Public Meeting
Advisory Committee on Veterans Business Affairs
3/9/2016

PUBLIC MEETING
WEDNESDAY, MARCH 9, 2016
9:00 A.M.

Recorded by: Jen Metcalf-Razzino, CER

P R O C E E D I N G S

(Meeting called to order, 9:06 a.m.)

MR. PHIPPS: Can we please have a roll call for anybody that’s on the phone. Just a reminder that this is going to be a recorded session to anybody dialing in.

(No response.)

MR. PHIPPS: Okay. So the first order of business, I’m -- I’m going to hand it over to Ed to give us an update on the report.

MR. FIELDER: Okay. It took longer than we -- we all expected, but I -- I think we’ve got some great lessons to learn in the sense of how to format it, and how to spread the -- spread the requirement out, and do it throughout the year, rather than trying to collect the information and pull a report together at the end of the year. Mike’s -- Mike’s established some protocols and some -- some ways to sort of -- as we complete a meeting, kept the report information ready to go so that it staged on -- on October 1st next year so that we can go right into report writing.

Now, as we went through it I certainly want to thank Davy, and -- and -- and Ron, and Mike for their input. What we tried to do was demonstrate that we had
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Mr. Fielder: We're done. Mr. Phipps: Your report is accepted and will be submitted. Ms. Carson: And this is Barb Carson. I wanted to thank you, Ed, for your leadership in this, we really have reinvigorated this advisory committee thanks to you and the dedicated members that we have here. I look forward to continued growth under Mr. Phipps and supporting your work, thank you, we will act upon this report and appreciate very much the effort that went into it.

Mr. Fielder: Yeah, let me -- let me have one concluding comment. As I took over as chairman, the vitality -- let's just say the vitality of the committee was at an all-time low in the sense of membership and whatnot. And you may remember one of the -- one of the agenda items was revitalizing the -- the committee and getting full membership, which we now are sitting with a full room of members, and then doing meaningful work. And I mean this in the most humble way, I'm -- I -- I think the report demonstrates that, but without Barb's support we'd have never gotten there, particularly on the membership part, and I thank her for that, too.

Mr. Phipps: One more quick note, we'd like to thank Jim O'Farrell for doing last meeting's notes. We have a new template for the meeting notes, that enables us to track handouts and track followup items. As we were doing the report last year we found a lot of items that we were supposed to follow up on, that is just hard to track over 200 or 300 pages of notes, so I think this year we'll be able to track some of those easy.

Mr. Michael Zacchea is going to be doing this meeting's notes' summary and I think we have the rest of the -- we'll cover the remaining two meetings on who's going to be doing that. So without further adieu, let's get an update from Barb Carson at OVBD.

Ms. Carson: Good morning, everyone. This has been a great quarter, a lot has happened and I'm looking forward to hearing what is still left to be done as we go through the discussions. You can see from the agenda we have a great presentation this morning from Naval Postgraduate School and the census on what we've learned about veteran entrepreneurship from 2007 to '12.

For the moment we're going to focus on -- within SBA and I want to start with we've got an incredible team, you've met many of them before, and I'm very grateful for all who are here today from team OVBD. And I want to introduce you to our newest member
MR. PHIPPS: Thanks, Craig.

MR. HEILMAN: Hi, good morning. Newly appointed deputy, but not -- not new to the team. I joined the team about three years ago and I had the privilege of working on our programs and -- and leading the boots-to-business program and growing that, learned -- learned a lot, love our mission here.

You know, I -- by way of background, I'm a Navy veteran, so hooyah to any of the Navy folks we’ve got in the room, aviation type, and -- and then continued on the reserves, and in -- in -- doing intelligence work, and then went off, started a business, and then went and for a long time was able to lead the body armor business for the -- the Dupont Company, the Kevlar business, which was a lot of work, and -- and then terms of working with small business on -- on the government contracting side of things, and -- and -- and a lot of appreciation for what that takes, and what some of the opportunities and challenges are there.

I really wanted to serve again and -- and this is the mission that, you know, I think is the best one in government, being able to -- to -- to serve in a capacity that helps enable our veterans and -- and -- and help them in their business pursuits, so it’s -- it’s been a great experience being here.

Certainly would reiterate all the gratefulness that Barb’s expressed to you over time in terms of having the ability to work with you and the time that you give to this mission, understanding you all are business owners and executives in -- in -- in your own right, this isn’t your day job, and -- and so it’s just really super to have your -- your advice and council.

And, of course, our side of that equation is to take your advice and council and do something with it, and -- and -- and that’s what this is all about, and -- and I’m looking forward to being able to -- to champion that as well, and -- and certainly am available and accessible to you at any time if there’s something that I can do to assist your efforts.

I know there’s a lot we can do to enable more research and I’ve had a chance to work with -- with -- with -- with Mike and others on -- on what we’ve done on that in the past, so thank you very much for being here, looking forward to working with you in this -- in this capacity.

MR. PHIPPS: Thanks, Craig.
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force, along with memorandums of understanding and strategic alliances, have really reinvigorated our work and are more collaborative across all the sectors, academic, private, nonprofit, and veteran, thank you for your contributions to that.

And now we feel it’s time to re-evaluate those recommendations and get consensus on do we agree we’ve achieved what we -- what SBA says that we have from our humble assessment, so that’s what we will be bringing to the interagency task force tomorrow. Just to tee it up, there will be meetings through the next two months with myself and those agencies to determine what have we done, what is left to be done, and then we’ll present that in June in a public meeting, so expect a commitment, and a great discussion, and we need a lot of the public to come at that time. A few highlights.

First, any questions on interagency task force?

(No response.)

MS. CARSON: None. Okay. Moving to some program highlights, we are the first in the agency, I believe, to get CRM, client relationship management, sales force to -- we have a grand plan for what we would like to be able to do and that’s to show over the life cycle of a person’s experience with SBA from ideation, to business creation, growth, and succession.

how have we touched, where have we counciled, where have we been successful, whether it’s lending, contracting opportunities.

But let’s start with a small thing, just trying to have information that we can share with the people that are doing our work with us, so we are ruling out a program to test that within the boots-to-business program and the first partners that will have our district offices.

We hope to be able to work through expanding that circle to our veteran business outreach centers in June and -- well, it will be later than that, but we’re on our way and we’re very proud that this 18-month effort that was led by Craig is finally underway, so I will have an update for you on that in June.

Also in boots-to-business, the first survey of the participants, that also was over an 18-month effort to get a form approved by OMB, some of you know that pain, where we can actually go -- reach out to people and say, did you find it valuable, and can you show us how valuable, did you start a business, what does it look like, what are you doing, and if you didn’t start a business we’d like to know that, too. So the numbers, we’re pretty pleased with how the outcomes look so far and, again, that’s something that we would feel most comfortable briefing you in June when we have had a chance to analyze that data.

And we are also scaling up reboot, so can you tell me about how many sessions we’ve had since we launched in November of this year, Craig?

MR. HEILMAN: Sure, we’ve done 76 boots-to-business reboots and so we were able to do that through a -- a co-sponsorship and, you know, where we had some private funders that were helpful in -- in -- in offsetting costs for food, and venue, and things like that.

And then we are also now able to leverage appropriated funds, so we went back and we were able to get our authorization changed a little bit so that we could have the -- a more of a continuum between what happens on the installations with boots-to-business and what happens with boots-to-business reboot. It gives us some of that flexibility, because, as everybody knows, that’s a really-dynamic time.

And so folks that might not get it in transition may be able to take advantage of it in the community later on and in particular targeting the guard and the National -- or, excuse me, the Nation Guard and the reserves who are still a little bit disconnected from what’s -- what’s happening in TAP.

even though the intentions are there, so reboot addresses that and we’re looking forward to -- to growing that as -- you know, in a -- in a sustainable way where we can reach as many veterans and families as possible.

MS. CARSON: And back to boots-to-business for a moment, we’ve spend a lot of time and effort in the last three months meeting with each of the individual services to take advantage of the military life-cycle model where people are eligible to go to transition assistance from their first day on active duty and learn about what they might do in their post-service vocation and that’s also open to military spouses.

So SBA has joined the military spouse on employment partnership, so we are signatories to that and are currently conducting one webinar a month specifically for military spouses through that DOD program and we’ve had great turnout thus far. Kathy Roth-Douquet hopefully will talk more about what we’re doing in the military spouse arena later today.

For the veteran business outreach centers Craig mentioned our appropriation came with more flexibility and it also came with more dollars this year, so we did what we believe congress intended and that’s expand our veteran-business outreach-center
In February we did put out on grants.gov that opportunity and we do expect to award between five and eight in these areas, New England, southern California, Arizona, Hawaii, Alaska, north central Texas, Colorado, and Georgia, so that closes out on March 29th. We’re thrilled, because we really are coming — bringing that program in line with statute and how it was intended to be used for transitioning service members and all the things that they need, and, as well, they’re resources appropriately.

We have a lot more data right now about what the demand is for entrepreneurship at military installations, how many are transitioning, where they are, and also recognizing there are a great number of military spouses. And steady family employment is important for resilience and satisfaction with military service, so we really are pleased with how we are going to be able to work with partners in more locations across the U.S., and Ray Milano, who you’ve met before, is our leader for that program.

If you have any questions about that, you’re welcome to reach out to me, but there’s also a webinar on March 16th. So if you — I would appreciate it, honestly, if you’d get the word out, if you know of any eligible organizations, it could be academic, nonprofit, private business who are serving veteran small-business owners already or you think they have a capacity to do so very well and they’re in one of those locations, we’d encourage them to learn more.

And as I said at a high level, that VBOCs trained and counseled a total of 62,000, so I’m — I’m pleased with their growth. We expect to see the training numbers expand quite a lot, because they will focus more on those opportunities, the counseling may come down a bit as they are working on building the resources within our network.

I think that the diversity of SBA resources partners is of value, it’s not — we don’t need to do it all ourselves, we need to be able to refer and understand where the special talents are and where a person can get the best service for them at the point of business and their sector of business, so we’re working a lot with VBOCs on referral as well. So that’s the great, full update on VBOC and I’m going to move onto just two quick things on contracting. Jerry Godwin — oh, yes, Ed?

MR. FIELDER: All right. Thank you very much, Barb. So next we’re going to be hearing from Naomi Blackman from census with an update on veteran-owned small businesses. Naomi?

(No response.)

UNIDENTIFIED FEMALE: She’s not — she’s —

MR. PHIPPS: Where are you at?

UNIDENTIFIED FEMALE: -- not here yet.

MR. PHIPPS: All right. While we wait from --
UNIDENTIFIED FEMALE: Max.

MR. PHIPPS: -- for Naomi, we are going to get an update on a report done by the Naval Postgraduate School from Max Kidalov and Jennifer Lee.

(Pause for PowerPoint.)

MR. KIDALOV: Good morning.

AUDIENCE: Good morning.

MR. KIDALOV: My name is Max Kidalov, I'm Assistant Professor of procurement law and policy at the Naval Postgraduate School and since last year has been a member of the IATF. With me is Jennifer Lee.

MS. LEE: Good morning.

AUDIENCE: Good morning.

MS. LEE: I -- I actually am an active Navy contracting officer warranted and my specialty is how to maximize staff procurement, so being at an academic institution I've teamed -- teamed with Max to do some of these academic studies regarding small -- small disabled-veterans' contracting.

MR. KIDALOV: In my capacity as an academic I have served as -- as the lead and a principal investigator on several studies that -- that were conducted at the request of the director of small-business programs for the Department of the Navy, so this is one of those studies.

I would like to -- next slide, please. I would like to start, as every good government researcher does, by providing the usual disclaimers. Nothing here, of course, is an official position of the Department nor are there comments on pending litigation, although we, of course, go into government contracts' law issues a lot. That equality -- on that equality our data sources are the federal procurement data system, SAM, Census, Department of Labor, and VA, and other disclaimers and caveats you will find in the text of the study, and the link is provided for you, it is publically released and publically available.

Next slide, please. So I’d like to first introduce the background of the study. The problem that we have tried to solve, the original problem was this, there -- the service-disabled, veteran-owned procurement program has been around for many years and the Department of Defense for many years has had trouble reaching the goal. It did end up reaching the goal in FY-'14, the very real achievement with very substantial spending.

The Department of the Navy at the time has not reached the goal yet and yet we also saw that the academic assessments, including the assessments that were commissioned by DOD, have all predicted failure and malfunction of the program. So we had a real paradox, goal achievement on the one hand and yet these predictions of -- of failure and malfunction, and so we’ve looked at these five academic assessments.

Professor Schooner’s assessment, the three lower views, Sherman -- by Sherman Korsak and McGann, and also a study commissioned by DOD Office of Small Business Programs and prepared by Rand -- by two researchers at Rand, the Cox and Moore study out of 2013, and all of those studies have basically agreed on three things, they’ve all came up with this, they said, there are three factors that predict the failure or the malfunction of the program.

The first one would be veteran disillusionment, the veterans are disillusioned or are to be disillusioned in the program; the second related to that is confusion both by veterans, participating veterans, and government buyers alike, and the confusion stems about both the nature of the program as well as the actual tools that are provided in the program; and then another related to that is entrenchment. And what they thought -- what they meant by entrenchment was that the program appears to be helping the firms that are already successful, it appears to not be developing, it appears to not be

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was a regulatory tool. It was not a statutory tool, but was a regulatory tool that was inserted in the FAR and also because SAP procurements are regarded as something very suitable for you and emerging businesses and we thought, well, let’s take a look and see whether that’s -- that tool is helpful or not helpful.

Next slide. Our methodology, we started by, of course, reviewing the prior academic assessments, reviewing the theoretical foundation of the design of the program, then using that theoretical foundation we tried to understand the taxonomy of various designs. What we -- what we saw very early on is that while we -- this is called a program, it’s really -- there are really several iterations, several designs of this program.

Everybody who was involved in it had some idea and so congress had an idea, the executive branch had an idea, DOD had an idea, and then GAO and the courts, they had their own idea, and they have all tried to mold and design the service-disabled, veteran-owned procurement program in their own -- in their own way, and so we tried to understand how those designs work, and then squared them against this contract-management performance theory to see what is it that they were actually designing.

Next slide, please. So from this contract-management performance model, and it comes out of the Cohen and Eimicke, a very responsible contracting manager, it’s a classic -- it’s a classic text in contracting education, we use it, it’s generally regarded as a -- as a foundational text in -- in the field. So they set it out, they set out four different basic pillars of design, and the first one is inputs, process, outputs, and outcome.

Now, we’ve tried to apply those two, the disabled, veteran-owned program. Now, when they -- when Cohen and Eimicke speak of inputs, they referred to the effort. Input is a -- a measure of effort, so money, the spending in the Cohen and Eimicke world, is an input and a measure of effort.

Now, this might seem counterintuitive, because in the small-business contracting world we measure things by the goal achievement in terms of spending percentage and so we tend to think of it as -- as the result of the program, but in the contract management theory this is actually a program input.

Now, process is something that are the steps that you take to take the inputs and then help achieve the program outcome, so the process in this case would be the discretion process, the decisional discretion process that contracting officers use, and so that includes set-aside awards, that also includes non-set-aside awards.

And, of course, with set-aside -- set-asides it includes the sole-source set-asides, competitive, and it includes SAP, and other kinds of awards. It also includes different steps related to market research and other acquisition strategy, basically anything to help, any steps that are being taken to help achieve the program goal.

Now, outputs. In the Cohen and Eimicke world the output -- a program output is the number of things that are getting affected from taking the inputs and applying the process, so in this case the output would be the number of firms, it would be the number of firms that are being assisted through this process.

And finally the outcome. Outcomes are very hard to establish, but generally we would say that in the -- taking the Cohen Eimicke model, an outcome would be DOD contracting is a viable, self-employment path and veteran self-employment is a viable path, so those would be the program -- those would be the outcomes of the program that we are actually looking at, the state of veterans’ business development of the state of veteran self-employment in general terms at large in the commercial sector and also in the federal, so that’s -- that would generally be the outcomes.

Next slide, please. So we took that and we have tried to create a time line of the different designs. These -- these are different -- these are different flags and elements, but essentially this is a time line of different decision-makers taking a stab at the design of the program, and what you see -- we -- we want you to just keep the slide and refer to it throughout the -- throughout the time as we’re going to be talking about contracting trends and maybe some -- some cases and decisions, but what you basically see here is there are some times when the need was identified, there are some times when goals were established, and then there are some times when there were either missed opportunities or perhaps there were decisions made to tell the contracting officer to do or not to do certain things.

Next slide, please. So we will now talk about the designs, the taxonomy of the program, trying to understand this. So there have been -- first, of course, congress got into action on this and so let’s look at how congress tried to design the program. Congress began trying to design the veteran -- veterans’ contracting program of some kind as early as
1974, so that was this anti-discrimination amendment,  
special consideration to veterans and SBA programs,  
there was talk about a contracting -- some contracting  
consequences out of that, there wasn’t really a whole  
lot of outcomes, or -- or outputs, or inputs, or  
something anything of it.  

And so then in 1997 there was a very expansive  
statute, this is the Small Business Reauthorization Act  
of ‘97, very, very broad, and it started talking about  

enhancing entrepreneurship, increasing opportunities,  

fair consideration, and gave the SBA very, very broad  
authority, this is a very important statute, “Such  
actions as may be necessary to ensure that small --  
disabled, veteran-owned small businesses have access to  

business-development assistance and other programs, all  
other programs under the Small Business Act, uncodified  

law.” Still law, uncodified, but it’s still a statute,  

very, very broad. So this one could be focused on --  
on anything, focused on outputs, focused on inputs, and  
gives broad authorities to the process.  

In ‘99, two years later, we have this  
congressional commission on -- the Princi Commission  
on service members and veterans’ transition. The  
commission comes back and says, we’ll recommend at the  
meeting disabled veterans to the 8(a) program plus  

creating statutory goal, and later that year congress  
acts on it and they created the three-percent goal, and  
then they create some business-development entities  

within and outside of the SBA. Legislative history  
through floor statements talks a lot about business --  

a business-development program. Not in the statute,  

but legislative history is in there.  

Next slide, please. Then finally we get to  
the Veterans’ Benefits Act. The Veterans’ Benefits Act  
is very interesting, because it creates -- it -- this  

is the statute that did create this original authority  
for competitive set-asides. So it creates this  

process, but then it explains what is it that they met.  
And, again, very interesting, uncodified law, so  
sections 101 and 102, they talk about the business-  

development intent.  

And then you have legislative history,  
legislative history is very ambiguous. Now, what it  
says is this, it says, the commission proposed adding  
veterans to the 8(a) program. We are not doing that,  
but we are giving special assistance on a discretionary  
basis. So as -- as confusing as it -- as it could  
possibly be, I think you -- I think you see the example  
right there, but what you also see is that really the  
process that congress set was to place the  

not a business-development program. It is an  

assistance program of some kind and, in fact, the SBA  
did require some qualification -- put in some  
qualification restrictions for owners from the 8(a)  
program onto the SDVOSB program, but said it’s  

assistance, but just not business-development  
assistance. It’s a tool to meet the goals, so the idea  
was to focus -- to bring the program and focus it on  
the input rather than on the output from the  

performance-management model.  

We then have additional rule-making in 2011  
and 2012 and now that rule-making tilted back to  
outputs and it says, now we’re going to -- and now  
we’re going to impose the process requirement that you  
would consider, one or two outputs that you would find,  
that you would consider them, and so you had this gap  
between basically 2004 and 2011 or ‘12.  

DOD at that time has gotten into action as  
well and issued several strategic plans. Now, their  
strategic plans were in 2005, 2007. The last one was  
in 2009 and that one was -- those were high-level  
strategic plans, but they did direct components to  
focus on the process, the set-aside process, so that  
was a process focus.  

And finally we had the Executive Order 13540,
In 2012 they had another case, this is in February of 2012. In February of 2012 in the Kingdomware -- in the Marine Corp Kingdomware case the GAO gave the contracting officer some -- some freedom to again not do set-asides and there -- that case is very interesting, because it illustrates overall what the -- what we see as the problem. The problem is that because the type of assistance to firms was undefined and unspecified, but because GAO did and Corex did have some market research and consideration standards it created a pressure from the service, disabled-veteran community to protest and use these standards as a way of banging on the agency door and saying, please help us with business development, which is essentially what the legislative history was about, but this is where it comes into play.

