

# Maritime Defense Symposium September 13, 2016



**Department of Commerce**  
Innovation is in our nature.



**SHINE MICRO<sup>®</sup>**



# THANK YOU TO OUR SPONSORS



**Department of Commerce**  
Innovation is in our nature.



---

**SHINE MICRO®**

---

**Dave Hunt**  
**President & CEO**  
**Pacific Northwest Defense Coalition**  
**(PNDC)**



The Pacific Northwest Defense Coalition (PNDC) is the association of Northwest defense and security industry businesses.

PNDC focuses on strengthening our members' business growth, our region's economy, and our nation's security through training, one-on-one counseling, business-to-business networking, and advocacy.



# Pacific Northwest Defense Coalition (PNDC)

- Association for NW defense & security industry businesses
- Founded in 2005
- Now 230+ businesses
- Strengthening member's success, region's economy, and nation's security





**Networking**

**Training**

**Advocating**

**Counseling**

**Connecting**

**PACIFIC NORTHWEST  
DEFENSE COALITION**

**10  
YEARS**

**A DECADE OF SERVICE**

# 1. PNDC Networking

- ❖ Monthly Receptions @ Member Businesses
- ❖ VIP Summer Bash
- ❖ Annual Dinner
- ❖ Shooting Range Day
- ❖ Holiday Receptions
- ❖ & More!



## 2. PNDC Training

- ❖ Regular Procurement Webinars & Seminars
- ❖ Quarterly ITAR/EAR Trainings
- ❖ Defense & Homeland Security Symposia





# 3. PNDC Advocacy

- Convene regular Congressional Roundtable discussions to bring our members face-to-face with U.S. Representatives/Senators
- Ensure that Congress and federal agencies address the needs of Northwest defense/security businesses



# 4. PNDC Counseling

- Full-time Procurement Counselor assists companies navigate FARS/DFARS, registrations & certifications including DUNS, SAM, Dynamic Small Business Search, and Federal Biz Ops
- FREE bid match service for our Washington and Oregon Members!



# 5. PNDC Connecting

NWB2B: Online  
buyer/supplier business  
development tool for  
Northwest businesses



Superior Connections for NW Buyers and Suppliers



# **PNDC UPCOMING EVENTS SCHEDULE**

## **GSA Schedules: Overview, Trends, and Successes Webinar**

*Monday, September 19th*

## **Defense Exporting Seminar @ PNNL**

*Wednesday, September 21<sup>st</sup> @ PNNL in Richland, WA*

## **Defense Exporting Seminar @ Dorsey & Whitney**

*Tuesday, October 11<sup>th</sup> @ Dorsey & Whitney in Seattle, WA*

## **Supply Chain Opportunities Conference**

*Thursday, October 20<sup>th</sup> @ PDX Holiday Inn in Portland, OR*

## **PNDC 11<sup>th</sup> Annual Dinner**

### **Keynote: Secretary Frank Kendall & Leupold CEO Bruce Pettet**

*Wednesday, November 9<sup>th</sup> @ OR Convention Center in Portland, OR*

***For more info or to register: [www.pndc.us](http://www.pndc.us)***

## PNDC STAFF

Procurement Counselor: Carley Dirks

CPA/Bookkeeper: Leslie Everson

Program Coordinator: Molly Hefeneider

President & CEO: Dave Hunt

Puget Sound Event Coordinator: Emily Houg

Program & Events Director: Kate Kanapeaux

Marketing & Event Coordinator: Anna Rymill

Puget Sound Regional Mgr.: Amanda West

888-701-PNDC

[www.pndc.us](http://www.pndc.us)



**John Powers**  
**Executive Director**  
**Kitsap Economic Development**  
**Alliance ( KEDA)**





**POSITIONED FOR POSPERITY**



[www.kitsapeda.org](http://www.kitsapeda.org)

g

## **DECISION MAKERS II**



**October 12th from 3-6:00 pm**

**Suquamish Clearwater Casino Resort & Conference Center**

**Learn about International Trade and Foreign  
Direct Investment Opportunities in Kitsap and  
Greater Seattle Region**

**Visit our website for more information and to register!**



# CONTRACTING COFFEE HOUR

*Drop in help for your government contracting questions!*

*First Wednesday of the month,  
7:30-9:00 am at KEDA*



RSVP at [www.kitsapeda.org/ptac](http://www.kitsapeda.org/ptac) or <http://washingtonptac.org/events-workshops/>



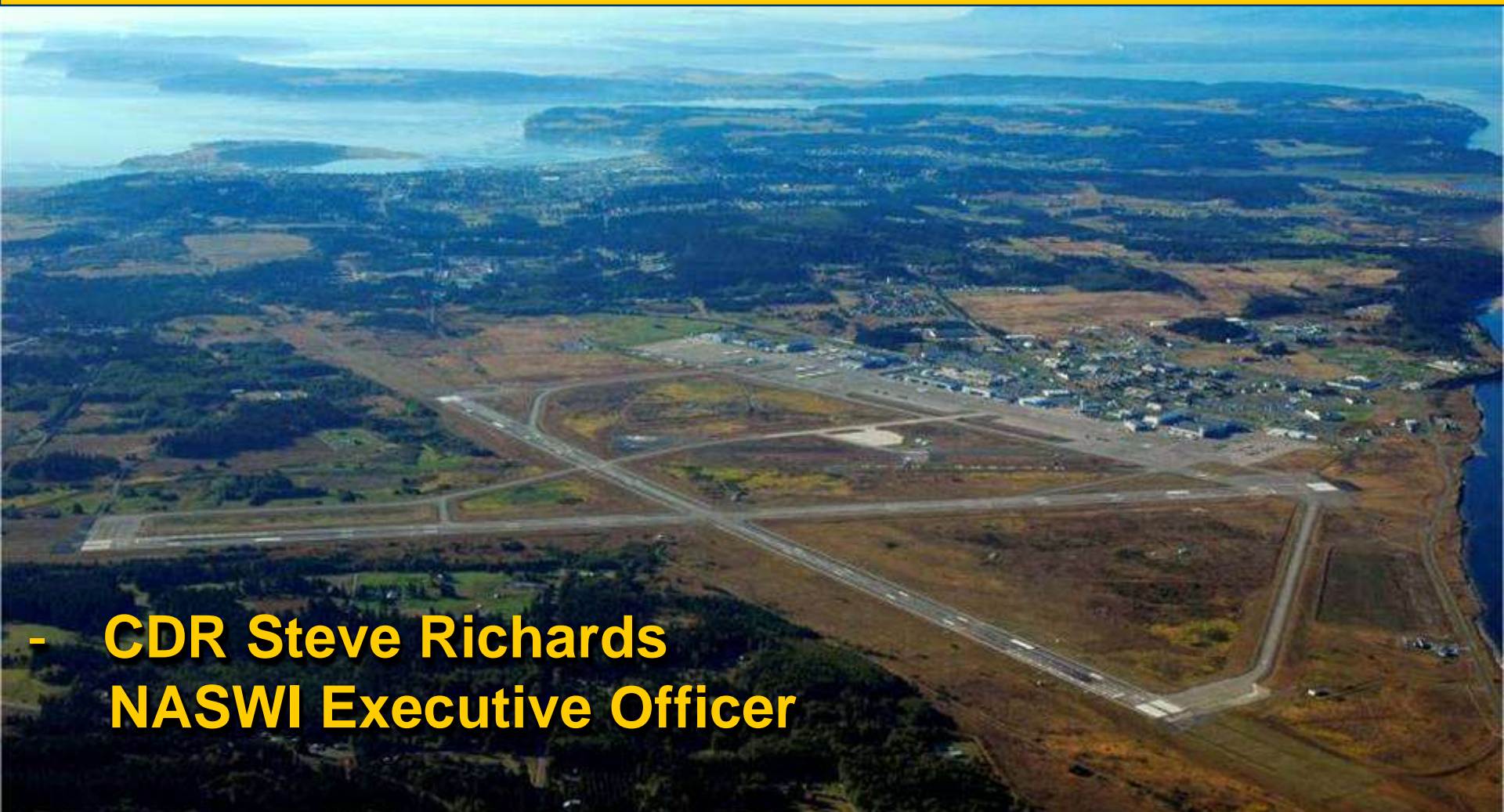
**Commander Steven M. Richards**  
**Executive Officer**  
**Naval Air Station Whidbey Island**





# NAS Whidbey Island

Commissioned September 21, 1942



- **CDR Steve Richards**  
**NASWI Executive Officer**

***2016 Commander-in-Chief Installation Award Winner***



# Our Mission



- Support all Fleet Electronic Attack and Maritime Patrol & Reconnaissance Assets
- Provide resources to realistically train for air, land and at sea operations
- Enable the Navy's Mission through alignment of installation support to Fleet, Fighter and Family.



# Team Whidbey Who We Are



## Electronic Attack Wing Pacific (CVWP)



CAPT Scott Farr

- 8 Fleet Squadrons & FRS
- 4 Expeditionary Squadrons
- 1 Reserve VAQ Squadron

## Patrol and Reconnaissance Wing X



CAPT Brett Mietus

- 4 Active VP Squadrons
- 1 VQ Squadron
- 1 Reserve VP Squadron

## Team Whidbey

NASWI Mission: *People and aircraft ready for tasking to fight and win our Nation's wars*



Regional CDR: RDML Mayes  
 Base CO: CAPT Moore  
 NAVFAC NW CO: CAPT Kurgan  
*Integrates Services for all customers*



Fleet Readiness Cmd NW  
 CDR David A. Vondrak



Center for Naval Aviation  
 Technical Training (CNATTU)  
 CDR Rodney Moss



Navy Operational Support  
 Center (NOSC)  
 CDR Eric Emery



Fleet Reserve Logistics  
 Squadron (VR-61)  
 CDR Rocky Burns



Naval Ocean Processing  
 Facility (NOPF)  
 CDR Tom Karney



Navy Information  
 Operations CMD (NIOC)  
 CDR Timothy McGeehan



Naval Hospital Oak Harbor  
 CAPT Fred McDonald  
*-1 of 2 Hospitals on the island*

### Tribal Partners

Swinomish  
 Upper Skagit  
 Samish  
 Stillaguamish

Lummi  
 Tulalip  
 Suquamish  
 Jamestown S'Klallam

### Community Partners

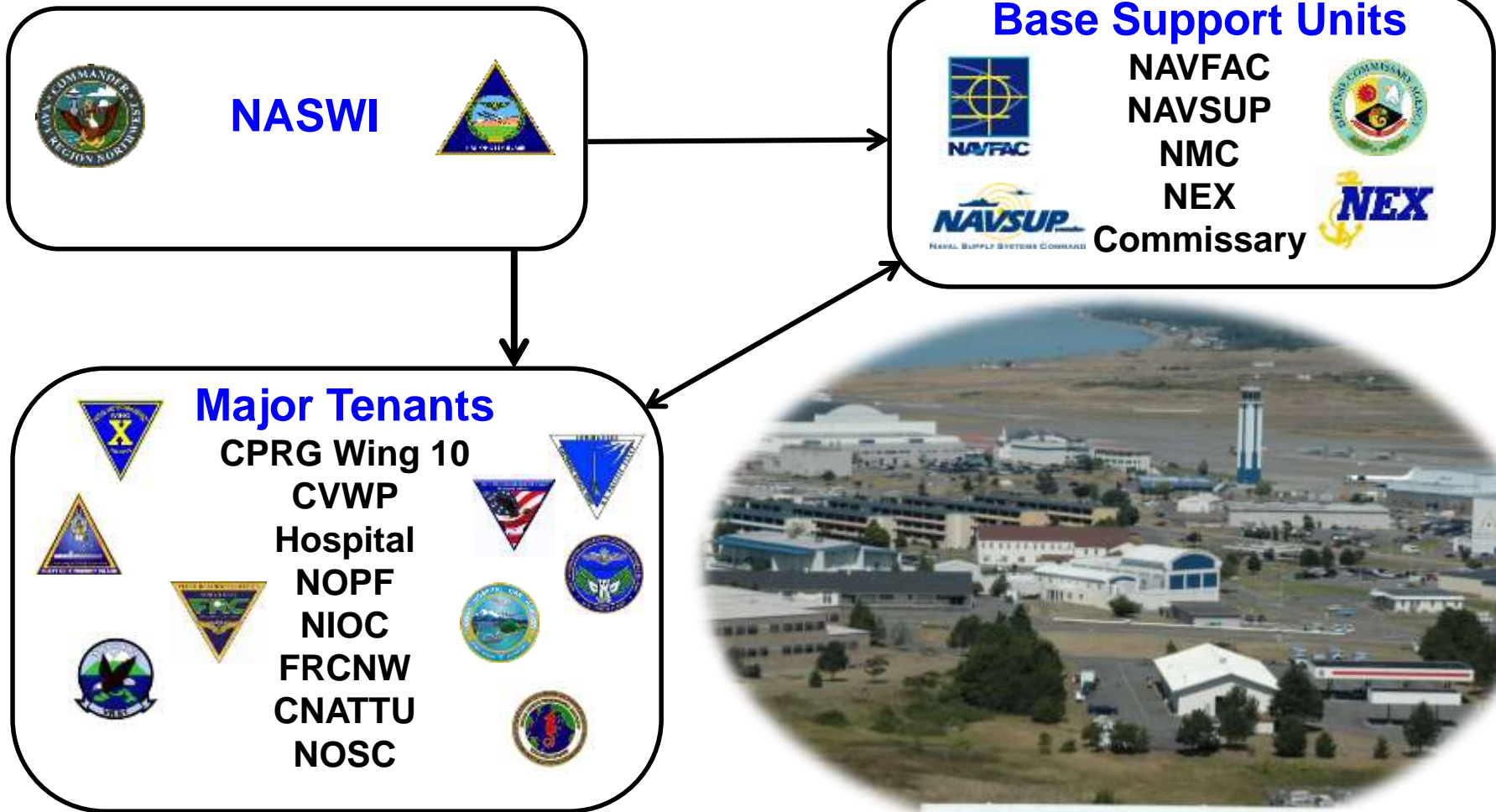
Oak Harbor  
 Anacortes  
 Coupeville  
 Island County  
 Skagit County  
 San Juan County

Mt Vernon  
 WA State Agencies  
 Jefferson County  
 Clallam County  
 Port Angeles

Port Townsend  
 Sequim  
 Forks  
 Morrow County  
 Umatilla County  
 Gilliam County  
 OR State Agencies



