the cost of administration all bundled together.

MR. QUAGLIO: Okay.

MS. HODGSON: If it’s a net 30 invoice, if you offer net 30, it’s 2-and-a-half percent.

MR. QUAGLIO: Do you have a floor?

MS. HODGSON: A floor?

MR. QUAGLIO: You won’t buy an asset that’s less valuable than --

MS. HODGSON: The merchant service agreement reads 2-and-a-half percent, minimum $5. So, I would argue that if it’s under $200, $250, I wouldn’t put it through. That said, we have a large number of clients that give us everything. Because in their mind, I’m giving you the $100,000 invoice, just take it all, I don’t know how to manage AR well anyway.

MR. QUAGLIO: You’re now an outsourced AR shop.

MS. HODGSON: Absolutely, absolutely, we manage it. But what’s important is that we do it in a way that is transparent, it’s invisible to the customer.

MR. QUAGLIO: Yeah.

MS. HODGSON: Because our clients’ customers don’t want to deal with a third party and, so --

MR. O’FARRELL: Jim O’Farrell. So, you’re not in the business of submitting the invoice to wide area workflow or the VA’s OB10 system or anything like that. We still do all of that, but you --

MS. HODGSON: We don’t touch the invoice.

MR. O’FARRELL: But the minute that invoice is submitted, we then present some sort of an email -- how are we -- how do we --

MS. HODGSON: You log in to the system or link it directly from your Quickbooks.

MR. O’FARRELL: Okay.

MS. HODGSON: And we get a copy of the invoice.

Because the only thing that changes is the remit to address becomes a P.O. Box.

MR. O’FARRELL: And you mentioned Quickbooks.

MS. HODGSON: Mm-hmm.

MR. O’FARRELL: So, you’re also connected to Deltek or ERPgov, one or the other government --

MS. HODGSON: We are working on that. We’re
not integrated with everything right now. We can accept
files from those systems, but it’s not a direct button.

MR. O’FARRELL: Yeah. The more seamless you
are, the more uptake you’ll have.

MS. HODGSON: Oh, absolutely, yeah, because
then it will become more behavioral.

MR. O’FARRELL: Yeah.

MS. HODGSON: Mm-hmm. Sure.

MS. WALTERS: I had a question, Cindy Walters.

I’m a little old school and this sounds a lot like
accounts receivable factoring, which was a big deal back
in the ‘80s and ‘90s.

MS. HODGSON: Yeah. That’s why I said
suspend --

MS. WALTERS: Everybody was doing it.

MS. HODGSON: -- what you think it is because
it’s not.

MS. WALTERS: That’s what it sounds like, okay.

MS. HODGSON: I will tell you exactly the
differences.

MS. WALTERS: Okay. So, but for me, here’s
what I see.

MS. HODGSON: Mm-hmm.

MS. WALTERS: We have a very limited profit
margin. Every time we propose work and we’re doing
pricing, it’s already out the door with a limited profit
margin.

MS. HODGSON: Mm-hmm.

MS. WALTERS: Okay? So, we don’t have room for
a 2-and-a-half percent -- you know, a 2-and-a-half
percent flat rate.

MR. QUAGLIO: But this is on cash flow. This
is all about cash flow and working capital.

MS. HODGSON: Right. But there’s a couple
different ways to think about that. So, number one, when
you sign up for a NOWaccount, it’s a free option
especially. You don’t have to put all of your accounts
on it. You don’t sign a term contract. So, you might
put one client on it and not put the others. So, a lot
of our larger customers only put one or two customers,
and then the rest they manage internally.

MS. WALTERS: Oh, okay, okay.

MS. HODGSON: So, it gives them a little bit of
cash. So, you’re not having to pay the 2-and-a-half
percent across all of your accounts. The other thing
we’ve seen is we have, for example, a client, she’s a
minority-owned, woman-owned business who does a lot of
government contracting in the fuel space. Same problem.

Very razor thing margins. But what she realized is that
she could actually go to market and compete by offering
doesn’t -- I mean, an email doesn’t say from someone
saying, I tripled my business this year because of you, I
made payroll because of you, I was able to hire five more
people because of you.

