



EDUCATION AND ACCESS FOR WOMEN
IN FEDERAL CONTRACTS



Women Accessing Capital Program:

National program from WIPP's "Women, Money and Opportunity" series.

The program is designed to educate women business owners on how to secure the money that will support and grow your business.

www.WomenAccessingCapital.com



Give Me 5

- National program from WIPP & American Express OPEN designed to educate women business owners on how to apply for and secure federal procurement opportunities.
- Give Me 5 works to increase the representation of Women Business Owners that win government contracts by providing resources and information to make it easier for them to register their businesses with the Central Contractor Registry (CCR). This is a requirement to gain eligibility to apply for federal contracts.
- Women Business Owners could gain more than \$5 billion in annual revenues if the 5% contracting goal set by Congress was reached.



Women Impacting Public Policy (WIPP)

- The Voice for Women in Business in our Nation's Capital.
- National nonpartisan public policy organization that advocates for and on behalf of women in business, strengthening their voice in the legislative process, creating economic opportunities and building bridges and alliances to other small business organizations.
- Representing over half a million Women Business Owners including over fifty business organizations.
- Thirty local Instant Impact teams across the country engaging with legislative officials and the business community to advocate for Women Business Owners.



Before we begin ... just a few notes:

- During the presentation lines will be muted so only presenters can be heard.
- While you are listening please also put your phone on mute
- Do NOT put your phone on hold – please hang up and call back
- If having trouble viewing the presentation – please close out and log in using a different browser
- If your slides are not moving please refresh or log out & then log back in
- If you have any questions during the presentation, please feel free to enter them into the discussion box on the bottom left of your screen



Give Me 5 260: Successful Contract Financing

Presented by:

Course Moderator: Pamela J. Mazza, Managing Partner, PilieroMazza PLLC

Course Panelists: Bridget Bean, SBA Washington Metropolitan Director

Kwesi Rogers, President & CEO, Federal National Payables, Inc.

Dean Nordlinger, Counsel, PilieroMazza PLLC

Arya Parvizi, Vice President, M&T Bank



Moderated by:



Pamela J. Mazza,
Managing Partner
PilieroSuzanne PLLC



Course Goals or Agenda

- SBA Lending Program
- A banking perspective on the SBA CAPLine Program
- Alternative financing
- What owners need to consider when accepting financing



Course Moderator:

**Pamela J. Mazza, Managing
Partner, PilieroMazza PLLC**



Bridget Bean,
SBA Washington Metropolitan District
Director



Arya Parvizi, Vice President, M&T Bank



SBA CAPLines,

Please see supplemental document



SBA Program Highlights-2012,

Please see supplemental document



Kwesi Rogers,
President & CEO, Federal National
Payables, Inc.



Alternative Financing



Financing the First Government Contract



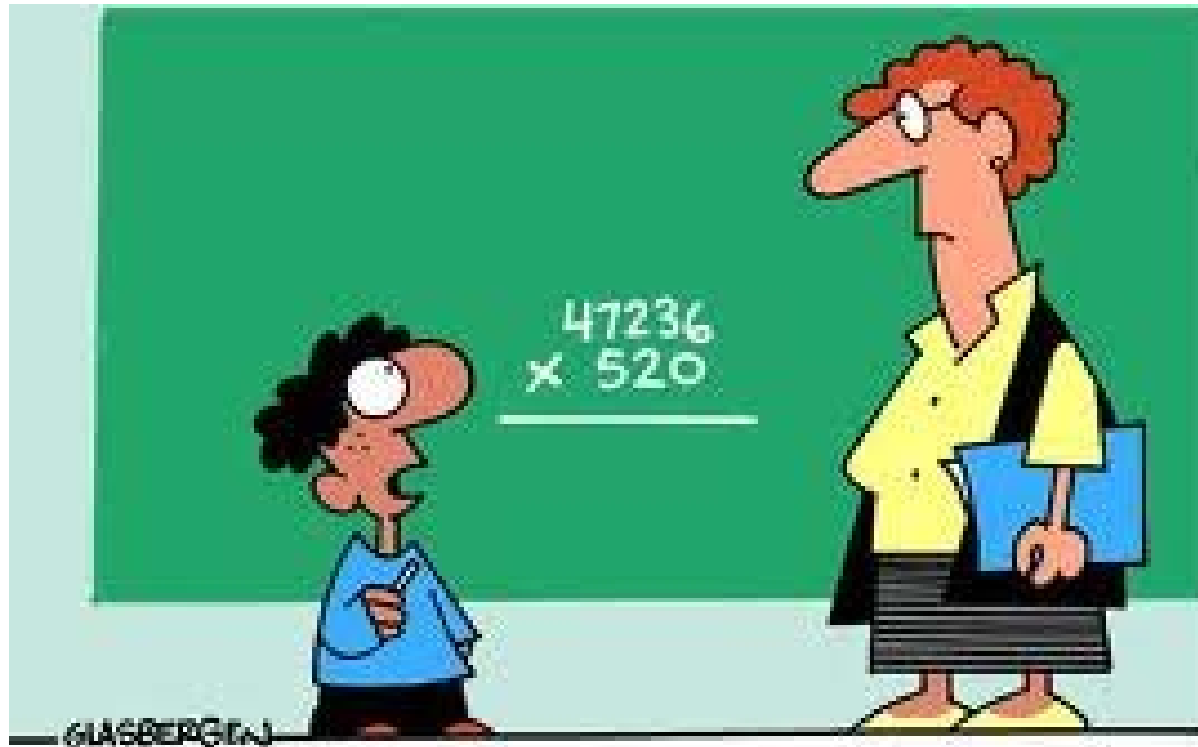
"Of course it's only one dollar...
It's a small business loan."