So Kingdomware Marine Corp case is a really good example, what you have there is you had a prior procurement and in that prior procurement the Marine Corp said, we’re going to recognize certain costs and we’re going to pay for certain costs for firms to come in and do this work for us.

Now, later in 2012 they do maybe a slide turn and there the case came up about mandatory participation, it is judicially enforceable and not only goals, but it also talks about increasing consideration and basically in the Split Rock case GAO says, well, SBA, you did have that rule, your position actually was that you -- you actually were still arguing based on the rules as were before, you kind of forgot about your own rule that was promulgated, so we’re just going to -- you know, we’re just going to remind you about it, you -- you agreed to this, right, so everybody agrees, and that’s basically -- in the Split Rock, the last word was, some consideration is required.

And this is a reprocurement now and the veteran firms are saying, we wanted the veteran set-aside, and Marine Corp says, well, we’re going to go below -- we’re going to dip below the deck, you know, we’re going to go, you know, navigate our world, we’re going to go dip -- dip below the hard deck, and we’re going to go to the SAP where the mandatory set-aside rule is not in effect, it’s discretionary, and we won’t pay for the -- for the cost that we were going to pay before, we’re going to expect that that would be standard, so we are going to favor in our acquisition strategy more-established firms and we’re going to do -- we’re going to go to the -- to the tool that gives us discretion to do it for veterans, but also for other programs, and, in fact, that has a mandatory small-business -- SBR, small-business reservation.

GAO comes back and says, you know what, even though -- well, and the Navy, of course, at that time was not meeting small-business goals -- disabled-veteran goals. GAO said, that’s okay, you have wide discretion, we’re not going to require you to use the contract as a tool of business development for this particular firm.

Now, in those reports you see a focus on finding current contractors, and funding, and giving work to the current disabled-veteran contractors to help meet the goal, so we will see -- so we will see where this comes into play later.

Next slide, please. Okay. We would be, of course, remiss not to say that the GAO, the adjudicators didn’t try to design the program in their own -- in their own way, and the GAO is probably a very active organization of this, and GAO started out -- started out in 2007 with the MCS and the IBV cases, it was very focused on using the process to help the -- the one or two small firms through the roll of two that they could find, so that was their original focus.

But then in 2008 the GAO did a complete turnaround and in the DAV prime case the GAO said, well, actually, we’re not requiring you to use the process to help these firms, all we are saying, you have the discretion to use or not to use it, but if you do decide to use it then we’re going to hold you to our standards of how you should do it. So what they did at that time was they told the contracting officer, you have the freedom not to do it, but if you do it we’ll make it -- we’ll make it difficult for you.

And this is a reprocurement now and the veteran firms are saying, we wanted the veteran set-aside, and Marine Corp says, well, we’re going to go below -- we’re going to dip below the deck, you know, we’re going to go, you know, navigate our world, we’re going to go dip -- dip below the hard deck, and we’re going to go to the SAP where the mandatory set-aside rule is not in effect, it’s discretionary, and we won’t pay for the -- for the cost that we were going to pay before, we’re going to expect that that would be standard, so we are going to favor in our acquisition strategy more-established firms and we’re going to do -- we’re going to go to the -- to the tool that gives us discretion to do it for veterans, but also for other programs, and, in fact, that has a mandatory small-business -- SBR, small-business reservation.

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Next slide, please. Now, the Court of Federal Claims, the other adjudicatory body, and the Court of Appeals for the Federal Circuit also tried to design this program in their own way and they had again the same basic tension, whether is the program for -- is it for -- is it help the inputs -- is the process there to help the inputs or is the process there to help the outputs and the outcome.

They started out -- they started out really well for -- for the veterans, the -- the individual program outputs, they started out with the Knowledge Connections’ case in April of 2007 and there the judge said, “Executive Order 13360,” because it talks about not only goals, but it also talks about increasing participation, it is judicially enforceable and
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| 37   | agencies have a duty to structure their acquisition strategy in a way that will increase new and niche participation by new and niche businesses, and that's -- that was the veterans' GWAC case, and so they -- they go into executive order, they go into a DOD memorandum and the judge reaches that result. And this last -- oh, last -- stowed away until December 19th of that same year at which time the judge looks at it again and says, well, I'm still going to tell you that the order is enforceable, however, you can meet it however you want and all -- and all that matters is the goal, all that matters is the input, rather than the -- rather than the output. And so here, for example, the president has this other initiative, the Anti-Bundling Initiative, and a small-business set-aside is a defense to bundling. So if you want to bring in larger and more-established firms so that -- so that you can avoid bundling, that's okay, too. So no longer at that point did we have this -- did we have the rule that said, you're trying to help new and niche businesses, at least in that case. Now, then we go to this other case, there is the Totolo King. Totolo King is a -- is a VA case, but it also talks about both the veterans first and the

| 38   | the federal government-wide SDVOSB program, that was a construction case and there the firms were -- the -- the firm was complaining about both the search and they were interested, but they wanted to know how the search was done and specifically they were concerned about bonding and they -- they were complaining about the bonding, the way that the agency disclosed the bonding, and, in fact, what kind of bonding they were requiring, so this was a capacity issue. It was -- it was a capacity question for that firm that they have positioned as a market research -- as a challenge to market research and the judge looks at this and says, wide discretion to the contracting officer to look for interested, able, and responsible firms. It went up to the federal circuit, but the qualifying veteran died, so the appeal was dismissed as moot, so we -- we have this case. Next slide, please. Then we have a couple of other cases, we have the BlueStar case in 2011. Now, BlueStar was also a capacity case that was framed as a market-research and as an acquisition-strategy case and there what you had, you had a contract for solicitation for electric power supply, but there was a requirement from the agencies to put in a nonmanufacture -- there was a nonmanufacture-rule requirement.

| 39   | And there was a -- there was a 13360 challenge to that, and the veteran-owned firm said, look, we are in the -- we are a firm that doesn't have that type of -- that type of equipment, that type of assets, we think you should remove the nonmanufacture rule because applying it here contradicts the Executive Order 13360, you're not encouraging the participation, you're not encouraging the business development. That case also got moot, because the firm lost its certification and then the agency -- then the agency dissolved the set-aside. The -- the -- sort of the notable thing, of course, is that the court did not dismiss the case for failure to stay a claim, so it recognized the claim from knowledge connection -- based on knowledge connections' one. Essentially that's a -- knowledge connections' one argument, not a knowledge connections' two argument. And then finally we get to the Kingdomware case and then the Kingdomware veterans' cases. Of course those cases do not directly apply to this program, the government-wide program, because they really deal with the Veterans First. However, there's some dicta language that talks about FAR consideration and there could possibly be a reasoning by analogy. So those cases, they appear from the Cohen and Eimicke model, they appear to leave the process unaligned either to inputs the goals or to the outputs, so very -- so broad discretion, but it's not really aligned to -- not really aligned to either, and so that's -- that's where we are, that's where -- that's where the courts have left us. So as you can see, there is a substantial pressure on -- on the system to try to get that business-development assistance of which the FAR speaks, but that congress left undefined. I'd like to ask Jennifer to make some comments about some of these cases from the contracting-officer perspective. MS. LEE: Okay. Oh, thank you. Before we do that, can we go to next slide and -- if we could cover the spending and getting into the numbers. When you look at the numbers in relation to what's really happening with the KOs doing the awards, it -- it is -- it's very impactful. Yes, sir?

| 40   | MR. FIELDER: This is Ed Fielder. I have a couple questions, but I -- I want to ask them at the appropriate time, but we're -- it -- it seems like we're moving farther along and the questions are going to not make sense. If -- if I could just ask this question?
MR. KIDALOV:  Sure.
MR. FIELDER:  Page seven.
MR. KIDALOV:  Yes.
MR. FIELDER:  The flags.  Could you define the flags?
MR. KIDALOV:  Yes.  The flags, there is a -- yeah, on the bottom left there is a legend.
MR. FIELDER:  Yeah, the -- the legend didn’t make sense to me.  You know, maybe I’m too simple, but if you could just get a little bit more definition of the -- of the flag?
MS. LEE:  Okay.  In -- in this slide, as you can see, there’s a lot going on and a lot of things that were --
MR. FIELDER:  Yeah, my --
MS. LEE:  -- reviewed.
MR. FIELDER:  -- my assumption is that they’re sort of like traffic-light kind of things --
MS. LEE:  Oh.
MR. FIELDER:  -- where --
MS. LEE:  Oh, no.
MR. FIELDER:  -- where red is bad and green is good.
MS. LEE:  No.  No, there’s --
MR. KIDALOV:  No --

MS. LEE:  -- no bad.
MR. KIDALOV:  -- not necessarily.
MS. LEE:  There’s no green.
MR. FIELDER:  Okay.
MS. LEE:  I mean --
MR. FIELDER:  All right.
MS. LEE:  -- there’s no bad, no good.
MR. FIELDER:  All right.
MS. LEE:  It’s all -- it’s all -- no, there is good, but it’s all where it’s identifying just color coding actually where the action that happened either it was an identified need for the SD community.  As you can see, there’s only one yellow, so we hit the three-percent goal, that’s just to make it stand out.
MR. FIELDER:  Then -- then I could be more specific now that I understand that part.  Red flags and service-disabled veteran program, what -- what does the term, “Red flag,” mean?
MS. LEE:  That means that in what’s identified in red, and that does have kind of negative connotation, is that in the -- in the document or in the action taken there was some red flag given up that said that this -- this group of individuals need more help or they need to be developed.  It was where the -- the need to support them was identified --

MR. FIELDER:  Um-hum.
MS. LEE:  -- but it wasn’t -- there was no action taken on it.
MR. FIELDER:  Okay.  And then going back to --
MR. KIDALOV:  A design flaw, if you will.
MR. FIELDER:  Okay.
MR. KIDALOV:  A program design flaw.
MR. FIELDER:  Yeah.
MR. PHIPPS:  Ed, we’re going to have to limit our comments.
MR. FIELDER:  Okay.
MR. PHIPPS:  And maybe we can write them down and send them over to Max --
MR. FIELDER:  Well, there’s --
MR. PHIPPS:  -- and Jennifer.
MR. FIELDER:  -- there’s one that I want to get on the record.
MR. PHIPPS:  Okay.
MR. FIELDER:  March of last year, this meeting 12 months ago, there was an SBA 8(a) business-development person that came in and briefed us and briefed in the context of he felt that service-disabled vets as a disadvantaged business enterprise could qualify under the 8(a) program and that he suggested the que and apply to run a test case, have you -- have you heard this, Max?
MR. KIDALOV:  I have not heard of the -- I don’t know what -- what the factors are that -- that the -- you know, the individual is talking about.
MR. FIELDER:  The --
MR. KIDALOV:  I have --
MR. FIELDER:  The context was as a result of their service time, as a result of their disability that they would be a disadvantaged business enterprise and --
MR. PHIPPS:  I recall that.
MR. FIELDER:  -- and -- and the fact that the 8(a) program is not a minority program, it’s a business-development program for disadvantaged businesses that it would quality.  Could we make off -- off -- off the side make the connection to that SBA headquarters’ person with you just to sort of close that loop and maybe you could get back to us on that?
MR. KIDALOV:  -- yeah, I would be -- I would be happy to.  I would just -- I would just like to say this, that we can talk -- we can talk about the perimeters of the -- of the 8(a) program, that’s not specifically a part of -- part of the study, I certainly would like -- you know, I’m happy to engage
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1 with you on that.
2 I would say this, that there have been a
3 couple of -- there have been some cases related to the
4 actual viability of the 8(a) program within -- within
5 the Department of Defense, and those are including the
6 -- the Rothe and the DynoLantic cases, and the -- the
7 outcome, especially of -- well, especially of the first
8 Rothe case, for example, a restriction on -- there was
9 a restriction -- there was an injunction issued as to
10 all kinds of programs that DOD was using, not just --
11 you know, not just 8(a), but -- but other different
12 authorities as well.
13 And so I would just say that we should
14 probably look at this in another -- in another format
15 and, you know, right now I’d like to just -- I’d like
16 to finish this, but those cases just tell me that we
17 should focus on what we can do for veterans directly,
18 rather than -- rather than try to perhaps bootstrap
19 veteran -- veteran population onto -- onto another
20 program and I’d be happy to share those cases and what
21 they -- you know, what they meant in -- in another
22 forum.
23 MR. FIELDER: I’d -- I’d love to talk to you
24 off line --
25 MR. KIDALOV: Great.

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1 MR. FIELDER: -- about directed awards and
2 some other things.
3 MR. KIDALOV: Great, thank you.
4 MS. LEE: Okay. Just talking about the inputs
5 real quick and the spending. Impactful on this slide
6 is that the net-total spending and the goaling spending
7 is -- is increasing. However, if you look at that with
8 the red line there, the new awards revenue, there is a
9 delta between that and so what that is -- is showing is
10 that accretive mods and things that are being done on
11 existing contracts are applying more -- more funding.
12 The other impactful thing is if you look the
13 blue line at the bottom is that the set-aside revenue
14 awards it is -- it is lower, it’s significantly down
15 there.
16 Next slide. And then also this slide talks
17 about open market versus the IDVs, which in -- when we
18 were looking at the direction to the KOs it was to
19 utilize your already existing to meet the goals. So
20 you do see the IDV set-asides in the purple down there
21 is -- is higher than the -- than the open-market set-
22 aside, so they are favored more and IDVs in general are
23 -- are favored more.
24 With those -- with that information no
25 spending, let’s talk about why. Next slide. The --

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1 MR. KIDALOV: Indefinite --
2 MS. LEE: -- indefinite --
3 MR. KIDALOV: -- delivery --
4 MS. LEE: -- delivery --
5 MR. KIDALOV: -- vehicle.
6 MS. LEE: -- vehicle.
7 MR. KIDALOV: So that is a multiple-award
8 contract, typically --
9 MS. LEE: Your --
10 MR. KIDALOV: -- things like that.
11 MS. LEE: -- your GSAs, they’re called all
12 different things, IDVs are what they’re in at PDS. The
13 other thing to note about IDVs is that each agency,
14 especially in the DOD, has their own IDVs, they make
15 their own strategic sourcing initiatives, they prevent
16 the vendors. And then the direction from those
17 agencies to the KO is to utilize them, because if
18 you’re not utilizing what you did these high-dollar
19 approved awards for it doesn’t vet well.
20 MR. O’FARRELL: Could I --
21 MS. LEE: So with --
22 MR. O’FARRELL: Could I just interject that?
23 MS. LEE: -- sure.
24 MR. O’FARRELL: As one of my esteemed
25 colleagues down the road here, Ron, mentioned last

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1 time, but some of us in this community do view those
2 IDVs as some SDVs hitting the power ball and it’s --
3 MS. LEE: Um-hum.
4 MR. O’FARRELL: -- not really spreading the --
5 the contracting around.
6 MS. LEE: Um-hum.
7 MR. O’FARRELL: That’s why I was interested in
8 the very beginning of your briefing, Max, you mentioned
9 that you look at the outcome being, if I got it right,
10 the number of awards, not necessarily -- or one of the
11 -- one of the -- the boxes there was number of awards,
12 as opposed to dollar amount awarded, because --
13 MR. KIDALOV: The --
14 MR. O’FARRELL: -- I think a lot of us would
15 like to see an increase in the number of awards, you
16 know.
17 MR. KIDALOV: The -- the -- the output would
18 be the number of firms receiving awards, the number of
19 awards would be of -- more of a process indicator.
20 MR. O’FARRELL: Thanks for the clarification.
21 MS. LEE: And I have to say working with Max
22 he’s extremely detailed, so I think that in -- in the
23 presentation you’re seeing -- you’re going to see
24 dollars, you’re going to see participant, and also
25 number -- number of awards.
MR. O’FARRELL: Well, just one more comment, because looking at the histogram document that -- that Ed was asking questions about, the legend, it -- it looks to me like, and I -- correct me if I’m wrong, first of all I had no idea that back in that ’97 time frame there was actual discussion or -- or input into the 8(a) program, then it was whipped back out of there, so the expression I want to leave the -- my -- my colleagues here with is Martian baseball. It was like you swing the bat, you hit the ball, then all of the bases get move around, and that’s what it looks like over the years has been happening, it’s -- it’s one way, then it’s another, then it’s another. So for -- if you put yourself in the foxhole with that small-business owner, he or she is constantly being told, and then I say now parachute in the contracting officer, because it sounds like that contracting officer’s been going through the same kind of hoops.

MR. KIDALOV: Well, that was the -- that was the advantage of thinking about it in an academic term, trying to take the contract-performance management theory and actually try to make sense out of it and that’s -- that’s our contribution hopefully.

MR. O’FARRELL: That’s a huge contribution, I think --

MS. LEE: Yeah.

MR. O’FARRELL: -- this is really well done.

MS. LEE: Yeah, thank you.

MR. PHIPPS: Just a quick note, as a matter of time we only have about 15 minutes for you guys to finish --

MR. KIDALOV: Okay.

MR. PHIPPS: -- your presentation and we really want to get --

MR. KIDALOV: Sure.

MR. PHIPPS: -- all the information out to the committee.

MR. KIDALOV: Okay.

MR. PHIPPS: So let’s limit our comments to the end, thank you.

MS. LEE: Okay. With all of that being said, as a contracting officer living under a regulatory job function what are you supposed to do in an protestable world? You hunker down and you decrease the risk.

MS. CARSON: Right.

MS. LEE: So with what has been the direction through -- through the FAR and through U.S. code is there’s really no order of precedence for small businesses and I have to say with all of the -- the -- is thinking they’re -- they’re at the -- you know, the 10 yardline and the next thing you know, you know, it’s a fumble all around, and then the field changed, as you were saying, so that -- that is a reality.

Next slide, please. So from -- with my input into this academic study is that from job function, and being an academic, and looking into all the highs and the wows of how this program came about and how it’s being utilized, is the power is with the wrong people. When you talk about a contracting officer’s discretion, it’s huge, it is, but it goes into you have to be effective. And effective means not only for the business owners and the contractors as a whole, but it’s also for the government and for your agency.

I happen to be a DOD Navy contracting officer, so when Navy needs something, they need it. All around requirements development for the government, we’re not good at it, two thumbs down, it’s not clear. So, first of all, the -- the water’s muddy and then you’re asking an SDV just to show up with the right -- with the right tools and the right response.

Market research, because the government requirement is usually behind the ball, that’s the thing that gets squeezed to make your program mission, so as a whole agencies are not performing market
research to give -- to give the SDV or the veteran-owned business even a chance to show up and collect their thoughts.

I mean, there’s -- there’s short posting
times, yesterday time lines, regulatory burdens. We’re all sitting in this room and talking about things that happened in -- in the past and this is -- this is kind of our -- this is our forte. What about the person out there that just wants to leave government service, come back and support, and they’re either service disabled or they have a designation that leads to their disillusionment that they’re going to show up and receive an award?

The other thing I want to talk about is the three-percent goal achievement, it goes into -- for a KO you’re told, yes, you have this goal, it’s a small goal, it’s -- it’s three percent of the total of what you do. Well, we’re told that in any means necessary you obtain competition, you do the best -- the best pricing for the government, better buying power, you have leverage. So for a KO to facilitate and support this program they’re being pulled in different directions by regulation, by agency guidance, by goaling numbers, and by the business themselves.

And personally as a KO I do take this very seriously, I don’t ever like to close the door to any -- any business that wants to do -- to support the government, especially SDVs and veteran owned, but you have to have that arms length. You have to have that arms length, because it’s a protestable function.

If anyone feels like they’re getting special
-- someone’s getting special treatment over the next person, no matter what designation, they -- they can stop the buy and therefore stop the mission of your agency. KOs have a lot to answer to and unfortunately when veteran-owned small businesses respond to the market research and they’re -- they’re trying to act in the best interest of the government and both parties, they get a very cold reaction from the KO.

MR. KIDALOV: Next slide, please.

MS. LEE: Next slide, please. And this is kind of shown -- shown in our -- in our data that the -- this is the -- the trends, so, of course, we have new -- this shows more the new awards and the accretive mods. You can really see that those dollars are going to -- going to increase values of already-awarded contracts and the direct set-asides and competitive set-asides again way down on the spectrum showing not being utilized and unfortunately disfavored.

MR. KIDALOV: So the program itself, if you look at the statutory authority, it’s all about new awards, it’s about the new set-aside award, it’s about the -- it’s about the new award, what’s -- what’s measured in FPDSs, modifications euro, but what you would see if you look on -- if you look at page 14 you will see there is new awards’ spending versus the goal, yearly-report spending. You see there is a gap, new awards is lower than -- than the total numbers that’s being goaled.

