SMALL BUSINESS ADMINISTRATION

INTERAGENCY TASK FORCE ON VETERANS
SMALL BUSINESS DEVELOPMENT

PUBLIC MEETING

Thursday, December 18, 2014
9:30 a.m.

Eisenhower Conference Room
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Washington, D.C. 20416

Diversified Reporting Services, Inc.
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MEMBERS PRESENT:

   Barbara Carson, Deputy Associate Administrator, Office of Veterans Business Development, SBA

   Craig Heilman, SBA

   Kenyatta Wesley, Department of Defense

   Sarah Wolek, Department of the Treasury

ON THE TELEPHONE:

   James F. Wilfong, VET-Force

   Ruth Maria Samardick, Department of Labor
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I. OPENING REMARKS FROM BARBARA CARSON

MS. CARSON: Good morning. I hope that our gathering grows in the next few minutes. I'm Barb Carson from Small Business Administration, the Office of Veteran Business Development. And I'm joined today by Sarah Wolek.

Would you like to introduce yourself, please?

MS. WOLEK: Sure. I'm Sarah Wolek. I work at Treasury, in the Small Business Community Development and Affordable Housing Office, specifically covering small business, on my end.

MS. CARSON: Thank you. And on the phone, from Department of Labor, we have Ruth Samardick.

Ruth, can you introduce yourself, please?

MS. SAMARDICK: (No response.)

MS. CARSON: Okay. Let me see if I still have the conference line.

Jim Wilfong, are you on the line?

MR. WILFONG: (No response.)

MS. CARSON: Okay, one moment. Let me see if I can make this work. I apologize, just a moment.
(Pause.)

MS. CARSON: Okay. We will work to get those members on the line from VET-Force and from Department of Labor. However, we are not at quorum today, as we do not have DoD, OMB, Veterans Affairs, GSA, or American Legion with us. We do want to continue, because there is some important information and updates that we would like to share with you, and looking ahead into Fiscal Year 2015, what the interagency is doing for small business, and veterans, in particular.

I would like to start with Geoff Orazem, who is here from Eastern Foundry. Eastern Foundry -- and he will describe it further -- is an incubator for government tech contractors, addressing the gap that exists for many veterans, small business owners, who want to participate in opportunities to get better procurement.

So, Geoff, if you don't mind --

MR. ORAZEM: Sure.

MS. CARSON: -- I would love to turn it over to you. If you could, describe your unit and what we're trying to address.
II. GEOFF ORAZEM, EASTERN FOUNDRY

MR. ORAZEM: Of course. Looking out in the audience, I think I see everybody from yesterday. And so, I think, Sarah, you might be the only person who hasn't heard my discussion from yesterday. So this feels like super formal, being across the -- I feel like we should be at Starbucks.

(Laughter.)

MR. ORAZEM: But, you know, I'll just jump right in.

So, Eastern Foundry, we're an incubator for government contractors. And this really came out of our own -- my founding team's experience trying to break in to the government contracting space. We're all veterans. Some of us lived in HUB zones. We were -- we had great capabilities, credentials, coming out of the military, coming out of other private -- professional pursuits, schooling, but we just couldn't get our foot in the door.

And it was incredibly frustrating. I think there is a perception that, you know, the U.S. supports small business, the U.S. supports veterans, veterans
are a preferred, set-aside class. Surely we will get contracts quickly, given that we know how to do the substance of the work being requested. And what we found was, actually, it really wasn't the case.

There is just a tremendous volume of regulatory requirement that comes when you do a large or small government contract. And we just weren't prepared to handle any of it. There was the -- just getting registered, getting your set-asides in place, understanding all the systems you had to get involved with, and then understanding the structure and nature of government contracting was fairly bewildering, especially when you're trying to do this and hold down a full-time job during the day.

So, even after we got through that -- and it took a couple months to sort through kind of the -- all the individual pieces, the different elements we had to comply with -- we found that the real barrier for our entry lay in our relationships, or lack thereof. We were all frontline infantry officers, intelligence officers. We didn't have the relationships with program managers, contracting officers, people at the
primes, people within agencies that would open a door
and take a chance on us to get our first piece of work.

    So, we reflected on that a little bit.

Frankly, we were frustrated at first. And we realized
that there were actually -- we were having the same
experience a lot of other small businesses, both
veteran and non-veteran, owned.

    So, we changed our business model to, instead
of trying to do the government contract, trying to
create a system where other people could, more
successfully. And that's Eastern Foundry.

    So we looked back at the things that we
thought were the prime barriers to our success, and
we're looking at it threefold. It was having a space
where we could invite our customers in, having the
infrastructure in place. The second one was
informational. How do we know all of the things that
we need to comply, with all the activities we need to
do? And the third was around business development.
How do we get that foot in the door at a DoD or at a
Booz Allen? What does it take?

    So, the space is relatively straightforward.
We now have 21,000 square feet in Crystal City, 70 offices, conference rooms, Internet, phones. Kind of what you would expect to see in any other office environment.

We also have 28 companies there at this point, which feeds into the second point around information. And because we just work with small government contractors -- and right now, specifically those in tech, although we do hope to expand outside of tech within a few years -- we have -- the amount of community-driven information-sharing is really tremendous.

So if you just sit in our kitchen during lunch, you will hear people asking questions, sharing experiences, giving each other the knowledge they need to get their businesses forward.

And, similarly, kind of dove-tailing that into the business development side, as a small business -- you know, it's called a 4-person, 10-person shop -- you might have one relationship, collectively, with a person that will open a door for you, that will give you a task order on your first contract. But as a
community of now about 105, 110 people, we have dozens and dozens of those sorts of relationships. So it makes it much easier for a small business to say, "You know what? I really want to work with Air Force, and specifically I want to work in this box. Do we know somebody here?" As a community, we probably do. It makes it much easier for us to start slotting and moving people in.

So, that's sort of the community piece of it. And that's also paired off with a lot more formal education. So as soon as this over, I am running back to the shop. We've got a lawyer coming in to give a class on bid protests over lunch. So that was just a -- that was the class that was voted on, that was nominated then voted on by the community as the topic they wanted to have this week. And each week we've got another topic. So last week was GSA schedule/application process. And this is just a ongoing, more formalized knowledge event.

And this is all free. This is all part of the rent that comes -- that you pay to be part of the community. You pay for -- basically, you pay for the
real estate, and all of these things come with it.

And second -- then the last piece of it is a little -- kind of the formalized version of this organic, business development, community building is that, because we're now at -- I think we're at 28 small business, we're quickly becoming the easy button for big primes. So, instead of a prime, when they need an extra ADA or veteran-owned, or maybe a cyber security firm, instead of having to reach out to the broad Internet to ask, you know, "Who is out there," having to sort through capability statements, having to assess whether or not these people actually -- can they do the reporting, will they be able to hold -- the proposal process. They say they've got 10 system administrators, but do they really?

Instead of having to sort through that fog, that heavy transaction cost that comes from being remote, they can just show up. They can call us up and say, "We want to meet all your cyber firms," or, "We want to meet all your veteran-owned firms." "Here they are." And it facilitates the engagement between our smalls and our primes.
So, that's what we're all about. And so, that's sort of the 30,000-foot overview. We're doing a lot of tangential activities around government certification to, again, reduce transaction costs, going forward. We're doing a lot around veterans education, because we see a lot -- we have a lot of demand coming out of our big prime clients to help them with their augmentation contracts, especially in the cleared space.

So, because we're in D.C., we're surrounded by separating veterans with clearances and technical skill sets. We've seen a real opportunity and a demand on both sides to try to give them the upskilling to take them from their MOS school training to be able to get that delta, to get them the certification that an Accenture needs, or Booz needs, to swap them into a Department of Treasury contract.

So, those are all kind of the -- sort of -- I don't know what you call this, the aura, the other activities around it. The core is this small business support network.

So maybe I will just pause right there and see
if you have any questions.

MS. WOLEK: Yeah, that actually sounds really thought-through, in terms of sort of the needs that folks on the government side would have.

I'm just curious. Given -- it was -- the impetus to start this was because making inroads was difficult in the government? How did you all start it, anyway, to get funding for something like this? Was that also a government funding to start the incubator?

MR. ORAZEM: Yeah, we --

MS. WOLEK: Because there are those programs.

MR. ORAZEM: So, funny enough -- don't want to air dirty laundry, but we applied for the SBA Challenge Grant for incubators, and we didn't win. So can't tell you why, never found out why. But no, so we were entirely privately funded. And what's really allowed us to do that is we got a tremendous contractor, tremendous lease offer from Vornado in Crystal City. Their CEO really saw the opportunity and the way that we were bridging the gap between Crystal City as a historically --

(Meeting is interrupted by chatter on the
MS. CARSON: Jim, thanks for joining us. We've just listened to a presentation from Eastern Foundry, and we're answering a couple of questions. I'm sorry you couldn't hear before that time. Excuse me for a moment, Geoff. Did you get to finish answering?

MR. ORAZEM: Basically, we just got a really -- Vornado worked very closely with us, because they saw that we were sitting at the intersection of Crystal City's old life as a -- not old life, but an extension of where they have been, servicing the government contract community, and the new way they want to take Crystal City, which is as a technology and innovation center. And because we straddle kind of the old and the new, Vornado was extremely interested in getting us in, and they gave us a really tremendous deal that allowed us to finance just through friends and family.

MS. CARSON: Thanks for coming and talking with us.

MR. ORAZEM: Thank you.

MS. CARSON: Ruth and Jim are going to ask you
to introduce yourselves, so the group here can know who
has joined us. So go ahead, Ruth.

MS. SAMARDICK: This is Ruth Samardick at the
U.S. Department of Labor, Veterans Employment Training
Service.

MR. WILFONG: This is Jim Wilfong. I'm with
VET-Force, and a member of the task force.

MS. CARSON: Thank you. And Department of
Defense has joined us. Go ahead and introduce
yourself, please.

MR. WESLEY: I'm Kenyatta Wesley. I'm the
Deputy Director for Department of Defense Small
Business Office.

MS. CARSON: Fantastic. Thank you very much.
We are about to listen to some information from Linda
Rusche, who is in charge of SBA's Office of Financial
Assistance. I am getting her slides up right now.

And she has been kind enough to spend time
with me over the last month, really digging into data
on veteran lending, access to capital. And I'm really
grateful she's here to join us.

MS. RUSCHE: Did you want me to stand, sit, or
mic?

MS. CARSON: If you want to be here, and we'll get your slides up.

And if you'd like a copy of any of the presentations today, please get in contact with Cheryl Sims, who is here in person. We will have your email address and send it to you, as well.

(Pause.)

III. LINDA RUSCHE, DIRECTOR OF FINANCIAL ASSISTANCE, CAPITAL ACCESS

MS. RUSCHE: Thank you very much. I'm Linda Rusche. I'm the director of our loan programs here, at the SBA. I have brought with me today Chimene Okere down at the table, and either one of us can provide you with information, as well as Chimene has some of my business cards. He can also give you his email, as well. So, whatever we don't follow up with at this immediate meeting, you can certainly get back with us later on today, or next week, or whenever you feel like it, and we can provide you additional information.

I appreciate the opportunity to share with you a little bit about our finance programs today, and how
we have tailored some of their initiatives, and some of their features to the veteran community. We know that we owe a debt to our veterans which we cannot repay. But in a small way, we hope at the SBA we can identify some reduction of barriers to assist them in becoming entrepreneurs, if that is the approach that they wish to take as they are leaving the service.

Since the start of this particular administration, we have facilitated over 300,000 loans, totaling over $125 billion to American small business, and we have seen a specific increase in our small loan size. We think this small loan size, loans of $150,000 or less, may be a particular area in which we can provide and facilitate additional credit for veterans.

We have seen a doubling of the veterans loan volume from 2009 to 2011. However, most recently we've seen just a touch of a decline, and we have talked a great deal with Barbara and her crew here at the SBA about those reasons.

