SBA'S NEW MARKETS INITIATIVES

President Clinton's New Markets Initiative is a sweeping new public/private partnership designed to boost business opportunities in underserved rural and inner city communities. The key elements include: tax credits, loan guarantee incentives, a network of private venture capital companies, and technical assistance and mentoring programs.

SBA defines New Markets as 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 low- and moderate-income urban and rural areas.

The President's New Markets Initiative includes:

- **New Markets Tax Credits,** worth up to 25 percent for investments in a wide range of investment vehicles serving these communities, including community development banks, venture funds and corporations, and other targeted investment funds.

- **New Markets Venture Capital Companies (NMVCs),** operating in a manner similar to the SBA's Small Business Investment Company (SBIC) program, will combine equity venture capital financing and technical assistance to smaller businesses located in low- and moderate-income (LMI) areas. SBA's program of between 10 and 20 NMVCs would have up to $100 million in SBA-backed funding and $30 million in technical assistance grants.

- **LMI Investments and Outreach Workshops** - SBA will create a new funding mechanism to provide financial incentives to encourage SBICs and Specialized SBICs to invest in low- and moderate-income (LMI) areas. 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.

SBA also has organized a series of workshops to recruit potential SBIC investors and management teams with experience in investing in small businesses in LMI areas. Beginning in late March, workshops are scheduled for Chicago, Kansas City, New York, Atlanta, Dallas and San Francisco.

- **America's Private Investment Companies (APICs)**, modeled on the Overseas Private Investment Corporation, will provide up to $1.5 billion per year in combined private capital and government-backed funding to finance equity capital investment incentives for the creation or relocation of large-scale businesses in inner cities and rural areas. The program will be a Department of

Housing and Urban Development (HUD) program administered jointly by HUD and SBA.

- **BusinessLINC Initiative,** a partnership between SBA, the Treasury Department and the business community to encourage large businesses to work with small business owners and entrepreneurs as technical advisors and mentors - especially in America's rural areas and inner cities.

- **New Markets Lending Companies (NMLCs),** a pilot program to involve approximately 10 non-depository lending institutions that will make SBA-guaranteed loans under the 7(a) loan program targeted to New Market small businesses.

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NEW MARKETS TAX CREDIT
Summary

President Clinton announced January 15 that his FY 2000 budget includes a New Markets Tax Credit to help spur $6 billion in private sector investment for business growth in low- and moderate-income rural and urban communities.

Businesses in our nation's isolated rural communities and inner cities often lack access to equity capital to grow and succeed. To help attract new capital to these businesses, President Clinton is proposing a new tax credit for equity investments in these communities. Investors would be able to claim a tax credit worth 25 percent of the amount invested, in present-value terms. Investments in a wide range of investment vehicles focused on serving these communities would be eligible for the credit. Over the next five years, these funds would be able to attract an aggregate of $6 billion in new equity capital eligible for the tax credit.

What investment funds can use the tax credit? To provide flexibility and attract a range of investors, investments in a wide range of community development investment vehicles would qualify. Under the proposal, the Treasury Department would allocate tax credits to these community development investment vehicles, entities whose primary mission is to serve low- and moderate- income communities. These might include community development banks or venture capital funds, community development corporations (including for-profit subsidiaries or nonprofits), SBA-licensed Small Business Investment Companies focused on low- and moderate-income communities, funds established under SBA's New Markets Venture Capital Companies (NMVCs) – or other investment funds set up to serve low- and moderate-income communities. Tax credits could also be provided for investments in designated national or regional funds that, in turn, invest in local community development organizations.

What businesses would qualify? The community development investment entities would make their own decisions, based on local knowledge and expertise, about what investments or loans to make to help create and grow businesses in low- and moderate-income communities, subject to certain rules designed to ensure that the businesses are operating in these communities. A wide range of businesses could be funded by these investment entities, from small technology firms to inner city shopping centers, from manufacturers with hundreds of employees, to retail stores.

