



CENTER FOR VERIFICATION AND EVALUATION



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U.S. DEPARTMENT OF VETERANS AFFAIRS



CENTER FOR VERIFICATION AND EVALUATION

Course Objectives

- Understand the history and evolution of **Center for Verification and Evaluation (CVE)** and its mission to support Veteran-owned businesses
- Recognize the various **stages of the verification process** that confirm or deny eligibility into the Veteran's First Contracting Program
- Appreciate **policy mandates and application** of Title 38 Code of Federal Regulations (CFR) § 74 in making a determination on applications



History and Evolution of CVE Verification

- **1999** – Public Law (P.L.) 106-50 - **created SDVOSB goals**
 - Also known as the “Veterans Entrepreneurship and Small Business Development Act of 1999”
 - The purpose of this Act was to expand the existing and establish new assistance programs for Veterans who owned or operated small businesses.
 - The goals of the program were to:
 - 1) Expand eligibility for business assistance program to include Veterans;
 - 2) Direct certain departments and agencies of the United States to take actions that enhance small business assistance to Veterans; and
 - 3) Establish new institutions to provide small business assistance to Veterans or to support the institutions that provide such assistance.



Evolution of Verification (cont.)

- **2001 - CVE formed to implement P.L. 106-50**
 - VA established small business assistance to Veterans by forming the Center for Verification and Evaluation to implement the “Veterans Entrepreneurship and Small Business Development Act”
- **2003 – Vendor Information Pages (VIP) launched** to create visibility for SDVOSBs and VOSBs and gave these business the ability to self-represent
- **2006 - P.L. 109-461 created the “Veterans First Contracting Program” and VOSB Verification**



Evolution of Verification (cont.)

- **2008 - VOSB Verification launches:**
 - It is a voluntary program and self-representation still allowed
- **2010 – P.L. 111-275:**
 - Stated no new firms can be visible in VIP without first being verified
 - Stated no new firms can be visible in VIP without first providing full documentation

CVE - The Vision and Mission:

**“World Class Professionals
Enabling Veteran Business Opportunities by Protecting the
Veteran Advantage—One Vet at a Time”**

What does it mean to “Protect the Veteran’s Advantage?”

- **The sole purpose of our mission is to ensure that the Veteran is at an advantage in his/her business operations**

AT ALL TIMES,

IN ALL WAYS,

IN EVERY SITUATION!

- **When SDVOSB/VOSB documentation suggests otherwise, its CVE’s responsibility to explain how that information compromises eligibility into the program.**



Roles and Responsibilities of CVE

Center for Verification and Evaluation

- **Verify** Veteran-owned small businesses (VOSBs) and service-disabled Veteran-owned small businesses (SDVOSBs) for inclusion in the **VetBiz.gov Vendor Information Page (VIP) database**
- **VIP** is the database that contains information provided to CVE by Veteran business owners.
- **Ensure** only eligible VIP firms are visible to COs for preferential access to VA contracts and set-aside funds

CVE's primary purpose is to verify if small service-disabled Veteran-Owned (SDVOSBs) and Veteran-Owned (VOSBs) meet the eligibility requirements set out in Title 38 Code of Federal Regulation (CFR) § 74; which is the governing regulation for the Veterans First Contracting Program.

The VetBiz.gov database is the technological platform CVE uses to receive and archive information from Veterans applying for the program.



What Is Verification?

- The **Process** by which Veteran-Owned Businesses are **evaluated and determined eligible** to be listed in Vendor Information Pages (**VIP**) **database for 2 years** (opportunity to renew at 2-year point prior to expiration)
- Evaluation is primarily based on the requirements found in **38 Code of Federal Regulations (CFR) § 74**
- Once **eligibility is validated and determined**, a SDVOSB/VOSB is **verified** and can listed on the VIP and is eligible to participate in the Veteran's First Program through the VetBiz system

Vendor Information Pages (VIP)

- In **Sep 2003** VA opened the "**VetBiz**" Vendor Information Pages
- **Originally an outreach tool to identify VOSBs for VA**, other government agencies, and the private market
- The Vendor Information Pages (**VIP**) Database is the **only federally controlled database** in which a legal **verification process** is used to determine **service disabled or veteran status of a small business**



Service Disabled Veteran Owned
Small Business (SDVOSB)
"Logo"

Many other Federal
and state agencies
include CVE in
solicitations



Veteran Owned
Small Business (VOSB)
"Logo"



Why Should I Get Into The Verification Game?

- Opportunities for **eligible VOBs** to participate in **Veteran-Owned Service-Disabled (VOSB)** and **SDVOSB** set-asides.
- **Subcontracts** with VA's large prime contractors in acquisitions
- **VA is one of the largest Federal Government procurement organizations** – over \$3 Billion to Veteran-Owned Small Businesses
- Verified companies may display the “recognized” logo for **Vet “owned and controlled”** companies
- If not verified, a company cannot compete in VA arena



“PLAY (VERIFICATION) BALL!”



In baseball, a player has to advance safely to three bases before coming “home” to score.

