SMALL BUSINESS ADMINISTRATION

ADVISORY COMMITTEE ON VETERANS BUSINESS AFFAIRS

PUBLIC MEETING

Wednesday, December 17, 2014

EDWIN E. FIELDER, CHAIRMAN

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

Diversified Reporting Services, Inc.
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MEMBERS PRESENT:

EDWIN E. FIELDER, Chairman
BARBARA CARSON, Acting Associate Administrator
STEPHEN H. WHITE
KEN QUAGLIO
RONALD AUMENT
DAVY LEGHORN
MICHAEL PHIPPS
ROBERT (KURT) MUELLER
ROBERT BAILEY
JIM O'FARRELL
KATHY ROTH-DOUQUET
MARCY ULSES (Via telephone)
CHERYL SIMMS, Program Liaison
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CHAIRMAN FIELDER: We'll go ahead and bring the meeting to order. And if you'll allow me to do some brief introductory things before we get into the agenda.

Rhett Jeppson, who has been with us -- at least for me -- from the beginning, has been promoted to be the chief operating officer, and, of course, Barb is filling in for him. So I'd kind of like to acknowledge Rhett in the sense of what he's done for the group, and how we've gotten to where we are, and what's going on, and allow him to say a farewell today.

MR. JEPPSON: Okay. Yeah. Sure. Thanks. I appreciate it. So first off, let me just say a couple of things that kind of come to mind. I will promise you one thing, you haven't seen the last of me because I wasn't just in the job because it was a job or an opportunity. It's because, you know, I'm concerned, and I'm passionate about Veterans, whether it's their welfare, their health. But I still think that this is kind of the sweet spot because we're not focusing on all the issues that are difficult to grapple with.
We're talking about Americans participating in the American dream here, you know. It's a new focus, a new life permission.

This is one of the really great Veterans missions. I don't mean to take away from the social service type of things we do, which have real value, and benefit, and meaning in people's lives. But this is really where we're focused on hope and a path forward that is really tangible. It's part of what larger America does. It's part of what we've earned.

So you have not seen or heard the last of me on these things.

But just let me talk about the committee. I think there's really kind of a new day for the committee here because as you look around the table here, we've got a really good crowd of people here who have real tangible business experience inside the government, outside the government, finance and things like that. So we have a real opportunity to make a real difference here as a committee and to be engaged and proactive.

So one of the things I'm very proud about is
the work that we've done within the office but also
within the committee here and how it's forming up here.
I think that it can be something more than it has been
in the past. It really depends upon you as new members
of the committee. I know that we just had another
member approved the other day, Ken. Ken Q. was another
guy, who is not here today, another guy who has vast
experience in the entrepreneurship space.

So I think the path forward is bright for the
future. You know, there's been some questions about
the committee, and what it should do, and its roles and
functions. But with as many smart people as we have on
the committee now and the experience, I would encourage
you to take a very broad perspective as you look about
your role here, think about Veterans small business.

One of the things, and I'll foot stomp this --
you've heard this from me before -- there's a tendency
to look at government contracting and to have a huge
focus on that because we're inside the beltway. But
you go 100 miles in any other direction, you know,
there are 1,000s of veterans out there starting small
businesses that have nothing to do with that. So think
about their needs.

If you put it in perspective, veteran small business accounts for over trillion and a half dollars in the economy every year, about $13 billion goes to government contracts. So that means most veterans aren't in that space. So your charter is to look at all the veterans and those things that are tangible to them.

I'm certainly not suggesting that we forget that. We're doing well on the veterans contracting. We're up. We're going to have another good year this year, so we can't let up on that. But we need to be very inclusive of all our brother veterans and focus on those larger big rocks.

Let me tell the longtime members of the committee, thank you. I appreciate your service and you being patient with me while I was here. I'm very grateful for that. To the new members, welcome. And the mid-term guys, thanks for being here as well.

I would be remiss if I didn't just take a minute in this forum and every other forum opportunity I get while I'm here to say thanks to my team is OVBD.
I really had great support. I think we accomplished some good things, but it was really the team that did it. I've looked at -- you know, Chery, and Shirley, and those longtime members that have worked on the committee with me and then the new members like Barron, and Jaime, and Craig, and Mike. I mean, we really have a talented group that's moving out.

And if you see -- I don't know how much Mark is going to be able to share today, but if you look at the work and the fidelity, again, it really has become the model of how SBA interacts with large and small business, you know, a little bit smaller road (inaudible), but we have all the components that SBA focuses on, capital, training, outreach programs, all of those things; and it coalesces together.

I can tell you that the veteran shop isn't getting perfect, but they're getting it right most of the time. They're doing a good job.

If I have to look back, and I think I had more successes than failure. And I'm not trying to brag, but I've looked back over the two plus years. I can put tangibly in words that the large part of success I
had was because Barb Carson was there to help me out. We couldn't have a better person running that today than Barb.

I've worked with Barb for a while, and I'll tell you that she's the best person I've ever worked with, smart, insightful, caring, good leader. I look up to her in every respect, and so as I leave the office, I leave it with a sense of pride in what I was able to do while I had the office and grateful for the opportunity. But I also leave it in the best hands possible.

So I know that you guys will support Barb. I would just ask that you continue to reach out to her, stay in contact with her, keep her engaged in your activities and your thoughts because I know that you'll find somebody who is able to get it, advise you, and then help you come to some form of action. Because too often the federal government, we don't have -- we talk about things, but we don't do things. We, for our veterans, should be doing things.

So again, it has been a privilege to work with you. I'm grateful for you. I look forward to seeing
you around, and actually one of these days I'm sure
I'll be sitting on the back row going, hey, what about
this issue. I'll be that guy showing up.

So, anyways, thanks again, and have a great
day.

(Applause)

OPENING REMARKS

CHAIRMAN FIELDER: So, first of all, I'd like
to share his comments about Barb and being there for
us. It's been a pleasure working with her, just
starting out. And also the theme of it's getting
better.

I started as the Chairman, championing let's
revisit the community; let's rejuvenate the community;
let's get restarted. And there were several reasons
why we lost traction over the last couple years, the
number of members and issues to do with funding, to
fund some of our travel and that kind of thing. But
nonetheless, all that is fixed.

And the result of that is -- let's start with
four new members. I think that officially puts us at
11 or 12 of the 15 that we're supposed to have with
others in the queue already. When you figure we were at 3 just about 18, 20 months ago, that's pretty phenomenal. So now we have the capacity and the resources to do things meaningful.

So I welcome Jim Mingle, Ken Q. -- and I'm going to try his name, Quaglio, and then Jim O'Farrell, and Ron Aument to the committee.

MS. CARSON: And Michael right here.

CHAIRMAN FIELDER: But you were new as of the last meeting as I remember; were you not?

MR. PHIPPS: This is my first meeting.

CHAIRMAN FIELDER: Okay. That's right. You weren't there last time.

MR. PHIPPS: I saw you at the conference.

CHAIRMAN FIELDER: Yeah, yeah, Michael Phipps. I'm sorry. Michael Phipps. So welcome to the new members, but you can see this is -- what we set into motion is likely whether it's happenchance or because of our plan. It's happening. We now have the capacity to do things together.

And you'll also notice that as we finished up last year's report, we sort of set out and said these
are the 8 or 9 things that we intend to accomplish and look at over the next 12 months. And if you take those items and you match them to our agenda today, you should be able to check off about six or seven of them. So we had meaningful discussions, and people that have been invited to come and talk to us, whether it --

MS. ULSES: Hello?


So here we are, whether it's what we consider to be our number one agenda and focusing on access to capital and understanding that. There are folks here today that are going to talk about that, both from the SBA's perspective and from industry perspective, and we'll continue that theme for our next two meetings for this fiscal year. But nonetheless, I think we're starting to make progress and at least get organized to be able to move this football down the field a little bit.

With that said, I'd like to turn it over to Barb for introductory comments, and then we'll get into
INTRODUCTIONS

MS. CARSON: I think I'll be brief and say I'm really grateful to be here and for the leadership of the advisory committee.

Rhett said it all. We've come a long way, and I'm looking forward to where we're going with this team. I'm also thankful that we have speakers here today who are engaged in the space that we -- you're not going to let us stay (inaudible) on what the federal government can do. Thanks for helping to broaden the aperture and give us things to consider.

The Institute for Veterans and Military Families team is in the back as well, and we have members of business communities and franchise -- international franchise association, VetFran. And I hope that they provide some feedback to us as we go through the day.

For those who are on the line, you are welcome to provide comment or interject at any time as well.

I would love to introduce our first presenter today who is going to look at the landscape access to
capital for veterans, not at the lower end but more mid-market and tell us what it looks like right now, what you're providing to vets.

So I would like to welcome Sergio Rodriguera. And you are with Credit Junction?

MR. RODRIGUERA: Mm-hmm.

MS. CARSON: So please go ahead.

SMALL BUSINESS SUPPLY CHAIN FINANCING
THE CREDIT JUNCTION

MR. RODRIGUERA: Great. Thank you. Thank you for the invite, and thank you folks at the SBA. It's good to see you, a lot of familiar faces. Actually I look at the list, the agenda. Geoff Orazem is a good friend of mine. So I know he's speaking after me, so it's a very small world, and the VetFran folks are great. I know Mr. Caldera very well and the folks over at IFA. So, yeah, it's great to see them in the room.

I'll just give 30 seconds on myself. I'm a DC guy, but I'm originally from Southern California. After undergrad, I was a Naval officer, active duty, for about four years. Got interested in politics. My last tour of duty was in the White House, and I moved
next door over to 1500 Pennsylvania Avenue to the Treasury building. And I was senior advisor to the Undersecretary for Terrorism and Financial Intelligence, a very long title, but we worked on sanctions and antiterrorist financing.

In 2009, with the surge in Afghanistan, I got called up as a reservist. I was -- still I'm a Navy Intel reserve officer, drill here in the Pentagon. And spent a year in Kabul, was working with the Afghan Threat Finance cell.

Came back to DC in 2010 and went to Capitol Hill, worked for the former House majority leader and spent two years on the House Financial Services Committee working on Jobs Act, Dodd-Frank reform, cyber security, access to capital, mobile banking, so a lot of technology issues.

I left the Hill and went to go raise capital for a startup late last year, actually the summer of 2013, and that's where I -- just being involved in a lot of venture capital and entrepreneurial summits and events, I met my current cofounder, Michael Finklestein. And I'm happy to email the brief that we
have.

Basically we clicked. He's a serial entrepreneur, Stanford MBA, incredibly just smart and driven guy and had an idea for mid-market type of small and midsize businesses that are in need of working capital.

It was something that I was very familiar with being a Hill staffer, being at Treasury working on banking regulations, working, again, on Dodd-Frank reform. I'm very familiar with why banks and especially community banks are not lending. With 55 percent of Dodd-Frank being implemented so far, unfortunately, it's just going to get worse.

There are initiatives up on the Hill to kind of roll back some of Dodd-Frank, but for the small business owner who is in need of 500,000 to 3 million, it's really tough out there. And I'd like to think on Capitol Hill we get to talk to people or small business owners, but we really didn't do that. A lot of times we just met with lobbyists or advocates for small business.

But it's been really great to go out. I spend
a lot of time traveling. I'm all over the country. I'm at minority-owned business events, women-owned business events, veteran-owned business events, and Chambers of Commerce. And, you know, we really wanted to -- we built the Credit Junction to help all sorts of businesses, but we focus on industrial and manufacturing. Those are the types of business, because we do asset-based lending and that's -- I'll get into that in a second. But we work with a lot of businesses that have inventory, parts, receivables.

We don't necessarily do -- well, we don't do factoring. We don't do purchase order finance, but if a small business owner were to show me a contract that he has with the state, or DOD, or Department of Energy, we're happy to help.

And because we're not a bank or a lender, we're essentially a financial technology company. We are facilitating loans for these small and midsize businesses. So we do all the credit, underwriting. We do a lot of the risk.

Our tech -- and a lot of people get confused when I say we're a financial technology company because
they say, well, I don't understand. You're doing lending. Where's the technology piece in this? The tech piece is really, when you look at our credit team who come out of GE Capital and Aires Capital, really focus on mid-market -- they're gurus in asset-based lending. The tech team is taking what's in their head and expediting a lot of the assessing of aircraft, or machinery, or inventory.

So we like to say that we can assess a customer or a client within 24 to 48 hours. We don't ask for a lot of information. We basically just need, you know, how many years they've been in business, what their needs are, what their debt picture looks like, and if they have two years of financials, if they have an inventory schedule. Obviously the more information helps us, but we can turn around in about 48 hours, let them know if they've been approved or not. And depending upon what size loan they're looking for, whether it's -- and our sweet spot is really 200,000 to 3 million. We can provide them the capital in about three weeks.

So we think we're a very efficient process.
Again, that's where the technology piece really comes in, but we think we're a great partner; and actually we work with -- we're not competing with community banks. We think we're a great partner because we don't do lines of credit, and they do. So we have partnerships with community banks all over the country, very close with folks over at ICBA and also the Consumer Bankers Association, you know. We sit in a board similar to this with them over there.

And we're really trying to focus on -- we launched in January. So as a technology company, we went through our own seed capital raise. We closed a $2 million round this summer. We're in the midst of another seed capital raise for us. Now that doesn't go to our balance sheet. We're not lending off of that money that we've raised.

Again, we do that due diligence, and then we take the -- we take that loan package to one of our network partners, and those are private capital sources. So those are hedge funds, family funds, high-net worth individuals. Again, we're doing a lot of the brunt work because we're, again, assessing the risk,
and then we bring that to one of our lead investor from the summer, and we bring in more hedge funds that are interested in what we're doing because, again, they see what's happening with Dodd-Frank. They see basically what's happening with the market.

And I'll be honest, what's been happening with the small business, online lending, OnDeck, Lending Club. Lending Club, obviously, a lot of you know filed their IPO last Friday. It has created a lot of buzz in the industry, and, you know, we have partnerships with a lot of those guys. I know Street Shares have briefed this committee before.

We have a partnership with Street Shares because we don't like to focus on loans sub 100,000. Now, we will, but we let that to Fundera, to Street Shares, to OnDeck. There's plenty of players on the space that focus on sub 100,000, and we're happy to kick those over to them.

We have partnerships with Chambers of Commerce. We're about to institute a pilot program with the state of North Carolina. The governor there is very interested in helping small business that have
contracts with the state.

So hopefully here we should be announcing in early 2015 a program where we are helping provide access to capital, to small businesses that have been awarded construction projects, airport projects. But then also part of this pilot is bringing in Fuqua School of Business, Wake Forest Law School, and creating a mentoring and training program in the state of North Carolina so that these small business owners -- you know, we'd like to help -- can get funding. But that they can get mentorship --

And obviously SBA and the state are great resources. We're just trying to bring in more players into the space, and the law school and the business school can then do, you know, an extracurricular activity, assessing their business. They can learn more about small business, entrepreneurship, and so we think that's a great program.

Again, I'm happy to take questions. That's kind of what we do, and I'm happy to email out -- you know, I have the slide, which I didn't really go through because I'd rather just talk about what we do
and not bore you.

MR. WHITE: Sounds very cool. Do you have any programs specifically set up for veteran business owners?

MR. RODRIGUERA: Well, the thing is, when we launched the business, we basically were opening -- we're trying to fill a void, right, small -- so when we say small business, that's small business across the country.

MR. WHITE: Sure.

MR. RODRIGUERA: But the nice thing is, myself being a veteran, it adds -- it gives me better -- I feel better when I'm helping out a veteran-owned business, you know, Hispanic or minority-owned business. I have a couple sisters, a woman-owned business. So it's not like that's our focus, but we open it up to all small business. I don't know if that answers your question.

MR. WHITE: Well, the answer is, no, you don't have --

MR. RODRIGUERA: Right. I mean, we help all small business.
MR. WHITE: No. I understand. But have you considered doing anything like specifically targeting veteran-owned businesses or some sort of a marketing program or campaign towards that?

MR. RODRIGUERA: I mean, we're open to that. Yeah. I mean, you know, when I spoke with Craig, you know, that's one of the things that we -- being a very small operation, we're starting to branch out now, and so that's the thing.

We focused really this past year since our launch on building the business, and so we sort of had our heads down and were doing our own capital raise. But we have about 100 million to deploy. So we're out there now at tradeshows and events. We're about to push a big online marketing campaign, you know. We don't do any TV/radio right now. We probably won't. We won't because that burns a lot of cash. We don't need to do that.

But building partnerships and alliances, I speak to a lot of -- I'm at a lot of regional events. So if VA or SBA are there, we're usually on a panel with them. And, no, love to entertain any ideas that
folks have.

MR. WHITE: Yeah. I'd love to get your card.

MR. RODRIGUERA: Sure.

MR. WHITE: Do you service the loan district itself then, or how do you manage servicing?

MR. RODRIGUERA: You mean as far as actually providing the capital?

MR. WHITE: No. As far as managing the repayment process, all of that?

MR. RODRIGUERA: Yeah. No, exactly. That's what our credit team does. Yes.

MR. WHITE: Okay.

MR. RODRIGUERA: Exactly.

MR. WHITE: All right.

MR. LEGHORN: So your tech platform, the platform itself is regulated by the SCC?

MR. RODRIGUERA: No. Again, we're not a broker-dealer. We're not a bank. We we're not reg'd by AB. We're not reg'd like a broker-dealer I guess is DE. No. We're basically just a facilitator.

Now, we are open and talk to the banking commissions. Me being here, having been a former
banking staffer, I know the folks at the fed, and the SCC, and the CFPV, and they're really focused on consumer banking. They're worried about folks payday lending, that sort of thing.

We have a very open and transparent process, but currently there's only five states that we have to get a license to, to operate in. And in all the other states, again, we're just facilitating deals.

CHAIRMAN FIELDER: Sergio, I want to give you a scenario because the market that you're in is midlevel --

MR. RODRIGUERA: Mm-hmm.

CHAIRMAN FIELDER: -- 200,000 to $3 million. I've just taken a company through that process. A Typical entrepreneur -- and we'll focus on this because that's where all about here today.

MR. RODRIGUERA: Mm-hmm.

CHAIRMAN FIELDER: We start a business. We start growing the business. We're doing small contracts that we can fund with local banks, and then we find this big huge opportunity. And by the time we win it, we're staring down payroll of a couple million
dollars -- maybe $1 million a year. And so we go from $50,000 to $100,000 deals to $1 million deal almost overnight, and now we've got this payroll plan.

And so take us through the online application process, the rigor of the vetting process that would get us the loan because at some point -- I wish we could be in the place where we knew we were going to sin and have gone already through the process and have this line of credit lined up.

MR. RODRIGUERA: Yeah.

CHAIRMAN FIELDER: But that's not generally the case.

MR. RODRIGUERA: Right.

CHAIRMAN FIELDER: Generally the case is that I just killed this big monster beast. Now I got to figure out how to eat it and bite off chunks, and I'm trying to find the capital at rates that don't put me upside down in the sense of the profit rates within what's going on.

So that's sort of a scenario, long-winded question, but take us through this three-week vetting process. We now know we need the capital, and if
there's any possibility of somehow going through the vetting process while we're going through the bid process to have this available so we can move quickly. But take up through this.

MR. RODRIGUERA: Yeah. I'll give you two quick examples, one on the federal level, one on the state level. So being in DC, you obviously were surrounded by a lot of government contracting. So we will often times get folks who have a DOD contract or Department of Energy contract. They'll win the award. They have to ramp up operations. They'll either have to hire 10 folks with clearances, which is not cheap. So that may cost them, let's just say $1 million.

They have to get that capital obviously fairly quickly. So that small business owner or veteran-owned business owner can come to use with that contract. And, again, most of the time we want to see that they've been in business for at least a year, have 100,000 in revenue, and we'll hold the loan against, again, parts receivables, some sort of machinery. But if you can show me that contract, that paper is as good as gold in our mind because that’s --
right. That's the government. My partners and our credit team understands that very well. They've been doing this for 30, 40 years. So that's -- there's -- again, now, it's just path to grow. That's what we want to see, right, path to revenue, path to paying us back. That's the real goal that we're doing.

CHAIRMAN FIELDER: We're all not in the federal sector. Some of us are in the service sector. So startup costs include a major outlay for equipment, and we're typically looking at, if we're looking, is 45 to 60-day startup; but we're generally looking at 30-day startups.

MR. RODRIGUERA: Mm-hmm.

CHAIRMAN FIELDER: So a three-week application windows are kind of long when you're trying to get a startup and get quarter million dollars of equipment on the site, in addition to hiring the people that you suggested.

MR. RODRIGUERA: Mm-hmm.

CHAIRMAN FIELDER: So kind of take the conversation beyond the IT part. IT is kind of federal government, DC centric thing. A lot of us are outside
of DC, and we're in the service industry.

MR. RODRIGUERA: Right. So I'll give you another example at the state level because this is an issue that may kind of hit more to your point.

So we're -- when we launched, we wanted to focus on manufacturing businesses. The South has done a great job, right, South Carolina, North Carolina. You look at Air Bus in Alabama, you know, Volkswagen in Tennessee. So we spend a lot of time down there.

Actually, your regional person, Mr. Betts, I see constantly at events in Atlanta and all sorts of places.

But the state came to us and said, look, we have all these service type of businesses that have been awarded state contracts with the State Department of Transportation. They are -- they all vary, right. Some are looking for loans let's say under 25,000. Then there are some that are looking for let's call it 100,000 to 250,000 and then beyond. So each of those is going to be tricky in their own sense because these are state contracts, and we have to evaluate the small business and all that.
But the thing that they were curious about because we're new, and they didn't know who we were. Again, I've been spending a lot of time down there, so we were building relationships. So what they were interested in was us creating a path to be kind of a flexible rate, right.

So on our slide deck we say that we advertise -- our rates are anywhere between 8 and 15 percent, depending upon the health of your business, your credit score, but we're not just tied to your credit score. Again, because we have the flexibility to assess your business, and we want to see path to growth; and that's really what we're interested in, you know, if you've got a great business and we see the ability to pay us back, you're obviously going to get a better deal than the higher rate.

But in some of these instances where you have these small business owners, veteran-owned businesses who have been awarded these various contracts or in various stages of the contract and might not be able to repay right away -- and usually our loans, it's a cash flow issue. So we see a lot of 6 to 24-month type of
loans or loan timeline.

But we have the ability to be very flexible and, say, charge a lower rate. We're not going to try to take advantage of the person or take advantage of the deal and backend everything on the end, but we have the ability, again, because we're a technology company not a bank.

So I can -- and especially to a veteran-owned business, or a woman-owned business, minority-owned business, we want to get them off the ground. We want them to be successful. Obviously, if we're in a partnership with the state, with the governor, the mayor, whoever it is, SBA, Department of Transportation, we want them to be successful because it makes us look successful.

So, again, we have some flexibility to play there with the rates, especially a young company needing a ramp up.

CHAIRMAN FIELDER: Okay. Go back to the original question, and I'll stop. The rigor of its day one. I go online and make a loan application. What do you expect in the sense of the documentation? What are
you looking for in the sense of collateral? How does the approval process move along? You said three weeks.

MR. RODRIGUERA: Mm-hmm. Yeah. So we can look online because we get all sorts of referrals. We get all sorts of folks incoming, folks who are in need of a loan.

So really it's four big things. And the questionnaire on our website, or even when we email out to somebody; or if I'm at a tradeshow, and I have my iPad; and I say, you know, basically just tell me four things: how long you've been in business; your revenue of last year; what you're looking for, the size of your loan, and your debt. Those four things will tell me fairly quickly off the top of my head whether we can -- whether you're a good partner for us.

If you need 25,000, I can kick you to one of our number of partners. Say Fundera, Street Shares, OnDeck, Lending Club is not at the event or they've never heard of them, I'm happy to connect them, and that's the network that we have. So, again, those four -- if they can answer those four questions, that gives us a pretty good sense of whether or not it's going to
be us who can help them, or we will find them someone.  

Now, if it is in our wheelhouse, say you're looking for 100,000 and above and you're an industrial company; you're a defense contractor, a service provider, wherever it is, yeah. We'd love to help you out. One of my team members will call you. 

If you can provide two years' worth of financials, again, kind of an asset inventory picture, I can tell you within 24 hours whether or not we can approve you. And then, depending upon the size of the loan, I say two weeks or three weeks, but honestly we can probably do that -- again, if it's a 250,000 loan, we can probably do it within five to eight business days. 

CHAIRMAN FIELDER: We're still missing the collateral part of the conversation to include the value of the contract. So two parts to that. Kind of cover that if you can. 

MR. RODRIGUERA: Well, you know, that all depends, but the value -- well, again, the credit team would have to assess the value or the award if you don't have any assets. Again, my chief credit officer
could probably answer that better than I could, but you know, we want to help them. So again, that's just a conference call or a meeting with our team.

CHAIRMAN FIELDER: I guess, by comparison, we look at some of the SBA loans, and we're putting up our personal residence. We're having our wife sign some document that sort of defers that. We're signing over some of our 401K interest. I was kind of hoping you might go into --

MR. RODRIGUERA: No. Honestly, yeah. We don't --

CHAIRMAN FIELDER: That's kind of honors when --

MR. RODRIGUERA: No. I get it. Again, we don't really get into that because --

CHAIRMAN FIELDER: Many of us have corporations just to protect ourselves and have this separate entity, but then we go to the government for these loans. And we're giving up our personal assets as collateral.

MR. RODRIGUERA: No. I understand that. I guess my point is we're not asking for that
information, right. We're assessing your path to revenue, your path to pay us back.

