

# Government Contracting



Raleigh Business & Technology Center  
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  - BS in Aviation Technology, Minor in Avionics
- Hofstra Univ. School of Law, Class of 2001
- Admitted to the bars of the states of North Carolina, New York, Maryland, and Ohio
- Law practice limited to business law and formation, bankruptcy, civil litigation, collections, construction law, and contracts
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# Agenda

- What does the Recovery Act do for me?
- Understanding the basics
  - Selling to the government
  - Size Standards
  - Additional Designations
- Loans and Bonds
  - Types of Bonds
  - Types of SBA Loans
- Websites for Opportunities

# What does the Recovery Act do for me?

The bill is divided into nine key components, including:

1. Temporary Elimination of Loan Fees
2. Temporary 90 Percent Guarantees
3. Secondary Market Liquidity for Section 7(a) loans, SBA's largest loan guarantee program, which serves a wide variety of small business borrowing needs
4. America's Recovery Capital (ARC) Stabilization Loans
5. Expanded Microloans (Up to \$35,000)
6. Surety Bond Program Expansion
7. Secondary Market for First Mortgages associated with Section 504 Certified Development Company loans, which support small business capital-asset and real-property investments
8. Expanded Refinancing Project for Section 504 loans
9. SBIC Program Expansion

# **SBA PROGRAMS IN THE RECOVERY ACT**

1. For small businesses, the Recovery Act temporarily eliminates SBA guaranteed 7(a) and 504 loan fees and offers tax benefits.
2. For lenders, it temporarily eliminates loan fees on Section 504 loans.
3. The fee eliminations are retroactive to February 17, 2009, the day the Recovery Act was signed.
4. The Act also provides guarantees up to 90 percent on some types of 7(a) loans to qualified small businesses.

## **SBA PROGRAMS IN THE RECOVERY ACT**

5. America's Recovery Capital (ARC) loan program will offer deferred-payment interest free loans of up to \$35,000 backed 100 percent by SBA to viable small businesses that need help making payments on an existing, qualifying loan for up to six months.
6. This new program is intended to give small businesses some temporary financial relief to keep their doors open and get their cash flow back on track so they can maintain existing jobs and ultimately create new jobs.
7. Repayment does not begin until 12 months after the loan is fully disbursed

# SBA PROGRAMS IN THE RECOVERY ACT

8. Expanding SBA's microloan program provides extra funding for SBA-backed microlenders across the country.
9. The bill provides enough for \$50 million in new SBA microloans, which are delivered by nonprofit community-based intermediary lenders across the country.
10. These loans can be for up to \$35,000 and come with technical assistance and training for every borrower.

# **SBA PROGRAMS IN THE RECOVERY ACT**

11. Expanding Surety Bond Program limits will help small businesses compete for the billions of dollars in contracts that are needed to implement the Recovery Act.
12. By raising the maximum amount for contracts that qualify for SBA surety bonds from \$2 million to \$5 million, and up to \$10 million for certain contracts, more small businesses will be able to help drive economic recovery.

# SBA PROGRAMS IN THE RECOVERY ACT

13. The Recovery Act also enables SBA to expand its Small Business Investment Company (SBIC) debenture program to assist this source of venture capital.
14. The SBIC office is working on the necessary regulations and notices for licensees alerting them that they may be eligible for additional SBA financial assistance and, also, that they will be required to invest 25 percent of their financing dollars in “smaller” enterprises.

# Recovery Act Update



- Yellow Phase entered on November 23, 2009, SBA's 7(a) and 504 Recovery Act programs runs out of Recovery Act Money
- Guarantee back to 75% from 90%
- Loan Origination Fees Back for non Recovery Act applications
- Transition period to January 15, 2010, new applications in queue for funding with Recovery Act funds not disbursed
- From January 15, 2010, to September 17, 2010 is Red Phase

# Pres. Obama Proposals

- Will call on Congress to authorize changes to the SBA's most popular loan programs
- The size of the maximum SBA 7(a) loan would rise from \$2 million to \$5 million.
- The plan also increases the maximum size of the SBA's 504 loan program to \$5.5 million.
- The SBA microloan would receive an increase in maximum from \$35,000 to \$50,000.

# Selling to the Government

## Contracting Methods

### 1. Simplified Purchase

- Federal agencies can solicit and evaluate bids on government purchases of less than \$100,000 using simplified procedures that require fewer administrative details, lower approval levels, and less documentation.