And here on page 19 you see that the new awards have actually flattened and are decreasing, but what’s increasing are creative mods. So to meet the -- the goal has been met by more additional work being given to contractors that are already receiving the work, so the -- so the data shows that.

MS. LEE: Okay. And then further to support the data -- oh, sorry. Further to support the data, when we have the set-aside and we look at it in relation to the goaling. If you’ll see highlighted there, FY-’08 was the -- the most impact that the set-aside had on the goaling numbers, at one point 99 percent. And if you can see how the other data is broke down, that it really isn’t that impactful on goaling. Our past year is .61 percent and that’s just for the set-asides --

MR. KIDALOV: The --

MS. LEE: -- on the --

MR. KIDALOV: -- sole source.

MS. LEE: -- the -- the sole source.

MR. KIDALOV: The sole source.

MS. LEE: Sorry. And then the competitive set-asides are covered in the -- next slide, please. So a competitive set-aside actually fairs better. If you see, FY-’10 was a strong year, hitting 20 percent of the three percent goal. However, in FY-’14, 15 percent of that three percent goal.

Next slide. Now, together what’s impactful on this slide is that in FY-’14, for the program together of direct set-asides and competitive set-asides, when we did hit the goal, both of those combined were 15.84 percent. And you think, how can that be, we hit it, it’s three percent? That three -- hitting the three percent was made up of those SDVs coming in through the open market or IDVs in a -- in a nonset-aside factor.

MR. KIDALOV: So what these charts show -- these three charts -- three tables show, they show the relationship between the process, the input, the output. And, of course, the -- the input is
measured both by total spending and by goal spending and
what you see is that the tools -- the program tools are
showing a decreased contribution to the program inputs.
In other words, the program tools are not being
used to actually meet the goals and, in fact, they’re
not -- there is -- there is even a decrease in the
number of participants. You see set-aside awards, the
highest was in FY-'10, so we are -- we are below -- at
this point we’re below FY-'08 in terms of the number of
-- the number of program recipients of original new
awards. So that’s -- that’s something for us to
understand, just how misaligned the process is from the
-- the program outputs, what we should be thinking
about. Next slide, please.

MS. LEE: So on this -- on this slide here
we’re -- it’s just basically going over the spending
again, but if I can call your attention to the bottom
right-hand corner. When you see the -- the SAP
competitive set-asides, that is starting to make an
increase.

Next slide, please. And what will -- what you
will see when we look at the SAP utilization in the
program is that FY-'14 it -- it was utilized very, very
well. Now, from FY-'05 to FY-'09 there’s a large
discrepancy in those -- those numbers.

MR. ZACCHEA: Yes, Mike Zacchea. Do you take
into account the effects of the sequestration
legislation that happened around the time when we see
the decrease in the contract awards?

MS. LEE: We’ve mentioned it in -- in the
report.

MR. KIDALOV: We don’t isolate it.

MS. LEE: Actually --

MR. KIDALOV: We don’t isolate it as a
measurement, but --

MS. LEE: -- right.

MR. KIDALOV: -- but you can definitely -- you
can see -- you know, from FY-'13 to FY-'14, you know,
you could -- you know, you could see it and you can --
you could draw your own conclusion, we -- we did not
isolate it specifically as a -- as a variable.

MR. ZACCHEA: Okay. Thank you.

MS. LEE: Looking -- looking back though, if
you do look at FY-'13 and '14 when you have time to
analyze this more, you do see that it gets a significant
bounce back.

MR. KIDALOV: What you see here with the SAP
table is very interesting, is that that was a regulatory
tool, nonstatutory tool, but it’s actually getting more
play and more contribution than the sole-source tool.
MR. KIDALOV: Which -- which --

MR. QUAGLIO: -- I’m on --

MR. KIDALOV: -- one?

MR. QUAGLIO: -- slide 24, I’m sorry. Any of the slides, it doesn’t really matter.

MR. KIDALOV: Okay.

MR. QUAGLIO: But the point is if I took new awardees and looked at the total new awards, that would give me the population of first-time winners theoretically. And if --

MS. LEE: And look at --

MR. QUAGLIO: -- I divided that by the total population, I would see somewhere around 16 or 17 percent of the SDVOSB population gets a new -- a new award during the time -- toward any fiscal year based on that number?

MR. KIDALOV: The -- the awards and awardees, you know, you would get -- if you divide the awards -- if you divide awards -- awards by awardees you’d get an -- you’d get an average --

MR. QUAGLIO: Right.

MR. KIDALOV: -- of -- of the number --

MR. QUAGLIO: Exactly.

MR. KIDALOV: -- the number of awards. They’re not necessarily first timers, they’re just the ones that received --

MR. QUAGLIO: So --

MR. KIDALOV: -- a new award that --

MR. QUAGLIO: So that’s --

MR. KIDALOV: -- that makes sure --

MR. QUAGLIO: -- where I’m --

MR. KIDALOV: -- that modification --

MR. QUAGLIO: -- and that’s --

MR. KIDALOV: -- is zero.

MR. QUAGLIO: -- where I’m going towards, I’m trying to understand. If we’re trying to promote new or a sustainment of SDVOSBs, I’m wondering how many of the awardees are repeat awardees out of that total population of 15,780. If it’s the same group that is winning the awards, we really have perhaps a very small opportunity for new SDVOSBs to actually --

MR. KIDALOV: We got --

MR. QUAGLIO: -- create a --

MR. KIDALOV: -- presentation --

MR. QUAGLIO: -- sustainment.

MR. KIDALOV: -- slides a few --

MR. QUAGLIO: Okay.

MR. KIDALOV: -- slides down, so --

MR. QUAGLIO: All right.

MR. MCADAMS: Because these are -- these are new awards --

MR. QUAGLIO: Okay.

MR. MCADAMS: -- as opposed to contract mods, not --

MR. KIDALOV: -- correct.

MR. MCADAMS: -- awardees.

MR. QUAGLIO: Yeah.

MR. KIDALOV: Well, there -- there is a slide with awardees. There is a -- there is a column with awardees and a column with awards, so -- but participation --

MS. LEE: -- next.

MR. KIDALOV: -- next slide. You’re -- you’re a slide ahead. So on participation we now start seeing this is tracking participation by firms that are receiving new awards and firms that are simply receiving earned revenue and -- and what you see, the -- the number of firms that have been getting these new -- new awards, any kind of new awards, has been going down and you see it. You actually see that we have lost between -- between FY-’11 and FY-’14 we lost about 300 -- we lost about 300 firms.

MR. QUAGLIO: Right. And on the previous slide it looks like the number of SDVOSBs is going up, so what it’s saying is a lower percentage of the population is getting an award?

MR. KIDALOV: Correct.

MR. QUAGLIO: Okay.

MR. KIDALOV: And so -- so that tells us the outcome, the -- the outcome of the -- of the program is not aligned.

MR. QUAGLIO: Okay.

MR. KIDALOV: Participation in terms of --

MR. QUAGLIO: That’s not what it is?

MR. KIDALOV: -- right. In terms of contracting-officer discretion we’re looking at -- we’re looking then by tools and the good news here is we see an increase in SAP, we see that SAP is speaking up as a tool of choice for contracting officers. Other tools unfortunately are not, we have a -- we have a stagnation.

MS. LEE: Just a -- a quick comment on -- on SAP is that more SD -- first-time S -- SD are showing up and they’re -- SAP is more relaxed, you don’t go into your accounting-cost standards. It’s not as burdensome for someone that wants to gain experience and maybe dabble, not necessarily put everything on the line, but an award under $150,000. And it could be any -- any dollar underneath there is really, really worth their time, and they’re showing up, and they’re winning, and

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they're winning against large businesses as well.

MR. KIDALOV: Next slide, please. Here you see participation program and nonprogram, so set-aside and nonset-aside participation in IDVs versus open market. You see open market stagnation to decline and you see an increase in -- you see a -- a growth transgenerally in IDV with a -- with a dip, but generally a growth trend, so, again, that favors the -- favors the already-established firms. Next slide, please.

MS. LEE: Outcomes.

MR. KIDALOV: Outcomes. So now we are -- now that we're down to outcomes, we're looking at staying power and -- we're looking at capability growth and staying power. We see that when these firms grow out they are -- they're not staying a whole lot, there is not a whole lot of them. The firms that are staying are the ones that are able to be a mixed -- mixed large and small and -- but, again, few and far between and the population really again has gone down from 275 to 208, so not a -- not a viable -- it's -- it's not a -- it has not succeeded in creating and -- and launching a business-development population. Of course another explanation could be that they are selling, but -- but, again, few and far between and the ones that are able to be a mixed -- mixed large and small and -- but, again, few and far between and the population really again has gone down from 275 to 208, so not a -- not a viable -- it's -- it's not a -- it has not succeeded in creating and -- and launching a business-development population. Of course another explanation could be that they are selling, but -- but, again, few and far between and the ones that are able to be a mixed -- mixed large and small and -- but, again, few and far between and the population really again has gone down from 275 to 208, so not a -- not a viable -- it's -- it's not a -- it has not succeeded in creating and -- and launching a business-development population.

Capability growth, next slide, please, deals with average value of awards. We have a bigger, more-detailed slide in the report, also has median, a different measurement as well, but again goes to the same, that there is a -- a -- that again work is given in larger -- in larger amounts and it -- and it favors more-established firms.

Next slide, please. We come to answers to our research questions, so can the program be understood in terms of the generally-accepted contract measurement performance model, inputs, process outputs, and outcomes? Yes and it's because of -- that once we start looking at it that way, it really explains the paradox. It explains the paradox between the predictions of failure and the goal achievement, and that explains it. Is individual contracting-officer discretion the right mechanism, Jennifer?

MS. LEE: No, that’s N O. Without business development, SDs and veteran-owned businesses, they're going to be confused. I'm -- it's my job, and sometimes I'm confused, and I have encyclopedias of regulation on my desk every day.

Contracting officers are reluctant to exercise direct awards and that's because it goes in direct conflict with everything else that is being, for lack of a better word, just blared for competition, better buying power, you know, agency needs, all of that. The front line KOs, they really aren’t getting a chance to support or even exercise the regulation and discretion for the benefit of -- of the SD and the veteran owned.

And to the third question, can simplify acquisitions positively and positively influence the program? Yes, it can and it is a win-win for the emerging SD and the veteran-owned business as well as for the contracting officer, because simplified awards you -- you do really have that more hands-on, because it’s more commercially based in general.

MR. KIDALOV: Next slide, please. So we come to -- we come to recommendations. We have some agency-specific recommendations, but we also have -- this is a whole of -- whole of -- whole effort, whole of government kind of review, so we’d like to give our recommendations there.

So looking again from the -- looking at it from the perspective of the model inputs, so we have to think of strategic integrated government-wide view of resources for business development and that would include the spending, the contracting spending, the -- the business capital, that includes technical assistance funds, mentoring incentives, so we need to think of all those inputs as inputs. The process, we have to create a business-development program.

MS. LEE: Right, with -- with mentor-protégé aspects and also allowing those emerging SDs and veteran-owned businesses to practice, to practice at the -- the contracting realm. Also, this will lift the burden from the KO's shoulder -- shoulders, because when they do pull those polling numbers and your agency doesn't make it, who do they call? They call the KO that signed the award, that will lift -- lift that up so KOs can focus on the mission needs.

And then also the process should incorporate SAP into business development, or how -- how to successfully bid on a SAP procurement and win a couple, and juggle having a couple contracts going at the same time, or small purchase orders, that process will directly affect the outputs.

And from a KO's perspective you want an interested, responsive, technically-capable, and responsible vendor, that’s what -- those are the four things you have to have out of anyone coming to submit a bid. And if -- if SDs and veteran-owned out of the inputs and the process can show up and -- and make a -- a -- you know, a -- a capable try at it, it really will help the numbers and it will also, in turn, make an
easier -- easier time of using and justifying your
discretion as a KO.
MR. KIDALOV: And the outcome of these
recommendations we see will be the disillusionment will
diminish, today’s all-volunteer force will come to view
and expect self-employment as a viable path, and the
federal contracting market and defense contracting
market will open and will -- and will use the skills of
veterans, and veterans would continue to support
government public-service missions now as business
owners.

Next slide, please. Here business -- these are
supporting slides for the need for the path using
simplified acquisitions, the delta between the top and
bottom charts are essentially the number of either NAICS
codes or the number of PSCs and FSCs in which no SAP
awards existed, so you cannot break into it unless you
already start big and that’s -- those are -- those are
the -- the illustrations.

Next slide, please, last slide. We’d like to
finish with this quote from Secretary Gates that we need
to look at this from the perspective of the soldier, not
the perspective of the government, we hope that we have
done that today. We welcome questions. Thank you.

MR. GARCIA: I have another question, was maybe
questions, because, Max, are you going to be around
later this afternoon?

MR. KIDALOV: We’re around.

MR. PHIPPS: So I would like to be able to call
you back --

MR. KIDALOV: Um-hum.

MR. PHIPPS: -- if we have another --

UNIDENTIFIED MALE: After we take a break.

MR. KIDALOV: Sure.

MR. PHIPPS: -- little bit of time.

MR. KIDALOV: Absolutely.

MR. PHIPPS: And we’re going to take a five-
minute break and we will be back here -- how about a
seven-minute break, we’ll be back her at 10:40.
(Whereupon, at 10:33 a break was taken in the
meeting.)

MR. PHIPPS: Can everybody please take their seats.
Our next speaker is going to be Naomi Blackman from
census with a veteran-owned, small-business update.

MS. BLACKMAN: There we go. Is this still morning?
Yeah. Okay. Good morning, how’s everyone doing?

UNIDENTIFIED FEMALE: Good morning.

UNIDENTIFIED MALE: Outstanding.

MS. BLACKMAN: Great, I’m really excited to be
here. We are -- I consider myself sort of a data nerd, so
forms, it covers 20 NAICS industries. There are eight exceptions, the SBO estimates come from administrative data, economic census data, and actual survey responses. Further, the SBO is used by government-program officials, industry organization leaders, economic and social analysts and researchers, business owners, and entrepreneurs, as well as many other users. The sample is approximately 1.75 million employer and non-employer business, statistically that is a huge sample. And 1.75 is a lot, so the figure that we’re getting are very statistically significant.

We use administrative data to estimate the -- whether a firm is minority or women-owned. Each firm is placed in one of nine frames, sampling -- we call them sampling frames. And the sample is stratified, that metropolitan statistical area, MSA, industry, the frame -- one of the nine sampling frames and employment status, whether it’s an employer or non-employer. So these are the nine sampling frames that you see and -- and we --

MR. MCADAMS: Excuse me.

MS. BLACKMAN: -- yes.

MR. MCADAMS: Oh, you’re about to --

MS. BLACKMAN: Want to go --

MR. MCADAMS: -- answer my question.

payroll, and employment, and all of those things by gender, ethnicity, race, and veteran status. The data are disseminated in tables which contain all of the aforementioned estimates.

The SBO provides the only comprehensive, regularly-collected source of information on these selected economic and demographic characteristics. So, again, it’s really unique, that -- it’s an economic survey at census, but we collect some quantitative information, but the qualitative information on the demographic characteristics is really the bread and butter of what SBO is and it’s -- it’s really important information.

So the SBO is surveyed and disseminated on a firm basis, that’s on a company level, not establishment, which is the economic census. Again, if you’re familiar with that, it’s on an establishment basis, this is because we’re interested in ownership information.

So we assume that the ownership information is going to be the same, right, dependent on -- it doesn’t matter where the establishment is, or where it’s located, or what activity is going on there, the ownership information is going to be the same, it includes non-farm businesses that file applicable tax
Veteran firms represent 9.1 percent of all U.S. firms. 

So this table displays select states as well as the U.S. in some of their corresponding survey results, so you can see some of the information here, how some of these states relate to the U.S. I can’t put the entire table up here, it’s huge and the SBO has 93 tables, so we picked some.

Again, this slide is kind of small for you to see up -- up there, but if -- you have it on your -- on your printout, so these are veteran-owned firms by industry. This is in no particular order, done that way intentionally to not infer any statistical relationships. So you can see here, like, wholesale trade, and retail trade, manufacture, and construction are some of the -- the larger bars on this chart, and so this is just a table that represents the data that was in the previous graph and it also has firm count. 

Okay. So this graph shows the portion of veteran-owned firms by firm count and total receipts for employers versus nonemployers, the non-employer firms are represented by the lighter color. This is an interesting dynamic and we see this sort of propagate throughout all of the demo groups where we see the same relationship where there are a lot of non-employer firms, but they represent a small percentage of

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MR. QUAGLIO: -- so it wouldn’t be classified as such.

MR. O’FARRELL: Okay. Good point.

MR. QUAGLIO: It’s still up there.

MR. O’FARRELL: Still the question is do you have any kind of -- any data that shows we have a -- a, you know, smaller segment of these firms that are generating this?

MS. BLACKMAN: (No response.)

MR. O’FARRELL: One of the reasons is you go back to one of the -- the slide here with the decrease of 6.4 percent from 2007, the --

MS. BLACKMAN: Um-hum.

MR. O’FARRELL: -- the receipts, do you have a -- a reason for that or what --

MS. BLACKMAN: No.

MR. O’FARRELL: -- what --

MS. BLACKMAN: So we don’t get into causality, we don’t --

MR. O’FARRELL: Okay.

MS. BLACKMAN: -- infer, that’s just --

MR. O’FARRELL: Okay.

MS. BLACKMAN: -- out of scope --

MR. O’FARRELL: Just --

MS. BLACKMAN: -- for the --

MR. O’FARRELL: -- that’s it.

MS. BLACKMAN: -- Census Bureau. Now, we do our own research to see if things make sense and if they’re intuitive when we review the data.

MR. O’FARRELL: Um-hum.

MS. BLACKMAN: But as far as publically acknowledging something, no, it’s just out of scope for the Census Bureau. BEA does some analysis, I don’t know about in particular for veterans, but we don’t. Like I said, we don’t do causality or infer anything from the data. We can just tell you this is it, this is what happened, this -- you know, it moved from here to here, and then that’s it, so --

MR. MCDADAMS: This is Rich McAdams. Hey, Jim, I -- I imagine since it -- it covered ‘07 to 2012, right?

MS. BLACKMAN: -- um-hum.

MR. MCDADAMS: And I would think the general economy would reflect probably about the same seven-percent dip that time period.

MR. O’FARRELL: Right, but I was responding also -- there’s an increase though of three percent in the number of firms. So while you’re saying the economy was dipping, the number of firms was increasing. That’s all, so let’s drop it.

MR. MCDADAMS: I’m just guessing that’s a function of --

MR. O’FARRELL: I know.

MR. MCDADAMS: -- the number of folks getting out of the military during that time period, because we were -- we were turning out a lot of veterans at that time, because we had both wars going on --

MR. O’FARRELL: Right.

MR. MCDADAMS: -- butting heads. I -- speculation on my part, but, okay.

MR. QUAGLIO: Ken Quaglio. The receipts, do you actually track how much -- how -- what volume of those receipts are related to government procurement versus commercial, you don’t have that data, do you?

MS. BLACKMAN: So we have -- let me pull out my form.

MR. QUAGLIO: Okay. It would be interesting, because you notice the -- the average size of the business is one-to-four employees, it’s home-based.

MS. BLACKMAN: Yeah.

MR. QUAGLIO: It says that veteran entrepreneurship is really a family business run out of the home with less than five employees is the conclusion, and yet our focus always tends to be on SDVOSB government set-aside, large government contracts, and that is not the source of veteran employment outside of Washington D.C., and, once again, and I voice this every meeting, I think that’s where our focus really should be on a go-forward basis.

MR. O’FARRELL: So, I -- John Garcia and I were just talking about that during the break, that, you know, my electrician who fixes my house is a Marine Corp veteran with three employees and he’s -- that’s what he wants to be, but every time he sees me he says, “You do that government contractor stuff, what would I -- what would I have to do?,” and we think about the barriers to entry and how could we lower those barriers so that --

MR. GARCIA: Yeah.

MR. O’FARRELL: -- he could get a -- a SAP.

MR. GARCIA: Yeah, that’s -- that’s the issue we were just explaining to Naomi to -- I’m sorry, I forget your first name.

MR. KIDALOV: Jennifer.

