

Government Contracting Assistance

United States Small Business Administration

INDIANA DISTRICT OFFICE

8500 Keystone Crossing, Suite 400
Indianapolis, IN 46240

Hours of Operation:
8:00 a.m. to 4:30 p.m. (Mon - Fri)
www.sba.gov/in

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The U.S. government is the world's largest buyer of products and services. Purchases by military and civilian installations amount to nearly \$200 billion a year and include everything from complex space vehicles to janitorial services to cancer research. In short, the government buys just about every category of commodity and service available.

By law, federal agencies are required to establish contracting goals, such that 23% of all government buys are intended to go to small businesses. In addition, contract goals are established for women-owned businesses, small disadvantaged businesses, firms located in HUBZones, veteran and service disabled veteran-owned businesses. It is up to you to market and match your business products and services to the buying needs of federal agencies.

Selling to the federal government is, in some ways, similar to selling to the private sector. While federal procurement procedures may have a different set of rules and regulations, many of the same marketing techniques and strategies you already employ may work here. Before going forward, take a moment to think about your company's products and services. Take a close look at your company and consider what the government will look for when considering your company for a contract award. Financial status, staff capabilities and track record are all of interest to the government.

Getting Started

- Obtain a D-U-N-S Number.
The US Government & many major corporations require their suppliers to have a D-U-N-S Number. A number can be obtained online at www.dnb.com/us
- Register in the Central Contractor Registry (CCR)
The CCR is the primary vendor database for government contracting and is a requirement for both current and potential vendors in order to be awarded contracts. The "Dynamic Search Engine" feature of CCR allows both government and private buyers to search for small business sources for their procurement opportunities. This search engine is also the authoritative source for 8(a), SDB & HUBZone Certified companies. To register in the CCR on line: www.ccr.gov.
- Find procurement opportunities
FedBizOpps is the single government point-of-entry (GPE) for Federal government procurement opportunities over \$25,000. Government buyers are able to publicize their business opportunities by posting information directly to FedBizOpps via the Internet. Through one portal - FedBizOpps (FBO) - commercial vendors seeking Federal markets for their products and services can search, monitor and retrieve opportunities solicited by the entire Federal contracting community. The URL is <http://www.fedbizopps.gov>.

Federal Certification Programs

Although certifications are **not required** to do business with the Federal Government, if a small business qualifies they can be beneficial. These programs allow agencies to meet their objectives under the various sub-categories of their small business goals. The Federal Programs available at this time and requiring SBA certification are the following:

8(a) Business Development Program

The 8(a) Program is designed to assist in helping socially and economically disadvantaged entrepreneurs to compete in the Federal contracting arena and to assist in taking advantage of greater subcontracting opportunities available from large firms. Companies that are 8(a) firms automatically qualify for Small Disadvantaged Business (SDB) certification, which is another program administered by the SBA to help socially and economically disadvantaged businesses that may be just starting or in a growth stage.

Benefits of the 8a Program include: 1) Participants can receive sole-source contracts, up to a ceiling of \$3 million for goods and services and \$5 million for manufacturing, and 2) Federal acquisition policies encourage Federal agencies to award a certain percentage of their contracts to SDBs. Please note, the 8a Program does not guarantee federal contracts. Rather, the 8a program is designed to assist the 8a firm with business development as well as contracting opportunities within the federal government.

Marketing to the federal government is highly encouraged as an 8a firm.

To qualify for the program:

- Qualifying firm must be small according to applicable size standards for small business concerns. Firm must also be owned and controlled by a socially disadvantaged individual(s) who unconditionally owns at least 51% of the business. Under the Small Business Act, certain presumed socially disadvantaged groups include African Americans, Hispanic Americans, Asian Pacific Americans, Native Americans, and Subcontinent Asian Americans. An individual who is not a member of a designated group may still claim social disadvantage based on a "preponderance of evidence". The social disadvantage must be based on at least one objective distinguishing feature, such as race, ethnic origin, gender, physical handicap, long-term residence in an environment isolated from the mainstream of American society, or other similar causes not common to individuals who are not socially disadvantaged. The experiences must have been in American society, not in other countries, and must have been substantial and chronic.

- Firm must also be majority-owned by an economically disadvantaged individual(s), whose net worth cannot exceed \$250,000, excluding the value of the business and personal residence.
- Proof of 2 years operation in the firm's primary industry.
- display reasonable success potential, which includes the business having a positive net worth; and display good character.

