

# Withdrawal/Redaction Sheet

## Clinton Library

DOCUMENT NO. AND TYPE	SUBJECT/TITLE	DATE	RESTRICTION
001. memo	To The President From Lynn Cutler; RE: personal info [partial] (1 page)	07/07/1999	P6/b(6)
002. memo	To Laura From Gina; RE: personal info/phone number [partial] (1 page)	07/03/1999	P6/b(6)

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**COLLECTION:**

Clinton Presidential Records  
 Policy Development  
 Lisa Green  
 OA/Box Number: 20588

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**FOLDER TITLE:**

CDFIs [Community Development Financial Institutions] [4]

2012-0043-S

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### RESTRICTION CODES

**Presidential Records Act - [44 U.S.C. 2204(a)]**

- P1 National Security Classified Information [(a)(1) of the PRA]
- P2 Relating to the appointment to Federal office [(a)(2) of the PRA]
- P3 Release would violate a Federal statute [(a)(3) of the PRA]
- P4 Release would disclose trade secrets or confidential commercial or financial information [(a)(4) of the PRA]
- P5 Release would disclose confidential advice between the President and his advisors, or between such advisors [(a)(5) of the PRA]
- P6 Release would constitute a clearly unwarranted invasion of personal privacy [(a)(6) of the PRA]

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- b(7) Release would disclose information compiled for law enforcement purposes [(b)(7) of the FOIA]
- b(8) Release would disclose information concerning the regulation of financial institutions [(b)(8) of the FOIA]
- b(9) Release would disclose geological or geophysical information concerning wells [(b)(9) of the FOIA]



**DEPARTMENT OF THE TREASURY**  
**COMMUNITY DEVELOPMENT FINANCIAL INSTITUTIONS FUND**  
601 THIRTEENTH STREET, NW, SUITE 200 SOUTH  
WASHINGTON, DC 20005

**Highlights  
of the  
1998 Bank Enterprise Award (BEA) Program**

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The CDFI Fund made 79 Bank Enterprise Awards to insured depository institutions totaling \$27,976,608. Awards ranged from \$1,575 to \$2.9 million with a median award of \$120,628.

**Activity Level**

89 certified CDFIs received support from insured depository institutions through the BEA Program.

Of the institutions receiving BEA Program awards:

- 44 carried out CDFI Related Activities (equity investments, grants, loans, deposits or technical assistance to CDFIs);
- 20 carried out Development and Service Activities (deposits, financial services, technical assistance, loans and project investments in distressed communities); and
- 15 carried out both CDFI Related and Development and Service Activities.

Of the institutions receiving BEA Program awards:

- 39 provided equity investments or grants to CDFIs totaling \$14.6 million;
- 39 provided loans, deposits, or technical assistance to CDFIs totaling \$125.6 million; and
- 35 increased their lending, investment, or service activities in distressed communities totaling \$569 million.

Compared with the Baseline Period, during the Assessment Period of January 1, 1998 to June 30, 1998, the institutions awarded:

- increased their equity investments and grants to CDFI's by \$11.1 million;
- increased their loans, deposits, and services to CDFI's by \$96.8 million; and
- increased their loans, investments, and services in distressed communities by \$194.4 million.

The type of activity in which the greatest increase was achieved was loans and project investments in commercial real estate, which was increased by \$98 million.

- 18 institutions financed a total of \$115.5 million in commercial real estate and related project investments in distressed communities across the nation.

## **Activities Supported**

Activities conducted by CDFIs that received assistance from BEA Program Awardees included the following:

- capital and technical assistance to start-up small business owners in distressed communities; and
- equity investments, loans, and other financial support to organizations that foster homeownership, microenterprise development, minority business development, and the development of day care centers in distressed communities.

Directly, the Awardees provided:

- single- and multi-family construction, renovation, and mortgage loans in distressed communities;
- below-market interest rate deposits to community development credit unions;
- technical assistance to CDFIs; and
- deposit taking and financial and community services within distressed communities.

## **Organizational Diversity and Size**

The Awardee institutions consisted of:

- 37% state-chartered banks;
- 36% national banks;
- 24% federal savings banks or thrifts; and
- 3% other (e.g., credit card banks).

The total asset size of the Awardees are as follows:

- 27% have total assets less-than \$250 million;
- 15% have total assets between \$250 million and \$1 billion;
- 24% have total assets between \$1 billion and \$10 billion;
- 11% have total assets between \$10 billion and \$20 billion;
- 18% have total assets between \$20 billion and \$100 billion; and
- 5% have total assets greater-than \$100 billion.

## **Geographic Reach**

Participating institutions are headquartered in 26 states and the District of Columbia and provided financial or other support to CDFIs based in 23 states and the District of Columbia.

## **Certified CDFIs**

The awardees include 5 insured depository institutions that are certified CDFIs.



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**Highlights  
of the  
1998 Community Development Financial Institutions (CDFI) Program  
Core Component**

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**Amount and Type of Assistance**

The CDFI Fund selected 42 community development organizations to receive a total of \$44,263,500 in financial assistance. This funding includes the following types of assistance:

Grants	\$31,195,000
Loans	\$ 6,500,000
Equity Investments	\$ 4,500,000
Technical Assistance	\$ 1,168,500
Deposits/Shares	\$ 900,000

**Organizational Diversity of Awardees**

The organizations selected provide a wide range of financial services and products to the distressed urban, rural and Native American communities and low-income populations they serve. The Awardees selected include the following organizational types:

- 14 community development loan funds that provide business loans;
- 12 community development loan funds that provide housing and/or community facilities loans;
- 8 microenterprise loan funds; and
- 4 community development credit unions;
- 2 community development banks or bank holding companies;
- 1 community development venture capital fund;
- 1 multi-bank community development corporation.

Of the 42 Awardees, 5 represent startups (in existence two years or less).

**Geographic Reach**

The 42 Awardees are headquartered in 21 states but collectively serve communities in most other states across the Nation.

Of the 42 Awardees, 5 have a national service area, 11 serve the northeast, 11 serve the south, 7 serve the mid-west and 8 serve the west.



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## **Highlights of the 1998 Community Development Financial Institutions (CDFI) Program Technical Assistance Component**

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### **Amount of Assistance**

The CDFI Fund selected 70 community development organizations to receive a total of \$2,990,671 in technical assistance grants.

### **Organizational Diversity of Awardees**

The organizations selected provide a wide range of financial services and products to the distressed urban, rural and Native American communities and low-income populations they serve. The Awardees selected include the following organizational types:

- 25 community development loan funds that provide housing and/or community facilities loans;
- 18 community development credit unions;
- 14 community development loan funds that provide business loans;
- 8 microenterprise loan funds;
- 3 community development venture capital fund; and
- 2 community development banks or bank holding companies.

Of the 70 Awardees, 10 represent startups (in existence two years or less).

### **Geographic Reach**

The 70 Awardees are headquartered in 30 states, plus the District of Columbia and Puerto Rico, but collectively serve communities in most other states across the Nation.

Of the 70 Awardees, 3 have a national service area, 20 serve the northeast, 19 serve the south, 12 serve the mid-west, 15 serve the west and 1 serves the territory of Puerto Rico.

# CDFI Fund Quarterly

Investing in America's Communities

Spring 1999, Volume 2, Number 1

## Inside

- 2 • Director's Viewpoint
- 3 • New Faces  
Calendar of Events
- 4 • BusinessLINC  
CDFI Certifications
- 5 • Research Update  
Technical Assistance
- 6-7 • Award Winners
- 9 • HRSA - Health Center  
Loan Guarantee  
Program
- 10 • Guest Essay: A  
Practitioner's view of  
the Presidential  
Awards
- 11 • Applications Received
- 12 • 1998 Recognition  
Ceremony
- 14 • ETA - Electronic  
Transfer Account

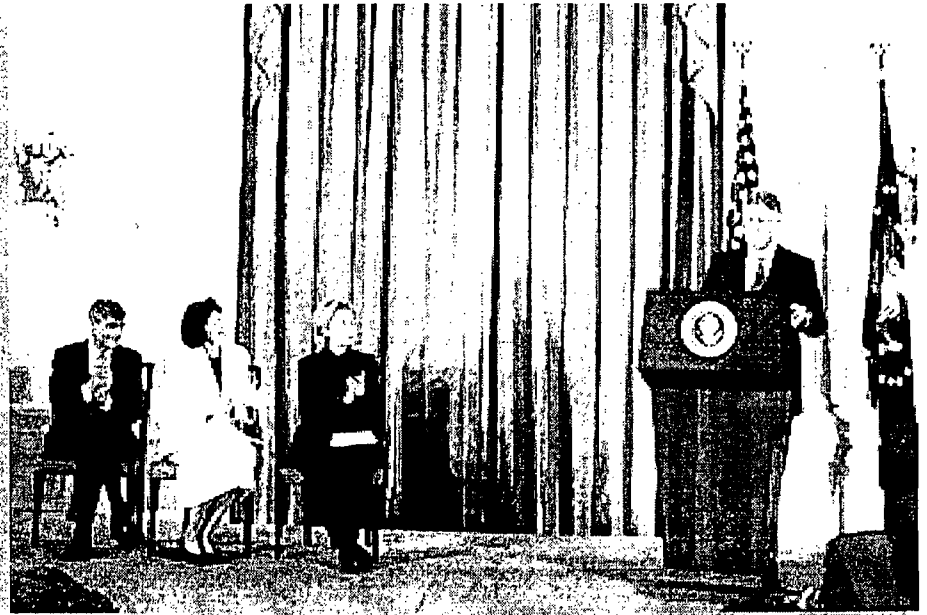
Department of the Treasury



Community Development  
Financial Institutions Fund  
601 Thirteenth Street, NW  
Washington, D.C. 20005

## President Clinton Announces Presidential Awards for Microenterprise Development

by Jeannine Jacokes



Treasury Secretary Robert E. Rubin, Carol Willoughby, owner "Let the Whole World Know", First Lady Hillary Rodham Clinton, and President Clinton at the Microenterprise Development awards ceremony held February 5, 1999 at the White House.

On Friday, February 5, 1999, President Clinton presented six organizations with the 1998 Presidential Awards for Excellence in Microenterprise Development at a ceremony held in the East Room of the White House, followed by a reception in the State Dining Room.

First Lady Hillary Rodham Clinton welcomed 200 guests including representatives from the microenterprise development field, the community development finance industry, funders, government agencies, and Congressional representatives, to the 40-minute cer-

emony. Treasury Secretary Robert E. Rubin described the important role of microenterprise in the domestic economy and introduced microentrepreneur Carol Willoughby, owner of "Let the Whole World Know", a sign creation business in Duluth, Minnesota. Mrs. Willoughby described how her sign creation business has not only been a financial success, but also helped build her confidence and self-esteem. She discussed the key role of the Northeast Entrepreneur Fund in providing access to training, technical assistance and credit necessary to help launch her business.

(continued on page 6)



*It has been more than one year since I assumed leadership of the CDFI Fund and during this time we have built on the good work of the Fund's early years. We have increased our staff, built our management team, evolved our awards processes and received an unqualified audit opinion, with all previous material weaknesses corrected and no new material weaknesses found from our outside auditor, KPMG Peat Marwick. Our appropriation for FY 1999 grew to \$95 million, representing a 19% increase over the previous year.*

*The President's FY 2000 budget includes \$110 million for the Fund and \$15 million for the creation of the Program for Investment in Microentrepreneurs (PRIME). The PRIME Act was introduced in the Senate by Senators Ted Kennedy and Pete Domenici and in the House by Congressman Bobby Rush and Chairman James Leach. The program will allow the Fund to address the growing need for technical assistance in the microenterprise field. In addition, legislation has been re-introduced in the House by Congresswoman Marge Roukema and Congressman Bruce Vento to reauthorize the Fund.*

*We have also celebrated with our awardees and in this issue you can read about two special events held here in Washington. The Presidential Awards for Excellence in Microenterprise Development hosted by the President, First Lady and Secretary Rubin at the White House; and the Recognition Ceremony for the 1998 CDFI Program and BEA awardees hosted by Secretary Rubin and me at the Treasury. In addition, we have traveled throughout the country to see the good work our awardees are doing at closing events, open houses and other gatherings.*

*We have put in place a year-long calendar of our award programs (see page three) so that potential applicants can better plan and Fund staff can better prepare for the awards selection process. To date, the Fund has made 123 awards totaling \$122 million through the CDFI Program's Core Component; 70 awards totaling \$3 million through the CDFI Program's Technical Assistance Component; and 171 awards through the Bank Enterprise Award Program totaling \$57.5 million. Please read about the CDFI Program's Core and Intermediary Rounds on page 11 and the Technical Assistance Round on page five.*

*We have launched the Native American Lending Study and Action Plan that is intended to stimulate access to capital on Indian Reservations and other land held in trust by the United States. As a part of that plan, we are holding 13 workshops throughout the country, involving the Native American community, financial institutions, state agencies and community development organizations. The goal is to identify the barriers to lending and investment in these communities and make recommendations for removing them. We hope to have this completed in FY 2000.*

*You will be hearing more during the year about research and evaluation of the investments we've made in Community Development Financial Institutions, through our in-depth case studies and performance outcome surveys (see page five) and about our new Training Program. We are also planning to conduct a feasibility study for a secondary market program for CDFI loans.*

*So many of you have provided tremendous support and insight into our work and it is because of your input and feedback that we have been able to accomplish so much in a very short period of time. I encourage all of you to keep in touch and help us achieve our vision: an America in which all people have access to capital and financial services.*

Ellen W. Lazar

## New Faces at CDFI Fund

The CDFI Fund welcomes several new employees who have joined in our mission to promote access to capital in America's distressed communities. The following includes recently hired senior and program staff:

- **James Berg** has joined the Fund as a Financial and Program Analyst. Most recently, James worked as the Community Development Lending Officer for the Rural Community Assistance Corporation in Denver, Colorado. Prior to that, James served as Industrial Development Specialist for the Navajo Nation. He is an enrolled member of the Oglala Lakota Tribe and a graduate of the University of Denver.

- **Ronald Chung-A-Fung** has joined the Fund as Attorney Advisor. Ron came to the Fund from the Boston offices of Perkins, Smith & Cohen, LLP where he was an Associate. Prior to that he served as Judicial Clerk to the Massachusetts Superior Court. Ron is a graduate of Yale University and Georgetown University Law Center.

- **Donna Fabiani** is the Financial and Program Advisor for the Fund's new Policy and Research Unit. Previously, Donna was the Director of FINCA USA, a microenterprise program based in Washington, DC and a first-round CDFI Fund Awardee. Prior to that, she held several positions with Catholic Relief Services. Donna has degrees from Colby

College and Princeton University Woodrow Wilson School of Public and International Affairs.

- **Deatra Perkins** has joined the Fund as a Financial and Programs Analyst. Deatra served as the Vice President of Operations and Training for the National Women's Business Center in

Washington DC. Prior to that, she was the Director of the Microloan Program at the American Women's Economic Development Corporation. She holds a Bachelor of Business Administration degree from Howard University and a Master of Business Administration degree from the University of Iowa.

