

Hosted by **SCORE**  | Washington DC

# Certifying as an 8(a) Company

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PRESENTED BY: MIKE PERCH, PMP

# About SCORE

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As a resource partner of the SBA, we help small businesses by:



Providing free  
business advice  
and mentoring



Offering low or  
no-cost business  
training



Sharing free business  
templates and  
resources

Request a SCORE mentor at [www.score.org/find-mentor](http://www.score.org/find-mentor)

# Your Presenter

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**Mike Perch** is the founder and owner of Road Map Consulting LLC (RMC) and is a subject matter expert in the fields of federal and state public procurement. He has 29 years experience in Federal Government Contracting, program management, training, and curriculum development, including 17 years as the owner of an 8(a) audio visual systems integration firm, which he sold in 2006.

RMC, founded in 2009, is a Federal Procurement Management Consulting and Training Firm that works with small businesses to gain admission to and operate within the federal 8(a) Program; works with firms to identify and obtain federal contracting vehicles, including GSA schedules; and trains, educates, and instructs on government contracting topics.

Mike has an M.S. Degree in Federal Procurement Policy from George Washington University Law School.

# Road Map Consulting, LLC

- Federal Procurement Management Consulting and Leadership Training Firm
- Grown to over 200 clients in the past year
- ISO 9001:2015 Certified
- Provide training and continued learning to organizations large to small
  - On GSA Professional Services Schedule, Nation-wide Training State Government IDIQ, Navy BPA
- Assist companies with GSA Schedule Proposal Support, Business Development, Contract Administration
  - GSA 360
  - SBA 360
  - Marketing and Capture Management (MCM) 360
- Expertise in providing a strategic “Road Map” for federal government contracting and successful business practices
- Sample Client List – SBDC, Navy Supply Corps School, George Mason University, International SOS

# What is the 8(a) Business Development Program?

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## 8(a) BD Program Objectives (Sec. 204 of Public Law 100-656)

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- “to promote the business development of small business concerns owned and controlled by socially and economically disadvantaged individuals...”
- “to promote the competitive viability of such concerns...”
- “to clarify and expand the program for procurement by the United States...”

# Benefits of the 8(a) Program

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- Ability to have contracts sole sourced up to \$4.5M per award and limited competition on 8(a) competitive procurements
- Contracting Officers have specific goals to award, usually between 3 – 5% of their acquisition budget, to SDB/8(a) firms
- Primes are incentivized to award to SDB/8(a)'s to meet their subcontracting goals, while allowing for business opportunities that they would otherwise not have available
- SBA Mentor Protégé Program
- Nine-year program tenure

# Term of Participation

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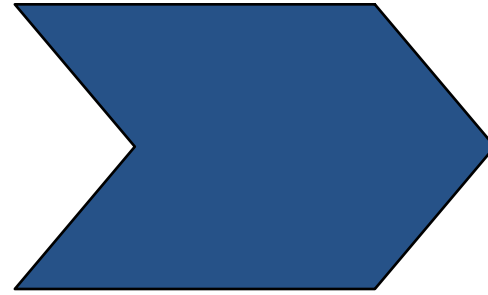
- START = Date of Approval

Year 1

2

3

4



**Developmental  
Stage**

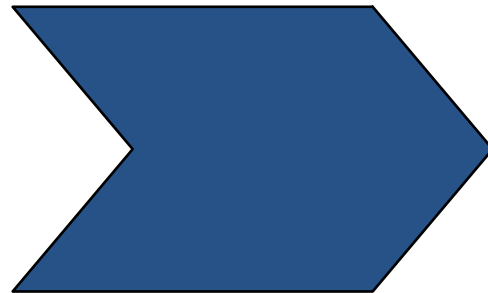
Year 5

6

7

8

9



**Transitional  
Stage**

# Eligibility Criteria

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# Socially Disadvantaged

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- Individuals are NO LONGER presumed to be **socially disadvantaged** if they are a U.S. Citizen and a member of one of the following groups:
  - Black American
  - Asian Pacific American
  - Hispanic American
    - (includes individuals of Spanish & Portuguese descent)
  - Native American
  - Subcontinent Asian American

*SBA has updated the application by adding a plain language fillable questionnaire for applicants to identify social disadvantage. Firms continue to have the option to prepare a social disadvantage narrative and upload it directly to [Certify](#).*

# Socially Disadvantaged



Individuals or persons who have been subjected to racial or ethnic prejudice or cultural bias because of their identities as members of groups, without regard to individual qualities.