Although the 2-year requirement may be waived, firms must continue to comply with various requirements while in the program. You can apply to the 8(a) Program electronically at www.sba.gov/8abd

Small Disadvantaged Business (SDB) Certification and Eligibility

SBA certifies small businesses that meet specific social, economic, ownership, and control eligibility criteria. The guidelines are designed to ensure that benefits used in the federal procurement program are fair and effective, and conform to the U.S. Supreme Court's 1995 Adarand court decision.

Eligibility Requirements

Qualifications for the program are similar to those for the 8(a) Business Development Program. A small business must be at least 51% owned and controlled by a socially and economically disadvantaged individual or individuals. African Americans, Hispanic Americans, Asian Pacific Americans, Subcontinent Asian Americans, and Native Americans are presumed to qualify. Other individuals can qualify if they show by a "preponderance of the evidence" that they are disadvantaged. All individuals must have a net worth of less than \$750,000, excluding the equity of the business and primary residence. Successful applicants must also meet applicable size standards for small businesses in their industry.

Benefits of SDB Certification

Under the government's reformed affirmative action rules, small disadvantaged business are eligible for price evaluation adjustments of up to 10 percent when bidding on federal contracts in certain industries. The program also provides evaluation credits for prime contractors who achieve SDB subcontracting targets. The program is intended to help federal agencies achieve the government-wide goal of 5 percent SDB participation in prime contracting. You can apply to the 8(a) Program electronically at www.sba.gov/8abd

HUBZone Empowerment Contracting Program

The HUBZone Empowerment Contracting program provides federal and prime contracting opportunities for qualified small businesses located in distressed areas. HUBZone stands for "historically underutilized business zone". Fostering the growth of these contractors as viable businesses, for the long term, helps to empower communities, create jobs, and attract private investment.

Eligibility includes all of the following criteria:

- The business must be located in a "historically underutilized business zone" or HUBZone.
- The business must be owned and controlled by one or more US Citizens, and
- at least 35% of its employees must reside in a HUBZone.

To determine if your business is in HUBZone, go to www.sba.gov/hubzone. At the home page, click on "Are You in a HUBZone?", and type in your business's address.

Benefits of the HUBZone Program: There are four types of HUBZone contract opportunities:

Competitive: Contracts can be set-aside for HUBZone competition when the contracting officer has a reasonable expectation that at least 2 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 the contracting officer determines that only one qualified HUBZone SBC is responsible to perform the contract, 2 or more qualified HUBZone SBCs are not likely to submit offers and the anticipated award price of the proposed contract, including options, will not exceed:

- \$5 million for a requirement within the North American Industry Classification System (NAICS) code for manufacturing or
- \$3 million for a requirement within all other NAICS codes

Full and open competitive contracts can be awarded with a price evaluation preference. The offer of the HUBZone small business must not be 10 percent higher than the offer of a non-small business.

Subcontracting: All subcontracting plans for large business Federal contractors must include a HUBZone subcontracting goal.

To apply for HUBZone certification, you may complete the application via the internet at www.sba.gov/hubzone.

Surety Bond Guarantee Program

The U.S. Small Business Administration's (SBA) Surety Bond Guarantee Program guarantees bonds issued by surety companies for construction, service and supply contracts.

What is a Surety Bond?

A surety bond is a three-party instrument between a surety, the contractor and the project owner. The agreement binds the contractor to comply with the terms and conditions of a contract. If the contractor is unable to successfully perform the contract, the surety assumes the contractor's responsibilities and ensures that the project is completed. Contract bonds that may be covered by an SBA guarantee are:

1. Bid Bond - guarantees that the bidder on a contract will enter into the contract and furnish the required payment and performance bonds.
2. Payment Bond - 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 - guarantees that the contractor will perform the contract in accordance with its terms.

Who Needs a Surety Bond?

Some small and newer contractors have the knowledge and skills necessary for success. However, they may lack the combination of experience and financial strength to obtain bonds through regular commercial channels. SBA's Surety Bond Guarantee Program is for these businesses.

How Does the SBA Guarantee Work?

The SBA reimburses a participating surety (within specified limits) for the losses incurred as a result of a contractor's default on a guaranteed bid bond, payment bond, performance bond or any bond that is ancillary with such a bond. Bonding is considered under two programs - the Prior Approval program or the Preferred Surety Bond program.

