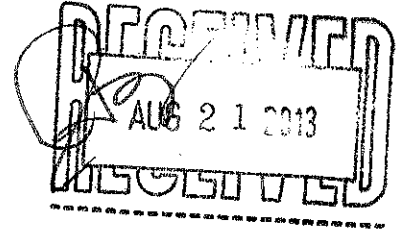




U. S. SMALL BUSINESS ADMINISTRATION  
PUERTO RICO & VIRGIN ISLANDS DISTRICT OFFICE  
SCOTIABANK PLAZA – SUITE 510  
273 PONCE DE LEON AVENUE  
HATO REY PR 00917

787-766-5572 • 800-669-8049 • 787-766-5309 (FAX) • 787-766-5174

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August 6, 2013

Eng. Manuel Ortiz, President  
Ortiz Group Engineering and Construction Services Corp.  
#7 Antonio R. Barcelo  
Toa Alta, PR 00953

Dear Mr. Ortiz:

The **PUERTO RICO AND USVI DISTRICT OFFICE** of the U.S. Small Business Administration (SBA) has completed its review of your 8(a) Annual Update (SBA Form 1450) and supporting documentation for program year **07/01/2012 through 06/30/2013**. The purpose of our review is to monitor the development of your firm and to determine continued 8(a) eligibility. The review is designed to identify potential problems and to assist in developing an action plan to help in your firm's future development.

According to 13 CFR 124.509 (1)(2)(b)(2)(3) require that program participants in the transitional stage (the final five years of the nine years program term), meets certain non-8(a) business activity targets. These targets represent the minimum percentage of the company's total revenues for each program year which must be derived from non-8(a) sources. The purpose of these targets are to ensure that 8(a) firms do not develop an unreasonable reliance on 8(a) contracts and to ease the transition of those firms into the competitive marketplace after exiting the 8(a) Program.

Your company entered the 1<sup>st</sup> year of transitional stage on **July 1, 2009**. This percentage increases by 10% every year thereafter until you complete the nine-year 8(a) program. Non-8(a) Business Activity refers to contract awards that are not issued thru the 8(a) program but may include other Federal awards. During the year that ended June 30, 2013 your firm entered in the 4<sup>th</sup> year of Transitional Stage. Your Business Activity Target (BAT) of non-8(a) business activity for this stage is 45%.

Based on total revenues of **\$7,904,276.00**, Ortiz Group Engineering and Construction Services Corp. should have had at least **\$3,556,924.20** in Non-8(a) revenues. Thus Ortiz Group Engineering and Construction Services Corp. missed its target by **\$1,570,750.20**. (target of \$3,556,924.20 minus Non-8(a) revenues of \$1,986,174.00).

**Although it is our determination that your firm continues to meet eligibility criteria, your firm failed to meet the Non-8(a) business activity target for this fiscal year.**

SBA's regulations 13 CFR 124.312 (c)(12) provide for the SBA to take appropriate remedial measures with respect to an 8(a) firm that has failed to achieve the minimum percentage of the

non-8(a) business activity target for any year of the transitional state. The remedial measures to be used depend in part on the extent to which the firm failed to obtain and the effort expended in seeking non 8(a) business.

The most recent review of your firm's 8(a) Annual Update and the financial statements indicates that your company failed to meet the required non-8(a) business activity target for the 4<sup>th</sup> year of the transitional stage. As a result, the attached Non-8(a) Business Activity Remedial Action Plan has been developed for your firm. Please review the plan, sign and date the copy and return it to the attention of Ms. Yvette T. Collazo, District Director. The original is for your records.

In order for a Participant to come into compliance with the Non-8(a) business activity target and be eligible for further 8(a) sole source contracts, it may:

- (i) Wait until the end of the current program year and demonstrate to SBA as part of the normal annual review process that it has met the revised Non-8(a) business activity target; or
  - (ii) At its option, submit information regarding its Non-8(a) revenue to SBA quarterly throughout the current program year in an attempt to come into compliance before the end of the current program year. If the Participant satisfies the requirements of paragraphs (d)(2)(ii)(B) of this section, SBA will reinstate the Participant's ability to get sole source 8(a) contracts prior to its annual review.
- (A) To qualify for reinstatement during the first six months of the current program year (i.e., at either the first or second quarterly review), the Participant must demonstrate that it has received non-8(a) revenue and new Non-8(a) awards that are equal to or greater than the dollar amount by which it failed to meet its Non-8(a) business activity target for the just completed program year. For this purpose, SBA will not count options on existing Non-8(a) contracts in determining whether a Participant has received new Non-8(a) contract awards.
- (B) To qualify for reinstatement during the last six months of the current program year (i.e., at either the nine-month or one year review), the Participant must demonstrate that it has achieved its Non-8(a) business activity target as of that point in the current program year.
- 13 CFR 124.509(d)(2)

3) To qualify for reinstatement to receive Sole Source 8(a) contracts after noncompliance, the participant must demonstrate:

For reinstatement during the first six months of the current program year, the participant may submit to SBA its financial statements and additional information that demonstrates that it has received non-8(a) revenue that is equal to or greater in value than the dollar amount by which it failed to meet its business activity target for the just completed program year **(\$1,570,150.20)**. SBA will not count options on existing non-8(a) contracts in determining whether a participant has received new non-8(a) contract awards. See 13CFR124.509 (d) for additional information.