So if I see that award, I'm not going to ask you to put up your house or put up your -- give up your 401. We're not interested in that. Again, because we have the ability to provide you the capital, we're taking a risk, but I'm not asking you to put up your life savings, you know, again.

MR. BAILEY: Right. But to Ed's point --

MR. RODRIGUERA: Right.

MR. BAILEY: -- I guess for me where I shiver a little bit is basing everything on the revenue, the profit and being able to sustain the cash flow for that business owner. I think that's what Ed is driving at.

CHAIRMAN FIELDER: And the market and interest rate offsetting the profit.

MR. BAILEY: Exactly. This process seems to be very simplistic, but now in the reality, the individual person (inaudible). I mean, you're taking a very high risk, so you want your payment back to mitigate your loss.

MR. RODRIGUERA: Right.
MR. BAILEY: That's pressure against that --

MR. RODRIGUERA: Right. But one of the

things, being a very young company, we know we're going
to take a loss in the first couple years coming out of
the gate, right, because we're building a brand. We're
building a name. So again, that program I was telling
you about where we're working with the state of North
Carolina, we know we're not going to make a lot on a
small -- because the pilot program encompasses all
sizes of businesses, all sizes of loans.

So granted -- you know, we're in the business
of making money. Granted I'd love to see million
dollar loans all day, but we want to help small
business. So if it's a $25,000 loan and that gets them
to profitability because -- or revenue downstream where
they come back to us in six months or a year and want a
million dollar loan, that's what we want to see.

So we're willing to take not a loss in the
sense of I'm working with businesses that have awful
credit scores, and you have a pie in the sky type of
business. I mean, we want to work with good
businesses, and if they're in partnership with SBA, or
the Department of VA, or whoever, you've done some
initial vetting. And the same thing goes for a lot of
the state contracts or a lot of the businesses that we
work with in the state. The state does monitoring and
evaluating.

That was part of the pilot program where we
want to be able to help these businesses. So let's
bring in some lawyers. Let's bring in some MBAs to
help the small business owner not handcold them, but
provide some guidance and assistance. And anyways,
that's kind of the --

CHAIRMAN FIELDER: Okay. All right.

Questions? Sir.

MR. BOWES: How long have you been in
business? Sorry. I was a little late. How long have
you been in business?

MR. RODRIGUERA: Yeah. We launched in
January. So we're fairly --

MR. BOWES: January, so almost 12 months?

MR. RODRIGUERA: Right.

MR. BOWES: Out of your portfolio, how much do
you think you have loaned to small business?
MR. RODRIGUERA: Through our partners and -- well, I guess for our -- the ones that we take credit for, it's somewhere around 5 million.

MR. BOWES: Okay. So out of that 5 million, what went to veteran-owned businesses?

MR. RODRIGUERA: I'd have to look it up, but -

MR. BOWES: So what I'm saying is, you know, maybe -- like this gentleman had asked, maybe we need to come up with something to really concentrate on supporting the veteran-owned businesses. And I think that what you're saying is good with assignment of a contract in order to collateralize the loan versus personal assets.

MR. RODRIGUERA: Mm-hmm.

MR. BOWES: But in terms of veterans, we want to see you concentrate or come up with a program that can focus in on veteran businesses.

MR. RODRIGUERA: Yeah.

MR. BOWES: I support you, and I think it's a great idea.

MR. RODRIGUERA: Yeah. No. I'm happy to.
You know, I -- being a very young company, part of the reason why I'm here is -- you know, I spend a lot of time educating Chambers of Commerce. I spend a lot of time talking to folks, introducing our platform because it is new. There are other players. That's the only other slide I was going to show.

A lot of times I tell people the fairway. You've got banks that a lot of times are not -- in today's world, not providing assistance, especially community banks. Then on the FAR end, you've got payday lenders that are charging you 40/50 percent. We're right --

MR. BOWES: Right.

MR. RODRIGUERA: We think we're filling a void. So I'm -- yeah, trying to --

MR. BOWES: Well, if you're doing from 8 to 15 percent, then small business guys can go to the street and get 10 percent.

MR. RODRIGUERA: Mm-hmm.

MR. BOWES: So then it becomes can you be expeditious in the time frame of the loan, and I think some people were dancing around that issue. But if you
really want to help small businesses, then -- and they
have contracts with the federal government, they going
to want aggressive support in terms of that line of
credit and that money.

MR. RODRIGUERA: Exactly. And that's what --
that's what our technology does. It assesses the value
of the contract, of the parts receivable inventory --

MR. BOWES: Yeah.

MR. RODRIGUERA: -- so we're quickly about to
assess the health of your business. And then because
we're not constrained by various regulations, we can
provide the capital because it's coming from a private
source, a hedge fund, a family fund, you'll have the
capital within -- and I can't make promises -- but
anywhere between 7 to 12 working days.

MR. BOWES: And I hate to ask a risk
management question, but how are you controlling the
risk of your investors? Are they at risk totally, or
is there an umbrella or something that protects their
investment, or how is that set up?

MR. RODRIGUERA: Well, we're doing the due
diligence on behalf of them.
MR. BOWES: Okay.

MR. RODRIGUERA: Again, and that's also part of the platform. The platform expedites our risk management.

MR. BOWES: Yeah.

MR. RODRIGUERA: And I'm happy to email you a copy of our -- we have an outline of our team. You know, a lot of these other guys that are in the space are tech guys. They're coming out of Harvard Business School or Google and saying we'll give you -- you know, we can quickly assess your value of your business because we have this online program.

MR. BOWES: Yeah.

MR. RODRIGUERA: There's no way you could do that on a million dollar loan, right. It can't be all online.

MR. BOWES: Right.

MR. RODRIGUERA: So that's how we're different. We're different because we're a hybrid. Now, 80 percent of the assessment -- and I hate to bore people -- but 80 percent of what we're doing is online. The remaining 20 percent is what our credit team is
And so those guys, who come out of -- and I mentioned earlier -- GE Capital, Aries Capital, CIT, these guys have been doing this for 30 to 40 years, you know. They're not just like 22-year-old kids coming out of Google that say, oh, I can help a small business. That's not what we're doing.

MR. BOWES: Thank you for your time.

MR. RODRIGUERA: No problem. Thank you.

CHAIRMAN FIELDER: We're going to need to go ahead and complete. What we're going to do now is Jim Mingey with the Veteran Business Services is actually on the 11:05 slot. We need to cue up his -- you have slides, Jim?

MR. MINGEY: They've already got them up.

CHAIRMAN FIELDER: Oh, they're already cued up.

MR. MINGEY: They're ahead of you.

CHAIRMAN FIELDER: And then what we'll do is when Geoff arrives -- he's here. Go ahead, Jim.

For those that are here that are not committee
members, we will take more questions on Capitol Hill during the public period (inaudible). We have a longstanding record of letting speakers go long, and then jamming everything in at the end of the day. We're trying to improve ourselves.

Go ahead, Jim.

INTEGRATION OF RESOURCES AVAILABLE TO SDV VETERANS BUSINESS SERVICES

MR. MINGEY: Well, I'll try and speed it up so you can have a little better flow.

My name is Jim Mingey, and I've been around the veteran scene, small business for a long time, and it's refreshing to see Mr. Fielder. And it's refreshing to get the support I have just from my presentation from the team that they have. Barb has been great and so -- the big team behind me, especially Jaime.

I have a little bit different presentation here for you today rather than the higher end of lending. My focus is on the lower end. My focus is on, shall we say, the ones that are born to battle, who are in the VA system right now in what's called the voc
rehab system. They use an acronym of VRE.

And I am very intimate with that. I am a combat veteran myself. I have participated in that program, and I'm going to take you through what we're going to try to do in 2015 to basically take our initial data and expand it four times with four new veterans.

So we're calling this our self-employment program, which is one of five tracks in the VRE vocational rehab that is not that well known as far as, you know, having that availability.

So let's see if I can -- a couple initial slides here. As probably most of the people on this committee know, over nine percent of the businesses in the United States are veteran small business, and that's great; and I hope this committee can help that grow to more.

But what's unusual about the VRE program, less than one half of one percent of the 30,000 people that are in the VRE program actually get into self-employment. That slide up there is an actual quote from the -- or comes out of the vocational rehab
report. They're required to make a report to Congress each year.

So we're dealing with a situation where what I'll consider the most deserving of service stable veterans really don't get that much access to become a business, and my objective is to try and do something about that.

What am I here? Veteran Business Services is a veteran-owned company. So we fit in the mix here. I'm a combat veteran. I relate well to combat veterans who are in this program, and I have actually been through this accelerated program. For the last two years, I've been involved in every single aspect of that at the VA. So I'm able to relate to a veteran coming through there exactly how the steps work.

And one other thing, as we went through developing this program, the VRE and the CVE side of it were impressed enough with this that we are now on the VA website. So if you go to the website and their entrepreneurial portal, there's a listing for Veteran Business Services, which will take you to our, what we call our franchise accelerate program.
In the process I decided I wanted to go through every single aspect of what training resources were available to a veteran coming through, especially younger veterans who are disengaging and reintegrating. So not only going through the -- so not only the VRE program, but you folks have done some great work with Boots to Business, both the DOD when they originally started the test and now with the Boots to Business program reboot.

I've been through the reboot myself, and now I'm an instructor in the Boots to Business at other places. So I'm very familiar with that. I've even instructed at the VRE program itself. I'm getting cooperation from DOD in their Boots to Business, and I'm involved with both EBV; and there's a new veteran-owned entrepreneurial course called Vet to CEO that I'm very impressed with that does online training free for veterans, and they ran 600 people through their course this year, very impressive.

And then the final piece for me is, you know, the mentoring aspect of this, the hands-on mentoring. I'm a mentor for what's called American Corporate
Partners. That doesn't have a strong small business side but are growing it, and I'm also a mentor for what's called the Heroes E-Mentoring program that comes under the US Chambers of Commerce.

So I'm trying to combine these things. That's who VBS is, which is really me. I'm trying to take that expertise and replicate it.

The description we have here is -- we're looking right now, and this is a private initiative. This is not proprietary. Anybody wants to copy this, we will help them copy it, whether it's for franchises or other small businesses. Programs like this can be created to go through VRE, and ironically helping the most deserving veterans will create models that will help all veterans.

So we now have gone through this. We take -- it's interesting. I'll get into it a little bit more, but the whole end of the game here is the business feasible? Does the business plan -- is it financeable? Does it meet commercial standards? If it does, it has a good possibility of working.

So this idea here is to take this through a
holistic program and essentially have a coach, if you would, that is specific to the VRE program that is essentially an adjunct support for a VRE counselor, who, unfortunately, there are over 1,000 VRE counselors in this country, and they're very limited in their experience as far as helping people in self-employment. They need support and collaboration from organizations like this, from DOD, from other folks who can take a team-mentoring approach to these cases we're talking about.

I can handle this much myself. It's a private entity. I really don't need support for this. I'm here today to kind of reach out for more collaboration so people can understand more what we're doing and learn from this process.

But our philosophy, or my philosophy is, if I can't combine these things in a real time basis, the Veteran is coming out and saying, well, they're going this way for the financing, and they hit a stone wall. They get frustrated. They stop, whatever. They go back to the beginning. Like this country is made up, entrepreneurs are, you know, boot-strapped, and they go
on their own. But this is a different world now that requires teams, requires mentoring, and we need to get better at that.

So my context for this is the vocational rehab has a section, as I mentioned, it's called Self-Employment Track 3, and interesting, they have a whole set of rules.

What I'll mention now, the M28R Vocational Service Manual has about a 12-page operations manual on how it's supposed to flow through that. Well, I love that because, for me, I'm an experienced entrepreneur, so I can just go down there and do the checkpoints and help somebody go through that process, which is complicated. But it is actually very useful because at the end of the day, the government should be the last person providing the resources, by that I mean the last one in. When they underwrite the deal, if everything else in place, they maybe can put some reinforces in or provide the guarantee, but they should be the last one in the deal.

The pilot or the beta that we did will meet these general parameters. That is, if a client, a VRE
veteran, has 10 to 25 percent equity, they have a good chance of doing a $100,000 transaction. How do they do that? There are programs available in New York, in Maryland, and in many other states that will provide a non-asset-based primary loan for a small business.

So that doesn't get you that far if you have 15 percent before -- you're not home. But you can come on top of that, and you can take an SBA micro-loan and you begin adding to that; and that can be anywhere from 15 to 20 percent.

And finally, the VA grant under the self-employment program can go anywhere from 15 percent to what's called a category 2 designation for a veteran or up to 75 percent and up $100,000 to help somebody get involved in that business. That's grant money, but it's also equity. So if you do get that, you can walk over to the local bank and say I have more equity. I have my own 10 to 15 percent. Now I have a grant. So I could be walking in the bank's door with 30 to 40 percent equity, which makes it a lot easier to do.

So why do this? Why am I here today? I think that the best successes from this can benefit all the
parties involved, not just the entrepreneur. We want to help the counselors get better at what they do. There's 1,000 counselors. If we can make 10 percent of them better at doing this, and if they did one a year, that's 100 businesses that they could get in place.

I want to help support and grow what are called peer support networks inside the VA. I don't know if people know it in here, but there are over 900 peer support individuals that have been trained inside the VA to support all aspects of the veterans' free integration. Those folks can be conduits. They can be local resource facilitators for a business. This is not rocket science as far as knowing who's doing what in a local town.

And then finally, you have the organizations that you folks are already building. I am refreshed to see that this is not your -- what they used to say about -- your grandfather's Oldsmobile anymore. This is growing people. It's got more sophisticated. The Boots to Business is still embryonic, but it is really a good foundation. And those courses will improve. The relationships around those courses will improve
over time.

So they're the touch points I want. So who's going to benefit here? Well, the counselor in the VRE program are going to benefit themselves. They're going to have increased efficiency because a lot of them, frankly, do not know how to implement this. So if they have veterans in the program helping them do it, they're learning together.

This is what happened to me going through the program. I taught my counselor. She taught me. We went back and forth, and by the end, she not only understands more of it, but she's more competent. She can do two or three of these cases now. So they get increased efficiency.

They get a better overview. Right now we put the whole documentation, underwriting and everything else on this counselor that does not have the sufficient underwriting capabilities, the language speak for talking to an SBDC, or a SCORE counselor, or a private counselor. All of this is thrown on them, but if you use a teaming approach and you use some technology where you're doing this all at one place,
that counselor can access all that data and watch the
flow of the transaction. Did it stop? Did it go
forward? Did it go backwards? And before they make
their final recommendation, they need to know all about
that.

So the process itself is improved because we
can leverage private self-employment plan training.
For instance, EBV, we can leverage grants from several
parties, and we're using a central -- we're using a
central facilitation mechanism to help do that.
And I'm a private resource myself. People are
leveraging me for expertise, for grants, for the best
prices in franchising that are available to veterans
that they can get through a VetFran program or
additional resources to make that acquisition of a
franchise better. And I'm using franchising because
franchising are businesses. They mitigate rules
because they have rules etcetera, but they also provide
me a model that helps me take this through that in an
easier fashion. So anybody coming through my pilot,
they can get involved in the franchise industry helping
other veterans. They can acquire a franchise, which
are eligible under this program, or they can find out there's not enough who are going through it; and they can off-ramp and go become an employee in that industry.

The success rate, as I said, there's a half a percent that's going through there. I wouldn't say it's shameful, but it needs to be improved. The benchmark is set so low. It's not that hard to do it.

And then, as I said before, the SEP management techniques, instead of being on one person, you can go across to the Boots to Business, the EBV, the mentoring programs, and they can all be watched in one place. They can all be collaboration in one place. So they're the benefits to the process.

So what's the veteran get out of this? He gets a greater chance of success because he's got more concentrated support. They get what I call here an acceleration of peer-to-peer small business knowledge access. What that means is if they tap into these various resources and understand the networks, they can more quickly access whatever works for them or what doesn't work for them. And the many veterans who have
already gone through this program, they can use that experience.

And finally, they get better management of their own mentors. People talk about mentoring like you find a mentor and that mentor is the key. You may need six mentors to get through this particular process that all have various -- and it's unfair to SCORE, for instance, to say, here, this one person who's in manufacturing or retail knows every aspect of this business. They don't.

So I'll leave this one up here, but a lot of people put up these charts like this and say, oh, well, we're going to do all these particular things. We're going to do the relationships. Every relationship up there right now is already involved in this pilot.

On the philanthropic side, grants have been provided by two entities. VetFran, of course, has their own program. I love VetFran having their own program. It helps me accelerate the best situation for someone who is interested in franchising. Multiple -- or at least the two I'm involved in is the US Chambers mentoring program and the ACP program and. They
provide much more depth of mentoring.

And doing down on the government side, of course, I'm in the VRE program. I have worked both on the micro lending side and on the VBOC side, the Boots to Business program, and have an actual state loan. They're not listed up here, but I am using the Street Shares program. KEBA, if no one thinks about KEBA here. You can get a $10,000 loan from KEBA to start a business if you can tell a good story, and you can build it right from there and go into this.

The education resources, I've been through EBV. I'm part of their network. The franchise course I mentioned before, the SBDC universities do an oversight of this. We help people facilitate that.

On the community resources side, people don't recognize that there are community involvement corporations that would love to partner with a veteran to create a business in the community to create some jobs.

There are what are called community development financial institutions that make loans. There are 2,000 CDFIs that have access to billions of
dollars' worth of credit, and they're focusing on small business right now. There should be a cross-collaboration between those particular entities at a local level.

And then, of course, the VSOs that have relationships at a local level.

On the business side, I mentioned the US veterans -- US Chamber of Commerce. There is a cadre of state-sponsored veteran Chamber of Commerce developing over this country that should be a part of this. We are related to the two ones that are in the forefront of it, and they have helped us do this particular pilot.

There's a network at EBV now that's been around for five years. I'm involved in a network. They have 1,000 graduates out there that are already connected, have gone through these processes. They can be brought into this.

And then, of course, the franchise business is huge. We have a smaller network, but we're developing our network that can basically help a veteran. Our philosophy is, if you come in and you're a veteran,
whether there's any revenue to our transaction or not, we're going to help you go through that process. So all these things here are focused on this private program. We're going to hopefully replicate this four times in 2015. It's not just applicable to franchises. It can be applicable to manufacturing, other niches. We have people that want to do lawn-care franchises, that want to develop franchises.

The winner this year of the EBV entrepreneurial program of a $30,000 is a veteran-sponsored farming business, nonprofit, in North Carolina, who wants to replicate that under a franchise model.

There are several other businesses like this that are veterans trying to get in there, and we're not the end all be all there; but we can help them do their franchise concepts.

So all those different aspects to this are very exciting to me. My history is when I was 25 years old -- I'm a combat veteran -- I came back from Vietnam, and guess who helped me? SCORE, a bank, SBA helped me do a half million dollar transaction to
develop a racquetball club. It was successful, and I got through that.

So anyway, I'm droning on here. So if there's any questions, fine. This presentation is available to anybody in the room, and I'm happy to talk to anybody here offline. I'll be here for a couple hours.

CHAIRMAN FIELDER: We're not going to take questions now, Jim, if you could stay. We've got to move ahead, and we've got some speakers that have conflicts that they need to resolve in the sense of get --

MR. MINGEY: I'm gone. Thank you.

MS. CARSON: Will you be available for questions? Will you be able to stay for a little while?

MR. MINGEY: I'll be available until 3 o'clock.

MS. CARSON: Thank you.

CHAIRMAN FIELDER: Excellent. When we get done with public comment, we can do questions then.

MR. MINGEY: All right, great.

MS. CARSON: For the presentations that were
given today, Ms. Cheryl Simms -- she is right here -- will connect during one of the breaks.

CHAIRMAN FIELDER: Without further ado, I'd like to introduce Annmarie Mehlum. She's the Associate Administrator at the SBA for Capital Access. So as we've always tried to get an industry balanced with a governmental perspective on these issues, she's going to take us through the governmental perspective on Capital Access from an SBA perspective.

Thank you, Ann.

SBA OFFICE OF CAPITAL ACCESS

MS. MEHLUM: Thank you, Ed. Thanks for the nice introduction, and it's really great to be here with you guys today.

I also want to introduce Linda Rusche. Linda Rusche is the Director of the Office of Financial Assistance, which oversees all of the policy for our 7A and 504 loans, and she is going to help me make sure that I get all the details right on these programs.

So what are we doing for slide turning the pages?

MS. CARSON: Cheryl is right behind you.
So I'll just give you just quickly a brief overview of the lending programs that we are involved with, and for the most part they're guaranteed programs. So that means the loans are made by banks and credit unions all over the country.

We'll start with just sort of the state of where we are. So far on this administration the SBA has facilitated over 300,000 loans, totaling over $125 billion to American small businesses, and they have made a significant impact, especially throughout this recovery period.

1.8 billion of them have been under $150,000, and that's a big increase. And one of the reasons why it's so important to talk about these small loans is because typically people that are starting companies, and trying to start a new life, and starting businesses, they need to start -- they start at the smaller levels. And what we were finding was the smaller loans were not being made so much. So we've been really focusing on helping lenders make the smaller loans.
The reason that they were declining is because they were just becoming more and more costly to make with more regulation and more requirements. So it became a business decision. So we've been focusing very, very hard on lowering the cost for lenders so they can make small dollar loans.

Veterans lending almost doubled between the period of 2009 through '11, and I'll show you a little bit more detail on that in a minute.

So our total lending, this includes 504 and 7A lending looks like this for the last few years. The down part slightly is because of a decline in the 504 program. The 504 program is a real estate-related program, and that program has declined over the last couple years. The 7A program, if I just showed that to you, would show a steady increase.

This represents all the loans supported to veterans. This is an interesting slide, and I don't have all the answers for the decline. It's something that we've been talking about with Barb and her group to understand what should this slide look like. Is it reflective of opportunities in terms of veterans that
are deciding that they want to expand businesses or
start businesses, and we don't have all the answers.
But this is certainly a conversation that we would
appreciate having. So that's information there that's
good for all of us.

So I mentioned that we're really focusing on
the small dollar loans because we were seeing a decline
there. The things that we've done there is we have
reduced fees on loans under 150,000. That went into
place the beginning of the last fiscal year, and it's
had a big impact.

We've also implemented a credit scoring system
on loans under 350,000, which makes the underwriting a
little more streamlined and less costly.

I think what we were going to do is tag team a
little bit.

MS. RUSCHE: Mm-hmm.

MS. MEHLUM: So I think what Linda is doing to
do is talk you through the next few slides that we
have, and then I'm going to come back at the end. And
then we'll take some Q and A. I'm going to give you
this too.
MS. RUSCHE: I have the power --

MS. MEHLUM: You have the clicker.

MS. RUSCHE: I'm Linda Rusche, and I am the Director of the Office of Financial Assistance. We write the policy for the programs for which we deliver dollars to the small business customers, and we have several variations and nuances of our program that we have more recently developed to attempt to assist some of our smaller borrowers.

As Annmarie just said, many of the veterans coming out are looking to start a small operation that isn't going to take a huge loan, but lenders are resistant to making small loans. Every loan costs a certain amount of money to book, but then the interest on a smaller dollar size is less return to the bank than a large loan. And we recognize these dynamics of lending. So we're attempting to find places where we can reduce the cost to the lenders, make them more willing to make the smaller size loans.

The first initiative that we created and are very excited about in just this past July is moving into the credit scoring arena for business loans. All
of us know credit scoring on our personal basis. It's been around for decades almost, but business credit scoring is a fairly new idea. Some of the largest banks use it, but many smaller banks do not.

SBA has enhanced our programs to let banks use business credit scoring, a model that SBA supports with its funding and receive a quicker, more speedy and easier answer from SBA regarding the small loan requests.

And it's hard to read, but when you have a copy of these slides, you will see that by being able to ping our system with an electronic set of information -- very simple information, some basic information on the business owner, the veteran, and on the business itself or the startup type of business -- we're able to reduce the multipage credit memo that most lenders are required to submit to SBA with a few abbreviated pieces of information, as detailed on this slide, and that credit score response.

Now, if that credit score response is still below the salt so to speak because we look to find all viable loans and see that they're made, even if the
credit score is somewhat thin. You know, a veteran coming right out of the service may not have the kind of personal credit that's very robust, which along with the business credit can provide the threshold that's needed, well, then we still have the way of one of our original programs. There's the fallback position so to speak.

So if the credit score doesn't work in a very quick fashion but the lender still wants to make the loan to the veteran-owned business, they have several other options that they can work through. Again, those options are not quite as streamlined. They're not as least costly as the credit score, but in this manner we're hoping to get a greater efficiency of the small loans done quickly and more cheaply. And yet, we still have our fallback position, if in fact, the credit score isn't met.

And the other major initiative that we have developed to enhance small loans is what we call fee relief. Fee relief that was started last year for small loans, loans of what we define as less than $150,000 created a significant amount of small loan
activity, a real uptick in our small loans. Therefore, last January -- this is a year ago in January, January '14 -- we enhanced our veteran delivery by extending a particular fee relief to veterans.

There are two basic fees in the SBA loan program. One is an upfront fee. It's not technically a processing fee. It's more like a fee that the borrower ends up paying to SBA when the loan is booked. The lender actually pays it and then gets the borrower to pay it back.

