



Supplier Diversity Office (SDO)

Certification Briefing Sheets & Frequently Asked Questions

Dear Applicant:

Thank you for your interest in the Massachusetts Supplier Diversity Office (SDO) certification program. This guide provides a high-level overview of the SDO and related supporting documentation.

Applications are reviewed on a first-come, first served basis. SDO certification investigators have multiple files assigned to them and can only render a certification decision in a timely manner if all supporting documentation clearly shows your firm meets state certification requirements. Material inconsistencies in your firm's supporting documentation may cause processing delays.

Factors to consider when applying for certification include (among others):

- Fill out your application completely. Do not leave anything blank!
- Is the firm ready, willing, and able to provide its services to the general public on a regular basis?
- Can the firm provide a clear ownership history (including any supporting agreements) showing how, when, where, and why eligible principals obtained their majority ownership interest in the firm?
- Is the SDO application notarized, complete, accurate, and correct? Do not leave anything blank!
- Do all federal business tax forms and ownership schedules confirm at least 51% of the firm is owned by eligible principals?
- Are copies of all required Massachusetts licenses or permits enclosed?
- Do the resumes of all firm owners and key employees show previous experience that directly relates to the firm's principal lines of work as well as to current roles and responsibilities?
- Are key ownership documents such as stock certificates, ledgers, and operating agreements signed?
- Does the firm own or lease appropriate equipment for the services it provides?
- Do your documents clearly show that key operational daily decisions (e.g., hiring and firing of personnel, estimating, bidding, and field work) rest with eligible principals?
- Do you provide your firm's business contact information (e.g., contact person, telephone, e-mail address)?

We realize that each firm's business situation is unique. The questions in this guide are by no means exhaustive and are provided to you for illustration purposes only. If you have a business issue that is not addressed here, please e-mail the SDO webmaster at webmaster.sdo@mass.gov.

What is the mission of the Massachusetts Supplier Diversity Office (SDO)?

(1) The SDO promotes diversity, equity, and inclusion in state contracting by certifying diverse businesses (minority, women, Portuguese, veteran, service-disabled veteran, disability and LGBT-owned) and small Massachusetts-based businesses. (2) The SDO connects certified firms with business opportunities and resources which may enhance a firm's marketability when bidding on public contracts. (3) The SDO works with the Executive Branch and other public agencies to identify and remove barriers faced by diverse and small businesses. (4) The SDO works to increase small and diverse business spending.

What is certification?

SDO certification is a marketing tool used to enhance a firm's ability to do business in public and private markets. Although certification does not guarantee that a business will be successful every time it bids, it may add a competitive edge to firms seeking contracts with the government. The SDO currently certifies certain diverse business categories such as Minority (MBE), Women (WBE), Portuguese (PBE) and Veteran (VBE) businesses inhouse and has agreements with third-party organizations that certify these same categories and others that certify other business categories, such as Service-Disabled Veteran (SDVOBE), Lesbian, Gay, Bisexual and Transgender (LGBTBE) and Disability-Owned (DOBE) businesses). All certified businesses must meet certain certification criteria.

Is there someone at the SDO I can contact if questions arise as I prepare my certification application?

Please direct any questions you may have to the SDO webmaster via e-mail at webmaster.sdo@mass.gov.

What programs can I apply for through the SDO?

Firms can select any of the options listed below for more information:

In-State Firms ¹	click here.
Out-of-State Firms ²	click here.
Third Party Certification	click here.
Non-Profit Certification	click here.
Massachusetts Small Business Purchasing Program (SBPP)	click here.

¹ Massachusetts-based firm means those whose principal place of business is located in Massachusetts.

² Non-Massachusetts-based firms means those whose principal place of business is located outside of Massachusetts.

What are the SDO certification requirements?

To become SDO-certified, both in-state and out-of-state for-profit applicants must individually or collectively be 51% or more owned and dominantly controlled by eligible principal(s). The firm must also be ongoing and independent. To be eligible for non-profit (NPO) status, a firm must:

Be tax-exempt under §501(c) (3) or §501(c) (4) of the United States Internal Revenue Code.

Have its NPO status approved by the Massachusetts Attorney General Public Charities Division.