### CDFI Program

**Core Component:** NOFA Published Oct 26, 1998  
Application Deadline Feb 4, 1999  
Awards Announced July 1999

**Intermediary Component:** NOFA Published Oct 26, 1998  
Application Deadline Feb 2, 1999  
Awards Announced May 1999

**Technical Assistance Component:** NOFA Published Jan 29, 1999  
Application Deadline Apr 27, 1999  
Awards Announced August 1999

### BEA Program

NOFA Published Sept 1, 1998  
Application Deadline Nov 24, 1998  
Final Report/Deadline July 27, 1999  
Awards Announced Sept 1999

### Presidential Awards for Excellence in Microenterprise Development

Competition Opens May 5, 1999  
Application Deadline August 3, 1999  
Awards Announced Nov 1999

## *The BusinessLINC Initiative: Encouraging Entrepreneurial Growth and Economic Development*

*by Clifton Kellogg*

BusinessLINC is a unique partnership between the federal government and America's business community to encourage large businesses to work with small business owners and entrepreneurs, especially in America's cities and in economically distressed areas. In December, the Vice President released a report, "BusinessLINC: Learning, Information, Networking and Collaboration — Business-to-Business Relationships that Increase the Economic Competitiveness of Firms", documenting the strategies and key success factors behind these business relationships (for copies, see [businesslinc.sba.gov](http://businesslinc.sba.gov) and [treas.gov/businesslinc](http://treas.gov/businesslinc)).

A national BusinessLINC

coalition is forming that will spread information about best practices and will encourage local organizations to help match the contributions of large and small firms. Organizations such as the National Minority Supplier Development Council, the Conference Board, the Black Chamber of Commerce, the Business Roundtable, the Women's Business Enterprise National Council and the Hispanic Chamber of Commerce have met to discuss how their local affiliates might participate.

The BusinessLINC report provides numerous real-world examples of how intermediaries (such as certain CDFIs) and other companies can start programs.

For intermediaries, models include structured firm-to-firm matchmaking, volunteer executives, peer groups, advisory boards, "boot camps" and large firm-to-microenterprise mentoring. For individual firms, models include classroom and small business colleges, "adopt-a-supplier" intensive technical assistance, joint marketing agreements, executive grooming and joint ventures. Financial institutions can also provide small business colleges, intensive financial counseling and post-loan technical assistance.

The BusinessLINC report resulted from the Vice President's charge to Treasury Secretary Rubin E. Rubin and Small Business

*(continued on page 8)*

### **New CDFI Certifications**

*by Joseph Firschein*

The Fund has certified 280 CDFIs nationwide. For a complete listing, please refer to our website at [www.treas.gov/cdfi](http://www.treas.gov/cdfi).

The following are CDFIs certified since October 1998.

**Anchorage Neighborhood Housing Services, Inc.**

Anchorage, AK

**Austin Community Development Corporation**

Austin, TX

**Bethlehem Community Development Credit Union**

Chattanooga, TN

**Berean Federal Savings Bank**

Philadelphia, PA

**Charlotte-Mecklenburg Housing Partnership, Inc.**

Charlotte, NC

**Chattanooga Community**

**Development Financial Institution**

Chattanooga, TN

**Community Development**

**Ventures, Inc.**

Baltimore, MD

**Community Ventures Corporation**

Lexington, KY

**Community Works in West**

**Virginia, Inc.**

Big Chimney, WV

**FBA Bancorp, Inc.**

Chicago, IL

**Genesee Co-Op Federal Credit Union**

Rochester, NY

**Lightstone Community**

**Development Corporation**

Moyers, WV

**Mountain Association for Community Economic**

**Development**

Berea, KY

**Neighborhood Housing & Development Corporation**

Gainesville, FL

**Ponce Neighborhood Housing Services, Inc.**

Ponce, PR

**Shorebank Enterprise Pacific**

Illwaco, WA

**Southern Kentucky Economic Development Corporation**

Somerset, KY

**Westchester Housing Fund, Inc.**

Hawthorne, NY

## ***CDFI Research - Update***

*by Donna Fabiani*

This Fall, the CDFI Fund significantly increased its research and evaluation activities. We plan to continue to place emphasis on these activities for the foreseeable future. The Policy and Research Unit, within which I was hired as Program Advisor in December, is leading the Fund's efforts in this arena. Currently, we are focusing on three areas:

- Measuring the performance and outcomes of the Fund and its awardees;
- Streamlining the Fund's application and award processes; and
- Promoting the CDFI industry through research and development.

In late 1998, the CDFI Fund began administering two evaluation initiatives, an annual outcomes survey and case studies. The outcomes survey collects from CDFI Program awardees uniform performance and outcomes data such as the volume of lending, the number of businesses receiving business training, the number of child care facilities developed, and the number of low-income housing units developed. In January 1999, the Fund sent the survey to first-round (1996) CDFI Program awardees. We plan to issue a report of findings in the spring.

In fall 1998, we began conducting in-depth case studies of selected awardees to analyze their

activities within their local economic development contexts. To date, we have conducted three case studies in Boston, Santa Cruz and San Antonio. We plan to conduct other case studies later this year. We anticipate sharing case study findings with the CDFI industry and others over the course of the next 12 months.

This spring, we will begin a review of our award application and approval processes with the goal of streamlining these processes to the maximum extent practical and prudent. We will be consulting with the field for input on how we can make these processes more efficient and "user-friendly", and maintain high selection standards.

Finally, in the area of research and development, the Fund plans to work collaboratively with practitioners, researchers, trade organizations and other funders in our efforts to advance the CDFI industry. One of the first challenges we will address is developing a standard set of indicators for measuring CDFIs' successes. Many key players in the industry are already working on this issue. We want to join them. The development of such indicators will help the field demonstrate its community development impact to potential funders and investors and simplify data collection and reporting systems.

## **T** **Technical Assistance**

*by Fred Cooper*

One of the most important goals of the CDFI Program is to build the capacity of CDFIs to serve economically distressed communities and individuals that lack access to capital. As lending and investment capital is increasingly made available to CDFIs through the Fund and other sources, it is important to strengthen CDFIs' ability to deploy these capital resources in an efficient and prudent manner. Technical Assistance (TA) grants from the Fund can help a CDFI strengthen its institutional capability to effectively use new or expanded sources of lending capital.

Recipients of TA grants from the Fund may use these funds to cover the costs of building or enhancing their organizational or financial capacity. The most typical uses of TA grants have included the purchase of consulting services, office technologies to improve operating efficiencies, and training for staff or board members.

TA grants may be obtained from the Fund under two components of the CDFI Program: Core and TA. Under the Core Component, an applicant may request TA to help implement a

*(continued on page 11)*

## Presidential Awards

(continued from cover page)

The President presented an award to the Micro Industry Credit Rural Organization of the PPEP Microbusiness and Housing Development Corporation, Inc. of Tucson, Arizona for excellence in promoting access to capital. In recognition of their leadership as training and technical assistance providers, the Detroit Entrepreneurship Institute of Detroit, Michigan and the Northeast Entrepreneur Fund of Virginia, Minnesota received awards for excellence in developing entrepreneurial skills. The Institute for Social and Economic Development of Iowa City, Iowa was recognized for its commitment to serving low-income clients through an award for poverty alleviation. The President recognized the Corporation for Enterprise Development of Washington DC for its long-standing role in policy development and industry capacity building with an award in the public or private support for microenterprise development category. The Montana Microbusiness Finance Program of Helena, Montana received an award in the public or private support category for its work as a state-sponsored model for creating and supporting microenterprises in a rural state.

The Presidential Awards for Excellence in Microenterprise Development were created to implement a commitment made by the United States at the United Nations Fourth World Conference on Women, held in Beijing China in September 1995. President Clinton directed the Treasury Department to establish the Presidential Awards, which are administered by the CDFI Fund. By recognizing outstanding microenterprise development organizations, the non-monetary awards bring wider public attention to the important role and success of microenterprise development in the domestic economy. The first Presidential Awards were made in January 1997.

## EXCELLENCE IN MICROENTERPRISE

Frank Ballesteros, PPEP Microbusiness and Housing Development Corporation, Inc., Entrepreneur Maria Jesus Gaxiola; and First Lady Hillary Rodham Clinton



Established in 1987, the Micro Industry Credit Rural Organization (MICRO) of Tucson, Arizona is one of the oldest Hispanic development organizations and one of the oldest microenterprise loan funds in the nation. MICRO was recognized as a 1998 Presidential awardee in the Access to Capital award category for its "best practices" as a high impact, credit-oriented model for promoting microentrepreneurship in low-income, rural Arizona communities.



Carol Willoughby, owner of "Let the Whole World Know"; President Clinton; and Mary Mathews, Northeast Entrepreneur Fund, Inc.

Providing microentrepreneurs with the building blocks for success is the cornerstone of the Northeast Entrepreneur Fund, Inc. (NEF) of Virginia, Minnesota. Created in 1989, NEF was recognized as a 1998 Presidential awardee in the Developing Entrepreneurial Skills award category for its strong commitment to developing and implementing impact measures for assessing the performance of training-based microenterprise programs, as well as providing an effective and flexible model for delivering skill development services to rural entrepreneurs.

# DEVELOPMENT AWARD WINNERS



Heidi and Kevin Snyder, Owners "Total Body Racquetball & Fitness Center"; President Clinton; and Robyn Hampton, Montana Microbusiness Finance Program.

The Montana Microbusiness Finance Program (MMFP) of Helena, Montana builds the capacity of local organizations to promote community asset building and microbusiness ownership. Created in 1991, MMFP is recognized in the Public or Private Support for Microenterprise Development award category as a state-sponsored model for creating and assisting microenterprises in a rural state.

The Institute for Social and Economic Development (ISED) of Iowa City, Iowa was founded in 1989 and has proven its long-term staying power while maintaining a strong and aggressive commitment to serving its low-income clientele. ISED is recognized as a Presidential Awardee in the Poverty Alleviation award category for its success in serving low-income clients, its effective program design, and its commitment to promote the evolution of the microenterprise development field through impact measurement.



John Elise, Institute for Social and Economic Development; Rhonda Auten, owner "Showtime Dance School"; and First Lady Hillary Rodham Clinton.



Cathy McClelland, Detroit Entrepreneurship Institute, Inc.; Jacqueline Tucker, owner "Eternal Pleasures Catering"; and President Clinton.

The Detroit Entrepreneurship Institute, Inc. (DEI) of Detroit, Michigan provides a one-stop shop for aspiring microentrepreneurs. Created in 1990, DEI is recognized as a Presidential awardee in the Developing Entrepreneurial Skills award category for providing a uniquely comprehensive range of training, technical assistance and business support services targeted to low-income people and people needing public assistance.

Founded in 1978, the Corporation for Enterprise Development (CFED) of Washington, D.C. has been one of the leaders in the development of the U.S. microenterprise industry. CFED is recognized in the Public or Private Support for Microenterprise Development award category for its commitment to low-income people and its vision, creativity and initiative.



First Lady Hillary Rodham Clinton; Robert Friedman, Corporation for Enterprise Development; and President Clinton.

Administration Administrator Aida Alvarez to lead this initiative. Last summer and fall, Treasury, SBA and other federal agencies conducted six regional meetings on the ways the large businesses could assist smaller firms. On December 16, 1998, the Vice President convened the second White House Business and Entrepreneurial Roundtable with Secretary Rubin, Administrator Alvarez, and CEOs from several leading American corporations and small businesses. At the meeting, the Vice President announced new federal initiatives and private sector commitments in support of BusinessLINC.

### **BusinessLINC Leadership Coalition**

The Vice President announced the formation of a BusinessLINC leadership coalition of experts, comprised of both public and private sector representatives. The coalition will work to expand business-to-business relationships between large and small businesses and will provide businesses with on-line information, resources, and a comprehensive database of companies with an interest in mentor or protégé programs (<http://businesslinc.sba.gov>).

### **HUBZone Empowerment Contracting Program**

The Vice President announced the implementation of the new HUBZone Empowerment Contracting program with up to \$6 billion in new Federal contracts targeted to small businesses and distressed areas by the year 2000. In addition, it will widen the pool of potential government contractors and create an estimated 25,000 new jobs in over 7,000 distressed communities.

### **Department of Treasury and SBA Mentoring Programs**

The Vice President announced that both the Treasury Department and the SBA will create mentor-protégé programs. The Treasury Department program — Success Partnerships — will help increase the participation of small, disadvantaged and women-owned businesses as contractors and sub-contractors by offering technical advice, financial and management skills, endorsement credibility, and one-on-one advice from large companies. The SBA counterpart will seek to enhance the capabilities of participants in the agency's 8(a) business development program, and to improve their ability to compete and receive Federal government contracts.

### **New private sector commitments include:**

- Bell Atlantic committed to \$1.8 billion in purchasing and subcontracting with minority and women-owned businesses;
- GE Capital committed to open a fifth Small Business College in St. Louis and to expand its existing four colleges to urban small businesses, which offer business advice to entrepreneurs in distressed areas;
- Science Applications International Corporation (SAIC) will execute joint marketing agreements with small businesses and will support relationships with small businesses in the new HUBZone areas; and
- Chase Manhattan will create a new program that will connect its senior bank officers with women and minority small business owners, and will open a third Business Resource Center to assist small businesses in the Bronx.

***For more information about BusinessLINC, call (202) 622-0016.***

Clifton Kellogg is the Senior Policy Advisor in the Office of Community Development Policy at the Department of the Treasury.

# Federal Guarantees Available for Loans to Community Health Centers

by Bruce Gray  
Dept. of Health and Human Services

Health Centers are the heart of America's health care "safety net." They are community-based, nonprofit organizations that provide comprehensive primary and preventive health care and social services to medically underserved peoples. The Federal government, through the Health Resources and Services Administration's Bureau of Primary Health Care, currently provides funding to approximately 700 such centers which, in turn, operate over 3,000 sites, employ 5,500 primary care practitioners, and serve over 10 million people annually.

Health Centers have a successful, 30-year track record of delivering cost-effective, high-quality health care. However, since their inception, Health Centers have encountered challenges in obtaining loans for building and equipment projects. Health Center-owned managed care networks and plans have similarly experienced difficulties accessing capital at reasonable interest rates. In 1996, Congress authorized a loan guarantee program to enable Health Centers and their affiliated plans and networks to obtain capital previously unavailable or available only at high interest rates. The guarantees are for loans made by non-Federal lenders to Health Centers funded under section 330 of the Public Health Service (PHS) Act. As of February, 1999, \$151 million in loan guarantee authority remained which will be available until it is obligated.

Under the Loan Guarantee Program for Health Center Facilities, loan guarantees may be provided for up to 80 percent of the loan amount for construction, renovation and modernization of medical facilities that are owned and operated by Health Centers. Under the managed care loan guarantee program, loan guarantees may be provided for up to 90 percent of the loan principal amount for Health Centers to develop, operate and own networks and up to 85 percent for Health Centers to develop, operate and own health plans.

CDFIs and traditional financial institutions may consider using these programs to bolster existing relationships and build new partner-

ships with Health Centers in their communities. Illinois Facilities Fund, a certified CDFI, has made loans to a number of Health Centers in Illinois over the last several years. For example, it has made two loans to Sinai Family Health Centers, with sites in distressed neighborhoods of Chicago. One \$200,000 loan was used for leasehold improvements to renovate a new site. A second \$400,000 loan was used for construction of an additional facility.

Primary Care Development Corporation (PCDC), is a certified CDFI and Fund awardee in New York City. To date, PCDC has invested \$80 million toward the creation of 17 new or expanded primary care facilities across NYC, creating the capacity for 540,000 additional outpatient visits annually.