- a. To qualify for reinstatement during the last six months of the current program year, the participant must demonstrate that it has achieved its non-8(a) business activity targets as of that point in the current program year. For this purpose, SBA will not count options on existing non-8(a) contracts.
- b. Although the participant may request a waiver to be reinstated under the criteria of 13 CFR124.509 (e) (1) or (2), SBA HQs has indicated it will not consider such waiver unless there is an active offer letter for a sole-source set-aside award offered to the participant.

If after the program year ends, the company is still unable to attain the applicable BAT, the ineligibility to receive sole source 8(a) contract awards will be continued unless a waiver is granted by the Associate Administrator of Business Development (AA/BD).

If you have any questions or concerns regarding this plan and/or to submit all reports and information, please address to the attention of your assigned BOS:

Eva Ivonne Candelario, Business Opportunity Specialist  
U.S. Small Business Administration  
Plaza Scotiabank Building  
273 Ponce de Leon Avenue  
San Juan, PR 00917

If submitting via fax please send documents to 202-481-1916.

**Conclusion:** Based on the information provided in your annual review, **Ortiz Group Engineering & Construction Services Corp.** remains eligible for continued participation in the 8(a) program. However, **is ineligible to receive 8(a) sole source awards until the restriction is lifted.**

Should you have any additional questions please contact the undersigned.

Cordially,



Yvette T. Collazo  
District Director

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## NON-8(a) BUSINESS ACTIVITY REMEDIAL ACTION PLAN

Name of the Firm:	Ortiz Group Engineering and Construction Services Corp.
Case No.:	112026
District Office:	Puerto Rico & US Virgin Islands District Office
Program Term:	8 <sup>th</sup> Program Year
Program Year and Stage:	4 <sup>th</sup> Year in Transitional State
Applicable Non-8(a) BAT	45% - \$3,556,924.20
Actual Non-8(a) BAT	25% - \$1,986,174.00 *

\*As demonstrated by the record, Ortiz Group Engineering and Construction Services Corp. had **\$7,904,276.00** in total revenues during year 4<sup>th</sup> in the transitional stage, but failed to meet the minimum non-8(a) business activity target of **45 %**. It had 8(a) revenues of **\$5,918,102.00 (75%)** and Non-8(a) revenues of **\$1,986,174.00 (25%)**.

Based on total revenues of **\$7,904,276.00**, Ortiz Group Engineering and Construction Services Corp. should have had at least **\$3,556,924.20** in Non-8(a) revenues. Thus, Ortiz Group Engineering and Construction Services Corp. missed its target by **\$1,570,750.20**.

**Updated Business Plan:** Business Plan update was provided by your firm with the following short term objectives:

- make \$3-6 million sales on private institutional / commercial projects
- make \$1-3 million sales on local government projects
- diversify your services and provide maintenance and other services to the construction industry and establish other branches in addition to the construction
- expand services to US states markets and continue presence at the Caribbean
- consider the application for Mentor-Protégé and Joint Venture programs and agreements and look for an award under this program.
- Participate in DBE contract opportunities

## ACTION PLAN

Remedial measures depend on the extent of failure to attain these targets and the effort it expended to seek non-8(a) business. Please refer to SBA's regulations (13 CFR 124.312 (c) (12)

### Actions include but are not limited to:

- 1) Requiring firm obtain counseling, management assistance and/or technical assistance.
- 2) Requiring firm to attend seminars and/or workshops related to management, business development, financing, marketing, proposal preparation, etc.
- 3) Requiring the firm take affirmative actions to expand the dollar volume of its competitive non-8(a) business activity, such as changes in marketing or financing strategy.

**Ortiz Group Engineering & Construction Services Corp.** must contact the SBTDC Small Business & Technology Development Center in San Juan, Puerto Rico to schedule an appointment for service. The specific remedial assistance required by SBA is delineated below:

1) Meet with Puerto Rico SBTDC to develop a written assessment of what led to the situation of non-compliance with the required 45% Business Activity Target (BAT) for companies in the fourth year of the 8(a) Transitional Stage. The 8(a) participant is required to assess, document and report to SBTDC what led to the situation and what potential alternatives will be implemented to alleviate the limitation. SBTDC should review the assessment, provide other assistance to be determined by the SBTDC and will report in writing, via letter or e-mail, that participant has contacted them to develop an assessment and a strategy to overcome the problem preventing them from attaining the required non-8(a) business activity.

2) SBTDC shall assist the 8(a) participant to formulate a new strategy, to include offering management training that may be required, to allow the company to attain a 55% BAT of non-8(a) activity by the end of their 8(a) program year (06/30/2014). Specifically the participant, **Ortiz Group Engineering & Construction Services Corp.** shall prepare and provide to SBA quarterly progress reports addressing:

a. Actions to be taken to develop, implement and achieve a sustainable commercial and Federal (*non-8(a) work*) sales strategy that will allow participant to meet applicable BAT by the end of its 8(a) program year.

b. A list of competitive solicitations (private, federal, state or local) that the company has responded to within the prior three month period, with an explanation of the efforts made by the firm to pursue non-8(a) sales during the prior quarter.

c. Financial statements and/or additional information that demonstrates that it has received non-8(a) revenue and new non-8(a) contract awards that are equal to or greater in value than the dollar amount by which it failed to meet its business activity target for the just completed program year.

d. First report will be due 30 September 2013 and every 90-days afterwards.