Have its Board of Directors or Trustees comprised of at least 51% eligible minority group members (Black/African American, Hispanic, Asian, or Indian or Indigenous Persons), Portuguese, women, veteran, service-disabled veteran, disability and/or LGBT-owned.

Be ongoing and independent. For more information, [click here](#).

Is there a fee to become SDO-certified?

No; SDO certification is free.

Does SDO Certification guarantee contract award?

No. SDO certification is a marketing tool, and holding an SDO certification does not guarantee award or eligibility for any specific contracting opportunity.

Can I mail the SDO my application and supporting documentation?

No. Applicant firms must complete an online application and upload all supporting documentation based on the firm's structure to their [SDO Portal Account](#).

Why is an applicant's SDO Portal Account important?

The SDO Portal Account serves as a primary means of communication between the SDO and an applicant. Password or e-mail-related problems can be reported to the SDO webmaster via e-mail at webmaster.sdo@mass.gov. (2) When an applicant initially applies for SDO certification, requests for needed additional information will be sent via the firm's SDO Portal account. Please respond promptly. (3) Certified firms should update their business contact information to avoid missing out on training, networking, and bid-related information which the SDO may periodically provide to you.

How does the SDO process certification applications?

Applications are processed on a first-come, first served basis. Expedited reviews are not available. The burden is on the applicant firm to provide all required documents based on the firm's structure. Ambiguities or inconsistencies in your firm's SDO application or its supporting documentation may cause processing delays.

What is the burden of proof?

In general terms, this means the applicant must provide sufficient documentation so a reasonable person can determine that the eligible principal(s) owns at least 51% of the applicant firm and meets state certification criteria. [Click here for the SDO regulations](#).

I am concerned about disclosing my firm's business information to my competitors and the public.

What can I do?

By uploading an application and any supporting items, you are creating a [public record](#) pursuant to [GL c. 4§7\(26\)](#) and [G.L. c. 66 §10](#), which is visible to the general public. This includes any potential bidders on a contract your firm seeks to pursue.

Personally identifiable information including banking information, birth certificates, passports, certificates of naturalization, and tax forms are generally withheld from disclosure. We recommend you discuss any concerns about personally identifiable information with your legal advisor.

Do I need to submit my firm's federal business taxes to the SDO?

Yes. All firms seeking certification are required to provide a copy of their most recent federal business tax forms along with any ownership schedules confirming that the firm is at least 51% owned individually or collectively by eligible principal(s) of the same certification category(ies).

Startup firms who have not filed their first business taxes can provide the SDO with an opening business account statement. Newly-formed LLCs, LLPs partnerships, and corporations may provide a copy of their IRS Employer Identification Number (EIN) letter (if available). Sole proprietorships may provide a copy of a business certificate from the city or town where the firm is located (if applicable).

What are the most common issues applicants face when preparing their SDO certification application?

Common issues many firms face include (among others):

- Depending on a firm's principal line of work, copies of required Massachusetts licenses and permits may be required.
- Additionally, all firms must provide resumes of all owners and any key employees that show prior documented experience in the current area of requested certification. Resumes should also show current duties at the applicant firm.
- All firms should provide invoices or contracts to show that they are ready, willing, and able to provide their product or service to the general public on a regular basis.

If your firm has not obtained its first contract, you may provide a reasonable substitute, such as a business plan, a proposal, or bid for a public work the firm is currently seeking to participate in. Letters of intent for future work are also acceptable. Marketing collateral alone may not be sufficient.

I am filling out the SDO online application. It asks me to pick a business structure. My firm started as a sole proprietorship but currently operates as a single member LLC or single owner corporation.

What business structure should I choose?

If the firm currently operates as a single-owner corporation, use the corporations required document list. If the firm now operates as a single-member LLC, use the LLC required document list.

Should I hire a consultant to prepare my SDO application?

Ultimately, the choice is up to you as a business owner. However, remember that you can direct any questions you may have to the SDO webmaster via e-mail at webmaster.sdo@mass.gov.

Additional free resources are available with a partners such as the such as [SCORE through the Small Business Administration \(SBA\)](#), which offer free business mentoring services.