In verification, there are three core reference points to gaining verification approval:

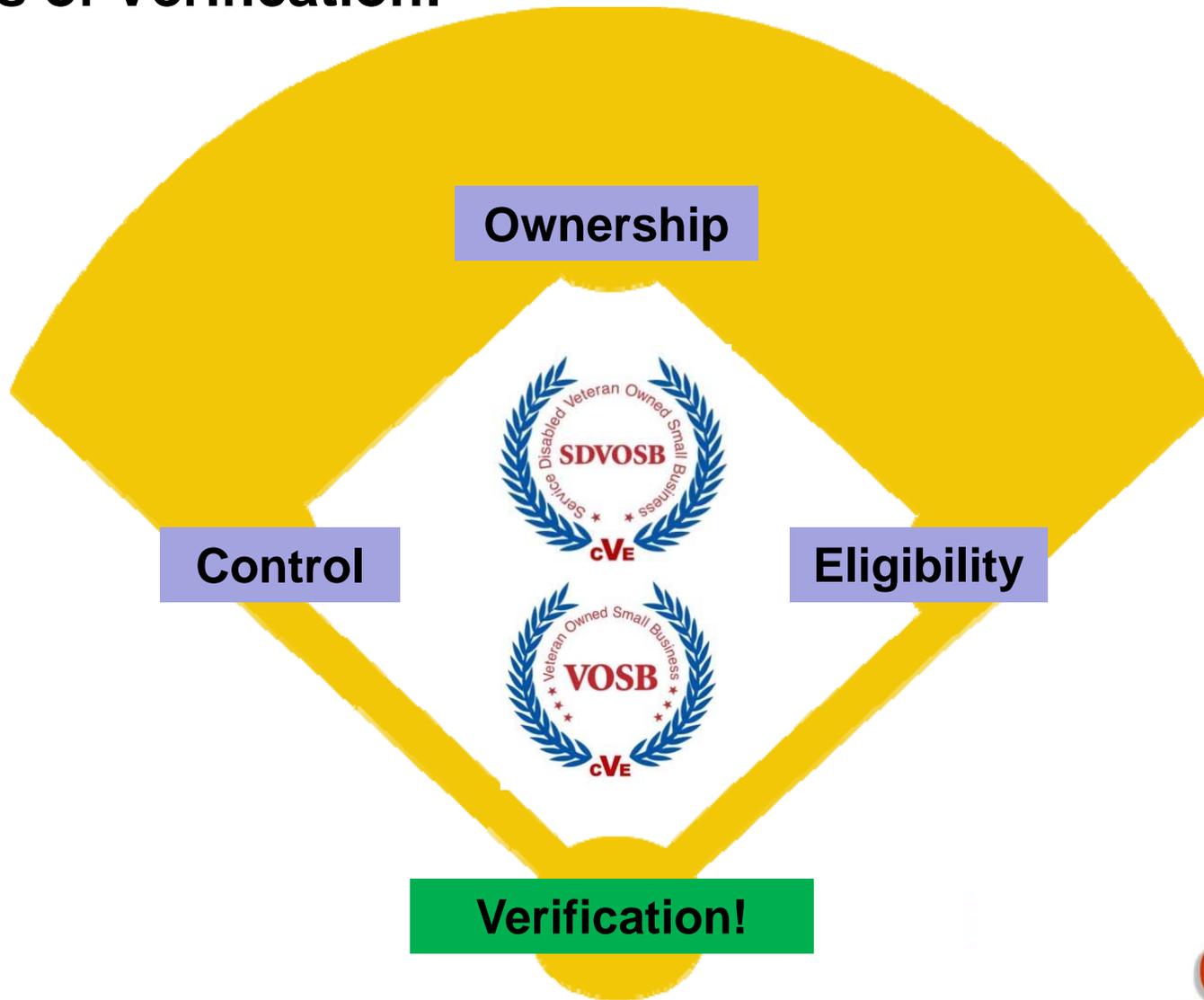
1st Base: **ELIGIBILITY**

2nd Base: **OWNERSHIP**

3rd Base: **CONTROL**

Home: **VERIFICATION**

Elements of Verification:



How to get in the Game?

Business Models

- Veteran-Owned **Small** Businesses
- Service-Disabled Veteran-Owned **Small** Businesses

Eligibility is determined by the company's ability to meet the small business requirements set by the Small Business Administration (SBA) size standards.

Types Of Players

There are currently six (6) business structures that are eligible to apply for verification

- Sole Proprietorship
- General Partnership
- Limited Liability Company (LLC)
- Limited Liability Partnership (LLP)
- C Corporation (Inc. or Ltd.)
- Sub Chapter S Corporation (Inc. or Ltd.)

<https://www.vip.vetbiz.gov/Public/Register/DocumentList.aspx>



Required Documents List



Required Documents for VIP Application

Business Type:

All documents listed here are required to be submitted at the time of application. If you do not have the document for a document type, submit a letter of explanation for it. The documents in *Other Documents* section are only required when your business has the related business relationships.

During application review, additional documents may be requested by the examiners at their discretion. Documents that may be reviewed are identified under 38 CFR 74.12 and 38 CFR 74.20.

NOTE: Do not upload any password-protected documents. The Center for Veterans Enterprise (CVE) is not able to verify the password-protected documents.