Declined Loan Request



So what is the answer?



"AREN'T THERE ENOUGH PROBLEMS IN THE WORLD ALREADY?"



Bootstrapping

Alternate Revenue

- i.e. Delayed departure from current employer
- Customer prepayments, early payment discounting
- Supplier financing extended terms
- Bartering
- Outsourcing



Contract Terms

- Hold All your clients accountable to their terms
- Invest in your finance/ accounting structure



Equity Investors

Types of Investors

- **Unsophisticated Investors**
 1. Inexperienced can be high maintenance
 2. Time Horizon 5 to 7 years
- **Accredited High Net Worth**
 1. Lower Maintenance than unsophisticated investors
assuming they know the business
 2. Time Horizon 3 to 7 years
- **Professional Investors**
 1. Efficient Managers
 2. Time Horizons 3 to 5 years



You may now Kiss the Bride



“You may now kiss the bride.”



Do your Homework

Divorce is Expensive



"I know you're my husband! I still want you to handle our divorce!"



Factoring

A Business sells its accounts receivable at a discount in exchange for a cash advance



search ID: dcr0165

© Original Artist

Reproduction rights obtainable from
www.CartoonStock.com



Firms who borrow from Factors

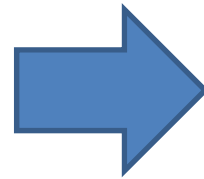
- Start Up
- Early Stage
- Rapid Growth
- Limited Infrastructure
- Limited Reporting Capability
- Limited Net Worth



Financing Criteria

5 C's

1. Character
2. Credit
3. Cash Flow
4. Capability
5. Collateral



J.P. Morgan : 3C's & 3P's

3 C's

1. Character
2. Character
3. Character

3P's

1. Can they Pay?
2. Will they Pay?
3. Can I make them Pay?



Dean Nordlinger, Counsel, PiliroMazza PLLC



Commercial Lenders

- ❑ **Creditworthiness** – the lender’s financial and non-financial analysis of company to determine
 - (1) whether company qualifies for a loan, and
 - (2) if qualified, the interest rate on the loan.

- ❑ **Lender’s creditworthiness analysis** – a lender will analyze and assess, among other things, a company’s
 - (1) financial statements and tax returns,
 - (2) management team’s quality and experience,
 - (3) business plan(s), and
 - (4) physical facilities.

Commercial Lenders

(continued)

- **Lender's inquiry tied to creditworthiness** – a prospective lender will further vet a company by inquiring into, among other things,
 - (1) the amount and purpose of the loan,
 - (2) proposed repayment plan and the company's source of funds for repayment,
 - (3) diligence on the company's business and operations, including near-term growth prospects,
 - (4) financial resources of any guarantors,
 - (5) diligence on company management, and
 - (6) if a secured loan, the lender may conduct an objective valuation (*e.g.*, appraisal) on the company's collateral (*e.g.*, accounts receivable, inventory and equipment).

© PilieroMazza PLLC



Loan Agreement: Borrower's & Lender's Goals

- ❑ **Borrower's Goal:** negotiate a fair and reasonable loan agreement that allows borrower to continue to operate and grow its business
 - Reasonable loan covenants versus lender's standard or boilerplate covenants which may be unduly restrictive or burdensome

- ❑ **Lender's Goal:** negotiate a loan with reasonable controls on and monitoring of borrower's business activities to ensure receipt of loan payments and eventual repayment of principal advanced
 - Key Financial Ratios (frequently incorporated in the loan agreement)
 - Liquidity ratios - measure borrower's short-term liquidity and ability to pay debts as they come due (*e.g., current ratio*)

Loan Agreement: Borrower's & Lender's Goals

(continued)

- Profitability ratios – measure borrower's net profits in relation to assets, shareholder's equity and sales (*e.g.*, return on assets)
 - Turnover ratios – measure activity (changes) in borrower's A/R and inventory (*e.g.*, A/R turnover)
 - Leverage ratios – measure borrower's use of loaned funds to expand its operations (*e.g.*, debt-to-equity)
- ❑ **The “weight” of the covenants** – light versus heavy – driven by the strength of borrower's balance sheet and (lender's perceived) level of business risk