Depending on how long a firm has been actively in business and its principal line(s) of work, additional free government procurement preparation-related assistance may be available through the [Massachusetts Apex Accelerator formerly known as the Procurement Technical Assistance Center \(PTAC\)](#), for qualified firms who possess both an interest in government contracting opportunities and the capacity to perform the work.

I am filling out my SDO application and I am having trouble developing a good business description.

Business descriptions are important because firms that successfully complete the SDO state certification process will be listed in the online [SDO directory of certified businesses](#) using this description.

Firms should provide a short 15-to-20-word description of the product(s) or service(s) they offer to the general public. Longer mission statements are not often searchable by keywords and should not be used as a description.

Business descriptions of currently certified firms can be amended by contacting the SDO webmaster via e-mail at webmaster.sdo@mass.gov.

Is there a required document list?

Based on its structure, every applicant firm should use the required document list available at this link: <https://www.mass.gov/doc/sdo-supporting-documents-checklist/download> to assemble all required documents. As you prepare to upload your required documents, please reread the cover letter attached to these FAQs for some helpful guidance.

SDO Certification Process Overview

What are the steps in the SDO certification process?

There are seven steps to the SDO certification process:

- **Step One:** Eligible principals of in-state firms will attend a pre-certification webinar explaining what certification is and how it works. Signup for available webinars can be found here [LINK]. Out-of-state firms will view a pre-recorded webcast.
- **Step Two:** All applicants need to [create an account at with the SDO certification platform](#) (SDO

portal account).

- **Step Three:** An SDO intake specialist reviews the information you provided in the [SDO Portal](#).
- **Step Four:** Files are assigned to certification investigators on a first come, first served basis to determine how and why your firm meets (or does not meet) SDO certification criteria.
- **Step Five:** Your assigned certification investigator will perform a desk audit, a telephone interview, or a virtual interview.
- **Step Six:** The SDO Investigator prepares a report for the SDO certification committee.
- **Step Seven:** The certification committee reviews your firm's SDO application and all supporting documentation to determine whether your firm meets SDO certification requirements. The SDO will notify you in writing of its decision via your SDO portal account.

My firm was denied SDO certification. What can I do?

Firms that were denied SDO certification have 10 days to request an appeal. Instructions are included in the denial letter. If a firm fails to request an appeal in 10 days, the SDO decision becomes final. The firm may reapply for certification one year from the date of the SDO denial letter.

My firm just got SDO certified. What's next?

Your firm's SDO certification is valid for three years. Your most current SDO certification or renewal letter is available via the [SDO Portal Account](#). Be sure to periodically update your firm's business contact information so that future training, bidding, and networking opportunities reach you in a timely manner.

SDO Certification Renewal Process

When will the SDO contact me concerning renewals?

Your firm's SDO certification is initially good for three years. The SDO will reach out to your business contact via e-mail approximately 45 days prior to your firm's certification anniversary. Questions about the renewal process may be sent to the SDO webmaster via e-mail at webmaster.sdo@mass.gov.

Do certified firms need to attend a webinar or a webcast to renew their SDO certification?

No. Certified firms do not need to attend another webinar or webcast during the renewal process.

Can I mail my renewal documents to the SDO?

No. All renewal forms must be uploaded to your firm's [SDO Portal Account](#). Please make sure your firm's business contact information is correct and respond promptly to any requests for additional information.

Can I request an extension of time to prepare my firm's renewal documents?

Yes. Send requests for time extensions to the SDO webmaster via e-mail at webmaster.sdo@mass.gov.

What documents will I need to provide to the SDO to renew?

In-state firms who wish to renew their SDO certification will need to provide:

- A completed SDO No Change Attestation Form.
- The gross sales page of the applicant's federal tax forms and any supporting ownership schedules (if applicable) for the last three years. Sole proprietorships provide a copy of their Federal 1040 Schedule C.
- An annual report (if applicable).
- Current copies of any required Massachusetts licenses. You may direct any questions to the SDO webmaster via e-mail.

Pre-Certification Webinar

What is the purpose of the SDO pre-certification webinar/webcast or the online NPO information?

The purpose of the SDO webinar/webcast and the NPO online information is to present an overview of SDO [certification regulations](#), benefits, requirements, and required supporting documentation based on your firm's structure.