Assistance is available to both Health Centers and lenders wishing to participate in the loan guarantee programs. As Lender Coordinator, National Cooperative Bank (NCB) may either participate with another lender of a Health Center's choosing to make the loan or coordinate the documentation process for a loan made to a Health Center by another bank. In addition, the non-profit Capital Link, Inc. acts as a provider of business consulting services to Health Centers for planning and obtaining financing for facility development projects. Capital Link offers assistance and training on strategic and business planning, fundraising, debt financing, and primary care facility development. If a Health Center desires assistance developing its pre-application for the loan guarantee, Capital Link's services are available free of charge.

For more information on the HRSA Health Center Loan Guarantee Program or Capital Link, contact Joe Fitzmaurice in HRSA's Bureau of Primary Health Care (301-594-4313 or [jfitzmaurice@hrsa.dhhs.gov](mailto:jfitzmaurice@hrsa.dhhs.gov)). Brochures describing in full the two components of the loan program and the Capital Link resource are available upon request.

## Guest Essay - A Practioner's View of the Presidential Awards

*By Chris Sikes, Executive Director of the Western Massachusetts Enterprise Fund and Board Member of the Association for Enterprise Opportunity*

On a cold, dark morning last November, I was fumbling around the back of my station wagon to find the jack, wrench and spare tire. It was hard to imagine then, as I was about to miss my plane to Washington, that two months later I would be standing to applaud the President, First Lady and Treasury Secretary Rubin as the Marine Band played "Hail to the Chief."

I was on my way to Washington to serve as a member of the review panel for the 1998 Presidential Awards for Excellence in Microenterprise Development. The two-day meeting brought together review panel members from across the country consisting of mostly practioners, and also included representatives from government agencies, researchers, funders and others from the microenterprise field. The group consisted of many of the most knowledgeable people in the microenterprise development field discussing some of the best microenterprise development organizations in the country.

As a general observation, I would say that the review panel's discussion showed the greatest respect to the organizations under consideration. The panel members also shared a keen sense that we wanted to "set the bar high" and recommend the very best organizations to receive awards from the President. I left the two-day meeting exhausted, but feeling the relief and satisfaction of knowing that we had recommended excellent organizations for the awards. I also left feeling a sense of accomplishment that the field had developed such a breadth of knowledge and expertise.

I believe that the Presidential Awards are important to the field for several reasons. First, they provide national recognition to the field and legitimize microenterprise as both a poverty alleviation and an economic development strategy. Second, the awards set standards for the field with the organizations

selected serving as benchmarks by which other organizations can measure their own progress. Third, I believe that very few other places hold the microenterprise development field as accountable as does the CDFI Fund with its Presidential Awards. The application and review processes and evaluation criteria consider the capacity of each organization in a strategic and objective way with focus on looking for ways to improve the capacity of the microenterprise development field.

One day in late January, I got the message from the White House inviting me to attend the awards ceremony on February 5. No matter where you are, it's a great thrill to get an invitation to go to the White House!

Once at the White House, the guests were ushered and seated in the East Room by the social aides. In the East Room, we waited for what seemed like hours (in reality it was only 45 minutes) while the President, the First Lady and Treasury Secretary Rubin met privately with the award recipients. The ceremony began with the award winners being announced into the room. The band began to play "Hail to the Chief" as the President, the First Lady, Secretary Rubin and microentrepreneur Carol Willoughby entered the room to a standing ovation.

The First Lady and Secretary Rubin spoke first. The First Lady brought a personal tone in her remarks, describing how microenterprise development provides an opportunity for those who are at the greatest disadvantage to receive the training and the financing to make an entrepreneurial dream come true. Secretary Rubin focused on microenterprise as a key component to economic revitalization of poor communities in the United States. It was clear from the Secretary's and the First Lady's remarks that their commitment to microenterprise continues to be as strong as it was when the first

*(continued on following page)*

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award ceremony took place in January 1997.

President Clinton's remarks were both informed and inspirational. He spoke about the sense of empowerment that comes from starting a micro-business — and from helping people to shape an idea and put it into action. He brought the message home to all of us by asking, "in these prosperous times, if we can't create prosperity [for all] now, then when can we do it?"

I wish well-deserved congratulations to all of the 1998 Presidential Awardees! Finally, I would like to acknowledge the good work done by the CDFI staff.



*1998 Presidential Awardees and entrepreneurs after the ceremony at the White House.*

## **Technical Assistance**

*(continued from page 5)*

comprehensive business plan. In the 1998 round of the Core Component, approximately one-third of the awardees received TA grant awards in addition to capital awards, and one Awardee requested and received a TA grant only.

In 1998, the Fund launched the TA Component of the CDFI Program. Applicants to the TA Component may request only a TA grant award. In 1998 we received 112 applications. We selected 70 of those institutions to receive TA grant awards. The average grant award amount was \$42,638. The TA Component has attracted applications from many small and newly formed entities.

The anticipated maximum amount of the TA grant under the 1999 round of the TA Component is \$50,000. There are no matching funds requirements for TA awards. Under the 1999 round of the Core Component, the anticipated maximum award, including any dollars for TA, is \$2.5 million.

The 1999 round of the TA Component opened on January 29, and applications are due on April 27. The Fund conducted informational sessions in 18 locations throughout the country during March.

## **CDFI Core and Intermediary Applications**

Applications have been received for the 1999 CDFI Program's Core and Intermediary Components. Eight applications, requesting \$16 million, were received by the February 2<sup>nd</sup> deadline for the Intermediary Component; and 152 applications, requesting \$192 million, were received by the February 4<sup>th</sup> deadline for the Core Component. The Notice of Funds Availability was published in the Federal Register on October 26, 1998 with a subsequent notice published on December 4, 1998 to extend the application deadline. Awards are expected to be made at the end of July.

## 1998 RECOGNITION AWARDS



(Left) More than 200 people gathered from throughout the United States for a Recognition Ceremony hosted by Treasury Secretary Robert Rubin and CDFI Fund Director Ellen Lazar, in the Cash Room at the Treasury Department on November 19, 1998. The ceremony recognized the 1998 CDFI Program Core and Technical Assistance Component and the Bank Enterprise Award recipients. In addition to Secretary Rubin and Director Lazar, then Treasury Under Secretary John D. Hawke addressed the audience after hearing from three guest speakers who shared personal stories of how the Fund's investments added value to their lives.

(Below) CDFI Fund Deputy Directors Maurice Jones and Paul Gentile (far left) stand next to Director Lazar, the guest speakers and several other awardees on the steps of the Treasury outside the Cash Room. US Treasurer Mary Ellen Withrow (far right) and then Treasury Under Secretary John D. Hawke posed for several photos with the awardees.

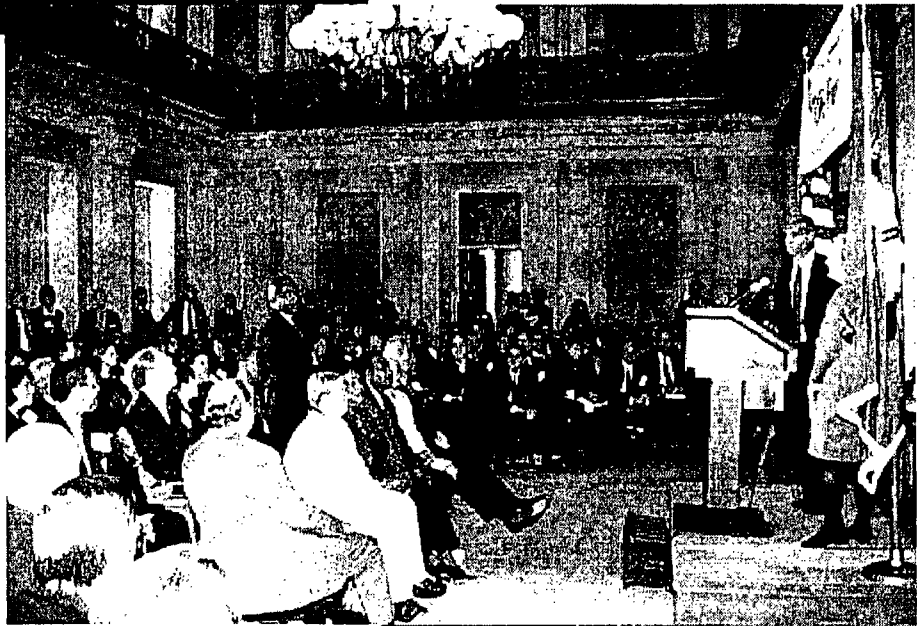


# 75 CEREMONY HIGHLIGHTS



(LEFT) United States Treasurer Mary Ellen Withrow (left) invited the guest speakers to spend time with her in her office. Mrs. Lucretia McDonald, owner of McDonald Funeral Home, a family operated business, shared her story with a wonderful sense of humor. The Enterprise Corporation of the Delta, based in Jackson, Mississippi and a 1996 CDFI Program awardee, invested in Mrs. McDonald's business and provided her with valuable technical assistance.

The second guest speaker came to our attention through Coastal Enterprise, Inc. of Portland, Maine a 1997 CDFI Program Awardee that received \$2.5 million for its business loan fund. Coastal Enterprises worked with Care Development to expand an innovative foster care support facility. Having run away from an abusive home, and lived on the streets, our guest speaker told us of her struggle to become the self-sufficient, confident young woman she is today.



(RIGHT) Mr. Jesse Jones (seated center) is the owner of Gregory Truckbody, an emergency vehicle company in Oakland, California, and is seen talking to then Treasury Under Secretary John D. Hawke prior to the awards ceremony. Through funds provided by Community Bank of the Bay, a certified CDFI and both 1996 & 1997 BEA awardee, Mr. Jones was able to realize his dream of owning his own company. Gregory Truckbody is the only African-American owned emergency truck manufacturing business in the United States.



# ***U.S. Department of the Treasury Announces New, Low-Cost Account for Receiving Federal Benefits***

*by Product Promotion Division,  
Financial Management Services*

**M**anaging money was easier in the old days. Stuff it in a mattress, a cookie jar, or a piggybank. Use cash to pay bills and buy products and services.

Today, computer transactions, electronic transfers, and ATM cards are popular methods of handling ordinary, daily transactions ranging from grocery shopping to buying and selling stocks.

The benefits of "electronic" banking -- and Direct Deposit in particular -- include convenience, immediate access to deposits and personal safety. People no longer need to make trips to the bank or grocery store to cash a check, wait for checks to clear, or carry large amounts of cash.

However, according to a recent Federal Reserve Consumer Finances survey, approximately 12 million households do not have an account at a financial institution. The survey found that many people see such accounts as a luxury, because they do not have enough income or believe the cost of maintaining an account is too high. Thus, low-cost accounts can be a good option for today's cash consumer.

Even individuals whose only income is a government check may well benefit from having an account at a Federally insured bank, savings and loan, or credit union. In fact, a recent law encourages recipients of Social Security, Supplemental Security Income, veterans benefits, and Federal salary and retirement payments to choose direct deposits with their accounts.

To encourage Federal check recipients to choose accounts at financial institutions and use Direct Deposit, the Department of the Treasury recently announced plans for an easy and affordable option - the Electronic Transfer Account (ETA). Although the final attributes of the new ETA are still under discussion, the

Treasury Department expects ETAs to be offered this summer through participating Federally insured financial institutions, including banks, savings and loans, and credit unions. The accounts will provide the full range of consumer protections.

As now proposed, ETAs will be available to individuals who receive Federal benefits, wages, salary or retirement payment. ETAs will be subject to a maximum cost of \$3.00 per month, provide for a minimum of four cash withdrawals per month, (to be included in the monthly fee) and require no minimum balance, except as required by Federal or State law.

"We want Federal payment recipients to be able to benefit from the advantages of electronic banking, even if their government check is their only source of income," said Donald V. Hammond, Treasury's Fiscal Assistant Secretary. "With the safety and convenience of Direct Deposit, recipients will be assured their Federal payments are deposited and available on the same day they are paid."

***CONGRATULATIONS...***  
***John D. Hawke, former***  
***Treasury Under Secretary***  
***for Domestic Finance on***  
***his appointment as the***  
***new Comptroller of the***  
***Currency.***

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The Community Development Financial Institutions Fund is a wholly-owned government corporation within the U.S. Department of Treasury. Its vision: An America in which all people have access to capital and financial services. Its mission: Promote access to capital and local economic growth by directly investing in and supporting community development financial institutions (CDFIs) and expanding financial service organizations' lending, investment, and services within underserved markets.

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**If you receive duplicate issues of this newsletter, please notify us.**

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To: Helen Szablya  
CDFI Fund, US Department of Treasury

From: Charles D. Tanscy  
Interim Executive Director  
Minority Investment Development Corporation

Date: March 26, 1999

Re: Closing Ceremony for the \$750,000 CDFI Equity Award to the Minority Investment Development Corporation (MIDC)

As discussed, we would like to initiate the planning process for a closing ceremony for the CDFI Award to the MIDC. The CDFI's \$750,000 equity investment was awarded in the 1997 round and was matched with \$750,000 in investments from BankBoston, Citizens Bank, the Providence-Journal Bulletin, and BankRI.

The MIDC is a statewide for-profit CDC created in 1994 by the banks and corporations of the state of Rhode Island to provide capital and technical assistance to entrepreneurs in under-served ethnic, demographic and geographic sectors. In addition to those noted above, investors include Fleet Bank, the Bank of Newport, Narragansett Electric and the Greater Providence Chamber of Commerce.

The MIDC is the only lender in the state whose primary mission is to capitalize small businesses in disadvantaged constituencies. The \$1.5 million that is being invested by the CDFI Fund and local corporations brings the MIDC from an under-capitalized, slow growth lender, to a \$3.5 million high impact lender with the potential to be self-sustaining. It is positioned to fill the greatest financing gap in the state.

For the purposes of the closing ceremony, we shall be looking at the following:

Location: Providence, RI  
Date: Friday afternoon or Monday morning in April or May of 1999

Attendees: *Congressional:*  
Senator John Chafee, Senator Jack Reed, Congressman Patrick Kennedy, Congressman Robert Weyand. The MIDC will contact all of these no later than the first week of April. There is a good chance that we will be able to have a good turn-out: all of the delegation members are aware of the MIDC, the CDFI award, and the growing target constituency.

*Community:*  
Legislative and organizational leaders to be contacted by the MIDC Board as soon as the date is set.

*Corporate:*  
Chief Executives of Fleet/Boston, Citizens, Bank of Newport, BankRI, Narragansett Electric, Providence Journal-Bulletin, Chamber of Commerce. To be contacted by the MIDC Board as soon as the date is set.

*State:*  
Governor Almond, Mayor Buddy Ciunci, and key state office-holders. The MIDC will contact these as well.

*Other:*

SBA regional and district representatives

**CDFI:**

**We would like Robert Rubin (he attended one in Boston last year) or his Department of Treasury designee (Summers, Gensler). Also Ellen Lazar and/or Maurice Jones. Clearly the higher the representation from Treasury, the better the turn-out from the Congressional Delegation, community leadership and corporate executives.**

There are only two issues which might be considered prior to moving ahead: (1) Fleet and BankBoston have merger proposal under way and there may be some perception issues vis-à-vis the Treasury; and (2) the MIDC award took a long time to close due to changes at the MIDC - something which we would not want to highlight. But this is a very big deal for the state and the constituent communities and we should do everything we can to publicize it.