© PilieroMazza PLLC



Federal Government Contractors

Example Revolving Line of Credit – Loan Terms

- Bank will finance billed A/R up to 90 days
- Bank will finance billed A/R prime federal government contracts with advance rates up to 90%
- Bank will finance billed A/R subcontract federal government contracts with advance rates up to 80%
- Bank will finance billed commercial A/R up to 80%
- First priority security interest in all of borrower's business assets

© PilieroMazza PLLC



Loan Compliance – “Best Practices”

- ❑ Loan agreement as living document (not to be ignored)
- ❑ Create a Covenant Compliance Checklist
 - Read *and* understand all financial and non-financial loan requirements
 - Legal, finance and operations teams use checklist to match operating performance to loan requirements
- ❑ Create a Model for Covenant Forecasting
 - To forecast and monitor financial covenant compliance
- ❑ Consequences of Non-Compliance
 - Typically, technical defaults require
 - Borrower to negotiate a waiver or an amendment to the loan agreement
 - Borrower to pay its and lender’s counsel’s fees for any waiver or amendment
 - Borrower to pay a waiver or amendment fee (or a higher interest rate on the loan going forward)

Loan Agreement

- ❑ Negotiation and Compromise
 - lender (maximize assurance of repayment) versus borrower (ability to operate strategically with fewest restrictions possible)

- ❑ Make Sure Reps, Warranties, Covenants and Events of Default Are Livable
 - Materiality, reasonableness and knowledge qualifiers
 - Grace, notice and cure periods
 - Avoid overly restrictive covenants
 - Analyze financial covenants against past and projected financial performance to confirm realistic compliance
 - Want to avoid being in automatic or near immediate default
 - Carve-outs for anticipated activities (*e.g.*, issuances of equity to employees under stock option plan, sales of assets not in core business, acquisitions not to exceed \$X)
 - Right to prepay without penalties or early termination fees

Federal Government Contractors

(continued)

- Current Ratio - 1.25:1
- Debt Service Coverage Ratio – 1.5:1
- Leverage Ratio - 3.5:1
- Net Profit Margin 4%
- Reviewed or Audited Financial Statements
- Personal Guarantees
- Lender's Right to Require Future Assignments of Prime Contracts With a Minimum Value Of \$750K With 6 Months Remaining In Duration

© PilieroMazza PLLC



Course Review

- **SBA Lending Program**
- **A banking perspective on the SBA CAPLine Program**
- **Alternative financing**
- **What owners need to consider when accepting financing**



Questions?



EDUCATION AND ACCESS FOR WOMEN
IN FEDERAL CONTRACTS

Pamela J. Mazza, Managing
Partner, PilieroMazza PLLC
pmazza@pilieromazza.com

202-857-1000

<http://www.pilieromazza.com/>

Thank You For Participating!

- Your feedback is important to us! Take a moment to share your thoughts on the brief Feedback Survey that will accompany the presentation links via email.
- This call will also be posted on giveme5.com, under the resources tab.





- Join a policy issue committee and learn how policy can impact your business growth
- Make your voice heard - become a member of our national Instant Impact Advocacy Team
- Participate in our educational series – unlimited opportunities for you and your staff
- Receive weekly policy updates and briefings

1-888-488-WIPP
www.wipp.org

Questions? Contact WIPP Staff

Program Specialist: AnnaKate Kallay • akallay@wipp.org • (415) 434-4314
Small Business Policy Analyst: Matt Boyle • mboyle@wipp.org • (415) 434-4314
Membership Coordinator: Hannah Starkel • hstarkel@wipp.org • (415) 434-4314

©2011 WIPP All Rights Reserved
www.WIPP.org
www.WomenAndTechnologyToday.com
1-888-488-WIPP

WIPP, Inc. does not guarantee the accuracy, completeness, or timeliness of the information provided in the Women and Technology Today courses. WIPP, Inc. is not responsible for and expressly disclaim all liability for damages of any kind or nature, whether direct or indirect, including but not limited to, consequential, compensatory, actual or incidental, arising out of the use, reference or reliance on information provided in the Women and Technology Today courses.

Programs Powered by WIPP:

Give Me 5 is a part of the *Women, Money and Opportunity* series, which combines resources and the wealth of knowledge within the WIPP community to educate women business owners.



Give Me 5
WIPP Gateway Program
for Federal Contracting
www.GiveMe5.com



Entrepreneurs, Energy & Environment
WIPP Gateway Program for
Opportunities in Energy & Environment
www.EntrepreneursandEnergy.com



JOIN WIPP!

Call 415-434-4314

or contact

Hannah Starkel

hstarkel@wipp.org



Women Accessing Capital
WIPP Gateway Program
for Securing Funding
www.WomenAccessingCapital.com



Women and Technology Today
WIPP Gateway Program for
Understanding Technology in Business
www.WomenandTechnologyToday.com

