In the Matter of:

Advisory Committee on Veterans Business Affairs

December 9, 2015
Public Meeting

Condensed Transcript with Word Index

For The Record, Inc.
(301) 870-8025 - www.ftrinc.net - (800) 921-5555
U.S. SMALL BUSINESS ADMINISTRATION

ADVISORY COMMITTEE ON VETERAN BUSINESS AFFAIRS

PUBLIC MEETING

WEDNESDAY, DECEMBER 9, 2015
9:00 A.M.

Recorded by: Jen Metcalf, CER

CONTENTS

Roll Call/Opening Remarks
Michael Phipps 3

Standard of Conduct Review
Larry Webb 7

OVBD Update
Barb Carson 59

VBOC Update
Ray Milano 36

SBA Ombudsman Introduction
Earl Gay 16

Access to Capital Landscape
Ray Milano 72

Resources Available to Veteran Businesses
Scott Davidson 119

Legal Issues Facing Veteran Businesses
Diz Locaria 179

PROCEEDINGS

(Meeting called to order, 9:12 a.m.)

MR. PHIPPS: So, my name is Michael Phipps. I'm
the chairman of the committee, and we're going to get
this meeting, on December 9th, called to order.

Before opening remarks, we're going to do a roll
call of committee members, starting with Kathy.

MS. ROTH-DOQUET: Kathy Roth-Douquet.

THE REPORTER: Please hit your microphones.

MR. PHIPPS: We'll start again. Just a quick
update, the mic button with the little guy with the
lines coming out of his mouth, you're going to have to
turn that on, and then when you're not speaking, you're
going to have to turn it off, because the microphones
can only be -- a certain number only can be on.

And if you're in the audience and you have a
question, please wait until you get a hand-held
microphone, and if you could please state your name and
organization for the record. Thank you.

MS. ROTH-DOQUET: Kathy Roth-Douquet, Blue Star
Families.

MR. GARCIA: John Garcia, National Association
of State Directors of Veterans Affairs.

MR. O'FARRELL: Jim O'Farrell, AMSG.

MR. FIELDER: Ed Fielder, Fielder's Choice
Consulting.

MR. MCADAMS: Rich McAdams, ReliaONE, Inc.

MR. ZACCHIA: Mike Succhea, UConn.

MR. WEBB: Larry Webb with the SBA Office of
General Counsel.

MS. CARSON: Barbara Carson, Associate
Administrator, Office of Veterans Business Development
at SBA.

MR. PHIPPS: Michael Phipps, The Millennium
Group.

So, I guess now we need to see if we have the
phone line open. Do we have a phone line open?

UNIDENTIFIED: Um-hum.

MR. PHIPPS: So, if we could just get a quick
roll call on the phone for the record, if there's
anybody online.

(No response.)

MR. PHIPPS: If there is anybody on the phone,
please just state your name and organization.

(No response.)

MR. PHIPPS: Okay. It doesn't seem we have
anybody on the phone.

So, as a quick internal housekeeping agenda
item, we're going to be covering some other agenda items
at the end of the meeting, but we're going -- I'm going to ask somebody to volunteer as a secretary for this meeting. As we discussed last month, we are going to be consolidating meeting notes per meeting, and so if we identify the person who's going to do this month's meeting, you'll be able to take notes, understand that you're going to consolidate the agenda items or the -- describe -- it's quite a number of pages, a couple hundred pages, so it's not a quick -- it's not a quick activity. So, knowing that ahead of time will help.

If there are any issues or questions, Jenn over here will probably be asking you direct questions. So, is there anybody who wants to volunteer to be the secretary for this meeting? At the -- for housekeeping, we're going to assign additional members for the rest of the year.

Thank you, Jim. That was -- you can't -- you already did one? No, actually -- last year?

MR. FIELDER: It was a very successful (off mic) --

MR. PHIPPS: Ed, can you please turn on your mic?

MR. FIELDER: Oh, sorry.

We actually did it to complete the report. We did it between September and October, and three or four different people actually went in, and instead of summarizing it as part of the meeting and getting a head start on it, we did it after the fact using the 250 pages of transcribed minutes, and it was -- it was very successful in the sense of getting the content of each meeting into the final report, which then led directly to our recommendations in the 95 percent complete report right now.

MR. PHIPPS: And we are going to pause for a minute while we dial in.

MR. FIELDER: Okay.

(Pause in the proceedings.)

MR. PHIPPS: Okay, we're dialed in now. Just for the record, is there anybody on the phone?

(Roam around.)

MR. PHIPPS: So, Jim O'Farrell has volunteered to be --

MR. O'FARRELL: (Off mic.) That was off the record.

MS. ROTH-DOUQUET: A question about it. The notes will be transcribed, though, right? You will receive a transcription.

MR. PHIPPS: It is going to be in a written format, and it's verbatim --

MS. ROTH-DOUQUET: So, you won't literally take notes.

MR. PHIPPS: No. You are not actually -- you are not taking --

MS. ROTH-DOUQUET: You're just synthesizing notes, yes.

MR. PHIPPS: You are just getting the main speakers, formulating it in your head. We are going to have a template for this, so it's not just going to be, you know, unorganized, but, right, you will have an idea in your head that you are going to be the one consolidating the notes, and it will just help with that whole process, and that's part of what Ed had started.

So, we'll get started with our first speaker, Larry Webb, from the SBA Office of General Counsel.

MR. WEBB: Good morning, everyone. My name is Larry Webb. I'm with the -- as was just noted, the Small Business Administration's Office of General Counsel. One of my functions at the agency is to advise our advisory committees. Of course, this is one of them.

Many of you may have had the opportunity to have this briefing before. It is relatively short. That being said, it is important sort of to remind everyone of the sort of standard of conduct for advisory committees, and for our new members, to advise them and answer any questions that they may have.

With that being said, everyone should have a copy of what we call the legal dos and don't. Some people think that this is an ethics training. I just want to sort of correct that impression in the sense that none of you are federal employees, and so you don't have an ethical responsibility to the Small Business Administration or the Federal Government; however, as advisory committee members, we do expect that there is a certain standard of conduct, and those are the dos and don't that we have here.

They are relatively simple. All of you can read. I'll just sort of touch on the highlights. So, at this point in time, you should sort of already know what the purpose of this advisory committee is, and we've discussed your status as representatives and not as employees of the Federal Government.

Simple dos. Please show up, as Mr. O'Farrell just mentioned a few moments ago. If there's a change in status, specifically, if you are representing an organization or a business -- specifically that business in this case -- you would be -- please let us know if there is a change in either your employment or in your representation to that organization so that we can make whatever adjustments we need to make.
Obviously, if you are representing an organization and you are no longer a member of that organization, we will have to likely ask you to step aside and let someone who actually represents that organization step forward. So, that's sort of an example of a change of status.

One of the really important things to remember is that during the course of your board membership, you may be privy to confidential information, confidential information as it relates to the SBA or other businesses or even other organizations around the table, a part of your ongoing conversations. Please note and remember that that is confidential information and should not be shared beyond these four walls, either in-person four walls or the sort of generic "four walls."

The other thing to sort of remember in the -- in the dos section is to the extent that you begin to seek any sort of SBA assistance -- and SBA assistance means an SBA loan, if you are seeking any other sort of SBA assistance, like HUBZones or 8(a) or what have you, all of which are available obviously to the public -- please let us know, because that may change your status.

One of the things to remember and to recall is that we -- and myself specifically -- have to look and see if there is a conflict of interest or even an appearance of a conflict of interest. We don't want people -- the public looking and saying, well, that person got that loan or that person got that ability or got that assistance because of their relationship. Even if there's no truth to the matter, we need to look at those things and make sure that there is no conflict or apparent conflict of interest.

Some general don'ts -- although we talked about some don'ts already vis-à-vis conflict of interest, et cetera -- and this is a simple one, but we need to remind, you are members of businesses and/or associations that have opinions. That's one of the reasons that you're here. We need to be very careful about conflating those opinions with your board membership.

A very -- as an example, a business owner may want to go and discuss a law or a -- some regulation with their local Congressperson, and that's perfectly acceptable. Going to that local Congressman and saying -- or Congressperson and saying, "As a member of this Board, I think blah-blah-blah," would be inappropriate.

We want to make sure those lines are kept really clean. This is not in any way, shape, or form a way to stop your First Amendment rights and your business rights or your organizational rights, but we do want to keep those things very clean. No lobbying on behalf of the board.

The board is to provide advice and counsel to this agency. That's one of the other things to kind of keep in mind. You're providing advice and counsel to this agency and to the Federal Government, but that goes through a process. You shouldn't be out sort of giving your opinions broadly, publicly. You're supposed to go through this body.

You guys vote or talk about how you want to come out on a particular issue, and then that is given to the agency, and we are able to make a decision about how we want to proceed. So, just sort of keep those things in mind.

This is pretty simple. Please don't engage in conduct that calls into question your good character. One of the things to recall and to remember is that -- and this is difficult to say, but it has to be said -- it is not a right to be on the board. It's an invitation, and it's an invitation on behalf of the SBA and the Administrator. So, part of that process is that we have vetted you, we have determined that you meet the standards and meet the eligibility and don't have any conflicts.

One of those things also is that you have fine reputations, and you've conducted yourself well, and you have fine résumés, but we have to make sure that that sort of stays in balance; otherwise, the Administrator may have to revoke. I say it. It never -- I don't recall it ever happening, but it's one of the things that we have to say and make very clear.

Please don't participate in any or make any use of the information that you receive here -- once again, confidential information -- or information that may be public for your own personal gain. That seems pretty simple, but, once again, to be reminded.

The last two are similar, so I'll just sort of speak about them in the same vein. In the similar fashion that we said don't lobby, please don't use your title or status with the committee to endorse products or outside entities. I'm not exactly sure who would want that, but that being said, keep that in mind.

Don't attempt to influence government officials, local, state, or federal, or obtain benefits not available to the general public. Once again, these are not the types of things that we have a lot of problems with; however, we try to remind each advisory committee member of this at least annually so that we don't have those type of problems.
And the last one, in this similar vein, don't advocate or represent small businesses or other entities applying for small business assistance. It's the same concept. If you have a -- if it appears that you have some type of advantage because of your relationship here, it can give the impression, the perception that things aren't fair and things aren't handled equitably, and we just want to avoid those types of things generally.

The last two bullets are easy to talk about, although sometimes we have a lot of questions, and I will wait to see if this group has a lot of questions about it. We do not provide necessarily business cards. Some people have -- I don't know if -- in some other groups, particularly -- they give business cards, and they have -- some people have wanted to put their private business or organization on one side and the SBA on the other. We typically say, like, don't do that, because once again, it gives an appearance.

If for some reason -- and some -- some boards have a lot more activity with the public than others, but if for some reason you feel like you need to have a business card or what have you, it should not have, like, the SBA on one side and the -- and the -- your personal and/or organizational information on the other.

The last one, the same vein as some of the earlier conversation. The advice and counsel from this board should go through your chairman to the agency. You should not be or please refrain from publicly speaking to the media on behalf of the board, going around -- sort of going around channels.

There is a process, and the process is that you guys meet, you discuss the topics, you give that advice, that counsel to the SBA, and then it is acted upon in the way that the agency deems best. You are giving independent advice, though. I mean, we're not supposed to curtail or change your advice in any way, shape, or form. It is your advice, it is your concerns, and that's why you're here, but at the same time, please don't go -- you know, go out advocating to the media in that regard. That would be an inappropriate use of your board presence.

I think those are the basic dos and don't. Any questions for me before you get to the probably much more entertaining and interesting aspects of your meeting today?

Yes, sir?

MR. ZACCHEA: Do you have your contact information?

MR. WEBB: I do not have -- I probably have a card in here. I have, like, one card, but I can give the contact information publicly for your meeting.

Once again, thank you so much for your time today, and if you have any questions or concerns, please feel free to contact me. Typically, we either go through the DFO or what have you so that they sort of keep track of those answers and questions, but if you want to get in touch with me independently, that's fine as well.

So, thank you so much for your time today.

MR. PHIPPS: Thank you, Larry.

MR. WEBB: Thank you.

MR. PHIPPS: We're going to have a little change in the schedule. We're going to have the new SBA national ombudsman, Earl Gray [sic], come and speak, and Barb Carson will follow in his spot.

Would you please state your name for the record.

MR. GARCIA: John Garcia. When you did roll call and you stressed the importance of attendance of meetings, shouldn't you also do roll call on those that aren't here, make note of who is not here?

MR. PHIPPS: It will be -- we can note it for the record.

MR. GARCIA: I mean, do you do a formal roll call?

MR. PHIPPS: We do. So, it will be noted in the record who hasn't attended.

MR. GARCIA: No, not who hasn't attended; who isn't here today.

MR. PHIPPS: Who isn't here today? We will. We usually wait until the end of the meeting to do that, just some people --

MS. CARSON: Some people come late.

MR. PHIPPS: -- come in fairly late.

MR. GARCIA: Okay.

MR. PHIPPS: All right. I would like to introduce Earl Gray [sic].

MR. GAY: It's Earl Gay.

MR. PHIPPS: Oh, Earl Gay.

MR. GAY: That's okay, Mike.

MR. PHIPPS: Sorry, Earl.

MR. GAY: Good morning.

BOARD MEMBERS: Good morning.

MR. GAY: Wow, you all should be happy to be here. You're doing an important job, and I want to start out by thanking you for what you're doing and the efforts that you are doing.
Advisory Committee on Veterans Business Affairs 12/9/2015

| 1  | I wanted to talk a little about -- a little bit about who I am and what I do here. I am a Navy vet -- any Navy vets in the audience here? |
| 2  | UNIDENTIFIED: Three. |
| 3  | MR. GAY: Three, all right. |
| 4  | What about Army? Yeah, well, we'll see what happens Saturday. There's a big game this week, Army-Navy game. |
| 5  | Any Marines or Coast Guard? |
| 6  | UNIDENTIFIED: Marines, back -- MR. GAY: Marines, that works. |
| 7  | Coast Guard? Marines? Ooh Rah. All right. Well -- |
| 8  | MS. ROTH-DOUQUET: Overrepresented, as usual. |
| 9  | MR. GAY: Oh, look at that, overrepresented. Wow. |
|10  | Well, I spent 33 years in the Navy. I went to the Naval Academy a long time ago -- this will take three minutes, and it's a boring bio -- but 33 years in the Navy, and I commanded ships, flew props and helicopters off of small ships and other things. And so I had the opportunity to work on the Hill as the Navy's congressional liaison director, and did inaugurations and the strike commander job out in San Diego, which I sorely miss, and I was also in charge of Navy recruiting. |
|11  | So, afterwards -- I retired a year and a half ago, got asked to come up here and work, and when it involves vets, I'm all in. So, when Barb and Jaime asked me to come down, I said, yeah, absolutely, I'll be there. So, that's who I am. |
|12  | What I do now is I'm in charge of -- I'm the national ombudsman. So I'm, like, what is the national ombudsman? And so I had a chance to look at it and saw what the mission was, and I'm like, yeah, I'm all in on that as well. |
|13  | So, what we do, the Office of the National Ombudsman, it was mandated -- and I have some fact sheets, I'll bring some down and I'll pass them out to you. I'll go up after I get down and bring some of these ONO -- so, if you hear the term "ONO" -- well, you all are military, so we like acronyms -- so ONO is the Office of the National Ombudsman. So, when you hear about that guy from ONO, they're talking about me. So, we have an ONO fact sheet that I'll bring down. |
|14  | So, who are we? The national ombudsman, our purpose is to assist small businesses that run into unfair or excessive fines or regulatory enforcement actions by federal agencies. So, we partner with the federal agencies to ensure that the playing field is level for small businesses. |
|15  | MR. GAY: Of course, roger that. So, they are migrating into Arizona and New Mexico. So, you know, the farm owners are business owners, so it's affecting their livestock. And so we had a 6 1/2-hour hearing held to hear out all the issues that all the business owners had. And so the Department of Interior and the |
Fish & Wildlife was there, and so they're coming to a resolution.

So, we're there to facilitate, and I have to keep saying "facilitate." I wish I had authority, which I'm used to, but I don't. But I take it all the way as far as I can get it legally -- legally -- to make sure that we help the small businesses. And, you know, some of the -- some of the cases have been very interesting and intense, and I've only been here less than two months, but it's a very exciting job.

So, we use the Regional Fairness Board and the members to help us root out some of the issues that might be out there. So, they serve as a conduit, but that's not the only way to get in contact with us. You can contact us through email, fax, online, or snail mail, and we'll respond.

And in the comments sheets that we get, we basically ask people to fill out -- excuse me, fill out what the situation is and how is it affecting your small business and its growth, and we ask what you want to accomplish, you know, what are you seeking, and we also ask for documentation. And I'll give you all of these things here after I'm done.

So, people will send those comment sheets in to my staff. I have some great case management specialists that are -- that have been doing this for over 20 years.

They are very good, very good, and I'm proud to say that they are all either former military or spouses of military, everybody in my office. So, I'm just stating that. I'm not inferring, Larry, anything one way or another. I'm just stating a fact. That's all I'm stating.

MR. WEBB: (Off mic.)

MR. GAY: Okay. I'm just -- I'm very proud of people who serve in that capacity.

So, anyway, we get those comment sheets, and then we forward whatever they are seeking to the federal agency, and we expect a high-level, timely response from the federal agencies. So, in the last month and a half since I've been here, since our travel funds have been depleted, I'm here, and so I said, well, listen, I am going to go out and meet these federal agency folks, and so that's what I've been doing.

I've been walking all over D.C., meeting IRS, Department of Labor, I mean, a lot of people, and I've got about three or more folks to get done with. I also spent time at the Pentagon, because as you all know or may or may not know -- I know you know, because you all are business leaders -- a lot of the contracts that we have in the federal world emanate from DoD. So, I've met with the folks over there and all the service points of contacts and leaders and stuff for Navy. I'm going to meet with Emily next week at the Navy Yard.

So, I've established some personal contacts with them. So, if you have any kind of issues, make sure you send them to us. That's what our job is. And I don't mind getting my feet wet. I'm pretty deep in it now.

Now, back to what Larry -- back to Larry, Larry helped us out with vetting. We have to vet those regional members that I talked about, and so what we do is that the Administrator, district directors, regional directors, myself once I can go out and travel, and you all, too, if you have any folks that might want to be a part of the Regional Fairness Board, please let me know.

And like I said, again, I'll send you my contact information.

So, what our legal office does, Larry and his folks at the Office of General Counsel, is they go out and they vet all the members, and they do a pretty thorough job of that. So, we have to make sure that we don't have any conflicts of interest as we get out there.

And he mentioned the case about the business cards. Someone -- that happened to one of our board members. They had an SBA card, but they had their personal information written -- I mean, printed, not -- you know how we sometimes just write our personal thing -- I think that's okay, right, but not to have it printed on there is -- you know, that's a different realm.

So -- but other than that, we're pretty active up there. So, we stay busy. It's a well -- a very rewarding job, because we know that we're making a difference, and we know that we're being heard. Each year, we have to do an annual report to Congress, and this is the report that we have to submit to Congress each year, and we -- and as a matter of fact, I have to go up in January to testify with the House Small Business Committee.

What we do, we basically grade -- you know, I earlier talked about making sure that the federal agencies have a timely and -- response to the issues that we present to them. We usually give them 30 days. So, if they respond between zero and 30 days, then they get an A. We grade them. So, they get graded. You know, if it's after 60 days without an explanation, they get an F. And so it is what it is.