Required Documents	
Document Type	Description
Section: General Information	
1.1 License	Business and/or personal professional, industry, and/or other licenses, permits or accreditations held by Applicant and/or its employees which are required for Applicant to do business
1.2 Resume	Resumes of all owners, directors, partners, officers and other key personnel, which include: education and training received; former employers, dates of employment, position titles and responsibilities; present employer, date of hire, position title and responsibilities.
Section: Financial Information	
2.1 Tax 1040	For all owners of a VOSB/SDVOSB that own 33% ownership or greater, to include Sole Proprietors, include IRS personal Federal tax form 1040, U.S. Individual Income Tax Return, with all corresponding W-2s and K-1s as well as the Schedule C that were submitted to the IRS for the past three years.
2.5 Payroll	Payroll Distribution Ledger Summary and W-2's (Wage and Tax Statement) for preceding year (Full year) and year to date (Jan to present)
2.6 Signature cards	Signature cards authenticated by financial institutions (Banks/Credit Unions/etc.) and approximately 20 cancelled checks from operating account (black out routing number and account number)
2.7 Contracts	Copies of last 5 contracts and proposals (Cover page and Signature Page only)

Verification – Am I A Player In The Game?

The business model is a factor in determining if a business should consider applying into the Veterans First Contracting Program.

Ineligible Business Models

- Not for profit organizations
- Franchises



Franchises have too many restrictions that prohibit the decision-making powers of the Veteran; these business models have a high probability to be **INELIGIBLE**.

Ineligible Businesses and Owners

- Excluded Party Listing System (EPLS)
- Questionable Character
- Debarred/Suspended
- Federal Financial Obligations



In order to be in compliance with 38 CFR § 74, Veterans must be of **GOOD CHARACTER** in order to be eligible for VIP.



Elements of Verification - 38 CFR, § 74

Is the company at least 51% owned by a Veteran(s) or service-disabled Veteran(s)?

Ownership

Is the company owned and controlled by a Veteran(s) or service-disabled Veteran(s)?

Control

Is the company able to play the game?

Eligibility



The company is found in compliance with regulation!

Verified



ELIGIBILITY

**Beneficiary Identification Records
Location Subsystem (BIRLS)
preferred**

**For SDVOSB: VA / DoD
disability rating, between
0 and 100 percent.**

DD 214 accepted

**Other than dishonorably
discharged**

**Includes Reserve/Guard
on Federal active duty**

**Did not receive a discharge
of Dishonorable.**



OWNERSHIP

Fifty-one percent (**51%**)
ownership

Vet owner(s) have **direct and unconditional ownership** of at least 51% of the business

Multiple Vets = 51%

Community Property



Community Property

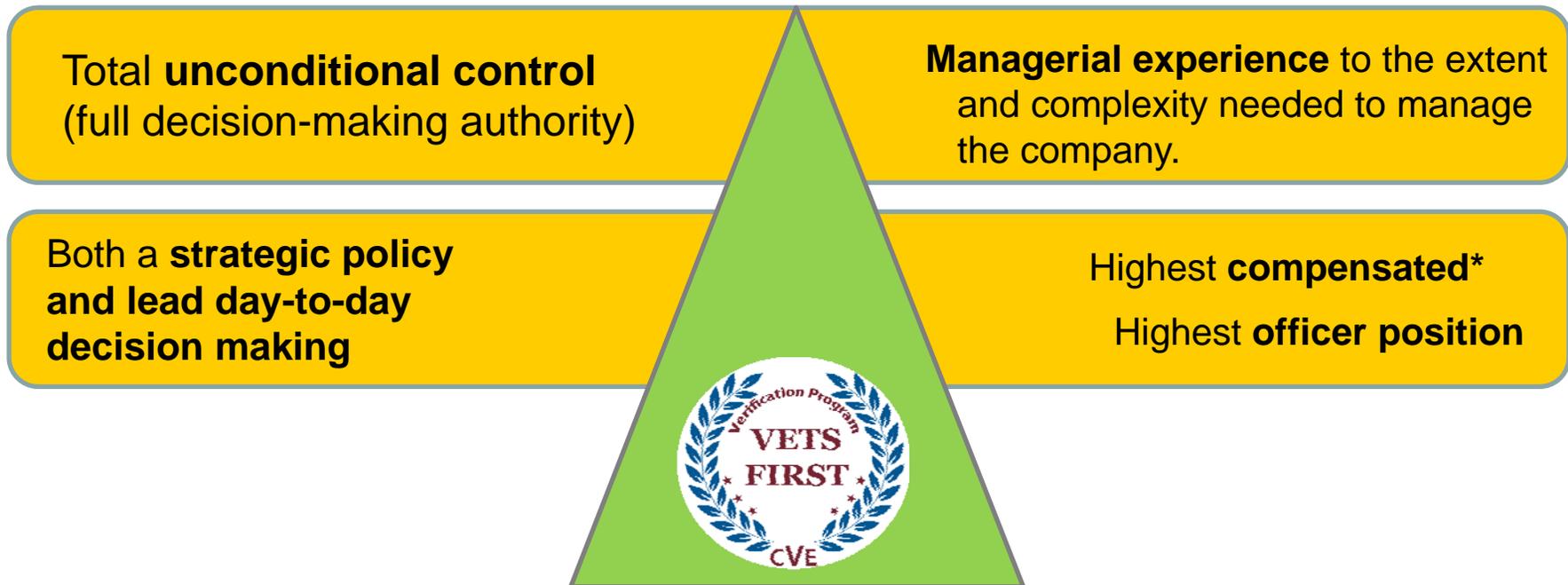
SDVOSBs and VOSBs that reside in community property states may have to take special measures in meeting the 51% ownership stipulation. However, it can be an **EASILY CORRECTIBLE ISSUE** that may be resolved before applying.