### 2. Sealed Bidding

- Sealed bidding solicits the submission of competitive bids, followed by a public opening of bids.
- A contract is then awarded by the agency to the low bidder who is determined to be responsive to the government's needs.

### 3. Contract Negotiation

- In certain cases, when the value of a government contract exceeds \$100,000 or when the product or service being acquired is highly technical, the government may issue a Request for Proposal (RFP).

### 4. Consolidated Purchasing Program

- Most government agencies have common purchasing needs for certain types of products or services, such as carpeting, furniture, office machine maintenance, and perishable food supplies. Sometimes the government can realize economies of scale by centralizing the purchasing of such items.

# Selling to the Government

- Are you a good candidate for government contracting?
  - Are you prepared to learn and follow the rules relating to federal and state acquisitions?
  - Are you willing to do ongoing, detailed research to find procurement opportunities and take time to prepare and present offers (including bids and quotes)?
  - Are you positive that your business can financially support the performance of a government contract that may involve significant start-up costs?
  - Are you willing to be a subcontractor to companies that are prime contractors?

# Size Standards

- SBA has established numerical definitions, called "size standards," for every private sector industry in the U.S. economy; the North American Industry Classification System (NAICS) is used to identify the industries.
- An industry is coded with a six-digit number, such as 541330 for Engineering Services.
- A size standard, which is usually stated in number of employees or average annual receipts, represents the largest size that a business may be to remain classified as a small business for SBA and Federal contracting programs.
- All Federal agencies must use SBA size standards for contracts identified as small business.

# Additional Designations

- **A woman-owned business**
  - defined as a business that is owned and controlled 51 percent or more by a woman or women.
- **A veteran-owned business**
  - defined as a business that is owned 51 percent by a veteran(s).
- **A service-disabled business**
  - defined as a business that is owned 51% by one or more service-disabled veterans.
- **A HUBZone business.**
  - SBA's HUBZone ("Historically Underutilized Business Zone") Program is designed to promote economic development and employment growth in distressed areas by providing access to more Federal contracting opportunities.
  - Certified small business firms have the opportunity to negotiate contracts and participate in restricted competition limited to HUBZone firms.

# HUBzone

- Federal HUBzone Qualifications
  - Be a small business by SBA Standards
  - An office located in HUBzone
  - Be owned and controlled 51% by US Citizens
  - At least 35% of employees live in a HUBzone
- NC HUBzone Qualifications
  - 51% of the business is owned and controlled by, one of the following:
    - Black, Hispanic, Asian-American, American Indian, Female or a Socially and Economically Disadvantaged person, or
    - Disabled-Owned or a Disabled Business Enterprise.



**N.C. DEPARTMENT OF ADMINISTRATION**  
**OFFICE FOR HISTORICALLY UNDERUTILIZED BUSINESSES (HUB OFFICE)**  
1336 Mail Service Center, Raleigh, NC 27699-1336 • (919) 807-2330 • Fax (919)-807-2335  
Website: [www.doa.nc.gov/hub](http://www.doa.nc.gov/hub) • Email Address: [huboffice.dos@doa.nc.gov](mailto:huboffice.dos@doa.nc.gov)

## **DOCUMENTS LIST**

The Office for Historically Underutilized Businesses shall request the following documentation based on the business structure of the applicant, to determine that the applicant's ownership, management and control of daily business operations are consistent with the eligibility requirements. Please submit the supporting documentation within 30 days from the date of your application. Failure to submit the required documents within the specified time may result in your application being withdrawn.

All Applicants are required to submit the following documents:

- Supplemental Application (Accessible from [www.doa.nc.gov/hub/swuc.htm](http://www.doa.nc.gov/hub/swuc.htm))
- Work experience resumes for all owners that include places of ownership/employment with corresponding dates
- Proof of citizenship or Permanent Residence (Birth Certificate, Passport, Voter's Registration Card, Green Card, Military ID, or Driver's License)
- Proof of Ethnicity (Passport, Green Card, Birth Certificate) If any of these documents do not prove ethnicity, you will need to complete the Ethnicity Affidavit
- Copies of Professional Licenses, if required
- Schedule of Salaries paid to all officers, managers, owners, or directors of the firm
- List of equipment (leased or owned) along with signed lease agreements, titles/proof of ownership of equipment needed to operate your business
- Documented proof of contributions used to acquire ownership for each owner
- Statement prepared and signed by your banking institution listing names of all persons who have signature authority on your business account