Under the Prior Approval program, the agent reviews the application package and recommends it to the surety company for approval. If the surety company agrees to issue a bond with the SBA guarantee, the package is forwarded to the appropriate SBA Surety Bond Guarantee Area Office for evaluation. If the applicant is determined to be qualified and approval is reasonable in light of the risk, SBA may issue a guarantee to the surety company. The surety then issues the bond to the contractor. SBA's guarantee agreement is with the surety company not with the small business contractor.

Any surety company certified by the U.S. Treasury to issue bonds may apply for participation in the Prior Approval program, but its bonds are subject to SBA's prior review and approval. Contractors bonded under this program are generally smaller and less experienced than contractors bonded under the Preferred Surety Bond program.

The Preferred Surety Bond program was created to encourage the larger surety companies to expand their efforts to help small businesses obtain bonds. Sureties participating in the Preferred program cannot participate in the Prior Approval program.

How Does the Contractor Obtain the Surety Bond?

Contractors can apply for a specific bond with an agent or surety company of their choice. They provide background, credit and financial information required by the surety company and the SBA. The agent or surety company has all the required SBA forms.

After the contractor completes the forms and furnishes the surety company with sufficient underwriting information, the surety company processes and underwrites the application in the same manner as any other contract bond application. The surety company decides whether to:

- Execute the bond without the SBA's guarantee;
- Execute the bond only with the SBA's guarantee; or
- Decline the bond even with the SBA's guarantee.

Under the Prior Approval program, the SBA determines an applicant's ability to complete the contract based on the information, documentation and underwriting rationale provided by the surety company. If the review establishes performance capacity, and all other aspects of the application are approved, an authorized SBA official signs a guarantee agreement and returns it to the surety company. If the review fails to establish performance capacity, the SBA seeks clarification from the surety underwriter. If performance capacity cannot be reasonably assured, the SBA rejects the application.

What is the Cost of an SBA Guaranteed Bond?

SBA does not charge contractors an application or bid bond guarantee fee. If SBA guarantees a final bond, the contractor must pay a guarantee fee equal to a certain percentage of the contract amount. The percentage is determined by SBA.

When the bond is issued, the small business pays the surety company's bond premium. This charge cannot exceed the level approved by the appropriate state regulatory body.

The surety company pays the SBA a guarantee fee on each guaranteed bond (other than a bid bond) in the ordinary course of business. The fee is a certain percentage of the bond premium and is determined by SBA.

**PREFERRED SURETY BOND (PSB) GUARANTEE
SURETY PARTICIPANTS
March 2006**

Western Surety Company (CNA)

5151 San Felipe, Suite 1800

Houston, TX 77056

Contact: Susan White

Toll Free: 1 (888) 267-8302

susan.white@cnsurety.com

Direct (713) 722-4618 FAX (713) 513-6296

SAFECO INSURANCE COMPANIES

Safeco Insurance Company

First National Insurance Co. of America

Adams Building – 3

4634 154th Place NE

Redmond, WA 98052

Contact: Yvonne Bove; (425) 376-6560

Mike McLeod; (425) 376-6524

Tim Mikolajewski; (425) 376-6564

bonboy@safeco.com

mikmcl@safeco.com

Fax (206) 545-5664

**The Explorer Insurance Company
Insurance Company of the West**

11455 E. Camino Real

San Diego, CA 92130-2045

Contact: Jeff Sweeney

(858) 350-2734

jsweeney@icwgroup.com

Mary Cobb (858) 350-2424 EXT 2424

mcobb@icwgroup.com

FAX (858) 350-2707

Great American Insurance Company

11353 Reed Hartman Hwy

Cincinnati, OH 45241

Contact: Stephen Sullivan

(513) 412-9158

Fax (513) 530-8870

Sullivan@gaic.com

ST. PAUL/TRAVELERS COMPANIES

Farmington Casualty Company (TRAVELERS)

