

ATTACHMENT 1

Eligibility Standards

Do you meet the following requirements for certification?

Is your firm majority-owned by minorities, women, and/or LGBT 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 or women. 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, or LGBT 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 individuals, or rights to convert non-voting stock or debentures held by non-minorities/male/non-LGBT individuals into voting stock, to have been exercised.

The minority, women, or LGBT 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 WMBE/LGBTBE 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 WMBE/LGBTBE eligibility is based must be entitled to receive 100% of the value of each share of stock in his/her possession.
- In the event of dissolution of the corporation, the individual(s) upon whom WMBE/LGBTBE 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 WMBE/LGBTBE under this part shall be held directly by minorities, women, or LGBT 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, or LGBT individuals.

Eligibility Standards

The contributions of capital or expertise by the minority, women, or LGBT 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, or LGBT owner(s) must be substantiated by the documentation submitted.

Is your firm managed and controlled on a daily basis by minorities, women, and/or LGBT individuals?

The minority, women, or LGBT 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, or LGBT 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, or LGBT owners, without the cooperation or vote of any owner who is not a minority, woman, or LGBT individual, from making a business decision of the applicant concern.

In order for a minority, woman, or LGBT 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, or LGBT owners.

At least one minority, woman, or LGBT 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 individual which conflicts with the management of the applicant concern.

The minority, women, or LGBT individual upon whom WMBE/LGBTBE 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 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.

Eligibility Standards

- 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 individual, Chief Executive Officer, or the President; or
- be former and/or current employers of the minority/women/LGBT owner(s) of the applicant concern, unless it is determined that the contemplated relationship between the former employer and the minority/woman/LGBT 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 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 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 male individuals to block any action proposed by the minority/women/LGBT individuals through negative control.
- A non-minority/non-LGBT 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 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 male individual or entity owned by such individuals exercises control of the applicant concern through a nominee(s).
- A non-minority/non-LGBT male individual or entity owned by such individuals controls the corporation or the minority/women/LGBT individual owner(s) through loan arrangements.
- Non-minority/non-LGBT male individual or entity owned by such individuals are disproportionately responsible for the operation of the firm.

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

Is your firm an independent business?

An eligible WMBE/LGBTBE under this program shall be an independent business. The ownership and control by minorities, women, or LGBT 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-WMBE/LGBT 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.

END ATTACHMENT 1