SMALL BUSINESS ADMINISTRATION

ADVISORY COMMITTEE ON VETERANS BUSINESS DEVELOPMENT

PUBLIC MEETING

Thursday, December 5, 2013
9:00 a.m.

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

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Edwin E. Fielder, Member, OVBD, Georgia

Robert Kurt Mueller, Member, OVBD, Georgia

Marcie Uleses, Executive Director for the National SDVOSB Council

Timothy Hale, Cabinet Secretary, New Mexico Department of Veteran Services

Lloyd Calderon, Government Contracting and Business Development Groups, Small Business Association

Rob Frank, Consumer Financial Protection Bureau

Davy Leghorn, American Legion

Joe Wynn, Vietnam Veterans of America

Bill Offutt, Government Affairs for Victory Media (By telephone)
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OPENING REMARKS AND INTRODUCTIONS

MR. JEPPSON: Good morning, everyone. Thank you for being here. We appreciate it. Just before we get started today, because everybody’s kind of new here and we’ve had a lot of folks. There was a lot of the membership that’s been on here for quite a while who left at the end of the last fiscal year. So I don’t think that we’ve met together in over a year, now. And we can talk more about that, if we want to, later on.

I’d like to go ahead around the room and get introductions, and then we’ll go to people on the phone for introductions. So if you’re online and if you’re on the phone and you can hear me, we’ll come to you right after we get done with just who’s in the room here. And then I’ll go over the agenda and what we hope to accomplish today. So, with that, we’ll start with Tim, please.

MR. HALE: I’m Tim Hale, cabinet secretary from --

MR. JEPPSON: I’m sorry. Real, quick, yeah.

If you just push the little speaker button there when
you’re ready to speak, it will let two of us on at any one time.

MR. HALE: Okay. Tim Hale, cabinet secretary, New Mexico Department of Veterans Services.

MR. FIELDER: Ed Fielder, Veteran Business in Georgia.

MR. MUELLER: I’m Kurt Mueller. I’m from Georgia as well.

MS. ULSES: Marcie Ulses, the Executive Director for the National SDVOSB Council.

MR. LEGHORN: Davy Leghorn from the American Legion.

MR. FUJII: Stan Fujii, SBA, Office of Veterans Business Development.

MR. JEPPSON: Okay. Rhett Jeppson. I’m the Associate Administrator for Veterans.

Lloyd, would you guys introduce yourselves on the back row, there?

MR. CALDERON: Yeah. Lloyd Calderon; I’m with the Government Contracting and Business Development Groups.

MR. FRANK: I’m Rob Frank, Consumer Financial
Protection Bureau.

MR. JEPPSON: Okay. Anyone who’s online, if you’d please introduce yourself?

No. No one online? I thought we had four people online.

MR. OFFUTT: Oh, yes. My name is Bill Offutt, and I’m in charge of Government Affairs for Victory Media.

MR. JEPPSON: Okay. Anybody else?

MR. OFFUTT: I understood there are about four people on the line.

MR. JEPPSON: Anybody else who’s on the line, please identify yourself.

Okay. All right. Thanks. So, as I mentioned earlier, it’s been a little while since I met. And so I want to give you -- I sent out a letter last year, when there were some questions about why we didn’t meet in person last year, and it was simply this fact: Travel money was tight. The decision was made at the highest levels in SBA that the committees would not meet last year; and, so, fortunately, we were there.

I had asked, anyway, or encouraged that we
would meet by phone. And I’m not -- you know ---
through that process would help, but it didn’t take
place. And so we’re kind of in the forming stages
again here. We invited every board member that was
currently an active member, and those who are currently
vetting to attend today. And so for those of you who
traveled in, I appreciate it.

I understand Steve WHITE, we actually thought
he was going to be here today as well, so hopefully
he’ll join us shortly. Just so you know, the
administrator may stop down here in just a little bit.
She does standup at 9:00, but may stop in here for
just a few minutes to welcome you here. So what we’d
want to accomplish today is talk a little bit about the
advisory committee roles and responsibilities that
we’ve got here, what the future of the committee looks
like, and what we’ll do in the coming year.

ACVBA ROLES AND RESPONSIBILITIES

MR. JEPPSON: I think that the advisory
committee has got an important function, and it’s
something that we need to task organize and make sure
that we have the right membership. And so I look
forward to working with you to make sure that we make
it a more effective organization. There’s a slide deck
that they’re printing out right now that we’ll go
through in just a few minutes, and they’ll have that
now for you. But, for the time being, can I get slides
for us real quick over there?

MR. FUJII: Sure.

MR. JEPPSON: What we wanted to do was give
you an update on what things are happening, because
it’s been a while since we met, give you an update on
things that are happening here at the agency, so you
get a sense. Because some of it you may have heard;
some of it you may not have heard. And then we want to
focus on task organizing to accomplish the business.

For those of you, the one time I’ve been to
one of the advisory committee meetings before, I
mentioned that I feel that it’s an independent body,
should be run and operated independently by the
advisory committee. And so we’ve kind of acted --
tried to act, anyways -- during this first go-round
here, as the forming entity, just to help get it kicked
off. So we want to be out of that business.
We want you to operate independently, call your own meeting times, publish your own report, and act independent of our office; but, we will support, you know, with travel -- arranging for the court reporter, the scheduling of the rooms -- and things like that. But the production of the report, et cetera, that is the committee’s business and we want to be independent of that. So let me run over the schedule here right now.

So we have about an hour on here to discuss the business roles and responsibilities as we see them. At 10:00, Patrick Kelley, who’s the deputy administrator for Access to Capital, will come down and talk a little bit about what we were doing on the Access to Capital and the Veterans Fund. He’ll talk about two important initiatives, a fee reduction that we have on SBA loans for veterans, and also the lending commitment that we have from 120 of our top national members.

Then, Cal Jenkins from our Government Contracting Branch will come down, give us an update where we’re at on the federal contracting. There’s
many of you who may know last year was the first time we hit the three percent statutory goal we have for Veterans Small Business. We’ll see how we fared this past year, here, as we normalize the data. You know, it was a tough year, because of sequester and other things, but I think Veterans have done pretty well, and we’ll be happy when we see those numbers again in light of the circumstances we’re in.

Also, he’ll talk a little bit about the Mentor Protégé program, which is important to a lot of veterans. As you know, there’s been some turmoil in that process. So we’ll press on with that, then take a 15-minute break. So we’ll have more time to get coffee, come back. We’ll talk a little bit about the legislative update on what’s on the Hill, just so you can know for your essay. There’s a couple of bills up there that we have seen that are important.

A couple have been filed; a couple, they’ve held hearings on them prior to filing them. So, I’ll kind of review where we’re at on two of those, and then Davy will look for you to add anything that might be relevant on those two from the Legion’s perspective.
Then we want to give you time to begin to talk about
selection of the chair. As you know, right now, we are
currently without a chair.

Dan Caine was the chair, the last chair that
we had, and he was recalled to active duty, and so he’s
stepped down. Marilyn Harris stepped in in his place,
but her time is up on the board, here. So then we’ll
move on to the planning session, just continuation of
what the scheduling ought to be for the taskforce and
how we can meet together. I keep saying “taskforce,”
and I apologize for that; for the advisory committee,
and how we could meet throughout the coming year under
the travel restrictions that we have. And we’ll give
you an update on some programs here.

Boots to Business is a big initiative we’ve
had out of our office, focusing on the transitioning
veterans. Craig Heilman, our new director for Boots to
Business, will come down and brief you on the status of
that. And then Kevin Blanchard will talk a little bit
about the alliance we just signed with IFA, the
International Franchise Association and the work we’re
doing with him in support of veterans, and then it
actually shows me.

But Ramona Peyton will be down here to talk a little bit about the VBOC program, where it’s at right now and what will happen with the VBOC program in the next year. And then we actually have Rachel Kestenbaum, who is one of our attorneys in OGC, will actually be here, and she’ll give us an update on just what the vetting process is right now, so you understand it. And I will talk a little bit more about that in a minute here, and then kind of a review of the ethics issues that we have.

I think it’s important for us to just review some of the rules around here, and ethics issues around you participating in as board members, and so the dos and don’ts in your capacity here. And we just opened up a half hour towards the end of the day here for public command. So we can adjust the schedule as we need to here. I think that we’ll be pretty flexible here at you guys’ discretion, and we can drill down on things that are important to you or move on when you guys tell me it’s time to move on here. So I’ll look to you for that as support.
So with that, why don’t we just -- if you guys want to come up, there’s no need to sit around to sit around the table there. And that way we can ask questions and we can have more of a discussion on these things as we move along.

[Slide.]

MR. JEPPSON: Okay. So one thing that I asked some of the staff to do was just go through Public Law 106-50, and pull up -- as you know, Section 3 talks about the taskforce. I mean -- excuse me -- the Advisory Committee. And so before I move into this, real quick, Steve, do you want to introduce yourself to everybody that’s here?

MR. WHITE: I’m Steve White. I’m founder of the Veterans Business Network and also have a marketing company called White and Company. We focus on the veterans helping grow veteran-owned businesses. For the record, I was here at five minutes of nine this morning, but I applaud you, because I feel very safe, now, coming into the building.

MR. JEPPSON: And we’ve well hidden the room from everyone, as well. So they’ll have a hard time
finding us down here.

MR. WHITE: I like the fact that it’s the concourse level and not the basement, though. I appreciate that.

[Laughter.]

MR. JEPPSON: Right. You know, at one point it was not about actually having a color guard in here for some of the ceremonies, and I can see how well that would work down here too. We have great ceiling height here.

So if we have somebody else joining us online? Anybody else? Okay. All right. So what I do is just actually had some staff pull out some of the high level stuff here for the advisory committee, just to review real quick here. So, you know, your mission, really, the purpose, as defined by statute, is to serve as an independent source of advisory and policy. And so when Rachel gets here today, she’ll talk to you a little bit about when you all produce a report.

We in the agency, won’t review it. That’s because it’s independent. And if we put it through our review process, then it’s not independent. What we’ll
do is just give it a cursory look to make sure there’s no	hing in there that shouldn’t be in there that would cause
an ethics issue, or something like that. We did at the
last report express some concerns about that, and she’ll
actually address that. But we will not make any
substantive changes or anything else. This is your report,
independent, to be distributed from the committee to the
President, Congress, the Administrator. And so with that in
mind, I know that that may not have been the way it’s always
done in the past.

I think there may have been a lot of conversation, but the statute’s very clear that you all are to be an independent body. We’ll provide administrative support to you, but input, direction, those things, recommendations, we won’t interfere or engage with you. I’m happy to give you all the information, tell you about what’s going on with programs within SBA, and everything else, but we want you to have your autonomy.

So with that, the way it was set up, initially, is it was set up for three years, and we
have to extend it for a while. And then the Advisory Committee was made permanent about -- I think it was about four years ago. And so it is now a standing committee that SBA was required to run for its support. The way it’s set up right now is that there are eight veteran-owned small business slots on the committee and there are seven veterans service organization slots on here.

And so I will show you in a little bit when it gets printed here a copy of the make-up right now of who is serving in as VSOs and who are serving as small business owners here. And I will talk about -- I will give you the names exactly who’s in vetting, but I’ll tell you which organization that they’re from. But we have several people who are in vetting. I will tell you that from my perspective one of my frustrations -- and this applies to not only this committee, but interagency task force -- we have, and I had conversations with leadership about it just yesterday -- was our vetting process is incredibly long right now.

We’ve had people who we have had in this
committee in vetting for more than six months right now; and so we’re working to fix that in the agency, but it’s problematic. And we’re leaning forward on that. It’s just it’s really, in my opinion, not acceptable; but, we do have people who are in vetting and I will talk to you offline about, if you need specifics on them. But we have engaged several of the VSOs, and I think some additional small business owners. I wish I could make it move faster, but we’re moving at the pace of federal bureaucracy to be right. Okay.

MR. FIELDER: Rhett, do you want questions as we go along, or --

MR. JEPPSON: Oh, yeah. Yeah, please. Please. I would prefer to the extent we can. 

MR. FIELDER: So the Public Law -- we’ve been down to seven or eight folks, before we weren’t meeting over the last year. And, oh. By the way, the offer of the conference call that’s kind of interesting is that because we were told that legal here at SBA had reviewed the fact that we were meeting by conference call, even when we were still having meetings quarterly
here, and we were told that we could not do that any longer.

MR. JEPPSON: Yes.

MR. FIELDER: But, let me make this point about the Public Law. It says that the vacant positions are to be filled within thirty days of the vacancy. The positions have been vacant for almost two years that I’ve been on the committee.

MR. MUELLER: Longer than that.

MR. FIELDER: Longer than that.

MR. JEPPSON: Yeah, so --

MR. MUELLER: And, Rhett, this is Kurt. I will echo that as well. A number of us has submitted candidates over a year and a half ago, and we requested updates on those candidates. We never got any information. So it hasn’t just been six months. It’s probably been 18 months.

MR. JEPPSON: Okay. Fair enough. We can go over, too, if you want. We can do it on the break or I can bring it back out to what the taskforce looks like as of October. And we only had a couple of slots that weren’t filled then. You had members or did not show
up or participate, but people were occupying slots as
of then, and I’m happy to go over that with you.

MR. FIELDER: But there wasn’t any meeting.

When the committee was meeting, we were asking
questions about, if you will, clearing the folks that
weren’t showing any participation. Interestingly
enough, one of their names is here on a placard,
expecting to be here today. I haven’t seen -- I’ve
been on the committee almost two years. I have not
seen any of them.

MR. JEPPSON: Yes, still on the --

MR. FIELDER: And so at some point, I think
the biggest issue in the sense of if the committee is
to be effective, and let me give you my spin on the
history. When I was brought onto the committee a year
ago, Stan was the chairman, and we made a concerted
effort to refocus and purpose the committee to do
purposeful things and execute what the Public Law said.

We spent a year doing that, and we had an agenda for
the following year when the sequester and whatever the
funding problem was that we couldn’t get back together
again.
We submitted an annual report in September of 2012, which, in standup you commented it wasn’t going to be reviewed. To my knowledge, it spent six months in you all’s legal department, and, probably, to our knowledge, has never been delivered to Congress and the President. And I personally wrote that report based on everybody else’s input. And the last report I have on it is that it was in your legal department, and that was nine, ten months ago.

MR. JEPPSON: Okay. So if you go back and you look at the letter that I sent out at the end of last year, so there’s a couple things here. Let me just take them in order here.

MR. FIELDER: Well, let me make the last point --

MR. JEPPSON: All right.

MR. FIELDER: -- and I’ll be quiet for a while. The most urgent requirement for this committee to move forward is to staff the other -- what I think, if I’m getting my head counts right, is the other 11 positions. Without the other 11 positions -- you’ve got six people sitting here in the room, and I’m
assuming Terry Schow is no longer in this room, but we need to have a committee of good enough size that we can do meaningful work. A committee of six is really hard for us, because this is our full time job.

MR. JEPPSON: Sure. I think, you know, I couldn’t agree with you more. We need a robust committee with members who are dedicated to the mission of making it happen. And so we’re working on that, and I’ll give you more of an update here. I’ve got a slide deck coming, a slide coming for you that will actually go over the vacant slots as they just now -- I do want to, though, and we’ll do this offline at a break, here. I want to grab that slide that shows the membership as of October 30th. So, the next part is let me talk to you about the phone call piece, because it’s going to come relevant here.

The committee cannot meet or is not supposed to meet other than a coordinating function to discuss committee business under the VAC rules by phone unless you put it in the Federal Register. So when I sent the letter -- if you guys remember, Marilyn sent a letter saying we need to meet. And I wrote a letter back, and
I e-mailed it, PDFed it, and sent it to everybody on the committee. We outlined the fact that, hey, we don’t have the funds to travel right now. The decision was made that we don’t travel on committees. It didn’t apply just to us; it was underserved.

I mean our deputy, Marie Johns, was very, very disappointed and that we couldn’t travel with committees, including underserved and others, during this NAC Committee. So in that letter, though, we did offer to use SBA call-in numbers or go to meeting, or other virtual connect line, make that available, and that we would put it in there. We also offered to Marilyn to put an announcement out for additional members through the Federal Register. I never got a response to that letter, period, on any of that. And, so --

MR. FIELDER: Rhett, I never saw that letter. If you sent the letter to all the committee members, I never saw that letter.

MR. JEPPSON: I sent it to all the members.

MR. FIELDER: I would have probably acted on it, if I thought --
MR. JEPPSON: Yeah. I’ll tell you what. And just so because we’re meeting back here, I want you to have the full story. So I’ll provide you a copy of the letter and the e-mail that was sent on that. Did you see the letter she sent requesting it to me?

MR. FIELDER: Yes, I did.

MR. JEPPSON: Okay. So we replied to that in a pretty robust letter. It was a two-page letter, back. And so you can meet by phone as a committee or other virtual means. We just have to notice it to the public, and then we have to allow the public to participate in it, just like we’ve done in this meeting. It had to go in the Federal Register. We had to do provide a call-in mechanisms. So it’s not that you can’t meet by phone. It’s that you have to make it a public meeting, other than a recording. It’s the same thing that we face with the Interagency Task Force.

We occasionally will have a phone call, just to do coordinating measures, and there’s not an issue with that. But, if you’re going to meet and discuss policy or the procedures of the business, that, you
know, we need to make that a public meeting and notice it. And the requirement’s not that bad. It’s only -- it’s 15 days prior to the phone call or the public meeting. So, and, you know, that’s certainly on my office to do. But what I’d like to do is just when we come to one of the first breaks here, let’s take that organization chart and I’ll show you.

We can do who shot John later on, exactly who was here and fill in those slots; but, then, we can actually show where I think things are at and get your input. Let me go back to this point, though, that as soon as I get a name, I will submit them for clearance, if there’s not an issue that we see right off the thing. But the management of the membership will be on the chair of the committee, and that’s one of the points of business that we need to work on today is to determine who will be the next chair.

Now, we had a vice chair last time. As far as my reading of the statute, there’s not a slot for vice char. There’s just a chair.

MR. FIELDER: The reason we did that was because Dan, at the time, was going back and forth...
active duty, and we needed to assign one of us to be that person to fill in when he was not available. The law says that the SBA Administrator will appoint members. It doesn’t say the chairman will appoint members.

