



# Eligibility Standards

The Supplier Clearinghouse



# Supplier Clearinghouse Eligibility Standards

## Table of Contents

<b>1. Ownership.....</b>	<b>1</b>
<b>2. Management.....</b>	<b>2</b>
<b>3. Independence.....</b>	<b>4</b>



# Supplier Clearinghouse Eligibility Standards

This document details the Eligibility Standards for the Supplier Clearinghouse certification review based upon [California Public Utilities Commission \(CPUC\) General Order 156](#). The most current version is available for download from the [CPUC website](#) and the [Supplier Clearinghouse website](#). These Eligibility Standards apply to any business seeking status as a Women Business Enterprise (WBE), Minority Business Enterprise (MBE), LGBT Business Enterprise (LGBTBE) and/or Persons with Disabilities Business Enterprise (PDBE).

## 1. Ownership

*Is the firm majority-owned by minorities, women, LGBT and/or Persons with Disabilities individuals?*

An applicant concern must be one which is at least 51% unconditionally owned by an individual(s) who is a citizen of the United States, including permanent resident alien(s). An individual applicant's U.S. citizenship or permanent residency status shall be established and substantiated by minimum threshold documentation. An individual applicant's claim that he/she is a member of a racial or ethnic group and is so regarded by that particular minority shall be established and substantiated by minimum threshold documentation. An individual applicant's claim that he/she is lesbian, gay, bi-sexual, or transgender and is so regarded by the LGBT community shall be established and substantiated by minimum threshold documentation.

In the case of an applicant concern which is a partnership, 51% of the partnership interest must be unconditionally owned by minorities, women, LGBT or Persons with Disabilities individuals. Such unconditional ownership must be reflected in the concern's partnership agreement.

In the case of an applicant concern which is a corporation, 51% of each class of voting stock and 51% of the aggregate of all outstanding shares of stock must be unconditionally owned in a manner that does not intrude upon the control of the company by the minorities, women, LGBT or Persons with Disabilities individuals.

The Clearinghouse will not find unconditional ownership of a concern on the basis of non-exercised stock options or other arrangements.

When determining ownership, the Clearinghouse will consider options to purchase stock held by non-minorities/male/non-LGBT/non-disabled individuals, or rights to convert non-voting stock or debentures held by non-minorities/male/non-LGBT/non-disabled individuals into voting stock, to have been exercised.

The minority, women, LGBT or Persons with Disabilities owners shall enjoy the customary incidents of ownership and shall share in the risks and profits commensurate with their ownership interests, as demonstrated by an examination of the substance rather than form of arrangements. This includes, but is not limited to, the following:

- In the event that dividends are distributed, the individual(s) upon whom WBE/MBE/LGBTBE/PDBE eligibility ownership is based, must receive at least 51% of the annual distribution of dividends paid on the voting stock of a corporate applicant concern.
- In the event that stock is sold, the individual(s) upon whom WBE/MBE/LGBTBE/PDBE eligibility is based must be entitled to receive 100% of the value of each share of stock in his/her



# Supplier Clearinghouse Eligibility Standards

possession.

- In the event of dissolution of the corporation, the individual(s) upon whom WBE/MBE/LGBTBE/PDBE eligibility is based must be entitled to receive at least 51% of the retained earnings of the concern and 100% of the value of each share of stock in his/her possession.

All securities which constitute ownership and/or control of a corporation for purposes of establishing it as a WBE/MBE/LGBTBE/PDBE under this part shall be held directly by minorities, women, LGBT or Persons with Disabilities individuals.

Securities held in trust or by any guardian for a minor, will be evaluated to determine whether ownership or control of a company is actually held by the minority, women, LGBT or Persons with Disabilities individuals.

The contributions of capital or expertise by the minority, women, LGBT or Persons with Disabilities owners to acquire their interests in the applicant concern shall be real and substantial and can be verified through objective documentation.

The ownership of the applicant concern by the minority, women, LGBT or Persons with Disabilities owner(s) must be substantiated by the documentation submitted.

## **2. Management**

*Is the firm managed and controlled on a daily basis by minorities, women, LGBT and/or Persons with Disabilities individuals?*

The minority, women, LGBT or Persons with Disabilities owners shall possess and exercise the power to direct or cause the direction of the management and policies of the applicant concern and to make the day-to-day as well as major decisions on matters of management, policy, and operations, and not merely act as officers or directors. The minority, women, LGBT or Persons with Disabilities owner(s) must be responsible for the operation of the applicant concern consistent with standard industry practices.