The second fee is what we call an ongoing fee, almost like an ongoing insurance premium, and it is paid every year by the lender. Last year we provided a waiver of that fee upfront for veterans for loans of less than $350,000 booked under our express program. This year we have increased that fee relief to our entire size population of loans. In other words, now the fee relief is one-half of the upfront fee on loans all the way up to $5 million. So as of last year, in fiscal year '14, we delivered over $1 million of reduced fees to veteran loans.

And this fiscal year, the last three months
already, we have already generated a $2 million savings of fees, in other words, fees the veterans were not -- did not need to pay because they received the benefit of this fee relief. And we will continue that throughout this fiscal year, and our plans are and our projections are that, that will continue into the next fiscal year as well. So our subsidy calculations are based on that.

Now, what we need to research is how do we also extend some of that fee relief to the ongoing fee that the lender pays because this is a dance. Every loan is a dance between the borrower and the bank. The borrower fee relief has been very successful, but we're looking to see if we can find some fee relief for the lender as well to entice more of those lenders to become engaged in these programs.

Those are our two big pieces of an initiative that we presently have to bring for which we are, again, working with veterans department here to see if we can better make public, better disseminate information, so that we can encourage more veteran loans.
And then the last piece we're really excited about. I'm going to turn it back to my boss, Annmarie.

MS. MEHLUM: So part of the issue with these fee reductions is getting the word out, and one of the things that we do is we just try and get that word out. And we don't have a big marketing budget. We talk to our lenders through the trade associations, on our website, directly to lenders at conferences, but any help that we can get to get the word out on these special loan programs for veterans is appreciated.

The other thing that we didn't mention that I'd like to mention -- and this is really why I brought you here because I forget the details -- on eligibility. The second things we did was we increased the eligibility on our veteran loan products.

Can you describe that?

MS. RUSCHE: That's a good point, and I did forget to speak to that.

In historical terms, a veteran was basically someone who was discharged from military service, honorably discharged. However, we have extended that benefit and definition for these fee relief issues to
not only the veteran but the veteran spouse, and
dependents, and active-duty spouses and dependents.

So at this point in time if a veteran comes
out and has a spouse that is a part owner of the
business, in times past a 50/50 business veteran and
spouse was sometimes not considered a veteran loan, but
we recognize that, in fact, it is.

Additionally, if the spouse is the owner of
the business, and the veteran has another job, this
same benefit of the fee relief can be extended to that
spouse who own the business or to a child dependent or
to an individual who is dependent upon the veteran.
There are also certain widow provisions or widower
provisions that also apply.

So what we call this is the extended veteran
definition, recognizing that the veteran is not just
the person impacted by the service but also their
extended family.

MS. MEHLUM: Thank you.

MS. ROTH-DOUQUET: I'm with Blue Star Families --

MS. MEHLUM: Oh, sure.
MS. ROTH-DOUQUET: -- and the majority -- so
60 percent of military spouses are unemployed or
underemployed, and the majority of spouses who work
prefer to be self-employed or have small businesses.

MS. MEHLUM: Right. This benefit will apply
to them.

MS. ROTH-DOUQUET: Yeah. I'd love to work
with you in helping to get the word out because most
people don't know.

MS. MEHLUM: And encourage them to push it
with their lender because the lenders don't always know
either. This is one of our biggest challenges, to get
the word out. It is certainly in our standard
operating procedures, but it's a challenge.

MS. ROTH-DOUQUET: Yeah.

MR. BAILEY: Can I go back to one point you
made --

MS. MEHLUM: Sure.

MR. BAILEY: -- in regards to lenders? And
I'm not going to call out any lender's name. However,
my experience has been that certain lenders -- this is
a particular large one, doesn't necessarily understand
how to execute the programs.

So have you all addressed that with -- or is there such a thing as a preferred lender list? Are those folks educated on your products?

MS. MEHLUM: Again, this is our challenge. We work with our lenders all the time, and we do work closely with our largest lenders. And some of them are better at it than others, and some of them don't do all the programs for whatever their internal strategic reasons are.

MR. BAILEY: They advertise it. Then when you go in the door, they don't quite understand how to execute it, and that's the part that we really challenge.

MR. BAILEY: Yeah.

MR. WHITE: We've been talking about that since I've been on this committee that there's a disconnect between the SBA and the bank.

MS. MEHLUM: Mm-hmm.

MR. WHITE: I know you're trying to work with them. When I go talk to the bank, they don't get it.

MS. MEHLUM: Right.
MR. WHITE: It doesn’t come all the way down
to the person that I'm talking to.

MS. MEHLUM: So until a year ago I was a CEO
of a community business bank in Eugene, Oregon, and I
know exactly what you're talking about from firsthand
experience.

MR. BAILEY: Right.

MS. MEHLUM: So we understand this, and our
new administrator, Maria Contreras-Sweet, also a banker
from California, also a SBA lender, also understood
that the SBA loan products didn't always get
communicated and certainly needed some improvements.
So these are the things that we're working on.

MR. BAILEY: So let me ask a different
question.

MS. MEHLUM: Mm-hmm.

MR. BAILEY: So what can a service member do
if they walk in and have that challenge. Is there a
helpline or something? How can we help this?

MS. RUSCHE: We have a field structure. We
have 68 district offices plus about another, I think, 8
or 10 branches distributed throughout the country, at
least one in every state, multiple in several states. And we would strongly urge that you have your service member get in touch with that district office closest to where they are. You can find that by going to the SBA.gov page and click on district offices field structure to find out what the closest geographic one is. Then give them a call or an email because if they're having difficulty finding a receptive lender, we do, in those district offices, maintain information on what are the more active lenders in the area.

We have to be very careful about saying you should go to this lender because we recommend then.

MR. BAILEY: Right.

MS. RUSCHE: But we certainly can provide you public information, who is making the most loans in this area. That's just basic facts.

MR. BAILEY: Right.

MS. RUSCHE: And that district structure can also connect you with some of the other services we have such as our SCORE volunteers, our small business development centers, an all of those conduits have information about who's doing loans, who's doing the
credits, the kind of credit that's needed.

MS. MEHLUM: And furthermore, the district staff people, they do know about these programs, and they can go and help with a lender to make sure that, that lender knows about the benefits of these programs. And that sometimes doesn't get through.

CHAIRMAN FIELDER: So to answer part of his question and redirect and ask you all a question, last week at the Veterans Small Business engagement, Louis Berger (phonetic), one of your folks --

MS. MEHLUM: Mm-hmm.

CHAIRMAN FIELDER: -- he's a regional guy, he's a lending specialist, he gave a class.

MS. MEHLUM: Mm-hmm.

CHAIRMAN FIELDER: He directed us to this web page, and interesting enough, on his web page, very down on the lower left hand corner, you can get lending resources to come up with a 61-page regional guide that actually listed the preferred vendors, and it walked you through everything these ladies just talked about; and it was like, how did I not know that was there.

MS. MEHLUM: Right. I love that.
CHAIRMAN FIELDER: And that's an endorsement of what she just said. These lending specialists that are in the regional headquarters are incredible. I walked away with his business card. If I ever have a question, I can go directly to him.

MS. RUSCHE: And we interface with them to keep them up to speed on all these as well, and they do make field calls to individual bankers when they have --

CHAIRMAN FIELDER: Okay.

MR. LEGHORN: So it's kind of a multi-
information.

CHAIRMAN FIELDER: So, Linda, the redirected question, outside of the slides, as you were scrolling through the slides, you were giving all this definitive information about dependents and spouses. Where can we find that in writing? Because as we try to communicate that amongst the veterans community, outside of this committee, where are the documents, the PDFs that we can download or you can share with us that we can read through, and scratch through them, and take notes on?

MS. RUSCHE: Well, what I'm hearing you say is
that -- and half of the answer is those rules are in our standard operating procedure. So they do exist.

CHAIRMAN FIELDER: So how do we --

MS. RUSCHE: How can you get to them?

CHAIRMAN FIELDER: Right.

MS. RUSCHE: You need some walk-away leave behinds.

CHAIRMAN FIELDER: Yeah.

MS. RUSCHE: And we will work to create some good -- I think we have some already.

MS. MEHLUM: Yeah.

MS. RUSCHE: But we will work to get you some of those so you have that concrete.

CHAIRMAN FIELDER: Attached with some of that detail of the things --

MS. RUSCHE: Absolutely.

CHAIRMAN FIELDER: -- you just got us excited about, and frankly, the spouse thing I did not know about.

MS. RUSCHE: Interest relief, extended veteran definition, yes, yes. We will do that.

MS. MEHLUM: We were excited about that too,
but it is kind of complicated. But it's good complicated. It really broadened the availability.

MS. CARSON: I have a quick comment. Mr. Bowes to your point on when can we get this information to you, Jaime Wood is our new Director of Policy and Engagement, and she and I are working closely with the Capital Access team. And Linda and I had our first meeting that really we dug deep into the numbers of what is happening, and we have a few hypotheses that we need to investigate.

So we can get the information on the products out to you with a walk-away probably in the next couple weeks. It won't be in this presentation that comes your way. We promise that; that we'll work together and get that.

MR. BOWES: Well, I'm going to take the advice of Chairman and just pass on my card to some folks, so I can get some direct information. And I'll just wait to get whatever you going to provide.

MS. CARSON: That sounds good.

MR. BOWES: Thank you so much.

MS. CARSON: And then you will hear from us
again when this body meets on what we've learned in the
studies that we do on the data that we have.

CHAIRMAN FIELDER: Does somebody have a loaded
up I-got-the-best-question-in-the-room before we move
to the next speaker?

MS. MEHLUM: We have one more.

MS. RUSCHE: I just have one more comment I
want to make.

CHAIRMAN FIELDER: Go ahead.

MS. RUSCHE: There's just one more thing I
want to talk about because this is going to help. When
we talk about this whole -- these issues that you
brought up about how to get the details out to the
lenders and make sure they're doing it right. And one
of the really exciting things that we're working on
now, not implemented yet -- we're testing it
internally; we're going to have lenders testing it
starting in January; we're hoping that it's out to all
lenders in March -- we test BA1. It's really an
upgrade to our platform in the system.

And the exciting piece for this program is
that there's an origination tool, and it's kind of like
Turbo Tax that will walk the lender through making the loan. And one of the questions is, is this a veteran? Is this a veteran qualified, and then it takes them right to, okay, you can do this, this, and this, and this; and these are all the savings.

So I think this is going to be a big booster because it's going to be there for every lender when they make the loan. And it's not here yet, but we're really close. We've been working on it for about a year and a half.

MR. WHITE: Congratulations. You're finally going to ask if you're a veteran when you're making a loan.

MS. MEHLUM: Yes.

MR. WHITE: Congratulations.

MS. MEHLUM: They're supposed to be asking that now.

MS. RUSCHE: It's in a place that you can respond voluntarily now, but the last thing we would ever want you to think is that you have to say yes or you can't get the loan. We don't want to infer that, that is -- there's certain demographic information that
is a voluntary response, but we always struggle with that issue.

MR. AUMENT: These are some really great products that you've been developing here. Do you have a layer of outreach on top of all this? I know --

MS. RUSCHE: We are right now. We actually spoke with 1,500 bankers just two months ago on a conference call, and we try to talk with the bankers about once a month in a conference call. We try to reach out to the largest banks one on one, and we also provide our regional specialists a monthly information call. In fact, I have one of those this afternoon with my team to share with them the latest, greatest updates, so then they can go out to their geographies. But it's just a never-ending struggle to get everyone to know what the rules are.

MR. BAILEY: It begs for this to be at the VBOC and the other transition type platforms that are sponsored through the SBA.

CHAIRMAN FIELDER: It would be really big on talking about SCORE and how they could help you through that process.
MS. RUSCHE: Yes.
CHAIRMAN FIELDER: There were actually a couple SCORE counselors that were in the presentation.
MS. RUSCHE: Absolutely.
CHAIRMAN FIELDER: Does anyone else have a question because I do have a question?
We talked a little bit about -- with our first speaker about collateral, and to some extent I was surprised at how onerous some of the banks are in the sense of collateral for -- these are small business startup corporations. They're looking for personal collateral of the owners and waivers from their spouse on their residence, and 401k, you know, that kind of thing. Have you all thought through some of that?
MS. RUSCHE: SBA does not get involved with retirement accounts. So we don't ask --
CHAIRMAN FIELDER: That's what we heard last week, but --
MS. RUSCHE: No.
CHAIRMAN FIELDER: But still these are the things that are being asked.
MS. RUSCHE: Right. We are a cash flow
lender, and that means if the cash flow of the business operation is demonstrated, we ask for the collateral that exists, but we will not turn the loan down for lack of collateral. That is the primary difference between us and the bank. Banks have regulators. They must meet requirements in most instances.

CHAIRMAN FIELDER: Right.

MS. RUSCHE: So we work to help support that secondary or tertiary payment ability by the guarantee that we provide. But we do -- I mean, we don't walk away from collateral either.

So to the extent we are a subsidized federal government loan program and right now we've been great to be at zero subsidy, we still look for reasonable collateral that is at the business level to be pledged.

MR. AUMENT: What percent of the loan do you guarantee?

MS. RUSCHE: Up to 85 percent for the smallest size loans. Up to 75 percent for the larger -- greater than 150 we go 75 percent.

MR. AUMENT: And that's all financed through the fees that --
MS. RUSCHE: Basically it is, cash flow, through the agency.

MS. MEHLUM: And the 7A program is at zero subsidy, and the 504 loan we expect to be there next year. It's close. So it's a really, really good public partnership.

One thing I was going to add as a lender. You know, the whole issue with collateral, as a lender I loved having the SBA loan in my tool box because often times with a veteran or with -- you know, small businesses are struggling or just starting. Often times that's the whole point. They were just too weak, not enough collateral, not enough experience, not enough something. And I can go to the SBA.

The SBA is like the rich uncle doing the guarantee, and if you don't have one, you go to Uncle Sam and get the SBA guarantee; and the program is working at zero subsidy.

MR. BOWES: At zero subsidy?

MS. MEHLUM: Yep, right.

MR. BOWES: A lot of people need to hear that, at zero subsidy.
CHAIRMAN FIELDER: We're not going to take a break. We're going to keep moving. If you need to take a healthcare break, run and do that.

MS. RUSCHE: Thank you very much.

MS. CARSON: Thank you Annmarie, Linda, very much.

We're going to introduce Geoff Orazem. He's going to talk to us today about Eastern Foundry, which is addressing the gap that exists in how we get the entrepreneurs to that first step in federal procurement.

We do have SBA resources. DOD has PTEC, but this is an interesting conversation that we wanted to continue. I've been having with Geoff over the past few months, and thank you, Ed, for making time that we could hear from Eastern Foundry. So thanks for joining us.

RESOURCE FOR TECH SB ENTERING FEDERAL PROCUREMENT

EASTERN FOUNDRY

MR. ORAZEM: Thank you for having me.

No need for the slides. Besides running a tech incubator, I'm a bit of a luddite.
CHAIRMAN FIELDER: Who?

MR. ORAZEM: I see by your cufflinks that we come from the same cloth. I've got a hostile crowd in front of me.

(Audience laughs)

At the end of the day what we try to do is we try to help businesses get into the government procurement process, and my cofounders and I, we're all veterans; but we aren't necessarily a veteran-specific program. What we try to do is look at the barriers to entry for small businesses of all stripes. Although right now we're specifically focused on those in tech, both service and product.

So the reason we came to this idea was we each had tried to start our own small business. Well, two of us had. The other two of us came from the large primes. But we discovered that from both sides of the equation there were a lot of friction points, a lot of transaction costs that exist when a 10-person, 5-person small business is trying to do business with a 20,000 person prime or 100,000-person military service.

The questions we came down to, or the reasons
we found were threefold. Number one, you just need to have a space. If you're going to have credibility in the government market, you need to have a place to bring your clients, conference room, internet, professional appearance.

Number two is informational. The FAR is a giant volume of regulation filled with -- to paraphrase previous (inaudible), unknown unknowns. When we were starting our own small businesses, we lived in fear that we were going to run afoul. We'll fly America. Somebody is going to come onto us with a bid process. We wouldn't know how to even begin responding to it or any of these other myriad things that exist when you have a legislative history that would fill this room. So it's informational.

And a third part was business development related. There's just a fundamental asymmetry, going back to this idea that a 5 to 10-person company trying to do business with a 20,000-person prime or even larger agency.

How do you get recognized? How do you get your foot in the door? We were all frontline infantry,
intelligence officers. We didn't know the right people
in positions to give us that first cut at the apple.
So that's what Eastern Foundry tries to resolve, those
three issues.

   Right now we have 21,000 square feet of space,
70 offices, conference rooms, internet. When you walk
in, it feels like you're in a professional location.
   Number two is around the information sharing.
Right now because we specifically have tech-focused
government contractors in our space, if you walk into
our kitchen during lunchtime, you're going to hear
people talking about GSA schedule. You're going to
hear people talking about the Eagle II re-compete, all
these big contracts. This is the information people
need.

   We pair that off with our formal training. So
because we have this critical mass of small businesses,
we have people nominate classes. So last week it was
getting on the GSA schedule. This week it is bid
protest. We're able to bring in lawyers, bring in
consultants to give an hour and a half class that they
wouldn't be able to get so easily on the outside. So
we're pairing them off with the information they need that's largely being requested from our own community. And then the business development/sales side, because we now are achieving this critical mass of -- people would set aside 8(a)s. It's women-owned business. It's STBOs. It's businesses that are doing the kinds of work that are in high demand right now. I'm talking about staff augmentation companies for cleared UNIX programmers. We're talking about due programmers. We're talking about companies that are doing products in the high demand areas, cyber security, cloud computing.

So when a big prime wants to find a small business to fill out their bid package, we become their easy button. Instead of going out and meeting 28 small businesses, they can just come to us. Say we'd like to set up a lunch and learn. We want to do a brown bag with all your 8(a)s. Done. It facilitates that transaction.

So at our most basic, that's what we do is we just leverage our size to be able to achieve a disproportionate result for the small businesses.
So maybe I'll just pause there. We have a lot of other initiatives. We're already 80 percent occupied. We're already looking at expansion planning. We're going to be moving into the cleared space by mid-summer. We're looking at doing some satellite offices into DC. But at our core business model, maybe we'll just pause there and open it up for questions.

UNIDENTIFIED AUDIENCE MEMBER: Where is your office?

MR. ORAZEM: We're in Crystal City.

UNIDENTIFIED AUDIENCE MEMBER: In Crystal City.

MR. ORAZEM: So we're about two blocks from the Crystal Metro. It's in the building with the (inaudible) in it, if you're familiar.

UNIDENTIFIED AUDIENCE MEMBER: Who are some of your clients with the large prime contracts that you're doing business with?

MR. ORAZEM: Yeah. So right now, the group that we have actually in our space, we have a delegation from Booz Allen in our space. We're talking to MANTEC, Ecanture, Booz (phonetic). We've got a
couple more coming in, in the New Year.

The intent is to try to convince them to put
their small business liaison offices into our space.
Right now we're not there, but we are in conversations
to be able to create that curated privileged touch
point between the primes and our smalls.

MR. BAILEY: So what's your value proposition
to the veteran business owner?

MR. ORAZEM: To the veteran business owner,
it's largely the same as the value proposition to any
other small business owner that wants to engage in the
federal space with the caveat that, by definition,
veterans -- (inaudible) veterans are a privileged
class. They have the economic set aside that opens
them up to preferential contracting, so 2 percent. I
believe it's at 5 percent for regular veteran-owned
businesses.

We have a special interest in supporting those
because from a selfish perspective, they open up a lot
of conduits into the primes, into the agencies as they
try to meet their econ set aside quotas.

From an altruistic perspective, the four of us
who founded this organization, we all served. I was a
Marine. My cofounders were all Army. So we have a
special interest in that community just from a personal
perspective.

MR. BAILEY: Right. You have to stay in
business. So I'm just trying to understand the
business model in regard to this --

MR. ORAZEM: Absolutely.

MR. BAILEY: -- new startup coming into your
space. I mean, how does it work? I don't quite
understand. How do you charge them?

MR. ORAZEM: Yeah. So the economics are
pretty straightforward. It's a fee for service model,
and basically we're a rental arbitrage business. We
rent space in bulk from a big property manager, in our
case Fernado (phonetic). We've partitioned that out
into 70 small offices, and then we rent those out in
retail.

So we make our revenue on the (inaudible). So
we have offices that range from 45 square feet that go
for about $500 a month, and that's all inclusive. So
that brings you your phone, your internet, five hours
per person of free conference room time, free access to your lunch and learn series, and all the networking events that we try to do with the big primes. Then we go all the way up to about 300 square foot office, six to eight people can sit in one of those, and those -- it's an interior or exterior office, right around 3,000 a month.

MR. BAILEY: So one of the pieces parts, you're obviously doing a lot more in the sense of incubators, but one of the pieces part that's sometimes frustrating for vets and other socioeconomic categories that sometimes have multiple socioeconomic categories --

MR. ORAZEM: Sure.

MR. BAILEY: -- to include vet is that if you're trying to do that with a small business utilization office at a particular agency --

MR. ORAZEM: Right.

MR. BAILEY: -- you're doing it at 10, 12, 15 agencies, whatever you've decided to target. And they do matchmaking, but they're not real helpful because they're at risk in the sense of, gee, Northrop Grumman
is the one you really need to meet. Let me -- there's a Northrop Grumman person that's going to talk to us. They don't do that, but you don't have that challenge.

MR. ORAZEM: That's right. So (inaudible), how do we differentiate ourselves from the PTAP in the PTAC?

MR. BAILEY: Right.

MR. ORAZEM: And I'll just -- I'll put a plug out for the PTAP out at George Mason. Anna Erman (phonetic) is an angel. She's a phenomenal woman and doing great work on behalf of the -- on behalf of getting small businesses into the federal procurement cycle. She does amazing training. In fact, she'll be doing a lot of training at our facility.

But the way that we differentiate ourselves is our ability to be an advocate. Anytime you have a federal official involved with a small business, there's a concern that they're going to open themselves up to a big protest because of undue influence or otherwise giving preferential or non-public information.

Not that we're free of those concerns. We do
have to be very judicious in how -- if we have
government officials coming in, for example, last week
we had two people from GSA come in asking us about our
small business experience going through the GSA
schedule process because they're in the process of
trying to redesign that application. But as you may
know, it's extremely expensive and time-consuming.
So we're becoming a knowledge resource for
them, and when we do work with those officers, we have
to be very -- we're very open and transparent because
we don't want to encumber those officers, nor do we
want to open up any of our small businesses to
accusations of preferential treatment or non-public
information.

But we are able to be far more of an advocate,
far more of an activist matchmaker because we are a
private entity.

MR. BOWES: So, Geoff, I'm going to ask a
quick question. Are you prepared to partner or team
with other incubators?

MR. ORAZEM: So we've had a lot of luck there,
especially out of state. So we're talking to Atlantic
Village, and obviously Atlanta, Benjamin's Desk up in Philadelphia, a few others on the West Coast. We're interested in trying to collaborate with other incubators to provide a resource for those businesses that they have that want to do government contracting. 

MR. BOWES: We're thinking about a process of doing a service-disabled veteran-owned business incubator --

MR. ORAZEM: Right.

MR. BOWES: -- and other veterans only.

MR. ORAZEM: Mm-hmm.

MR. BOWES: Not for everybody else, but for veterans --

MR. ORAZEM:

MR. BOWES: -- in the Hampton Roads area. And we have expertise in bid protests and things that you don't have. So maybe sometimes we could have a discussion that we could support each other.

MR. ORAZEM: I would be happy to.

MR. BOWES: Okay. Thank you.

CHAIRMAN FIELDER: Geoff, can you get a little bit --
MR. BOWES: I'm sorry, Mr. Chairman. I'm sorry, Mr. Chairman. I just wanted to --

CHAIRMAN FIELDER: Want to wrap up questions?

MR. ORAZEM: Sure.

MR. PHIPPS: I just had a quick -- could you get a little bit more into the business development side on what you guys do because I think for small businesses, that's a huge point.

MR. ORAZEM: Absolutely huge point. One of the -- when we talk to the big primes and because of what we're doing, we've had great access and line of sight into both the staffing and the small business requirements and the barriers to them utilizing these small businesses.

And I'll tell you the biggest thing is that it comes down to awareness and trust. When I say awareness, I think to the point about the small business matchmaking days when a lot of the agencies run.

There's a real -- a breakdown of a lot of the big primes between the people that are receiving the small business resumes/capabilities statements. Those
are generally being handled by their small business liaison offices. Unfortunately, the people who are putting together their bid packages are being run by proposal managers, and often you see a breakdown there.

So proposal manager has their rolodex of small businesses that they've used in the past, and if they can't find somebody new, there's -- this handoff in big prime is not working as efficiently as it could be. Best of intentions. There's a lot of friction right there.

So number one, they're the internal mechanism that would bring new small business into that proposal team isn't always working well. That's the number one place we can punch in is to be able to give that proposal manager a resource to find new small businesses to bring into that bid.

Number two, every time a big prime takes on a new small business, they're actually taking on a tremendous amount of risk and cost because they have to go vet that small business in a way that I didn't appreciate when I was running my own small.

They have to understand that if they bring
that small business in that they'll be able to write their part of the proposal; that they'll be able to be compliant with the budgeting requirements that are going to flow down to them. The reporting requirements are going to flow down to them, and if that small business sub makes a mistake that cascades up to the prime, now if they get an audit, that prime is the one who's going to be held responsible. And because of that they have to do a lot of vetting and a lot of trust building anytime a small interacts with a new prime.

