

NAWCAD/NAVAIR Lakehurst Small Business Roundtable

RAISING Capital – The Dollars and SENSE of Securing Capital
Thursday, May 9, 2019



NAWCAD/NAVAIR LKE SBR

- Building your company on a Dream and a Vision
- Where did it all begin? In 1982 my Dad, “Moose” began his dream in an office that we put together over the garage in my parents’ home.



- Building from his relationships and using his personal knowledge and consultants to write a winning proposal, we won our first Government contract with CECOM.

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THINGS TO CONSIDER DURING THE BIDDING PROCESS FOR FIRM FIXED PRICE (FFP) AWARDS. WHAT DOES THE GOVERNMENT OFFER IN WAY OF FINANCING?

- Progress Payments Clause – the progress payment clause is sanctioned where the contractor cannot bill “for the first delivery of products for a “substantial time” after work begins. For small businesses, this time means four or more months. Progress payments will never be made at 100% of your incurred costs.
- Performance Based Payments Clause – a performance-based payment schedule identifies mutually agreed-to payment amounts based on meeting contract events or criteria. Performance-Based or Milestone payments are normally negotiated after award.

<https://govcontractassoc.com/financing-your-contracts/>

WHAT CAN YOU DO TO ASSIST WITH CASH FLOW?

- Negotiate with Subcontractors – “Pay When Paid” terms
- If large material buys are required, work in 45-60 day payment terms when possible

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WHAT KIND OF FINANCING IS RIGHT FOR YOUR BUSINESS?

- Working Line of Credit
- Asset Based Loan (ABL) – lending that is secured by an asset
<https://www.comcapfactoring.com/blog/what-is-asset-based-lending/>
- Factoring – <https://www.comcapfactoring.com/blog/financing-government-procurement-contracts/>
- Private Equity – consists of capital that is not listed on a public exchange
- Family and Friends
- “Angel” Money

BE PREPARED TO PROVIDE COMMITMENTS & DOCUMENTS

- Financial Statement (may need to be prepared by an outside CPA)
- Cash Flow Statement
- Profit and Loss Statement
- Personal Financial Statement
- Personal and Corporate Tax Returns
- Personal Guarantee
- Cash Collateral may be requested
- Assignment of Contract to your lending institution – this action must be approved by your administrative procuring activity

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WHEN DOES FINANCIAL ASSISTANCE MAKE SENSE? WHAT KIND OF FINANCING IS RIGHT FOR YOUR BUSINESS? ARE YOU MANAGING YOUR CASH FLOW EFFECTIVELY? WHAT DO BANKS LOOK FOR?

- CREDIT HISTORY – your credit history can also drive the interest rate you may be offered.
- CHARACTER – having a well known reputation in the community – be passionate about your company – if you don't believe in yourself – why would anyone else? Show integrity.
- CAPACITY TO MANAGE THE BUSINESS AND **MANAGE YOUR CASH FLOW**
 - What is your ability to repay the loan
 - What is your projection on your company turning a profit
 - How will needed assets be financed – debt or equity – re-investing in your company's growth and using company profits to grow your business will assist in securing a loan
- COLLATERAL AND GUARANTEES – be prepared to personally guarantee your business as a key executive or owner.
- CONTEXT OF THE BUSINESS – create a business plan that states the nature of your business objective, your goals, outside elements that will help your growth, how you intend to reach your objectives.
- CONDITIONS OR TERMS OF THE LOAN – how much do you require, what type of term are you looking for, how will the funds be used?

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LEARNING HOW TO SEEK FINANCING FOR YOUR SMALL BUSINESS

- NJ Small Business Development Center (SBDC) through Brookdale Community College and Ocean County College offer many inexpensive workshops –
 - Business Startup
 - How to write a Business Plan
 - How to finance your small business
 - Record Keeping
 - Many, many more - <https://www.mosbdc.com/training/financing-small-business/>

AGENCIES AVAILABLE TO SMALL BUSINESSES TO ASSIST IN SECURING FINANCING

- Small Business Association (SBA) – the SBA reduces risk for the lender, enabling easier access to capital for the small business - <https://www.sba.gov/funding-programs/loans>
- New Jersey Economic Development Authority (NJEDA) – many programs available to assist small businesses in the NJ area - <https://www.njeda.com/>

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KEY CONSIDERATIONS TO BECOMING AND STAYING SUCCESSFUL

- Keeping your indirect costs to a minimum
- Building customer relationships
- Understand your customer's requirement(s)
 - What do you offer that the customer wants – how is your service or product better than your competitor's?
- Becoming well-known and respected in your community –
 - Join your local Chamber of Commerce
 - Search for community networking groups
 - Attend industry and trade shows
- Treating your employees with respect
- Pursuing opportunities that are within your knowledge area

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KEY CONSIDERATIONS TO BECOMING AND STAYING SUCCESSFUL (Cont)

•BUILDING YOUR BACK-OFFICE BACKBONE

- Personnel you can trust
- Financial Accounting System
- Outside accountant (or firm) that understands how to spell Government Contracting and that understands what the Defense Contract Audit Agency (DCAA) requires for compliance - you will need to have an approved accounting system when bidding on Cost-Type Government Contracts
- Understanding how to work and get paid through the Defense Finance & Accounting Services (DFAS) –
 - Vendor iRAPT (formerly Wide Area Workflow-WAWF) –
<https://www.dfas.mil/contractorsvendors/irapt.html>
 - Information Technology Systems & Services (ITSS) awards under Open Market, NETCENTS-2, etc. as outlined in the award utilize GSA Assist –
<https://portal.fas.gsa.gov/web/guest/home?metaAlias=/nba/sp&idpEntityID=E06R6S-SECAUTH01&NameIDFormat=transient&RelayState=https://portal.fas.gsa.gov>
 - SSA requires invoice to be submitted via email –
OTAPS.DAPS.INVOICES@SSA.GOV

A DREAM AND A VISION



EPS has grown from a two-person business in 1983 to a 20-year average of approximately 300 employees today. We support the U.S. Military at installations around the world, as well as from our field offices located strategically throughout the United States. EPS' employee base is comprised of a diverse pool of dedicated professionals with varying levels of experience and education. We seek highly qualified personnel from the military, industry, and academia who possess backgrounds and educations from technical certifications up to doctorate degrees in a wide array of disciplines. Approximately 60 percent of our personnel hold security clearances up to Top Secret/SCI.

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Questions??

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