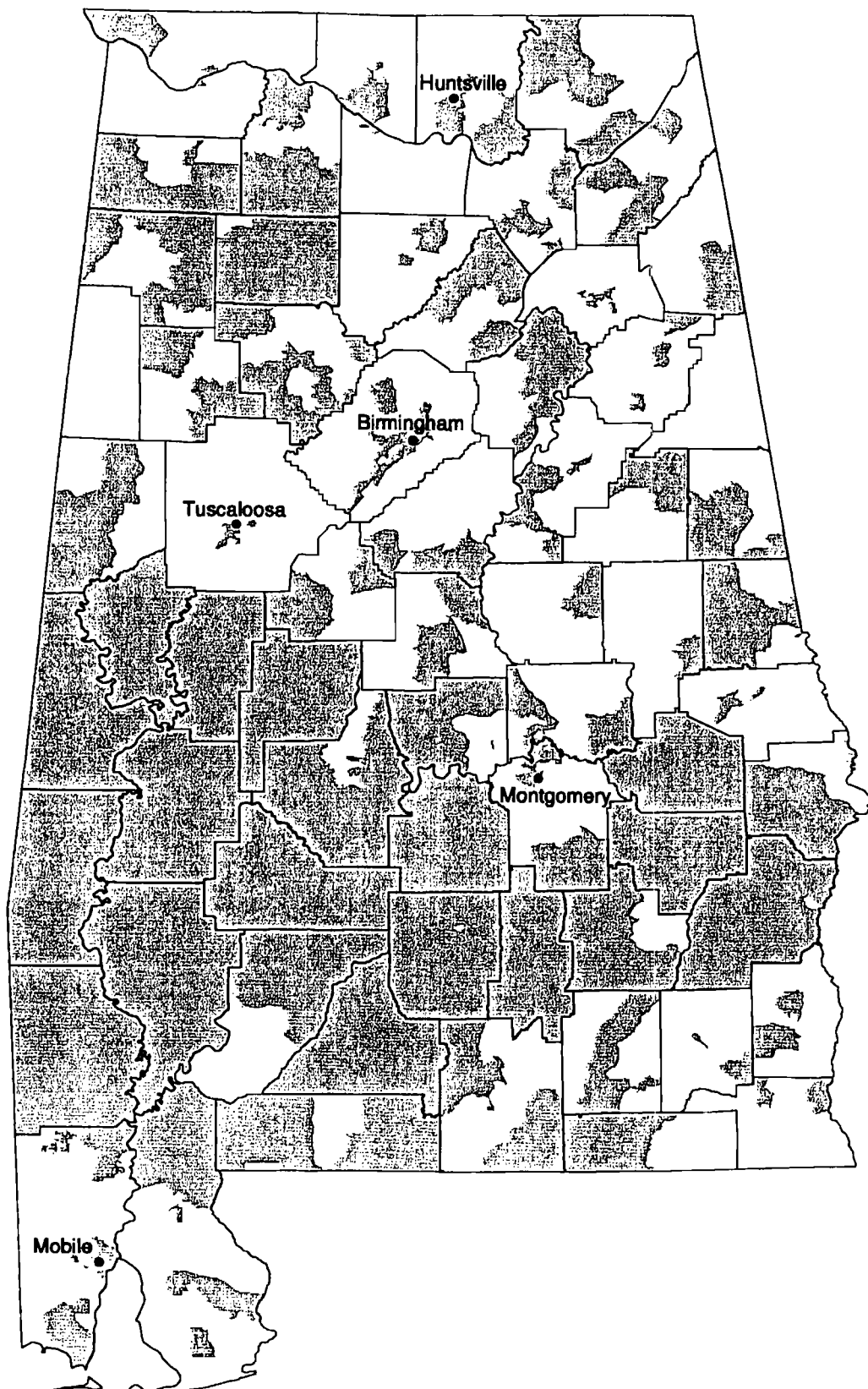


# NEW MARKETS INITIATIVE

## Eligible Census Tracts

### Alabama



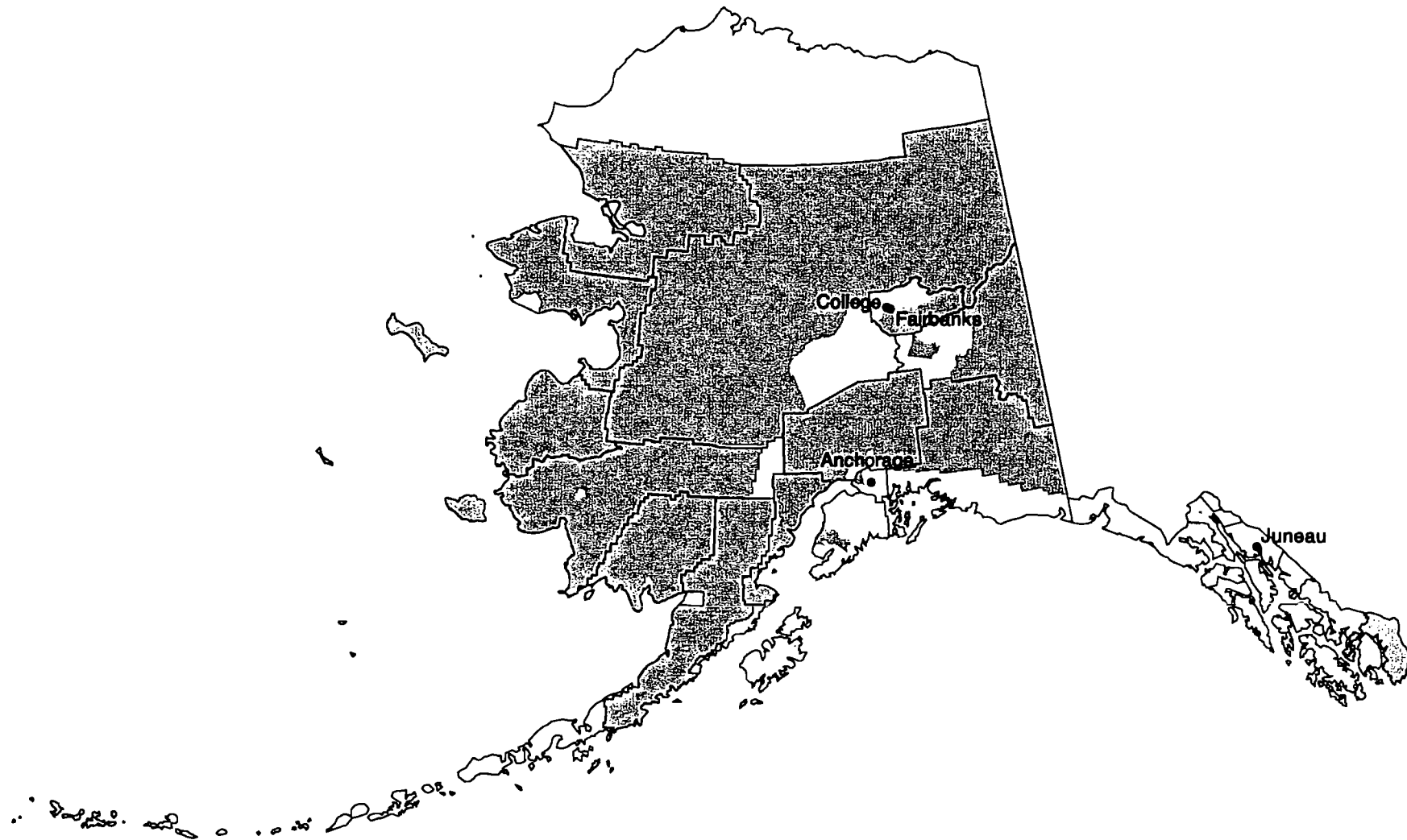
Based on the 1990 Decennial Census and 1998 Metropolitan Area definitions.  
Prepared by the Geography Division in cooperation with the Population and  
Housing and Household Economic Statistics Division, U.S. Bureau of the Census.  
Data and map generated on June 29, 1999.

-  Eligible Census Tract
-  County
-  Selected City

# NEW MARKETS INITIATIVE

## Eligible Census Tracts

### Alaska



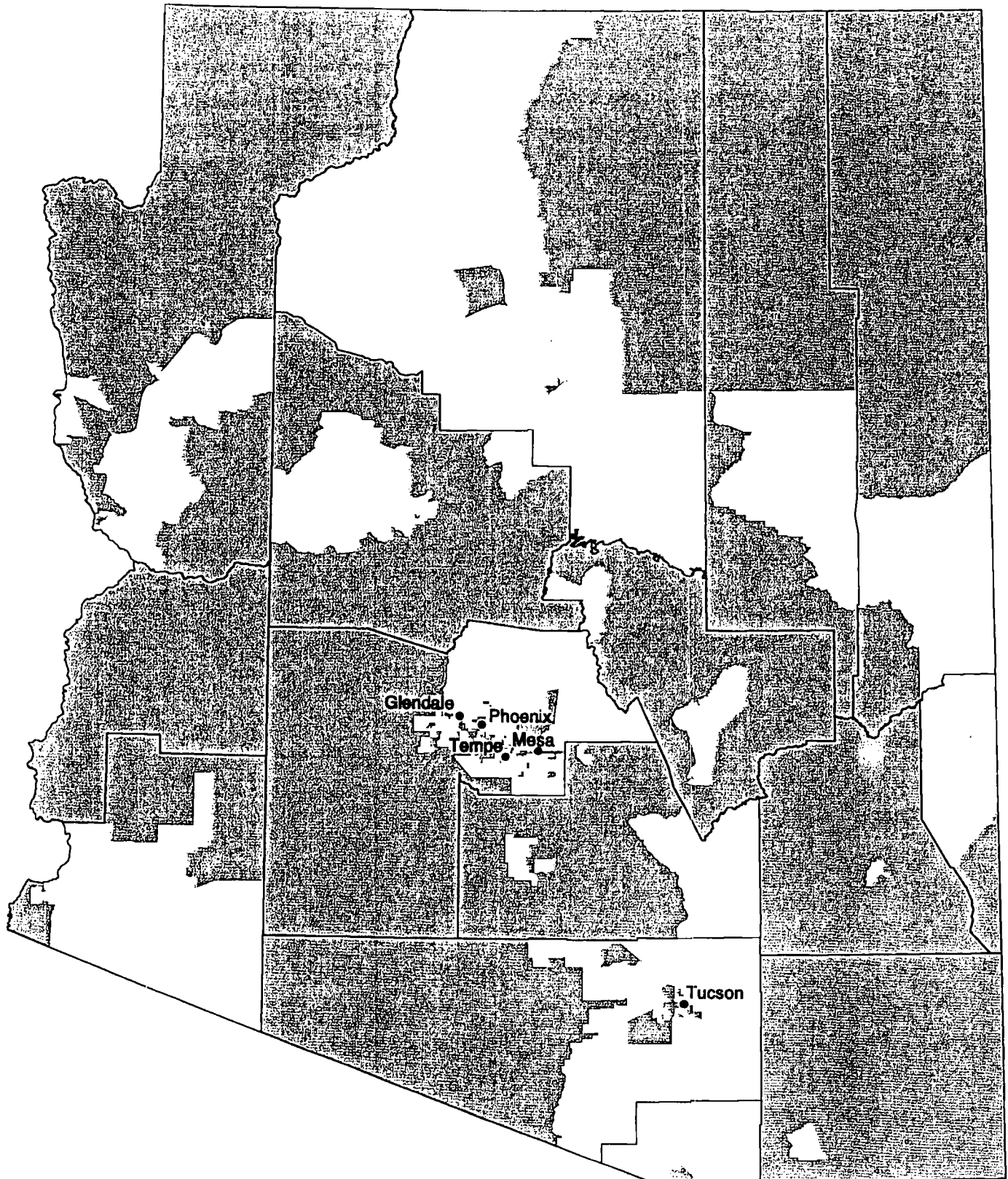
Based on the 1990 Decennial Census and 1998 Metropolitan Area definitions.  
Prepared by the Geography Division in cooperation with the Population and  
Housing and Household Economic Statistics Division, U.S. Bureau of the Census.  
Data and map generated on June 29, 1999.

 Eligible Census Tract  
 County  
 Selected City

# NEW MARKETS INITIATIVE

## Eligible Census Tracts

### Arizona

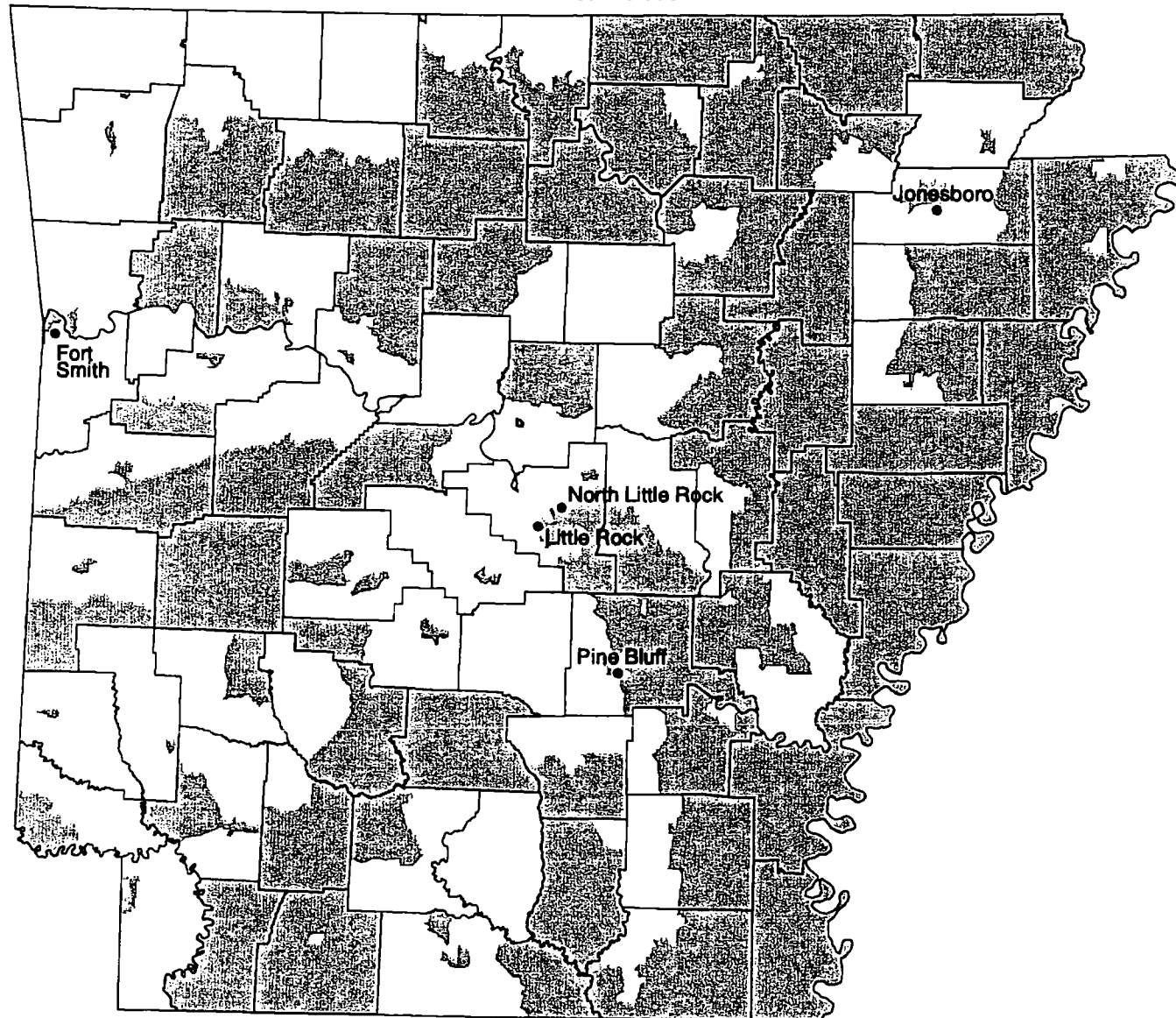


Based on the 1990 Decennial Census and 1998 Metropolitan Area definitions.  
Prepared by the Geography Division in cooperation with the Population and  
Housing and Household Economic Statistics Division, U.S. Bureau of the Census.  
Data and map generated on June 29, 1999.

 Eligible Census Tract  
 County  
• Selected City

# NEW MARKETS INITIATIVE

## Eligible Census Tracts Arkansas



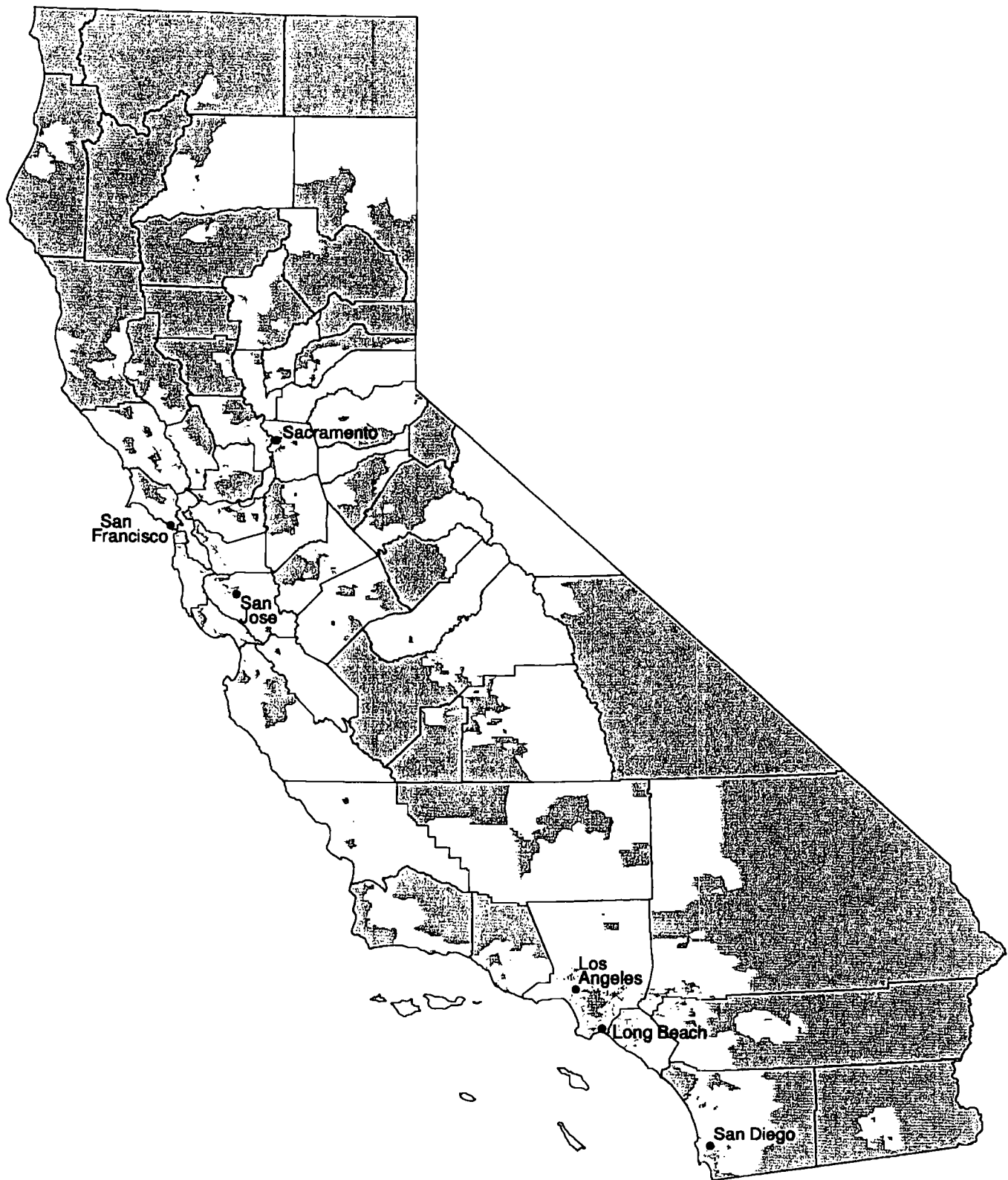
Based on the 1990 Decennial Census and 1998 Metropolitan Area definitions.  
Prepared by the Geography Division in cooperation with the Population and  
Housing and Household Economic Statistics Division, U.S. Bureau of the Census.  
Data and map generated on June 29, 1999.

-  Eligible Census Tract
-  County
-  Selected City

# NEW MARKETS INITIATIVE

## Eligible Census Tracts

### California

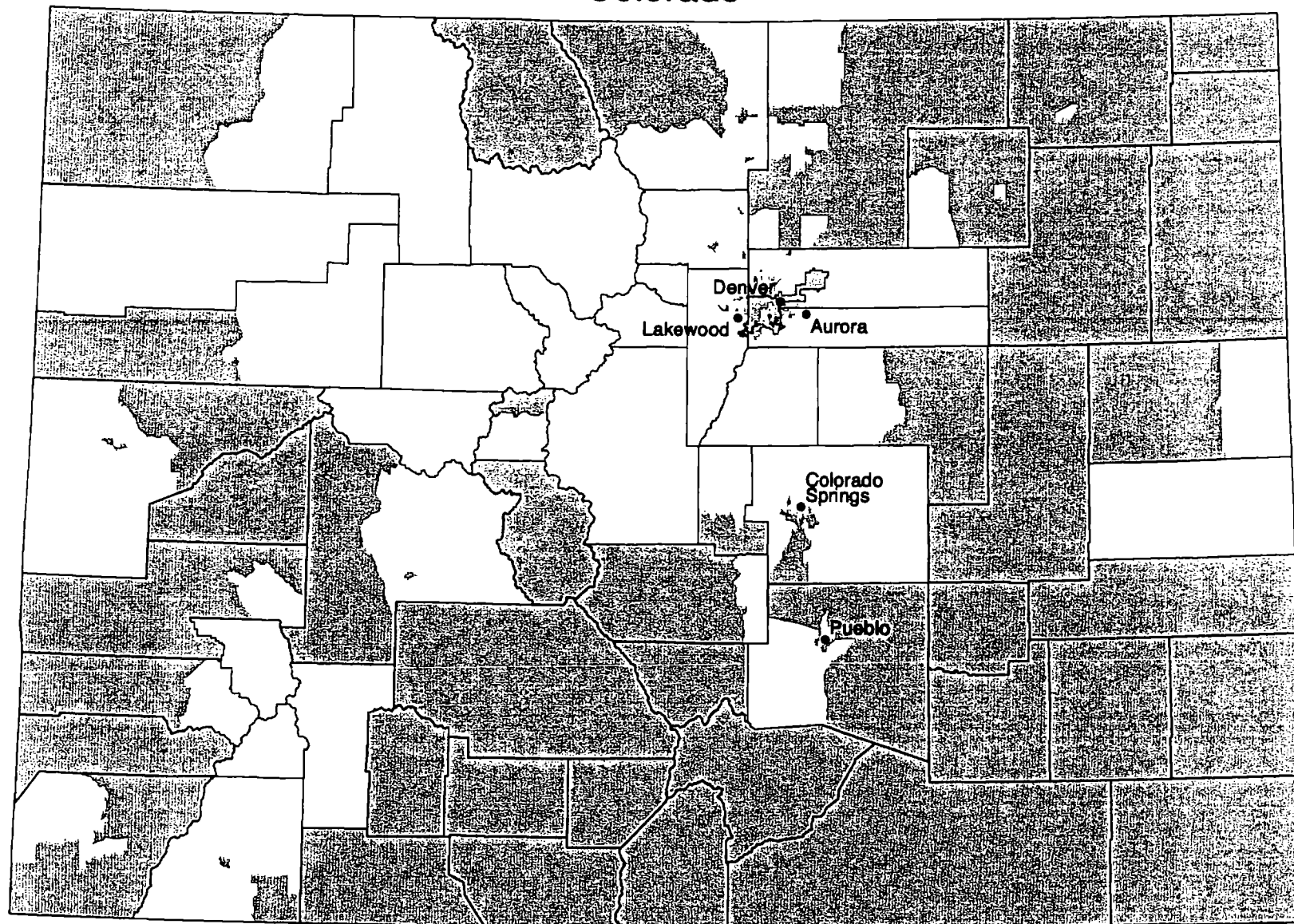


Based on the 1990 Decennial Census and 1998 Metropolitan Area definitions.  
Prepared by the Geography Division in cooperation with the Population and  
Housing and Household Economic Statistics Division, U.S. Bureau of the Census.  
Data and map generated on June 29, 1999.