- Proof of other certifications

In addition to the above, please provide the following documents related to your business descri

Corporation or LLC or Franchise:

- Official Articles of Incorporation (signed by State Official)
- Both sides of all Corporate Certificates and Stock
- Assumed Name Certificate
- Transfer Ledger
- Shareholders Agreement
- Minutes of 1st and most recent stockholder and Board of Directors meetings
- Corporate bylaws and any amendments
- Articles of Organization (LLC)
- Operating Agreement (LLC)
- Franchise Agreement (Franchise)

Partnership or Joint Venture:

- Partnership Agreement
- Joint Venture Agreement

# HUBzone Benefits

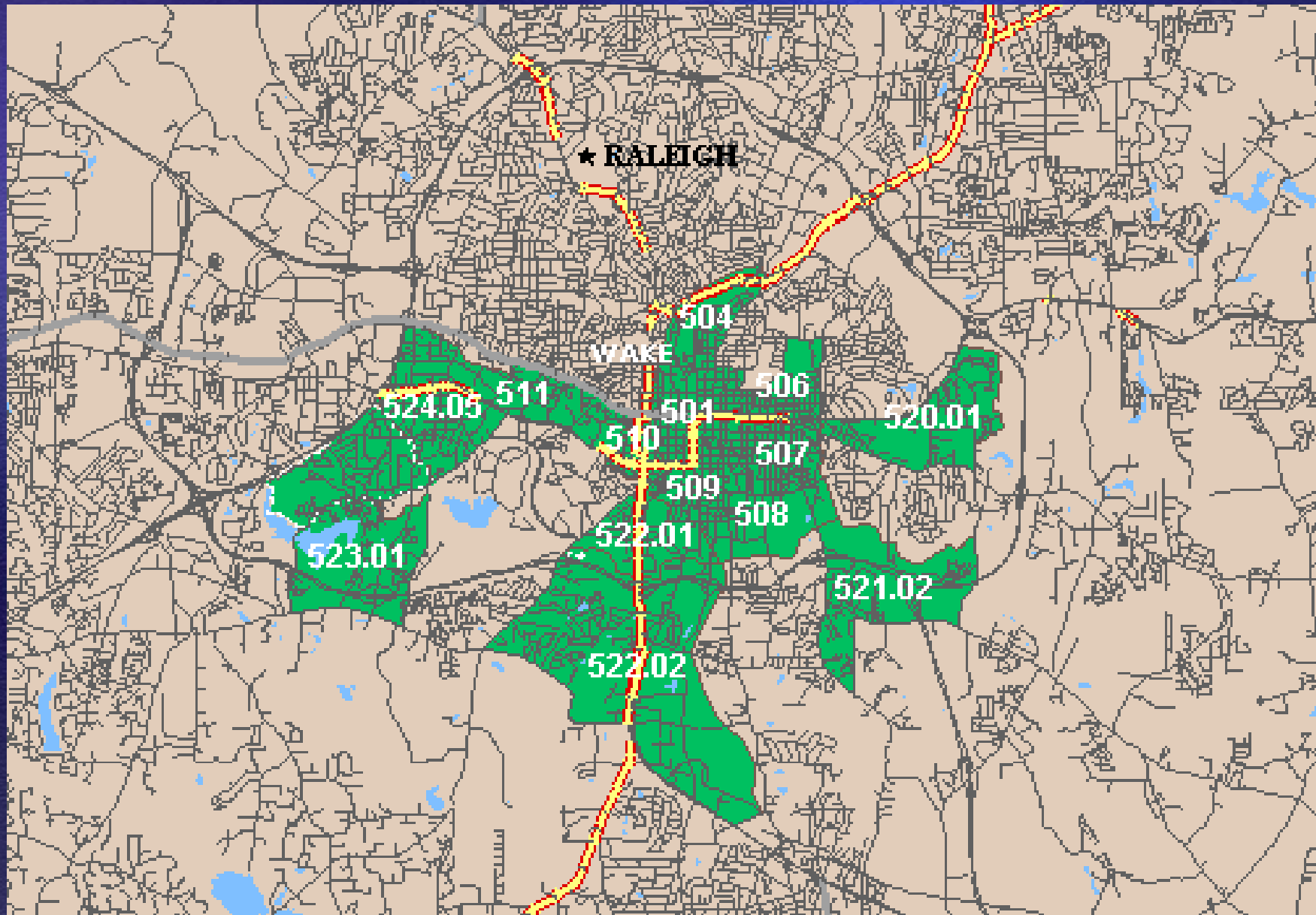
## ● Federal HUBzone Benefits

- **Competitive:** HUBZone contracts can be awarded if at least two qualified HUBZone small business concerns (SBCs) will submit offers and that the contract will be awarded at a fair market price.
- **Sole-source:** HUBZone contracts can be awarded if: one qualified HUBZone SBC is responsible to perform the contract, two or more qualified HUBZone SBCs are not likely to submit offers and the anticipated award price of the proposed contract
- **Full and open:** Competitive contracts can be awarded with a price evaluation preference. The offer of the HUBZone small business must not be 10% higher than the offer of a non-small business.

## ● NC HUBzone Benefits:

- NC State Contract goaling of 10% for HUBs
- Provides greater exposure for business opportunities in state procurement and contracting.
- The names of HUB firms are listed in the Vendor Link System which is widely used by state agencies, universities, community colleges, local schools, local governments and institutions and the public to locate historically underutilized businesses for goods, services and construction.

# Wake County HUBZone



# Small Business Innovation/Small Business Technology Transfer

- The Office of Technology administers the Small Business Innovation Research (SBIR) Program and the Small Business Technology Transfer (STTR) Program.
- Through these two competitive programs, SBA ensures that the nation's small, innovative high-tech businesses are a significant part of the Federal Government's research and development efforts.
- The SBIR helps small businesses to explore their technological potential by providing incentives for them to commercialize new ideas.
- The program funds the critical start-up and development stages of the small business and encourages the commercialization of the technology, product, or service it develops.

# Surety Bonds

1. Bid - Bond which guarantees that the bidder on a contract will enter into the contract and furnish the required payment and performance bonds.
