



# SDVOSB Information Guide

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## 1. Eligibility for SDVOSB or VOSB Verification?

### Qualifications for SDVOSB

1. 51% or more of the firm must be owned by a Service Disabled Veteran who has a service connected disability as determined by the Department of Veterans Affairs or Department of Defense.
2. The business is classified as a small business according to the SBA.
3. Service Disabled Veteran must manage the daily operations of the firm, and in the case of a severely handicapped person the spouse or primary care giver.
4. The Service Disabled Veteran must hold the highest title within the firm.
5. The firm must have Bylaws that are clean from any control issues by any minority members.
6. The Service Disabled Veteran should have a resume that supports his or her ability to manage the firm.
7. The firm should not be able to be deemed to be affiliated with any other firm (see 2. Affiliation).

## 2. Affiliation

**General Principle of Affiliation:** Affiliation exists when one business controls or has the power to control another or when a third party controls or has the power to control both businesses. Control may arise due to any of the following reasons, ownership, management, or other relationships or interactions between the two firms.

### Most Common Affiliations



1. Stock ownership
  - a. Control of more than 50% of the voting stock.
  - b. Control of less than 50% but large compared to other shareholders.
  - c. Widely held stock, then the board of directors and CEO or President are deemed to have control.
  - d. Stock options are deemed to be fully executed for the purposes of control and affiliation.
  - e. Merger of the firm with another is a stated objective of the two firms or an agreement to merge is in place.
2. Common Management
  - a. Officer, director, managing member or general partner have the power to control one firm and also control another firm.
3. Identity of Interest, sharing any of the following
  - a. Directors
  - b. Employees
  - c. Office Space
  - d. More than 25% of revenue (possibility)
  - e. More than 25% of supplies/subcontracting (possibility)
  - f. Loan between the businesses that is not arm's length
  - g. Certain franchise agreements

### 3. SDVOSB Stats

#### SDVOSB Certification/Verification Statistics

Listed below are numbers that you should be aware of if you are thinking of applying for SDVOSB or VOSB Verification administered by the CVE \*.

Average SDVOSB or VOSB Initial Application Processing Time	57 days
Average SDVOSB or VOSB Reconsideration Application Processing Time	147 days
2013 Success Rate of SDVOSB or VOSB Applicants (if submitted unassisted)	59%
2013 Success Rate of SDVOSB or VOSB Applicants (assisted by Ez8a)	95% +
SDVOSB Applications received per year	6,000
SDVOSB rate of fraudulent applications in recent audit	.5%

The number one reason that firms are not successful in obtaining their SDVOSB verification is the CVE being unable to conclude that your firm satisfies the requirements set forth in 38 CFR Part 74. The inability to prove that the owner of the firm has unconditional control of the applicant concern.

#### Sub-set of Common Control Issues:



1. The veteran does not have control of the board of directors for the firm and/or the board's decision-making processes causing (or potentially causing) ownership benefits to go to another.
2. The veteran is not acting as the top manager in the firm or is not working full time for the applicant concern.
3. The firm has been deemed to be affiliated with another firm.
4. The veteran lacks the technical or business background required to run the firm.
5. The by-laws are written in such a way that control is removed from the owner, sometimes unbeknownst to him or her.

#### **4. If Denied SDVOSB Reconsideration**

You can file a request for reconsideration with the CVE within 30 days of receipt of your denial email or you can wait six months and reapply. We have extensive experience in successfully answering these denial letters and assisting our clients in securing the verification.

A 10-minute phone call will provide you a good assessment of your options and probabilities of success.

- \* *CVE = Center for Verification and Eligibility*
- \* *SDVOSB = Service Disabled Veteran Owned Small Business*
- \* *VOSB = Veteran Owned Small Business*

If you're a service-disabled veteran and own a small business (SDVOSB), and your application has been denied for inclusion in VA's VetBiz Program, we might be able to help. Most denials are the result of the CVE being unable to conclude that your firm satisfies the requirements set forth in 38 CFR Part 74.

#### **Four Most Common Reasons for Denial:**

1. The veteran does not have control of the board of directors for the firm and/or its decision making processes causing (or potentially causing) ownership benefits to go to another.
2. The veteran is not acting as the top manager in the firm or is not working full time for the applicant concern.
3. The firm has been deemed to be affiliated with another firm.
4. The veteran lacks the technical or business background required to run the firm.