Actually, our overall loan delivery is slightly less in 2014 than it was in 2013, and you can see that on our present slides. That is primarily a
structural issue of a difference between two major programs that we have. We call them 7(a) and 504. And that's simply because that's where they are in our statutes.

7(a) is the garden-variety loan program. Lenders make the loan, SBA guarantees up to 50, 75, or 85 percent of the repayment risk, based upon the lender's estimate of the business success. We're not guaranteeing the lender's potential mistakes; we're guaranteeing the actual enterprise risk of the business not being able to survive. And that's a garden-variety loan, 7(a).

The 504, our other large loan program, is a shared participation fixed asset financing program, and it's had some particular structural problems with it that we were working to resolve this year, and that's caused a decrease in its volume, coupled with the fact that we presently cannot do refinancing in it yet. During our Recovery Act years of '09 and '10 and '11 and '12, we were allowed to provide refinancing of real estate and fixed assets in the 504 program. That provided a huge additional increase in
credit of a fixed, low-interest rate for our customers, our small businesses. And when that sunned in 2012, we did see a decline in that program. And that's why you see a little bit of a drop-off in the actual general volume.

But you see a little bit larger drop-off in our veteran delivery of those same credit programs. And we, again, are speaking in great detail with Barbara and her crew, to see if it's something that we need to structurally consider changing, or if perhaps this may be in part because we're seeing a general drop in the volume of veterans, relative to the inflows and outflows.

We have a large population of what you would call the Greatest Generation veterans, and those from perhaps the era of the early 1950s who are gradually retiring, or are no longer with us. And they are not being replaced at as high a volume in numbers as those coming out of the more recent conflicts. So there is some net effect of just numbers, but we're seeking to find other barriers, if they are, and identify and address those barriers.
Recently we have taken a couple of steps that we believe are very helpful to reduce those barriers, particularly in that program that I call the 7(a), the garden-variety loan program. We have zeroed-out our fees for very small loans, and we have engaged in a credit scoring quicker process, which will reduce the cost for our lenders, and improve their willingness to engage in those smaller loans, many of which are managed by the veteran -- and utilized by veterans.

The credit score strategy that we have adopted is taking a process using business credit scoring, a fairly new feature to business commercial lending, and applying it in such a way that, for loans of $350,000 or less, an abbreviated credit memo is required of lenders, along with pinning our system for an acceptable credit score. In many respects, it's very similar to the kind of credit score that you understand as a personal credit score. Many of you may get it on your credit card bill every month, and know where you stand.

This is another version of a behavior-based credit scoring system that allows a lender to
abbreviate its credit process. This is a little bit of
the weeds that you're seeing on this slide, as well on
the next. But, ultimately, understand that what we are
describing and marketing to our lenders is that a
reduced amount of process will reduce the cost up front
that the lender is engaging and, therefore, make
lenders more willing to engage in the smaller loans.

Time is money. Process is money. And the
lender always needs to be encouraged to streamline
their processes to deliver these smallest loans. But,
as the slide is showing right now about unacceptable
credit scores, we also have provided a safety valve for
this process.

We are not intending to become a "score-and-
go, or we're not going to talk to you" kind of agency.
So, even though we have streamlined the stronger
applicants into a quicker, cheaper, easier process, the
lenders still have the option, if they have a really
strong individual -- a great applicant, potentially a
veteran, they can come to us under one of our regular
processes, as described in this slide, and obtain a
loan for a credit-worthy applicant, even in those
instances where the business credit score isn't above the threshold that we have identified, meets our reasonable risk tolerance.

And that's very possible with someone coming right out of the military, who may not have a long-term credit history because they haven't been involved in the consumer world in which we live, because they've been somewhere overseas, engaged in other activities.

We also have developed some fee enhancements, what we call "fee relief," for our small customers. And some of them this past two years are also targeted very specifically to veterans.

Now, for our entire population of 7(a) loans, we have basically waived both our up-front fee and our ongoing fee for loans of smaller than $150,000. That means the one-time pay-at-the-beginning guarantee fee, which is generally assessed to the loan borrower, has been waived. And also, the ongoing premium, so to speak, that our lenders pay annually -- an assessment for the lender, not the borrower, but the lender -- that has also been waived, both for 2014, and continued into 2015. And that fee has -- reduction has allowed
lenders to be more engaged in the smallest credits.

We also had a fractional reduction in the charge of that ongoing fee. That's the second bullet on this particular slide. It was a fairly small changed, from 52 to 51.9. So it's -- but that, again, is the lender fee paid.

Specifically for veterans both last year and this year, we have been waiving fees on loans up to $350,000, the up-front applicant fee, if the loan is -- the applicant is a veteran. And what that means is the up-front fee is less for the on-boarding of the loan.

But this year we've been able to expand that beyond that $350,000 threshold, and beyond the limits of our express loan program, which is only a 50 percent guarantee. We now can provide a fee reduction of one-half of the total guarantee fee on loans of up to $5 million, our maximize size, when the loan applicant is a business owned by a veteran.

And the final comment I would make about that is that we have also enhanced our definition of who is a veteran. It is, obviously, the veteran, him or herself. But also, spouse, widows, widowers, and
dependents of the veteran.

So, if we have a veteran that perhaps is looking to be hired by someone, but has a spouse, or a veteran who is traveling from place to place in the latter stage of their military service, and the spouse is finding that going to the five different cities makes it very difficult to have a job, but fairly easy to have a self-employed small business, perhaps, that you use using the Internet, those individuals are also eligible for this veteran benefit. So, we're hoping to capture not just the individual veteran, but that community of close people who are affected by the service of that individual.

And, finally, our sort of brand-new excitement that we intend to be rolling out some time around March of next year is SBA-1. This is our version of -- we've called it sort of the TurboTax on how to apply for a loan, but I also like the acronym of it's the "easy button," how to get to a 7(a) loan. This is our new software platform that will engage with our existing systems, and make it much simpler and one-stop for our lenders to access our internal record system, and make
application on behalf and with the cooperation of their borrowers -- make it much simpler to apply for, receive approval, book, close, and then manage their loan records, all within a system that operates much the same way as many of those we already deal with in other areas.

So, we're very excited that SBA-1 will be a one-stop shop to help lenders even further reduce their costs, and engage in all SBA loans, most hopefully the small loans.

The platform is going to look very similar to something like you're familiar with on any kind of an easy buy on your Internet. Again, we sometimes call it the TurboTax of loan processing, but we have great expectations of SBA-1 to help us re-engage our lenders with, particularly, the smaller loans.

That is the gist of my prepared remarks. We, again, have fee relief, credit scoring, and expanded definition for veterans in the most recent 24 months, and we continue to work with Barbara and her crew to identify any other facets of our programs that might be barriers to the entrance by veterans.
We certainly encourage and welcome all of your comments, and I would be happy to take some questions.

MS. CARSON: Any questions?

(No response.)

MS. CARSON: Thank you, Linda.

MS. RUSCHE: Let me finalize by saying Chimene has got some of my cards. But, as you know, anyone can be accessed at SBA by first name, dot, last name, at SBA.gov.

Chimene, you want to come up here and spell your name for them?

MR. OKERE: Sure.

MS. RUSCHE: So they have the address, specifically? Because it's on my card.

MR. OKERE: Well, if you have Linda's -- if you have the agenda, you will be able to see Linda's name. So it's just Linda.Rusche@sba.gov. But my name is Chimene.Okere@sba.gov, and that is C-h-i-m-e-n-e.O-k-e-r-e. Thank you.

MS. RUSCHE: Thank you for the opportunity.

MS. CARSON: Thank you very much. I hope to have an update at the next meeting that we have with
what we learned about a veteran cohort as borrowers, and then what success we've had in engaging lenders, and things that are holding them. And maybe we will have good news, that they are finding the money that they need in other places, too. Thanks.

All right. We are going to move to a presentation on -- energy and small business. And there is some concern that federal agencies are not aware of options in small business in the alternative energy -- we're going to use a couple of your experiences as examples, and propose that this group consider how to move forward.

Peter, I would ask you to come and speak.

IV. PETER DE VOS/RICH JORDAN,
TENNESSEE VALLEY INFRASTRUCTURE GROUP
(Slide presentation.)
MR. DE VOS: Barbara, thank you very much to you and your colleagues for the opportunity to be here today.

By way of background, let me give you a couple of data points. I am Peter de Vos, and I am chairman and CEO of a company called TVIG, which builds wind
farms. I am also chairman and CEO of American Helios, which is a company that builds solar farms. And I qualify as a service-disabled veteran. And, given my ownership of both companies, both of those companies qualify as service-disabled, veteran-owned businesses.

And we have grown, and grown rapidly, over the last several years. But we've experienced a conundrum that I am here to talk about, and seeking some help from the SBA and other organizations as to whether this is an issue to SBA or anybody else. And, if it is, how do we address it?

And the fundamental question -- and I will give you the punch line right now, I've got seven slides, I will go through them very quickly -- we have built the largest solar farm on a military base. We just finished it. It's built down in Fort Huachuca, which is an Army base about an hour and 15 minutes southeast of Tucson. And we built it with a company that's a service-disabled, veteran-owned business.

And, to the best of our knowledge, the SBA is getting zero credit for it. Zero credit for it. And we don't understand.
So, that's the reason I am specifically here.

Again, I mention I've got seven slides. I'll go through them really quickly. And if anybody has a question about any of the slides, please just interrupt me; I'll be glad to take them on.

From where we sit, we are looking at two major businesses we have. One you would say is wind, another one is solar. We also look at two major business: one is commercial business, the other is military business.

We also look at this as, within the military business and the government business, as having two sets of goals. Now, the first one is the DoD renewable energy goals. And there is a goal, by 2025, that 25 percent of energy for the DoD will come from renewables. In addition, you've got a service-by-service goal of one gigawatt of renewable energy from the Army, the Navy, and the Air Force. So we know those regulations; we're focused on them.

We also know that, given we are a service-disabled, veteran-owned business, as we understand it, the goals are small business prime contracting goals for this year, 21.35 percent. We also understand small
business subcontracting goals, 36.7 percent. So we've got these two sets of goals in our subset that's focused on military business. We're going, okay, we've got the DoD goals, we've got the small business goals. Let's focus on this.

I'm going to take the liberty of immediately jumping to the punch line, because I don't want to lose you all. But the punch line is shown best by this particular exhibit. You've got annual small business subcontracting goals of 36.7 percent, you've got a 37 percent small business participation goal. And our project, we are doing approximately 35 percent of that solar farm.

You say, "Where is the other 65 percent?"

Well, we're a construction firm. We build it. The other 65 percent is for the people who buy the modules, they buy the inverters, they buy the cables, et cetera. We won the assignment based on our expertise building solar farms. Nobody ever asked whether we were a small business. Nobody ever asked whether we were a service-disabled, veteran-owned business. And, to the best of our knowledge, 35 percent, which could be, as we
understand it, credited to SBA, you all are getting zero credit.

So, if I go back, I can provide -- I'm sorry, you've got a question?

MR. WESLEY: Okay. So, let's just make sure I'm understanding you a little bit here. So, for you on the telephone lines, this is Kenyatta Wesley from DoD.

The -- you build -- you're the prime contractor. And are you small or large?

MR. DE VOS: We are -- we, in this case, are the subcontractor underneath the prime, which is E.ON, the large German company.

MR. WESLEY: Okay, got it. So the prime contractor is a large company.

MR. DE VOS: Right.

MR. WESLEY: Okay. And so, the -- so they put you on as a subcontractor, and have you listed in their subcontracting plan. Are you aware of that, yes or no?

PARTICIPANT: This is a third party. Peter skipped over a couple of key things for you that we can go in -- this -- because DoD has kind of thrown up its
hands and is no longer issuing PPAs directly to independent power producers for the renewables, they're going through the utilities, the -- this is simply DoD buying power from Tucson Electric Power, who decided to build on Fort Huachuca, and use E.ON, the big German company, as the prime.