2. Payment - Bond which guarantees payment from the contractor of money to persons who furnish labor, materials equipment and/or supplies for use in the performance of the contract.
3. Performance - Bond which guarantees that the contractor will perform the contract in accordance with its terms.
4. Ancillary - Bonds which are incidental and essential to the performance of the contract.

# SBA Loans

PROGRAM	AMOUNT	PERCENT OF GUARANTEE (MAX)	USE OF PROCEEDS	MATURITY	MAXIMUM INTEREST RATES	GUARANTEE & OTHER FEES	ELIGIBILITY
<b>7(a) Loan Guarantee Program</b> (SBA's primary loan program)	\$1,500,000 (Maximum Guaranty Amount)  (Total loan cannot exceed \$2,000,000)	90% of loan amount (up to max. guaranty amount)  Ex.: A loan of \$1,800,000 gets a guaranty of 83.33% (rounded down to 2 <sup>nd</sup> decimal)	Expansion or renovation; construction of new facility; purchase land or buildings; purchase equipment, fixtures, leasehold improvements; working capital; refinance debt for compelling reasons; seasonal line of credit; inventory acquisition.	Depends on ability to repay;  Generally, working capital 5-10 yrs; machinery, equipment, real estate, construction up to 25 yrs (not to exceed life of equipment).	Negotiable with Lender;  Loans under 7 yrs, maximum prime 2.25%;  7 yrs or more, maximum prime + 2.75%;  Under \$50,000, rates may be slightly higher.	<u>Guaranty fee waived</u> , except for short-term loans up to 12 months – fee is still 0.25%.  <u>Lender's Annual Servicing Fee</u> – still applies, at 0.55% of outstanding balance of SBA guaranteed portion.	Must be operated for profit; meet SBA size standards; show good character, management expertise, & commitment & show ability to repay; may not be involved in speculation or investment.
<b>CAPLines</b> (Short-term, Revolving Lines of Credit) - Seasonal, - Contract, - Builders, - Standard Asset Based - Small Asset Based	\$2,000,000 (Total Loan Amount)  >\$200,000 <\$200,000	See 7(a)	Finance seasonal working capital needs, costs to perform, construction costs, advances against existing inventory & receivables; consolidation of short-term debt.	5 year maximum	prime + 2.25	See 7(a)  For loans of 12 months or less guaranty fee .25%.  Under standard asset-based, no restrictions on servicing fees.	Existing businesses See 7(a)
<b>MicroLoan Program</b>	\$35,000 (Max. Loan Amount)	N/A	Purchase equipment, machinery, fixtures, leasehold improvements, finance increased receivables, working capital. May not be used to repay existing debt.	Shortest term possible. Not to exceed 6 years.	Negotiable with Intermediary.	No guaranty fee.	Same as 7(a)