MR. JEPPSON: Right, right. But to run the recommendations to her, you know, we’ll help facilitate that, but we’ll let the chairman be independent and make the recommendations.

MR. FIELDER: The 2012 report was the only one he didn’t respond to.

MR. JEPPSON: Okay. The 2012 report, we sent that back. I’ll be frank, as we’re on the record. I got the report back. We answered legal, just for an issue. I brought it back to Dan, because there were some ethics issues involved in this. I asked for them to get an opportunity to clear it up. I got it back, and it was still in track change mode, still had track changes in the document. I sent it back. I sent it to Marilyn, and I said, “It’s your report. We can help you publish it, if you want. What do you want us to do with it?”
MR. FIELDER: I was the writer.

MR. JEPPSON: But nothing else.

MR. FIELDER: I was the writer of that report. Steve and Kurt wrote a substantial part of it, but I blended it. When I saw the track, when I got the changes back that supposedly came from legal, I think the most significant change was that we weren’t supposed to be meeting by conference call; and the language where we discuss what we had accomplished via conference call was removed.

MR. JEPPSON: Hmm-hmm. And when I got it back the second time from Dan, it still had track change in it. I think it was the final. I asked. I sent it back to Marilyn. I said, “What do you want us to do with this?” And I got nothing else, so.

MR. FIELDER: Okay.

MR. JEPPSON: So I’m more than happy to talk with you on breaks about this, you know. Believe me. My goal is to make as meaningful a report as detailed as we can in the future with future recommendations. I’d like for it to -- we can talk more about it offline on that report.
MR. FIELDER: Okay.

MR. JEPPSON: Okay. All right. So, next slide, please.

[Slide.]

MR. JEPPSON: Okay. We’ll actually wait and talk a little bit more about this with Patrick when he gets here. Next slide?

[Slide.]

MR. JEPPSON: Okay. So what time are we dealing with here? We’ve got about 20 minutes before we actually have -- before Patrick’s supposed to be here to talk about the Access to Capital. So this is what I’ve got right now as far as four on the committee. It’s obviously Kurt -- we’ve got you -- Ed Fielder. Steve, you’re here. Terry Hill is --

MR. FIELDER: Terry Hill resigned.

MR. JEPPSON: He’s still listed on the committee until the 14th. Then, Terry Schow is still on the committee.

MR. FIELDER: Has anyone talked to Terry Schow? Because I believe he’s now retired from the Veterans Affairs.
MR. JEPPSON: He did. He did retire from there, but he’s still on the committee until --

MR. FIELDER: Okay.

MR. JEPPSON: And I have talked to him. I thought that he would be in attendance. So, and then Marcie has been added to the committee. We have -- they’ve been vetting from the Legion. We have one in vetting from VVA and one from VetForce. And then we have two other small business in vetting as well. That leaves us with two small businesses, and one VSO.

MR. FIELDER: Are you still counting Darryl Hill?

MR. JEPPSON: What’s that? We were counting -- let’s see. When I said Terry Hill I meant Darryl Hill. He leaves at the end of January. It’s his last month.

MR. WHITE: Well, we had -- I thought we voted on that a long time ago and recommended, because he hadn’t been here. He hadn’t attended for --

MR. MUELLER: Over two and a half years, so it’s been ten years.

MR. WHITE: -- a few years. So if he’s not
here, let’s get rid of him and put yet another name? I mean that was over a year ago.

    MR. JEPPSON: Yeah. I didn’t know that you guys had voted.

    MR. FIELDER: It should be, but this would get us within two, which would get us to 13.

    MR. JEPPSON: If you had any evidence of vetting right now, you’d be shy three slots.

    MR. MUELLER: Well, Rhett, why don’t you clarify the expiration dates of our team work on the committee today?

    MR. JEPPSON: So, Kurt’s is the 14th. It will be the 14th of May of next year. So it is April of next year.

    MR. WHITE: April ’14 or April ’15?

    MR. JEPPSON: April ’15. I’m sorry. Steve, February of ’15. Terry expires in May, and, Marcy, you’ve got three years still left. And then Darryl is up in January of this year. So there’d be another slot.

    MR. WHITE: So, you mean month after next he’s off anyway?
MR. JEPPSON: Hmm-hmm.

MR. WHITE: And you said when you talked to Terry, he said he was going to stay on?

MR. JEPPSON: To Terry, no. No. Terry’s never moved. No.

MR. WHITE: Terry Schow?

MR. JEPPSON: Terry Schow is on. He said he was still staying on until his term was expired. He asked if we were going to reappoint him and I told him that I didn’t know, but I doubted it. I mean Terry’s a great guy. We helped use him in some other capacities here. He is now sitting on the Legion’s -- one of the Legion’s committees back here in D.C. So we’ll continue to use him, but probably not on this committee.

MR. FIELDER: Because of the large turnover of the committee, and I’d just like to put a bookmark when we get to a future conversation about that, I think we should consider extending a couple of the members that we have for continuity throughout the rest of this fiscal year. And, again, that’s just a bookmark for continuity.
MR. JEPPSON: Okay. So if we extended a few of the members, so if you look at --

MR. FIELDER: I think the new members gain traction and the history of the committee. Yeah.

MR. JEPPSON: Okay. So if you take Terry out, everybody’s in the 15, except for you? Okay. So with that said, what we’ll be looking for then is two additional small business owner names. And two small business owner names and one VSO.

MR. WHITE: You should have 15 total. Right?

MR. JEPPSON: Right.

MR. FIELDER: Does that include replacing Darryl in January?

MR. JEPPSON: It does not. We’ll have another replacement in January.

MR. FIELDER: Why don’t we go for that all at once? Is he a VSO member or a --

MR. JEPPSON: He’s under small business.

MR. FIELDER: Do we really need to come up with three small business and one veteran-owned?

MR. JEPPSON: Yeah, one VSO. So the one VSO, we actually asked some of the larger VSOs if they had a
recommendation. One of them declined and said they didn’t want to participate. So that one -- that one’s vacant. I’ve got a recommendation that we can talk about offline. If you want to know who the specific names are and stuff, I’m happy to share that with you. We just won’t make it a part of the record in case they don’t make clearance.

MR. FIELDER: Would vetrepreneur qualify as a VSO? They’re on the phone.

MR. JEPPSON: Vetrepreneur?

MR. FIELDER: The National --

MR. WHITE: NAVBO?

MR. FIELDER: I can’t say it right.


MR. FIELDER: This is Ed Fielder. There’s a vetrepreneur person on the phone.

PARTICIPANT: Yes. I’m still on. I was a veteran magazine, yes.

MR. FIELDER: You’re an emerging organization. NAVBO, whatever. Would they consider membership on the committee?
PARTICIPANT: Sir, the veteran owned business, I’d have to check with them whether they would like that representation. I think they’d probably be, yes. They may, but I have to talk with the folks back in Pittsburgh.

MR. FIELDER: Would you make sure that Rhett Jeppson gets the contact information for that as a potential add as either a veteran-owned or a small business, or a vet organization, please?

PARTICIPANT: Sure. Will do. Who do I follow up with?

MR. FIELDER: Rhett Jeppson.

PARTICIPANT: Oh, okay. Yeah, sure.

MR. JEPPSON: Yeah. So, to be clear, we’ll have to talk to them about they’ll take a look at all the entity around that. You know. If it’s vetrepreneur -- you know -- I don’t know what their status is. But now they’re chartered as a VSO and we’ll have to look at that.

MR. FIELDER: And if they’re one of the nationally recognized groups in defense of fostering small business.
PARTICIPANT: I’ll follow-up and we’ll get back to you.

MR. FIELDER: At the back of my computer, there are figures on the back of my computer. They’re one of the top groups.

MR. JEPPSON: Okay.

MR. WHITE: But they also represent -- as does the Veterans Business Network, they represent a lot of veteran business owners, so.

MS. ULSES: Right.

MR. WHITE: And if you need some more veteran business owners on here, we’ve got thousands you can pick from.

MR. JEPPSON: Okay. So, all told we’re looking for need three names, one VSO.

MR. FIELDER: Rhett, my point is it’s not that hard.

MR. JEPPSON: Okay. All right. So with that said, we’ll take a break here. And what I’d like you guys to do is to talk in between there. What we can do during this timeframe here is, if you’re so inclined, you all can choose who’s going to represent you all as
the new chairman. You’ve got four representatives.

As I understand it, that’s a quorum, and you
guys can either choose somebody to lead -- lead, lead
and speak as the chairman, or you can have a designated
representative until we get the next meeting, whether
it’s done by telephone or virtually, to choose the
chairman. But I think that you have enough by the
statute and the charter that you could choose if you’re
going to do that. So, with that, anymore questions on
the organization here?

MR. ULSES: Rhett, will you be giving us a
copy of what we’ve got there?

MR. JEPPSON: Yeah. I can. I can print you
out a copy and share it with you. You’ll see the
proposed member if the names are in there. If the
names are in vetting, we didn’t put names on there,
because sometimes the organization won’t clear. We had
one, just recently, that wouldn’t clear. And then
sometimes the individuals can’t clear vetting and we’ve
had a lot of that, so, much to my chagrin.

Okay. So we’ll break until 10:00, or why
don’t we go ‘til 10:15? That will give us about a half
hour, and then Patrick will be down to actually talk
about Cap Access and he’ll give you an update on that.

[A recess was taken.]

MR. JEPPSON: I think Steve will be with us
here in just a second, but I just wanted to go ahead
and make a quick introduction before we start. So one
of our good friends and partners here at SBA is Cap
Access, our office at Capital Access, and,
specifically, Patrick Kelley, who’s the deputy
administrator, associate administrator up there for Cap
Access.

I’ve got to tell you. I’ll just tell you a
quick story real quick. So we were out at Nagel there
and we were talking Boots to Business. And we were
focused on the lending commitment that we have and some
of the lending issues that he’ll talk about out at
Nagel. And, Patrick, although not a veteran, probably
made the most impassioned speech for veterans or for
Access to Capital that I’ve ever heard of in my life.
And so we really do have a strong friend in Patrick and
his office up there. And we’ve got some pretty good
things going on as far as Access to Capital that we’re
going to share with you, and then hopefully we’ll be
kind of a watch board for things that the Advisory
Committee will want to deep-dive on. So, with that,
Patrick, welcome.

CAPITAL ACCESS INITIATIVES

MR. KELLEY: Thank you. Great, thanks, Rhett.
I appreciate the feedback. I may not be able to
serve, but I can talk about it. So, at any rate, it’s
good to be here with you guys, and I do want to go kind
of what we’re focused on, and I’ll get into the details
in a second.

[Slide.]

MR. KELLEY: But I think the overall framework
of where we’re headed, first, what the agency has done
recently -- and I’ll give you the details of it in a
second -- is finally embraced what I believe was almost
a 30-year directive from Congress, which was Congress
at some point said to the SBA: “SBA, you should confer
a benefit on veterans.” And, whatever reason, the
agency through the years in interpreting legislative
history, and so forth, did not interpret that to mean a
benefit, believe it or not. And, so, over the years --
PARTICIPANT: Excuse me.

MR. JEPPSON: I’m sorry. If you’re dialing in on the phone call, if you wouldn’t mind, that would be great. And then if you need to ask a question or want to ask a question or have a comment, just please interject yourself. But, otherwise, if you would stay on mute, that would be great. Thank you.

MR. KELLEY: But, for whatever reason, we hadn’t interpreted that to mean a benefit to veterans. And, so, over the years, and for me I’ve been with the agency for over three years, and I’ve attended a lot of different veterans task force meetings and so forth, members of the public and then privately with different members. And what that manifested itself into is folks would come and day to the loan programs, you know, what are you truly doing for Veterans.

[Slide.]

MR. KELLEY: The previous administrations attempted meeting that was to launch a pilot program, Patriot Express, in 2006. And what that program tried to do was it tried to leverage a delivery method for loans, SBA Express, and add on the full 7a guarantee.
So, typically, an SBA Express loan comes with a 50 percent guarantee for the lender and a 7a, a full 7a loan, or standard 7a loan, has an 85 or 75 percent guarantee. And it’s what Patriot Express did, and it was pretty decent logic.

They said, “Well, we know that we have over 1400 delegated lenders using the SBA Express program versus 700 delegated lenders in the 7a program.” And when you ask lenders, “Well, what about express makes it more attractive?” well, it’s easier for me to document and originate the loan and staying in compliance with the SBA’s rules. But if you could give us the full guarantee, boy, that might make a difference. And so I think that’s kind of what the previous administration launched with Patriot Express, and the pilot’s been in existence for the last seven years.

And, in each of those years, veteran lending actually went down and not up, and more loans were made to veterans outside of Patriot Express than within Patriot Express. So, as you do move a pilot, you try things, and then you take an assessment; you take stock
of is it working. And so at the end of this year, the
pilot program is set to sunset; and what we’re going to
do beginning January 1st is finally not tinker with
delivery methods and things that might make it
attractive to banks, but actually finally confer a true
benefit to the veteran borrower. And, so, beginning
January 1st on SBA Express loans, the borrower fee, the
up-front fee, which can range from 2 to 3 percent for
loans up to 350,000, will be set to zero for veteran
borrowers. And, our intent, going forward, where we
are subsidy neutral and where we can is to expand that
to every single veteran involved. And, you know, the
goal is to confer that benefit, not only in the SBA
Express program, but beyond that in all 7a loans going
up to $5 million. And for a $2 or 3 million loan to,
let’s say, a veteran-owned contracting form, the fee
could be as high as 3.75 percent. So setting that to
zero means about six figures of not having to pay
principal and interest on that six figures.

The other thing we learned is that the
overwhelming majority of loans were being done outside
the program, and, you know, we think that we’ve got to
chase that benefit, you know, to those other programs as well, the Cap Alliance Program, as well as standard 7a.

So, January 1st, finally, after 40, 50 years -- I think it was that long -- I don’t know, but we were finally conferred a key benefit on the veteran borrowers that is any kind of a -- I don’t want to say gimmick, because I think it was decent thinking. But I want to say that it was directed towards lenders, which is smart, because we don’t do direct lending, and so we’ve got to incentivize. And, let’s face it. This is a free market economy and people are going to do what makes money. So it was good thinking, but we think the benefit will be better and truly demonstrative of the SBA’s emphasis on helping veterans through our Access to Capital Program.

Now, that’s going to happen January 1st, and then we hope later in the year when the President’s budget comes out for 2015, and we hope that right now we’re going through the modeling with the Office of Management and Budget. And, obviously, the economic headwinds look comparable to 2014, which is to say we
think that we’re going to grow, not shrink. And, so, therefore, the model says there’ll be less defaults, and therefore it’s likely that the 7a program was subsidy neutral this year in 2014 and should be subsidy neutral next year. And we intend to use any money that we can in operating the program to push that towards expanding that benefit of setting the fee at zero.

Where at a minimum, there was legislation passed, I believe, in the second term that called on the veteran loan programs to split the fee in half for veterans. So we’re exploring both options right now, and we feel confident that we’ll probably be able to get one of the two, and hopefully the program, which is the zero. But that will be announced in the spring. But, beginning January 1st, the loan program, SBA Express, where 57 percent of our loans are originated year-in, year-out, where we have a two to one advantage in terms of delegated lenders -- lenders that do the most volume utilize -- we’re going to have a fee for veteran borrowers set to zero.

So that will happen January 1st. There will be a notice to lenders. We talked about it. I think
the day after that Nagel conference, Jean Huilet, who is the acting administrator, was in Arkansas with Sen. Pryor, and I think a field hearing on veterans issues where she announced it. So that’s what we’re going to do January 1st.

What we did around Memorial Day this May down at Fort Bragg with then administrator Mills is we announced the commitment from 120 plus 7a lenders to increase their collective lending to veteran borrowers by five percent each year for the next five years. What that will amount to is an additional 2,000 veteran borrowers, about 2,400 veteran borrowers getting Access to Capital over that five-year period versus the prior year, the base year, which I think was 2012.

And what we did in that effort is first, as you can see up there, we went to the SBA top 20 lenders by volume. We said, okay. Year-in, year-out, this list is pretty much the same. And we got the top 20 lenders to all sign on to a collective commitment to increase veteran borrowers. And, as you can see, what the projected year-end total is is that they will make, you know, just over a thousand loans and meet their
goal, which was 914 approvals, which of course is an increase of five percent up front from 858 in 2012. We didn’t stop with just the large lenders, because obviously, you know, there are community bank networks and credit unions throughout the country. And so region by region, we identified those credit unions and community banks that had demonstrated in the last couple of years that they were able to find veteran borrowers more than the rest in the region. And so we went to 10 — at a minimum — 10 banks in all 10 SBA regions, and they made the same pledge. And, so, Rhett and I are currently going through a mid-year kind of report card with them.

You know. We’re about six months into the first year, but we have representatives in all 10 regions. So the important thing about that is, as you know, Rhett’s been working hard on modifying, together with DOD, the transition program to include a learning module and several additional tools beyond that in the Boots to Business platform. Well, of course, what we want to do is be able to provide the lenders with the list of those members, service members, who
participated in those trainings. And I think there’s
about roughly 133 that have happened across the nation.

And those veterans, they may not be credit
ready this year or over a five-year period, given the
fact that, one, for veterans want to be an
entrepreneur, and of course they come back with
tremendous skills. And many do become, we think, over
that five-year time rise, there’s going to be a good
fit between having done the training this year -- maybe
gotten a little bit more training, got the idea of the
business plan together -- worked with an STDC or a
veteran development center through the SBA network to
score counselor.

And then by years 3, 4 and 5, the veterans
from the most recent conflicts can get Access to
Capital. And obviously the commitment and the pledge,
as well as the zero fee, is for all veterans,
regardless of when you served or what era. So,
obviously, the larger dollar loan will probably go to
existing veteran businesses, which is good, because we
now have a working capital program, CAPLines, which for
15 plus years prior to 2011, it only seen 1300 loans
done and about a quarter of a billion dollars. So, to give you some context, we do about 60, 70,000 loans a year in 7a.

So to say that the CAPLines program was not working is generous. And so in 2011 I called 150 different banks, spent one hour with each bank -- three in all 50 states -- and asked a very basic question: How do you underwrite and monitor a conventional line of credit? And then we did something truly remarkable. We did that over the course of June and July and the first week of August. We actually launched the changes October 1st.