Who should attend the SDO precertification webinar for Massachusetts-based businesses?

The individual or collective owners of 51% or more of the firm ("eligible principal(s)"), or their designated proxies along with anyone who may assist in completing the SDO application and assembling the supporting required documentation should attend the two-hour SDO [webinar](#).

Note: Eligible principals or authorized proxies of out-of-state firms must attend a webcast [as part of the certification process](#). An NPO's Executive Director, an authorized designee and anyone else who will assist in the preparation of an NPO firm's SDO application and supporting documentation, should read about the [SDO NPO application process and requirements online](#).

How long does a firm that attended the SDO webinar or webcast have to apply for SDO certification?

Applicants have one year to apply for SDO certification after attending the SDO webinar or webcast.

Post-Certification Reportable Material Changes

The SDO recently certified my firm. What types of post-certification changes must I report?

Certified firms must notify the SDO within 30 days any time there is a [change in ownership, structure, or control](#) at the firm. NPOs should contact the SDO whenever someone resigns or is added to its Board of Directors. Firms also have a duty to keep their business contact information current throughout their relationship with the SDO, so they do not miss out on potential bidding or training opportunities.

What happens when a business is transferred to an eligible principal after it is certified?

The firm should notify the SDO within 30 days of the transfer so the SDO can evaluate whether the new firm continues to meet certification requirements. If more than 51% of the firm is transferred, the firm's new owners will need to attend a webinar (out-of-state firms would view an online webcast) and submit supporting documentation to determine if the firm still meets SDO certification criteria.

What factors does the SDO examine during ownership transfers?

The SDO evaluates all ownership transfers based on a number of items, such as:

- How long had the firm operated under previous ownership prior to the transfer to the eligible principal(s)?
- What was the reason for the transfer? (e.g., retirement or estate planning? Medical?)
- Was there a written agreement between the parties?
- Have regular payments been made to the former owner?
- Do the firm's current business tax ownership schedules accurately reflect majority ownership by an eligible principal(s)?
- Do the firm's new eligible principal(s) hold [all required Massachusetts licenses and permits](#) needed to operate the business?
- Do eligible principal(s) possess any prior documented training or experience that directly relates to the revenue generating activities of the applicant firm?
- How has the role of the former owner changed at the firm following the transfer?
- Does the new eligible principal(s) sign contracts? Prepare bids? Perform company-related field work?

I am an SDO certified firm. I just changed my firm's structure or ownership. Do I report it to the SDO now or should I wait till my firm is due for renewal?

Do not wait for your firm's renewal to report any relevant changes - report them as they happen via your firm's [SDO Portal Account](#). The SDO encourages certified firms to report structural, ownership, or control-related changes within 30 days. Please e-mail the SDO webmaster at webmaster.sdo@mass.gov with any questions you may have.

Additional requirement for out-of-state firms only: In addition to the items above, all SDO out-of-state certified firms will need to provide a copy of their home state certification letter or certificate. Third-party certified firms need to provide proof of third-party certification during SDO renewal to remain SDO certified.

Out-of-State Firms

What is an out-of-state firm?

An out-of-state firm is one whose principal place of business is outside of Massachusetts.

Is an out-of-state firm required to register as a foreign entity with the [Massachusetts Corporations Division](#) prior to seeking SDO certification?

No. Registration as a foreign entity with the Massachusetts Corporations Division is not required for SDO certification. However, registration may be required prior to performing work on a state contract. Eligible owners are responsible for registering properly based on their individual situation and contract agreements.

Are out-of-state firms expected to have current copies of required Massachusetts licenses or permits when seeking SDO certification?

Yes. Out-of-state firms should have all [Massachusetts or licenses and permits](#) required for the services/products they provide when seeking SDO certification.

I am an out-of-state corporation preparing my SDO application. Is there any additional paperwork an out-of-state firm would need beyond what would normally be required for a Massachusetts-based firm?

Yes. All out of state firms must provide:

- A home state certification letter or similar document.
- A home state site visit report, telephone interview report, telephone review report, and/or other report as determined by the SDO, OR
- Out-of-state firms can also be certified through a recognized third-party certifier.