# SBA Loans

PROGRAM	AMOUNT	PERCENT OF GUARANTEE (MAX)	USE OF PROCEEDS	MATURITY	MAXIMUM INTEREST RATES	GUARANTEE & OTHER FEES	ELIGIBILITY
<b>International Trade Loans</b>	Same as 7(a)	See 7(a)	Working capital improvements in U.S. for producing goods or services. May not be used to repay existing debt.	25 year maximum	See 7(a)	See 7(a)	Small business engaged or preparing to engage in int'l trade or business which has been adversely affected by competition from imports.
<b>Export Working Capital Program</b> Fast turnaround, may apply for pre-qualification letter	Maximum Loan \$2,000,000	90%	Short-term working capital loans to finance export transactions.	Matches simple transaction cycle or generally 1 year for line of credit.	No Cap	See 7(a) Guarantee fee .25%. No restrictions on servicing fee.	Small business exporters who need short-term working capital See 7(a) for other qualifications.
<b>504 Certified Development Corp Program</b>	The maximum amount of CDC/504 participation in a single project is \$1.5 million . 2 million for projects which meet certain Public Policy Goals & 4 million for manufacturers.	40% of project but not over \$1,500,000	Purchase of major fixed assets such as land, buildings, improvements, long-term equipment, construction, renovation, limited re-financing.	10 or 20 years only	Based on current market rate for 5 and 10 year treasury issues, plus an increment above Treasury rate.	CDC processing fee and lender participation fee temporarily eliminated.	For profit businesses that do not exceed \$7 million in tangible net worth and did not have average net income over \$2.5 million for past 2 years.

# SBA Loans

PROGRAM	AMOUNT	PERCENT OF GUARANTEE (MAX)	USE OF PROCEEDS	MATURITY	MAXIMUM INTEREST RATES	GUARANTEE & OTHER FEES	ELIGIBILITY
<b>SBAExpress</b> Lender approves loan, no additional paperwork	\$350,000. (Max. Loan Amount)	Remains at 50%	Same as 7(a); limitations on real estate and construction. May be used for term loans or revolving credit.	Term loan same as 7(a) No more than 7 years on revolving line of credit.	Lenders will be allowed to charge up to 6.5% over prime for loans of \$50,000 or less and up to 4.5% over prime for loans over \$50,000.	See 7(a)	See 7(a)
<b>Community Express</b>	\$250,000 (Max. Loan Amount)	90%	Loan proceeds may be used for most business purposes including start-up, expansion, equipment purchases working capital, inventory or real estate acquisitions.	Generally 5 to 10 years.	Lenders will be allowed to charge up to 4.75 over prime for loans of \$25m or < & 3.75 for loans >\$25m up to \$50m & 2.75 over prime for loans over \$50m depending on loan term.	See 7(a)	Persons who meet normal requirements for SBA loans. Also, must be located in one of Community Express's designated areas.
<b>Patriot Express</b>	\$500,000 (Max. Loan Amount)	90%	See 7(a)	See 7(a)	Range from 2.25% to 4.75% over Prime.	See 7(a)	Veterans Active Duty, In the Transition Assistance Program Reservists National Guard Current Spouses of above Qualified Widowed Spouses

# Websites for Opportunities

- [www.fbo.gov](http://www.fbo.gov)
  - Federal Business Opportunities
- [eprocurement.nc.gov](http://eprocurement.nc.gov)
  - NC E-Procurement
- [www.ips.state.nc.us/ips](http://www.ips.state.nc.us/ips)
  - NC Interactive Purchasing System
- [www.doa.state.nc.us/hub](http://www.doa.state.nc.us/hub)
  - NC Office for Historically Underutilized Businesses
- [www.its.state.nc.us/ITProcurement](http://www.its.state.nc.us/ITProcurement)
  - NC IT Procurement Office
- [www.ncdot.org/business/](http://www.ncdot.org/business/)
  - NC Dept. of Transportation
- [www.sbtcdc.com](http://www.sbtcdc.com)
  - NC Small Business and Technology Development Center

Questions?