So in the span of four months, we did outreach to 150 banks. We had the courage to change our rule pretty dramatically. So, as a result, there have been 1300 loans, 1300 plus loans done in the last two years and a billion dollars. And we’ve got well over a thousand different lenders that have done at least one capital, working line of credit.

I mention that, because for contracting, for veteran contracting businesses, for any veteran-owned business that’s been in existence for, we’ll say, more
than two years, they’re going to be looking to expand as the economy starts to rebound. And when they look to expand, that’s when they can look to hire veterans that are coming out looking for a job. And so that working capital is going to be pretty good, because you can get prime plus two and three-quarters for 10 years of working capital, which is remarkably low cost of debt service for that type of product.

So, all of these things are being done to expand the doors that veterans can knock on and enlist the help of, you know, the lenders and the network. In addition, I should say it was not on the slide, and I didn’t catch this yesterday, but we have 55 CDCs, who of course are partnered in administering the 504 program, which is primarily a commercial real estate program, but it also includes equipment.

That program, 55 CDCs have stepped forward to waive fees for borrowers as well. They’ve also -- you know, they’re different. Each CDC kind of tailored their own to meet their own needs. Some offer free technical assistance and counseling, you know. So we’re building a network of doors for veterans to knock
on in conjunction with the work that’s Rhett’s doing in training. And, sometimes, in the past, like any organization, it probably seemed like when you’re dealing with us -- you know -- you talk to the counseling folks. You talk to the contracting folks and you talk to the capital access folks. And it seems like you’re the bind, and -- you know -- you wonder if those three people ever talk to one another before the meeting. And I’m pleased to report that in all of these efforts -- the contract CAPLines piece -- we worked with John Shoraka, who’s the associate administrator for GCBD. He, himself, is a former small business contractor. And we worked very closely with Rhett’s team since he came on board, to think the full spectrum of the development of a veteran owned business.

So, you know, every guy like me comes to a committee like this or comes to a room like this and tells you you’ve got the new, shiny thing where it solves all the world’s problems, it’s going to be a slow grind to do this. And we’re finding as we kind of deal with our regional banks and credit unions -- you
know -- at their midyear check up, there’s a little bit of whining sometimes from the banks about borrow, demand and so forth. But we’re going to keep the pressure on them. They know it’s right. They’ve stepped forward and made a commitment, you know, and it’s difficult to forecast sometimes, particularly when the government shuts down every few months.

So, you know, we’re going to keep the pressure on, and I think that what is happening with not just the administration or not just the SBA, but across the administration broadly is I think there’s a very real choice that we’re contemplating as a country. And, you know, my grandfather served in World War II. And if you look at the legacy of what society did for those veterans in terms of the GI Bill and their reentry into society versus, say, how we maybe didn’t take the best step with veterans coming back with the Vietnam War, we now have another opportunity to demonstrate that we were with every veteran when they went off the war. Are we going to be there now that they return? And I think that that is one of the most important things going forward.
The President gave a great speech yesterday on the economy and about social mobility; and, you know. I definitely sit here today because of what happened with my grandparents and my parents. And so that’s the choice we have. You’ve got a good leadership team. The good thing is Rhett is a bulldog and he’s been here. And we’re working well together and there’s a lot of promise. And I think it’s only going to be reinforced and bolstered when we finally get a full-time administrator and a deputy onboard. And I think you’ll see even more action, because there’s a lot of stuff right now that Jean is certainly driving and in full support of. And, you know, so I think the next year is going to be better than this one, and this one was pretty good.

I’m happy to take questions on this or any topic you want. I’ll even talk about Cal’s program. I may be wrong, but he’s here. He’ll clean up afterwards, so, but any questions? And I guess there’s some people on the phone.

MR. JEPPSON: Okay. Any questions for Patrick? Anybody on the phone?
MR. WHITE: I’d just like to ask. You said that the --

PARTICIPANT: No. No questions on the phone.

MR. WHITE: Thank you for getting a mike.

MR. JEPPSON: That’s all right. They can hear you.

MR. WHITE: That the Patriot Loan Express is going to sunset, going to end?

MR. KELLEY: Yes.

MR. WHITE: So you’re going to have the Express Loan only?

MR. KELLEY: Yes. So, first off, as I mentioned, each year loans were made from the 504 programs to the 7a program, to the CAPLines Program, to the SBA Express Program and to the Patriot Express Program. And when you looked at the tapestry of loans to veterans, the loans outside of the Patriot Express Program exceeded, you know, the Patriot Express Program. But, in particular, SBA Express almost met each year the loans to veterans. And, one of the reasons that lenders would cite why they were still using SBA Express as opposed to Patriot Express is
because of that borrower fee.

When presented with 50 percent of, you know, a
two percent fee on 50 percent, or a three percent fee
on 50 percent versus 85 or 75, it’s cheaper to the
borrower to go with the SBA Express. So that feedback
led us to believe why don’t we try to enhance what
seems to be working where they’re finding it. The
other thing that we found about programs just in
general is that lenders have difficulty keeping track
with all the different buckles.

They think in terms of term loan, revolver,
and then use of proceeds. Right? So real estate,
working capital equipment -- you know -- and that’s
basically how they think. And they understand that the
business under SBA has to be small, so they understand
that eligibility principle. But, when you start
creating different delivery methods and you say, well,
under Patriot Express you’ll have the SBA express
collateral policies up to 350,000; but then you’ll have
the 7a collateral policies from 350 to 500,000. You
know. Do I need to get a DD14 on this program when I
don’t have to get a DD14 over here?
All of that adds to time, and the government guarantees lending process is a labor intensive process to begin with. It’s roughly -- for a decent size 7a loan, from soup to nuts, it’s roughly 100 hours; costs you about $11,000 from a transactional standpoint from the bank, fully burdened. So, you know. What we said was what we learned from them is just simplify and enable us to do things around term loan revolver and that use of proceeds.

And then the other thing that happened, we had the Recovery Act and the Small Business Shop Act. And what we saw with a fee waiver was that there was tremendous activity and as a result of that fee waiver, more so than the higher guarantee. And the reason I say that is the guarantee was never raised for Express, but the loans under 350 were still done routinely through Express. So, even with the higher guarantee, the banks still liked the delivery method of Express. They liked the ease of the use. They were familiar with it; they stayed with it. And they obviously liked the fee waiver.

So we can’t waive fees, because we need
Congress’s help for that, and they’re very busy doing whatever it is they do. And so we decided to set the fee at zero, which we had the subsidy to do and the authority to do.

MR. WHITE: And the guarantee is going to be what?

MR. KELLEY: The guarantee for Express will be 50 percent. It will stay the same.

MR. WHITE: So the Patriot Express with the 75 or 85 is gone?

MR. KELLEY: Is gone, correct.

MR. WHITE: And the regular 7a, though, is still going to be 7a.

MR. KELLEY: Correct. So what we hope to follow on in the President’s 2015 budget is, again, as I mentioned, either half off the fee as one of the pieces of legislation that was passed in the prior administration called for, and the agency hasn’t ever implemented. Or, if we have additional subsidy and we can get to zero dollar up front fees to borrowers from 0 to 5 million through the standard 7a, we’ll do that. So it really just comes down to these deliberations
with our math elites in the CFO office over the next few weeks.

MR. JEPPSON: Yeah. Let me just kind of dovetail into a couple things Patrick said that are really important here. So, when we did SBA lending in total, we did 1.8 billion last year. And Patriot Express we only did about 118 million. So it’s a fraction of the lending that we do. When you look at the number of delegated lenders we have, and we double the amount, and we reduce the fee as an actual cash benefit to the veteran, you know, there’s some trade-offs, obviously, but there’s some pretty good trade-offs in favor of the veteran.

That will be for the balance of ’14, from January until September. We’re now going through the subsidy models and the economic forecast, and the numbers that we’re given, submitting data to OMB to work with as we figure this. We’re now working through the President’s budget. We’ll get pass-back. If you guys are familiar with pass-back, we give our original input to OMB. It comes back. As soon as that comes back, we’ve already had the discussions about different
options we have as far as what we can do for fee reductions. We will get as generous fee reductions as we can under the models, and we’ll work through that differently.

So it’s hard for us to tell you what we’re going to be able to do, because we don’t have all those assumptions in place. But we’re working hard on it, so that as we reduce the number of loans out there -- I say, reduce the number of loan products we have out there so it’s easier for the borrowers -- we’ll make sure that what applies for the veterans is across that line of loan products, so that he or she could have access to the loan that’s best suited for them at a reduced fee, at a real advantage in savings to them. Not that there’s just some specific one loan for them that have a cap at 500 so that we can help medium-sized small business that’s growing, we can help the start-up that’s really our intent.

I will tell you that we’re working closely as well on the micro lending piece. We think that with the boost of business and the amount of startups that will come with the veterans that there’s still an
underserved piece that we have not gotten to with the micro lending, but we need to. There are a lot of business ownerships because of their equity position, and now the service, because of other circumstances, the micro lending piece, the non-traditional lending banks are a better fit, where they give a lot of mentorship and handholding with that.

So that’s another area we’re working closely with Cap Access or the White House on. You know. I’m happy to talk about the different partnerships that we’re looking at there right now, trying to form those. Hope to in the next couple of months have some pretty big announcements in that area as well. Still trying to get there, because no matter what we do, working with the traditional lending community, there’s still going to be a big -- there’s going to be a segment who’s not going to be ready for the bank. And we need to try to help this, because there are a lot of small business owners who are going to raise their families and do well.

Just coming out of the services at E3 or E4, when they’ve got to take that welding skill or that
skill they picked up in the service, the bank’s still
not going to be ready to lend on that. They’ll be
outside the credit box. They just may not be
comfortable with it, but there’s other methods that
we’ve got to work through to help ensure that there’s
some access to equity to these other non-traditional
methods.

MR. KELLEY: And I think the other thing
that’s important too is -- this is coupled with a
lesson learned, too -- that if you roll out a program,
the notion “If you build it, they will come” sometimes
works. But it’s also helpful to identify lenders and
get them to commit to hitting lending targets, while
simultaneously you’re kind of giving the veteran a
benefit as well. And so what we’ve done is we’ve got
the network now. It’s admittedly, you know, a small
footprint.

We have about 2,000 lenders in a given year
make at least one SBA loan, but it’s concentrated on
the ones that make almost two-thirds of the loans --
SBA loans in the region and nationally. So we’ve got
the right lenders. We’ve got them focused on veterans;
and, I’ll tell you again it’s always easy to say things, and so forth. And so they’re realizing they’ve got to start thinking about the pipeline and what they’re doing, and in finding the resource partners to get a pipeline of demand. Those banks are all -- you can access the whole list of them on our website.

The district offices were the ones that recruited the banks, so sometimes in the past, you know, inadvertently we’ve done things in Washington and forgot to tell the field that we’re doing them. So you call the district office, and they’re like, well, nobody told me that so and so bank is participating. Or, we launch a pilot program, and then the next day somebody calls the bank, and the banks says I haven’t heard anything about it.

And so we started first in May with getting the banks onboard. And what we’re seeing happening -- and I think it’s in your deck, and you probably talked about it -- is we’re seeing it kind of spiral out from there. So there are networks associated with our lending programs, like the Franchise Association that had been doing a hiring effort for veterans, but
they’re also working closely, obviously, to start a franchise. You need capital. So they’re working.

And some of the third-party service providers that help the banks process these SBA loans are also waiving their packaging fees for veteran loans. So it’s starting a spiral. And, like anything, you get what you monitor. So it’s nice that we’re going to have these calls with Region 1 this afternoon, and the scoreboard says what it says. And so, you know. And my friend from People’s Bank in Washington and Oregon were going to help him out with his marketing, and we’re just going to keep pushing it, so.

MR. MUELLER: I’m Kurt Mueller. I applaud you all for what you’re doing. You did bring up one, particular interesting point is the ability to communicate this to the regional and district offices still within the SBA.

MR. KELLEY: Yes.

MR. MUELLER: For some of us, like living in Georgia, I have worked with that office down in Atlanta, Georgia, on a number of initiatives. And I will say this, that it’s interesting in communications
they either don’t get or they miss, because they clearly have positioned themselves as the communication to the business, veteran business community. So my question to you: How would you track the effectiveness of how they get the information to the actual veteran business community.

MR. KELLEY: So some of it’s going to be anecdotal. So, for instance, we had our first kind of mid-term report card call with Region 10, and admittedly it was a mixed bag. And the regional administrator was on, and so part of it is recognizing that we’ve got this challenge across our 68 branch network, and we’ve got to be conscious of it and repeat. You know. Most of the messaging is just repetition over and over until it sinks in.

So we were on the call Monday, I think, with all of the nation’s district directors, as well as the RAs, reminding them again about organizing their regional checking calls, which we’ve got most of those organized for this month, but also reiterating that January 1st, the veteran’s fee is going to go to zero. You’ve got this bank network that’s looking to find
borrowers. Borrowers are going to like the idea of not having to pay the fee getting connected to.

But I think the other thing we’re doing, which is important and not just related to veterans -- but it will impact veterans -- is they have two, large contracts in both the 504 and the 7a programs which have an IT component. And the first time we’re going to leverage both contract vehicles to fully automate the loan lifecycle. And our goal there is again this concept of more doors for more dollars. And so we believe that the hundred hours and that $11,000 can be reduced by about 86 hours, down to about 38, and by $6,400, down to about 3,800, just by creating online forms and data collection, and allowing e-signature in the closing and packaging phase. And these are all concepts that are available right off the shelf.

So, sometimes, it’s difficult to create a website. This won’t require that. There are products that already exist that we can license. We can hang off of our existing platform. And what that will do in terms of communication, it’s been difficult through the years when you made an adjustment in policy. For
example, in the clips today, the *Bloomberg Business Week*, there’s a person responding from *Bloomberg Business Week* to an entrepreneur whose question is “I need a $300,000 working capital loan, and I’ve been turned down three, different times for an SBA loan, because they say that my wife has to pledge our jointly-owned collateral.”

And the article explains that it’s a bedrock long-held principle that the SBA requires all available assets, which is a nice story, except it’s no longer true. It hasn’t been true, and SBA expressed since its inception when it was ratified by Congress in 2004 it is not true in the CAPLines program and has never been true in that program. And it is not true in the Small Loan Advantage Program in 7a. So, I, lastly, for our communications guide, I’ll be talking to a person from Bloomberg later today. We’ll get the small retraction, you know. But I think that you have, what’s important, you know, is a bunch of people in leadership that recognize the rewards. And sometimes we do a great job of trying to cover them up, but we’re taking them head-on, and we realize communication is going to be an
important part of that.

MR. JEPPSON: Yeah. And if I could dovetail into that real quick, and then we’ll move on. There’s just two things that are happening right now. You bring up a good point. It’s really, no matter how fully effectively we communicate with the district offices, how does it get to the veteran out there. And that is key. So if we talk about Boots to Business, we’ll tell you how we communicate with the transitioning veterans, but that’s only one slice of the pie. There’s the existing veteran community.

Well, first steps first. We actually do -- I actually sit every other week or so. I’m actually on the district director call and I talk about a veterans-specific issue. This time we started to lay out what would be happening with Patriot Express and with the fee reduction, and we laid out a little bit about where we’re going in ’15. So we do that with the district offices. As you know, each district office has a Veterans Business Development Office or the VBDO in a district. Every other week we do a conference call with field staff and our staff there. It initially
focused on Boots to Business, and we started this right after I got here. And we’ve moved into other areas: government contracting and Access to Capital. And so we give them updates on what’s happening in other areas as well, but we do that call every other week. It is specific to the field.

We’re working now to try to get one with the resource partners, and we’re trying to figure out what the schedule will be, for the most part because of the way we focus traditionally on Boots to Business. And I’ll talk more about this, the way we execute Boots to Business through the district offices. That’s been the conduit. It’s kind of the skeletal structure that we have. We need a way to strengthen the muscle, which would be our resource partners, so we do that. But we do do that. That’s the first step.

The next part is making sure that they’re effective in communicating with the veterans in their community -- lots more to do. It’s only dollars away from a really good solution, and that’s the challenge we face is how do we do that, because there’s some cost associated with that. And then how do we measure that
when you measure the effectiveness to know that we’re
doing a good job. There’s a cost issue. So, you know,
we can do certain things that are low cost, e-mail and
things like that, and some will be more effective.

But to measure it and do other things to be
really more effective we need to figure and build
process to do that, and we’re not there yet. So you’ve
got the first step, but it’s a spiral process here, and
it’s something that’s only been in existence for
probably about six to eight months right now where
we’ve actually been doing these consistent regular
calls with the district offices every other week with
the VBDO. And then we hit the RAs, the regional
administrators, probably once a quarter on their call.

MR. KELLEY: The other thing that we’ve done
in the last year is we went through a reorganization of
our division under the Office of Capital Access, and
what we did is we moved some activities out of the
Office of Financial Assistance, which is the policy
shop, to make it more outward facing so that they could
be available. They had the band width to conduct
monthly training and what they call training the
trainer. So what they’re doing now, pretty robustly -- both for 504 and 7a -- is talking to the lender relations specialists at these district offices. Because what I found is when they tell the RA, but they may not tell the DD, and the DD may not tell the DDD. And the DDD might not tell the LRX. So we have to tell them all individually sometimes, and that’s fine. That’s the challenge. But that training will reinforce -- you know -- what the vision is, why we’re streamlining. Making less programs will actually be easier to navigate. And the collateral policy changes are important too, because one of the real outcries from the Small Business Jobs Act, we’re listening toward the spring of 2011. You go to the banks in the morning and they say ‘We don’t have a revolving line of credit program in 7a that works with 350,000,’ and of course that’s what we fix with CAPLine. But then in the afternoon the borrowers would say, ‘Geez,’ you know. ‘My wife -- we don’t want to pledge our personal collateral for a $50,000 loan or a $100,000 loan on a start-up business. We know it’s a challenge. We’ll pay our debt, but we don’t want to have to put up a
second lien on that.’ Not to mention in some states, like New York, there’s an excise tax when you do that. So we have listened and we have dramatically changed. So that, universally, under 350,000 now, there is no longer the requirement of the borrower must put forward their personal assets.

MR. WHITE: Just one thing I’d like to offer is that you’ve got access to a lot of communications sitting at the table right here. You’ve got the American Legions. You’ve got Service Sale Vets. You’ve got the Veterans Business Network. I mean put a PDF together and show very clearly, very simply, what the package is.