# Team Whidbey Intraorganizational Relationships





# Regional Airspace

## Diverse and High Value Training

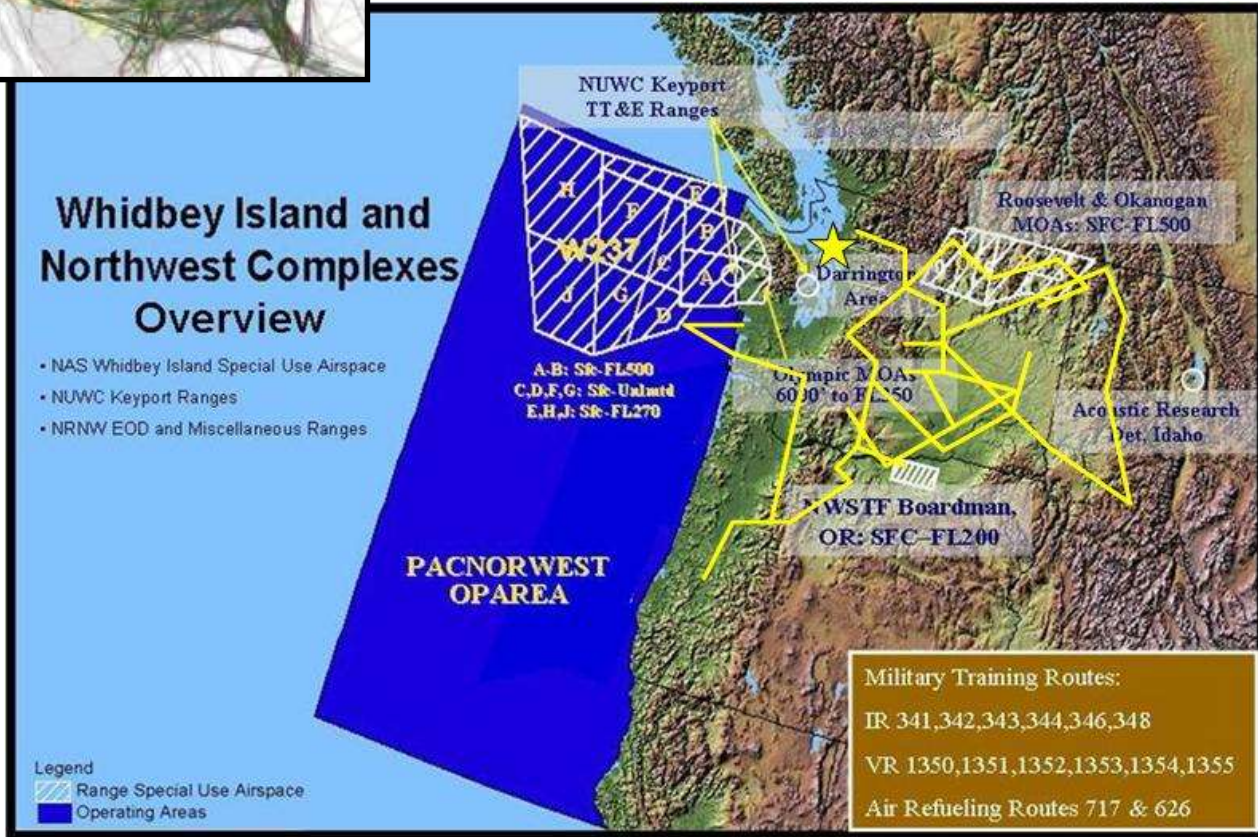


NW Airspace is largely unencumbered (significant factor in high NAS military value rating per 2005 BRAC Study)

**39,000**  
square miles of  
operating area

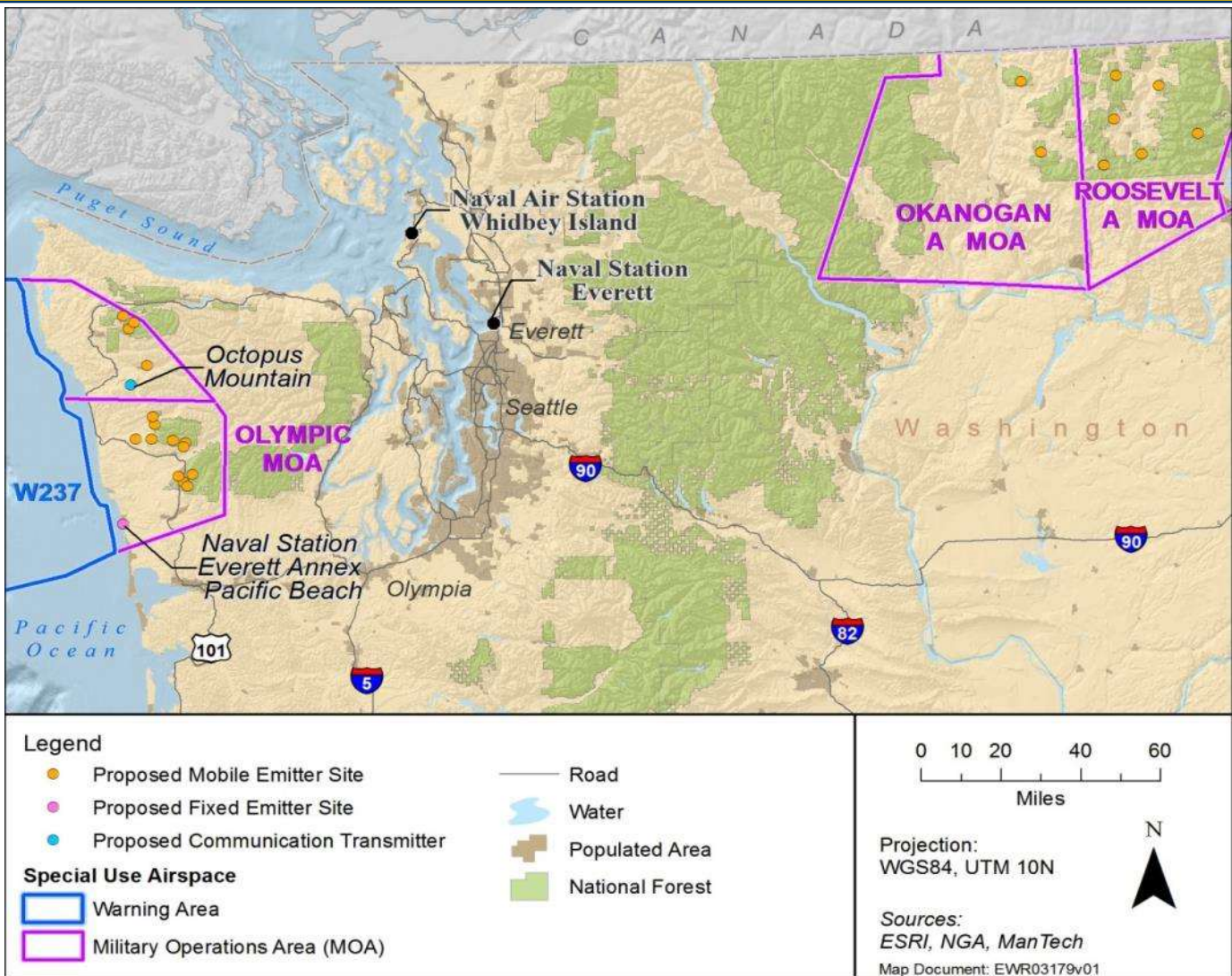
Diverse routes,  
terrain, training  
areas and joint  
bases/areas.

Working wind  
energy  
encroachment in  
Boardman area





# Range Training Areas





# Platform Transitions

## Electronic Attack



**EA-18G Growler replaced EA-6B  
Prowler**



**1 Training Squadron  
8 Carrier Based Squadrons  
4 Expeditionary Squadrons  
1 Reserve Squadron**





# Platform Transitions

## Maritime Patrol & Reconnaissance



### P-8A Poseidon Replaces P-3C Orion



### Transitions

4 - P-3	→	6 P-8
1 - VQ	→	1 VUP
1 Reserve	→	1 Reserve



# NAS Whidbey SAR



## ➤ 2014: 35 Missions

- 47 Lives Delivered to Higher Care
- 18 Rescues
- 10 MEDEVACs
- 7 Searches



**Kayakers**

## ➤ 2015: 37 Missions

- 29 Lives Delivered to Higher Care
- 7 Rescues
- 19 MEDEVACs
- 11 Searches



**Mt. Hood Rescue**

## ➤ 2016: 37 Missions

- 38 Lives Delivered to Higher Care
- 20 Rescues
- 8 MEDEVACs
- 9 Searches



**Oso Mudslide**



**Mt. Baker**



# Population and Impact Island County



**Base Population – 9,788** (June 2016)

7,388 Military (4398 own/rent in community)  
2,400 Civilian/Contractor

**Direct Impact - \$1.085B**

NASWI – major economic impact

***“NAS Whidbey Island contributes significantly to Island County’s economy and to a lesser degree Skagit’s. With approximately 10,000 employees, the base is four times the size of the next nearest employer in Island, Skagit and Whatcom counties (Database USA, 2013)... The base also contributes significantly to education with over 50% of students in Oak Harbor School District being military dependents and 13% of Skagit Valley College students.”***

*- Island County Economic Development Council Study 2013*



# Separating Servicemembers



## Base Population

Active Duty - 7388

Civilians - 2400

Military Projected Growth - 800 - 1,000

## Yearly Attrition Average

Retirement – 250

Separated - 725

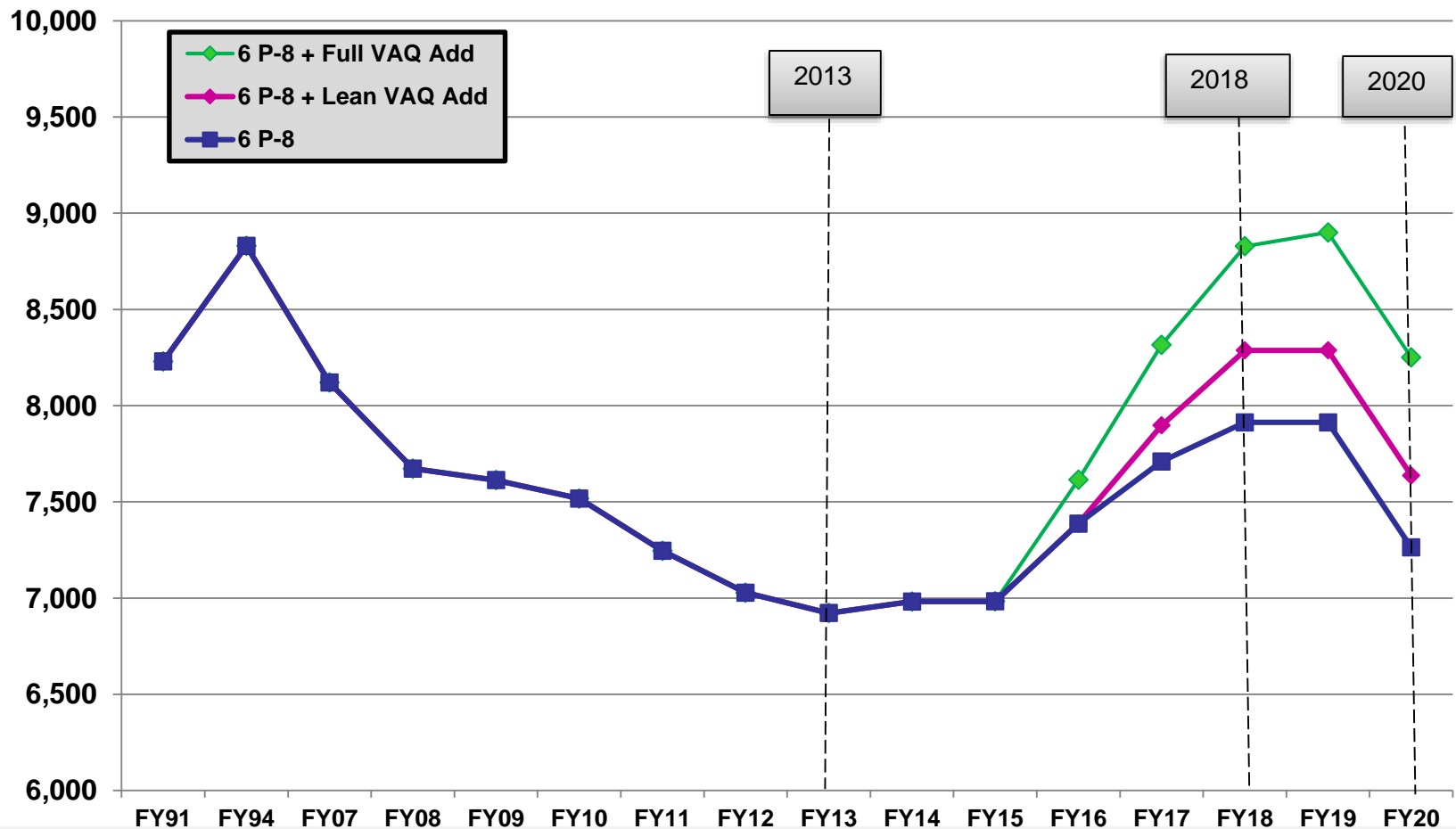
Workforce is highly technical

75 % use GI Bill





# NAS Whidbey Island Projected Military Growth



National Environmental Policy Act (NEPA) Studies:

- 1) P-8 squadrons –NASWI slated to receive 6 P-8 squadrons.
- 2) VAQ – Pending completion of EA-18G Environmental Impact Statement (2017).



# MILCON and Special Project Programs



<u>Number</u>	<u>Title</u>	<u>Cost</u>	<u>Program</u>
		<b>2014</b>	
P191	FUEL PIER BREAKWATER	\$8.85M	DLA MCON
P239	EA-18G FACILITY IMPROVEMENTS	\$32.48M	MILCON
P251	P-8A HANGAR AND TRAINING FACILITY	\$85.16M	MILCON
RM1112627	HANGAR 6 REPAIRS	\$37.0M	SP
		<b>2015</b>	
P234	C-40 RESERVE MAINTENANCE HANGAR	\$30.53M	MILCON RESERVE
P259	P-8A AIRCRAFT APRON EXPANSION	\$27.21M	MILCON
		<b>Future Military Construction Priorities</b>	
EA-18G MAINTENANCE HANGAR TRITON MISSION CONTROL FACILITY P-8 SUPPORT FACILITY NEXT GENERATION JAMMER FACILITY EA-18G FLEET REPLACEMENT SQUADRON EXPANSION TAXIWAY ECHO AND RUNWAY 7-25 IMPROVEMENTS EA-18G REGIONAL AIRCRAFT SERVICE HANGAR			



# Current Construction

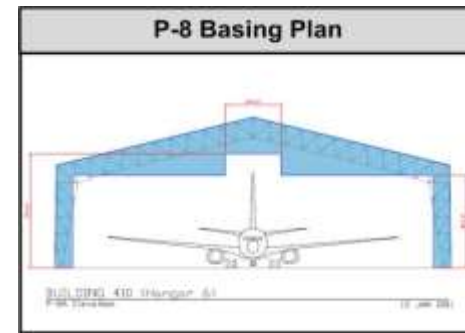


- Executing over \$153 Million in Capital Improvement Projects
- Completed \$8 Million Fuel Pier Breakwater project to safeguard refueling operations
  - Razing existing damaged finger pier & constructing a breakwater w/ sheet piling, including dredging barge slip area
- EA-18G (Growler Transition)
  - New Trainer Facility (*Completed*)
  - Hangar 11 Renovations (*Completed*)
  - Hangar 10 Expansion (on going)
- C-40 Maintenance Hangar
- Facility Improvement Projects Supporting P-8A Transition
  - P-8A Trainer Facility
  - Hangar 6/9 Renovation
  - TOC/MTOC Renovations
  - Equipment Storage bldg