Steps:

I would recommend running this by Ellen Lazar for her thoughts particularly on the two issues. Secondly, I would want to know who can come from Robert Rubin's staff and when. We could build the ceremony around that person's availability beginning first with the Congressional Delegates. Once that is lined up I would ensure that we got the corporate CEOs - and that would get us the momentum we would need. [I think the other attendees are sufficiently engaged in the activities of the MIDC and its constituencies that time would be easier for them to make on this account].

Please call me at 401.351-2999 if you have any questions or need additional information.

# PROMOTING INVESTMENT IN AMERICA'S NEW MARKETS

January 15, 1998

Despite the longest peacetime economic expansion in history, marked by tremendous business and job growth, and much capital in search of good investment opportunities, many urban and rural areas of the country have not participated in the capital investment that has spurred job growth and economic development elsewhere at home and abroad. President Clinton's commitment to building one America is a commitment to making progress for all Americans, in every home and community in the nation.

President Clinton challenged the leaders of Wall Street, who are fueling America's economic growth, to take the lead in investing in America's own "New Markets" -- inner-city areas, like New York's East Harlem, and distressed rural areas like parts of Appalachia. The President's FY 2000 balanced budget includes a new initiative designed to create the conditions for success by:

- providing tax credit and loan guarantee incentives to stimulate billions of new private capital investment in targeted areas;
- building a network of private investment institutions to funnel credit, equity, and technical assistance into businesses in America's new markets; and
- providing the expertise to targeted small businesses that will allow them to use new investment to grow.

## WORKING WITH EXPERTS AND CONGRESS

The President's New Markets Initiative was developed by an Administration task force that consulted with investment advisors, community development financial and venture capital pioneers, and Members of Congress who have lead efforts to promote investment in underserved areas. President Clinton has laid out a solid framework from which to build, but he will further solicit the reactions and ideas of a wide range of experts and Congressional leaders before he sends the legislation to Congress.

## HARNESSING THE POWER OF THE PRIVATE MARKET TO REVITALIZE COMMUNITIES

The New Markets initiative will prompt approximately \$15 billion in new investment in urban and rural areas through:

1. *The New Markets Tax Credit* -- To help spur \$6 billion in new equity capital for investment in America's New Markets, President Clinton has proposed a tax credit worth up to 25 percent for investments in a wide range of vehicles serving these communities,

including community development banks, venture funds and corporations, the new investment company programs announced by the President (see descriptions below), and other targeted investment funds. Credits would be allocated to the targeted investment vehicles which could use the tax credits to **attract** investors. The investment funds would make their own decisions about what investments or loans to make to help create and grow businesses in the New Markets. A wide range of businesses could be financed by these investment funds, including small technology firms, inner-city shopping centers, manufacturers with hundreds of employees, and retail stores.

2. ***America's Private Investment Companies (APICs)*** -- For years, America has supported OPIC, the Overseas Private Investment Corporation, to promote growth in emerging markets abroad. Now we must do the same thing in America's New Markets. Under this program, investors will put a minimum of \$100 million in equity into new private investment partnerships to be known as America's Private Investment Companies (APICs). HUD and SBA working together will provide up to another \$200 million in loan guarantees for each. APICs will make equity investments in larger businesses that are expanding or relocating in inner cities and rural areas. Under the financing structure, the private investors' funds are at risk ahead of the government. However, the individual investment decisions must be approved by the government for consistency with the public policy mission of the program.
3. ***SBICs Targeted to New Markets*** --Over 40 years, the SBA's small business investment company (SBIC) program has provided roughly \$20 billion in equity and debt financing to more than 85,000 different companies, helping them at a critical stage to grow from small businesses to household names, like AOL and Staples. However, too little of the capital invested has benefited our cities and rural distressed communities. Last summer, the Vice President challenged the SBA to find ways to meet better the needs of minority firms and underserved markets. In response, SBA determined that, under existing legislation, the Agency can offer more flexibility and new financing terms to make it more attractive for SBICs to invest in businesses in low and moderate income (LMI) areas. Specifically, SBICs making LMI investments will be eligible for a new type of federally guaranteed loan to augment their capital for business investment. Interest on the guaranteed funding will be deferred for the first five years of the 10-year term to give SBICs more time to nurture their investments in small businesses before they must produce a return. In addition, SBA will conduct an aggressive outreach campaign around the country to promote LMI investments.
4. ***New Markets Venture Capital Firms (NMVCs)*** -- There are thousands of inner-city and rural entrepreneurs who need both capital and expert guidance to transform their small businesses and great ideas into thriving companies. SBA will select ten-to-twenty NMVC firms whose management has successful records in community-based venture capital. The equity funds of private investors will be matched with government debt guarantees of up to \$10 million per NMVC, with interest on the debt deferred. Investors

must also provide at least \$1.5 million in technical assistance over five years to the target firms, matching SBA's grants of technical assistance. The program should provide long-term, patient growth capital and facilitate critically needed technology and management skills development for smaller businesses in new markets.

5. ***New Markets Lending Companies (NMLC)*** -- For the first time in many years, SBA will approve approximately 10 new non-bank lenders -- firms authorized to originate loans under SBA's largest loan program -- the 7(a) General Business Loan Guaranty program. Under the 7(a) program, SBA guarantees up to 80% of a loan that is made by a lender to a creditworthy small business that cannot otherwise secure financing on reasonable terms. The firms selected must have a strategy to target their lending to underserved areas.
6. ***Continued Growth for CDFIs*** -- The President's initiative to develop community development financial institutions (CDFIs), locally-based institutions with expertise in lending and investment in underserved areas, will continue to grow. His FY 2000 balanced budget will include \$125 million for the CDFI fund. Thus far, CDFI has made over \$180 million in awards to community development organizations and financial institutions.
7. ***BusinessLINC*** -- The President's budget will include \$3 million in seed money to expand BusinessLINC -- an innovative public-private partnership launched by Vice President Gore and led by Treasury Secretary Rubin and SBA Administrator Alvarez -- to new markets in economically distressed communities. BusinessLINC (Learning, Information, Networking and Collaboration) is designed to encourage large businesses to work with small business owners and entrepreneurs in order to improve the economic competitiveness of smaller firms located in distressed areas, both urban and rural. The funds will be used to leverage private sector efforts to spur new BusinessLINC partnerships at the national and local level.
8. ***Specialized Small Business Investment Companies (SSBICs)*** -- The President's budget will expand current tax incentives to increase the amount of equity capital available to economically disadvantaged people by making it easier for Specialized Small Business Investment Companies (SSBICs) to qualify as tax-favored regulated investment companies.

## **SPECIALIZED SMALL BUSINESS INVESTMENT COMPANIES**

The President's budget will expand the tax incentives for Specialized Small Business Investment Companies (SSBICs) to increase the amount of equity capital available to economically disadvantaged people:

- The proposal would make it easier for SSBICs to meet the qualifying income, distribution of income, and diversification of assets tests to qualify as tax-favored regulated investment companies.
- The existing 60 day tax-free rollover period of proceeds of a sale of publicly-traded securities into an SSBIC would be extended to 180 days and enhanced to allow an investment in the preferred stock of an SSBIC. The annual caps on SSBIC rollover gain exclusion would be eliminated and the lifetime caps individuals and corporations would be increase to \$750,000 and \$2,000,000 respectively.
- SSBICs would be allowed to convert from a corporation to a partnership within 180 days of enactment without giving rise to tax at either the corporate or shareholder level.
- The exclusion on gains would be raised from 50 percent to 60 percent on direct or indirect sales of stock of certain qualified SSBICs.

## NEW MARKETS VENTURE CAPITAL COMPANIES

In the five years since President Clinton took office, the economy has created 13 million new jobs. Yet even during one of the greatest periods of sustained economic growth in American history, we still have not achieved true equality of opportunity. Concentrations of poverty and joblessness continue to have a devastating effect on the social and economic fabric of communities across the country. This lack of opportunity is at the heart of our deepest social divisions.

The evidence strongly suggests that there are attractive business opportunities in rural and inner city communities that are not being met. Among the most critical needs of these communities is access to equity investment and technical assistance.

This initiative is designed to make it more attractive to invest in these communities and ensure that the opportunity to stimulate job growth, neighborhood revitalization and economic development of America's untapped new markets is not lost.

*The New Markets Venture Capital Company (NMVC) pilot complements SBA's existing equity investment program, encouraging small business expansion by providing intensive technical assistance and equity-type capital in rural and inner city areas.*

### **New Markets Venture Capital Companies**

The SBA is proposing a pilot program to create between 10 and 20 New Markets Venture Capital Companies (NMVC).

NMVCs will be venture capital companies that provide a combination of equity venture capital financing and technical assistance to smaller businesses located in low- and moderate-income (LMI) areas.

LMI areas are census tracts where at least 20 percent of the population is beneath the poverty level, or where median family income is less than 80 percent of median family income for the surrounding area. SBA also intends to include other areas in which economic development is lagging, including HUBZones, Enterprise Communities, Empowerment Zones and counties with persistent poverty.

The NMVC program will involve community-based development organizations whose managers have established successful records in venture capital investing in small businesses. By providing equity capital with intensive technical assistance, they play a major role in the creation and expansion of small businesses in these areas. Their efforts have been severely limited by a lack of adequate funding for both investments and technical assistance.

The NMVC program will meet this need by providing government-guaranteed long-term funding, combined with technical assistance grants, to private for-profit community development venture

capital companies that will target their efforts in these geographical areas.

SBA will select applicants that meet the program's public policy goals. Existing community development venture capital companies and groups with equivalent experience will be encouraged to establish new for-profit venture capital companies and apply for NMVC status. SBA's objective is to fund a variety of organizational structures and operating strategies, and provide the broadest geographical coverage possible.

NMVCs must be organized as for-profit entities and raise at least \$5 million in investment capital, which SBA will match up to \$10 million for any single NMVC. The interest on the government funding will be deferred for the first five years. NMVCs must also obtain commitments to provide at least \$1.5 million in technical assistance funding over five years. SBA will provide technical assistance grants amounting to 30 percent of the private capital amount.

SBA will require each NMVC to invest in smaller businesses located in the designated LMI areas. These venture capital investments will typically range between \$50,000 and \$300,000.

SBA anticipates that the program will involve \$100 million in SBA-backed funding and \$30 million in technical assistance grants over a five-year period. Establishing the program will require enabling legislation.

### **SBA's SBIC Program**

The NMVC pilot program will complement SBA's existing Small Business Investment Company (SBIC) program. At the end of FY 98, the SBIC program had a total investment pool of \$9 billion, up by more than \$2.2 billion from the end of FY 97. In FY 98, licensees made 2,732 investments worth \$3.2 billion in small businesses. Over the past 40 years, the SBIC program has provided roughly \$20 billion in equity and debt financing to more than 85,000 different companies. Many of them have become household names: Intel, Apple Computer, Federal Express, America On Line, Callaway Golf, Compaq, Sports Authority, Outback Steakhouse, Staples and Sun Microsystems.

## NEW MARKETS LENDING COMPANY PROGRAM

In the five years since President Clinton took office, the economy has created 13 million new jobs. Yet even during one of the greatest periods of sustained economic growth in American history, we still have not achieved true equality of opportunity. Concentrations of poverty and joblessness continue to have a devastating effect on the social and economic fabric of communities across the country. This lack of opportunity is at the heart of our deepest social divisions.

The evidence strongly suggests that there are attractive business opportunities in untapped markets that are not being met. One of the most critical needs of these communities is access to affordable commercial credit.

This initiative is designed to make it more attractive to lend in these communities and ensure that the opportunity to stimulate job growth, neighborhood revitalization and economic development of America's untapped New Markets is not lost.

New Markets are current and prospective small businesses owned by minorities, women, veterans and handicapped individuals, who are underrepresented in the population of business owners compared to their representation in the overall population, as well as businesses located or locating in rural areas and inner cities.

***The New Market Lending Company (NMLC) initiative complements SBA's lending network, encouraging small business expansion by providing debt financing to these untapped markets.***

### **New Market Lending Companies**

SBA's proposed NMLC program is a limited term, limited participation pilot lasting between five and 10 years. Under the pilot, the SBA will select approximately 10 non-depository lending institutions to make SBA-guaranteed loans targeted to New Market small businesses.

NMLCs will make SBA-guaranteed loans under the 7(a) General Business Loan Guaranty program, the agency's largest financial assistance program. Under the 7(a) program, SBA guarantees up to 80 percent of a loan that is made by a commercial lender to a creditworthy small business that cannot otherwise secure financing on reasonable terms.

SBA will select the NMLCs from applicants experienced in all phases of making, servicing and liquidating loans, with a capital base sufficient to finance loan-making activities and a strategy consistent with the program's public policy purpose of making loans to New Market small businesses.

SBA's monitoring and oversight of NMLCs will include annual safety and soundness

examinations as well as the same program reviews that are required of other SBA lenders. SBA will publish program eligibility criteria shortly, and expects to implement the program no later than October 1, 1999.

Funding for loan guaranties made under the NMLC program will come from the SBA's appropriation for 7(a) program loans, which is funded at a level of \$10 billion for the current fiscal year.

The NMLC program will fit into the existing SBA framework of the 7(a) program, which provided guaranties on loans to nearly 42,270 small businesses in FY 1998. Those loans amounted to more than \$9 billion. Since 1992, SBA has guaranteed more than \$49 billion in commercial loans to more than 252,000 small businesses, more than in the previous 12 years combined.

## NEW MARKETS OUTREACH AND THE LMI INVESTMENT INITIATIVE

In the five years since President Clinton took office, the economy has created 13 million new jobs. Yet even during one of the greatest periods of sustained economic growth in American history, we still have not achieved true equality of opportunity. Concentrations of poverty and joblessness continue to have a devastating effect on the social and economic fabric of communities across the country. This lack of opportunity is at the heart of our deepest social divisions.

The evidence strongly suggests that there are attractive business opportunities in untapped rural and inner city communities that are not being met. One of the most critical needs of these communities is access to equity investment.

The LMI Investment Initiative is designed to make it more attractive to invest in these communities and ensure that the opportunity to stimulate job growth, neighborhood revitalization and economic development of America's untapped new markets is not lost.

*The New Markets Outreach and LMI Investment Initiative complement SBA's existing investment program, encouraging small business expansion by providing equity-type capital in rural and inner city areas.*

### **Outreach Workshops**

In July 1998, President Clinton directed SBA to hold workshops to promote the Small Business Investment Company (SBIC) program with the primary goal of encouraging the formation of SBICs focused on meeting the needs of the underserved, primarily in rural and inner city areas. As a result, SBA has expanded its existing efforts to recruit potential SBIC investors and management teams with experience in investing in small businesses in these areas.

SBA has organized a series of six workshops designed to bring together three main constituencies: 1) funding sources, primarily the banking community; 2) venture managers, including existing SBICs and Specialized SBICs; and 3) community development organizations. Beginning in late March, workshops are scheduled for Chicago, Kansas City, New York, Atlanta, Dallas and San Francisco.

These workshops will result in the creation of new SBIC licensees, new interest in rural and inner city investing, and a database of investment and community development professionals that will be available to work with SBA on this effort.