We try to work with them. You know, we're not the ruling teacher. We work with everybody. We talk to them. In some instances, let's say IRS, they have a lot
<table>
<thead>
<tr>
<th>Page 25</th>
<th>Page 27</th>
</tr>
</thead>
<tbody>
<tr>
<td>of litigation issues -- I know you like that litigation</td>
<td>colleagues here, and they -- sometimes they don't want</td>
</tr>
<tr>
<td>there, Mr. Larry -- and so some of the cases go on and</td>
<td>to see me, but it is what it is.</td>
</tr>
<tr>
<td>on and on. Just tell us that, but don't blow us off.</td>
<td>Yes, sir?</td>
</tr>
<tr>
<td>We get pretty mad if you do that, and we haven't had</td>
<td>MR. O'FARRELL: Hi, Admiral. So, the</td>
</tr>
<tr>
<td>that case.</td>
<td>intersection of our committee's work with --</td>
</tr>
<tr>
<td>But anyway, we go up and we liaise with the</td>
<td>MR. PHIPPS: Please state your name.</td>
</tr>
<tr>
<td>members of Congress and their staff members out in the</td>
<td>MR. O'FARRELL: My name is Jim O'Farrell.</td>
</tr>
<tr>
<td>different regions that they operate in. So, a pretty</td>
<td>The intersection of our work with advising small</td>
</tr>
<tr>
<td>good reputation so far. So, that's what we do.</td>
<td>businesses and veteran-owned small businesses, whether</td>
</tr>
<tr>
<td>So, I know I've talked a lot, so I will stop</td>
<td>they be dealing with the federal sector or the private</td>
</tr>
<tr>
<td>talking and answer any questions that you might have.</td>
<td>sector exclusively, and your work as an ombudsman,</td>
</tr>
<tr>
<td>MR. ZACCHEA: Yes, sir, Mike Zacchea.</td>
<td>what -- do you see any trends? I know you said you've</td>
</tr>
<tr>
<td>MR. GAY: Hey, Mike.</td>
<td>been in the job two months, and maybe this is for you to</td>
</tr>
<tr>
<td>MR. ZACCHEA: I'm in Connecticut. The question</td>
<td>come back at a future -- for a future meeting, but the</td>
</tr>
<tr>
<td>I have for you is, do you have a listserv or an RSS</td>
<td>intersection of veterans who are trying to start small</td>
</tr>
<tr>
<td>that you put out, for instance, a monthly or quarterly</td>
<td>businesses, whether it's access to capital and</td>
</tr>
<tr>
<td>report about the activities of your office?</td>
<td>regulatory -- you know, things that the banking industry</td>
</tr>
<tr>
<td>MR. GAY: No, we don't. Our activities report</td>
<td>is doing through the Federal Government to put</td>
</tr>
<tr>
<td>is reflected in our annual report. What we do have,</td>
<td>regulations in place that might stymie small businesses,</td>
</tr>
<tr>
<td>though, we have quarterly meetings with those Regional</td>
<td>do you -- do you get cases involving veteran-owned small</td>
</tr>
<tr>
<td>Fairness Board members I talked to you about, we have</td>
<td>businesses, A? What types of cases are they? Are there</td>
</tr>
<tr>
<td>quarterly meetings, and I'm quite sure all of our -- all</td>
<td>any trends that you're seeing these days in that -- in</td>
</tr>
<tr>
<td>of our deliberations are public knowledge, right? So,</td>
<td>that domain? Thank you.</td>
</tr>
<tr>
<td>you can get those.</td>
<td>MR. GAY: You know, when Jaime and Barb asked me</td>
</tr>
<tr>
<td>And then we also have a national conference here</td>
<td>to come down, I went straight to my case specialists and</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Page 26</th>
<th>Page 28</th>
</tr>
</thead>
<tbody>
<tr>
<td>with those regional members each year, here in D.C., and</td>
<td>asked them about that, because I told them I was coming</td>
</tr>
<tr>
<td>you all are invited to that, too, as well.</td>
<td>down to speak with you all. We don't ask that they</td>
</tr>
<tr>
<td>MR. ZACCHEA: Thank you.</td>
<td>delineate that they are veteran-owned. We haven't done</td>
</tr>
<tr>
<td>MR. GAY: I am going to pass out some of my</td>
<td>that, and -- because we treat everybody the same. So, I</td>
</tr>
<tr>
<td>cards here. Don't give them to the SBA people. They</td>
<td>haven't -- I can't answer that.</td>
</tr>
<tr>
<td>don't deserve them. Here you go, Kathy.</td>
<td>Now, with the case management system that we</td>
</tr>
<tr>
<td>MS. ROTH-DOUQUET: Thank you.</td>
<td>have, you know, we are asking if we can get some more</td>
</tr>
<tr>
<td>MR. GAY: Yes, ma'am.</td>
<td>money to do some data mining so I can go in and see if</td>
</tr>
<tr>
<td>MS. ROTH-DOUQUET: I just wanted to clarify.</td>
<td>someone decides to put down that they're veteran-owned.</td>
</tr>
<tr>
<td>So, your work is limited to small businesses that are</td>
<td>But I've already made a pact with Barb that any kind of</td>
</tr>
<tr>
<td>trying to work with Federal Government agencies?</td>
<td>issues that come up that you all might have to utilize</td>
</tr>
<tr>
<td>MR. GAY: Yes, ma'am.</td>
<td>us, let her know or you all can let me know, and then</td>
</tr>
<tr>
<td>MS. ROTH-DOUQUET: Okay. So, you don't provide</td>
<td>we'll put them in the system. But I haven't seen any</td>
</tr>
<tr>
<td>ombudsman services for any other problems or concerns</td>
<td>trends yet. No, not yet, Jim.</td>
</tr>
<tr>
<td>that companies are having, for instance, problems with</td>
<td>MR. FIELDER: Earl, Ed Fielder.</td>
</tr>
<tr>
<td>getting loans or other kinds of work that SBA oversees.</td>
<td>MR. GAY: Yes, sir.</td>
</tr>
<tr>
<td>MR. GAY: Not capital access, but if you have an</td>
<td>MR. FIELDER: I think it's kind of fortunate</td>
</tr>
<tr>
<td>issue with SBA, SBA is a federal agency. So, some of</td>
<td>that Larry got to go first and you got to go second,</td>
</tr>
<tr>
<td>the people that we have to ask for responses is here,</td>
<td>because many of us have struggled as committee</td>
</tr>
<tr>
<td>yeah. So, if you have -- a small business has any issue</td>
<td>members -- and, Larry, I would like to hear from you on</td>
</tr>
<tr>
<td>with a federal agency --</td>
<td>this, too -- but struggled as committee members because</td>
</tr>
<tr>
<td>MS. ROTH-DOUQUET: Including SBA?</td>
<td>we're networking in the veteran organizations in our</td>
</tr>
<tr>
<td>MR. GAY: -- including SBA, send us a comment</td>
<td>home states --</td>
</tr>
<tr>
<td>form. Oh, yes, as -- yes, yes, yes. Yes, we do. We</td>
<td>MR. GAY: Right.</td>
</tr>
<tr>
<td>have to -- I have to go and talk to some of my</td>
<td>MR. FIELDER: -- and in our regions, and we get</td>
</tr>
</tbody>
</table>
Mr. Gay has mentioned, the ombudsman's office deals with challenges with other federal agencies. If a business has a challenge with a state or local agency, that is not necessarily the place to go; however, to the extent that the district director, DDD, in the SBA offices or the regional administrator can help either facilitate a conversation or guide someone, that's sort of their role as well.

So, they can be a really good resource, because notwithstanding, have a great deal of knowledge about their local offices. They know who to direct people to. So, they could be a really great resource.

Mr. Gay: And they are resources.

Mr. Webb: Yeah.

Mr. Gay: We get about 400 cases a year, and those are documented cases. There are probably maybe three or four hundred that don't go -- that go undocumented. That means that the regional bureaucrats -- the term you used -- are doing their damned job. So, we expect them to know their jobs and do it, but, again, if you feel like they're not, then you know where to go.

Mr. Webb: And, you know, I think that the only followup I would say is if something does come to -- and
I hope I'm not giving you more work than is necessary, but if something does come to the ombudsman's office and they are not the office, surely they will pass it on to the appropriate place to get it handled within the agency or within the Federal Government.

MR. GAY: Oh, without a doubt. All right, one more question.

MR. PHIPPS: Michael Phipps, one more question.

MR. GAY: Yes, sir.

MR. PHIPPS: So, is your annual report available online for us to review or is that something internal to the Government?

MR. GAY: No, no, it's -- hey, everything is transparent here. As a matter of fact, I'll leave the latest one we have with you right here. Mr. Chairman, may I submit that for the record?

MR. PHIPPS: Thank you very much. So, what we like to do for the benefit of the veteran businesses that aren't able to attend, is anything we get electronically, we'd like to post online. Is that something we can do on the advisory committee's Web site, Barb?

MS. CARSON: If it's a public record, yes, we can.

MR. PHIPPS: Excellent.

MR. WEBB: You should be able to get the report I believe on the -- ONO's Web site. Look under SBA, it should be posted there.

MR. GAY: Yes. And like I said, I'm going to bring down the ONO fact sheet -- I'll give this to you, Mr. Chairman, just for the record.

MR. PHIPPS: And we will help get the word out just by posting this information on our site as well, so -- which has an SBA link.

MR. GAY: Right, roger that. So, my email -- I passed out a few cards, but it's pretty simple, earl.gay@sba.gov, over -- smart, bold, and accessible. Oh, oh, oh, thank you. Thanks so much. I'll pass them out this way. See, we work as a team. They felt it. One team, one fight. I think we -- do we have enough for everyone? I'll still go up and bring some more down.

If you look at it, I think on the back side of that, they have some frequently asked questions -- oh, thanks -- and I can come back. I'll be here all day. I know we have a Christmas party, and we are moving to the third floor, but I will be here all day. Give me a call. If you have any issues, you can come straight to me, okay? So, I'll offer that to everyone, not just my brothers and sisters in arms, but everyone.

MR. PHIPPS: We would like the ability to ask you back for future committee meetings if we have any additional questions, if that would be all right.

MR. GAY: Sure. Any more questions at all? I'll come back down later, so if you all have any questions in your mind, I'll make a stop by later on, and I'll look at the schedule. What time are you all breaking for lunch?

MR. PHIPPS: 12:00.

MR. GAY: 12:00.

MR. PHIPPS: Which always runs over.

MR. GAY: Roger that. I'll tell you what, I'll come back around 1-ish or so, and I can just tell by the mannerisms, okay, we don't need you, I'll go back out. I'll figure it out. But I'll stop back by and do a fly-by -- I'm sorry, a pass-through to see if anyone has any questions, okay?

All right. Well, thanks again for what you all are doing. As a veteran, it's very important, and who knows? After I'm done with this job, I might be coming back to you all for advice. So, stand by.

MR. PHIPPS: Thank you very much, Admiral Gay.

MR. GAY: Thank you, sir.

MR. PHIPPS: Okay. Next on the agenda is going to be Ray Milano with a VBOC update.

For The Record, Inc.
(301) 870-8025 - www.ftrinc.net - (800) 921-5555
coming on board that we want to make sure that people
understand. They're there just like the other resource
partners.

Again, all district offices have a VBOC under
t heir umbrella. VBOC directors -- you know, so VBOCs
are usually comprised of, you know, probably two or
three employees. There's a director and then maybe a
couple other staff members. These are experienced
business advisors, educators, business owners, industry
experts.

Similar to the SBDCs, a lot of the VBOC
directors are former SBDC directors, former SCORE
mentors, former Women's Business Center advisors. So,
these are people who have stayed within the SBA network,
just in another capacity to serve, you know, veterans,
service members, military spouses.

There's a list all the VBOCs up there. I know
it's hard to read. I'll pull up a map, and you can kind
of see, you know, where the VBOCs are located across the
country. So, you know, that's Seattle. There's
Sacramento. We have one in Montana. We have one in New
Mexico, southern Texas. We have one in Michigan. We
have one in Missouri. We have one in Chicago,
Mississippi State University. We have one in Panama
City, Florida. We have one at Fayetteville State
University in North Carolina. We have one in
Springfield, Virginia, one in Hampton Roads, Virginia.
We have one in Albany, New York, and then we have one in
Syracuse New York that covers the New England region.
Okay, so you can see they're spread out.

Hopefully what you can see from this map is room
for growth for VBOCs, and, you know, that's part of my
mission with the Veteran Business Outreach Center
program, is to find out where the demand is, where the
need is as far as the veteran population, the
active-duty bases, and, you know, where we could -- some
new VBOCs could be located. I could probably name ten
right now where there's demand and we could land a VBOC.

So, I'm working with Barb and the Office of
Veterans Business Development to figure out, along with
our other programs and services, where, if we do expand
the VBOC program, where they could be located. And
obviously your input and your guidance and your thoughts
on that obviously would be appreciated as we move
forward.

So, the VBOC, it looks pretty lonely by itself,
right? Fifteen across the country, only two or three
people, you know, they cover -- most VBOCs cover an
average of three to four states, so pretty difficult you
would think, but if you look at -- you know, you add
some of the SBA programs to it, so, you know -- and you
start surrounding the VBOC with all these resources and
programs and organizations, you say, wow, you know, the
VBOC can accomplish something with all these programs
and resources.

So, the VBOC is connected with all these
programs and resources you see on the screen. I have
SBA that came up on the bottom, so every district
office, every SBA program office, the VBOC is connected
with. And these are just the formal partners and
programs. So, obviously, this committee, the
Interagency Task Force, all the -- you know, the local
state directors for veterans services, all the local
directors for veterans services, all the interagencies,
so the VA, Department of Labor, Department of Defense,
we're connected. So, this is all part of our resource
network that the VBOC is connected with.

And that's part of my job, is to make sure each
VBOC is educated and knowledgeable about the programs
and resources available to them that they can plug into.
So, as you know, I took over this position in May, and
that's been my job so far, so to find out where the
VBOCs are as far as education and knowledge and
communication with a lot of the SBA programs and
resources and, you know, where we need to get to and
make that happen.

VBOCs work for you. So, again, you know, the
mission of VBOCs basically, when they were instituted,
was to assist with transition assistance, okay? And
transition assistance, the definition of that has really
morphed over the last ten years or so, right? So,
originally, it was the regular TAP program, the
Transition Assistance Program, you know, a one-week
program. Everybody had to go. You're put in a room,
and, you know, the agencies and the resources paraded
through and told you what was available as you
transitioned out. And maybe SBA was 15 or 20 minutes
during that week-long period, and the VBOCs were there
to kind of assist with that.

Well, you take it to today with the TAP GPS, and
now we have Boots to Business and Boots to Business
Reboot, and we have two-day programs for
entrepreneurship, for education, for employment. You
know, SBA's working with DoL, DoD, the VA to provide
these services. The VBOCs have adapted to take care of
that.

So, the VBOCs are involved in the Boots to
Business program, the Boots to Business Reboot program,
the Hiring our Heroes program, the U.S. Chamber of
Commerce, you know, the Yellow Ribbon Reintegration
| 42 | will be able to plug them in right away. That's the level of knowledge and connection that we want the VBOCs to be at, okay? Marketing and promotion. So, you know, you're all business owners. You know, VBOCs are out there. You know, you think of veterans service organizations out there and other SBA resource partners. VBOCs get funding from the SBA, and they have some flexibility with funding and promotion of programs and services related to veterans, service members, and military spouses.

   | 43 | they've gotten to, because we know through experience, just like all you know, that, you know, those real stories are what make the most impact.

   | 44 | the VBOCs if you're out of their state. The one thing, when we talk about training and counseling, is -- to go back to the previous slide -- is we're connected with all the resource partners. So, one thing that the VBOCs really do well is provide referrals to the other SBA resource partners.

   | 41 | Program with the Department of Defense. So, the VBOCs, that is their primary mission, okay? They're out there to provide this transition assistance, mainly with training seminars and educational events.

   | 42 | They do do some counseling and training, but that is secondary, because as you can imagine, you know, with only 15 across the country, one-on-one counseling is kind of, you know, a heavy lift for a lot of the VBOCs if you're out of their state. The one thing, when we talk about training and counseling, is -- to go back to the previous slide -- is we're connected with all the resource partners. So, one thing that the VBOCs really do well is provide referrals to the other SBA resource partners.

   | 43 | So, the SBDCs, SCORE, the Women's Business Centers, the VBOCs really know who they are in the states within their region. So, if somebody -- you know, if we have a VBOC in Chicago and their coverage area includes Illinois, Wisconsin, and Minnesota, and they get in touch with somebody from Minnesota, you know, they are going to provide information to a certain point, but they are going to connect them to people in Minnesota within that SBA network that they could talk to right away, meet with. If they need a mentor, they need a training program, they need a business advisor, and they

   | 44 | will be able to plug them in right away. That's the level of knowledge and connection that we want the VBOCs to be at, okay? Marketing and promotion. So, you know, you're all business owners. You know, VBOCs are out there. You know, you think of veterans service organizations out there and other SBA resource partners. VBOCs get funding from the SBA, and they have some flexibility with funding and promotion of programs and services related to veterans, service members, and military spouses.

   | 41 | they've gotten to, because we know through experience, just like all you know, that, you know, those real stories are what make the most impact.

   | 42 | You know, I could talk all day about the programs and services that SBA has and all the resources, but if you get a business owner that comes up here and says, "Hey, I started a business, I used a VBOC, you know, I went to SBDC, I took the Boots to Business program, you know, I got a government contract, I got, you know, a CAPLines loan, and this is where I am today. You know, that's going to carry a lot more weight and we know that.

   | 43 | So, one of the things we are doing is highlighting those success stories. So, as you're out there and you see those success stories, feel free to push them up our way, because we're paying attention to that, too.

   | 44 | So, that's a quick overview of the VBOC. Like I said, I'm going to be back again in probably about a half hour to talk about financing, and I'll give you a lot more information on myself, but if you have any questions on the VBOCs, the mission of the VBOCs, you want to be connected with the VBOC in your area, you want to leverage them and their -- you know, their funding and their database and their network and relationships, you know, definitely feel free to connect with me. I can make that happen.

   | 41 | MR. MILANO: Right, so that's a good question.

   | 42 | So, I came in in May, so just when the selection process was happening, but I can tell you that during this grant process period -- so, the VBOCs currently started in May of this year, and their grants run through April of 2018, okay? So, it's a three-year -- so, it's a one year plus two option years for the current VBOC grant program.

   | 43 | That's a quick overview of the VBOC. Like I said, I'm going to be back again in probably about a half hour to talk about financing, and I'll give you a lot more information on myself, but if you have any questions on the VBOCs, the mission of the VBOCs, you want to be connected with the VBOC in your area, you want to leverage them and their -- you know, their funding and their database and their network and relationships, you know, definitely feel free to connect with me. I can make that happen.

   | 44 | So, I came in in May, so just when the selection process was happening, but I can tell you that during this grant process period -- so, the VBOCs currently started in May of this year, and their grants run through April of 2018, okay? So, it's a three-year -- so, it's a one year plus two option years for the current VBOC grant program.

   | 41 | MR. MILANO: Right, so that's a good question.

   | 42 | So, I came in in May, so just when the selection process was happening, but I can tell you that during this grant process period -- so, the VBOCs currently started in May of this year, and their grants run through April of 2018, okay? So, it's a three-year -- so, it's a one year plus two option years for the current VBOC grant program.

   | 43 | MR. MILANO: Right, so that's a good question.

   | 44 | So, I came in in May, so just when the selection process was happening, but I can tell you that during this grant process period -- so, the VBOCs currently started in May of this year, and their grants run through April of 2018, okay? So, it's a three-year -- so, it's a one year plus two option years for the current VBOC grant program.
services and programs and what your connection is to veteran business outreach, and the best 15 VBOCs -- and it was capability, capacity, and coverage area. You know, that's kind of how I looked at it when I came in May.

Again, it was further down the road with the process, but when we were looking at kind of the final selection process, you know, basically -- again, capability of the organization to provide the services, capacity to cover their region that they were talking about, right? So, if they said they were going to cover a five-state region, did they have that capacity and were they going to be able to do it with the funding they were requesting, right? And then the coverage area. Was the coverage area -- did it all fit together?

Obviously, we didn't want to have -- you know, if the 15 best VBOCs that were, you know, submitted were all from New York, obviously we weren't going to pick 15 VBOCs in New York. So, we had to look and see, okay, you know, where were the coverage areas and where it fit best.

You know, there's -- there's no doubt that we could use more VBOCs, and, you know, like I say, I could roll off ten right now that we could plop down in a state and they could be up and running have the demand that they need. So, we're going to -- you know, we're kind of swimming upstream as far as coverage area right now, but the utilization of the other SBA programs and resource partners within those areas really help us leverage and get the mission out. So, I hope that helps a little bit.

MR. AUMENT: Could I have just one followup question? Ron Aument again.

MR. MILANO: Yes.

MR. AUMENT: I don't know if you've had any conversations at all with the Department of Labor, but they've got a very large grant program for veteran employment issues that goes out to every single state in the country on this, and I know that there's already a sort of an infrastructure base there that seems to have some sort of potential synergy, I believe, with -- between employment and entrepreneurship on that. Have you had any discussions with Labor?

MR. MILANO: We do. So, we work with Department of Labor and the Vets Program, so -- especially under transition assistance. So, they are on our team. We meet with Department of Labor on a regular basis, weekly, to talk about transition assistance for veterans and also prior service veterans within the community.

So, we are working with VA, Department of Labor, DoD, because we don't want to recreate the wheel, right? We're all part of the same, you know, government. If it's already there, in place, and we can enhance what's already there, we're going to go for that and make that happen. So, we are looking at that.

MR. ZACCHIA: So, Ray, can you speak to the prospects going forward of creating additional VBOCs given a couple of what I consider possibly contradictory forces? One, the demographic trends for veterans leaving service coming forward versus -- business startups versus budgetary concerns for the SBA or the overall Federal Government.

MR. MILANO: Yeah. So, as we look forward and, you know, I look for the demand, initially, we look at the mission of the VBOCs to provide transition assistance. So, you know, there are projections over the next five years, whatever -- you hear everything from 190,000 a year to 250,000 a year transitioning out of the military. So, we pay attention to those numbers. Barb and members of our team work with DoD and DoL, you know, weekly and get those numbers.

So, projected out over the next five years and looking at transition assistance and the need for, you know, Boots to Business and Boots to Business Reboot and the Hiring our Heroes program and the Yellow Ribbon
Directors of Veterans Affairs, I guess one question --
I've got two -- is does the SBA fund the states'
directors directly?

Because to me, the state directors of veterans
affairs are very key to the success of the VBOCs. The
states, collectively, each state directors collectively,
they put out about 6 to 7 billion dollars -- I was
telling you this earlier today --

MR. MILANO: Right.

MR. GARCIA: -- they have the resources to hire
on the key people, to provide the resources. The main
function of a state is to find the veterans to get them
to file for their benefits, because 70 percent of our
vets have not filed for their benefits. So, one of the
key ways to do that is if you do veteran business
outreach, you help the vet file for his benefits he's
now entitled to -- entitlement is not the right word --
but he's entitled to a Public Law 108, as a
service-disabled vet, to seek out veteran national
contracts.

In my state, when we set up a veteran business
resource office, in the first two years, we brought in
$40 million of federal contracts. So, I know the thing
works, but when we also would do these veteran
stand-downs for veteran businesses, our numbers were
huge in terms of veterans showing up to learn about
veteran business development but also to file for their
benefits. So, it's a win-win-when you do it that
way.

So, I'm just asking you to consider working
closely with the states. For example, Wisconsin, you
know, his budget is $116 million. I mean, for him to
set up and stand up a veteran business resource center
is something they want to do, but the association is
trying to find out if the SBA will fund NASDVA or each
state individually.

I was told that they made an exception in New
Mexico, when I was state director there, to fund New
Mexico through the state. So, they're funding a lot of
nonprofits, but when the VA goes out to outreach with
them, many times I find the VBOC isn't aware of what the
VA's trying to do, and the VA's not aware that the
VBOC's out there, and so there's a huge disconnect.

So, one of the big challenges is to connect the
VBOCs with those providers, DoL, the VA, in some kind of
formal way that we can do it. So, to me, the VBOCs are
key. You have got a great task ahead of you. And, if
anything, one thing we can do in this committee is
provide some guidance and support for what you're trying
to do in those VBOCs.
MR. MILANO: John, I appreciate it.
So, as far as the state agencies, so New Mexico is funded. So, the VBOC -- we have one in New Mexico, and it's done through the State Department of Veterans Services.

MR. GARCIA: Right. If I may interrupt, the key thing with that was when, for example -- I'm just using New Mexico as an example -- when we got 150,000 from the SBA through the state, I was able to go before our legislative body to match that with 150,000.

MR. MILANO: Right.
MR. GARCIA: Oregon did this -- not Oregon, Seattle -- excuse me, Oregon did the same thing, but they went for 500,000, and their legislative body gave them $500,000 to set up their veteran business resource center. I didn't know if it was on your map, but they have a veteran business resource office.

MR. MILANO: Right.
MR. GARCIA: The State of Washington has a veteran business resource office, and many of them have a veteran business resource office set up that's not funded by the SBA.

MR. MILANO: Right.
MR. GARCIA: The State of Washington has a veteran business resource office, and many of them have a veteran business resource office set up that's not funded by the SBA.

MR. MILANO: Right.
MR. GARCIA: The State of Washington has a veteran business resource office, and many of them have a veteran business resource office set up that's not funded by the SBA.

MR. MILANO: Right.
MR. GARCIA: Right.

MR. MILANO: Right.
MR. GARCIA: Right.

MR. MILANO: Right.
MR. GARCIA: Right.

MR. MILANO: Right.
MR. GARCIA: Right.

MR. MILANO: Right.
MR. GARCIA: Right.

MR. MILANO: Right.
MR. GARCIA: Right.

MR. MILANO: Right.
MR. GARCIA: Right.

MR. MILANO: Right.
MR. GARCIA: Right.

MR. MILANO: Right.
MR. GARCIA: Right.

MR. MILANO: Right.
MR. GARCIA: Right.

MR. MILANO: Right.
MR. GARCIA: Right.

MR. MILANO: Right.
MR. GARCIA: Right.

MR. MILANO: Right.
MR. GARCIA: Right.

MR. MILANO: Right.
MR. GARCIA: Right.

MR. MILANO: Right.
MR. GARCIA: Right.