MR. KELLEY: Sure.

MR. WHITE: And I’ll blast it out. I’ll put it up on the website. We’ll reach a lot of people and do something. We can put in the magazine.

MR. KELLEY: Well, what we do as a follow-up, we’ll get each of you in those networks, the regional list of banks, and as we go through these calls we’ll suggest that we’d like to set up calls with the veterans organizations region by region. That way, the
banks can be on and borrowers can hear from the banks, you know, on maybe a two-, three-minute pitch. So we can match borrower demand. I thought we could do that.

MR. MUELLER: Rhett, I do have one request. When you do your calls to the districts and the business development officers in those areas, is it possible for us to be connected into that conference call for our particular geographic area?

MR. JEPPSON: Let me run that to ground, whether we can do that or not. We don’t do it by district. We do it nationally. So I have all 66 district offices on the line at one time, and I have all the VBDOs on at one time, and it’s usually about 48 to 50 of the VBDOs at any one time. The only reason I hedge that a little bit is sometimes we talk internal SBA business, and we’re actually talking about --

MR. KELLEY: Right. You don’t want to hear about going on in your TPS report, or whatever, and a new system that’s broken.

MR. WHITE: Yeah. Get a cup of coffee at that point.

MR. KELLEY: Yeah. That’s right. That’s
right. Or why you can’t use a cell phone, or --

MR. MUELLER: I understand. You’re not doing it. You’re not doing it on a regional basis or district, but you’re doing it globally across the 48 states.

MR. JEPPSON: Right. And in some cases we’re actually calling people accountants. We’re calling them out and holding them accountable. “Who’s the business?” When we talk here, Patrick and those guys have been a great partner. And if you look at where we’re at right now, part one of the conveyance is that we’ve been focused heavily on Boots to Business and entrepreneur education, something that I think we’ve got about right. And we’re pivoting back to Capital, and the first step was the lender commitments. The next was the fee reduction, here, and we think there’s more that needs to be done with the small loan programs.

Obviously, there’s more, but the Access to Capital has been our pivot here, and we need to do a better job of communicating that. But that’s one of the focus areas here as we come up to speed on it. So,
Patrick, I appreciate it. Thank you very much for being here. As always, we appreciate you as support to the veterans community.

So, next, we’ve got Cal Jenkins.

MR. KELLEY: I’ll only say this before Cal speaks. He’s been holding John Shoraka up for a few years, so you’ve got a good guy here.

MR. JENKINS: Thank you.

MR. KELLEY: Thanks.

MR. JEPPSON: So, next, we’ve got Cal Jenkins from our GCBD, and he will give us kind of an update on the federal contracting, where we’re at on veterans federal contractors in detail.

UPDATE ON FEDERAL CONTRACTING

MR. JENKINS: Good morning. I’m a little cold, so bear with me a little bit. As you know, our office is the Office of Government Contracts and Business Development. We have the 8(a) Business Development Program, the Hub Zone Program, as well as the different protests, Service Disabled Veterans Program and the Women-owned Small Business Program.

Our Office of Government Contracts is
responsible for working with the various agencies through different means. For example, we have procurement center representatives assigned to all of the major buying activities. And, so, if we see procurements that the contracting officer is looking to go full and open, and we believe that there are two or more small businesses, two or more veteran-owned, disabled veteran-owned small businesses, we can always stop those procurements and give the contracting officer an opportunity to revisit their market research. And where we become loggerheads and can’t agree, then it gets elevated through an appeals process to the head of that agency, all the way up to the secretarial level. So our folks have a lot of statutory authority to really try to drive these procurements toward small businesses that meet the social, economic categories.

We also negotiate goals with all of the 24 major buying activities. Each year we establish goals. We also scorecard those agencies on their performance. We look at all of the categories, small business, women-owned service disabled veterans, and small
disadvantaged businesses and Hub Zones. Have they met their goals? What was their plan? Did they try to meet the plan? What is the commitment within their agencies?

Several years ago we talked of the number of the agencies, especially at the under secretary level, and we said, “You’ve got all these goals.” And a lot of them didn’t even realize they had the goals. And so I think the scorecard has really helped to, one, bring it out and make it transparent so everyone can see what a particular agency, how they’re performing. And then SBA actually grade that agency from A to F, depending on if they met the goals, if they met the plan towards the goals, because we’re looking at a number of things.

Some of the tools that we’ve received in the past-- some this year and a few years ago -- was the *Small Business Jobs Act*. Within that Act there were 19 provisions that affected small businesses, and a lot of it was a lot of really great tools. They have something called the multi-award contracts, contract bundling, contract consolidation. So we now have
additional authority, additional regulations that are out there on the street. We went final with that group of regulations in October of 2013, and so those will now start to take hold.

It’s going to be more difficult for contracting officers to bundle contracts. They’re going to have to go through a number of hoops they can do that and justify it. We also have a requirement to submit a report to Congress on contract bundling so that they’re watching what’s going on. Presumption of loss is another big one. We have had time to find bad actors in a number of these programs -- individuals who in some cases commit fraud to take advantage of these programs. Well, now, in the past, Department of Justice would not prosecute those cases, because the company eventually delivered the product and service to the government. Even though they committed a fraud to do it, the Justice wouldn’t take those cases.

Now, in the presumption of loss, let’s say it’s a $10 million contract. You deliver those products and services. The Justice Department can now go after you for $10 million. So we hope that’s a huge
deterrent from those individuals, those bad actors, who claim they’re what they’re not and get into the small business programs.

A lot of good stuff on subcontracting, payment requirements; there’s some things that require faster payment for subcontracts, so it covers the large business products. There’s a switch provision that will make it a little bit more difficult for a large firm to switch out a small business subcontractor once they’ve identified who that small business subcontractor is. They’ll have to jump through a few hoops before they can just switch them out. We think that’s hugely important.

Also, there were some goaling things that were changed where additional goalings were added on the subcontracting side. Those were great. Still, some of the jobs -- and I’ll run through these quick so I don’t boor you guys. But of course under the Jobs Act they gave us authority to pre-mentor-protégé programs for Women-Owned Small Business Services, Disabled Veteran and Hub Zones. We are ready to go with those regs at the beginning of this year, release them out into the
However, we got the National Defense Authorization Act, and when that Act came out, it told SBA to look at a mentor-protégé program for all small businesses. And so we’re in the process of developing those regs, actually, going through clearance within the building now. We hope to get them to OMB within 30 to 60 days, and that will create a government-wide mentor-protégé program for all small businesses.

What it told those other agencies -- there are about 13 agencies that have mentor-protégé programs: SBA program, Department of Defense -- those programs are sort of pushed to the side a little bit and not covered by this. All the other agencies cannot have a mentor-protégé program unless they get SBA’s approval. It would affect any of the small business groups. They can’t have it. And what we’ve done, we’ve met with those agencies. And we believe we’ve captured the essence of their program within our program in terms of the subcontracting benefits.

Our program, we’ll waive the affiliation rule. So as encouragement for mentors to participate, we are
looking to allow them to joint venture; and, if they
joint venture, we will waive the affiliation rule. So,
for example, if you are going out for procurement, then
you may not have all the experience and all what to do,
but you have your mentor, and your mentor could be a
large business. We will waive that affiliation.

Currently, regs do not allow for that to
occur. It says once you joint venture with other than
small, that union is other than small. But, if you’re
covered under this mentor-protégé program, that will be
waived. So we think that’s going to be critical,
especially as we see these procurements and try to open
new areas where small businesses have kind of been
pushed out.

MR. FIELDER: Cal, could I ask a question?
MR. JENKINS: Sure.
MR. FIELDER: This is one that I’ve been
tracking. The original law that required there to be –
and the way I define it is a mentor-protégé program,
but similar to the 8(a) mentor-protégé program in the
sense that it had to keep that score, in the sense
wouldn’t be part of the agreement. And, of course, the advantage is the fact the affiliation part and the fact that the large business in the joint ventures revenue doesn’t count against something special. So the original law that covers service disabled vets and women-owned business, I believe, is about three years old and never got through the implementation process.

MR. JENKINS: That’s correct. That’s correct.

MR. FIELDER: But you’re not saying that there was a national appropriation act that now has said, whoa. Stop on that. Apply this --

MR. JENKINS: Yes, they applied it.

MR. FIELDER: -- so that all small business categories --

MR. JENKINS: That’s exactly right.

MR. FIELDER: -- will now have the same chief advantages as the 8(a) mentor-protégé program?

MR. JENKINS: Yes. The legislation was clear that we had the model of this new program, the government-wide program, off of the 8(a) program. So it will require the mentor to identify --

MR. FIELDER: It’s a funded mandate, or an
unfunded mandate?

MR. JENKINS: Well, we the initial ones --

MR. FIELDER: That’s what we all were watching closely, because weren’t seeing you all getting the funding to --

MR. JENKINS: No. It did not get additional funding, but we’re moving forward. You know. Over the years I’ve heard from the various groups that said we want a program similar to the 8(a) program. When Congress, a couple years ago -- actually, under the Jobs Act, we had a problem with something called “parity.” We have different set-aside programs. Contracting officers were confused. What do I go to first?

MR. FIELDER: Right.

MR. JENKINS: We took the position that because all these programs fell under the Small Business Act, we interpreted that they were on equal footing. However, there was a little bit of language in the Hub Zone legislation that said, “Notwithstanding any other provisions of law,” the contracting offices had to go to Hub Zone first. That was a major problem
for us. So we were able to get the legislation to
eliminate that. However, there were those on the Hill
that 8(a) still had -- 8(a) now had a priority over
everything because of the mentor-protégé program. And
so that was one of the pushes I mentioned.

MR. FIELDER: Okay. So for those of us who
have been tracking this for three years, thinking that
the services to disabled vet or the women-owned
business part of it was one of the -- you know --
beyond Capital, it’s the hugest potential to bootstrap
not an individual, but an entire company, by partnering
them with the large businesses. My expertise and
Kurt’s expertise is in construction. And it just
happens that a lot of -- I won’t say the majority, but
I think if we all thought about it, it seems like the
majority of services that were small businesses are
construction companies -- to be able to match those and
then move forward in the mentor-protégé. So we’ve been
waiting three years.

MR. JENKINS: Right. Yeah, we recognize.

MR. FIELDER: Cal, you’ve got a sense of the
timeline, because now you’ve got to go back to the
comment period?

MR. JENKINS: Yeah, well, we never got out the comment period. We had drafted the regulations for the three programs.

MR. FIELDER: Right.

MR. JENKINS: And once MDA was passed, we were asked by OMB to not go forward with those to create --

MR. FIELDER: Oh. It never -- it never -- I’m thinking it got out, but I never heard, because VetForce had several meetings, and I think you all might have participated in those when they were taking comments so that they could put together a comment on it.

MR. JENKINS: Yeah. We never put it out on the public domain. Like I said, we’re very close. We met with all the agencies already and we got a lot of feedback from them. We literally have drafted the regulations, I guess, going through the building right now for comments.

MR. FIELDER: So it’s now internal to SBA?

MR. JENKINS: Internal to SBA.

MR. FIELDER: Then it will go to the other
agencies for comment?

MR. JENKINS: Right. It will go through OMB. And the time line, basically, once it’s released outside of the SBA -- and this applies to all regulations, not just this -- OMB requires a 90-day period in which they coordinate with all of the agencies or the interested parties of the agencies.

MR. FIELDER: Right.

MR. JENKINS: Then, if there’s no comments or any major differences, then they will go ahead and give us the green light to go ahead and publish it for public comments, and that can take 30, 60, 90 days, depending on how important the regular and the feedback were.

MR. FIELDER: So, I mean, would I be overly optimistic if I would start assuming this summer?

MR. JENKINS: I would push it a little further than summer to fall. It would probably be closer to the fall, and the reason being --

MR. FIELDER: And I can’t overstate that beyond Capital this is probably one of the greatest tools in the whole mentor-protégé structure in the
sense of you’ve got a small business doing $1 million
and $2 million projects. And there are set-asides for
$8 million, $10 million projects, that they don’t have
the qualified experience and they need that mentor-
protégé relationship to do it.

MR. JENKINS: Oh, yes.

MR. FIELDER: And the way the mentor-protégé
programs work in the existing agencies, it’s lacking
the incentive and it lacks the --

MR. JENKINS: That’s correct.

MR. FIELDER: And it causes a great deal of --
I mean I’m not even sure that those programs -- they’re
valid, obviously, because they do help with goaling and
things, but this would be huge, huge.

MR. JENKINS: Yeah. Oh, we recognize that Ed,
and we’re doing all we can to get it out. We see the
regulations. It’s not just going to be a straight set
of regs. We’re going to be soliciting input from the
public so there would be some kind of questions as
there should be.

MR. FIELDER: Well, let me suggest that this
would be one of the top five things this committee
would love to track over the next 12 months. Because, I mean, I’m speaking for the committee as if I’m some sort of authority, but this is just so huge.

    MR. JENKINS: Sure. Oh, yes.

    MR. FIELDER: And we’ve been waiting for so long.

    MR. JENKINS: Oh, I agree. I mean the way the Federal Government is buying, I mean I talked about contract consolidation and bundling. It is getting more and more difficult for small businesses to kind of play in, and anything we can do, like mentor-protégé strategic alliances, we also piloted under the Jobs Act.

    We did a teaming. Congress required us to do a teaming pilot, and we issued grants to 11 organizations around the country and have them experiment how can you bring teams of small businesses that can go after legal procurement. Those are winding down, and we’re going to be pulling the best practices from them and seeing what kind of regulatory changes we can make to allow for these larger teams -- not just the one on one mentor-protégé, but teams of small
businesses.

MR. FIELDER: Right. So, let me ask. Am I correct to assume that part of your program would be to either create or use the Veteran Administration’s certification program for services to a vet?

MR. JENKINS: No.

MR. FIELDER: Because then you need the VA and their law.

MR. JENKINS: Yeah. That’s exactly right.

MR. JEPPSON: Yeah. Specifically, that applies only to the --

MR. FIELDER: But you won’t be pulling that?

MR. JENKINS: No.

MR. JEPPSON: Absolutely not.

MR. JENKINS: No. We’ll --

MR. FIELDER: So it will be what the original service disabled category was self-identified?

MR. JENKINS: Correct.

MR. FIELDER: And then the contracting officer has to validate it?

MR. JENKINS: Subcertification -- right -- our staff.
MR. FIELDER: Okay. Well, let me just ask. Since it’s not a public, general announcement, at the point that this becomes implemented, then the agency mentor-protégé programs probably disappeared?

MR. JEPPSON: Yes.

MR. FIELDER: Because there’s no reason for them at that point?

MR. JENKINS: Yeah, and more than likely --

MR. FIELDER: And then lacked substance in the sense of teeth and any kind of an advantage.

MR. JENKINS: That’s exactly what happened. And as I mentioned, we met with those agencies and really went through the programs. And the greatest benefit there was really subcontracting. And so we’re pulling that subcontracting component into this. So, in addition to the weighing of the joint venture on the prime side, we’re looking to pull in their benefits on subcontracting.

MR. FIELDER: Well, because of the existing affiliation role, probably the only way to do a deal in that sense is with a sub where the small business is defined.
MR. JENKINS: That’s correct. So, hopefully, and I think the timeline is, pretty much. It was just really based on -- and we’ll push on as long as we can. We’ve had opportunities and other regulations where they’ve shortened the 90-day period, but there’s two sets of 90-day periods, which creates a problem. Once we get the comments back, we draft a final regulations. Then we actually have to go back double with the proposed final regulations. They again clear it through the agencies and then they give us a date in which we could publish it.

MR. FIELDER: Let me just give, first. This is exciting news, and again I think this would be within the top five or six things that we would like to kind of stay up on over the next 12 months.

MR. JEPPSON: Okay. Sure.

MR. JENKINS: Okay. The other thing I think is important that Congress gave us some authority is to create a pilot, which we call a PCR pilot, electronic PCR. As you know, we have these procurement center reps. They were at the major buying activity where we only had 54 or 55 of these individuals. They can’t
possibly be at every, single buying activity, even
though some are assigned specific buying activities.
Others have liaison responsibilities, but they’re
trying to cover a few at one time. It’s still
difficult when you look at the number of programs that
are being issued by agencies.

There are, literally, millions of transactions
on the procurement side. But the electronic PCR is a
concept we played with a few years ago, and Congress is
now supposed to move forward on a pilot. It is to how
can we capture all of the requirements electronically
that agencies do not want to set aside for small
businesses. They’ll capture that electronically, go
through some routines to identify whether or not they
did good market research, match that up with or without
market research. If we can sign-off on it, we will.
If we can’t, then we will dispatch a PCR, actually, to
them for some of that. But they didn’t actually go
through the process of possibly appealing this up to
the secretary level. So I think that’s going to help
us as we go down the road as well.

I’ll talk about the pilot. Now, NDAA, there
was a number of changes that were made. There was an accountability, as I mentioned in the past. There was even deputy secretaries who had no idea of these goals, the different small business goals. Well, now, under NDAA, it’s a requirement that agencies have accountability. And, for example, every senior executive here at the SBA has a performance element that they will help the SBA meet its goals. And, if they don’t, whether or not there’s a procurement that your office is initiating, they should be going small business. They should be going small service disabled veterans. So it’s literally every one of our performance plans.

That is now starting to appear in all of the agencies -- in a number of agencies -- in order to meet this accountability. It requires the top agency to send down directives, send out communications, express the importance of this; but, yet, hold these individual senior executives. Even if they have nothing to do with procurement, they have some kind of influence, and that’s what we’re trying to capture. So we think that’s going to be huge; a lot of training is being
I talk about the PCRs a lot, because there was a lot -- Congress created this, and it’s a statutory position several years ago. But now it elevates the PCR, procurement center representative. They now have to be level 3. In the past there was no requirement that they were level 3 certified, just like the highest level contracting officer. We have five years in which to give all of our PCRs a level 3. I can’t hire any new PCRs unless they come in the door as a level 3. That means they understand procurements. They understand the Small Business requirements, and they’re able to communicate back and forth with the agency.