An applicant concern must be a valid business. There shall be no restrictions through, for example, bylaw provisions, partnership agreements, or charter requirements for cumulative voting rights or otherwise that prevent the minority, women, LGBT or Persons with Disabilities owners, without the cooperation or vote of any owner who is not a minority, woman, LGBT or Persons with Disabilities individual, from making a business decision of the applicant concern.

In order for a minority, woman, LGBT or Persons with Disabilities individual to demonstrate control of the concern, that individual must have a combination of managerial or technical and/or educational experience and competency consistent with industry standards in which the applicant concern operates which supports the conclusion that this individual can make daily as well as major decisions on matters of management, policy, and operations for the applicant concern.

The applicant concern must be managed on a full-time basis by one or more minorities, women, LGBT or Persons with Disabilities owners.

At least one minority, woman, LGBT or Persons with Disabilities owner who is a full-time manager must hold the position of President and/or Chief Executive Officer and shall have general supervision, direction, and control of the business and officers of the corporation. This precludes outside employment or any other business interest by the minority/woman/LGBT/disabled individual which conflicts with the



## Supplier Clearinghouse Eligibility Standards

management of the applicant concern.

The minority, woman, LGBT or Person with Disabilities individual upon whom WBE/MBE/LGBTBE/PDBE eligibility is based shall control the Board of Directors of the applicant concern, either in actual numbers of voting directors or through weighted voting. An applicant concern must be a valid corporation under applicable state law.

Non-minority/non-LGBT/non-disabled male individuals may be involved in the management of an applicant concern, and may be stockholders, partners, officers, and/or directors of such concern. Such individual(s), their spouses or immediate family members who reside in the same household may not, however:

- exercise actual control or have the power to control the applicant concern;
- receive excessive compensation from the applicant concern as directors, officers or employees.
- Receive excessive individual compensation in any form, including but not limited to, compensation, salary, consulting fees, and/or dividends, which exceeds the compensation to be received by the minority/woman/LGBT/disabled individual, Chief Executive Officer, or the President; or
- be former and/or current employers of the minority/women/LGBT/disabled owner(s) of the applicant concern, unless it is determined that the contemplated relationship between the former employer and the minority/woman/LGBT/disabled individual or applicant concern does not give the former employer actual control or the potential to control the applicant concern and such relationship is in the best interest of the applicant concern.

Non-minority/non-LGBT/non-disabled male individuals or entities owned by such individuals shall be deemed to control or have the power to control the applicant concern in any of the following circumstances.

- Non-minority/non-LGBT/non-disabled male individuals control the voting of the Board of Directors of the applicant concern, either directly through majority voting membership, or indirectly, if the Bylaws allow non-minority/non-LGBT/non-disabled male individuals to block any action proposed by the minority/women/LGBT/non-disabled individuals through negative control.
- A non-minority/non-LGBT/non-disabled male individual, as an officer or member of the Board of Directors of the applicant concern, or through stock ownership, has the power to control day-to-day direction of the business affairs of the applicant concern.
- The non-minority/non-LGBT/non-disabled male individual or entity owned by such individuals provides critical financial or bonding support or licenses to the applicant, the terms of which would create effective control in all significant aspects over the applicant concern.
- A non-minority/non-LGBT/non-disabled male individual or entity owned by such individuals exercises control of the applicant concern through a nominee(s).
- A non-minority/non-LGBT/non-disabled male individual or entity owned by such individuals controls the corporation or the minority/women/LGBT/disabled individual owner(s) through loan arrangements.
- Non-minority/non-LGBT/non-disabled male individual or entity owned by such individuals are



## Supplier Clearinghouse Eligibility Standards

disproportionately responsible for the operation of the firm.

The management and control of the applicant concern by the minority/women/LGBT/disabled owner(s) must be substantiated by the documentation submitted.

### **3. Independence**

*Is the firm an independent business?*

An eligible WBE/MBE/LGBTBE/PDBE under this program shall be an independent business. The ownership and control by minorities, women, LGBT or Persons with Disabilities individual shall be real, substantial, and continuing and shall go beyond the pro forma ownership of the applicant concern as reflected in its ownership documents. It shall not rely upon non-WBE/MBE/LGBT/PDBE individual(s) or entities for financial, management, or technical assistance or other resources to the extent that it is not in control of its business destiny.



# Supplier Clearinghouse Eligibility Standards

## Document Revision History

<i>Date</i>	<i>Version</i>	<i>Action</i>
7/1/2015	2015-1	Update and publication to Supplier Clearinghouse
12/31/2021	2021-1	Format into formal document and add detail
5/27/2022	2022-1	Add Persons with Disabilities certification