#### **OPTIONS**

You can file a request for reconsideration with the Director of the CVE within 30 days of receipt of your denial email or you can wait six months and reapply.

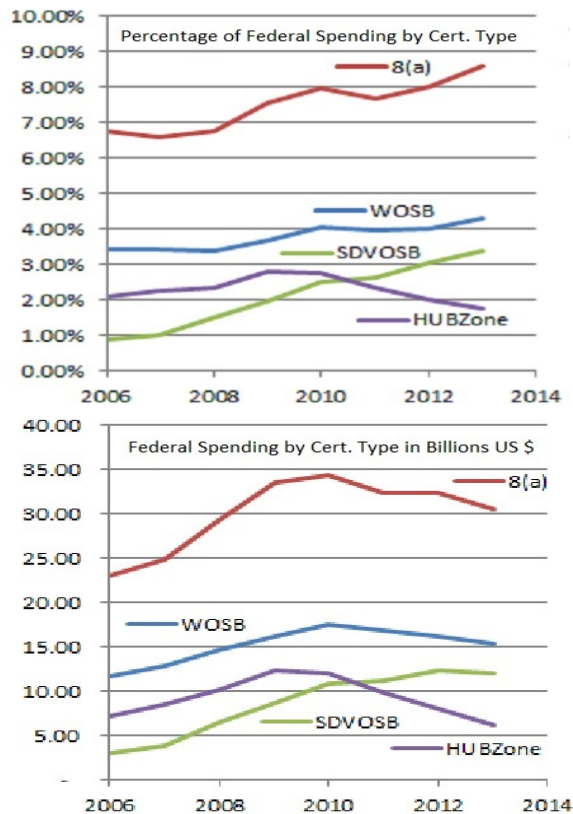


We are highly experience at helping firms receive their SDVOSB, certification but also in the reconsideration process. We have encountered all the scenarios above many more have a strong understanding of the reconsideration process requirements being implemented by the CVE. We have successfully overturned many denials. In about a 10 minute phone call can give you a good assessment of your options and probabilities of success.