We think that we're able to break that down and increase the efficiency of that transaction a couple ways. Number one, anytime a prime comes to us for a small business, they know that, that small business is being surrounded by a community of practice that's helping support or enforce them.

Number two, we're actually going to be launching a government contractor certification process. Hopefully we'll be launching our first cohort in early February of this coming year. That would be a project management professional parallel styled
certification, but instead of testing folks on project management, it's on all the regulatory compliance burdens for expectations that small business has. So that a small business can say you've never worked with me, but we have these 10 certifications from Eastern Foundry that will give you the reassurance that we'll be able to hold up our part of the proposal and performance.

MR. BOWES: Based on the type of technology they're in?

MR. ORAZEM: This is going to be more broad spectrum. This is more looking at what is the far say, what is the reporting requirements, agnostic of tech.

MR. BOWES: Yeah.

UNIDENTIFIED AUDIENCE MEMBER: Do you have any special relationship with companies like bidmine (phonetic) or GovWin to do --

MR. ORAZEM: Absolutely.

UNIDENTIFIED AUDIENCE MEMBER: -- in-house that are more economical?

MR. ORAZEM: Yeah. We've been able to take the Costco model for a lot of our shared services.
Deltek is a great example. Without going into the details of the deal, they gave us a really tremendous price point for our small businesses because we were coming to them, and we were able to get the group rates effectively. And we've paired them off with Gavini (phonetic), GovTribe, GovWin, a lot of the other RFP and RFI proposal intelligence resources to be able to give a menu of options to our small businesses at a price point that they would never be able to get on the outside.

UNIDENTIFIED AUDIENCE MEMBER: Any special for veterans?

MR. ORAZEM: Right now we're looking at doing some extra conference room hours. So when you come in you get some free conference room time. We've been able to bump that up. Right now we're at a place in our revenue model where we are profitable, but our ability to take on basically debt financing or otherwise give incentives to veterans in particular is limited.

We will be opening up our -- one of the blessings that we have was that we ended up having
40,000 square feet of conference room -- of event space given to us as part of our lease. So we're looking at turning that into a veterans training center, going back to this point around our excellent line of sight into their staff shortfalls that the big primes have on our their staff augmentation contracts.

For example -- I won't name names -- one of the big primes right now is 30,000 people short on their staff augmentation requirements. We know exactly what those skill profiles are, and because we have -- because of our backgrounds, we have a good sense for what the current capabilities of a lot of veterans are. They've already been cleared, which is the biggest hurdle for a lot -- for getting these people into these federal contracts.

So we're working with the iron yard in Crystal City to develop training packages that just address the Delta between what a soldier or Marine gets at their MOS school and what it is that a big prime needs to be able to have all the certs and quals to sort of float it into a contract.

UNIDENTIFIED AUDIENCE MEMBER: That's good.
1 That's good.
2 MR. ORAZEM: Yeah.
3 UNIDENTIFIED AUDIENCE MEMBER: How about
4 virtual access?
5 CHAIRMAN FIELDER: Geoff, we need to move on,
6 or we're going to lose one of our speakers.
7 MR. ORAZEM: Sure thing.
8 CHAIRMAN FIELDER: We're going to do the next
9 speaker, and then we're going to have a lunch break.
10 Could you stay around so that some people can
11 have some one-on-one conversations with you?
12 MR. ORAZEM: I have a lunch thing at noon, but
13 I'm happy -- until noon, I'm happy to hang out.
14 CHAIRMAN FIELDER: Okay.
15 MS. CARSON: Can you leave your cards too?
16 MR. ORAZEM: Absolutely. I'll leave a stack.
17 MS. CARSON: Thank you so much.
18 MR. ORAZEM: Thank you.
19 CHAIRMAN FIELDER: If anybody needs to make a
20 health or comfort break, please do.
21 MS. CARSON: And John Shoraka is our Associate
22 Administrator for Government Contracting and Business
Development. That is an area of interest to many who are here.

And I appreciate very much that you've given us some time today, John, to tell us what is coming. And there were some particular questions this group had about Mentor-Protégé Program and other developments. That would be super.

MR. SHORAKA: Sure.

MS. CARSON: Thanks again.

SBA OFFICE OF GOVERNMENT CONTRACTING AND BUSINESS DEVELOPMENT

MR. SHORAKA: Thanks for having me. I'm always happy to joint his forum. I know that I have spoken to you guys before a number of times.

Just to make sure that everybody knows my area of responsibility, government contracting, business development, the HUBZone Program, the 8(a) program, STB/OSB, and WOSB programs fall under my umbrella office. We have our procurement center representatives that sit at the buying activities. We do our protests on the WOSB and the STB/OSB programs, and we establish the goals for the various agencies and report back on
those to Congress on an annual basis.

Obviously, also the other major area that we work in is the size standards and revising the size standards. So any of those I'm happy to discuss and answer any questions with regards to any of those programs.

I did want to sort of chat a little bit about -- we've been briefing you as we go along in the process of the Mentor-Protégé Program, rolling that out to the other socioeconomic categories as well as the National Defense Authorization Act of '13 had a number of provisions, some of which are of particular interest to the STB/OSB or actually to all the socio categories but allows for teaming, and that's out for public comment.

With respect to the Mentor-Protégé Program, as you know, we were required or authorized by the Small Business Jobs Act of 2010 to roll that out to other socioeconomic categories. As we were about to role that out for public comment -- and it was supposed to be modeled after the 8(a) program, right.

So not like some our sister agencies where
it's more of a prime sub relationship similar to the
8(a) program, where the protégé is actually the prime
in the joint venture, and they have a mentor that joins
them up. And there's some benefit to be transferred
from the mentor to the protégé, right. It's not just a
contracting opportunity. It's a mentor-protégé
relationship for benefits flowing from the mentor to
the protégé, but under that scenario, the mentor
benefits in being able to pursue set aside contracts.

We were required or authorized, as I said, to
roll that out to the other socioeconomic categories.
As we were about to release that rule for first
interagency clearance and then public comment, the
National Defense Authorization Act of '13 basically
required us to pull that back and expand it to all
small businesses. In other words, not just specified
for each of the categories, but open to all small
businesses.

We've done that. It's gone through
interagency clearance. We've incorporated the comments
of our sister agencies, and we're in the process of
releasing it through the Federal Register in the next
couple of weeks so that we can guard our public comment. And I think it's really, really important for this community to comment on how the rule is written and how we project it to be rolled out and implemented.

And I can speak to the challenges around the Mentor-Protégé Program briefly. As you can imagine, under the 8(a) program, we have roughly 5,000 to 5,500 firms in the program at any given point, certified in the program at any given point. Our number of mentor-protégé plans under that program that we approve and monitor are roughly 500 at any given point, so 10 percent. And under that obviously flows the joint venture agreements. I think there's three per mentor-protégé plan that you're allowed so you can joint venture and bid on opportunities.

And obviously, all of that is -- we have the ability to monitor the implementation of that through our district offices. As you know in the 8(a) program, every firm is assigned a business opportunity specialist who is able then to do the annual reviews and confirm that the protégé is really benefiting from the contract and getting a fair share of that contract.
So imagine expanding that out to -- we have about 227,000 small businesses registered in DSBS, Dynamic Small Business Search. Roughly half of those, 130,000, receive one-off contracts. I would say roughly 50 percent of those or 75,000 are continuous government contractors, right, year in, year out receiving a number of contracts. So you take 10 percent of that roughly just as an estimate figure. That's 7,500 as opposed to 500 that we're managing right now.

So the question becomes, is this sort of an unfunded mandate, right. We have the rule process going through, but once the rule process is finalized, how are we going to actually institutionalize and implement this, and be able to monitor it, and make sure that the benefits are actually flowing to the intended recipient. So it's not a front.

So we've been tasked with creating options for our administrator to take a look at, and some of those options -- and we're in the initial phases of putting a team together to be able to prepare those options. Some of those options are let's have our field offices
do what they do with all the other firms as they do
with the 8(a) firms. The challenge there is we don't
have the resources at the field offices to put
additional burdens of that magnitude on them.

Another is to create a centralized unit that
would be our Mentor-Protégé and JV centralized units to
be able to approve the plans and monitor them on an
annual basis to make sure the benefits are flowing to
the intended recipients.

Another is to delegate that authority to
agencies and allow them to monitor implementation of
the joint ventures, and then have some sort of audit
function, annual audit and reporting function. Those
are sort of the three models that we're looking at, but
we are obviously interested in feedback from the
community with respect to how this can be implemented.

I do -- again, the rule is going out into the
Federal Register in the next couple weeks. I really
encourage this community to comment on the rule itself,
and there are, in the preamble, discussions about how
it should be implemented; and that feedback is helpful
in our options as we --
MR. BOWES: Compared to the DOD?

MR. SHORAKA: I'm sorry?

MR. BOWES: Have you compared it to the DOD mentor program?

MR. SHORAKA: Yeah. Unfortunately, the DOD -- obviously, we -- so the other thing with this program is that all the other civilian agencies are supposed to fall under this umbrella within five years. DOD is statutorily different --

MR. BOWES: Right.

MR. SHORAKA: -- and operates on its own. The challenge with the DOD program is that there are funds in there for the mentor as opposed to this where there are no funds.

MR. BOWES: So we don't have those incentives?

MR. SHORAKA: No, no.

MR. BOWES: So how then do we handle the scorecard? How does that go into the scorecard? So you have the Mentor-Protégé, but you got the scorecard that we have to do all of that.

MR. SHORAKA: Right. So the scorecard is just like the --
MR. BOWES: I won't ask any more questions.

MR. SHORAKA: Yeah. No, no. It's just like the 8(a) program. So the JV gets the benefits of the 8(a) program. So it gets allocated towards the service-disabled entity.

MR. BOWES: Okay. All right.

CHAIRMAN FIELDER: Kind of direct questions from the committee. Are you at the end of where you --

MR. SHORAKA: On the Mentor-Protégé Program.

CHAIRMAN FIELDER: I want to talk about NDAA '13 as well.

MR. SHORAKA: Sure.

CHAIRMAN FIELDER: Let's ask questions on the Mentor-Protégé.

MR. SHORAKA: Yeah.

CHAIRMAN FIELDER: And then last year they added women-owned businesses and --

MR. SHORAKA: All small businesses actually.

CHAIRMAN FIELDER: All small businesses, okay.

So it was kind of like a reset process.
MR. SHORAKA: Right.

CHAIRMAN FIELDER: Those of us that understand how it's going to work, know the benefits of how it's going to work, particularly as it effects the affiliation rules in the sense of that being a big shot in the arm.

MR. SHORAKA: Sure.

CHAIRMAN FIELDER: What does the timeline look like? And before you answer that question, how did the government agency comment period go? Are there any hangers in there as a result of those that still need to be worked?

MR. SHORAKA: No. So I think -- so we worked out --

CHAIRMAN FIELDER: You got through? They're on?

MR. SHORAKA: They're on board.

CHAIRMAN FIELDER: Because we thought there was going to be this issue with their existing mentor-protégé programs and some conflict.

MR. SHORAKA: Yeah. The civilian side is very different than the Mentor-Protégé Program and agencies.
They're very different than this, right, because it's sort of the prime sub-relationship.

Most of the -- even GSA and some of the others already have a mentor-protégé plan. If you're familiar with them, they're not like the 8(a) program. It's more like --

CHAIRMAN FIELDER: It doesn't have the rigor of the teeth or the advantages.

MR. SHORAKA: Right, right. So the challenge was can we authorize them to continue with the sort of operations or mentor-protégé plans that they have and roll this out federal government wide and not hinder them, but make sure that they implement this across the federal government. And I think we came -- so those -- those --

CHAIRMAN FIELDER: So you get some accommodation?

MR. SHORAKA: Yeah, exactly. And those -- those discussions are included and presented in the rule that will be presented for public comment, right. So it already incorporates all of the concerns that were raised.
CHAIRMAN FIELDER: So moving to the next step --

MR. SHORAKA: Timeline.

CHAIRMAN FIELDER: -- is the public comment and the timeline.

MR. SHORAKA: Yeah.

CHAIRMAN FIELDER: So when we last talked about this in the committee, and I think it's been about nine months --

MR. SHORAKA: Yeah.

CHAIRMAN FIELDER: -- we were optimistically looking that it would have come out of public comment by now.

MR. SHORAKA: Yeah.

CHAIRMAN FIELDER: But it's going in.

MR. SHORAKA: It's going into public comment.

CHAIRMAN FIELDER: Let's just say the calendar starts on a timeline of January --

MR. SHORAKA: Yeah.

CHAIRMAN FIELDER: -- how would that transact? What's the timeline on that, and then what would it get to -- where could we optimistically look at the
rule?

MR. SHORAKA: So, you know, having been in the federal government now for four years and coming from the public -- private sector, I know it's very hard to pin down particular time frames, right, because even in the rule-making process, Lord knows -- I was --

CHAIRMAN FIELDER: For those of us that have been waiting for three years, we understand.

MR. SHORAKA: Yeah. And obviously, when I came into this position -- now it's been three years -- I never expected the process to take this long because not only is it the interagency process, right, even before that it has to get through our own building. So we have to talk about going through our Office of General Counsel our Office of Inspector General. So all that has taken place, right.

So now we're talking about a 60-day public comment period. We're having discussions with (inaudible) with respect to is that 60 or 90. I would prefer it to be 60, but obviously, at the same time, I think if we want to garner the feedback from the communities -- and it's not just obviously the SBO/OSB.
CHAIRMAN FIELDER: Who is pressing for 90?

MR. SHORAKA: I'm sorry? It's either 60 or 90.

CHAIRMAN FIELDER: But who is pressing for 90?

MR. SHORAKA: I think in the context of making sure that we get feedback from all of our stakeholders, the concept is the longer the better. Having now been through this now for three years, I think 60 days would -- because everybody is expecting this, right. Your community, the WOSB community, the HUBZone community, they're all expecting this to come out, but we do want to make sure that we give ample time for our stakeholders.

CHAIRMAN FIELDER: I think the original -- and I don't mean to be hard (inaudible).

MR. SHORAKA: No.

CHAIRMAN FIELDER: But the original language said that it would be like the 8(a) program.

MR. SHORAKA: Yeah.

CHAIRMAN FIELDER: That is kind of the community's expectation. As long as it results in being -- I don't know that we need to add another 30
MR. SHORAKA: Yeah, yeah. So point well taken.

CHAIRMAN FIELDER: I mean, if you expand the timeline, the final ruling, you have the resources to start processing applications.

MR. SHORAKA: Right.

CHAIRMAN FIELDER: Companies start processing applications, if it's similar to the 8(a) mentor-protégé, it can take three to six months --

MR. SHORAKA: Sure.

CHAIRMAN FIELDER: -- if you do everything right.

MR. SHORAKA: Sure.

CHAIRMAN FIELDER: And it goes beyond the region. The final approval resides in the SBA office in Philadelphia, I believe. Let's just say in a perfect world that this happens by March. It could be calendar year 2016 before we have the first mentor-protégés in place.

MR. SHORAKA: Sure, sure.

CHAIRMAN FIELDER: Am I wrong?
MR. SHORAKA: No. You're absolutely right.

It's -- it's going to be --

CHAIRMAN FIELDER: And now you back off that this has been waiting for three years.

MR. SHORAKA: Yeah.

CHAIRMAN FIELDER: And you've added another two years.

MR. SHORAKA: Right.

CHAIRMAN FIELDER: It's a five-year process.

MR. SHORAKA: Right. No. I mean, I completely agree, and the challenge is not only just getting the rule completed, right, the challenge is going to be being able to institutionalize the process.

CHAIRMAN FIELDER: I can't speak for the entire committee, but I'm advocating for 60 days in comment.

MR. SHORAKA: Sure. But even beyond --

CHAIRMAN FIELDER: We'll make sure that the veteran community comments --

MR. SHORAKA: Within 60 days.

CHAIRMAN FIELDER: -- within 60 days.

MR. SHORAKA: Point well taken, but what I
would say is that it's not even the public comment
period that I'm more concerned about. It's the
institutionalization of the staff. I've been through
-- around the 8(a) program where we set up a continuing
eligibility because we had continuing eligibility being
done at 68 district offices, and we wanted to
centralize that to bring efficiencies, to bring
consistency into the process. It took us a good year
and a half to be able to establish that unit to be able
to do that.

So talking about establishing a unit to be
able to do mentor-protégé plans, and monitoring them,
and have the processes, and workflow documents, and
manuals, et cetera, is going to be a long process. So
I don't want to -- I don't want to give the impression
that once we get through the final rule, the next day
we're going to be able to turn it on. The final rule,
when it gets published, will probably have a period of
time that says here's the final rule. It becomes
effective on such and such date, giving us the time to
actually set up the office.

MR. AUMENT: That mechanism, does that not
have to be built into the rule itself?

MR. SHORAKA: The rule itself asks for comments around that.

MR. AUMENT: Right. But you're final rule --

MR. SHORAKA: The mechanism --

MR. AUMENT: Your final rule probably will then?

MR. SHORAKA: Yes.

MR. AUMENT: Okay.

CHAIRMAN FIELDER: So if we're optimistic, it gets out two weeks from now, let's just say they go in January, 60 days -- wink, wink, 60 days -- final rule by end of the summer?

MR. SHORAKA: Yes. I would say you could have a final rule --

CHAIRMAN FIELDER: But certainly before the next fiscal year?

MR. SHORAKA: Yes. You could have a final, but again, that's not my major concern. My major concern is having the operations to be able to implement that plan.

CHAIRMAN FIELDER: And where are you on the
self-certified versus creating a certification process?

I see that as a major issue --

MR. SHORAKA: Sure.

CHAIRMAN FIELDER: -- if we start wrestling that after we get to the point where we think we're able to implement it? Where are we on that?

MR. SHORAKA: Yeah. I mean, obviously --

CHAIRMAN FIELDER: We're all for self-
certified.

MR. SHORAKA: Right. Well, that's -- that's a much broader question, and I'm assuming you're referring to -- and I know Tom Leney is going to be here this afternoon. I'm assuming you're referring to our program as opposed to the VA's program, right?

CHAIRMAN FIELDER: Are you creating a program, or are you taking over the program?

MR. SHORAKA: No. I mean, that would be a statutory change.

CHAIRMAN FIELDER: Right.

MR. SHORAKA: And obviously, I can't comment on or suggest that the Hill should be doing anything in particular.
CHAIRMAN FIELDER: So at this time --
MR. SHORAKA: What I will --
CHAIRMAN FIELDER: At this time it's self-
certified --
MR. SHORAKA: Yes, absolutely.
CHAIRMAN FIELDER: -- as it's moving forward?
MR. SHORAKA: Somebody has to muck it up to
get it to be something else?
MR. SHORAKA: Correct. As it stands -- and
this is something that we as an office are very
congered about, right, because I think there's a lot
of confusion in the community. And we've been working
closely with Office of Federal Procurement Policy to
make sure that we address that confusion in the
community, right. We're holding meetings. We're
trying to address the issue.

Our position has always been that the VA has a
program that's four the VA, right, the certification
process is for the VA. Our program, which is self-
representation with a protest function, is for the rest
of the federal government.

I know that there's confusion in the
community. I know that some contracting officers would prefer to have that certification and sometimes put that in the solicitation, but it's -- I think it's incumbent upon us as an agency to make sure that whenever we speak, we make it very clear that our program is a self-representation program with a protest function.

I don't think -- and I believe the jury is still out with respect to the efficiencies that a full front end certification puts -- or brings forth or brings to bear on a program, right, the amount of resources, the amount of cost and expenses, not only on the federal government side but on the private sector side. Those efficiencies as compared to the fraud, waste, and abuse that you might rot out of the system, those benefit -- cost-benefit allowances I don't think has been done here today.

I would argue that --

MR. AUMENT: Two million dollars' worth of fraud, waste, and abuse puts the whole system --

MR. SHORAKA: I would argue that a protest function that's very stringent and strictly enforced is
and efficient mechanism to address fraud, waste, and abuse. In the last four years, we've seen more suspensions, debarments, proposed debarments than the previous decade.

MR. AUMENT: The penalty is now the price of the contract.

MR. SHORAKA: And we keep your product, and you don't --

MR. AUMENT: That's a force that will take the vet (inaudible) jobs away.

MR. SHORAKA: Right, right.

So real quick, I know I have limited time, because you spoke about affiliation and issues of teaming. And there's another provision of NDA '13 that's going through for public rule-making, and it actually should be out, if not this week, next week.

NDA '13, National Defense Authorization Act of '13, gave us the authority to write a rule around similarly situated firms teaming. In other words, you all know, if it's STB/OSB set aside, the prime has to do 51 percent of the work, right.

CHAIRMAN FIELDER: Right.
MR. SHORAKA: But we all know that contracts are being consolidated; requirements are getting larger; they're getting more complex, and it's been more and more difficult to pursue contracts.

The authority that we were given was that similarly situated companies, even though they're subcontractors, will count towards that 51 percent. In other words, you're a prime, STB/OSB, a number of your subs are sub-STB/OSBs. Together you can account for that 51 percent. This gives a huge incentive for teaming amongst socio categories.

Obviously if it was small business set aside, all of your smalls, no matter what designations they would have, would count towards the 51 percent. But once we get into the socio categories, they would have to be similarly situated.

We think that's a big plus for the community. We're hoping that the community will take advantage of it, but at the same time, again, we're hoping that the community will take a look at our rule and make sure that we get the feedback we need to make sure that we're incorporating how -- your thoughts about how it's
going to affect the community. But we think it's a
great advantage with respect to the affiliation issues
and the limitations on subcontracting issues.
MR. AUMENT: Will the prime still take all the
revenue hits for size standard calculation purposes?
MR. SHORAKA: Yes. That is incorporated in
the rule-making process, but, yes.
MR. AUMENT: Okay.
MR. SHORAKA: The prime would have to be the
small. The determination on size will be the prime.
CHAIRMAN FIELDER: The majority owner of the
joint venture.
MR. SHORAKA: Now, it's not a joint venture.
It's a prime-sub relationship.
CHAIRMAN FIELDER: But it's the whole --
MR. SHORAKA: It's a prime-sub relationship,
but the subs count toward the limitation subcontract.
MR. AUMENT: The whole point of the mentor-
protégé --
MR. SHORAKA: No. This is different. This is
separate.
MR. AUMENT: This is a different issue?
MR. SHORAKA: Yeah. This is a different and separate rule that's going to --

MR. AUMENT: It would not work like a CTA, for example?

MR. SHORAKA: No.

MR. AUMENT: Okay.

MR. SHORAKA: Okay.

MR. PHIPPS: Is this in effect right now?

MR. SHORAKA: No. The law was effective as of the National Defense Authorization Act of '13, but the rules have not been finalized.

MR. PHIPPS: And how long do you anticipate that getting into the FAR?

MR. SHORAKA: That's a great questions. So we were talking about the rule-making process, right.

Once we get a final rule --

As you all know, we wrote the final rules for set a size and for multiple contracts, 1331. We wrote the rules around the sub-K, subcontracting requirements, around the contracting officer getting notice before subcontracting plans are changed. Those rules were finalized last year. They're not yet in the
We're working with the FAR counsel as we speak, writing the case, FAR case to incorporate it into the FAR. We anticipate -- that's taking over nine months. Now, we anticipate that, that will happen the first quarter calendar of '15, but that's entirely out of our hands as an agency because we don't sit on the FAR council either.

So once that teaming provision is finalized, I suspect -- there's been a lot of pressure on us as an agency to get that teaming rule out. I think it's going out for public comment, again, in the next couple of weeks. I think, again, 60 or 90 days. That rule should also be finalized over the summer. I would expect that the FAR would move relatively quickly, but I can't really speak to a time frame. I would say six to nine months after our rule gets finalized.

CHAIRMAN FIELDER: This was a question that we asked Linda and Ann. Around this issue -- and I didn't realize this issue was going to come up --

MR. SHORAKA: Sure.

CHAIRMAN FIELDER: -- but I'm kind of excited.
Could you provide the committee some written documentation on that, that Barbara could then share with the committee?

MR. SHORAKA: Sure. About the rule?
CHAIRMAN FIELDER: About the rule --
MR. SHORAKA: Yeah.
CHAIRMAN FIELDER: -- and where it is.
MR. SHORAKA: Sure.
CHAIRMAN FIELDER: And maybe the original law. So we can take a look at it and maybe discuss it at our next committee meeting.
MR. SHORAKA: Yeah, no problem.
MS. CARSON: Thank you.
MR. SHORAKA: Yeah.
MR. WEIDMAN: Rick Weidman for the record. A couple of comments, the --
MS. CARSON: Can we get you on a microphone?
MR. WEIDMAN: It's rare that anybody can't hear me.
(Audience laughs)
Thank you. The delay usually is on promulgation of rules is what happens after the
comments are offered, that's number one. And so the question really is, have you vetted your proposed rule to the point with OMB and the White House that once the comments are in and incorporated, that you can move to final rule quickly?

MR. SHORAKA: Yeah. I think that was the question with respect to our sister agencies, but I would include the White House and OMB in that process as well. So that's why when we talk about an interagency clearance process -- and it's generally 90 days before it closes -- after it closes there's a lot of discussions that go on amongst ourselves, our sister agencies, OIRA, OMB, and that process has already taken place.

MR. WEIDMAN: The second thing is veterans obviously have an interest, not just in things that say veterans but in other rules promulgated by this agency, and VA, recognizing that, at least shares the link to rules that are published for comment. And if you can do that with all of the folks that might be on Barbara's mailing list and things that should be added, which is basically all the MSOs, VSOs, this committee,
and anybody else who expresses an interest, to have wide comment, only make the rule better.

