Office of Business Development & Equal Opportunity

Mission Statement:
A group of committed individuals dedicated to pursuing equal employment and contracting opportunities for everyone.

Questions or comments concerning OBD&EO’s News Alert may be directed to:
Thursday A. Abbott III, Temporary Executive Assistant at (856) 968-2270
Elaine A. Wright, Temporary OBD&EO Staff at (856) 968-2279

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DRPA is an equal opportunity employer

Don’t forget to visit OBD&EO’s website at www.drpa.org/obdeo for contract opportunities and other important information.

For upcoming events visit the Other Events of Interest section of our website.

Our next editions of the News Alert will be published on or about: September 30, 2014 December 30, 2014

“WE VALUE DIVERSITY”
DID YOU KNOW . . . ?

PA-NJ-DE MSDC and WP MSDC have been re-structured to form the Eastern Minority Supplier Development Council!

We are now ONE Council with TWO locations.

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This is where the former Pennsylvania-Delaware-New Jersey MSDC staff resides and operates:
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LIST OF ANNUAL CONTRACTS

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Questions regarding these or any other Purchases should be directed to Susan Squillace (GRPA Purchasing) 856 958-2163 or 215 218-3730 ext. 2163.

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Nothing to Report This Month

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(continued from page 2)

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Atlantic City Country Club - Northfield, NJ
Click to register or get details.

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Caesars Resort - Atlantic City, NJ

Choice Awards Gala - December 5
Hyatt at the Bellevue - Philadelphia, PA

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Contact the Philadelphia Office for more information.
215-569-1005
info@e-msdc.org
www.e-msdc.org

EMSDC Locations:

Philadelphia Office
The Bourse Building
111 South Independence Mall East
Suite 630
Philadelphia, PA 19106
P: 215-569-1005
F: 215-569-2667

Pittsburgh Office
Regional Enterprise Tower
425 Sixth Avenue
Pittsburgh, PA 15219
P: 412-391-4423
F: 412-391-3132
Increasing your company’s value: Part I - contracts
By Michael Smigocki, CPA
Senior managing director, Federal Strategies Group LLC

This article is Part I of a series of articles that analyzes your company from a potential buyer’s perspective and offers strategies that you can implement to increase the value of your company. This article will focus on your contracts and how they impact your overall valuation.

As a government contractor, your contracts are your lifeline. However, not all contracts are valued equally by a prospective buyer. Various contracts have differing positive attributes as well as differing levels of risk associated with them. In valuing a company, it is important to note that the greater the risks associated with a selling company, the lower the overall valuation. The inverse also is true. Thus, reducing risk is one way of improving a company’s valuation.

Prime vs. Subcontracts

Companies generally have a mix of revenue, garnered from both prime contracts with the government as well as subcontracts or primes in the eyes of a buyer, the revenue derived from the prime contracts is worth more than sub- or subcontract revenue. There are a couple of reasons for this. First, a prime contract or order means control over the contractual effort and direct access to the customer. This permits the company to utilize the customer relationship to provide the opportunity to cross-sell other items and services. Second, many subcontracts contain termination provisions in case of change in control of the company. These provisions increase the risk that the revenue generated from the subcontract may be reduced or eliminated upon a sale transaction.

Set-Asides vs. Full-and-Open Contracts

Set-aside contracts, whether 8(a), small business, HUBZone, etc., are worth less to a prospective buyer and sometimes significantly less, than contracts won in full and open competitions.

Most small companies eligible for set-asides lack the capital, or the access to debt, to execute an acquisition transaction. Most buyers are larger companies that would not qualify for set-aside opportunities.

There exist restrictions on the transferability of set-aside contracts to companies that are not eligible for set-asides, making it difficult or prohibitive to execute such a transfer.

For example, all 8(a) contracts contain a provision that if the 8(a) company is sold to a firm not qualified to be 8(a), the government has the right or immediately terminate the contract. It has been my experience that this provision is merely not utilized by the government. However, the potential risk of this occurring always exists.

Secondly, small business set-aside contracts contain a provision that upon sale of the company, the acquirer has to “recertify” in small business size status. If they are unable to recertify, the company will lose the revenue generated from the prime contract.

Prime contracts are also more valuable to a prospective buyer as they do not currently possess such vehicles or was one of the insurers in the competition of such contracts.

Conclusion

As this article discusses, the value of a contract revenue dollar can vary greatly depending on the nature and type of contract you are performing under. Understanding these transactions costs and how they can be impacted may be a key factor in a buyer’s perspective can help guide you to maximize your company’s value as part of your annual strategic planning and acquisition process.