\$31 million

\$27 million

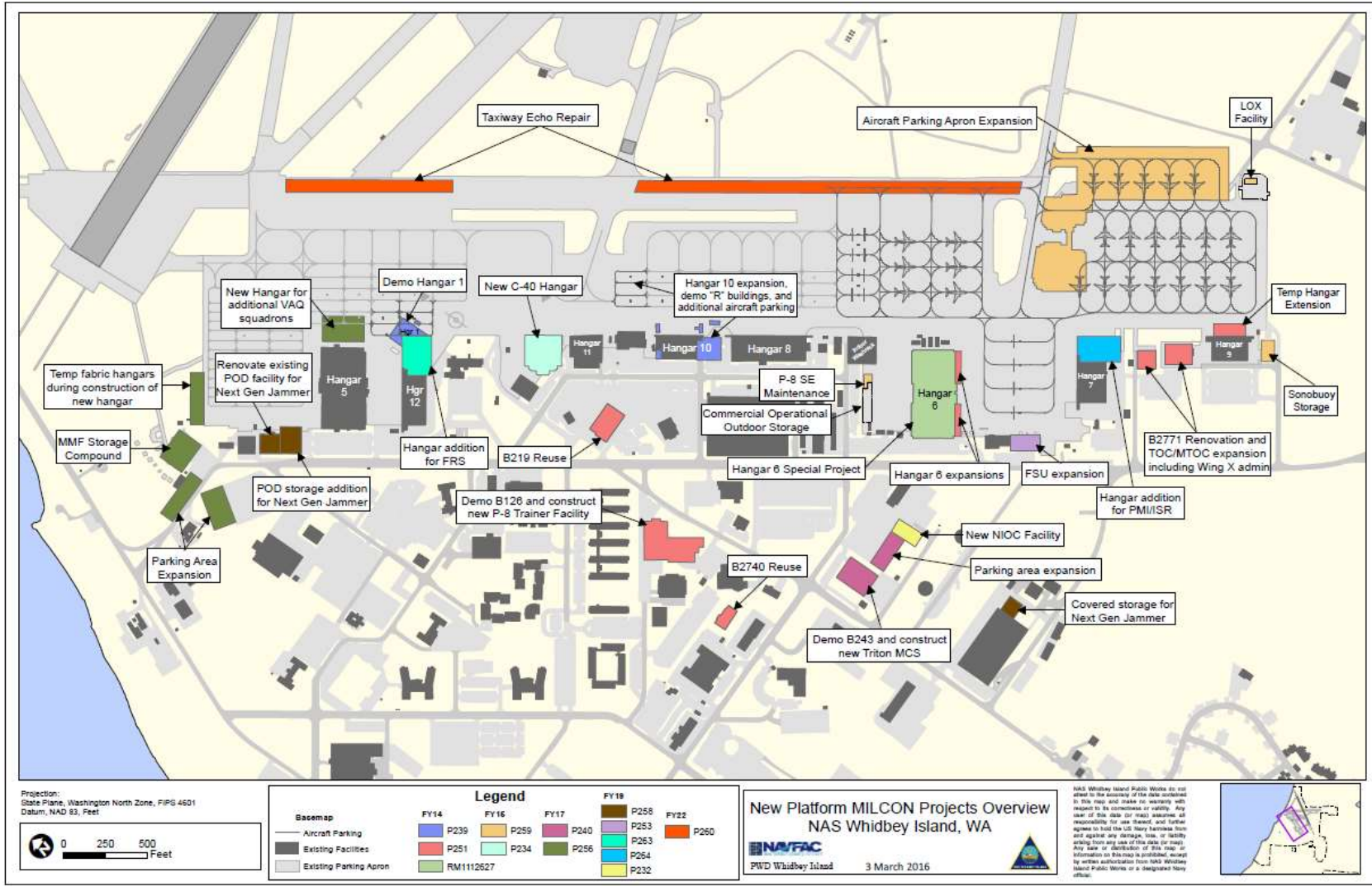
\$108 million



Factoid: NASWI infrastructure is valued at over \$1.7 Billion



# NASWI MILCON







# Questions





# Backups





# Pacific Northwest EW Range



## Range Progress

- Equipment in place
- Facilities modified
- Personnel hired
- Environmental Assessment (EA) was completed by Navy in August 2014
- **Delay in Road Permits**
  - USFS waited for Biological Opinion
  - USFS finalizing decision document now
- **Delay Impacts**
  - Additional training areas must be used at greater cost.



## Equipment Status



### **3 MEWTS Trucks**

- 1 on site Pac Beach
- Next delivery March



### **MRES**

- On site Pac Beach
- Functional



### **Pac Beach Bldg 104**

- Maint/Alternate Msn Control
- Functional



### **NASWI Bldg 2593**

- Primary Msn Control/Debrief
- Functional

**Josh Janson**  
**Deputy Program Manager**  
**General Dynamics NASSCO**

**GENERAL DYNAMICS**  
NASSCO

# GENERAL DYNAMICS

NASSCO–Bremerton





**Josh Jansen**

Deputy Program Manager

**GENERAL DYNAMICS**  
NASSCO–Bremerton

423 Pacific Avenue, Suite 200

Bremerton, WA 98337

Mobile: (360) 801-8431

[jjansen@nassconorfolk.com](mailto:jjansen@nassconorfolk.com)

# **Resources for Doing Business with the Government**

**Jim Niles, NAFAC**

**Karen Smith, NUWC/NAVSEA**

**Tiffany Scroggs, PTAC**



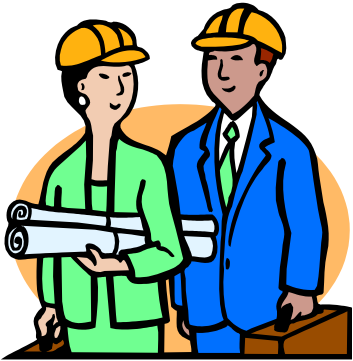
**Jim Niles**  
**Contract Specialist**  
**Naval Facilities Engineering Command**  
**(NAVFAC)**



# Selling to NAVFAC Northwest



# Who is NAVFAC NW?



## Naval Facilities Engineering Command, Northwest

### Mission

**We strengthen Navy and Marine Corps combat readiness through facilities lifecycle support focused on the Fleet, Fighter, and Family.**

**We deliver sustainable, adaptable facilities, expeditionary capabilities; and contingency response to the Navy Expeditionary Combat Enterprise, all other Warfare and Provider Enterprise, the Marine Corps, Unified Commanders, and DoD Agencies**

### Area of Responsibility (AOR)

**Washington , Alaska, Idaho, Iowa, Minnesota, Montana, Nebraska, North Dakota, Oregon, South Dakota, and Wyoming**

# The what and how we procure.



## We procure:

- Construction Services (Design Build and Design Bid Build)
- Facilities Support Services
- Environmental Services
- Architect and Engineering Services

## Primary Contracting Vehicles (Regionalized):

- 8(a) Multiple Award (MACC)
- HUBZone Multiple Award (MACC)
- SDVOSB Multiple Award (MACC)
- SB Mega Multiple Award (MACC) 15-\$30M TO Ranger!
- Waterfront CONST Multiple Award (MACC) (large & Small Businesses)
- Job Order Contract (JOC IDIQ)
- NSBOSC & WSBOSC Facility Services Contracts (FFP & IDIQ)
- ENV Restoration IDIQ
- Long Term Monitoring IDIQ
- Architect and Engineering IDIQs



# SMALL BUSINESS FOCUS



## NAVFAC NW FY 16 GOALS



	<b>PRIME CONTRACTING</b>	<b>SUB- CONTRACTING</b>
Small Business	43%	66.94%
Small Disadvantaged Business	19%	17.44%
HUBZONE	7.5%	9.03%
Women Owned	3%	14.45%
SDVOSB	10%	3%

# SMALL BUSINESS ACHIEVEMENTS 2016



TOTAL PROCURMENT DOLLARS: \$321M

(as of 31 Aug 2016)



45.95%	Small Businesses
39.38%	Small Disadvantaged Business
3.29%	Service Disabled Veteran Owned
4.87%	HUBZONE Small Businesses
13.54%	Women Owned Small Businesses

# How to do Business with NAVFAC NW



Utilize [www.fbo.gov](http://www.fbo.gov) :



\*Agency # N44255\*

- Respond to Sources Sought Notices (for small businesses)
- Check periodically for pre-solicitation and request for proposal actions

Build Past Performance:



... consider subcontracting with a prime to develop a portfolio of relevant past performance

Work with NAVFAC NW Small Business Deputy:



- Request updated list of Prime Contractors
- Request update on upcoming requirements

# NAVFAC Office of Small Business Webpage



- Program Information
- Regional SB Contacts
- Achievement Records
- Opportunity Information
  - **MILCON Forecast List**
  - **Environmental Forecast List**
  - **Long Range Acquisition Forecast**
- Subcontracting Opportunity Information
- SB Directories
  - **SDVOSB**
  - **WOSB**
- Contract Guidelines
- MUCH MORE!

**Check it Out!**

[smallbusiness.navfac.navy.mil](http://smallbusiness.navfac.navy.mil)

<http://smallbusiness.navfac.navy.mil>

*Good Information for YOU*





# Points of Contact

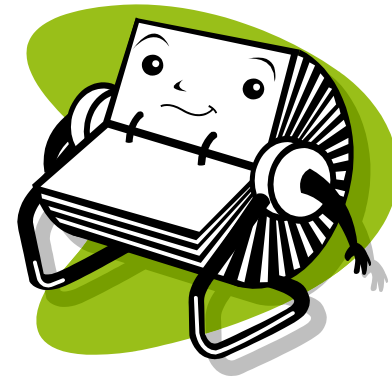


NAVFAC NW Small Business Deputy:

Jim Niles

[james.niles@navy.mil](mailto:james.niles@navy.mil)

360.396.0038



**Karen Smith**  
**Deputy Chief of the Contracting Office**  
**Naval Undersea Warfare Center,**  
**Keyport**  
**(NUWC/NAVSEA)**



# Naval Undersea Warfare Center Division, Keyport Overview



***Karen Smith***  
***Deputy Chief of the Contracting Office***  
***NUWC Division Keyport***

# NAVSEA Warfare Centers

*Technical Laboratory Operations that Equip and Support the Fleet  
Expertise - Technology - Engineering Services - Products*



## ***In-Service Engineering and Integrated Logistic Support***

- ***Technical and logistics support***
- ***Obsolescence management***
- ***Custom engineered solutions***

## ***Intermediate Maintenance Activity (IMA)***

- ***Only lightweight torpedo IMA***
- ***Fully certified heavyweight torpedo IMA***
- ***Nation's only torpedo depot***
- ***Electronic and mechanical level repair***

## ***Maintenance Replacement Parts, Repair***

- ***Utilize new technologies to make parts***
- ***Save money***
- ***Provide effective solutions***

### ***Examples:***

***Fabrication***

***Rapid prototyping***

***Reverse engineering (circuit boards, gyros)***

***3-D printing***

***Laser cladding***

## ***Acceptance and Testing***

- ***Land based testing***
- ***In-water testing***
- ***Performance analysis and assessment***

# NUWC Keyport - What We Buy

## Services

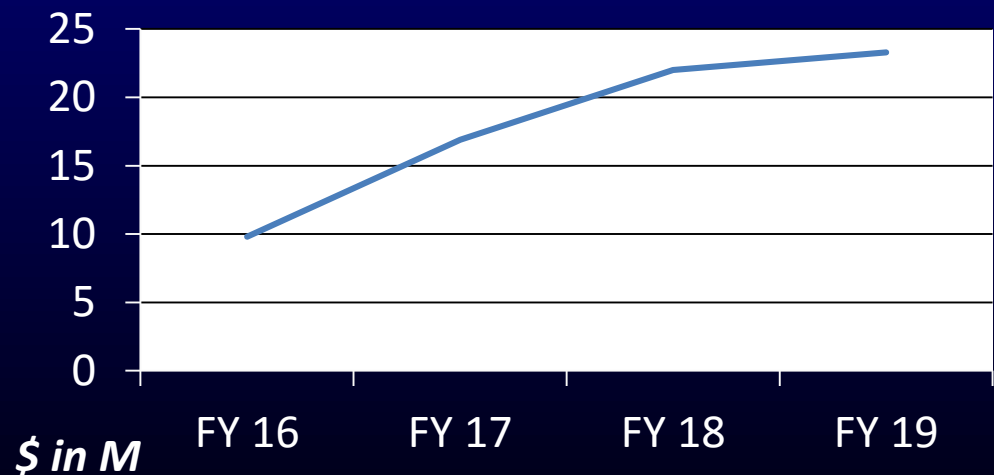
- Technology development
- Data collection, entry and administrative support
- Technical writing and graphics
- Software development and maintenance
- Systems development
- Systems maintenance and installations
- Industrial trades
- Range craft operations and maintenance
- Hazardous waste management
- Hazardous waste disposal
- Personnel development and training
- Facilities maintenance
- Transportation
- Communications

Services Portfolio	Services Sub-Portfolio	% KPT/NSLC Services Contracts	
Knowledge Based	Engineering	52%	57%
	Administrative and Other	5%	
Equipment	Maintenance, Repair and Overhaul	6%	9%
	Installation of Equipment	3%	
Facility	Building and Plant Maintenance	1%	4%
	Utilities	1%	
	Operation of Government Facilities	1%	
	Housekeeping	1%	
Electronics, Communications	IT and Telecommunication	25%	25%
Research and Development (R&D)	R&D - Defense Other	5%	5%

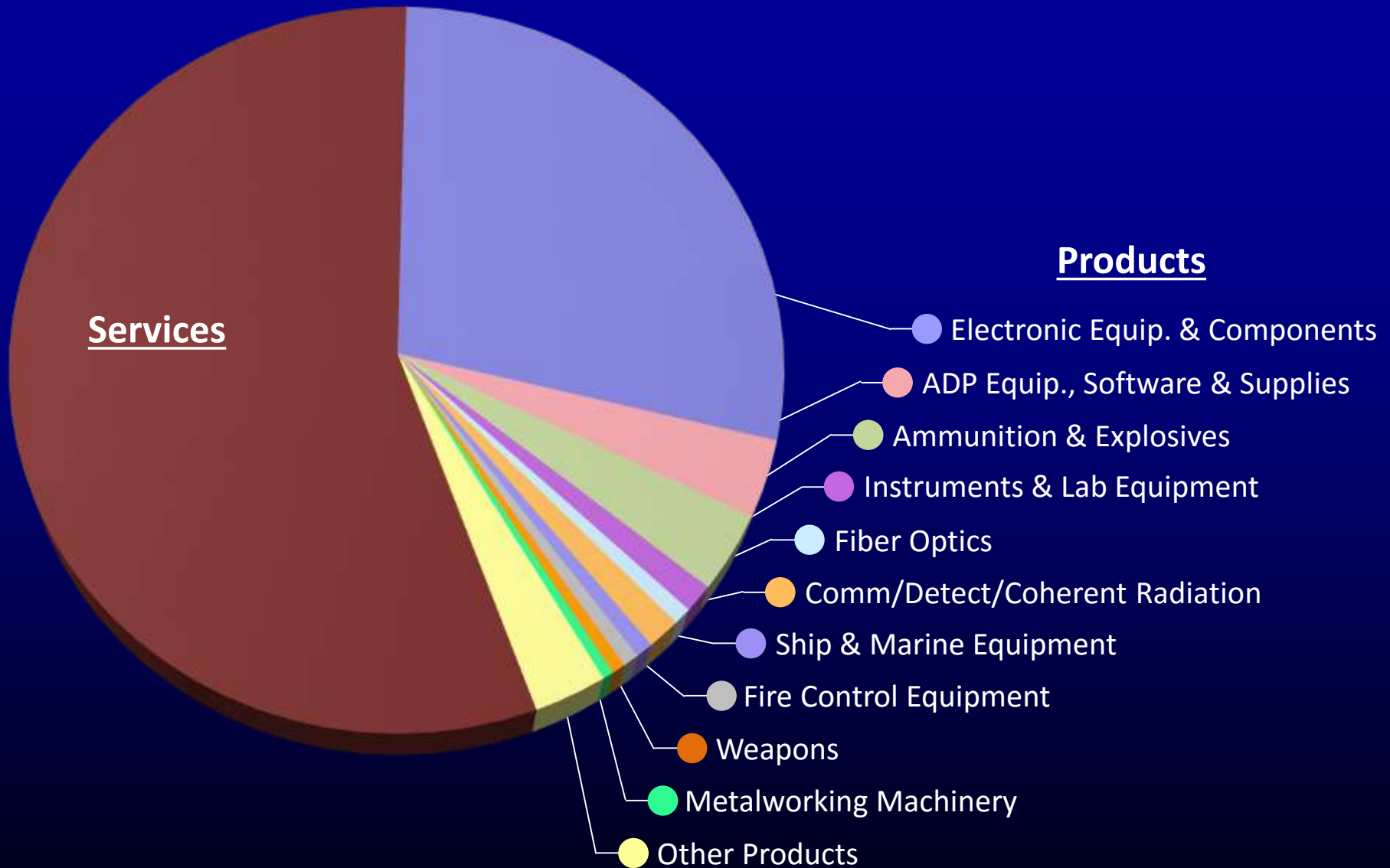
## Small Business Technology Transfer (STTR) contracting –