MR. MILANO: Right.
MR. GARCIA: Right.

MR. MILANO: Right.
MR. GARCIA: Right.

MR. MILANO: Right.
MR. GARCIA: Right.

MR. MILANO: Right.
MR. GARCIA: Right.

MR. MILANO: Right.
MR. GARCIA: Right.

MR. MILANO: Right.
MR. GARCIA: Right.

MR. MILANO: Right.
MR. GARCIA: Right.

MR. MILANO: Right.
MR. GARCIA: Right.

MR. MILANO: Right.
MR. GARCIA: Right.

MR. MILANO: Right.
MR. GARCIA: Right.

MR. MILANO: Right.
MR. GARCIA: Right.

MR. MILANO: Right.
MR. GARCIA: Right.

MR. MILANO: Right.
MR. GARCIA: Right.

MR. MILANO: Right.
MR. GARCIA: Right.

MR. MILANO: Right.
MR. GARCIA: Right.

MR. MILANO: Right.
MR. GARCIA: Right.

MR. MILANO: Right.
MR. GARCIA: Right.

MR. MILANO: Right.
MR. GARCIA: Right.

MR. MILANO: Right.
MR. GARCIA: Right.

MR. MILANO: Right.
MR. GARCIA: Right.

MR. MILANO: Right.
MR. GARCIA: Right.

MR. MILANO: Right.
MR. GARCIA: Right.

MR. MILANO: Right.
MR. GARCIA: Right.

MR. MILANO: Right.
MR. GARCIA: Right.

MR. MILANO: Right.
MR. GARCIA: Right.

MR. MILANO: Right.
MR. GARCIA: Right.

MR. MILANO: Right.
MR. GARCIA: Right.

MR. MILANO: Right.
MR. GARCIA: Right.

MR. MILANO: Right.
MR. GARCIA: Right.

MR. MILANO: Right.
MR. GARCIA: Right.

MR. MILANO: Right.
MR. GARCIA: Right.

MR. MILANO: Right.
MR. GARCIA: Right.

MR. MILANO: Right.
MR. GARCIA: Right.

MR. MILANO: Right.
MR. GARCIA: Right.

MR. MILANO: Right.
MR. GARCIA: Right.

MR. MILANO: Right.
MR. GARCIA: Right.

MR. MILANO: Right.
MR. GARCIA: Right.

MR. MILANO: Right.
MR. GARCIA: Right.

MR. MILANO: Right.
MR. GARCIA: Right.

MR. MILANO: Right.
MR. GARCIA: Right.

MR. MILANO: Right.
MR. GARCIA: Right.

MR. MILANO: Right.
MR. GARCIA: Right.

MR. MILANO: Right.
MR. GARCIA: Right.

MR. MILANO: Right.
MR. GARCIA: Right.

MR. MILANO: Right.
MR. GARCIA: Right.

MR. MILANO: Right.
MR. GARCIA: Right.

MR. MILANO: Right.
MR. GARCIA: Right.

MR. MILANO: Right.
MR. GARCIA: Right.

MR. MILANO: Right.
MR. GARCIA: Right.

MR. MILANO: Right.
MR. GARCIA: Right.

MR. MILANO: Right.
MR. GARCIA: Right.

MR. MILANO: Right.
MR. GARCIA: Right.

MR. MILANO: Right.
MR. GARCIA: Right.

MR. MILANO: Right.
MR. GARCIA: Right.

MR. MILANO: Right.
MR. GARCIA: Right.

MR. MILANO: Right.
MR. GARCIA: Right.

MR. MILANO: Right.
MR. GARCIA: Right.

MR. MILANO: Right.
MR. GARCIA: Right.

MR. MILANO: Right.
MR. GARCIA: Right.

MR. MILANO: Right.
MR. GARCIA: Right.

MR. MILANO: Right.
MR. GARCIA: Right.

MR. MILANO: Right.
MR. GARCIA: Right.

MR. MILANO: Right.
MR. GARCIA: Right.

MR. MILANO: Right.
MR. GARCIA: Right.

MR. MILANO: Right.
MR. GARCIA: Right.

MR. MILANO: Right.
MR. GARCIA: Right.

MR. MILANO: Right.
MR. GARCIA: Right.

MR. MILANO: Right.
MR. GARCIA: Right.

MR. MILANO: Right.
MR. GARCIA: Right.

MR. MILANO: Right.
MR. GARCIA: Right.

MR. MILANO: Right.
MR. GARCIA: Right.

MR. MILANO: Right.
MR. GARCIA: Right.

MR. MILANO: Right.
MR. GARCIA: Right.

MR. MILANO: Right.
MR. GARCIA: Right.

MR. MILANO: Right.
MR. GARCIA: Right.

MR. MILANO: Right.
MR. GARCIA: Right.

MR. MILANO: Right.
MR. GARCIA: Right.

MR. MILANO: Right.
MR. GARCIA: Right.

MR. MILANO: Right.
MR. GARCIA: Right.

MR. MILANO: Right.
MR. GARCIA: Right.

MR. MILANO: Right.
MR. GARCIA: Right.

MR. MILANO: Right.
MR. GARCIA: Right.

MR. MILANO: Right.
MR. GARCIA: Right.

MR. MILANO: Right.
MR. GARCIA: Right.

MR. MILANO: Right.
MR. GARCIA: Right.

MR. MILANO: Right.
MR. GARCIA: Right.

MR. MILANO: Right.
MR. GARCIA: Right.

MR. MILANO: Right.
MR. GARCIA: Right.

MR. MILANO: Right.
MR. GARCIA: Right.

MR. MILANO: Right.
MR. GARCIA: Right.

MR. MILANO: Right.
MR. GARCIA: Right.

MR. MILANO: Right.
MR. GARCIA: Right.

MR. MILANO: Right.
MR. GARCIA: Right.

MR. MILANO: Right.
MR. GARCIA: Right.

MR. MILANO: Right.
MR. GARCIA: Right.

MR. MILANO: Right.
MR. GARCIA: Right.

MR. MILANO: Right.
MR. GARCIA: Right.

MR. MILANO: Right.
MR. GARCIA: Right.

MR. MILANO: Right.
MR. GARCIA: Right.

MR. MILANO: Right.
MR. GARCIA: Right.

MR. MILANO: Right.
MR. GARCIA: Right.

MR. MILANO: Right.
MR. GARCIA: Right.

MR. MILANO: Right.
MR. GARCIA: Right.

MR. MILANO: Right.
MR. GARCIA: Right.

MR. MILANO: Right.
MR. GARCIA: Right.

MR. MILANO: Right.
MR. GARCIA: Right.

MR. MILANO: Right.
MR. GARCIA: Right.

MR. MILANO: Right.
MR. GARCIA: Right.

MR. MILANO: Right.
MR. GARCIA: Right.

MR. MILANO: Right.
MR. GARCIA: Right.

MR. MILANO: Right.
MR. GARCIA: Right.

MR. MILANO: Right.
MR. GARCIA: Right.

MR. MILANO: Right.
MR. GARCIA: Right.

MR. MILANO: Right.
MR. GARCIA: Right.

MR. MILANO: Right.
MR. GARCIA: Right.

MR. MILANO: Right.
MR. GARCIA: Right.

MR. MILANO: Right.
MR. GARCIA: Right.

MR. MILANO: Right.
MR. GARCIA: Right.

MR. MILANO: Right.
MR. GARCIA: Right.

MR. MILANO: Right.
MR. GARCIA: Right.

MR. MILANO: Right.
MR. GARCIA: Right.

MR. MILANO: Right.
MR. GARCIA: Right.
You know, I really agree with what Mr. Garcia was saying, is we can in some ways advocate on the behalf of the VBOCs and put something into our report, the next report we do, but I think it would be helpful for us to understand, you know, what -- how does this really work at the grass roots level? You know, what do a couple of success stories look like?

And going back to what the ombudsman gave us today with the slick sheet, if we have any of those from the VBOCs, that might be helpful, too.

MR. MILANO: Yep, without a doubt. So, this is just the first of a long relationship, and I'll bring that next time. Thank you.

MR. MCADAMS: Mr. Chairman, Rich McAdams, if I could, real quick. I just want to throw in anecdotal evidence. For that very reason, Jim, I went to a Boots to Business event that was at Redstone Arsenal, just because I wanted -- I had heard the term 56 times on the one day I was on the committee, and it was amazing. It was phenomenally well done.

And I would encourage you, if you get a chance, spend at least the first day, see the material, see how well it's done. And one of the things that struck me with how well it's done is they equally emphasize business may not be for you, which I think is a -- one of the best take-aways a guy can have, far better than making it easy for him to borrow a bunch of money and ruin his credit for the rest of his life.

MR. PHIPPS: Okay. We're going to take a short break, and when we come back, Barb's going to give us an update on OVBD, and Ray will get into access to capital. We will reconvene at 10:35, a ten-minute break.

(A brief recess was taken.)

MR. PHIPPS: All right, everybody. We're going to get started.

Okay. So, next on the agenda is going to be Barb Carson that we want to congratulate for now being the forming/storming. We've been in that for a couple years as our team has changed, our mission has grown.

We have even reorganized our structure, and I am thrilled to have two new people that I want to highlight today on our team.

Amy Garcia is here on our right. She has been with SBA since 2009, specially focused on service-disabled, veteran-owned small business protests.

She knows procurement inside, outside, has great relationships with our colleagues in the government contracting business development world, which we are grateful for, and we rely on her.

She also is a former small business owner herself and has legislative staff experience. She comes to us on this team to serve in a policy role as we bring everything together, to make sure that across all of our portfolios and efforts, that the things we do are strategic, that we communicate them well to every level where we should, whether it's in our agency, it's to the President, to our Administrator, and to veterans themselves who want to start and grow their businesses.

So, I am grateful for you, Amy, joining our team.

We also have Jerry Godwin, next to Amy, a service-disabled vet, Army. He -- hopefully we will get to put him on the spot at the next meeting and he can...
tell you more about what his role will be on our team.

He has just joined us -- it's been six weeks, perhaps? -- and he will focus on access to capital policy as well as procurement policy.

In the past, OVBD did have a procurement liaison, and they really treated it as a one-on-one business space mentor for those who were in the D.C. area. I don't believe that's the role that we should have. Jerry will be tasked to work with OSDBUs, what are service-disabled vets doing in each agency as far as their procurement; what could they be doing better; what are the gaps or obstacles that are preventing them from having more success in those opportunities. Some of this is something we're accountable for, building their capacity. So, Jerry has an important role there.

For access to capital as well, we have had a great year. We want to make it more than just a one-outstanding year. Let's build this into a trend.

There's a lot that we have to learn and then act on. So, I'm counting on Jerry to do that. He also is a former business owner, successful exits, and he has served at Montgomery County, starting and growing an incredible network of accelerators and incubators. So, I look forward to him advising us on -- and our Office of Innovation and Investment -- thank you -- SBIC, SBIR.

This man knows about all of it and can bring some real-world personal experience to us.

So, there are some who may stereotype what a vet business is, what sectors they're in, what size they might be. He, like others, blows that out of the water.

So, we are -- I feel we have built a comprehensive team that has a wide world view of experience they've walked themselves and things that they're studying and growing to do for our team. So, that's what we've been doing internally. Thanks for joining us, Jerry.

Also, internally, the gap analysis. You heard briefly about it last quarter, 400-plus pages of things that we could be doing better and, thrillingly, recommendations on how to start going about that. What would be the priority of effort that we should put forward? Because what can have the biggest impact with the lowest number of resources required, that's obviously where I am going to go first.

So, thank you, Chair, for your leadership on that, and you will see that again in its final form soon. I'm trusting the advisory committee with that first, because I do count on your advice and counsel as we move out. I'm very pleased to have John Garcia join us on this team as we look at the better connections that could exist across VA at state levels, and he absolutely understands, being a former Deputy Assistant Secretary at VA, where those opportunities and gaps are. He shares the same heart-felt belief that Ray and I do and the rest of my team, that you can have amazing policies at the national level, but if they aren't available and known about and consistent in the local level, it doesn't mean a thing. So, I look forward to your leadership, Mr. Garcia, in joining us in this effort.

The Interagency Task Force -- I'm still internal, but moving a little broader now -- that meets tomorrow, and it was former Chairman Fielder's desire -- and we have now enacted it -- that a member of the advisory committee will also serve on the Interagency Task Force for Veterans Small Business Development. That representative is Davy Leghorn of the American Legion. That will be the connection between these two bodies. I'm sure there are many others. You're always welcome to attend this public meeting, but I want you to know that you have other channels now for your work to be enacted.

And finally, you met the ombudsman. He can't have favorites among his businesses that he serves, but I am very pleased already with, just six weeks on the job, how much interaction I have had with him, his broad understanding, and his desire to learn more about what we can do.

I do, by statute, also have a role as an ombudsman for veteran small business owners. I will not act separately from the national ombudsman, but I have made him aware of that role that I have and that we do have a connected -- very connected relationship moving forward that he knows about. And I do also intend to share some of our travel with him so that we can do things for veteran small business owners in the coming year, in addition to the work that he already does on a regional level.

Any questions on the internal circles so far? (No response.)

MS. CARSON: Okay, I am going to keep plowing on with the good things. I am going to break the next three into entrepreneurial, development and outreach, and access to capital and procurement, three things, our core missions.

A big quarter for us for outreach in a few places. National Veterans Small Business Week that I told you all about happened the first week of November, with national events which were great. Our Administrator participated in three of them, the launch of Boots to Business Reboot, which is a public-private
a once-a-month webinar for spouses on entrepreneurship and small business ownership. Ray Milano, again, has a lead in this effort.

We're convening on the 17th of this month because, you know, I shouldn't generate all the good ideas. Maybe you should check in with the population you're to serve and make sure that you're going the right away, so we're meeting with a number of organizations that have partnered with us before in efforts to provide small business opportunities to military spouses. That includes Blue Star Family, it includes The Rosie Network, the U.S. Chamber of Commerce Foundation, MilitaryOneClick, obviously DoD, the Institute for Veterans and Military Families, are among the partners who will join us.

Again, in March, I'll have -- I will tell you what our strategy is broadly, and, Kathy, I'd appreciate it if you spoke up and correct any misstatements I make on this, but of approximately 900,000 military spouses, the unemployment rate is in the double digits. It was about 20 percent.

MS. ROTH-DOUQUET: (Off mic.)

MS. CARSON: It was 26 percent unemployed military spouses. You may know some of the challenges, and they are -- portability is one of them. So, the --

a lot of focus on the startup. What more could we do for the growing businesses that already exist? Is there anything for success planning as older veteran businesses are looking to perhaps turn it over to another vet, just another thing that we hear anecdotally that we may be -- have an opportunity to grow into.

Ray Milano has been my battle buddy on reaching out to warrior transition units on the three services and with Special Operations Command. He has the trust of a number of the agencies to be that single point of contact right now. As we look at the wounded, ill, and injured who are leaving the services, they often have their own transition experience separate from Boots to Business, and there are also other programs and connections that need to be made for that population, whether it's the VA and VR -- the Voc Rehab and employment, or the local opportunities and resources that are available. So, Ray has been a great leader in that arena, and we will have a more full update for you in March on what exactly we hope to achieve there and what we've been asked to do.

And another population that we talk about often and I want to serve better is the military spouse. So, in January of 2016, SBA will join the Department of Defense Military Spouse Employment Program in launching partnership with the Institute for Vets and Military Families, The Marcus Foundation, and First Data Corporation. That was launched in Boston with great assistance from our district office there.

That, again, is using the Boots to Business curriculum, which we use for transitioning service members and spouses on military installations, bringing that out into the community, to reach Reserve and Guard and veterans of all eras who did not have that same transition assistance experience available to them.

The deputy administrator also spoke on access to capital in Baltimore, but more meaningful is how many veterans were interacting with us, face to face, in training events across the nation. Over 6000 veterans received services from SBA and its resource partners in just that one week, at over 160 events across the United States. That is fantastic, and I am really proud of it, and we can do a lot more.

I think there are -- your representation from all the areas that you come from across the United States is something that's going to endure. This was our third one. I would really like to be more strategic about what we choose to get done this coming November for veterans across the U.S. So far, we have found great interest in access to capital, agree that there's a once-a-month webinar for spouses on entrepreneurship and small business ownership. Ray Milano, again, has a lead in this effort.

We're convening on the 17th of this month because, you know, I shouldn't generate all the good ideas. Maybe you should check in with the population you're to serve and make sure that you're going the right away, so we're meeting with a number of organizations that have partnered with us before in efforts to provide small business opportunities to military spouses. That includes Blue Star Family, it includes The Rosie Network, the U.S. Chamber of Commerce Foundation, MilitaryOneClick, obviously DoD, the Institute for Veterans and Military Families, are among the partners who will join us.

Again, in March, I'll have -- I will tell you what our strategy is broadly, and, Kathy, I'd appreciate it if you spoke up and correct any misstatements I make on this, but of approximately 900,000 military spouses, the unemployment rate is in the double digits. It was about 20 percent.

MS. ROTH-DOUQUET: (Off mic.)

MS. CARSON: It was 26 percent unemployed military spouses. You may know some of the challenges, and they are -- portability is one of them. So, the --
that strong growth, and I'm looking forward to giving
you an update from the Capital Access Office in March,
if you allow that, Chair, please. And then obviously we
will be jumping into this in a deeper dive with Ray
Milano shortly, later today.

At the bottom right is the service-disabled,
veteran-owned small business procurement goal for the
And '15, we won't have the results yet until the third
quarter of '16, but I'd like you to see how high that
number is going. We really are making substantial
progress in opportunities for service-disabled vet small
business in federal procurement.

At the top left, taking a look at counseling and
training of -- this is what OVBD's impact is, Office of
Veterans Business Development, because I want you to see
the difference here, training, where there are multiple
people in a session together, learning about small
business ownership principles, that's at almost 60,000
in fiscal '15. And counseling is one on one, and it's
VBOC, Veteran Business Outreach Center, only, was about
15,000 and a half. I expect that you are going to see
some colors change on this going forward. Yes, I'm very
happy about our contribution.

You are going to see more training, less
counseling from the VBOC for the reasons that Ray
described. Their mission really is first to get to the
transitioning servicemember population, Reserve, Guard,
active-duty. But the color band you are going to see
better reflected that they will get credit for is
referral, referring them to the right agency.

Whether it's SBA or it's VA or it's Department
of Labor, they are supposed to be connectors, and until
I can grow this program to be able to serve every vet
face to face, I'm going to need to have a good referral
network, and they need to be connectors, not creating
their own new wheels and trying to get people to come
and join on that car. That's not going to happen.

So, I'm pleased with what we're doing. SBA, as
a whole, connects with 200,000 servicemembers, veterans,
and military spouses every year. So, this is our share
specifically of that pie.

That is my really brief, the Office of Veterans
Business Development update. Are there any questions
for me at this time?

MR. MCADAMS: Ms. Carson, Rich McAdams. Thank
you very much for that.

One quick question, and it's a very broad
question. In light of 14 years of -- that's finally
winding down, being at war, and the increasing

population of service-disabled veterans, is -- are you
aware of any move -- any discussion within Congress
about increasing the 3 percent goal for
service-disabled, veteran-owned small business?

MS. CARSON: There has not been discussion of
increasing beyond the 3 percent goal at this time. I'm
not seeing it in any pending legislation or discussion.

MR. MCADAMS: Okay, thank you.

MR. PHIPPS: Thank you very much, Barb.

Now we will get into the veteran business access
to capital landscape, Ray Milano.

MR. MILANO: Yeah, let me just scroll through
here really quickly, and I'll be ready to go.

All right. So, again, this is a pretty
confusing slide, so I put it up there for a purpose, but
I just want to take the opportunity to kind of introduce
myself this time. So, again, Ray Milano, director of
the VBOC program.

So, I came down to the Office of Veterans
Business Development in May of this year. Prior to
that, I've been with SBA for about 16 1/2 years up in
Boston. So, I've been with the Boston District Office
and the New England Regional Office. Pretty much I have
held, formally or informally, pretty much every job in
the district or the regional office up there, except

regional administrator and district director, and I
loved my time up there.

My last, you know, eight years or so, I was the
veteran business development officer up there. So, I
worked directly with veterans. My last four or five
years, I was the branch manager and the lead economic
development person up in Massachusetts. And probably
the last three years, I probably spent 80 percent of my
time working with veterans and veteran organizations.

You know, I talk about the three Es. I know
we're the Small Business Administration, but when you
talk to veterans, it's about employment, education,
entrepreneurship, and, you know, it's either one or a
multiple of those three. So, I made it my job to kind
of be plugged in, and, you know, it worked well in
Massachusetts. I was having a great time up there.

You know, we were serving the veteran
population, the small business community, and when I saw
an opportunity to come down to D.C. and head up the VBOC
program, you know, I jumped on it, and it was to work
with Barb. I knew about the organization. I knew about
the leadership. I knew about the OVBD team. You know,
I thought bringing some field perspective,
boots-on-the-ground kind of reality to headquarters,
wouldn't be a bad thing. And it's worked out great so
So, I'm looking forward to working with the OVBD team and you and all the committees and everybody that's kind of working to help veterans out there, to kind of, you know, make it work and make it work within the box, so everything's not done out of the box, right? It seems like all the successful programs and resources out there are being done outside of the box and they're one-offs, and we want to try to make sure that, you know, that box is expanded and everybody is kind of inside there and make it happen.

So, with that said, you know, prior to SBA -- I'm a Marine Corps vet, so I got out of the military, went to undergrad, went to law school, and my first job was with SBA. My first real job everybody tells me was with SBA. So, I have been with SBA ever since. And, again, I've been lucky because I've been challenged, I've been given some opportunities within SBA, I've stayed with SBA, and I think I might be the last one in my generation that retires from the same job they started with, you know, after 30 years.

So, I'm happy about that because I love what I do at SBA, I love our mission, and I love the impact, right? If we do our job well -- I tell people, if you do your job well -- you know, forget about the metrics there, and, you know, you'll get this and you can see, you know, where do you start? It's confusing, right?

What do you do out there?

You know, I can imagine being a startup or an existing business and you don't have that connection, right? You don't know your SBA office. You're not connected with, you know, a lender. You're not connected with a business advisor. You jump online, this is the kind of stuff you find, right? And now you've got to figure out what you do next.

So, I talked to Mike and I talked -- well, we'll talk about some traditional lending, the SBA lending, and then some alternatives, and kind of -- you know, not the good, the bad, and the ugly, but, you know, what you should be thinking about, you know, as a veteran or as a resource for a veteran as they're looking for financing.

So, here's some financing resources to kind of break it down a little bit, and, you know, you probably all know about this, you know, you know about these options, and, you know, I've highlighted a few of them, right? So, you have got these online lenders now. Peer-to-peer lending is starting to wane a little bit now with the online lending taking place, you know, and part of that online lending is the short-term lenders, these really short-term lenders, one to six months, one to twelve months. You know, you have some online lenders that go from six months to five years, six months to two years.