And so, that's the key thing here, is, as DoD wants to buy renewable energy, but is doing it completely through third-party organizations, you totally lose the impact of putting veteran-owned and service-disabled, veteran-owned businesses on a military installation.

MR. WESLEY: Okay. Well, the first thing I will say is we don't necessarily lose the ability to put service-disabled vets on the installation, it's just that you wouldn't be the prime contractor directly to the Department. So I want to be very clear that that's -- those are two separate issues.

So, obviously, you are getting the work, it's just that you are not the prime going VFR direct.

MR. DE VOS: Well, whether it's a prime or a subcontractor, we were never asked the question about
whether we were small business. We were never asked
the question if we were a service-disabled veteran.

MR. WESLEY: Well, they wouldn't ask you,
because you are not -- A, the contract is not with the
Department, the contract is with the third party.

MR. DE VOS: You know, regardless of where the
contract is, my specific question to the SBA is, are
you willing to lose out on 35 percent of this work?
You've got a goal here that was shown as 36.7 percent
annual small business goal, and you're getting 0 credit
for someone who expended 35 percent of the -- who had
35 percent of that contract.

You know, whether it's a prime, whether it's a
sub, you know, my specific question, and my specific
purpose for being here is this -- the SBA has goals.
And here we got the largest solar farm built on a
government facility, and you're getting zero credit.

Yeah.

MR. ORAZEM: I think you addressed this, but
are you also a small business?

MS. CARSON: Not any more, right?

MR. DE VOS: Yeah, we are a small business.
MR. ORAZEM: So you are a small --

PARTICIPANT: You are absolutely a small business, under the NAICS code for wind and under the NAICS code for --

MS. CARSON: Okay, that wasn't --

MR. ORAZEM: What are the revenue thresholds for those NAICS codes?

PARTICIPANT: Depends on if you do it as construction or as a power producer. For a power producer, it's 4 million megawatt hours per year. As the EPC --

MR. DE VOS: It's about $102 million over a 3-year period.

MR. ORAZEM: Okay, so -- I'm just curious about the mechanics of this. So would this contract have put you over the 102 threshold?

MR. WESLEY: No, they still got the -- they just weren't the prime. I get his point. His point is, because it's going through a third party, the federal government is not getting credit, either as the prime or as the sub, because it's going through the third party. I get his point. The issue just becomes
there are certain regulations that come into play --

MS. CARSON: Right.

MR. WESLEY: -- that we don't have control over. And they impact how the decision is made on whether or not -- how we buy power, first off, as well as how those units are built, and how the federal government can get those upgraded on installations.

And so, I think the issue is that this -- I don't think it will be able to be solved today, but it's something that, you know, the SBA would have to decide if you're going to go to the EPA, go to the Department of Energy and start having conversations about certain regulations and laws that are in place.

MS. CARSON: And if you can talk any more about how DoD has to buy power -- and it's the job of this body to figure out what are the potential limiting factors, and what can be addressed. And, with those things that you mention that require regulatory and legislative change, that would be different. I think there are some things that we can look at, though.

MR. WESLEY: Well, if you know something I don't know, please let me know. Because every way --
the way we are buying power today, our -- okay. So the
way we're buying power today within the Department is
based on all kinds of legislative rules.

MS. CARSON: Exactly.

MR. WESLEY: It's not based on a DoD policy
that says that we have -- you know, the Department of
Energy controls how power is purchased, as well as how
these solar or renewable energy -- are put together and
built, which is the most important piece.

We have to work within the laws that were put
in place, and we may not necessarily get waivers just
because we're Department of Defense. I know there are
some cases where we get those waivers, but this has not
been one of them.

MS. CARSON: Thank you.

MR. WESLEY: So, there are very strict
guidelines on how we are to purchase power, as well as
how we are to build the -- going through the
construction process. So, therefore, there has been --
when you start talking about putting those in place and
say, "Who is going to bear the burden of those costs,"
the government said, "We cannot afford to do that on
our own," therefore, they're splitting costs with the
power companies as a third party, because we cannot
afford to do so. That is where this is really coming
from.

MS. CARSON: That's helpful.

MR. DE VOS: At the risk of not going
immediately to the last slide, just let me make sure
you know what the other slides are in the deck.

This is a quick outline of where we started
two years ago, as a service-disabled, veteran-owned
small business going after the military business. And
there were things like the MATOC, the Multiple Award
Task Contract. But nothing has been built under those.
So you've got two years where we've been qualified
under the MATOC to build these projects, but the
government has never put out a wind project or a solar
project under those particular contracts.

In think, in addition, the federal acquisition
regulations have made it pretty complicated for third-
party financing. So, as a result of that, all the
sudden the contract that we built here, which is Fort
Huachuca, was done on a completely different structure,
where Tucson Electric goes in to Fort Huachuca, gets
the contract, they're going to put a solar farm in
there, which they're going to run, and then they put
the contract out to bid.

Well, the contract comes out to bid, and the
best of our knowledge, nobody is asking whether it's a
small business. Nobody is asking whether or not it's a
service-disabled business, despite the fact that there
were some goals in previous legislation that we thought
we were going to be operating under with regard to
going after these military contracts.

MR. WESLEY: Yeah, but in this case that's
done by the state. In this case, it's done by the
state. And so, it's done by the state and the local
power companies. So their regulations are the ones
that will matter, all right?

And I think there is some -- whenever people
start to have these kinds of questions, I think it's
really important to start to explain the policies and
the legislation that goes in. Because not only do you
have Department of Energy, but then you also -- each
state has its own laws and regulations that could be
impacting how the local energy companies are actually procuring, as well. Because most states do not have goals.

Now, there are some that do. I don't want to make a blanket statement. But not all states have socio-economic categories for how they get to small companies. They have a sign option, but they don't necessarily have a veteran-owned, or a service-disabled or a HUB, and I think that's part of the loophole he may be falling into, is that when you start working with the Department of -- well, with the State of Arizona, as well as the actual local company that has the ability to procure under a commercial base, because -- and they're using federal acquisitions to purchase user subs.

PARTICIPANT: In this particular case, it was the GSA area-wide contract. So it is a federal --

MR. WESLEY: But it's not a DoD --

PARTICIPANT: Right.

MR. WESLEY: It's not one that we put out for the Department of Defense. See, it's completely third party.
PARTICIPANT: And that's the whole point, is we need to find a way to capture that third-party sub. It's all federal.

MR. WESLEY: I hear you.

PARTICIPANT: And it isn't to the policy recommendations, at the end.

MR. DE VOS: Okay. Final slide, before going to the recommendations, is -- I just want to go through this slide.

I mean our firm, collectively, between our wind farm, our solar farm company, have built both the largest solar farm on a government facility, which is the one down in Arizona, in addition, the largest wind farm on a government facility, which is DoE facility in Amarillo, Texas.

You know, as far as recommendations, let me just read through the recommendations. Our recommendations were, number one, encourage material, small business participation targets for renewable projects being built on DoD bases, even if contracting vehicle does not utilize FAR, and the DoD bases are working with local utilities.
Two, ask utilities to highlight disadvantaged small business participation in DoD contracts, and allow DoD branches to obtain credit towards annual small business participation goals, despite the fact that they are not contracting directly for the construction.

MR. WESLEY: I mean you get no argument from me for getting credit for numbers. I mean any way you can give us more credit for numbers, I'm not going to fight it. But I have to be completely transparent on my sister agency with SBA. That's going to be a daunting task, because it's going to cause some cooperation with states, as well. You know, it's not just federal any more. Now it's going to cross over into the state domain.

MS. CARSON: That is true. I'm trying to think. We also need to --

MR. WESLEY: It's a delay, I think it's a delay.

MS. CARSON: Yes. Thank you very much. We also have John Shoraka here, who is the Associate Administrator for Government Contracting and Business
Development in a few minutes, and I wish you'd been here to hear all of it, because there are some -- there are few things that we can change, and subcontracting continues to be an issue that we heard about. I've had two other meetings this week where, having the systems and a way to be certain that what we proscribe is happening and, second, the data that we get is accurate, is -- that's a completely different effort.

That doesn't even touch the different -- what you just highlighted, which we would not have authority to influence. But -- well, we can't proscribe, but we can try to influence.

MR. WESLEY: We can try to influence.

MS. CARSON: Exactly. So, I appreciate you building the case for action, so that we can act where we -- where it's appropriate. We do have -- we don't have a person represented here, but I will find out who that is, and make sure that we engage them, as well, to at least get started on what's going on in this particular case.

Is there anything else?

MR. DE VOS: No, I just want to thank you
again, giving me the opportunity to talk.

If there is anything else more we can do --
you know, we've been fortunate that we're able to win
this business without even being asked whether we're
service-disabled, veteran-owned. And, you know,
somebody running a company, and being a major
shareholder, that's a good situation to be in. But,
for example, we're now getting ready to bid on the Fort
Hood, which is a very large contract, both solar and
wind. And if they are going to take into account that
we're service-disabled, veteran-owned, you know, it
would be to our advantage.

I mean, hopefully, we could win the contract
without it. But if you've got these objectives, both
on DoD and SBA, and they're applied as the contracts
are let, it certainly would be potentially helpful to
us. So --

MS. CARSON: Thank you. And I hope that you
will ask some questions when Mr. Shoraka joins us.

MR. DE VOS: All right, thank you.

MS. CARSON: And we're running just a little
ahead, because I haven't given some of our updates yet.
Just a moment, please.

(Pause.)

MS. CARSON: Okay, we are having communications troubles today. I apologize, especially to you, Sonia, who is taking -- she is taking this for a public record. I appreciate your effort.

So we had yesterday the Advisory Committee on Veteran Business Affairs met here, and we -- one of the topics that we addressed in detail was access to capital. And the meeting prior, we had looked at online lending platforms, and some of the innovation that's happening in lending with some -- that have a veteran affinity that are specifically targeting the veteran population.

Yesterday we heard from a group called the Credit Junction, and they're here again today, just to talk about something that Linda Rusche also addressed, that we are finding there is demand for veteran access to capital from the micro up through 350,000, but it can be challenging to get.

And so, Sergio is here again today, and I will -- since we're waiting for Mr. Shoraka, I will give you
an opportunity to talk to this group, the Interagency
Task Force, and describe what you found in the space.

MR. RODRIGUERA: Will the slides pop up, or --
I can talk without the slides.

V. SERGIO RODRIGUERA, CREDIT JUNCTION

Well, thanks again. It's a pleasure being
back in the building, and I appreciate the invitation
from the Small Business Administration, again. It's
good to see a lot of familiar faces.

The Credit Junction is a marketplace lending
platform. There has been a lot of news lately. Last
week, on Friday, Lending Club filed their IPO. They're
more of a peer-to-peer lending platform. But this
morning, American Banker, the publication, said, "What
is the innovation of the year for 2014," and they voted
for marketplace lending.

So you're seeing an explosion in this online
lending in this -- I guess in the micro loans -- the
types of platforms providing loans in the 100,000 and
under. A lot of those are unsecured. A lot of those
business type of small business loans are done with a
personal guarantee. They can do the assessment, the
evaluation of your business, fairly quickly. They can provide you, within sometimes even minutes, what you've been approved for, a 25, 50, 75, $100,000 loan, and provide you the capital within several days.

Our platform is a little different. I will just give you a little -- just about 30 seconds on myself, a former House Financial Services -- staffer on the House Financial Services Committee. Prior to that, I was at the Department of Treasury. I'm currently an active Reserve Naval intelligence officer. And left the Hill and connected with a great team.

My team consists of bankers and former tech executives that -- we saw post-2008 the problem with small business lending above 250,000. So where we really wanted to focus was, for small and mid-sized businesses in the industrial and manufacturing space, in the ranges of 250,000 to 3 million. What we thought and what we are doing now is really focusing on manufacturing businesses with assets -- parts, machinery, and receivables.