- Another tool for funding federal research and development
- Unique feature is the requirement for a small business to collaborate with a non-profit research institution in Phases I and II
- Increases private sector commercialization of innovations derived from federal R&D
- In addition to Phase III Small Business Innovation Research (SBIR) contracting authority supporting Keyport projects, Keyport has been delegated STTR authority for the entirety of NAVSEA’s Phases I, II, and III

**Combined SBIR and STTR obligations projected to increase from \$10M in FY16 to \$24M in FY19**



# NUWC Keyport FY16 Forecast





- *System and structure changes*
- *Service acquisition environment*
- *Supply chain security and counterfeit material concerns*

# Systems and Structure Changes

## FIAR – Financial Improvement and Audit Readiness

In fiscal year (FY) 2011, 21 of the 24 major federal agencies had unqualified (clean) audits. Achieved auditability on their annual financial statements. The Department of Defense (DoD) failed its audit.

In 2016, the DoD is the only remaining agency with a disclaimer from its auditors. The FY2010 National Defense Authorization Act requires auditability by 2017. The DoD's audit readiness efforts directly support the DoD's ability to . . . prove to both the Congress and the American people that the DoD is a good steward of public funds.



# *Systems and Structure Changes*

**How will FIAR affect DoD and our business partners?**

**(End-to-End (E2E), Procure-to-Pay (P2P), and Transparency of Procurement Spend)**

## **Waves 1 and 2 – Statement of Budgetary Resources**

- Usage of Product Service Code and Object Class Code to improve traceability of budget to expenditure data – contractor interest is emphasis on proper North American Industry Classification System (NAICS)
- Usage of Seaport e-Milestones to improve visibility of progress toward funds obligation/award
- Status of obligated balances and disbursements – more de-obligation modifications
- Able to support account transactions and balances with audit evidence – increased scrutiny of delivery, receipt, and invoicing documents submitted by companies

## **Waves 3 and 4 – Accountable Property/Material Trackability**

- Reduced procurement of materials under services contracts
- Increased emphasis on compliance with Government Furnished Property clauses

# *Systems and Structure Changes*

**How will FIAR affect DoD and our business partners?**

**(End-to-End (E2E), Procure-to-Pay (P2P), and Transparency of Procurement Spend)**

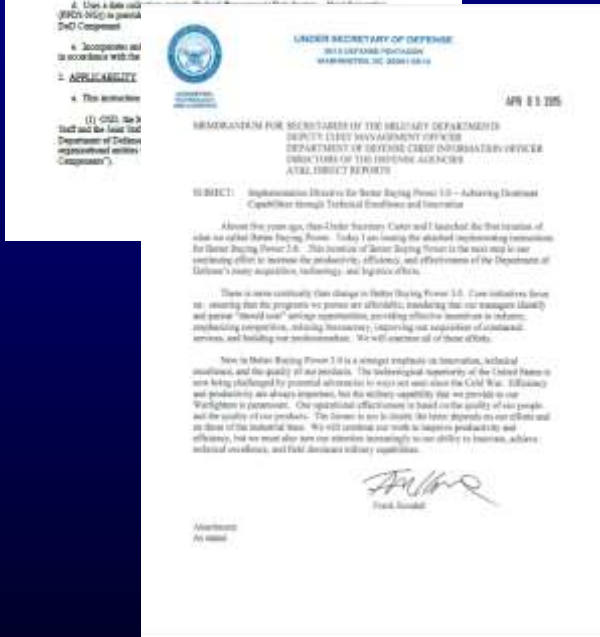
**What we've experienced so far:**

- Absolute usage of automated systems for contract actions – very limited usage of verbal authorizations
- More time to issue contracting actions – as systems become more populated with data and documents to meet E2E funding transparency, they become slower
- Some PSC/OCC cross referencing errors
- Creativity to get industry standard units to convert to Enterprise Resource Planning (ERP) units
- Decreased usage of variation in quantity clauses
- Increased invoice rejections due to exacting matching requirements between contract item descriptions and quantities; receipt/shipping documentation; and, invoice information in Wide Area Workflow/Invoicing, Receipt, Acceptance, Property Transfer (WAWF/iRAPT)

# Services Acquisition Environment

## DoD Instruction 5000.74 – Defense Acquisition of Services

- Functional Domain Experts (FDEs) for each service category – use ‘should cost’ and establish cost reduction targets
- Annual Inventory of Contracts for Services (ICS)
  - Reduce redundancy; use common processes; utilize metrics to document trends
  - Mandated Services Requirements Review Boards
  - Well defined service levels/mission requirements
  - Services management metrics and tripwires



## BETTER BUYING POWER 3.0

- Strengthen cybersecurity throughout lifecycle
- Increase prototyping and experimentation
- Increase small business participation
- Increase use of incentive type contracts

## **Selected tripwires:**

- Hourly labor rates exceeding rate of \$156
- Excessive variation between proposed and actual rates
- Subcontracts - monitor proposed addition of subcontractors beyond what was included as part of the initial award
- Excessive other direct costs on a services contract
- Lack of effective competition (when only one offer is received, it's going to get a closer look and require headquarters approval)

## **COST PLUS INCENTIVE FEE CONTRACTS (CPIFs) – what we've seen so far:**

- **Contractor proposal teams may not fully grasp the effects of CPIF**
- **Aggressively competitive cost proposals are often subject to significant upward adjustments during cost realism analysis. Award decision is based upon trade off of technical evaluation and TOTAL EVALUATED COST (not proposed cost)**
- **While contract award decision is based upon the cost realism analysis, the contract award document reflects the proposed cost**
- **Incentive fee earned affected by how much the contract holder exceeds the composite labor rate in the contract. The greater the difference between proposed labor rate and actual labor rate during contract execution, the less fee earned**
- **Performance problems when contractor tries to cut costs after award to get closer to the proposed average labor rate**

### **Supply Chain Security and Counterfeit Materials Concerns:**

**To support Protection of Mission Critical Functions, and to Achieve Trusted Systems and Networks (TSN), we:**

- **Include DFARS clause “Supply Chain Risk” in our IT contracts**
- **Use mandatory DoN Enterprise Software Licensing (ESL) agreements**
- **Use recommended DoD Enterprise Software agreements with proven vendors**
- **Require proof of certification level with quote when competing among authorized dealers of OEM equipment and support services**
- **Include DFARS clause “Contractor Counterfeit Electronic Part Detection and Avoidance System” when applicable**
- **Refer suspected unauthorized parts and counterfeit materials to NCIS**



# BACK UP SLIDES

# Seaport-e Services

- *Industrial Services*
- *Engineering Support Services*
- *Infrastructure Support Services*
- *Technical and Industrial Support Services*
- *Acoustic Trials and Range Sustainment*
- *Hawaii and San Diego Support Services*
- *Software Support*
- *Information Technology*
- *Administration and Program Financial Management*
- *Graphics*

# Other Services

- *Calibration of tooling*
- *Test sets repair*
- *Small appliance repair*
- *Machine maintenance*
- *Analysis and repair*
- *Government Furnished Material (GFM) provided for upgrade to new baseline*
- *Weapons grade machining/fabrication*
- *Electroplating and anodizing*
- *Welding and painting*
- *Machining*
- *Marine electronic repairs*
- *Diesel engine and generator repairs*
- *Crane and winches maintenance and repair*

# Materials

- *Printed wiring boards (circuit cards assemblies)*
- *Shells; pump heads; plates (aluminum alloy fabrication)*
- *Valves; accessories bulkhead*
- *Fore and aft fuel tank*
- *Power supplies*
- *Washers; automated test equipment*
- *Chiller*
- *Cable Assemblies*
- *Computers*
- *O-rings; electromagnetic interference gaskets; valve seats*
- *Wiper rings; seals*
- *Marine electrical (generators, navigation systems)*
- *Wire rope – purchase and maintenance*
- *Marine fire fighting certification*
- *Publications: navigation, safety, coast guard requirements, log books*
- *Consumables: filters: water, air, oil, hydraulic*
- *Helical gears*
- *Specialty kits (actuator, engine repair, etc.)*
- *Electronic test equipment*
- *Bulk oil*
- *Furniture*
- *Electrical and HVAC materials*
- *Software*
- *Network hardware (routers, servers, switches, etc.)*
- *Network cables and tools*
- *Telecom equipment & supplies*
- *Safety equipment / inspections (rafts, buoys, fire prevention, beacons, etc.)*
- *Crane and winches*
- *Tools (wrenches, dead blow hammers, hammer, watt meters, socket sets, etc.)*
- *Hardware (screws, bolts, set-screws, etc.)*
- *Consumables: nitro gloves, brass and steel brushes, strapping and packing tape, rope, wire)*
- *Magnification lights*
- *Drill press*

**Tiffany Scroggs**  
**Program Director**  
**WA Procurement Technical Assistance**  
**Center**  
**(PTAC)**



# Washington PTAC

PNDC / KEDA  
Maritime  
Defense Symposium

September 2016



# Washington PTAC Program

The Procurement Technical Assistance Center increases the number of government contracts won by Washington firms.

- Find
- Bid
- Win

We provide these **FREE** services through:

- Workshops
- One-on-one Counseling Sessions
- Matchmaking events
- Optional Bid Match service



# WASHINGTON PTAC

Serves Washington State Businesses

A program of Thurston Economic Development Council

4220 6th Ave SE

Lacey WA 98503

P 360.754.6320 | F 360.407.3980

Contact: Tiffany Scroggs, Program Director

tscroggs@thurstonedc.com

## 1: Kitsap Economic Development Alliance

Mary Jo Juarez, Kathy Cocus, Theresa Mangrum

360.377.9499 | kitsap@washingtonptac.org

## 2: Thurston Economic Development Council

Wayne Wertz, Dale Colbert, Traci Hansen

360.754.6320 | thurston@washingtonptac.org

## 3: Greater Vancouver Chamber of Commerce

Jeannet Santiago, Jeremy Riley

360.567.1092 | swwa@washingtonptac.org

## 4: Economic Alliance Snohomish County

Cate Taylor

425.248.4223 | snhomish@washingtonptac.org

## 5: Green River College

Darrell Sundell

253.520.6267 | king@washingtonptac.org



## 6: Bates Technical College

Tom Westerlund

253.680.7054 | pierce@washingtonptac.org

## 7: Greater Spokane Incorporated

Jessica Kirk

509.321.3641 | spokane@washingtonptac.org

## 8: Tri-City Regional Chamber of Commerce

Ashley Coronado

509.491.3231 | tricity@washingtonptac.org



# ALLIANCE NW

- 100 booth tradeshow
- Over 750 attendees
- 9 high quality workshops
- One-on-one meetings with buyers
- Keynote speeches

**March 9, 2017** [www.alliancennorthwest.org](http://www.alliancennorthwest.org)



A photograph of a submarine's conning tower on a barge in a body of water under a bright sun. The sun is high in the sky, creating a starburst effect. The water is dark blue, and the sky is a clear, deep blue. The conning tower is the central focus, with its various masts and sensors visible. The barge is in the foreground, and the water extends to the horizon.

➤ Questions, Comments?

Tiffany Scroggs  
[tscroggs@thurstonedc.com](mailto:tscroggs@thurstonedc.com)  
360-464-6041

[www.washingtonptac.org](http://www.washingtonptac.org)

# **Questions:**

**Jim Niles, NAFAC**

**Karen Smith, NUWC/NAVSEA**

**Tiffany Scroggs, PTAC**

# **Doing Business within Maritime Agencies**

**Mark Johnson, Shine Micro**

**Matthew Hahn, AzimaDLI**

**Mark Johnson**  
**President**  
**Shine Micro**



---

**SHINE MICRO®**

---



# Working with Government

A Small Business Experience

Mark Johnson, President





**1. Small Business**

**2. Global Leader in**

- **Automatic Identification Systems (AIS)**
- **Maritime Domain Awareness (MDA)**





- AIS is a specialized market
- Intended for safety of navigation; expanded to MDA after 9/11
- Monitoring from aircraft augments shore-based monitoring for superior MDA







# Shore-based, extreme-range, persistent AIS monitoring of the Exclusive Economic Zone (200 NM EEZ)





# Maritime AIS Monitoring from airborne platforms





# Maritime AIS monitoring for unmanned platforms





Shine Micro products are ideal for government use:

- Made in the **U.S.A.**
- High-performance
- Rugged and Reliable
- ISO 9001
- Great customer service



## Shine Micro has Industry Expertise Including:

- **RTCM** – Radio Technical Commission for Maritime Services
- **IEC** – International Electrotechnical Commission  
TC80 WG15 AIS Test Standards
- **IALA** – International Association of Lights and Aids
- **CIRM** – Comité International Radio-Maritime
- **NMEA** – National Marine Electronics Association
- **AUVSI** – Association for Unmanned Vehicle Systems International



**SHINE MICRO®**

Receive Better.

**Thank You**

**Mark Johnson, President**

**mark@shinemicro.com**

**(360) 437-2503 phone**

**(360) 437-4003 fax**



**Matthew Hahn**  
**Director of Government Contracts**  
**AzimaDLI**





# PNDC Maritime Defense Symposium

- Company Overview
- Government Services
  - Military Sealift Command
  - Aircraft Carrier Program
  - Other US Navy Work



- Matt Hahn, Assistant Program Manager for Gov't Services

# Military Sealift Command Program

- Since 1990, subcontractor for Engineering Maintenance (SAMM) program.
- Fleet includes ~100 ships, 80 machines each.
- Crew tests machines quarterly. DLI analyzes data remotely.
- Real-time response via email for emergent issues.