And then you have crowdfunding. I know some new regulations were just issued as far as crowdfunding for equity purposes. So, it will be interesting to see how that happens, but we do see a lot of interesting crowdfunding. And then in red, I have credit cards, right? So, when I'm in the field and I'm talking to businesses, you know, all of these come up, right? They want to know, where do I start? I've tried this, where to start.

You know, I've highlighted credit cards because there are some other options out there better than credit cards, and, you know, when we're talking about financing resources, you know, it's all individual, right? You can't -- it's not -- you can't paint it in -- you know, kind of in a broad brush. Everybody's situation is different, and I'm going to talk about some of those expectations and needs as you walk into, you know, kind of the lending environment.

So, as you know, with SBA, especially in the field, we do it all. So, we're working with small business owners, resource partners, but we're also working with lenders, right? So, in the field, we have...
lender relation specialists that all they do is work
with lenders every day and train them on the SBA loan
programs, how to use the loan programs, you know, assist
them with any questions regarding the SOPs, etcetera.

But we also work with lenders to connect them
with small business owners, and we work with them to
find out what they're looking for, because we do a lot
of referrals in the field. You know, a lot of small
business owners come through the SBA and our resource
partners to get to lenders. They don't go to lenders
first, which is great; that's what we want them to do.

But, you know, here are the basics, right? And
everybody knows the five Cs, but I break it down
differently, right? So, I say, you know, credit score,
right? You need to know your credit score. If you
don't know your credit score before you walk into a
lender, you know, you are not being given the right
information. So, you need to know your credit score.

You know, what the credit score is -- you know,
if you're in the 670, 680 range and above and you walk
into a lender, you know, you're in the ballpark. I like
to say you're going to get into the ballpark. If you're
below that, they're going to meet you at the door and
kind of, you know, talk to you before they let you in,
right?

So, 670, 680, that's about the range where, you
know, you're in the ballpark, they are going to talk to
you. You know, community banks are, you know, are what
are getting it done right now. You know, I'll put down
some numbers. I know Barb talked about the numbers, but
veteran loans, 2014, loans to veterans through SBA, 2126
loans, right, for about $605 million, 2014, to veterans.

These are (a) loans.

In 2015, the loans went up to 3354 -- that's a
45 percent increase and the total dollars went up 100
percent, to over $1.2 billion to veterans. So, the
lending's out there, right? Lenders want to lend, but
they want to lend to qualified borrowers that have the
right expectations, that know what they're getting into.
So, credit score is important.

Injection, skin in the game, contribution,
that's important, right? So, you need to know that, you
know, a lender is not going to finance you 100 percent.

You know, if your business plan says you need $100,000
to make things work, to get it up and running, start
making a profit, all that good stuff, you know, they're
not going to finance you 100 percent, especially if
you're a startup. So, we tell people, you need about 20
percent injection. You know, 20 percent is the
ballpark.

There is no set rule on the SBA side for
injection, you know, there's no set, you know, 20
percent, 10 percent, 30 percent, but a lender is going
to want to see injection, skin in the game, especially
if you're a startup.

If you're an existing business, you know, a
business that has some history, good cash flow, and
depending on what you need the money for, you know, you
might not have any injection, right? The lender might
feel like you're a good risk, you don't need the
injection, the cash flow's going to pay for itself,
you're already invested in your business, and so, you
know, we don't need any additional injection on that.

But most of the ones we see are -- you know,
between startup and two or three years that need this
funding, and most banks are going to ask for injection,
and 20 percent is a good rule we find out there. Some,
you know, it's as low as 10, some it's up to 30, but
setting those expectations with that borrower from the
beginning is important when they walk in.

Collateral is important. So, they need to
understand, you know, it is your house, you know, any
real estate, your car, all business assets, but
something like life insurance, right? So, a lender
might ask for life insurance for the term of the loan.
That's something a lot of people don't think about, and
want to know that before you walk into a lender,
because, you know, you're sitting there and then a
lender starts asking you about life insurance. If
you're not ready for it, it's kind of offputting for
some people, right? So, you need to know about life
insurance as far as collateral and all types of
collateral and be ready to do that.

And then the final thing is experience, right?
So, experience for you or your team, right? So, a lot
of business owners, you know, short-sell themselves and
their team in their business plan. You know, they don't
talk about their experience, the experience of their
team. And when I talk about team, I'm talking about
formal team members, employees, your accountant, your
lawyer, et cetera, and a lot of startups don't have
formal, you know, team members like that, but it's your
informal team, too.

So, if your wife is going to be your accountant,
you know, a lot of them don't talk about that in their
business plan, but they need to know that. The bank
wants to know that you and your team, number one, have
the ability to do the work. So, if you're going to be a
plumber, who's going to do the work, right? Who has the
So, when I talk to borrowers and when I'm talking with the lenders, I kind of break it down that way, and it usually works out pretty well. The one thing I see, you know, that they're really short on is telling about their story, their experience, you know, the experience of their team. You know, entrepreneurship is a team sport, right? And you need a team to make a business run, and you need a team to help you get down the road, and telling about yourself and your team is a big deal to the lender, okay?

And then it ties right into a loan declined. So, this is what I talk to lenders all the time about, right? So, in the field, you know, they'll say, no experience running a business, no business plan, no financials, bad credit, lack of experience, little or no investment/contribution into the business, no earnings history, right, no projections, no cash flow, and then your lack of commitment. So, this sounds a little corny, but bottom line is -- and as probably most of you know -- is a lender is going to sit across from you, and they are going to push aside the business plan and kind of look for success. That's done through technical assistance.

So, when I talk to borrowers and when I'm talking with the lenders, I kind of break it down that way, and it usually works out pretty well. The one thing I see, you know, that they're really short on is telling about their story, their experience, you know, the experience of their team. You know, entrepreneurship is a team sport, right? And you need a team to make a business run, and you need a team to help you get down the road, and telling about yourself and your team is a big deal to the lender, okay?

And then it ties right into a loan declined. So, this is what I talk to lenders all the time about, right? So, in the field, you know, they'll say, no experience running a business, no business plan, no financials, bad credit, lack of experience, little or no investment/contribution into the business, no earnings history, right, no projections, no cash flow, and then your lack of commitment. So, this sounds a little corny, but bottom line is -- and as probably most of you know -- is a lender is going to sit across from you, and they are going to push aside the business plan and kind of look for success. That's done through technical assistance.

So, when I talk to borrowers and when I'm talking with the lenders, I kind of break it down that way, and it usually works out pretty well. The one thing I see, you know, that they're really short on is telling about their story, their experience, you know, the experience of their team. You know, entrepreneurship is a team sport, right? And you need a team to make a business run, and you need a team to help you get down the road, and telling about yourself and your team is a big deal to the lender, okay?

And then it ties right into a loan declined. So, this is what I talk to lenders all the time about, right? So, in the field, you know, they'll say, no experience running a business, no business plan, no financials, bad credit, lack of experience, little or no investment/contribution into the business, no earnings history, right, no projections, no cash flow, and then your lack of commitment. So, this sounds a little corny, but bottom line is -- and as probably most of you know -- is a lender is going to sit across from you, and they are going to push aside the business plan and kind of look for success. That's done through technical assistance.

So, when I talk to borrowers and when I'm talking with the lenders, I kind of break it down that way, and it usually works out pretty well. The one thing I see, you know, that they're really short on is telling about their story, their experience, you know, the experience of their team. You know, entrepreneurship is a team sport, right? And you need a team to make a business run, and you need a team to help you get down the road, and telling about yourself and your team is a big deal to the lender, okay?
business plan ready. Let's get your financials ready
and see if you're ready to -- for -- if you're
lender-ready and make that determination.

If you are lender-ready, the bank's going to
give you the loan. Remember, the bank cannot use the
SBA guaranteed loan program if they would make the loan
traditionally, right? They have to say, but for the SBA
guarantee, we would not make this loan. That's what it
means, right? So, these 63,000 7(a) loans, you know,
these are banks saying, without the SBA guarantee, we
would not make these loans. These loans would not be
made without the SBA guarantee. So, the banks certify
that.

So, the first level is, hey, is the bank going
to make this loan traditionally? And the bank might
say, no, you know, you're a startup, we don't do a lot
of startups, you know, this is an industry we really
don't do a lot of -- you know, your credit score is
borderline, your collateral's not great. So, they might
say, okay, we need to mitigate that risk. So, that's
where the SBA guarantee comes in, right? It's not to
make bad loans good; it's to make those borderline
loans -- it makes the lender get to yes, right, to
mitigate that risk just enough to make that happen. We
do that by the SBA guarantee, right?

So, for loans, again, under 150, it's an 85
percent guarantee. Lenders love that, right? Why not
get an 85 percent guarantee, you know, to mitigate that
risk? For loans up to 5 million, you know, from 150 to
5 million, it's a 75 percent guarantee. A great
program. So, you've got to kind of think of it in those
terms.

And I always -- when I talk to a borrower, it's
not start with these microloans and payday loans and
short-term loans. Start with a lender and see where you
are with the lender first and then work your way down,
right? Work your way down to the lowest common
denominator and see what's available for you, okay?

Now, the other, you know, main SBA loan program
is the 504. So, this is, you know, long-term equipment, real
estate, some development, up to 5.5 million. To be
honest, the 504 program has been going down the last
couple of years. You know, a lot of times it's because
the lenders are using the 7(a) loan program, you know,
instead of the 504, but this is a well-used program, and
it is an option, okay?

If you're not familiar with the 504 program, you
know, it's a three-way project. You have a lender that
covers 50 percent, so it's a no-brainer for a lender.
You get into a piece of property, the lender's in it at
a first mortgage at -- you know, at 50 percent. They
love that. And then SBA comes in with a certified
development company up to 40 percent. And then usually
the business is in for 10 percent. So, this is average.

You know, if it's a startup, you're going to add
another 5 percent on that injection from the company, so
it will be 15 percent, and the CDC will cover 35
percent. You know, if it's a special use, like a gas
station or a golf course or something like that, you
know, again, the injection from the company would go up,
but this is an average SBA 504 loan, and it's a great
program.

Again, lenders know about this program and,
again, this is -- these are for lenders to use. So, you
know if somebody is looking to buy a building or
retrofit a building, you know, it's always let's talk to
a CDC or a lender and see what works best for you.
What's your best situation, right? You know, if you
don't have the injection, maybe the 504 is the way to
go, but, you know, they could -- you know, banks could
use the 7(a) loan program to cover, you know, real
estate, too. So, whatever works best for the lender and
for the borrower. So, setting those expectations from
the beginning is important.

And then knowing the lender, too. So, on the
I talk about that, a lot of people say, wow, that's like a secret, and it's not a secret, right? We do it every day in a district office, and it's just about connecting with the right people in your area.

So, here -- so, we do have special loan programs for veterans, right? So, we have Veterans Advantage now, which took over for Patriot Express, and then we have the Veterans Entrepreneurship Act of 2015 that took charge -- took over October 1st. So, this is legislation, right?

The Veterans Entrepreneurship Act of 2015, this was legislation passed by Congress, signed by the President, and, you know, for all SBA Express loans, right, there's no guarantee fee charged to veterans and their spouses. So, all SBA Express loans.

So, SBA Express is a subset of the 7(a) loan program. SBA Express only goes up to a 50 percent guarantee and only goes up to 350,000. So, SBA Express loans, 50 percent guarantee, up to 350,000, no guarantee fee, which is great, right? So, that's great for you, the borrower, you know, if they have to pay a 3 percent guarantee fee on, you know, $350,000, you know, that could add up, right?

So, you know, that eliminates that, so it helps the borrower, obviously, because of the injection at the beginning for that, but it also helps the lender because that money that the borrower would use for the guarantee fee, they can now put into the business, and the lender loves that, right? That's injection for the lender.

So, again, this is a program that looks like it's targeted towards veterans, and it is, but it helps the lender, too, because that money you would pay for the guarantee fee is going to be put into the business instead of in the pocket of the bank. And the bank doesn't mind, you know, they like that, right? That helps the lender. It mitigates some risk. So, that's a good thing. Okay, that's the Veterans Entrepreneurship Act.

Veterans Advantage now -- so, before the Veterans Entrepreneurship Act, you know, that was what I just talked about, was Veterans Advantage, and, you know, part of Veterans Advantage was kind of eaten up by the Veterans Entrepreneurship Act, which is good because now it's legislation and it's forever, right? It doesn't have to be renewed every year.

So, now the Veterans Entrepreneurship Act -- so, loans from 350,000, right, up to 5 million done to veterans, the guarantee fee is cut in half, okay? And Veterans Advantage runs through September 30th, 2016, okay? And those are the specials for veterans.

All loans right now, for any borrower up to 150, has no guarantee fee, right, under SBA. So, that's for everybody. And these -- this eligibility right here is a specific just for the veterans, so veterans have a good deal, up to 350,000 for Patriot Express -- I mean for SBA Express, no guarantee fee; and then 50 percent, half guarantee fee up to 5 million for all those loan programs, okay?

I want to talk to you about the Community Advantage Loan Program, okay? This is a program under the SBA umbrella. It's a pilot loan program that's been around for a few years. Technically, it's set to expire, I think, at the end of this year, but there is a rumor that it's going to be extended. I don't think they're too worried about that.

They're in the process of kind of trying to certify as many Community Advantage lenders out there. Community Advantage is pretty much the 7(a) program for nonprofits, so a microlender, okay? So, it pretty much runs the rules of the 7(a), it goes up to 250,000, the guarantee fee is similar to 7(a), you know, 85 percent for loans 150 and less, 75 percent for loans, you know, 150 to 250. You know, it's a quicker loan program because it's not done by a traditional lender.

It's a little more flexible with the credit scoring side, because, again, they're not regulated like a lender, so they can make loan decisions, don't have to worry about regulators coming in and questioning what they're doing.

This is a loan program focused on underserved markets. So, 60 percent of loans done under the Community Advantage program by an organization have to be done to underserved markets. So, that's women, minorities, and veterans, right? So, when you hear "underserved," always think veteran. You know, a lot of people talk about women, minority, HUBZone. Think about veteran, underserved, right? Community Advantage is perfect.

So, if you're not -- if a traditional, you know, SBA loan -- traditional bank loan doesn't work, a traditional SBA loan doesn't work, maybe a Community Advantage loan is the next step. See, I'm kind of tiering it down, starting from the top and walking down the process, because that's what you want to do. Your best shot and -- you know, for you, as far as the best benefit for you, the best assistance for you in managing that loan, and the best interest rate for you is starting from the top and walking it down, because if you're a good borrower, you are going to get the best rate, and walk it down from there. A lot of people try
to start from the bottom, right? And that's really not
the right way to go. It's really starting at the top
and seeing what fits for you, okay?
And then, you know, under -- after Community
Advantage, then it's microloans. So, these -- again,
nonprofits, community-based organizations, and loans up
to 50,000 for existing businesses, up to 30,000 for
startups. You know, the interest rate is a little
higher with microloans, you know, somewhere between 5
and 12 percent, but, again, these are community-based
organizations looking to start and grow businesses
within a geographic-specific area, right? So,
microloans are great. That could be an option if you're
looking -- if that covers you.
You know, you know that any lender is not going
to lend you -- you know, if you need $100,000 to start
and grow your business, you know, and that's the number,
you know, the lender is not going to undercapitalize you
and give you 50,000, right? You know, if you need a
hundred thousand, you need a hundred thousand, and the
bank's not going to say, well, you know, you're not
eligible for a hundred, but we'll give you 50 and see
what happens. That's never going to happen, right?

So, people think, well, I'll just get a
microloan for, you know, half of what I need and then
we'll see what happens. Well, that's not going to
happen, right? And that's setting those expectations
for those borrowers, because to be honest, a lot of
borrowers just walk right in to a lender or walk right
in to a microlender, et cetera, or they find their own
path, and, you know, they get discouraged, feel like
they can never get a traditional loan or an SBA loan,
and then -- you know, we'll talk about it -- they go to
those online lenders or those, you know, payday lenders
or their credit cards.
And usually if they're not ready or they don't
understand what they need to get an SBA loan or a
traditional loan, they are not ready for those other
loans either, and they are just going to set themselves
up for failure. And then we are going to hear from them
about six months later saying, hey, now I'm in deep,
right? Now I owe my credit card company.

So, again, SBA is in the business of creating
loan programs to get lenders to lend, and, you know, we
talk to lenders, they talk to us, and we try to make
this happen. So, the CAPLine programs, a working line
of credit -- you know, we have a contract line of
credit, we have a seasonal line of credit, builder's
lines of credit, and working capital lines of credit.
You know, these are underutilized programs. I know that
a lot of businesses you work with do federal or state
contracting. Contract lines of credit, a great program,
but only if you're working with a lender that uses that
program.
A lot of lenders don't use their CAPLines
program because it just doesn't fit their business
model, right, but a lot of them do, and that's where you
could talk to your local district office and say, hey,
who's using the CAPLine program? Which lender should I
talk to? I have a contract in hand. I need, you know,
$300,000 to complete this contract. I need to buy
inventory. I need to hire some people. I need to get
insurance. I need to pay for some travel. You know,
who is going to give me credit or who's going to give me
a loan based on this contract? Not everybody. You need
to find the right lender, and that's where the SBA can
help you do that.

Export, Community Advantage, we talked about,
disaster, the SBIC program, you know, and then surety
bonding. So, again, there's a lot of programs out there
on the SBA side that we could help you with, and
starting with your lender and working your way down is
the best way to do that. But the biggest mistake I see
with lending in the field is that the borrowers don't
find the technical assistance prior to getting the loan.

So, they don't know what to expect. They don't
understand what the lender's looking for. They don't
understand, you know, the credit score and, you know,
how the SBA guarantee works. They don't understand how
the loan programs work, and they don't understand all
their options, right?

When I talk to borrowers, I talk about you want
to leverage the resources you have in the best way
available, right? So, some -- you know, people start up
their business, they have $75,000 in the bank, their
business plan says they need 50,000 or 60 to start the
business, they don't want debt, so they go ahead and
dump it all into their business and they move forward,
and, you know, hopefully it works out. A lot of times
it doesn't. Eventually, they are going to need capital
anyways.

You know, most people don't start off at 50, 60
thousand and then grow and then they never need capital.
Most of them are going to need debt financing. So, I
talk to them and say, well, you know, if you need
$50,000, you know, you might want to talk to a bank, and
you might have the cash flow to pay for it, because, you
know, if you're looking at 10 percent, you know, at
$50,000, you are going to have to put 10,000 into your
business, which you have already, and instead of putting
50 or 60 in, you're putting 10 in, 10 now, and now you still have 40 or 50 in your pocket, and now you're paying 200, 500 dollars a month for that 50,000, but now you can grow, right? Maybe they'll give you a line of credit, you know, that can expand your business. So, knowing your options from the beginning is the most important, and the ones that are successful are the ones that know -- you know, talk to a technical assistance provider, you know, even talk to your lender ahead of the game. You know, the lender is part of your team. We have a lot of business owners that I say, hey, you're new to the area. You're thinking about starting a business. You know you want to do business with this bank. You're not lender-ready now, but go talk to that lender. You know, we will give you the SBA person, say, hey, I'm new to the community. Here's my business plan now. You know, if I came in for a loan today, what would you tell me and what would I need down the road? So, make that relationship from the beginning, so when you are ready for a loan and you're ready to walk in, you know, they already know you, and you've already kind of done what they said, so it's more familiar to them, right? They're a partner with you.

So, think of a lender as your partner. A lot of people think of lenders as adversaries. We used to get calls all the time. Hey, Ray, you know, I just missed my payment. I don't think I can make it. I just lost this contract. What do I do? And the first thing I say is, did you call your lender? They say, no, I didn't call my -- I say, you call your lender. You know, that's one of the other advantages under the SBA program, is the lenders have a lot of flexibility with repayment, right? So, if you had a contract, you lose a contract, the bank could say -- whether it's a, you know, traditional lender, a microlender, a Community Advantage lender, they could say, okay, we understand where you're at. We'll defer payment -- principal, interest, or both -- for six months. We'll re-amortize, revisit, and let's get some technical assistance, let's get you back on your feet and see what happens.

Well, they can do that. You know, if you have a -- if you put it all on your credit card, a credit card company's not going to do that for you, right? A lot of these payday, you know, loans or these online lenders aren't going to do that for you. So, I'm not saying, you know, that there's not a need for, you know, these payday or online or short-term lenders, because there obviously is, right? There's an increase in them, there's a demand there, but if you're looking to save money, if you're looking to get the best interest rate, and you're looking to save a lot of heartache sometimes, you know, starting at the top is the best way.

The way you do that is get technical assistance from the beginning, right? Get those expectations, meet with some lenders, and kind of go down the pyramid like we just did, right? Traditional bank loan? No. Oh, SBA guarantee? No. Community Advantage, microloan? Okay, still you can't get any -- and usually it's due to bad credit, right? That's usually the biggest thing.

If you have bad credit and you're determined to start a business and you're going to -- you put it on your credit card or do, you know, an online lender, you know, we are not going to stop people from doing that, and a lot of those work out, but, you know, look at your options first. The people who do that are usually the most successful and do that.

I'm not mentioning any of those online or payday or short-term lenders obviously by name, but, you know, they're all good and bad, right, depending on, you know, where that small business is, and a lot of them don't do startups. A lot of them, you still need one or two years in business to get there. So, startups still need to know where to start, and most of them start with their credit card, and, you know, we try to get them as far away as possible from them.

If they do start with their credit card, one of the best things about the SBA 7(a) program is we could use an SBA loan to refinance your credit card and pay off your debt -- your credit card, your business credit card. A lot of people don't know that. So, that's one great reason just to go to -- you know, go to a lender and see if you could pay off your credit card and move into either a traditional or an SBA guaranteed loan.

So, a lot of people don't know that. So, it's a lot about information transfer and getting to the right people before they walk into that lender. Again, it's all local. Your local district office, your local resource partners, the VBOC, the Small Business Development Centers, SCORE, the Women's Business -- you name them, they all know that, they all have relationships with lenders, know how to get you lender-ready, and that's what we do. So, I hope that helps a little bit.

You know, I know the Office of Capital Access is going to come down and talk to you more, and they'll talk to you more about why they institute certain loan programs and why -- you know, why Patriot Express went
Advisory Committee on Veterans Business Affairs 12/9/2015

1 away, right? You know, how come lenders -- you know, Veterans Advantage doesn't have -- go up to 500,000 or a million, and how come, you know, it doesn't have a higher guarantee percentage and stuff like that, and they could talk to you about the subsidy rate and why they make decisions, but, you know, boots on the ground, why decisions are made by lenders on the ground, it goes back to what Barb was saying.

2 We can make all the policies in the world on a national level, but -- and especially with lending. You know, we work with a lot of lenders who want to have national programs and do more work with veterans, et cetera, but you know what, it's those loan officers in your communities that make those decisions, and if they're not on board, those loans aren't going to get made. So, you need to have those local relationships.