In a community property jurisdiction, most property acquired during the marriage (except for gifts or inheritances) – is owned jointly by both spouses and is divided upon divorce, annulment, or death. Community Property States include **Arizona, California, Idaho, Louisiana, Nevada, New Mexico, Texas, Washington, and Wisconsin. Puerto Rico and Guam are Community Property Territories.**

Joint ownership is automatically presumed by law in the absence of specific evidence that would point to the contrary.

In the instance of a business located in a community property state, unless otherwise indicated, the business would automatically be **ONLY 50%** owned by the Veteran – **DOES NOT MEET ELIGIBILITY REQUIREMENTS.**

CONTROL



* Unless there is a logical explanation otherwise submitted by the Veteran as to how taking a lower salary than other employee(s) helps the business (38 CFR 74.4(g)(3))

What does “Control” mean?

CVE evaluates “control” based upon the following stipulations:

- 1) The Veteran owner has **FULL DECISION-MAKING AUTHORITY**.
 - CVE will investigate further if any management, operating and/or shareholding agreements and/or bylaws of the organization state that the Veteran does **NOT** have full decision-making power or does not lead in making strategic day-to-day decisions.
- 2) The Veteran owner has **MANAGERIAL EXPERIENCE** to the extent and complexity that they can manage the business.
 - CVE will investigate further if the Veteran owner does not supply evidence to support training, education or experience in the field of work done by the business.

Playing the Game Protects the Veteran Advantage!!!



CVE's mission, purpose and goal is to Protect the Veteran Advantage. The purpose of evaluating for Eligibility, Ownership and Control to enable the organization to do so. CVE wants to ensure that the Veteran Owner is in a position of strength in every scenario of their business operations.

If a SDVOSB or VOSB has special circumstances with any areas of Eligibility, Ownership or Control, a Letter of Explanation can be used to provide more information to CVE to support your business operations. Be as detailed as possible to give CVE a greater understanding of the situation.



Hitting a Home Run the First Time: Pre-Application



Pre-
Application

Veteran business owners who use the Pre-Application Stage increase their chances of approval by at least **70%!!!**

1. Go to www.vetbiz.gov to find a certified Verification Counselor.
2. Spend time learning the application process by utilizing the Verification Self-Assessment Tool, Verification Resource Tool and Verification Assistance Briefs.

Before Coming Up To Bat – Role of a Counselor (Coach)

Pre – application

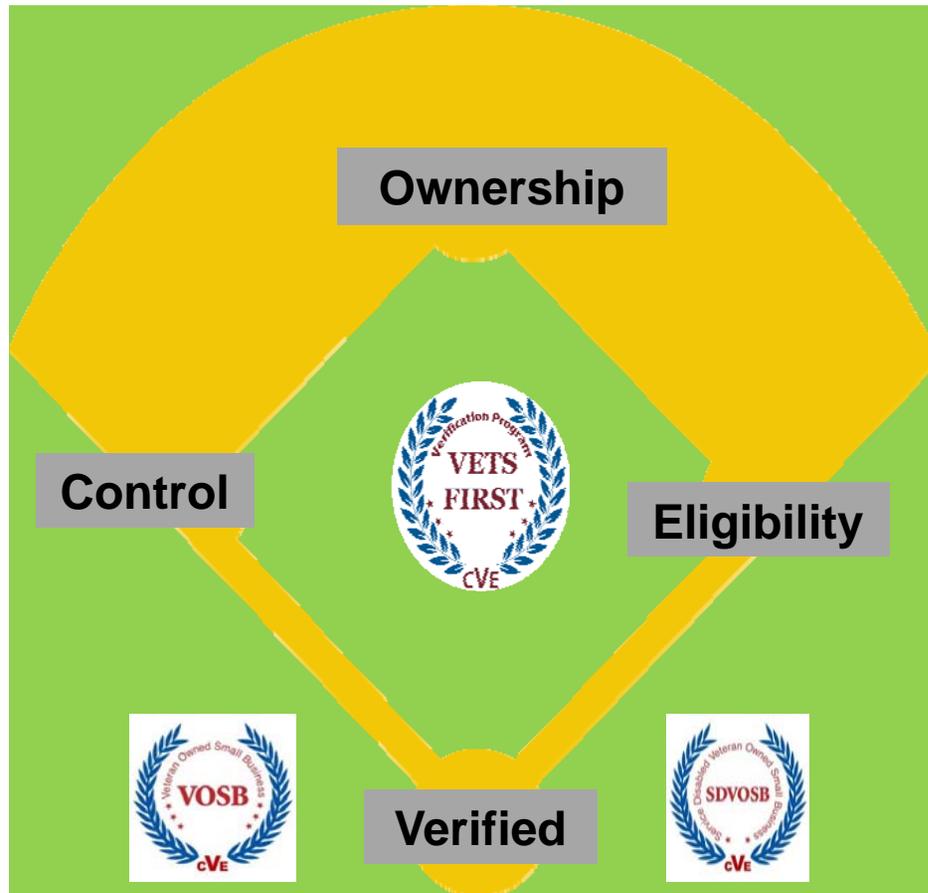
- Assist with pre-work:
 - State and DUN & Bradstreet Registration
 - Register in the System for Award Management (SAM)
- Review the Verification Application Resources on www.VETBIZ.gov