# Economic Disadvantage

# Economically Disadvantaged

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**Economically disadvantaged** individuals are socially disadvantaged individuals whose ability to compete in the free enterprise system has been impaired due to diminished capital and credit.

# Net Worth Criterion

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- Adjusted net worth must be less than \$850,000

NET WORTH (Assets minus liabilities)

*Less:* Equity in primary residence

*Less:* Equity in business

*Less:* Retirement investments

*Equals* ADJUSTED NET Worth - has to be less than \$850,000

# Adjusted Gross Income Criteria

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- Applies to applicant only
- Adjusted gross income must be less than \$400,000 per year
- Averaged over the last three (3) tax years

# Personal Assets Criteria

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- Personal assets must be less than \$6,000,000
- Excludes your retirement accounts (IRA, 401(k), etc.)

# Ownership

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- At least 51% unconditional ownership by the disadvantaged individual(s)
- Partnerships: Agreements must reflect unconditional ownership
- Limited Liability Company: Disadvantaged individuals must own at least 51% of each class of member interest

# SBA Wants to Know, Who's in “Control”

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## What Constitutes Control?

# A Disadvantaged Individual Must:

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- Hold the position of President or Chief Executive Officer, Managing Partner, or LLC Managing Member
- Be the highest compensated individual
- Have the ability to Hire and Fire
- Have the ability to Set Policies
- Have the ability to Commit Firm to Contracts
- Have the ability to the control Budget and Financial Disbursement

# Tests

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- Does a disadvantaged individual or individuals devote full-time to the business?
- Do you have sufficient managerial experience to run the company?
- Do you have ultimate managerial control over individuals with technical expertise and/or critical licenses?

# **Do non-disadvantaged Individuals have the Ability to Control your firm?**

# Tests

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- Do contractual arrangements exist that allow a non-disadvantaged individual to control the firm?
- Is the non-disadvantaged individual a previous employer or supervisor?
- Does a non-disadvantaged individual:
  - Hold the critical license and have an equity interest in the applicant concern
  - Provide the necessary licenses or bonding
  - Have unlimited access to the business bank accounts
  - Provide critical financing
  - Control through business loan arrangements
  - Receive excessive compensation

# Eligibility Criteria

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- Have you ever been arrested? Are you currently on probation or parole? Need to disclose...
- Do you work full-time in the business without any outside employment?
- Do you hold the critical license (and you are the individual who qualified for that license) if required to perform contracts in the business area of the applicant firm?

# Eligibility Criteria (cont'd)

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- Is this the first time you have participated in the SBA 8(a) program?
- Has any immediate family member ever applied for 8(a) status or owned a business with an 8(a) status?
- Do you confirm that you or your company does not have an immediate family member, owner, officer, director, member or partner who has an ownership interest in another firm?

# Eligibility Criteria (cont'd)

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- Have you been in business for at least two years, with revenues in excess of \$100,000 in each of the previous two (2) years immediately preceding the year of the application and have already filed Federal taxes for both of these years?
- Does the business earn 70% or more of its revenue from a single client?
- Have you and your business satisfied any unpaid federal, state, or local obligations?
- Was there a change in the ownership or management of the applicant firm within the last two years?

# Two-Year Waiver: SBA May Waive the Two-Year Rule If:

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- The individual or individuals upon whom eligibility is to be based have substantial and demonstrated business management experience;
- The applicant has demonstrated technical expertise to carry out its business plan with a substantial likelihood for success if admitted to the 8(a) BD Program;
- The applicant has adequate capital to carry out its business plan as a Participant;
- The applicant has a record of successful performance on contracts from governmental and nongovernmental sources in the primary industry category;
- The applicant has, or can demonstrate, its ability to timely obtain the personnel, facilities, equipment, and any other requirements needed to perform such contracts as a Participant.

