

the district business advisor

District of Columbia Edition

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Highlights

- **New Tougher Principal Office Requirements May Disqualify Many Businesses.**
- **Joint Venture Options Can Help Increase Revenue for CBEs.**
- **Duane M. Kokesch Forms District Business Advisors, LLC.**

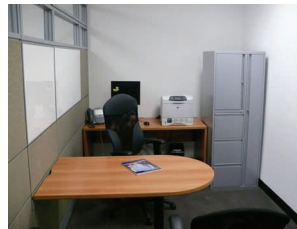
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Your *Principal Office* May No Longer Qualify

Under the new regulations, more stringent principal office requirements may disqualify many businesses currently certified by the Department of Small and Local Business Development (DSLBD) when seeking recertification. While there are additional requirements for certification, the overwhelming majority of businesses that are denied fail to satisfy the principal office requirement.



No More Virtual Offices

To be certified with DSLBD, a business must have its *principal office* located in the District of Columbia. The old principal office regulation defined the primary office as one in which routine and essential business functions occur. Those functions included bookkeeping and other recordkeeping, maintenance of payroll, receiving business telephone calls and correspondence, storing of books and records, and directing, controlling and coordinating activities and policies by officers, principals and managers. 27 DMCR 811.4

Under the new regulations, to be considered the principal office, the business must own the office space or lease it for a minimum of 12 months. Further, if the business owns or leases property located outside the District of Columbia, the business must have

more employees reporting to or working from the D.C. location than any other office location. And if the business identifies its principal office or headquarters on any insignia, signs, printed material, business cards, letterhead, legal documents, or website, it must indicate that the office located in the District of Columbia is the principal office or headquarters.

In addition to the office itself, DSLBD may also consider the number of vehicles that are registered in the District of Columbia compared to the number vehicles registered elsewhere.

Finally, DSLBD may still take into account those factors previously considered under the old regulations.

This change is designed to ensure that DSLBD certifies only those businesses that are truly conducting operations from the District. The Columbia, the business must have more employees reporting to or working from the D.C. location than any other office location. And if the business identifies its principal office or headquarters on any insignia, signs, printed material, business cards, letterhead, legal documents, or website, it must indicate that the office

Principal Office (continued)



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Finally, DSLBD may still take into account those factors previously considered under the old regulations.

This change is designed to ensure that DSLBD certifies only those businesses that are truly conducting operations from the District. The new regulations would apply to CBEs currently certified when they

reapply for certification. CBEs should plan now before their certification expires.

Those plans should include obtaining an office in the District of Columbia that complies with the new regulations, including securing a lease or ownership interest in a building that is more than a virtual office. In addition, companies should ensure that all printed and electronic material indicates that the District office is the principal office or headquarters.

Companies with multiple locations and large operations must also ensure that the number of workers reporting to the District office is more than the number of workers reporting to any other office.



**More Options for
Small Businesses
Equals
More Revenue.**

Joint Venture Expanded to Increase CBE Opportunities

The new regulations regarding joint ventures expands the ability of Certified Business Enterprises (CBEs) to partner on larger projects, opening up additional sources of revenue for CBEs. Under the old regulations, CBEs had to maintain majority control over the joint venture. This limited the number of larger general contractors that were willing to joint venture with smaller CBEs on large projects.

Under the new regulations, the Joint Venture may be certified by the Department of Small and Local Business Development (DSLBD) if the CBE has at least a twenty percent

interest in the venture. The points for the joint venture are based on a graduated scale that corresponds with the percentage of the CBE's ownership interest in the venture.

DSLBD will determine the percentage of ownership interest by the CBE based on its financial contribution and benefit, the work performed, the allocation of profits and fees, management control, and the labor contribution of each venturer.

Points Allocated to a Joint Venture
If the CBE controls more than 50% of the JV, then the JV will be awarded all of the CBE's points.
If the CBE controls at least 35% but less than 50% of the JV, then the JV will be awarded up to 4 points.
If the CBE controls at least 20% but less than 35% of the JV, then the JV will be awarded 2 points.
If the CBE controls less than 20% of the JV, then the JV will not be awarded any points.

Former General Counsel Forms District Business Advisors



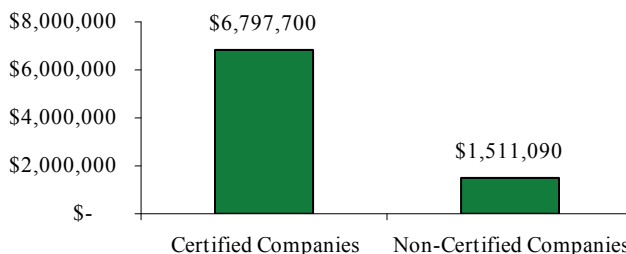
Duane M. Kokesch, the former General Counsel for the Department of Small and Local Business Development (DSLBD), announced the formation of **district business advisors llc (dba)** on September 14, 2009. **dba** was formed to provide expertise to developers, certified business enterprises, and those seeking certification with the inside perspective on conducting business in the District.

Mr. Kokesch holds a Masters of Business Administration from Johns Hopkins University, and Juris Doctorate, a Masters of Science, and a Bachelors degree in political science.

Prior to working as the General Counsel for DSLBD, Mr. Kokesch was Chief of the Criminal Section of the Office of the Attorney General for the District of Columbia where he supervised the litigation of more than 15,000 cases a year. Mr. Kokesch began his legal career working for Kellogg Company where he focused on contract, compliance, and regulatory issues.

Certified Companies Earn 4.5 Times more than Non-Certified Companies

Average Annual Revenue



district business advisors llc was founded by Duane M. Kokesch, the former General Counsel of the Department of Small and Local Business Development.

district business advisors llc provides certification, compliance, and consulting services for businesses that seek to do business in the District of Columbia.

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“The Expert Advisors for your Small Business Success.”