### **LMI Investment Program**

As part of its outreach effort, SBA is encouraging existing SBA-licensed SBICs to seek out investment opportunities in low- and moderate-income (LMI) areas, and is encouraging formation of new SBICs that will focus their investments in these areas. In addition, the SBA will create a new funding mechanism to provide financial incentives to encourage SBICs and Specialized SBICs to invest in these areas.

LMI areas are census tracts where at least 20 percent of the population is beneath the poverty level, or where median family income is less than 80 percent of median family income for the surrounding area. SBA also intends to include other areas in which economic development is lagging, including HUBZones, Enterprise Communities, Empowerment Zones and counties with persistent poverty.

Under the LMI Investment program, SBA will create a new funding mechanism for licensees in SBA's SBIC and Specialized SBIC programs. The funding will be provided to licensees in amounts that match the level of their investments in small businesses that: 1) are located in LMI areas, or 2) hire at least 35 percent of their workforce from among residents of LMI areas.

SBICs making LMI investments will be eligible for a new form of debenture financing, known as LMI debentures. LMI debentures are debt instruments that are sold with an SBA guarantee in the nation's capital markets to raise funds. The funds raised are, in turn, provided to SBICs to augment their private capital. The SBICs combine the debenture funds and their private capital to finance their investments in small businesses. Interest on the government funding will be deferred for the first five years of the 10-year term. That gives SBICs more time to nurture their investments in small businesses before they have to start making payments on the money used to finance them.

As an additional incentive for LMI Investments, SBA will modify some SBIC regulations involving control, minimum investment terms and the use of royalty payments.

The LMI Investment Initiative will fit within SBA's current budget levels for the Small Business Investment Company (SBIC) program. It will not require enabling legislation and can be established through changes in SBA's regulations.

### **SBA's SBIC Program**

At the end of FY 98, the SBIC program had a total investment pool of \$9 billion, up by more than \$2.2 billion from the end of FY 97. In FY 98, licensees made 2,732 investments worth \$3.2 billion in small businesses. Over the past 40 years, the SBIC program has provided roughly \$20 billion in equity and debt financing to more than 85,000 different companies. Many of them have become household names: Intel, Apple Computer, Federal Express, America On Line, Callaway Golf, Compaq, Sports Authority, Outback Steakhouse, Staples and Sun Microsystems.

## AMERICA'S PRIVATE INVESTMENT COMPANIES

In the five years since President Clinton took office, the economy has created 13 million new jobs. Yet even during one of the greatest periods of sustained economic growth in American history, we still have not achieved true equality of opportunity. Concentrations of poverty and joblessness continue to have a devastating effect on the social and economic fabric of communities across the country. This lack of opportunity is at the heart of our deepest social divisions.

The evidence strongly suggests that there are attractive business opportunities in underserved inner city and rural communities that are not being met. Among the most critical needs of these communities is access to substantial equity-type investment and quality employment opportunities.

This initiative is designed to make it more attractive to invest in these communities and ensure that the opportunity to stimulate job growth, neighborhood and economic development of America's untapped new markets is not lost.

The America's Private Investment Company (APIC) initiative complements SBA's equity investment programs, encouraging substantial business expansion into inner cities and rural areas.

### AMERICA'S PRIVATE INVESTMENT COMPANIES

This new program will provide equity capital for the creation or relocation of large-scale businesses in inner cities and rural areas. It will fund large, investment partnerships formed by private investors for this purpose. It will be a Department of Housing and Urban Development (HUD) program administered jointly by HUD and SBA to combine SBA's venture investment expertise with HUD's expertise in large scale urban revitalization.

There are a number of leveraged buy-outs, corporate divestitures, roll-ups and focused market expansions that could be relocated to serve low-and-moderate income areas if appropriate financial tools are available. APICs will be organized as conventional, for profit private venture capital funds with a minimum private capitalization of \$100 million. APICs will be eligible for twice that amount in government guaranties. These significant pools of investment capital will be available to take advantage of the opportunities described above and will ensure the creation of quality employment opportunities in inner cities and rural areas.

HUD and SBA will jointly solicit proposals for the creation of the investment partnerships. Five organizations will be selected. HUD/SBA will enter into a negotiated financing agreement with each selected APIC. APIC investments will be required to be in low- and moderate-income areas and have prior government approval for conformance with the APIC program's public policy objectives.

HUD/SBA anticipate that the program will involve \$1 billion of government-backed funding. Establishing the program will require enabling legislation.

Kentucky

Per capita 52% of national

13,320 - national 22,250

Pandy 95      34.8%      13.5% national

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△ Kentucky -



DEPARTMENT OF THE TREASURY  
COMMUNITY DEVELOPMENT FINANCIAL INSTITUTIONS FUND  
601 THIRTEENTH STREET, NW, SUITE 200 SOUTH  
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The Community Development Financial Institutions (CDFI) Fund was created to expand the availability of credit, investment capital, and financial services in distressed urban and rural communities. The Fund was authorized by the Riegle Community Development and Regulatory Improvement Act of 1994, and was a bipartisan initiative. By stimulating the creation and expansion of diverse community development financial institutions (CDFIs) and by providing incentives to traditional banks and thrifts through the Bank Enterprise Award (BEA) Program, the Fund's investments work toward building private markets, creating healthy local tax revenues, and empowering residents. The CDFI Fund provides relatively small infusions of capital to institutions that serve distressed communities and low-income individuals. The Fund's activities leverage private-sector investments from banks, foundations, and other funding sources. Since the Fund's creation, it has made over \$190 million in awards to community development organizations and financial institutions.

CDFIs are specialized financial institutions that work in market niches that have not been adequately served by traditional financial institutions. These CDFIs provide a wide range of financial products and services, including mortgage financing for first-time home-buyers, financing for needed community facilities, commercial loans and investments to start or expand small businesses, loans to rehabilitate rental housing, and financial services needed by low-income households and local businesses. In addition, these institutions provide services that help ensure that credit is used effectively, such as technical assistance to small businesses and credit counseling to consumers. CDFIs include community development banks, credit unions, loan funds, venture capital funds, and microenterprise loan funds.

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The CDFI Program has three separate components: the Core Component, the Intermediary Component and a new Technical Assistance Component. The Core Component is the Fund's main program under which CDFIs, or entities proposing to become CDFIs, may apply for financial and technical assistance. The Intermediary Component is created specifically for intermediaries who focus primarily on the financing of other CDFIs. A new Technical Assistance Component was designed to better meet the unmet capacity needs of CDFIs, or entities proposing to become CDFIs, who have significant potential for increasing their community development impact.

Through the first three rounds of the CDFI Program, the Fund has made \$135.2 million in investments to CDFIs, including community development banks, loan funds, credit unions, venture capital funds, and microenterprise loan funds. These organizations serve both rural and urban areas in local, regional, statewide, and multi-state markets in 46 states and the District of Columbia. In the next two to three years the CDFI Fund's investments are expected to leverage three to four times the investment in total capital raised for these institutions.

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At the direction of President Clinton, the CDFI Fund designed and implemented this non-monetary award program to bring wider attention to the important role and the successes of domestic microenterprise development in enhancing the economic opportunities of disadvantaged individuals across America. In the first round of these awards, seven organizations were recognized for their work assisting individuals to become successful entrepreneurs. These annual awards were created as one of the commitments made by the United States at the United Nations Fourth World Conference on Women, held in Beijing, China in September 1995.

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### **For More Information**

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# Withdrawal/Redaction Marker Clinton Library

DOCUMENT NO. AND TYPE	SUBJECT/TITLE	DATE	RESTRICTION
001. memo	To The President From Lynn Cutler; RE: personal info [partial] (1 page)	07/07/1999	P6/b(6)

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**COLLECTION:**

Clinton Presidential Records  
Policy Development  
Lisa Green  
OA/Box Number: 20588

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**FOLDER TITLE:**

CDFIs [Community Development Financial Institutions] [4]

2012-0043-S

ms211

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**RESTRICTION CODES**

Presidential Records Act - [44 U.S.C. 2204(a)]

Freedom of Information Act - [5 U.S.C. 552(b)]

P1 National Security Classified Information [(a)(1) of the PRA]  
P2 Relating to the appointment to Federal office [(a)(2) of the PRA]  
P3 Release would violate a Federal statute [(a)(3) of the PRA]  
P4 Release would disclose trade secrets or confidential commercial or financial information [(a)(4) of the PRA]  
P5 Release would disclose confidential advice between the President and his advisors, or between such advisors [(a)(5) of the PRA]  
P6 Release would constitute a clearly unwarranted invasion of personal privacy [(a)(6) of the PRA]

b(1) National security classified information [(b)(1) of the FOIA]  
b(2) Release would disclose internal personnel rules and practices of an agency [(b)(2) of the FOIA]  
b(3) Release would violate a Federal statute [(b)(3) of the FOIA]  
b(4) Release would disclose trade secrets or confidential or financial information [(b)(4) of the FOIA]  
b(6) Release would constitute a clearly unwarranted invasion of personal privacy [(b)(6) of the FOIA]  
b(7) Release would disclose information compiled for law enforcement purposes [(b)(7) of the FOIA]  
b(8) Release would disclose information concerning the regulation of financial institutions [(b)(8) of the FOIA]  
b(9) Release would disclose geological or geophysical information concerning wells [(b)(9) of the FOIA]

C. Closed in accordance with restrictions contained in donor's deed of gift.

PRM. Personal record misfile defined in accordance with 44 U.S.C. 2201(3).

RR. Document will be reviewed upon request.

[001]

July 7, 1999

MEMORANDUM FOR THE PRESIDENT

FROM: LYNN CUTLER *Lynn Cutler*

SUBJECT: NEW MARKETS VISIT AT PINE RIDGE RESERVATION

**Your Guide Through The Housing At Pine Ridge**

- Your guide is named Jamie Richards. Attached, please find a Rapid City Journal article about other young people whom you will likely meet as you tour the Reservation's housing.
- Jamie is currently seventeen years old. [redacted] P6/(b)(6)
- [redacted] P6/(b)(6)
- Jamie has two sisters, two stepsisters, and four brothers.
- Jamie's mother has been living in Colorado since 1989 with Jamie's two younger sisters.
- Jamie's father lives with the mother of Jamie's two stepsisters. Jamie's stepsisters also live with them.
- [redacted] P6/(b)(6) She is planning to begin studying for her GED in the fall of this year.
- Since January of this year, Jamie has been living in the Igloo housing area with her cousin and three other people. They all share a trailer house behind one of the Igloos.
- [redacted] P6/(b)(6) Jamie's cousin receives money for Jamie under the Aid for Dependent Children program.
- Jamie plans to move to Rapid City, South Dakota this fall and seek employment while she studies for her GED.

*Synn; The boys with the X on their sweater  
are also from the cglow housing.*

*- 2 are still in school, 1 graduated - all over 18 yrs. old - 2 are unemployed*

# Third title in row thrills Pine Ridge area

PINE RIDGE — Pine Ridge's third straight state boys Class A cross country title has lifted the community's spirits.

"Although there are many hardships that these kids face living on the reservation, such as unemployment, alcoholism and broken families, the Pine Ridge cross country team has become a family of its own," said coach Dale Pine.

"Pine Ridge uses running, an ancient Indian tradition, to build self-esteem, cultural pride, healthy lifestyle choices and leadership among its runners. They learn lessons in running that are lessons for a lifetime," he said.

Pine Ridge had four runners finish in the top 20 in the state meet at Pierre on Saturday, Oct. 25. "When



*'When the Pine Ridge cross country team wins ... all Indian people are winners.'*

*— Dale Pine*

Comparing state times to Class AA and Class B runners, they could be considered one of the best teams in the state in any class," Pine said.

Four of the team members — Shawn Yankton, Doug Poirier, Justin Hawk Wing and Francis Spotted Elk have been on the championship

The Pine Ridge boys cross country team poses with its state Class A championship trophy. From left, back, coaches Dale Pine and Dean Brewer. Middle, James

Richards, Steve Richards, Francis Spotted Elk, Ryan Blue Bird, Doug Poirier, Justin Hawk Wing. Front, Shawn Yankton.

Courtesy photo

7/2/99

Lynn,

Following is a short summary of my stay on the Pine Ridge Indian Reservation in 1997. I worked on Indian affairs in Washington, D.C. with Stephanie Helfrich (now at HUD) for Senator Johnson from 1997-1998 before I moved back to SD. My younger sister was adopted from the Pine Ridge Indian Reservation in 1974 (when she was 2) and I have always had a special place in my heart of the Lakota people even though I grew up in Aberdeen and Brookings, SD (very white areas).

### **The Story of My Stay with Geraldine Bluebird**

In 1997 I asked Senator Johnson if I could take 5 days vacation, buy a plane ticket, and live on Pine Ridge with a family to experience how they really live so as to better serve them as an aide for Senator Johnson. Vashti Apostol Hurst, a friend of Senator Johnson's and Executive Director of NAAICE, is a white woman who has lived on Pine Ridge for 6 years with her husband, Andy, a doctor at the Pine Ridge IHS Hospital. They thought that living with Geraldine Bluebird for those 5 days would show me how the people really live. Because she has learned to trust Vashti, Geraldine agreed and welcomed me with open arms (see article on Andy and Vashti enclosed).

There were 14 of us that lived in Geraldine's single-wide trailer. There was no water, no sewer, no windows and little food to eat. Drinking and dish water was obtained from a hose hooked up to a nozzle on the back of the toilet (that did not function). A woman named Babbit and her husband lived in a tent outside the trailer and didn't know what they would do when the snow came. Our shower consisted of walking across the yard to a hose hooked underneath another trailer. You would take off your shirt, put soap in your hair, and hold the hose above your head. Although you were out in the open, no one watched and no one thought anything of it because it was the life of the people of Pine Ridge. Geraldine has a few kids but it is known on Pine Ridge that anyone (especially children) that is without shelter, food, or love is welcome to stay in her trailer. And they come from all over, including women who have been abused, children without functioning parents, and kids with FAS among other things. Geraldine has two rules 1) no drugs or alcohol of any kind, and 2) treat everyone else at the trailer with love and respect. One really has to meet her to understand how big her heart is and how unconditional her love is. I am very pleased that President Clinton will meet her.

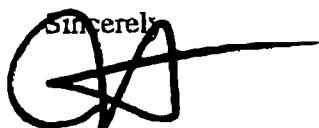
I could write a book about those 5 days but I will spare you at this point. I can only say that I was treated as the guest of honor and left the poorest county in the nation with more than I came with. I was told (and she wouldn't take no for an answer) to sleep in one of the only beds in the trailer, and I was presented an eagle feather and a hand-beaded bolo tie as a token of their appreciation. I was taken to a pow-wow, took part in a Lakota sweat ceremony (religious ceremony), and was welcome to do everything else that they did. Before I left Washington to live on Pine Ridge I was prepared for the poverty and disease I would see but I was worried that I would see widespread despair and hopelessness. I saw just the opposite. Although some of the other families that I visited had alcohol problems and kids with FAS, the love for family and deep commitment for each other and the Indian culture, religion, and lifestyle was overwhelming. These people would give the shirt off their back to a loved one and even to an outsider like me -- and they sometimes did. They had such a strong sense of family that it took me a few days to believe truly it. Geraldine's son and several of the people that lived with us were on the Pine Ridge Cross Country Team. They ran everyday and told me stories of their meets where the white runners would come check out their team, laugh at the skinny group of Indian runners from the rez, and walk away. But when the gun sounded they couldn't see those Indian runners for very much of the race. Geraldine is most proud of how these young boys, against all odds, were so focused in their mission to be the best runners in the state. She gave all she had including any money she received to buy them shoes and send them to out of state meets. And they were the best -- this group won the state cross country championship 3 years in a row. Against all odds.