3 And I used to get calls all the time from lenders saying, hey, we're looking for more veterans to lend to, or, hey, no more startups, we just had a couple of defaults, or, hey, no more restaurants, we just had a default with a restaurant, they're not approving any more restaurants. That's the type of relationship that the SBA and our resource partners have with the lending community. So, take advantage of that. You know, that's what we're here for. We work for you. The banks

4 are working hard to keep one foot in headquarters, and, you know, I look to be a resource. We have Jerry on board now, so Jerry's going to get up to speed pretty quick on access to capital, and he'll be plugged in with the policies and procedures on, you know, what's being done for veteran lending, how to help it, how to -- you know, what's happening with it.

5 But definitely use me as a resource. I'm fighting hard to keep one foot kind of in the field and one foot in headquarters, and, you know, I look to be a resource for everybody. So, I'll take any questions if you have them.

6 MR. PHIPPS: You had mentioned people are using the 7(a) loan instead of the 504 more. Is there a reason -- do you have any reason for that?

7 MR. MILANO: Well, it's -- yeah, it's -- I mean, it's a lender decision. You know, the 504 program, you know, there's a few more steps for a lender. Some lenders don't have good relationships with certified development companies. So, you know, when somebody comes to me and says, hey, I'm an existing business, I am leasing now, I'm looking to purchase a building, you

8 know, it's attractive to me because of 504, you know, on the CDC side, the rates are, you know, around 4 percent right now for commercial over 20 years, and that's a fixed rate, and then the bank's going to give you a similar rate.

9 So, what I usually do is put them in touch with the CDC. If you start with a certified development company, they could usually pretty much easily find a bank to come in on that project. At 50 percent, first mortgage, it's a no-brainer usually for them. If you start with a lender, the lender, depending on their relationship with the certified development company, might decide, you know, it's -- it's, you know, low-risk enough just to deal with a 7(a) in-house and get a, you know, 75 percent guarantee instead of involving a CDC.

10 So, it's a lender decision just depending on how much -- you know, some lenders do a lot of 504 loans. Some don't. So, it just depends on where you start.

11 MR. PHIPPS: Right.

12 MR. MILANO: And the 504 used to have -- you used to be able to refinance under the 504 program.

13 There was a small window of time, and they're trying to get that back. So, the 504 program peaked when they had that refinancing authority in there, and the lenders and NADCO, their national association, is fighting to get that back right now, and I know that's on the Hill.

14 But if that comes back, you are going to see 504s go back up, because then you could refinance your 504, and if you have money left over, money in the building, you could take that money out and actually put it into your business. So, it's pretty attractive, so...

15 MR. PHIPPS: You mentioned that there were more steps in the 504. What's -- how long does the process take to complete the loan cycle for a 504 versus a 7(a)?

16 MR. MILANO: Yeah, that's a good -- a great question. So, the 7(a) -- it all depends on the paperwork, right? So, if you have your expectations set, you've gone to a business advisor, your business plan's good, you meet with a lender, all your ducks are in a row, I mean, you could get a 7(a) loan -- it's all electronic now, right? So, all -- it's all e-tran, so a lender could go into a system, enter the loan, and get a loan number instantaneously, and then it all depends on the documentation.

17 Preferred SBA lenders do everything in-house. They make all the decisions. SBA doesn't approve the loans. So, they do it all in-house. So, if all the documentation there -- it's all based on, you know, the internal lender process. So, you could get a 7(a) loan
in a week, you know, and that -- again, that depends on the borrower and, you know, the system of the lender. So, you could get pretty quick 7(a) loans.

MR. PHIPPS: That is quick.

MR. MILANO: We just met with a lender -- a national lender that does a quick, you know, kind of a 7(a) loan. They use some packagers to package the loan, so by the time it gets to the lender, it's already packaged, and they turn it around in three days, you know, approved loans. So, it can be done pretty quick. So, 504 loans are a little tougher, because you're dealing with either, you know, long-term use equipment but usually property, and when you're dealing with property, you're dealing with environmental right, and a building and stuff. So, you know, the 504 loans could take six months to a year, and it's only -- you know, if you're building a building, you're not getting all the money at once; you're doing it in stages, et cetera. So, it depends upon the type of loan you're getting.

But if you need a traditional 7(a) and your ducks are in a row, you went through a packager, you know, a bank can turn that around in days the way the system is set up now. It's almost all forced electronic. You probably know about the scoring system now used by SBA, and that's being used to give lenders -- allay their fears. You know, SBA is saying, hey, you know, using our scoring system, if it's 140 or above, using our tool, we're saying there's a good chance that's going to be a successful business, you know, it's going to get paid back, and that's using ten years of loan data, and that's -- I'm getting into Capital Access stuff, but -- so, we're trying to make it as easy as possible for lenders to make that decision, and our credit scoring tool does that. But it's all -- mostly all electronic right now.

MR. PHIPPS: Excellent.

You mentioned the information about what banks are lending to what types of organizations. Is that something for veteran businesses, in general, not having to go in just -- we can't have everybody go talk to Ray. Is any of that information made publicly available periodically or is that something -- how does --

MR. MILANO: It's usually done -- I haven't seen it published, you know -- you know, without request, meaning, you know, your local district office, your local veteran business development officer, your local lender relations specialist, your local district director. Just say, hey, we'd love to see this information on a monthly or quarterly basis, and they could break it out.

You're not going to have any PII information.

It's going to say, you know, this lender, this amount of loans, to this industry, to this demographic, veteran, startup, you know, it's all just general information, and it's there. It's there. It takes, you know, a district office five minutes to pull that up, and I did that for every borrower. I never referred to a bank. I always did that process.

So, you're narrowing it down, right, because, you know, like I said, in Massachusetts, we had over 140 lenders use the SBA guarantee loan programs last year.

So, that's a lot of lenders. So, how do you break that down? Some, you know, do a lot of loans, some do onesies-twosies, but, you know, that onesy-twosy in your community might be the one to go to, right, because you might already have a relationship with them.

So, if we could set them up so they understand the program as a lender and then set you up to get through the hoops, you know, we could make that happen.

MR. PHIPPS: How does this all interact with the new SBA LINC tool?

MR. MILANO: So, SBA LINC, a new tool. How many people know about SBA LINC? So, it's kind of like Lending Tree, right, for the SBA. So, it's great.
Advisory Committee on Veterans Business Affairs 12/9/2015

1. doing well, because people just don't want to make the
effort to get the information and make the contacts and
1. go in and, you know, possibly get turned down by a
lender.
2. Well, you know what, that's part of the process,
right? And if you can't handle that as a business
owner, well, you know, what are your odds of succeeding,
right? You know, so that's the way I look at it. So --
3. but that's -- but, so, LINC is a process, because we
understand as a federal agency we need that online tool,
4. right? They don't want to talk to their district
office, you know, they don't want to talk to a resource
partner. They'd rather just go online and have somebody
contact them. So, SBA has set up LINC to do that.
5. MR. PHIPPS: So, it doesn't interact with the
7(a) or the -- does it interact with the 7(a) loan
program tool or will it eventually?
6. MR. MILANO: It interacts with all the lenders
that are signed up to be on LINC.
7. MR. PHIPPS: So, later, down the process, it
might link up with others, too?
8. MR. MILANO: Yeah, they might -- so, these are
people through -- that are, you know, authorized under
the SBA loan programs to do SBA loans. They might
decide not to go the SBA route, you know, you might be a

1. minutes to hook them up with the people they needed, and
2. they were hooked up. And if it worked, great, and if
3. not -- no, you know -- but we do work with franchises,
4. and all our loan programs can be used for that.
5. MS. CARSON: This is Barb Carson. I was going
to specify, there is some -- to get onto the SBA's
registry for franchise, there is an element of what
control that business -- the franchisee has over the
business before they would be accepted on the registry.
6. MR. MILANO: Right, yeah. So, I mean, to -- on
the franchise side, you know, SBA determines what a
franchise is by control, right? So, we're the Small
Business Administration, right? So, if you're buying
into a franchise where all your daily decision-making,
the payroll, who you hire, et cetera, has to be run up a
flagpole to corporate, that's not a true small business,
right?
7. So, there are certain control aspects of
franchises that -- we want to make sure it's a true
small business opportunity, and it has to do with the
daily hiring/firing decisions, you know, payroll, what
you're doing with your money, et cetera, like that. And
that's what the SBA looks at with a franchise.
8. MR. ZACCHEA: So, a little bit far afield of the
capital access, but about franchising, I am working with

For The Record, Inc.
(301) 870-8025 - www.ftrinc.net - (800) 921-5555
MR. MILANO: Yeah. So, we see that not as often, but yes. So, our business advisors -- we have business advisors that have that done. We could hook you up. So, you know, it takes you away from the -- from my capital access talk, but, you know, what we could do with business advisors is match you up just like lenders, right?

We know which of the advisors do franchises. They became franchisers. They did that to their business. You know, what industry they're in, what their background is, their contracting, capital, whatever.

So, we do the same thing with our resource partners and our technical assistance providers that we do with lenders, and I know that's a whole other conversation, but that's the local, you know, kind of secret sauce, right, that you don't really know about.

They think of SBA as these, you know, understaffed bureaucratic district offices that just kind of pump out what they need to pump out, but we're out there networking now.

SBA is a networking organization, especially in the field, where, you know, our staff is out in the field, you know, probably 75 percent of the time, meeting with economic development organizations, meeting with small business owners, meeting with nonprofits, meeting with lenders, meeting with, you know, state and local and federal agencies. So, that's what we do now in the field. So, we, you know, take advantage of that network at your local level. Yeah, we'll plug you in any time.

MR. FIELDER: I just wanted to make a general comment about the grouping of speakers this morning. There's been an underlying theme about go to your district office and your veteran representative. That is not an equal playing field. Some are better than others, and, Ray, compliments. What you've been telling us in the sense of what you've been doing in Boston, we would love to see in the Southeast, and we're not.

And, Barb, what I would like to get on the record is a recommendation that somehow your office reach out to these veteran representatives at the district offices, the regional offices, and provide some training, because typically what we're getting in the Southeast is -- with Kurt Mueller and myself, who are both on the committee, we go to some of these -- some of these outreach programs, and not only are the people that are participating in the programs not aware of what you guys are doing, some of the -- some of the veteran outreach people at the SBA are not aware. And so I think somehow what Ray's been doing up in Boston needs to go out to the other ten or eleven regions.

MR. MILANO: So, I'll let Barb cap this off, but I agree, and we've talked about that, and, you know, training from the resource partners down to the district offices, you know, we've talked about every district office have a veteran business development officer, and we're trying to formalize that arrangement and how they're connected to our office and what type of training we provide.

So, you know, I'll be totally transparent with you, you know, we're the Office of Veterans Business Development. They're under the Office of Field Operations. So, we're two -- you know, we're not siloed, we work together, but we're kind of cracking that nut, so to speak, where we're getting more access to the district offices. We're going to provide more substantial training and best practices to the districts.

MR. FIELDER: Thank you. Appreciate it.

MS. CARSON: Thank you. And that is a --
1 month was a meeting that -- with the leadership that I
2 had, with Field Operations, where they will allow me to
3 talk with each district director -- that's 68 of them --
4 tell them, what is your forecast for your area for the
5 transitioning veteran population?  What does the VA data
6 tell me about vets that are already in your area?  And
7 have those one-on-one conversations about how we go
8 about -- and I know it's a long way off, it's for fiscal
9 '17 that I can really get that in there, but this has
10 never happened before at all.
11
12         About the education and consistency, that's also
13 been an issue before, not just with -- in the field
14 offices but with our resource partners.  It's
15 specifically in their grant language from SBA that they
16 will serve veterans.  So, we need to -- I'm accountable
17 for providing them consistent training and interface
18 with us, and I definitely have room to grow there and
19 commit to you that I will.
20         So, I think I'd like to take that one for a
21 future meeting if the Chair allows it, and we will come
22 back to how we are ensuring that we provide consistent
23 education, and we'll start with NSBA, but then as we
24 partner with VA and Labor, who have been carrying water
25 for us on small business ownership, I need to keep them
26 informed so that they can be good referral sources back
27 to where this business belongs.
28         Thanks.
29         MR. PHIPPS:  Are there any more questions?
30 All right.  We will break -- we will break for
31 lunch here, and we will -- everybody arrive back five
32 minutes before 1:00.
33         (Whereupon, at 12:00 p.m., a lunch recess was
34 taken.)
35
36         MR. PHIPPS: We are ready to begin.  We would
37 like to welcome Davy back from the Hill.  Thank you,
38 Davy, for spending the rest of your afternoon with us.
39         So, our next speaker is going to be Scott
40 Davidson.  He's going to be talking about vets and GSA
41 and the Veteran Business Resource Group.
42         MR. DAVIDSON: Okay, ready to go?  Everybody can
43 hear me?  All right.
44         Good afternoon, everybody.  Thanks for joining.
45 I appreciate the fact that I was given the opportunity
46 to speak here today.
47         Some of the things we're going to focus on
48 today, I'm not really -- I know there's slides, but I --
49 you know, we will just hit some points on there.  I hate
50 reading off of those, but we're just going to focus on
51 different federal, state, and commercial resources for
52 veteran entrepreneurs.
53         I'm going to kind of get in the weeds a little
54 bit more towards take-aways of current challenges.  Most
55 of the stuff I'm going to present are just going to be
56 some factual research, but I'm going to look at what we
57 have to do in order to bridge the gap, you know, as far
58 as working more with commercial and nonprofits and
59 working with our federal partners -- federal and state
60 partners and local partners for that matter.
61         I am here.  I do represent the Veterans Success
62 Resource Group.  We are a -- we are a nonprofit that's
63 out of -- of course, we're located here in D.C. and New
64 York City.  My co-founder is Justin Constantine, who
65 couldn't be here today, unfortunately, because he is in
66 New York City, but if people aren't familiar with
67 Justin, Justin retired as a lieutenant colonel from the
68 Marine Corps.  He has a miraculous story, of course,
69 that he was unfortunately -- he was wounded in Iraq when
70 he was shot in the head.  The bullet entered below his
71 right ear and came out, when he was on patrol with
72 his -- what was the equivalent of a MiTT team.
73         Anyway, Justin has done some amazing things
74 during his recovery, and one of the things him and I had
75 decided when we got together and focused on was looking
76 to bridge the gap from some of the experiences we had
77 when we transitioned out of the military into the
78 business world, for that matter, and being
79 entrepreneurs.  In doing so, we created different
80 resource events and other opportunities for veterans in
81 order to try to bridge those gaps.
82         And then, of course, working with the SBA,
83 working with people like the American Legion, Davy
specifically, and some other organizations, we have actually made some pretty great strides.

So, in the agenda, like I said, I am going to kind of -- when I walk through this, I am not a slide reader, but I do want to talk about some things, and I know people are going to be familiar with this. I know that, overall -- we will focus on the federal part first.

Overall, we know the Federal Government hit their goal this year for service-disabled, veteran-owned small business as a whole, but the thing I always like to focus on are why consistently the top five -- in the top five spend agency that we have three out of the five that don't meet their goals.

So, that's the focus of where we're going to be federalwise, right? I mean, if you look at this historically and have done research, the Department of Energy, Health and Human Services, and NASA, I mean, below 1 percent for most cases, and Health and Human Services, at 1.32 percent. This came off of your SBA small business spend data -- actually, unfortunately, the screen looks like it's cut it off, but the cite's on the bottom. I pulled that off of there and updated it yesterday from the most recent FY 2015 numbers. But if you look year after year, that actually hasn't changed. They're pretty steady-state of actually not meeting a single goal. So, that's pretty good, I guess, on their case, and it's amazing that the same thing -- if you look at the actual spend available for eligible dollars, you know, they're meeting the small business -- I mean, when you take a look at even what they're doing, NASA small business, I still can't figure out why these -- they have that much money and they're not meeting their service-disabled, veteran-owned small business goals.

So, with that in mind, we talked about federal focus, okay, we know we met the goals, but, again, why the three out of the five aren't making that, but we have a pretty good reason why, and this is just, again, our interpretation of what it is and what it looks like. Some of the programs that do -- have shown some pretty great success when it comes to building veteran programs out.

Of course, mentor-protegè programs, contract vehicles specific to veterans, that's always been a -- I would say one of the -- I would say probably one of the focal points as to why you -- where you see success at a federal agency level. That shows to me that there's dedication. That shows to me that they're actually -- you have got somebody probably sitting in the OSDBU office that's a dedicated resource who's probably giving the right ideas to their contract folks or people at the program level saying, you know what, these are the types of vehicles that could be set aside for service-disabled, veteran-owned small business, and if we do the correct market research, these are the types of things that will help. These are the types of things that are going to build up and grow that agency's portfolio when it comes to service-disabled, veteran-owned small businesses.

And this shows -- 11 agencies have mentor-protegè -- and when I say 11, these are the top agencies that are -- top spend agencies in the Federal Government, right? So, 11 agencies have mentor-protegè programs right now. We have the list. You can download it at any time, and you can see the comparisons. Some people have done some really great jobs on the Internet on consolidating that list.

So, everybody, if you take a look at the DoD, why are they doing so well? Thirty of the 68 protegès are service-disabled, veteran-owned small businesses, cited from their -- you know, the DoD site. DHS, the same thing. People think, DHS? But DHS does a good job, too. They have met their goal. Twenty-four out of 79 protegès are actually service-disabled, veteran-owned small businesses, meeting their goals.

Why? Because if you go into -- and we know about what a mentor-protegè is, I don't really need to spend the time there -- but when you go into why it's a difference is because through those mentor-protegès and other things, they focus contract vehicles on service-disabled, veteran-owned small businesses.

Now, if you look at DOD alone, PACTS -- PACTS II now -- well, I just got the notice that they're extending it again, but -- all right, but I'm just saying PACTS, things like that, service-disabled, veteran-owned set-aside. EAGLE II, it has its own track; FirstSource II, its own track for service-disabled veterans; the same thing for TABS.

It's important to see that, because that tells you there is an effort, because they're out there actively recruiting service-disabled, veteran-owned small businesses. GSA, even themselves, VET2 GWAC, it's going to be massive, okay? In the past it has been, and -- but you kind of -- from what we're seeing right now just from a business perspective and inquiries on that vehicle that are being -- right now, it's in the draft stage. The RFP is expected to drop first week of March -- was supposed to drop, you know, earlier last year, but --
focused vehicles on our demographic that yield good results, but what you don't see up there are the NASA programs. You don't see HHS. You don't see the ones that fail to meet those programs. The question is, why? And we're still searching for an answer.

If you go to their Web sites, you look at their OSDBUs, you look at all of the things that they have, the dedicated reorganizations to the service-disabled, veteran-owned small business, it's a cut-and-paste, you know, there's nothing really that's focused. But when you go to sites like the DoD, DHS, they're robust. So -- yes, sir, go ahead.

MR. FIELDER: My understanding is those other agencies, particularly the GSA GWACs, those other agencies that you're highlighting can use these other -- these existing vehicles. They don't have to create vehicles.

MR. DAVIDSON: They don't, but the problem is that there are -- so, you have a lot of contracting woe when it comes to that as far as -- so, I'll give you an example. So, let's take a GSA Schedule for example, right? Let's just take a step back on that, take these aside. Schedules, any agency can use, right, but for that matter, they have their own subcontracting plans, and that's great. So, that's good for the agencies.
Are you telling me that the DoE and HHS, they're procuring services that are so unique that it can't somehow, through market research, be fulfilled by a service-disabled, veteran-owned small business? I guess that would be my question to the group. Where does that go?

So, I'm sure that on a very general level, the NAICS codes are the same NAICS codes. You're looking at program services, looking at IT work, looking at all things the other agencies buy, yet we don't see how they can't, through market research, find service-disabled, veteran-owned small businesses that they can purchase from.

MR. FIELDER: Just to follow up -- and then I'll let it go -- do you have a sense on those three agencies where they are on subcontracting plans?

MR. DAVIDSON: As far as meeting their goals?

MR. FIELDER: Yes.

MR. DAVIDSON: For this year? I mean, they haven't -- they've never met their subcontracting plan goals.

MR. FIELDER: Okay. So, it's consistent.

MR. DAVIDSON: Yeah, it's consistent.

MR. FIELDER: Prime or subcontracting --

MR. DAVIDSON: This isn't a one -- okay, I'll give you an example. This isn't a one-over-one anomaly.

If you look over the last -- I can just tell you, just from the last research we did, if you look over the last three years, they have never met their goals or even come close.

MR. FIELDER: (Off mic.)

MR. DAVIDSON: Yeah, that's a problem. I mean, and look -- I mean, if you look at -- here's the problem, too. Look at the spend difference. Look at what they're doing up at the DoD, right? Biggest dollar spend out there, hundred -- you know, as far as the size of their subcontracting goals but yet they still meet it.

Now, I can't -- oh, I'm sorry. Usually have a louder voice, but it doesn't pick it up -- but yet they don't meet it. If you look at a piece -- I mean, if you just look at the overall dollar spend, it makes no sense why they can't meet those goals or put the efforts towards it. But that's a great question. No, it's the same thing.

And I kind of, you know -- the Department of Education, you know, they're at 0.9, but still, it's the point of -- I can't imagine that they're soliciting something that the veterans can't do when they're making 9 percent on women-owned small businesses and, you know, small disadvantaged businesses, 5.49 percent. I just -- you know, I know -- it just doesn't make sense on the numbers.

Okay, all right. So, I mean, just key take-aways from that -- and I know, because I'm just watching this clock, and I know Mike's going to cut me off exactly at 2:00. So, the key take-aways on that, I mean, the common denominator here is that agencies that have consistently failed to meet service-disabled, veteran-owned small business set-aside goals don't have the same robust programs that the other agencies are putting in place.

They don't have the -- they don't -- and, you know, as Ed just pointed out, they have access to it. They're choosing not to go after it or use those vehicles for a reason. Their resources are -- you know, exist, but they choose not to go into that space for whatever reason.

And there could be a lot of different barriers or reasons. I'd love to be able to, you know, when you guys have your interagency, maybe ask that question, but year after year, when they're not making those goals, what's the -- why? But we know why. I mean, there's a general pattern. I can go out and search right now and I can look at all the IDIQ vehicles that are being pushed out there from those agencies, and we just don't see the same pattern as the efforts that are being put forth by the people who are meeting their goals.

Like I said, of the 21 top spend agencies, only seven have, within their -- this was another interesting fact. Out of the 21 top spend agencies, only seven have, within their own OSDBU office, a dedicated service-disabled, veteran-owned small business advocate. That's a problem, but, I mean, they still meet -- some, even with that, they still meet their goals.

But there should be a dedicated resource per, you know, EO-13360, there should be somebody to implement the agency's service-disabled, veteran-owned small business strategic plan -- I hate reading off a slide -- but that brings up a point. If this is calling for that and only seven of the 21 have it, where's the issue? There's nobody dedicated to provide that type of strategic plan inside of those other agencies when you look at the difference. Where is that advocate for us?

Sir?