Why does an out-of-state firm need to provide the SDO with these items?

SDO regulations require that all out of-state firms prove that they are certified in their home state. A site visit report or proof of third-party certification helps to explain how and why the firm met its home state certification requirements.

Third-Party Certification

Does the SDO recognize third-party certification?

Yes. The SDO maintains relationships with reputable recognized third-party certifiers, including the Greater New England Minority Supplier Development Council (GNEMSDC), the Center for Women & Enterprise (CWE) Women's Business Enterprise National Council(WBENC), the City of Boston, Veteran Business Certification (VetCert), National Veteran Owned Business Association (NaVOBA), the National LGBT Chamber of Commerce (NGLCC), and Disability: IN (formerly The US Business Leadership Network-USBLN). [Click here for more information](#).

Disadvantaged Business Enterprise (DBE) Program

What is the Disadvantaged Business Enterprise (DBE) certification through the Massachusetts Unified Certification Program?

The Massachusetts Disadvantaged Business Enterprise (DBE) Unified Certification Program is a federal certification used in federal procurement opportunities. The program requires that socially and economically disadvantaged persons dominantly own and control an ongoing and independent business. The DBE program is governed by [49 CFR Part 26](#). [Click here](#) for more information.

The DBE program maintains a personal net worth cap for its eligible principals. Does the SDO certification program have personal net worth cap?

No. The SDO program does not cap the personal net worth of eligible principals.

The DBE program has a gross sales cap for all firms based on the type of work the firm performs and its average annual gross sales as reported by its business taxes. Does the SDO program have a gross sales limits for an applicant firm?

No. The SDO program does not cap the revenues of applicant firms.

I own a business which has been certified as a DBE with the Massachusetts DBE program, and I want my firm to become SDO certified. What should I do?

Please e-mail the SDO webmaster at webmaster.sdo@mass.gov for guidance. Attach a copy of your firm's home state DBE certification letter and/or its Massachusetts UCP DBE Program certification letter (if applicable.)

Certification Requirements

Certification Requirements: Full list here: <https://www.mass.gov/doc/sdo-supporting-documentschecklist/download>

Certification Requirements: Eligible Principal

Who qualifies as an eligible person for certification purposes?

SDO regulations define an eligible principal as an adult US citizen, or U.S. permanent resident, or individual permanently residing under the color of law (PRUCOL) in the U.S. who is a minority, woman, veteran, service-disabled veteran, person of Portuguese origin, LGBT individual, and/or a person with a disability. Eligible principal(s) of the same certification categories must individually or collectively (1) own at least 51% of the firm; and (2) exercise dominant daily and long-term control of the firm's operations. Please consult the [SDO regulations](#) for guidance.

What documents are acceptable proof of status as an eligible principal?

An eligible person can provide a legible copy of a valid US passport, a birth certificate, a certificate of naturalization, or a tribal identification card (if applying as a Native American).

What should an eligible veteran-owned firm provide?

Eligible veterans must provide a copy of their DD-214 Form.

Does the SDO accept first or second-generation proof of minority eligibility?

Either is acceptable.

Can I use a DNA test to establish my status as an eligible principal?

No; the SDO does not accept DNA evidence as proof of eligible principal status.

Certification Requirements: Ownership

What does ownership mean under SDO regulations?

Ownership means that:

- One or more eligible person(s) from the same certification categories either individually or collectively must own at least 51% of all types of ownership interest in the firm when taken in aggregate.
- The ownership by eligible principal(s) must be real, ongoing, substantial, and continuous.
- Eligible principal(s) of the same certification categories either individually or collectively must bear at least 51% of the firm's financial risks.
- Eligible principal(s) of the same certification categories either individually or collectively-- must be entitled to receive at least 51% of the firm's profits.

Can the SDO ownership requirement be satisfied with multiple owners?

SDO regulations require that an applicant firm be owned at least 51% individually or collectively by one or more eligible principals of the same the same certification categories. Each owner that the firm relies on to 51% ownership will also need to provide proof that they qualify as an eligible principal and that they either dominantly control the firm's daily operations, on both a short-term and a long-term basis.

Can an applicant firm have passive investors?