How this applies, or how this is relevant to the veteran community, we work with a lot of veteran-
owned businesses, a lot of companies that support the
defense and national security infrastructure. It's
really exciting to see a lot of businesses that have
popped up around drones, energy. So this discussion
this morning, it's good to hear these various
industries that we're potentially supporting.

Again, so post-2008, what we saw was, you
know, credit tightening, especially among -- you know,
in the small business -- small or mid-sized businesses.
So what we put together is this platform, and that's
really where the technology comes in. So our team can
quickly assess whether it's parts, machinery,
receivables. Yesterday I discussed a little bit about
some of the things we are doing in the defense
contracting space, where if a state or federal contract
is awarded, and your small business needs working
capital, we can be a resource for you.

We don't necessarily advertise that we're
helping start-ups or very young companies that don't
necessarily have assets. That's not typically what --
you know, that's not our focus. But we're happy to
help, and we have a network of partners.
So the way that we do things is small businesses come to us, and they get referred by various sources. Chambers of Commerce, we're working with state and local economic development folks. A lot of times when I do events, we will team with or I will be on a panel with someone from SBA, someone from either a local or county economic development administration.

And, at the end of the day, for a lot of these elected officials, it's jobs. We can be a resource where, sometimes, if SBA's loans -- the threshold goes up to 350,000, well, we can come in on the higher end. A lot of these other platforms, they could be the resource for sub-100,000. Often times we get lots of referrals that don't necessarily fit our models, and we're happy to farm those out. And we have a great partnership with some of the folks that are out there, like Street Shares, Fundera, multi-funding -- and, actually, several others.

Again, we have a private -- I'm sorry, we have a network of private capital sources, and that's where we are providing the capital from. These are hedge funds, family funds, and high-net-worth individuals.
So our platform does the due diligence. We do -- we take the risk. We have a great team. Our chief credit officer comes out of GE Capital. Our team that he's built comes out of Citibank. Our tech team comes out of online education. There is some great guys that are doing some really innovative stuff.

Our tech platform -- right now we're doing things still kind of the old-school way, manually. But in the next couple of months we'll be launching our platform, and we can quickly do what I was saying earlier, the assessment on whether it's aircraft, machinery, parts receivables.

So, that's pretty much the Credit Junction in a nutshell. I wasn't sure if I should take questions, but happy to, you know, email out the presentation.

We're excited about 2015. This is a fairly new and -- well, marketplace lending is -- peer-to-peer lending has been around over the last few years, but we think we're the first and -- not only, but we think we're really perfecting this idea of asset-based lending, and doing it in a much more efficient process.

And again, relevant to this, the conversations
here, if there are small businesses that are in need of working capital, whether that's to hire individuals, whether that's to procure raw materials, whatever is needed to fulfill the contract, again, we are happy to take a look at that, and we work with all sorts of businesses across, like I said, various verticals in aerospace and defense, oil and gas, energy, transportation.

So, I think with that, I will -- I did still want to read off the slides, because I do this a lot, so happy to talk -- take questions.

MS. CARSON: Any questions?

MR. RODRIGUERA: Yes, sir?

MR. DE VOS: Three-part question. When you go to investors, what is their expected rate of return? What's the average interest rate you're charging people? And what's the average maturity you're charging?

MR. RODRIGUERA: Okay. Average maturity is roughly around 6 to 24 months. We see a lot of cashflow issues. So companies that need -- it's short-term paper. They're really interested in fulfilling
some sort of contract, whether that's for Halliburton, Boeing, or a state-federal contract.

The rates we advertise, anywhere from 8 to 19 percent, so we're a little higher than a bank, where, right now, at prime, you'd probably get about 6.5. We really don't -- we say 19, just to cover ourselves, but we really -- the range is anywhere from 12 to 14 percent.

And, I'm sorry, I forgot your first question.

MR. DE VOS: Well, you're going to private families and hedge funds, et cetera. What rate of return are they looking for?

MR. RODRIGERA: On our -- if you -- and it's public. Our lead investor in -- so, like a good technology company, we raise capital ourselves. So it's public, that the 1.5 of our 2 million seed raised this summer is from a publicly-traded company called GLI Finance. They are a leader in the marketplace lending space. So they get first look at the loans that we do the underwriting and do diligence for. They are anywhere from, you know, 5 to 10 percent, so it really depends.
MS. CARSON: Any other questions?

(No response.)

MR. RODRIGERA: Thanks a lot.

MS. CARSON: Appreciate it. Yesterday we had two different credit lending formats come and brief, and I was asked why. And that is because the SBA guaranteed loans are not the only capital that's available, and that's not our only responsibility for our Operation Access to Capital -- entrepreneurs of the wide range of opportunities there to fund their businesses, and to keep operations going and growing.

So, thanks for the example, Sergio, and I appreciate that.

Mr. Shoraka is not here yet. And is Mr. Gutter here?

PARTICIPANT: Yes.

MS. CARSON: Fantastic. Good to meet you. Your reputation precedes you. We are very excited to have you here.

He is from the U.S. Department of Agriculture. There are new initiatives to discuss for veteran farmers. And we had a brief about six months ago on
the Farm Bill. I think we're going to get a little
more detail today on what this population can expect
from USDA.

Thank you. Please come on up.

(Pause.)

VI. KARIS GUTTER, DIRECTOR, USDA VETERANS PROGRAM

MR. GUTTER: Well, good morning, everybody.

Again, I'm Karis Gutter. I am the Deputy Under
Secretary for Farm and Foreign Agricultural Services at
USDA. That's a fancy title for I oversee the farm
loan, the conservation and crop insurance portfolio at
USDA.

But recently, November the 14th, I was
appointed as USDA's military veterans' ag liaison. And
so I now have the chief responsibility of coordinating
all 17 agencies at USDA to ensure that every nook and
cranny at USDA that has resources in support of
veterans is coordinated.

But, in addition to that, I am now going to be
partnering with other executive-branch agencies to
ensure that, where your expertise ends and the ag
expertise begins, we meet in the middle and bridge
those divides.

And so, we have been excited about the partnership with the Small Business Administration, but we want to reach out to others pretty soon, so we're making our rounds.

USDA's Farm Bills date back to the early 1930s. And I don't want to give you a history lesson, but, you know, when you've got a Great Depression, Farm Bills were created to address those crises in agriculture. The Dust Bowl rolled across the Great Plains, and you had another Farm Bill to create the conservation programs. On and on and on, you've seen increases in agriculture.

Today, USDA's resources total some $900 billion in spending authority, third largest agency in government: Department of Defense, Homeland Security, and USDA. And so, we are the domestic support agency of rural America.

This Farm Bill that was recently passed in February gave us new authority. So, dating back to the 1930s, none of those Farm Bills had veterans as a specific definition. And, all of a sudden, now,
veterans are a core part of the resource incentives that are available at USDA today. And so, as it relates to our loan portfolios, or our conservation portfolios, we now have an ability to partner with incentives with veterans.

For example, our loan interest rates now come in about 1.5 percent. But for veterans, we have the ability to reduce that interest rate by 2 points, so it's 1.25 percent now for veterans, as well as new and beginning farmers. The other example would be conservation or crop insurance. We have the ability to add a subsidy, a premium subsidy, there. So the government currently supports 65 percent of the cost of crop insurance. For veterans, we can increase that to 75 percent. And so, we have an increased ability now, the Department, with veterans.

Also in this Farm Bill, though, was the creation of my position. And I just kind of talked about what I will be able to do, in partnering with other executive-branch agencies.

We're going to focus on three main components, though. Very similar to the transition assistant
program in the Department of Defense, we're focused on those very same three subgroups. We're focused on education, employment, and wellness. And so, with USDA's resources, my specific authority gives us the requirement to recruit veterans to professions and careers in farming and agriculture. So we're going to educate them in the principles of farming and agriculture. We want to work on veteran employment, both at USDA, but also to professions and careers in agriculture.

I think the conversation that we just listened to is timely for us, because we've got a ton of procurement opportunities at USDA. We've got ability one contracts right now. So, as it relates to entrepreneurship or owning the farm, there are key opportunities there right now.

And that third component, when I talked about wellness, we want to support military families. With $900 billion worth of spending authority, USDA operates the food and nutrition program, SNAP, food stamps, as well as the rural housing program across the federal landscape.
We know that, in our veterans community, one in eight veterans come from rural communities. And so, we touch a footprint where -- there are 3,086 counties in the United States. USDA FSA is in 2,200 of those counties. And so, we basically live in rural America with the U.S. Department of Agriculture, and we want to better leverage that through partnership opportunities.

And so, as it relates to business, or small business, even the Department of Labor, we currently make a number of loans, but we've got strict requirements. Our loan limits at USDA FSA are $300,000 on our direct operating loans. But we've got guaranteed loans that go up to 1.25 percent.

And so, where the USDA dollar can meet those needs, traditionally we work with Small Business Administration to either, A, make those micro loans, where USDA doesn't have the statutory or the regulatory authority to cover those eligible applicants, or, at that high dollar amount, because precision ag farming can be rather costly these days. We've been able to go above that limit.

We have hit the ground running. As I
mentioned, announced November the 14th, we've already been making our rounds, meeting with other federal executive-branch agencies and non-profit outfits. In fact, I just left a Federal Advisory Committee meeting at the Department of Labor to come here. And so, we want to continue to spread the word that this new ability of partnership ideas exist.

But we want ideas. We don't claim at USDA to have the monopoly in the veterans community. In fact, we're relatively new to that space. But we do know agriculture. And so, where we can bring that ag expertise, those 17 agencies, 125,000 career experts at USDA, that span or landscape of ag marketing, research education and economics, we've got our own NAS, our statistical group that does ag, we've got a farm loan portfolio that is 8 percent of the farm credit market throughout the country, we've got foreign ag expertise, we've got a slew of rural development, economic development, rural housing, rural utilities resources at USDA that we want to leverage in support of veterans, going forward.

And so, I appreciate the opportunity to give a
-- hopefully, it was brief, but an opportunity to talk
to you guys about what we've got, and how we want to
better partner. But, more than anything, we are in
need of ideas -- don't really care where we get it
from, as long as we get it -- in how we can definitely
leverage the investment of the federal dollar in these
rural communities with our veterans populations. Thank
you.

MS. CARSON: Thank you. Any questions?

MR. DE VOS: I heard a number one out of
eight. Can you give me that -- one out of eight was?

MR. GUTTER: One in eight veterans come from
rural America. And so, we know that our veterans tend
to come from farm families. And so, when you're
talking about transitioning from theater back into
civilian life, a high probability for them is to go
back home into those rural settings.

We want to create a pathway for them for
either careers in farming, or careers in agriculture.
Not just at USDA, not just in entrepreneurship on your
own farm, but to leverage those unique skills that
you're able to pick up in the service -- you know, most
times, everybody just about has a commercial drivers license. Well, we've got Caterpillar as a prime partner, agriculture partner, or John Deere.

Precision ag has shifted. Farming, as we once knew it, where it was, you know, 150 acres with a tractor and a hoe and manual equipment, has now shifted to precision ag. That's GIS and GPS-related technology. And we've got veterans who are skilled and versed in high technical equipment. What better genre in rural America, if the interest is going back, reintegrating into rural America, than a career or profession in agriculture? So we absolutely want to be at that table to tap into those local values that most of our veterans do come with.

MR. DE VOS: Now, for the USDA to qualify for that program, do you have to own a farm?

MR. GUTTER: And that's where these partnerships come in. Right now, in order to qualify for the loans, you've got to have some farm experience. And so, what we're doing is we're combing through all of our statutes and regulations right now to see what constitutes experience.
And so, for our veterans population, we are kind of rewriting some of the rules. We're counting officer training as management experience now, where, in the past, it really wouldn't count as farm experience. But if you're an officer in the military, you've got some management experience. If you're E5 or above, we're counting that as management experience. So we're looking at all of our rules, so that -- in order to qualify for our farm loans, you've got to have three years of farm experience in order to qualify for the loans.

