

## CLIENT ALERT

### Subcontract Unenforceable When Violates SBA Requirements

August 30, 2010

In *Morris-Griffin Corp. v. C & L Servs. Corp.* (Aug. 16, 2010), the U.S. District Court for the Eastern District of Virginia found that a subcontract between a small business prime contractor and its large business subcontractor was unenforceable because it violated the SBA's size regulations and limitations on subcontracting. After finding that the two companies were affiliated and that the large business subcontractor was seeking to enforce a subcontract under which it was entitled to greater than 50% of the costs incurred for personnel, the court concluded that the prime had falsely certified that it was a small business and that its contract awarded under an 8(a) set-aside had been "conceived in fraud," noting further that such set-asides "are susceptible to finagling."

For more information, please contact the professional(s) listed below, or your regular Crowell & Moring contact.

**Amy Laderberg O'Sullivan**

Partner – Washington, D.C.

Phone: +1.202.624.2563

Email: [aosullivan@crowell.com](mailto:aosullivan@crowell.com)