-  Eligible Census Tract
-  County
-  Selected City

# NEW MARKETS INITIATIVE

## Eligible Census Tracts Colorado

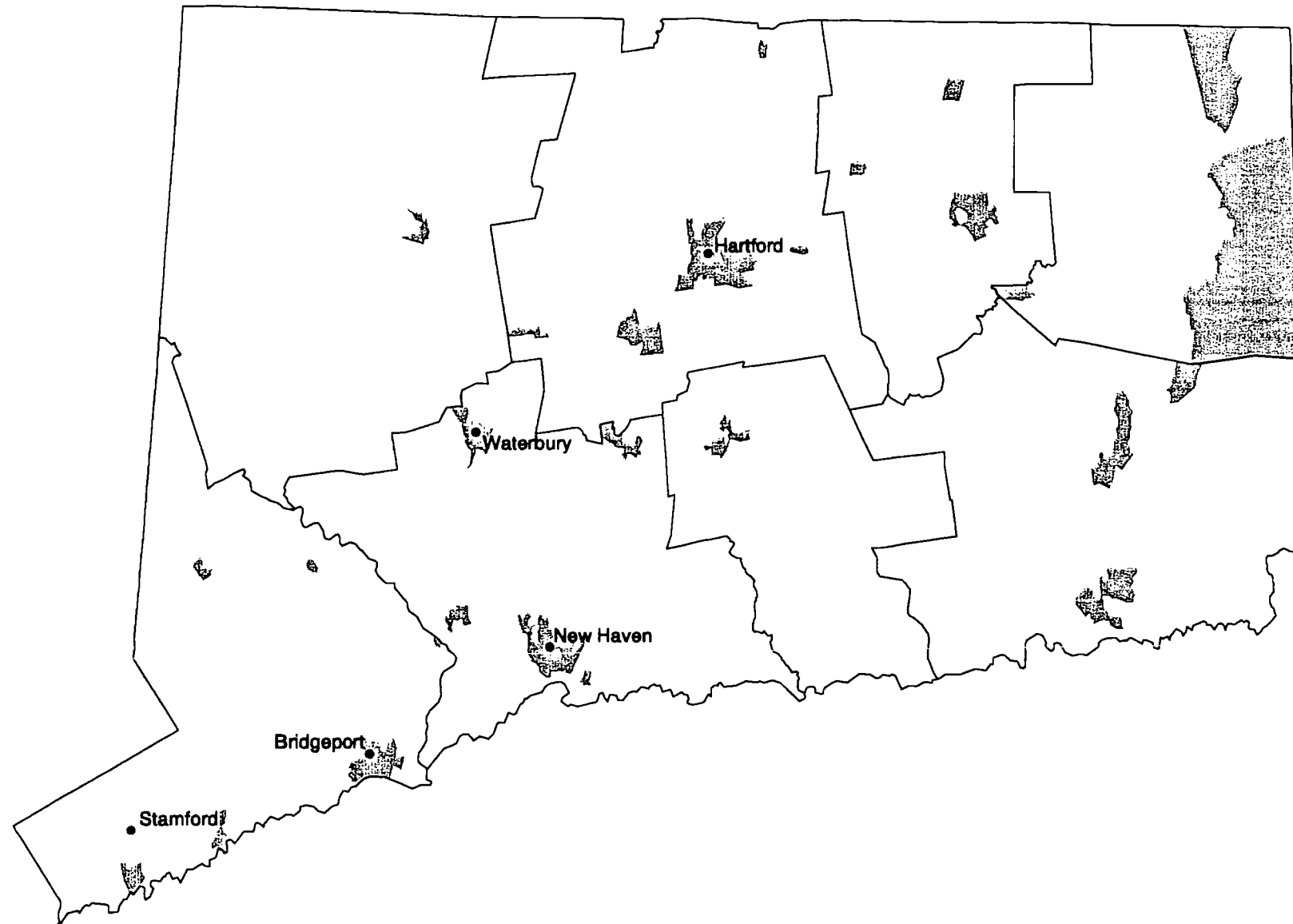


Based on the 1990 Decennial Census and 1998 Metropolitan Area definitions.  
Prepared by the Geography Division in cooperation with the Population and  
Housing and Household Economic Statistics Division, U.S. Bureau of the Census.  
Data and map generated on June 29, 1999.

-  Eligible Census Tract
-  County
-  Selected City

# NEW MARKETS INITIATIVE

## Eligible Census Tracts Connecticut



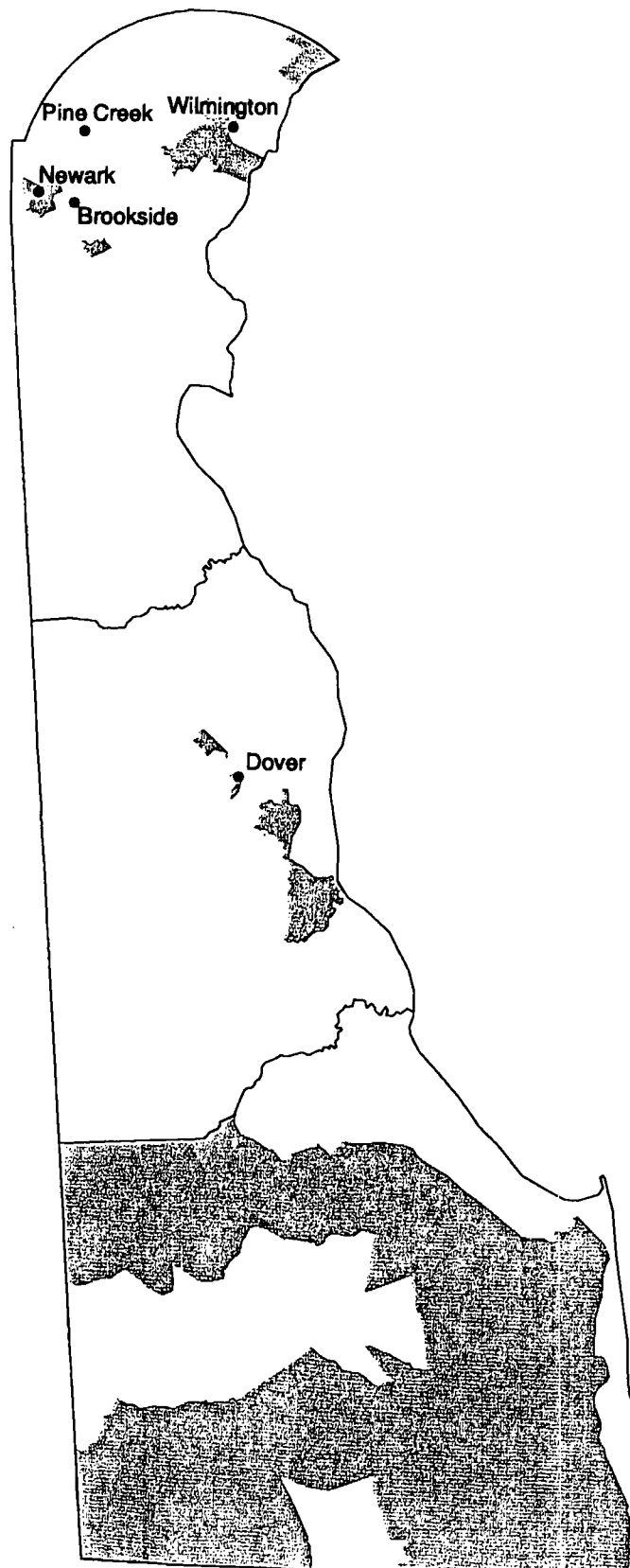
Based on the 1990 Decennial Census and 1998 Metropolitan Area definitions.  
Prepared by the Geography Division in cooperation with the Population and  
Housing and Household Economic Statistics Division, U.S. Bureau of the Census.  
Data and map generated on June 29, 1999.

-  Eligible Census Tract
-  County
-  Selected City

# NEW MARKETS INITIATIVE

## Eligible Census Tracts

### Delaware



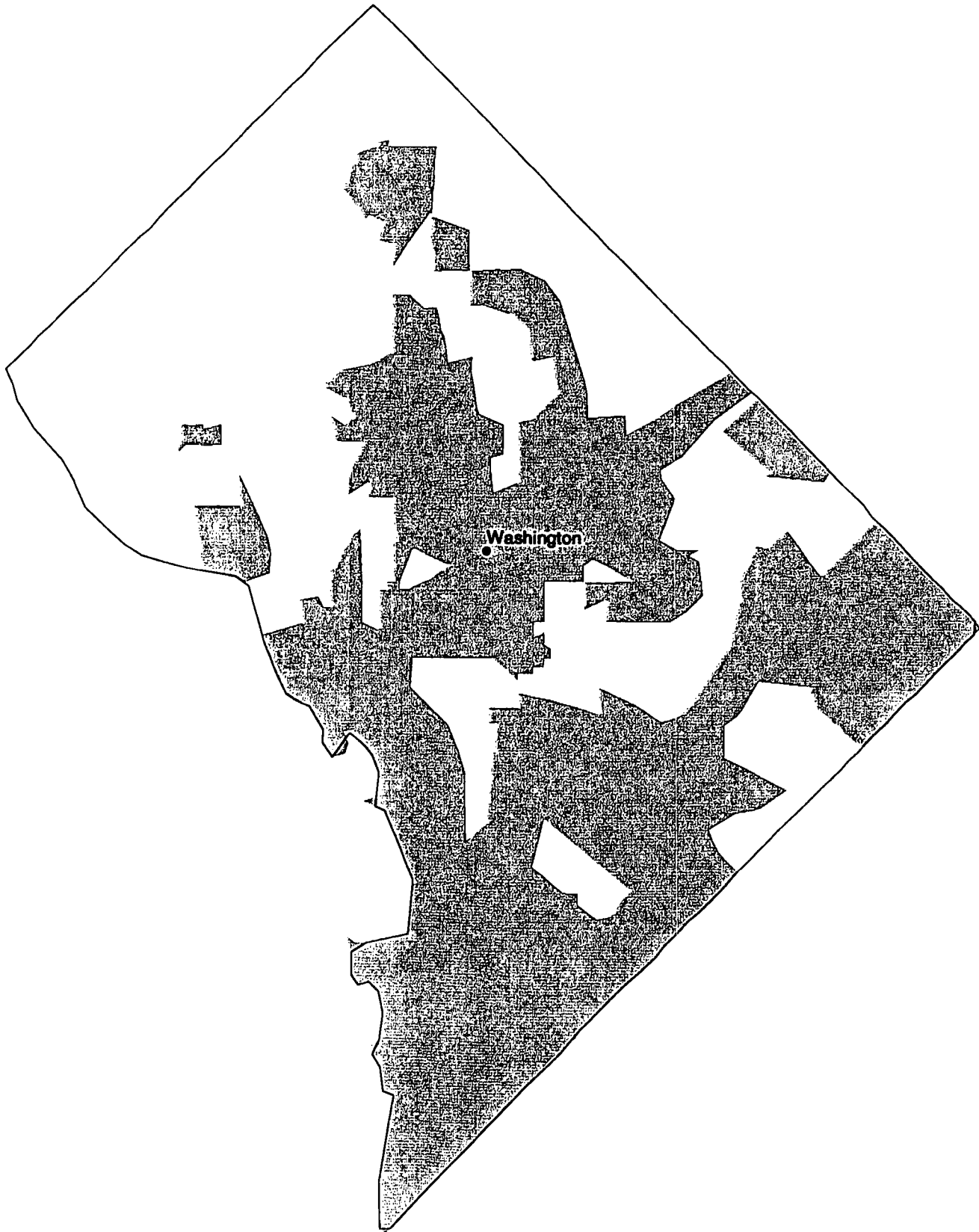
Based on the 1990 Decennial Census and 1998 Metropolitan Area definitions.  
Prepared by the Geography Division in cooperation with the Population and  
Housing and Household Economic Statistics Division, U.S. Bureau of the Census.  
Data and map generated on June 29, 1999.

-  Eligible Census Tract
-  County
-  Selected City

# NEW MARKETS INITIATIVE

## Eligible Census Tracts

### District of Columbia



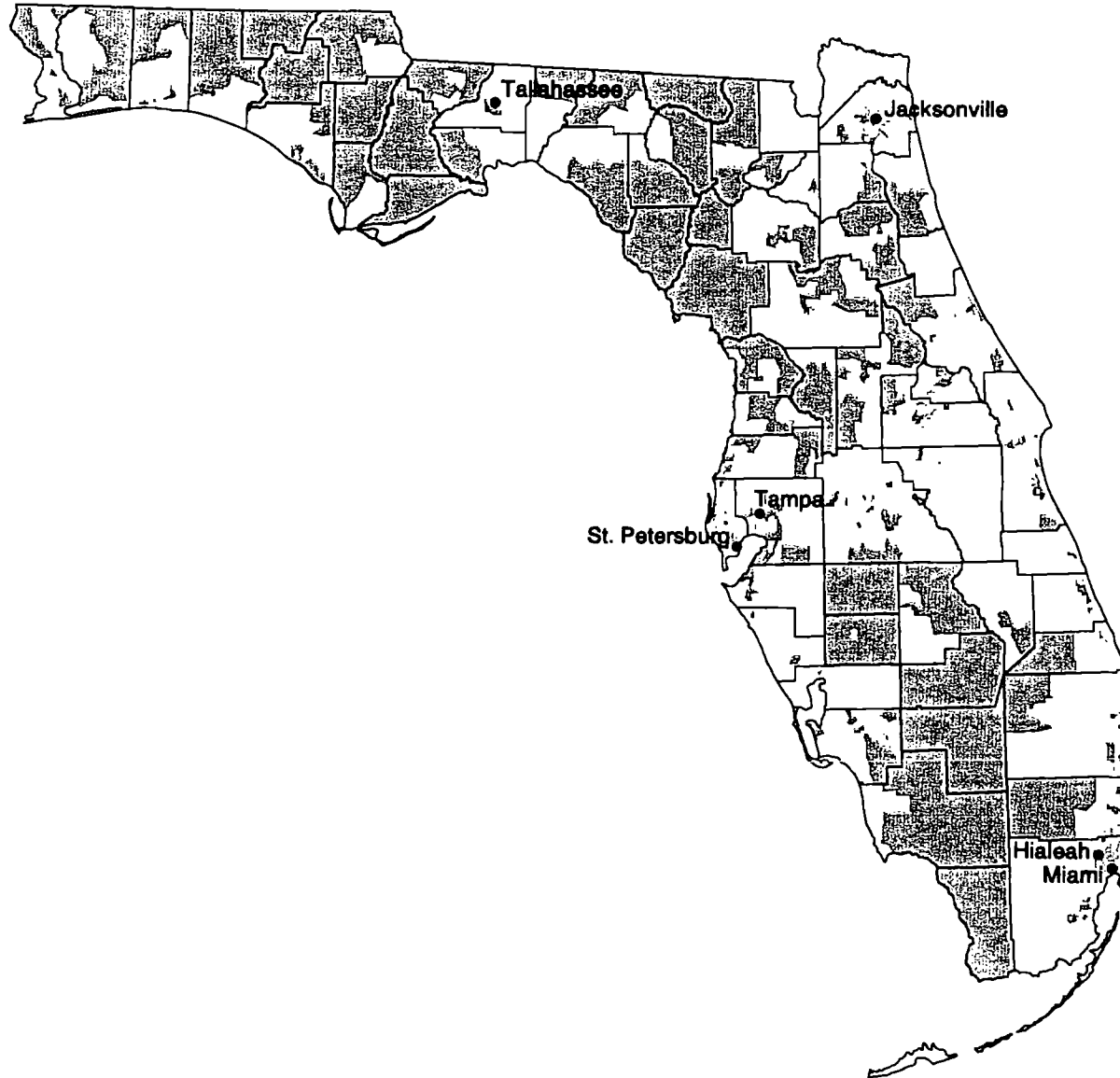
Based on the 1990 Decennial Census and 1998 Metropolitan Area definitions.  
Prepared by the Geography Division in cooperation with the Population and  
Housing and Household Economic Statistics Division, U.S. Bureau of the Census.  
Data and map generated on June 29, 1999.

-  Eligible Census Tract
-  County
-  Selected City

# NEW MARKETS INITIATIVE

## Eligible Census Tracts

### Florida



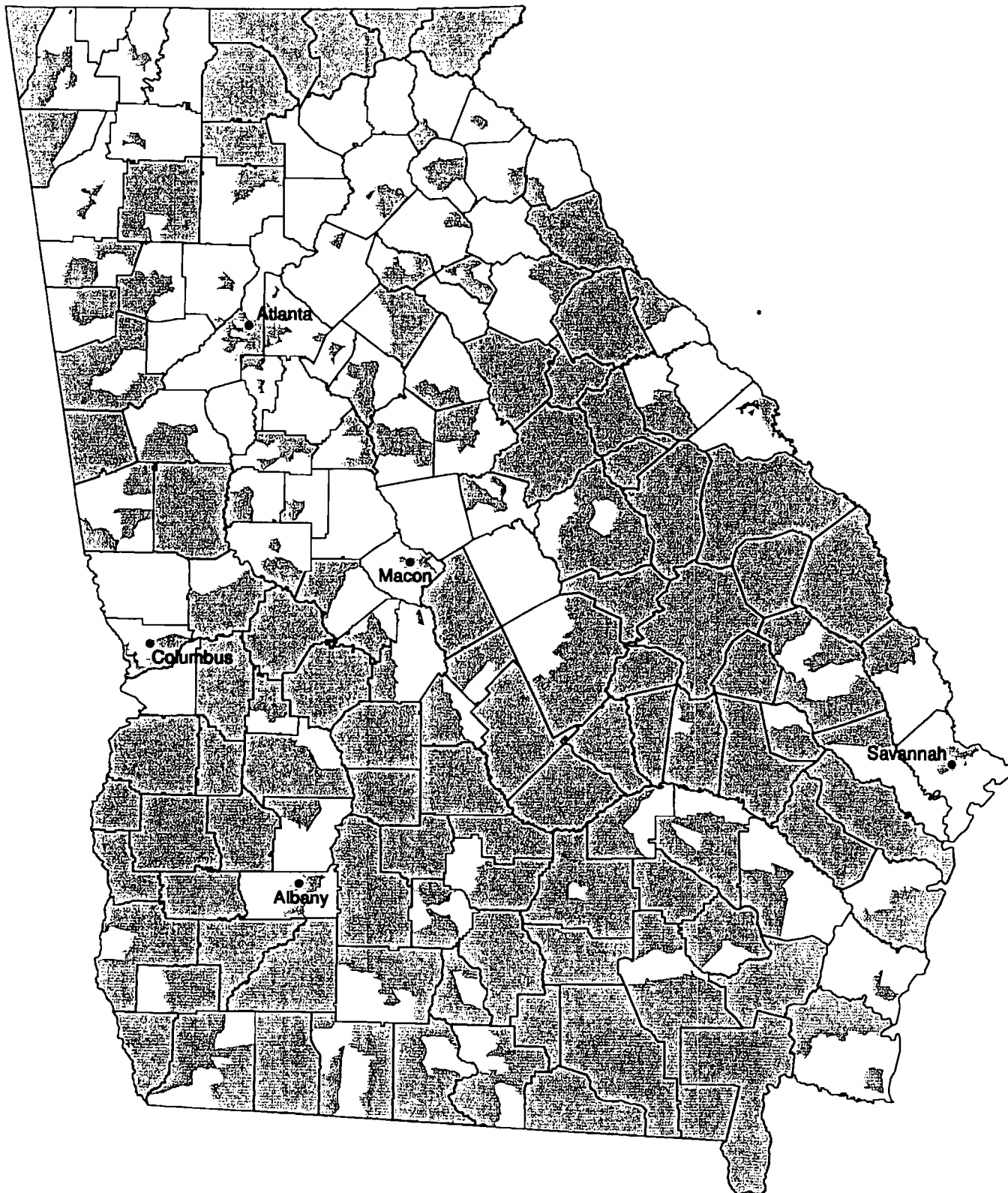
Based on the 1990 Decennial Census and 1998 Metropolitan Area definitions.  
Prepared by the Geography Division in cooperation with the Population and  
Housing and Household Economic Statistics Division, U.S. Bureau of the Census.  
Data and map generated on June 29, 1999.

■ Eligible Census Tract  
— County  
• Selected City

# NEW MARKETS INITIATIVE

## Eligible Census Tracts

### Georgia



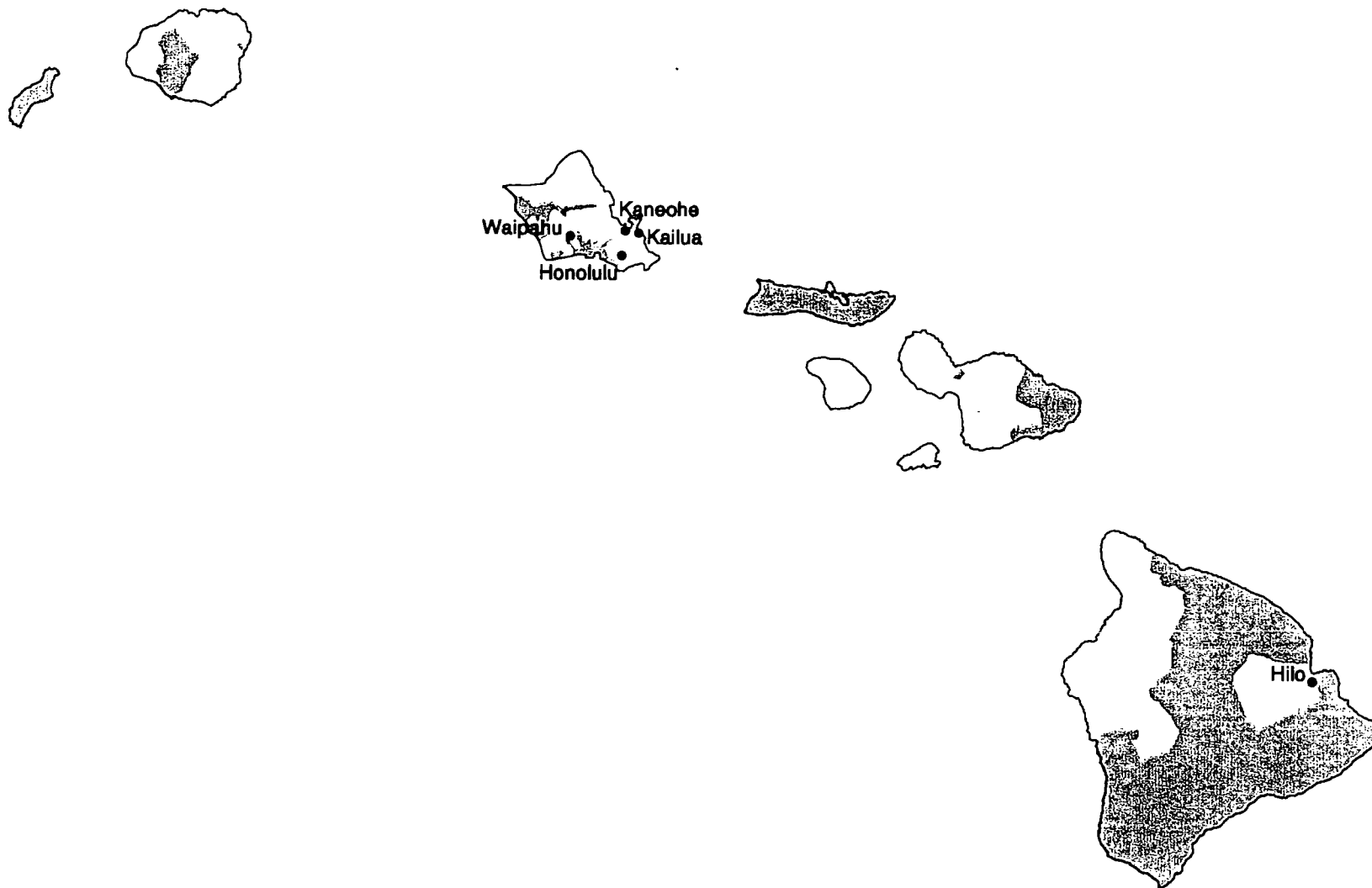
-  Eligible Census Tract
-  County
-  Selected City

Based on the 1990 Decennial Census and 1998 Metropolitan Area definitions.  
Prepared by the Geography Division in cooperation with the Population and  
Housing and Household Economic Statistics Division, U.S. Bureau of the Census.  
Data and map generated on June 29, 1999.

# NEW MARKETS INITIATIVE

## Eligible Census Tracts

### Hawaii



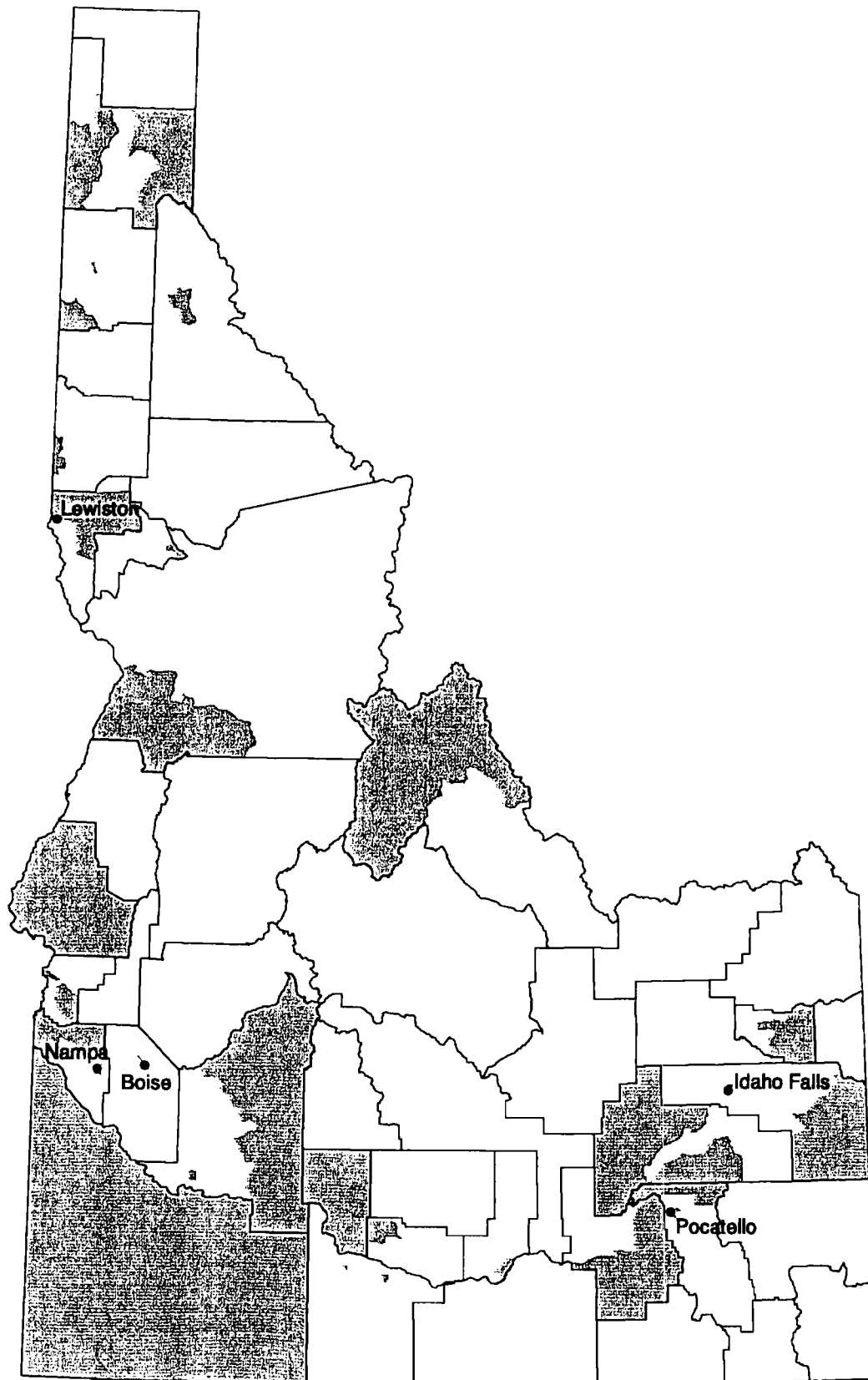
Based on the 1990 Decennial Census and 1998 Metropolitan Area definitions.  
Prepared by the Geography Division in cooperation with the Population and  
Housing and Household Economic Statistics Division, U.S. Bureau of the Census.  
Data and map generated on June 29, 1999.