Applicant firms can have passive investors, but passive investors alone may not be used to satisfy the eligible ownership requirements of the regulations. Firms would need to establish that eligible principal(s) of the same certification categories:

- Own at least 51% of the firm.
- Hold the firm's highest office.
- Actively participate in and ultimately dominantly control the applicant's daily and long-term operations.
- Possess a documented demonstrable background in the firm's requested area of certification.
- The firm must also possess all required Massachusetts licenses it needs to generate its revenues.³

What documentation can I provide the SDO to prove ownership as a sole proprietorship?

Sole proprietorships can provide (1) a copy of a business certificate in the city or town where the firm is located (if available), and (2) a copy of the firm's federal Form 1040 Schedule C or extension (if applicable). Sole proprietorships that have been in business less than a year who have not yet filed business taxes may provide an opening business account statement.

What can a firm which is less than one year old that has not filed their first set of federal business taxes due to satisfy the SDO's ownership requirement?

Any firm under a year old that has not filed its first set of business taxes can provide an opening business account statement in place of federal tax forms. Additionally, corporations, partnerships LLCs/LLPs may also wish to provide the SDO with a copy of its IRS Employee Identification Number (EIN) determination letter (if applicable).

What documentation should a corporation provide for the SDO?

Corporations should provide:

- Articles of organization from the Massachusetts Corporations Division
- Front and back copies of all current and canceled stock certificates
- A stock transfer ledger
- An annual report (if available) from the Massachusetts corporations division
- Meeting minutes showing any ownership transfers
- Copies of the firm's most current federal corporate business taxes, usually a Federal 1120 or 1120S Tax form with any related ownership schedules

³ Both in-state and out-of-state firms must possess all required Massachusetts licenses to generate the firm's revenues.

What information should a partnership provide for the SDO?

A partnership seeking SDO certification should provide a signed copy of the firm's partnership agreement and form 1065 Federal business tax forms and all ownership schedules or federal business tax extension forms (if applicable).

What information should an LLC/LLP provide the SDO?

An LLC/LLP should provide (1) A certificate of formation and annual report (if applicable) from the Massachusetts Corporations Division; (2) A signed operating agreement; showing how daily operational decisions are made; (3) Signed copies of the firm's Federal business tax forms and all ownership schedules or federal business tax extension forms (if applicable).

Can a firm partially owned by an employee stock option plan (ESOP) qualify for SDO certification?

Each case is fact-specific and will be evaluated based on a totality of current circumstances. The applicant firm should provide the SDO with a copy of the ESOP. The SDO will review it to determine, based on a totality of the circumstances, whether eligible principal(s) of the same certification categories either individually or collectively (1) own at least 51% of the firm; (2) exercise dominant daily operational control of the firm's daily operations; (3) maintain dominant control over the firm's governing body (if applicable); and (4) occupy the firm's highest office.

My firm is owned by a holding company. Does this pose an ownership issue?

Each case is fact-specific and will be evaluated based on a totality of current circumstances. The applicant firm should provide the SDO with a copy of ownership documentation for the applicant firm and the holding company.

The SDO will review it to determine, based on a totality of the circumstances, whether eligible principal(s) of the same certification categories either individually or collectively: (1) own at least 51% of the firm; (2) exercise dominant daily operational control of the firm's daily operations; (3) maintain dominant control over the firm's governing body (if applicable); (4) occupy the firm's highest office.

My firm is 50% owned by an adult Caucasian female and 50% by an adult Hispanic male. In terms of ownership, is the firm eligible?

No. The applicant firm's must be at least individually or collectively 51% owned by eligible principals of the same certification category. MBE and WBE are two separate certification categories and cannot be combined to meet SDO ownership requirements.

My firm is 51% owned by an adult Asian woman and 49% by an adult Hispanic woman. Is the firm eligible?

Yes. Both eligible M/WBE women would need to establish that they qualify as eligible principals. Eligible M/WBE owners would need to possess a documented demonstrable background in the firm's principal revenue generating activities.

Certification Requirements: Dominantly Controlled

What does dominantly controlled mean under SDO regulations?

