

Exploring Agreements: Teaming, Consulting and Joint Ventures



A Service Disabled Veteran Owned Small Business

Teaming Agreements and Joint Ventures

- FAR Subpart 9.6—Contractor Team Arrangements
- A Teaming Agreement or Joint Venture can be valuable tool when properly executed.
- Businesses teaming improve their ability to win larger government contracts.



Value Added by Teaming

- Complement each other's unique capabilities
- Offer a combination of the best performance, cost and delivery



Purpose

- Teaming Agreement
 - A potential prime contractor agrees with one or more other companies to have them act as its subcontractors under a specified Government contract.
- Joint Venture
 - Two or more companies form a partnership or joint venture to act as a potential prime contractor to the Government.



Joint Venture

- A business agreement where parties develop a new entity (most common in Government contracting is a LLC)
- The Operating Agreement governs the actions of the Joint Venture
 - Division of revenues and expenses
 - Liability is limited by the members holding shares

Operating Agreement

- What is an Operating Agreement
- What is the purpose of an Operating Agreement
- What is included in the Operating Agreement



What is a Independent Contractor/Consultant

- An Independent Contractor/ Consultant is an individual or an organization that provide personnel services to companies for a defined period of time.
- Normally assigned to a project that has a specific period of performance. A good rule is not more than 180 days for overhead work or for a specific project where the period of performance should be on the year-to-year basis.
- An Independent Contractor is responsible for their personal taxes, equipment and materials, business travel, etc



(IRS) Rules of an Independent Consultant

- Behavioral - Does the company control or have the right to control what the worker does and how the worker does his or her job?
- Financial - Are the business aspects of the worker's job controlled by the payer? (these include things like how worker is paid, whether expenses are reimbursed, who provides tools/supplies, etc.)
- Type of Relationship - Are there written contracts or employee type benefits (i.e. pension plan, insurance, vacation pay, etc.)? Will the relationship continue and is the work performed a key aspect of the business?



Consultants Add Value

- Most experienced, skilled individuals for a particular project
- Pay only for deliverables and value-added service
- Pay market rates for the job being performed
- Minimize project expense
- Does not add to employee head count

Consequences of Treating an Employee as an Independent Contractor

- Pay back taxes and penalties for federal and state income taxes, social security, medicare and unemployment
- Pay any misclassified injured employees workers' compensation benefits
- Provide employee benefits, including health insurance, retirement, etc.

Pros and Cons of Hiring Independent Contractors/ Consultants

- Pros
 - Reduce Overhead
 - No Health Benefits
 - Work on Demand
- Cons
 - Lack of Control
 - No Fixed Rates
 - Misclassification Penalty



Exploring Agreements

Questions?