We want to partner with outfits like the Department of Labor and the VA, where you can tap into the apprenticeship or the GI Bill dollar to work on a farm operation to get your farm experience, but supported -- because it costs money to work on these farm operations -- supported through the apprenticeship dollars and the GI Bill dollars that other federal executive-branch agencies have.

Then, after three years, once you've got your farm experience, you can then come into a USDA FSA office and be eligible for those farm loans, because
you've now got a few years of farm experience under your belt to start your own farm operation.

MR. DE VOS: What percentage of the farm --

MR. WILFONG: Barbara?

MS. CARSON: Go ahead.

MR. GUTTER: Yes?

MS. CARSON: This is Barb. We had one more question. Can you not hear?

MR. WILFONG: Barbara, this is Jim Wilfong. When the next person is done, I would like to ask a question, if I could.

MS. CARSON: Okay.

MR. DE VOS: What percentage of farm acreage in the United States is owned by veterans? And what percentage is owned by somebody who qualifies as small business?

If you look at all the acreage in the United States that's being farmed, right, how material is this? How big is it?

MR. GUTTER: Well, the one thing that we do know is we know that there are 2.1 million individuals out there that consider themselves to be involved or
engaged in farming. As it relates to ownership, that's a number that shifts. But we can definitely pull some data from what USDA's NAS has, the ag census or the data that we have got, and you can get specific information about the ownership, or how big this landscape is.

I don't know that USDA necessarily has specific data on small business ownership of land, but we definitely have record participation in USDA programs that we can provide for you.

MR. DE VOS: I was just curious, thanks.

MR. GUTTER: Yes, sir.

MS. CARSON: Do you want to get Mr. Wilfong?

MR. GUTTER: The call? Question from the line?

MR. WILFONG: Yes, hi. Sir, my name is Jim Wilfong, and I am a member of the task force, and a member of VET-Force. I live in rural Maine. That's where I am, right at the moment, talking to you.

And I've had quite a bit of experience with your NRCS -- Natural Resource Conservation Service, for the others -- and there are programs, in terms of
reaching out to veterans. And we teamed with the University of Maine systems, and we offered entrepreneurial education for small business, for small farmers, and for veterans who were either small business or small farmers. And I think that that might be a good way for you to reach out through the community.

I am also a person who has a tree farm, a 500-acre tree farm, and a member of the American Tree Farm Association. And I work with the NRCS, as well. So I have some ideas, and I thought, since you were requesting some ideas, that perhaps I could -- I can get your contact information from today, and perhaps send you some ideas that might be helpful.

MR. GUTTER: I absolutely welcome those ideas. In fact, I will read aloud my contact information, so that everybody has it.

Again, I am Karis, K-a-r-i-s. Last name is Gutter, G-u-t-t-e-r. First name, dot, last name, K-a-r-i-s, dot, G-u-t-t-e-r, at USDA.gov. And feel free to send me any notes that you may have.

Specifically to respond to what you just
mentioned, you're absolutely right. The reason these partnerships are so critical, we know clearly that Small Business Administration has long history in building entrepreneurship material -- curriculum, if you will -- to train folks in the basics in business principles. And USDA has been at this task with our farm loan portfolio, but may not have the level of engagement, the volume of interaction around financial literacy, as Small Business Administration.

And, like a lot of federal agencies, we too reinvent the wheel. And, rather than build in house our own material from scratch, what better groups than to work in coordination with than the Small Business Administration or, locally, those SBDCs, those Small Business Development Centers, who can hand-hold a bit better than we can about building those farm business plans, as well.

We are in active communication right now on the Transition Assistance Program. Right now we know that there is a five to eight-day required course that all veterans go through as they transition out of service. And one of those principles is in
entrepreneurship.

Why not look at how -- if there is an interest in reintegrating into rural America, that -- give them the option that ag may be one of those -- ag entrepreneurship -- ideas, where, of course, they continue to get the entrepreneurship, but when the ag component comes in, USDA, one of the lead agencies in the federal government, is there to provide that level of expertise.

And so, that's what we want to do, is we want to currently look at things that work well, do a self-examination, as well, and look at things where we've got financial literacy within USDA's Farm Services Agency, and see how do we do it better, how do we do it different, how can we utilize ready-made resources.

Right now, we know that we need to feed a growing population. And, in order to do that, we've got to recruit new and beginning farmers. We've got to be more innovative. That veterans cadre is definitely one of the groups that we want to look at to help grow, or be that next generation of agriculture.

But, bigger than that, land is scarce. We're
not making any more of it. And so, we're looking now at urban settings: micro farming, which was mentioned at one of the last conversations we had. Well, in some of those areas, while I mentioned the 2,200 offices that USDA has -- predominantly in rural America. So if we're going to scratch the surface on urban farming, we've got to leverage with some of our federal partners who do have that footprint, and can educate quickly. And so, I think it's going to be critical.

MR. WILFONG: Thank you.

MR. GUTTER: Thank you.

MS. CARSON: Rick Weidman has a question.

MR. WEIDMAN: I can't say how glad I am that you're here, and that Department of Agriculture is going to revitalize. You had a pretty good veterans program going a number of years ago, and it sort of went foul, shall we say.

There is precedent for what you're doing, because the original GI Bill has -- to 1944, 17 percent of the people who used that used it for farming techniques. And it is truly a matter of national food security, because the average age of farmers today is
58 years old.

And it's really not guys my age, but it's the young people coming home, it's -- you mentioned one in eight veterans live on a farm. Well, that includes the older veterans. But, of the younger veterans, this is the most rural army that we have fielded since World War I, and 40 percent come from towns of 25,000 or less. And, by anybody's definition, that's pretty rural.

And so, I'm delighted to see you. And I can speak for VET-Force in this, we look forward to working with you, and hope to engage in the near future, and get you to one of the VET-Force meetings, and see what else we can do in partnership with Department of Ag.

But thank you for what you're doing.

MR. GUTTER: I appreciate it. Again, I extend that welcome invitation that, as there are challenges out there, we don't want to be the chorus of continue to perpetuate the concerns that are out there. We want to come to the table and be the broker of, "How do we bring solutions to the table? How do we leverage the momentum? How do we leverage the authority that we
currently have at USDA?"

The most unique thing about an agency like USDA, if you look across federal executive-branch government, there is a component somehow, some way, housed at USDA that does just about what every other agency does, but in rural America. As it relates to housing, you've got Housing and Urban Development in the urban centers. Well, you got USDA Rural Housing Program that does that same thing in rural America. You've got Small Business Administration. Well, you've got rural business in USDA.

And so, we will continue to be that partner in rural America, but we need to leverage it. And we've got a ready-made set of authorities that can test, that can scratch the surface. We've got a Rolodex of federal partners that we want to use to continue to make strides in these gaps that may exist.

MS. CARSON: Thank you so much.

MR. GUTTER: Thank you.

MS. CARSON: Thank you, Mr. Gutter. I am very pleased that you were able to join us. And I am encouraged by the collaboration that has already
started.

If you would like to see some success stories, take a look at the President's Champions of Change. There are two in the last six months that were veteran farmers. One was in disability employment, where he was recognized, an egg farmer. And another is Archi's Acres, where they are training other veterans to become farmers, themselves.

So, we look forward to a lot more activity together with the USDA.

As I mentioned earlier this morning, Mr. John Shoraka, the Associate Administrator for Government Contracting and Business Development, is able to join us today, and I am very grateful, because there are a few things that are new, coming forward, and then there are a few questions that will come from this group. And we really appreciate you joining us.

Thank you, John.

VII. JOHN SHORAKA, ASSOCIATE ADMINISTRATOR, GOVERNMENT CONTRACTING AND BUSINESS DEVELOPMENT

MR. SHORAKA: Thanks, Barb. Thanks for having me. I wanted to talk briefly about some rules that are
going out for public comment that affect this
community. And then I wanted to, obviously, leave some
time for questions and answers.

As you all know, we, as an agency, and me, as
an office, have been working on the Mentor-Protege
program, and expanding that out to all socio-economic
categories. In other words, you know that we have a
Mentor-Protege program across the federal government
and the 8A program that we, or my, office administers.
It's unique and different than what the Department of
Defense does. Defense has their own statutory
authority around a mentor-protege program, and it's
unique and different with respect to what some other
agencies currently do.

The relationship in an 8A mentor-protege
program is the protege leading the effort and getting
the contract, the mentor conveying some benefits to
that protege, in the sense of management or technical
experience, technical capability, past performance,
those types of things. And then, jointly, they can do
joint ventures under the mentor-protege program, and
pursue 8A set-aside contracts.
The Small Business Jobs Act of 2010 gave us the authority to roll that out to the other socio-economic categories, including the SDVOSB program. As we were getting ready to release that rule, the Small Business Jobs Act of -- I'm sorry, the National Defense Authorization Act of 2013 required us to expand it out to all small businesses. So we had to pull that back in-house, get it through the interagency clearance process, expanding it out to all small businesses. That's now taken place. We are in the process of getting it out for public comment in the next couple of weeks.

What I encourage this committee to do is to please look out for that. We talked about this yesterday, and we agreed to make sure that Barbara is aware when this gets published, and send a notice out to the community. But it is really important to get the feedback from this group.

The law, as was written -- again, as I mentioned, Defense has their own statutory authority, but the law, as was written, was that all other mentor-protege programs across the federal government would
fall under the SBA's umbrella. So we have had a lot of discussions with the other agencies who have current mentor-protege programs, how that gets rolled up into ours. Do we authorize them to continue their own programs? And so forth.

So, it's very important that we get community feedback on how this is going to affect you, and how it can be helpful to the community. That should be going out in the next couple weeks.

What I will caution, though, is -- because I have gotten this question a number of times -- is, "What's going to be the time frame, when we can actually start doing mentor-protege programs across all small businesses?" The rule will go out for public comment, either a 60 or 90-day public comment period. Once that gets in to us, we'll have to finalize it, send it out for clearance, and then it will get published. So I'm thinking probably end of summer we will have a final rule.

The challenge that we have, as an agency, is this is sort of an unfunded mandate for us. Right? In the 8A program we have about 5,000 firms in our
portfolio. And, under that, we have about 500 mentor-protege plans at any given point. Those are monitored and implemented through a combination of our field staff -- we have 68 district offices who maintain a relationship with 8A firms and do annual reviews on them, et cetera -- and our headquarters staff, which approves the mentor-protege plans. The final recommendation comes from our associate administrator of business development.

So, 500, compared to 5,000 firms in the portfolio. If you look at all small businesses, right, as you're to do work with the federal government, we have something like 227,000 small businesses in dynamic small business search that are registered to do work with the federal government. Roughly 130,000 of those actually receive contracts. A lot of them are one-off contracts. Estimated about half of that, 75,000, are consistent contractors with the federal government. So you talk about 75,000, roughly, saying 10 percent of those will get into the mentor-protege program. That's 7,500 mentor-protege programs, and the JVs that come out of that that need to be monitored.
Our challenge, frankly, is to make sure that the benefits flow to the intended recipients, and the program isn't taken advantage of. So, as the rule process is going forward, we are establishing a team to make recommendations to our administrator on how this is going to be implemented. In other words, can we do, with this program, what we do with our 8A program? The quick answer, I think, in my mind, at least, is not with the level of staffing that we have in the field, as of today. They are already overwhelmed with the 8A firms that they monitor and have oversight over.

The other option is potentially creating a centralized unit at headquarters, to be able to do the approvals and the continuous monitoring.

And the third option that has sort of been thrown out there is sort of delegating that authority to agencies. And then, having some sort of reporting and audit functions and requirements.

But those, that study group, is being put together, recommendations will be made to our administrator. We will have to look at budget.
Obviously, we don't have additional FTEs, we don't have additional funding. We will have to look at how we institutionalize the mentor-protege program.