# Aircraft Carrier Program

- Approximately 400 locations per ship.
- Periodic vibration surveys.
- Off-site crew training.
- Remote analysis and support.
- Program review and “big data” metrics.



# Other US Navy and Commercial Work

- Call-out surveys on US Navy ships.
  - LHD class
  - MCM class
  - LPD class
- SRF Sasebo, Puget Sound Naval Shipyard
- Commercial Successes





**Mayor Patty Lent  
City of Bremerton**

# Maritime Defense Symposium Networking Lunch



**SHINE MICRO®**



**Department of Commerce**  
Innovation is in our nature.

**KITSAP**



ECONOMIC  
DEVELOPMENT  
ALLIANCE

**Andrew Crowder**  
**International Trade Specialist/  
CleanTech Maritime**  
**State of WA Department of Commerce**



**Department of Commerce**  
Innovation is in our nature.



Department of Commerce

# Getting Started in Exporting, and Resources to Help

*Pacific Northwest Defense Coalition*

*Maritime Defense Symposium*

*September 13, 2016*







## Overview

- **The Case for Exporting**
- **The Big Three**
- **The Other Big Three**
- **Outlining the Process**
- **How the State Can Help**
- **Resources**





## **The Case for Exporting**

- **You're Already Competing Globally**
- **Most Consumers outside US**
- **Spread Risk**





## The Big Three

- **Stay out of Jail**
- **Keep Your House**
- **Enjoy Your Work**





## The Other Big Three

- **Small Businesses Can Export**
- **There Are Resources to Help**
- **There's No Wrong Door**





## **Outlining the Process**

- **Choose Market & Channel**
- **Find & Qualify Partners**
- **Move Goods & Get Paid**
- **Repeat**





## How the State Can Help

- **Business Development Assistance**
- **Trade Shows & Trade Missions**
- **SBA STEP Grant Program**





# Resources

- US Federal Govt.
  - US Commercial Service [www.trade.gov](http://www.trade.gov)
  - SBA / SBDC [www.sba.gov](http://www.sba.gov)
- State Govt.
  - Commerce [www.choosewashington.com](http://www.choosewashington.com)
  - EFACW [www.efacw.org](http://www.efacw.org)
- Non-Profits
  - Kitsap EDA <http://kitsapeda.org>
  - PNDC [www.pndc.us](http://www.pndc.us)
  - TDA [www.seattletradealliance.org](http://www.seattletradealliance.org)





Department of Commerce



# Thank You

Andrew Crowder  
International Trade Specialist  
State of WA Dept. of Commerce  
206 256 6140

[andrew.crowder@commerce.wa.gov](mailto:andrew.crowder@commerce.wa.gov)

September 2016



**Lawrence Ward**  
**Partner**  
**Dorsey & Whitney**



**DORSEY**™  
always ahead

# **SUCCESSFULLY NAVIGATING U.S. EXPORT CONTROL LAWS**

**Larry Ward  
Dorsey & Whitney LLP  
Seattle, Washington**

*September 13, 2016*

# PROFESSIONAL BACKGROUND

- **Seattle-based partner in Dorsey & Whitney's National Security Law Group**
- **Experience in technology licensing, cross-border trade and investment transactions**
- **Frequent speaker, writer, commentator on U.S. export control and economic sanctions laws and policy**
- **Advisor to corporations, state and private universities, institutes and engineering societies**
- **Former advisor to U.S. State Department's Defense Trade Advisory Group (DTAG)**

# AGENDA

- 1. Brief Overview**
- 2. Economic Sanctions Regulations**
- 3. Export Administration Regulations (EAR)**
- 4. International Traffic in Arms Regulations (ITAR)**
- 5. Importance of Effective Compliance Program and Conclusion**



# 1. BRIEF OVERVIEW

# MAIN U.S. EXPORT CONTROL SYSTEMS

- **Economic sanctions regulations administered by Treasury Department's Office of Foreign Assets Control (OFAC)**
- **EAR administered by Commerce Department's Bureau of Industry and Security (BIS)**
- **ITAR administered by State Department's Directorate of Defense Trade Controls (DDTC)**

# OTHER AGENCIES REGULATING EXPORTS

- **Department of Energy (nuclear technology and services)**
- **Nuclear Regulatory Commission (nuclear materials and equipment)**
- **Drug Enforcement Administration (controlled drugs, chemicals, precursors)**
- **Department of Agriculture (plants, plant products, live animals)**
- **Centers for Disease Control (select agents and toxins)**
- **Bureau of Alcohol, Tobacco, Firearms and Explosives (firearms, ammunition, explosives)**
- **Food and Drug Administration (medical devices, pharmaceuticals)**

# PENALTIES FOR VIOLATIONS

- **Most OFAC economic sanctions and current EAR issued under International Emergency Economic Powers Act (IEEPA)**
  - Civil fine up to greater of \$250,000 or 2X transaction value (strict liability regime)
  - Criminal provisions cover willful commission, attempt to commit, conspiracy to commit, aiding/abetting violation
  - Criminal fine up to \$1 million; up to 20 years in prison; or both
- **ITAR penalties for willful violations**
  - Civil fine up to greater of \$500,000 or 5X value
  - Criminal fine up to \$1,000,000; up to 10 years in prison per violation; or both





## 2. ECONOMIC SANCTIONS REGULATIONS

# ECONOMIC SANCTIONS REGULATIONS

- **Administered by OFAC**
- **Deal generally with all U.S.-origin goods and services, banking facilities, regardless of military non-importance**
- **Current major OFAC embargoes against countries of Cuba, Iran, Sudan, Syria and region of Crimea**
- **Limited sanctions: Balkans, Belarus, Burundi, Central African Republic, Congo, Côte d'Ivoire, Iraq, Lebanon, Liberia, Libya, Myanmar, North Korea, Russia, Somalia, South Sudan, Ukraine, Venezuela, Yemen, Zimbabwe**
- **Also sanctions on many designated narcotics traffickers, terrorists or terrorist and WMD sponsoring organizations or individuals (“Specially Designated Nationals” or SDNs)**
  - **Thousands of names on SDN List with many additions**

# GENERAL OFAC SANCTIONS RULES

- **No direct exports of goods or services by U.S. person to any embargoed country or SDN**
  - Also applies to “person subject to U.S. jurisdiction” under Cuban or Iranian sanctions → foreign subsidiaries affected
- **No reexports to embargoed country or SDN with knowledge of final end-user location**
  - Subject to *de minimis* “substantial transformation” exception
- **No imports of embargoed goods or services**
- **No dealings in embargoed goods or services**
- **No evasion, avoidance, “facilitation” of barred transactions**
- **No dealings in “blocked property” or with “blocked person”**

# OFAC EXEMPTIONS AND LICENSING

- **Most sanctions “exempt” some U.S. person activities**
  - Personal communications
  - “Information and informational materials”
  - Humanitarian donations
  - In IEEPA-based sanctions, travel
- **Even if activity is not “exempt,” may still be lawful under “general license” (e.g., “publishing” general license)**
- **Even if activity is not subject to “general license,” can apply in writing for “specific license”**

# KEY QUESTIONS FOR OFAC ECONOMIC SANCTIONS COMPLIANCE

- **Is country or entity sanctioned by OFAC?**
- **Is proposed activity or payment covered by express OFAC regulatory exemption or general license?**
- **Is proposed activity or payment capable of being authorized through OFAC specific license?**
  - **If so, prepare and file application with OFAC**
- **Are payment mechanisms in place to avoid direct funds transfers to and from embargoed country?**



### 3. EXPORT ADMINISTRATION REGULATIONS (EAR)

# EAR

- Administered by BIS
- Covers U.S. “dual use” technologies that can serve *both* civilian and military applications
- Controlled items listed on Commerce Control List (CCL)

# CCL Categories

**Category 0** Nuclear Materials,  
Facilities & Equipment  
[and Miscellaneous Items]

**Category 1** Materials, Chemicals,  
Microorganisms and  
Toxins

**Category 2** Materials Processing

**Category 3** Electronics

**Category 4** Computers

**Category 5, Part 1**  
Telecommunications

**Category 5, Part 2**  
Information Security

**Category 6** Sensors and Lasers

**Category 7** Navigation and  
Avionics

**Category 8** Marine

**Category 9** Aerospace and  
Propulsion



# EAR “DEEMED EXPORTS” TO FOREIGN NATIONALS

- **Release of controlled technology or source code “deemed” to be export to home country of foreign national**
- **“Foreign national” = anyone who is not U.S. citizen, permanent resident or “protected individual”**
  - **By definition, any alien working in United States on temporary non-immigrant visa (e.g., H-1B, L-1, TN) = “foreign national”**
- **BIS looks to foreign national’s most recent country of citizenship or permanent residency**
- **“Deemed export” occurs if release of technology or software occurs in**
  - **Product demonstration to foreign national customer**
  - **Visual inspection by foreign national of U.S.-origin equipment and facilities**
  - **Oral exchanges of information**
  - **Foreign national access to proprietary source code, specifications, drawings, manufacturing processes, etc. in workplace**

# KEY QUESTIONS FOR EAR COMPLIANCE

- **WHAT?** What is technology involved? Is it “military” or “dual use”?
- **WHERE?** Where is “destination country”?
- **WHO?** Who are proposed end-users?
- **HOW?** How will technology be exported?
- **WHY?** Why is technology being exported?
- **WHEN?** When will technology be exported?



## 4. INTERNATIONAL TRAFFIC IN ARMS REGULATIONS (ITAR)

# ITAR

- **Administered by DDTC**
- **Mandated under Arms Export Control Act (AECA)**
- **Controls export and temporary import of “defense articles,” “defense services” enumerated in U.S. Munitions List (USML)**
- **Some permanent imports controlled under U.S. Munitions Import List**
- **All manufacturers, exporters or brokers of “defense articles” or “defense services” must be registered with DDTC**

# ITAR FORMALITIES

- **Export licenses required for almost everything and everywhere**
  - Exceptions much fewer, and generally stricter, than in EAR
- **Processing online only through “D-Trade”**
- **Technical Assistance Agreement (TAA) to permit defense services or disclosure of controlled technical data to foreign person**
- **Manufacturing License Agreement (MLA) to permit foreign person to produce defense article**

# USML CATEGORIES

- I: Firearms, Close Assault Weapons & Combat Shotguns**
- II: Guns & Armament**
- III: Ammunition/Ordnance**
- IV: Launch Vehicles, Guided Missiles, Ballistic Missiles, Rockets, Torpedoes, Bombs & Mines**
- V: Explosives & Energetic Materials, Propellants, Incendiary Agents & Their Constituents**
- VI: Vessels of War & Special Naval Equipment**
- VII: Tanks & Military Vehicles**
- VIII: Aircraft & Associated Equipment**
- IX: Military Training Equipment & Training**
- X: Protective Personnel Equipment & Shelters**
- XI: Military Electronics**

# USML CATEGORIES (cont'd)

- XII: Fire Control, Range Finder, Optical & Guidance & Control Equipment**
- XIII: Auxiliary Military Equipment**
- XIV: Toxicological Agents, Including Chemical Agents, Biological Agents & Associated Equipment**
- XV: Spacecraft Systems & Associated Equipment**
- XVI: Nuclear Weapons, Design & Testing Related Items**
- XVII: Classified Articles, Technical Data & Defense Services Not Otherwise Enumerated**
- XVIII: Directed Energy Weapons**
- XIX: [reserved]**
- XX: Submersible Vessels, Oceanographic & Associated Equipment**
- XXI: Miscellaneous Articles**

# GENERAL POLICIES AND PROVISIONS

- **§ 126.1: DDTTC has policy to deny license applications for exports to Belarus, *China*, Cuba, Eritrea, Iran, Liberia, Myanmar, North Korea, Sudan, Syria, Venezuela (or wherever export would not otherwise be in furtherance of world peace, U.S. security and foreign policy)**
  - No shipments on vessels or aircraft owned or operated by these countries
  - No shipments in violation of any United Nations Security Council arms embargoes (Congo, Côte d'Ivoire, Iran, Iraq, Lebanon, Liberia, North Korea, Sierra Leone, Somalia, Sudan)
  - No shipments to nations listed by Secretary of State as supporters of terrorism (Cuba, Iran, North Korea, Sudan, Syria)
  - Special rules for Afghanistan, Congo, Haiti, Iraq, Libya, Somalia, Sri Lanka, Vietnam



# KEY QUESTIONS FOR ITAR COMPLIANCE

- **Is article, service or technical data in project at issue controlled by USML?**
- **Is DDTC registration necessary?**
- **Is proposed activity or export in project covered by any express ITAR regulatory exemption or exclusion?**
- **Is proposed activity or export in project capable of being authorized through DDTC license?**
- **Are “foreign person” compliance measures needed?**



## 5. IMPORTANCE OF EFFECTIVE COMPLIANCE PROGRAM AND CONCLUSION

# FEDERAL SENTENCING GUIDELINES FOR ORGANIZATIONS

- **Outline “Seven Steps” to effective compliance program**
  - **Compliance standards and procedures (to prevent and detect conduct)**
  - **Organizational leadership and culture of compliance (top down)**
  - **Reasonable efforts to exclude prohibited persons**
  - **Training and communication of standards and procedures (including to agents when appropriate)**
  - **Monitoring, auditing and evaluating program effectiveness**
  - **Performance incentives and disciplinary actions**
  - **Response to criminal conduct and remedial action**

# WHY DOES IT MATTER?

- **Support of U.S. national security and foreign policy**
- **Dealing with classifications and licensing determinations**
  - Customer screening and red flags
- **Recent increase in prosecutions, deferred prosecutions, remediation costs and fines for violations**
  - Increasing denial orders
  - Increasing debarment
- **Audits**
- **Dealing with enforcement agents and agencies**
- **Recordkeeping**
- **Effective compliance program is mitigating factor with great weight**

# ORGANIZATIONAL FUNCTIONS WITH EXPORT COMPONENT

- **Accounting**
- **Customer Service**
- **Finance**
- **Information Technology**
- **Marketing**
- **Reception**
- **Shipping**
- **Contracts**
- **Engineering/R&D**
- **Human Resources**
- **Legal/Licensing**
- **Purchasing**
- **Sales**
- **Travel**

# ELEMENTS OF EFFECTIVE COMPLIANCE PROGRAM

- **Management commitment**
  - Most important element to foster compliance culture
  - Provide sufficient resources
  - Can be mitigating factor with huge weight
- **Risk assessment**
  - Identify, assess, prioritize vulnerabilities and risks
  - Establish safeguards
- **Written compliance program**
  - Identification of responsible personnel
  - System for screening customers, red flags, know your customer guidance
  - System for classification of items
  - System for licensing and corrective actions
  - Internal system of reporting suspected non-compliance
  - Monitoring, audits, training, recordkeeping

# CONCLUSION

- **Three main U.S. export control regimes**
  - OFAC economic sanctions
  - EAR
  - ITAR
- **Complex bodies of regulations but with certain internal logic, procedures**
- **Penalties carry grave criminal, civil consequences, potential debarment, loss of export privileges**