MR. SHORAKA: Absolutely.

MR. WEIDMAN: The other question and that has to do when you were talking about protégé. The DOD protégé, we've heard from too many people who have dropped out of that program that it's predator protégé. What have you built into this rule to make sure that the civilian agencies don't turn into the same thing?

MR. SHORAKA: Right. Obviously, I think we're very careful with respect -- and I don't have the specifics of the rule in front of me, but I think one of the -- with respect to the rule itself and implementing that rule, I think that's one of the things that we have to be very careful of with respect to implementation of the rule and monitoring the benefits flowing to the intended recipients, where we don't want the protégé to just be a front and the mentor receiving 98 percent or 99 percent of the contract.

MR. WEIDMAN: Right.

MR. SHORAKA: The way the rule is written
addresses some of those concerns with respect to reporting requirements and monitoring. The challenge becomes, as I said earlier, is that it's really an unfunded mandate. So we don’t have the staffing to make sure that, that takes place.

So the question is do we carve it out of our existing FDE limits? Do we -- and quite frankly, the idea of delegating that authority, although appealing to some because it limits the burden of this agency, is a concern with respect to fraud, waste, and abuse because you only sort of have an oversight audit, potentially reporting requirement established or written into it.

But I would say that, again, I encourage the community to look at the rule. I completely agree. I think the broader it is disbursed and the more input we get, the more useful in finalizing the rule, to make sure that it takes into consideration the community's concerns.

With respect to oversight, as you review it and you find that there are challenges or identify challenges with respect to predatory opportunities for
mentors, I would encourage you to highlight this, so that we can address them in the final rule.

MR. WEIDMAN: Will do.

MR. SHORAKA: And we'd be happy to make sure that a link is sent out to the community when the rule gets published.

MR. WEIDMAN: The last instance, in light of the report the DOD did -- the Undersecretary issued about $1.1 trillion that was theoretically small business but wasn't, what steps have you taken to make sure that what's reported as a small business contract in fact is a small business? There was much ado made about the fact that the federal government met the three percent this year. On paper it did, but I don't believe it did.

MR. SHORAKA: Yeah.

MR. WEIDMAN: And the second part of that is it has now been 15 years and four months today actually -- it was August 17, 1999, when 106-50 was signed into law. We still don't have, as far as I know, a means of publicly tracking subcontracts. The law is very clear. It's three percent of contracts and three percent of
subcontracts. And if you could comment on what
progress you've made, both DOD and on a civilian side
towards accurately tracking subcontracting.

MR. SHORAKA: Good. Those are awesome
questions.

Obviously, you're right. There's areas where
we've seen significant success with respect to small
business contracting, right. So because of the focus
from the administration, because of groups like this,
we've seen significant laser focus on getting agencies
to meet their goals. So the 23 percent, the STB/OSB
success, the WOSB increasing, the STB continuously
improving, and quite frankly, (inaudible) being
elevated in the agencies where they really have a voice
and a direct line to debt set, those are all positive
things.

In the -- in conjunction with that or parallel
to that, there's been a lot of work with the data
quality working group. As you all know, all of the
systems, acquisition systems, fall under IAE, which is
the governance body for all the acquisition systems,
and GSA owns those acquisition systems. I know I'm
limited on time. I'll try not to be too verbose.

But there was a lot of work with the data quality working group to make sure that on prime contracting dollars, our dollars reporting was accurate. In fact, we had a MOU signed between our administrator at the time, Karen Mills, and Administrator Gordon over at OFPP to work through data quality.

The agency, SBA, was tasked with doing what we called anomaly reports, and quite frankly, the agencies were all pissed at us because we would send them thousands of lines of anomalies. And that doesn't mean they're errors. They're anomalies. There's a missing NAICS code. The revenue doesn't match the size standard, and so we would send those to them for two years in a row so that they could address it before they certified their numbers to OFPP that everything in FPDS was accurate.

We worked with GSA and OMB to create these, what we call canned anomaly reports that the agencies are now required to run on a quarterly basis and before they certify their numbers to OFPP by January 31st.
Our administrator -- in the context that you spoke, our administrator -- you know, when she came in, our new administrator said, well, what is this I keep hearing that numbers can be inaccurate? And the truth of the matter is it's not our data. It's agency data. It's FPDS data. It's not our system. But what she said is, look. I understand all that, and I understand that you've done a lot of work in getting us to a better place. But we still report this number out, so I want you to be able to work with our sister agencies to make sure that every year we do something to make sure that the numbers are as accurate as possible.

So although agencies are not necessarily happy that we may be getting into the anomaly process again, we are committed to work with them, not only on a continuous basis with respect to systems improvements and tracking improvements, but also to still run -- we promise that it won't be thousands of records passed back to them -- still run anomalies on an annual basis before they certify their numbers. We understand that they have the canned reports that they're obligated to run, but we're still going to run numbers and share it
with them so that they can correct it before.

What I would say is that once you start getting into the weeds of FPDS data, there are all sorts of reasons why an HB looks like it got a small business contract. It could have been an acquisition of a firm, and that firm now looks like an HB. Therefore, it shows an HB got a small business contract.

And I'll say when the reports come out, we get tons of calls from Apple, and Boeing, and the others that are on the list that say, wait a second, why is it saying we got a small business set aside? And they'll dig into it themselves and identify, well, yeah, I did acquire this. Or sometimes it's the inappropriate NAICS code assigned to a particular acquisition, or sometimes it's manual error.

When we do -- what I'll say is when we do identify specific contracts where there's potentially fraud, we always follow up with a size protest or a status protest because we as an agency can initiate one of those at any time.

With respect to subcontracting data, that's a
really important question. Oftentimes agencies will come to us and say why do I only get 10 percent credit on my scorecard for subcontracting? My answer is that we don't have the level of comfort and a level of accuracy in any subcontracting reporting systems that we have as a federal government to give you any more credit. We should be happy that you're getting 10 percent credit because ESRS is the system that's currently of record for subcontracting, but it's an internal system; and it's not transparent to the external world.

So whereas FPDS -- the reason we get hit on the head every year with Boeing or Rathion (phonetic), or so and so get a small business contract is because FPDS is entirely transparent. The public can go in there and look at everything. ESRS is not.

ESRS is also owned by GSA, and that is being incorporated into the next version of SAM, and FPDS rebuilt. We've been working on working groups with OFPP and OMB with respect to what the data requirements are around that, so that's an ongoing process. They are looking at swallowing or incorporating ESRS into
FPDS in year '16 to '17. It's a long process to make that happen.

But the other point that's also important is that NDAA '14 required us as a federal government to report not only on first tier subcontracting but lower tier subcontracting. So in moving forward with system revamps, the system has to acknowledge and build in those requirements.

I'll be quite honest. The challenge is what kind of reporting requirements are we going to be putting not only on the primes but on the subs, on the contracting officers. How can we capture this data and be able to report it accurately? At that point, I think if we have that transparency, if we have that reliability, I think that's a point where we can maybe give more credit to subcontracting data because it's publicly available information.

MS. CARSON: Thank you.

CHAIRMAN FIELDER: Thank you very much.

MR. SHORAKA: Yeah.

CHAIRMAN FIELDER: The mentor-protégé ruling, would you ensure that Barb gets that so that she can
distribute it to the committee?

MR. SHORAKA: Absolutely.

CHAIRMAN FIELDER: As quick as it goes to public hearing so that we can start working with the folks that we need to work with to get them excited about 60 days and making sure we get our comments in --

MR. SHORAKA: Sure.

CHAIRMAN FIELDER: -- and they're constructive and so on and so on.

MR. SHORAKA: Yep.

CHAIRMAN FIELDER: A bunch of people that spoke this morning have agreed, and I think every one of them is still in the room. So if you want to go one on one with questions and discussion, please do that. We're going to reconvene at 11:45. We're officially on a lunch break.

(Recess taken from 11:33 to 11:54 a.m.)

CHAIRMAN FIELDER: I apologize to everyone as we get back together. I had the schedule off a little bit. So we're going to get back on that schedule. I had failed to mention earlier, not showing on the agenda, the administrator is going to come down
and speak to us for about 10 minutes hopefully. So you might want to sort of prepare to ask questions.

MS. CARSON: I said I'm not sure she'll be able to stay for questions --

CHAIRMAN FIELDER: Okay.

MS. CARSON: -- but we will hope that she can.

CHAIRMAN FIELDER: Two o'clock. That's a first for the committee, so that's a major thing accomplished.

With that said, it is now Barb's turn.

MS. CARSON: Thank you very much.

CHAIRMAN FIELDER: Let's just say associate administrator. The acting part, we sort of figure it's --

MS. CARSON: Thank you for your --

SBA OFFICE OF VETERANS BUSINESS DEVELOPMENT

MS. CARSON: And I'm really happy to see some synergy between the Vet Force meeting yesterday, here we are in the advisory committee to see a flow through of information and sharing that's going on. So thank you. The community is large, but we're starting to commune in the same places, and it's helpful.
And tomorrow we follow the interagency task force where some of these concerns can be brought where action can be taken. It's not at SBA. Some of our concerns and the opportunities are in other agencies. So if you are available for that, that's from 9:00 to noon tomorrow as well. And it's, again, a public meeting. I'll make sure that we share that before the end of this meeting.

I wanted to give a couple of things about where we have been since our last meeting and where we're headed. Some exciting things that I'll start with, making sure we're getting outside the DC bubble. I had my small tantrum that I really do care deeply about federal procurement and the opportunities for veteran-owned businesses and service-disabled vets' procurement, but there's a big world out there beyond DC.

We have experienced this for ourselves at National Veteran Small Business Week, which took place the first week of November this past year. There was a presidential message establishing the week, and there were over 100 events held by district offices and our
resource officers all over the nation.

How many did we reach just with that district office lift? Seven thousand veterans had entrepreneurial training or a panel on lending procurement and general business development basics. We used some of our Boots to Business curriculum to provide some reboot classes, which are two days. Those were in five cities across the United States during that same time.

Here in DC we had Vets in Tech join us with Street Shares, and we had everything from Angel Investing Venture Capital, Standard Bank, SBA guaranteed lending and online lending platforms address veteran access to capital. That was lightly attended but hugely impactful, and it's something that we hope to replicate to get the word out about, you can get money out of a wide range of ways. It might cost you a lot if you're higher on the risk curb, but there are opportunities. So that was exciting.

Jaime Wood helped and VetFran right behind me. Miriam is here. And a suburb event with Marriott on supple chain diversity with a focus on bringing veteran
small businesses into the supply chain, and I think
there's an intersection there with federal procurement.

    We are most likely not going to see increasing
dollars in the procurement opportunities, federal.
Maybe I'm wrong, but that might be the way it's going
to go. And so we are, in several ways, messaging that
it's important to have some diversification if you can.
And a lot of the activities that make one business
successful at better procurement are going to help in
the commercial side, and so we are focusing a lot on
supply chain.

    And there is a lot of interest right now from
large companies that want to focus specifically on
veterans and spouse-owned business, veteran spouses
have, as Kathy knows, great desire to be self-employed.
There is a distinction between self-employed and the
business because there is that locational relationship that
happens as one follows a military spouse, and it is
hard to have a growing, thriving multi-person business.
But self-employment is absolutely an opportunity that
we want to encourage through our policies, through our
lending. So you'll hear more from me on that in the
coming year as well.

Back to National Vet Small Business Week. I just talked about supply chain and the 7,000 we reached through outreach events. There is a model that we are bringing together with DOD, or trying to support what they are doing, and it's called Skill Bridge. It is, 180 days out from separation, a military member can go to an apprenticeship or training program if it's low cost or free that's likely to lead to employment.

We saw a potential model for this at the opening of Dog Tag Bakery, which his in Georgetown. It's a program that takes active duty folks and spouses and puts them through a training to either work in a bakery or own their own bakery. It is now -- just had its grand opening, and I encourage you to check that out, but that's another exciting opportunity for how the Department of Defense is realizing -- they care a lot about what happens to a service member and their family after they leave.

Not only are there some fiscal realities, they pay the unemployment bill if that person goes on the rolls, and 48 percent of people do have a break in
employment when they leave the service. I'm not
talking about just enlisted or officers. That's
everyone. And that they have great interest in
resolving, not just for the immediate, but for the
long-term.

And we do feel that we have a part in that, so
labor is also working with us more strongly. We did
some partnering with them right after National Vet
Small Business Week, and you'll see more of this
happen.

And I heard, well, is that really in SBA's
wheelhouse? Well, I do think it is because labor is
stepping up their messaging and saying that they are
the HR for small business. Those American job centers
are more focused now on what they can do for small
businesses. Many small business owners, especially vet
ones, want to hire more vets. So we're looking for
those synergies there to bring the actions of the
federal government together.

Coming next year at National Vet Small
Business Week, many of you went to the event that was
in Atlanta that was hosted by the DA, the National
Veterans Small Business Enterprise Engagement Conference. We're going to change the name of it, first of all. I got to say that.

We want to help them make it more meaningful. So we are looking for feedback on that, and so is Tom Leney at VA. So please let us know, the earlier the better. I'm talking January, not next December. That would be helpful. And expect to see that event happen the first week in November, and it will be linked with National Veteran Small Business Week.

MR. BOWES: Are you going to have input into that event?

MS. CARSON: Yes, sir.

MR. BOWES: Good.

MS. CARSON: All of us will.

MR. BOWES: Good.

MR. WEIDMAN: Pardon me. May I?

MS. CARSON: Yes.

MR. WEIDMAN: Is the veterans' community going to have input to that event?

MS. CARSON: I'm offering a way through us to have input into that, and I suggest when Mr. Leney is
here that could be a topic that we discuss, a little bit of feedback on what that was and what it can be.

MR. WEIDMAN: Okay. Thank you.

CHAIRMAN FIELDER: For those that attended the event, within the last 24 hours you got the post-event survey.

MS. CARSON: There we go.

CHAIRMAN FIELDER: I strongly recommend that, that would be an appropriate place to vent whatever dissatisfaction that I heard yesterday in some of those forums.

MS. CARSON: One more thing on where we've been, and then I'm going to turn to what's right in front of us.

Jaime took the lead in working with USDA -- Jaime Wood here -- and went to the very first Farmer/Veteran Coalition Summit Stakeholder Conference out in Drake, and there are so many opportunities available. And it's very appealing to veterans to work the land. A great number of veterans have come from those rural places in America. Some call them the flyover states. That's where -- Middle America is
where a lot of vets are going to go home to, and
agriculture and the incentives that are available there
in support are -- they're exploding. And SBA does have
a rule in our business development, training, and
entrepreneurial learning that we can provide.

So I'm excited about where we will be
supporting USDA, who has money, grants, to give these
vet farmers and some of the programs that are emerging
there. I'll give you a brief at our next meeting.

MR. WHITE: I'm sorry, Barbara.

MS. CARSON: Yeah.

MR. WHITE: Are there any kind of numbers
about, like I hear a lot of vets want to go into
farming. Is that 12 or 12 million?

MS. CARSON: Tomorrow at the interagency task
force, we will have a rep from USDA briefing. So I
don't have his brief with me, but, Jaime, can we please
add that to the presentation that I ship to everybody
who puts their email address down. That will be
something that's added, even though they weren't
present today.

MS. WOOD: Well, we are -- if you don't
mind --

MS. CARSON: Sure.

MS. WOOD: -- just a caveat. What we are seeing -- and I don’t know if they have the numbers because this was the first conference that they had, and the stakeholders there were vets that are already in the farming realm. Some of them are service-disabled, missing limbs, but their equipment has been augmented where they can still be lifted up into a combine; or they can still go work sheep and cattle.

MR. WHITE: Right.

MS. WOOD: I mean, so -- and there were VA representatives that are in the -- you know, the medical part of it, you know, from psychological to the actual physical medical doctors. There were farmer entrepreneurs who were not veterans that were there.

And so this whole community -- and our agency was there. This whole community of about 200 people, and so they've had such strong feedback. They're anticipating about 1,000 for next year. This was in Des Moines at Drake University.

And so this is through the Farmers Coalition,
which is a nonprofit for farming, and so this coalition of healing, they're finding that veterans are realizing that they just feel better, you know. It could be from PTSD or just physical ailments from the war because this is the longest period of time that America has ever been at war, and with good medicine, battlefield medicine, there's more soldiers coming home, sailors and whatnot, service members.

So food security is actually the hook of this. Average age of the national farmer is about 58 years old and some states it's 65 or older, and there's not a generation coming back in to replace it. So the veterans are a natural fit for this. Have to be a type A. Have to be able to, you know, get after it on your own basically, and there's a human making them feel better being with the Earth. So it's really exciting what's happening, and we look forward to tomorrow's brief with USDA. If you can make it, you're welcome to attend.

MS. CARSON: All right. And now looking forward, what's right in front of us and consuming my thoughts, and I hope it will yours, so that you can get
the word out - Veteran Business Outreach Centers.

As you know, there are 15, and 14 of those are re-competing. I expect to have the program announcement out in the next two weeks or so. No matter when it is released, it will be -- the final date for application will be February 12th.

What we are looking for is a standard of excellence that they will know all about because we'll train them on the core competencies of SBA, the resources we provide, and they will be integrated with the other resource partners and the district offices.

What we're looking for in our criteria is something beyond that as well, and that is specialized skill in one of the three core competencies, access to capital, federal procurement, or education and training. And what I think they need to demonstrate is that they are already a part of an ecosystem that makes them a multi-value organization, and I expect to see reciprocity of service or in kind donations from another organization that will make this successful.

The grant size will -- you may have seen the omnibus, and as soon as it's signed, you can be sure
that this will happen. But the money allotted to VBOC has gone from 2.5 million to 3 million this year in fiscal '15. VBOC, by statute, does have a role in the transitioning veteran population and services provided there. So we have cleared through our legal that they can be funded also through Boots to Business, and you'll see a larger leadership role for the Veteran Business Outreach Centers and Boots to Business going forward.

So to be clear though, when I say that I want to see that they're part of an ecosystem, that doesn't mean that matching funds are required. We do, in Veteran Business Development have the broadest grant authority within the agency. Match has been challenging when strictly defined for some other resource partners, and so it will show in the selection criteria. But I'm not demanding an exact match because that is a very closed door on what that means and what the limits are.

In a move to lending and what Annmarie and Linda shared with us today, I am so grateful they came, and honestly I'm more grateful for the attention
they've given us because there's been a disconnect. We absolutely have a role in communicating what's available, but we sometimes have been behind as being a part of the conversations when the decisions are made about what should be available. And these are challenges that need to be addressed.

So here are a few, and perhaps you will have some idea of how to resolve them. For one, as was mentioned this morning, it's optional. You don't have to say that you're a veteran. So I'm having trouble assessing what is the demand for our problem anyway. If you're a vet and you didn't even -- you chose to use a different SBA product, and you didn't have to say you were a veteran to get it, were you serviced somewhere else successfully? What's the communication between traditional lenders and SBA so that I can see?

We're just a small sliver. We're not right for everybody. So is it good that numbers are coming down on SBA guaranteed loans because they're more successful in the traditional banks. I'm thinking probably not, but I don't have the research to tell me that. Building through Cap Access, the relationships
where I can talk to the trade associations and say what
can you share with us; what do you think we could be
doing. And I'm already getting a response that is it's
nice that you have reduced the borrower fee, but you
really need to look at the other side.

So Annmarie has seen this. They've done some
number crunching. I think they were not surprised
because they knew it in the back of their head, but
they've turned their attention to why does the chart
look different for veterans this way going down versus
the rest of SBA lending going up. We have their
attention. So, please, if you have input on where I
can be looking for better information and the
experience that you've had, that would be helpful.

I do want to clarify what she spoke of in
fiscal '15 when someone asked about the guarantee -- I
believe it was you -- for the express program. It's
only 50 percent, and that we have in this group. We've
discussed this, and I know Rick was in on this
discussion too.

When we had Patriot Express, which is a pilot
program, it wasn't successful in its sunset. The
guarantee was 85 percent. There is some activity that's going to change when you lower the guarantee rate to 50 percent. About 350K up to 5 million, which we have, those guarantee rates do vary, and a veteran has a chance to get up to 85 percent in those portfolios. But in the smaller dollar loans where it's already risky, we lost some guarantee. So that's something that I may not be able to touch myself, but I hope to bring enough pressure to bear where I can to relook that.

I think that's my update from Veteran Business Development, but if you have questions for me; or if you think that there's something that we should be focused on for action in '15, we'd really love your feedback now or at any time.

MR. WHITE: One thing I suggest, like when you were saying the session was not well-attended but a good session on the access to capital and different things. If that was videotaped, it could then be made available to -- you know, now we can hear about it. I would say, oh, I'll go look at it now.

MS. CARSON: Mm-hmm. I will talk to Vets in
Tech because we are going to do it again, and we will partner with them to see if we can get the resources. That's the other thing. Our shoestring budget for -- but that's a great idea.

MR. AUMENT: Barb, did you say that the guarantee was reduced to 50 percent, or has it always been that, the 50 percent level for the smaller loans?

MS. CARSON: We have an apple and an orange. So there was a program, which was the Patriot Express, which offered veterans an 85 percent.

MR. AUMENT: Mm-hmm.

MS. CARSON: And now we don't have a program. We have a fee reduction to zero.

MR. AUMENT: But the guarantee level though, you say that came down to 50 percent?

MS. CARSON: In line with the rest of the Express program.

MR. AUMENT: And when did that happen?


MR. AUMENT: Because I was just curious if there was any correlation to the reduction, the numbers that we had seen.
MS. CARSON: No. The numbers were still coming the wrong direction.

MR. AUMENT: Trending that way?

MS. CARSON: That's right.

MR. BAILEY: I have a comment, Barbara, to some of the things that you had stated. And I love your energy, and I'm glad Craig is here as well. I guess for me, where I have a hard time with the access to capital, I believe the challenges are for most -- what I call the (inaudible) entrepreneurs. These are the folks who are in the two years of present going into the marketplace. Some of the challenges I have experienced and plus witnessed is really on the cash flow literacy issue.

MS. CARSON: Mm-hmm.

MR. BAILEY: It's really understanding what you're going in there asking for and being prepared. I think being that some of the programs from EBB, VIP, and others boost the business. If the focus was more on the access to capital literacy, if there was a program specifically targeted at how to position it better and be successful in preparing yourself to go in
and engage with lenders, I think it will lend itself to a better outcome in the long run, and then having those programs already established would help.

MS. CARSON: Exactly. Okay. I know you have more than one comment. So --

MR. BAILEY: No, no. I'm good.

MS. CARSON: And I just realized that I completely left out Boots to Business, which we have big developments and changes in. So I want Craig to come up in a moment.

I'll make one comment on cash flow literacy. We do have an opportunity with DOD that I don't want to miss, and that's while they talk about the military lifecycle now --

MR. BAILEY: Yeah.

MS. CARSON: -- they're not just going to wait until somebody is walking out the door and say, here's your package. Hope you do well. Good luck.

MR. BAILEY: Right.

MS. CARSON: They are now saying from day one, every time you're promoted, have a child added, or a wife added, or you move, you'll be called in for
counseling, you know, that relates to where that milestone has just taken you, and talking about finances is one of them. I can't do the lift yet to say business finance is something I can get in there, but that is something that we're trying to encourage.

MR. BAILEY: I understand, yeah. But what I'm offering is, is that in these programs, not only the business credit, which is really a personal credit when you're starting out. So gauging that and understand the importance of having your own personal credit line gives you a better foothold, and I believe those programs really are -- to me, the nucleus of where that should be really emphasized.

MS. CARSON: Do you mind if I pause here for Boots to Business, or do you want to --


BOOTS TO BUSINESS

MR. HEILMAN: Hi. Good morning, everybody, Craig Heilman. As Barb mentioned, I'm program director, and Boots to Business falls under me. And I've had the opportunity to brief this group before in the past, and so I'll just give you a brief update.
But I will start with Robert's question and talk to the financial literacy part and, specifically, what is in the curriculum that kind of gets at the new entrepreneur that needs to come and pitch someone, some investor and be able to speak to their cash flow and other elements of the financials in a way that's going to compel that investor --

MR. BAILEY: Right.

MR. HEILMAN: -- and certainly understand that the day-to-day business operational experience in some cases, particularly for our transition veterans, might not be there. They might not speak that language.

So I just want to highlight on the Boots to Business, and our team from Syracuse is here, Dan Cohen, and Mike Schenic (phonetic), and Laura Rachel (phonetic), and Clyde that they are here. We went through a whole yearlong process bringing in Boots to Business instructors to look at the curriculum that we're offering, and that was the biggest change that we made to the two-day piece of it. And the two-day piece of it is the introductory piece, is entrepreneurship right for me; is business ownership right for me. So
we are focused on that, primarily just that basic life
decision. But in the part of it that is the basics
business education, you know, leading into any follow-
on training to really go after the business plan and
the rest, that was the biggest change was adding in
more of the basic P&L, more focus on the income
statement.

MR. BAILEY: Right.

MR. HEILMAN: So I appreciate that comment.

Otherwise, with respect to Boots to Business,
most of '14 was doing -- our theme was kind of startup
to scale up, but a lot of that work was taking all the
-- you know, the startup piece, everybody knows you got
some initiative, and a few people, and a lot of
innovation. And that brought us Boots to Business, and
now it's all the fun stuff, process, and procedures,
and more people.