How would the tax credit work? Community development investment entities – whether local organizations or national and regional funds – would apply to the Treasury Department for designation. Designated entities would be given the authority to allocate a given amount of tax credits to investors. The entities would use the tax credits to attract investment capital, and then provide the investors with tax credit authorizations, worth approximately 25 percent of their investment (in present-value terms). On their tax returns, the investors would claim a 6 percent tax credit for each of five years of a mandatory minimum holding period on their investment. The community development entities would report to the Treasury Department on the tax credit allocations made, as well as on the use of the investment funds for qualified purposes.

The New Markets Tax Credits require authorizing legislation.

NEW MARKETS VENTURE CAPITAL COMPANIES
Summary

In the six years since President Clinton took office, the economy has created nearly 17.7 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.

President Clinton's New Markets 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.

SBA's New Markets Venture Capital Company (NMVC) is a key component of the President's New Markets Initiative. It 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 program to fund 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 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 matching technical assistance grants. These grants will cover the costs of technical assistance provided by NMVCs to the small businesses in which they invest.

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

SBA is requesting $15 million to support a program level of $100 million, and $30 million in technical assistance grants in the FY 2000 budget. Establishing the program will require authorizing 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 $2.1 billion from FY 97. In FY 98, licensees made 3,456 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 OUTREACH AND THE LOW- AND MODERATE-INCOME INVESTMENT INITIATIVE

Summary

In the six years since President Clinton took office, the economy has created nearly 17.7 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 president's New Markets 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.

SBA's New Markets Outreach and Low- and Moderate-Income Investment Initiative for Small Business Investment Companies (SBICs) are key components of the President's New Markets Initiative. They complement SBA's existing equity investment program, encouraging small business expansion by providing equity-type capital in rural and inner city areas.

Outreach Workshops

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 FY 1999 and proposed FY 2000 budget levels for the Small Business Investment Company (SBIC) program. It will not require authorizing 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 $2.1 billion from the end of FY 97. In FY 98, licensees made 3,456 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.

U.S. SMALL BUSINESS ADMINISTRATION
WASHINGTON, D.C. 20416

AMERICA'S PRIVATE INVESTMENT COMPANIES
Summary

In the six years since President Clinton took office, the economy has created nearly 17.7 million new jobs. But we have not yet ensured that no community will be left behind. Concentrations of poverty and joblessness continue to have a devastating effect on the social and economic fabric of communities across the country.

The evidence is clear--there are attractive business opportunities in distressed inner city and rural communities that are not being served. A key step to tapping these markets—with purchasing power of over $85 billion per year according to the Harvard Business School--is expanding access to private equity investment in business and industry that serve these communities.

The President's New Markets 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 Companies (APIC) initiative is a key component of the president's New Markets Initiative. It will be a Department of Housing and Urban Development (HUD) program administered by HUD and supported by SBA to combine SBA's venture investment expertise with HUD's expertise in large scale economic revitalization in distressed areas. It complements SBA's equity investment programs, encouraging substantial business expansion into inner cities and rural areas.

America's Private Investment Companies

Described as "the domestic OPIC," it was inspired in part by the Overseas Private Investment Corporation which encourages investing in emerging markets overseas. This new program will provide equity capital for larger-scale businesses in inner cities and rural areas. It will fund large, investment partnerships formed by private investors for this purpose.

APICs will be organized as for-profit private venture capital funds with an estimated minimum private capitalization of $100 million each. APICs will be eligible for twice that amount in government guaranties on loans obtained from private sources. These significant pools of investment capital will be available to take advantage of the opportunities described above and will help to create good jobs in inner cities and rural areas.

HUD and SBA will jointly solicit proposals for the creation of the investment partnerships. Approximately five organizations will be selected. HUD and SBA will enter into a negotiated financing agreement with each selected APIC. APIC investments will be in low and moderate-income areas and have prior government approval for conformance with the APIC program's public policy objectives. But it is private investors who will identify and pursue the most promising business opportunities in the communities.

HUD/SBA anticipate that the budget request of $37 million in FY 2000 will provide $1 billion of government-backed private loans. Combined with a private equity investment of $500 million by investors in the selected organizations, the program is expected to have a total impact of $1.5 billion per year.