The series coming soon:
Part II - Financial Performance
Part III - Management Infrastructure
Part IV - Product/Service Offering

Michael Smigocki, CPA, CVA, MIV is the Senior Managing Director of Federal Strategies Group, LLC. He provides government contract and management consulting. MVA advisory, forensic accounting and expert testimony services to the government contracting and technology industries. He can be reached via email at MichaelSmigocki@FederalStrategies.com

ANNUAL CONTRACT LISTINGS

Most annual procurement for goods (non-professional services) at the DRPA are usually for periods of one (1) year with an option to renew for an additional year. At the end of the first year, assuming the vendor’s performance has been satisfactory, a DRPA Purchasing staff member will contact the vendor to request pricing information for the second year. If all conditions are in the best interest of the DRPA, the DRPA will exercise its option for a second year renewal with the vendor. At the end of the second year, the contract will be rebid on a competitive basis. If you are interested in pursuing any of the contracts identified below, please call Susan Squillace, Manager, Procurement & Stores, DRPA/PATC0 at (856) 968-2163.

ANNUAL CONTRACTS FOR DRPA

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<thead>
<tr>
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<tbody>
<tr>
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<td>21st Year Renewal Option</td>
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<td>2) One (1) Year Maintenance Contract Bridge Operations</td>
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<td>3) One Year Annual Maintenance Contract Bridge Operations</td>
<td>June 1, 2014</td>
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<td>4) One (1) Year Annual Paper Contract OCG/Storeroom/Print Shop/Br, Oper./Public Safety &amp; Toll/PATCO OCG/Storeroom/Print Shop/Br, Oper./Public Safety &amp; Toll/PATCO</td>
<td>Informal Request for Quotations</td>
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<tr>
<td>5) Annual TRI-M Contract - HVAC Bridge Operations</td>
<td>Federal GSA Contract</td>
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<td>7) One (1) Year Fire Alarm Maintenance Contract Bridge Operations</td>
<td>21st Year Renewal Option</td>
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<td>8) Annual Traffic Cone Purchase Storeroom</td>
<td>Informal Request for Quotations</td>
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<td>9) Annual Rock Salt For DRPA/PATCO Bridge Operations</td>
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<td>10) Annual Fire Extinguisher Maintenance Bridge Operations</td>
<td>State Contract</td>
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Increasing your company’s value: Part I - contracts
By Michael Smigielski, CPA
Senior managing director, Federal Strategies Group LLC

This article is Part I of a series of articles that analyzes how your company can increase its value by developing strategies that you can implement to increase the value of your company. This article will focus on your contracts and how they impact your overall valuation.

As a government contractor, your contracts are your lifeline. However, not all contracts are valued equally by a prospective buyer. Various contracts have different positive attributes as well as differing levels of risk associated with them. In valuing a company, it is important to note that the greater the risks associated with a selling company, the lower the overall valuation. The inverse is also true. Thus, reducing risk is one way of improving a company’s valuation.

Prime vs. Subcontracts
Companies generally have a mix of revenue, generated from both prime contracts with the government as well as subcontracts. In the eyes of a buyer, the revenue derived from a prime contract is worth more than sub-contract revenue.

There are a couple of reasons for this. First, a prime contract usually does not carry the contractual risks associated with the contract. This means that the buying company can spend less time monitoring the prime contract’s performance. Second, the cost of doing business under a prime contract is usually lower than under a sub-contract. Third, there are instances where a prime contract can be terminated at any time for any reason.

Subcontracts usually contain termination provisions in case of change of control of the company. These provisions increase the risk that the revenue generated from the subcontract may be reduced or eliminated upon a sale transaction. These provisions increase the risk that the revenue generated from the subcontract may be reduced or eliminated upon a sale transaction.

Set-Asides vs. Full-and-Open Contracts
Set-aside contracts, whether 8(a), small business, HubZone, etc., are worth less to a prospective buyer and sometimes significantly less, than contracts won in full and open competition.

Most small companies eligible for set-asides lack the capital, or the access to capital, to execute an acquisition transaction. Most buyers are larger companies that would not qualify for set-aside opportunities. They might take a wait-and-see approach due to the capital requirements of a set-aside contract.

But small businesses can benefit from the existence of set-asides. They might be better able to leverage set-aside opportunities to improve their overall valuation.

Annual Contract Listings
Most annual procurement for goods (non-professional services) at the DRPA are usually for periods of one (1) year with an option to renew for an additional year. At the end of the first year, assuming the vendor’s performance has been satisfactory, a DRPA Purchasing staff member will contact the vendor to request pricing information for the second year. If all conditions are in the best interest of the DRPA, the DRPA will exercise its option for a second year renewal with the vendor. At the end of the second contract, the contract will be rebid on a competitive basis. If you are interested in pursuing any of the contracts identified below, please call Susan Squillace, Manager, Procurement & Stores, DRPA/PATCO at (856) 989-2163.

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This story appeared in the Set-Aside Alert Vol. 22, No.10 on May 16, 2014.
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Events Unlimited Inc. has been in business since 1998 coordinating government conferences and other state and local agency events. We are a Woman-Owned Small Business under the Federal Contracting Program, an 8(a) graduate of the SBA Business Development Program. Please visit our website at www.eventsunlimitedinc.com for additional information.

Spotlight
Information Corner

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