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## **SDVOSB COMPANIES MUST NOTIFY CVE OF CHANGE IN OWNERSHIP**

Contractors have many balls to juggle at one time. Performing awarded contracts; submitting proposals for new work; identifying potential subcontractors; paying personnel; and complying with the rules under the FAR and applicable contract clauses. This juggling routine can often lead to dropped balls. A recent SBA decision serves as a stark reminder to Service Disabled Veteran Owned Small Businesses (SDVOSBs) not to drop the ball when it comes to a change in ownership. The consequences could be a loss of your SDVOSB status, and the contracts that go with it.

In the SBA Office of Hearings and Appeals CVE Appeal of *Lachin Architects, apc*, SBA upheld the VA Center for Verification and Evaluation's decision to remove Lachin Architects from the CVE database because it failed to timely notify the VA that the company had changed its ownership structure. Specifically, in April of 2017, CVE re-verified Lachin as an SDVOSB, noting that the company was 100% owned by Michael Lachin, a service-disabled veteran. However, in January of 2018, Michael Lachin sold 20% of the company to his nephew—the company did not notify the VA of the change in ownership until nearly 16 months after the change of ownership occurred. When CVE learned of the change in ownership status, it cancelled Lachin's SDVOSB verification because, in part, the company did not inform the VA of the change in ownership.

The Office of Hearings and Appeals agreed. It held that the regulations mandate that a verified SDVOSB that changes ownership must provide an updated VA Form 0877 within 30 days of any change in ownership. 38 CFR § 74.21(d)(7). By failing to follow this rule, Lachin violated the regulations and the VA properly removed the company from the database.

Dropping this ball may have cost Lachin SDVOSB set-aside contracts that it currently is performing and the opportunity to receive additional SDVOSB set-aside contracts moving forward. This serves as a reminder to SDVOSB companies that a change in ownership—even if that change in ownership will not adversely impact the company's SDVOSB status—requires the company to notify VA of the change within 30 days.

If you have any questions regarding this or any other SDVOSB eligibility issues, please feel free to contact me at [dstrouse@cordatislaw.com](mailto:dstrouse@cordatislaw.com) or 202-342-2550.