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BUSINESSLINC
Summary

In the six years since President Clinton took office, the economy has created 17.7 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 rural and inner city communities that are not being met. One of the most critical needs of these communities is access to technical assistance.

The President's BusinessLINC Initiative is designed to encourage and support mentoring relationships between businesses. This will improve the commercial prospects of small businesses and ensure that the opportunity to stimulate job growth, neighborhood revitalization and economic development of America's untapped new markets are not lost.

BusinessLINC is a key component of the president's New Markets Initiative. It complements SBA's existing small business counseling programs and encourages small business expansion by providing mentoring and technical assistance from larger businesses.

BusinessLINC Initiative

The BusinessLINC Initiative is a new 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 rural areas and inner cities. BusinessLINC, which stands for Learning, Information, Networking, and Collaboration, is designed to stimulate business-to-business relationships that will produce one-on-one technical advice and consulting, classroom and group training, peer group consulting, strategic alliances, and supplier and marketing development for small businesses.

BusinessLINC will help facilitate the technical advice and assistance, access to resources and personal contacts that are necessary for small businesses to compete successfully. SBA is requesting $3 million for this initiative in FY 2000.

The SBA and the Department of Treasury will jointly 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 subcontractors 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. In addition, SBA will expand *ACENet* (Angel Capital Electronic Network), which helps link minority and women-owned businesses with investment capital.

SBA will recruit national and local organizations to advocate BusinessLINC strategies through their networks, and encourage companies to 1) build them into their core business strategies, 2) disseminate best practices, 3) create forums for businesses to exchange information and practices, and 4) support an Internet website to encourage BusinessLINC activities.

SBA will assemble 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 database of companies with an interest in mentor or protégé programs (www.businesslinc.sba.gov).

SBA also will support activities throughout the Country that foster direct business relationships between larger and smaller firms on specific projects.

The Federal Government's HUBZone Empowerment Contracting program also will support the BusinessLINC initiative. Under the HUBZone program, up to $6 billion in new federal contracts will be 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 more than 7,000 rural and inner city communities.

Several large private sector firms have already committed resources to the project. Those include:

- GE Capital will expand its Small Business Colleges, which offer business advice to entrepreneurs in distressed areas, and to open a fifth college in St. Louis and a new pilot program for women business owners in Washington, D.C.

- Science Applications International Corporation (SAIC) will execute joint marketing agreements with small businesses and support relationships with small businesses in the new HUBZone areas.

- Chase Manhattan Bank will create a new program that will connect its senior bank officers with women and minority small business owners, and a new partnership with the National Association of Black Management Consultants.

- Bell Atlantic will spend $1.8 billion, through a partnership with SBA, to increase purchasing and subcontracting with minority and women-owned businesses.

NEW MARKETS LENDING COMPANY PROGRAM
Summary

In the six years since President Clinton took office, the economy has created nearly 17.7 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.

The President's New Markets 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 low- and moderate-income urban and rural areas.

SBA's New Markets Lending Company Initiative is a key component of the President's New Markets Initiative. It complements SBA's lending network, encouraging small business expansion by providing debt financing to these untapped markets.

New Markets Lending Companies (NMLC)

SBA's proposed NMLC program is a limited term, limited participation pilot lasting between 5 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 Markets 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.

Remarks Prepared for Delivery
Wall Street Project Conference
Secretary Robert E. Rubin
January 15, 1998

I appreciate the opportunity to speak with you today. I would like to thank Reverend Jackson for this invitation and applaud him for his leadership on the issue of fostering opportunity in America's economically distressed areas. I know Reverend Jackson has been enormously focused on this project. Since I spoke at the first Wall Street project last year, he has held meetings around the country with experts in finance, investors, bankers, and community leaders to find practical ways to attract more capital to low income communities.

We meet at a time of tremendous strength in the U.S. economy. December marked the 93rd month of the current expansion, making it the longest peacetime expansion in history. Inflation is low. The unemployment rate is the lowest in a generation and more Americans are working than ever before with 131 million Americans working in December. The economy has created more than 17 million net new jobs since January 1993.