So, what I would say is I suspect -- or I expect -- the rule to be finalized by the end of the summer, but I don't know, exactly as I stand here, how that's going to be operationalized and put into effect so we can actually begin accepting mentor-protege plans and the joint ventures under those. So, I wanted to give a quick brief on that.

The other thing that I think is really neat for the small business community and for the various socio-economic categories and programs that we administer, the National Defense Authorization Act of '13 -- I think it was -- gave us the authority to allow small business teams to come together to pursue larger and more complex contracts. And I will explain that in a second.

But we all know that we have seen contracts being consolidated. We all know that we have seen contracts becoming more and more complex. And it's become more of a challenge for small businesses, as
primes, to pursue these set-aside opportunities. What
the authorization -- what the Act gave us authorization
to do was write a rule which would allow similarly
situated companies to team up to pursue contracts.

You know, if it's a SDVOSB set-aside, the
prime contractor has to -- 51 percent of that project,
right? And that becomes more and more of a challenge,
as the complexity and size of the contracts grow. What
this rule says is that, if your subcontractors are
similarly situated -- in other words, if it's SDVOSB
set-aside, and your subs are SDVOSBs, together you can
count for that 51 percent of the work.

So, if it's set aside for SDVOSB, your subs
will have to be similarly situated. If it's set aside
for small, any of the small categories will count
towards that 51 percent.

I think this is a great opportunity for firms
to come together in the community, to team together to
pursue larger projects. That rule also will be going
out for public comment in the next couple of weeks.
Again, we will work with Barb to make sure that gets
out to the community when it's published in the Federal
Register. It's open to all to comment. It will be in the Federal Register, but we'll make sure that it gets out.

I encourage the community to comment. It's very important for us to get the feedback. All our rules -- and this is unique for me, because I come from the private sector, actually chaired an association that represented small business government contractors, I never commented on rules, because I figured, "Ah, who is going to look at it, who is going to read it, and it's not going to be that much of an effect on how the rule is finalized." Being on the other side of the fence, we have to consider every one of your comments. It either gets incorporated, or we have to explain why it's not going to be incorporated. So it's really important that we hear from the community.

And I will be honest. On a lot of our size standards, those go out as well for public comment. It's the feedback from the community, it's the data from the community that helps us to finalize it in a way that's appropriate.

As you know, the Small Business Jobs Act of
2010 required us to go back and review all the size standards. They hadn't been comprehensively reviewed and updated for decades. So, over the last three years, we've updated all the revenue-bases ones, we're in the process of updating the employee-based ones. And then, moving forward, every five years we're going to have to review and update those. And, in addition to that, update them for inflation.

So, I encourage you -- I know it's -- and I used to run and operate a small business, family-owned small business that did federal government contracting. And I know we have payrolls to meet, I know we have bids to pursue, and pipelines to follow up.

But I encourage you to take the time, either as individuals or as groups, to comment on the rules that are going to affect the community, because we know the large entities -- and I don't have anything against large firms, they play a major part and role in federal contracting, but we know that they will make their comments. It's important for the small businesses to make their comments, and that those be considered, as well.
So, those are sort of the two quick, burning issues that are coming out shortly. My office, if you don't know, in order to set the stage for questions, oversees the small federal and small business programs, the SDVOSB, WOSB, HUB Zone, and 8A programs. We establish the size standards. We have a procurement center representatives, the PCRs, to make sure that if the rule of two is met, the procurement gets set aside for small business.

So, having said that, I am certainly open to answer or entertain any questions that you might have. Anybody?

(No response.)

MR. SHORAKA: No?

MS. CARSON: I think not.

MS. WOLEK: Just quickly, about the mentor-protege program.

MR. SHORAKA: Yes?

MS. WOLEK: Is that for new businesses? Can you kind of explain what the protege looks like?

MR. SHORAKA: The protege is -- the law required us to model it after the 8A program. And so,
in the 8A program, the -- it's a little bit of a challenge, because the 8A program is a business development program, right? And so you enter -- you're small. You have nine years to develop your business. And during that time, there are various tools that allow you to grow. Some of it is technical assistance, some of it is contract -- set-aside contract opportunities. And another tool is the mentor-protege program.

So, it's the small firm teaming up with a larger mentor. And, obviously, you have to be small and have the status of that particular socio-economic category. You could just be small, under our definitions, or you could be WOSB, SDVSB, HUB Zone, et cetera. As long as you qualify on size and status, then you can identify a mentor and work with a mentor to join together to pursue set-aside contracts.

MS. WOLEK: And so, who is the mentor?

MR. SHORAKA: The mentor would be the large firm.

MS. WOLEK: Okay.

MR. SHORAKA: Yeah. But the benefit to the
mentor -- now, obviously, again, this is not considered just a contracting opportunity, right? It's not just an opportunity for the mentor to identify a small business so they can go after set-aside opportunities, right?

There has to -- in the mentor-protege plan -- and this is really important, I think -- in the mentor-protege plan, it has to be -- because, otherwise, it won't get approved -- there has to be some sort of a benefit conveyed to the protege. Are you going to be trained? Do you lack technical expertise? Do you lack management expertise? Do you have a lack of accounting standards? Do you lack past performance reference? How is it that benefits are going to be conveyed to the protege? Because of those benefits being conveyed, now you have the opportunity to pursue set-aside contracts.

Okay? Okay, thank you. Thanks for having me.

MS. CARSON: Thank you so much, John, for spending time with us. I think there were a couple of questions, sector-specific, for you.

VIII. SUBCOMMITTEE REPORTS

We're moving on to our subcommittee reports.
Is there -- if we -- if you don't mind, we're not going
to take a break of any kind, we're just going to keep
on pressing. Is that all right? Okay, good.

We will start with the Training, Counseling,
and Outreach for Access to Capital. And, Ruth, if you
are on the line, would you like to contribute first?

MS. SAMARDICK: Well, I am on the line. Let's
see, we don't have a whole lot to report. I just want
to talk about -- Congress awarded additional funding in
the 2014, and we are really stepping up on our employer
outreach.

So, in coordination with the First Lady's
Initiative, we have been doing a lot of employer
outreach, and collecting national-level commitments by
employers to hire veterans.

We are also really ramping up the -- that
function -- we fund a position called the Local
Veterans Employment Representative, and they are part
of the business engagement teams that are in the
American Job Centers that are across the nation.

So, I would encourage us to try to reach out
to small businesses, wherever we can, and get them to
access the American Job Centers with their employment opportunity, because we have a lot of qualified veterans within the American Job Center network who are looking for employment, and we can certainly help that employer find the workers who need it.

And that was a pretty short update.

MS. CARSON: Thank you, Ruth. We are definitely, here at SBA, looking at coordinating our messaging, so that small business owners do know they can go to American Job Centers and treat them as if they were their HR department, and find great employees to bring on to their growing businesses.

Do you have an update today, Ruth -- perhaps we can follow up another time -- on military spouses, and being dislocated, or displaced workers, and that consideration?

MS. SAMARDICK: Yes. Military spouses whose spouse undergoes a permanent change of station, or -- I don't have my -- yeah, I'm afraid you caught me unaware.

MS. CARSON: Well, while Ruth is looking for that, why I'm asking is that we are finding a great
number of military spouses find self-employment as one way to keep their own career or profession moving forward, as they move, often, with an active-duty military person. And so, we are working with Department of Labor to make sure that that's a community that's included in our programs and outreach, as they are part of our special consideration in access to capital, for example, here at SBA. We do look out for military spouses, as well, and I'm glad that DoL is taking a look at that population.

So, Ruth, I can follow up with you on the next meeting.

MS. SAMARDICK: I've got my --

MS. CARSON: Okay.

MS. SAMARDICK: Let's see. Yeah, I'm afraid my slides are very high-level, but spouses of certain active-duty members are included in the definition of dislocated workers and displaced home workers for assistance under this dislocated worker program. So that is a very high-touch program, and there are training dollars associated with it, unlike FTEs, and they do not have training dollars associated with it.
So, if you qualify as a dislocated worker, you might have access to the training requirement -- training you need to find a good job.

MS. CARSON: Thank you.

MS. SAMARDICK: And that's part of the Workforce Investment and Opportunity Act, which was passed and supersedes the previous Workforce Investment Act.

MS. CARSON: Thank you, Ruth. I am going to move to Sarah from Department of Treasury to give an update.

MS. WOLEK: Sure, thank you. Also -- thank you. I wanted to refer to the small business credit initiative that the Treasury Department -- it's a program within our office, the small business -- and we continue to do outreach to our states.

Essentially, the program, for those of you who are not aware, is providing credit to state economic development agencies to then sort of move to business development in the state. And also, the states have also used those funds from VC perspectives, but we have seen that two-thirds of the funds are being put towards
development agencies, and a third have gone to the VCs within states to sort of help start up businesses.

From our perspective at Treasury, we've been working actively to make sure these partners that we have at the state level, both in the VC and the economic development side, continue to be aware of the veterans businesses, and keep that in mind, and to outreach and education with regard to their local community, so they know that these funds are available, both in terms of the partners on the state level, and then beyond. So, that is also something that we have kept our eye on, and we continue to keep pushing forward.

MS. CARSON: Thank you. Thank you so much. And we are the -- Training, Counseling, and Outreach for Access to Capital, pretty specific, but I'm going to cover just a couple of things. But I'm going to cover just a couple other things.

And Craig Heilman, our director of veterans programs, is also here. He will give us a top-line brief on boost to business, and where that is at. Quickly, I will go over some of the outreach that we
have done in this last quarter, since we last met.

National Veterans Small Business Week took place November 3rd through the 7th, and it was a really successful opportunity for us to gather resource partners, district offices, our veteran business outreach centers and headquarter personnel, as well as academic and corporate involvement, and really elevating veteran small business owners and -- across a wide variety of sectors.

So, we reached over 7,000 veterans with activities that were just that one week. For access to capital, specifically, we have done three of these panels now, with vets in tech, and it's called Vet Cap. There are usually five of us -- let's see if I can get them all -- venture capital, angel investing, traditional lending, SBA-guaranteed lending, and online platforms. We come together and talk, and help vets understand that you can get money, whether maybe you need it or not, or if it's appropriate or not, but it's going to have a wide range of costs to you, and it's going to be risky or not risky, there is a wide spectrum.
So, it's just starting to do some outreach on that, and also get a better feel for what the veteran population looks like right now, and what they need from SBA, in particular. But being aware of what is going on in the marketplace, as we had the presentation today, we need to be aware, we need to be agile, and we need to be sure that what we're providing is what is needed, and that it's in the best possible way that we can.

We also have a new cooperative agreement with the Montgomery Chamber of Commerce Foundation for Veterans Institute Procurement. This is not for newly -- just seeking their first procurement opportunity; this is for growing companies. And it is only for vets. We will offer 3 programs per year, 50 veteran businesses per session. And I am excited about the data that is coming from those cohorts at the one-year point, so I will share those statistics with you at the next quarter.

We have just had the first class go through that was SBA-sponsored. That was in October. The next one is in March, and it is already open for
registration at nationalvip.org.

Boots to Business Reboot is a form of district office outreach. And how we're conducting this program, it uses the Boots to Business curriculum, but it doesn't use the rest of the infrastructure, necessarily, for that.

Our partners have been the Institute for Veterans and Military Families, providing the registration and the backbone for making sure that we can do more robust outreach than we could do on our own, and we're very grateful for that support. We couldn't do without our district offices, SBA lenders, and also our resource partners. We reached over 1,000 veterans thus far in 17 sessions. I will have an update for you, as well, on where that is going in 2015 in our next meeting.

I am going to turn it over to Craig for an update on how we did with 2014 Boots to Business participation, and a brief overview of where we're going.

MR. HEILMAN: Good morning. I'm Craig Heilman, Director of Veterans Programs, Boots to
Business. There we go, great.