About a year ago, the Washington Post did a front page article (see attached) on the healthcare crisis, infant mortality, poverty on Pine Ridge (which I know Hillary and the President would be interest in). Geraldine is the feature of the article and only agreed to let them take a picture of her for the paper because Vashti asked her to (I sent Geraldine and her sister Edna Apple a copy of the paper). The trailer

I stayed in with Geraldine burned to the ground about a year ago and Vashti and Phil Stevens, Operation Walking Shield (who will be at Pine Ridge to see the President and who got the military to grade all the roads to the new HUD houses) remodeled the house next store for Geraldine and the kids to live in. Edna, her sister, lives across the street and the President can see her house if he wants to see how most people live [\*note: at one point 34 people were living in Geraldine's trailer or Edna's house at the same time]. Also, Belleron and Lucille Bluebird, relatives of Geraldine's live close to her if the President wants to hear another living story of hope (see attached Reuters article). And there is a tiny house near Geraldine where Isador White Calf used to live with 14 people that the President could ask to see. Finally, Philip Brings Him Back will be at Geraldine's when the President arrives. He is one of the most respected elders and one of the oldest living people on the entire reservation, and, as fate should have it, he turns 91 on July 7, 1999. Thus, it would be nice if the President could wish him a happy birthday when he arrives [Phillip is a direct descendent of Chief Brings Him Back from the original Wounded Knee Massacre].

The day I returned from my 5 days at Geraldine's to Washington D.C. the State Department called me and asked if I could be on a plane the next day to Bosnia to monitor the elections (I was on a waiting list with the State Dept because I also worked on foreign affairs for Tim and had done work on Bosnia for the Carter Center in Atlanta). Even though I had just returned from Pine Ridge, Senator Johnson said that I would never get another opportunity like this and I should go to see the people of Bosnia. I spent 2 weeks as an international elections supervisor in Tuzla and Sarajevo. During my 5 days in Sarajevo, which had been hit by over 300 shells a day for over 3 years, I looked for places in and around the city to see if I could find any living conditions worse than Pine Ridge. I could not. Sarajevo, after a 4 year war, was still in better condition and had better housing and less poverty than Pine Ridge. I told this to a group of Senator's and staffers at an Indian affairs meeting when I returned and continued to tell this story to the staffers I knew in the Senate and House in an effort to wake up America to the housing and healthcare crisis on Pine Ridge. Vashti and Phil Stevens have dedicated their lives to the wake up effort. Before I came to Pine Ridge I thought that education and educational opportunity was the key to eliminating poverty at Pine Ridge. But I found many very educated people on Pine Ridge. What I didn't find was jobs. The incentive to become educated and the opportunities for those that are are so limited because there are no jobs. I saw many Indian men walk around each day trying to help out on building the few structures that were going up for a few dollars pay. These people are not lazy. They simply want to live the Lakota traditions and stay with their people. Upon my return I drafted a letter to Bill Gates, asking him to put a components factory on the reservation, but the language was never agreed on by the other Senators and some thought it was not the place of politicians to ask the private sector to come help. But it is President Clinton's visit, and his New Market's Initiative that can, many believe, bring jobs to the people and restore the hope that has been lost since Bobby Kennedy came to Pine Ridge years ago.

This is where the circle is completed, as is so important in the Lakota religion. Geraldine was in high school when Bobby Kennedy came to Pine Ridge. The people he visited said he wept when he saw the living conditions and they knew he would help the Indian people. Many of the Indian people wept when Bobby left and, as we know, he didn't live much longer. Although it may be unfair, some see President Clinton as the man that can renew hope and bring jobs to the people of Pine Ridge, the thing that will truly change their lives. If jobs come, I believe the alcohol, and drugs, and abuse problems be reduced significantly. Poverty does strange things to people including the strong distrust of the federal government and the tribal government itself. I apologize for the length of this story but thought you should know. If you have any questions call me. Thanks for all your work Lynn -- all of us appreciate it more than you know. And, most importantly, the Indian people on Pine Ridge know that the people in the White House care about them no matter what happens. Take care of yourself, I hope to see you July 7.

Sincerely,  
  
Joe Hein



UNITED STATES  
DEPARTMENT OF AGRICULTURE  
Office of the Secretary  
Washington, D.C. 20250

# OGLALA SIOUX TRIBE EMPOWERMENT ZONE

July 7, 1999

## A PROCLAMATION

By the Secretary of Agriculture of the United States of America

*In recognition of the designation of the Oglala Sioux Tribe Empowerment Zone as a Rural Empowerment Zone and of the historic relationship of the partnership between the Oglala Sioux Tribe and the Government of the United States that has been established by this designation, we hereby affirm the following principles which unite our two Nations:*

WHEREAS we recognize and confirm the designation of the Oglala Sioux Tribe Empowerment Zone as a 10-year partnership between the Oglala Sioux Tribe and the Federal Government to support the economic and social improvement of the Reservation that will commence with the signing of a Memorandum of Agreement between the Oglala Sioux Tribe and the U.S. Department of Agriculture; and

WHEREAS we acknowledge and affirm the Federal Government's commitment to supporting the sovereignty of the Oglala Sioux Tribe as expressed in Federal laws and other actions, including the Indian Self-Determination and Education Assistance Act, the Presidential Memorandum on Government-to-Government Relations with Native American Tribal Governments, and Executive Order No. 13084 on Consultation and Coordination with Indian Tribal Governments; and

WHEREAS we recognize the designation of the Oglala Sioux Tribe Empowerment Zone as a means, based on bottom-up, grassroots citizen participation, to enhance the ability of the Oglala Sioux Tribe to improve, by their own actions, the economic and social conditions on the Reservation, through business, housing assistance, family assistance, educational assistance, and assistance in meeting critical basic needs; and

WHEREAS we acknowledge the importance of the strategic plan and benchmarks as a tribally determined vehicle by which such economic and social development can occur, while at the same time enhancing the capacity of the Tribe to achieve self-sustaining development that is consistent with its values and priorities;

NOW, THEREFORE, the Federal Government, through the Community Empowerment Board, is hereby committed to using its resources and capabilities to support the implementation by the Oglala Sioux Tribe Empowerment Zone of the strategic plan that it has developed.

IN WITNESS WHEREOF, we commit this 7th day of July 1999 our pledge of mutual cooperation.

Dan Glickman  
Secretary  
of Agriculture

Harold Salway  
Oglala Sioux  
Tribal President



---

For POTUS book

This is what will be  
signed

---

**JONATHAN A. KAPLAN**

07/03/99 12:58:24 PM

Record Type: Record

To: Lisa Green/OPD/EOP@EOP  
cc: melissa.g.green/opd/eop@eop, Carl Haacke/OPD/EOP@EOP  
bcc:  
Subject: Re: Deliverables/Paper [img alt="document icon" data-bbox="345 260 360 275"/>

Yes. We need an overall one pager on EZs that at the top cites the EZ/EC communities we are visiting on the trip. Carl, please talk with Weiss. Something like:

**Clinton/Gore Efforts to Create Empowerment Zones and Enterprise Comm's**

Over the course of President Clinton's New Markets tour, he is visiting several EZs and ECs, namely

---

Background on EZ Initiative. In 1994, \_\_\_\_\_

Continued Empowerment Efforts. Under Vice President Gore's leadership,

---

Lisa Green



Lisa Green  
07/03/99 12:44:41 PM

Record Type: Record

To: Jonathan A. Kaplan/OPD/EOP@EOP  
cc: Melissa G. Green/OPD/EOP@EOP  
Subject: Deliverables/Paper

Every where that we go on the trip is an empowerment zone or there is an empowerment community in the area. None of the paper that we are producing mentions this anywhere, that I'm aware of --- unless maybe it's in Carl's stuff. So that we don't offend the VP on this I was thinking we assign to CEB the task of pulling together a draft of paper on the EZs that we would edit.

Is this something you think is worthwhile --- we could have Jonathan Weiss work on it. I'm assuming he is here helping Carl with the paper?

# Withdrawal/Redaction Marker

## Clinton Library

DOCUMENT NO. AND TYPE	SUBJECT/TITLE	DATE	RESTRICTION
002. memo	To Laura From Gina; RE: personal info/phone number [partial] (1 page)	07/03/1999	P6/b(6)

### COLLECTION:

Clinton Presidential Records  
Policy Development  
Lisa Green  
OA/Box Number: 20588

### FOLDER TITLE:

CDFIs [Community Development Financial Institutions] [4]

2012-0043-S  
ms211

### RESTRICTION CODES

#### Presidential Records Act - [44 U.S.C. 2204(a)]

- P1 National Security Classified Information [(a)(1) of the PRA]
- P2 Relating to the appointment to Federal office [(a)(2) of the PRA]
- P3 Release would violate a Federal statute [(a)(3) of the PRA]
- P4 Release would disclose trade secrets or confidential commercial or financial information [(a)(4) of the PRA]
- P5 Release would disclose confidential advice between the President and his advisors, or between such advisors [(a)(5) of the PRA]
- P6 Release would constitute a clearly unwarranted invasion of personal privacy [(a)(6) of the PRA]

C. Closed in accordance with restrictions contained in donor's deed of gift.

PRM. Personal record misfile defined in accordance with 44 U.S.C. 2201(3).

RR. Document will be reviewed upon request.

#### Freedom of Information Act - [5 U.S.C. 552(b)]

- b(1) National security classified information [(b)(1) of the FOIA]
- b(2) Release would disclose internal personnel rules and practices of an agency [(b)(2) of the FOIA]
- b(3) Release would violate a Federal statute [(b)(3) of the FOIA]
- b(4) Release would disclose trade secrets or confidential or financial information [(b)(4) of the FOIA]
- b(6) Release would constitute a clearly unwarranted invasion of personal privacy [(b)(6) of the FOIA]
- b(7) Release would disclose information compiled for law enforcement purposes [(b)(7) of the FOIA]
- b(8) Release would disclose information concerning the regulation of financial institutions [(b)(8) of the FOIA]
- b(9) Release would disclose geological or geophysical information concerning wells [(b)(9) of the FOIA]

DRAFT #1

*Whispering Pines*  
*Re*  
*7/3*

To: Laura  
From: Gina  
Date: July 3, 1999  
Re: Whispering Pines

[002]

Jean Collett will escort President Clinton at the first site in Whispering Pines in Amville, Kentucky. She will await him as he exits the motorcade. Jean is in her early 50's, and has volunteered for years as a GED instructor with over 100 graduates to her credit. She has also volunteered as a fundraising for the impoverished eastern appalacia community. She has extensive experience with public speaking and has often played the role as a spokesperson for the Jackson County community.

Jean Collett is the matriarch of a large extended family which includes her father, two daughters, in-laws, grandchildren and a brother who all live next door in Whispering Pines. They have lived in Jackson County for generations and her family has had a presense in Whispering Pines for over 20 years. Jean, her father and her children moved into the community 7 years ago.

Many other extended families live in this community and are in constant contact with one another and are close friends to Jean's family.

[Redacted] P6(b)(6)

[Redacted] P6(b)(6) Her family has strong working values and her son-in-law works at Mid-South Electronics, as do others in Whispering Pines.

*Handwritten notes*

[Redacted] P6(b)(6)

*62878*

*7:30 am*

### **Kentucky Highlands Investment Corporation**

**Location:** London, Kentucky  
**Award:** \$450,000 grant  
**Type:** community development venture capital fund  
**Service Area:** nine rural county area of Appalachian southeast Kentucky  
**Products:** equity investments in manufacturing corporations  
**Contact:** Mr. L. Ray Moncrief - (606) 864-5175

Kentucky Highlands has changed the lives of thousands of Appalachian residents in its highly distressed nine-county market area over the past 28 years. The nine rural counties have a staggering poverty rate ranging from 30% to 45%. As a venture capital fund, Kentucky Highlands provides critical capital and hands on support needed to create jobs and businesses in its severely depressed rural community. The institution's \$40 million in risk capital investments have generated 5,200 jobs – accounting for 40% of all manufacturing jobs in the region and 6% of the area's total labor force. The CDFI Fund's \$450,000 grant to Kentucky Highlands will provide flexible resources to enhance its investment capacity.

### **Local Initiatives Support Corporation**

**Location:** New York, New York  
**Award:** \$1 million grant for rural LISC  
**Type:** national financial and technical services community development intermediary  
**Service Area:** rural areas in 36 states  
**Products:** short term loans, housing development equity and secondary market purchases  
**Contact:** Mr. Mike Patterson - (212) 455-9800

LISC has a 15 year history of building the capacity of community development corporations (CDCs) serving low-income communities through provision of essential financial support for real estate development and operations. Traditionally this effort has been concentrated in urban centers. In a major expansion, LISC is bringing many of these services and its successful track record to emerging and experienced CDCs in non-metro areas. Rural LISC, in operation for one year, is now working with 52 selected CDCs in 36 states. Previously, many rural development entities were severely limited in their access to the financial products and technical assistance that are now available through Rural LISC. A CDFI Fund investment of a \$1 million grant will help LISC leverage additional financial support targeted to its new rural market. This support will increase the scope of the sophisticated support services provided to low-income rural communities.



UNITED STATES DEPARTMENT OF AGRICULTURE  
OFFICE OF THE SECRETARY

TELEPHONE (202) 720-3631

FAX (202) 690-2119

FAX COVER SHEET

DATE: 7/1/99

NUMBER OF PAGES, INCLUDING COVER SHEET: 26

PLEASE DELIVER TO: Josh

FAX NUMBER: (202) 456-2555 PHONE NUMBER: (202) 456-2554

- FROM:  DAN GLICKMAN, SECRETARY
- JOHN GIBSON, SPECIAL ASSISTANT
- GREG FRAZIER, CHIEF OF STAFF
- JOSE VENZOR, EXECUTIVE ASSISTANT & BRIEFINGS DIRECTOR
- BART CHILTON, DEPUTY CHIEF OF STAFF
- CLYDE WILLIAMS, DEPUTY CHIEF OF STAFF
- JUSTIN PASCHAL, STAFF ASSISTANT
- ERIC OLSEN, COUNSEL TO THE SECRETARY FOR DOMESTIC POLICY
- JANET POTTS, COUNSEL TO THE SECRETARY
- ISI SIDDIQUI, SPECIAL ASSISTANT TO THE SECRETARY FOR TRADE
- BOB EPSTEIN, SCIENCE ADVISOR TO THE SECRETARY
- LAURETTA MILES, ADMINISTRATIVE ASSISTANT
- JANNA PASCHAL, STAFF ASSISTANT

MESSAGE: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

# KENTUCKY HIGHLANDS INVESTMENT CORPORATION

*brother charges for protocols advance*

p.o. box 1738  
London, Kentucky  
40743-1738  
tel. 606.864.5175  
fax. 606.864.5194  
e-mail. khicnet@khic.org

## MEMORANDUM

To: Clyde Williams, Deputy Chief of Staff  
U.S. Department of Agriculture

From: Michael Hayes

Date: July 1, 1999

Subject: Mid-South Electrics, Inc. Information

*contract manufacturer  
not only electronics  
injection molding  
assembly*

*envelope  
Frydair make ice maker  
dispenser, awlster*

Please find attached information on Mid-South Electrics, Inc. in Anville (Jackson County), Kentucky. Participation by USDA includes the following:

- 1. Mid-South Electrics, Inc. \$ 725,000 Loan through the KHEZ (closed 6/97)  
\$5,000,000 B&I Loan (to close next week)

Adjacent to Mid-South Electrics, Inc. and within the same industrial park, USDA has provided the following:

- 1. JCR Industries, Inc. \$1,055,000 Loans through the KHEZ  
\$ 690,000 RBEG awarded in 6/98
- 2. Phillips Diversified, Inc. \$ 150,000 IRP Loan (closed in 6/95)  
\$ 400,000 Loan through the KHEZ (closed 4/99)
- 3. Image Entry, Inc. \$ 220,000 Loan through the KHEZ (closed 6/97)

The KHEZ has also provided \$75,000 to construct a natural gas line within the industrial park.