Dominantly controlled means that either individually or collectively eligible principals ultimately exhibit their daily operational control of the applicant by:

- Making financial decisions.
- Preparing firm bids and estimates.
- Negotiating and executing firm contracts.
- Hiring and firing of personnel who perform the firm's work.
- Supervising the firm's field operations (if applicable).
- Having final approval of the firm's marketing & sales.
- Having final approval of the firm's office management.
- Having final approval of the purchase of equipment.
- Holding the firm's highest office.
- Possessing dominant control over the firm's governing body (if any).

Can certain daily operational tasks be delegated to employees?

An eligible principal can delegate certain daily tasks as long as the delegation remains revocable. The firm's records provided to the SDO must clearly show that ultimately all personnel report to eligible principal(s) on daily and long-term operational matters.

Should I provide a resume in connection with my firm's SDO application?

Yes. Applicant firms must submit resumes of all owners and any key employees. An eligible principal should possess a documented demonstrable prior background which directly relates to the firm's current primary lines of work. Start and end dates for all previous employment as well as an eligible principal's duties should be included.

I'm an eligible principal who currently works outside of the applicant firm. Does outside employment compromise my firm's certification eligibility?

The SDO looks at the totality of the circumstances to determine whether your outside employment substantially interferes with your ability to operate the applicant firm during its normal operational hours. The SDO may also consider whether the outside employment substantially limits the operational independence of the applicant firm if both firms appear to be in the same or substantially similar industries, and appear to share tools, equipment, space, personnel, or financial resources. Each case is different. The SDO reserves the right to request additional information as needed.

How can I determine what professional licenses and permits are required to operate my business in Massachusetts?

The burden is on both in-state and out-of-state applicants to provide the SDO with current copies of all required Massachusetts licenses and permits required in Massachusetts needed to generate its revenues both during the initial application process and then again three years later during the SDO certification renewal process. [Click here for more information.](#)

What does dominant financial control mean?

An eligible principal must possess ultimate dominant control over the applicant's financial affairs and accounts. Eligible principals or their authorized proxies possess legal authority to financially bind the firm. The proxy delegation can be revoked at any time. The proxy should report to the eligible principal on all operational matters. Typical documents include a bank signature card or a letter from the bank stating who can sign on the applicant's business account, along with any business loan agreements (if available).

What does it mean to operate a dominantly controlled corporation?

The SDO considers among other things: (1) whether an eligible principal(s) currently hold the applicant firm's highest officer position (e.g., CEO or President) and (2) they are listed as a company director(s) with the [Massachusetts Corporations Division](#). Additionally, under the firm's bylaws, key operational decisions are made based on ownership interest in the firm. Eligible principals should be director(s) at the firm. Under the firm's corporate bylaws, eligible principal(s) must ultimately retain the right to break any corporate deadlock, and to remove any corporate officer, often with or without cause.

What does it mean to operate a dominantly controlled LLC/LLP?

The SDO considers among other things: (1) whether an eligible principal (s) must hold the applicant firm's highest officer position (e.g., Managing Member or Manager) with the [Massachusetts Corporations Division](#). Under the firm's operating agreement, eligible principal(s) serve as managing member (s) of the LLC/LLP. The operating agreement provides that eligible principals ultimately retain the right to break any operational deadlock at the LLC/LLP, and to remove any member, often with or without cause based on their majority ownership interest in the firm.

Can a franchise become SDO certified?

Yes. The SDO will examine the franchise agreement to determine if the restrictions are industry consistent, and relate mainly to non-competition, branding, marketing, trademarks, hours of operation, customer contact lists, and confidentiality. Ultimately, eligible principals should retain dominant control over the firm's daily operations, including the hiring and firing of employees and the acceptance or rejection of new customers. Eligible principals should supervise their employees, assuming professional responsibility for their work. The SDO reserves the right to request additional supporting documentation or to conduct a site visit to confirm that the applicant firm's daily operations are dominantly controlled by eligible principals.

Does the SDO certify union firms?

An applicant firm's standing within the industry, membership in specific groups, organizations, or associations, and political and social affiliations (for example, union vs. non-union employee status) are not legitimate causes to deny SDO certification. The SDO will examine the firm's circumstances to determine (among other things):

- Whether an eligible principal signed the union agreement on behalf of the applicant firm.
- Whether the eligible principal possesses sufficient documented industry experience which allows him or her to understand the nature and scope of the work being performed by the union members on behalf of the applicant firm.