In the State of Georgia where we participate in
the SSBCI, the state actually tracks the jobs that we
create. And through January, we’ve created about 1,400
jobs using about $5.4 million SSBCI dollars. The amazing
thing is our loss is less than $50,000. So, 99 percent
of those dollars are going to keep turning and creating
more and more jobs. I mean, that is why I come to work
every day, because I believe that small businesses should
be relieved of this burden of funding the economy.

MR. PHIPPS: Michael Phipps. Can you go
through the difference --

MS. HODGSON: Absolutely.

MR. PHIPPS: -- between that and factoring? I
can see there’s some, but --

MS. HODGSON: Yeah. So, I’m going to go into
that, let me just -- before I lose this thought. Here’s
one of the interesting things, we built this really
modeling on the AMEX MasterTrust. And, so, essentially
what we’ve created is a structured finance vehicle so
that today we fund ourselves with large lines of credit
from financial institutions. Initially credit unions,
Now, we have a lot of clients who came to us that for years have wanted to export, but it’s scary. You don’t know if and when you’re going to get paid. But with NOWaccount, you’re going to get paid immediately and you know exactly what it’s going to cost you. So, the world opens up, quite literally, to your good and service that you can export now. And a lot of our clients only use us for exports. They do all their domestic business internally.

The other big difference is we do take the risk. If the customer ultimately does not pay, that’s our loss, not yours. So, it does not come back to you in the event the customer doesn’t pay.

If you have a line of credit, that gets you access to cash, but not access to revenue. And that’s different, right? You can draw on your line, but if the customer doesn’t pay, you still owe the line. It’s still your risk. With NOWaccount, there is no recourse back.

Speed to capital, you can go on the website, you can do it on your phone. We collect the business name, address, state you’re organized in, year you were organized in, type of entity. That’s it. We don’t look at personal credit, we don’t look at personal credit scores, we don’t collect any personal information. We’re able to make a decision very quickly because we’re a member of a cooperative of financial institutions called the Small Business Financial Exchange, that has basically business scores and we’re just looking to see if you have a sufficient score.

We then, of course, check and make sure you don’t have any tax liens outstanding and things like that. But you can literally enroll and be activated in days. It doesn’t take binders of information. You don’t have to share your children’s blood type in order to get access to the capital. You can tell I’ve had a loan before. That’s what it felt like.

You don’t have to put all your accounts on it. So, in traditional factoring, you would have to sign a term contract for a year or two years, during which time all accounts have to go to that factor. Now, as a small business owner who has factored before, that is so frustrating because some of my clients would pay me with a credit card, but I still have to give it to you. With NOWaccount, that’s not true. If your customer pays with a credit card, take it. In fact, take it and run quickly.