-  Eligible Census Tract
-  County
-  Selected City

# NEW MARKETS INITIATIVE

## Eligible Census Tracts

### Idaho



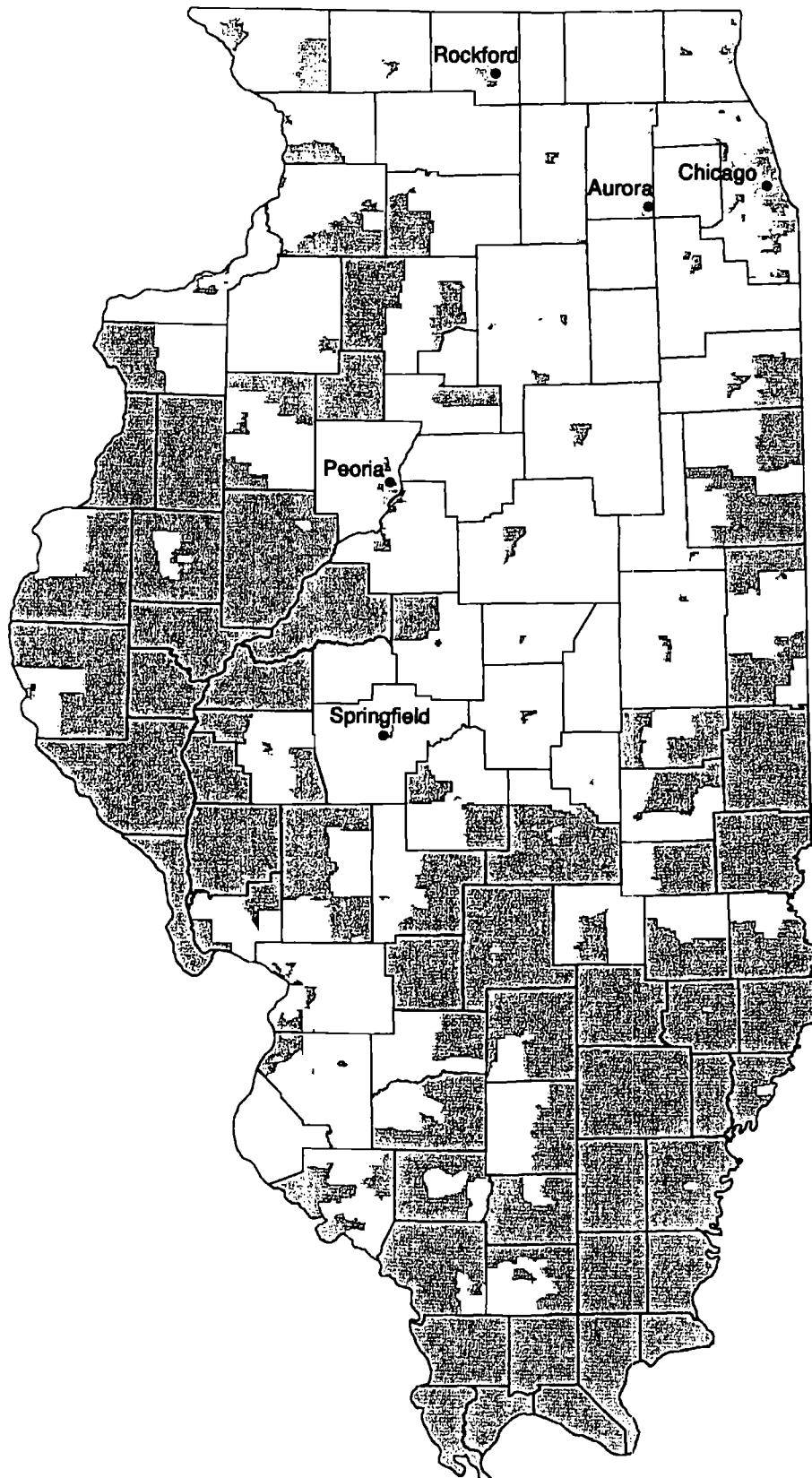
Based on the 1990 Decennial Census and 1998 Metropolitan Area definitions.  
Prepared by the Geography Division in cooperation with the Population and  
Housing and Household Economic Statistics Division, U.S. Bureau of the Census.  
Data and map generated on June 29, 1999.

-  Eligible Census Tract
-  County
-  Selected City

# NEW MARKETS INITIATIVE

## Eligible Census Tracts

### Illinois



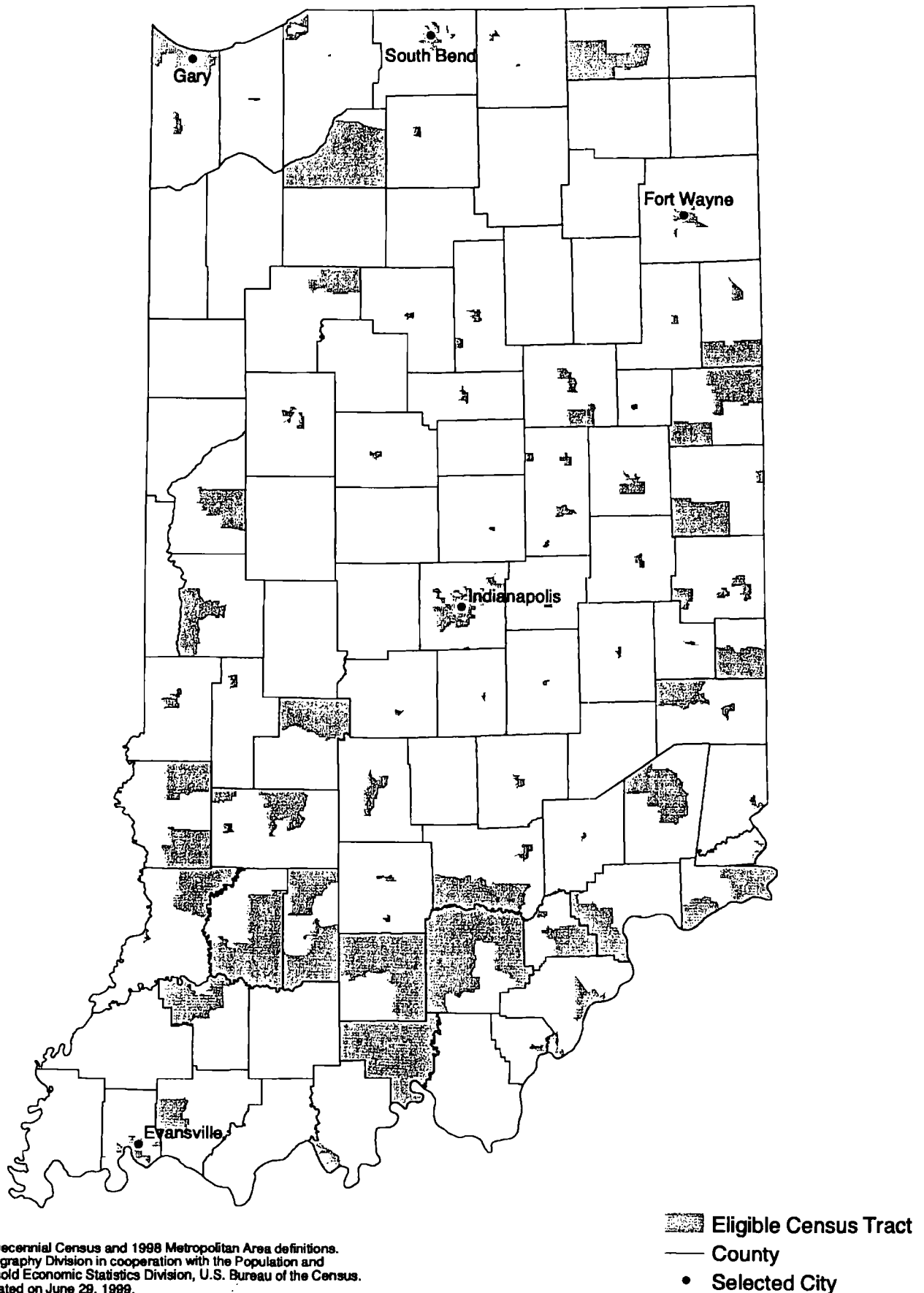
Based on the 1990 Decennial Census and 1998 Metropolitan Area definitions.  
Prepared by the Geography Division in cooperation with the Population and  
Housing and Household Economic Statistics Division, U.S. Bureau of the Census.  
Data and map generated on June 29, 1999.

-  Eligible Census Tract
-  County
-  Selected City

# NEW MARKETS INITIATIVE

## Eligible Census Tracts

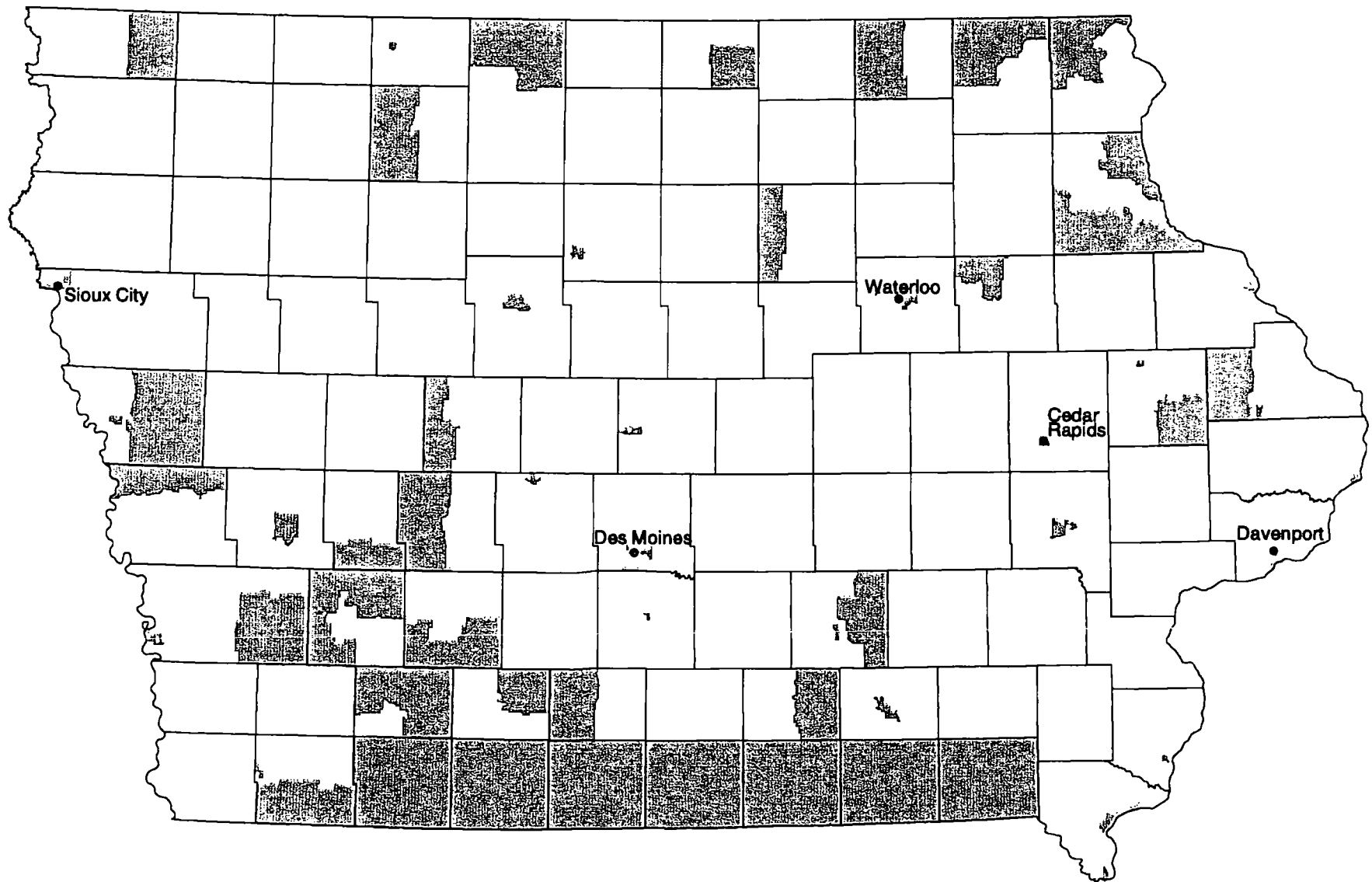
### Indiana



# NEW MARKETS INITIATIVE

## Eligible Census Tracts

### Iowa



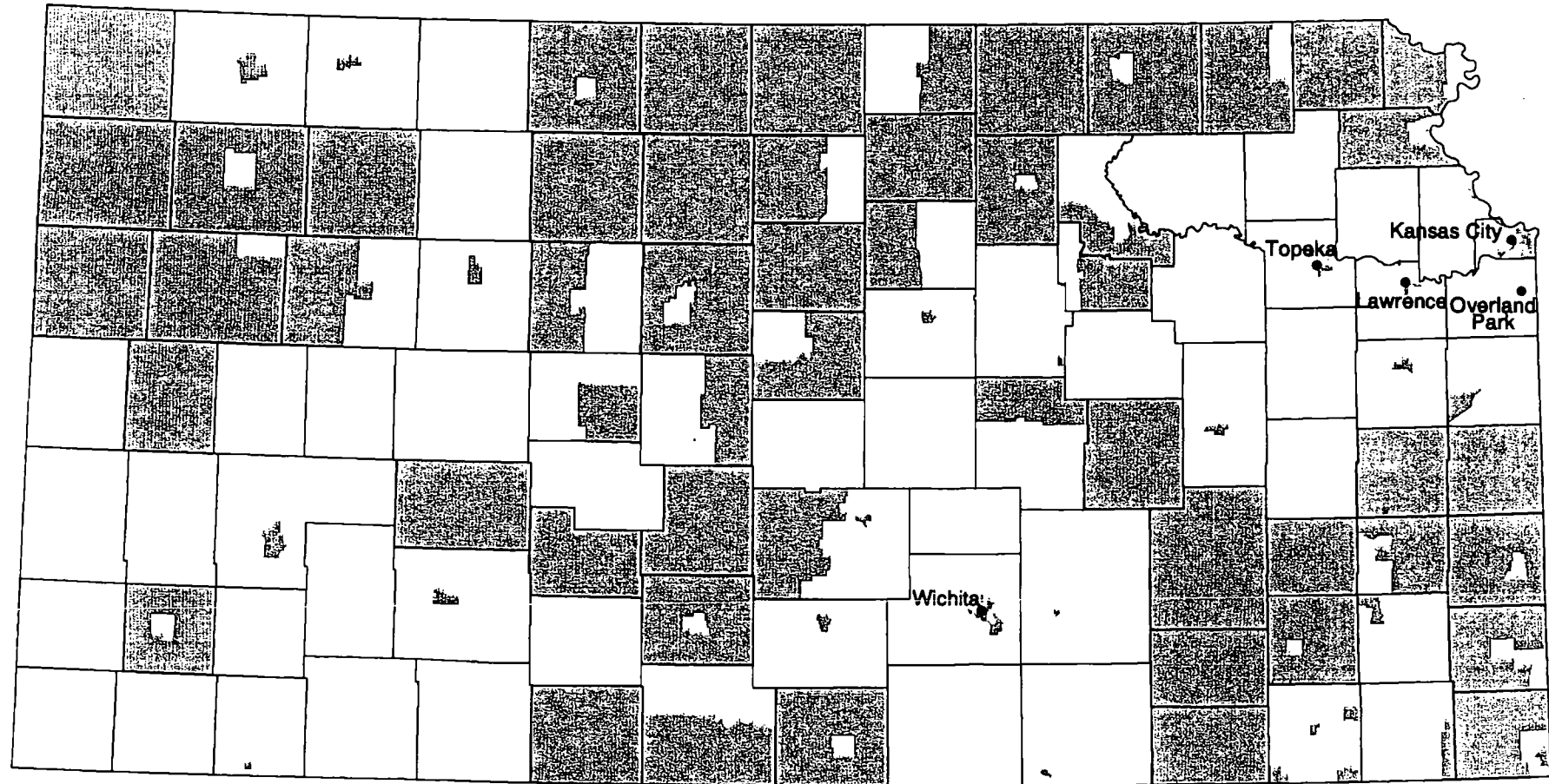
Based on the 1990 Decennial Census and 1998 Metropolitan Area definitions.  
Prepared by the Geography Division in cooperation with the Population and  
Housing and Household Economic Statistics Division, U.S. Bureau of the Census.  
Data and map generated on June 29, 1999.

 Eligible Census Tract  
— County  
• Selected City

# NEW MARKETS INITIATIVE

## Eligible Census Tracts

### Kansas



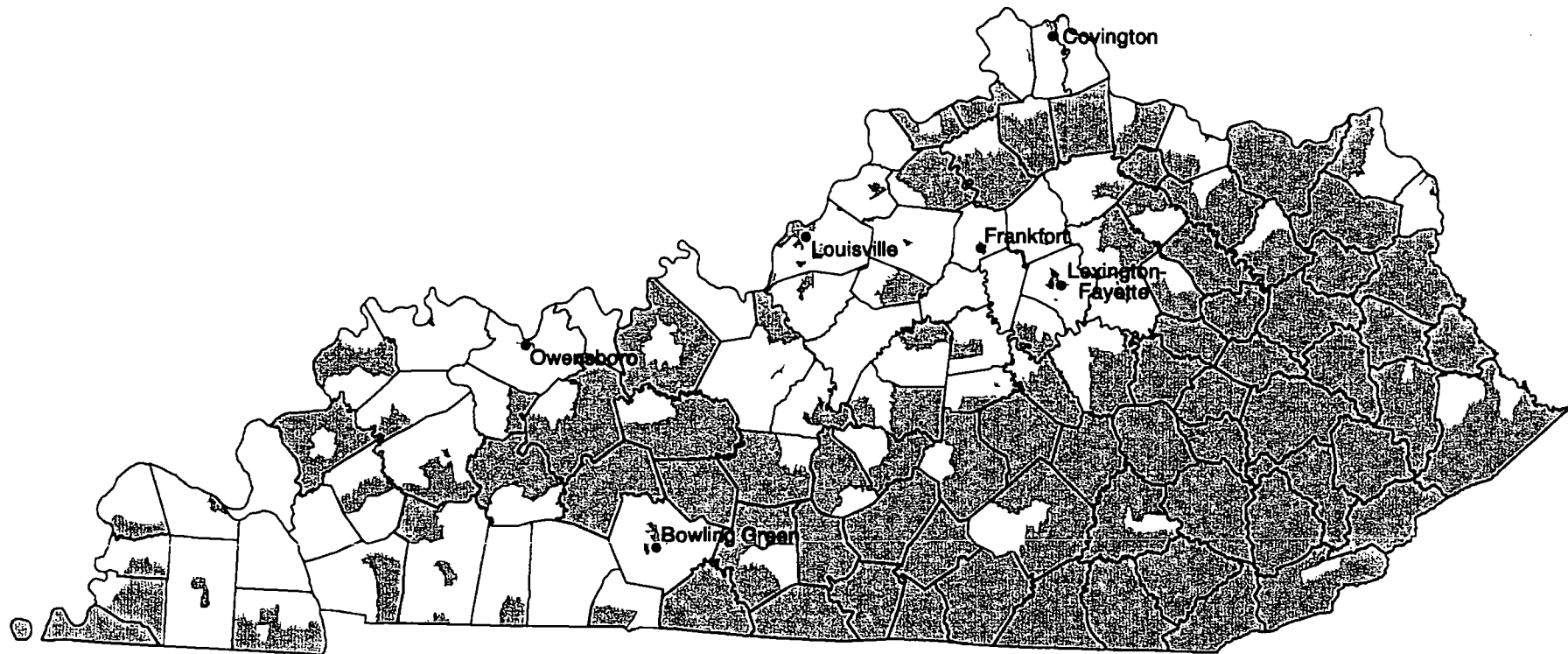
Based on the 1990 Decennial Census and 1998 Metropolitan Area definitions.  
Prepared by the Geography Division in cooperation with the Population and  
Housing and Household Economic Statistics Division, U.S. Bureau of the Census.  
Data and map generated on June 29, 1999.

-  Eligible Census Tract
-  County
-  Selected City

# NEW MARKETS INITIATIVE

## Eligible Census Tracts

### Kentucky

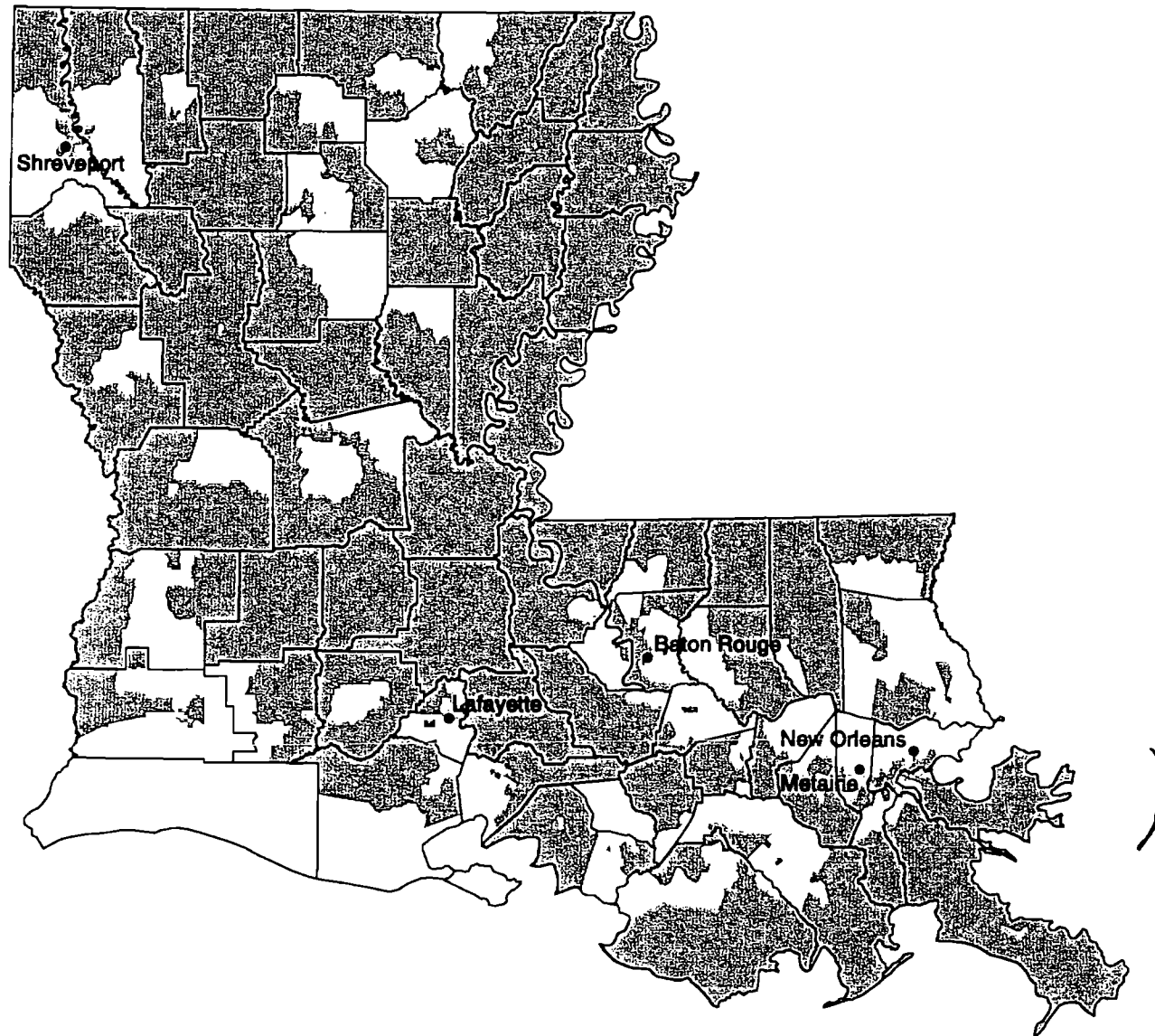


Based on the 1990 Decennial Census and 1998 Metropolitan Area definitions.  
Prepared by the Geography Division in cooperation with the Population and  
Housing and Household Economic Statistics Division, U.S. Bureau of the Census.  
Data and map generated on June 29, 1999.