MS. LEE: Jennifer.

MR. GARCIA: To Jennifer is a lot of these small-business guys are veterans coming out of the military, they want to go into business, they’re starting their companies, they’re three-to-five years’ old, they don’t even have a clue what procurement ready means --
<table>
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| 85   | "MS. BLACKMAN: Sure."
|      | "MR. GARCIA: -- or how do I get these federal"
|      | "contracts, but the veterans’ service officer is"
|      | "encouraging them to file for their benefits so they can"
|      | "get their certification, and then they think they’re"
|      | "going to get these federal contracts. They find out"
|      | "they don’t and they’re just disillusioned."
|      | "MR. QUAGLIO: Okay. Just for the record"
|      | "though, I’m not talking about federal contracts."
|      | "MR. GARCIA: Okay."
|      | "MR. QUAGLIO: I’m talking about veteran"
|      | "entrepreneurship which the goal is to have veterans have"
|      | "the opportunity to create and support their families"
|      | "through businesses."
|      | "MR. GARCIA: Right."
|      | "MR. QUAGLIO: Most of those veterans do not"
|      | "live in the D.C. area, do not do work with the federal"
|      | "government, do not do work even with their state"
|      | "governments. I think as a committee we have a"
|      | "responsibility to look beyond federal contracting and"
|      | "look at what’s really happening on the ground in places"
|      | "like Ohio and Michigan where there’s a veteran who is an"
|      | "electrician not looking for a government set-aside"
|      | "contract, but wants to expand his business and support"
|      | "his family." |
| 86   | "MR. GARCIA: Exactly."
|      | "MS. BLACKMAN: So, Ken, one of the things that"
|      | "we have, we have a CB table. I don’t know what number"
|      | "it is off the top of my head, but one of the things we"
|      | "ask is what types of customers accounted for 10 percent"
|      | "or more of the businesses’ total sales. Federal"
|      | "government is the first option, the first option on the"
|      | "form, I’m not implying it’s statistically in the"
|      | "results."
|      | "MR. QUAGLIO: Okay."
|      | "MS. BLACKMAN: State and local government is"
|      | "the second option, other businesses is -- is the third,"
|      | "and individuals is the fourth, so we do have that --"
|      | "that data disseminated. It’s very high level, of"
|      | "course, but at least it gives you some distinguishing"
|      | "between the federal government and others. So, no. No,"
|      | "but I wrote your name down, and I’ll talk to you after,"
|      | "and I’ll get the -- the table number, I just don’t know"
|      | "what it is off -- you’d think I would by now, but I"
|      | "don’t. Okay. I always carry my form with me, it comes"
|      | "in handy."
|      | "Okay. So this is veteran-owned firms by"
|      | "receipt size. Again, same concept as employment size,"
|      | "except this is -- this is for receipts. We can publish"
|      | "a little bit more when we group things together, so you" |
| 87   | "can see these higher sales for firms with less than"
|      | "5,000 and these are in -- these sales figures are in"
|      | "thousands themselves. Actually, these might not be for"
|      | "receipt size, I need to --"
|      | "MR. QUAGLIO: Naomi."
|      | "MS. BLACKMAN: -- change that."
|      | "MR. QUAGLIO: Ken again."
|      | "MS. BLACKMAN: Yes."
|      | "MR. QUAGLIO: You don’t have any --"
|      | "MS. BLACKMAN: Sure."
|      | "MR. QUAGLIO: -- correlation to how many of"
|      | "these are franchisees versus anything else, do you?"
|      | "MS. BLACKMAN: No, we have -- no, not"
|      | "franchisee. We do research -- we do research for that."
|      | "I’m trying to remember what research we do and what we"
|      | "publish, because there’s a difference. No. No."
|      | "MR. ZACCHEA: Naomi, is --"
|      | "MS. BLACKMAN: Sure."
|      | "MR. ZACCHEA: -- is that something that this"
|      | "committee would be able to request?"
|      | "MS. BLACKMAN: Sure. I -- I -- I don’t know"
|      | "what -- I can’t say requests will be granted, but we"
|      | "accept suggestions all the time. I mean, we -- that’s"
|      | "what I can say, we -- we -- we take suggestions from"
|      | "anyone all the time. If you e-mail me, and my contact" |
we look at it, and we respond to it.

MR. ZACCHEA: Okay. Thank you.

MS. BLACKMAN: Sure. Okay. So this shows male-owned firms accounted for 84 percent of the veteran-owned firms and the female-owned firms accounted for 15 percent of the veteran-owned firms in 2012, so it's just -- the next couple of slides, we'll go through them quickly, they're just a bunch of graphics and tables.

MR. QUAGLIO: I'm -- I'm sorry, Ken Quagliu.

Is the number of female-owned firms increasing or is it staying fairly constant?

MS. BLACKMAN: I believe it's increasing. I would need to confirm that, but I think that it's increasing.

MR. HEILMAN: Joe Suppona's in the room, he can speak to this. Craig Heilman, SBA. It's significantly up from 2007, but over 300 percent. I believe there's about 100,000 female-owned veteran firms in 2007 approximately.

MR. QUAGLIO: Thank you.

MS. BLACKMAN: So this just show the veteran-owned firms by ethnicity, so Hispanic versus non-Hispanic. Also, this is minority versus non-minority.

Non-minority-owned firms made up about 80 percent of veteran-owned firms and minority-owned firms made up about 20 percent of veteran-owned firms. So this is just the same minority, but this is broken down by race, so you can see here the number of veteran-owned firms by minority race breakout.

So we're going to talk a little bit about the veteran-owned -- veteran business owner characteristics. There you go. Yes, thank you. Next one. Thank you. Oh, it didn't show up. Do you guys have this, can you see this?

UNIDENTIFIED FEMALE: Here it is.

MS. BLACKMAN: Oh.

UNIDENTIFIED FEMALE: Is that it?

MS. BLACKMAN: No. Oh, there we go, my -- sorry. Someone else put these slides together, I didn't know they did it like that. Okay. All right. For -- so we can see that there was an expansion and I actually met the gentleman just now who is responsible for having our question expanded to be a lot more detailed from 2007 into 2012. So you can see we added a lot more characteristics that describe the actual military service, instead of just asking, you know, yes, no.

Okay. So this slide just shows the veteran owner characteristics, so it's basically that question you just saw with the actual figures that correspond to it and our estimates. Oh, sorry, it's a lot. Here we go. Okay. So this tells you the age and education level for veteran-owned firms, so you see the owner's age, these are groups, and the level of education.

And this is the highest level of education achieved when the firm was started, I think is the question -- the actual question that we asked. Yeah, the -- so the question specifically asks, "What was the highest degree or level of school the owner completed prior to establishing, purchasing, or acquiring the business."

MR. QUAGLIO: Ken Quagliu again, I'm sorry.

MS. BLACKMAN: Sure.

MR. QUAGLIO: On that slide, if we were to track the age of owner over time, are we seeing that to stay relatively constant by age group or are we seeing a shift among the age groups?

MS. BLACKMAN: I can't answer that off the top of my head.

MR. QUAGLIO: Um-hum.

MS. BLACKMAN: I'm sorry.
again, I’m sorry. Do we know if --
1. MS. BLACKMAN: No, it’s all right.
2. MR. QUAGLIO: These are the sole source of income, because I look at less than five employees out of the home, less than 20 hours, and it strikes me that it’s a supplemental business to some other income, as opposed to the primary source of income, and we don’t know that data from the survey, do we?
3. UNIDENTIFIED MALE: Excellent question.
4. MS. BLACKMAN: So --
5. UNIDENTIFIED MALE: That was the question.
6. UNIDENTIFIED MALE: Yeah.
7. MS. BLACKMAN: So --
8. UNIDENTIFIED MALE: Next slide.
9. UNIDENTIFIED MALE: The next one.
10. MS. BLACKMAN: So that’s --
11. UNIDENTIFIED FEMALE: (Inaudible.)
12. MS. BLACKMAN: Yeah.
13. UNIDENTIFIED FEMALE: So that’s --
14. MS. BLACKMAN: No. No, you can go forward, this, the next slide.
15. UNIDENTIFIED FEMALE: Okay.
16. UNIDENTIFIED MALE: There you go.
17. MR. QUAGLIO: That does answer it.
18. MS. BLACKMAN: All right, you can go to the next one, one more click. So this question actually changed from 2007 to 2012. In 2007 this asked, “Were you born in the United States?” And it was changed in 2012 to, “Were you born a citizen of the United States?” to capture people who may have been born right on an Air Force base in Germany or somewhere, you know, so we changed the question to include that.
19. Okay. So this just shows the proportion of family-owned businesses, so for family-owned businesses represent about 11.4 percent of the firms and 35.3 percent of receipts. So this is a sources-of-capital question, this asks, “What source of capital did you need to start the business?” I want it directly. Okay. So you can see the -- the top two, really interesting, personal or non.
20. UNIDENTIFIED MALE: Um-hum.
21. MS. BLACKMAN: Okay. Also, “Is it a home-based business?”, so 57 percent of the firms do say that they’re home-based businesses and they represent 7.7 percent of the receipts. So you can see here sort of the distribution of the owner groups, one owner or we would -- we would sort of consider that a sole proprietor of the -- most of the time, that’s 85 percent about; and then two-to-four owners is almost 12; five to 10 is less than one percent; and also more than 10 owners is .4 percent.
22. MS. BLACKMAN: -- you know.
23. MR. QUAGLIO: Well, the --
24. MS. BLACKMAN: -- you know.
25. MR. QUAGLIO: -- third source of -- of --
MR. MCADAMS: -- I ask is I'm not sure you can
MS. BLACKMAN: -- CBO question.
MR. MCADAMS: The reason --
MS. BLACKMAN: -- CBO question.
MR. MCADAMS: -- I ask is I’m not sure you can
assume that the 65 year old is supplemental income.

Rich McAdams.

MR. MCADAMS: Rich --

MR. QUAGLIO: -- that is --

MR. MCADAMS: Rich McAdams.

MR. QUAGLIO: -- right.

MR. MCADAMS: One other question.

MS. BLACKMAN: Sure.

MR. MCADAMS: Does -- does the survey ask
anywhere how long have you owned the business?

MS. BLACKMAN: So we ask, I want to quote it
directly from the form, “In what year did the owner
originally acquire the business?”

MS. BLACKMAN: Okay. So you can back into it?

MS. BLACKMAN: Yeah. So also it was
interesting, I’m getting ready to talk about it now, the
annual survey of entrepreneurs. We have an additional
component that we’re publishing called, “Years in
business,” and there are going to be category ranges
that are -- right now this is subject to change, but
right now there is zero to four, five to nine, and 10-
plus years. So that’s an additional variable, but that
question is a CBO question, and I want to say it’s
question two, it’s table two in the --

MR. MCADAMS: The reason --

MS. BLACKMAN: -- CBO question.

MR. MCADAMS: -- I ask is I’m not sure you can
assess what the 65 year old is supplemental income.
is it introduces what we call these modules. In every
survey year there’s a new module, so for 2014 the module
was on R and D. So it was asking questions about do you
do R and D at -- or do you participate in R and D
activity, do you pay for it, do you do it yourself, how
-- how much of it do you purchase, how much did it cost
you, those types of things, and those are going to be
released in the 2014 estimates.
The 2015 are around more human resources in
labor, so we ask a question in the -- we call it the
base SBO that asks what type of employees you have, so
do you have full-time employees, part-time. And this is
where, Ken, I was talking earlier about full-time versus
part time, it’s very subjective, so we run into that
issue.

So 40 hours for us is -- is full time, right,
but I used to work at a restaurant and we couldn’t work
40 hours, because then they have to pay us over time,
right, so that -- you know, it just depends, so we ask
-- we’re asking for the 2015 ASE what type of tasks do
those employees do. We want to know what do the
contractors do, versus the full-time paid employees,
versus the part-time paid employees, so those -- that --
and then 2016 we don’t know what the module’s going to
be, that’s up in the air right now. So we produced the
same types of estimates, they’ll just be on a little bit
higher level.
The survey -- you can go to the next one. So
because this is annual, we don’t have as much time to
process it. The sample is 290,000, as opposed to 1.7
million, which is still very, very high. And 1.7
million is, like, off the scales. I mean, it’s -- it’s
super high, but 290,000 is still very, very high for a
sample.
And it’s employer firms only, non-employer
firms will be released. We do have -- we’re estimating
that, but we sampled and actually sent surveys to the
employer firm. And when I say, “Survey,” we did it all
electronically, they received a letter that said, “Log
onto this website and fill it out.” I keep saying, it’s
not a form like we used to have for SBO.
So, again, same stratification by MSA, frame
and age of business, same frame, same nine frames as
before. Age of business is new, because of those
additional categories that we are going to disseminate.
And, again, it includes the same non-farm businesses
that filed appropriate IRS tax forms, and it covers the
20 MSA industries with those eight exceptions. And,
again, same sources, we have IRS tax form information,
economic census reports, and actual responses to the
very informative, and it talks about the module -- the
interchangeable module concept, which is very
interesting, it’s something that we don’t generally do
in practice at the Census Bureau.

Last slide. Okay. So this is my contact
information. If you e-mail me any questions, or have
questions about the data, questions about the program,
anything in general, things you want to suggest, e-mail
them -- e-mail them to -- e-mail them to the lower one,
the ewd.survey, that’s our branch e-mail. E-mail them
to -- to there if -- and if you -- you know, you make a
formal request, that’s fine, but otherwise e-mail them
to the branch e-mail. Making a formal request though,
of course, has a little bit more weight, right? So
that’s all I had. Any other questions?

MR. PHIPPS: Thank you very much --
MS. BLACKMAN: Wow.
MR. PHIPPS: -- Naomi.
MS. BLACKMAN: Absolutely. Thank you for
having me.
UNIDENTIFIED MALE: Thank you.
MR. PHIPPS: Okay. The next speaker will be
Ken Dodds. Ken Dodds will be giving us contracting
updates from the Office of Government Contracting and
Business Development.
MR. DODDS: Good morning, thanks for having me. So I’ll give you some updates on some regs, but I – I wanted to also update you on the -- the goaling process. Last week the administrator announced the FY-’15 results. I don’t have a – I don’t have a PowerPoint, I don’t think, so we for the third consecutive year we met the small-business goal of 25.7 percent; SDV was the highest ever, 10 percent; women we met for the first time, over five percent; and then SDVO was the highest percentage ever, 3.9 percent, almost four percent.

Later this year we’ll be coming out with the score cards where we actually grade agencies not just on prime numbers, but on subcontracting and other -- other factors. If you want to turn that mic off, I think it’s that might be the cause of the -- you have to -- so it’s not red. There you go.

All right. So the -- the rule on the limitations on subcontracting, which is changing, allows you to rely on subcontractors, that’s already allowed under the SDVO and -- and HUBZone programs, but for 8(a), small-business and women-owned, that rule is that, the Office of Management and Budget, they usually take 90 days to review it, so it will probably be published as a -- as a final rule some time in late -- late May, early June.

Mentor-protégé, that rule is -- we’re working on it this week. I’ve been working on it, you know, this morning. We’re hoping to get that to OMB later this -- you know, later this week, maybe, so that would put it as a publication maybe in the mid-June, but that also requires us to stand up an organization to review mentor-protégé agreements, to monitor performance so that the mentor is actually providing the protégé with benefits, to get reports on how they’re performing contracts, and so forth. We were not budgeted, you know, given appropriations to actually implement that, so it’s going to come out of some other part of SBA.

So what I’m trying to say is we probably won’t be accepting applications in June, it will probably be some time after that we’ll announce an open season and -- and how we’re going to go about that maybe late summer is the hope right now.

Recently we -- you know, we had a lower-tier subcontracting proposed rule that was proposed in October, the comment period closed on that, and that’s for large businesses and basically what it -- what it does is it -- right now the only report, how they’re doing at the first tier, and the idea is we’re going to start setting goals for them at every tier and start rolling up the reporting to see how they’re doing at lower tiers.

You know, large businesses will tell you that they do a lot of small-business subcontracting at lower tiers, and so the idea behind this is to start collecting that data, but also goaling them on that as well, that will probably be a final rule sometime this summer. That will still have to go -- be implemented in the FAR, that will also require system changes to the ESRS and so -- so forth.

There’s been a lot of activity in the women-owned small-business program. In section 825 of the NDA of 2015 they gave us three things to do, one was sole-source authority for women-owned small business, very similar to HUBZone and service-disabled veteran where you conduct market research. If you can’t find two that you think are going to submit an offer, then you’re allowed to do a sole-source award.

For women owned it -- it has the same kind of dollar threshold, it has to be below four million, six-and-a-half million for manufacturing, and then it also has to be in one of those designated NAICS codes that you’re allowed to do of women-owned small-business.

In addition to that, they instructed us to do a new study of NAICS codes where women-owned small businesses’ set-asides and things were -- are authorized. We completed that and we published March 3rd a notice in the federal register announcing the new -- the new NAICS codes. Basically it’s a total of 445 out of -- out of about 1,100 NAICS codes that we have, 365 are women-owned NAICS and then 80 are economically-disadvantaged women-owned NAICS, that list is also available on our website.

And then the last thing that -- that section 825 did was they instructed us to create a certification program for women-owned small businesses. Again, not -- no appropriations were given to us to -- to actually execute this. The -- the language said you can do it, you can have another federal agency do it, you can rely on the state government, or you can use national-certifying entities, and so we issued advanced notice of proposed rule making in December which closed in February for the comment period. The next step is to do a proposed rule and then get comments on how we’re going to actually, you know, execute that -- that instruction.

The NDA of 2016 had a lot of things that are of -- of interest to SBA or that we have to execute, one of them is a change to how we score agencies. Right now when I -- when we give a -- a -- you know, the VA, for example, their -- their grade, it’s about 80 percent prime contracting; 10 percent subcontracting; and 10
percent of what we call success factors, things that we
think they should be doing to enhance small business,
you know, participation.
Under the -- for FY-'17 the -- the most we were
going to give credit for, for prime contracting, is
going to be 50 percent, the rest of the 50 percent is
going to be made up of subcontracting those success
factors I talked about. And then they also want to
start grading agencies on the number of small-business
awarded contracts, so the number of contracts awarded to
-- to small businesses.
And so I think because we’ve met the small-
business goal for three years in a row, you know, they
started to look at other ways to -- to measure agencies,
you know -- you know, what’s another goal we could give,
and I think there’s a concern about the number of
awards, you know, decreasing, because of consolidation,
the past performance or experience of the joint-venture
entity itself, they won’t consider the partners to the
joint-venture entity, their experience in past
performance, and so we’ve -- we’ve made some changes to
our regs and there’s something in the NDA of 2016 around
you have to consider the past performance and experience
of all team members, not just the entity itself, so
that’s a positive, I think, for small business trying to
compete for -- for contracts as a joint venture.
There’s been some additions to HUBZones in the
NDA of 2016, they want us to include presidentially-
declared disaster areas as a HUBZone, areas around base-
closure areas. The way the statute was written, the
base itself might be a HUBZone, but the actual economic
activity went on around the base and those weren’t
always included as HUBZones, and so they’re trying to
expand outside the base-closure area itself, and then it
also allows ownership by native Hawaiian organizations.
And then there’s a new section that allows --
you know, SBA creates size standards for each industry,
the way we measure, you know, whether you’re small or
not for the industry. There’s a mechanism that’s going
to allow interested parties to challenge that size -- or
that size standard somehow at the Office of Hearings and
Appeals, so we have to come up with regulations to -- to
kind of allow that.

So that’s -- that’s the long and the short of
what’s going on here at SBA, if there -- I’m happy to
take any questions if there’s anybody who has a
question.

MR. MCADAMS: Rich McAdams, one question on the
mentor-protégé. You indicated you anticipate this
summer you’d be ready to accept applications for that
program?

MR. DODDS: Right. I mean, the first thing we
have to do is we have to get the final rule done and --
and published, you know, then it becomes effective 30
days after that. I think the idea is that we’re not
going to accept applications and we’re hoping to do that
by June, mid-June, but I don’t think we’re going to be
ready then to accept applications. The current thinking
is we’ll announce that we’ll start accepting them in
August, or September, or October. Whatever we -- we end
up doing, it’s still -- it’s still kind of a -- a work
in progress as we figure out how to staff the
organization to actually, you know, execute it.

MR. MCADAMS: Okay.

MR. DODDS: So there --

MR. MCADAMS: Thank you.