During On-line Application

- **Meet with Verification Counselor to review application**
- Prepare documents to be uploaded



Elements of Verification - 38 CFR, § 74



To recap how to hit a home run in one swing, the Veteran business owner should:

- Complete the Pre-Application steps and meet with a certified Verification Counselor.
- Submit all documentation in the key areas of **ELIGIBILITY, OWNERSHIP & CONTROL**.
- Respond quickly to “Document Requests” and provided detailed “Letters of Explanation” where needed.
- Lastly, Veteran owner(s) can get updates on their verification status from CVE-provided emails.

Risk Mitigation

Safeguarding the integrity of the VA's Veterans First Program by ensuring VIP firms are and remain 38 CFR § 74 compliant

Validation – Pre-verification

Site Visits / Document Requests

Clarifying Questions

Letters of Explanation

Eligibility

Size

Program Integrity–Post Verification

Post Verification Audits (on site)

Debarments / Suspension

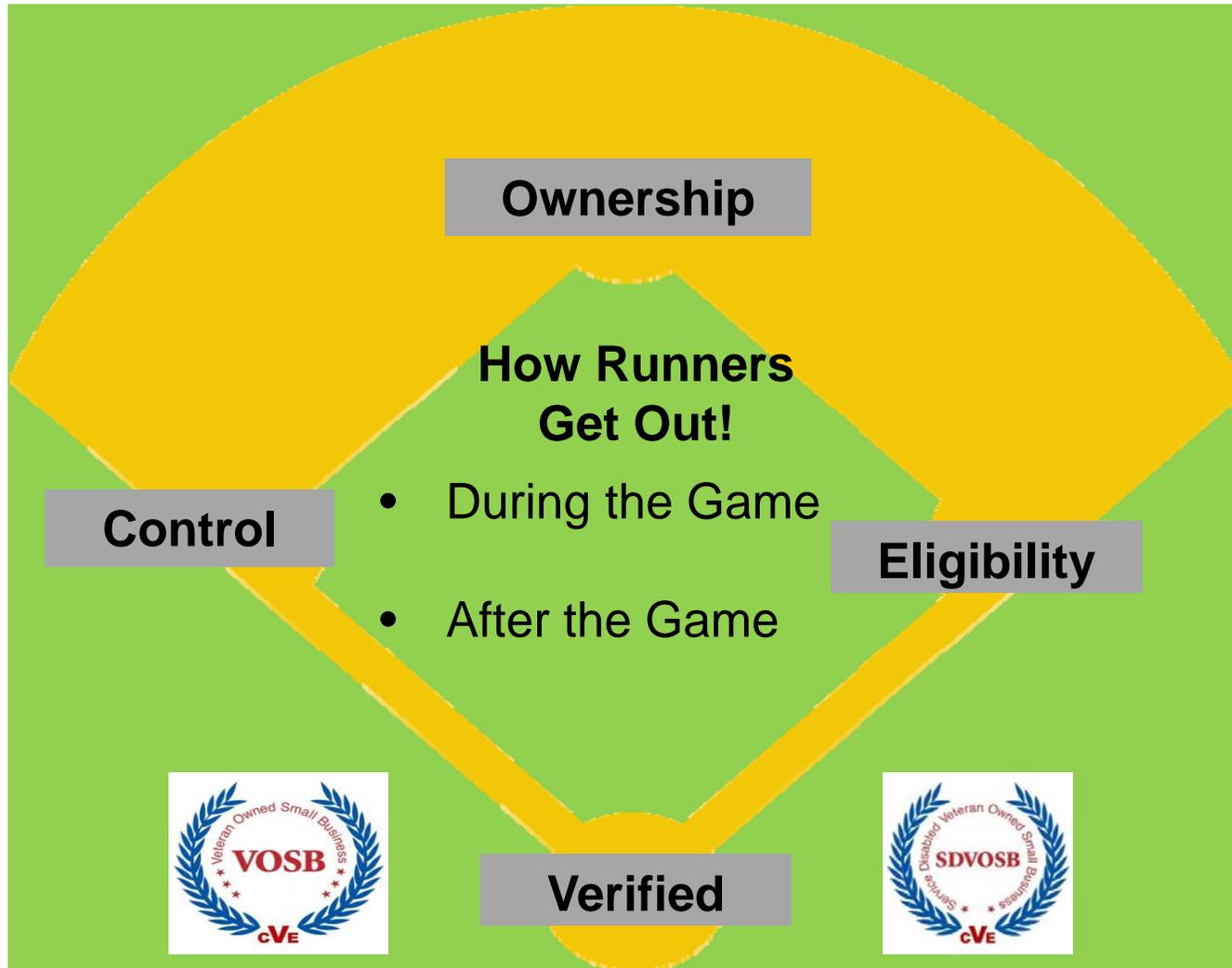
Cancellation / Protests

Document Reviews

OIG Referrals



Elements of Verification - 38 CFR, § 74



During The Game

- Pre- Determination Finding (PDF)
 - Happens prior to a determination letter of denial is issued
- Pre- Decision Process (PDP)
 - Offers the option for a Veteran to withdraw or take a denial letter, whichever works better for their circumstance