 Eligible Census Tract  
 County  
 Selected City

# NEW MARKETS INITIATIVE

## Eligible Census Tracts Louisiana



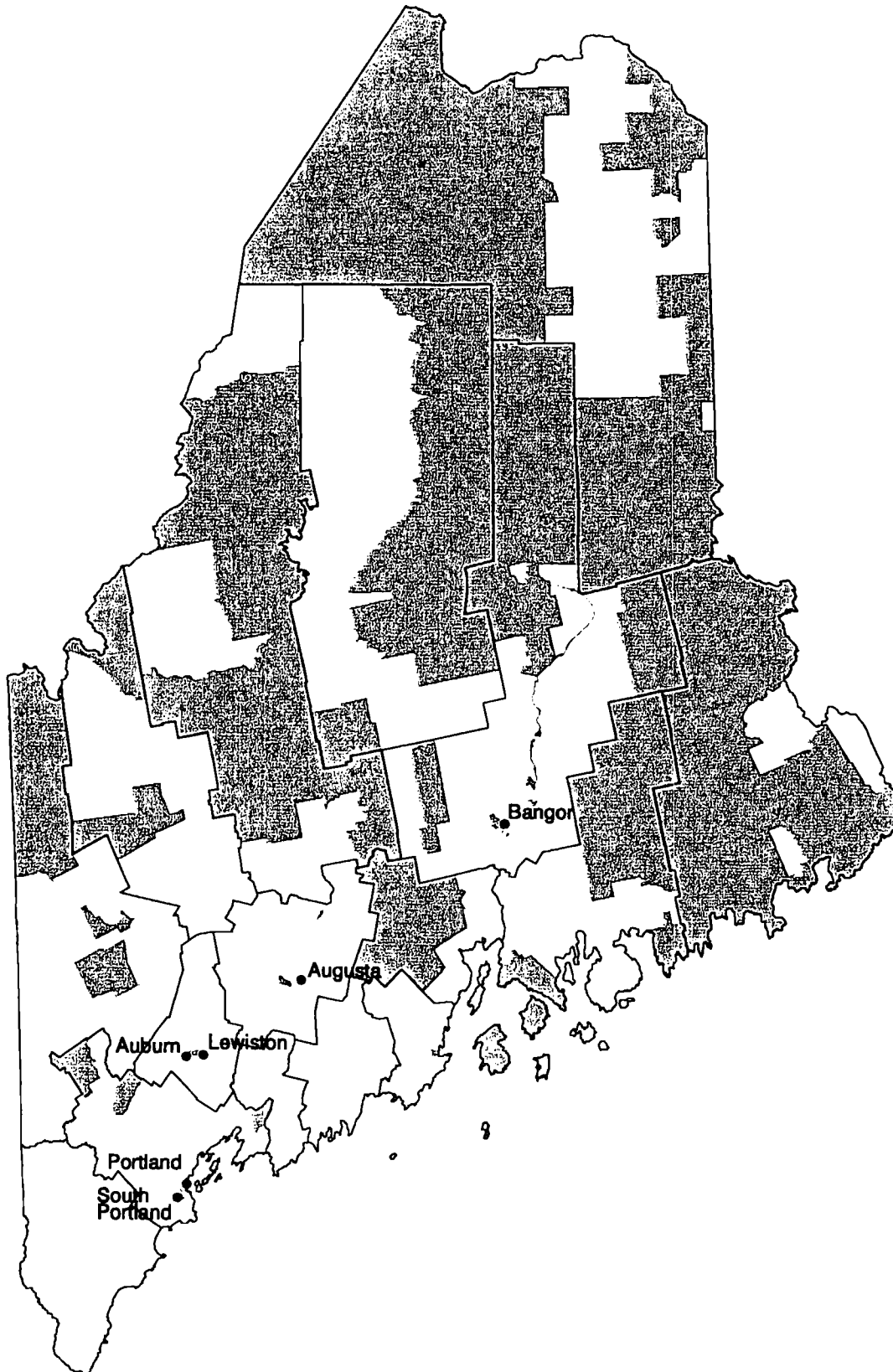
Based on the 1990 Decennial Census and 1998 Metropolitan Area definitions.  
Prepared by the Geography Division in cooperation with the Population and  
Housing and Household Economic Statistics Division, U.S. Bureau of the Census.  
Data and map generated on June 29, 1999.

-  Eligible Census Tract
-  County
-  Selected City

# NEW MARKETS INITIATIVE

## Eligible Census Tracts

### Maine



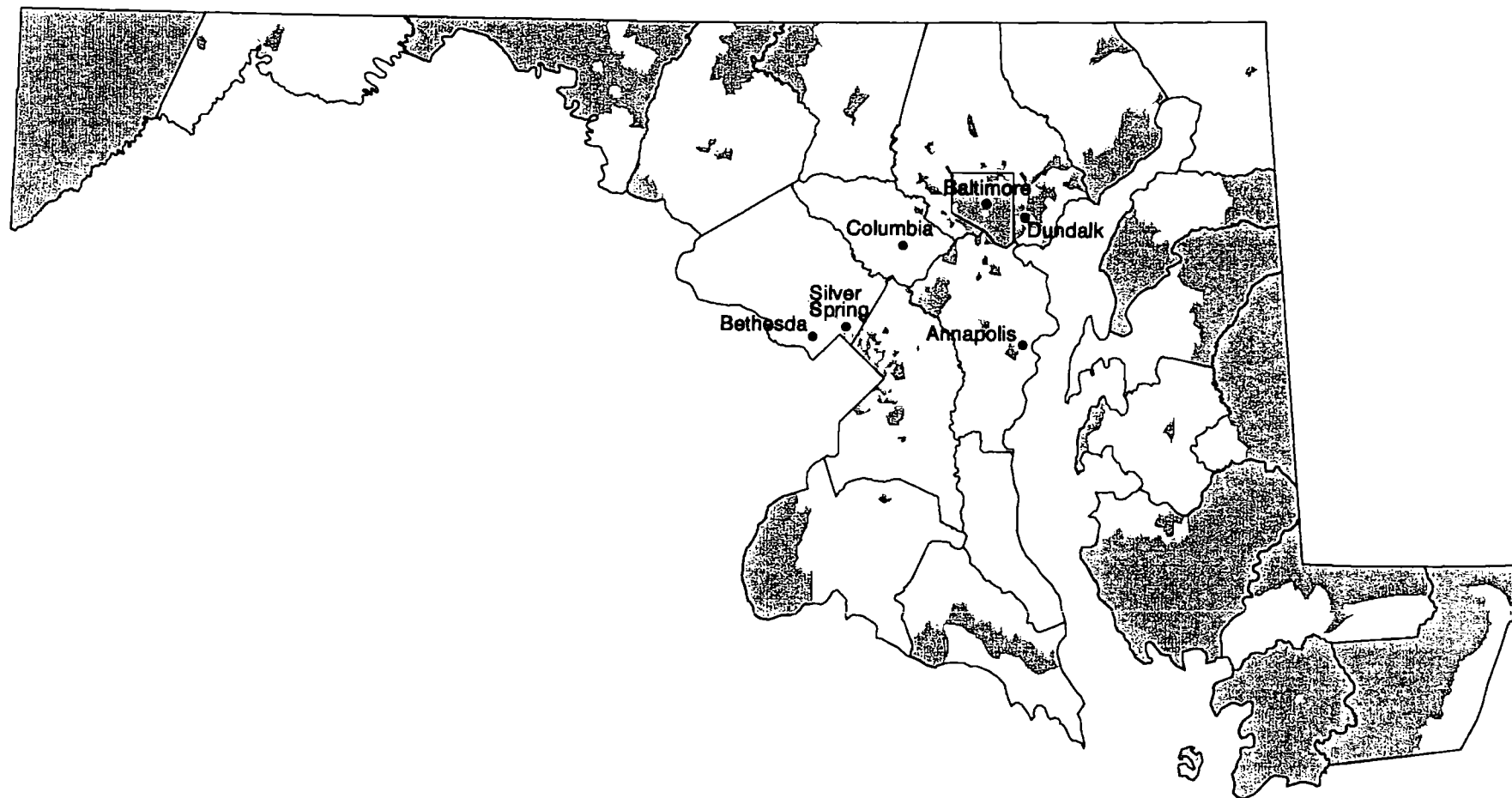
Based on the 1990 Decennial Census and 1998 Metropolitan Area definitions.  
Prepared by the Geography Division in cooperation with the Population and  
Housing and Household Economic Statistics Division, U.S. Bureau of the Census.  
Data and map generated on June 29, 1999.

-  Eligible Census Tract
-  County
-  Selected City

# NEW MARKETS INITIATIVE

## Eligible Census Tracts

### Maryland



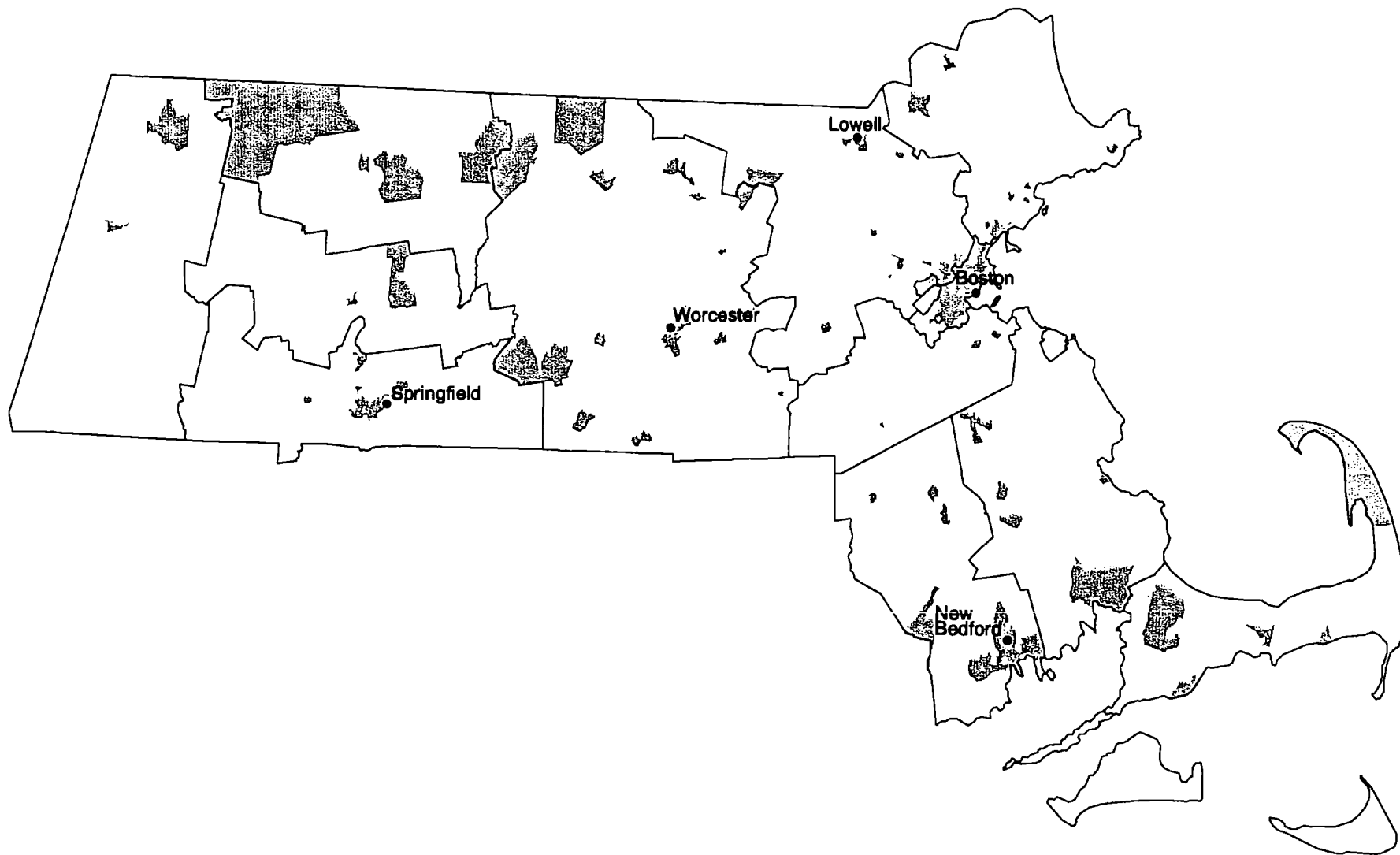
Based on the 1990 Decennial Census and 1998 Metropolitan Area definitions.  
Prepared by the Geography Division in cooperation with the Population and  
Housing and Household Economic Statistics Division, U.S. Bureau of the Census.  
Data and map generated on June 29, 1999.

-  Eligible Census Tract
-  County
-  Selected City

# NEW MARKETS INITIATIVE

## Eligible Census Tracts

### Massachusetts



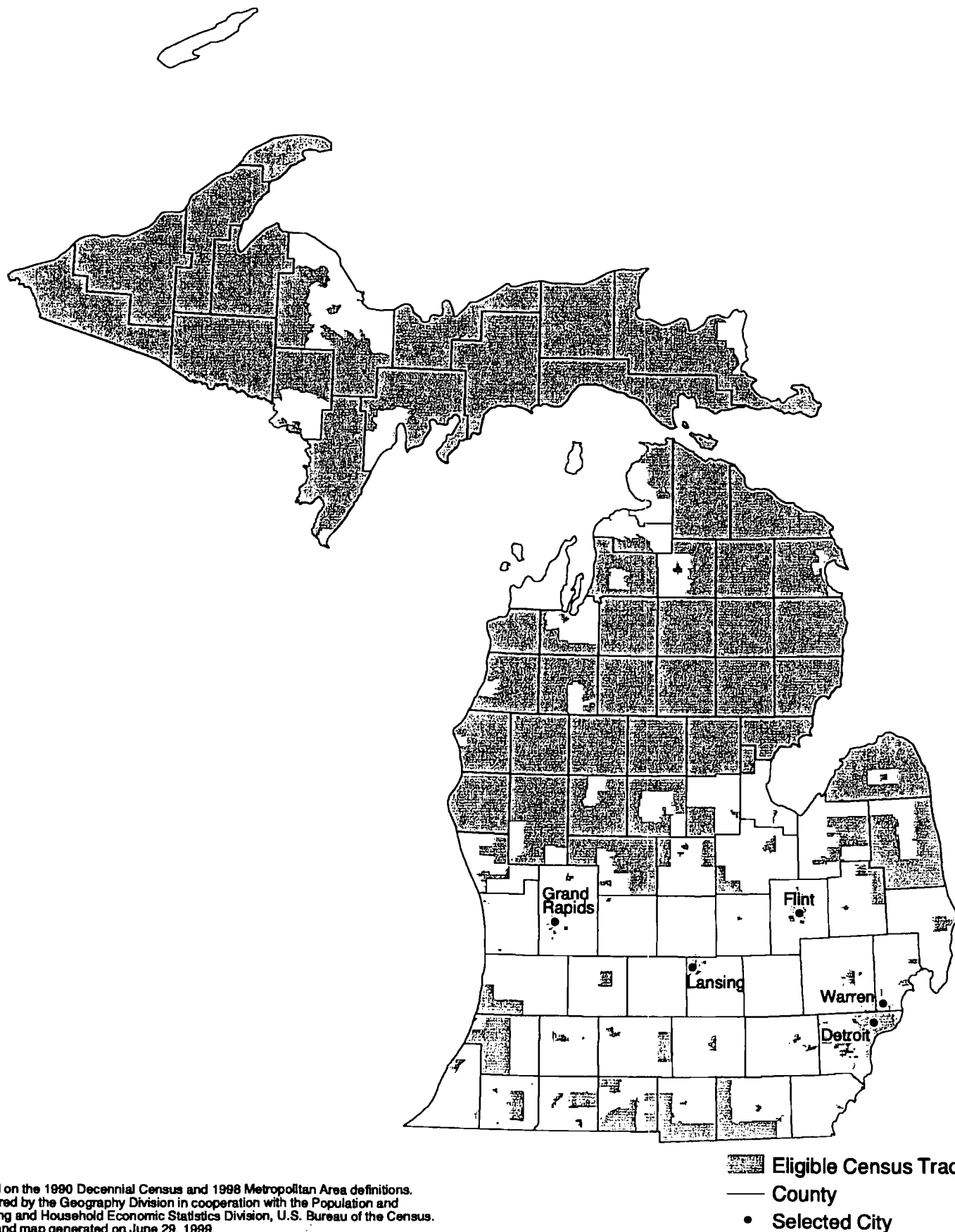
Based on the 1990 Decennial Census and 1998 Metropolitan Area definitions.  
Prepared by the Geography Division in cooperation with the Population and  
Housing and Household Economic Statistics Division, U.S. Bureau of the Census.  
Data and map generated on June 29, 1999.

■ Eligible Census Tract  
— County  
• Selected City

# NEW MARKETS INITIATIVE

## Eligible Census Tracts

### Michigan

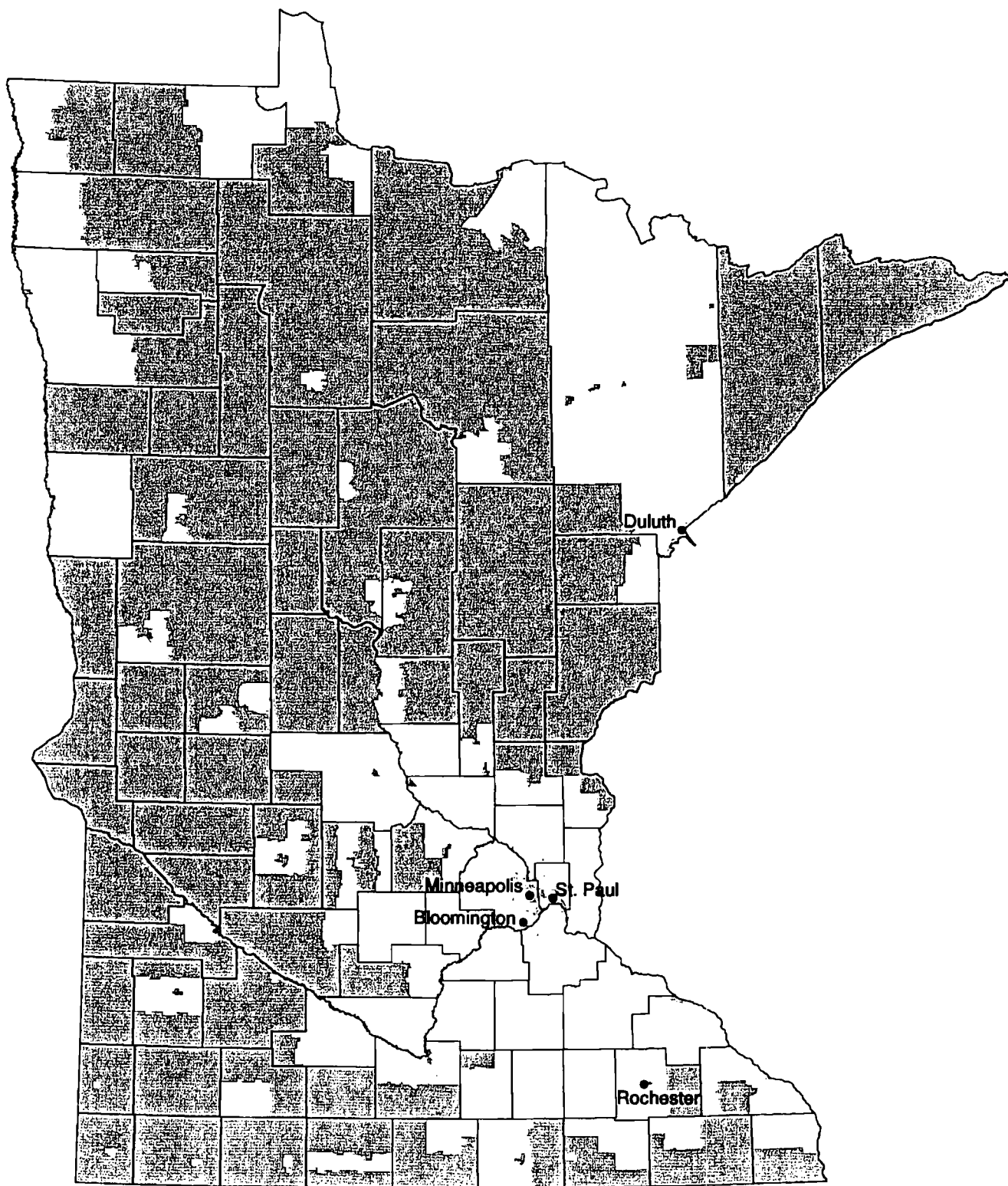


Based on the 1990 Decennial Census and 1998 Metropolitan Area definitions.  
Prepared by the Geography Division in cooperation with the Population and  
Housing and Household Economic Statistics Division, U.S. Bureau of the Census.  
Data and map generated on June 29, 1999.

# NEW MARKETS INITIATIVE

## Eligible Census Tracts

### Minnesota



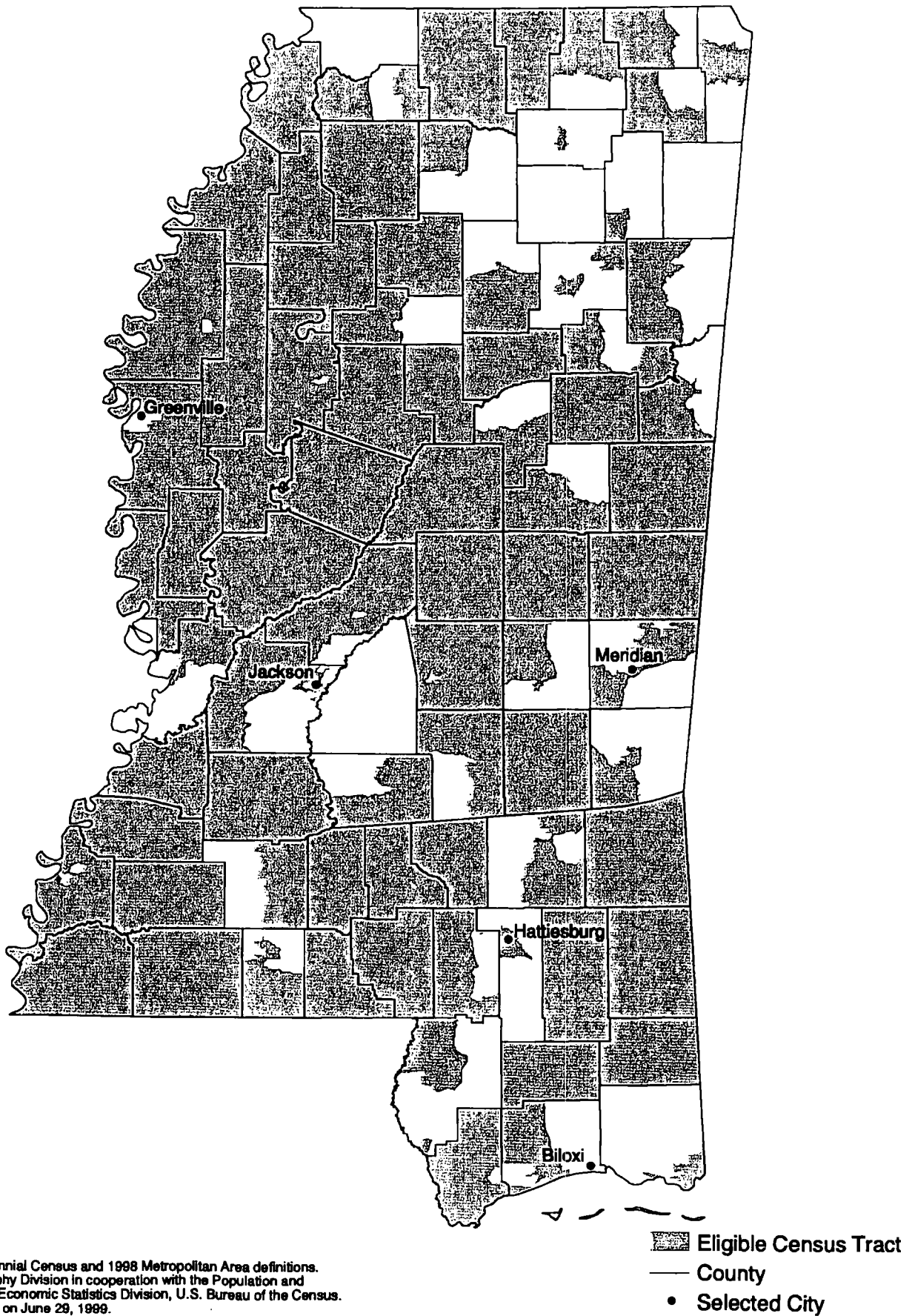
Based on the 1990 Decennial Census and 1998 Metropolitan Area definitions.  
Prepared by the Geography Division in cooperation with the Population and  
Housing and Household Economic Statistics Division, U.S. Bureau of the Census.  
Data and map generated on June 29, 1999.