MR. DODDS: -- will be more to come, the first
step is getting that rule done.

MS. ROTH-DOUQUET: Are military spouse-owned
small businesses eligible for mentor-protégé?
MR. DODDS: I don’t think so. The way the --
the way the statute’s written you have to qualify as a
-- a small business. If they’re a small business, yes,
but just being a military spouse, no. The -- it’s --
it’s open to service-disabled, veteran-owned small
businesses as that is defined in our statute. So if
they’re a -- they’re a small business, then, yes, but
just because of their military-spouse status, not
currently under the program.

MS. ROTH-DOUQUET: So I’m -- I was confused by
your answer. So they have to be a service-disabled,
veteran-owned small business to be eligible?
MR. DODDS: Yeah, sorry. I mean, basically the
-- it’s -- you just have to be a small business to be
eligible. In order to go after, for example, HUBZone
set-asides, you also have to be a HUBZone. In order to
go up SDVO set-aside, you have to be an SDVO concern.
Women-owned, it -- they would -- they might qualify as a
woman-owned small business, for example, but they
wouldn’t qualify to go after SDVO set-asides as
currently written in the statute.

MS. ROTH-DOUQUET: So I’m trying to clarify,
because I have an organization that serves military
spouses, and my question is should we tell people to
start preparing for the opportunity to be -- be in the
mentor-protégé program this fall if they're a military
spouse, maybe a -- maybe they have to be female military
spouse-owned businesses in order to be qualified. I
only look at military spouse-owned businesses, so that's
the lens I'm putting on it, so that -- that's my
question.

MR. DODDS: Yeah, and -- and so I guess there's
not -- there's no special set-asides for military
spouse.

MS. ROTH-DOUQUET: Special set-asides.

MR. DODDS: But if they are a small business
and if they're a woman-owned small business there will
be opportunities to do mentor-protégé, they should
definitely -- if they're interested in the federal
market, they should start getting ready, thinking about
mentors.

MS. ROTH-DOUQUET: Thank you.

MR. FIELDER: Kathy --

MR. DODDS: Sorry --

MR. FIELDER: -- Ed fielder.

MR. DODDS: -- about that.

MS. ROTH-DOUQUET: Okay.

MR. FIELDER: Ed Fielder. I think we're losing

track of the fact that this National Defense Act of 2011
and then 2013 if -- there were more than just service-
disabled vets be included in the -- in -- so woman-owned
businesses are included in there?

MR. DODDS: That's right, sorry about that.

MR. PHIPPS: Ken, with the new rule for the
certification for woman-owned businesses and the SBA not
getting appropriations to handle that, does that mean
when this goes into effect unless you're certified by
the SBA you're no longer going to be considered a woman-
owned business as it currently stands?

MR. DODDS: Correct, once we come up with the
final rule. Well, let me answer that, you'll be --
you'll still -- you always count -- if you're a woman-
owned small business, if you get an award in full and
open, or as a small business set-aside, or any way, that
counts as an -- an award, but in order to get a set-
aside or a sole-source award you would have to be
certified. And the question is, are we going to do
that, are we going to rely on third parties to do that,
are there state agencies that do it, that's what we have
to figure out in the next few months, but it will be --
you know, the statute says you have to be certified in
-- in order to get this, so that will be the end result.

MR. PHIPPS: So with -- with that rule, and the

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1 mentor-protégé program, and no appropriations, does SBA
think that they can meet that mission, is there -- is
there concern that the SBA is going to have a difficult
time meeting that mission with those extended
responsibilities?

MR. DODDS: Yeah, I think there's a lot of
concern about that. I mean, when you -- when you think
about -- the scale of, for example, mentor-protégé,
there's about 500 mentor-proteges in the 8(a) program
and about 5,000 8(a) concerns. There's hundreds of
thousands of small businesses, okay, so that's a lot of
people. We have to make sure the mentor is not going to
take advantage of the protégé. I mean, we want the
protégé to benefit, there has to be someone monitoring
that and that -- that takes people.

MR. FIELDER: Yeah and just to split hairs a
little bit, you're saying certified in the context of
the mentor-protégé agreement and the arrangement between
the two parties that results in a joint venture, not
certified in the sense of other than service-disabled
vet and -- and other than the -- and unservice-disabled
vet for the VA program, self-certification is still the
standard in the sense of certifying the base business,
correct?

MR. DODDS: Yeah, what we're talking about here
is women-owned small businesses, that will become a
certification program like HUBZone and like 8(a) where
you have to come to us or -- you know, either us or some
third party, they're going to look to make sure you're
owned and controlled by a woman-owned -- you know, a
woman basically, so it -- it's going to be a third
certification program somehow at SBA.

MR. FIELDER: But service-disabled vet, self-
certification for all other agencies, not VA, will still
be the standard, correct?

MR. DODDS: Yeah, the -- the -- the statute
didn't --

MR. FIELDER: Okay.

MR. DODDS: -- change anything --

MR. FIELDER: -- I thought --

MR. DODDS: -- with that.

MR. FIELDER: -- that's what it was, but I
wanted to make sure.

MR. DODDS: Yeah, that -- that remains the way
it is for now.

MS. CARSON: It's Barb Carson, SBA. Ken, could
you -- do you have information on certified@sba.gov, any
update on that?

MR. DODDS: (No response.)

MS. CARSON: If you don't, I can share the
MR. DODDS: Yeah, I think there’s parts of that that are live right now.

MS. CARSON: Can you describe what it is?

MR. DODDS: I -- well, you might know more than I do. I mean, I think it -- I think right now they started with the women-owned small-business program, so there’s a way -- we’re trying to create a -- a system that allows you to kind of enter information into an SBA system and it will kind of guide you into as -- as to whether you’re a woman-owned small business. And the idea is to roll in eventually 8(a) and HUBZone as well to make it more of an automated, you know, more tech-savvy system than we have right now, which is paper-based a lot of the time and -- and very, very manual, and very labor-intensive, that’s the hope.

MR. PHIPPS: Just a quick question, we have.

MR. DODDS: Not to my knowledge, unless congress tells us to do it. I mean, we’ve had -- we’ve seen proposed legislation around that or we’ve heard about it, but until -- you know, they’d -- they’d have to change the statutes where it said, you know, where it’s created and kind of -- you know, kind of direct us to do that. And, again, that’s also an appropriations-funding issue.

MR. PHIPPS: All right. Thank you very much, Ken. Any more questions?

MR. PHIPPS: All right. Thank you very much, Ken.

MR. DODDS: Yeah.

MR. PHIPPS: So we have a few more minutes before we break for lunch, would anybody like to ask Max or Jennifer any additional questions based on their report that -- their very in-depth report, they have to kind of scoot out early?

MR. PHIPPS: (No response.)

MR. PHIPPS: No questions?

MR. MCADAMS: Rich McAdams, I have one. It seemed like one of the clear conclusions to me is that for the program to be successful it’s got to be a business-development program.

MR. KIDALOV: Correct.

MR. MCADAMS: What are -- do you see as the political realities, how hard is that going to be to change, and does that take -- does that take congressional action to happen, and, you know, how do you see the tea leaves -- you’ve -- you’ve got more background on this than I do. It looked -- it looked like long ago that was almost congress’ intent, but for some reason we didn’t -- we got the ball to the six-inch line and then it -- we never got it across.

MR. KIDALOV: Yes. So, as the study indicates, there is a wealth of authority that congress has given to the SBA over the years. My recommendation in this regard would be to use that authority along the lines that -- as it’s been used in the past and implement such a program by means of executive action with further, of course, requests for appropriation.

MR. MCADAMS: Um-hum.

MR. KIDALOV: But, for example, President Reagan’s Executive Order 12432, minority business enterprise development, so this one created and directed agencies to create business-development programs for minority-owned businesses and it was aligned with -- with goals, it talked about participation, it talked...
1. about awards, and contracts, and grants, it talked about
2. technical assistance, it talked about all of these
3. things that we’re talking about, it gave the SBA policy-
4. making authority on -- on all of this, so -- and -- and
5. it’s there, it’s just one of the examples.

6. There have been similar examples from President
7. Clinton, President Carter, President Nixon that we can
8. -- we can look into, but that would be -- that would be
9. my recommendation.

10. MR. AUMENT: Ron Aument. Max, one of the -- we
11. kind of hurried through your last slides pretty -- as we
12. were being pressed for time. I was very interested in
13. one of the last slides that showed the going-forward
14. success of veteran-owned small businesses that started
15. to break through size standards on that and it looked to
16. me like there -- there was -- there was very, very
17. little in the -- in the form of success on that for the
18. -- the companies that were no longer considered small
19. based upon their -- their NAICS codes on that.

20. MS. CARSON: Slide 29?
22. MR. KIDALOV: Yes.
23. MR. AUMENT: And --
24. MR. KIDALOV: So what this slide shows is that
25. these firms that exceeds the -- the -- that exceed the

1. declining over the years, so how fast -- how fast is the
2. general, small-business graduate population declining,
3. you know, we didn’t -- we didn’t look at that overall,
4. I’m sure somebody like Office of Advocacy might have a
5. study on that.

6. MR. QUAGLIO: Ken -- Ken Quaglio. If I could
7. go back to slide 32, your recommendations, I want to
8. make sure that --
9. MR. KIDALOV: Sure.

10. MR. QUAGLIO: -- I understand them correctly.
11. If -- if I may superimpose my own summary on it, it
12. seems to me that the current focus of the legislation is
13. on the process, and it puts the burden on the
14. contracting officer to make a determination about the
15. viability and the success rate of that veteran-owned
16. business at the point of contract, and what you’re
17. suggesting we do is move the burden to the contracting
18. officer to make those determinations by setting up
19. businesses that are actually ready for the contracting
20. process so you take the burden off the contracting
21. officer, make it much more objective than subjective,
22. and that would imply that a -- a shift in legislative
23. policy from number of awards, set-asides, and those
24. sorts of things to more the business creation and
25. development side.
MR. KIDALOV: Well, not necessarily a shift in legislative policy, but a -- a shift in -- a shift in who is making -- who is making the decision and who is making -- you know, who is making the tradeoff.

MR. QUAGLIO: But where would the funding come from for that, where would the burden for actually funding that come from?

MR. KIDALOV: Well, the funding would have to be requested -- the funding would have to be requested from congress, so the -- even -- even in that executive order that I just cited still, you know, they refer to, you know, funding that would -- you know, subject to the funding, so -- yeah, so there would have to be funding requested. The opportunity I think that exists for the SBA is to make sense of the process and then executive order could put a process framework and a -- and a program framework.

And really also I want to mention some other -- one other thing, there are agency -- there are other agency partners that have substantial funds that are also dedicated to these types of -- these types of activities --

MR. QUAGLIO: Yeah.

MR. KIDALOV: -- so that has to be a whole -- a whole government type of approach.

MR. QUAGLIO: And -- and --

MR. KIDALOV: An interagency approach.

MR. QUAGLIO: -- I think it comes back to the pillars as a committee we always come back to, which is education and trading for veteran businesses at the point of business creation is lacking nationally in many cases and until we solve sort of the core problems we’re trying to deal with set-asides, we’re trying to deal with compensating for making a judgment on are we really creating businesses or are we just creating opportunities for businesses and I think what we really want to do are create businesses --

MR. KIDALOV: And --

MR. QUAGLIO: That requires increased education and training at the formation level, so that when a business owner starts a business they actually know what the hell they’re doing.

MR. KIDALOV: -- right, but it -- and it also, I think, requires not placing the contracting officer in the position where they have to make a tradeoff between business development, and mission --

MR. QUAGLIO: And there’s --

MR. KIDALOV: -- and --

MR. QUAGLIO: -- no way they can do that, they’re --
show up and they’re already developed, then the KOs, on their end, they need to know what they’re doing. And -- and I -- I do have to say that the -- the DOD particularly does a good job of making opportunities for you to know what you’re doing, but in all actuality it’s hard and you’re doing lots of hard things all at the same time, so, you know, it -- it is a shared -- it’s a shared responsibility for everyone to up their game a little bit for veteran business owners.

MR. KIDALOV: On the -- on the non-protestable I -- I think what Jennifer might have meant, because we -- we kind of talked about it during the break, is, you know, with the -- with the -- with the 8(a) style requirements there are -- you know, there are some -- there’s more discretion for the agency basically to follow the -- follow the SBA lead when the SBA comes up -- up with a business development plan and so the -- so that part, that’s the -- that’s the part where, you know, there were some cases that -- that said, hey, you know, that’s what the agency -- the agency needs to do, that’s not -- that’s -- that’s not challenged in the same way as -- you know, as the current -- as the current language in the FAR does not say up and they’re already developed, then the KOs, on their end, they need to know what they’re doing. And -- and I -- I do have to say that the -- the DOD particularly does a good job of making opportunities for you to know what you’re doing, but in all actuality it’s hard and you’re doing lots of hard things all at the same time, so, you know, it -- it is a shared -- it’s a shared responsibility for everyone to up their game a little bit for veteran business owners.

MR. PHIPPS: So this goes along with everything that we’ve been talking about in terms of the -- the service-disabled current language in the FAR does not really allow for direct-award contracts and so what we would love to see from you is what do -- is maybe you could provide, and it’s probably in your report, the written path forward, for example the 8(a) allows for a direct award, nonprotestable contract award where really the SDVOSB does not.

MR. KIDALOV: Well, it -- it -- it does, it just makes it so -- it just makes it so prohibitively difficult.

MS. LEE: Yeah.

MR. KIDALOV: So --

MR. PHIPPS: That it’s not feasible to execute?

MR. KIDALOV: -- that -- that it’s being used, that it -- it makes a .61-percent contribution to the -- you know, to the spending, so, yes, so practically nil.

MR. PHIPPS: It’s -- it’s something we’ve talked about time and time again that the SDVOSB is not looked at, does not have the same basically rights that we’ve earned as the 8(a) program, and so in order to get over this hurdle that the contracting officers themselves have, which is just the nature of their day-to-day business, are we talking about legislative change?
take some executive action, but without additional funds we’re still going to have a small pipeline we’re able to effect change with.

So at this point, this year for example, on the scale we’re going to hit about 200 veteran businesses owners, and if you do that every year, I mean, honestly with participation and federal procurement, as we discussed, that’s a really small part of the population that we serve --

Mr. Kidalov: Right.

Ms. Carson: -- so it is still meaningful at those -- those numbers.

Mr. Heilman: Craig, from SBA. And then another thing, just as there’s discussion as the committee considers, you know, the different mechanisms for how something like this could occur on the executive branch versus the legislative branch, I think one thing that is a bit analogous, although not in the same arena, is the TAP program and everything that happened with regards to the creation of that. And so in the TAP program you had executive order coupled with legislative action which brought together all of government and the resources required to -- to -- to drive real change and so just something to consider, that, you know, ideally multiple branches of -- of government would -- would act together in a coordinated manner.

Mr. Kidalov: Yeah, absolutely. And the interagency agreements that -- that are part of that, absolutely.

Ms. Roth-Douquet: It’s Kathy from Blue Star Families and I just wanted to add that we are pushing for transition to move earlier and earlier in the life cycle of the service members, so I can see a future in which someone five, six, 10 years from leaving has already started to get some of their education, starting to get ready, and there probably could be a role for SBA with that as well.

Mr. Phipps: Okay. Thank you very much, Max. We are going to break for lunch right now. The time is 11:55, we’ll break for one hour, come back at 12:55. We’re adjourned for lunch.

(Whereupon, at 11:55 a lunch break was taken in the meeting.)

Mr. Phipps: Okay. If everyone could take their seats, we’re going to get started here in a minute.

Okay. Next on the schedule, going along the lines of reaching outside the government-contracting arena, which we understand is one of the most important arenas for veterans businesses, we’re going to be talking about exports and a program that was headed by Murat at the Department of Commerce to focus veterans and exporting.

Go ahead, Murat.

Mr. Muftari: Thanks everyone for having me. So Vets Go Global, just to give you a quick snapshot of kind of who we are, just because I haven’t been introduced here prior, we are the U.S. Commercial Service, we’re the -- basically the trade promotion arm of the U.S. Department of Commerce. What makes us unique is that we are in 109 domestic offices out embedded with private-sector industry and businesses, and overseas we’re in 80 countries as commercial diplomats embedded in the U.S. embassies and consulates, and then in an -- an additional 40 countries in a partner post with the state department as a commercial attache, so -- and -- and under -- under the diplomats or the American citizens we have local, national industry experts that are embedded with our teams that really are the -- the boots on the ground or the eyes and ears with that foreign business industry.

Mr. Phipps: Just a quick note, Murat, you want to give a little bit about your military background?

Mr. Muftari: Sure. Yeah, so my -- military background, I’m a former Special-Forces Green Beret, multiple tours of duty in Iraq and Horn of Africa. A lot of what we did in my time in the military as -- as kind of an unconventional force, building rapport and relationships with -- with local nationals and -- and foreign militaries. It’s similar to what we’re doing here, it’s a very unconventional kind of job and it’s -- it’s a little different than a lot of other government agencies in their -- you know, in their day to day.

Where did I go? Oh. Okay. So if you can just follow along here. I didn’t -- I didn’t put too much on the slides, because I just wanted to kind of talk through it, but if you go to the -- the second page you’ll kind of see our mission statement.

After my time in the military I -- I was in the private -- private sector as a DOD contractor getting subcontracts from General Dynamics and also from a larger training contract company called NEK Advanced Securities Group, so basically I was doing the same thing I was doing in the military, which is foreign -- training foreign militaries that were part of NATO. I was doing that in the Balkans, where I’m originally from, and a few years -- within a few years the contracts dried up.

I also used to always participate at the -- the big national veterans’ small-business engagement conference, which I’m sure many of you are familiar with, and what I found is that the conference is great,
markets, or expand beyond the domestic market, or the
procurement kind of channels that exist, so it -- it
takes that -- that trust factor and that’s why we think
matching a veteran with a veteran helps them kind of
build that trust in the early going of that relationship
and then kind of walk them through those steps, so it’s
taking a company and trying to maximize their export
potential.

If you go to the next slide on why global, the
first checkpoint there, “Why -- why go international?,”
what people don’t understand is 95 percent of global
consumers live outside our borders. The U.S. has been
too much of a -- a consumption nation focused too much
on its own domestic market, because it was always the
strongest, but as we see with -- with the internet, and
with technology, and with access and empowerment to the
individual, the middle -- the global middle class is
growing exponentially and the opportunities of your next
customer are not coming inside the U.S. borders, they’re
going to come from outside U.S. borders.

They hold 80 percent of the global purchasing
power, so basically if you look at the procurement,
which I think government procurement is great and it
helps companies kind of give them, you know, a -- a good
stepping stone, but if -- if you’re -- if you’re now
subtracting 95 percent of the pie, so you’re only going
after five percent of the pie to start with, and then
from that five percent you’re only going after three
percent of that five percent, and then the other
percentage of how much is government versus private, I
mean, you’re going after a -- a fraction of a decimal
point of opportunity, so, you know, we -- we like to
kind of expand their horizon.

And this -- this also starts with the -- what
was mentioned earlier, the business-development phase.
If we can create the veteran entrepreneurs’ mind set,
that they should at least be considering global and --
and -- and taking a strategic and targeted approach as
certain markets, it’s just going to increase their --
their potential in that part of the pie.

Also overall, as we’ve seen, economic cycles
vary. Yes, there was a global recession, but the
recession hit the U.S. first and then later, two, three
years later, it hit Europe and then Asia. You know, the
timing is different, so by -- by being in a couple
markets you really -- you help smooth over those cycles
and also there’s the -- the seasonal cycles that
exist here obviously with the holidays and -- an
Christmas time in offsetting those kind of seasonal
cycles that could exist with Latin America or -- or
southern hemisphere type countries.

A lot of times when -- when business owners get
started they’re also looking at their business and
saying, you know, they want some sort of exit strategy,
you know, are they going to hand it over to their
family, or -- or to the next generation, or are they
going to sell to a bigger company when they kind of cap
in that -- in that no-man’s land that we -- we talked
about earlier, and bottom line is if -- if -- if you’re
building a business and now you say you’re in Canada,
the U.S., and Mexico, you know, the value of your
business is going to dramatically increase when you can
show that you have distributors or partners in those
other countries, it’s that multiplier effect.

And also if you’re holding any patents or
intellectual property your exposure of being in those
additional markets, you know, pretty much automatically
increases the value of your intellectual property.