MR. FIELDER: Did the Executive Order 13360 -- did the Executive Order further require that it be built into the performance plans for senior executives?

MR. DAVIDSON: I believe it has. My --

MR. FIELDER: I thought that was the
Okay, so we're going to shift gears. So, for federal reserves, we're going to talk about PTACs --

PTACs or PTAPs, depending on where you are and what name change it is. I think they're great resources. Again, we're going to try to go to the high points here just for timing reasons.

We're talking about this, again, for the benefit of service-disabled, veteran-owned small businesses.

This just gives background, of course, for you to read, when they were established and some of the great things that they've done.

The services offered -- everyone should be familiar with what the services are that they offer. We work with the SBDCs and the PTACs and some of the nonprofit world that we do, and they provide excellent, you know, services. We will talk about services that are not offered because that's a little bit more important for what our cause is here today.

Services not offered that actually have an impact when it comes to veteran-owned businesses and services for veteran-owned businesses are the general business training and small business development counseling, assistance to individuals interested in starting a new business, marketing on behalf of clients -- which I understand why they don't offer that service -- and then employee development-related training.

Now, why that's important is because some of the chief complaints we're getting back from just -- this is anecdotal, because we get to meet with a lot of veteran business owners, especially at our events, at different times and all the different places we kind of work through when I speak and other places, there's a disconnect.

A lot of the resources -- and I'm going to hit this later on, too -- but a lot of the problems -- no, I shouldn't say problems, not a good word here -- a lot of the challenges that we're facing, especially if you're a business owner, especially young millennials, things of that nature, which is going to be our next generation we have to worry about, especially coming out of the wars, you know, if you look at the definition of millennial, 18 to 35, you know, that's it right there. There's your core set probably where most of the focus is right now for people -- for veterans starting businesses.

Yes, there's an older demographic there, but we also know that everything that's being focused propagandawise is actually on that demographic, and there should be, because they should reap the benefit of just serving through, you know, 14-plus years of war.

With that in mind, most of the services offered out over here is -- his ears are burning. He is the new policy lead within our shop to be that advocate for service-disabled, veteran-owned small business, in procurement --

MR. DAVIDSON: Okay.

MS. CARSON: -- across federal agencies, and there are -- the channels through which he gets the background and the leverage that he needs to take that on is through this body and the Interagency Task Force for Veteran Small Business Development, which meets tomorrow. So, your timing is perfect and so is the content. I really appreciate it.

MR. DAVIDSON: Thank you, Barb.

Yeah, just something that's always been -- this is a sticking point for me, because it's the authority's there, the direction's there, it's not happening. So, there is a significant issue, and I always will point back to the fact that we have the only socioeconomic status that's earned in the Federal Government. Everything else -- we know, it's the only status that's earned, but yet we're still not getting the due that is actually required. I'm not asking for a handout. I'm just asking for what's been on paper in the past.

Okay, so we're going to shift gears. So, for
there are for startups. We all know there's different phases to business, you know, Harvard Business Review always likes to say there's a point in time in business -- there's different stages, but the one stage they talk about is the take-off stage, right? That's where you get to the point that, okay, we're through the startup point, that's great, but that's a difficult time. That's, you know, they always say the tipping point, right? There's a lot of resources that they require that are different from what occurs at startup, okay, whether it's changing the stage of marketing, changing the stage -- even financing, how do you find a different organizational approach, you start to work in different laws because you actually have started to see growth, tax. You can go up and down the list, and it's a long list. I need to know what organization's out there, that currently gives them that kind of take-off support, not startup. There's great things there. Boots to Business we know is great, EBV is great, all those -- you know, they have all different types of programs out there that do fantastic jobs, but the question becomes -- and I get this a lot -- where are we once we actually start to do well? Where, if we make a mistake, although -- oh, we failed six months in. It happens, right? A lot of businesses we know don't make it a year. We're at the year and a half mark. Who do I talk to? You guys have put me on this great path, you trained me, you did all this great stuff, but who -- do I have a regular resource that I could tap into that allows me to go ahead and grow and learn to grow? Where are my legal resources? I'm not asking for handouts, you know what to do. What do I -- and it all focused around know how to deal with a veteran business owner. I don't know how to do that. The majority of the conversation was I don't know what to do. What do I -- and it all focused around things like, well, what happens if they have PTSD? And I was, like, that's the most ignorant thing, but, okay, let's discuss that. I mean, these are real questions coming from people who interact from -- every day. There was only one actual veteran in the room from the Lynchburg, Virginia, SBDC, who -- you know, he was an Iraq vet who was actually a millennial, did a great job, but he sat up there and said that. He goes, well, who else here is a veteran? Nobody else raised their hand but him. That's from the SBDC side. And then he explained, went through the whole thing, but it resonated with me, because I realized -- I'm like, well, if I'm a millennial veteran and I'm walking in there and they are going to have this predis -- you know, this -- this preconceived notion that we have PTSD or we're very hard to deal with or I don't know what to do with you, it's going to be a barrier. So, hearing it from the horse's mouth was a
little interesting, especially when they were all --
every state was represented there in that conference.
So, I thought that was an interesting take-away from
that.
And then when I went back and we looked at it
and did research, it rang true, because then I realized,
well, that makes sense. And the only people here were
the ones that came up afterwards and said, yes, we have
these programs, but we still lack the expertise. There
weren't veterans running those programs. I'm not saying
it's a prerequisite. I'm not saying that you have to be
a veteran to be an SBDC director or to work there at
all.
I'm just saying there's a -- there's a difficult
way to connect, I guess, and it makes a big impact when
that veteran walks in, because the interesting story,
the SBDC director from Lynchburg came there with a
business idea, was rejected, walked out, and then became
the business -- the SBDC's director, I think, less than a
year later, because he said this was terrible and he
lobbed for it.
And actually, one of the reasons why they took
it -- he still has his file. He brings -- he showed it
to us, the whole thing, how they said he walked out of
the meeting, because he's like, they don't get me; we're
not on the same page; I don't understand. It was just
not a good common -- you know, there was no good
handshake there when they left. But he's making a big
difference now, especially because he's in that right
demographic and age group.
PTAC take-aways, I just said. Lack of focus on
veteran-related business, I mean, what is it? I can
walk in there and we say, you know, everybody's the same
for small businesses, but there is a difference.
There's a lot of different resources out there, and
there's -- it's just an education item that we need to
provide to the PTACs, whether it's from the commercial
side, the federal side, whoever has to get it done,
there needs to be a little bit more there, focus,
attention on veteran-related issues when starting a
business. There is going to be a different approach,
especially with the type of business they want to start,
et cetera.
I guess -- I'm not going to beat a dead horse.
Most don't have the knowledge, especially if you are
looking at the gov-con perspective, CVE certifications,
things of that nature, building, you know, your
operating agreements correctly, making sure they're
bulletproof. Those services don't exist really today.
They will have to go to a third party, which is fine.
Advisory Committee on Veterans Business Affairs

1. different -- so, this is interesting. This is where
2. there's a disconnect, right? So, what they're doing is,
3. most of the states, although they're making the
4. provision available, they're allowing you to qualify
5. under different statutes.

6. So, I'll give you -- the lovely great State of
7. Virginia, we're right here, right? You can qualify
8. under small, women-owned, and minority designation.
9. There is no set-aside for veteran small business. I
10. think it's great that they cut that -- basically include
11. you in that loophole, but the same thing. They're not
12. going to take your certification -- this is the other
13. thing about this. You guys have -- your CVE doesn't
14. matter in any of these, by the way. You have just got
15. to recertify underneath a different set of rules for all
16. of these simply because -- you know, Pennsylvania,
17. Oregon, Arkansas, Virginia, Maryland, Kansas, Florida,
18. Texas, you're all going to be under a different
19. designation in order to qualify for any state-level
20. contract for that matter.

21. But, again, it's a different process, so you
22. could go through your CVE, and you are still going to
23. have to go through that -- whatever MBE process or
24. whatever they want it a different state, because everybody calls it something different, in order

25. to qualify. They don't have specific designations for
26. those types of businesses in those states.

3. Only five states do, that's great. So, if
4. you're looking at Illinois, Louisiana, Texas, Utah, and
5. New York, they have actual initiative programs that
6. they've started in order to go ahead and do that. So,
7. these are actual state-sponsored programs.

8. So, New York, of course, the Service-Disabled,
9. Veteran-Owned Small Business Act, I'm going to hit on
10. that a little bit, because I really like what they're
11. doing there, and we're working -- I have been doing a
12. lot of work with them. But, again, this is all for you
13. just to read as far as the specific programs and
14. initiatives.

15. Other states have partnership programs with
16. different private organizations, things of that nature,
17. but these are the ones we found through research that
18. focus on startup, education assistance, things of that
19. nature.

20. New York State, the only reason I am going to
21. focus on this, because they're going in the right
22. direction, as a good example. In 2014, Governor Cuomo
23. signed into law the Service-Disabled, Veteran-Owned
24. Small Business Act, which set aside 6 percent to
25. service-disabled, veteran-owned small businesses, about

26. $400 million a year, roughly.
27. The Act did a couple things. One of them was
28. creating the set-aside. The second one was creating a
29. business development office specifically focusing on
30. service-disabled, veteran-owned small businesses, and
31. they dedicated resources actually to go out and develop
32. businesses within those agencies in the -- at the state
33. level to use veterans, which, again, is a -- when it
34. starts to really work, it will be a great model.

35. There are some differences, like we talked
36. about, just because even if you're CVE certified, it
37. doesn't mean you're going to be a service-disabled,
38. veteran-owned small business, New York state certified.
39. One of the main reasons is they make you have a 10
40. percent service-disabled connected disability rating,
41. not the zero percent like the Federal Government does
42. for VA. So, you must have at least a 10 percent.

43. Other states -- you know, in order to qualify
44. for that particular item, and you have to go through
45. their process. Even if you're CVE-certified, it doesn't
46. matter. They'll ask you the question, are you
47. CVE-certified? You say yes. All that does is it will
48. expedite your application. You still have to fill out a
49. separate application that is different from the CVE
50. certification, provide some different documentation,

51. including things that show that you do business in New
52. York, things of that nature.
3. They do all foreign entities at a decent level
4. to go in there. So, if you show that you've done
5. business in New York -- and when I say "done business,"
6. you have a presence in New York -- foreign entities are
7. allowed to certify in New York, and I know that because
8. one of my companies is a Virginia-based company, and
9. we're certified in New York because we do a lot of
10. outreach work for New York City, for veterans, things of
11. that nature, and we've brought some different things
12. there. But I also know that several other veteran --
13. service-disabled, veteran-owned small businesses from
14. the Virginia area, Maryland, have certified foreign
15. entities into New York, and they're taking advantage of
16. this program.

17. So, they are -- they have some prerequisites,
18. but I do like the fact that they are letting other
19. people in there. And just the only sad part is, if you
20. look at New York being the number four largest or fifth
21. largest veteran population state right now, they only
22. have 185 businesses that are certified since 2014. If
23. you look at that piece of the pie, it's not good. Those
24. numbers should be higher, especially when you -- in just
25. New York City alone, you know, 241,000 veterans in that

37 (Pages 145 to 148)

For The Record, Inc.
(301) 870-8025 - www.ftrinc.net - (800) 921-5555
area.

If you just look at the search there, there's a tremendous amount of opportunity. It's just that it's not happening, but it needs to be more widespread so they can take advantage of it, because there's a lot of significant dollars to be spent at that level. And that's any state that's going to accept you for that matter.

So, state contracting take-away, quickly, as we look at it is -- again, one of the things that I find, it's one of the most overlooked sources of revenue for service-disabled, veteran-owned small businesses. Every time I talk to somebody who's in the gov-con space, everybody's, like, DoD, VA. I'm like, what about your State of New York? What about Virginia? What about the ones that allow you to do that? You need to be able to do that. City of Fairfax spends a lot of money. City of Arlington, a lot of money. State of Virginia, a lot of money. You need to look at city and state contracts.

Again, creative collaboration between state and federal resources need to be especially examined at the PTAC and SBDC level. I know that there's a good level right now as far as how we trade resources there, but I think there could be room for improvement, especially in the education, when it comes to veteran and PTAC

If you just look at the search there, there's a tremendous amount of opportunity. It's just that it's not happening, but it needs to be more widespread so they can take advantage of it, because there's a lot of significant dollars to be spent at that level. And that's any state that's going to accept you for that matter.

So, state contracting take-away, quickly, as we look at it is -- again, one of the things that I find, it's one of the most overlooked sources of revenue for service-disabled, veteran-owned small businesses. Every time I talk to somebody who's in the gov-con space, everybody's, like, DoD, VA. I'm like, what about your State of New York? What about Virginia? What about the ones that allow you to do that? You need to be able to do that. City of Fairfax spends a lot of money. City of Arlington, a lot of money. State of Virginia, a lot of money. You need to look at city and state contracts.

Again, creative collaboration between state and federal resources need to be especially examined at the PTAC and SBDC level. I know that there's a good level right now as far as how we trade resources there, but I think there could be room for improvement, especially in the education, when it comes to veteran and

service-disabled, veteran-owned business outreach and how do you work with them, give them the opportunities, explain to them I know there's shortfalls, I know we don't have a single point of contact Web page that has every resource available for veterans, which would be great because it's so large and convoluted, and eventually we will get to that point in life, I hope, but there needs to be at least some kind of central point where people can take a look and find these resources, especially things like access to capital and other types of business development services.

There's a disconnect, like we said, between the federal and state and city and the service-disabled, veteran-owned small business process simply because, as you can see, everybody has different requirements, depending on where you are, and in some cases, if you want to certify in a state, city -- city, state, and federal level, you actually would have to do three different applications in some states that have different requirements each. So, that's just something to think about.

If there's any way we ever could streamline that, that would be great. And then there's greater commercial -- greater coordination on the state level with commercial programs to gain a better understanding of the veteran market. It all just comes down to education.

Just a quick hint, just to let everybody see, so at the city level, I just wanted to kind of show you a couple interesting things about the -- what I would consider the most friendly states, and this came from Vetrepreneur Magazine, which we do some good work with them, but, yeah, even at the still level, you can see some of the great things that we're rolling out, and they're rolling -- I mean, they give you different bid -- bid preference things.

They'll hold it at a higher level of 6 percent, 5 percent, 3 percent, but it's that sad that -- like, the City of Pittsburgh is going to give you a 5 percent, you know, set-aside goal for veteran-owned businesses, yet the Federal Government can't hit in the top five the same thing. But it's -- I like to see that there are -- it's slowly starting to trickle down, and these are all recent. None of these are -- like, have been decades old. This is all within the last five years.

So, if you take a look at how it's going to start to trickle down, we expect to see more, but there's about -- there's a good list of cities out there when it comes to how they're actually changing. So, that's what I'll just say about cities, there's opportunity. They buy everything just like every other state or federal agency. So, people have to look at the cities.

Commercial resources. This is generic in the sense that these are things we have already discussed, right, we've always talked about. We have to bridge the gap. The commercial, the nonprofits, universities, all the different programs out there are great, right? They are doing great things, Chambers of Commerce, EVV, IVMF, I mean, you could just go down the list.

One of the issues we've seen is lack of coordination between everybody. That's a major issue. It usually boils down to competition as far as getting constituency dollars, which causes issues, and I'm not going to point fingers at anybody here, but -- but -- no, the bottom line is -- yeah, no, the -- there's a common goal that we have, right? If we're really in this to be advocates, there's a common goal in what we do.

The bottom line is that when you take out -- you know, the whole point of, oh, my God, how is it going to affect the bottom line, and we're true advocates in making sure that we can provide the resources we want, especially on the business front, it changes the game, and it should, right, because that's what the
1. commercials are there for. They're there to fill the
gaps. Not everybody can answer every question, right?
I know that. It doesn't matter who you are. Federal,
state, local agencies, that's fine. It's difficult.
You know, there's a market there that has to be
addressed. That's where commercial partners come in.
The lack of coordination has caused issues. We've seen
the greatest success from the nonprofit side because we
started to coordinate and lift a lot of those barriers.
Bringing everybody together in a resource-type
atmosphere has really made a significant difference when
it comes to addressing the problems or issues and
challenges of a veteran today, including their spouses
and their caregivers. That has been the number one
focus for us.

One of the things, as far as commercial
resources go -- and I'm going to continue on that path
and we spoke about it earlier -- is -- and I can't hit
it enough -- we've got all that startup education,
that's great, but we've got to get past that mark, that
12-month mark, 18-, 24-month, we've got to look at that.
That's one of the things we definitely have to continue
doing.

One of the organizations we work with that's the
nonprofit is the Veterans Success Resource Group. Why

bring it up? This is just an example of how we can
bridge that gap, okay, and this is what we're currently
doing. We have done proof of concept already now three
times, and we've seen some pretty significant success
stories, especially with -- between Justin and myself
and a pretty robust network.

The events that we're doing to work with our
partners in the SBA, work with, you know, all different
types of federal agencies, has yielded some pretty
significant results. Basically, what we said was, how
do we get everybody into one place and make sure that
they get the answer? Whether it's from startup, whether
it's an 18-month-old business or it's a five-year-old
veteran business, how do we get that answer?

So, what we decided to do, we said, okay --
because we've experienced ourselves, going through there
and building businesses and realizing we don't have
specific resources, and so what we've done is basically
get an expo, get an expo hall. We invite nonprofits,
VSOs, Fortune 500 companies, everything, federal
agencies, state agencies, local agencies, and we put
them all together, and basically we say, okay, here's
what we're going to do.

We take the money barrier out there. We
actually don't take -- we don't accept, don't charge for
records are through Dun & Bradstreet. We went to them specifically because in the business world, we knew that they could touch everybody. There was nobody else. We knew that they had access to every single person. So, we have a long-term engagement with Dun & Bradstreet where they partner with us on these events, and we're doing multiple different initiatives with them. To go back to the expos, one of the initiatives we're doing are business planning competitions. So, we're rolling this out in 2016, actually March 2016, and here in D.C. is going to be our first one, and what it's actually going to be March 22nd and 23rd. So, what the business planning competition is, we're actually going to do this on a regional scale. After we do the first one -- which, of course, we always like to do proof of concept, hone it, and then roll it out. But basically a business planning competition, Dun & Bradstreet has a specific technology platform that allows for voting, and they've done this before, and only for veteran businesses, service-disabled, veteran-owned businesses. They are going to do a Shark Tank pitch the day before -- it's a two-day event -- a Shark Tank pitch, everybody gets -- you know, we whittle down the competition as it goes. Then the final day, when we have our resource event, when we have the round tables, everybody can take advantage of that, at the end of the night or the end of the day, we're going to do basically -- there's voting through the day, they have a social media platform that does the voting, and then the winners are declared. So -- and the amounts are -- I mean, what we decided to do is to make sure that everybody gets it, it starts at $15,000 for first place, for seed money, and then it goes to $5,000 for second, and then there's five $1,000 prizes for the remaining contestants, so everybody actually gets it. So, it actually incentivises people to get to the point of -- to participate. So, at least they get something out of it in a sense, all right? The ideas are vetted, of course, to make it to that final day, so it's not like, you know, we just give it away. But that's what we're going to do on a regional basis, and we think that will drive more of that entrepreneurship. But with that in mind, they still get to go and attend the resource event, which is going to be that next day, and get all that knowledge and contacts and networking. The other part of this, which is really an exciting part, is the matchmaking that also fits into this now that we're rolling out this year. We've partnered with a company, it's a software company that has developed a very robust mapping platform, which is basically you see a map, it has every veteran-owned -- service-disabled, veteran-owned -- actually, every small business in the United States that's registered in SAM. It has the entire map. It has their NAICS codes. It has if they're on the GSA Schedule. It has if they are -- what vehicles they're on. And you literally can drill down into a mile -- if you say I need to get services in Atlanta, I need to find a cleaning company that's a service-disabled, veteran-owned small business, that's on Schedule 75 -- just making something up -- I can drill down to Atlanta, and I will know exactly the point of contact name on that. So, through that and through Dun & Bradstreet, because they have a very robust supplier diversity program, if you can imagine, we are matching -- people who sign up for the competition, they're vetted based upon location, and then automatically they know that they're qualified individuals, and then they're set up that way during these events. Everybody's notified prior to that, of course, and, you know, the companies are vetted, but this mapping technology is great for matching. So, that's how we kind of grow them. And it's not just for gov-con, actually. It's for everybody. We have supplier diversity people in the Dun & Bradstreet program, like Coca-Cola. They don't care about government contracts, but they care about -- they want to do business with veterans. They want to expand their chain. Ingersol Rand's another one. They want to expand their chain. They're calling for all different types of supplier diversity. It doesn't have to be gov-con. They want to see -- I want to sell and be partners with these people. So, taking it outside of the gov-con, which, of course, we all know is a big thing, especially with the supplier demands, subcontracting plans, things of that nature, but there's a commercial application, too, and we're starting to see that, you know, good faith kind of push from Corporate America saying we want to participate in these programs. How do we get in there? If you're on a government contract, we know it's easy -- a little bit easier, but from the commercial side where they're solely focused on that, it's a little bit more difficult. So, we figure we'll bridge the gap that way by saying, okay, commercial companies, I can give you an answer. We'll match you with these things,
sit down, talk, see what matches, but prior to that,
they're well vetted so they're matched. We don't want
to waste anybody's time. We don't want to get anybody's
hopes up. That doesn't make any sense, but it allows
good networking.

The other part of the competition between the
business plan, the networking, and then the resource
group, that gives you -- I mean, federal agencies will
be there as well, state agencies will come as well,
because we're working with all those partners, so that
you also can matchmake with them, too. But we're
looking at it from a different point of view.

We want to teach it right. We want them to know
that in order to grow, you are not going to be a prime
the first day out of the gate, okay? We are going to
teach you. You are going to sub for a while, you're
going to build up your experience, you're going to grow,
or if you have hit that level, then we are going to put
you in a much different area.

We are actually going to put you on a different
track from where you are going to grow. If you're a
prime and let's say you're five years in the business,
we are going to give you those resources in order to go
in that direction. That's where we look at. We will
put you in the right subject matter expert round tables,

we'll put you in one-on-ones with whoever it requires,
because we have a network we're building.

And this is also kind of exciting, but I'll
announce it anyway, it doesn't matter, but CVS, we're
working with the -- one of the chief -- the general
counsel of CVS is starting a program that's going to be
basically a legal program for veterans, but it's for
everything veteran-related.

We're actually going to be doing a webinar, and
I'll show you in a second on the webinar series, but
there's going to be a webinar in March that's going to
be with a panel of attorneys. So, Rich Jones is the
chief veteran officer for CVS and with their tax general
counsel, he has organized an incredible amount of
attorneys who are going to do pro bono work for
everything you can think of, from marriage/divorce,
adjudication of bad military record or military record
discharge, business-related for anything that's going to
be corporate -- you know, corporate documents, CVE
certification, things of that nature.

They're forming a network that's going to allow
for veterans, at no cost -- I mean, I know that they
have networks out there, but he's going to be specific
on rolling out that program with some pretty specific,
significant names in the legal community.