-  Eligible Census Tract
-  County
-  Selected City

# NEW MARKETS INITIATIVE

## Eligible Census Tracts

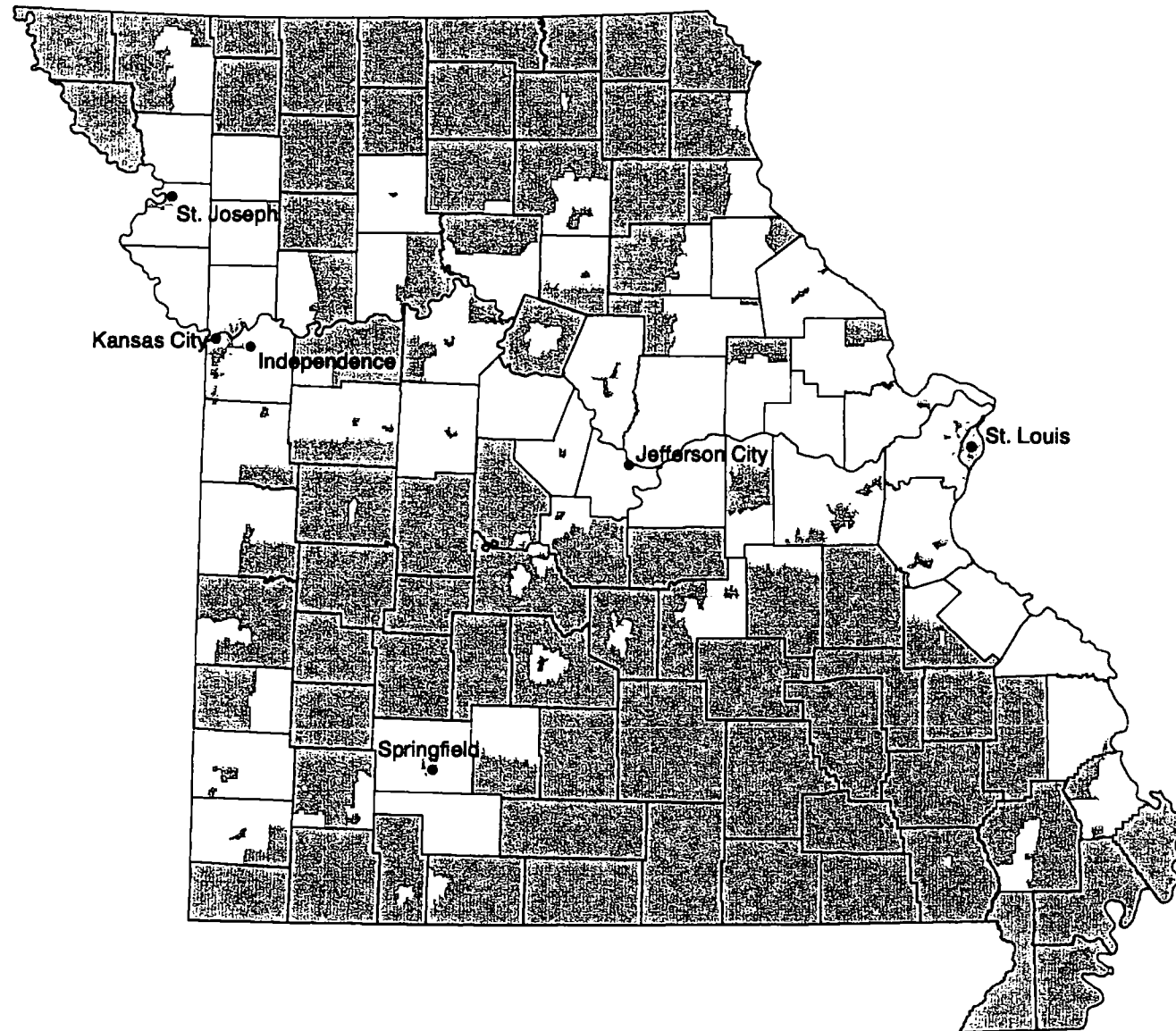
### Mississippi



# NEW MARKETS INITIATIVE

## Eligible Census Tracts

### Missouri

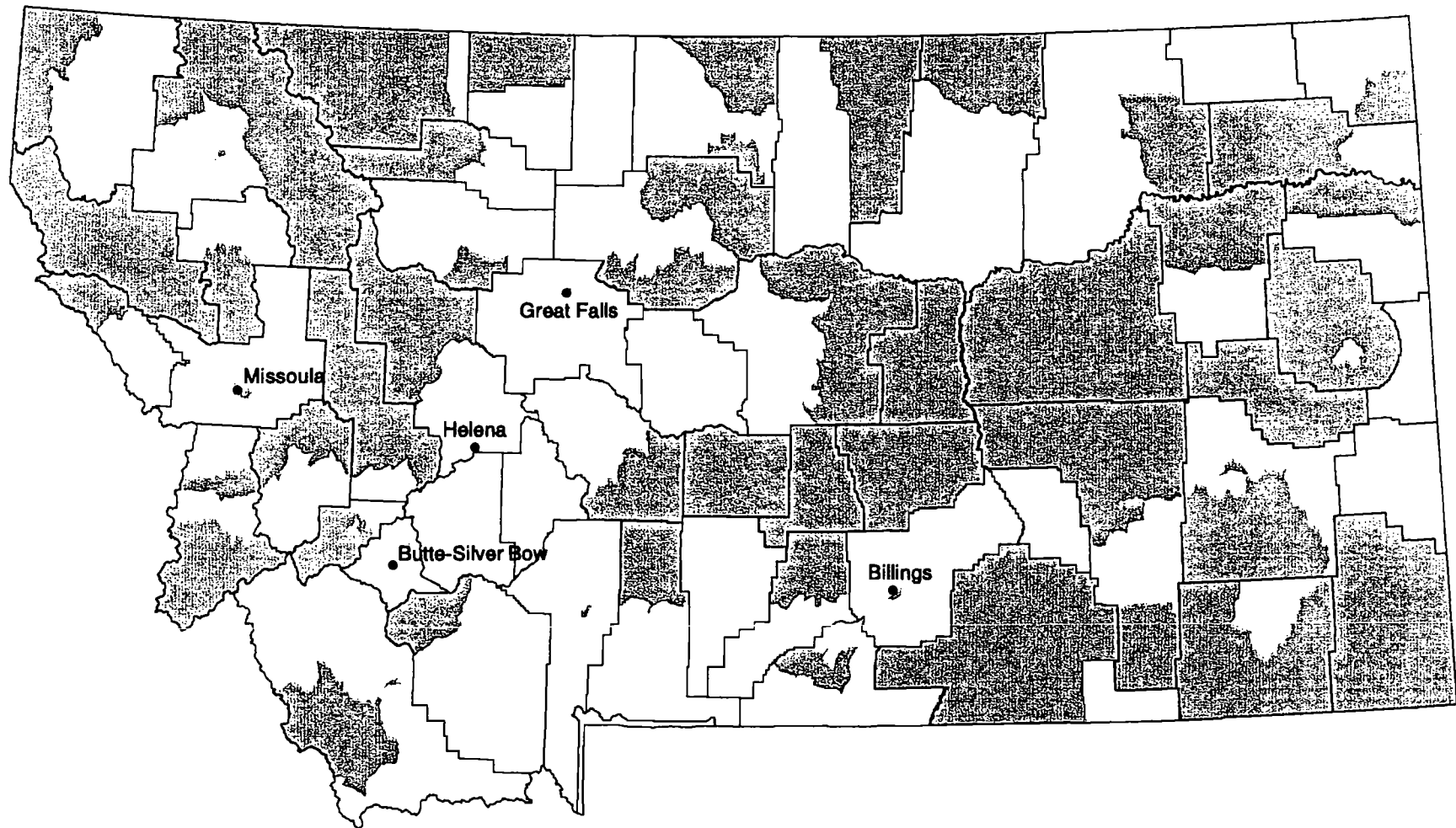


-  Eligible Census Tract
-  County
-  Selected City

Based on the 1990 Decennial Census and 1998 Metropolitan Area definitions.  
Prepared by the Geography Division in cooperation with the Population and  
Housing and Household Economic Statistics Division, U.S. Bureau of the Census.  
Data and map generated on June 29, 1999.

# NEW MARKETS INITIATIVE

## Eligible Census Tracts Montana



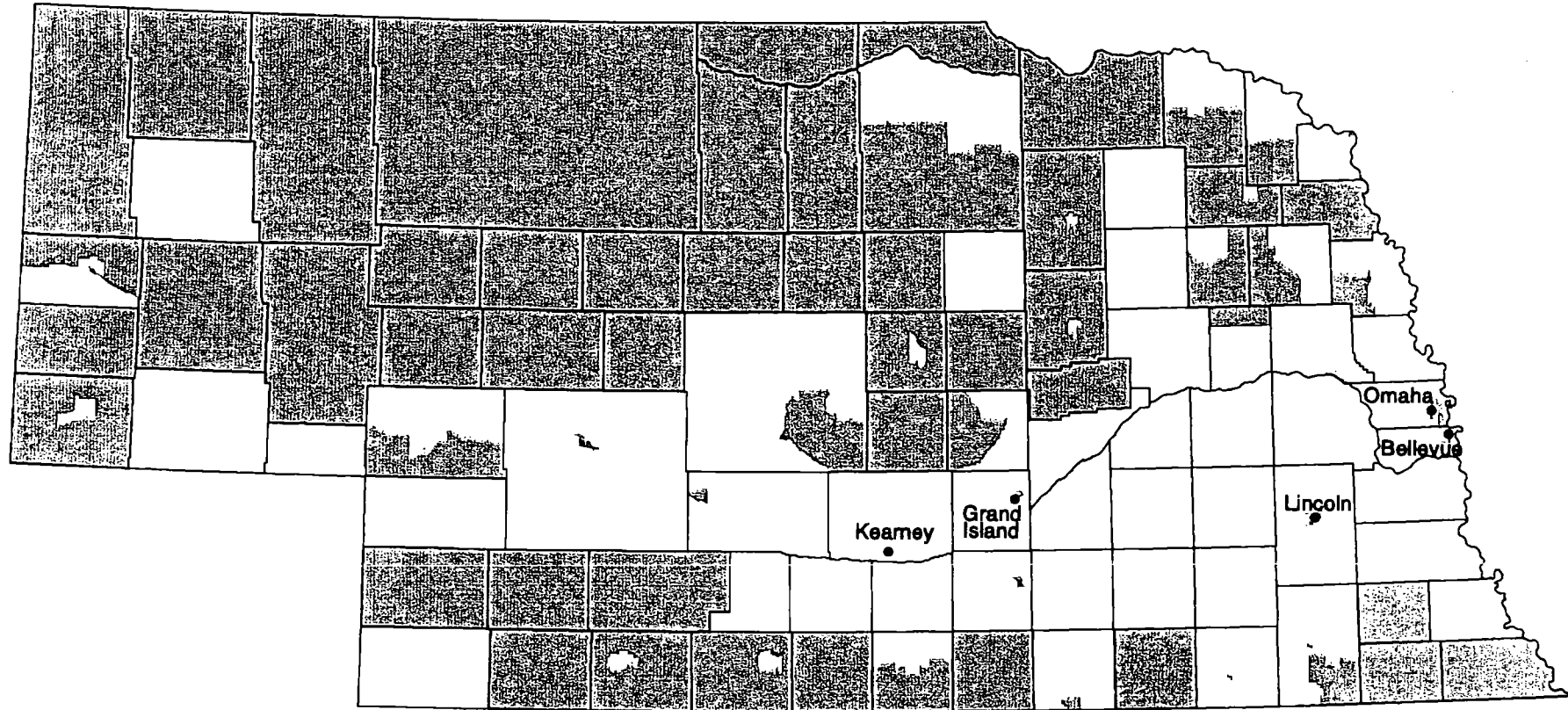
Based on the 1990 Decennial Census and 1998 Metropolitan Area definitions.  
Prepared by the Geography Division in cooperation with the Population and  
Housing and Household Economic Statistics Division, U.S. Bureau of the Census.  
Data and map generated on June 29, 1999.

■ Eligible Census Tract  
— County  
• Selected City

# NEW MARKETS INITIATIVE

## Eligible Census Tracts

### Nebraska



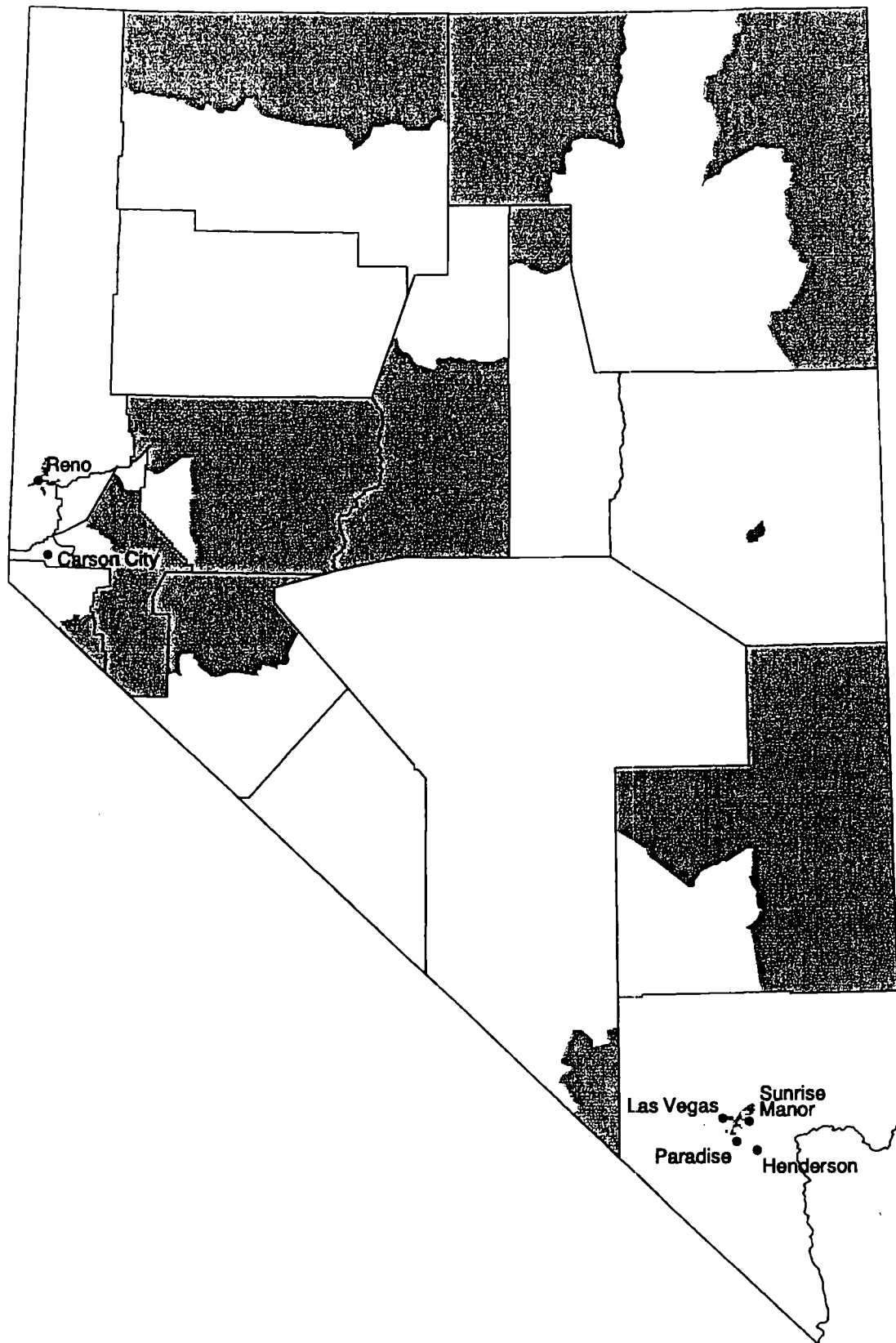
Based on the 1990 Decennial Census and 1998 Metropolitan Area definitions.  
Prepared by the Geography Division in cooperation with the Population and  
Housing and Household Economic Statistics Division, U.S. Bureau of the Census.  
Data and map generated on June 29, 1999.

■ Eligible Census Tract  
— County  
• Selected City

# NEW MARKETS INITIATIVE

## Eligible Census Tracts

### Nevada



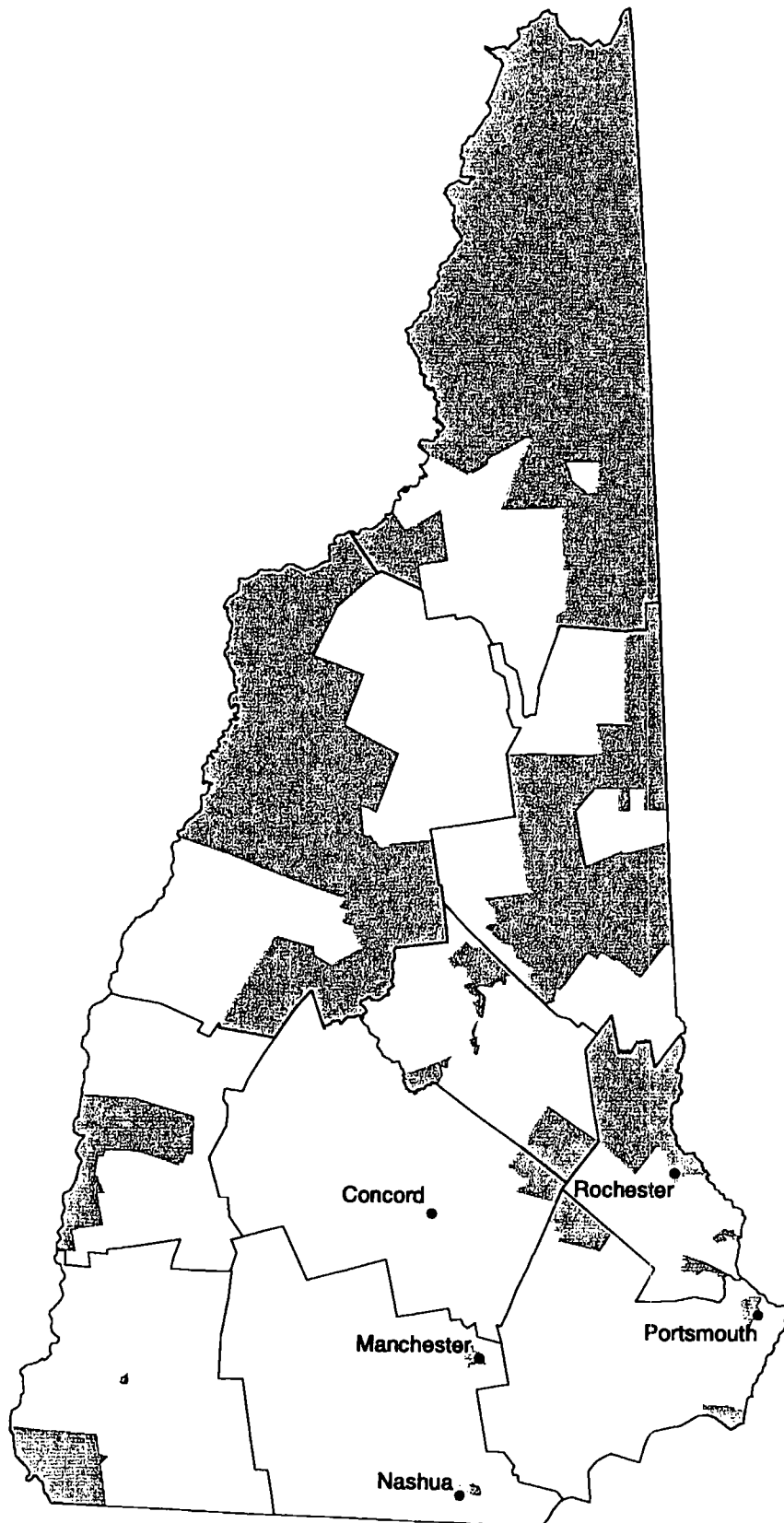
Based on the 1990 Decennial Census and 1998 Metropolitan Area definitions.  
Prepared by the Geography Division in cooperation with the Population and  
Housing and Household Economic Statistics Division, U.S. Bureau of the Census.  
Data and map generated on June 29, 1999.

■ Eligible Census Tract  
— County  
• Selected City

# NEW MARKETS INITIATIVE

## Eligible Census Tracts

### New Hampshire



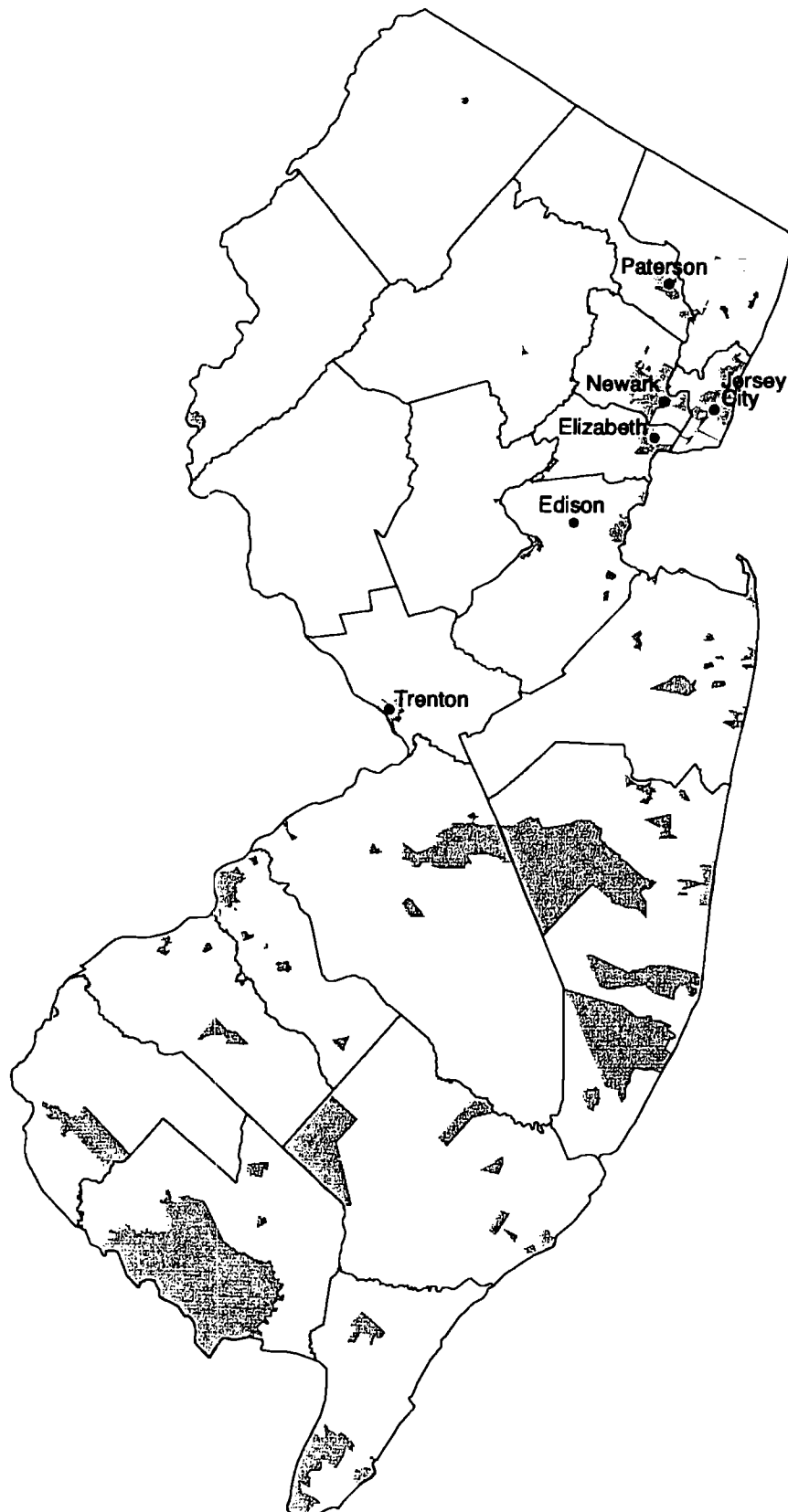
Based on the 1990 Decennial Census and 1998 Metropolitan Area definitions.  
Prepared by the Geography Division in cooperation with the Population and  
Housing and Household Economic Statistics Division, U.S. Bureau of the Census.  
Data and map generated on June 29, 1999.

■ Eligible Census Tract  
— County  
• Selected City

# NEW MARKETS INITIATIVE

## Eligible Census Tracts

### New Jersey



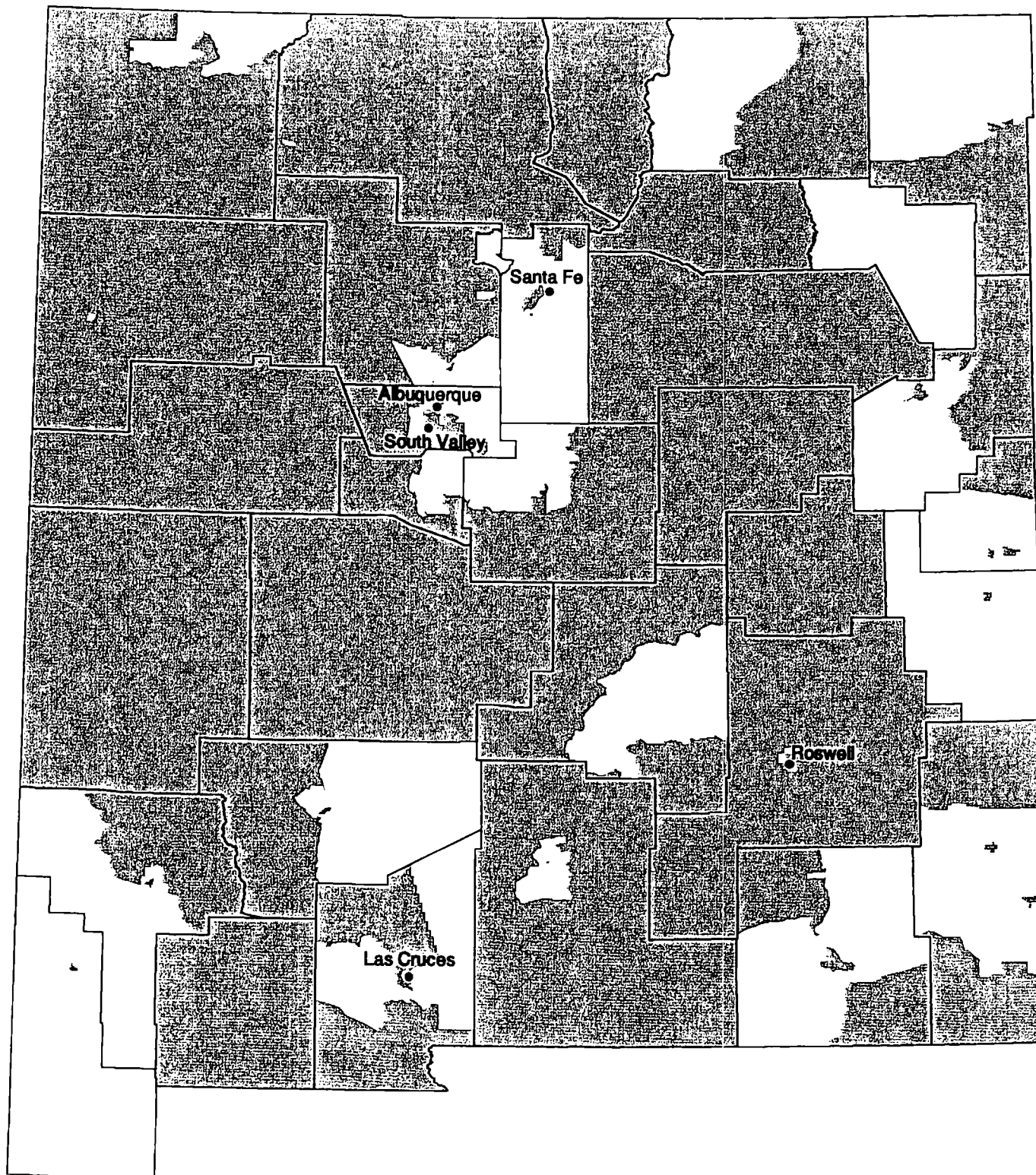
Based on the 1990 Decennial Census and 1998 Metropolitan Area definitions.  
Prepared by the Geography Division in cooperation with the Population and  
Housing and Household Economic Statistics Division, U.S. Bureau of the Census.  
Data and map generated on June 29, 1999.