I hope this information is useful. Please do not hesitate to contact me if you need anything else.

*switch gear for  
Seamac*

*telephone calls going  
central area ->*

*state of the art*

*to*

*Market*

*receiver for Lucent  
handset for AT&T*

*majority of handsets  
Lucent business telephones  
London*

Brief Company  
Description

**MID-SOUTH ELECTRICS, INC.**  
a division of Mid-South Industries, Inc.

( - 2 pages )

Mid-South Industries, Inc. was founded as Dixie Tool & Die Company by Jerry Weaver and his brother John Weaver in Gadsden, Alabama in 1962. Raised in Clay County, Kentucky the Weavers were sons of a sharecropper who left home to attend a mission school, the Annville Institute, in adjoining Jackson County. Following graduation, both brothers followed the path of a great many eastern Kentuckians during the 1960's and left the area to find employment. Each ended up at International Tool Company in Dayton, Ohio where they worked for a number of years. When the company transferred Jerry Weaver to its Alabama Tool Company, it brought the young entrepreneur closer to fulfilling his dreams.

After five years with Alabama Tool Company, Jerry Weaver had fully mastered his trade. With a small initial investment, he opened Dixie Tool & Die, Inc. and asked his brother to act as Vice President. Through the years, Mr. Weaver has carefully nurtured one small family company into a group of twelve diversified enterprises which is still growing. The company has operations in Alabama, Kentucky and California that provide many communities with economic stability, personal growth, extensive training and more than 2,000 job opportunities.

A major turning point for the company came occurred 1986, when Mid-South Electrics, Inc. - Kentucky was opened in Annville, Kentucky. Following a fire at another plant, Jerry Weaver decided to rebuild Mid-South Electrics, Inc. at Annville, in the community where he was first educated. At the time, Jackson County, Kentucky had an unemployment rate of 23% and Annville was an unincorporated community of about 500 persons. The plant opened in the Spring of 1986 and anticipated hiring as many as 100-150 residents. In addition, with the Mid-South Electrics plant as the basis, the newly-formed Jackson County Industrial Authority was able to convince the Economic Development Administration (EDA) to help finance a 145-acre industrial park on the site.

By 1990, Mid-South Electrics, Inc. had grown to 250 employees and Mr. Weaver decided to construct a second plant with a further 100 employees. In 1995, Mid-South Electrics, Inc. had grown to 500 employees and the first spin-off was started. Phillips Diversified Manufacturing was opened by a former Mid-South employee in partnership with Jerry Weaver. The company, a plastic injection molding operation, now employees 120 employees with another 15 persons in their trucking operation.

In late 1995, a nonprofit, job training workshop was opened in Jackson County as part of the Kentucky Highlands Empowerment Zone initiative. For several years, this training program struggled until it moved into a new 24,000 s.f. building and Jerry Weaver agreed to become General Manager. Installing a new management team, Mr. Weaver created a tool and die apprenticeship program, an electronic circuitry class and a computer laboratory. The company, JCR Industries, is now entirely self-supporting and employs 100 persons as a contract manufacturer.

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P.04/26

In November 1998, a second spin-off of Mid-South Electrics opened in a county spec building. The company, JC Tech Industries, was again begun with the support of Mr. Weaver and expects to grow to 40 persons.

Today, Mid-South Electrics, Inc. employs more than 800 persons in Jackson County and is just now completing a \$5 million expansion which will add 100-150 employees this year. The original 145-acre industrial park has been filled, the industrial authority is purchasing an additional 55-acres across the road and the city of Annville has incorporated.

The total employment in Jackson County has increased from 3,899 in December 1990 to 6,557 in December 1998. This 68% increase in total county employment during the decade is the highest percentage employment growth in Kentucky. Several other companies in Jackson County are expanding as well and expect to add 200-300 employees during 1999.

The December 1998 unemployment rate in Jackson County was 3.3%, below the state and national average. This is more than 20 points below the figure when Jerry Weaver first opened Mid-South Electrics, Inc.

*This is a project  
description for one first  
EZ loan to MSE.  
closed 6/97  
(- 2 pages)*

**MID SOUTH ELECTRICS, INC. - KENTUCKY  
RETENTION/EXPANSION PROJECT PLAN**

**Company/Project Background**

*\$725,000*

Mid-South Electric, Inc., of Kentucky is a wholly owned subsidiary of Mid-South Industries, Inc., Gadsden, Alabama. Mid-South Electric, Inc., of Kentucky (MSE) is a contract manufacturer of electro-mechanical, plastic injected molded and electronic parts and assemblies. The business, located in Annville, Kentucky has grown substantially since its beginning in 1985 when the \$12 million facility was constructed without a single contract in-place. Initially employing less than 100, the business now employs more than 650 persons at their two Annville, Kentucky plants and is the profit center for the business group. Sales for 1996 from Mid-South Electric, Inc. of Kentucky were approximately \$118 million of Mid-South Industries, Inc. \$200 million total.

In the past few years, MSE has embarked on an aggressive marketing campaign of its wide range of manufacturing processes. This effort has resulted in the growth of existing accounts and the acquisition of new customers from the durable consumer goods industry, defense contractors and telecommunications sector.

The future of MSE depends upon the company being able to supply its customers with a wide range of up-to-date, state of the art manufacturing technologies all under one roof. MSE has obtained an account that will require an overhaul of Mid-South's electronics manufacturing line. This proposal is meant to address the changes in the market place and to protect MSE's competitive edge.

The new telecommunications contract for Mid-South Kentucky and the 50 new jobs it will create hinge on Mid-South's ability to upgrade its electronic manufacturing capabilities from "through-hole" to "surface mount" technology. Corporate management has allowed for arrangements to be made for the outsourcing of this particular contract until the Kentucky facility can transition from the existing "through hole" technology to that of "surface mount." The downside to this arrangement is the sizeable loss of profitability and the required warehousing space which could be better utilized as production space for the injection molding section.

Corporate management has stated that if Kentucky facility can show reasonable potential for bringing all operations of this contract in-house immediately, the contract will remain with Kentucky. If Mid-South Kentucky is unable to upgrade its electronics line within this time window, corporate headquarters has indicated that it will move electronics contracts to its Gadsden, Alabama facilities with a loss of 60 existing jobs at the Annville location.

**Project Description**

In order to meet customer contract specification, Mid-South Electric, Inc.-Kentucky is purchasing a Flexible Surface Moulder; a High Speed Adhesive Dispenser; a Transfer Conveyor System; a Screen Print system; and, a Force Convection Reflow Oven. Cost for this equipment is approximately \$1,300,000.

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P.06/26

The company expects this equipment to be in-place and operational by the end of June 1997. The new jobs to be created as a result of this expansion will start immediately thereafter and hiring will be complete by the end of 1997.

### Project Financing

The proposed financing for the Mid-South Electrics, Inc. - Kentucky expansion is as follows:

- Kentucky Highlands Empowerment Zone - Equipment (Mountain Ventures, Inc. Loan)	\$ 725,000	— KHEZ
- Mid-South Electrics, Inc. (Kentucky) - Equipment	\$ 525,000	
- Mid-South Industries, Inc. Corporate - Working Capital	<u>\$ 500,000</u>	
<b>Total</b>	<b>\$ 1,800,000</b>	

Security for the Kentucky Highlands Empowerment Zone - Mountain Ventures, Inc. will be a first lien on specific equipment and a corporate guaranty of Mid-South. The rate and term on this loan will be six and one-half percent (6.5%) fixed for ten years.

This is the B&I  
Loan  
(- 1 page -)

### MID-SOUTH ELECTRICS, INC. EXPANSION (Jackson County)

At January 27, 1998, the KHEZ Loan Review Committee approved a loan for \$1,000,000 to assist Mid-South Electrics, Inc. with a 50,000 s.f. expansion to accommodate additional plastic injection molding capabilities. The KHEZ loan is for the 20% non-guaranteed portion of a \$5,000,000 USDA Business & Industry Loan Guaranty financing for the expansion project. Mid-South Electrics, Inc. will add at least 100 new employees as part of this expansion. Construction is currently underway and should be complete in early Spring 1999.

Because the USDA Business & Industry Loan is sold on the secondary market, the final interest rate and term of the KHEZ loan could not be set at the time of approval in January 1998. However, the KHEZ was approved at a rate and term which match that of the secondary market. Following negotiations with the Federal Agriculture Mortgage Corporation (FarmerMac), the federally-created agency with purchases USDA guaranteed loans, the rates and terms for the Mid-South Electrics, Inc. loan can now be determined.

Based on secondary market conditions, the company has asked that the KHEZ loan be given final approval as follows:

Use	Total	KHEZ	Secondary	Term	Rate
Equipment	\$2,300,000	\$460,000	\$1,840,000	7 years	FarmerMacII + 1%
Building	\$2,700,000	\$540,000	\$2,160,000	25 years	FarmerMacII 10 year reset rate plus 1%
↑ 50,000 s.f.					

Security for the loan will remain a first lien on all equipment purchased as part of the project, a first mortgage on the building expansion, a second mortgage on the existing 100,000 s.f. plant. and a corporate guaranty of Mid-South Industries, Inc.

\$ 1 Million from KHEZ  
\$ 4 Million from B&I

JUL 01 1999 11:00 FR KY HIGHLAND

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P.08/26

JERRY Weaver's (company founder)

- Business Card
- RESUME
- INTERVIEW

- 6 pages -



## Mid-South Industries, Inc.

**Jerry Weaver**  
Chairman of the Board

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**RESUME**

**Jerry Weaver**  
**PO Box 322**  
**Gadsden, AL 35902**

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**Education:** Annville Institute 1950  
 Union College 1951 Honorary Doctor of Law Degree  
 International Tool Company Tool and Die Maker Apprenticeship

**Experience:** 1964 – Present      Chairman and President – Mid-South Industries, Inc.  
 Responsible for reviewing and approving strategic plans and policy decisions to assure long term growth and profitability of the multi-unit company. Takes an active role in operational management with heavy emphasis in marketing functions. Participates actively in civic and community affairs.

1962 – 1964      Founder and Owner – Dixie Tool and Die, Inc.  
 Started small tool and die company with two employees. Responsible for all sales and operations making tools, dies, jigs and fixtures for commercial and military customers which led to the founding of Etowah Manufacturing Company, Inc., later known as Mid-South Industries, Inc.

1957 – 1962      Plant Superintendent – Alabama Tool Company  
 Responsible for all machine shop operations, scheduling, employee supervision and training. In 1957, bought controlling interest and served as Chairman of the Board.

1951 – 1957      Tool and Die Maker - International Tool Company  
 Progressed from trainee to project leader

**Other Activities:**

- Director and Past President - Gadsden Chamber of Commerce
- Director - Gadsden-Etowah County Industrial Development Authority
- Past President - National Tooling and Machining Association
- Governor's Regional Economic Advisory Board
- US Department of Commerce - Industry Sector Advisory Committee
- National Defense Executive Reserve
- Auburn University - Technical Advisory Committee for Advanced Manufacturing Technology Center
- Gadsden State Community College - Study Committee for Upper Division of High Technology
- The Beville Center for Advanced Manufacturing Technology - Industrial Advisory Council

**JERRY WEAVER**  
**Chairman of the Board**  
**Mid-South Industries, Inc.**

Mr. Weaver's wide experience complements the diversity and strength of the companies he has created. The son of a sharecropper in Clay County, Kentucky, Mr. Weaver learned traditional values quickly and well. His early education was at Annville Institute, a mission school in Annville, Kentucky.

Later, he spent a semester at Union College, also in Kentucky. Lacking the funds to continue, and with an urge to learn a trade, Mr. Weaver abandoned college and set out on his own.

He moved to Dayton, Ohio in the early 50's and met Irene Ball, a girl he had known from Clay County. They married and shared some tough economic years. Mr. Weaver worked at a number of jobs until settling on one that satisfied his methodical mind at International Tool Company, which offered an outstanding training program for tool and die makers. He finished his apprenticeship as a tool and die maker, became a group leader and was selected to help start a new International Tool venture in Alabama. Transferring him to Alabama in 1957, the company unknowingly brought the young entrepreneur closer to fulfilling his dreams.

After five years with Alabama Tool Company, Mr. Weaver had fully mastered his trade and was ready to venture into his own business. Jerry and Irene's dream became reality on July 13, 1962 when, with a small investment, Dixie Tool and Die, Inc. was opened. Through the years, he has carefully nurtured one small company into a family of diversified companies. Today Mid-South Industries, Inc. has eleven subsidiaries and affiliated companies with approximately 1800 employees and sales of \$200 million. Weaver Diversified Industries, Inc. has six subsidiaries and affiliated companies, which employs approximately 200 associates and sales of \$26 million.

Mr. Weaver is past president of the National Tooling and Machining Association and past president of the Gadsden Chamber of Commerce. He has also served on the National Defense Executive Reserve and as a U.S. Delegate to the International Special Tooling Association, accompanying trade missions to Brazil, Mexico, Germany, Switzerland, Taiwan, and the People's Republic of China.

In addition, he is a member of the Industry Sector Advisory Committee on Capital Goods for Trade Policy Matters (ISAC-2) for the General Agreement on Tariffs and Trade (G.A.T.T.) and the Manufacturing Systems Engineering Graduate Program Committee at Auburn University in Auburn, Alabama. Mr. Weaver holds an honorary Doctor of Law Degree from Union College, Barbourville, Kentucky, awarded in recognition of notable achievement in manufacturing, leadership and

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community service. He also serves on numerous committees in the Annville, Kentucky area.

Jerry and Irene Weaver currently make their home in Rainbow City, Alabama. They have two sons who also play an active role in the companies: Harold Weaver, President of Mid-South Industries, Inc. and Dixie Tool and Die and Daryl Weaver, President of Weaver Diversified Industries, Inc. and Black Creek, Inc. Harold and Daryl and their families also reside in the Rainbow City area.

## Interview with Jerry Weaver

There is a growing perception, particularly among young people, that the United States is no longer the land of opportunity. Great success is often attributed these days to luck or inherited wealth or coming up with a gimmick that catches the public's fancy - or maybe a combination of all three. "Hard work, a practical skill and a good mind aren't enough any more," many people say.