***THANK YOU!***

**LARRY WARD**

**Dorsey & Whitney LLP**

**Columbia Center**

**701 Fifth Avenue, Suite 6100**

**Seattle, Washington 98104-7043**

**ward.lawrence@dorsey.com 206.903.8817**



**Dennis Morris**  
**President/CEO**  
**SAFE Boats**





**SAFE BOATS INTERNATIONAL, LLC**  
Proven Performance in the Toughest Conditions



# **SAFE BOATS INTERNATIONAL SEPTEMBER 2016**



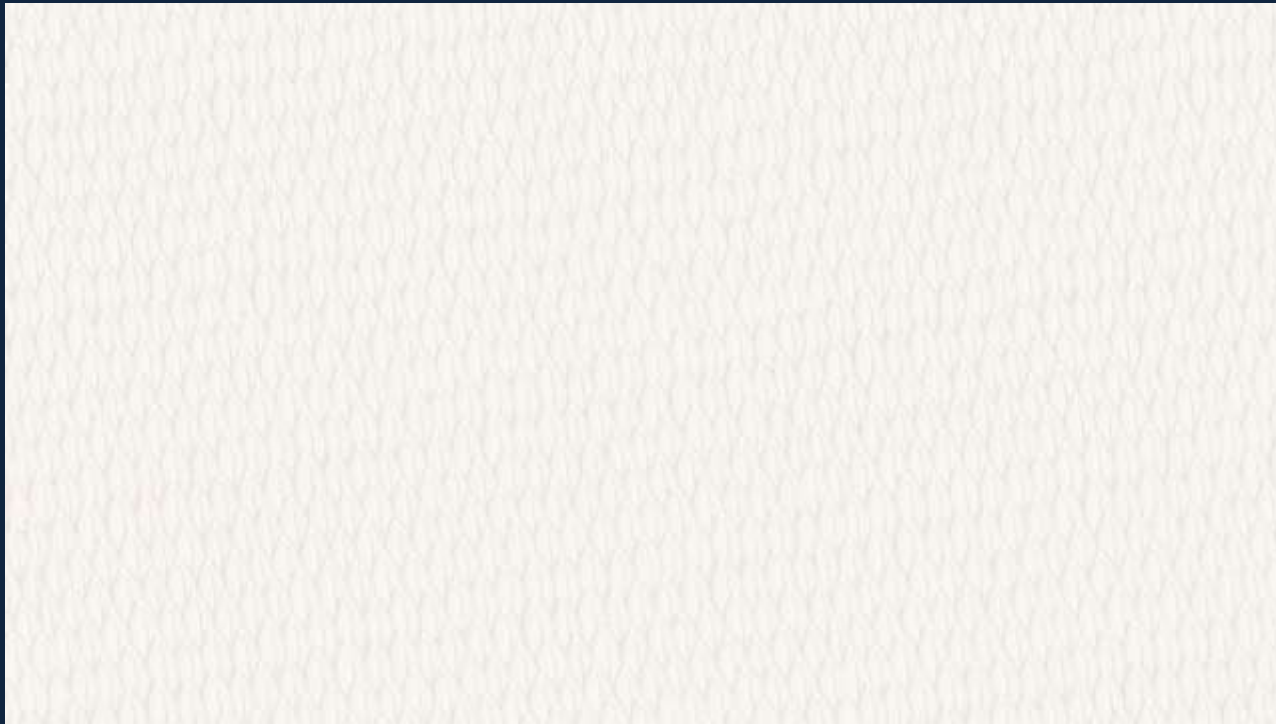
**Proven Performance in the Toughest Conditions.**



**SAFE BOATS INTERNATIONAL, LLC**  
Proven Performance in the Toughest Conditions



## Kitsap Connected Video



**Proven Performance in the Toughest Conditions!**



## BREMERTON CAMPUS - COMPANY HEADQUARTERS & SMALL CRAFT OPERATIONS

- Headquarters Location:** Bremerton, WA
- Established:** 1997
- Facilities:** Three (3)
- Size:** 250 Employees, 100,000 sq ft
- Speciality:** Aluminum 23-to-65 foot Foam-Stabilized Watercraft



## TACOMA FACILITY – Mk VI OPERATIONS

- LCPF Location:** Tacoma, WA
- Opened:** 2012
- Facilities:** Two (2)
- Size:** 125 Employees, 50,000 sq ft
- Speciality:** Aluminum Watercraft up to 85-feet





## PRODUCT LINE



**Center Console**

Size Range: 23-35ft (7-10.7M)



**Full Cabin**

Size Range: 25-38ft (7.6-11.6M)



**Walk Around Cabin**

Size Range: 27-29ft ( 8.2-8.8M)



**Special Purpose Inboard**

Size Range: 26-36ft (7.8- 11M)



**Center Console - Offshore**

Size Range: 41ft ( 10.5M)



**Full Cabin - Inboard**

Size Range: 36ft-65ft (11-19.8M)



**Riverine Patrol Boat (RPB)**

Size Range: 39ft (12M)



**Riverine Command Boat (RCB)**

Size Range: 49ft (15M)



**Naval Patrol**

Size Range: 65ft – 85ft (20-26M)



# SAFE BOAT'S NEWEST PLATFORM





**SAFE BOATS INTERNATIONAL, LLC**  
Proven Performance in the Toughest Conditions



# US FEDERAL CUSTOMERS





US Customs & Border Protection  
Coastal Interceptor Vessel (CIV)  
SAFE Boats Hull # 2000







**SAFE BOATS INTERNATIONAL, LLC**  
Proven Performance in the Toughest Conditions



# OVER 160 U.S. STATE AND LOCAL CUSTOMERS





**SAFE BOATS INTERNATIONAL, LLC**  
Proven Performance in the Toughest Conditions

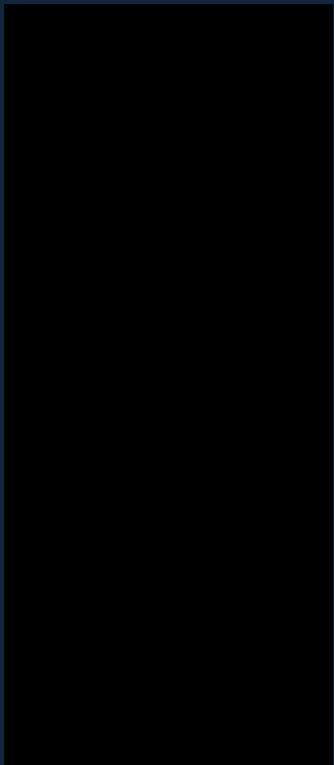


**OVER 60 INTERNATIONAL CUSTOMERS AND END USERS**  
*Hundreds of boats in service outside US*





# INTERNATIONAL CUSTOMERS





## INTERNATIONAL IS A MAJOR DRIVER FOR OUR BUSINESS

Since 2000:

- Over 2000 Boats Delivered to All Customers
- 20%+ of Boats to International Customers/End Users

2013-2015

- 40%+ of Boats to International Customers/End Users
- 2015 – 52% of Sales to International Customers

2016+

- International is Growth Area for the Business





## UNIQUE ASPECTS OF INTERNATIONAL BUSINESS

### Export License Requirements:

- DoD/DOS International Traffic in Arms Regulations (ITAR)
- Dept of Commerce Export Administration Regulations (EAR)

### Anti-Corruption

- Foreign Corrupt Practices Act (FCPA)

### Foreign Exchange

- Currency of the Contract – US \$ vs Local currency
- Currency Fluctuations





## CHALLENGES OF INTERNATIONAL BUSINESS

### Very Long Sales Cycle:

- Foreign Government Budgets and Processes can be very dynamic and unpredictable
- Hard to “follow the money”



### Closing the Deal

- Decision Makers
- Influencer & Users



### Unique Requirements

- Industrial Participation – “Offsets”



**SAFE BOATS INTERNATIONAL, LLC**  
Proven Performance in the Toughest Conditions





**SAFE BOATS INTERNATIONAL, LLC**  
Proven Performance in the Toughest Conditions



**Proven Performance in the Toughest Conditions**



# **Tim Rasmussen**

## **Vice President**





# Financial Considerations for Exporters: Tips and Traps

Pacific Northwest Defense Coalition

September 13, 2016



# Trade Statistics

- Big corporations make up only 4% of Exports
  - 96% are Small and Medium sized
- 95% of consumers are outside of the US
- Only 4% of Washington Company's export
- Washington is the most trade dependent state in the Union
- Top WA Export destinations:
  - China, Canada, Japan, UAE, UK

# Presentation Overview

---

- How do I start?
- How/when do I get paid?
- Foreign Exchange
- Government Guarantee Programs
- Case Studies

# Foreign Sales Considerations

---

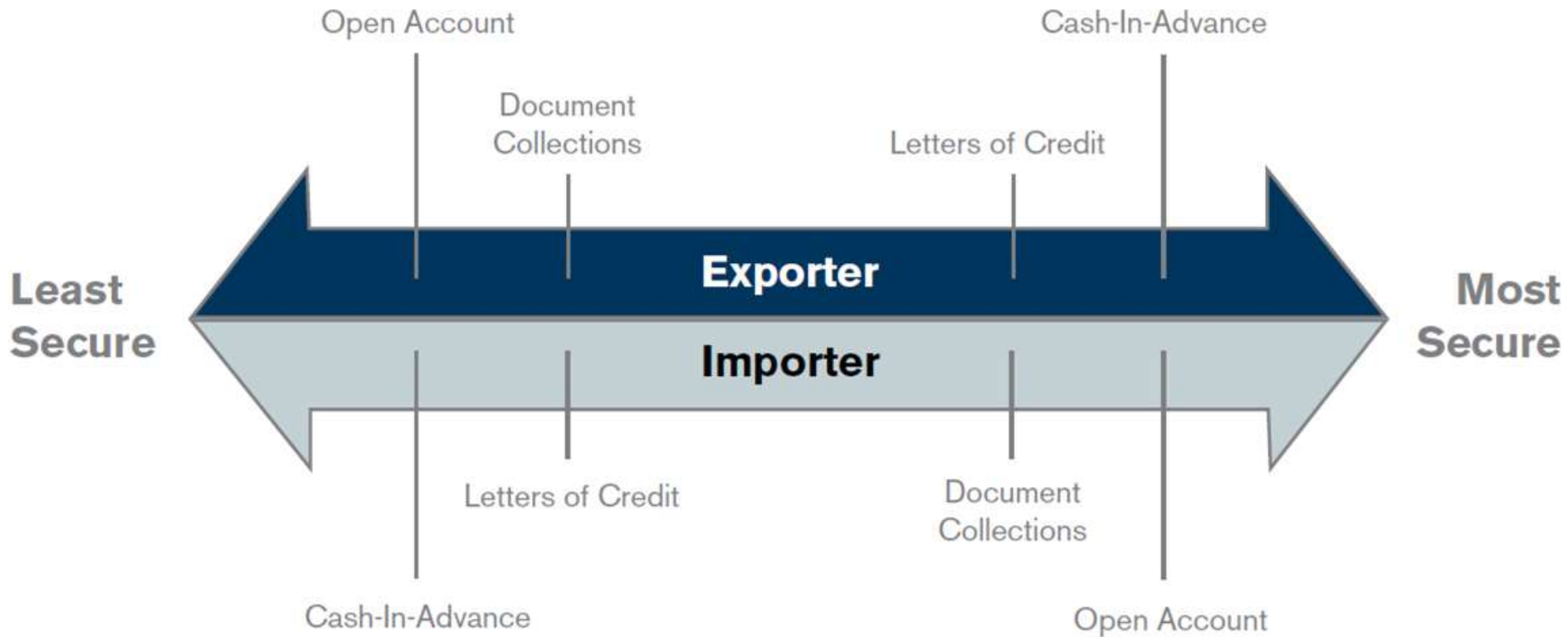
- From US
- Through Foreign Distributor
- Hire someone overseas
- Foreign or ISO Certifications

# How do I get paid?

---

# Payment Methods

## Sliding Scale of Payment Risk



# Payment Methods

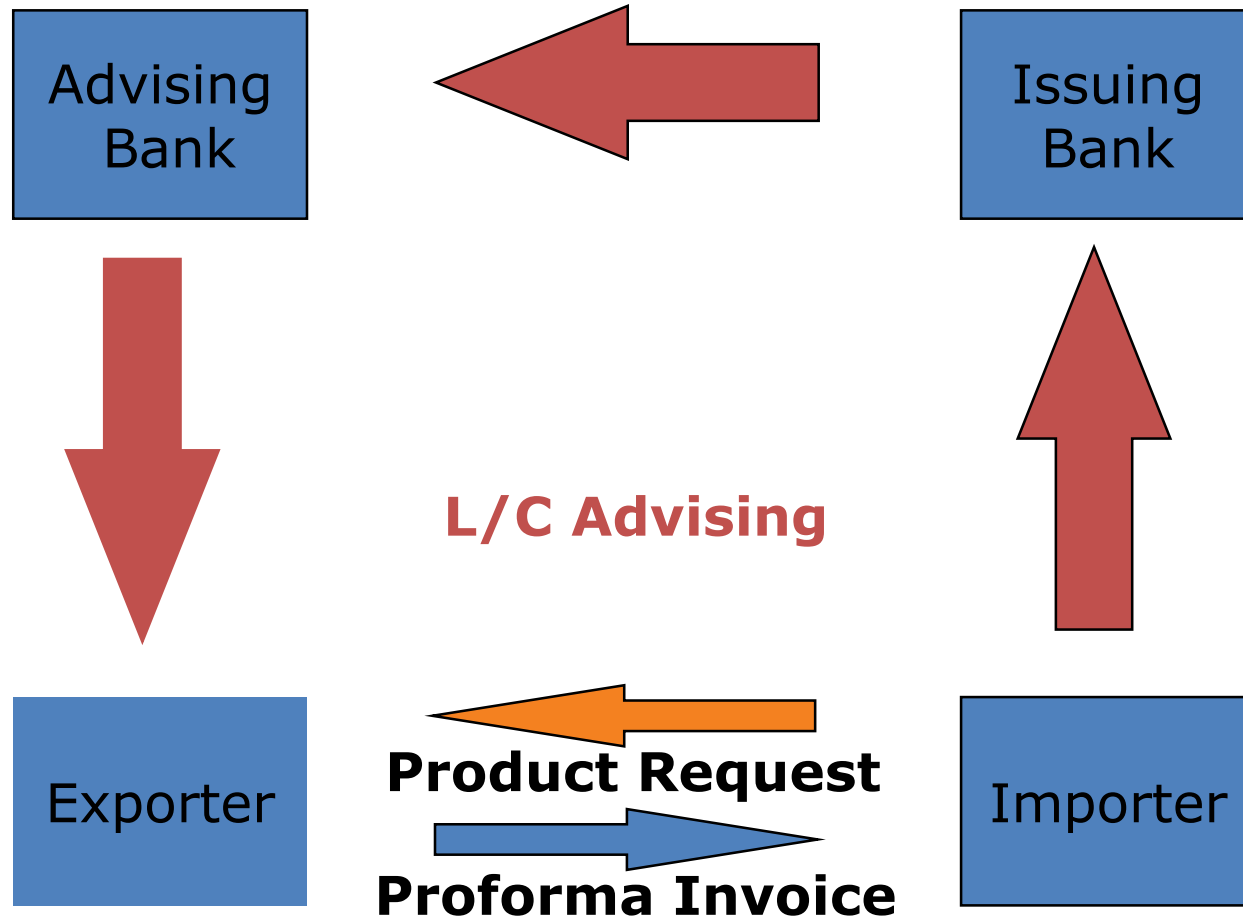
- Cash in advance
- Mixed terms (down + later)
- Classic trade products
  - Letters of Credit
  - Documentary Collections
- Open Account