770 Penn Drive, Suite 110

Exton, PA 19341

Contact: Kimberly Forrest

(610) 458-2221 FAX (610) 458-2250

kforrest@stpaultravelers.com

PRIOR APPROVAL (PLAN A) SURETY PARTICIPANTS

March 2006

American Contractors Indemnity Company

9841 Airport Blvd., Suite 916

Los Angeles, CA 90045

Contact: Frank Lanak

1(800) 486-6695 FAX (310) 649-0416

Email: frankl@acicbond.com

Ace USA/IINA/Westchester Fire

Two Liberty Place

1601 Chestnut Street – TL33B

Philadelphia, PA 19103

Contact: William L. Kelly

(215) 640-1902 FAX (215) 640-5590

email: William.Kelly@ace-ina.com

Financial Pacific Insurance Company

P.O. Box 292220

Sacramento, CA 95829-2220

Contact: Eric J. Fedors

(916) 630-3841 FAX (916) 630-3765

email: efedors@financialpacific.com

Hartford Fire Insurance Company

520 Pike Street, Suite 1004

Seattle, WA 98101

Contact: Larry Christianson

(206) 346-0120 FAX (206) 621-8409

email: larry.christianson@thehartford.com

Insurors Indemnity Company

225 South Fifth Street

Post Office Box 2683

Waco, Texas 76702-2683

Contact: Tom Chase

(254) 759 3703 FAX (254)

email: tchase@insuors.com

The Guarantee Company of North America USA

100 Town Center, Suite 1800

Southfield, MI 48075

Contact: Greg Arnold (claims) ext 1040

Contact: Stephen Dullard (underwriting) ext 1005

(248) 281-0281 FAX (248) 750-0431

email: garnold@gcna.com

email: sdullard@gcna.com

Contractor Bonding & Insurance Company

1213 Valley Street

P.O. Box 9271

Seattle, WA 98109-0271

Contact: Erik Sirkin

(800) 765-2242 FAX (800) 950-1558

email: erics@cbic.com

Suretec Insurance Company

U.S. Specialty Insurance Company

5,000 Plaza on the Lake, Suite 290

Austin, TX 78746

Contact: April Cox

(512) 732-0099 FAX (512) 732-8011

email: acox@suretec.com

Pacific Indemnity Insurance CO

348 West O'Brien Drive

Agana, Guam 96910

Contact: Adam Baron

(671) 477-8801 FAX (671) 477-6290

email: pacificindemnitybonddept@yahoo.com

SBA SURETY BOND GUARANTEE PROGRAM

Participating surety Agents that work with Indiana businesses include, but not limited to.

A.I. King Insurance Agency, Inc.
8604 Allisonville Road, Suite 210
Indianapolis, IN 46250
Telephone: 317-841-6004
Contact: Al King or Al Brown

Gregory Wright Insurance
2255 Fox Hill Drive
Indianapolis, IN 46228
Telephone: 317-908-4899
Contact: Gregg Wright

Bridge Insurance & Financial Services, LLC
9133 N. Meridian Street, Suite 250
Indianapolis, IN 46260
Telephone: 317-846-2002
Contact: Mike Berger

J.M. Wilson Corporation
650 East Carmel Drive
Carmel, IN 46082
Telephone: 317-571-7700 or 800-538-4796
Contact: Chuck Doubler or Steve Kuykendall

Construction Capital Incorporated (CCI)
1710 N. Douglas Drive, Suite 110
Golden Valley, MN 55422
Telephone: 763-543-6993
Contact: Donald Zalk

Keith Mathews Agency
8766 South Street, Suite 210
Fishers, IN 46038
Telephone: 317-841-9988
Contact: Keith Mathews

Costin-Hubert Insurance, Inc.
7202 N. Shadeland Ave., Suite 222
Indianapolis, IN 46250-2031
Telephone: 317-570-7072
Contact: Cheryl Begle

Kervan Insurance
4803 East Michigan Street
Indianapolis, IN 46201
Telephone: 317-357-8601
Contact: Kevin Kervan or James Kervan

Fletcher Place Insurance
P.O. Box 1062
Indianapolis, IN 46206
Telephone: 317-523-0607
Contact: Bob West

Robert Keith and Associates
1750 N. Washington Street, Suite 112C
Naperville, IL 60563
Telephone: 603-955-0010 or 800-824-9023

The Forker Company
2019 N. Elizabeth Dr.
Arlington Heights, IL. 60004
Telephone: 847-392-9720
Contact: Peter Forker

Wargo Enterprises, Inc.
202 S. Michigan Street
South Bend, IN 46601
Telephone: 574-968-1531
Contact: Doug Dorman

Working with lending institutions, the U. S. Small Business Administration (SBA) offers a variety of financing options through a loan guaranty program. SBA guarantees loans made by banks or other private lenders to small business clients. By sharing the risk with the lender, the SBA guaranty reduces the probability of a loss to the lender and makes it easier for a small business client to borrow money. **SBA does not provide grants to start or grow a business.**

Prospective borrowers begin by visiting a local financial institution. The lender reviews the company's business plan; including company financial records, or projections if the company is just beginning operations, and plans for the use of the borrowed funds. The lender has information about SBA's loan guaranty programs and the lender has all of the required SBA application forms. **The prospective borrower does not need to contact SBA.** If the lender determines that the business meets SBA and the lending institution's eligibility and credit requirements, that lender can suggest which of the SBA guaranty programs would best suit that loan.