# Questions?

# SBA 8(a) Application

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# Forms Needed to Complete SBA Application

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- ~~Form 1010 - Business Information \*~~
- ~~Form 1010 - Personal Information \*~~
- ~~Form 912 - Statement of Personal History \*~~
- ~~Form 1623 - Certificate regarding disbarment \*~~
- ~~Form 4506 - Request for transcript from IRS \*~~
- Form 1790 - Representatives used
- Form 413 - Personal Financial Statement

\* no longer required as of June 1, 2018

# Personal Information to be Forwarded for SBA 8(a) Application

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- Personal Income Taxes – last three years
  - All associated 1099, W-2, etc.
  - Proof of payment
- ~~Economic and Social Narrative Statement~~
- Proof of Citizenship
- Resume
- Supporting documentation for SBA Form 413

# Corporate Information to be Forwarded with SBA 8(a) Application

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- Articles of Incorporation/Organization
- Organizational Meeting Minutes
- Minutes of the First Meeting of the Board of Directors
- Past 3 years of Board of Director Meeting Minutes
- Company Bylaws
- Buy-Sell/Voting/Shareholder Agreements
- Stock Ledger and Certificates
- Certificate of Good Standing

## Corporate Information to be Forwarded with SBA 8(a) Application (cont'd)

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- Corporate Tax Returns - last three years tax returns with proof of payment
- Corporate Financial Statements – last three years as well as interim YTD
- Associated licensure and insurance policies
- Corporate narrative/capability statement
- Bank Signature Card
- List of clients by date and dollar amount

# SBA 8(a) Misconceptions

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- It's not just an application, it's a process
- That the SBA welcomes you into the program vs. attempts to find fallacies in your application
- That only your company is securitized, not you as the 51% owner
- That once you are approved, you will automatically receive federal contracts

# SBA Perceived Risk Factors

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- Potential for success not demonstrated
- Economic dependence, or affiliation issues
- Issue of control – a front for another business or individual
- Too many other ventures
- Too many business partners
- Recent change of ownership
- Not in business long enough

# Characteristics of Successful 8(a) Application

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- Over two years in business
- A 100% owner since inception of the company
- 51% owner has a clean background
- Stable management
- Growing, diversified revenue volume
- Profitable
- Strong balance sheet
- Experience serving as a subcontractor to a prime
- Federal government demand for products and services

# SBA 8(a) Application FAQs

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- Percentage of applications returned – over 85%
- Average time to get approved 4 – 6 months
- Major reasons for not getting approved:
  - (1) incomplete package
  - (2) potential for success not met
  - (3) control issues detected
  - (4) affiliation issues
  - (5) greater than 70% of contracts with one customer

# Electronic Application

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[https://certify.sba.gov/users/sign\\_in](https://certify.sba.gov/users/sign_in)

# Resource Listing

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- [www.rmcfederal.com](http://www.rmcfederal.com) – Road Map Consulting, LLC
- [www.score.org](http://www.score.org) – SCORE
- [www.sba.gov](http://www.sba.gov) – SBA
- [www.irs.gov](http://www.irs.gov) - IRS
- [www.fpds.gov](http://www.fpds.gov) – Federal Procurement Data Center
- [www.acquisition.gov/far](http://www.acquisition.gov/far) - Federal Acquisition Regulations (FAR)
- <http://www.fbodaily.com/cbd/archive/> - Previous RFP's
- [www.SAM.gov](http://www.SAM.gov) – Listing of RFP's

# Questions?

Michael Perch, Managing Director

Road Map Consulting, LLC

1800 Diagonal Road, Suite 600

Alexandria, Virginia 22314

(703) 286-5426

[mperch@roadmapc.com](mailto:mperch@roadmapc.com)

[www.roadmapcontracting.com](http://www.roadmapcontracting.com)

# Helpful Links

- Find SCORE resources for small businesses at [www.score.org/templates-resources](http://www.score.org/templates-resources)
- Find more SCORE live and recorded workshops and courses at [www.score.org/get-business-training](http://www.score.org/get-business-training)
- Book an appointment with a SCORE mentor at [www.score.org/find-mentor](http://www.score.org/find-mentor)



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