Pre-Determination Finding (foul ball)

- Allows the Vet to **quickly remedy facets of the application** that are **not in accordance with regulation - without** having to **start the entire verification process over**
- The process begins after Evaluation process is completed
- Veteran has five (5) business days to address the issue(s)
- **Easily Correctable Issues:**
 - **Quorum** restriction and/or weighted voting and decision making issues (singularly or combined)
 - Serve as **Management Member** of LLC 38 CFR § 74.4(e).
 - **Community Property** 38 CFR § 74.3(f)
 - **Living Trust** and direct ownership 38 CFR § 74.3(a).
 - **Highest compensation** for Veteran 38 CFR § 74.4(g)(3).
 - **Highest officer** position 38 CFR § 74.4 (c)(2).



Pre-Determination Finding (foul ball)

- **Easily Correctable Issues (continued):**
 - **NAICS Code** when deemed other than small and is the last issue
38 CFR § 74.1
 - **Unilateral Control** to make amendments to business documents
38 CFR § 74.1

Pre-Decision Process (Get To Bat Again)

- Allows **withdrawal from verification process without** receiving a denial decision
- **Allowed to correct decision findings and resubmit application**
- **Existing business documents are maintained until replaced during resubmission**
- Options offered after Evaluation process is complete
 - Withdraw company and attempt to correct the business documents and related issues when ready.
 - Agree to accept a denial letter.
 - Two (2) business days to respond to options
 - Veteran receives call and email to explain two (2) options
 - If no response within two (2) business days Evaluation Team will send the denial letter
 - Must withdraw within two (2) business days of withdrawal option



Request For Reconsideration (R4R) (Out At The Plate)

- After all options are exhausted and CVE issues a denial, the Veteran may appeal through the R4R process
- **Key Points to Remember:**
 - **Follow instructions** outlined in initial denial letter to prevent processing delays
 - Every R4R will receive a **complete examination and evaluation** of all documents, including original documents and those submitted in support of the R4R
 - **Site visits may occur** to gain further clarification
 - A **final denial** requires the participant to **wait six months** before a new application will be processed (38 CFR § 74.14)



After The Game - How To Stay Verified

CVE maintains the integrity of the program before and after verification.

- Businesses should check early and often to review if they are in compliance with Title 38 CFR § 74 while continuing to be verified through CVE.
- Businesses should notify CVE with any changes to:
 - Size/Affiliation (Protests under 13 CFR)
 - Notification of material changes: (may include but not limited to)
 - Ownership
 - Eligibility
 - Address/location
 - Dependence



Recap

- **Main mission is enabling Vet Business Opportunities while protecting the Veterans Advantage**
 - Protect Vets and Protect the Department
 - Process is Document Based
- **Four Steps of Verification**
 - Eligibility – Ownership – and Control -- Staying Verified
- **The Verification Process**
 - Determination is made based on the documentation provided to CVE
- **Critical Players**
 - You, the Vet Business Owner
 - Contracting Officers
- **YOU are our EYES on the ground! Report:**
 - Fraud
 - Changes to Ownership
 - Changes to Affiliations



Getting Started:

- **Walkthrough Verification Tool**
 - http://gcctech.fluidsurveys.com/s/Verification_Self_Assessment_Tool/
 - **Pre-assessment questionnaire to test eligibility**
 - **Checklist**
 - **Understand what VA is looking for and print this.**
 - **How is your organization legally structured?**
 - **Sole Proprietorship**
 - **Partnership**
 - **LLC (Other than Joint Ventures)**
 - **Corporation**
 - **Joint Venture**

Get Registered

- State entity registration (**Utah Division of Corps. and Comm. Code**)
- Duns and Bradstreet, (**DUNS**),
- System Awards Management (**SAM**),
- Beneficiary Identification Records Locator Sub-System (**BIRLS**)
- PTAC client registration
- CVE Counseling assistance

Get Registered (continued):

- **VA verification is not a program for a firm that is just establishing itself.** A newly established firm must be established to a certain degree in order to obtain verification.
- **Not to be pursued in conjunction with writing bylaws or operating agreement. This should be done already.**
- For a counselor to effectively help a firm, they must be at **a certain threshold or they should be referred to SBDCs, PTACs, SCORE** Counselors for start-up assistance.

Checklist (e.g., Corporation):

1.1 – License

1.2 – Resume

2.1 – Tax 1040

2.4 – Tax 1120

2.5 – Payroll

2.6 – Signature Cards

2.7 – Contracts

3.1 – Management Agreements

3.2 – Operating Agreement

4.1 – Voting

4.3 – Shareholder Agreement

4.4 – Formation

4.5 – Minutes

4.6 – Bylaws

4.8 – Articles of Incorporation

4.9 – Stock

<https://www.vip.vetbiz.gov/Public/Register/DocumentList.aspx>



More Time Up Front, Less Time Spent Later:

- **Save time and confusion**
- **Helps with upload process**
 - Save individual documents as individual PDFs or Word Documents
 - **Save it exactly as it is written on checklist**
 - e.g. 1.1 License or 1.2 Resume
 - Categorize Letter of Explanation the same way
 - e.g. Letter of Explanation, 2.5 – Payroll