If your customer you know is going to write you a check in five days, wait five days, send them an invoice, that’s awesome. But if you don’t know when you’re going to get paid or you know it and you don’t
like it, then you can choose to put it on your
NOWaccount.
Now, we don’t have to take every transaction,
but to date we’ve approved 93 percent of the requests
that we’ve gotten. So, we’re taking pretty much all of
the transactions that we get.
The other nice thing is NOWaccount can be used
with your other sources of capital. We are not replacing
your loans. Please, by all means, do not give up capital
that you have. You can have a line of credit and have a
NOWaccount. You can have a loan and have a NOWaccount.
So, unlike factoring, you would never be able to -- if
you wanted to sign up with a factor, you would have to
get rid of the line of credit. If you wanted a line of
credit with a bank, they would tell you you have to
terminate the factoring arrangement.
So, our goal is to help you get to the point
where you can access lots of types of capital. I always
say that a healthy growing business should use different
types of capital at different times. The key is to use
the right type at the right time for the right use,
because if you get that wrong, it turns into a hobby.
That’s no longer a business.
And at the end of the day --
MR. O’FARRELL: Lara, Lara.
MS. HODGSON: Uh-huh.
MR. O’FARRELL: There are some banks, though,
that will, in your line of credit, place language that
says, though shall have all cash -- all payments into
this account so we can grab it.
MS. HODGSON: Absolutely, absolutely. They’ll
file a blanket UCC filing where they control all assets
of the business. What we do --
MR. O’FARRELL: No, no, no, no, timeout.
MS. HODGSON: Okay.
MR. O’FARRELL: I’m not saying that.
MS. HODGSON: Okay.
MR. O’FARRELL: I’m saying they have -- they
require that the payments, especially from government
customers because the government does eventually pay --
MS. HODGSON: Go directly to them.
MR. O’FARRELL: -- go directly --
MS. HODGSON: Sure.
MR. O’FARRELL: No, go directly to that bank
account that is yours.
MS. HODGSON: The lender, yeah, absolutely.
MR. O’FARRELL: Are we saying the same thing?
MS. HODGSON: It goes directly to the lender,
the bank account you have at the lender.
MR. O’FARRELL: Yes.
are you going to get to that in a future slide?
MS. HODGSON: Well, you know, it’s interesting
because any time something sounds too good to be true, it
usually is. That is the most common comment that we hear
from people, is that it sounds too good to be true. And
what people realize is that this wasn’t designed by
bankers, it wasn’t designed by capital sources, it was
designed by a small business owner who had this pain.
And I think when we designed it, we had the
benefit of designing it in the interest of the small
business. So, in terms of the downside --
MR. O’FARRELL: And I said that -- Jim
O’Farrell. I asked the question --
MS. HODGSON: Yeah, absolutely.
MR. O’FARRELL: -- because we’re here
representing a committee to support veterans’ business,
not our own individual interests and that kind of thing.
MS. HODGSON: Yeah, absolutely.
MR. O’FARRELL: So, with that in mind, what
could go wrong for that veteran that, you know, SBA
someday says, hey, here’s another option for you to
provide capital?
MS. HODGSON: Yeah, right. So, the only
complaint that we get at this point is today we have a
limit. You can have up to a million dollars with us at
Mr. Phipps: I also see another difference, the factoring is 1 percent a lot of times per that time that eats up your profit. But if they don’t pay, I have the option to ruin my relationship with my customer by going and reporting them about nonpayment.

Ms. Hodgson: Right.

Mr. Phipps: What do you guys do if you --

Ms. Hodgson: Great question. So, we are largely invisible to the customer. So, when you give us the invoice, you still send your invoice to your customer. Your customer will probably never know we exist. And that’s important, because with most factors, you have to notice the customer and they’re now paying the factor.

What we do, once we buy that assets, we will manage the receivable. So, every month, thousands of statements go out of our office to our clients’ customers in their clients’ names, right. So, again, NOWaccount is nowhere on the statement. It will say what’s 0 to 30, 31 to 60, 61 to 90. We don’t actually do collections. We will send those statements every month until the invoice gets 90 days past due, at which point we have a very large insurance policy that’s built into that structured finance vehicle. We will file the claim with our insurance policy. Now, the insurance provider could choose to pursue collections which could hurt your customer’s credit. What we tell our clients is you can see this 24/7, right. So, you can log into your NOWaccount. You know when day 120 is coming. You can buy it back from us at day 119 if you want to. Nobody does that.

Mr. Phipps: At full face value?

Ms. Hodgson: At full face value, absolutely.

Mr. Phipps: Of course, you’re in business.

Ms. Hodgson: Well, you had the money for --

that’s right. We’re not a hobby, by the way.

(Laughter.)

Ms. Hodgson: But even though the entity that’s buying the asset is a nonprofit.

Mr. Quaglio: Really?

Ms. Hodgson: The special purpose entities that are buying the assets are not for profit. We’re not tax exempt, but we’re not for profit. The -- so, you can buy it back. No one does that, but you can.