We also were successful in getting some training into the level 1 of all contracting officers. Any new contracting officers come in, they start at level 1. They now have a marginal that they’re required to go through training on the Part 19 of the FR or the Small Business Programs. We’re also building a number of modules on SBA’s website. We have what we call the GC class, government contracting class. There are a ton of modules all geared at small business,
geared at contracting officers, geared at our resource partners that talk about the different programs and what the requirements are for those various programs. We think that’s important.

One of the strongest things is holding agencies accountable, so the goaling. So one of the things the National Defense Authorization Act asked us to do is in the past SBA you’ve had a lot of exclusions from the pool of what the Federal Government buys. We commonly say the government currently buys about 475 billion dollars. In fact, it’s closer to 5, 600 billion dollars. There’s certain things that have been excluded; for example, overseas contracting has been excluded.

Other than DAA, Congress said, SBA, look at the Small Business Act. Look at everything the agencies are out there buying, and you come back with an analysis to determine whether or not these things should be included. They also put a requirement on our advocacy office to do an independent review as well. So advocacy is doing an independent review and they’ve already hired a contractor to do some research for
them. And we’re working with our general counsel to
determine what should be in there, like the leases of
GSA space.

Those are items. And when you think of
leases, well, maybe they’re not contracts. Well, they
are contracts and they may need to be included in the
base. So it could be where that pie or that pool gets
bigger, which is going to put more pressure on the
agencies to try to meet their goals, our position is
we’re continuing to maintain the score card. In the
past when the Federal Government didn’t meet the goals,
SBA got dinged, and a lot of agencies were coming in
the back, quiet.

SBA only buys about $133 million. The Federal
Government buys, as I said, over 400 billion. And so
with the score card, we’re putting a laser light on
each agency and saying this is how you perform. Here’s
what you said you were going to do. Here’s all the
great things you’ve said. We’re going to evaluate
whether or not you did that, and we’re also going to
evaluate you on the actual results and then we’ll issue
a score card. So we will be coming out with a score
card for 2013, probably between the March and June

timeframe.

The agencies right now are required to
validate the data, the accuracy of the data. That’s
the other problem we’ve had in the past. Well, a lot
of the data, you found a lot of the nation’s Fortune
500 companies were quoted as small businesses. And
there’s a number of reasons why that occur. But, now,
agencies are required to validate that data. We built
what we call an anomaly tool, and we have shared that
with every federal agency, where if you said it was a
set-aside for small business -- in one field you
checked -- but yet you didn’t check that it’s full and
open, that creates an anomaly and you need to go back
to check the data. Its not saying something is wrong.
It’s not Small Business, but there’s an anomaly there.

Each agency has that, and we’re not going to
run it anymore for them. We’re going to do some spot
checks, but it’s their responsibility, now, to run that
anomaly report and correct their data so that we’re
getting real numbers. This year’s FY ’13 numbers are
going to be a lot better. Certainly, FY '12, we're
going to hit some areas that we haven't hit the goals
in the past, and dollars are going to be a little bit
less, but the percentage of the cost is going to be
down. A lot of things with the budget issues have
caused agencies, so, certainly the pull-back on some of
the procurements, but they still have a lot of room.

One of the tools we also built was something
called the simplified acquisition threshold tool.
Anything between 3,000 and 150,000 dollars is supposed
to go to small businesses by statute, yet when we
looked at it, it was a very small percentage of that
going to small business. So we created another tool
for the agencies where they can look at anything that
they're buying within that band by NEXCO, and look at
why they're not actually setting them aside. And we're
putting a goal on them to increase the usage of Small
Business in those categories each year; but, each year,
they have to continue to improve. We know they won't
get to 100 percent, and there'll be reasons for it, but
at least they can do a lot better than where they are
today. So we think those are going to be increasingly
important as we go forward.

Some of the other things, we meet monthly with a group called the OSDBUs. The administrator, SBA, is the chair of what we call the Small Business Advisory Committee, and the OSDBU is all from the committee. There are now new requirements that that committee now has responsibilities to review each OSDBU and determine their effectiveness. They don’t work for us, SBA, but that committee now has that authority. They laid out additional responsibilities for the OSDBUs as well, how they interact within their own agencies. But, at the end of the day, we’re going to evaluate or the committee is going to evaluate their performance, and we think that’s critical as well.

All right. Talking about subcontracting, there was some duplicated language there as well, because the Women-Owned Small Businesses, they finally took the caps off. So our hope is that we will start to see more procurements, just in the Women’s Small Business area alone, and the fact they were held to that low cap and that created a lot of problems for the agency. So we hope those will go up.
Those are kind of the highlights that occurred within these two pieces of legislation which are critical; and, certainly, if you have any questions, I’d be happy to answer you.

MR. FIELDER: I had a question.

MR. JENKINS: Sure.

MR. FIELDER: And this may be a placeholder for a future time that you come to talk to the committee, but as I’m sort of clunking around within DOD and agencies like GSA, and CDC doing my business, what I’m finding is that there’s a -- for a new, new business, if that’s a term -- new, new business, a recent business, two, three years old, or a commercial, active, viable small business that just now has gone and gotten their certification to penetrate the federal contracting market, there are two barriers that I’m finding.

And one is that there’s a plethora of IDIQs, GWAC contracts, that have three- to five-year cycles on them; that if you don’t hit one of those three- to five-year cycles, there are fewer and fewer 8(a) service disabled vets fully compete in full and open
competition out there, so that it becomes a barrier for a newer company. It could be a brand new company or it could be a company that has success on the commercial side that’s now trying to penetrate a procurement sector.

And the second thing is that as you come -- and my most recent experience is DOD, but it applies to all the agencies -- it’s what I refer to as the catch 22 of federal contracting. If you’ve never done business with the Federal Government, then, therefore, you can never do business with the Federal Government. And you may have this huge -- you know -- commercial and experience qualifications that directly relate and come over, but when they score experience and -- but you may actually be entered in the Dun and Bradstreet performance basis based, which is independent, which is the same one that’s used by the Federal Government. And you could still have 94-95 percent numbers, but they won’t look at it, because contracting offices are risk diversity.

If you’ve never done business with the Air Force, then you need to find some other ways to get
started and teaming and subcontracting. I mean I know those answers, but it does get frustrating.

MR. JENKINS: Yeah. Oh, yeah. Certainly, on the first point as you raise that, we just met yesterday with NOAA. NOAA has about a 2.8 billion-dollar procurement where they’re pooling all their IT. We dealt with them a few years ago. In setting up, they made certain commitments to us how they’re going to set that contract up. One of the things they committed to but didn’t follow up on was the on- and off-ramping. And that has now created a huge problem for them. For example, part of the requirement set aside, let’s say, 300 million for 8(a), and then 2.5 billion with all other small businesses.

Well, some of those 8(a)s are no longer small anymore, and they can’t get them all. And the same problem with the 2.5 -- some of those small businesses are no longer small. Therefore, if they continue to use it, they can’t count those towards their goals. When you get the contract vehicle itself, don’t have that off-ramp requirement. So they’re either going to have to cancel that entire procurement at some point
and create a new one, and we’ve committed them that we will help them with the on- and off-ramp. We worked with a number of agencies on how you create that on- and off-ramping.

MR. FIELDER: CDC is a good example of folks that ran into the same issue, and it took them 18 months, 24 months to figure it out. But through either poor past performance or graduation, if you will, they went from five or six companies on their IDIQ contracts. It’s called CDC SIMS, I think. Two, they only had one, and they literally had to scramble to create an on-ramping.

MR. JENKINS: That’s exactly right. And I think that’s what NOAA’s going to try to do, when we talked to them yesterday about as a multi-award contract. So as they issue task orders, in order to be fair to the small businesses that are so small on it, we would like them to reserve those task orders to small businesses. So in order to bid on that particular task order, the firm would have to certify that they’re small at that point in time, and that way it becomes fair.
If not, those firms have grown other than small will basically sit there and gobble up all of the dollars there. So we’re going to continue to work with the agency to look at that. And, you’re right. One of the things on the other point is mentor-protégé, joint venturing, continuing strategic alliances. Usually, when I go out and speak and it’s a crowd, I usually ask how many contracting officers in the room. Once I don’t see any hands go up, I start talking about them.

[Laughter.]

MR. JENKINS: The contracting officers do not like small businesses, if they’re not in that business. If you can think right now there’s 29,000 contracting officials out there, 10, 15 years ago there probably were 39,000 to 49,000 contracting officials out there. The amount of work that’s going through those offices, they cannot possibly keep up with the volume. So you get things like consolidation. You get things like bundling.

You get things like, “If you had a choice between” -- and I use them all the time -- “IBM or ABC
Small Business?” If I picked IBM and IBM failed, “Who would have thought it?” If I picked ABC Small Business and it failed, “Why did you do that?” And so they’re going to try to nudge, and that’s the importance of our PCRs, to say if there are two more small businesses out there that provide the product within a reasonable price, we want it to go small business. That’s the rule of thumb.

MR. FIELDER: Yeah. And that would have been one of the hidden agendas in the mentor-protégé program we were talking about?

MR. JENKINS: Right.

MR. FIELDER: Risk of the government contracting officers when they see that there’s a large business --

MR. JENKINS: A partner --

MR. FIELDER: -- a partner in the joint venture that takes the risk out for them.

MR. JENKINS: That’s exactly right.

MR. JEPPSON: Yeah. I think that when we look, though, on where we’re moving as government contracting in the veterans’ community though, that
obviously we always want to do more and encourage more. But when you look at where we’re going, we’re moving in the right direction. We met three percent for the first time ever, last year; I think nine percent for the year, previously. We were at 11.6 billion and we went to 12.6 plus billion the year before.

The thing I do want to mention, though, is just because I think our location -- I mentioned this when I was up on the Hill the other day -- was we put a lot of effort into this and a lot of focus on this. And I think the GCBD deserves a lot of credit, and the SBA deserves a lot of credit for where it’s moved right now by putting into SES and flag officer performance evaluations, you know, are you meeting your small business goal. That’s probable.

Our administrator meets regularly with the deputies from all the agencies and updates them on where they are on their goal, and I think that’s pretty important, because we’re actually with the White House: “Here’s where you’re at right now.”

MR. JENKINS: Yeah.

MR. JEPPSON: Well, is it every two weeks, two
months they meet?

MR. JENKINS: Yeah.

MR. JEPPSON: And they go over where that agency is, so it’s going in the right direction. The one thing that we look at though, so I think that government contracting is an important avenue for a lot of veterans. But we look at it in total on the veteran-owned small business when you do over a trillion dollars in the economy, and there are receipts in the economy a year. It’s only a fraction of where the veterans are at, and so it’s important.

We need to pay attention to it, but we really need to focus on the organization, where we’re going to make the biggest difference to our veterans. And there’s only a small percentage who are ever going to be in the government contracting arena, because the barriers that get in there and even the money that’s there. You know -- $12.6 billion -- they’ve met the statutory goal.

I think there’ll be numbers in the following year. I think our trend line will continue; but, still, not that much money, realistically, for a
veteran-owned small business, especially for the number
that we have out there. So although I certainly think
that we’re doing all the right things and there’s more
to be done, when we talk about affecting the thousands
of veterans that are out there, small business owners
and where they’re going to be, Access to Capital is
probably our single, biggest challenge that we have out
there for veterans.

MR. JENKINS: Yeah. One of the things -- and
Patrick isn’t here, so I can talk about him now, we
have more internal things between capital access and
GCBD government contracting. And I remember telling an
administrator that she was going to a speech, and she
said, “Well, give me some talking points.” And I said,
“Well, if you think about our loan programs, we do
about $60-70 billion a year. If you look at the
government contracting, we assist all small businesses
in getting close to $170 billion a year, and,” I said,
“you don’t have to pay it back.” So she said, “Oh,
that’s going to be one of my talking points.”

[Laughter.]

MR. LEGHORN: Cal, I have a quick question for
you. Since you brought it up, where does the agency
stand on opening up an overseas contract to small
business goaling? Because I know that there is just a
huge pot of money tied into Department of
Transportation, USAID and DOD.

MR. JENKINS: Yeah. We have our internal
results, which I can’t get out yet. We were just
waiting on advocacy to complete theirs and see if
they’re on the same vein. This statute is very clear.
The statute goes way beyond where a lot of folks think
it goes. It says, “Don’t even look at where the money
is coming from,” appropriated, not appropriated.

If it’s being purchased by the U.S.
Government, it should be included. And so we had some
conversations with DOD Office of Procurement Policy on
it. So they’re aware of it. They understand the
impact. Let’s say today if we were to put overseas
numbers in today, it would significantly affect the
goal achievement.

And so we’re being very cautious to make sure
we have a solid base, because it will affect all those
agencies you mentioned, especially DOD. They struggled
to get to 20 percent in most years, but they carry the whole weight of the whole country. If DOD meets all of their goals, pretty much, the entire government meets all goals, that’s 70 percent of the 5. So if we flip in another -- I think numbers like $30, 40 billion in there, and they can’t get a significant portion of that to small businesses, we’ll take it under. That’s not to say that’s what’s driving it. If it belongs in there, we’re going to put it in there, and that’s the position we’ll take.

MR. LEGHORN: Thanks, Calvin.

MR. JEPPSON: Any more questions for him?

Cal, thank you. Thank you for being here.

So, just kind of real quick here, it’s 11:38 right now, and on the schedule we’re supposed to break for lunch here at 11:30. So there’s two things that we haven’t gotten to yet, and one was that, you know -- when we talked about this kind of at the break -- discussion of a new chair and the legislative update. So what I’d like to do -- because we have a pretty full afternoon here, what I’d like to do is if we could try to break for lunch now.
And I’d like to have everybody, if you’re not adverse -- tell me if you are -- if we could go grab lunch down at Phillips or Potbelly’s, whatever, come back here and we’ll have lunch. I’d just like to have a discussion where we actually take care of just some administrative stuff when we talk about the planning session for when we want to meet next. Let’s put the tentative dates on the calendar and when we can get there.

We can talk a little bit more about forming the organization so we have a whole complement of members, when we can get there, how we can meet, and then the agenda and topics that you want to see who’s going to be responsible for inviting guests and helping set the agenda, and then how our office helps disseminate that and gets the word out, et cetera. And kind of work through some of just the mechanics and housekeeping issues that we have as we try to reinvigorate the advisory committee. So any concerns with that?

MR. FIELDER: I just wanted you to be aware several of us were scheduled for 5:00 flights.
MR. JEPPSON: 5:00 flights.

MR. FIELDER: But 3:00 is looking like a --

MR. JEPPSON: I will assure that we get you out of here on time. But while we’re here and we’re still on the record, I want to tell you.

MR. WHITE: You can leave right now, if you want. [Laughter.]

MR. JEPPSON: Yeah. You wouldn’t have to listen to me. Would you? I appreciate your patience on the travel piece. This -- we just moved to this new concur system, and it’s a new system that when we travel on SBA business it’s painful. Trying to bring someone who is not an SBA employee into the process and go through that has been pretty painful. So I would appreciate your patience on that. Hopefully it will get better in the future.

MR. FIELDER: If we were to walk out the door at 3:00 and head to Metro, we can make 5:00 flights?

MR. JEPPSON: Yes, you will. So, with that, we’ll take a break and pick back up at 12:45 with the Boots to Business.

[A lunch recess was taken.]
MR. JEPPSON: So with that, we have just a few minutes before we kick-off here. So let’s just go ahead and I’ll try to keep the timeline going tightly as possible here. So one of the things we didn’t do before we broke and we’re going to do here at lunch is when we talked about some of the housekeeping stuff, we had 30 minutes for public discussion and comment right here. We’ll roll that right into the end where we actually talk about what we think the timeline and topics ought to be for this and then just some of the housekeeping we discussed, hereabout. You know -- determining who the chair would be and things like that.

MR. WHITE: It will be easy. They’ll be gone when they’re selected.

MR. JEPPSON: Congratulations. So, having said that, let me introduce Craig Heilman. Craig just joined us in the Office of OVBD. He’s managing Boots to Business for us, his primary function. He comes to us -- he’s a Navy Veteran, an NFO, as a matter of fact -- Navy Flight Officer. He’s a graduate MEA out of
Virginia, and so it has to do with a wealth of experience in the private sector. So we’re lucky to have him on our team here, working and leading the Boots to Business effort.

So, what I’ve asked Craig to do is just kind of give you an overview of where we’re at on Boots to Business and forward it, because this has been my baby for a year, probably my big focus for the year. I’ll ask him not to forgive me when I interject myself here, because there’s a few things that I just get really wound up about. He has that individual task of taking over your office, you know, as a pet project which he’s loved and cared for and had such strong opinions about. So he has a tough row to hoe in that respect. And so with that, Craig, we’ll turn it over to you.

BOOTS TO BUSINESS OVERVIEW

MR. HEILMAN: Thanks. It’s a good looking baby, Rhett, and I’m always happy to have the opportunity. And I think I kind of know a couple of you, but not everyone. I look forward to getting to know you, and I will give a little bit more on my background as representative for nine years at VBD and
reserve aviation intelligence. Went to Virginia and studied, pursued entrepreneurship while I was there, and then was at DuPont for half a decade in parity -- you know -- variety of marketing business manager roles. When I left, I was running their Northern Body over Business, which was Kevlar for North America.

So that was a really great experience for me, but it wasn’t my favorite experience at the time. My favorite experience was founding the veterans’ network for the company and being engaged in getting a CDO to start the veterans hiring initiative, and that’s kind of where we saw the need to develop the passion around what this office does. And so this was a great place for me to come in and try to accomplish initiatives and develop veteran entrepreneurs. So I’m just going to spend a couple minutes on giving you a snapshot. I’ll show where we’re trying to go in 2014, and look forward to getting your questions and input, not only today, but as we go forward.

[Slide.]

MR. HEILMAN: So, as I said, developing veteran entrepreneurs is really what we’re all about.
We in entrepreneurship training or the flagship training program for the Federal Government’s transitioning service members, but we don’t necessarily --

MR. JEPPSON: I apologize. You have to speak into the mike, because some of the folks can’t hear you.

MR. HEILMAN: They can’t hear me? Wow. Okay. That won’t be a problem.

MR. JEPPSON: I apologize.

MR. HEILMAN: Do you want me to come to the mike?

MS. ULSES: It’s on the cord.

MR. HEILMAN: All right. I’ll stand next to the mike here.

MR. JEPPSON: Thanks.