And so we spent a lot of time working on the
operations aspect of it. Going global, so we're real
excited to get overseas, and we've now -- geez, I've
lost count on how many countries -- we're everywhere.
And really it's been well-received, and average class
size is higher overseas than it is in the US, the overall community engagement, spouses. You know, as you can imagine, it's a little tighter over there in terms of taking advantage, and they're thrilled to be able to not be shorted some of the opportunity that the folks get through transition here. So we went overseas. It was a big deal in fiscal year '14. The numbers continue to grow. We were just about at 15,000 for total that went through the two-day program in fiscal '14. Fiscal '13 was somewhere around 6,000, and we didn't start until January. So it's not a true comparison, but we do continue to grow. We're grateful to Congress and the administration for resources us. When the (inaudible) was signed out yesterday, we got our full budget plus a little bit, and we're using that money, again, to work on our operations, to fund the partners that are helping us. I won't call out some of the other parts of TAP that don't have our model where we're able to utilize our partners in the nonprofit center out there, but the difference in terms of what it costs the
taxpayer is great; and I'm glad to be able to have that comparison, if it ever comes up, what a value this is to the taxpayer.

So shoring that up but making sure the partners do get reimbursed for their time and their travel, and we're able to sustain that, adding to the VBOC and helping them be the integrators of all of this in places where we might be light on other support.

The district offices are thin. The VBOC are able to come in and really make sure that all the demand is met as well as help train and promulgate best practices.

So we're focusing on that.

And then the other piece is going to be (inaudible), you know. We've got the model. We're getting the product out the door consistency and the quality. It's about making sure that everybody knows and that the outreach is there; and so a lot of focus on the outreach.

And then coming to the most important element of all, which is the outcomes. And so starting to do the work on survey and our first couple cohorts to come through to see what our business formation rate is, and
some of that -- you know, everything comes back to being an IT problem sometimes it seems like, but some of that is tying all of our systems together.

So Barb had mentioned and we talked about it at the Capital, you know, checking a box to say that I was a veteran. Same thing, checking a box to say that I started thinking about this in Boots to Business. My initial training came from Boots to Business, and now I'm at Syracuse or one of the partner schools doing eight-week follow-along training; or I'm at school, or I just got a mentor. Robert is mentoring. However it is that, that veteran is continuing in the process that we're able to account for that, find them, and see how they've done, and build on the program from there.

So those are the three areas we're really engaged in. We're excited the program is continuing to grow. We're thrilled about the support that we get from everyone, including our agency partners and DOD. That's been a great journey for us as we've gotten really engaged in a big robust interagency process. They keep laughing when, you know, two of us show up on every committee because DOD loves to have lots of
committees and lots of governance, and we're not that many people. So we're on every committee, but we've been able to really -- they've really lifted us up in terms of -- you know, by being able to report through the interagency and leverage some of what the other agencies are doing. It's helped us grow faster. So we're glad about that.

So that's it from Boots to Business, and thank you. It's great to see this committee has grown, and I really appreciate the support that you give us because we can't do it in a vacuum here.

MS. CARSON: I'll turn it back over to you, Chair. Public comment, questions.

CHAIRMAN FIELDER: Public comment. And we're going to open it up to public comment. Those that are on the sides here, if you want to --

MR. WHITE: Before you do that, I just want to thank Craig and all the partners. You guys have done a great job on this thing, and it's -- you know, if you're talking to him, you turn around, sit down, and do what he says. But between Syracuse, and you guys, and all the things you're doing, and VetFran, I mean, I
just think things are happening and coming together
that make me feel good about being involved.

MR. BAILEY: And you make a good point. And,
Craig, I mean, I've been to Syracuse VIP, a number of
programs under Craig's, you know, guidance there, and I
like that energy. He and I were having a sidebar
trying to discuss ways of how to show that linkage for
growth progression. So when you graduate from one
program, how do you go in? More importantly, you have
veterans that are falling out.

MR. HEILMAN: Sure.

MR. BAILEY: So the question is how do you
capture those ones who are challenged?

I traveled actually out West about a month
ago. It was one little business that went through one
of the programs, leave nameless, but then she was
disenfranchised because she wasn't able to get the
government procurement. She put her -- you know, she
took the challenge. She went out there, but, you know,
it took some tweaking and some (inaudible).

So I'm working with her on the side, but more
importantly, she wasn't -- she was overwhelmed with the
amount of resources that are out there and didn't know how to parse away what's really important for me right now, the here now, to survive. But referring her back to those programs, look at your guides, you know, some help that I gave her, she's doing much better.

So, you know, my concern is just the ones who are really going out there that are falling off, and the ones that are in between trying to start a business in the medical centers. That's something that we can't solve here, but it's something to consider because they get frustrated. And how do you really keep that enthusiasm involved? And I think working with the programs that Craig has is very important.

MS. ROTH-DOUQUET: Craig, Kathy, Roth-Douquet, with Blue Star Families. We are big fans and love partnering with you all. How many military spouses have gone through the program?

MR. HEILMAN: We're 22 percent female. Not everybody reports accurately on spouse. You know, sometimes the spouse will come in and just, you know, check the rank box for their significant other. Sometimes they won't report at all. We don't mandate
that they report on the demographics.

But between 22 and 25 percent female depending on, you know, the quarter. So in total we're just under 20,000 total. So a quarter of that would that be your total kind of spouse/other category, and we're thrilled by that just because we know the services are 12 to 13 percent female. So we've got more --

MS. ROTH-DOUQUET: But you don't specifically target if someone is a spouse?

MR. HEILMAN: Well, we do specifically target in terms of they are eligible to receive the --

MS. ROTH-DOUQUET: But you can't tell if that's what they are, if they're a spouse?

MR. HEILMAN: Well, we can if they check spouse. We --

MS. ROTH-DOUQUET: Separate from being female?

MR. HEILMAN: Separate from being a dependent or -- dependent is what they would check.

MS. ROTH-DOUQUET: Yeah.

MR. HEILMAN: So, no, I don't have that specific.

MS. ROTH-DOUQUET: But all female veterans and
all female spouse.

MR. HEILMAN: Right. That's assuming spouse/female, which is a reasonable assumption but not an accurate -- but not an accurate assumption.

MS. ROTH-DOUQUET: So how many are dependents?

Let me ask you that.

MR. HEILMAN: I'll have to check.

MS. ROTH-DOUQUET: Okay.

MR. HEILMAN: I'll have to check because it's open to spouses but not dependents right now. The transition services are open to spouses but not dependents, so we don't track that.

MS. ROTH-DOUQUET: So a spouse is a dependent. I don't like that term. But that's what they're considered for DOD?

MR. HEILMAN: Well, I don't -- they're not --

MS. ROTH-DOUQUET: I wish I wasn't, but I'm a dependent as far as the DOD is concerned.

MR. HEILMAN: Right.

MS. ROTH-DOUQUET: Right. And, you know, 10 percent of military spouses are male, and I think they're great -- they don't target to attend this. We
certainly want to help you work on getting the number of spouses up, but it would be great to know what the number was separate from the number of females because a certain percentage of females aren't military spouses.

MR. HEILMAN: Understood, understood.

MS. ROTH-DOUQUET: Yeah. So I don't know if you have the ability to track that number, and if you do, I'd be interested in it.

MR. HEILMAN: We do as we work through changing the way that the registration and the front end demographic collection works. We were kind of beholden to the way that it had worked in legacy, as you refer to, and so we'll make sure that, that is reflected accurate. I'm pretty sure that it is in terms of what we've done with the registration, but I'll check it.

MS. ROTH-DOUQUET: And I think it's also true that often true that often military spouses are trying to hide that, that's what they are because they think they won't be as welcome. So I think that's an issue
just to be aware of.

MR. HEILMAN: Yeah. I mean, I can say that we certainly made a conscious decision to open it to spouses and not dependents and are saying spouses. What I can't speak to from the DOD perspective is whether that's totally reflected in everything that they're tracking outside of what we're doing as SBA. So that's a very good point.

MS. ROTH-DOUQUET: Yeah. Thanks.

CHAIRMAN FIELDER: Other questions?

MS. BREWER: Not a question, just a comment.

MS. CARSON: Can you come up to the microphone please?

CHAIRMAN FIELDER: So we're going to go officially to the public comment period, all right.

MS. CARSON: Okay.

CHAIRMAN FIELDER: Okay. Let's do that.

PUBLIC COMMENT

MS. BREWER: Good afternoon, I'm Miriam Brewer. I'm with the International Franchise Association. I actually don't run the VetFran program. That program actually -- we are in the process of
looking for another coordinator, so I was just trying to make a plea. If you know of individuals that -- and we would prefer to have a veteran in that position that would fit that role. We certainly would love to hear from you.

As you're aware, the -- I'm going to assume you're aware -- the VetFran program has been in existence since Desert Storm, and we are proud that we have over 650 of our franchise member companies involved in the VetFran program, offering discounts to qualified veterans to become franchise owners and their spouses. And since 2001, 5,100 veterans have become business owners. So -- and over 151,000 have become business owners and/or employees of franchises.

So again, I'm thankful for being here. I'm not representing the program, but we are looking for a VetFran coordinator. And I would love, if you have individuals that you think may work, please give me a call, or I can give you my card because we hope to have someone in place before the end of next month. So it's going to be a quick turnaround.

MS. CARSON: Do you have a position
description?

MS. BREWER: Yes. I can certainly email that to you because I can't elaborate off the top of my head, but I will certainly email that out to all of you.

MR. O'FARRELL: And just for the record, what is your position?

MS. BREWER: My position, I'm Senior Director of Education and Diversity.

MR. O'FARRELL: Okay.

MS. BREWER: So my role is to educate the general community about what opportunities exist in franchising. So whether it's women, minorities, just diverse communities about opportunities or franchising. I work with our members. I work with mayors, members of Congress to do educational programs in their cities.

I also work with our member companies that somehow say that, you know, we would love to have more diverse people in franchise, and we don't know where to find them. I help them find them, and so that's my role in, again, education and diversity.

MR. O'FARRELL: Thank you.
MR. MUELLER: And I'm assuming the position is here in the DC area?

MS. BREWER: Yes, it is. And our office just moved right before Labor Day. We're located at 1900 K Street Northwest.

MR. WHITE: Kevin Valantra (phonetic) is not involved anymore?

MS. BREWER: No. Kevin left two weeks ago to explore other opportunities.

MR. WHITE: Okay.

MS. BREWER: Thank you.

MS. CARSON: Thank you.

CHAIRMAN FIELDER: Are there other comment?

MR. WEIDMAN: Thank you for the opportunity. I mentioned before that it literally is 15 years and 4 months to the day since 106-50 was enacted. So a lot of the things that we're still talking about really revolve around -- and all of the subsequent laws and executive orders -- all were trying to get 106-50 implemented correctly across the government. And we needed the electoral definition and creation of STBOBs and BOSBs, which we had never had before in order to
start to do anything.

But I guess what I'm trying to push is a sense of urgency. This administration has two years left. Effectively they've got between now and next December, a year from now, so that your work and pushing the interagency task force to get revitalized -- They haven't delivered a report. There was one due September 30th in 2013, and there was one due September 30th in 2014 and neither one has come through. Unofficially I have heard, that the problem is VA. So you may want to ask Mr. Leney if he has fulfilled his part in that report, but in any case, it needs to go to the president.

If you don't get that through and on the radar of the domestic policy council literally within the next three to five months, you're never going to get anything implemented in the rest of this administration, which means you start all over again in January 1, 2017.

So it is that sense of urgency that I press on you. If you have a contact list, Ed, particularly with emails, I'd be glad to make sure that everybody gets
the minutes of Vet Force, and if there's things that you think that we need to address with a broader community, by all means any of you, just contact myself or Joe anytime, Joe Wynn. I know we have that sense of urgency and are really going to press on the new Congress.

It's always a mix. We work both sides of the aisle no matter what the issue, both VVA and Vet Force. I will tell you it's been -- we've gotten more done for small business when the Republicans have controlled the House, and that's largely because of the individual who is now the ranking Democrat on that committee. And that's not an ad hominem argument. It's a fact. You can go look it up, and we'll point you to the places you need to go.

But I will say that in terms of education of yourselves, I would encourage you to go back and read all of the laws, and certainly Barbara can provide that to you, plus both of the executive orders, as well as the presidential letters having to do with veteran small business.

And most importantly to go back and read the
committee report for 106-50. It's well written. It's a fairly long document for a committee report and was accepted when it went to conference, the bill, as the conference report by those in the Senate. And it explicates everything that we're talking about now, about the way in which they envisioned the law to work. So when people say, well, you know, this, that, and the other thing, it's not reasonable that after 15 years they can't even start to measure subcontracting. I mean, it's just dereliction of duty. That's not Barbara. It's above her pay grade, but the point is this: nobody has put the pressure on the head of this agency or on OMB.

And you all are perfectly situated in order to do that. I can tell you that Vet Force is going to start to do that big time in the coming Congress and hitting the vested policy council and the White House directly all the way up to Dennis McDonough, who is a veteran and should be placing more emphasis on this. So that's my pitch. That's my plea to you all is to acquire that sense of urgency even more than you have now, and I'm hopeful -- I know VVA does, and I
suspect Allegiant will, but we need to motivate all the
VSOs to start to have that sense of urgency because if
you want to do something about veteran employment among
the young people coming home, it's useful to remember
that 40 percent of those on active duty today come from
towns of 25,000 or less. Think about that a minute.
That's the most rural Army we've fielded since World
War I.

MS. CARSON: Can you say that again?
MR. WEIDMAN: Sorry?
MS. CARSON: Say that statistic again.
MR. WEIDMAN: I'll say it again, 40 percent of
those on active duty roughly -- it varies a little bit
because Guard and Reserve are now fulfilling over 50
percent of those on active duty -- come from towns of
25,000 or less.

What that means is when people separate, and
the majority are the junior enlisted and in some cases
the company-grade officers, many of them are going to
want to go home because that's where their family is.
That's where all their ties are. Well, when they go
home, they're not going to want to be slinging grain
sacks down at the ag way. So self-employment and micro business is really essential for that group, not just for the numbers for small business opening up; but that creates jobs, and they'll hire other veterans. And it is the job creation for veterans, and particularly disabled vets and recently separated vets that from our point of view at VVA and at Vet Force has always been the strongest motivation.

So I'm just kicking that out to you all.

Thank you.

CHAIRMAN FIELDER: Thanks, Rick.

Mr. Bowes?

MR. BOWES: Yes, sir. I just wanted to add something to the previous statement on 106-50, and I wanted this gentleman that made the comment to know that based on my previous discussion with Ms. Carson, Mr. George Johnson of Netherwood Consulting Group, we did a review of the veterans and service-disabled veteran-owned business statistics for the SBA scorecard.

And when we had an opportunity to take a look at that, we were concerned about the methodology. Mr.
Johnson took my statement. I said, George, look, something is wrong with these statistics because all these agencies have As for small business, but if you look at the veteran-owned businesses and the service-disabled businesses, they're getting failing grades. You can't get an A with a failing grade in veterans and service-disabled veteran-owned businesses.

By example, if you have $100 million contract and you have a $30 million requirement, you may meet the $30 million requirement for small business, but in terms of vets and service-disabled, you may have a zero or you may have 12 or 18 percent. So instead of me going through all the statistics, I'm just going to take one agency, Ms. Carson, if you don't mind.

MS. CARSON: I would --

MR. BOWES: Well, it's public information.

All right. It's public information.

And this refers, sir, to your statement. In this example, the Department of Education got an A in its scorecard, and it's -- you know, it's public. But in veteran-owned business, out of a score of 100 for prime contracted, they got 28 percent. I don't know
what school you guys went to, but where I went to, if you got a 28 percent and took that report card home, I'd have got a belt. Okay. You can't get an A with a 28.

In terms of subcontracting, which has been my sensitivity since we did 95507 and tried to work with dealing with prime contractors, they got 16.67 percent. Now, how does that relate to loss of economic opportunity? In the first instance is 56.57 million. In the second instance, based on overall budget of Department of Education of 2.6 billion, that's $65.48 million. That's over $110 million right there. You can't get an A in not doing what you're supposed to do for the veterans.

The good news is, Ms. Carson and Mr. Chairman, the gentleman that gave the presentation of government contracting, I had a talk with him during the break. And he said, Mr. Bowes, I understand your concern. I said, yeah, because we have to sit down and deal with this methodology. He wants to have a meeting, and Ms. Carson, I hope you can make that meeting with us. So I just want to let you know.
And, sir, I agree with you 100 percent, but I'm going to end it saying you can't make an A without having good grades in veterans contracting. Thank you.

MR. BAILEY: What's the date of your information, your data?

MR. BOWES: This is current. All this is -- I mean, it's published.

MR. BAILEY: I just wanted the date, this year --

MR. BOWES: Yeah.

MR. BAILEY: -- the fiscal year '14 or '13?

MR. BOWES: But I went to SBA and just pulled it.


MR. BAILEY: '13. Okay. I'm just trying --

MR. BOWES: The one that's most recent at SBA, but I think it's '13.

MR. BAILEY: Since the data is older, I just want to make sure, for the record, we put a date stamp on the date.

MR. BOWES: Yeah. It's the most recent data published by SBA --
MR. BAILEY: Okay.

MR. BOWES: -- on their site.

MR. BAILEY: All right.

MR. BOWES: But you understand the concern?

MR. BAILEY: I understand. I just wanted to make sure the date is stated. That's all.

MR. BOWES: Yeah.

MR. WEIDMAN: It's FY 2013, and FY 2014 is not due until the end of January.

MR. BAILEY: Thank you, Rick. That's all. I just wanted to --

MR. BOWES: That subcontracting is a very sensitive area among these guys. I've been involved in small business for a long time, and I'm glad you're pushing that, sir. I appreciate it. 106-50.

MR. BAILEY: Got it.

MR. BOWES: Thank you, Mr. Chairman.

CHAIRMAN FIELDER: Barbara, could I ask you to do something? It's something that Rick talked about. When I first joined the committee, all of the laws and executive orders to do with, not only this committee but the task force, we were all given them. And up
until the last group of folks that joined us, I kind of
campioned getting that information to everyone.

MS. CARSON: Absolutely.

CHAIRMAN FIELDER: But in addition to that, the full -- I do not have this -- the full 106-50 law
for education, as Rick wisely told us, if we could get
those. I think it's essentially five to six documents.

MS. CARSON: Okay, sure. I think we also need
to make those more easily accessible on our
SBA.gov/veterans. That would be a lot better than
taking on the responsibility to make sure everybody
gets emailed. We will do that, but for those who
aren't here, we need to get it there on the website.

So I'll follow up with you on that link.

CHAIRMAN FIELDER: Because what I'd like to
do, at least for the education process of the new
members -- actually, I need to more fully, Rick,
explore 106-50, as it leads to a larger part of this.

MR. WEIDMAN: We'll get you the committee
report.

CHAIRMAN FIELDER: Yeah. And any time any
other veteran support organization wants to send the
committee its meetings, if you want to send it to me personally, I will distribute it to the other committee members.

Any other public comment?

(No response.)

Okay. Lunch, this time it's the right lunch.

MS. CARSON: And we are going to be in place at 2 o'clock for Administrator Contreras-Sweet?

CHAIRMAN FIELDER: Please, please. In fact, be back here 15 minutes early so we can make sure that we got our act together.

MS. CARSON: Thank you.

(A lunch recess was taken from 12:45 p.m. to 2:02 p.m.)
CHAIRMAN FIELDER: Okay. Guys, we're going to go ahead and get started. The administrator is delayed. She'll be here in 15 minutes, so we're going to move to Tom and get started. Tom is going to be watching the door, and he's going to sound the trumpet.

Tom Leney is the Executive Director of the Office of Veterans and Small Business Programs at the VA. He had a huge conference last week. We were just chatting about it in (inaudible), which I thought was very good. It seems to kind of get bigger and better every year, even though some picking will find little things to take and quirk about. But I'd like to congratulate him for that.

MR. LENEY: Thank you.

CHAIRMAN FIELDER: And I've asked him to come and talk about the verification programs and what's going on with them and sort of give us an overview of his larger programs, and he has gracious agreed to do that.

So he's going to get started, and as soon as the administrator comes through the door, he's going to
go. I'm out, and we're going to do that. And then
we're going to get back on him.

MR. LENEY: Okay.

VA OFFICE OF VETERANS AND SMALL BUSINESS PROGRAMS

MR. LENEY: Thank you for inviting me. It's a
good opportunity to give you guys a little bit of an
update. I want to give you an overview and then take
any questions you have.

Verification has changed a lot in the last two
years, and a lot of people have a challenge sort of
keeping up to where we are now versus where we were two
years ago. Two years ago the (inaudible). Now what
you find is -- for example, in 2012, the average
initial application time was 110 days. The target was
60. The application time is now under 40, okay.
Request for reconsideration time two years ago was 120
days. Now it's about 21 days.

We extended the verification period. We now
have instituted a very, I think, valuable and effective
program that's called predetermination and findings.
What we do is we evaluate a package. We establish some
findings, and we notify the vet and say, hey, here's
what we found. You got a couple of choices. You can
fix what we found. You can walk away, or we will
continue to move forward to determination.

The result of that approach is now we do
approvals on about 93 percent of all of our initial
applications, and the other 7 percent, interesting
enough, is largely people who, for whatever reason,
internal reasons in the company, can't make a change to
their business model.

As has historically been the case, the biggest
challenge to vets being verified in this program is
business model. The business model is defined by the
valuation.

So where we're at right now is a lot of people
-- the process is still rigorous. The standards are
still high, but people's main concern right now is the
rules. They don't like the rules.

We have initiated a rule change process, which
is a very long and laborious process. It is now going
through the final wickets at the VA. Our effort is to
make the rule a little more consistent with what we
call normal business practices.
But there's a really important thing for everybody to understand about the rules. There's a giant myth out there. There's a myth that the VA created rule, special rule for the Vets First Program, and that, that rule is onerous, inappropriate, and compared to the SBA rule, is much more laborious. That's a myth. It's absolutely a myth. The two regulations are essentially the same.

There's a couple legislative differences. For example, we allow the spouse of a 100 percent disabled veteran who died as a result of the disability to retain control of the company. The SBA doesn't allow it.

The only other one is we have a difference in what I call split voting -- and that's something that we're fixing in our rule change -- which is in the VA regulation, if you have three people on the board, two are vets, one is a non-vet. Our Office of General Counsel said if you have a vet and a non-vet gang up on a vet, that's not eligible.

Frankly, I'll be honest with you, it doesn't pass the common sense test because now add people to
the board. If you have 100 vets on the board and 1 non-vet, the problem with our rule is if you have 50 vets plus a non-vet that can outvote 50 vets, not eligible. So essentially what it means is boards end up being advisory organizations.

So that's probably in my mind the biggest single difference between the SBA and the VA, one difference. But again, there's this myth out there. We're all for having -- we have no objection to adopting the SBA's rule. We think the SBA rule and the current VA rule is still a little onerous, so we're going to a rule change to make the rule, like I said, a little more consistent with common business practices. That will cause the two regulations to diverge.

If there's legislation or if we're able to reach an agreement with the SBA, that's fine. If not, we're going to push ahead because our view is we want to make this regulation a little more amenable to businesses.

So major changes in process. We're anticipating some changes in the rule here, but to be honest with you, it's going to take another either
months to get through that process. We've done a lot of work on sort of our customer service side. My central focus right now is improving the customer experience, and one of our challenges is we approached this sort of like an assembly. When you're at 110 days to get initial approves and 120 days on requests for reconsideration, and you've got a huge backlog, what do you do? You make sure you can turn the crank and get people through the process. Now that's not an issue.

So once we got that, we eliminated the backlog. That's when we started the predetermination findings program, and now what we're looking to do is how do we improve the customer experience.

We have some challenges. One of our major challenges is still with our management information system. It is what it is. We've made some steps to improve it, but that's a contracting issue. We led a contract. It turned out not to be successful and we had to terminate it. Now we're letting another contract. Do I like that? Heck no. Is it a reality in the procurement process? Yes.
So what do we do when a contract doesn't work? You terminate it, and you do it over again. And that's where we are right now.

I think once we get a new management information system in place that actually supports the process, the customer experience will be much less problematic, you know, because we have problems in our information system uploading documents, those sorts of things.

And those things, I understand, they frustrate people. You go to upload a document, first you're frustrated by the amount of documents required, and you can't get it uploaded. That's -- you know, I have sat there shoulder to shoulder with vets as they go through this process.

So I can not only sympathize, I can empathize. I understand what they go through, and we've tried to address that by having counselors. We have 300 plus counselors that at no charge to the veteran can help them through this process. We do pre-application workshops to give people sort of tips and tricks to get them through the process. We try to continually
increase the amount of communications we get, so when a person runs into a problem, they know -- they understand, hey, this isn't me. This isn't something that's failing. Here's how I have to (inaudible).

I think there's been a lot of work done. A sign of that was we just came back from Atlanta. We had two town halls for verification, which is an opportunity for people there in Atlanta, if they had issues with verification to come and give us some feedback. First town hall we had 4 people, and the second town hall I left after 15 minutes into it because there was nobody there.

So I can remember two years ago standing room only town halls, where a lot of people had a lot of things to say. So that's an indicator in terms of our feedback, the progress we've made.

There's a lot of people who sort of think legacy terms. I still talk to a lot of vets. I talk to a lot of people who have been through the process. They say, oh, it's a horrible process. I said, when did you go through? Oh, I went through 18 months ago. Well, that's a different process. Or I went through
two years ago, and I'm not coming up on verification. I'm all uptight because the process was so bad, and it's going to be bad again. My view is, no, it's a much more streamline process. So that's -- I guess that's a little bit of a commercial.