Don't try to sell Jerry Weaver, Chairman of the Board of Mid-South Industries, Inc., that philosophy unless you want to be subjected to a derisive belly laugh. He was born in Clay County in the southeastern part of Kentucky. His father and mother were sharecroppers in the poverty-stricken area. Nevertheless, his parents were people of remarkable ideals and vision. When the Dutch Reform Church established a mission school in nearby Annville, they sent Jerry to school there.

Jerry attended the Annville Institute from the seventh grade until he completed his high school education. He lived in a dormitory and worked at home during the summers. While at Annville Institute, Jerry and the other students helped earn their way by growing and raising the food they ate. Dawn to dusk effort was the rule.

Jerry has nothing but praise for the Institute and its teachers. "We were extremely fortunate that these people were so dedicated to the youth of the mountains. They wanted to expand our minds and to be sure we were not imprisoned by our environment. They taught us and instilled a strong work ethic in us."

During those same years, Jerry's father had improved the family's fortunes by taking a mail route and opening a small grocery store in Sexton's Creek. Jerry attended Union College in Kentucky for a semester. However, he knew that neither he nor the family had the funds for four years of college. He quit school and journeyed to the industrial north to learn a skilled trade. He settled in Dayton, Ohio and eventually went to work for the International Tool Company.

In Dayton, Jerry met Irene Ball, a girl he had known back in Clay County. They married and shared some tough economic years. Jerry said, "I made some bad investments. I had three cars and none of them would run. I bought a tiny little cabin on somebody else's land with the thought that we would move it when we paid for it. The cabin was part of a group built for migrant workers and was surrounded by a trailer park. We shared a communal bathroom with our neighbors. We were in debt even though we didn't have much." He smiled and added, "I put Irene to work and we got out of debt."

In a more serious vein, he added, "I could have changed jobs and made more money, but I wouldn't give up my skilled trade. My parents and the teachers at the Institute had drummed that into me: 'don't ever give up a skilled trade'."

Jerry finished his apprenticeship as a tool and die maker, became a group leader and was selected to help start a new International Tool venture in Alabama. Things began to improve for him in Alabama in 1957. The new shop was successful and had grown to 125 employees by 1962. Nevertheless, it was hard work. "I was on an hourly wage, but I worked twelve hours to fourteen hours per day and turned in only eight. It was just something that had to be done to make the thing go."

As Jerry worked to build that company, he acquired some used machinery for himself, storing it in his father's barn in Kentucky. For five years, he and Irene invested their

extra money in his dream of owning his own company. In 1962 he borrowed \$5,000 (from part of the Agricola Group), quit his job with Alabama Tool, and started his own company - Dixie Tool and Die, Inc.

He bought the used machinery to Alabama. "Then I started peddling, knocking on doors. I went all over the southeast looking for business. My usual schedule was to sell for two days and then come back and make or supervise the making of what I had sold. David McDaniels and then my brother, John, joined me. In about a year and a half, we had 17 employees, and I finally knew I had made the right decision in leaving a good job to start on my own."

Thirty-six years have passed since Jerry made that decision to start a company. He is now Chief Executive Officer of Mid-South Industries, Inc., which has eleven subsidiaries and affiliated companies with approximately 1800 employees and sales of \$200 million! Mid-South is solidly based on machining skills, but it is now highly diversified. Its subsidiaries and affiliates manufacture a wide variety of products and specialize in four areas; automotive, telecommunications, office equipment and large appliances. "Our diversity is the key to our success. Our sales have grown from \$95 million to \$200 million, in the last few years.

Jerry Weaver has served as president of the National Tooling and Machinery Association and as a U.S. Delegate to the International Special Tooling Association. He holds an Honorary Doctor of Law Degree from Union College. He has served on numerous committees.

Jerry Weaver, the man, hasn't changed much. He is a big man and has a deep, resonant voice. He is capable of being tough and making tough decisions. But he is compassionate; he never forgets a friend; he is inherently honest; and he loves to laugh - often at himself.

When asked to what he attributes his success, he replied, "" do not dislike people, and I have more patience with people than most. I realize that you can't make it without people. Another important thing is that I have a wife who has backed

me all the way. You can't make it without that kind of support.

Jerry, Irene and his brother John have done much for Etowah County, but they did not forget their birthplace. "My great, great grandparents helped build the original Masonic Lodge in Sexton's Creek. It was the community center. Due to aging of the structure, we replaced it with a larger, better building," he said.

Jerry also built manufacturing facilities in both Sexton's Creek and Annville. While these proved to be sound financial investments for Mid-South Industries, the beneficial impact on those two towns is almost immeasurable. "I think back on the old days and I remember the Annville Institute, the good people who earned everything they had by the sweat of their brow and all those boys they sent to fight in World War II - many of whom never came back. It wasn't just that I wanted to give them something as a payback. I wanted to help them as they had helped me," he said.

"The people of Annville and Jackson County have responded in kind. They just built a \$1.2 million building without us even asking for it. They sent me the papers to sign so we could lease it and move in. This is rare cooperation between a community and industry," he said.

When asked what the thought Etowah County needed most to reach its potential, he replied, "Community wealth." He explained the phrase as meaning privately held, locally-owned companies that have skills or products that are sold to other areas, other states and other countries. Such firms not only employ local people (thereby enriching the area with their payrolls, purchases and taxes) but the wealth they generate remains in the community to stimulate further growth rather than being sent to other areas of the country. "To attract such local investments, Gadsden and the dozen or so other communities in Etowah County need to coordinate their efforts toward better industrial zoning."

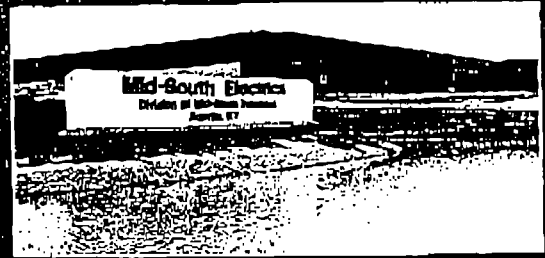
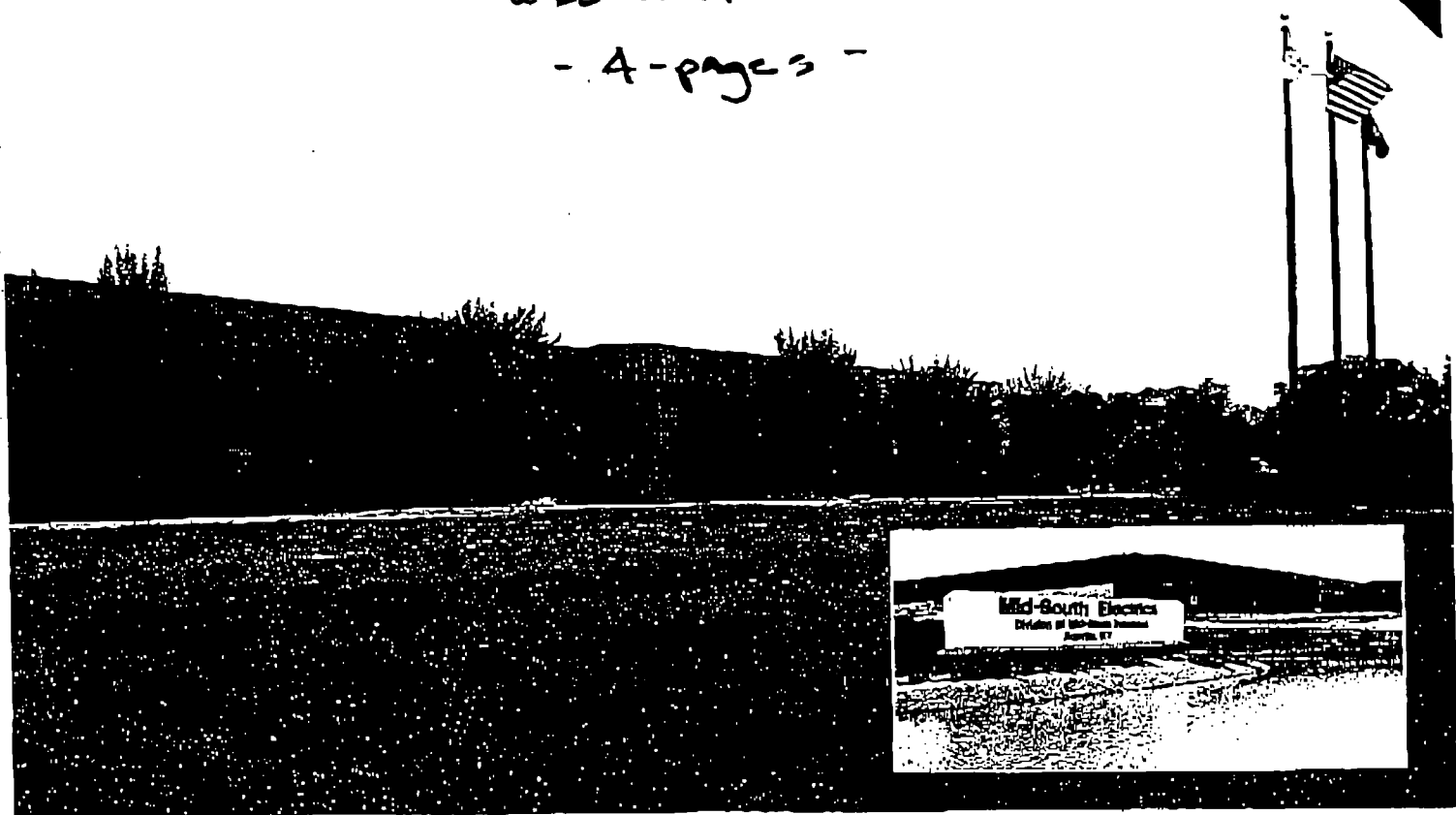
Every visitor to Jerry Weaver's office must look across a handsome plaque, which contains the following words: "Make no small plans. They lack the power to stimulate minds." His plans for the future

are just as big as his accomplishments thus far; the acquisition (or building) of a company to manufacture consumer products is next; a company base in Europe will follow.

This is the plant THE President  
will visit

- 4 - pages -

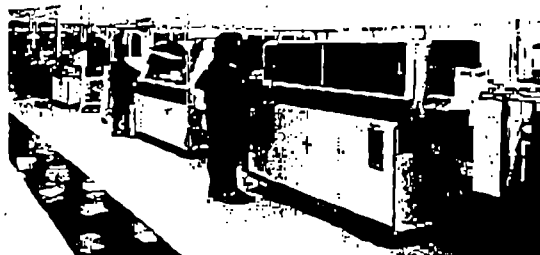
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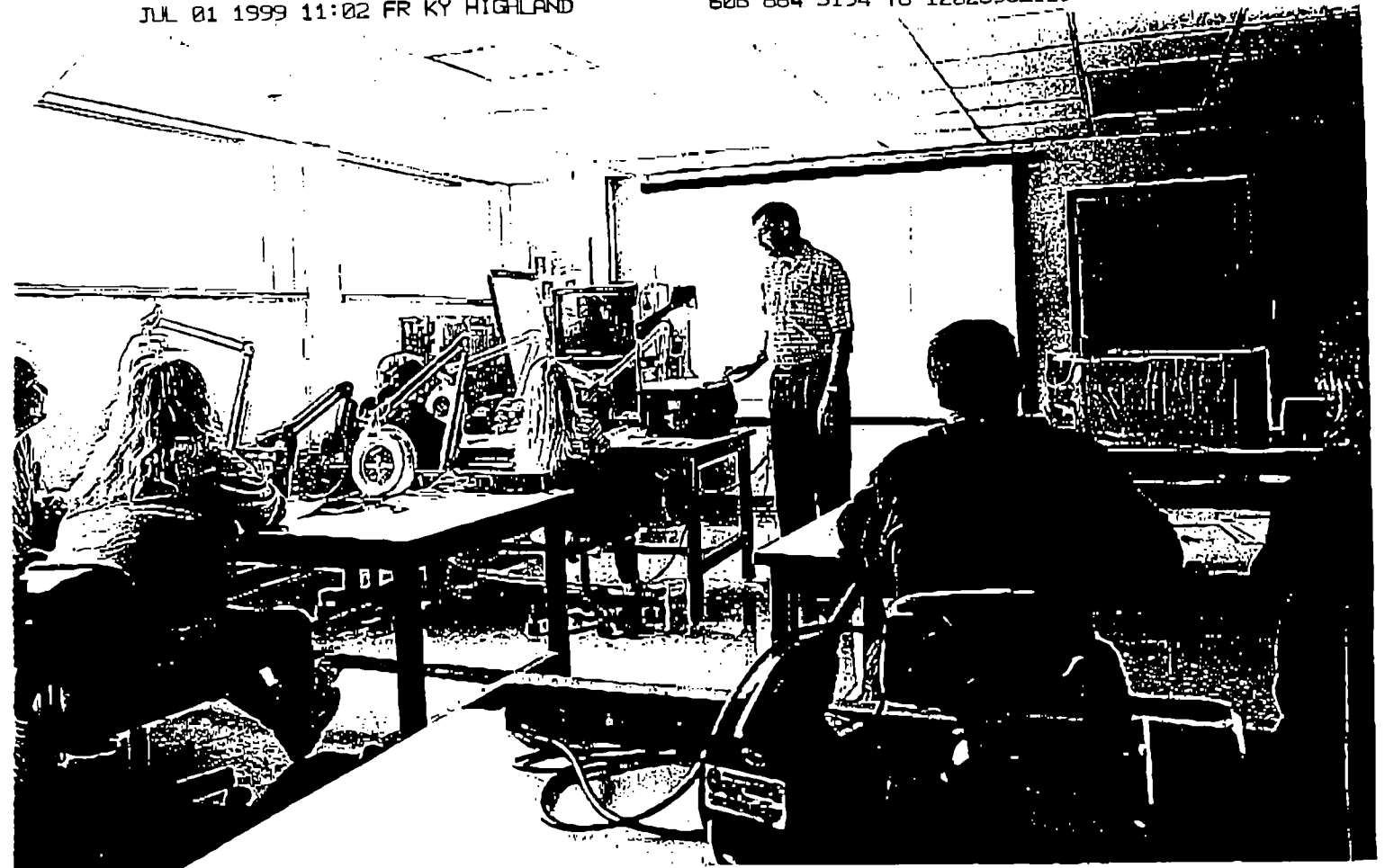


# MSE-KENTUCKY

Established as a manufacturing operation in 1968, MSE-Kentucky moved to its present modern facilities located in Anville, Kentucky in 1988. With steady growth in sales and supporting a Fortune 500 customer base, the campus has grown to over 150,000 square feet.

With the vertical integration of MSE-KY and its central geographic location to major metropolitan centers, the associates of MSE-KY provide value-added manufacturing services to an impressive list of customers.





MSE-Kentucky provides in-depth training for all of its associates. This training starts with basic assembly skills and proceeds through extensive product and program specific manufacturing

practices developed to meet each customer's specific workmanship standards. All associates are required to complete this comprehensive training program prior to being assigned to a customer's program.



All customer program functions are managed by a Continuous Improvement team. This team consists of a Program Development Manager, Manufacturing Engineers, Quality Engineers, Buyers and Supervisory Personnel. This team directs daily production decisions, sets monthly forecasts, addresses quality and manufacturability issues and is directed to improve quality while driving costs from the customer's products.

This Continuous Improvement concept has resulted in significant cost savings to MSE-KY's customers.