And incomes are rising -- at all income levels. Economic expansion has not always helped those at the low end of the pay scale. Low-wage workers were left behind in the expansion of the 1980; in fact, their income actually fell during the decade and a half before President Clinton took office, and income inequality grew. But during the current expansion that trend may have started to reverse. Families in all income groups have seen gains in income since 1993 and families in the bottom fifth of the income scale have experienced the largest increases in income in recent years.

Moreover, this strong economy has greatly benefitted America's cities. Unemployment in the fifty largest cities is down to 5.1 percent from 8.4 percent in 1992. And crime is down substantially.

But, while these developments are important, the reality remains that there is an enormous amount to do to promote growth and opportunity in America's urban and rural economically distressed areas, places fraught with poverty and economic duress. I have long held the belief -- and more importantly, President Clinton deeply believes -- that this country will fall far short of its full economic potential for all Americans, unless our least well off have a real opportunity to join the economic mainstream. Providing this opportunity is not simply a social issue or a moral issue, but an economic issue of great personal importance to each of us, no matter what our income may be or where we may reside. Just think of the difference it would make in terms of higher productivity and reduced social costs if we can bring the residents of these areas into the economic mainstream.

From the beginning of his Administration, President Clinton has made promoting growth in distressed areas a high priority. One of the most important steps we can take for our inner cities and other distressed areas is to continue to pursue the economic strategy of fiscal discipline, opening markets and investing in people that has proved so successful for our economy as a whole. The foundation for a successful strategy of promoting growth in distressed areas is strong economic growth, which in turn creates a tighter labor market, as we have now, and thereby increases the availability of jobs and tends to increase incomes at all levels. Too often, those who believe in the importance of fostering opportunity in distressed areas underemphasize the importance of a strong national economy in that pursuit, while those who do focus on a strong economy too often neglect all else that is require for fostering growth in distressed areas.

Beyond economic growth, this Administration has focused on three key areas -- three areas that are mutually reinforcing -- to promote opportunity and growth in the inner cities and other distressed areas: first, investing in people through education and training so they will have the tools to succeed in the modern economy; second, improving public safety, by putting 100,000 new police on the streets, enacting tougher gun laws and other measures, in part because safe communities are an obvious prerequisite to attracting business; and third -- an area we are intensely focused on at Treasury -- expanding access to capital. Let me now focus on that third area for a few moments.

Despite the fact that financial markets in the United States are today the most innovative, the broadest and deepest in the world, we still have a severe shortage of financial institutions and credit to create housing and jobs in our inner cities and distressed rural communities. Treasury has been bringing its broad expertise in capital markets to address these problems.

As a reflection of the importance we place on these issues, we have established, for the first time in the history of the Treasury Department, an office specializing in these issues, as well as on tax incentives for development in distressed areas, the Office of Community Development Policy.

Through that office – which has accomplished a lot in its relatively brief life – we are focusing on three fundamental challenges going forward.

First, we must protect the Community Reinvestment Act, which expands access to capital from mainstream financial institutions. We have greatly improved CRA by streamlining its regulations so that they focus on performance, not paperwork. CRA has been an enormous success. Over the last six years, according to non-profit community groups, banks and thrifts have made commitments to provide over $1 trillion in capital to low income communities. Home Mortgage Disclosure Act data shows that since 1993, home loans to African-Americans have increased by 58 percent, to Hispanics by 62 percent, to Asians by 29 percent and to low and moderate income borrowers by 38 percent, all well above the overall market. CRA is working. We believe strongly that it is important to maintain CRA and we are opposed to any efforts to weaken CRA.

Second, we must strengthen the Community Development Financial Institutions Fund, or CDFI. We will ask Congress this year for $125 million for CDFI in the new budget to give this critical program the necessary resources to continue its success. Over the last several years we have implemented President Clinton's vision of a CDFI fund, which gives funding to small, community development organizations. Through their local knowledge and expertise, CDFIs are expanding the reach of the private sector marketplace, helping to demonstrate how to make effective loans and investments in low income communities, and drawing in mainstream institutions in partnership. We are also encouraging more banks to get involved through Bank Enterprise Awards, which are awarded to mainstream financial institutions that are active in distressed areas.