But it's going to focus on business, it's going
to focus on every veteran. We're actually going to
roll out that in -- it's going to be in March. That's
just an example of some of our -- and then I'll go back
to that. Yeah, so it's -- it's right here. So, that
will be in March.

What -- and I want to -- I'll just jump ahead,
because I'm looking at the time. I've got five minutes.

So, the webinar series, this is what we were just
talking about, so Dun & Bradstreet has partnered with
VSRJ. We are providing now, because we've had such a
nice demand, bimonthly webinars, again, on all these
different topics that are going to be business-related,
and they are going to be at different phases of
business, and they're all timely.

So, interesting enough take-away, which I kind
of was speaking earlier -- actually, I think I was
talking to Ray about it -- we've noticed that live
events in today's world, especially with the
millennials, they don't care for live events. They want
the recorded event that they want to download in podcast
form. That's the feedback we got.

I was skeptical at first, but I said I will give
it to the experts, because they do this for a living,
especially the guy who's the head of the social media
group for Dun & Bradstreet. I said, okay, prove me
wrong.

And it showed -- they showed me the uptick on
what happens is that very few people will attend a live
webinar event, but as you see an hour, the next day,
even now, like I said, a month later, they are still
downloading the podcast and visiting the page, and
they've consistently done it.

And we've actually had to make it -- we have
actually had to open it up to allow people to register,
because we started to get emails saying, hey, how do we
download this from our podcast, because we want to be
able to listen to these types of podcasts on our own
time?

So, just something -- if you guys are into the
social media thing, don't feel bad if you don't see a
major webinar presence in most cases, because we had
four hundred and something people sign up, and we were
like, well, why is the numbers low on the attendance?
They go, because everybody is going to download these
afterwards. And sure as can be, to now, a month later,

they're still downloading the podcast. So, it's -- and
we're still getting questions from that webinar. So,
it's a nice tool to have.

But with that being said, these are some of the
examples of topics that we are going to reach out,
because we want to be a little bit different. We also
want to hit every kind of phase or point in business.
You know, one of the -- you know, this was one of the
points of interest, top millennial entrepreneur
resources and barriers for business, for entry. That's
going to be one,
Then you're looking at top business legal issues
for 2016, and the esteemed colleague over there from
Venable will be providing information on that. Top
veteran business resources, we are actually going to do
that. We did that earlier on Veterans Day, but we are
going to do it again because we had such an incredible
response afterwards. We are going to have to do it
again, because we got more questions back from it than
we expected. So, we are going to be a little more
focused this time, and Dun & Bradstreet said we need to
do it again just because the response has been great.
And then things like we talked about, social
media marketing for businesses. Now, that's going to be
both an advanced class -- a 101 and advanced. So, we
actually have -- some significant people in that
industry are going to be doing that type of town hall,
recruiting and human resource pitfalls for businesses.
And then there's a CVE certification class

that's going to be given by our friends at the American
Legion, and they're going to be hosting that along with
Vetrepreneur Magazine, and they're also going to be
providing input on that as well.
So, we talked about the -- you know, how the
instructors all range from subject matter experts to
Fortune 500s and the focus of the event. The bottom
line, the focus of the event is to improve coordination
between private and public entities. On some of these, there's SBDC representatives that are going to be
speaking on the panels. There are some other government
agency folks that are going to be speaking on some of
these panels.
So, we are excited to have that, but we want to
mix the world because we think that's the gap that we
have to bridge. We have got to get everybody together
so they share the ideas and we see the synergy together,
especially when it comes to veteran-owned businesses.
And right on time.
MR. ZACCHEA: Scott, so in my -- oh, okay.
MS. CARSON: State your name.
MR. ZACCHEA: So, in my guise as the founder of
the Connecticut Veterans Chamber of Commerce, one of the
things that we're working on for the next legislative
session, 2016, and that we're very attentive to is the

state contracting preferences. Connecticut currently
does not have one --
MR. DAVIDSON: Right.
MR. ZACCHEA: -- and that is on our agenda for
2016. I -- we're working on it. It's come up in the
State Legislature before and has died in committee, but
this is something that I would like to speak to you
about as well, because obviously you have done the
research. We have done some research as well on it, but
we would like to -- I'd like to connect you to our
counsel about that to discuss that in the future.
MR. DAVIDSON: Absolutely. Like you said, you
have my card. Let me know so we can get offline and we
can just talk about how we can assist.
Yes, sir?
MR. AUMENT: Ron Aument. You opened up your
presentation, Scott, with some discussion on agency
goaling, who's doing well, who's not doing as well, and
sort of segueing into how those that are doing well are
doing well. And I think there's an issue of unintended
consequences here, too.
MR. DAVIDSON: Um-hum.
MR. AUMENT: Because even some of the mechanisms
you're showing that were sort of the keys to success to
some of the big -- the ones that had big numbers, I

think really there's some unintended consequences there.
Like the best example that comes to mind is VA's T4,
which is -- you know, it's like a powerball thing for
like a small handful of companies.
MR. DAVIDSON: Right.
MR. AUMENT: So, VA sends 15, 20 percent of
their annual IT spend to SMS, which is -- for the
existing one, there is still a veteran-owned small
business doing, what, 200, 300 million a year? Probably
more than that.
MR. DAVIDSON: Yeah.
MR. AUMENT: They have got -- about a billion
dollars out of the original spend has gone to them, and
I just don't think that -- you know, yeah you're talking
about like a few veteran-owned businesses doing very,
very well --
MR. DAVIDSON: Right.
MR. AUMENT: -- but then you have got a host of
people that are sitting on the outside looking in
because there was no real onramp for that. The same way
with Vets GWAC, you know --
UNIDENTIFIED: (Off mic) Advisor.
MR. AUMENT: -- companies like Microtech, all of
this.
MR. DAVIDSON: That's a different -- yeah.
MR. AUMENT: I mean, Microtech has been on there for, like, ten years, on this, too.

MR. DAVIDSON: NASA SEWP.

MR. AUMENT: So, it's -- I find these actually more in the way of barriers to small business than they are, you know, any sort of a way to encourage small business.

MR. DAVIDSON: So, the issue, as we all know, is the onramp and offramp process, right? I mean, why is it not being monitored and why is it not being enforced?

I think if you look at VA Advisors' contract, they actually had set something -- they have done something well. So, in the VA Advisors' contract, we know it's a $550 million service-disabled, veteran-owned, small business set-aside. Twelve people had won it.

In the contract, it's a $7 million NAICS code, right? That's the NAICS code. When you breach that, you are offramped. End of story. You are actually offramped. You have to certify every year, and you have to notify the contracting officer in 30 days, and you're offramped that vehicle.

That is what I thought was a great change to see that, because number one, yeah, legacywise, you'll stay right? That's the NAICS code. When you breach that, you are offramped. End of story. You are actually offramped. You have to certify every year, and you have to notify the contracting officer in 30 days, and you're offramped that vehicle.

At least with VA Advisor, I liked the way they did the approach in the fact that they would just take you off the vehicle and offramp you when you breach that as a small business, and then they will automatically compete on anything else once you break that threshold.

The they're adjusting and trying to fix that, because the T4 issue has been an incredible issue, if you think about -- if you look at, you know, Systems Made Simple or anybody else for that matter, they have grown to be massive. Microtech, the same thing. I mean, I don't know how are they are still considered -- well, I mean, we know why they are still considered a small business in some cases, but, you know, it hasn't been checked.

So, VA did a little bit more due diligence in the sense that they created a NAICS code that would be tolerable for a small business to be able to fund, because if you think about it, if you're a small business, you're under the $7 million NAICS code, what's really your ability to be able to sustain for any kind of contracting?

How are you going to ramp up to -- let's say if you get a 50-person contract, FTEs, and then that for 90 days, you know, even if you factor it, you are never going to be able to qualify for that type of credit. You automatically -- you know, you are setting yourself up for failure.

At least with VA Advisor, I liked the way they did the approach in the fact that they would just take you off the vehicle and offramp you when you breach that as a small business, and then they will automatically compete on anything else once you break that threshold.

Another -- on the growth and succession, those are two areas where there could be -- there's a lot of room for growth, and we do have programs for those, and I don't necessarily want a PTAC to learn more and try to counsel to companies, recognizing that government contracting is pretty specific and you get beyond the capacity of certain entities rather quickly. I'll acknowledge that but say that, as I would say to VAs, Voc Rehab and employment counselors, I don't want to train them up more. I want to train them to train -- to train them to refer to SBA and the resources where people can get that free counseling.

And I think that's it for today. Thank you very much for the briefing.

MR. DAVIDSON: Sure.

Oh, another question?

MR. FIELDER: Scott, Ed Fielder from Georgia.

There are two topics that -- one is one that we've been dealing with for over a year, and a second topic is one that we became aware of last year and are going to look into.

For The Record, Inc.
(301) 870-8025 - www.ftrinc.net - (800) 921-5555
MR. DAVIDSON: Right. So, the plethora of resources, how to map them, how to validate them? And then secondly, this -- a commercial approach where most of what you presented is -- is government contracting?

MR. RUSSELL: I'd like to hear you comment on them.

MR. DAVIDSON: One is, is that -- this was the topic we tried to deal with last year, is this mapping the resources and making the resources available, whether that's a Web site that's hosted somewhere, and validating the resources. I like to say there's a plethora of resources for veterans to get assistance, and they range from very good to very poor, and within those silos, there are very poor organizations getting funding, while there are very good organizations who are not getting -- so, that's question number one for you to comment on. And the second one is, we found ourselves critiquing ourselves throughout last year in the sense of commercial-available contracting -- and I've heard everything from a multiple of eight to a multiple of ten more -- we had some people come in and talk to us about the round tables -- the different round tables with Fortune 500 companies that were looking for solutions. Without a doubt, there needs to be a single point of contact, you know, if -- not a single point of contact, but a single point -- page where you list all the resources that are available, and they're vetted, right?

MR. RUSSELL: I mean, it's not like a Wikipedia-type thing. It's something that is a vetted source where these are actual legitimate sources of -- a nonprofit that has good ratings, there are, you know, university programs, chambers of commerce, things of that nature, that specifically give you a description of where they need to go. That doesn't exist today.

MR. DAVIDSON: And it's unfortunate, because there is so much information, and it would just take time to get that together, and then somebody has to maintain it. So, yes, I mean, there is a plethora. There's some bad actors in the space, which we know, that can put up a nice Web site in a matter of minutes and give bad advice and cause issues, and I have unfortunately run across those people in my time, and I think if it's -- from a -- if it's from a federal body, for that matter, I think it adds credence -- it -- you know, it gives it -- it basically -- it will validate something.

MR. RUSSELL: If that could be done -- SBA, of course -- putting up a specific veteran page where we go one-stop shop. It just needs to be done. I wish -- I don't have an answer as to where it exists. I don't -- I haven't found it yet.

MR. DAVIDSON: Commercial, so that is actually -- that's a great question. It's one of the reasons why we went to Dun & Bradstreet, because they actually have access to every commercial business record, and they know who veteran businesses are through internal surveys, bank information, things of that nature. You're correct on that number. I don't know if companies, and it happens to be in my home town, so I know their specific case. But could you comment on those two, the plethora of resources, how to map them, how to validate them? And then secondly, this -- a commercial approach where most of what you presented is -- is government contracting?

MR. DAVIDSON: Right. So, the plethora of resources, I can tell you right now, I get asked that question, where do I go? Where do I look? Especially if I teach, like, at EVV or things of that nature. I don't have a single Web site to send you to. I have links that I have collected over the years that I will cut, paste, and send to somebody, whether it's access to capital, whether it's the different state programs, whether it's -- unfortunately, we need a solution. Without a doubt, there needs to be a single point of contact, you know, if -- not a single point of contact, but a single point -- page where you list all the resources that are available, and they're vetted, right?
MR. LOCARIO: Thanks, Mike. And thanks, everyone, for your time this afternoon. I appreciate the invite to be before you today.

We’re going to go through a number of legal issues. We can’t go through all the legal issues in one hour, but we’ll go through some of them. But really quickly, I’m with the law firm of Venable based here in Washington, D.C. Venable is a national firm. We’ve got offices all over the country, more than 600 attorneys. And we do really a full range of services.

But with respect to Government contracts and small business in general, or more specifically, we really cover the range of issues and services for Government contractors. We represent a number of small businesses in all sorts of issues ranging from, you know, becoming a Government contractor to litigating against the Government, disputes or protests, things like that. So there’s some information in the slides. But let’s get on to the agenda.

The agenda, I’ve got a couple items that we’ll touch on specifically and then some additional issues which are kind of a catch-all of a number of different things on my mind and on veteran businesses’ minds. I spoke actually with a number of my clients as I put these slides together, and I was actually at an organization event yesterday where there were a few veteran businesses there. And I was talking with them as well about some of these issues. And these issues are definitely at the fore of their mind.

The first one is kind of a very specific issue, but one that has been circulating within the small business community for quite some time now. It’s about reverse auctions. For those of you not aware what a reverse auction is, essentially it’s a procedure where the Government can go and get services starting at a price and then just pushing the price down and down and down.

Now, that’s great from a Government perspective because it pushes the price down and down and down. The problem from a veteran or a small business perspective is that it really squelches out small business. I mean, small businesses are not in a position to be able to, you know, cut their margins much more than they would in a bid process where folks give their best shot, but they’re not continually pushing down. It’s as though -- in the regular bidding process, it’s as though you went through six, seven BAFOs where every time you’re being asked to sharpen your pencil further. And at some point small businesses like a sticker if they want to put it on their business or anything like that, but there is efforts on the commercial side in order to tackle that. But it’s -- we’ve got to -- we’re going in that direction, but it’s got a long way to go.

MR. PHIPPS: I am going to make one last comment, because we have to get to the next speaker, and we have kind of gone into our break time. So, just a comment kind of to add, Craig Heilman gave us a brief during the last committee meeting for the report that Barb mentioned. I saw some of the data that Scott got was from that SBA report that’s going to come out that addresses resources and a lot of issues that actually have gone through that that are commercial-related businesses, nothing but gov-con, and they have gone through the process of becoming certified, and that’s how they identify them. They get and declare themselves as that?

And I know Dun & Bradstreet does have some programs in place and there are other things that they are developing, you know, with us that will -- they have a veteran certification program now for non-gov-con businesses that allow them to go through a process to declare that they are -- and it's free of charge, actually, they don't charge anybody -- but it goes on their permanent record and they can identify them that way, but they have an extraordinary amount of businesses that actually have gone through that that are commercial-related businesses, nothing but gov-con, and they have gone through the process of becoming certified, and that's how they identify them. They get

like a sticker if they want to put it on their business or anything like that, but there is efforts on the commercial side in order to tackle that. But it's -- we've got to -- we're going in that direction, but it's got a long way to go.

MR. PHIPPS: I am going to make one last comment, because we have to get to the next speaker, and we have kind of gone into our break time. So, just a comment kind of to add, Craig Heilman gave us a brief during the last committee meeting for the report that Barb mentioned. I saw some of the data that Scott got was from that SBA report that's going to come out that addresses resources and a lot of issues that Scott is going to present today. So, when we see that report, it will probably give much more insight to some of these issues.

That being said, does anybody need to take a break or can we go right into the next speaker? If you need to take a break, a show of hands? Okay, we will take a quick five-minute break, and we will reconvene in five minutes.

(A brief recess was taken.)

MR. PHIPPS: Okay, everybody. We’re going to get started. I'd like to introduce Diz Locario from Venable. He’s going to be addressing legal issues that, so they are tracking all that information, because...
Just can’t do it.

Larger businesses, they have the wherewithal to be able to say, well, you know, on this one we’ll be okay, because market entry and we’ll get better on the next one. So it creates an environment where big businesses can buy in and the small businesses are pushed out.

It also squelches innovation to a great degree because what you’re doing is, again, you’re looking for the lowest price. Now, these proposals may be set up as a best value. But if the main focal point of a reverse auction is the price, well then it really converts to what we call an LPTA, low price technically acceptable. And everyone is looked at equally in terms of their ability, but the bottom line is the price.

So, it really kind of distorts the whole point of the procurement process. Why are we here? Well, you know, reverse auctions are easy. And, again, it saves the taxpayer money. So I see the Government’s perspective in that. But there really needs to be some thought put into how these are used and when they’re used. And that’s, you know, one of the issues that I want to just talk about a little bit, is, you know, what is -- what is the best way to use that tool?

Well, first of all, there needs to be some education, particularly to small businesses, on how to get engaged in these, how to work this. Because a lot of times small businesses, when they are not that experienced in Government contracting, their first offer is their best offer.

Well, when you’re going against behemoth Government contractors who are going after the same work, they know that their first offer, especially in a reverse auction, is only their first offer. It’s not their last offer. And so they’re not going in with their lowest offer, whereas that small business is going in early with a very low offer, and then they easily get passed up by the other offerors.

So there needs to be some education and some training in that regard. But there also needs to be some education and training on the Government side, right? So what is the Government exactly? What is their goal here? Is their goal to save every last dollar for the taxpayer? I understand that goal.

However, the Government does need to work in a little bit broader, kind of not lose the forest for the trees perspective. Veteran businesses, small businesses bring forward lots of innovation and utility to the Government. Otherwise, we have a homogenized group of contractors with no diversity among their thoughts. And having small businesses, yeah, you may pay a little bit more, but for small businesses to be engaged and involved in the federal contracting process is absolutely critical to the growth of industry.

And so, you know, contracting officers need to say, okay, what is it that we’re procuring? Are we procuring a widget or are we procuring a thought process or are we procuring a service? If you’re procuring pencils, okay, fine, maybe that is something that is better suited for reverse auction. But if you’re procuring a program manager or some type of service or some type of integrated service, you really need to think through what it is you’re trying to get out of this procurement. And contracting officers need to be pushed to justify why to use a reverse auction.

For instance, they need to start at a market price. Is the Government really looking to buy things at below market price? Is the Government really looking to buy things at below cost? Because big businesses, in order to get the Government business, will buy in at below cost because they know they’ll get well down the road. They may get well through this contract through change orders, or they may get well with other contracts down the road. Again, small businesses are not as savvy to think, oh, well, we’ll just file a bunch of change orders on this contract and we’ll get well.

So the big businesses, they’ll buy in and the Government may get something on the cheap at the outset, but at the end of the day, if the Government is saving a dime here, they may be paying out quite a bit more down the road because those big businesses are in the business of making money. So eventually they will get theirs at the cost of small business entrepreneurs.

So it’s critical that contracting officers be -- you know, that some reins be put on this, that they have to determine reasonable market pricing and probably not allow those rates to go below that.

Now, what that does is everyone goes to that bottom rate, whatever that might be, let’s say it’s $100 for sake of example. Now, that market -- that market rate might not -- that fair market price may not be public. So, A, the Government knows it. And if everyone hits it, let’s say five out of the 10 bidders hit it, well then you have a playing field that actually looks at something other than price. Now we’re looking at best value. You’re looking at what innovation, what expertise, what other value add is the -- are the contractors bringing?

So if you have five businesses -- let’s say
you started at 10, you have five businesses that hit that market price of $100, now you’re looking at those five businesses. Some of those still could be small. And those small businesses can differentiate themselves because of their experience, their expertise. And so you’re now bringing it back to a value-based judgment and not an LPTA or low price, technically acceptable. So there is actually a really good solution.

But, again, there needs to be changes to force contracting officers to do that. Because right now it’s just way too simple for them just to go award it to the lowest price. And what’s that doing? It’s pushing out the small businesses and the veteran-owned small businesses. So one of the issues is that the FAR needs to kind of catch up with the times here on reverse auctions.

All right.

MR. FIELDER: Wait. While you’re still on --

MR. LOCARIO: Oh, yeah, please. Absolutely.

MR. FIELDER: Ed Fielder, Georgia. I was about to ask the question and then you dropped the acronym right at the very end. I refer to low price technically acceptable as the close cousin to reverse auction.

DEZ LOCARIO: Yeah.

MR. FIELDER: But it is different. But the consequences are the same.

DIZ LOCARIO: The same.

ED FIELDER: Could you just be more specific and comment on that, because we’re seeing more and more of them, and it seems to be -- and this is a -- if you will, my personal opinion -- but it seems to be a shortcut for the contract -- particularly Government contracting officers to literally make quick decisions that are not protestable because just about everybody is technically qualified or technically acceptable, and so they can go right to the low price.

And we find even small businesses competing against small businesses on set-asides that the business that wins can’t do it for the price that they’re doing it, and it’s -- in many cases, I won’t say in some cases, but in many cases fail.

DIZ LOCARIO: Right. And unfortunately I think the protest community and the GAO decisions sometimes are hit or miss on that last point you made, which is, you know, if you protest and you say, look, this is a completely unreasonable price, the Government should have never awarded this contract for this price, it’s really hit or miss at GAO whether you’re going to get an attorney that’s going to give that any appreciable review or say, well, the agency made the best judgment, and even though they’re 79 percent cheaper than everyone else, that was the agency’s decision.

Well, come on. You have a range of people at one number and you have this really low outlier, and that’s going to be reasonable? So we do see that issue quite a bit.

But going back to reverse auction, LPTA, I mean, LPTA is -- essentially it’s a reverse auction not in the reverse auction process. So a reverse auction is a process. An LPTA is a criteria within the typical RFP process. But they do -- to your point, they get to the exact same result, which is squeezing out innovation, squeezing out value add, because I can get a ham sandwich technically acceptable, but what else am I going to get out of that?

Well, the Government is going to get nothing else out of that. They’re going to get exactly what they say they’re going to get and nothing more. And that’s where small businesses have their competitive advantage. Because they’re innovative, they’re nimble, they’re flexible, and they can do things that large businesses cannot necessarily do on the drop of a hat, but they’re never going to have the opportunity because they can’t get in and buy low.

So, yeah, but great point. Any other questions. Yes?

MR. LEGHORN: Davy Leghorn with American Legion. I just have a comment to make on reverse auctions. One of the things that we’re finding is that a lot of small businesses don’t know that the people that run the reverse auctions charge you 3 percent. And they -- they always talk about it costs the Federal Government nothing, but it’s actually -- the small business has to build the cost into what they bid. And unfortunately a lot of them aren’t doing it.

And what -- what happens is it causes an adverse relationship between them and the Government because they’re coming in, having to pay that 3 percent, and I mean, they’re just hating life right off the bat. That’s what it comes down to. And they don’t like starting to work for an agency in the red.

DIZ LOCARIO: No. I mean, that’s exactly right. I mean, the reverse auction has not done anything positive for the partnership. And we were just talking during the break about the importance of a partnership between contractors and the Federal Government, that it’s an -- it doesn’t need to be adversarial. And reverse auctions -- typically
adversarial happens once you’re disputing a contract, at least you got the contact and you have some money coming in the door. Now we’re talking about adversarial process right out of the gate. Right out of the gate you’re -- the Government is ding you for every dollar before you even won the contract.