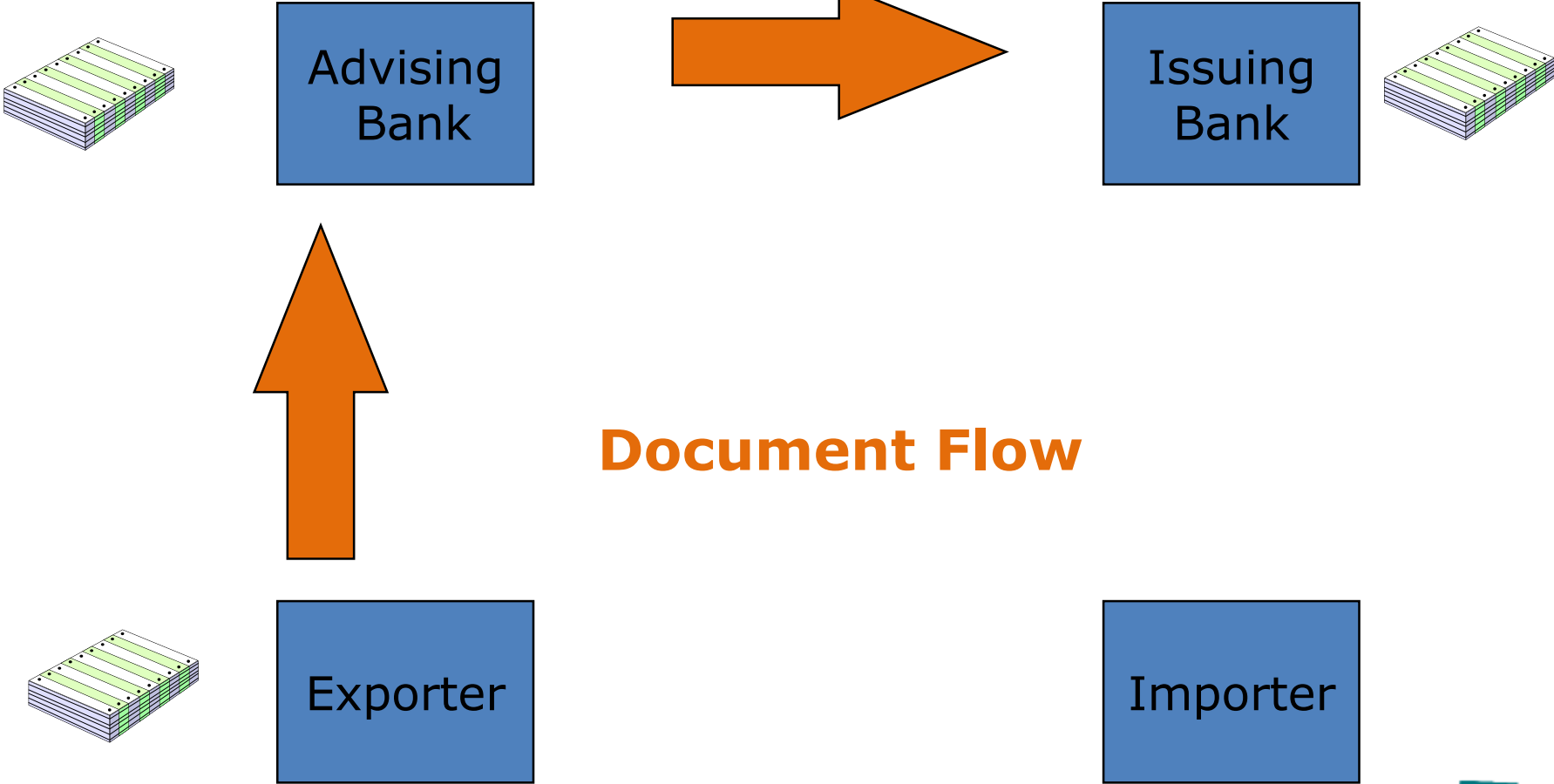
# Letters of Credit

---

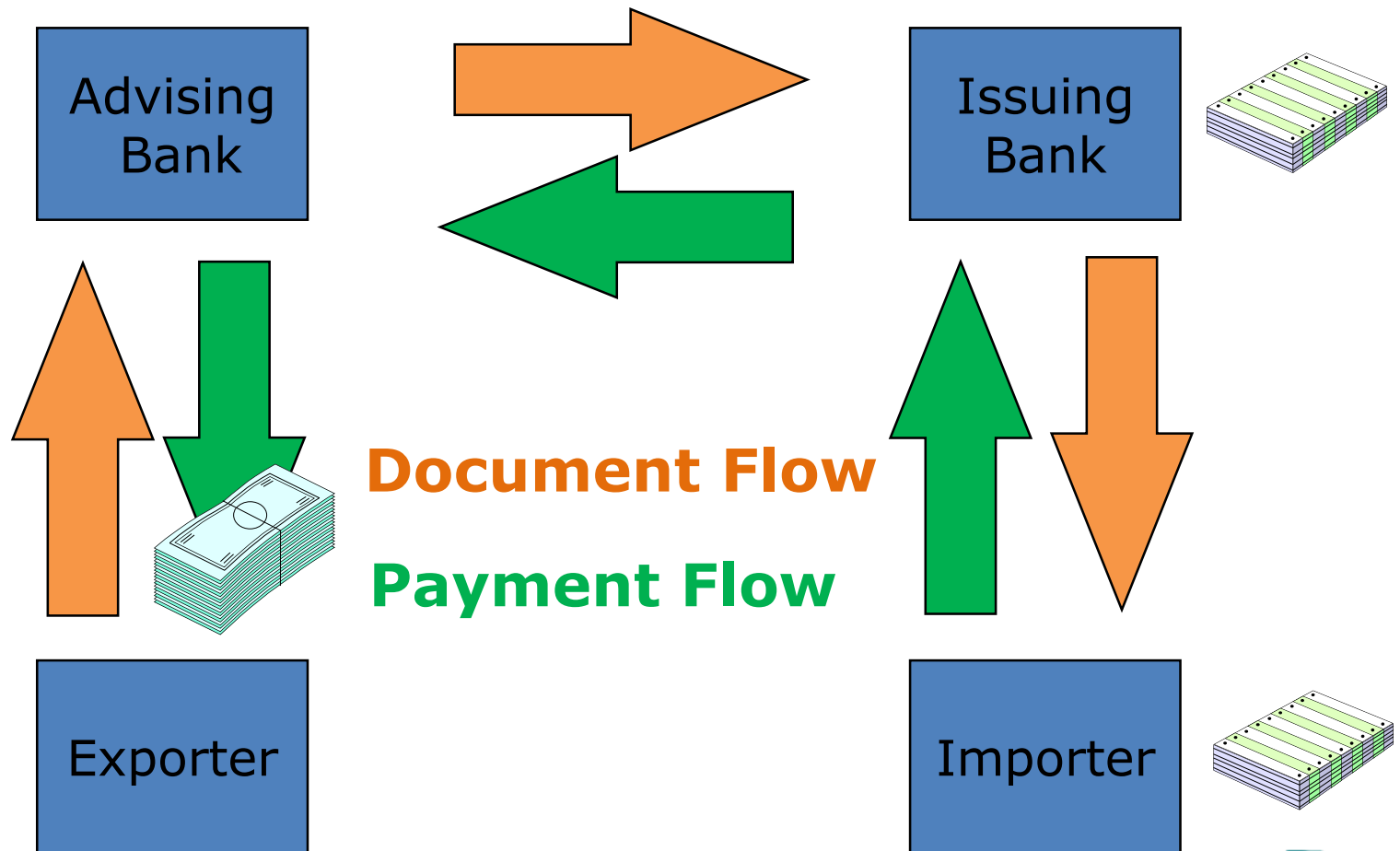
# Export Letter of Credit Advising



# Export Letter of Credit Processing



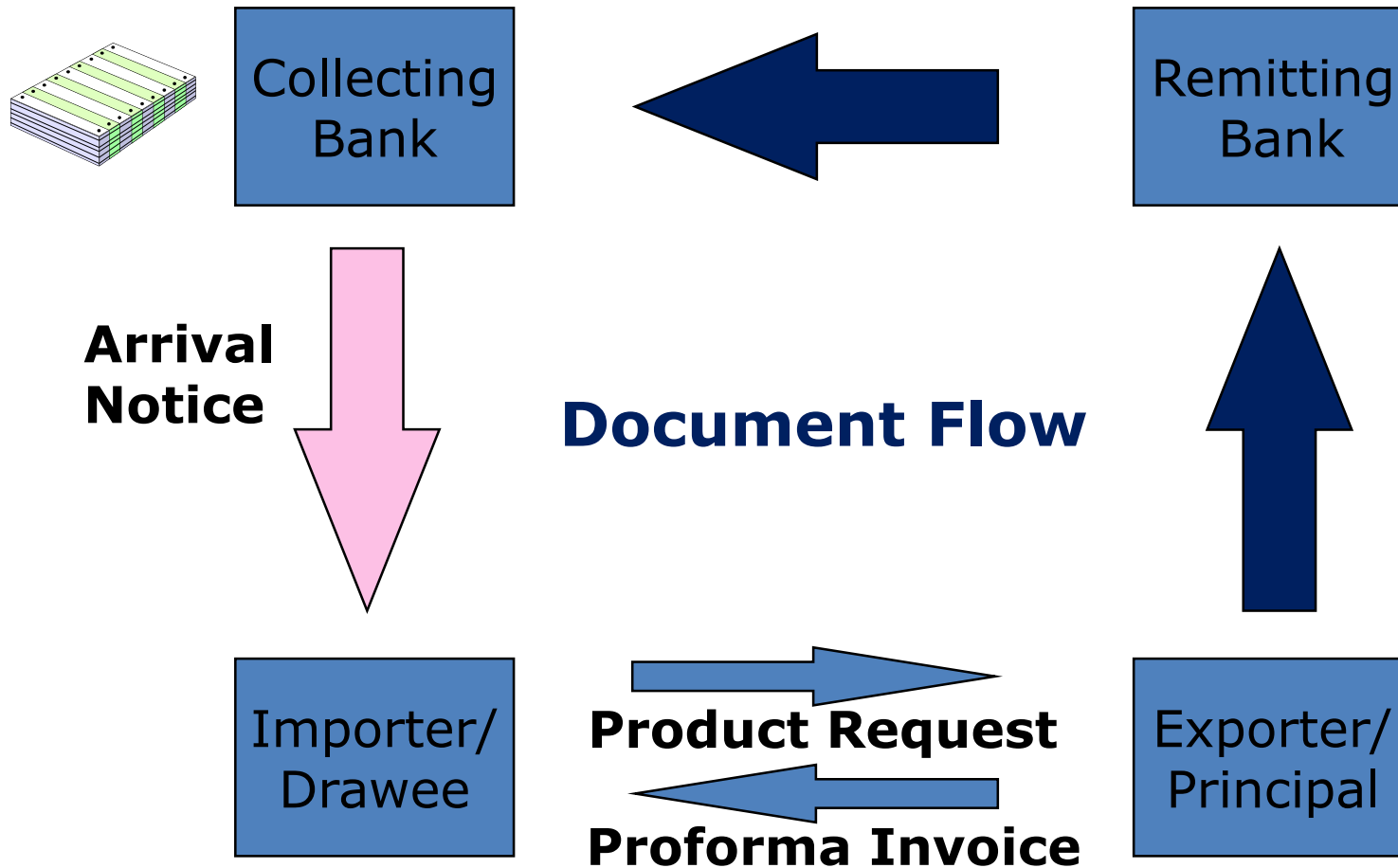
# Export Letter of Credit Processing



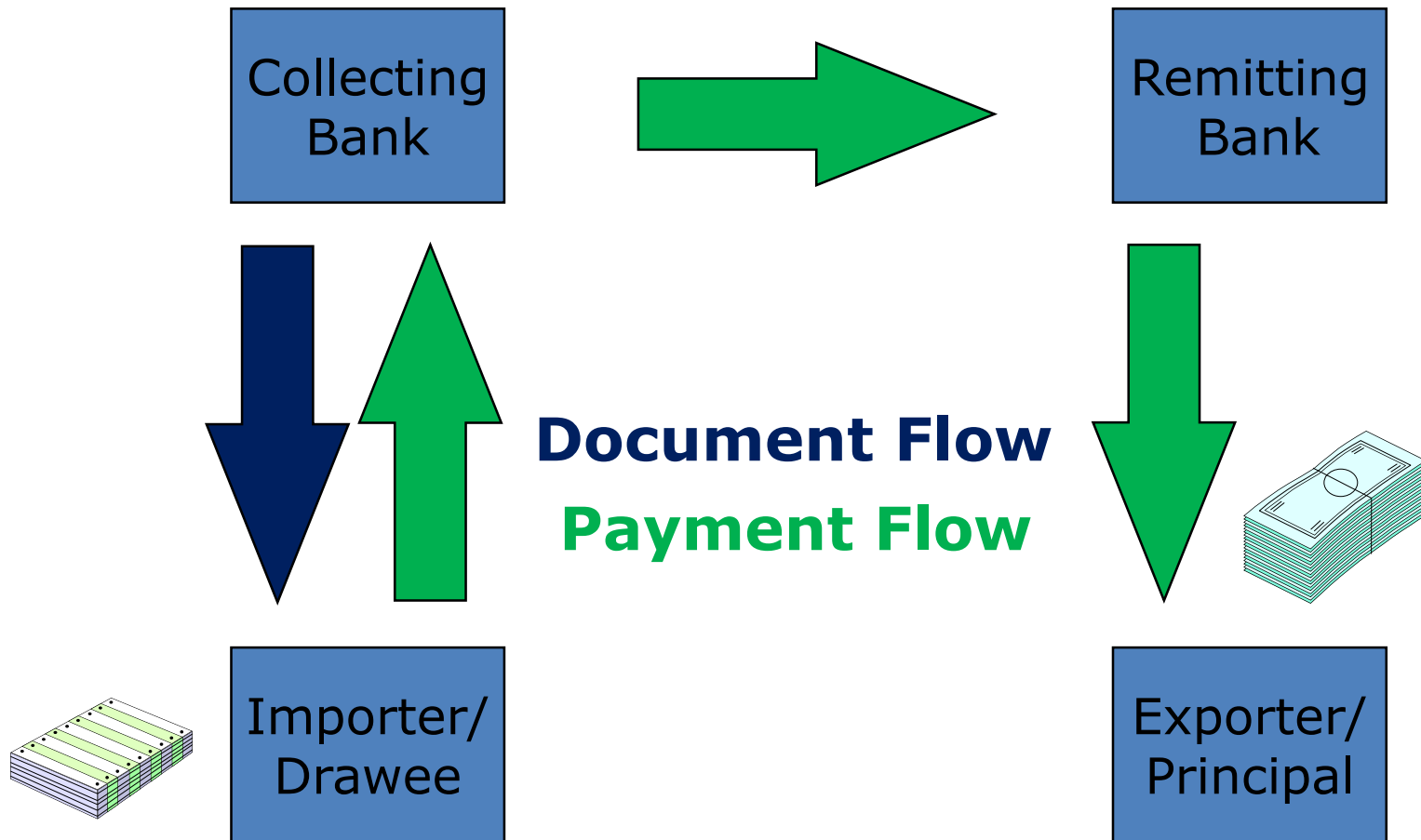
# Documentary Collections

---

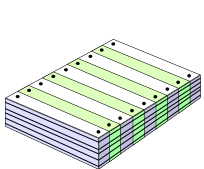
# Documentary Collection Processing D/P



# Documentary Collection Processing D/P

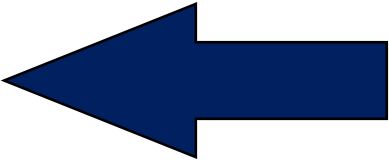


# Documentary Collection Processing D/A

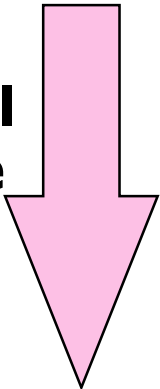


Collecting Bank

Remitting Bank



**Arrival  
Notice**



**Document Flow**



Importer/  
Drawee



**Product Request**



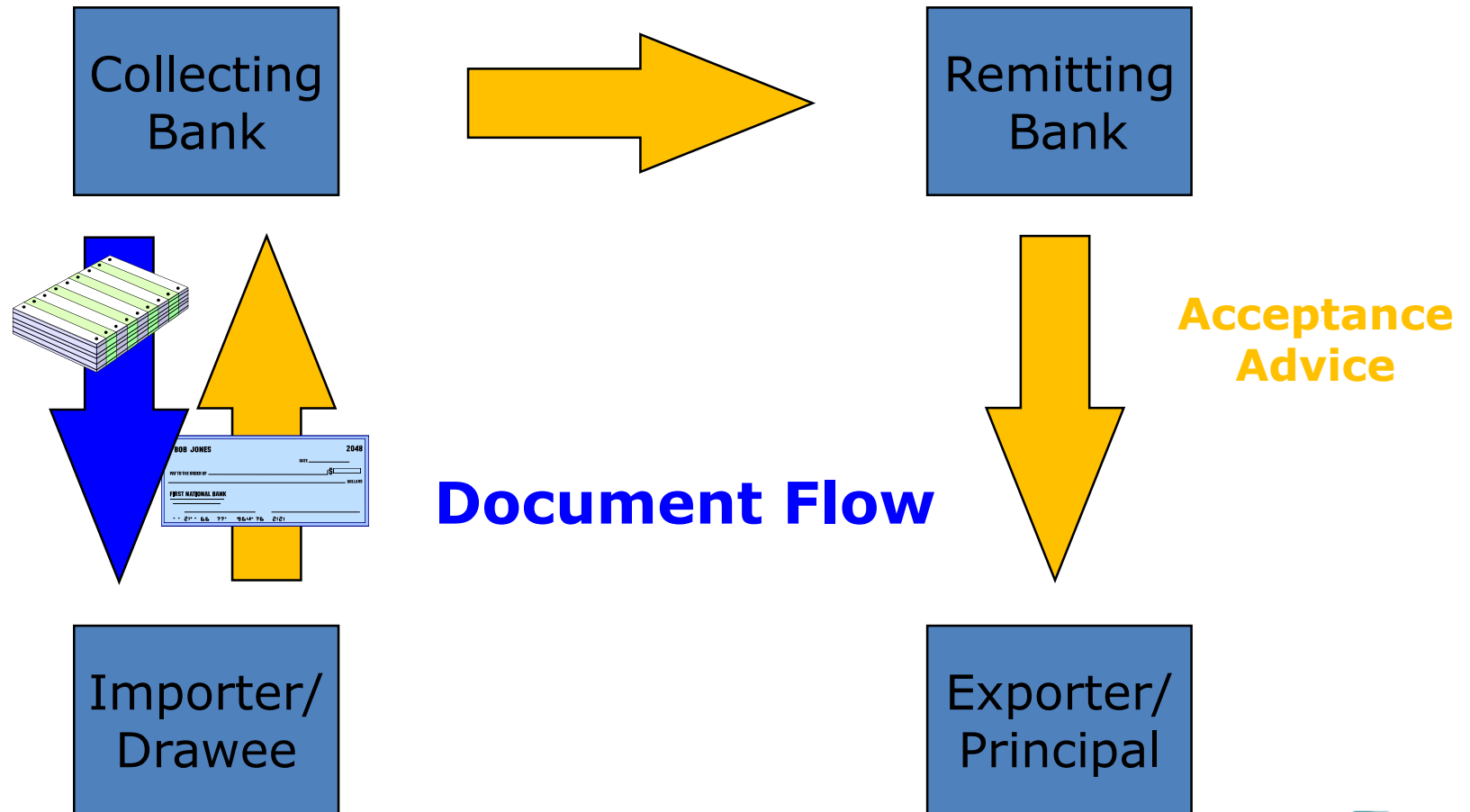
**Proforma Invoice**

Exporter/  
Principal

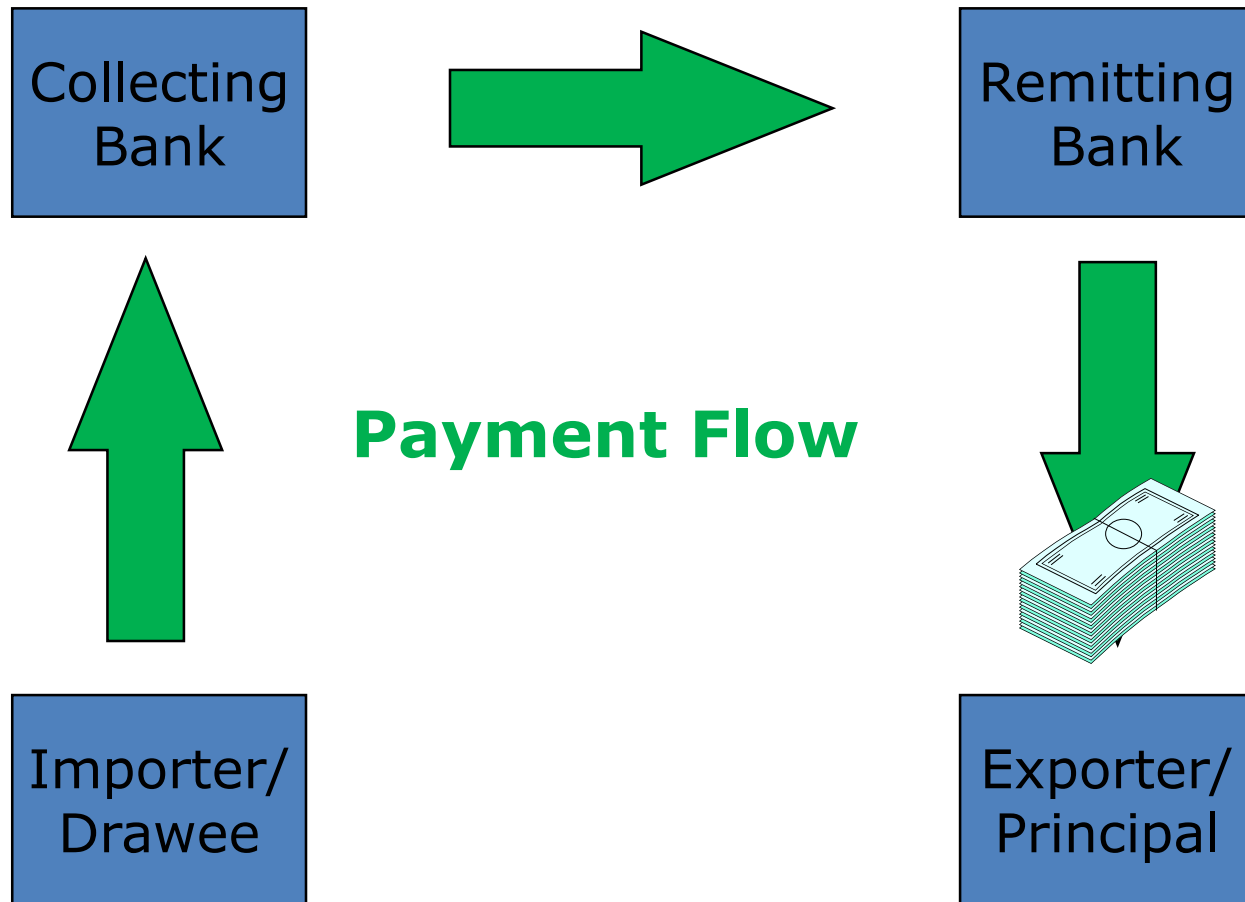


# Documentary Collection Processing

## D/A



# Documentary Collection Processing D/A



# Standby Letter of Credit

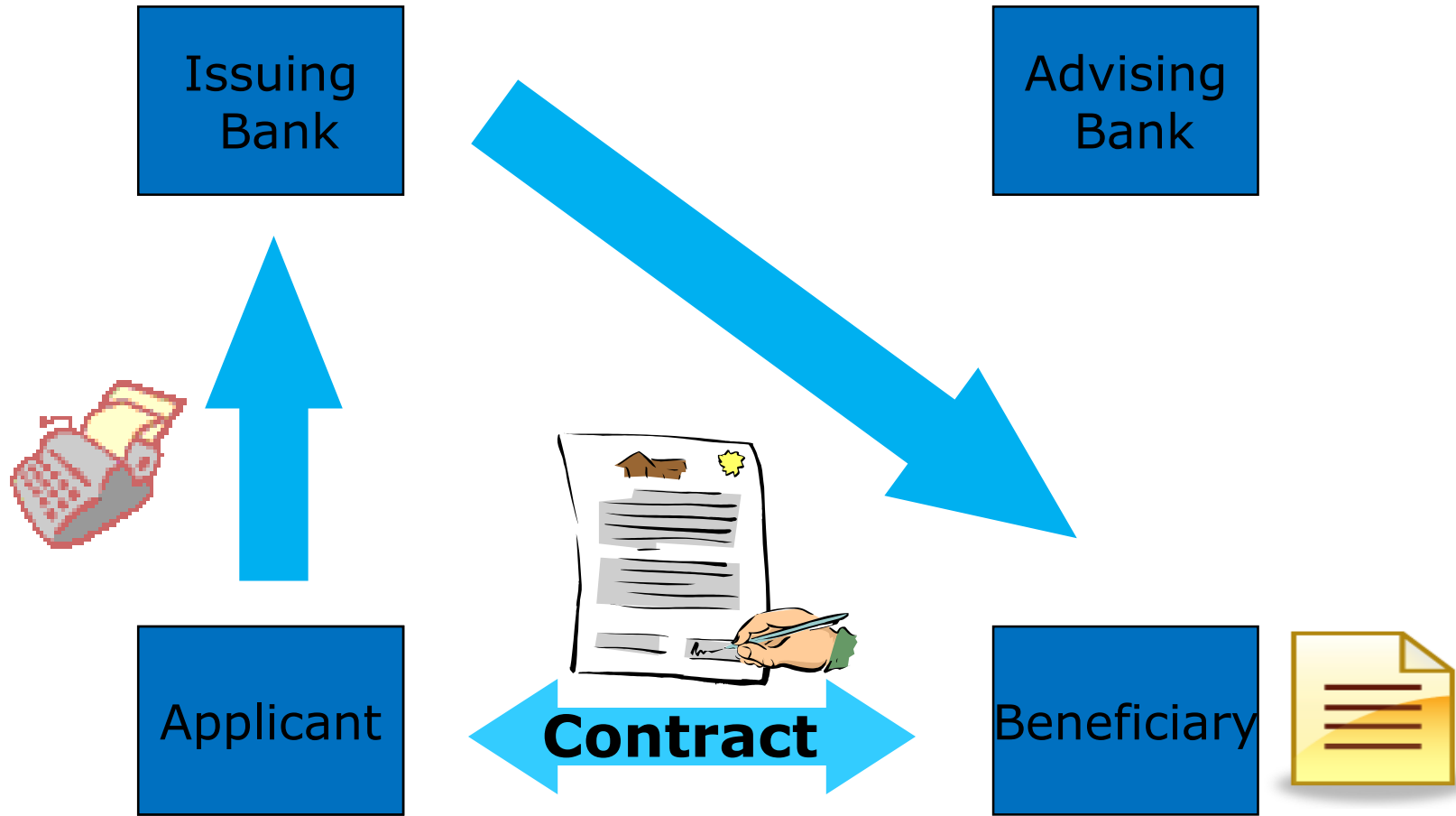
---

# Common Uses for Standbys

---

- Foreign Bids
- Counter-Guarantees
- Rent/Lease guarantee
- Unpaid Invoices
- Bonding Companies

# Standby Letter of Credit issuance



# Foreign Exchange

---

# FX Contract types

- Spot – A contract to exchange one currency for another at the prevailing rate, delivery is normally two business days. (Canada can be same day)
- Forward
  - Fixed Date
  - Variable Date (windows)
- Swaps
  - Related to Client's Forward contract

# FCDAs – Foreign Currency Demand Accounts

- Available in:
  - CAD (Canadian Dollars)
    - May deposit CAD checks, no check writing feature
  - AUD (Australian Dollars)
  - CHF (Swiss Francs)
  - CNY (Chinese Yuan also Renminbi)
  - EUR (Euro)
  - GBP (UK Pounds)
  - MXN (Mexican Peso)
  - NZD (New Zealand Dollars)