Mr. Phipps: But at that point the insurance company would report --

Ms. Hodgson: The insurance company would take over and it would be their choice if they’re going to report. My guess is depending on size, who it is, etcetera, they may or may not. You know, insurance
providers are licensed and measured on their losses, so they don’t want to have a loss, they don’t want to claim. So, the couple times where we have had to file something with our insurance company, they’ve actually gone out and worked out a payment plan and we’ve gotten fully reimbursed. So, they’ve not actually filed anything to date because they’re trying to prevent their score from falling.

MR. PHIPPS: Michael Phipps again. So, a lot of small businesses take the government credit card.

MS. HODGSON: Mm-hmm, yep.

MR. PHIPPS: And, so, companies have merchant accounts with their banks that take the credit card.

MS. HODGSON: Sure, sure.

MR. PHIPPS: Can you explain how you interact with current existing merchant accounts of small businesses and then how you interact with the government?

MS. HODGSON: Yeah. So, you’re right. I mean, there are companies that have purchasing cards, the government primarily. Purchasing cards are less than 2 percent of trade credit. So, it’s a very small market, although it’s growing, but extremely small. The challenge with purchasing cards, we don’t work with them, we don’t work against them. I mean, a lot of our clients have purchasing cards. Purchasing cards are driven by the buyer, right, and they’re specific to the buyer. So, if I’m a small business and I’m serving the government, but then I’m also serving maybe, you know, Coca Cola or John Deere or someone else like that, I can use the purchasing card with the government that’s offering it -- and I would say do, by all means, use it. But I can’t use it with all the other folks. And, so, a lot of our clients have both.

It would be comparable -- a purchasing card, if you take it, is probably going to cost you 3 to 4-and-a-half percent by the time you add in the cost of interchange, et cetera. So, at 2-and-a-half to 3 percent, we’re in the same ballpark, maybe a little less. But it wouldn’t be an either/or. I always tell people if you have a purchasing card with that customer, use it, by all means. This is for your other accounts that you can’t use it with.

MR. PHIPPS: But you guys wouldn’t -- you guys wouldn’t accept that as --

MS. HODGSON: We wouldn’t accept a purchasing card as a payment mechanism, no, no.

MR. PHIPPS: Right.

MS. HODGSON: That’s a good question, though.

You can’t pay us with a credit card.

Yeah?
what I was doing.

MR. QUAGLIO: Right.

MS. HODGSON: With Synovus Bank in Atlanta, Georgia.

MR. QUAGLIO: Right.

MS. HODGSON: As a startup company, it certainly fixed my cash flow, but I couldn’t sleep at night. Part of it was I had a newborn, I couldn’t sleep anyway. But, no, I mean, really the reason I couldn’t sleep is now I have a fledgling business with debt on my balance sheet for working capital, and I know that if Whole Foods continues to do well, I’m going to have to purchase tooling, I’m going to have to purchase equipment, I may have to lease space, all of which is going to require debt capacity, which I no longer have because I put debt on my business for working capital.

MR. QUAGLIO: Debt or some other capital infusion.

MS. HODGSON: Right. So, that -- well, absolutely.

MR. QUAGLIO: You could give up equity --

MS. HODGSON: And I had plenty of private equity firms that wanted --

MR. QUAGLIO: Exactly.

MS. HODGSON: -- that wanted to give me money.

MR. QUAGLIO: Exactly. You just didn’t want to give up your equity.

MS. HODGSON: I know that game. I’ve been on that side, too. That means you’re going to give me money and then you’re going to tell me how to spend it and I’m going to make dumb decisions. So, that’s just my personal view on private equity.

So, no, it’s -- it’s an option and different types of capital make sense. If your goal -- if your need is to go buy equipment, you should go get a term loan, you shouldn’t lose NOWaccout.

MR. QUAGLIO: Exactly.

MS. HODGSON: Right? I mean, what I often see if people go get a line of credit and then go buy equipment, not the right match.

MR. QUAGLIO: I’m thinking particularly in terms of professional services.

MS. HODGSON: Yeah.

MR. QUAGLIO: So, the deal is closed, I have the purchase order, I have contingent hires, I’m pulling the trigger on those hires.

MS. HODGSON: Correct.