- Whether eligible principals accept professional responsibility for all work performed by its union members.
- Whether eligible principals retain the right to hire, fire, and replace union employees for good cause shown.

Certification Requirements: Ongoing

What are common characteristics of an ongoing business under SDO regulations?

All ongoing businesses share common characteristics that demonstrate that they are currently ready, willing, and able to sell their goods or services to the general public on a regular basis such as (among other things):

- An ongoing business must not reorganize, restructure, or specifically modify its ownership solely to become eligible to take advantage of programs like the SDO designed to assist diverse businesses.
- Any ownership changes made within 12 months of the firm's SDO application which render a previously ineligible firm otherwise eligible for the SDO program are subject to a rebuttable presumption of ineligibility.
- Ongoing firms are not overly dependent upon another ineligible person or firm for key operational components, such as tools, equipment, facilities, or space which can be owned or leased.
- An ongoing SDO firm must hold all required licenses and permits required in Massachusetts to generate its revenues.
- Additionally, an ongoing NPO should actively and regularly engage in the purpose(s) for which it was formed.

What supporting documents can I provide to prove that eligible principals actively market the firm's services to the general public on a regular basis?

Firms can provide current contracts and/or invoices which directly relate to their principal lines of work.

I am a newly formed firm which has not obtained its first customer yet. What types of proof can I provide the SDO to show that the firm is ready, willing, and able to provide its services to the general public?

Newly formed firms can provide (among other things): A copy of a professional license which the firm needs to generate its revenue(s); copies of bids or proposals; letter(s) of intent to perform work; proof of insurance; and marketing materials. *Please note:* The SDO reserves the right to request additional supporting documentation depending on the nature of the firm's principal line of work.

I operate my business from my home. What documentation should I provide to the SDO?

You should provide a copy of your most recent property tax bill, lease, or mortgage statement.

I lease my firm's space. What documentation should I provide the SDO?

If you lease office, warehouse, or virtual space and a written lease exists, please provide it.

What can I provide to the SDO if no written lease exists?

If no written lease exists, the firm should provide copies of three months' worth of rent checks.

My firm uses an excavator to generate its revenue. What additional items should I be prepared to provide to the SDO?

When heavy construction equipment is needed to generate the firm's revenue, an applicant firm may wish to provide the SDO with: (1) Proof of ownership or lease of the equipment; (2) A copy of an operator's license if expressly required in Massachusetts; and (3) A certificate of insurance (if applicable).

What is the difference between a supplier and a broker?

A supplier maintains an inventory stored in a warehouse for sale to the public on a regular basis and bears the risk of loss of a product (e.g., if the product is destroyed in a fire or stolen) prior to client delivery. A broker does not, and merely facilitates the transfer of goods from the manufacturer to the customer, without bearing the risk of loss.

- A **supplier** should provide (1) proof of ownership or lease of a warehouse where products are stored prior to sale to the general public; (2) an inventory statement or similar proof; and (3) a certificate of insurance.
- A **broker** should provide (1) contracts or invoices or with its final customer; and the initial supply source used to fill the end user's order to the applicant. In some cases, an applicant may enter into a distributorship agreement with a supplier. In most cases, the broker's items are drop shipped directly to a customer instead of being held in the applicant's warehouse prior to sale.

Certification Requirements: Independent

What are the key elements to the SDO independent requirement?

The SDO only certifies independent firms. The SDO will assess a firm's independence based on a totality of current circumstances in a manner consistent with common industry practices. An independent firm is one whose viability is not overly reliant upon its relationship with another ineligible person or firm. The SDO will scrutinize an applicant's relationships with non-eligible firms, in such areas as personnel, facilities, equipment, financial and/or bonding support, and other resources.

What other resources does the SDO consider when evaluating an applicant firm's independence?

Other resources the SDO considers include an applicant's contracts, sales, operations, technical affairs equipment, facilities, supplies, employees, workforce, consultants, subcontracts, leases, financing, income, payroll, bookkeeping, goodwill, policies, or management.