### 5. SDVOSB Market Share Trend

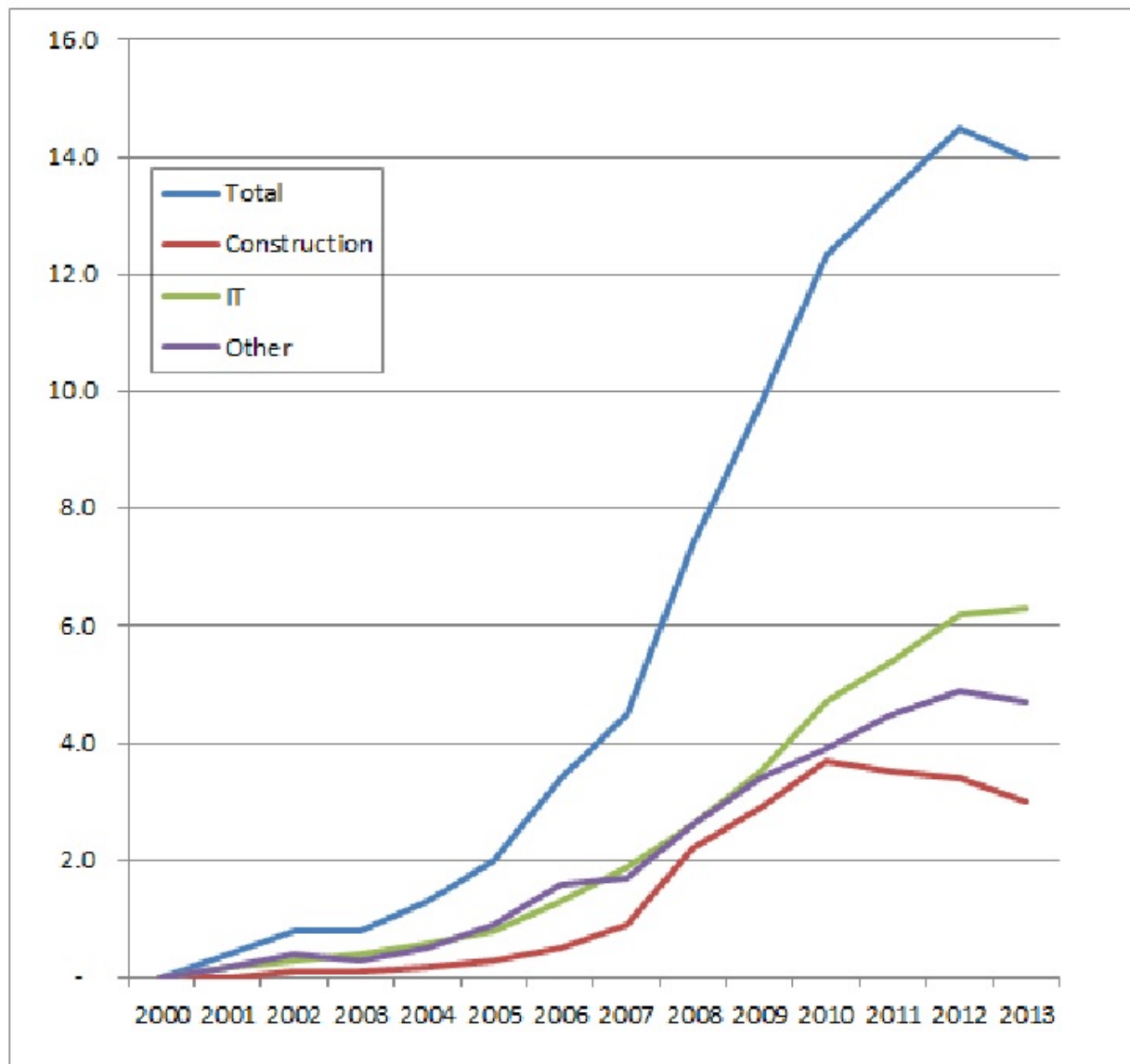
The graph below shows the relative performance of each of the four major small business certifications that the federal government offers. These four certifications as a group have increased their overall federal market share by 4% over past 7 years. During the same time small business has increased its overall market share by .5%. Therefore one can conclude that .5% of this market share growth came from big business and 3.5% of the growth came from small business without a federal certification.

The SDVOSB certification has increased its presence over the past 7 years for two reasons. The federal agencies have wanted to meet their 3% congressional target and the second is that SDVOSB firms are performing well on federal contracts. This is not that much of a surprise as all of their owners worked for a branch of the US military at one point and has a better understanding as to what is expected of a federal contractor.





### SDVOSB Revenue by Category over Time (in billions of dollars)



### 6. SDVOSB Good Target Markets

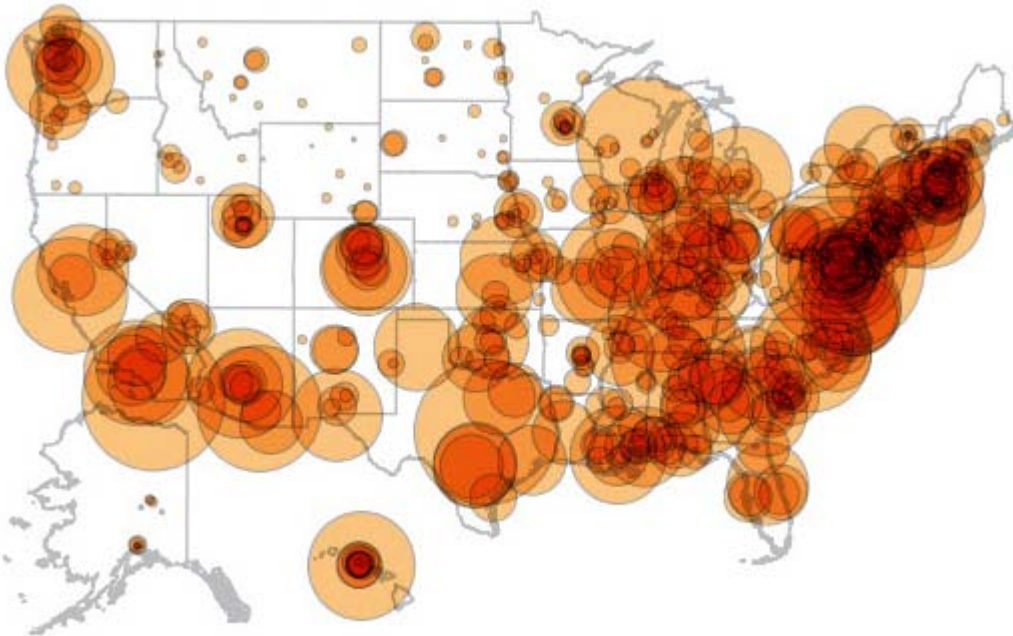
The Department of the Army the largest procurer from SDVOSB suppliers during the 2010-2013 time period has gone from \$3.4 billion to \$5 billion in SDVOSB procurement. Below is the list of the largest Department of Defense installations in the US by spending.

