



GUIDELINES FOR CERTIFICATION AS A MINORITY-CONTROLLED BUSINESS

Certification as a Minority-Controlled Business is available through NMSDC to certain entities which have obtained certification as an MBE through an NMSDC Regional Affiliate Council (RMSDC) and which have an opportunity to obtain equity capital through the issuance of non-voting stock.

Eligibility criteria:

1. The applicant must be currently certified as an MBE by a RMSDC, or have had certification revoked solely because (i) Minority Group Members no longer hold 51% of all classes of equity securities or other evidence of ownership issued by the applicant or (ii) Minority Group Members no longer constitute 51% of the board of directors (a “Pre-Certified MBE”).

2. A Pre-Certified MBE may be certified as a Minority-Controlled Business if:

- a. Minority Group Members retain a majority (no less than 51%) of the entity’s Voting Equity;
- b. Minority Group Members retain no less than 30% of the entity’s Economic Equity;
- c. No more than 49% of the Economic Equity of the entity is owned by persons or entities other than:

- (i) a Minority Group Member or
- (ii) a Professional Institutional Investor;

- d. Minority Group Members maintain day-to-day management or control of the operations of the entity, consistent with MBE status; and
- e. Minority Group Members constitute a majority of the Board of Directors or Minority Group Members appoint a majority of the Board of Directors.

3. The applicant will provide NMSDC with current documentation (or proposed documents, if an ownership transfer is pending) which provide evidence that each of the criteria in 2 above is currently met or will be met upon execution of the submitted documents.

4. With respect to a pending ownership transfer, certification as a Minority-Controlled Business may be granted on the condition that the applicant submits executed documents which conform to the submitted proposed documents.

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5. NMSDC will review all applications and reserves the right to deny certification to any entity which fails to meet the criteria or which fails to comply with the intent of the process, that is, to grant certification only to those entities which are controlled, legally and in fact, by Minority Group Members.

Definitions:

Economic Equity: Economic Equity refers to equity that gives the holder a residual claim on the entity's economic assets (i.e., it entitles the holder to a portion of the economic returns generated by the entity).

Minority Group Member: Minority Group Member refers to an individual who is at least ¼ or 25% minimum (documentation to support claim of 25% may be required from applicant) of the following: African American, Asian-Indian American, Asian-Pacific American, Hispanic American, and Native American, as determined by NMSDC.

Professional Institutional Investor: Professional Institutional Investor refers to a firm approved by NMSDC that (a) is in the business of making equity investments (not managing businesses) and (b) manages more than \$25 million in capital.

Voting Equity: Voting Equity refers to the equity that gives the holder a vote for purposes of selecting a firm's board of directors.

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