MR. HEILMAN: Two mikes. Okay. So you need this program. It’s a collaborative effort across interagency as well as INTADA SBA, and it’s really about the post transition success and our part about whether the Boots to Business program needs revamped. It’s what they call transition goals, plans of success,
which needs to be tasked. What is it specifically?

It’s three components.

It’s an overview component that everyone gets in a curriculum or the transition program, which is a video, see if you’re interested in entrepreneurship track, and then the next is electives. So it’s a two-day course that’s elected that service members can participate in, and then follow-on for an eight-week deep-dive on entrepreneurship with the goal of getting the board’s completed business plan. And understanding what that’s going to take if it turns out that that’s not the right time for that particular service member, et cetera.

And, so, 2013, we really got to what we call initial operating capabilities, committed to 151 installations, once per quarter in partnership with everyone else involved in the program. And I’ll show you how we’re doing on that in a second. And the 2014 is really to go from start-up -- the start-up process that we’ve been in -- to the scale-up, because we’ve got a lot to do to meet the true demand. It’s been well received. We want to do more in the U.S., but
also overseas. We’re not delivering overseas right now. There’s a need for that. If I can get to the next slide?

[Slide.]

MR. HEILMAN: So this kind of shows the model of Boots to Business from my perspective. It’s a business to business delivery model. We don’t sell directly to the transitioning service member. We’ve got a lot of partners in the chain that we’ve got to go through. And how we do that is the key to our effectiveness in actually helping the veterans.

So, in the middle of this, we’re in the middle of that front target site there, working inside the agency and coordinating with Capital Access, the contracting folks, to make sure that we’re putting the right information out within the entrepreneurship training. And, the inter agency part is really key as well. So that is the governance is all coming out of interagency task force. This came from the security group for the veterans support initiative and everybody a constructive path. And so working with them, but to get the requirement right. Make sure we meet their
needs. And then that next line down the chain, our partners in the field, the district offices, the veterans business development officers are the key to coordinate this whole orchestra as it gets to the 151 installations. They’re working with the resources partners on that next part of the chain that are actually teaching the classes for the most part.

So they have to be seen in the VBOCs as well as in some cases SCORE and Women’s Business Centers. And that last part there is, of course, a map of all the installations where they touched. And the task coordinators that are on those installations are working, most of the time directly with the VBDOs that coordinate the courses. And that’s the two-day.

Once they leave the two-day, the eight-week is being hosted and run by Syracuse University. It’s online, but it’s instructor led. So they get to touch base with that instructor continuously if they go through that ten weeks of online instruction. So it’s a high cost model. It’s not -- it’s available. It’s available. This whole thing is available, virtually, via the JKO, but that’s kind of a form your own pace
without the high cost instructor. Getting instructors was found to be pretty key in keeping them engaged and getting them towards that business plan, which is the goal.

MR. FIELDER: Craig, this is in addition to the residents’ program where -- I forgot his name now, the guy at Syracuse.

MR. JEPPSON: You need the microphone.

MR. FIELDER: Sorry.

MR. JEPPSON: But he’s talking about can you be up in Syracuse.

MR. FIELDER: Yeah. This is in addition to the what Syracuse is doing with the veteran entrepreneur center that Mike Haynie’s doing?

MR. JEPPSON: Yes.

MR. HEILMAN: In collaboration and partnership with, so --

MR. FIELDER: But the other line is additive.

MR. HEILMAN: It’s additive, but, they facilitate that. And in most parts they are the instructors for that.

MR. FIELDER: So it’s the same instructors?
MR. HEILMAN: For the most part, yes, they have networked of instructors.

MR. FIELDER: And the syllabus, is the syllabuses overlapped if you do one or the other?

MR. HEILMAN: They’re linear. So you come through the two-week -- excuse me, the two-day, to be eligible. And then go forward to the eight-week online that Syracuse has provided in partnership with us.

MR. JEPPSON: Yeah. Let me add one thing here. So Syracuse is a big partner as far as IBM MAF. IBM MAF is the leading national veterans entrepreneurship educator out there right now in the higher education. There are some other really good organizations that do some stuff, but we have a couple of grants with them right now. One does EBV, which is entrepreneurship boot camp for veterans. It’s very high touch. It’s expensive.

I say it’s expensive, because it’s -- we’ve only funded for about 150,000 a year. Corporate sponsors funded on eight different university donations. IBMF leads that consortium of universities that does that EBV. They do another program with Force
called V-WISE. It’s the women’s program. It’s rotationally around the country for four to five days.

Again, another program where we have very high touch, a lot of corporate sponsorship. And, both of these are really focused on people, who, for the most part, have already existed the service. It’s not for the transitioning service member. They can participate, but there’s issues. There’s challenges, like right now with some of the DOD who came back, and duty service members that take part in a program where everything’s fully funded for them. You’ve got to go through the lawyers and everything else.

MR. HUILOT: Right.

MR. JEPPSON: If you are a partner of the curriculum, so it’s very similar, but they look for the transitioning veteran in the two-day and in the eight-week online course. So before you go to EVB for the week in residence, you do a very similar course; eight weeks of online, where you actually write your business plan before you go on the two-week. You do a very similar eight-week online before you go to V-WISE.

The programs are complementary, not
repetitive, or we’re seeing. With Boots to Business it’s a from start to finish product, so that when you get done with going through the Boots to Business program, you come out with a business plan ready program. And --

MR. FIELDER: So the ones who rated this program, you might sort of cast it as kind of like a graduate program to all the other things that we --

MR. HEILMAN: Well, et cetera. So EVB operates separately than Boots to Business. The Boots to Business, the official DOD federal offering for transitioning service members through transitions he gets or the legacy task program. There is, certainly, similarity in the curriculums in terms of what you would get if you were a disabled veteran that was fortunate enough to go through EVB or a female veteran in V-WISE, but they are separate. Make sense?

MR. FIELDER: Hmm-hmm. Yes.

MR. HEILMAN: Okay. Just a quick look at the stats for calendar year 2013 through about mid-November. We’ve got some accounting to do on the last few weeks in November, but we did 133 installations.
So we feel good about that. 371 two-day courses, 35,000 service members. You kind of see the split there in that second bar graph there, “By service.” And it makes sense in terms of already being one of the largest -- Air Force -- and the attendees “By service.” And then we’ve got the “Gender, FSD and Rank.” And it’s some real challenges, you know, with the curriculum to make sure that we’re accommodating everyone that’s in that class, everybody from the major general, in some cases, to the easier E3 coming off a form 4, because we’re getting everybody, which is great.

And then eight-week, we have had 396 folks go through that deep-dive eight-week. We’ve got another class that started up this month. It’s another hundred, so it will be another and that’s the demand for that has been growing as we have expected. So one of our key goals is 14. This is to build the task, which is again to get everybody who wants that training to get that training.

MR. WHITE: Excuse me. Is that backed up? Does he have -- 5500 went through the two-day, and only
396 took the eight-week course. Is that because they didn’t want to or you backed up because they were privates?

MR. HEILMAN: It was a combination. So we do have a good waiting list on the eight-week course. It’s challenging, that funding related that we’re actually rectifying. But in terms of what fund’s going to look like over time, that’s the day that we’ve got our first year. By the time we get to the end of 2014, we hope to have a real clear picture of what, if we’ve got 250,000 transitioning service members, you know, how many of those are going to go through Cap. All of them are mandated to do it, but that’s not exactly what’s happening yet. And how many are going to want the two-day? And how is that going to get down to completed business plans and new business starts or existing business programs?

MR. JEPPSON: Right. So I apologize up front. So let me just mention a couple of things that I think are of interest on this slide here. So if you take a look at January, we probably did 10 classes in January, 10, 12 classes. So the number of classes is really
just like this and was really picking up the number of people. The number of people in the class is sort of to ramp-up too, so the numbers are creeping up to an average of 15 that’s been creeping up.

If you look at the Army right now, one of the reasons why the Army is skewed heavy, is that if you look at a couple of the installations, we’re out the front door of the installation. So the capacity of Boots to Business at those installations is much higher than some of the others. We’re only meeting 12 percent. Right now, we only have resources to meet about 12 percent of what the demand signal is.

The core of the demand signal comes from overseas, 50 installations. So we asked which bases you want us on. They gave us a list of 102 bases, or 201 bases. Only 151 are in the U.S.; 50 are overseas. We’ve done some pilots overseas that had class sizes of nearly 50 classes overseas. So we haven’t even scratched the surface with overseas guys; just don’t have capacity to do it.

Our ask with the resources partners was try to get to each of the bases once a quarter, if you can.
And we knew that would take a while, because the bases weren’t ready to come online either, because they were implementing the core of transition GPS and they had a new piece that came on later. So when you see where we’re going, it’s really kind of taken off here. What’s also happening, though, is resources have declined.

So if we have 100,000 that we’ve committed against Boots to Business to keep live support until January 15th, and we’ll burn through that 100,000 like that. So it was imperative that we find the money somewhere after we find out whether we have a budget or CR or something on the 15th. That will be my number one priority, when I come in to work the 15th was, okay. Where are we? Where are we getting the money to continue this?

One of the things that I want to point out here too is if you look at the gender piece, only 14 percent of the service in the service is female. And so the female veterans are more attracted to this than, say, their male counterparts as a ratio, even if you count that five percent slice, which is dependence up
there. Let’s just make the assumption anyways that it’s spouses. They’re still over-indexing by three or four percent of their counterparts. And then the last thing I’ll do is mention rank dependent.

If you look at breakdown by rank, and you say E5 and 03, below, are first term service members -- you know -- an enlistment or their first hitch as an officer. And, again, higher ranks are career, which is not completely retroactive, but we’re actually not completely divided, so, between retirees and first term enlistees. So I think that when we start looking at the metrics here, we can talk about this, if we really have an interest in co-worker veterans who were coming through here.

And so we’re going to follow on that, but I think the take away from this is we really have a lot of traction. But veterans who are really interested in this exiting the service, but now we’ve run out of splits to provide our training to them. We have got to fix that. So, anyway, sorry, Craig. Thank you.

[Slide.]

MR. HEILMAN: No. I’ll start the next slide,
which is the final slide, but concerns the 2014 strategy to make sure this program is sustained and what’s the need in the vault and in funding to the top. And we’ve got to get the program record. It’s in the budget; it’s been in the budget. And we really need that so that we can get the full operational capability, and meet all this demand, whether it’s overseas or just our funnel, and we’re getting more through that funnel, and we’ve got thousands more. We’ve got a line of thousands instead of hundreds, and so kind of focused on that DNB.

And then improving our model, so we’ve got our operating model. We think it’s the right one. It works. Where can we treat that? How do we enable the resource partners, enable our district offices to make those processes the very best that they can be. You know. I just got this spreadsheet from LS on all the installations and what they kind of want to do, and you’ve got everything from Fort Bragg doing two per month to some that are maybe doing one per quarter. And while our average is coming up, we’ve got variance in terms of the class size. You know. I might be able
to get six in Annapolis in a given week, and 36 in Fort Meade, as long as it makes sense to do some rationalization there; you know, not necessarily because of a money thing, although that’s certainly a driver, but from a personal perspective.

So, you know, there’s an optimum size for the class of interaction which folks get to start talking about, new businesses. It’s really -- you know. That’s where a lot of it comes from is that brainstorming process in that two-day class, and we want to make sure we’ve got the right conditions for that to happen. And so improving that existing model is we’ve got feedback now that we can work with, and so that’s 24 team-based. And then that might mean the curriculum had to look at that feedback to review ways to treat that as well, because that hits the mark even better than what we’re doing.

And then the integration piece not only inside the agencies, how do we tie Boots to Business to the other things that we can do at the SBA, Access to Capital being key, and then the contracting piece as well. And then even harder than that, though, is the
interagency piece, because we all know that everybody’s doing things for veterans. And one of the biggest challenges that we all face is where do I go, which portal. You know, the OSHA entrepreneurship, is that SBA, or is that somebody else? There’s a lot of confusion out there in the kind of marketplace, and the more that we can integrate the better. We think that it’s for the ultimate customer, the better, so.

A couple of milestones, and these are just kind of high level milestones, but Rhett mentioned that January 15th that we’re all looking for, and so we can do a lot of work on that and continue to use. So we look to have great news in January in terms of what our profile’s going to be going forward; you know, looking at the middle of the year to kind of convene a curriculum model as we look at all the data we got from an outgoing team; what adjustments might we need to make, and then roll them into the budget for the following year and hope that these on a path for sustainability on the program.

So that’s where I’ll stop. I’ll be happy to answer questions.
MR. WYNN: Craig, my name is Joe Wynn. I’m with the Vietnam Vets of America, and also a member of VetForce. Just a couple of questions come to my mind. One is just to know what the budget is now to run this program and what do you need to do to expand it to its full capacity. What kind of money are we talking? And, also, how do you measure success? Are we talking about just the number of veterans that attend the session, or go through the online course, or after the fact? Are we following them after the program?

MR. HEILMAN: Okay. A couple questions. The first one was budget, and our budget request is seven million to get us to full operational capability where the initial demand rejections that we got from DOD as part of the interagency process, and that’s what we need to do to deliver the frequency in the U.S., as well as get overseas and support all that within the agency.

We’ve been in the hundreds of thousands of dollars, and it kind of depends on how you count it, because it’s done a lot of what we’ve been able to do to get us to initial operating capability with existing
resources. We’ve leaned really hard on our partners, who both want to work directly for SBA, our district offices, and our resource partners that we grant to. Because part of their mission is devoted to veterans. It’s not new that they would address veterans and their needs, specifically, in their charter and the money they receive, because they’ve done a lot, but it’s not sustainable.

It’s not sustainable in its current model without more resources and being able to assure that all the basic things, travel the classrooms, books, materials, just all the things you need to kind of run the railroad. So we’ve probably done too much with too little, you know. Because what’s the problem when everybody’s doing a great job? But that’s not -- we can’t keep that going indefinitely. Question number one, did that help?

Question number two was metrics and measures, right? What’s the success? And so we were counting a lot of things, a lot of statistics, demographics. Right? Who’s getting through the door, how many? That’s kind of the answering the initial how do we get
the true demand. You know. It’s going to be 150,000 vets that are going to do it, and we think it’s in the 30 or 40,000 vets that are at least going to go through the two-day entrepreneurship tracks.

And then, you know, we certainly want to look at new business starts and completed business plans, and all those kinds of things; and, then, not easy to measure -- we’re not saying we’re going to -- but successful transition. Right? You know. How does this stay in the entrepreneurship track? You know. Hey, baby. You want the entrepreneurship track and figured out to start your business was exactly the wrong thing to do.

That’s probably a successful outcome if we kept you from, you know, throwing your life savings. And we all know that self-employment and entrepreneurship is a different road than traditional employment. And particularly, I’m sure, that many in the room have pursued it or have businesses today. So I see another part of 2014 is getting crisper on what success is beyond plussing seats. Right? So that’s a great point. And there was a third question that you
asked, Joe. I apologize what the third was.

MR. WYNN: Tracking after the fact.

MR. HEILMAN: Tracking; that was not a tricky one, only because of what we’re allowed to do as the Federal Government, kind of reaching back to John Q Citizen now that he’s not in the military service, service member anymore. So we are working with DOD in terms of sharing data, what’s personal data versus not personal. We’re very careful about what we’re going to do in terms of reaching back to them after they’re now newly separated citizens.

Syracuse has some capability to do that in terms of as they work them through the eight-week, but I can’t give you a clear cut answer today on this. This is what our revisit is going to be six months, one year, two years. That’s something we’re trying to understand; what’s the maximum we could do within the limits, you know, both through law and what guidelines we get coming through OPM. So that’s not a great answer, but we certainly the need to do it.

MR. JEPPSON: Yeah. Let me just come back and just weigh on those two really briefly. So our budget
to-date is zero. We’re doing it with almost zero dollars. The only thing we had for start-up was we had initial $600,000 in Jobs Act program that really kind of went into the curriculum development, and stuff like that, printing the books that we used for the first round.

All that’s been done, everything that’s been done to-date so far, with the exception of the eight-week online course, which is open to the original 650, is because we’re leveraging the existing capacity. That rubberband stretches as far as it could go. It can’t go any farther. Matter of fact, we’re jumping through our tails getting books right now for the classes to make it happen. We’ve got $100,000 to bridge the gap for the next month or so until we find out what happens in the CR. So we’re hanging on for dear life on that.

It’s ironic that it was in the President’s budget, and that we got good House and Senate marks when we were at the roundtable. We kind of outlayed it out there, and Sen. Patrick said “It’s just mind-boggling, because seven million dollars is so a little
bit of money for such an important thing.” So there is kind of a perfect storm preventing us, but we hope, anyways, that we’ll do that. So thanks for bringing that up. And two is I can’t underestimate how important it is that we have exactly what Joe’s asking for -- how do we have provisions that matter on this. I will tell you, though, that you also have retention of things in Federal Government. And everything that we collect around that, around tracking individuals, there’s a PII information chain that’s very good for us, because the rule sets tracking all those veterans through there. So we’re going to kind of use the eight-week online course to provide facts to us and we’re trying to be creative; that they actually marry a Social Security Number to somebody who couldn’t EIN to start a business, and then watch the mortality of that business.

That’s a hard nut for us to crack with the current rules that we have, because of the PII, that tension between Big Brother monitoring you and us having valid veterans to make our program a success. And I can’t underestimate the bureaucracy that’s at
fault in that. You know. DOD flipped out when they knew that we were capturing -- that the service members could actually provide us their personal e-mail address. They didn’t even like that, to be honest.

So to say there was tension and they had conflict on that would be an understatement. So yeah, that is tough, but in my opinion it’s essential that we find some mechanisms to give us some solid perspective on that. But it’s not easy. So everybody comes up with creative answers to do it, but we go back to the lawyers and actually application of it. You know.

We’re back to the drawing board.

Does anyone have questions for Craig? All right. So, Craig, thank you very much.

MR. HEILMAN: Thank you. I look forward to meeting you all and working with you, and I’ll be around here.

MR. JEPPSON: Okay. So, next step here, we just recently signed a memorandum, a strategic memorandum with VetFran. So I’ll turn it over to Kevin to kind of update us on VetFran and some of the things going on with VetFran. You know. If you look at where
veterans do well -- veteran entrepreneurs do well --
there’s a large segment that end up in this community.

So we think that’s really appropriate that we have good relationships with those training organizations that veterans have done well, and it must be a real valued part or a real important part of our value chain to the veterans. So, obviously, that’s exactly why we went with IFA on our first SAM.