-  Eligible Census Tract
-  County
-  Selected City

# NEW MARKETS INITIATIVE

## Eligible Census Tracts

### New Mexico



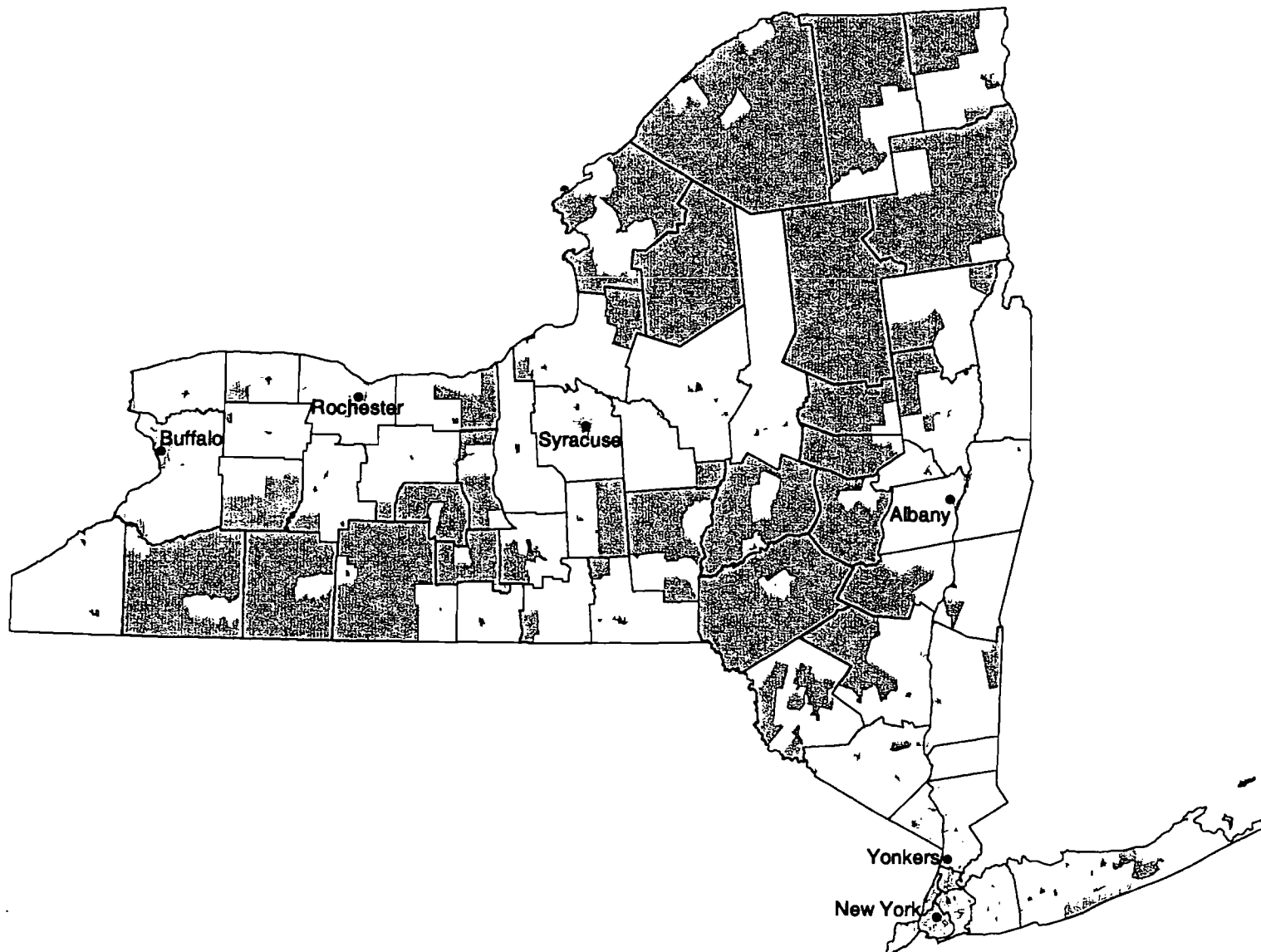
Based on the 1990 Decennial Census and 1998 Metropolitan Area definitions.  
Prepared by the Geography Division in cooperation with the Population and  
Housing and Household Economic Statistics Division, U.S. Bureau of the Census.  
Data and map generated on June 29, 1999.

-  Eligible Census Tract
-  County
-  Selected City

# NEW MARKETS INITIATIVE

## Eligible Census Tracts

### New York

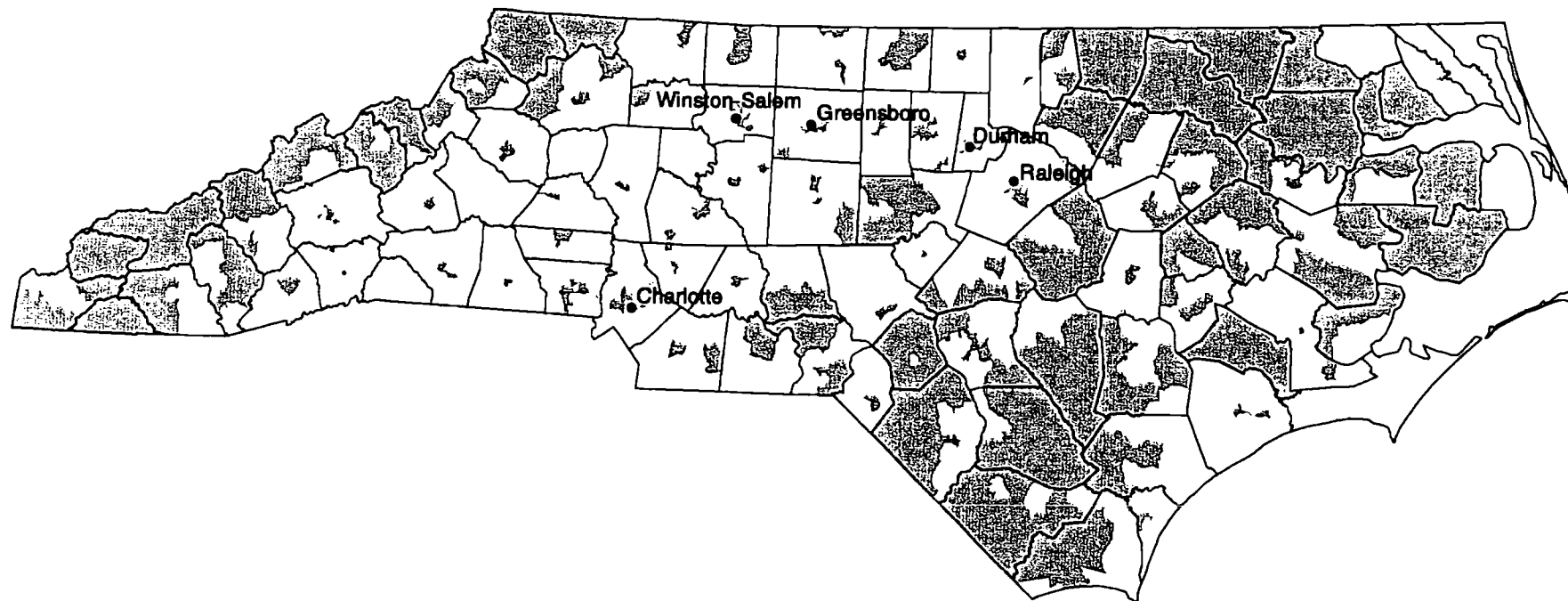


Based on the 1990 Decennial Census and 1998 Metropolitan Area definitions.  
Prepared by the Geography Division in cooperation with the Population and  
Housing and Household Economic Statistics Division, U.S. Bureau of the Census.  
Data and map generated on June 29, 1999.

■ Eligible Census Tract  
— County  
• Selected City

# NEW MARKETS INITIATIVE

## Eligible Census Tracts North Carolina

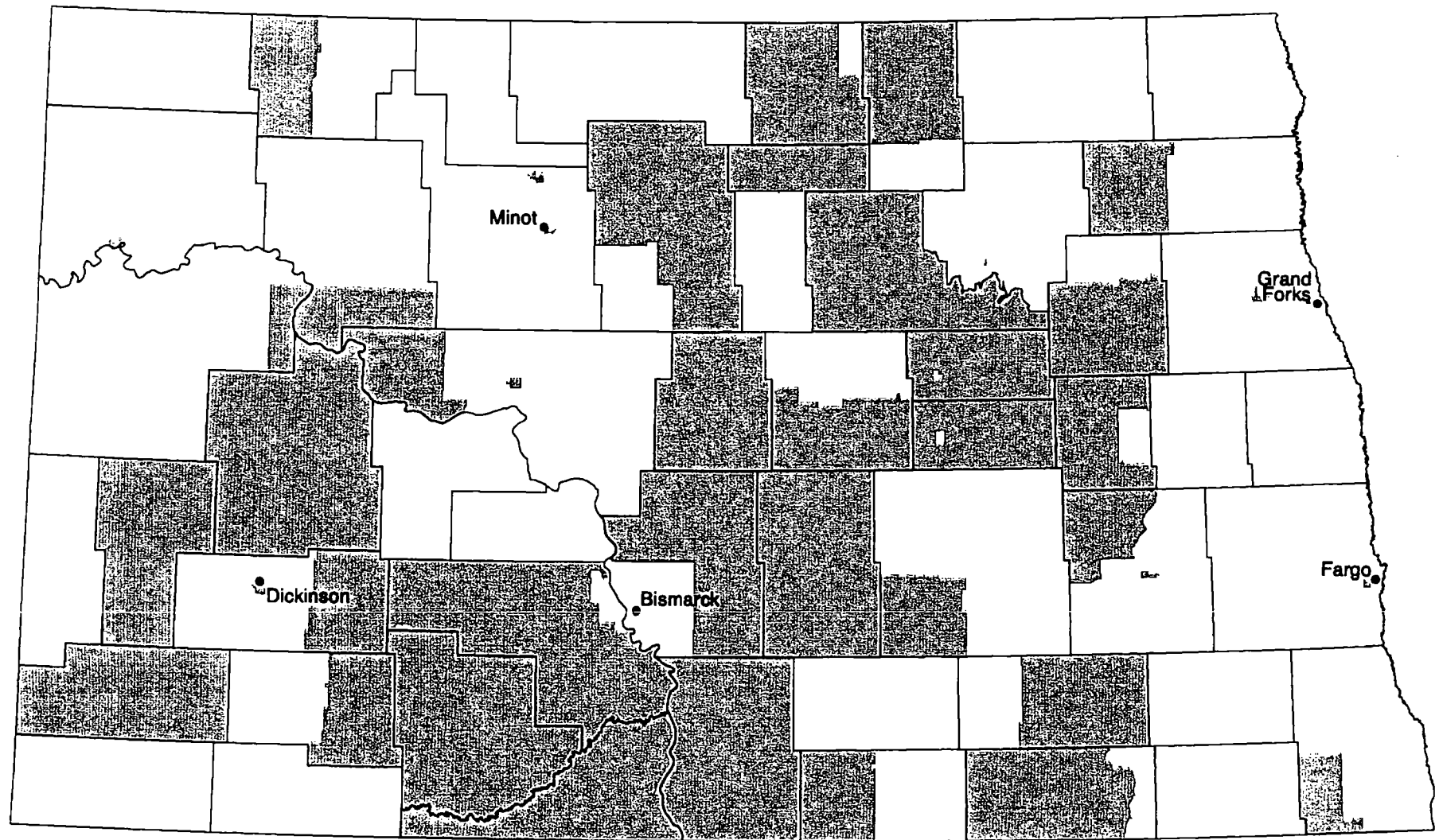


Based on the 1990 Decennial Census and 1998 Metropolitan Area definitions.  
Prepared by the Geography Division in cooperation with the Population and  
Housing and Household Economic Statistics Division, U.S. Bureau of the Census.  
Data and map generated on June 29, 1999.

-  Eligible Census Tract
-  County
-  Selected City

# NEW MARKETS INITIATIVE

## Eligible Census Tracts North Dakota



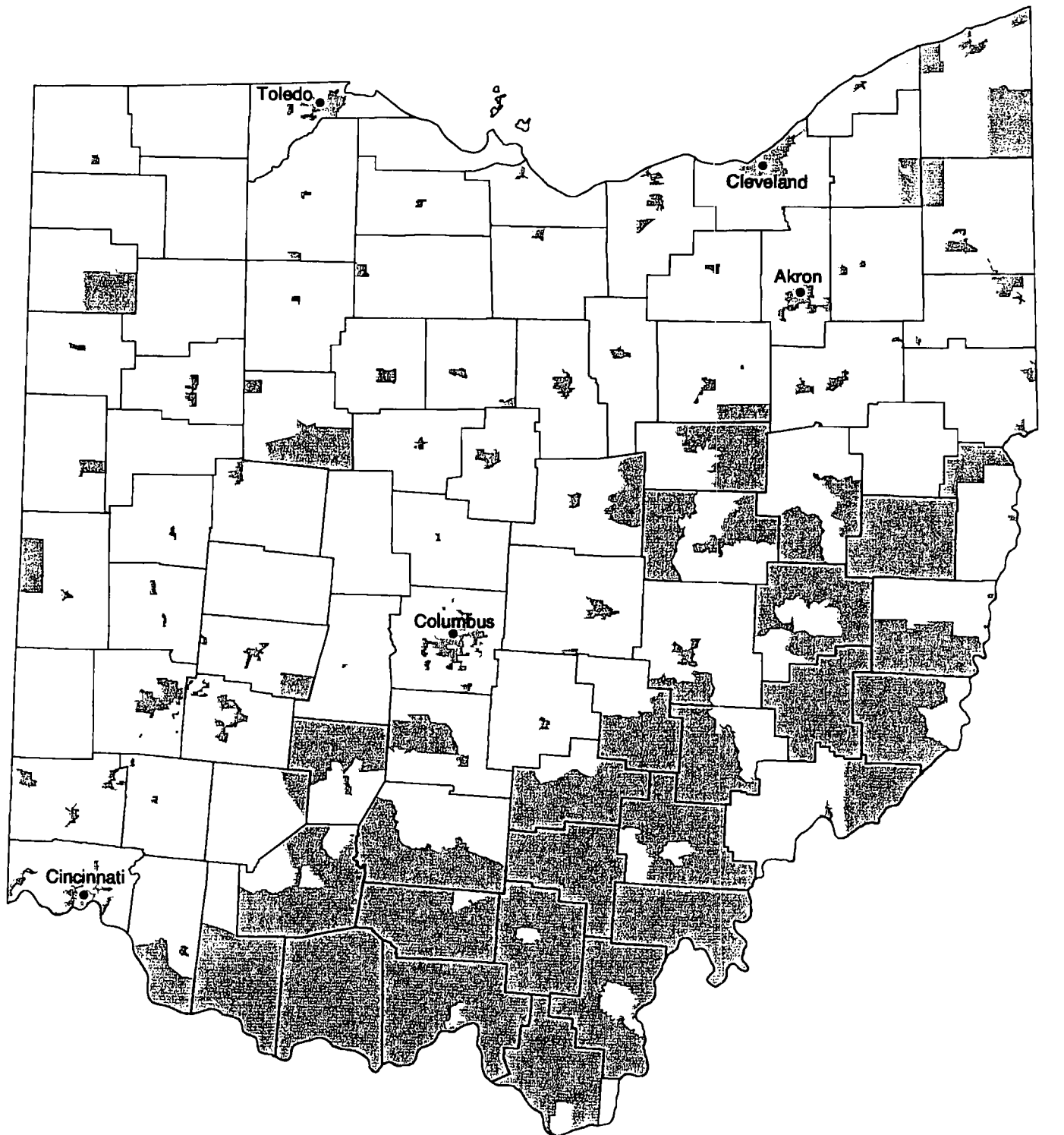
Based on the 1990 Decennial Census and 1998 Metropolitan Area definitions.  
Prepared by the Geography Division in cooperation with the Population and  
Housing and Household Economic Statistics Division, U.S. Bureau of the Census.  
Data and map generated on June 29, 1999.

-  Eligible Census Tract
-  County
-  Selected City

# NEW MARKETS INITIATIVE

## Eligible Census Tracts

### Ohio

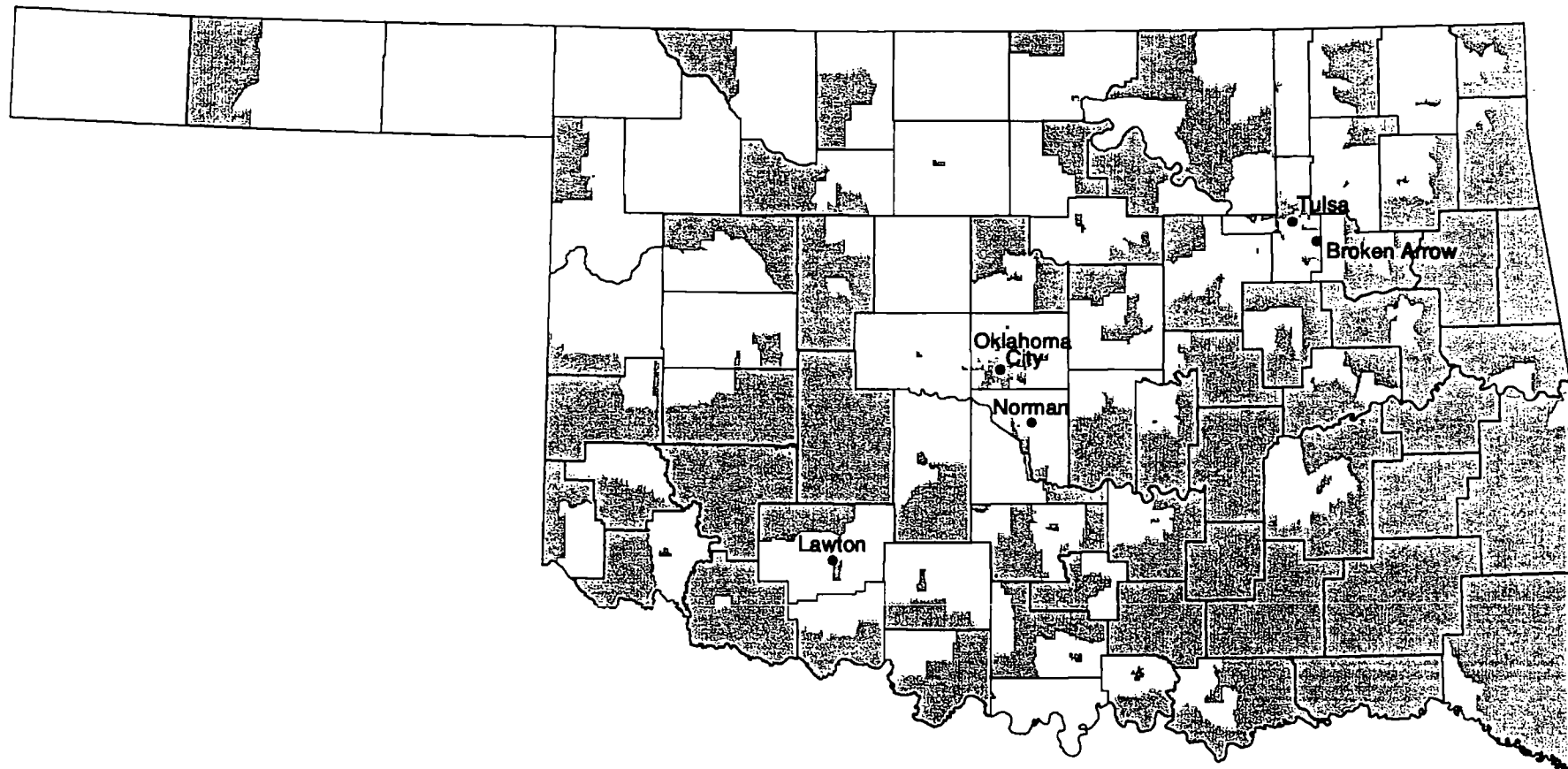


Based on the 1990 Decennial Census and 1998 Metropolitan Area definitions.  
Prepared by the Geography Division in cooperation with the Population and  
Housing and Household Economic Statistics Division, U.S. Bureau of the Census.  
Data and map generated on June 29, 1999.

■ Eligible Census Tract  
— County  
• Selected City

# NEW MARKETS INITIATIVE

## Eligible Census Tracts Oklahoma

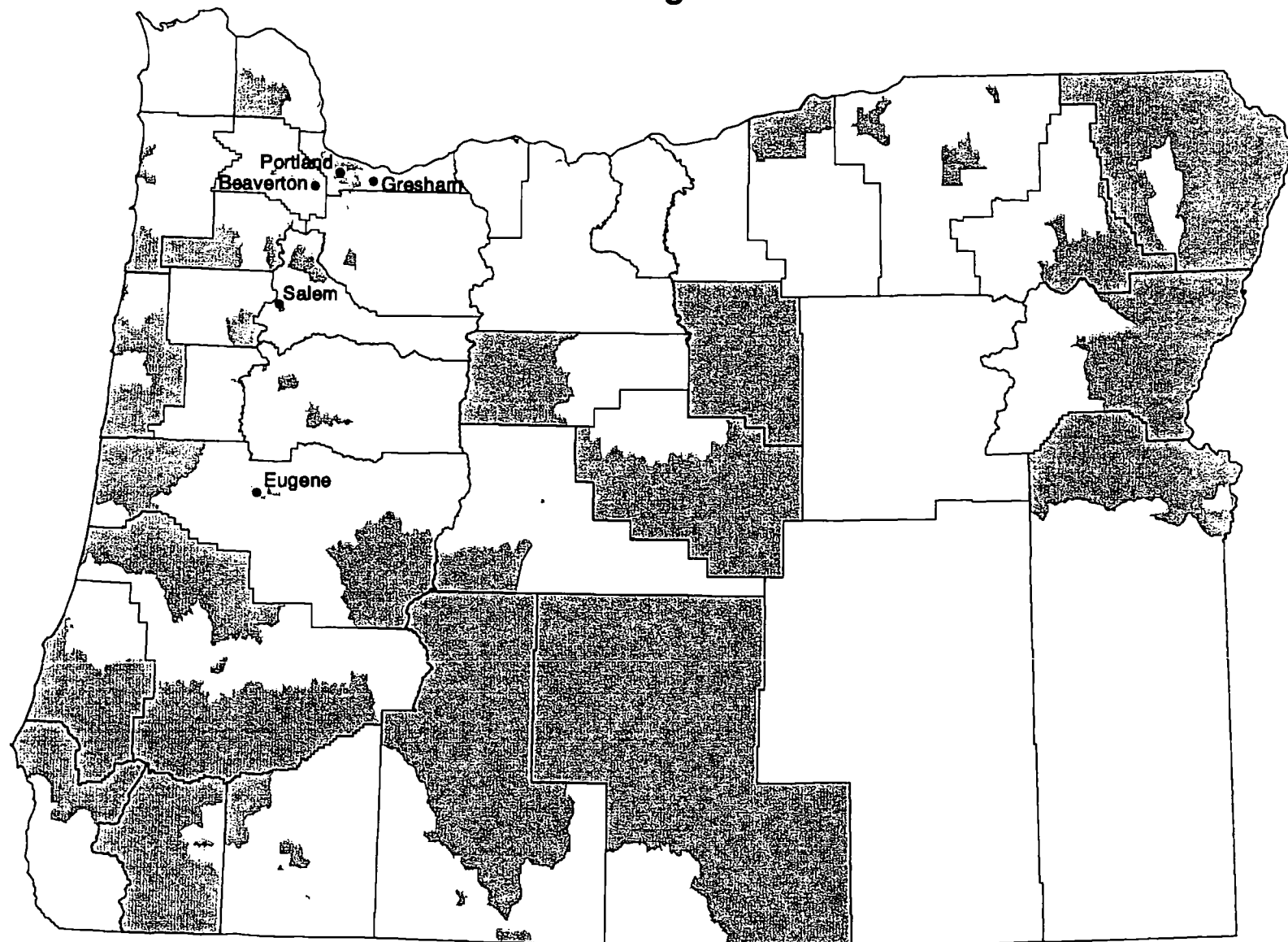


Based on the 1990 Decennial Census and 1996 Metropolitan Area definitions.  
Prepared by the Geography Division in cooperation with the Population and  
Housing and Household Economic Statistics Division, U.S. Bureau of the Census.  
Data and map generated on June 29, 1999.