Letter of Explanation:

- **Help the Examiner understand the context of your documentation**
 - Enough to convey context and no more
 - **It's a legal process so use a legal structure**
 - Any simple issue should only take 3-5 sentences
 - Background
 - Law
 - Application of Law

Letter of Explanation - Example:

1. On X date, CVE denied my application for X reason.
2. I did X, Y, and Z to rectify the situation
3. Grant SDVOSB/VOSB status based on evidence of record

What Counselors WON'T do (for liability reasons):

- Upload the firm's documents
- Change the firm's current Bylaws or Operating Agreements (or any company documentation)
- Write a Detailed Letter of Explanation (DLOE)

Verification Assistance Resources:

- VSOs and other support organizations provide counseling:
 - <http://www.va.gov/osdbu/veteran/vapVCP.asp>
- Verification Assistance Tool
 - https://www.research.net/s/Verification_Assessment_Tool
- Verification Assistance Briefs and Guide for Applicants:
 - www.VETBIZ.gov

Read the Verification Assistance Briefs - Expansive information on Title 38 CFR § 74:

These
Verification
Briefs are
available
online

List of Verification Assistance Briefs

- | | |
|---|--|
| 1. 51% of the Annual Distribution | 9. Applicant Must Meet Small Business Definition |
| 2. Dependence with Other Entities | 10. Transfer of Ownership and Control within 2 Years |
| 3. Control of Strategic Policy and Day-to-Day Operations | 11. Board Governance |
| 4. Ownership Must Be Direct | 12. Trusts |
| 5. Highest Compensation | 13. Joint Ventures |
| 6. Highest Officer | 14. Full-time Control |
| 7. Managerial Experience | 15. Community Property |
| 8. Control of a Limited Liability Company | 16. Unconditional Ownership, Transfer Restrictions |

Answer the questions on the Verification Assessment Tool to pre-qualify
http://gcctech.fluidsurveys.com/s/Verification_Self_Assessment_Tool/

The core requirements for a small business to become verified are:

1. The Veteran owner(s) have direct and unconditional ownership of at least 51% of the small business (38 CFR § 74.3) and have total unconditional control (full decision-making authority (38 CFR § 74.4 (g)));
2. The Veteran manages the company on both a strategic policy and on a day-to-day basis (38 CFR § 74.4);
3. The Veteran hold the highest officer position (38 CFR § 74.4 ©(2));
4. The Veteran should be the highest compensated employee unless there is a logical explanation otherwise submitted by the Veteran as to how taking a lower salary than other employee(s) helps the business (38 CFR § 74.4(g)(3)); and
5. The Veteran has the managerial experience of the extent and complexity needed to manage the company

Renewal:

- Verified owners will be able to logon to their company's VIP profile to begin the Renewal process no earlier than 120 days prior to their company's expiration date.
- As a courtesy to assist current participants in maintaining eligibility, CVE will provide notifications at 120, 60 and 30 days prior to the expiration of their eligibility period. All notifications will be sent to the email address that the participants have entered on their VIP profiles, so it is important to keep the company's VIP profile up to date. CVE will also contact the business via phone at 30 days prior to the expiration date.
- Notification letters include the following statement, "We encourage you to submit your application immediately to prevent any break in verification. Failure to apply in a timely manner could result in a loss in contract opportunities."



Renewal:

- If approved, firm receives an **extended period of eligibility for no more than 2 years, totaling 4 years from the time of original certification.**
- All renewal applications go through Examination and Evaluation to verify eligibility
- **No back-to-back renewal permitted.**
- **Post-approval audit** of documents (likely to occur)
- Random **Site visit** (higher probability)

How does RENEWAL realize the CVE Vision?

- RENEWAL protects the Veteran advantage by:
 - **Permitting the Veteran to rapidly renew verification status if no changes have occurred within the business since last verification.**
 - **Optimizes time and resources for re-verification.**

RENEWAL GOAL

Allows rapid renewal of the “Verified” status if no changes have occurred since last verification

Renewal Evaluation Overview:

- The CVE Evaluator receives the file and **reviews the documents and examination report** to verify that the analysis was correct from the initial Examination phase
- All key elements from the **law are reviewed**
- Questions in **grey areas are referred up** the chain of command to Office of General Counsel
- Key **documents** are thoroughly **checked**
- **Evaluator recommends** an approval, denial, or further review required for determination

Evaluation – Further review recommendation:

- Applications recommended for **further review go to the Risk Mitigation Team**
- **Further documentation may be requested** and reviewed
- A **site visit is recommended**, if required

Veteran Document Submission overview

- **Purpose:** Establish plan to implement the process for applicants to submit documents to CVE
- **Overview:** CVE Document control requires that Applicants submit documents directly to VCMS versus sending documents to an email in box
- **Policy:** CVE Team will follow the following procedure:
 - All processes require documents to be added using appropriate submission procedures:
 - Pre Determination Findings (PDF), Pre-Decision Process (PDP) process
 - Request for Reconsideration (R4R) process
 - Cancellation Process
 - Quality Review Process



How does EVALUATION realize the CVE Vision?