STRATEGIC ALLIANCE WITH IFA/VETFRAN

MR. BLANCHARD: Well, thank you, Rhett. So, first of all, I just wanted to say thank you. You guys, Rhett, Jim, Barb, SBA in general has been incredibly supportive and it’s been a great partner for us. And so I’m here to give you guys an update on our strategic agreement, as well as an update on franchising industry and veterans in general. So I was here last time, but just to give you a refresher of kind of where we stand. So the International Franchise Association is a trade association and it’s incredibly military friendly. So in 1991 we launched a VetFran program initiative, which supports veterans in franchising industry through mentorship training, and
discounts in small business and franchising specifically.

So also recently VetFran’s been put under the education foundation which is 501(c)(3) Non Profit. So on November 5th you contested an issuer there. We did a signing agreement for the approval of the Strategic, for the SAM. That’s a new term I just learned. So I think you can attest it was a wonderful event. It was at a UPS store in Arlington, Virginia, with a new Veteran Franchisee that just went through our system. He’s a UPS store, the biggest UPS store I’ve ever seen, in fact. He’s used an SBA loan, Patriot Express, to get his loan. I think it was $70,000.

So, Rhett, thank you again for being there; and acting administrator Jeanne Huilet, and our CEO, Steve Caldera, signing this agreement. So, just I’m not going to bring you through, obviously, every bullet point, but just some highlights of the agreement are as follows.

[Slide.]

MR. BLANCHARD: “IFA and VetFran will coordinate franchising content in Boots to Business.”
So I’ve done some research in myself in the field to
district level, so we get a lot of feedback that in
some cases there’s franchising content that’s a half a
slide long, maybe even a sentence. And so it’s like
what now? Where do I go to find more educational
content and what is the benefit? So that’s where we
come in and we can, you know, of course provide just
one slide. And Craig and I, we’ve talked about this,
to distribute throughout the districts. So hopefully
that’s going to be implemented. So I know that the
struggles and resources are not necessarily there, but
this doesn’t require any additional funds.

Second, “VetFran will nominate two veteran
franchisees to join this committee.” So that’s kind of
in the works now. I think you guys have everything you
need except the bios.

MR. JEPPSON: Yeah. So they’re in the vetting
process now.

MR. BLANCHARD: Right.

MR. JEPPSON: They’re in the count now.

MR. BLANCHARD: Okay. So next, “SBA and
VetFran will collaborate on educational programs and
information sharing including small business centers, SCORE and women business centers.” So we have a number of events. I know you guys, too. I think you guys will be coming to our annual convention, coming up in February, for example. So, and lastly, “Providing speakers where appropriate and vet coordination,” both for IFA and SBA.

So with that, in the last two years since we’ve started measuring the success of VetFran, I just want to give you our most recent report. We conduct an annual report every year through our consulting firm, and 1,159 franchise businesses were surveyed or participated in the survey. Of that, 151,557 veterans have started careers either as employees or veteran franchisees within the franchise industry since 2011. And, of that, there’s been 5,192 veterans who’ve become actual franchisees, business owners, within the industry since 2011. This is all data from 2011 leading up to now.

Veteran franchise owners were 30 percent more likely to hire a veteran than non-veteran-owned franchise business. 36 percent of franchise owners
surveyed indicated that they had hired at least one
veteran or spouse in the corporate headquarters since
2011, and 32 percent within the franchisees. And, as
of today, we have 618 VetFran members, which means
there’s 618 veteran-specific programs within the
private industry of these companies.

So that’s the update. That’s the general
overview of the SAM agreement. I look forward to
working with all of you guys and I’ll be around for me
questions. We’re just more -- pretty educated in the
mechanics of franchising. So if you have questions
about that, SBA loans, financing, any of that stuff,
I’d be glad to answer for anything in general.

Thank you guys, again. Appreciate it.

MR. WHITE: Thank you.

MS. ULSES: Can I ask you a question?

MR. BLANCHARD: Sure.

MS. ULSES: I mean I know you’re getting the
vets through Boots to Business, but right now in the
last year when all of these people are being laid off
from CACI and SAIC, a lot of them were veterans. Were
they being reached about this program, too? Because I
mean here they’ve already been successful employees somewhere, that it seems like they’ve been reasonable, good sources of franchising.

        MR. BLANCHARD: No. They aren’t being reached. That’s the problem with Strategic Agreement, actually. So it’s tough, because this is a private industry kind of incorporating content and the idea that veterans are good at franchising over non-veterans, and, you know, from the Federal Government to the private sector. It’s a hard divide to come to, but we’re working on it and through Boots to Business is one way to implement it.

        MS. ULSES: And you have these member companies out on your website?

        MR. BLANCHARD: Oh, definitely. You can go to VetFran.com or you can go to Franchise.org/veterans.

        MR. JEPPSON: How many companies are there?

        MR. BLANCHARD: 618, and you can search by category; you can search by industry. So, if you’re ever interested in cleaning services or food industry, you can narrow it down to pizza shops or Subway shops, or whatever you want. And with any of those companies,
each of them have profiles. They’ll tell you, specifically, discount, and sometimes they give giveaways or offerings, and they will completely waive the franchising fee.

In a lot of cases, franchising fee, which is basically binder rights to sell under Subway, for example, in that case it’s $40,000, I believe. So, there’s giveaways; not consistently, but we try to advertise as much as possible, and that will be completely waived. And in the case of Wayne Franklin, the UPS store veteran franchisee, that’s exactly what happened in that case. They waived the $50,000 franchising fee and the SBA provided the loan for the additional $70,000 in capital that was required to purchase. And now, hopefully, Wayne is living the American dream.

MR. JEPPSON: One of the things that was most surprising to me is that I’ve heard some good stories. We’ve always heard veterans about franchising, but when Kevin was here, I guess, earlier this year at the Marie’s last meeting, we actually went over some of the opportunities out there. He opened up the website and
he started a small business. And he just told us about a couple.

You know, it’s amazing. They range from $5,000 off of a hundred-thousand-dollar franchise fee to, in some cases -- I think it was Papa John’s had an incredible deal. At that time, they were just very, very generous, I mean to veteran small business owners. The funny thing was the one that you mentioned that was 5,000. I thought it was the stupidest franchise concept I’ve ever heard of. Why would anybody pay $95,000 even to get it down to 5,000.

We looked at the SBA repayment loans on franchises when I came back. It was like number one and number two, and I was like, “Wow, was I wrong. Maybe I need to spend more time there.” But, all I just wanted to ask is that veterans do well at franchising, because you don’t learn marketing and some of the other things while you’re in the service. But you certainly know how to pay a couple of operations or read it and figure out the instructions. And so I think that it’s a key component.

You did hit on exactly one of the things that
we struggle with in the agency, especially in our offices. And it’s the same thing, in fact, that we talked about, you know, getting the word out on the loans, and things like that. And we need to do better on that. I think that we’ve gotten a little bit better at it and we need to do a little better. We need to leverage the rent free resources that Steve talked about. There’s also, you know, we need to be able to give you ready product, and we’re not there yet, but we’re working on it.

MR. BLANCHARD: And, you know, just to add to that, in connection between franchisees and military background, so, for example, I was a combat engineer in the Marine Corps.

MR. WHITE: Blue Rock?

MR. BLANCHARD: At Blue Rock. And there’s always similar, or simplifier. It’s normally “er” with a grimace. Anyway, we’re going to get to it. Anyway, so I mean you have a mission and you kind of reverse engineer. Like everything is figured out to where your grenades are to everything positioned on your belt, to where there’s strategic movements when you clear out a
house, for example, to how you hold your weapon.

   Everything has already been defined through
operational manual. And it’s the same thing
franchising, because some entrepreneurs came up with a
good idea, and then they tested it in markets that’s
the most appropriate, like California or Texas, or
Florida for various reasons. And then they’ve proven
this concept, and then what they’ve done is throughout
their process of approving this, they’ve written down,
line by line, the operational agreement that, if you do
this, there is a great chance that you’re going to
succeed.

   It doesn’t mean you’re going to be rich,
necessarily, like the idea of leveraging and finance,
whatever. But it does say that if you have a mission
and you have your agreement here, your operational
procedures, you know what to do by your training in the
military. The only thing left to do is execute and
execute hard. And I think that right there is very
difficult to come by in the civilian sector. So that’s
the connection. It’s difficult to describe, but it’s
there.
MR. WHITE: I had the pleasure of spending some time with Kevin yesterday; and one of the things that we were talking about -- and it’s the same time that you continue to end up talking about -- is Access to Capital. I mean it’s one thing to get a discount on it. You’ve still got to come up with a bunch of money to buy a franchise, except for some of the great deals that they make, but it’s very infrequent that you get a free franchise.

MR. BLANCHARD: Yeah.

MR. WHITE: So we’re still going to be struggling with that. We’ve had years and years of approving program that provides a great opportunity for veterans, and veterans are probably the best potential franchise holders. So if there’s any group that could benefit from specialized financing, I mean here’s the appropriate opportunity.

MR. JEPPSON: Yeah, absolutely. So we can talk offline about some of the ideas that have been floated may actually have traction to go back to the task force reports that I really don’t want to get into them right here. But one of the things that’s got to
be unique is there’s a veteran’s assistance fund. Do you remember the name of that, Kevin, that was introduced last year? That’s kind of in a pilot phase, where they will help if the veteran is capable.

So, for example, a franchise X, if the franchise -- a lot of franchises will do something on the fee, but there’s still start-up costs associated with it. So even if in the case of some waive the franchise fee, there’s still the start-up capital for, you know, your retail space equipment and stock. In some cases where the veterans qualify for SBA loan, except they don’t have the delta between the loan on the franchise, then they can actually get a second from this fund, which will subordinate to the SBA debt. And it’s kind of in the pilot phase. I think they did one or two last year.

MR. BLANCHARD: I am aware that these funds, but they’re normally state by state.

MR. JEPPSON: Yeah.

MR. BLANCHARD: So, yeah. If I need a $200,000 loan and I have no experience, well, and I have no experience, the likelihood of you getting a
loan is probably pretty low. But if I do have some experience in 2 and 3, and I’m a veteran and I have an SBA-backed loan, but I still need to put down 20 percent loan, 20 percent equity. So, still, it’s a lot of money and a lot of veterans don’t have that. So where are you going to get that from? And, in some cases, do these loans come into play? And, in some cases, we’re seeing non-profits pop-up state by state, and in some cases by city. Manhattan has several.

MR. JEPPSON: Yeah. This is one that we need to get to the details on it. It’s one that was announced a year ago at the IFA conference.

MR. BLANCHARD: Okay. Yeah.

MR. JEPPSON: With VBF.

MR. BLANCHARD: Where did the veterans get this loan?

MR. JEPPSON: The Veterans Business Fund, I think.

MR. BLANCHARD: Right. So that’s not there any more, and the reason why it’s on hold, because it wasn’t a non-profit.

MR. JEPPSON: Oh, okay.
MR. BLANCHARD: And they’re awaiting to get the credentials to be a non-profit. So we’re just still waiting on that.

MR. JEPPSON: Yeah. Okay. So I’m just trying to keep us on track on time here. Any other questions?

MR. WYNN: I have a question, if I may. Again, I’m Joe Wynn, Vietnam Vets. Just a quick one on the collaboration on educational programming to also include the SBDC SCORE Women’s Business Centers. I was just wondering would that include VBOCs as well? I mean I guess that was --

MR. JEPPSON: Yeah, it does. Probably just a typo.

MR. WYNN: -- a given, yes. But the other question I had was one of the things I was wondering about. You know. The VetFran program had started some years ago.

MR. BLANCHARD: 1999.

MR. WYNN: Yeah, but you’re giving the status from 2011.

MR. BLANCHARD: We’ve only started tracking, so I don’t know, you know, how many veterans came in in
2001. I have no idea. We just didn’t have the capability.

MR. WYNN: Okay. So it’s a larger program now. You’ve got staffing to do more things?

MR. BLANCHARD: Exactly; staffing, resources, funding. We have 618 companies. And the reason why we’re able to track this now is because it’s being done pro bono. A consulting firm is doing this stuff pro bono for us. If not, you know, just that survey alone is probably $50,000 to do it. So they’re are members of ours. So, you know, it’s a club, and we’re doing it together as an industry.

MR. WYNN: Yeah. And let me ask you this then. The opportunity costs that are often advertised and promoted towards veterans getting into these franchises, are there any different for veterans than for non-veterans?

MR. BLANCHARD: I’m sorry. I don’t understand.

MR. WYNN: You know. We keep hearing about if a veteran gets into this franchising, though, that supports like VetFran, the franchise fee is discounted
for the veteran to go get in. Even though it sounds like what you’re saying, even after the discount the veteran’s still got to find 15 to 20 percent out of their own funding source to get into it.

MR. BLANCHARD: Right.

MR. WYNN: And so even if that’s a benefit to the veteran, is this a better benefit than it is to non-veterans?

MR. BLANCHARD: Absolutely.

MR. WYNN: But what’s the deal with non?

MR. BLANCHARD: You’re still making 50,000.

MR. WYNN: Non-vets don’t get that discount?

MR. BLANCHARD: No. No. And, so, again, when you pay $50,000 or whatever the franchise fee is, that’s buying the rights to sell and operate under the name and the brand that some people, lots of people, worked so hard to build. That brand recognition is very, very difficult and expensive. So I’ll give you $50,000 to sell under that brand, and it’s a one-time fee.

So, for veterans, in some cases they don’t have to pay back, because it’s free. In other cases,
maybe, it’s 20 percent off, whatever the program is. But, of course, that’s a benefit if you’re a veteran as opposed to non-veteran. That’s $50,000 and 20, whatever --

MR. WYNN: Right, but that’s only for vets.

MR. BLANCHARD: And military spouses.

MR. WYNN: And military spouses.

MR. BLANCHARD: Right.

MR. WYNN: Okay.

MR. BLANCHARD: Yeah.

MR. JEPPSON: Okay. So, again, changing on the schedule here, we had a break scheduled here at 1:30, and so what I’m going to propose to do is just continue to press on through this so we get out of here with more time.

We’ll go ahead and move on VBOCs, and so I’ll ask Ramona to come on up here. So, you know, one of the real privileges I’ve had since being at the SBA is working with Ramona. She’s been a hard charger and done a great job. She initially handled Boots to Business. She took that on as an extra duty, and she worked herself to the bone to help make that success
before handing it off to Craig, before we got a full-time person. So she actually was guilty of working two jobs, almost.

And so what I’m going to do is just have her give you a quick update on the VBOC program. And then Barb Carson has just joined us here. So as soon as we get done with that, I just want you to take a few minutes and introduce her before we move into the piece with Rachel, here.

.UPDATE ON VETERANS BUSINESS OUTREACH CENTER PROGRAM

MS. PEYTON: Okay. Hello. My name is Ramona Peyton as Rhett identified. I am a Veterans Affairs Specialist in the Office of Veterans Business Development, but I’m here today to talk to you about the Veterans Business Outreach Program, which is better known as VBOC.

A little background on myself: I’ve been with the Small Business Administration for 37 years, working with different agencies, then I worked at a VBOC Program for the past 13 years. And in 1999, Public Law 10650 created the Veterans Business Outreach Center Program. We started out originally with five centers,
then we increased to eight. And then we increased to 16, and now we are currently with 15 centers, as you see identified on the map.

We have one in each region at a minimum, and a couple of regions we have more than one. Rhett’s goal is to have one in every state. And, hopefully, before he or I depart, that will happen. We are fortunate to have a very strong network. The VBOCs provide counseling, training, technical assistance, not only to existing businesses, but also to start-up businesses. They are participants with the Boots to Business delivery program. Their duties, in addition to the obvious, include working with the SBA district offices, our state and local government and our other SBA resource partners, Women’s Business Centers, SBDCs and SCORE. The goal is to not duplicate services, but to strengthen the services in the outreach to veterans and the delivery of entrepreneurship assistance.

We currently do have measurable outcomes. Our outcomes are the number of businesses started, the number of jobs provided, the number of contracts awarded and mentoring through successful outreach.
through the VBOCs. We are currently in our fourth year of a five-year grant. The plan is December 2014 to have a request for proposal released that will result in a nationwide outreach of applicants to apply to participate with the VBOC program. The start date for the next group of VBOCs will be April 2015.

Most of our VBOCs are either standalone, co-located with a university and SBDC, or just university-based. I’m not sure if you’re interested in metrics for the 2012 and ’13 year, but the VBOCs canceled over 73,000 veterans’ service to disabled veterans. They helped obtain -- the service members obtain -- 61 loans. The loans’ value were $4.1 million. In terms of government contracts, they were able to help the individual businesses secure 54 contracts.

The average funding of each VBOC is approximately 166,000. The core funding of the VBOC Program is traditionally 150. And that’s pretty much the extent of my presentation. Hopefully, everyone is aware of the Veterans Business Outreach Center Program. It would be very disturbing if anyone here today said they have not heard of the VBOCs. That does
occasionally happen, but I think we’re more proactive in getting the word out, and I think our visibility is stronger now than it has been in the past.

MR. JEPPSON: Okay. Thanks, Ramona. Don’t run off just yet. Have you got questions, Joe?

MR. WYNN: Well, I was just going to ask the net outcomes, are they available to the public and do you see a breakdown VBOCs?

MR. JEPPSON: Yeah. So I can provide them. I’d like to give them to you high level. We can talk about it specifically offline. Let me just put it this way. They’re going to figure into what the awards look like next year. One of the things that we’re focused on right now is meaningful outcomes, and we talked about this earlier when we talked about measuring Boots to Business and unified definitions, or something, more closely with our Office of Entrepreneurial Education right now. And so ED oversees the SBDC’s score and the WBCs.

The VBOCs on our office, we’re going to bring in to align, of course next year, exactly what we’re measuring and how we’re measuring it. It will be
unified across there. Let me say this as delicately as possible is that if you ask me what’s our accuracy on exactly all those numbers and metrics that we have there, I couldn’t give you a real, high competence that we’ve got exactly right.

I think in some areas, we’re probably under-reporting when you look at where we are in some of the numbers like trained to counsel. It’s important that you understand how that’s measured; you know, counselors. Do they actually show -- excuse me. Make sure I get this right. There’s one where they’re actually just up in the office and they actually have a one on one session. The other is kind of a guesstimate, if we do a trade show or a big convention where we actually would have 2 or 300 people in the room, and that’s training.