MR. QUAGLIO: I have a working capital issue right now and I’m just trying to see how that might --

MS. HODGSON: So, I’ll give you a perfect example. Our largest client is a staffing company. It is a minority-owned business. Their contracts are with large corporations, the Atlanta Airport, and they do cleaning services.

MR. QUAGLIO: Got it.

MS. HODGSON: So, they’ve been in business for about 15 years, had a million dollar line with a large bank. The bank cut the line for whatever reason. He had never missed a payment in 15 years. But, you know, SunTrust in Atlanta five years ago had 186,000 million-dollar and under C&I loans and today they have 38,000. So, he was a victim of that.

He came to us because he had two problems. One is to your point, he has a stable contract. He knows to the day when his revenue is coming in, but a three-payroll-month kills him, right?

MR. QUAGLIO: Right.

MS. HODGSON: Because his expense spikes, so then he’s got a two-week issue -- cash issue. His other issue is he can’t take a new account because you got to hire all those people and train them and the revenue doesn’t follow until three months later. So, he came to NOWaccount and he put two clients on NOWaccout, that’s it. He’s probably about a $20, $25 million revenue company now. But he put two clients on NOWaccout and...
we’re turning their collateral into cash.

MR. QUAGLIO: Are you actually signing an asset purchase agreement with the seller?

MS. HODGSON: We’re signing a merchant service agreement.

MR. QUAGLIO: So, it’s off our balance sheet and --

MS. HODGSON: It’s off the -- absolutely. It’s a merchant service agreement.

MR. QUAGLIO: That’s -- there’s a downside to that as well, obviously. Because that’s an asset on the balance sheet as well for future growth.

MS. HODGSON: But now it’s cash.

MR. QUAGLIO: Yeah, you’re converting it to cash, but --

MS. HODGSON: We’re converting one asset to another. There’s no liability, right?

MR. QUAGLIO: Yeah, yeah, yeah.

MS. HODGSON: It’s off balance sheet conversion of one asset to another. That’s why the banks like it.

of one asset to another. That’s why the banks like it

they prefer cash as collateral to the AR. So --

MS. WALTERS: I have a question.

MS. HODGSON: Sure. Right. So, when the small business applies for a NOWaccount, we’re checking the Small Business Financial Exchange to see if they have a qualifying score. You can be a startup business, so you can -- you just have to have a score, a qualifying score.

It can be thin, but you have to have a score.

Once we check that, we’ll check it each year just to make sure that your score stays up. When you put a transaction in, you tell us who the customer is and what we’re doing there is we’re checking with our insurance company. We’re literally pinging our insurance company’s database to say, will you insure this transaction.

MS. WALTERS: Are you doing like a D&B --

running a D&B on our customer?

MS. HODGSON: No, no. We are checking with our insurance company. There are three large providers of this type of insurance. They’re all European companies.

They have a database of about 60 million small businesses globally, and how they do that, I don’t know. They’re not contacting the customer, they’re not doing anything that is pulling scores or asking permission or anything like that. They have, over the 100 years they’ve been in business, built a database that allows them to decide, based on the size of the transaction and who the buyer is, whether they’ll insure it or not. And we’re paying for that insurance.

MS. WALTERS: Can you give me an example of one in which the transaction did not go through?

MS. HODGSON: So, if I were to take our whole portfolio, we have approved a little over 90 percent. There are some categories that if I peeled those out -- if I pulled construction out, for example, the approval rate would not be 93 percent. It’s probably in the high seventies, low eighties.

MS. WALTERS: That’s good, too.

MS. HODGSON: It is because it’s a riskier business, absolutely. And, so, sometimes what they’ll do is our client will say, I want to do $300,000 with this company. They’ll come back and say, we don’t have any information on them, we’ll only approve $100,000, right. So, they won’t start there, they’ll let you kind of grow it. And sometimes they just say no, which of course means something about that business is not to their liking.

you had done about 93 percent of transactions.

MS. HODGSON: Mm-hmm.

MS. WALTERS: Can you tell me how you qualify -- are you constantly qualifying transactions and what were those 7 percent that you didn’t do?