There is a movement afoot by some folks to move verification to the SBA. From bureaucratic perspective, in my view, it would be great. Do it. Why? It takes a load off my back.

From a veteran perspective, I have a different view. And I remember when I talked to Secretary Shinseki, back in the early spring, and we were talking about this. Do we move? Do we support the move of verification to the SBA?

His fundamental question was, Tom, in your judgment, will it be better for veterans? And while there is a piece of me that wants to say, yes, I don't have to do that anymore, I had to tell him, no. It won't be better for veterans, and that's my perspective. That is also the VA's perspective. So the VA does not support the move of verification to the SBA. It certainly does not support if the VA is going
to continue to pay for verification and have some other ways to do it.

We've invested a tremendous amount of time, energy, blood, sweat, toil, and tears, and resources in the verification program. We've made a lot of changes, made a lot of improvements, and my view is what I tell people. I say, okay, what do you got to see to be comfortable with it?

So with that, I'm happy to take questions, feedback, comments.

MS. ROTH-DOUQUET: I just wondered if you could elaborate why it wouldn't be better for veterans.

MR. LENEY: Because the VA has a Veteran's First program, okay, where we put $3.9 billion into veteran-owned small businesses, procure them. We are committed to the success of this. When I came on board, I got a two-line mission statement. The first line was fix verification, okay.

Why? Because in the VA, veterans are first. So this is important to us. It is manifested by the fact that my budget has doubled every year to get it done.
MS. ROTH-DOUQUET: So are you saying it's better for veterans because you think the priority on veterans is higher in the VA than it would be the SBA? I'm just trying to respond.

MR. LENEY: Well, yeah, by definition. At the VA, vets are first. At the SBA, they have parity amongst all the socioeconomic categories.

MS. ROTH-DOUQUET: So you think that the attention they'll get by keeping it there would be better?

MR. LENEY: I think so. Yeah.

MR. BAILEY: Tom, let me as a question with regards to the program. Let's just say -- I've been through the program.

MR. LENEY: Sure. I notice you got the button.

MR. BAILEY: That's right. That's right. Matter of fact, it wasn't that bad for me.

MR. LENEY: How long ago did you go through it?

MR. BAILEY: I went through two years ago.

MR. LENEY: Okay.
MR. BAILEY: Yeah. Wasn't that bad.

MR. LENEY: You were lucky.

MR. BAILEY: Yeah. It wasn't that bad. So here's what I want to understand in regards to what I always call the new era. Entrepreneurs go back three years today.

MR. LENEY: Mm-hmm.

MR. BAILEY: Once an entity has been determined and certified under the program and they're certified, I think there's some concern out there with veterans saying, okay, we're approved now. Where are the programs that actually support --

MR. LENEY: Excellent question.

MR. BAILEY: How do we get that? Because, as you know, there's contract vehicles out there that block folks from --

MR. LENEY: Excellent question.

MR. BAILEY: Help us understand that.

MR. LENEY: Yes. That's an excellent question, and that's my focus right now.

Now that we've got verification -- it's not where I want it to be completely, but it's, you know,
well on the way. My focus is let's make it matter.

MR. BAILEY: Right.

MR. LENEY: Okay. Now, there's a variety of small businesses. Some people say I'm verified. Where's my contract? Frankly, that person isn't ready to do business with the federal government. They don't understand --

MR. BAILEY: Right.

MR. LENEY: -- how procurement is done, but your point is very valid, which is how do we -- there's two pieces. One is being verified and then getting some benefit out of it.

Now, at the VA, we have a Vets First program. The dollars speak for themselves, but with strategic sourcing, we are seeing a move that affects all socioeconomic categories, including vets, which is the more strategic source, the less the prime contracting opportunities there are, absolutely, unfortunately, a reality.

The other thing that happens is even when we are able to include veterans, my concern is that we -- a few veterans become big winners. I'll give you a
classic example that's out there in our face today, which is our T4, next generation.

MR. BAILEY: That's right.

MR. LENEY: We do -- 55 percent of all the money that goes through our largest IT services vehicle goes to veterans. That's great, right. So again, we're very serious. Vets First, 55 percent. However, what that means is there are currently seven veteran-owned small businesses that are primes in that contract. There are, I guess, eight large (inaudible). The (inaudible) complain all the time the vets get the lion's share of the work. The problem is if you're one of those seven firms, man, you died and went to heaven.

MR. BAILEY: Right.

MR. LENEY: If you're not, there's been a significant move of procurements that were once smaller procurements, you know, individual contracts going into the T4 program. Next generation, that trend is going to continue.

I don't have a great solution. That's one you want to talk with Barb and maybe the SBA administrator about. I'm not trying to load you questions for her,
but, yeah, that's a big problem across the federal government.

   What we did -- I will tell you one thing though. As we look to next generation, the difference between the VA and elsewhere, when the idea came up, let's reserve awards for women-owned small business or HUBZones. The answer was no. We don't pass over a more qualified veteran-owned small business, you know.

   Is she here?

   CHAIRMAN FIELDER: Yeah.

   MS. CARSON: Yes.

   MR. LENEY: Okay. I'll be quiet.

   MS. CARSON: Good timing, isn't it?

   MR. LENEY: Great timing.

   MS. CARSON: I am very honored to introduce our administrator today. On her first day back in April, having a round table with veteran-owned small business owners was her first order of business, and since that day she's been a powerful advocate for us and the concerns of this community and the opportunities for the community.

   I'm grateful for her support of our education
and training that we offer at SBA as well as the lending that we have all talked about today that we will see improvements in. And under your watch, it already is stronger, and it's going to get better.

So I'm going to turn it over to Administrator Contreras-Sweet to speak with us today, this advisory committee, on veteran business affairs, and she will have time perhaps for a couple questions. So thank you so much.

ADMINISTRATOR CONTRERAS-SWEET: So I'll make it really, really short so I can hear from you.

Anyway, thank you so much for the good work that you're doing. That was a phenomenal conference. That was just remarkable. Thank you for coming out and visiting with us today and for helping guide the important program and the work that you're doing here.

As was said, I mean, I think we all have a family member. We've all been there somewhere. My brother served, and so -- but you've heard my story, and I just feel that the liberties that I've enjoyed, the social mobility that I see, the peace, and freedom, and values that we uphold here are all because we're
out there fighting. You are out there fighting for our freedoms, and so I want to thank you so much for your service then and now.

And essentially what I just wanted to say to you, it's true. My very first meeting -- you know, my team, when I was just going through Senate confirmation process, they said, well, we'll come in, and we'll have you walk around the building. You'll say hello. You stand by the elevator. And I said no. I'm going to go meet with our Department of Veterans Affairs. That's the first meeting I'm going to have. And so I really wanted to thank the vets for doing that for me, allowing me to have that engagement.

This is really important work. You all know I held office in California as California's Secretary of Transportation, and there it was different. I was over the highway patrol as Secretary of Transportation.

And I just saw the way we deployed our people every time there was a state disaster because in California, the state highway patrol are also the state police, and they guard our buildings. And so just having the responsibility, deploying our men and women
into buildings to keep our people safe was enough. I cannot imagine deploying them abroad into war. So I just appreciate the enormity of that responsibility.

In that regard, what I wanted to do as soon as I took office was just to put in some efficiencies to say as we transition from our uniform into business, what can we at the SBA do to facilitate that process. So I hope that you have heard that it's a three-prong strategy, three different lines of effort.

First, I think that it's important that we think about the outlets. Where can people get loans to start their business? And so what I'm doing now is I'm engaging the credit unions in unfettered ways, in ways that they had not been recruited before. So I've asked them to become important partners with SBA at providing the $50,000 and under loans just to help people get started.

We're also creating other networks, but I felt that it was important for me to deploy those that are already in the system, already know how to underwrite, know banking, and are in communities.

And so I think we're going to have much more
access through the credit union system in addition to our community bankers and in addition to all the CDFIs and all the other micro lenders that we have. We'll just build the system up.

The second is the cost structure. So I hope that you heard that we have zeroed out fees on loans under $150,000 for regular, for vets it's up to $350,000. And so we think that, that's another important effort to make sure that we get to the metrics that we're after.

And the third piece is the streamlining, people say, okay, now I know where and the cost structure makes sense, but I still don't want to deal with that complexity, the arduous process that we have to undergo to complete the paperwork. And so what we were able to do is deploy three different technologies that we're using, one of which allows the credit box to be bigger that's already in place, and the other is going to be launched Q2 of next year, where we're actually going to change the entire interface that we use with the financial institutions.

It will be transformative for the SBA. Now
you go into your bank. You get an application. You complete it, you know, and submit it back, and it's faxed back and forth to us until it's complete. Going forward, it will be dynamic and interactive, and it only populates certain questions when you say yes. It disappears others when you say no. And so we think that we're finally going to enter the 21st century here at the SBA.

So that's essentially what we're doing, but we can do more. I want to learn from you. I want us to have an open mind, and that's why I relabeled the SBA in the tag line, for those of you that didn't hear. We now call it Smart, Bold and Accessible. And I wanted to do that so that our team is very mindful about the smart systems that we have to put in place. How we use technology, not just for ourselves and for our interfaces I just mentioned, but also to help small businesses navigate to the complexity of entrepreneurship using the smart systems that exist today.

I just came out of a Google hangout, so I'm trying to get caught up.
The "bold" to me means to help small businesses be bolder in market making, you know. Today at least -- you know, and I don't mind dating myself. I used to work at a tiny little florist in my first job and compete against a florist shop across the street. Today, as soon as you turn on your website, you are an international commerce. How do we protect our entrepreneurs to make sure that they're navigating through that global marketplace safely, as well as how do we empower them to capture and eke out as much as they can out of that marketplace? So it's about bolder markets.

I've been doing that just domestically but also talking to other countries and other heads of state that want us to export the SBA model so that they can also strengthen their middle class and made trading opportunity more empowering for both their country and ours. So we're entering into bilateral relations. And the A as I mentioned is around accessible, to make certain that we are bringing everybody along; that our encore entrepreneurs have a place at the SBA; that our millennials do; that women who are now
increasingly heads of household and don't have the choice of working anymore, and our vets.

And so you saw that we launched also recently the Boots to Business Reboot for those that are already out in the community and have not found a proper way to navigate through the SBA.

So that's it, and I just have time for a couple more questions. But I wanted to make sure that I came down and said hello. Can I answer anything, please?

MR. WHITE: Just one thing. I just wanted to congratulate you on your appointment, but also that you're the first administrator that actually took advantage of one of our recommendations, which was go to the credit unions.

ADMINISTRATOR CONTRERAS-SWEET: Wonderful. Well, thank you for the recommendation. I think that's right. I think they really are an excellent network, and as I said, they were so forthcoming. Let me just say, I don't want to take credit for heavy, you know, arm twisting because as soon as I approached them, they welcomed me with open arms and just said they thought
it was a marvelous idea.

MR. WHITE: Absolutely.

ADMINISTRATOR CONTRERAS-SWEET: And it doesn't affect, as you know, their small business threshold, their lending cap.

MR. WHITE: Right.

ADMINISTRATOR CONTRERAS-SWEET: So I think that's terrific.

Please.

MS. ROTH-DOUQUET: I just wanted to make a comment for you that I appreciate how much you, and Barb, and Rhett before him have embraced the military spouse community. Small business is not only important for our veterans but for our active duty who still need two incomes to meet their financial goals. The majority of spouses who aren't working, well, most of them prefer to be sole proprietors or small businesses. So making this more accessible here is really important for our overall service.

ADMINISTRATOR CONTRERAS-SWEET: I think, as you said, the spouses and women in our Armed Forces -- I actually attended -- I went to see one of our V-WISE
programs, the Veteran Women Inspiring Entrepreneurship. I'm not good at acronyms, but anyway, I thought it was a marvelous program. And I do think that women enjoy interacting with one another. They sort of let their hair down, no pun intended. But it was a really nice setting. I was really pleased to see that.

But on behalf of women, because it's not just helping you navigate and counsel through the process, but also making sure that you actually have successful outcomes. And so in that regard I've been working with Senator Carl Levin to obtain sole source authority and working with him closely. And it was something that I said that I would commit to doing when I took office, and I'm pleased to say that the president just signed this into law.

So it's kind of nice when you actually come in, you have a goal, and you actually get to complete it. Now the goal is to make the number, which is the five percent on contracting with women.

MS. ROTH-DOUQUET: Okay.

ADMINISTRATOR CONTRERAS-SWEET: And so with that regard, to the extent that we can push out that
information that now we have that extra tool that we
had not had heretofore, I think that will be very
empowering for women. So I'm determined to make the
goal.

MS. ROTH-DOUQUET: Yeah.

ADMINISTRATOR CONTRERAS-SWEET: I think they
just told me I got to go. Any -- one last question
from anybody?

(No response.)

Well, again, thank you so much again. On
behalf of the American people, you are doing really
important work, and I look forward to deepening our
relationship. And I know that you and I still have a
little bit of unfinished work that we want to complete
out. And so you and I will get back together about
that, all right.

Thank you so much. Congratulations.

MR. LENEY: She mentioned the women-owned
goals, the strategy the VA is using to meet its women-
owned and small business goals and the sub-zone goals
are to recruit veteran women and the veterans who have
HUBZone terms.
In fact, last week when we were down in Atlanta, we had a special reception for the veteran women who own small businesses and the veterans who have HUBZone businesses. And we are committed, because we are very serious about the Vets First program, we're committed to, okay, we may not meet our women-owned, or if we can't find enough women veterans.

I will tell you, going back to your point, Robert, my biggest concern and the place -- I'm pivoting in two ways. One is to really focus in on getting veteran-owned small businesses access opportunities, and what that equates to is access to the people who have the opportunities.

And I must confess a certain element of disappointment last week. When we established the event for the National Veteran-Owned Small Business Engagement, the place that I first went to was the 7,200 firms that are verified, people that wear buttons like that because that was the group we wanted to make a difference with. And so for the first sort of month of our marketing effort, it was all focused on that group of 7,200 firms. Problem, I didn't get the
response, and when the secretary -- and I was a little worried with -- Secretary Shinseki was deeply, deeply committed to veteran-owned small businesses. I was a little worried that the new secretary might not be so committed. Coming out of a large business, he might not have the same (inaudible) small business. The good news is he does.

But the challenge I had is he supported training 350 procurement decision makers to the loan. Those are program managers, senior executives, contracting acquisition managers. I didn't have the verified firms there. I had more people from my side than I had veteran-owned small businesses who were verified.

So we expanded the marketing effort. We only invited veteran-owned small businesses. Though I will tell you, women-owned small businesses, HUBZones, other small businesses have broken the code. They said, wow. Where else can I go and meet with 350 procurement decision makers, so they showed up, and we did not exclude them. Why? Because if we're going to do that kind of a heavy lift, we are vets first. We are not
vets only, and that's an important thing to keep in mind.

So I'm interested from this group -- I haven't asked. You know, part of our problem was I feel like we've done -- this is the fourth one of these events I've done, and I feel like it's the first time. I've done event number one for the fourth time because we've changed contractors. We changed people.

But I am seeking assistance to how do I connect with people who wear that button and get them in the door because the VA in my mind is doing its part, but you got to have somebody else. I mean, you know what the biggest complaint I got from Atlanta was? Where are the veteran-owned small businesses. When I have a senior executive from IT sitting there and he's got nobody on the other side of the table to talk to, that's a problem.

MR. BAILEY: Good point. Let me just -- I can't speak for all of my colleagues, but I would offer that there is a problem in the community in regards to -- back to those acquisitions. A lot of us feel what's the point, and we know that we're not going to be able
to compete when you already have that area locked down
on such a large contract. I mean, how do you address
that marketing issue in regards to that?

And then secondly, I guess, what I believe
would be good -- I do appreciate your candid feedback
here. In regards to -- right now we should be -- from
a business perspective, I'm looking already into next
year.

MR. LENEY: Yeah.

MR. BAILEY: Next FY, okay, because what's
planned now is planned for the most part, okay. So in
the acquisition strategy, have you looked at how you
can really impact us going to the next conference --

MR. LENEY: Yes.

MR. BAILEY: -- in this year? What new
initiatives wrapped around that, branding, outreach, no
kidding -- how can we no kidding move the needle and
help?

MR. LENEY: Excellent question again. How
we've addressed that is we have evolved who we bring to
our events. It used to be a lot of contracting
officers. (Inaudible) in the office was they're the
how and when guys, and when it gets to them, it's
pretty much locked down.

MR. BAILEY: Right.

MR. LENEY: So we've evolved that. We brought
about 90 percent of the people we brought down this
time were all program people to talk about 2015, 2016.

There's also a reason why we moved it to the
first quarter because here is some ugly truth. In
August, you know what they're all thinking about?

MR. BAILEY: End of year.

MR. LENEY: Close out the year.

MR. BAILEY: That's right.

MR. LENEY: That's what we found. Yeah. I
would love to say that we got program managers thinking
two years out.

MR. BAILEY: Right.

MR. LENEY: I hate to say it, they're not. So
the strategy now is let's get the program managers in
play so they can have the conversations with small
business while they're still thinking about their
problems, not thinking about their solutions. And one
of the -- I think one of the real successes of last
week is this movement toward program people was positively received because they're now able to sit down and say, hey, I got this problem because that's when, as a business guy, what's your best play? When a
guy is talking about his problems and you're part of that conversation, then you can do subsequent conversations about solutions.

And where we're headed with this thing, just to let you know -- and I realize we've sort of gotten off verification -- but it's really a little more important. How do we do business?

We're going to be moving away from the national event into what I call community of interest events. We're still going to have the national event, but, you know, having an event once a year is kind of limited. And quite frankly, having construction guys next to IT guys, next to medical services guys, next to toxic waste removal guys, they don't care about each other.

So where we're headed is -- we're still looking to have a national event. The other thing we're looking to is community of interest. For
instance, we're thinking in April we'll have an IT event, and we'll just bring the IT guys together with the program manager people. I cannot solve -- I'm going to rely on Barb and the administrator to solve this challenge that we're facing, which is strategic sourcing. What we do is we work the niches. My office is -- we have focus in on where are the real opportunities for veteran-owned small businesses. That's where we put our time, and it works at the VA level. We did -- 20 percent of our total procurement went to veteran-owned small businesses. So, you know, we're putting our money where our mouth is.

What I worry about is more and more of that money is going to a fewer and fewer number of veteran-owned small businesses, you know. I will tell you, and this is something you should raise with Barb. I'm going to through her under the bus here.

(Audience laughs.)

MS. CARSON: Go ahead. (Inaudible)

MR. LENEY: I'm actually not throwing Barb under the bus because she's very well aware of this,
but the challenge we have, again, across the federal
government, and that's subcontracting.

MS. CARSON: Yeah.

MR. LENEY: We don't have the ability to
manage it, track it, even monitor it.

CHAIRMAN FIELDER: You may be the third
speaker today that has made that point.

MR. LENEY: Yeah. And I got to tell you --
and this is a government wide issue. It goes beyond
vets, but that tide will raise all boats. And I would
encourage you, if there's one issue you guys want to
press on, is how do we fix how we manage
subcontracting. And there's legal issues, privacy of -
- all that noise. But I got to tell you, you know,
when subcontracting is an important way to get
business, if we can't manage it, we can't count it
until after the fact, it's not very helpful.

Sir, you had a question?

UNIDENTIFIED AUDIENCE MEMBER: You mentioned
how many verified veteran-owned small businesses did --

MR. LENEY: About 7,200.

UNIDENTIFIED AUDIENCE MEMBER: 7,200.
MR. LENEY: Yeah.

UNIDENTIFIED AUDIENCE MEMBER: So you're trying to get a turnout and participation from that cohort?

MR. LENEY: Yes. That's my -- That's my priority cohort, no apology.

UNIDENTIFIED AUDIENCE MEMBER: Have you looked at all at the VBA, Vocational Rehabilitation Self-Employment track and within your own house taking people who want to be category one or two and connecting the dots between the procurement opportunities that you're offering and the alumni that are graduating from that program as far as vocational rehabilitation?

MR. LENEY: Yes. And we do connect those dots. But let me give you the simple response. If those people are not verified, they don't play in the VA. So we have people from that group that are part of our verified cohort. It's the 7,200 who went through a rigorous process.

And the reason -- one of the reasons this process is so rigorous is only 2,100 of those firms do
business with the VA. So you got to ask yourself, what
are the other 5,000 doing? What they do is they see
value in the fact I'm a verified SB or VOSB, and you
can take it to the bank.

What I sell to my own contracting people,
which is why two-thirds of our small business goes to
vets. And it doesn't go to other socioeconomic
categories because they know, hey, this is the real
deal. I can count on these people. I don't have to
worry about a headline that says VA makes an award to
someone who is not --

UNIDENTIFIED AUDIENCE MEMBER: That doesn't
really answer -- my question is are you taking
graduates of the program that were given tax dollars to
fund them through an educational entrepreneurial
track --

MR. LENEY: Mm-hmm.

UNIDENTIFIED AUDIENCE MEMBER: -- and
providing them with the opportunity to do business with
the federal government?

MR. LENEY: Yes.

UNIDENTIFIED AUDIENCE MEMBER: Of those 7,200
how many are alumnus of Chapter 39?

MR. LENEY: I have no idea.

UNIDENTIFIED AUDIENCE MEMBER: Okay.

MR. LENEY: I have no idea. Good question.

It hasn't been something that we have focused on. Do they have the opportunity? Absolutely.

One of the precursors to those opportunities is to get verified, but we do not track how many --

CHAIRMAN FIELDER: Go back to the verification process.

MR. LENEY: Yep.

CHAIRMAN FIELDER: I actually heard last week -- and this is something I knew, but I'd never heard it said this way. Having the verification was the gold standard for the other agencies, contracting officers as opposed to self-certification, which is the law.

MR. LENEY: Yeah. And it's the law everywhere else but the VA.

CHAIRMAN FIELDER: That's correct.

MR. LENEY: You are correct. It is viewed as the gold standard.

CHAIRMAN FIELDER: And so having been in the
general services administration, contracting officers
look at that and say, I don’t have to worry about it.
They got that. So as you mentioned just a second ago, there's value to that.

MR. LENEY: It's a risk reduction. The biggest problem with small business doing business with the federal government is risk, the perception of risk. Why do I do business with a small business because I don't know them? Are they going to fail?

CHAIRMAN FIELDER: As we move on parallel tracks --

MR. LENEY: Mm-hmm.

CHAIRMAN FIELDER: -- maybe not, but I'm suggesting that we do, Mentor-Protégé, (inaudible), and now the law has been extended to include other categories, but let's just say service-disabled vets. And we move sourcing, our directed awards move down that channel, where the verification ends up and whether or not they require more arduous certification beyond self-certification -- I guess my question is, is your program -- if in fact it stays at the VA, is your program ready to expand --
MR. LENEB: Yes.

CHAIRMAN FIELDER: -- if that comes your way?

MR. LENEB: Yes.

CHAIRMAN FIELDER: Yes?

MR. LENEB: In the spirit of full disclosure, the one missing piece of the puzzle in my book is our management information system, is to put that in place because that's going to leverage everything.

CHAIRMAN FIELDER: So tell me more about what does that mean?

MR. LENEB: I'll give you an example. I dealt with a veteran today. It's arduous to upload the documents. We have an extensive set of documents, just like AA does.

CHAIRMAN FIELDER: You're talking about the IT backbone of this?

MR. LENEB: Yeah, the IT backbone.

CHAIRMAN FIELDER: That's the biggest problem?

MR. LENEB: Yes. It's our biggest challenge right now.

CHAIRMAN FIELDER: Robert, solve his problem.

MR. BAILEY: I can solve it. It's called case
management, system workflow.

CHAIRMAN FIELDER: It can't be that hard.

MR. BAILEY: It's not.

MR. LENEY: Colleagues, it's not that hard, but like I say, I lost 15 months when I did a contract with an SB/VOSB through T4 and it failed. So now I'm back doing another contract. There's two pieces. It's all about the verification, but it's also about the whole procurement.

CHAIRMAN FIELDER: So just contemplating what it might look like, if, in fact, there's a part level of certification possibly required --

MR. LENEY: Mm-hmm.

CHAIRMAN FIELDER: -- because of these other two parallel tracks, your program, with some revamping on the IT backbone, could scale up?

MR. LENEY: Yes. And that's why we have not --

CHAIRMAN FIELDER: What about the non-IT part of it in the sense of what we sometimes refer to in the Mentor-Protégé Program, the rigor or the certification, the audit process?
MR. LENEY: Mm-hmm.

CHAIRMAN FIELDER: You've got the additional audit process going?

MR. LENEY: Yes.

CHAIRMAN FIELDER: A couple of my clients have actually gone through that.

MR. LENEY: Yeah.

CHAIRMAN FIELDER: They thought it was pretty good.

MR. LENEY: And I got to tell you, here's some really good news, powerful news. I just spent two and a half hours this morning with our enterprise risk management team, Office of Management, looking at our audit program, and one of the really pieces of good news that I'm really proud of is, you know, we audit. Last year we audited 1,200 firms out of 7,200 in the system. That's a significant percentage, okay. We focused our audits on those firms that had business with the VA.

CHAIRMAN FIELDER: Right.

MR. LENEY: -- even higher percentage. We had about two percent firms we had to cancel, think about
that. Ninety-eight percent of the firms -- we got out -- and these are no-notice audits. If you've had -- we show up and say here we are. We're going to unpack your stuff.