And then when you look at it from a job
standpoint, again what you’re seeing in -- in -- in the
U.S. market and the domestic market is companies have
kind of plateaued sometimes because they -- they have --
this is the -- the piece of the pie, so companies that
are exporting they’re the -- if you want to find where
the job growth is now, where the -- you know, you have
A lot of times companies come up to us and say customer there are buyers out there. Those big items, but overall if you give a value to your true. Yes, it’s true in commodities and -- and some of -- of really empowered the buyer, it’s just simply not buy my product. As -- as the -- as the economy has kind what, the dollar’s strong right now, no one’s going to sometimes we engage companies and they say, you know, known, but even with a strong dollar, they’re analyzing their -- their analytics of their -- a world of -- a lot of people can’t connect that dot. Being a veteran, being special traditions and other people, that is how you build bridges of cooperation, it’s not -- in the long term it’s not through military as a -- as a -- you know, as the -- the first means.

And, again, the -- the -- most of this here is known, but even with a strong dollar, you know, sometimes we engage companies and they say, you know, what, the dollar’s strong right now, no one’s going to buy my product. As -- as the -- as the economy has kind of really empowered the buyer, it’s just simply not true. Yes, it’s true in commodities and -- and some of those big items, but overall if you give a value to your customer there are buyers out there. A lot of times companies come up to us and

they’re analyzing their -- their analytics of their -- their website and they say, I don’t know why, but I’m getting 5,000 hits a month from -- from Saudi Arabia. Well, you know, let’s convert that intelligence that you have there, convert it to buyers, because there is interest, you know, there’s the reason people are stopping at your website. And if -- the second part is if you have a website you’re an international business. Whether you know -- know it or not, you’re an international and there’s things you can do to globalize your website that make it more appealing to international buyers and help convert them to at least sending a -- an inquiry or a contact-us type of a -- an e-mail.

So, again, American made, even with a strong dollar, proves that, you know, quality, durability, safety matter, reputation for excellence in the after-sales is a -- is a very key component. A lot of these -- these countries that we’re competing with, I’ll use China as an example, yes, China’s doing great in Africa right now, they’re building a lot of infrastructure, but what’s happened within five years a lot of it’s already crumbling and there’s no support with that. So, you know, as governments local, national, and -- and international, like agencies like the U.N., as they’re looking for more long-term solutions and -- and willing to invest a little bit more up front for a longer-term success, we’re seeing that -- that basically takes away that -- you know, that -- that extra cost and that they’re willing to basically swallow, so, again, that’s the -- it’s the end-to-end solution that really creates that value.

And why specifically veteran and why we think, you know, veterans have more variables to succeed versus some of their -- their peers, of course it’s a lot of those skill sets that you bring from your time in the military. These are just a few, adaptability, attention to detail, calculated risk taking is very key, being able to force multiple, you know, basically having people take your brand and kind of develop it in their own domestic markets, and those intercultural skills that a lot of veterans with combat or deployment experience bring.

In the -- the -- the data that we saw earlier with census was great, but -- and something I did pull from census, but basically if you compare veteran-owned businesses to women owned or to minority owned, you actually find that although they are less likely to export right now the -- the data that we -- we have shows that around nine percent of veteran-owned businesses export either directly or indirectly.

Indirect exports are also very key to mention here, that you might be selling to Boeing and then that plane is going to -- you know, to Japan, you know, that -- that falls under an export, so -- so although they are less likely to export, women-owned businesses, they say are around 12 percent export. Minority owned is around 17 percent. You know, to see that for minority owned makes sense, you know, they usually try to sell back to the market they’re from, the country they’re from. However, minority owned on average have about -- they-- they employ about 20 people of companies that export, this is not counting the smaller micro companies that are just very domestic, you know, mechanic shops, etc. Women owned is around 40, the veteran owned is around -- is -- is 68 jobs on average per company that exports, so if you compare it relative to -- to those other two categories they’re the biggest job creator.

And as we -- we saw earlier with the data, obviously they turned to entrepreneurship at greater rates, but again I think it is that gap in business development that can take it to the next level and actually not only make them procurement ready, but in
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22 country, so market intelligence is very key.

21 their product or service could succeed in a certain

20 qualitative kind of data that suggests that their --

19 focus on the -- the quantitative but also the

18 or -- or countries, you know, the key is to kind of

17          As they start kind of analyzing certain markets

16 to veteran entrepreneurs and kind of sell them on the

15          big strategic side of what commercial diplomacy and

14 commercial kind of private-sector business in the

13 international realm involves we kind of get that mission

12 across to them and -- and they do see it in the bigger

11          So based on all those things, the -- the Vets-

10 Go-Global team was founded and has gotten significant

9 support from our secretary of commerce and -- and then

8 the under-secretaries within our agency, which is key.

7 And one thing that I didn’t mention is that most of us

6 on the team are out in the fields, I’m -- I’m -- myself,

5 I’m in Michigan. I was in New York for a couple years

4 and now I’m in Michigan where I’m originally from. The

3 other two founders are in New Jersey and New York.

2 Most of us are out in the field, because we

1 really want to create the program based on what we hear

from veteran-owned businesses that we engage on a daily
basis and we don’t want to make it a bureaucratic

Washington thing, so all these programs that I’m about

to kind of begin talking about they’re oriented out in

what can tactically and operationally happened to make a

-- a veteran company export ready and then, you know,

get to their export potential.

Again, on the business development side, it

starts with counseling and education creating seminars

and webinars that we already are operating, but offering

them for free to veteran-owned businesses. Some of --
some of our local events, you know, do sometimes carry a

cost, you know, pretty much just to cover the event,

but, again, what makes this -- what would make this

program different is that everything that we’re offering

to veteran-owned businesses would be free.

As they start kind of analyzing certain markets

or -- or countries, you know, the key is to kind of

focus on the -- the quantitative but also the

qualitative kind of data that suggests that their --

their product or service could succeed in a certain

country, so market intelligence is very key.

That’s where our overseas colleagues are -- are

a very important part of that -- that process, because

they give them kind of the on-the-ground kind of truth

and analysis of their product or service. If they think

that -- that product is saturated and there’s too much

competition in a certain market, they’ll tell them and

-- and be -- you know, be direct with them so that they

don’t waste time and resources in the wrong market at

the wrong time.

And Barb, Barbara Ashe here from the -- the VIP

-- VIP program, she’s going to talk about VIP

International a little bit, I’m sure, but I just put it

on here that, again, basically with the rule changes

that we’ve seen to the score card and what we believe is

going to lead to an increase in -- in veteran-owned kind

of business through U.S. government contracts overseas

with -- you know, with all the agencies, the state

department, DOD, et cetera, that are overseas, they’re

now going to have an increase in access and placement in

those countries that is going to be able to potentially

carry over and -- and build those relationships with the

private sector, or the -- you know, the commercial

sector there to have some additional opportunities, or

with the foreign government.

Advocacy and diplomacy. When you do get on the
government contracting side, just like the U.S.
government has -- has a big budget, foreign governments
also spend a lot of money. We have a program that

basically is an interagency and intergovernment program

that advocates on behalf of U.S. businesses pursuing

foreign government contracts.

So if you’re going after a construction tender,

let’s say in Romania for a highway, and you’re a U.S. --
you’re -- you’re a U.S. company, we would get our
advocacy team involved in a -- they would create a
strategy of how to advocate for that contractor, that

tender, want to make sure that you’re getting an equal

opportunity, because a lot of times U.S. companies are

pushed out of a tender kind of against WTO, or World

Trade Organization, regulations, so we make sure you get

an equal opportunity, but also we advocate for you to

actually win the contract.

We have a lot of success stories in that -- you
know, in that field, they can be defense contracts, they

can be -- you know, building nuclear plants in Japan was

a contract where they -- they -- the U.S. company didn’t

make the short list, we advocated for them, they were

then brought back onto the short list, and -- and ended

up winning a four billion dollar contract.

Depending on the size of the contract, this can

be as small as, you know, a one or two-million dollar
contract as well. Depending on the size of the

contract, you know, it could be the secretary advocating
for you when they’re flying through on a trade mission, it could be the president -- it could go all the way up to the president advocating for you. On the defense side we interact with Department of Defense, the state department, it could be an ambassador, it could be a four-star general that’s coming through to engage with that country, pretty much bringing all government agencies that have an international presence to advocate for -- for that contract tender for the U.S. company.

If there’s only one U.S. company going after that opportunity, they would specifically advocate for your company. If there’s multiple U.S. companies going after that opportunity, they’d advocate for the whole -- you know, the whole cluster of U.S. companies that are pursuing that contract.

Another program I have listed here, discover global markets, it’s a program we created based on client private-sector feedback. A lot of times they wanted to -- to get to know our overseas colleagues, the industry experts and also the commercial diplomats, so we created a -- a more cost-effective option where we actually bring them stateside, usually from a whole region, like a -- you know, there’s one in Miami coming up where we’re bringing all of our colleagues from Latin America and they get to -- to meet one-on-one, the

companies get to meet one-on-one with those businesses and kind of learn more on-the-ground truth about -- you know, based on their product and service and if it has opportunity there.

And there’s a -- it’s a two-day forum that has, you know, a lot of breakout sessions, learning sessions that help them navigate the technical barriers to trade and, you know, how to best find a partner, you know -- you know, what you have to do to kind of -- if you have patents and you’re entering a certain market, you know, it -- it kind of includes everything.

And I mention this program, because for next fiscal year we would like to create a discover global markets or you could call it an international business conference for veteran-owned businesses, and that’s a gap that I’ve seen time and time again at these events I’ve attended on the national level, all the avenues of opportunity focus on government procurement and sometimes some prime contractors, you know -- you know, are present, nothing focuses on international.

And when we’ve hosted learning sessions discussing this topic at those conferences there’s usually businesses that kind of stand up and say, why isn’t there anything international here at this conference, so we’re trying to fill that gap.

Trade missions. The Vets-Go-Global team this year -- this fiscal year has two planned trade missions taking place, a trade mission is where we -- it can take place two way. Executive led means usually like a -- the secretary or under-secretary will lead the mission, it creates, you know, more high-profile, it tends to get bigger names in the room on the foreign side, or it can be a certified trade mission where we partner with a business association, in this case it would be a veteran -- you know, some sort of veteran business association, and we’d co-lead a trade mission to a certain -- certain market and -- and facilitate all the on-the-ground kind of meetings, receptions at the ambassador’s residency, et cetera, that can help give them opportunities to kind of meet partners.

Two that we have planned, there’s an infrastructure and a green-construction trade mission to Mexico that’s going to happen in October. It falls into next fiscal year, but it’s in this year’s budget. We’re -- we’re looking to take veteran-owned businesses to a big expo that happens and then -- and then stopping them in multiple areas of -- in states of Mexico to kind of meet with potential buyers.

The other one is in Asia, it’s going to stop Singapore, Thailand, and Vietnam and it’s on digital
how we’re based is we -- we work in export assistance centers, so we try to kind of make it a one-stop shop of resources in one -- one office. They offer international business or export assistance, so the SBDC sometimes is co-located with us, but also SBA international financing is usually co-located with us, and the Exim Bank is usually co-located with us. The STEP is just a way that really helps offset -- some of these sometimes can get expensive cost to -- you know, to go travel on these type -- type of shows or events, so the STEP grant can come in and -- and basically offset 50 percent of those costs, so you’ll hear more about that. The -- the other thing I want to mention is basically we have -- I -- I skipped over, ExporTech. So ExporTech is a program that we want run nationally and it -- it basically takes who we deem an export-ready company, so you -- you do have to kind of qualify for this program, but, for instance, if VIP runs the international curriculum and from those 50-or-so companies that participate we think 10 of them would make a good -- a good candidate to really -- you know, either has a product or a service that truly could succeed in an international marketplace and -- and they also have the executive desire to -- to go international, we’d put them through a 12-week program with -- with a lot of resources, and -- and experts, and coaches that guide them through to create a comprehensive export strategy and go-to-market plan. It gets very targeted, so that they’re not spreading their resources too thin, but by the -- by that 12th week they -- they actually present their plan to a -- a panel of export experts -- or, you know, exporter experts, sorry about that, yeah, and -- and then we -- and then we actually still coach them through that implementation phase, because, you know, typically which usually takes six-to-12 months to actually go into a couple markets and then two-to-three years to potentially see. It can go shorter, but, again, I’m taking averages of seeing actual sales results. And that -- that program nationally right now is -- shows that a company that enters ExporTech, within two years increase sales by 750,000, and that’s -- that’s our numbers. When you look at the -- the program numbers they’re actually much higher, but we -- actually, we don’t take potential -- you know, we remove a lot of categories and we look at true, hard sales numbers, so that -- that’s a low estimate. So those -- those are the things that Vets Go Global has on the -- on the play for this fiscal year, it’s still a fairly-new initiative so we engage with business association -- veteran business associations, other government agencies, we’ll be participating in the interagency meeting tomorrow to -- to -- to kind of bring this exporting and international business more to the forefront of veteran-owned businesses and -- and how to make them succeed in the international marketplace. So if you -- any questions, I’d be glad to take them. Mr. AUMENT: Yes, Ron Aument. I’ve done some work with a group called, New Zealand Board of Trade and Enterprise, and they are an office within the New Zealand Embassy, and that their mission in life is to do advocacy on -- on behalf of New Zealand-based companies as well as, you know, direct business-development support for those companies that in -- in this case hope to do business in the United States in -- both in products and services, so they essentially are embedded in virtually every New Zealand embassy around the world, and it’s -- and it’s got a full-time staff, and they’re pretty, pretty effective in -- in my many respects, do -- do you operate under the same type of model, you know, having, you know, folks, you know, on the ground, you know, constantly U.S. embassies around -- around the world? MR. MUFTARI: Yes, exactly, in a lot of countries they -- they build their model off our model. We -- you know, relative to other countries that do have a -- a similar kind of a commercial kind of an assistance model, we -- you know, we -- we tend to have more resources, we’re -- we’re in more places, but, you know, a country like New Zealand -- or I’ll use the U.K. for example, the U.K. has a -- a good program. They’re in the U.S. and they’re in a few other key markets, but they’re not in 120 countries, but when it -- when it comes to associations like that or, you know, whether it’s a government agency, or if it’s a -- a local chamber of commerce, a lot of times, you know, we work together and find ways to kind of, you know, support both sides. MR. PHIPPS: Murat, do you want to hit a little bit on exporting is not just product, so for services companies how they will be able to export their services and not just a product based entity? MR. MUFTARI: Sure. I mean, just, you know, similar to what we see in our domestic economy where I think service businesses make about 40 percent of the GDP. I mean, that’s what you’re going to see in international business. You know, companies that offer architectural design, engineering, kind of professional services are
succeeding internationally, because -- I mean, even --
even when you look at trying in one of the harder
markets to enter with a product in the services’ side
we’re seeing it’s just not the case, you know, most of
the bridges and kind of infrastructure being designed in
China is U.S. companies that are actually providing that
professional service.
Financial services is a -- is another main
category. We do financial trade missions on a monthly
basis, but a lot of times it’s -- you know, those things
are very -- you know, services have just as much chance
to succeed, if not more, because it typically takes --
takes less resources, financially at least, to enter
another market with a service.

The other thing I didn’t mention and something
that’s kind of become one of our missions is -- is
Select USA, it’s where we work with state economic-
development offices to recruit foreign direct investment
into the U.S. That program, I mention it because a lot
of times when we are working with a foreign company --
let’s say a Germany company wants to relocate to the
U.S., but they don’t know which state they should locate
to, we provide them the data on the national level of
where they -- they’ll have the best chance to succeed,
and we kind of give them a report of, like, their five
top states or markets, and then we basically connect
them with the states to kind of compete over, you know,
who -- who -- who can make the best proposal, but that’s
key, because a lot of times those foreign companies are
coming here with no established supply chain and they’re
leaning on us to help establish that -- that localized
or regionalized supply chain for them.

So, you know, sometimes we take companies to
trade shows, like, for instance, Hannover Messe is a --
the largest industrial trade show in the world in
Germany, for the first time in its history the U.S. is
the partner country, so it’s got a lot of attention this
year and it’s in April, President Obama’s attending,
Secretary of Commerce, and multiple political
appointees, but it’s -- it’s there to showcase American
innovation really.

So there are seven pavilions dedicated to,
like, research and development, you know, nano
technology, all these -- all these leading-edge
technology and automation-type of programs, and then
there’s one pavilion dedicated to foreign direct
investment. The U.S. is now the number one market for
foreign direct investment.

Chinese companies, German companies, Japanese,
et cetera, you know, they want to be here, they know
that, either their R and D facility or their high-tech
kind of manufacturing jobs, we’re seeing it with
reshoring. Yes, we do lose low-tech -- you know, low --
low-skill manufacturing jobs, but we’re replacing them
with high-skill jobs.

And also when you hear this conversation about
jobs disappearing, what you don’t hear is that it’s --
typically it’s not -- they’re not disappearing from
competition with other countries, they’re disappearing
with technology, so, you know, that gets into the whole
-- you know, some of these TTP and TTIP, these -- these
trade agreements that are going on in negotiations right
now, but whether a service company, a -- a company that
sells a product, or a company that really might not want
to -- or not have a presence internationally, but wants
to try to connect with foreign companies that are now
bringing some sort of -- some part of their business
here domestically, all those things can happen through
kind of being in that -- you know, in -- in this
international trade business-development cycle.

MR. PHIPPS: Excellent. Any questions for
Murat?
(No response.)

MR. PHIPPS: Murat, thank you very much.

MR. MUFTARI: Thank you.
opportunity. And if you sit down with anyone from my
office or any other office in the U.S. government that
focuses on trade and export growth is that there’s
enormous opportunity there, because the math says so.
You know, our small businesses have and our veteran-
owned small businesses have enormous opportunities,
since a majority of the world’s population is outside
the United States, and we could be capitalizing a lot
greater upon that by continuing to take, and educate,
and provide access for our small businesses to take and
grow internationally.

I won’t bore you with all the statistics, but,
you know, moving onto the next slide, 98 percent of the
United States, 300,000 exports, are small businesses,
about a third of them, about -- small-business exports
count for about a third of the annual goods exported, so
we’re already doing a pretty good job, but we could be
doing a lot more.

What you see, if you look in a lot of the data
that’s out there, is that we look -- you’ll see that’s
exported, you hear about airplanes, big, heavy
machinery, equipment items that get exported and that’s
usually what you see, the headlines out there, and
that’s a lot of times what people think about. People
think that exporting is only for large companies and
that’s just not the case.

Moving onto the next slide, talking more about
small businesses and what the opportunity is. We don’t
have any -- unfortunately, I didn’t have a chance to get
any veteran-owned small-business data, but we’ll give
you a little bit of snapshot in terms of what we are
doing right now from SBA, how many veteran-owned small
businesses are utilizing our programs, but just looking
at the overall picture and potential, as we talked
about, only one percent of the 28 million small
businesses -- only one percent of America’s 28 million
small businesses export and five percent of American’s,
5.7 million, employers export, so enormous opportunity,
we can do a lot more. Like I said, like my previous
colleagues said, you know, we have -- we have a lot to
go, a lot to work on, and the U.S. government offers
amazing programs to take and help companies go abroad.
And now I wanted to give you a little bit of --
a bit more color diving into it, this is from the -- our
folks at commerce talking about who are our largest
export partners, our top 20 global markets, and no
mistake and no surprise is that Canada and Mexico are at
the top, followed by China, and Japan, and the U.K.
Many small business are already sourcing the
products and services from overseas, but -- but

You’ll see a lot of companies that will take and source
product from Mexico, source raw materials from -- from
Canada, but they won’t sell back to Canada or Mexico, so
this creates enormous opportunity for us to look at in
terms of -- of switching that around, giving them the
ability to take and go back.

We already have a lot of companies that are
doing it and unfortunate, as I’ve -- I’ve mentioned
before, is that while those numbers are quite impressive
up there, our -- we could be doing a lot more. Canada
and Mexico, you know, with the -- with -- with the
proximity we should be doing a lot more than this.
Now we’re going to talk a little bit about
where SBA international comes into play and how we take
and help small businesses and veteran-owned small
businesses. And we -- we focus on information, capital,
and market access, because the challenges out there are
about -- there’s a lack of information for exporting,
there’s a lack of capital for exporting, and there’s a
lack of market access for -- for exporting.
Information-wise, not enough small businesses,
as we know, are exporting and even through the U.S.
government has enormous amount of resources many
companies aren’t thinking about going abroad, they don’t

-- they don’t know about the abilities and opportunities
to do so.