■ Eligible Census Tract  
— County  
• Selected City

# NEW MARKETS INITIATIVE

## Eligible Census Tracts Oregon

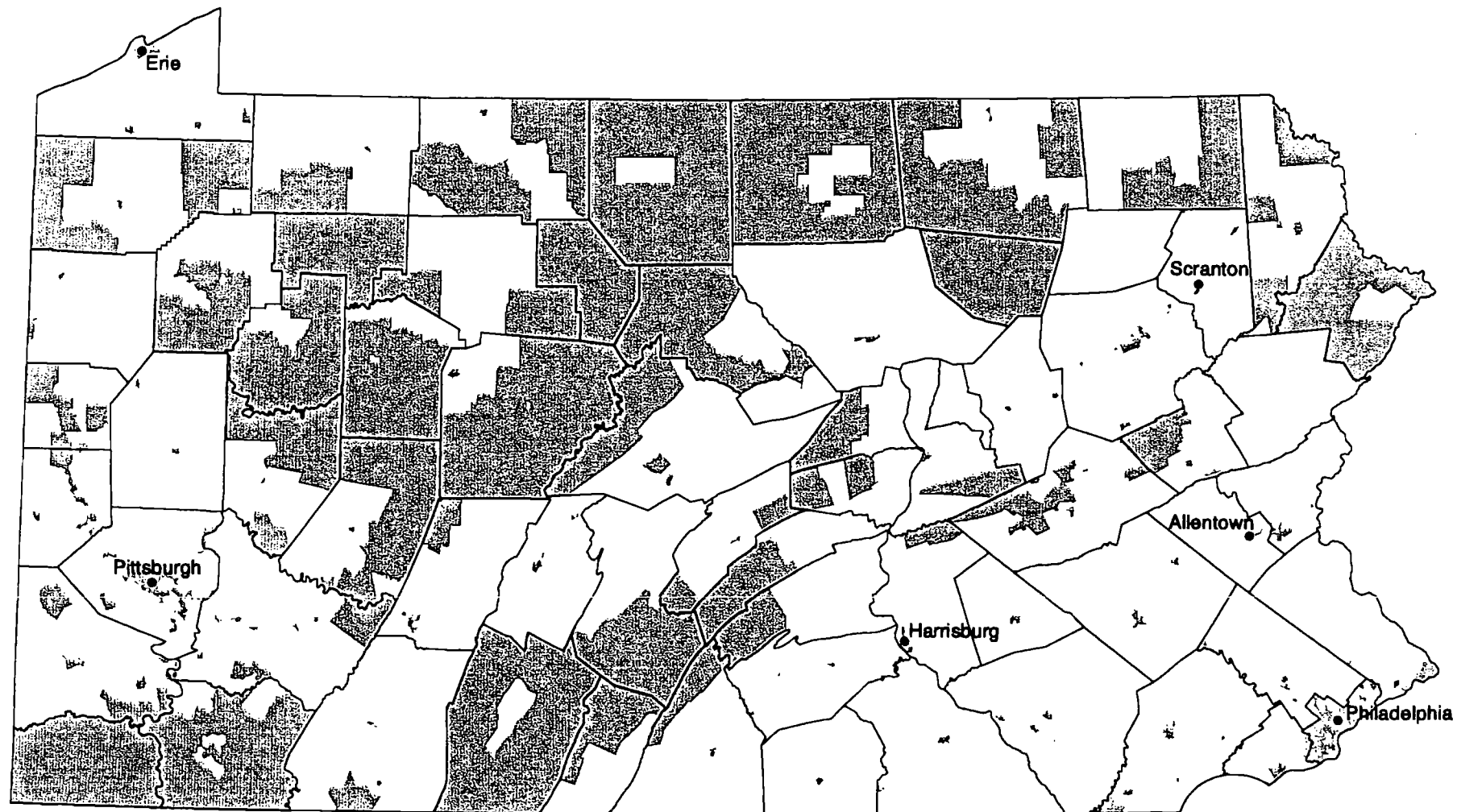


Based on the 1990 Decennial Census and 1998 Metropolitan Area definitions.  
Prepared by the Geography Division in cooperation with the Population and  
Housing and Household Economic Statistics Division, U.S. Bureau of the Census.  
Data and map generated on June 29, 1999.

-  Eligible Census Tract
-  County
-  Selected City

# NEW MARKETS INITIATIVE

## Eligible Census Tracts Pennsylvania



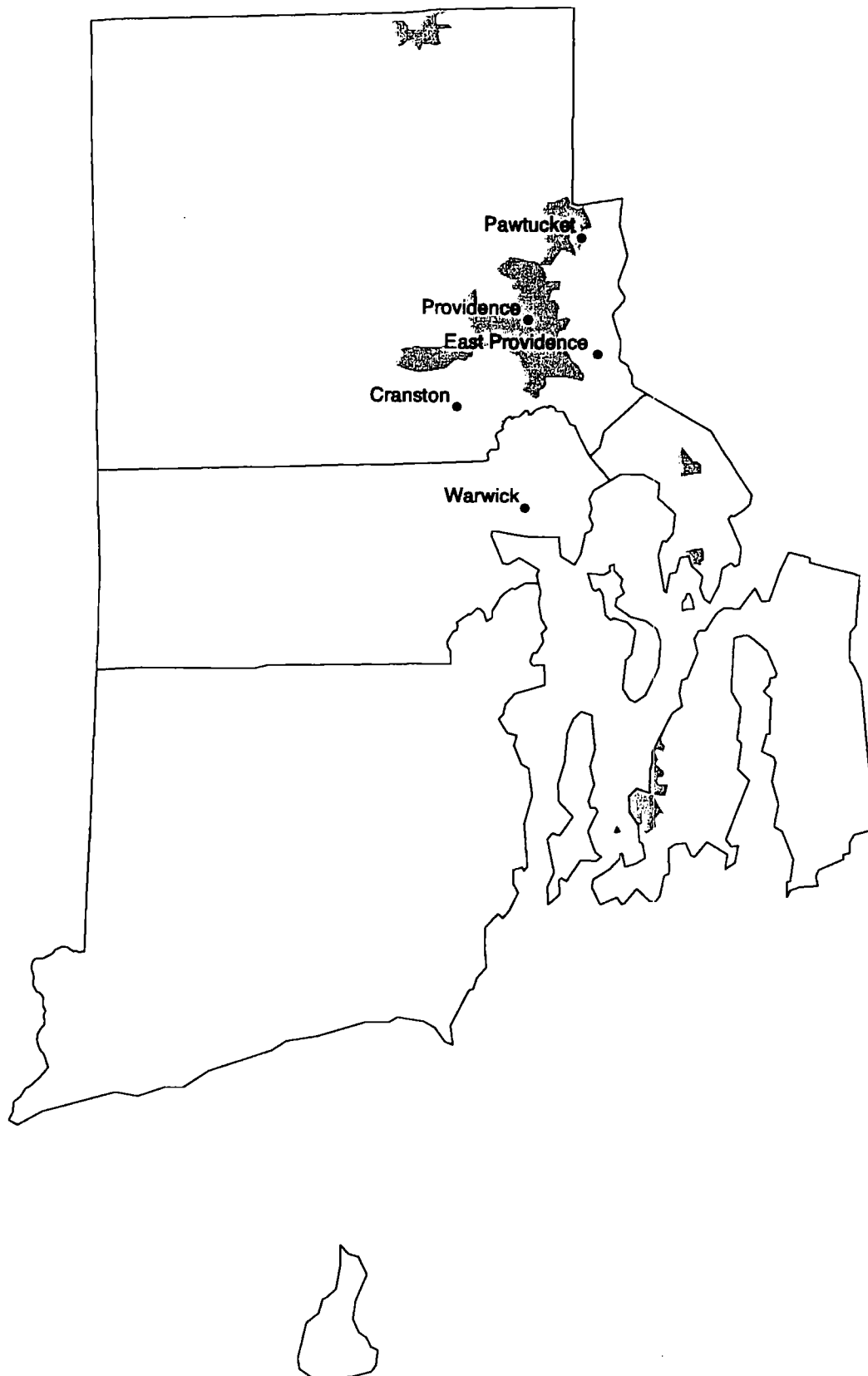
Based on the 1990 Decennial Census and 1998 Metropolitan Area definitions.  
Prepared by the Geography Division in cooperation with the Population and  
Housing and Household Economic Statistics Division, U.S. Bureau of the Census.  
Data and map generated on June 29, 1999.

-  Eligible Census Tract
-  County
-  Selected City

# NEW MARKETS INITIATIVE

## Eligible Census Tracts

### Rhode Island

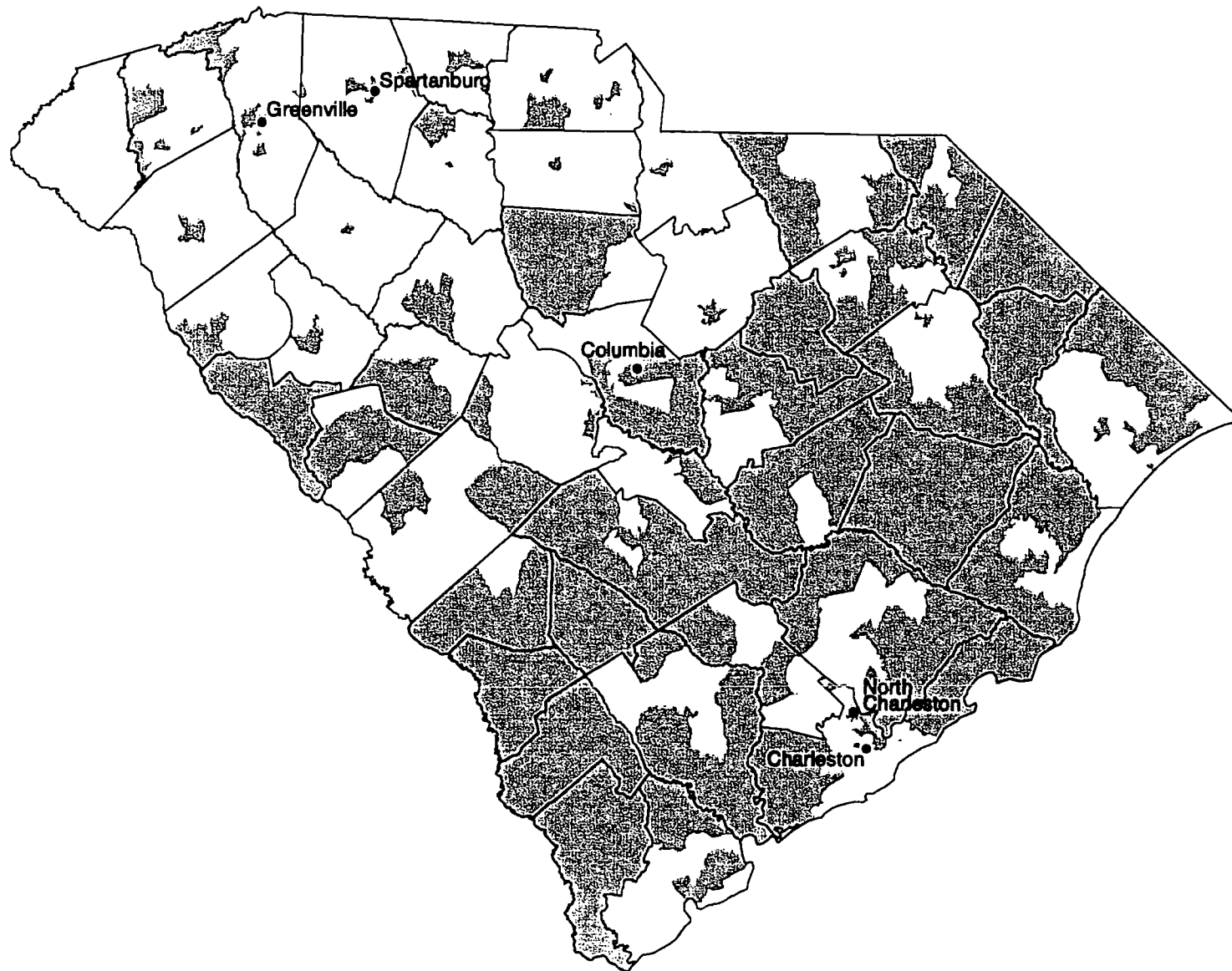


Based on the 1990 Decennial Census and 1998 Metropolitan Area definitions.  
Prepared by the Geography Division in cooperation with the Population and  
Housing and Household Economic Statistics Division, U.S. Bureau of the Census.  
Data and map generated on June 29, 1999.

 Eligible Census Tract  
— County  
• Selected City

# NEW MARKETS INITIATIVE

## Eligible Census Tracts South Carolina

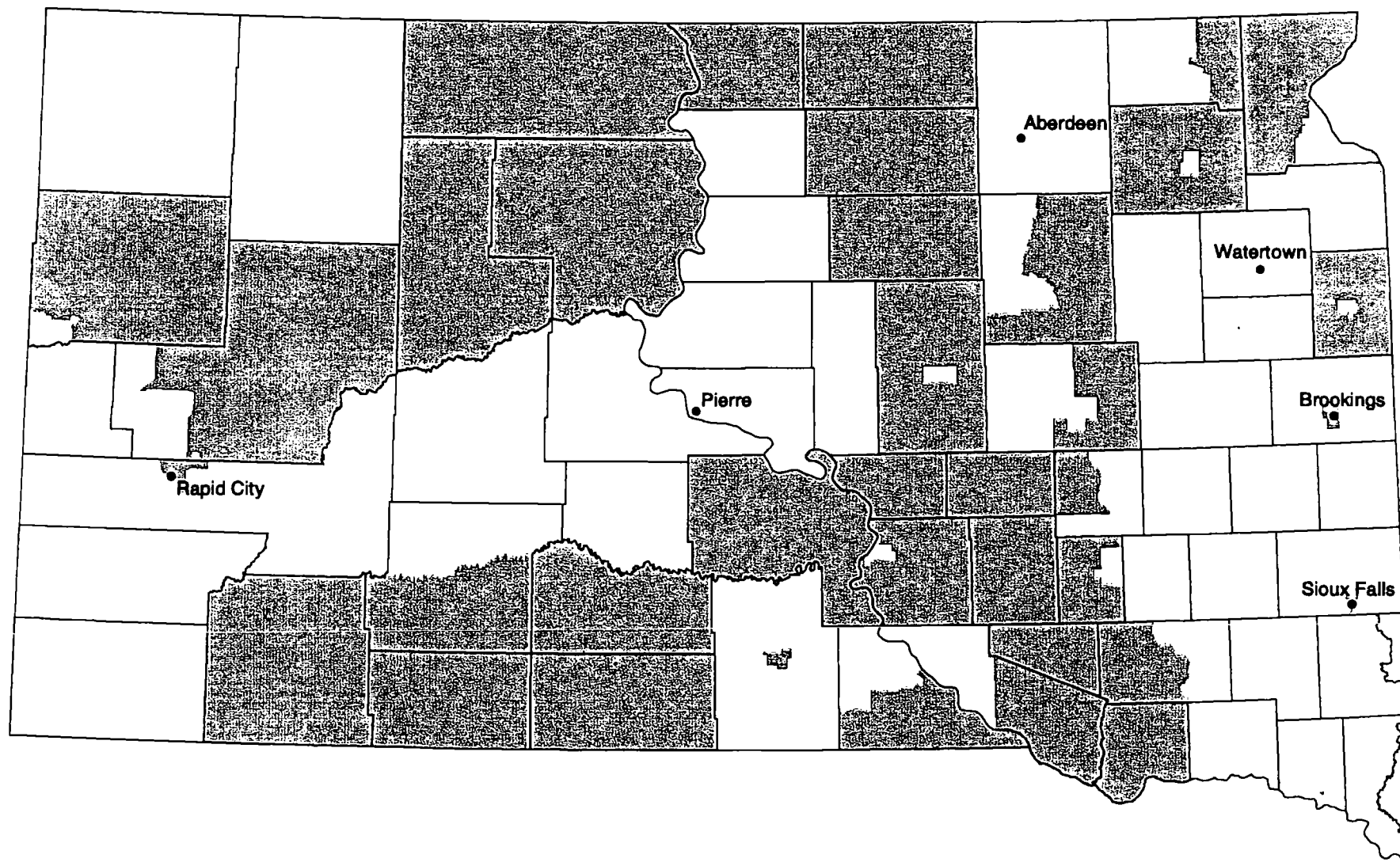


Based on the 1990 Decennial Census and 1998 Metropolitan Area definitions.  
Prepared by the Geography Division in cooperation with the Population and  
Housing and Household Economic Statistics Division, U.S. Bureau of the Census.  
Data and map generated on June 29, 1999.

-  Eligible Census Tract
-  County
-  Selected City

# NEW MARKETS INITIATIVE

## Eligible Census Tracts South Dakota

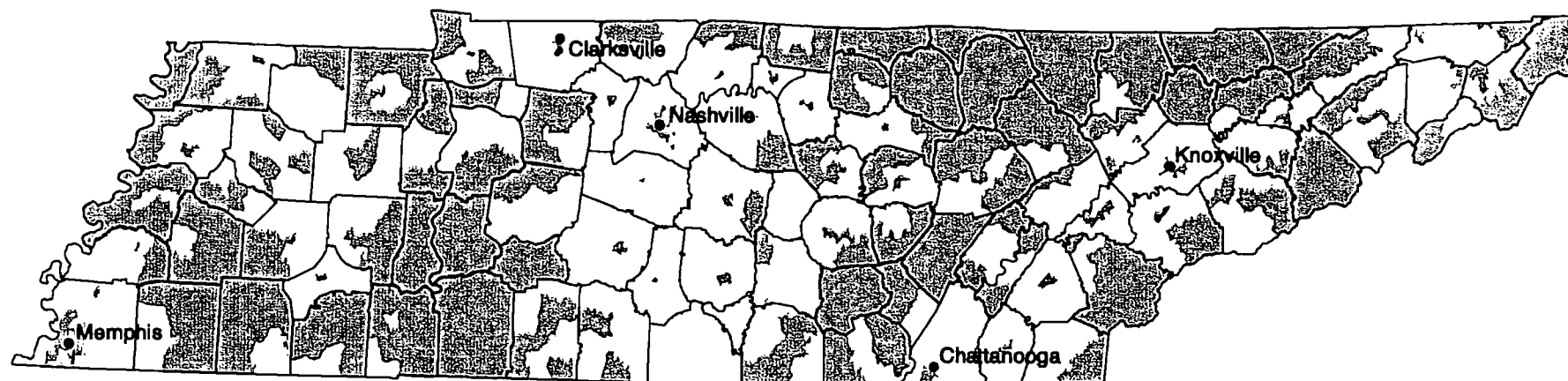


Based on the 1990 Decennial Census and 1998 Metropolitan Area definitions.  
Prepared by the Geography Division in cooperation with the Population and  
Housing and Household Economic Statistics Division, U.S. Bureau of the Census.  
Data and map generated on June 29, 1999.

■ Eligible Census Tract  
— County  
• Selected City

# NEW MARKETS INITIATIVE

## Eligible Census Tracts Tennessee



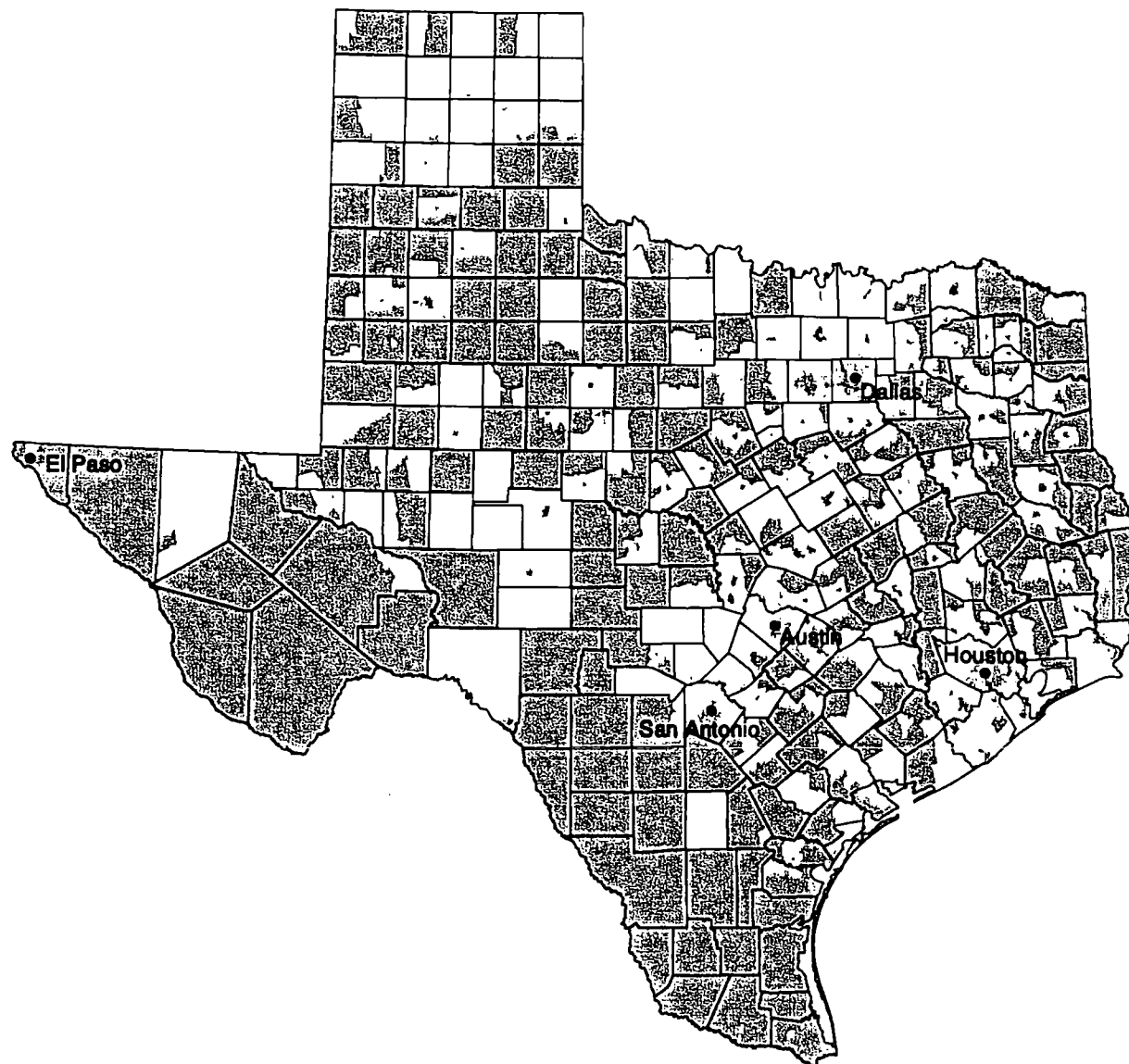
Based on the 1990 Decennial Census and 1998 Metropolitan Area definitions.  
Prepared by the Geography Division in cooperation with the Population and  
Housing and Household Economic Statistics Division, U.S. Bureau of the Census.  
Data and map generated on June 29, 1999.

 Eligible Census Tract  
— County  
• Selected City

# NEW MARKETS INITIATIVE

## Eligible Census Tracts

### Texas



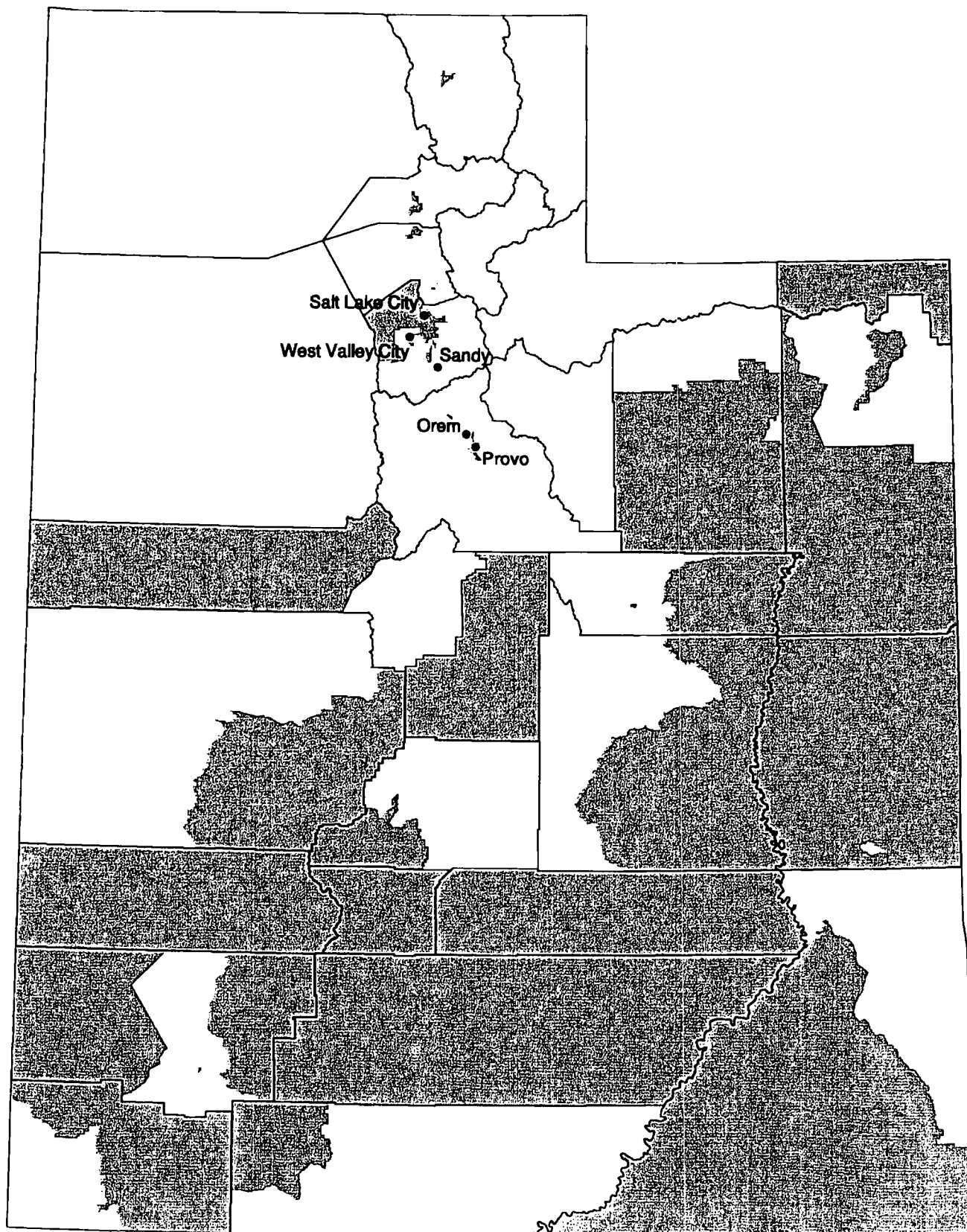
Based on the 1990 Decennial Census and 1998 Metropolitan Area definitions.  
Prepared by the Geography Division in cooperation with the Population and  
Housing and Household Economic Statistics Division, U.S. Bureau of the Census.  
Data and map generated on June 29, 1999.