# Mitigating Risk/Increasing Sales

---

# Government Export Programs

- Ex-Im Bank\*
  - Export Working Capital
- SBA
  - Export Working Capital
  - International Trade Loan
  - Export Express

\*Some limitations apply

# Credit Insurance

---

- Offered by Ex-Im Bank and private insurers
- Up to 90% coverage
- Supports Open Account Sales
- Can reduce concentration
  - Need not be for foreign receivables

# Case Studies

---

# Case 1 – Foreign A/R, can't borrow

---

Problem: Scrap Metal Exporter must pay for goods when they are received. Foreign shipment takes 45 days, their bank wouldn't loan against foreign receivables.

Solution: SBA Export Working Capital Guarantee. The bank is willing to loan up to 90% of the current foreign receivable amount, as they have SBA backing.

# Case 2 – Bidding in Tanzania

---

Problem: Manufacturing company wants to bid on a project in Tanzania. The buyer wants to receive a local Bank Guarantee in order to accept the Manufacturer's bid.

Solution: Manufacturer's bank issues a Standby Letter of Credit to their correspondent in Tanzania. The Tanzanian bank issues the Bid Guarantee.

# Case 3 – Pre-payment not an option

---

Problem: Exporter has firm contract in hand, but due to currency controls the buyer cannot pay for the goods before they are shipped.

Solution: Buyer's bank issues a Letter of Credit to the exporter. Exporter ships goods and gets paid quickly and enjoys bank risk.

# Questions?

Tim Rasmussen

VP-Trade Finance Relationship Manager

P: 206-749-7316

Email: [TimRasmussen@umpquabank.com](mailto:TimRasmussen@umpquabank.com)





# THANK YOU TO OUR SPONSORS



**Department of Commerce**  
Innovation is in our nature.



---

**SHINE MICRO<sup>®</sup>**

---

# 2016 Maritime Defense Symposium



**Department of Commerce**  
Innovation is in our nature.