And to your point on the 3 percent, yeah, I mean, that fee is, you know, eaten typically by the small business, because going back to education, they don’t recognize that, whereas, again, the large businesses do. They build it in, but the small business doesn’t build it in. So, yeah, no, that’s a good point.

Okay. I’ll move on to the next topic. This -- the VA -- the Veterans Affairs Verification Program.

So typically -- or not typically. So one of the issues -- and this dates back again -- a lot of these issues aren't well understood or well known. And as we're moving in the right direction. But the bottom line is that it’s now changing.

So the VA program is actually modifying its requirements for what qualifies one as a veteran-owned business. The SBA is going to have a disparate structure. So you’re going to have companies that under one regime is considered a veteran-owned business, and then another regime is not a veteran-owned business.

That creates a significant problem. And that’s what we’ll go into here. So the problem here is that the VA, like I said, you go through an application process and they verify you. It’s an affirmative certification of being a veteran owner, service-disabled, veteran-owned business.

On the small business side, it’s a self-certification. Most of the various socio-economic classes under the small business regime are self-certification, woman-owned, although there now is a certification process. But traditionally 8As and HUBZones are the ones that you had to get certification. All the others are self-certifying and it’s self-regulating. You can get protested that you’re not, in fact, small. You can protest that you’re not, in fact, a veteran business, a woman-owned business, whatever it might be. And it’s self-regulating.

But now you’ve got a program at the VA where they’re going to certify. You’ve got the VA that has self-certifying. But they’re now changing the rules at the VA -- to changing the two key factors, which is ownership and control. So to be a veteran-owned business and to be an SDVOSB, you have to be 51 percent owned by a veteran or a service-disabled veteran, okay, and controlled by that veteran or service-disabled veteran, okay, or multiple veterans or service-disabled veterans.

That’s how it’s always been under the SBA. That’s how it’s been under the VA. Now the VA is opening up the ownership issue a little bit. And there’s a good reason for it and I understand that completely. And I don’t want to exclude people from being within this category. There were issues related to capital that veterans needed additional capital to get their company going.

Well, in order to get that capital, they give equity of the company. Well, when you give equity of a company to someone else, now you have affiliation issues. Are you affiliated with the person that holds the equity? Does that affiliation cause you not to be
small any more? So those issues are the issues they’re trying to address here.

But does it make sense to not address them at the SBA? Because what you’re going to end up, as I mentioned earlier, you’re going to have a group of veteran-owned businesses that qualified under one regime but don’t qualify under the other regime. When you look at things like the System for Award Management and other reps and certs and contracts, those are statements to the Federal Government, those are representations and certifications upon which you’re going to get awarded a contract.

We spend an inordinate amount of time unfortunately defending contractors who certify inaccurately or make what the Government says are false statements. Those have major repercussions, both civil and criminal. And we’re putting the veterans right in the middle of that, because they’re going to have these two programs that don’t reconcile. And that, I think, is going to be a big issue in the next few years once these regs go into effect, because you’re going to have this group of veterans that don’t really appreciate or recognize the fact that in this one group they’re a veteran; in this other they’re not.

And I don’t think SAM even addresses that. So MR. GARCIA: John Garcia. But to complicate they’re going to put it in SAM that they’re a veteran-owned small business. Then they’re going to win a contract over at GSA, and GSA is considering it to be a veteran-owned award. And they’re not. And someone else is going to come along and say, hey, this veteran is not a veteran they’re going to file what’s called a qui-tam, which is essentially a False Claims Act case, against that veteran and drag them into court where they’re going to deal with treble damages and all sorts of problems.

So we’ve created a system. There’s just so much bureaucracy that it’s creating additional problems. And I guess my thought is we’ve got to think of a way to streamline this. Whether it’s the SBA or the VA, the criteria has got to be the same. Because if you have this varying criteria, you’re putting these veterans right smack dab in the middle of their problem that we all created. So it’s definitely an issue I think that’s going to be coming.

Any comments? Yes? MR. MCADAMS: Rich McAdams from Huntsville, Alabama. Has there been -- I thought I had heard that there was some move to make one or the other the official federal Government certification program for service-disabled.

MR. LOCARIO: Well, so the VA is the official certification program. But you can still self-certify under the SBA program.

MR. MCADAMS: Okay. Because there is only one --

MR. LOCARIO: Right.

MR. MCADAMS: -- certification.

DIZ LOCARIO: And so when -- you know, when a large business goes to a subcontractor, are they going to say, are you a certified -- VA certified or are you just certified? Well, I don’t know how I’d interpret that other than if you said I was VA. But if you just said are you a veteran veteran, yeah, I am, because under the SBA I can self-certify.

And then in the federal context, I don’t think, A, all the agencies understand the nuances of this, especially the ones that are a little disconnected from it. The SBA and the VA, putting those agencies aside, does GSA, does DOD, do all the other alphabet soup understand this? Are they going to amend their reps and certs? Is the FAR going to amend its reps and certs to account for the fact that you can be a VA-certified vet but not an SBA-certified vet? It just creates a whole lot of problems.

MR. GARCIA: John Garcia. But to complicate that even further is that you have some states that are certifying at the state level. And so Illinois, for example --

DIZ LOCARIO: Yeah.

JOHN GARCIA: -- I could be certified as a service-disabled veteran-owned company and secure a state contract, but I can’t do that with the VA.

DIZ LOCARIO: No. I mean, and then -- yeah, if you want to --

JOHN GARCIA: So my personal opinion has been, and I’ve shared it, is that the states that I process --

well, process my claim as a service-disabled vet, they’re the first to know that I’m a service-disabled vet. So I just believe the states ought to be certifying that I’m a service-disabled vet, because they’re going to have my proof of certification from the VA once I go through my service agency or officer and I get my certification from the VA.

All I have to do is present that to the state and the state certifies me as a service-disabled vet.

And a lot of states are beginning to do that because of the problems that have been going on with the VA. But there’s this constant bickering going on at who is the official certifier. So the VA doesn’t even recognize the state certification.
DIZ LOCARIO: No, not at all, no. I mean, that’s a whole other ball of wax, which is the interplay between state programs and the federal programs. And the Federal Government is not going to recognize a state program. And many states just try to piggy-back off the federal programs, but they either do it poorly or they lag, and in other ways they try to be innovative and do it themselves. And that’s great and it’s a laudable, but it does create more problems.

And, again, to Scott’s point, you know, having a resource for veterans to go consult with all of this information would be key because veterans just -- you know, they know what they want to do this stuff is, you know -- I get paid every day to do this. That’s why I know it. But not everyone is like that. And so it’s hard to ask people to really understand the nuances of this.

MR. GARCIA: And that’s an issue I think that this committee needs to really look at, address, is that how do we streamline that to make it easier for that service-disabled veteran company? Because as we’re talking here at the strategic level, it’s the tactical level that’s lacking. And that’s -- how do you take it down to a tactical level for certification?

MR. FIELDER: Ed Fielder, Georgia. Partly to respond to Rich and then what you just talked about, John. I think what gets lost in the fog of this is that the CVE program was meant for Vet First only, as in it only applies to the VA. But as our friends from the VA like to say, it’s the platinum standard amongst certification programs, of which the SBA’s policy and long-standing policy, which we all agree with is -- well, I can’t say we all agree -- I agree with, which is self-certification.

And what gets clouded in this is that risk -- adverse Government contracting officers defer to that CVE rating that has nothing to do with that particular agency. Rich just tried to clear it up again a little bit. But that’s what we’ve been dealing with. And last year we had the VA come in and give us an update on their CVE program. And that’s where I got the term “platinum standard.” But we also brought in a couple of certification groups.

And, frankly, I think we -- at least I landed on the fact that self-certification is the correct platform right now. But what’s clouding it is this thing -- this CVE program was only meant for the VA. And it’s broadened this approach and it’s gotten very large. And I think if you ask the average vet business owner about doing business with the Federal Government, he’s going to say I need that CVE certification to be able to do that.

MR. LOCARIO: Yeah. I mean, I would concur. I mean, I think the self-certification process has a lot of benefits. Timing, again, going back to the GAO report, I mean, we’re talking -- even though there’s been improvements from 85 days to 56 days, we’re still talking about two months to get the VA to process an application.

When the veteran is the sole owner, he knows he’s a vet, or he knows he qualifies under the SDVOSB program, why not let him start right away? You can bet your bottom dollar that if he wins a contract and someone else has evidence that he’s not a veteran or he’s not qualified, they’re going to make that known. And the self-policing aspect of it works really well.

And so the idea of creating this entire infrastructure just to do this, it’s just -- you know, it just creates additional hurdles, additional problems, because you have disharmony among all the various, you know, agencies at issue here, both state, federal, you know, local. And so the self-process -- the self-certifying process just really does make a whole lot of sense in that regard.

MR. MCADAMS: Rich McAdams again. I agree with you completely. But as a service-disabled owner, I know the first question out of the top 10 contractors mouth when you go ask them, are you certified, you know, and they mean the CVE --

MR. LOCARIO: Exactly.

MR. MCADAMS: -- they don’t mean the --

MR. LOCARIO: But that’s the problem with having the CVE program.

MR. MCADAMS: Correct.

MR. LOCARIO: Is it’s not an optional program at times. What happens ultimately is it’s, okay, great, it starts as Vets First --

MR. MCADAMS: It becomes the de facto.

MR. LOCARIO: Exactly. Because everyone is so risk adverse.

MR. MCADAMS: Because the KO who wants to avoid the possibility of a protest and dragging out his procurement for another six or nine months wants to be risk-adverse, and --

DIZ LOCARIO: Well, and even the primes, there’s -- you know, doing their due diligence, well, you know, self-certification doesn’t make us feel as good as if you had CVEs. So now it’s a de facto requirement where it was never intended to do that. But it essentially has become that. Absolutely.
Okay. Now, let’s talk about a case that we’re all -- at least I’m keeping an eye on this year. The status of the Veterans First Program. So not only is the CVE created for Vets First, the VA doesn’t even follow Vets First. So, I mean, okay. So here’s the program. The VA is required to go get veteran participation. The VA decides, well, we hit our goals, we’re good, now we can just go out and procure from anyone. We don’t need to do any rule of two, we don’t need to look to see if veterans can fulfill this order, regardless of whether there’s even a cost savings or not. That’s not even an issue. As soon as the VA got to that goal, hands off, Veterans First is no more. Is that really what was intended when Congress passed that? I don’t think so.

So essentially what happened at the Federal Circuit is they agreed with the Government, that as soon as they hit their requirement, they had no requirements under Vets First. So that’s now been taken to the Supreme Court. So we’ll see what the Supreme Court says about Kingdomware. I don’t know if it looks good. Maybe there will be some reaction. Oftentimes when a decision comes out of the Supreme Court that’s not the intended result, there’s changes legislatively to fix that -- whatever that glitch was.

But at the end of the day, if the VA is not required to use veterans, what kind of example is that? What example is that setting for veteran-owned businesses, that they can’t even get their own agency, the one that created the CVE Program, this de facto certification now, that they’re not even willing to go beyond their basic requirement to use veterans? It just creates a whole atmosphere.

Why are the other agencies going to fall into line on that? This case is frankly somewhat of an embarrassment to the VA, the fact that it’s gotten this far and now it’s going to the Supreme Court for review. So I don’t know if there’s any other questions on that. So I have a few other topics. I don’t really have slides on it. But these topics are extremely important to me.

The failure to properly identify qualified small businesses. Okay. So this is broader than veterans. But essentially there is absolutely -- you can go to FedBizOps every day and see open solicitations for work you know small -- I could go out there right now and find two small businesses that could satisfy that requirement. Is it set aside? No. Why?

Government in action? I’m not sure what it is.

But there are opportunities every single day that the rule of two is being ignored, whether it’s a Veterans First rule of two or just a small business rule of two. That is an absolute travesty. That’s what small business -- I mean, those rules are put in place for small business and they’re not being followed.

Now, you can protest it. That’s not really going to get you on the good side of your agency, of your customer. So we generally -- you know, most small businesses generally, A, do they have the resources to protest, and, B, do they want to do that because a lot of times they’re not diversified in their client base. They do work for DHS, they do work for DHS. They can’t go, you know, poke the dog.

So it’s kind of self-perpetuating because they’re not willing to protest those issues and they’re going to go win it and they’ll try to, you know, make sure that their customer knows them and all those different relationship issues. But they’re not going to push for the rule of two and the set-aside.

And that’s something that I think there needs to be greater accountability at the contracting officer level to go out and do some market survey, to look what’s going on out there and decide, okay, yes, this can be satisfied.

Now, this goes into the next issue, which is acquisition strategies. And number one on that list every year is bundling, because the Government knows they’ve got this rule of two. So the more savvy contracting offices who are aware of the rule of two say, Well, we’ll just add this and we’ll add that and we’ll just make it one big bundle.

Then that pushes out the small business or the veteran-owned small business from participating, and they have to go in as a sub as opposed to being a prime.

So, you know, the idea of curtailing bundling, strategic sourcing is a great buzz word around town, going to save the Government lots of money. But, again, are we trying to save every bottom dollar? Are we trying to look, you know, at the forest for the trees here?

There’s got to be a push to use small business. That’s where the innovation comes from. If you go out and you talk to all the big defense contractors, Northrop, Lockheed, whoever you want to talk to, all of them shake the bushes for small businesses. They look for small business partners.

Now, they’re required to in many ways, but in many, many instances they do it because, A, the same reasons the Government should pay more for it. They’re
Advisory Committee on Veterans Business Affairs

1. more nimble, they’re more flexible, and they innovate.
2. The ideas that come from small business have to be sponsored. They have to be fostered. And if you have to pay a little bit more up front to keep developing that work force and developing that entrepreneurship, then you’ve got to do it.
3. So the idea of strategic sourcing every five years, oh, let’s come around and let’s, you know, create these initiatives to save taxpayer dollars. And, I mean, Scott put out that list of all those different GWACs that are veteran focused. Well, you know, why are there so many GWACs to start with? Why do you have 17 different IT GWACs? I mean, let’s be strategic, Government. Let’s have one agency, have one GWAC for IT, everyone combing out there.
4. Why is GSA competing with NASA, who’s competing with DHS? I mean, that doesn’t help small businesses. Small businesses now have to go and get on 17 different vehicles and then hope for work. That doesn’t help the small business. That’s a lot of administrative work both within the Government and outside the Government. That could all be streamlined and saved. So those are -- you know, these issues I think are just enormously important.
5. This one -- and this goes somewhat against my faith to meet those plans? Nothing. Yeah, exactly. I don’t know. I’ve never heard of it. I mean, there’s liquidated damages clauses. There’s all kinds of remedies. I’ve never seen -- once have I heard of anyone, you know, holding anyone to the mat. Now, all my clients, they all do good faith effort. But, you know, I can’t say that for everyone. So I think that’s a big issue and an area that can be improved without a lot of changes to regulations or rules. Let’s just enforce what’s out there.

206

1. practice. So I represent a lot of small businesses, but I represent some businesses that are not small. And, you know, every large business is required to have subcontracting plans. But those subcontracting plans, first of all, sometimes the agency I think -- agency approval is required, you know, in those cases. Sometimes those approvals, I think, are a bit disingenuous. Because if you put in a right number, whether you actually have a plan to get to that number is irrelevant. You just need to have the right number there.
2. I’ve seen many good large businesses try to do the right thing. Okay, we’ve got .01 spend in this category right now, but over a five-year period if we can get that up to 3 percent, but that’s going to take us time. We can’t just do it in one year. Whereas your plan is never going to get approved if in year one you’re saying you’re going to do half a percent. You’ll never get your plan approved. So you’ve got to go straight to that 3 percent or that 5 percent. And that’s just -- that just doesn’t make sense. Let’s be practical and pragmatic about it.
3. Now, the alternative is that so what is -- what is being done when contractors don’t exercise good faith to meet those plans? Nothing. Yeah, exactly. I

207

1. Just a new requirement for us to do, but the same amount of people here with the agency to do it.
2. So, you know, there’s got to be a push to get some more funds for the agencies to hire and to retain and train, you know, their acquisition work force. And I know there’s a huge turnover now. But there’s a direct correlation between good contracting officers and good contract officials and the contracting community with which they serve. You’re going to get far better service, far better results, and a lot less expensive if you have good communication and working -- that partnership I’m talking about.
3. And then my last point is regulating of small businesses. So we talked a little bit about it, kind of the bureaucracy, the disparate systems, the constant changes to regulations, the increase in regulations. I actually know several companies and they’re not even small. I mean, they’re considering exiting federal contracting because it’s just getting to be too much. There’s too much, and the Government is pushing, you know, prices down, pushing margins down, and there’s just too much added.
4. There’s too many requirements that come into it. Even things that are supposed to be simple, the GSA is supposed to be -- the schedules are supposed to take
your commercial practices and apply it to the
government. But the government is harnessing the
commercial sector, the competition, all of the good
things that come from the commercial environment for
commercial products and apply it to the government.

But GSA has made that a mess. They have --
and part of it, I think, is the staffing and education
is that the contracting officers have far too many
cases, far too many files, and they can’t spend the real
time it takes to, A, educate their contractors on what
they need to be doing, and B, work with them -- going
back to the point of contractors CYAing themselves --

it’s easier to simply take the highest standard and
apply it to everyone, which doesn’t work for anyone,
than it is to say, okay, here’s your situation, here’s
your industry and here’s how we’re going to structure
it.

You know, IGs come in and give them the riot
act and they get, you know, written up for that.
There’s just so much bureaucracy that it’s starting, I
think, really to kill the contracting community. And so
I think that, you know, at the end of the day I’m seeing
even large businesses kind of crumpling under the weight
of all these various regulations and things.

Any questions? I have no idea what time it

is. JOHN GARCIA: John Garcia. I just want to
thank you. I think it’s extremely thorough what you are
presenting and I think you’re hitting this nail on the
head of what we’re all having to deal with, the SBA as
well as the VA.

You’ve outlined your issues. Have you put
together any types of recommendations that maybe this
committee could review and look at, maybe present --

DIZ LOCARIO: I haven’t. I’d be happy to.

I’d be happy to do so. I mean, some of them I realize
are a little bit pie in the sky, but --

JOHN GARCIA: No. But I think you’re hitting
it right on. Second, and just a personal question, are
you a veteran?

DIZ LOCARIO: I’m not, no.

JOHN GARCIA: You’ve got some good vet speak.
I think we’re all able to understand what you’re talking
about.

DIZ LOCARIO: Good. Glad to --

JOHN GARCIA: But -- and I think that’s
important when we’re putting something together that’s
got vet speak, as you know what I’m talking about.

DIZ LOCARIO: I work with Scott. I’m a friend
of veterans.

JOHN GARCIA: You’ve educated him pretty good

then. I just think what you’re presenting is right on.
It would be helpful to veteran and small businesses
because we’re all experiencing that and we’re all trying
to find a solution for it. So I would just ask --
you’ve presented some great issues. Maybe we can have
the Chair get a copy of any kind of recommendations that
we can consider and present.

DIZ LOCARIO: Yeah, I’d be happy to. Yeah,
absolutely.

MIKE PHIPPS: Mike Phipps. One of our agenda
items is addressing certification. And I think this
could probably lend a lot of knowledge to that, as among
some of the other issues that we have on the agenda
items. And we’re going to discuss that, the agenda
items, when we finish up today.

DIZ LOCARIO: Okay, great.

MIKE PHIPPS: But, Diz, I have a couple of
questions.

DIZ LOCARIO: Oh, sure, please.

MIKE PHIPPS: This rule of two being ignored,
is there -- other than education -- a way to enforce?
Because we see it all the time. It’s just --

DIZ LOCARIO: You know, it’d be great. So,
like I said, small businesses don’t necessarily want to
raise their hand and say, hey, you, customer, do what
you’re supposed to do. It doesn’t resonate well. And I
get that.

It’d be great if there was an ability to where
the SBA could raise those issues and where small
businesses could bring that to their advocate and that
the SBA puts a stop to that.

Now, the problem is that the SBA is one agency
and DOD is another and, you know, DHS and all these
other agencies. And so you’re talking about, you know,
this idea of SBA having jurisdiction over other
agencies. And that does create some legal issues,
creates a lot of political issues. And so I recognize
my point about pie in the sky, but I think that’s the
type of thing, even if it doesn’t fix that particular
procurement, hey, DOD, next time you need to do this,
you need to do this correctly.

And if it means that top-level brass at SBA
needs to talk to top-level brass at other agencies, then
maybe that’s how it happens. Because it’s not
comfortable and it’s not realistic for small businesses
and veteran-owned small -- and especially veteran-owned.

I mean, veteran owns are -- I’ve worked with a lot of
them. They’re not the ones to be the squeaky wheel.
They’ll get the job done, but they’re not going to
create a lot of issues with their customer. Most of

For The Record, Inc.
(301) 870-8025 - www.ftrinc.net - (800) 921-5555

53 (Pages 209 to 212)
them are very, very happy with their customer, very, very devoted to their customer, and they’re not going to be the ones that are going to be poking them with the stick.

But if there was a way that they could do that without, you know, American Legion -- I mean, there’s organizations that might be able to do that. Maybe there’s some way we can work that into it. But there’s got to be a way where the actual business that’s affected is insulated from, you know, repercussions, I think.

MR. PHIPPS: Excellent. Do we have any other questions for Diz?

(No response.)

MR. PHIPPS: Diz, thank you very much. Very informative.

MR. LOCARIO: My pleasure, my pleasure. Thank you, everyone.

MR. PHIPPS: So you’re open to coming back to the committee, Diz, and answering some questions?

MR. LOCARIO: Absolutely.

MR. PHIPPS: Thank you very much. Okay. So that -- that’s the wrap-up. Do we have -- so we’re going to go into some committee member -- committee-specific topics at this point. Unless there’s any other comments for the record, does anybody have any other comments for the record before we get into the committee agenda?

MR. MCADAMS: Rich McAdams. I had asked earlier this morning one of our speakers if there had been any discussion about raising the 3 percent. And I had asked Barb also about raising the 3 percent set-aside. During the interim period, I looked up -- in 1990, there were about 2.3 million service-disabled veterans. There are about 4.2 million today.

So that’s almost doubling. So I think this committee might be a vehicle -- understanding that will be a multiyear undertaking, Congress has got to do it, but I think that’s something we should -- we should think about and put on the table.

MR. PHIPPS: Mike Phipps. There’s actually -- somebody actually did a study about opening up the set-asides to veteran-owned businesses as well and increasing the set-asides. And I’ll share that article with the committee and maybe we can post it.

All right. That concludes our session. We’re off the record.

(Whereupon, the conference was concluded at 3:03 p.m.)
12/9/2015

Public Meeting
Advisory Committee on Veterans Business Affairs

For The Record, Inc.
(301) 870-8025 - www.ftrinc.net - (800) 921-5555
...
Public Meeting
Advisory Committee on Veterans Business Affairs
12/9/2015

[252]

For The Record, Inc.
(301) 870-8025 - www.ftrinc.net - (800) 921-5555