For financing what you find is that while a lot
of the large banks out there are very well versed in
providing export financing and helping companies go
abroad, what you see is that a lot of the smaller
community banks, credit unions, and regional banks maybe
don’t have the expertise or personnel to help some of --
help these companies go abroad.

And then in terms of marketing access what we
look at is that the ability of small businesses to go
abroad, to be able to take and understand the markets
that they’re going into, understand what type of trade
barriers, and compliance, and regulations that are out
there, that -- that, in terms of access, becomes a huge
component in terms of understanding their products and
services into other countries.

MR. QUAGLIO: Ken Quaglio, quick question on
the previous slide.
MR. VIDAL: Um-hum.
MR. QUAGLIO: Do you have -- can we just go
back real quick, is that possible?
MR. VIDAL: Um-hum.
MR. QUAGLIO: Do -- do you have that data, if
we were to take out petroleum, take out large capital
for companies to take and go abroad.

You know, just speaking in terms of, you know

-- you know, what’s -- what’s an example of a small

business exporting, you know, I was in -- January I was

in Texas in Dallas, in Fort Worth to be particular, with

a small business -- a veteran-owned small business that

was selling energy services for rigs into Mexico and

going to Nigeria and they had been using SBA, helping us

-- or using SBA products for years going into those

markets, so that’s the example of what -- what small

businesses are doing and there’s the example right there

in Fort Worth.

All right. So SBA’s international trade

resources. So we talked about information, capital,

market access that we’re focused on and if we focus on

this in five particular areas -- next slide. All right,

so we focus on trade affairs, trade policy, trade

outreach, trade development, and trade finance.

Our trade affairs’ policy and outreach is

focused and -- and development is focused on, you know,

looking at engaging in the global community on a

multilateral and bilateral basis of other nations, for

everything, working with TTIP, trade negotiations, going

out there and having conversations with other nations

out there in terms of creating access, and legislation,

and agreements to be able to take and allow our small

businesses to take and go global. You will -- right now

that’s at -- TTIP, which is the -- the latest trade

agreement that’s up, has the first SME chapter ever in a

trade agreement, that’s a big step.

TTIP negotiations, which is the trade agreement

between the United States and Europe right now, is going
to take and hopefully contain an SME provision, so our
office has staff that’s working on developing,

interacting with these foreign government and -- and

institutions, working on policy and outreach to them,
taking -- create market access for our small businesses,
allowing there to be clear transparency in taking and
doing business in these countries.

Trade development, we’re going to have one of
my colleagues speak to the STEP program, which was
already mentioned, and then trade finance I’ll speak to
as well in terms of how SBA -- you know, as SBA we’re
part of the 7(a) program, how we’re providing financing
to small businesses to take and go abroad.

And next slide. And we have the STEP program
here, one of my colleagues is going to go a little bit
deeper into it, but it is a grant program that we work
through with states to be able to take and -- and get to
support trade missions and other types of trade
The next slide for me. In talking about the world of trade finance, SBA offers short-term to long-term guaranteed export financing, so we work in the cycle that -- with -- with banks, because what we’re doing is we’re guaranteeing loans to -- we’re guaranteeing loans to banks for beneficiary of small businesses and veteran-owned small businesses, and we do that through a number of programs, and our programs take and support working capital, term financing, ability for companies to take and obtain plant and equipment, refinance, do purchase-order financing, and one of the more important things is actually be able to take and post bid performance and warranty bonds or letters of credit. That’s something that’s very -- and the energy industry. For example, that small business that I mentioned in -- in Forth Worth, Texas, you know, what they were using our program for in many cases was to post their performance mods, performance guarantees with their foreign buyers, so very, very important aspect for U.S. companies who have contracts and have performance obligation with foreign buyers, and we do this through our export express, express working capital, and our international trade-loan programs, these -- these three programs are able to serve these different financing activities.

Next slide. And to deliver this we have SBA’s trade finance specialists all across the country, we have -- a majority of our folks are co-located in the U.S. export-assistance centers, with commerce, with Exim Bank to be able to have that one-stop shop and interaction with companies and -- oh, and small businesses knowing that they can go right there to get -- be able to get the right information and access to financing. We are -- we -- we’re -- now we’re at 21, we would like to take and grow that to 30 to 40 folks, hopefully in the next few years we can take and get to that number. Right now we’ve added recently another -- another person in Florida and another person in California, because just the volume of demand needed in -- in those states.

Next slide. So I’m going to talk a little bit about the export-finance programs and that’s -- that’s one of the pillars of what our office does. I want to also mention the fact that our folks who are in the field, beside just taking -- talking about and getting them access to our financing programs, they actually are -- they’re doing counseling, they’re taking and helping with -- with the help of commerce to get our small businesses export ready and being able to take to them in terms of how to finance not only by just getting a loan, but also in terms of how to actually set up the -- a sale, how to set up a contract, how do you finance that, what type of terms of sale do you take and do you want to offer your foreign buyers, so they are actively involved in counseling -- counseling these small businesses. Aside of the fact, as I mentioned as well, is they’re also counseling lenders as well. As I mentioned, there is a very large gap in terms of between the large institutions, lending institutions in this nation, and the regional, the small community, and credit unions, so our folks are out there actively engaging with these folks so that they have the right information to be able to help small businesses. Now getting a little bit more into the weeds, because I know that’s where everybody would love -- love to hear, is talking a little bit about our three programs. We have the export-express program, we have the export working-capital program, the international trade loan. What we’d like to take and think is that we’re going to grow a small business, we’re going to take and -- and grow them all -- all up, we’re going to help them start with the export express program up to $500,000, they may take it in advance to an export working capital guarantee.

And then at some point if they need to take and get fixed assets, you know, be able to acquire some machinery, maybe they need to take and expand their offices, they can take and obtain an international trade loan. And by chance the fact that they actually take and go above five million, we would pass them onto our partners at Exim Bank who can take and go much higher in dollar amount. Next slide. So here’s a little bit of snapshot again. I’m going to go a little bit more in detail, but just a comparison in terms of our programs, in terms of how many years, in -- in terms of maturity of the loans, the amounts, the proceeds, and how they benefit, but I’m going to go a little bit more in detail, but that’s a nice snapshot for those who want to keep that for later on. Moving onto the next slide I’m going to talk a little bit about the export-express guarantee that we offer and, like I said again, this is a guarantee to -- to -- a guarantee to a bank. You know, one of the -- one of the benefits of SBA is that -- in our program is that these are not direct loans, a small business.
doesn’t have to come to SBA, come to Uncle Sam and say, hey, I need -- I need money for my export -- my -- my export sales.

They’re able to go to their local bank to be able to have their local bank work with SBA in terms of getting that guarantee so they can utilize these programs, that way this is not the disruptive to a small business. They don’t have to change lenders, they don’t have to take and -- and have multiple financing loans, they can go to their existing lender that they may have had a relationship for years and get access to our products.

So the export express is a -- we have two different loan amounts, we have a $350,000 and a $500,000 of different guarantee percentages for the lenders. The important thing to take away from this is that this is a very -- this is a high-bred facility, it’s able to take and go out seven years. A -- a small business can take and use this to take and for them to acquire equipment, machinery, or just support their ongoing sales, or issue, as I mentioned before, a bid, performance, or a warranty bond to their foreign buyer.

What is required, normally speaking we -- that business has to be -- have a history of at least 12 months. We will work with banks if the company has less than one year in terms of operating history, but that’s a general requirement that we have. And what folks have asked me always before as well in terms of, well, what does a small business need or a veteran-owned business need in terms of eligibility, you know, we have very basic requirements.

Lenders have their requirements as well, you know, most lenders want to see a certain amount of three years of financial performance or three years of -- of certain credit or financial matrix. Our programs are able to take and help lenders by -- by providing our guarantee, help them take and maybe offer loans to small businesses who wouldn’t necessarily qualify for lenders.

What you have just seen, just to give you a little bit of also market perspective as well and something that SBA is working very hard at, is that because of -- since the global recession, many lenders have -- have -- what they’ve done is they decide to lend higher dollar amounts. Well, what we call in the lending industry, they’ve gone up the credit ladder, because the fact of the expense of making smaller loans, and so obviously the role of SBA is be able to take and help that so that lenders are able to provide smaller loans to companies, including this -- this program here, the export express.

facility where they may have -- they may have 20 buyers overseas, we have a -- our -- our product allows functionability for that to support those 20 or 30 buyers overseas.

Next slide, please. Eligibility for our working -- for our export working capital is that it must be a small business, we also have an alternative definition that could be used as well. At the end of the day though we need products to be shipped from the good ole USA or services to be -- to be provided by folks here in the United States. Also we’re looking for at least usually a 12-month operating history as well.

Next slide, please. Okay. Just some other little tidbits and getting to the nitty and gritty with this is in terms of restrictions. We abide by Exim Bank’s country-limitation schedule, which is kind of like the dos-and-the-don’t’s list of where to take and -- and -- and sell your product abroad and under what criteria should you take and do business with buyers and -- and countries.

For the most part we’re supporting small businesses going to majority of foreign markets with the -- with some of the exceptions of some of the more ones that make up the news every day, higher-risk countries such as maybe Argentina and Venezuela that we’re not
does our program take and support indirect exports and what is that? So that’s selling to Boeing and Boeing’s going to take and export a plane, so why wouldn’t a lender take and finance that? Well, in many cases what happens is, is that there are -- these larger corporations who are selling this may have certain requirements where the product is being shipped to, that maybe GE maybe is taking the product, but they’re not taking it from the product here in the United States in the Port of Houston or in Baltimore, they’re taking the product overseas.

Something else that -- about this is that -- give them that liquidity to take and make those changes. Expand their product services, this facility helps to expand their product services, this facility helps to allow them to readjust in the economy maybe for new markets or and -- and obtain this facility to take and help for business that has been adversely impacted could take and 10 years, it provides a asset, machinery-facility term loan, this -- this can go our use of proceeds for our facility. As I mentioned before, we’re going to be able to take and help finance their foreign sales or issue standby letters of credit for our bid-performance bonds. For those of you who want to take and look into more nitty-gritty, please look over this slide.

Next slide, please. International trade loan up to five million. So this is -- this is a -- this is 51 percent or SBA does not have that, this provides an opportunity for -- for a lot of small businesses here who I mentioned before are sourcing product from Mexico, or Canada, or for our technology and service companies are maybe sourcing from -- from Asia and being able to take and then export the final product abroad.

Next slide, please. Uses of -- of -- of our -- our use of proceeds for our facility. As I mentioned before, we’re going to be able to take and help finance their foreign sales or issue standby letters of credit for our bid-performance bonds. For those of you who want to take and look into more nitty-gritty, please look over this slide.

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45 (Pages 177 to 180)
MR. VIDAL: Well, you know, what is -- where we see a lot of veteran-owned businesses being involved in military communities throughout the United States, they’re working as -- you know, if you look at, for example, Norfolk and Virginia Beach you’re looking at a lot of veteran-owned communities that are taking and providing services to U.S. government to contractors or -- or others who are then exporting abroad, and I think broadening that ability to take and help them to obtain financing so they can continue to win those contracts and provide those services and product, then be exported abroad in these military communities is very important.

Additionally, as well, is that, you know, one of my -- one of my colleagues is at DOD and she works in the Office of Economic Adjustment and they go into areas where there are realignments, base realignments and other types of military installation changes that the effects the local economy, those are excellent opportunities where SBA -- where we are already working through our SBDICs in other parts of the agency, but we could do more to help them to take in and that and in changing there in terms of products and services to be more export driven.

MR. MCADAMS: Rich McAdams. I’m just curious, you mentioned services also, do you have a sense what is the mix, services versus products, in terms of dollar revenue percentage-wise?

MR. VIDAL: For -- for the overall?

MR. MCADAMS: That are being exported.

MR. VIDAL: You know, I -- I don’t have -- I don’t have a -- a -- well, it -- so everything’s a little skewed, because of the fact that overall what the data you find, I can tell you this, is that in -- in itself you look at the data and the big-ticket items, the GE plane or the GE motors and -- and machinery, those large capital goods really skew the overall numbers and I -- and I think that really when you see it geographically is where you’re going to really see what the unique mix is for -- I -- I can tell you from SBA’s programs and the folks who are utilizing our programs you’re seeing a lot of manufacturers, you’re seeing a lot of manufacturers and you’re seeing a lot of wholesale and trading companies that are taking and utilizing our program.

Service companies, you know, I -- and I -- I would say technology companies have a huge advance, because they don’t need to take and ship through a port. They don’t need to go through customs, they can just take an e-mail there, that they can send over the keys for a software product or development overseas, so they have a huge advantage over our manufactures, but right now traditionally you’re seeing wholesalers, traders, and manufacturers predominantly using our programs and there’s enormous opportunity for more so.

I would say that engineering firms have been adversely impacted by the oil and natural gas markets right now, but they were heavily involved, you know, up until a year or so ago.

MR. O’FARRELL: Has there ever been any -- any thought -- we’ve -- we’ve -- Jim O’Farrell. We’ve talked in almost every meeting about boots to business. Has there ever been a discussion about a similar type of boots to business, but for entrepreneurs and veteran-owned business that are a little further in their life cycle to get an education, get a three-day workshop on how to do business overseas?

MR. VIDAL: (No response.)

MR. O’FARRELL: Well, is that what she’s here to --

MR. VIDAL: Yeah.

MR. O’FARRELL: -- talk about?

MS. ASHE: Um-hum.

MR. O’FARRELL: Great. Thanks.

MR. PHIPPS: Michael Phipps. David, are -- are you able to -- and I know you won’t be able to do it sitting here in front of us, but are you able to extract the breakdown of the business sizes, in particular veteran-owned businesses from your export data, is that something that your office would be able to --

MR. VIDAL: I -- I can look into it. You know, the tracking I -- I think we have maybe some ways to flag veteran-owned businesses from an SBA perspective, but from terms of the larger economic data I’d have to reach out to census and see what they -- and commerce, see what they have, but I’m more than happy to get that.

MR. PHIPPS: -- thank you. That’s one of the -- one of our goals is to see, you know, is there veteran-owned businesses exporting and how can we use that data to make the recommendations for programs like yours.
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<td><strong>MS. CARSON:</strong> Murat, could you answer that question in the microphone?</td>
<td><strong>MR. PHIPPS:</strong> All right. David, thank you very much, we appreciate it.</td>
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<td><strong>MR. MUFTARI:</strong> To the -- to the data -- to the two data questions and a followup to this meeting, we -- we try to link, it’s called, trade stats express, it’s on our export.gov website, but you can filter down that data by market, by year, by industry, by country, you know, you can filter it down many ways. You know, again it’s -- you know, it’s kind of a -- it depends on what you’re talking about specifically, so --</td>
<td><strong>MR. VIDAL:</strong> Okay. Thank you all for your time.</td>
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<td><strong>MR. PHIPPS:</strong> Next speaking, Gene Stewman from the Office of International Trade staff.</td>
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<td><strong>MR. STEWMAN:</strong> That one right there, that does look like a face. Thank you, Barb. And I know it’s coming up in just a second, so I’ll just wait for a cover slide. Well, you have it in front of you as well, so I do want to share that I am particularly pleased to address this audience.</td>
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<td>In addition to being a military dependent, at age 17 I joined the service and I served for over 30 years in the active and reserve service of the United States Air Force, some of which was concomitant with my time here at the SBA, so I certainly understand your constituents and I’d like to share with you what I find and -- and is often reported, particularly by the -- the awardees, the state governments, a fantastic program to assist small businesses. We are laser focused on helping small businesses to find their next customer, because all of them need to sell more of their stuff, particularly overseas. All right. So first of all I want to give you the bottom line up front, this program make matching-fund awards, financial awards on a competitive basis, this is not a formula-driven program, to state and -- and -- excuse me, state and territory governments to assist eligible small businesses to succeed in the international marketplace.</td>
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<td><strong>MR. PHIPPS:</strong> Next slide, please.  Number one is to increase the number of small-business exporters, secondly to increase the dollar value of small-business exporters and of course exports, which, of course, would include current exporters and -- and their businesses.</td>
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foreign markets, and most of these are Department of Commerce subscription services such as Gold Key, International Partner Search, things of that nature. We also help them develop websites to attract foreign buyers, whether this is the creation of the website, or translation to a foreign language from their existing site, localization to a particular market, as well as search-engine optimization, and we also assist them in designing international marketing media.

I thought I'd put just a couple of accomplishments for the first two years that are completed in the reporting. During the first two award years of STEP, which -- in which we awarded 58.9 million, almost 59 million to 51, 52 states, it -- it varied during -- during the two different years, the eligible small-business concerns or STEP clients participated in over 32,000 export activities supported by the STEP.

Okay. The sales reported by those small businesses to the states and/or territories and reported to us were new export sales of over -- or almost 1.2 billion dollars, okay, input less -- almost 59 million, output almost 1.2 billion dollars, that's a -- that's a return on the federal taxpayer dollar of over 19 to one. I don't know how many of -- of you are aware of other federal programs that have that kind of a return on investment, I'm pretty dam impressed and I hope that everyone else is too, and we -- I've got an early view into later years where -- where we have now done three completed years and the third year is actually even better.

Okay. All right. Next slide. Well, as for us veteran types, you know, it's time for us to look at a picture. And so here's my picture, and it is of the U.S., and -- and what I want to convey is this is a national program and so what you will see there in the blue circles are the number of small businesses -- U.S. small businesses that have made a sale supported by the STEP. Okay. That’s almost 7,000 you see there and, of course, that’s just years one and years two. Okay. Year one, by the way, also was our very first year, and of course we had, you know, a little bit of trouble getting out of the gate, and so, again, third -- the third year is going to be even better. Let’s take a -- a look at the -- the next slide. Over the past two-and-a-half years, since I’ve been the director, we have made numerous improvements in the efficiency and the effectiveness of the program and here’s where we are heading this year, we are going -- we are focusing STEP funds to directly benefit the STEP clients.

If you know much about a grant appropriation law and grant-cost principals, there is a wide opportunity for using funds for a lot of different things and when I realized that, because I'm not a grants-management person, I said, wait a second, we need to focus this money to where it really ought to be going, and that is let's target the small businesses themselves. And so you can see my target metaphor there, that's an archery target, and we are going to do -- and so this has -- this has been my mantra for the last two years, we want you, the small business, state governments, and territory -- excuse me. We want the state governments and the territory governments to propose and we will only approve the applications that are going to hit the bull's-eye, which are the small businesses themselves, or the first concentric ring outside the bull's-eye.

Even though all the way out to the very edge of that target is allowable under law, we’re not going to allow it, okay, we want to focus in, and so the direct benefit rule is something we instituted last year and they have to prove to us during the application process that they are going to target at least 90 percent of the

federal award to hit either the bull’s eye or the first concentric ring.

Okay. Now, I want 100 percent, but if you’ll -- if you’ll just consider the fact that two years ago, just prior to me coming onboard, there were some states that were only getting 24 or less than 50 percent to the target, then you realize I need to baby-step these people.

You know, I don’t want any, you know, of the states to actually implode, I really do want them as partners to help their state economies, to help the national economy, and so we’re on a march to 100 percent and this year it's at 90 percent. So the bull’s eye covers costs that are directly borne by those STEP clients, the small businesses, to -- to participate in the activities that we covered previously, learn how to export and then -- and export activity where you get in front of a foreign buyer.

And then the first concentric ring, to build what I call the pipeline of STEP clients, we do allow the state awardees to -- and the -- and the state and territory awardees to travel around and to expend money to build that -- that pipeline. We also allow them to contract services which would be more efficiently paid for by a state government, a single entity, rather than
activities that have been approved by us.

Okay. All right. Next is question and answer, if we have a -- a couple of minutes for that, Barb, but just prior to that, before I get the first question, I want to send something that we’ve crafted just recently, I’ll send it both this way and that way, which is a small flier which basically encapsulates the -- that call to action slide, and so we are sending this through multiple channels of distribution so that we can get to the eligible small businesses.

And I consider you collectively a channel of distribution, okay, so you, please, get these to your veteran-owned, service-disabled owned, et cetera, small businesses so that they -- they can then also go to our webpage, check out their state, whether or not they have an -- an award, and then contact the -- the state representative to see how they can be eligible and participate. That’s the presentation. Okay. Any questions that I may answer?