1	Washington D.C.	\$8.4 B
2	Fort Hood, Texas	\$6.5 B
3	San Diego, California	\$6.4 B



4	Oshkish, Wisconsin	\$5.8 B
5	Huntsville, Alabama	\$5.7 B
6	Arlington, Virginia	\$5.3 B
7	Tucson, Arizona	\$4.9 B
8	Fayetteville, North Carolina	\$4.7 B
9	St. Louis, Missouri	\$4.6 B
10	Louisville, Kentucky	\$4.4 B

If you would like to see a more visual representation of how the Department of Defense spends its money based upon location the following State-by-State Bloomberg Government map dated November 16, 2011 is useful.



The following list is the statistics on SDVOSB firms by State and Type.

<u>STATE</u>	<u>TOTAL</u>	<u>IT</u>	<u>CONSTRUCTION</u>	<u>OTHER</u>	<u>AVAILABLE SDVOSB PROCUREMENT in BILLIONS</u>	<u>PROCUREMENT PER SDVOSB FIRM</u>
Alabama	203	33	20	150	10.4	1,536,946
Alaska	56	2	8	46	5.0	2,678,571
Arizona	171	22	29	120	13.9	2,438,596
Arkansas	54	3	11	40	1.0	555,556
California	802	87	145	570	69.0	2,581,047
Colorado	257	34	45	178	11.1	1,295,720



Connecticut	31	2	3	26	13.0	12,580,645
Delaware	29	0	4	25	0.6	620,690
D.C.	84	28	11	45	7.8	2,785,714
Florida	644	85	75	484	18.5	861,801
Georgia	353	44	44	265	7.7	654,391
Hawaii	57	12	8	37	1.8	947,368
Idaho	40	2	11	27	3.4	2,550,000
Illinois	124	20	18	86	11.5	2,782,258
Indiana	99	7	11	81	7.9	2,393,939
Iowa	28	1	3	24	2.3	2,464,286
Kansas	59	5	13	41	3.0	1,525,424
Kentucky	71	6	13	52	7.0	2,957,746
Louisiana	105	6	24	75	4.0	1,142,857
Massachusetts	81	10	7	64	18.9	7,000,000
Maine	31	3	7	21	1.4	1,354,839
Maryland	498	152	39	307	18.9	1,138,554
Mississippi	67	5	13	49	5.0	2,238,806
Michigan	142	9	22	111	9.3	1,964,789
Minnesota	69	5	15	49	4.8	2,086,957
Missouri	115	2	16	97	13.5	3,521,739
Montana	42	0	6	36	0.5	357,143
Nebraska	51	7	7	37	1.2	705,882
Nevada	74	9	9	56	2.1	851,351
New Hampshire	25	2	2	21	1.9	2,280,000
New Jersey	121	18	18	85	12.1	3,000,000
New Mexico	81	14	14	53	7.7	2,851,852
New York	141	18	18	105	14.4	3,063,830
North Carolina	283	29	29	225	5.2	551,237
North Dakota	14	2	2	10	0.5	1,071,429
Ohio	168	22	22	124	9.1	1,625,000
Oklahoma	104	17	17	70	3.1	894,231
Oregon	78	24	24	30	2.5	961,538
Pennsylvania	198	31	31	136	18.1	2,742,424
Puerto Rico	24	10	10	4		
Rhode Island	17	0	0	17	0.7	1,235,294
South Carolina	143	18	18	107	8.2	1,720,280
South Dakota	25	3	3	19	0.6	720,000
Tennessee	172	22	22	128	10.4	1,813,953
Texas	563	92	92	379	39.3	2,094,139





Utah	48	7	7	34	3.6	2,250,000
Vermont	11	0	0	11	1.1	3,000,000
Virginia	1056	74	74	908	81.8	2,323,864
Washington	201	34	34	133	9.2	1,373,134
West Virginia	25	2	2	21	0.8	960,000
Wisconsin	76	16	16	44	9.5	3,750,000
Wyoming	16	2	2	12	0.3	562,500
Total	8,027	1,058	1,094	5,875	514.6	\$2,106,242

In 2013 the average SDVOSB firm did \$980,117 in business with the Federal Government.