MS. HODGSON: Sure. Right. So, when the small business applies for a NOWaccount, we’re checking the Small Business Financial Exchange to see if they have a qualifying score. You can be a startup business, so you can -- you just have to have a score, a qualifying score.

It can be thin, but you have to have a score.

Once we check that, we’ll check it each year just to make sure that your score stays up. When you put a transaction in, you tell us who the customer is and what we’re doing there is we’re checking with our insurance company. We’re literally pinging our insurance company’s database to say, will you insure this transaction.

MS. WALTERS: Are you doing like a D&B --

running a D&B on our customer?

MS. HODGSON: No, no. We are checking with our insurance company. There are three large providers of this type of insurance. They’re all European companies.

They have a database of about 60 million small businesses globally, and how they do that, I don’t know. They’re not contacting the customer, they’re not doing anything that is pulling scores or asking permission or anything like that. They have, over the 100 years they’ve been in business, built a database that allows them to decide, based on the size of the transaction and who the buyer is, whether they’ll insure it or not. And we’re paying for that insurance.

MS. WALTERS: Can you give me an example of one in which the transaction did not go through?

MS. HODGSON: So, if I were to take our whole portfolio, we have approved a little over 90 percent. There are some categories that if I peeled those out -- if I pulled construction out, for example, the approval rate would not be 93 percent. It’s probably in the high seventies, low eighties.

MS. WALTERS: That’s good, too.

MS. HODGSON: It is because it’s a riskier business, absolutely. And, so, sometimes what they’ll do is our client will say, I want to do $300,000 with this company. They’ll come back and say, we don’t have any information on them, we’ll only approve $100,000, right. So, they won’t start there, they’ll let you kind of grow it. And sometimes they just say no, which of course means something about that business is not to their liking.
It’s asset-backed.

MR. QUAGLIO: No, with receivables. You missed the last part.

MS. HODGSON: Asset-backed. But big difference. Mortgage-backed securities, the challenge with it is the time frame is too long, right. You don’t know 30 years from now what your asset is worth. Our asset turns every 54 days.

MR. QUAGLIO: Right.

MS. HODGSON: So, ours would mirror the AMEX MasterTrust.

MR. QUAGLIO: It’s a short-term asset.

MS. HODGSON: So, every day you swipe their AMEX card, they’re not holding that. They’re each month putting it into a trust and selling bonds against it.

MR. QUAGLIO: You should get an award.

MR. FIELDER: Lara, I think we need to --

MS. HODGSON: Yep, so, this is the last slide, perfect. Let me see if it will -- I’m not sure if I hit forward, but that’s what I thought was going to happen. Hold on, just a second.

This is a video and these are actually two -- these are three of our clients that sort of taped their feedback. The first two veteran-owned businesses.

(Brief pause.)

MS. HODGSON: Well, absolutely, because otherwise we would have to have an infinite flow of capital, right?

MR. QUAGLIO: Absolutely.

MS. HODGSON: So, no, our capital is going to --

MR. QUAGLIO: So, ultimately, my paper could end up with someone else.

MS. HODGSON: Your -- yes. You as the seller you mean?

MR. QUAGLIO: Me as the seller.

MS. HODGSON: Absolutely.

MR. QUAGLIO: Yes, absolutely, it will.

MS. HODGSON: But you have to remember, your asset doesn’t live more than 55 days.

MR. QUAGLIO: I know.

MS. HODGSON: But, yeah. But we’ll be selling two, three-year term bonds backed by these very short-term assets that turn every day.

MR. QUAGLIO: You build a portfolio, yeah.

MS. HODGSON: The model for it exists today as AMEX. That’s how AMEX funds themselves.

MR. QUAGLIO: It’s mortgage-backed with receivables.

MS. HODGSON: Well, it’s not mortgage-backed.

MR. QUAGLIO: I’m a Mac person, this is a PC.

(Brief pause.)

MR. FIELDER: What we’re going to do is as soon as we get through this, if we do, take one or two, maybe three questions and then we’ll get into our closed session and close out the day.