MR. AUMENT: Yes, Ron Aument. The -- the -- the map that you had displayed that showed the distribution of the STEP activities, a state-by-state basis, I was a little surprised to see, for example, Pennsylvania having 50 percent more activity than California and Texas having, you know -- you know, these are just the small businesses that reported a sale from all of the activities which are much greater than this. We never had 32,000 activities, this is 7,000 small businesses that made a sale, see the difference?

MR. AUMENT: -- I’m pushing.

MR. STEWMAN: Could I --

MR. O’FARRELL: Yeah, this is Jim O’Farrell. I -- I -- I -- I appreciate the correction there --

MR. STEWMAN: Yeah.

MR. O’FARRELL: -- but I still don’t understand why then there are that many more sales in Pennsylvania than -- than in Texas.

MR. STEWMAN: Okay. All right. Well, then I’ll -- I’ll -- I’ll go another level deeper, we expect -- and I tell the states and the territory governments this, we expect them to provide or propose an application that takes advantage of the -- or -- or leverages the advantages of their state economy for exports and also addresses their needs, okay, so they’re not all the same. They come in with a unique or a -- a specific proposal which may not bear any resemblance between California and Pennsylvania, so it -- it is not appropriate, in my opinion, to kind of compare and say, well, why the difference.

MR. O’FARRELL: Jim O’Farrell and I maybe try to do one contract, and so I -- I’ll send it both this way and that way, which is a way to -- to de minimis activity there, is there an explanation for that, is it --

MR. STEWMAN: Sure. Sure. Okay. So the premise is not quite exactly right of your question and -- and the premise is that this is the activities. No, these are just -- these -- the small businesses who made a sale, there’s a lot of activity. Particularly in the first year there was a lot of training activities, but when you train and you -- and you learn something, you go, but you don’t exactly make a sale like that.

Okay. The second thing you -- also to keep in mind here is that export sales, particularly if you’re new, takes about six-to-eight months to get your very first one. Wow. Yeah, that’s a lot different than just setting up shop, you know, on a corner in a -- in a strip mall, opening the doors, and you get -- start filtering in, you make sales right then.

Export sales are not quick if you’re not used to it. Once you have broken into your first market, making a sale in the next market is not -- does not take as long on average, but it still is not just like walking down or going into a CVS, or whatever, and making a sales.

So let me make sure, because I’ve said a -- a big paragraph there, this doesn’t represent activities,
For -- for instance, Florida, they have 271 in years one and two. Year three they didn’t have an award and I was surprised, because they’re actually a pretty strong state, but they didn’t need the money anymore. They communicated to us that the -- that their state legislature -- well, the -- the STEP, our program, helped them develop a particular program and a niche that the state legislature said -- legislature said, wow, that’s really great, let’s fund that, they didn’t have -- they didn’t -- felt they didn’t have to come in for another award, so -- so when I put the data on top of the years one and two, one of the answers is why a difference is. Well, not everybody got an -- an award every year. Okay. So those are some of the reasons that will make differences.

One other thing I’ll -- I’ll touch on and that is Pennsylvania has a very strong overseas state office presence, California doesn’t have the same. Okay. So they -- so I could conclude from that, that the -- the Pennsylvania state office network and the regional export network within the state perhaps, because I don’t want to denigrate California, they’re a great exporter too, they export actually more dollars per year than does Pennsylvania, by the way, that perhaps it was that Pennsylvania was able to get off on a quicker start based on what they proposed versus a California or a Texas.

Okay. Other questions, I hope there’s another one different than this map. I’m starting to say, oh, maybe I shouldn’t have put up my picture.

MR. PHIPPS: No, it’s a great map. Michael Phipps.

MR. STEWMAN: Yes.

MR. PHIPPS: So when you’re funding money at the state level do you guys have a certain set of metrics that you require the states to perform to and -- and what metrics do the states report back to you?

MR. STEWMAN: Okay. So the measures and metric. Okay. So the measures that they report back would be the participation by the type of exporter. So we have two types, new to exporting and then the market expansion, okay, so -- and you could probably discern that from the earlier commentary in the slides.

New to export, they have never done this or they have only done it accidentally. You know, their friend, Linda, moved to Canada, and she used to buy the stuff, and she’s now in Canada, she says -- writes back and say, please send me the stuff, I just can’t live without it, and you send it, and all of a sudden you’re an exporter, but it’s accidental, it’s not on purpose,
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| 201  | Mr. Stewman: We're currently working on an 18 million dollar appropriation, so you see it’s kind of been a bit up and down. Okay. Other questions or did I answer fully your -- your question?  
Ms. Ashe: Hi. I’m Barbara Ashe and I just wanted to follow up with you. I know our State of Maryland uses the STEP program.  
Mr. Stewman: Yeah.  
Ms. Ashe: So thank you so much for that.  
Mr. Stewman: Um-hum.  
Ms. Ashe: And good to see our numbers, but I just wanted to comment, it might be helpful.  
Mr. Stewman: Um-hum.  
Ms. Ashe: Our experience has been to your point that sometimes they apply for a grant because the governor or county executive is planning a big international trade --  
Mr. Stewman: Um-hum.  
Ms. Ashe: -- mission and they want to use STEP to help their small business.  
(Audio cut out, lost power in the room.)  
Mr. Philipps: Okay. We’re back on. So we left  
off with Gene Stewman finishing up his remarks. Gene, did you --  
Mr. Stewman: Actually, I think I might have either had a question or a comment from Maryland.  
Ms. Ashe: You want me to do it?  
Mr. Philipps: -- Yeah.  
Ms. Ashe: Okay. We’ll see, I apologize where we -- but I just wanted -- I thought it might be helpful to answer what Jim had -- had brought up and just trying to understand. I can tell you from our experience in just tapping into the STEP program it takes a long time to pull together the grant and then you’re -- usually you’re doing it for a specific, you know, experience or for, you know, a specific outcome and so you’ll --  
Telephone Recording: Your conference is ending now. As requested by the host, please hang up.  
Ms. Ashe: -- just keep going?  |
| 202  | For a current exporter it’s not very long at all, so I ask them to report two -- at least two times and most states do at least two, sometimes three, in contacting the small-business STEP client and asking for an update on -- well, have anymore sales been actualized based on this STEP-supported activity and if so, that again comes once a quarter to us, so those are -- those are the measures.  
The metric is the return on investment, okay, and I think that’s a wonderful -- like, I’m also head of private sector half a career while I was reservist and the -- the -- I believe that that is a wonderful metric that shows the efficiency and the effectiveness of the -- of the program in dollar terms, hard dollar terms.  
Okay. So those are the measures in metrics.  
Mr. Philipps: Was the -- I think it was 58 million dollars, is that the --  
Mr. Stewman: Yeah.  
Mr. Philipps: -- total funding of your whole program or is that just what you give to the states?  
Mr. Stewman: Oh, that’s a really good question. The reason why I think it’s a good question is that my team is extremely small and under-resourced, so I wonder, okay, how are we going to grow, but one of the -- okay. I want to be careful, but I want to answer your question.  
Okay. Why are we not doing 50 -- no, we’re 56 awards this year, my team can’t handle it plus 18 million dollars -- if we’re going to make an award to a state, it has to be sufficient enough to actually make a difference. If you give everybody $10,000, they’re going to go, so what, who cares, you know, all right, so it has to be a -- a certain amount.  
And so our -- our average runs from about $333,000 to about $450,000 over the three years that we’ve already executed, but we went from three million dollars for the first couple of years of authorized and appropriated to eight million dollars the -- the third year, and we’re currently working on an 18 million dollar appropriation, so you see it’s kind of been a bit up and down. Okay. Other questions or did I answer fully your -- your question?  |
| 203  |  |
| 204  |  |
MR. PHIPPS:  Yeah.
MS. ASHE:  Okay.
MR. PHIPPS:  Go ahead.
MS. ASHE:  I am nothing but -- well -- well, you know, I have yet to begun, but -- so what happens is, is that you ramp up, you get the STEP grant, you have a focus, you're going on a trade mission to China, you get your businesses to tap into it, you -- you -- you -- you know, you negotiate on the grant how they're going to tap into it, and then you go to China.

Well, you -- you just can't sustain that, that level of engagement necessarily with the state resources they have in their international office, so you'll see this unevenness --

MR. STEWMAN:  Um-hum.
MS. ASHE:  -- if -- if I think that -- that's what I see. And then if -- if there's a change out in governors or leadership, and then there's a gap, and then they don't apply for six months, if -- if they missed it --

MR. STEWMAN:  Um-hum.
MS. ASHE:  -- so there is a little bit of -- and it's not -- I think you're absolutely right that states -- as soon as you started talking I think that's what we have seen actually happen on the ground is that there's a focus, the governor's going to China, all -- you know, we're going there, but it's not like it's every year there's another big trade mission --

MR. STEWMAN:  Um-hum.
MS. ASHE:  -- and so that's why there's a gap.
MR. STEWMAN:  Um-hum.
MS. ASHE:  And -- and I don't think you need to read into it, at least our experience, that someone's doing it better, it's just uneven --

MR. STEWMAN:  Right.
MS. ASHE:  -- naturally.
MR. STEWMAN:  Um-hum.
MS. ASHE:  So I thought that might be helpful.
MR. STEWMAN:  Yeah. Yeah, thank you very much.
MS. ASHE:  I don't.
MR. STEWMAN:  Again, the proposed and approved activities reflect the needs of the export --

MS. ASHE:  Yeah.
MR. STEWMAN:  -- economy of each state and leverages the advantages of their export economy.

MS. ASHE:  Yeah, it's a great resource.
MR. STEWMAN:  Yeah. Anything else?
MR. PHIPPS:  More questions for Gene?
(No response.)

MR. STEWMAN:  Great.
on what we have found to very successful, is bringing in
market-based industry experts that -- in a classroom
environment over several days, that will first, of
course as always, focus on not only opportunities, but
risk, so that you can mitigate those risks, because we
all know business mistakes are very expensive, but they
-- they can be particularly expensive when you’re trying
to light in changing -- with the change in the small-

So that is the focus and it -- we were going
to, as part of the curriculum, of course, is, you know,
bring in the resources that you have heard about today
from UC AC, from the Department of Commerce, the export
assistance, which is incredibly supportive, you’re --
you’re -- you’re -- I just can’t imagine not using them
to enter a market, as well as the SBA resources, and so
letting them understand what is available as a small
business to -- to expand into new markets or -- or
existing markets.

I don’t know how much detail you would want me
to go into, I can give you a snapshot that might be
helpful. So we have 591 graduates over 38 states and
two territories that have participated up to -- to this
point over seven years. We did just -- since we’ve been
talking to SBA about expanding it, it really just came
to light in changing -- with the change in the small-

business calculation of the score card is how it
started.

So just starting in the last two classes that
we hosted, and we have one coming up in June, so in
October as well as in our class we just had last week we
changed our application to ask, sort of mid-summer, you
know, so we didn’t capture everybody, just to get a
sense of, you know -- you know, what percentage of our
applicants that are currently coming into VIP do
international work, because we had never asked that.

And what was interesting, what we found out is
that in this last class over 40 percent are already
doing international work and in our class in October 55
percent were doing international work. So I will tell
you what we have been telling them up to this point,
international is so different than doing business, you
know, domestically.

I mean, it’s just -- everything’s different,
you probably need new banking, like -- I mean, there --
you know, your community bank will not finance you most
likely, very -- it’s going to be very difficult and
that’s where most of small business have their
relationships usually, is that they -- they are already
doing it, but we tell them, don’t dabble, you know, that
if you’re going to do international work you better find

but it could be, you know, the Linda story. We don’t
know, you know, how extensive the international work is,
but it also could be an opportunity to enter new markets
and it’s the -- two-thirds of the class is going to be
focused on winning work with the federal government
OCONUS, but knowing that once you get over there that
you are likely to -- to build relationships on the
ground.

So one-third of the program will be on now
you’re not doing business with the U.S. government, what
has changed in terms of your risk, and how do you
mitigate that, and what questions do you need to know,
and, you know, how do you arm yourself with that
information, so that’s the goal of the program.

Questions, I’d be happy to -- or fill in.

MS. CARSON: Okay. And I was going to say I’meally grateful to represent the Department of Commerce
for finding us all together, the potential synergy
between the agencies and others. So -- and now that
you’ve heard something that’s new and cutting edge, if
you think of other places where we should definitely
connect and make this a powerful resource I’d be
grateful for that input and I’m sure you would as well.

MS. ASHE: Oh, absolutely.

MS. CARSON: Thanks.
MR. GARCIA: Barb, John here. So I just got one question on international. It’s not just going to do business, but do you also teach or show protocol, how to do business?

MS. ASHE: (No response.)

MR. GARCIA: I mean, you know, it’s not --

MS. ASHE: For the --

MR. GARCIA: -- walking in.

MS. ASHE: -- international?

MR. GARCIA: You don’t go in just very arrogantly, it’s --

MS. ASHE: Yeah.

MR. GARCIA: -- there’s got to be a sense of protocol, how to hand your business card, or --

MS. ASHE: Yeah.

MR. GARCIA: -- who you talk to, or what, do you --

MS. ASHE: Yeah.

MR. GARCIA: -- do you have --

MS. ASHE: It’s -- it’s -- it’s actually infused. It’s funny that you would say that, because that actually came out of -- Lockheed Martin sits on the curriculum committee, and they were very adamant about that, and -- and others chimed in as well, and that’s actually -- I brought the curriculum, it’s in draft form still here, but that’s day one, first hour, and then it’s infused, so spot on.

MR. GARCIA: Okay.

MS. ASHE: Spot on, because they -- that is -- one of their biggest concerns with subcontracting is that, you know, not only do you -- it’s -- you know, there’s -- as you can imagine, you know, it -- it -- it’s so important to -- to any prime contractor that their subs understand and appreciate the protocols of their customer, where they’re going, so -- anyway, so thank you for --

MR. GARCIA: You know, I just found a -- just a sidebar note, trying to business in Mexico a lot of times we’d go in there and -- and many times these guys have been educated at Rice, Harvard, Stanford, they speak English very fluently, but they won’t speak English because they think if we’re talking English they’re going to hear --

MS. ASHE: -- yeah.

MR. GARCIA: -- what you’re saying.

MS. ASHE: Yeah.

MR. GARCIA: But then when we’d have some Japanese come in, you know, just the -- the way they’re presenting their card to you or you to them was very important to them and --

MS. ASHE: -- out there.

MR. GARCIA: -- such a great resource, because, you know --

MS. ASHE: -- the first thing you should do is, you know, your Department of Commerce can, you know, and the export assistance, you know, bring you up to speed very quickly, and be that advocate, and also in terms of offering those, you know, services in terms of interpretation and -- and vetting. You know, so it’s really hard when you’re a small business, you think about how hard it is to find your teaming partners here, right, you know, that’s hard enough, and now all of a sudden you’re performing work in Mexico.

Well, how do you know if this company that they want me to work with is legit, right, well, that’s where the Department of Commerce, they -- they -- they can help you. If they don’t know that company, they certainly have folks in -- in most of the major commerce, you know, areas where we’re doing trade can be a resource, because you just don’t have those resources here, but it -- it -- it’s -- but what we have -- it -- it appears in -- in our data that, you know, veterans, which have oftentimes served, you know, outside of the U.S., you know, certainly have the intestinal fortitude,
and the experience, and the leadership, and the ability
to understand that they need to understand risk any time
they go into something new and it’s just giving them the
resources that they need to -- to expand, so I think
they are uniquely qualified to -- to really be our
leaders in international exports, I really do, so --

MR. ZACCHEA: Barb, Mike -- Mike Zacchea. Two
-- two things and they’re related. The first thing is
that it strikes me that we’re really talking about
developing a cultural intelligence program. Similar to
what Murat did, I -- I -- I did some special operations
in Iraq and the cultural intelligence piece when we --
we were doing business with Iraqi businessmen is
extraordinarily important.

The second part is there’s a reverse dynamic
here. In Connecticut I work with a law firm that
specializes in EB-5 investing and the lawyer there that
I work with, she has -- well, she tells me she has
hundreds of clients who are trying to bring money into
the United States to partner with American businesses
and my part of that is that I would connect her to
citizen-owned businesses to create these foreign-
investor partnerships, so do you do anything with that
or does SBA have a program that touches on the EB-5
investing piece at all?

MS. ASHE: -- we -- we are not focused on that,
so we are focused on export primarily -- well, 100
percent. I mean, other things can happen once you start
those relationships though, right, so then all of a
sudden you -- you open up all kinds of opportunities,
right, so we are going to be able to -- probably at some
point we’ll be able to tie it back to an EBV, right, you
know, an EB-5, you know, program, but our focus for
these three days is going to be on contracting,
performing work overseas on awards that are from the
federal government, and then also commercial work that
you may acquire through -- through your work overseas.

So it’s going to be just exports in that sense,
but it’s hard to, you know, say how it started when you
got that relationship and what it -- you know, the --
the force multiplier in all of that, right. And that’s
what we’ve seen on a commercial -- you know, in general
in -- in businesses is, once you get people comfortable
and successful then they’re open to other opportunities,
which is -- which is good, but you -- you have to know
what you’re getting into and you have to have those
resources.

You mentioned, you know, an attorney, so a big
part of this is -- you know, once again is knowing who
to call, what resources, who are the experts, how do you
vet them, and -- and so you can mitigate risk, and cost,
and -- and international work.

MR. ZACCHEA: The -- the immigration service
runs the EB-5 program, but what I think is the problem
and why we’re doing this at the local level is because
there’s no programmatic connection between that and
veteran-owned business or access to capital, so I think
that --

MS. ASHE: Um-hum.

MR. ZACCHEA: -- personally, just based on my
experience, I think that there’s an opportunity there in
the future.

MS. ASHE: And who would I contact, how would I
learn more about that?

MR. ZACCHEA: (No response.)

MS. ASHE: I’m not familiar, so I don’t know.

I mean, I --

MR. ZACCHEA: I -- I --

MS. ASHE: -- knows it -- it’s -- okay.

MR. ZACCHEA: -- right, I -- I can get you the
information --

MS. ASHE: Okay.

MR. ZACCHEA: -- but there’s --

MS. ASHE: Then --

MR. ZACCHEA: -- you know, there’s a whole

society and a --

MS. ASHE: -- sure.

MR. ZACCHEA: -- group of industry association
does --

MS. ASHE: Um-hum.

MR. ZACCHEA: -- this, and, you know, there’s
an RSS feed, and you get all this stuff, and they have
conferences, et cetera.

MS. ASHE: Okay.

MR. ZACCHEA: So I’m connected to all those
people, but -- and there -- there is a very specific set
of legal practices that do just this work --

MS. ASHE: Okay.

MR. ZACCHEA: -- so --

MS. ASHE: Yeah, I’d -- I’d welcome --

MR. ZACCHEA: -- sure.

MS. ASHE: -- that information. Thank you.

MR. PHIPPS: Barbara, this is Michael Phipps.

Can you give us some information about how we find out
more about your program, maybe some contact information
so everybody here can --

MS. ASHE: Sure.

MR. PHIPPS: -- dig down?

MS. ASHE: Sure. Well, and nationalvip.org is
the website and then all information about the program
over the last seven years is there, but certainly I can be reached at bashe@mcccmd.com, so it’s B A S H E @ M C C M D.com. I can give a phone number, which is (301) 738-0015.

MS. ASHE: And we don’t have a date yet for VIP International, but the STAR program is April 5th through 7th and our next VIP Grow program, which is a program we’ve been doing for the last seven years, is June 21st through 23rd, so we’re on target to have 200 new veteran business owners go through the -- the program in the last 12 months at M, as in Mary, C C C, M, as in Mary, D, as in dog,.com. And -- and I -- I would be remiss if I didn’t share a statistic that -- that I’m very proud of is that we do survey our graduates one year after graduation, on an average they grow 51 percent in one year, so that’s why we do it.

MR. PHIPPS: Thank you very much, Barbara.

MS. ASHE: Thank you.

MR. PHIPPS: One more thing just for the record, we didn’t get Gene Stewman’s contact information and I don’t think it was on his material, so that’s just a quick followup for the notes. Is there any other questions before we adjourn?

(No response.)

MR. PHIPPS: All right. The meeting is adjourned.

(Whereupon, at 2:55 p.m., the meeting was adjourned.)
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