So that all gets pooled together. What does that training and counseled number tell me when you roll it together? I don’t know that it tells me a lot. When you look at the total loan numbers that are generated, you know, I’m not sure that we have a real accurate picture of that. So I’m just happy to give
you the metrics. But to tell you they’re meaningful, that we’ve got a measure behind it -- and we could tell you exactly how we arrived and all that -- if they’re still in my mind some questions on that, I think they begin to tell in some cases an area where we need to focus and other areas that are good stories. But there’s still some work that needs to be done, and we’re committed to doing that. But we will use these individually by VBOC when we consider that next year is what the success rate is with respect to those institutions. So the metrics are with the metrics are right now. You know.

MR. HALE: Tim Hale, if I can jump in on that one too, we do have a VBOC in New Mexico. And one of the things that is very important about the VBOC is also identifying customers who walk through the door who aren’t ready to start their business, and getting them into the right path. So we may not see a loan start to be generated for five years.

I would rather see that, but we won’t really have a good metric to measure that. Part of our measured success is also honesty with that customer
that you need to go do these steps where we try and get them tracked into that right direction also. Now, I think that’s a key, almost unmeasurable asset that we need out there on the street also for those veterans.

MR. JEPPSON: Any more questions, comments for Ramona? Okay. So thank you very much.

MS. PEYTON: Thank you.

MR. JEPPSON: So, next step is Rachel Kestenbaum is supposed to join us from OGC’s office here. That’s where we get into the really fun stuff where we talk about the ethics and the other pieces that I thought were important that we review here, as we kind of form together.

But, real quick, since we’ve got a few minutes, let me introduce my new deputy Barb Carson. She’s joined the task force. So, Barb, if you come up here, we’ll just give a few minutes for her to tell us a little bit about herself and background. So, Barb?

MS. CARSON: Thanks. I appreciate it, Stan. Thanks. It’s hard to follow Ramona; she’s a powerhouse and does incredible work, and was very modest in what the VBOCs do and her part in it. So I’ll try to fill
your shoes, but won’t come close.

My name’s Barb Carson. I think Rhett mentioned I’m still an Air Force Reservist serving.

MR. JEPPSON: Air Power.

MS. CARSON: That’s right -- Air Power. And I’m very honored to be a part of this SBA team to ensure that veterans have the opportunities that they deserve, and they can help make our economy stronger. I just came from the Reserve Officer Association where they’re looking at how employers, why they would choose to hire reservists and what happens when those reservists are deployed.

There’s a lot of work to be done for veterans in employment altogether, and being an entrepreneur gives them a little more control, and some more challenges as well. So I’m happy to be a part of this team and hope I can be a resource to each of you. I haven’t met all of you yet. I’ve been with SBA for only six months, and put to the test in many ways already.

We have -- I hope you’ve heard this morning -- the training and education that we’re already doing,
the Access to Capital that we are really turning
attention to at this time. And then the procurement is
strong with Stan, and we have growth there, opportunity
as well. This is a brief introduction. I forgot one
thing.

I was a small business owner before. That was
a good experience for me. Being a military spouse,
though, meant that I closed my business when he had a
deployment that took him away for a year and made us
change the location where we needed to live. So I have
empathy for vet entrepreneurs that are entering or
trying to grow their businesses in this economy.

Thanks.

MR. JEPPSON: So one of the great things about
having Barb on board is that I’m only a lieutenant
colonel and I get to order a colonel around on a day-
to-day basis.

[Laughter.]

MS. CARSON: Good stuff.

MR. JEPPSON: Good stuff. So, anyways, so
obviously, as you can tell, we’ve got a strong team.
If you knew the team before they were strong, I think
that the one thing that I enjoyed that Bill didn’t have is that my team has actually grown with some really strong people. And you’ve heard from Craig and Ramona and Barb now. So, you know, if you get a chance before our meeting the next time we come together, to perhaps schedule some time to meet sometime with them.

They’ll also be available to you, as you need or as you want, to have further discussions with them. The one thing, if I go back to the telecom thing, it was specifically to the meeting. But if you guys want to have small groups where we update you on things, we’re happy to do that and make sure that you’re SA level is where it needs to be. There are certain things that our office is doing, and it’s just how we couch that in the meetings.

So there’s kind of the nuance pieces. I’ll be honest. I’m not a details guy, and it drives me a bit crazy, but it’s one of the rules that we have to live with. So with that, why don’t we go ahead and take a break. We’ll go find Rachel, where she’s at. And, during the break, if you would, if you’ve got a few minutes, why don’t you just take a look at your
calendars. And let’s kind of be forward thinking a little bit about when we want to meet, and let’s try to plan the meeting between now and the end of September next year, whether it’s a couple by telephone.

And let’s plan on -- if we can, tentatively, let’s make the September of this coming year -- our next one -- in-person. I promise you if I get money, if they free up any money for me where I could bring and have a third meeting, I’d be happy to fund that, but I think that we’ll be lucky to have the one at the end of the year.

I will promise you that I’ll make every effort, but let’s at least try to put some telephonic meetings together or blackboard adobe connect meetings together with the hope that we can come together at the end of next year. You know, subject to funding. I’m also happy to have them here and do them telephonically, where we meet together here in the building for those who are local. And do it telephonically, if that’s the direction you guys want to do it.

I’m here to support you in that role. And I’d
like to talk a little bit when we do the wrap-up, too,
about a way forward as topics that you want us to
cover. What do you want us to lean into? How do you
guys want to go forward crafting the agendas for these?
And then, finally, the task force report, how to go
forward on that, and I will give you my thoughts. It’s
my thoughts only on how that ought to be produced and
how it ought to be distributed. And then I want to
have that discussion with you all about are we in sync,
what do we need to change, and come to some agreements
on how we proceed forward on getting that out and
distributing that out and producing that report.

So, with that, if you guys will mill about
smartly, have those conversations, we’ll go find
Rachel, and then we’ll be ready to roll when she gets
here.

MR. FIELDER: Rhett, a quick question. If
we’re going to add nine people to this group over the
next three to four months -- for the group be
productive teleconferencing and reconnect and all of
that -- if in fact we know each other, is there any way
possible that the next meeting, even if that’s in
March, could be an in-person meeting, and then we finish the rest of the year with teleconferencing? Because at some point, it would be extremely difficult not knowing everybody, any initiatives or any conversation forward.

MR. JEPPSON: So let me do this, then. Let us get through and see what’s going to happen on the 15th. You know. Your guess is as good as mine. You know? I mean we all have opinions about what may or may not happen. Let me see what my budget’s going to look like and what I can craft out of the budget and what I could steal and what I could get.

We face not only at the office level a cap on travel, but an agency cap, and it’s monitored by OMB. So we’re down to almost 20 percent out of the 2,010 when you look at what we’ve had in the past year. So what you’re suggesting certainly makes really sound logic, pretty rationale. It’s just, fiscally, can we support that. You know. I mean exactly what the statute says and it’s exactly what we want to do, but there’s the fiscal reality that we’ve got to live with and evil common sense. So, it is.
It is. So I will do everything I can, but I can’t commit to it until we know what it is. You know. I will tell you that if we find ourselves in a CR for the rest of the year, that gave me more flexibility if they give us another 90 days or another 90- to 120-day CR.

That really will hamstring us, because we’ll get an even smaller amount like we have right now, which was really, really small amounts for us. When it comes down to operating stuff, we have less than $10,000 in operating money this year so far for the first quarter. So, you know, we’ll be richer. If we keep a standard, a full CR for the full year, we’ll be richer in the last quarter if they piecemeal it out to us. But if we get the CR for the balance of the year, I’ll probably get the full amount when they do that in the January-February timeframe.

So that’s a long answer to -- I wish I could tell you, but I just wanted to try. But it makes perfect sense, you know. I mean I can understand why that would be the best way to go. It’s just would I have the money to do it. Okay. So since Rachel’s
here, why don’t we do this? Let’s just take five
minutes, and I mean five minutes to make a head call,
and then be back in our seats here, and then we’ll
press. So, thank you.

[A brief recess was taken.]

PUBLIC DISCUSSION AND COMMENTS

MR. JEPPSON: I’m thinking you guys pick the
dates.

MR. MUELLER: How about like we did this one?
Come in on Wednesday, which would be the 6th of March.
Is that right?

MR. FIELDER: Hmm-hmm.

MR. MUELLER: It is? That Wednesday?

MR. FIELDER: Yes, the beginning of March
would be better for us.

MR. JEPPSON: So the 6th is a Wednesday.

MR. HALE: No, the 6th is a Thursday.

MS. ULSES: Yeah. The 6th is a Thursday.

MR. JEPPSON: Well, we could do it the next
week.

MR. HALE: Yeah. I’d say the next week works
probably better for me, because we’re in the middle of
our legislative session.

MR. HALE: Yeah. Pick a day other than Monday. We don’t want to travel on Monday, I can tell you that.

MS. SIMMS: So the 12th?

MR. HALE: The 11th is Tuesday and the 12th is Wednesday.

MR. JEPPSON: Let’s assume best case and I mean, you know, please. I’m going to tell you this if you say you said this. I’m going to tell you you’re wrong. I will do what I can to make it a two-day and to make it in person, but I can’t guarantee it.

MS. SIMMS: What day are you shooting for?

MR. JEPPSON: So the 11th, and then it would be the 12th and 13th.

MS. SIMMS: Well, the 11th is on a Tuesday, the 13th is Thursday.


MS. SIMMS: When we meet again in March, just like this new travel system, we’ll need you all to go through and do like you did. Book through El Sol,
because if you do not, you’ll be designated travel arrangements. You will not be reimbursed. And that’s kind of tough, but you have to go. We’ve been preaching it for I don’t know how long. Go through El Sol. You have to do El Sol.

MR. JEPPSON: Yeah. Because you’re here on invitational orders from us, the thing is just one of the rules, not that I agree with it. You’re supposed to travel on government fare through a government vendor so that we don’t incur a change fee if you miss your flight. It gives you that flexibility, so --

MR. FIELDER: Things like hotels?

MR. JEPPSON: The hotel, it’s going to be underneath per diem.

MR. FIELDER: So we can book our own hotels.

MS. SIMMS: Well, actually, I’ve got to find out more about that system, but this time I was able to book it for you. Okay. It’s a new public system I’m not accustomed to. I’m kind of feeling my way through it.

MR. JEPPSON: I’ll work with Cheryl on that.

I’m pretty sure that we can do it that way. But what
we just need to do is obligate the full MIE amount, what we did voucher. I’ll work with that. So, yeah.
You can book your own hotel.

MS. SIMMS: Okay.

MR. JEPPSON: I just need to work with her on it. But you’ll be reimbursed your hotel rate. You guys know that.

MR. MUELLER: Yeah, but it would be good if we all were staying. One of the things we at least did last time, we were all staying -- tried to stay -- at the same hotel. It was from a camaraderie, and whatever.

MR. JEPPSON: So Dan asked me to do that. We did it one time before when we’re it was at Residence Inn.

MR. MUELLER: No, it was at the Embassy -- no -- the Doubletree.

MR. JEPPSON: Was that in Alexandria? Right?

MR. MUELLER: Yeah, in Old Town.

MR. JEPPSON: Yeah, because I make the VBOCs. We get a block reservation. The issue was if I try to do that, I have a really hard time. It becomes a
contract for me to write a contract, and so it would be
best if we designate the lead, or whatever; designate
early on like now the dates that you want to be there
and ask for the government rate. And then you
guarantee it with your credit card and that makes it
easier for me. So if you guys would do that, that
would make life easier for us. So we set the dates and
you all can decide which one you’re going to use.

MR. MUELLER: Yeah. We communicate among
ourselves. And so just like I’m fit to register
myself.

MR. JEPPSON: That’s a joke, so --

MR. MUELLER: That was a good joke.

MR. JEPPSON: So March, there’s little to
rally against here. So I think that we need to pick
two more dates between now and the end of the fiscal
year. So what does the team think?

MR. MUELLER: Let’s go to June, which is
probably the next logical --

MR. JEPPSON: The second week, June 10th is
Tuesday.

MR. MUELLER: These may be in person or they
may be teleconference.

MR. JEPPSON: I think that June most likely will be teleconferenced, even if I could squeeze three out, which I mean it could be really tough. I think you want to save that for your year end.

MR. MUELLER: Here’s my recommendation. If we identify three meetings, which I know is iffy, we have three meetings face to face. My suggestion would be that maybe we have plans from other -- you want to call it conference calls or whatever. I found that we at least started that last year, even though people disliked what we were doing. It turned out to be beneficial, because we could pick up on the conversation that we had at the meeting, and it kind of continued the dialog a little bit. If you only meet three times, you can’t get much done, quite obviously.

MR. JEPPSON: I certainly understand that and appreciate it. So if you guys want to meet telephonically every month, we could support that. And if you want to make it so that it’s one where we discuss policy and issues, all we have to do is put the Federal Register announcement in.
MR. MUELLER: Can we make that decision at our first next meeting then about when we meet, conference calls, or whatever?

MR. FIELDER: I think that would be fair. We’re sure of the time, because --

MR. JEPPSON: So let’s do this then. Let’s at least put -- and there’s programming against it again, at least one towards the end of the year if I could pull off another in-person. And I got to tell you and it’s pretty unlikely, but let’s at least put a mark on the wall. Or if I fund you your money, or something like that, which we had for Labor Day.

MR. FIELDER: I’m looking at the March date, a June date and then a September date. And what worked well in 2012 was that with the meeting where we substantively figured out how we were going to do the annual report, and that’s not something you usually accomplish by teleconference.

MR. JEPPSON: Yeah. So I think that maybe what we could do is put a conference day together and you could have a working group day around those; but, again, it will be a function of money. One thing that
we do have, though, is people who’ve been vetted right now, currently, and many of them are in the D.C. area, which will help save.

Every agency inside the Beltway focuses on government business for the most part, but also we’re not representing the rest of the country, too, that geographically think we’re serious, so.

MS. ULS: Rhett, Rhett, having said that, when you say that, we’re talking regionally and geographically. For those of us who’re running BSOs, I talk to people. I feel like I represent people from around the country, even though I’m in Virginia Beach, because I talk to people and get their input. So that’s got to help, somewhat.

MR. JEPSON: I don’t mean to discount that.

MR. FIELDER: I’ve got five minutes before I leave.

MR. JEPSON: All right. So we’ll schedule the rest of the meetings in the year and meet in some form and fashion March 11 to 13th. We’ll put that on the calendar. We’ll get the Federal Register announcement ready to go. Let’s at least block on the
calendar an opportunity for this two days in September.

So which week in September?

MR. FIELDER: I would say the 1st or 2nd week.

MR. JEPPSON: The first week, that’s Labor Day. The second week, that leaves the second week.

MR. HALE: So if you schedule something in September, are you running the risk of in the fiscal year close-out issues?

MR. JEPPSON: So here’s the easy part for me on the fiscal year. That’s when we sweep accounts, and it’s easy for me to get my hands on money at the end of the year. So, actually, if we make it early September, if I get into the last two weeks —

MS. ULSES: The second week.

MR. JEPPSON: Why don’t you make it a travel day on whatever that Tuesday?

MS. ULSES: It’s the 9th.

MR. JEPPSON: 9th? Make the travel day on the 9th and meet on the 10th and 11th.

MR. WHITE: Before these guys run, could I just ask everybody one, quick thing? Is it just that we had to decide on one topic to focus on, because
we’re not going to have a lot of time to start picking stuff. What would it be for you?

MR. WYNN: It’s the federal procure increase in contract opportunities for veteran business outreach.

MR. WHITE: And I forget your name -- his name.

MR. JEPPSON: That’s Tim Hale.

MR. WHITE: Sir, we wanted to pick one topic to work on. Joe mentioned federal procurement. What would it be for you?

MR. HALE: Vet jobs.

MR. JEPPSON: Vet jobs?

MR. HALE: Jobs.

MR. WHITE: Well, I’m not sure that falls in our charter, growing businesses.

MR. FIELDER: I don’t understand enough about it, but I’ve been following you for a while. It’s a capital thing.

MR. JEPPSON: I would add that too, but I also would add the whole communication process, what we do to the communities.
MR. WHITE: Okay. Yeah. I listened here today and I know what goes on in the field sometimes. They don’t get it.

MS. ULES: Right, because it’s Access to Capital.

MR. LEHORN: Responsible access to capital.

MR. WHITE: Okay. I just wanted to know that so planning for the future we can be thinking about it.

MR. LEHORN: We don’t want to just hand out free money.

MR. JEPSON: Okay. So hold on. So you said Capital Access?

MS. ULES: Communications.

MR. JEPSON: Communications. Okay. So let me go back to the communications. You said communications to the Veteran’s community?

MS. ULES: To the community at large, public.

MR. JEPSON: Okay. Tim?


MR. HALE: Yeah. Same here -- Access to Capital.
MR. JEPPSON: So I think that in a full day we can cover each of these, so obviously Cap Access got most of the votes here. We’ll deliver a good portion of that, and we really need to drill down on you. At this point we should be able to talk about what we’re looking at for 15th, which is the big next one and get your input in there in the micro meeting.

The communications piece I think we can dedicate. Go back to the vets’ jobs, please. From our perspective we did a little bit on that, because you look at 80 percent of small business is self-employment, that is jobs. It’s creating your own job. And so I see the synergy in that. So sometimes when they say that, there’s a segment that’s going to be there.

MR. HALE: Right, and every one of the application says how many jobs you wanted to grow with this line.

CLOSING COMMENTS

MR. JEPPSON: And I think that just because of the legislation that’s out there right now and the moves that are equipped, we’re going to have plenty of
reverse conversation about the contracts and the
opportunities, because I’d be shocked if there’s not
something more specific on the verification
certification process. So because some of you are
leaving here, I’ll just call -- not being the chair --
this meeting closed.

I’m happy to stick around and talk with those
who’ve got time, but for those members, though, I want
to thank you for being here. Thank you for your
patience. We look forward to working with you closely.

And you can see the team’s kind of starting to form at
SBA here and we’re excited about where we’re going.
Look forward to working more closely with you all, so
thank you very much.

[The meeting was adjourned at 2:45 p.m.]

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