Basic Terms and Conditions of SBA-Guaranteed Loans

Eligibility Criteria

- The business must be operated for profit and qualify as a small business under SBA size standards. Size standards have been established for all for-profit industries in the North American Industry Classification System (NAICS). NAICS codes can be found via SBA's website at www.sba.gov/in/.
- The applicant must be of good character and demonstrate sufficient management expertise and commitment to provide reasonable assurance of a successful business operation.
- Loan applications must include historical earnings and cash flow records, and probable future earnings, that clearly demonstrate the ability to repay the loan.
- Generally, the SBA requires that the borrower have a minimum capital injection for a new business start-up or business acquisition equal to one-third of the total project cost. For an existing business, acceptable tangible net worth is required demonstrating that the business can operate on a sound financial basis.

7(a) Loan Guaranty Program

The 7(a) Loan Guaranty Program provides funds to existing or beginning businesses for almost any legitimate business purpose including the purchase of land, machinery and equipment, inventory, and working capital. Participating lenders loan the funds and the SBA guarantees a portion of the loan. The interest rate is negotiated between the lender and the small business owner, with a maximum limit set by the SBA. The length of the loan depends upon the use of the funds (fixed-assets, working capital, equipment, etc.). Contact your lender for more information.

What to take to the lender

While documentation requirements may vary, common requirements for an established business, include the following:

Business plan containing:

- Current balance sheet and past three (3) full years income (Profit & Loss)
- Projection of revenues, expenses, and profits for the next 12 months
- Cash flow projection for the next 12 months
- Narrative of major assumptions
- Current personal financial statement for each owner, partner, or stockholder
- List of collateral
- Statement of the amount and intended uses of the loan

For a new business:

- Business plan
- A detailed estimate of how much capital is needed to start
- Projection of revenues, expenses, and profits for the next 12 months
- Cash flow projection for the next 12 months
- Narrative of major assumptions
- List of collateral

504 Certified Development Company Program

The 504 Certified Development Company (CDC) Program provides growing businesses with long-term, fixed-rate financing for major fixed assets such as land and buildings. The program is designed to enable existing small businesses to create and retain jobs. Typically, a 504 project includes:

- A loan secured with a senior lien on the financed asset made by a private-sector lender (covering 50 percent of the fixed financing),
- A loan secured with a junior lien made by a CDC (funded by a 100 percent SBA-guaranteed debenture. A debenture is a debt instrument evidencing the holder's right to receive interest and principal installments from the named obligor. It applies to all forms of unsecured, long-term debt evidenced by a certificate of debt) covering up to 40 percent of the financing, and
- At least 10 percent is contributed by the small business.

The SBA-guaranteed debentures are pooled monthly and sold to private investors. The maximum SBA debenture generally is \$1.5 million (some exceptions available to \$4.0 million). Proceeds from 504 loans must be used for fixed-asset projects, such as:

- Purchasing land and improvements, including existing buildings, grading, street improvements, utilities, parking lots and landscaping;
- Construction, modernizing, renovating, or converting existing facilities; and
- Purchasing machinery and equipment.

The 504 program cannot be used for working capital or inventory, consolidating or repaying debt, or refinancing.

Terms, Interest Rates, and Fees

Interest rates on 504 loans are fixed at the time of the debenture sale. The interest rates approximate the current market rate for five- and 10-year U.S. Treasury issues, plus a small increment. Maturities of 10 and 20 years are available.

Collateral

In addition to the fixed asset mortgage, owners of 20 percent or more of the business must personally guarantee the loan.

Eligibility

To be eligible, a business with its affiliates must be operated for profit and fall with the size standards set by the SBA. The business must also have tangible net worth of \$7 million or less and an average net income of \$2.5 million or less after taxes for the preceding two years. Loans cannot be made to businesses engaged in speculation or investment.

For more information about SBA Programs and Services, visit www.sba.gov/in.

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