So, the numbers for Boots to Business, again, our primary training program that targets transitioning service members that we do in partnership with the Department of Defense, Veterans Affairs, and Department of Labor, launched in 2013, January 1, and has been ramping up ever since, and growing steadily, quarter over quarter. In Fiscal year 2014, we were able to train 14,464 transitioning service members in the 2-day course that is now on military installations all around the world.

One of the big things that we accomplished in 2014 was to go global, in partnership with our friends from the Institute of Veterans and Military Families at Syracuse University, two of whom are here today, Dan Cohen and Mike Chanek, who I'd like to recognize. We are able to get overseas on to all the bases where there was demand and transitioning service members. So we're proud of that.

So, 14,464. The demographics there -- and we do have these numbers that we can put into the public record and send out to all interested -- the
demographics do reflect the services, in terms of size. So the largest are Army participants, 45 percent, followed by Air Force, Navy, and then, of course, the Marine Corps.

It came up yesterday in our meetings that we were having around dependents and spouses, we -- it is eligible for spouses, which is a group that we are targeting as ones that really benefit from this training, and are often self-employed, or pursuing business ownership.

Spouses -- that is the only way that they can -- you know, that they can register right now, is as a dependent -- male/female is -- 22 to 24 percent are female, and a large component of those are spouses. So we are getting spouses, but we're looking for ways to make sure that we can codify specifically how many folks coming through are spouses, and reach out to them.

The follow-on training, there is an eight-week course that our service members can then go on to to get more training, and as they pursue business ownership. We do that, again, through Syracuse and a
coalition or consortium of other universities that
teach the eight-week course. It's online, it's very
high-touch. It leads to an actionable business plan
that we hope those folks can take to the bank, or any
other place that they're looking for capital, and make
their pitch successfully.

We've had about 1,700 students go through that
since it started. Once our funding came online -- we
were not fully funded until the beginning of this year,
and we were able to really increase the capacity there.
So those numbers are growing really steadily, as well.

So, that's where we've been. Again, it's
grown. It's been a great partnership. And I will
mention, as far as reporting, we report out a couple of
places. We certainly report to this task force. We
report through the agency, and all the way through the
agency reports. But then we also report to the
interagency group that governs the Transition
Assistance Program. So that is chaired by DoD, Labor,
and the VA.

And what do report, for everyone's
information, we report the graduation rate of the
eight-week online course that I mentioned. We report
the through-put, or the numbers of who is going through
our two-day that I also just mentioned. And, starting
in the first quarter of Fiscal Year 2014, we will
report the business formations that we are seeing from
these graduates.

So, in terms of where we're going this year,
one of the big things, the big efforts, is to survey
the cohorts that have come through, now that we're two
years in, to see how they're doing, in terms of
actually starting new businesses. And so we're going
to gather that data this year, and report on it in the
first quarter of 2014.

And then the other major initiatives this year
is to really work on the outreach and then
connectivity. And by the outreach, I just mean there
are still pockets of -- places where there is not the
awareness that there needs to be for the availability
of this training. And that's working through DoD, but
then separately through our district offices and all of
our resource partners that help us.

And the connectivity, meaning the links
between leaving that two-day course, going wherever they -- the transitioning service member ends up, whether it be in rural American or urban America, back home, or somewhere new, a new home, and making sure that those folks are identified when they get follow-on services from one of our partners, or somewhere else, as a Boots to Business graduate, so we can be sure that they continue to get the support that they need. That is certainly one of the biggest goals of the program, is to connect those folks to the SBA, and all those that we're partnered with.

So, that's where we're at, and I appreciate all the support this task force has provided over time.

MS. CARSON: Thank you. Thank you, Craig. And I have one more challenge that we are working with this body to resolve, and that is the longitudinal success of this business.

For those of you who have taken the transition assistance program, whether it was many years ago or recently, it's a lot of information to take in at once. And, although I am very grateful DoD is offering this up to 18 months before a person separates, many are not
taking it that early. And thinking about starting a new business while you're also trying to transition to civilian life, that's a lot to take on.

So, we hypothesized -- haven't been able to prove it yet -- that, one, it could be a good decision to not start your business right away, and we may see a lag in business formation. And, second, we would like to see, and are working with DoD to see, if we can make eligibility for that instruction much earlier, so that people can make plans as far in advance as they need, especially for entrepreneurship.

But I don't think that it's just one thing that requires that amount of thought. Having to move to the civilian world after having -- especially retirees -- doing one thing after 22 years, it's quite a shift. So we will continue to work with DoD on a life cycle, and getting our education out earlier, and working to get the data to show the effect for performance on the other side, as well.

We are going to move to the next subcommittee, which is Federal Procurement and Contracting Programs. We are going -- Mr. Wesley for DoD.
MR. WESLEY: No problem.

MS. CARSON: Go ahead.

MR. WESLEY: So, first off, I want to thank you all for having us come up. And I like the fact that we have the subcommittee, so I think it's a very good idea, and hopefully it continues. I hear a lot of great things. This is my first session.

And what I will tell you is, from the Department's standpoint, we -- this is the first year that we can -- that it appears -- I still have to say the word "appears," because we're still validating data -- but this looks like it will be the first year that we have met our service-disabled-owned goal. It appears that we will actually beat it by quite a bit this time, so we're actually happy about that. And what we're going to do is not put a lot in place to try to sustain, to -- going into the efforts of sustainment.

And what we -- one of the things that we found out is -- what has carried us, at least during the preliminary review of numbers, is the use of veterans coming out in various services contracting, whether it
be in support of various technologies that they have
the skills and expertise of being -- supported, while
they were on active duty, whether it be actually coming
up with a solution to problems, various technologies
that they experienced when they were on active duty,
and they became -- got out and became entrepreneurs
themselves.

One of the things that we are trying to do now
is continue to do a deep dive on the numbers to find
out where veterans are already doing well, but also
where we can improve. And, as you all know, Better
Buying Power, which we know is out for public comment
now, I am on three of the -- I am the lead for three of
the various topic areas: SBIR being one; market
research and competition being the others.

And one of the things that I will tell you
that we're trying to do is specifically figure out how
to improve veterans and service-disabled veterans, both
categories, in the use of technology in the department.
Innovation is where we're going to be focused over the
next few years. And we know, for a fact, that
technology superiority is the acting -- well, the
current Secretary's mantra, but it will continue with
the next regime, as well. So I don't -- we do not see
that changing.

Frank Kendall is going to be there for a
while, and technology superiority is where he is
beating the drum. And so, for service-disabled
companies and veteran-owned companies that are
specifically focused in technology and innovation, we
will continue to have a lot of support within the
Department.

Just a couple of outreach efforts, we were
also -- I actually personally participated in the
Veterans Week last week, and I was able to reach out to
a few thousand veterans, myself, while I was there, and
actually was able to speak on several of the different
platforms. And I think it's one of the better events
that we have.

I actually was one of the leads for the
planning of the event when it used to be with the Army,
so I'm very familiar with it. And I think that one of
the things that we can do is maybe try to, in the
department areas, find ways to either help support the
planning of the event, or -- as well as coming out with a subset of a smaller event to reach folks that, obviously, couldn't get to the Department while we were there, because we're not the central focus. But we want to try to improve the relationship with the SBA in order to potentially plan that in the future.

IX. PUBLIC COMMENT, CONSTRUCTIVE SUGGESTIONS, AND DISCUSSION

MR. WESLEY: So, if you have any questions for me, I'm here. Rick? I thought you had one. Go ahead, man.

MR. WEIDMAN: First, you may want to let people know, for the record, who you are.

MR. WESLEY: Well, I introduced myself earlier. Kenyatta Wesley, Deputy Director for the Small Business Office, specifically right now focused on technology and innovation. However, because my partner -- there are two deputies within the Office of Small Business Programs, which is portfolio management -- that position is currently vacant. And so I am actually -- I am single-hatted at the moment, so -- I mean dual-hatted at the moment, covering both areas.
MR. WEIDMAN: Right. A couple of things. One is the question that I have is, when, five years ago, DoD handed over to VA the lead in putting together the -- what's now called the Veterans Business Engagement, as I understood it then, Ms. Pinson's -- rest her soul -- plan was to do, instead, concentrate on regional events.

And my question is, did those materialize? And are they ongoing? And can we help?

MR. WESLEY: So, first off, yes. For those who do not know, we did lose one of the best advocates for small business earlier this week in Ms. Tracey Pinson. She passed away. We will be having her memorial ceremony on Friday, for those who do not know.

What I will say on your specific question is the Army, to my knowledge, had not regionalized those efforts, as yet, because there was a transition period of where we did not want to, if you will, steal the thunder from the big, overall event that the VA puts on. And so, there was a -- I would say a "cooling off" period, if you will, to try to ensure that we didn't steal that thunder. But also, instead, we actually
added to their thunder. So we want to actually, now, start to actually figure out how we're going to do that.

And I don't think it will be just one service, specific. It will be DoD-specific, of which the Army, the Navy, the Air Force, and SA, all of the components, will be able to participate in some way, shape, or form.

And the regional concept is still on the table, or quadrants of excellence will also be established, or potentially be established. What I mean by that is, so, for example, if these services -- Army, Navy, Air Force, Marine Corps -- have a specific area of focus that they're trying to get at with veterans, they will -- that's how they will target it, and maybe do it jointly.

And then, of course, the high-side agencies would then have their own platform to try to get to service-disabled veterans. That is something that we're all mulling over now, because one of the things that each of the organizations have voiced as a concern is that they want to have the quality of companies that
come in that specialize in their areas, and not have --
not waste industry's time, not waste industry's money,
but also not waste the program management team's time
or money.

So, we're trying to find a centralized way to
do that, but that it will still be impactful. All
right? Did that answer your question? Can you be
helpful? Of course you can. We going to -- we can
start having more discussions going into the
springtime. Then I will definitely send you a note,
and we can kind of figure out how --

MR. WEIDMAN: One thing I would urge quite
strongly is involvement in the veterans business
community at an early stage. If we have a stake in it,
we're much more likely to go.

I will tell you that after the first year it
transferred from DoD to VA, they at least had -- let us
have one representative on there. And the late Bob
Hesser made input, and shared that, and got information
and suggestions from all the major veterans
organizations. They didn't listen to a lot of them,
but they at least got them. And that is something that
really needs to change, in our view, speaking for both VBA and for VET-Force.

One of the major complaints that was in the -- actually, in this room, on Monday, when we had -- no, Tuesday, when we had the VET-Force meeting -- that came out of the conference was -- particularly some of the younger business owners felt they got blown off by big primes.

And this is not a new thing, because what we're curious -- and we'll FOIA if we have to -- how many of the participants, not the federal folks who were there, but the folks who paid cash on the line, were, in fact, veterans. Because it was a significant number of folks. And I have heard this directly from representatives of the primes in the past, is they will ask, "Are you VA qualified or HUB Zone qualified," and if you say no, they basically don't want to do business with you.

MR. WESLEY: So are we talking -- sounds like we're coming two things here. Are we talking from the veterans event this past -- you're going to FOIA the numbers to? Is that what you're asking --
MR. WEIDMAN: Oh, how many of the -- they say there were 3,200 employee participants. How many of those were Fed? How many --

MR. WESLEY: From the various -- in Atlanta, that we just had?

MR. WEIDMAN: Yes, sir. That's correct.

MR. WESLEY: Okay.

MR. WEIDMAN: And how many were federal officials, which we're delighted came? But how many -- so, and of those remainder, who were private citizens, how many of those were actually veteran business owners?

MR. WESLEY: Okay.

MR. WEIDMAN: Because it's coming to the point where we're really concerned that, if you're going to go as a veterans engagement, then it ought to be veteran-owned businesses there, and not other categories.

MR. WESLEY: So --

MR. WEIDMAN: If you're going to bill it as a small business engagement, we have no problem with that. But then don't call it veterans engagement.
MR. WESLEY: So let me say something. And I can't speak for the SBA on this, but as one of the people who participated in this before, when it was under the Army, there is two pieces and focus areas when you do anything like this. The target and focus area is veterans. There is no mistake about it, that that is the target and focus area.