At the same time, under the Vice President's leadership, we have started BusinessLinc to connect local businesses with larger businesses, because access to capital is most effective when married to access to business expertise and technical assistance. Those of you in the business community can be of enormous assistance to smaller firms, particularly firms in the inner cities, that may be cut off from mainstream business networks. At the same time, experience suggests that these BusinessLinc strategies are good for the larger firms' bottom line as well. The Administration is seeking $3 million in SBA's budget to move this initiative forward and would like to work with you to expand BusinessLinc strategies across the country.

Third, we must build on our efforts to encourage economic growth in low income communities through tax incentives for business investment. Over the last several years, we have enacted a number of incentives, from the so-called brownfields tax incentive to spur the clean up and redevelopment of thousands of abandoned, environmentally contaminated sites in under-served communities to two rounds of Empowerment Zones. We made the low income housing tax credit permanent, and we are now proposing to expand it by 40 percent.

Building on these efforts, the President announced today a proposal for a new tax incentive to spur the private sector to make equity investments to help grow businesses in our nation=s cities and rural communities. This New Markets Tax Credit could help foster $6 billion in new equity investment in low-income communities over the next five years. A community development investment fund, if selected, would be able to offer potential investors a 6 percent tax credit for five years, cutting the investors' cost of capital by 25 percent.

To provide flexibility and attract a range of investors, the tax incentive would be available for investments in a broad array of community development investment vehicles, from CDFIs and rural venture capital funds, to Community Development Corporations that set up partnerships to attract new retailers in low income communities. You heard this morning that SBA is creating two new programs: New Market Entrepreneur Funds and America's Private Investment Companies to invest in businesses in these communities. Investors in these funds will also be able to obtain the tax credit.

I remember from my time on Wall Street that there really had been no practical means, even for professional investors, to invest in inner cities even if they wished to do so. Hopefully, the creation of CDFI and other vehicles, and this new tax credit, will interact to make investment opportunity more readily available and to provide incentive for such investment. And that is not only good for the inner cities and rural areas, it is a good for investors and for the country. In the past few years, in Los Angeles, Boston, Chicago, and the Bronx, I have seen firsthand the positive effects these community development institutions can have in economically rejuvenating distressed neighborhoods.

This past year has been a year of significant crisis in the global economy, a crisis that has affected hundreds of millions of people around the globe, in nearly every country, including our own. While we must be and have been intensely focused on this crisis, because our own economic well being is integrally related to the well being of the global economy, we must also remain focused on being strong at home, and making sure the residents of our distressed areas have a real opportunity to enter the economic mainstream.

The current strength of the U.S. economy provides an enormous opportunity to make progress in promoting growth in our nation's communities. The President's announcements today build on successful programs such as CRA, the CDFI fund and a host of tax initiatives in a strong effort to make real progress in bringing all Americans into the economic mainstream. And we at Treasury look forward to continuing to work with you on a bipartisan basis on these critical issues as we move ahead. Thank you very much.

Inc.'s first-ever "Inner City 100" issue will draw national attention to the magnitude and breadth of inner-city entrepreneurship and business growth. Don't miss the opportunity to showcase your advertising message in this high-profile issue.

This major report is a unique collaboration between *Inc.* magazine and the Initiative for a Competitive Inner City (ICIC), a national not-for-profit organization and dominant force in inner-city economic development. Harvard Business School Professor Michael E. Porter, Chairman and CEO, has led the four-year-old ICIC in its quest to identify successful inner-city companies and market opportunities, competitive advantages of inner-city locations and the best practices for operating in these locations.