- EVALUATION protects the Veteran advantage by:
 - Conducting a legal analysis of compliance to Title 38 CFR § 74
 - Ensuring that **businesses** who are **not eligible** are **not allowed to bid** for set-aside contracts



Request for Reconsideration (R4R):

- **Follow instructions outlined in initial denial letter** to prevent processing delays
- **Every R4R will receive a complete examination** and evaluation of all documents, including the original documents and those submitted in support of the R4R
- **Site visits may occur** to gain further clarification
- **A final denial** requires the participant to **wait for six months** before a new application will be processed (38 CFR § 74.14)

Determination Overview:

- Once examination and site visits are complete, the **evaluation team evaluates the file** and makes a determination
- **Denials often based on a single point of failure** (ownership/control)
- Determination **letter is signed and emailed** to the Veteran
- **Approved companies** have their company name and verification logo **visible in VIP**
- **Denied companies have 30 days to file a request for reconsideration**



Contact Center & Help Desk Services

- Available Mon-Fri from 8:00 a.m. to 8:00 p.m. (EST)
- Contact via phone or email
 - Phone: 866-584-2344
 - Email: vip@va.gov



Title 38 CFR PART 74 Regulation

Top Ten Reasons For Denials Overview Questions and Answers



DEPENDENCE ON OTHER ENTITIES

38 CFR § 74.4 (i)(4)

“Non-Veterans or entities may be found to control or have the power to control . . . [when] . . . “[b]usiness relationships exist with non-veterans or entities which cause such dependence that the applicant or participant cannot exercise independent business judgment without great economic risk.”

51% OF THE ANNUAL DISTRIBUTION

38 CFR § 74.3 (d)(1)

A service-disabled Veteran must be entitled to receive “[a]t least 51 percent of the annual distribution of profits paid to the owners of a corporate partnership, or LCC applicant or participant.”

**CONTROL OF STRATEGIC POLICY
AND DAY TO DAY OPERATIONS**

38 CFR § 74.4 (b)

“Control is not the same as ownership, although both may reside in the same person. CVE regards control as including both the strategic policy setting exercised by boards of directors and the day-to-day management and administration of business operations. An applicant or participant’s management and daily business operations must be conducted by one or more Veterans or service-disabled Veterans.”

HAVE MANAGERIAL EXPERIENCE

38 CFR § 74.4 (b)

“Individuals managing the concern must have managerial experience of the extent and complexity needed to run the concern. A veteran need not have the technical expertise...if he or she can demonstrate that he or she has ultimate managerial and supervisory control over those who possess the...technical expertise...”



TECHNICAL LICENSE

38 CFR § 74.4 (b)

“ . . . where a critical license is held by a non-veteran having an equity interest in the applicant or participant firm, the non-veteran may be found to control the firm.”

HIGHEST OFFICER POSITION

38 CFR § 74.4 (c)(2)

“An eligible full-time manager must hold the highest officer position (usually President or Chief Executive Officer) in the applicant or participant.”



MANAGEMENT OF DAILY BUSINESS AND FULL TIME DEVOTION DURING NORMAL WORKING HOURS

38 CFR § 74.4 (b)

38 CFR § 74.4 (c)(3)

“An applicant or participant’s management and daily business operations must be conducted by one or more...service-disabled veterans...” 38 CFR § 74.4(b). Moreover, “[o]ne or more Veterans, or service-disabled Veteran owners who manage the applicant or participant must devote full-time to the business during normal working hours of firms in the same line of business”

QUORUM RESTRICTION

38 CFR § 74.4 (f)

38 CFR § 74.4 (f)(2)(i)

For a corporation to qualify as a SDVOSB, “[o]ne or more ... service-disabled veterans must control the board of directors of a corporate applicant” and “[p]rovisions for the establishment of a quorum cannot permit non-veteran directors to control the board of directors, directly or indirectly.”



TRANSFER OF OWNERSHIP AND CONTROL WITHIN 2 YEARS

38 CFR § 74.4(h)

“Non-veterans who transfer majority stock ownership or control of the firm to an immediate family member within 2 years prior to the application and remain involved in the firm as a stockholder, officer, director, or key employee of the firm are presumed to control the firm. The presumption may be rebutted by showing that the transferee has independent management experience necessary to control the operation of the firm, and indeed is participating in the management of the firm” (Emphasis added)

WEIGHTED VOTING REQUIREMENT

38 CFR § 74.4 (f)(2)

“ . . . veteran(s) upon whom eligibility is based must control the board of directors through actual numbers of voting directors or, where permitted by state law, through weighted voting (e.g., in a concern having a two-person board of directors where one individual on the board is a veteran and one is not, the veteran vote must be weighted—worth more than one vote...)”



CASE SCENARIO – The Matrix Information Technology, Inc.

Business entity type - Corporation

VIP listing type - SDVOSB

Legend

V = Veteran

SDV = Service Disabled Veteran

NV = Non-Veteran

Business Owners, Veteran Status and ownership shares:

Elizabeth Marshall (SDV) – 40%

CEO, MBA in Economics

Kevin Roodeport (SDV) – 15%

CFO

Nikita Johnson (NV) – 15%

President, COO

Leander Peterson (V) – 10%

Director of HR

Deepak Datta (NV) – 10%

Director of IT

Elijah Walker (NV) – 10%

VP, has IT Management qualifications