-  Eligible Census Tract
-  County
-  Selected City

# NEW MARKETS INITIATIVE

## Eligible Census Tracts

### Utah



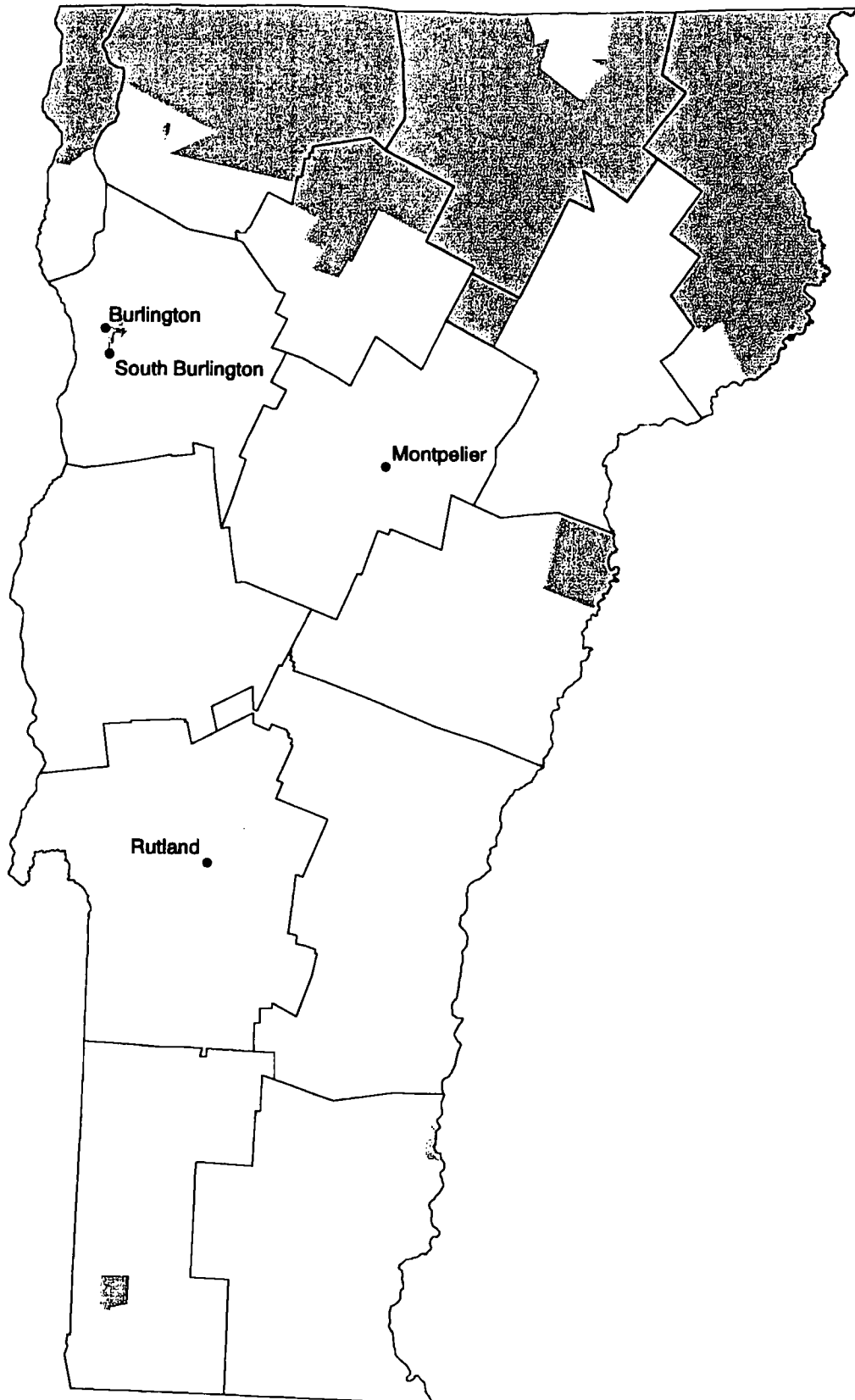
Based on the 1990 Decennial Census and 1998 Metropolitan Area definitions.  
Prepared by the Geography Division in cooperation with the Population and  
Housing and Household Economic Statistics Division, U.S. Bureau of the Census.  
Data and map generated on June 29, 1999.

-  Eligible Census Tract
-  County
-  Selected City

# NEW MARKETS INITIATIVE

## Eligible Census Tracts

### Vermont



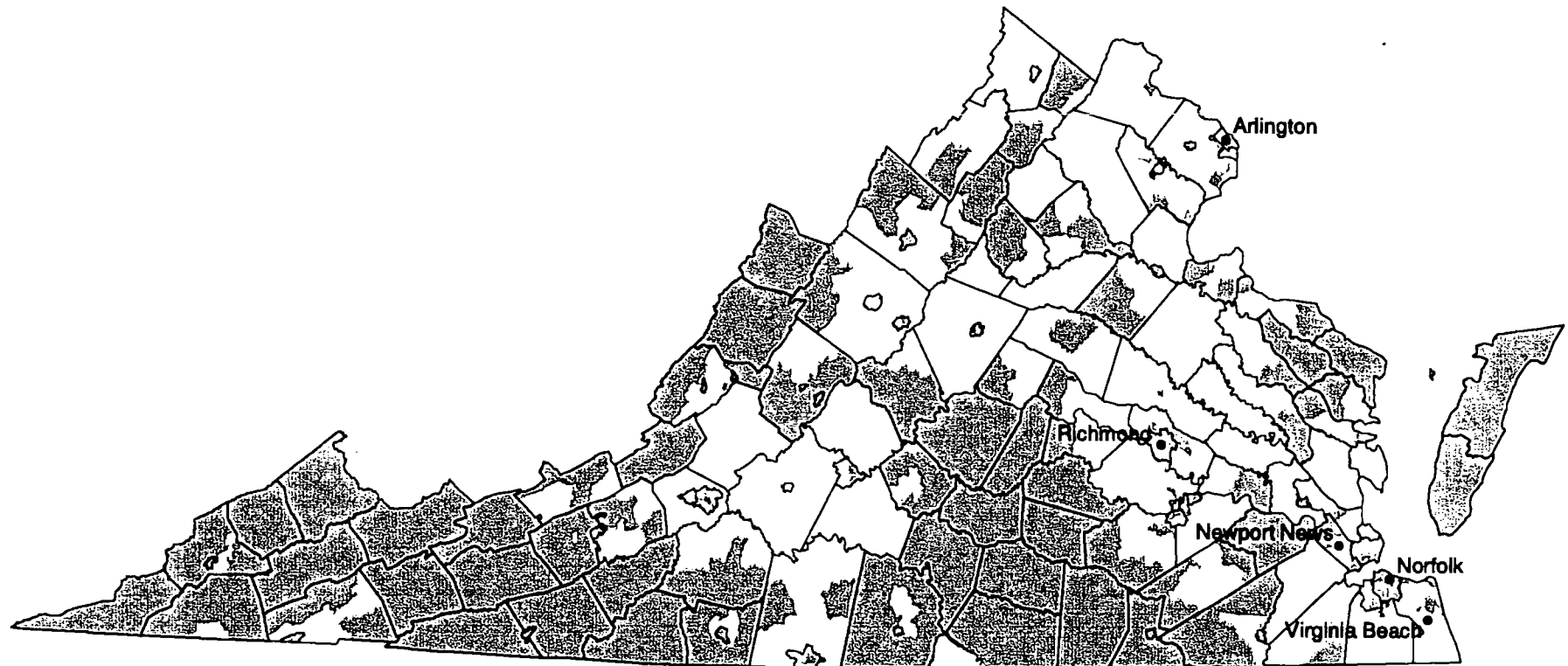
Based on the 1990 Decennial Census and 1998 Metropolitan Area definitions.  
Prepared by the Geography Division in cooperation with the Population and  
Housing and Household Economic Statistics Division, U.S. Bureau of the Census.  
Data and map generated on June 29, 1999.

- Eligible Census Tract
- County
- Selected City

# NEW MARKETS INITIATIVE

## Eligible Census Tracts

### Virginia

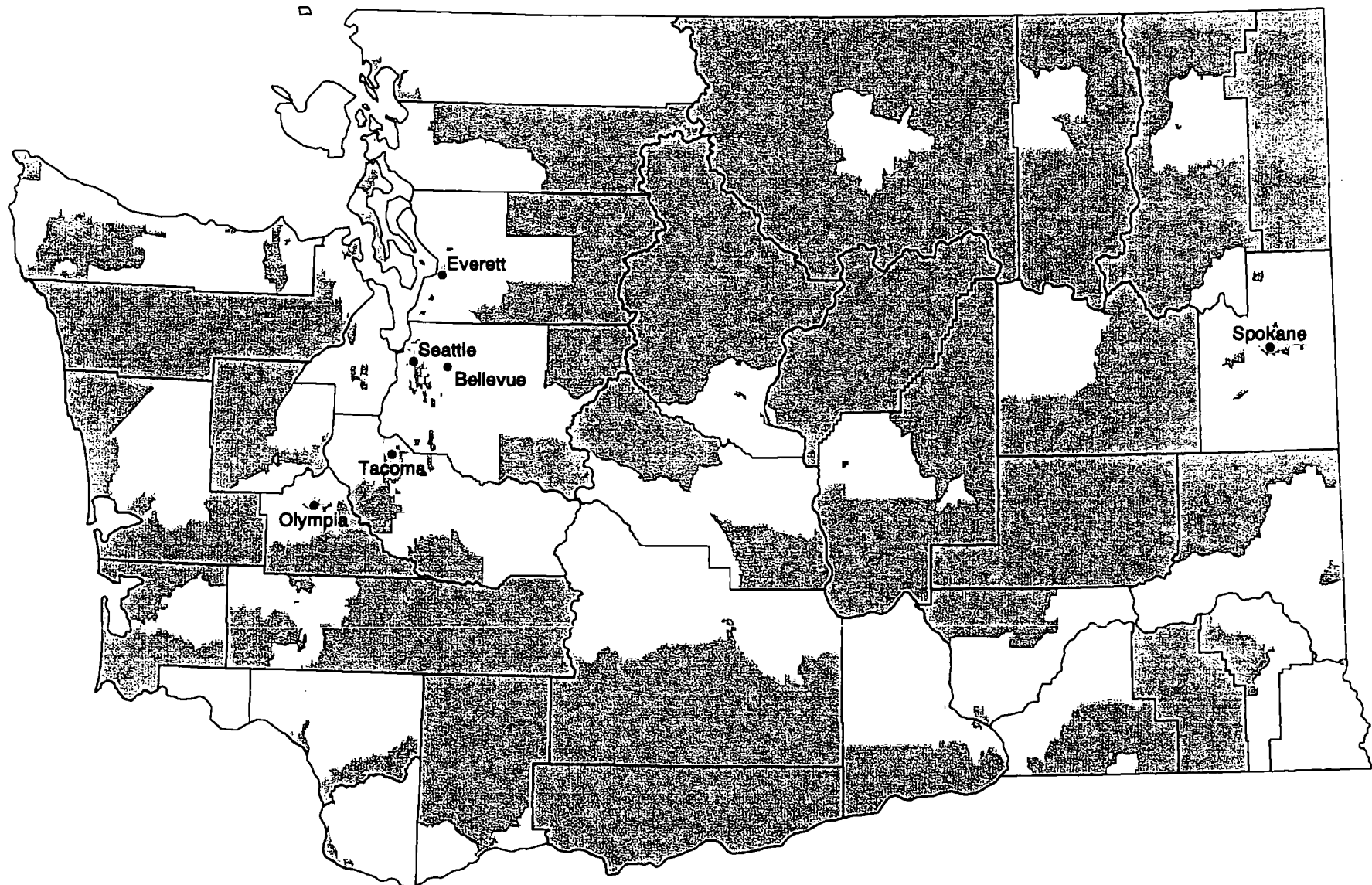


Based on the 1990 Decennial Census and 1998 Metropolitan Area definitions.  
Prepared by the Geography Division in cooperation with the Population and  
Housing and Household Economic Statistics Division, U.S. Bureau of the Census.  
Data and map generated on June 29, 1999.

-  Eligible Census Tract
-  County
-  Selected City

# NEW MARKETS INITIATIVE

## Eligible Census Tracts Washington

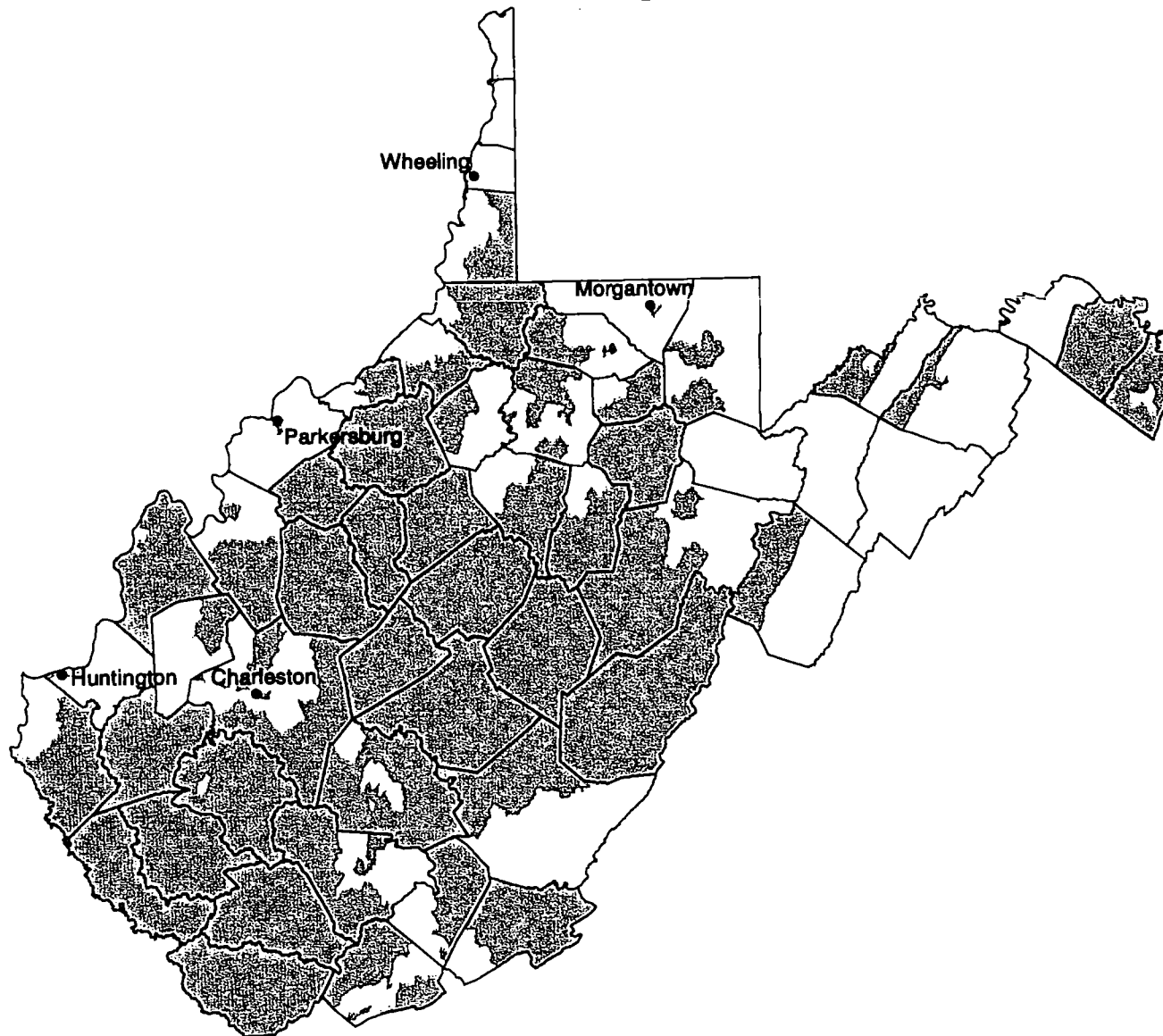


Based on the 1990 Decennial Census and 1998 Metropolitan Area definitions.  
Prepared by the Geography Division in cooperation with the Population and  
Housing and Household Economic Statistics Division, U.S. Bureau of the Census.  
Data and map generated on June 29, 1999.

-  Eligible Census Tract
-  County
-  Selected City

# NEW MARKETS INITIATIVE

## Eligible Census Tracts West Virginia



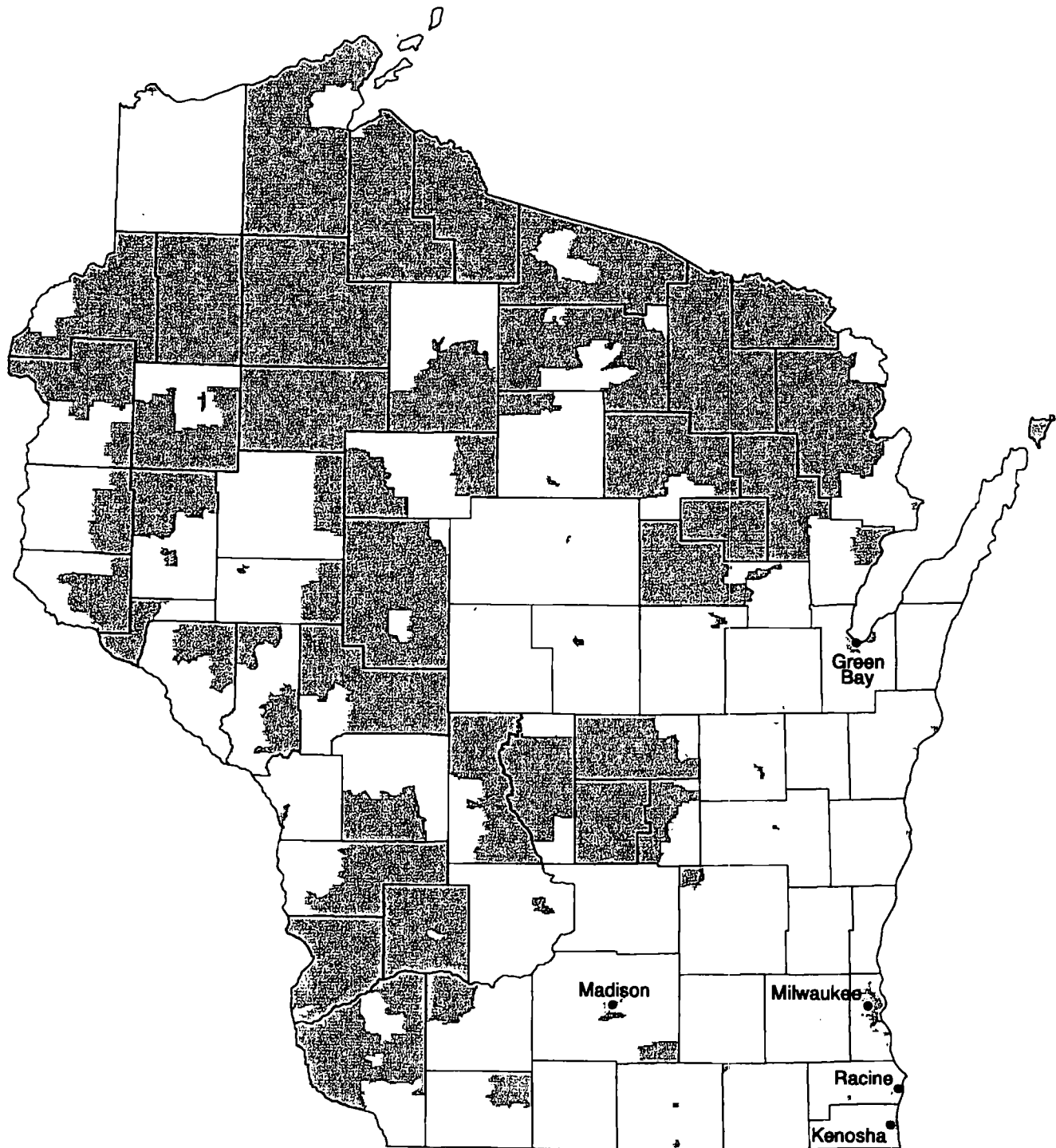
Based on the 1990 Decennial Census and 1998 Metropolitan Area definitions.  
Prepared by the Geography Division in cooperation with the Population and  
Housing and Household Economic Statistics Division, U.S. Bureau of the Census.  
Data and map generated on June 29, 1999.

-  Eligible Census Tract
-  County
-  Selected City

# NEW MARKETS INITIATIVE

## Eligible Census Tracts

### Wisconsin

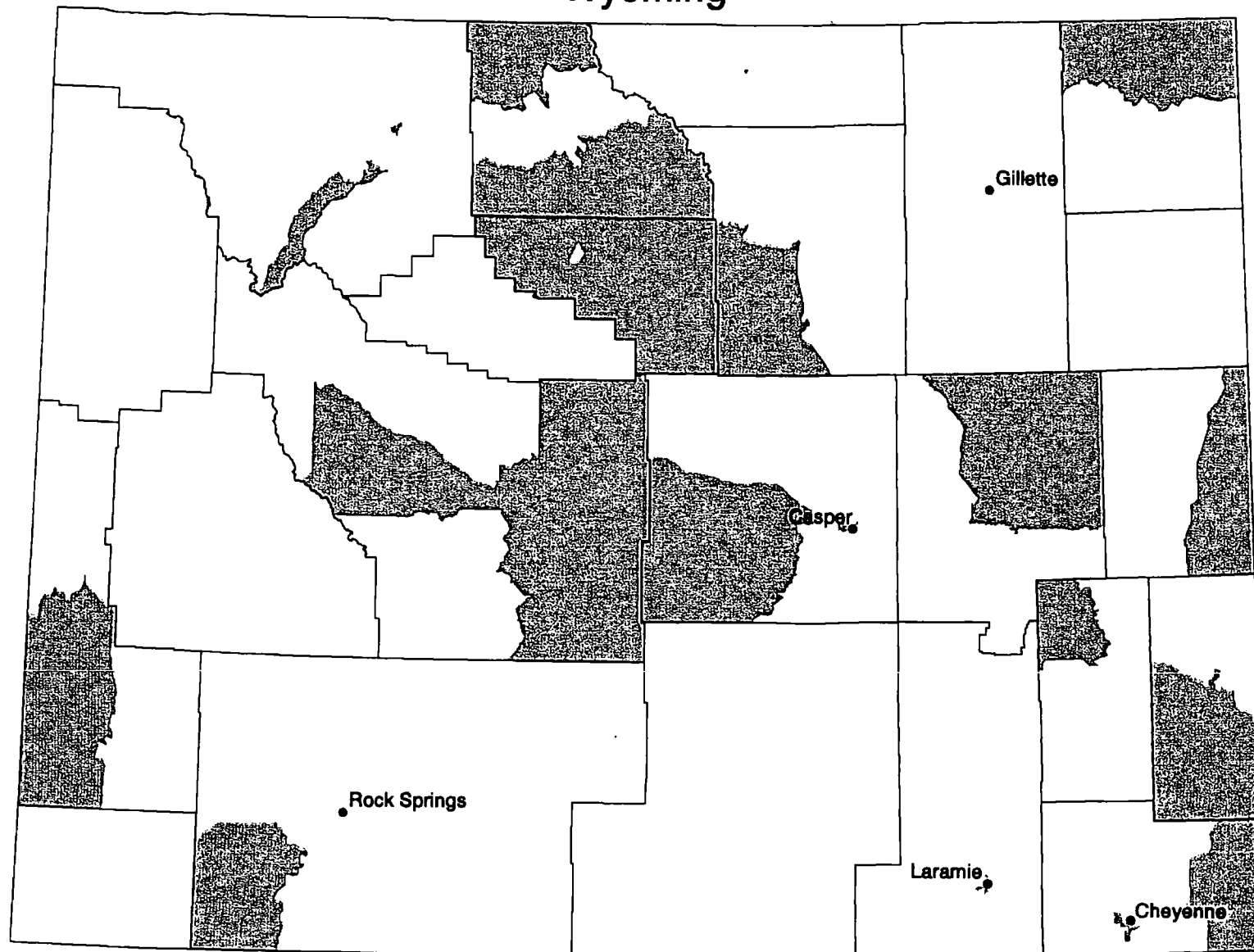


Based on the 1990 Decennial Census and 1998 Metropolitan Area definitions.  
Prepared by the Geography Division in cooperation with the Population and  
Housing and Household Economic Statistics Division, U.S. Bureau of the Census.  
Data and map generated on June 29, 1999.

-  Eligible Census Tract
-  County
-  Selected City

# NEW MARKETS INITIATIVE

## Eligible Census Tracts Wyoming



Based on the 1990 Decennial Census and 1998 Metropolitan Area definitions.  
Prepared by the Geography Division in cooperation with the Population and  
Housing and Household Economic Statistics Division, U.S. Bureau of the Census.  
Data and map generated on June 28, 1999.

■ Eligible Census Tract  
— County  
• Selected City

## **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:

- I. *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.

to  
send copy  
Young

## **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.