CHAIRMAN FIELDER: Yeah.

MR. LENEY: Ninety-eight percent are still the real deal, and part of that I think is the impact of realizing, wow, they're going to do this many audits. I better make sure my stuff is straight.

But again, this contributes to this recognition that if you're an STB/OSB, you're a VOSB, and you're wearing one of those pins, that contracting officer can take it to the bank. That -- more importantly, that prime contractor takes it to the bank.

And I'll answer my own question. Why do we have 7,100 firms in VIP and we only have 2,100 doing business with the VA? Because I get calls all the time, hey, I got to get verified. Why? Lockheed Martin says if I want to do business with them, they want a verified VOSB. Our view is come on down.

Now, there are people in the VA that say why
are you doing that? We should only be doing this for firms doing business with the VA. My response is, A, the law says we will, and we ought to want to do it because my mission is to enable veterans to gain access to economic opportunity; and verification is a way to do that.

CHAIRMAN FIELDER: So I assume that two percent -- we can extrapolate that to two percent of the 7,200.

MR. LEGHORN: 1,200.

MR. LENEY: Two percent of the 1,200. So, yeah, if you do a straight line extrapolation, yeah, two percent, which is a pretty darn low number.

CHAIRMAN FIELDER: I guess what I want to ask you, that number -- I wholeheartedly agree. Some people get ahold of two percent and it's like, oh my, and they go into spins. But I think it's an incredibly low number when you consider -- but your process is pretty rigorous. What are the typical things that are being caught on the audit that kicks one out as not being compliant?

MR. LENEY: Changes in the business model.
What happens is someone makes a change in the business model, and normally they bring in a non-vet player, okay, sometimes for good and cogent reasons. I need money.

MR. BAILEY: Yeah.

MR. LENEY: What's the problem? If I come in -- if I'm a non-vet and I come into your business and you want my money, I'm not going to give you 100 percent control over my money. And to me that is the toughest element in the regulation, the toughest single element in the regulation. And it doesn't matter -- by the way, it doesn't matter whether you look at the SBA's reg or our reg. It requires vets to have 100 percent control.

And I'll give you the legal definition of control. Davy has heard this. If you as a veteran owner cannot screw any one of your partners any time you want, any way you want, and they can't do a darn thing about it, you don't have control.

MR. BAILEY: That's a high standard.

MR. LENEY: You don't have control.

MR. BAILEY: That's a very high standard.
MR. LENEY: It's a very high standard, and when you have to go out -- you heard -- one of the things I think is really great -- what the administrator is doing; what the SBA is doing that we don't do, which is about money -- if you're starting up a small business your biggest -- I've been in small business. I've been two weeks from not making payroll, and I lost my line of credit at the bank. So I get that.

What's the biggest challenge to a vet coming out and starting a small business? Money. And you're not really in a position to do a lot of debt financing, unless you do it on your credit card, okay. So what's the kind of financing you want to do? Equity financing. You want to go get yourself a partner who's willing to invest in your business.

I only know of one person who would give me 100 percent control and give me a significant amount of money. Unfortunately, that's my mom, and she's dead. My dad wouldn't do that, okay. Who is going to give up control of -- total control of their investment?

MR. BAILEY: Can I ask one other question?
MR. LENEY: Yeah. I'm sorry. Guys, I apologize. Shut me up anytime, Barb. I get fired up about this stuff.

MR. BAILEY: In regards to CV and --

MR. LENEY: Yep.

MR. BAILEY: -- this is post-verification --

MR. LENEY: Yep.

MR. BAILEY: -- have you looked at utilizing the SAPs as a way of at least getting some of those folks in the -- that have been verified, at least getting them into the acquisition process?

MR. LENEY: You're asking really good questions. Yes, yes. And part because the law says 100 percent of simplified acquisition, (inaudible) simplified acquisition threshold goes to small businesses, okay. Doesn't happen. Doesn't happen anywhere in the federal government. We only did -- last year, 2013 we did about 56 percent, so absolutely.

One of the things that we are pushing very hard is to make sure that these simplified acquisitions are, in fact, going to small businesses. And frankly, once I can get in the small business arena, the VA goes
to vets. The hard move is to go from big to small.
Pretty easy move to go from small to STB/OSB or VOSB.
The good news is that I believe the culture in
the VA is there because once we go to small business,
we go to vets. Like I say, two-thirds of our work, of
our small business work goes to vets. But, yes, we're
working that.
You know, a problem, we have 1.2 million SAP
level purchases. So part of it is managing that. One
of the things my office has done, we now drill down.
We have identified the NAICS codes where historically
the VA has done business with small businesses, and
wherever we do more than 30 percent of our past
procurements with small businesses, my office now
reviews those procurements all the way down to $3,000.
I'll tell you what, that was a -- that was a wakeup call to a lot of people. I had to move my car
every night because people didn't like it. I'm going
to do a $20,000 purchase, and you're going to review
it? And my view was, hey, we can show you the market
research. We're doing 30 percent of our work with
small businesses or STB/OSB. Why not?
MR. PHIPPS: I have a quick question.

MR. LENEY: Yeah. Go ahead.

MR. PHIPPS: One of the biggest concerns you had with subcontracting and how to manage it.

MR. LENEY: Yes. My number one concern.

MR. PHIPPS: So you have an awesome program for auditing, auditing VOSBs. You could -- could you or what is the plan to take that same audit process and apply it to the big guys that are doing business at the VA? Shouldn't they be subject to the same audit, and then you have maybe a --

MR. LENEY: Great idea. The good news the VA does have a subcontracting monitoring program where we go out -- it's not my office. It's our Office of Acquisition and Logistics. They go out and they do check to see if folks are meeting their subcontracting goals.

The biggest problem I'm finding is we just can't track and measure. Seventy percent of the subcontracting done in the VA is on what we call corporate plans, okay. That is a big business. They prorate -- they collect all their stuff for the federal
government, and they prorate it out to folks. They don't report until after the fiscal year is over. They get 90 days after the end of the fiscal year to report. So I have no clue -- you know, one of Barb's colleagues says how you doing on subcontracting? I go (no audible response).

MR. AUMENT: Is that going to change with VAS because it's fully online?

MR. LENEY: I don't know, but I don't think so.

MR. AUMENT: You don't think so?

MR. LENEY: Yeah.

MR. AUMENT: It's all going to be pretty much self-reporting then still?

MR. LENEY: Still self-reporting. And in fact, we are meeting -- yeah. The secretary sat down with some large businesses last week, and now he's directed me to do a followup with them. How do we -- how do we collectively go after this? Because there's a lot of those guys who say, wait a minute, I want to get credit for what I'm doing.

MR. AUMENT: Yeah, of course.
MR. LENEY: One thing I will say for T4 Next Generation -- or T4, they track that. They require reporting. So we know what's happening. So there are lots of firms are getting subcontracting dollars out of T4.

But I'll be frank. I used to have a sign above my desk when I was in business. It says it sucks to suck. Who are you in business? Who would rather be a prime or a sub? That's an easy answer, right.

MR. AUMENT: Easy.

MR. LENEY: So we've got to put some teeth into this. Part of this is the reporting. There's concern about the big businesses don't want to have to invest more in reporting. So we're trying to do it with our -- if we're going to go strategic sourcing --

MR. AUMENT: Right.

MR. LENEY: -- we're putting in place very extensive subcontracting goals, but more importantly, you got to report on them. And it becomes part of your past performance on future (inaudible).

MR. PHIPPS: It would be cheaper for large businesses to report that at the time of awarding a
subcontract instead of waiting until the end of the
fiscal year. You're using the same people. You're not
having to chomp on their overhead as much.

MR. LENEY: And there's a lot of issues with
that.

MR. PHIPPS: yeah.

MR. LENEY: Some people might say, wow, people
don't want to report because they don't want to report.

MR. BAILEY: I don't know if you've heard from
NGA or heard of a program called Prime of Primes. It's
an acquisition process that they're trying to --

MR. LENEY: I'm sorry. What's that?

MR. BAILEY: It's called Prime of Primes.

It's where they're trying to pull together small
businesses to collaborate. It's not a JV, but they're
trying to get, you know, private primes together. They
call it Prime of Primes.

MR. LENEY: Mm-hmm.

MR. BAILEY: You know, then you have one
company that's really the parent, but all of them have
relationships directly with the government.

I guess the nature of my question is this.
Have you looked at other ways of trying to get STB/OSB as a veteran-owned business, women, more accesses to the entry of the acquisition process? I mean, just as a whole.

MR. LENEY: You say the entry of --

MR. BAILEY: Yeah. Of getting them into the process of acquisition. We're procurement ready, today. We're procurement ready. I was on your webinar.

MR. LENEY: Yeah.

MR. BAILEY: Don't come to me unless you're procurement ready.

MR. LENEY: That's right.

MR. BAILEY: And I'm with you, following that. So some of us have gone out to other agencies and gotten the past performance.

MR. LENEY: Mm-hmm.

MR. BAILEY: You answer the RFI, source of (inaudible). We're ready to go. Of that though, I'm excluding the blanket programs you already have -- I'm just saying having you really looked at how else can we get -- you know, there's someone out west who sees that
there's an opportunity for bidding? Well, instead of only looking at one entity, have you looked at -- in your outreach programs, look at trying to bring two veteran businesses together to collaborate and to bring a more efficient entity together and have them team -- I mean, looking at it from a team perspective, not necessarily JV, but have them collaborate, looking at it from that perspective. That way you're reaching out to more than just a single entity.

MR. LENEY: We have not done that, and I can tell you -- I don't have a great reason why not. I will say this. One of the things that we have done and are doing is -- and you heard the administrator, and you've probably heard from Barb -- is to strengthen our partnership with the SBA because they do some things a lot better than we do, okay. They do money.

MR. BAILEY: Right.

MR. LENEY: They do the Mentor-Protégé Program. They do Boots to Business. They do training. They do education. And so what we're working to do and have worked towards is let's work to compare the advantage of that.
Barb and her colleagues in SBA are a lot better at helping firms get procurement ready than my organization, okay. So rather than us trying to replicate that and have parallel programs and both be sort of -- my approach is doing everything I can do. And that's part of the conversation we're having with the administrator. What can we do to help the SBA get veterans' procurement ready?

And then my office's focus is access. What I want to do is make people aware of veterans, reduce the perception of risk, and verification is just a (inaudible), okay. Then the key is access.

Because what Barb can do and what her colleagues can do far better than I can do is this preparation. As a matter of fact, they provided the number of our instructors in Atlanta. Why? Because they're better, and smarter, and more experienced than we are. I'm telling my guys, don't go there. Let's partner with them.

What they cannot do, they cannot bring the opportunities. I can't bring the opportunities. It has to be at a very senior level. That's part of the
conversation we hope in partnership with the SBA to get
other agencies to say, yeah. We got to come up with
access because at the end of the day it's about access.
I don't do business with people I haven't met.
I don't do business with people I haven't broken break
with. I probably don't do business with people I
haven't had a drink with, but I don't go there.
My point -- which is why when you look at what
we did in Atlanta, it was all about that.

MR. BAILEY: Yeah.

MR. LENNEY: It was all about access. In fact, if it were up to me, I would say, hey, SBA, go train
them. And then once they're trained, bring them in so
when my people sit down with them they go way.
And the best news to come out of Atlanta was I
had a bunch of people say, you know what, you dragged
me here kicking and screaming, okay. But I came here.
I spent three days. I couldn't leave. You tracked my
movements, but I met some small businesses, some vets
who can take care of business. That's what we're
about.

And what I want to do is get -- we had a total
of 400 people from of the VA, 350 of them were procurement decision-makers. The challenge is the other agencies, and it has to be at the top. I can't bring the people. It had to be (inaudible).

Sir?

UNIDENTIFIED AUDIENCE MEMBER: Two questions. First one is on the VA strategic plan that ties homelessness with contracting and procurement. Can you elaborate on what the goal is there to that strategic plan?

And number two, let's look at the data that you just said. So there's 2.4 million veteran-owned small businesses in the United States, right --

MR. LENEY: Yep.

UNIDENTIFIED AUDIENCE MEMBER: -- according to a recent --

MR. LENEY: Yep.

UNIDENTIFIED AUDIENCE MEMBER: -- census from 2007. So you said that there's only 2,100, which is less than one percent that are actually doing business with VA.

MR. LENEY: Yep.
UNIDENTIFIED AUDIENCE MEMBER: So how do we then stretch ourselves to improve upon goal?

MR. LENEY: Well, to start with, there's only 55,000 veteran-owned small businesses (inaudible), doing business -- interested in doing business with the federal government.

UNIDENTIFIED AUDIENCE MEMBER: Right.

MR. LENEY: So of the couple million small businesses, they don't -- they aren't government contractors. They aren't interested in being government contractors.

What we have done is to recognize -- again, I have a unique mission, enable veterans to get access to veteran economic opportunity. So what do we do? We brought 110 corporations to Atlanta and said, hey, you want to do business with vets, come to Atlanta and do business, not to be partners on a government contract. AT&T came. What? They want to build cell towers. They're looking for veteran-owned small businesses that can build a cell tower. So that's another point of collaboration between Barb and I, which is the SBA has got a pretty good network in the
commercial world. That's been one of their areas that they've been working on.

What do I want to do? I want to leverage that. Again, that's access to the commercial folks. The quid pro quo and what's going to happen next year, hey, if you're a big business and you come to this conference, you got to pay to play. You got to be part of active outreach because otherwise why would I have you there.

And one of the things that's both interesting and most disturbing to me about the conference, a number of large businesses come to that conference, the slope looks like that.

CHAIRMAN FIELDER: Is that going up or down?
MR. LENEY: Going up.
CHAIRMAN FIELDER: Okay.
MR. LENEY: Why? Because when you bring 350 procurement decision-makers, who gets it? Those guys get it.

So what we're doing next -- frankly, we had too many who weren't there to work with small businesses. They were there to work with our
procurement decision-makers.

CHAIRMAN FIELDER: Yeah.

MR. LENEY: Now we're going to change the rules.

CHAIRMAN FIELDER: Can we go back to the access?

MR. LENEY: Yeah.

CHAIRMAN FIELDER: Your original question. As a startup business or a commercially successfully business now looks at the federal sector as an opportunity. The procurements that were saved, the full and open competition procurements. Some of them were set aside to service disabled-vets.

MR. LENEY: Mm-hmm.

CHAIRMAN FIELDER: But there's competition. They typically have what I basically refer to as the catch 22. There are quals and experience requirements that say that you have to have done like project. Okay. We can check that off. We've done it on the commercial side. But you have to have done it with a government agency within the last sometimes two years, sometimes they'll extend it to five. We've even seen
one from the Air Force that says you have to have done
business with the Air Force --

MR. LENGY: Mm-hmm.

CHAIRMAN FIELDER: -- to be qualified to do
business with them. And it drives us to teaming
arrangements, other arrangements, and some of these
contracts are small enough that we can compete fully on
our own. But that point of access that Robert was
referring to, they write it in the quals and
experience, not that you had the quals and experience
to do the work, but that you have the experience with a
particular agency or with other federal agencies.

MR. LENGY: That is a tough one, Ed. Let me
be candid. I don't -- I've not yet managed to break
the code.

One of the things we're pursuing is what
Robert was talking about, SAP. It's a small
procurement, two small procurements with small
companies, with veterans. That way they can get
qualifications.

MR. BAILEY: So part of that goes back to that
risk adverse thing.
MR. LENEY: It is all about the risk. It is all about the risk, and it's -- I'll be honest. It's hard for me to tell a program manager or contract officer no. You need to reduce your requirements. What I tend to focus on is, okay, if that's what you say is important here, okay, let me go find a veteran-owned small business that can meet that requirement. Because at the end of the day, my obligation, their obligation is the 23 million vets that we support. They want the best value for their dollar, okay, and they're afraid. I mean, some of the most risk adverse people -- two categories of very risk adverse people I've run into in my three years now in government, contracting officers and senior executives. We can make that work for us.

Now, if somebody in our focus area, NAICS codes are setting it aside, might not concur, it takes a senior executive to sign off and say I can't get this done without you, you know, going outside the veteran-owned small business world. And I have great success with that because not that many senior executives want to sign their name to that statement, and then if they
don't meet their goals, it's like let me try -- let me pull out all the things you sign. You're program is so important, when we come up with qualified vets.

I will tell you --

CHAIRMAN FIELDER: Let me add to the statement.

MR. LENEY: Our approach is getting qualified vets.

CHAIRMAN FIELDER: Robert, with being an IT guy, you're sitting in front of a procurement exec and program managers -- my experience recently has been the Air Force -- and they're telling you that they want industry ideas. They want -- they want off-the-shelf solutions that are sustainable and new, and they want to get rid of these legacy systems.

MR. LENEY: Yeah.

CHAIRMAN FIELDER: And then they -- it has nothing to do with quals and experience. It has everything to do with did you do business with the Air Force.

MR. LENEY: It has everything --

CHAIRMAN FIELDER: That's the one that just
MR. LENEY: And it has everything to do with risk.

CHAIRMAN FIELDER: I know, but --

MR. LENEY: Hey, if you've done business with the Air Force, you're a lower risk than a guy who hasn't.

CHAIRMAN FIELDER: But bits and data are moving through and software is exactly the same. I'll let it go, but it's that point of access issue that --

MR. LENEY: I'm empathize with your frustration, but I'll tell you what my strategy is. Give me qualified low-risk veteran-owned small businesses, and the more business people do with vets, the more comfortable they get with doing it.

MR. WHITE: There is it right there.

MR. LENEY: And so, yeah, that's why some vets do very well because they get a reputation --

CHAIRMAN FIELDER: You know what our solicitors on this side, go find teaming partners that have those, and then you work the relationship part. Then you bring them in and give them part of your
deal --

MR. LENEY: Mm-hmm.

CHAIRMAN FIELDER: -- because you could put them --

MR. LENEY: And you know what I tell people -- women-owned small businesses and HUBZones and small businesses that want to do business with the VA? Go find a VOSB team to partner.

CHAIRMAN FIELDER: Okay.

MR. LENEY: You want to do business with the VA, you better have a partner that's a vet.

But I guess there's a different -- there's a couple different approaches. One is to say let's go help the guy who is just starting up his business. Let's go help the guy who is Chapter -- let's go help the people who are most challenged to do business.

The problem is when you take that approach, you're now taking a high-risk approach, okay. My approach is let's go work with vets, and the more we work with vets, the lower the risk profile of vets is going to be. And everything I can do to lower that, I'm pretty happy with. You know, I don't distinguish
between, wow, you're a vet. You're a different kind of vet. You're a different kind of vet. You're from a different program. Hey, if you're a vet and you're capable, those are the people I want to put in front of people because then it opens their mind. Yeah. There are vets.

The other thing is, to be honest -- you know, I get myself in trouble, but I have a rule, tell the truth as I know it. I can't tell you how many times I've listened to people say I want innovative and creative solutions. I want cutting edge solutions. Stop and look at what the government buys. Outside of DARPA, outside of the SBIR programs, I got to tell you, I've not been impressed that our people want the cutting edge creative innovations. Why? Who are the two most risk adverse sets of people? So they're looking at not leading edge, not leading edge. Hopefully they're not on trailing edge. But I got to tell you, too many times I've seen people say, yeah, I want innovation and creativity, and the minute you put innovation and creativity in a proposal, you're not selected.
MR. BAILEY: I just want to say -- I know that time is getting close.

CHAIRMAN FIELDER: We are running out of time.

MR. BAILEY: Yeah. I just wanted to say for the record real quick, I hope that you'll work closely with Barb as we go forward for the next conference. You did a wonderful job, and there is an underlying of folks that were walking around from the commercial sector that were reaching out to veterans. I'm talking with some folks from North Carolina in the energy sector. Nothing to do with energy, but there's a geospatial component that we found that was in common. So thank you for --

MR. LENEY: Yeah. The big companies, they do get it.

MR. BAILEY: Yeah.

MR. LENEY: They want verified.

MR. BAILEY: Yeah.

MR. LENEY: One of the biggest problems I had in Atlanta, I had unverified veteran businesses there. My advice to them was get verified because bigs were coming to me and saying, hey, I talked to these guys,
but they're not verified; so I'm not going to -- I
don't want to play with them. That's a reality.

Can I take one minute? I want to tell you
about the other pivot.

CHAIRMAN FIELDER: You said there were two
pivots.

MR. LENEY: Two pivots. There's another big
pivot. The best thing about T4 Next Generation, for
the first time, not the last time, veteran employment
is an evaluation factor. A lot of people talk about,
hey, I hire veterans. You know, you should give me
this deal because I hire vets.

MR. BAILEY: Interesting.

MR. LENEY: Now, it's put up or shut up time.
Where we are going with the T4 Next Generation, there's
an evaluation criteria that what is the percentage of
veterans you have in your firm.

MR. LEGHORN: Tom.

MR. LENEY: It applies, not just to veteran-
owned small business, it applies to big businesses.

MR. LEGHORN: But how will that be weighed?

CHAIRMAN FIELDER: Subjective.
MR. LENEY: No, no. In fact, here's the secret sauce. It is not as important as technical evaluation.

CHAIRMAN FIELDER: Right.

MR. LENEY: And that's more important than management, which is slightly more important than past performance, which is slightly more important than veteran involved, which is subcontracting to vets, which is slightly more important than vets in employment. And stop and think for a second. Wait a minute, vets in employment fit in the order.

Where is the first quantifiable evaluation? Subcontracting. Everything above that is subjective, and especially when you look at the big companies, the Lockheed Martins and the (inaudible) and the Harris'. What do you think they're going to get on their technical proposal? Ron would do just fine. So that's (inaudible).

How do you think Lockheed Martin is on management? They probably do all right. How do you think they are on past performance? These big companies got a bazillion past performances.
Okay. Now you get down to subcontracting. It's the first time there was something that's quantifiable. And below that, now you have veteran employment.

And here's -- why am I so excited about that, even though it's the fifth thing? I've seen lots of procurements where how do I get to a quantifiable thing that I can choose you over you, and you can't protest it. The difference maker is that you have 25 percent vets in your company, and you have 20 percent vets in your company. And you win? How do you protest that? Especially if everything else comes out the same.

So, guys, in the VA, this is going to be a big deal.

MR. LEGHORN: Tom, when you're a small business, you don't do the hiring until you get the contract?

MR. LENEY: Oh, sure you do.

MR. LEGHORN: So are you guys looking at contingent hires?

MR. LENEY: No, absolutely not. Absolutely not. Full-time hires.
MR. LEGHORN: Okay.

MR. LENEY: You got a veteran-owned small business? You have vets in it? You have vets in your business?

MR. BAILEY: I do.

MR. LENEY: What's your percentage?

MR. BAILEY: About 60, 60 percent.

MR. LENEY: You have vets in your business?

MR. PHIPPS: Ninety.

MR. LENEY: What's your percentage? These are vets who have full-time --

MR. BAILEY: Full-time W-2s.

MR. LENEY: -- W-2s, and that's part of the secret sauce. None of this contingent -- yeah, I promise to hire a vet. Imagine this --

MR. PHIPPS: Does it (inaudible), the extended veteran -- no.

MR. LENEY: You'd have to preach. Give me a break, brother. Come on.

MR. PHIPPS: That was preached earlier.

MR. LENEY: You got to take the --

MR. PHIPPS: Don't step on SBA's program
though.

MR. LENEY: But my point is, think about this, we got -- what's your percentage of vets in your company now, the day you start (inaudible). And on these begging IDIQs, if we make veteran employment a task order evaluation criteria, what's your incentive? You're at 60. He's kicking your butt because he's at 90. On task orders, what are you going to do?

MR. PHIPPS: Hire more vets.

MR. LENEY: You're going to hire more veterans.

MR. PHIPPS: Or fire some people.

MR. LENEY: I prefer you hire vets. Where we're using it is percentage.

MR. BAILEY: And he said W-2. He said W-2.

MR. LENEY: And the key is, it's head-to-head competition.

CHAIRMAN FIELDER: Does anybody got a question that just has to be asked before we close off this part of the meeting because we're really getting on the tight part of the --

MR. LENEY: I appreciate you guys letting me
MR. BAILEY: Thanks for coming.

MS. CARSON: Thank you, Tom.

CHAIRMAN FIELDER: Thank you for coming. I really appreciate your frankness and genuineness.

MR. LENEY: Some time it's going to get me fired.

CHAIRMAN FIELDER: You know what --

MR. LENEY: I'll go back to being a business guy. I certainly made more money doing that.

CHAIRMAN FIELDER: It's refreshing believe me. From where we're sitting, that's refreshing.

MR. LENEY: I'm a vet too, and I've been in the business world. And I don't sympathize. I empathize.

CHAIRMAN FIELDER: There's a lot of vets over at the VA.

MR. LENEY: Our goal is 40 percent of our employees be vets. I have not hired a non-vet since I've been there.

CHAIRMAN FIELDER: So for those of us that are 100 percent, so what -- if that's the goal, what is the
MR. LENEY: I can't -- I think it's like 36 percent.
CHAIRMAN FIELDER: It's lower than I thought.
MR. LENEY: I have not seen -- I have not seen a hiring document.
MS. CARSON: Any last comments?
CHAIRMAN FIELDER: Any last comments before the closing?
(No response.)
Then we're going to go ahead and adjourn and come back in here and wrap up with our report from last year. And then we'll figure out when we're going to meet.
(The meeting was adjourned at 2:53 p.m.)

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