MS. HODGSON: Oh, there we go.

(Video playing.)

MS. HODGSON: You’re going to miss Frank.

MR. FIELDER: He’s a veteran?

MS. HODGSON: He is. Usually he wears his beret. He’s an amazing motivational speaker.

(Video playing.)

MS. HODGSON: I can send you the -- it’s on Vimeo, I can just send you a link and you can look at it yourself.

MR. FIELDER: Is it on your website?

MS. HODGSON: I’m not sure if it’s in the website. I can send you the Vimeo links.

MR. FIELDER: Okay, let’s take one, two, three questions and then we’ll wrap up. You guys have been asking so many questions, you’re out.

MS. HODGSON: Wow, that’s good, that’s good.

MR. FIELDER: I guess we’re good. I generally
1. I ask a lot of questions, but I actually participated in  
   the presentation when I had that chance.
2.  
3.   MS. HODGSON: You already asked yours.
4.   MR. FIELDER: I already asked all of mine.
5.   MR. QUAGLIO: What is the website?
6.   MS. HODGSON: NOWaccount.com. And we’re  
   actually -- I was nodding back there at the last  
   presenter because we just did our site visit for our --  
   we’re a woman-owned business. So, we just did our whole  
   -- I was nodding because I’ve been through the binders  
   and everything.
7.   MS. ROTH-DOUGUET: What was the product you  
   were selling to Whole Foods?
8.   MS. HODGSON: It was called Nourish. It still  
   exists. It’s a patented spill-proof bottled water for  
   children. So, yeah.
9.   UNIDENTIFIED MALE: How aerodynamic was it?
10.  MS. HODGSON: It is very aerodynamic. Most men  
    look at it and say it looks sort of flask-like.
11.  MR. FIELDER: Baby flasks.
12.  MS. HODGSON: Yes, absolutely. And I know what  
    the guys are thinking, I could sneak that into a football  
    game.
13.  MR. FIELDER: Anybody want to put anything more  
    on the record before I officially close the meeting?
14.  (No response.)
15.  MR. FIELDER: With that said, we are officially  
    adjourned.
16.  (At 3:24 p.m., the meeting was adjourned.)

I, Linda Metcalf, do hereby certify that the  
foregoing transcription was reduced to typewriting via  
audiotapes recorded by me; that I am neither counsel for,  
nor related to, nor employed by any of the parties to the  
case in which these proceedings were transcribed; that I  
am not a relative or employee of any attorney or counsel  
employed by the parties hereto, nor financially or  
otherwise interested in the outcome of the action.

LINDA METCALF  
Court Reporter
Public Meeting
Advisory Committee on Veterans Business Affairs
3/11/2015

For The Record, Inc.
(301) 870-8025 - www.ftrinc.net - (800) 921-5555
<table>
<thead>
<tr>
<th>Page 262</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Public Meeting</strong></td>
</tr>
<tr>
<td><strong>Advisory Committee on Veterans Business Affairs</strong></td>
</tr>
<tr>
<td><strong>3/11/2015</strong></td>
</tr>
<tr>
<td><strong>For The Record, Inc.</strong></td>
</tr>
<tr>
<td>(301) 870-8025 - <a href="http://www.ftrinc.net">www.ftrinc.net</a> - (800) 921-5555</td>
</tr>
</tbody>
</table>
Public Meeting
Advisory Committee on Veterans Business Affairs
3/11/2015

For The Record, Inc.
(301) 870-8025 - www.ftrinc.net - (800) 921-5555
For The Record, Inc.
(301) 870-8025 - www.ftrinc.net - (800) 921-5555
<p>| | | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>9</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>90</strong> 133:8 207:8,10</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>211:10 212:11</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>222:8,22 231:20</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>231:22 243:11</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>900</strong> 110:9,10</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>90s</strong> 217:12</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>93</strong> 225:4 242:1</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>243:14</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>95</strong> 206:11</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>98</strong> 209:20</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>99</strong> 220:9</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>