### 7. SDVOSB Annual Review Trouble Shooting Pointer

**SDVOSB Renewal** – every year the SDVOSB verification is required to be renewed with the Federal Government. Every second year the process is more rigorous than simply providing a statement that there have been no substantial changes within the applicant concern.

**TROUBLE SHOOTING POINTER:** We are receiving calls from veterans who are inadvertently getting their SDVOSBs-verification and renewal applications denied. It is common during the verification or renewal process, that an applicant will be alerted that they do not have all the documentation required, or be asked to participate in withdrawal as opposed to being denied. As part of this automated process, the applicant is asked to upload a participation agreement with a very limited deadline. The applicant is sent this participation agreement via e-mail and must sign it and upload it to the “relevant documents” section of the VIP Pages. The “Relevant Documents” tab appears when the applicant chooses “edit” from the Home Screen (see screen shot below).

Business Name	DUNS	Registration Status	Workflow Status	Expiration Public	Actions
		Pending	Registration - Need Additional Information	No Requests	View Edit Withdraw Reg

After uploading the participation agreement, with “withdraw” checked on the received document, the applicant must select “Home” at the top of the VIP Pages window. The screen shot below shows how the home screen will likely appear. The applicant must then select the “withdraw” option at the very right of the window under “Actions”.

If “withdraw” is not selected even though the participation agreement has been uploaded, the CVE makes a “Denied” determination in approximately two weeks after the deadline date, which prevents the applicant from uploading any corrected or missing documents

This results in a six-month waiting period for re-applying. We have firsthand seen millions of dollars in contract awards being lost because of this minor mistake. The CVE is very strong in





their refusal to allow the applicant to appeal the denial, and will usually insist that the applicant wait the six months.

## **8. SDVOSB Obtaining 8(a) Certification**

### **SDVOSB Obtaining 8(a) Certification**

It is true that in recent years it has become very difficult for a service-disabled veteran to obtain an 8a certification. A Caucasian service disabled vet with greater than a 30% service disability rating can apply for 8a as a non-presumed socially disadvantaged applicant. However, do not let someone tell you it is easy, as this application is not for everyone. So the question we hear all the time from Vets is when and how is getting an 8a certification possible?

#### **A. Nature of the Disability**

1. The nature of the disability should cause plausible discrimination; therefore, the disability in most cases would need to be visible to another person. Post-Traumatic Stress Disorder and other non-visible disabilities are more difficult for which to provide cases of discrimination.
2. An appropriate time lapse between the date of the Vets injury and the date of the application is needed in order to prove discrimination over an extensive period of time. In our estimations this timeframe should be approximately 10 years or greater.
3. 4+ documented instances of discrimination should be present. These stories can range from difficulty in obtaining employment, post discharge; cases where the marketing of your company was impaired by the prospective client; cases of missed educational opportunities such as graduate school or business licenses or certifications; or instances where the Vet or his or her firm was denied credit.
4. Even though 30% is the minimum threshold for being permitted to apply, a service disability rating of over 60%+ is usually necessary unless the nature of the disability is highly visible.

#### **B. Must Meet All Other 8(a) Requirements**

The rest of the 8a application must strictly adhere to the SBA guidelines for 8a eligibility. To see those requirement click here <http://www.ez8a.com/pre-qualification-tool.aspx>

#### **C. OHA Appeal**

The SBA has relaxed the standards for an SDVOSB proving social disadvantage. However there is a possibility that the SDVOSB 8a applicant will have to undergo an OHA (Office of Hearings and Appeals) appeal to win approval for Social Disadvantage Status. Therefore, strict compliance with all other elements of the 8a application is critical to make the 8a certification a reality.