However, one of the things that we have to remember is that relationships are formed with multiple companies of various socio-economic categories. So we don't want to discourage women-owned, HUB-owned participants from attending the event, because they may have contracts already in place of which they're looking for veteran -- service-disabled vet partnership or mentorship.

And so, I think it's very -- you've got to be very, very careful that you don't discourage their participation in the event. But what you want to emphasize is that, to the large primes who come, that - - what is the focus area? Don't discourage them from trying to find partners of all the types of categories. But, remember, they're coming here because it is a
veteran-focused event. And I think that's the message we should probably be sending, is that the large -- when you come, remember what the focus area is.

MR. WEIDMAN: What I'm saying to you is that some of the large primes, that's not their focus area. And the feedback from vets is that, if they don't have a qualification in more than one category, they're not -- they're blown off, essentially.

MR. WESLEY: So that goes back into our subcontracting discussion that we're all battling challenges on right now. I don't think the -- I would tell you we are -- we know that we have a problem with subcontracting, when it comes to enforcement. We're working through those challenges.

So, for example, one of the things that we're currently doing within the Department is we're battling -- as you personally know, we've been working, trying to get visibility into the CSP program. We tried -- we actually did not want to -- we were waiting and hoping that it would sunset, but it didn't. And by them extending it, even though they put in some more requirements, they weren't requirements of -- which are
going to help you all, as service-disabled vets, to figure out exactly how much work is going into veteran community hands or not going into veteran community hands. That was not a requirement.

When you sit down and start saying, "I want to go into making subcontracting plans more enforceable," that was also not addressed yet. So we're working on ways to do that. But that also goes into manpower. And in a enforcement environment of which we're being told we have to cut 25 percent of the workforce, of course, you're going to have to make some tough decisions.

MR. WEIDMAN: Right.

MR. WESLEY: So, what I'm telling you is not a bunch of excuses, it's to say we know it, we're hammering at it, but it is going to take some time. It's one of those things that -- you personally know what it was four years ago, and you know that we've made a lot of progress over the last four years.

So, I hope to have a full solution rolled out here in the next 12 to 24 months. That is my goal.

MR. WEIDMAN: Okay. I will tell you that,
also on Tuesday, we went over the preliminary list.

And at the very top of that list is eliminating CSP program, because it's a total fraud. And I could beat around the bush, but it's a lie.

As long as there is no transparency, there isn't honesty. And they do -- and it's a Let's Not And Say We Did on the part of the largest primes, and that's why they want to continue it. And I'm very disappointed in the Senators who supported that, and thwarted efforts to end it. And I know that you all know that, and Andre knows that, and you guys are on the side of the angels. But this is something that we've really got to end.

One last suggestion, if I may make to you --

MR. WESLEY: Please.

MR. WEIDMAN: -- is that you guys regularly meet with the veterans community.

MR. WESLEY: You know we do, anyway. As much as we can, we're there.

MR. WEIDMAN: Okay.

MR. WESLEY: There is -- right now there is only me and Andre at the moment. So as soon as we can
get to our third partner, we'll be out even more. But as of right now, it's just two of us, so we have to kind of spread ourselves as much as we can.

But, yes, the answer to your question is we in agreement with being out with the veteran community as often as possible, so you have -- all you got to do is send an email, we'll try to get there, or at least make sure we're -- from our offices there, if we can't be there.

MS. CARSON: Thank you very much. We have our final subcommittee, which is Coordination of Federal Support. I did expect to see Mr. Lenny here today, I am sorry he's not. We had a couple questions about the Congress. So I will follow up on the gentleman's words that we just heard, and hopefully we'll have a good, robust update for you at the next quarterly meeting.

For Coordination of Federal Support we have -- on the line, I believe --

MR. WILFONG: Yes, hi.

MS. CARSON: Thanks, Jim.

MR. WILFONG: This is Jim Wilfong. We don't have a lot to report, we haven't had a meeting of the
group since the last meeting that we had in September.

But one of the things that I would like to say is that I'm very happy to see that the Department of Agriculture is here, because I think they can really help a lot. Especially what the gentleman was proposing was particularly interesting. And, speaking for -- you know, speaking for people who live out in rural America, and veterans who live out in rural America, that could be very, very helpful.

But I continue to worry about the fact that, when it comes to money, and money to help veterans start businesses, you know, it's always -- it continues to be mostly a debt discussion. And debt is fine, unless you're a young veteran who is just coming out, and maybe you're a lance corporal or a corporal coming out of the Marine Corps, and you really don't have any assets for which you can pledge those assets to a bank or a loan guarantee program. And it still seems to me to be a weak part of really trying to help the entire veterans community.

If you're talking about helping a lieutenant colonel or a colonel who has been in the service for
20-plus years, they are going to have more in the way
of assets than a lance corporal is going to have, or a
Spec. 4 from the Army.

And, you know, it just seems to me that, you
know, we do have this recommendation in. I don't know
if -- what is -- exactly is happening, in terms of what
the White House is thinking about it and doing with it,
where they could convert some of the GI Bill money for
education with a business plan and technical assistance
to help them start a business.

And I really think, you know, with all the
good intentions of loan guarantees and reduction of
fees, and all those things, they're all very good and
very helpful to a certain group of veterans, but it's
not going to help to create entrepreneurs to people who
don't have very much money to start with, and don't
have assets to pledge in order to receive some help, in
terms of debt.

So, that continues to be a concern of mine.

And I am happy to hear about the educational programs.

But, once again, I -- you know, in order for the
educational programs to help veterans, they are going
to have to be widespread and across the United States and in rural areas, as well. And we're talking about trying to meet and educate thousands and tens of thousands of veterans, because, unless they can prepare a business plan, they aren't going to have a chance at receiving debt, even if they have assets to pledge.

So, those continue to be a concern to me and to other members of the committee, and also a concern to the veterans community. It was -- they supported the concepts when we originally started creating this and bringing them together and creating our recommendations.

And so, I am very pleased to hear about all the different groups today, and, once again, especially from the Department of Agriculture.

MS. CARSON: Thanks for those points --

MR. WILFONG: I will take questions.

MS. CARSON: Any questions for Jim?

(No response.)

MS. CARSON: I had a comment on that. Jim, we are also looking at what some of the industries or opportunities that are a low barrier to entry, as far
as capital goes, and agriculture is one of those,
especially with changes in what our policy and
engagement director informed me. There is vertical
farming, there is micro farming, and then there is a
way to make a real living off of a lot of less land and
less investment now, than there was in the past. It's
not --

MR. WILFONG: No, I know. I live out here in
farm country.

MS. CARSON: Right. And we care about this,
because, for Boots to Business, the population that
we're seeing take this course, 56 percent are enlisted,
and 39 percent are officer. And the breakdown between
-- we see it almost even -- correct me if I'm wrong,
Craig, on those first-termers versus the -- they've
been a lifer. So half and half. We've got a diverse
group here that are really interested in
entrepreneurship, and a wide range of opportunities,
then, that we need to be informed of and making things
easier for them to get into business.

So, I appreciate and I thank you for reminding
us of the GI Bill and that discussion. There was some
proposed legislation that did not move at this time, as it doesn't -- there is nothing that I can do on that one. VA is aware, as they are implementing that benefit, that that was one of the significant items on the agenda last year for American Legion, for example.

MR. WILFONG: Yes.

MS. CARSON: So, I -- but I do not have any update from anyone else that was working on that issue as part of this body.

MR. WILFONG: Okay. No, thank you very much. I just feel an obligation to make sure I raise it every time I can.

MS. CARSON: Good. Thank you for doing that.

MR. WILFONG: You're welcome.

MS. CARSON: Are there any comments from on the phone, before we adjourn this meeting today?

(No response.)

MS. CARSON: And from the folks here? Mr. Weiden?

MR. WEIDEN: Thank you, ma'am. As you know, yesterday I spoke to the Advisory Committee and urged them to get a sense of urgency, because if things don't
happen now, in the next couple of months, get underway, you're never going to get stuff done, either with this Congress or with the Administration. So, everything you don't get done during the first session of this Congress is going to be difficult to insurmountable problems in the second session.

And what's concerning to us is -- look around the room. Too many years ago, this room would have been full, and the old Eisenhower Room was full, and there was a line of people from the veterans community, sometimes 30 people, wanted to offer comments. And most of them were not duplicative. And they were substantive and constructive thoughts and ideas.

That sense of urgency needs to get back to this committee. And whether it's the chief of staff or whoever, there is nobody here from VA today at all.

And this committee has not filed its annual report with the White House and OMB in two years. You had one due September 30th of 2013, and one due September 30th of 2014. Neither one has been filed. Repeatedly, over the grapevine -- which is often, in this town, unreliable -- it is the problem is VA hasn't
done their part. If that's true, then we need to get
to Bob McDonald.

The point is this. Everything flows from the plan. If you don't have a plan, you're not going to
get legislation that's well thought-out. And if you don't have a plan that holds up, you're not going to
get the appropriations.

The veterans organizations will fight like the dickens for more money for you all, and some of that reverted down and it's borne fruit for the office. But for all these other programs, many of them don't necessarily cost money, but -- I will use as one example that there was -- gosh, it was 20 years ago now, during the involuntary drawdown in the early '90s, where states were given the option that, if somebody had a business plan, and you -- and had the wherewithal, you could take all of your U.S. unemployment from DoD up front as a lump sum as your start-up capital and get into self-employment.

And that is particularly important for Guard and Reservists. And today, over 50 percent of those on active duty at this moment are Guard and Reserves.
Most people don't -- and that's going to get to be a higher percentage with the drawdown in the active duty force.

My point is this. You need -- those folks have to have a way to earn a living, and we don't know why and haven't been able to figure out why, but the Reservists are mostly in the cities or urban areas, more urban areas, and the Guard tends to be in more rural areas. And serving a double duty.

My point is that national security revolves around those people being able to make a whole living, and not just a part-time thing from the National Guard, a whole living that will actually support their families in decent ways, because the intensification of call-ups is not going to stop any time soon. And so it becomes a matter of national defense to help those folks develop jobs. And who is going to be most understanding of somebody who is in Guard and Reserve? Another Guard and Reservist having to serve on active duty.

So my point is, really, those kinds of things don't cost any extra money. They really don't. And
the bean counters at DoD may say they do, but that's all -- they don't take the long-term view. And the VA is not doing their part on that.

And whatever it takes, whether it's a letter from the VSOs to the President about revitalization of this task force, that may be what's needed. I don't fault you at all, or your office. But the sense of urgency has gone away since Marie Johns left the building. And we thought it was a mistake to have her go down the road for many reasons, not just because of veterans programs, per se, but she knew what it was like to scratch out a living out there. And we need that kind of person and expertise in this building.

So, any comment about why the two reports have not been filed? And if VA is on the phone, I would like to get their response.

MS. CARSON: I do have a 50-page draft from 2013, and it is missing input from an agency. So I do -- we do need to figure out, as a body, what we want to do with that.

The second is that our report is supposed to cover the entire fiscal year, and so there is a time
period that's allowed to compile all that, and it is in
progress. So thank you for reminding me that each of
the members here is supposed to send in their final
input by Wednesday of next week. And Ms. Kim McClone
in our office is the one who compiles the entire
report, and gets it out.

X. CLOSING COMMENTS AND QUESTIONS

MS. CARSON: So, thank you for bringing that
to the attention, that we do need a sense of urgency,
and the way that we do influence and report out is this
annual report. It is important to me. I think that
there are a number of agencies that have done great
things for veteran entrepreneurship. But if we aren't
communicating and we're not convening, it gets
diminished. So, thank you for your comments. And I
appreciate your support.

MR. WEIDEN: Thank you, ma'am.

MS. CARSON: Anything else, before we adjourn?

(No response.)

MS. CARSON: Thank you very much for taking
the time to come with us (sic) today.

(At 11:49 a.m., the meeting was concluded.)