



# Maximizing Market Value Prior to Exit

Presented by:

Gloria Larkin, TargetGov

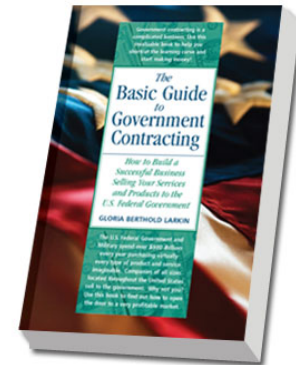
Kimi Murakami, PilieroMazza

# Presenter: Gloria Larkin

## CEO, Founder



- Nationally recognized federal contracting business development expert
- Author of *The Basic Guide to Government Contracting*
- Consultant & Trainer
- Clients have won \$4+ billion in federal contracts
- Quoted in Wall Street Journal, Washington Post, INC Magazine, Bloomberg
- Educational Foundation Board Chair Emeritus for WIPP.org
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# Presenter: Kimi Murakami



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Kimi Murakami advises clients on corporate, business and nonprofit matters, and specializes in mergers and acquisitions for government contractors. She provides counsel on corporate transactional matters for businesses including asset and stock acquisitions, mergers, and corporate restructuring. Kimi also has experience in government regulatory matters such as novations of government contracts, small business size, affiliation and recertification issues, and structuring joint ventures for 8(a) concerns and other small business government contractors.

# Before Getting Started

- Live Webinar
- Will Be Recorded
- Email questions to –  
[Questions@TargetGov.com](mailto:Questions@TargetGov.com)
- Link will be sent to recording and slides
- Please Take Our Survey

# Overview

- What drives market value?
- How to make your company more attractive to potential buyers
- What is unique about M&A in the federal marketplace?
- The best deal structures for a Seller
- Types of contracts that will maximize market value
- Leveraging socio-economic status to build and not detract value
- Mistakes to avoid

# What Drives Market Value?

- Open Contracts
- Types of Vehicles
- Modifications
- Task Orders
- Subcontracts/Vendor Agreements
- Pipeline
- Backlog
- CPARs/Audits
- Past Performance
- Management team

# What Drives Market Value?

- Identify contingent liabilities and other risks associated with the business (e.g., pending litigation and organizational conflicts of interest)
- Identify requirements for the proper transfer of ownership of the business to the Purchaser (e.g., corporate approvals from Seller, novations, third-party consents, etc.)
- Regulatory Compliance
- Financial Information of Seller
- Historic cash flow and Pro forma cash flow
- Balance sheets
- Debt service coverage ratios

# How to Make Your Company More Attractive to Potential Buyers

- Corporate Housekeeping in Order
- Corporate Records
- Formation Documents
- Equity Ownership
- Corporate Minutes
- Registrations, Licenses, and Permits
- Financial Reports and Tax Matters
- Bank Financing

# What is Unique About M&A In the Federal Marketplace?

- Structuring the Deal
- Small business affiliation issues
- Impact on Size
- Letter of Intent – Present Effect Rule
- Are these set-aside contracts?
- Small business?
- 8(a) contracts?
- Are there any pending proposals?
- Re-competes?

# What is Unique About M&A In the Federal Marketplace?

- What kinds of contracts?
- multiple award or schedule contracts
- cost reimbursable - DCAA audit
- What kind of work is performed?
- Import/Export Issues?
- Data rights?
- Are there security clearance issues?
- Are there OCI Issues?

# What is Unique About M&A In the Federal Marketplace?

- Non US Buyer
- FOCI
- CFIUS
- Other Agreements
- Pending Proposals
- Subcontracts
- Teaming Agreements
- Joint Ventures
- Mentor-Protégé Agreements

# What is Unique About M&A In the Federal Marketplace?

- Post Closing
- Novation
- Notification of Change of Ownership
- Consents
- Recertification

# The Best Deal Structures for a Seller

- Seller prefers Stock (Equity) Purchase
- All known (and unknown) liabilities to Buyer
- Higher level of due diligence
- No novation required (generally)
- By operation of law exception
- Change of name procedure
- Recertification (size status)

# The Best Deal Structures for a Buyer

- Buyer prefers Asset Purchase
- Title Transfer More Complicated
- Novation required
- Seller's Continued Existence
- Subcontracting
- Unwind

# Types of Contracts to Maximize Market Value

- Multi-year contract vehicles
  - Government-wide
  - Agency-specific
- GSA Schedules
- Full and open competition
- SB Set-aside
  - Specific socioeconomic type
- BPAs
- One-project contracts

# Leveraging Socioeconomic Status

- To build not detract value
- Create strong past performance
- Use as leverage to non-set-aside contracts
- How can a contract detract value
  - Winning a contract one cannot perform
  - Negative past performance
  - Or, once an 8(a) contract, always an 8(a) contract

# Mistakes to Avoid

- Only focus on your business type of set-aside
- Have a prime-only mindset
- Assume any contract can be assumed by a buyer
- Relying only on sole-source
- Only working within a small business mindset

# Wrap Up and Other Resources

- Check our websites: [www.targetgov.com](http://www.targetgov.com) and [www.PilieroMazza.com](http://www.PilieroMazza.com) for additional Information on our services
- Upcoming Webinars
- **Contact the Presenters:**
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- **General Questions:**
  - [Questions@targetgov.com](mailto:Questions@targetgov.com)
- **The Basic Guide to Government Contracting** By Gloria Larkin

