

CONSTRUCTION BLOG

Certification - Have you thought about the future?

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There are three main types of enterprise certifications for businesses: Women-Owned Business Enterprise (“WBE”), Minority-Owned Business Enterprise (“MBE”) and Disadvantaged Business Enterprise (“DBE”). To obtain certification, the ownership, management, and control must be at least 51% women, minority or disadvantaged, depending on which certification you are obtaining. As those who are certified know, these certifications can result in numerous contracts, since a certain percentage of many governmental contracts are required to go to certified companies. In addition to governmental work, some private companies have started hiring a larger percentage of certified companies.

Once certification is obtained, a yearly update is required to maintain most certifications. Frequently, a simple lack of planning can result in a loss of certification. For example, let’s take a business that is certified as a WBE and a DBE with two owners, a 51% female owner who is also classified as disadvantaged and a 49% owner who is male and has a net worth above the threshold. The 51% owner unexpectedly passes away. Her two children, a boy and a girl, inherit not only her business interests but receive a life insurance payout. With this event, the business can lose both their WBE status (since the son inherited 25.5%, now men own more than 51%) and all of the owners have a net worth higher than the DBE net worth requirements. With proper planning, this result could be avoided.

Taking the same fictional company, instead of the 51% owner passing away, let’s instead say the 51% owner’s sole parent passes away, and the owner inherits all of the estate, pushing her well above the DBE income threshold. This would de-certify the company as a DBE without proper planning and management.

These are just a few examples of events that can cause a loss in certification. To discuss ways to obtain certification or to protect your status as a WBE, MBE or DBE, please contact Kristy Bourgeois at kbourgeois@sandbergphoenix.com, 314.446.4206 or another member of Sandberg Phoenix Construction Industry Team.