"By uncovering the most exciting growth companies in the inner-cities we hope to promote further entrepreneurship and business growth and accelerate corporate America's recognition of the urban business opportunity." — Michael E. Porter, Chairman and CEO, ICIC

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- Ranking of the fastest growing inner-city companies in America
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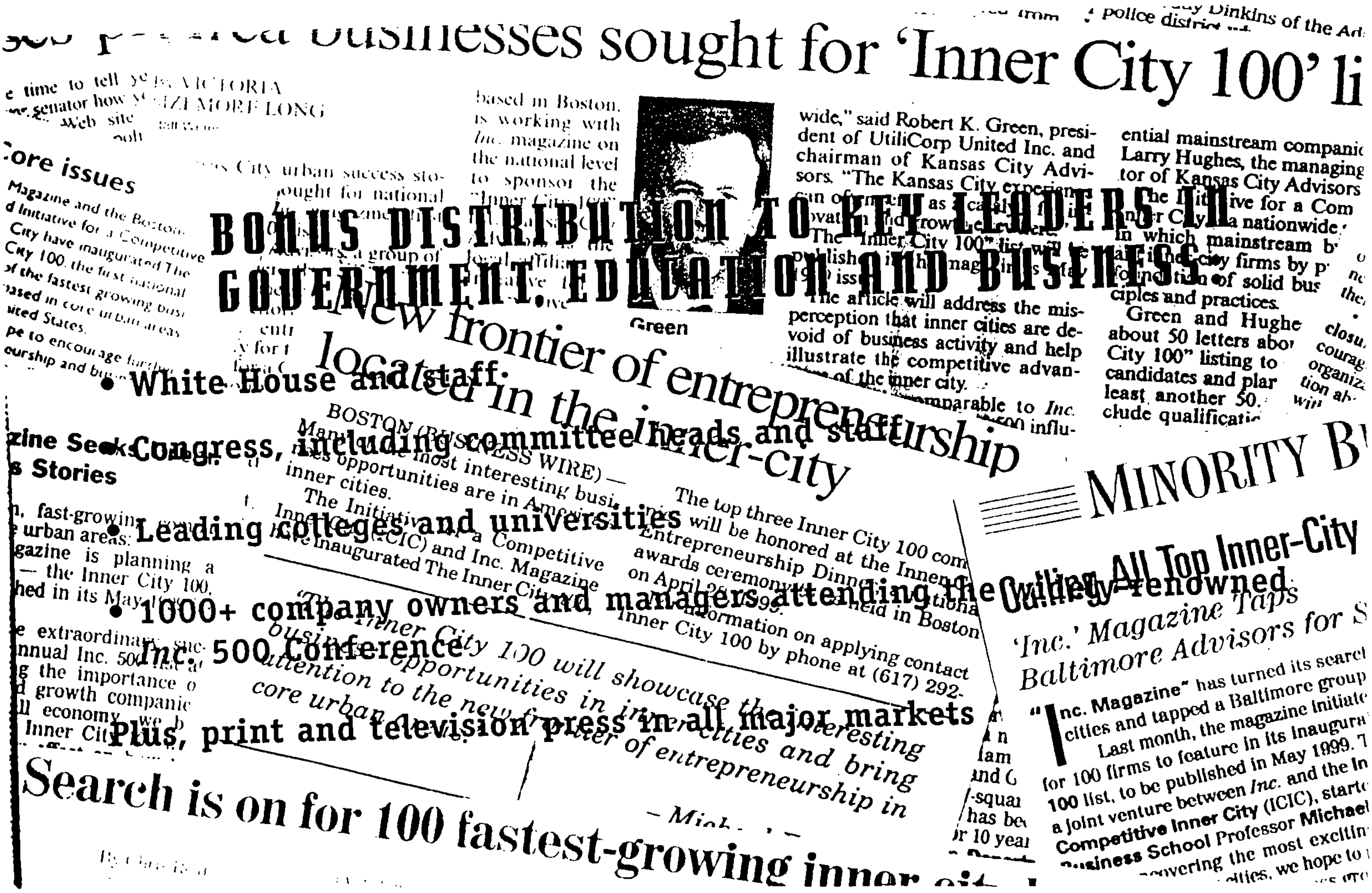
- Best Practices: What to learn from growing inner-city businesses, such as great hiring and training practices and where to find capital when banks say no



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Issue Date: May 1999 Closing Date: March 15, 1999

At a Conference on Wall Street Diversity, the President Finds His Own Stock Soaring

By JAMES BENNET

While under attack again by House prosecutors in Washington, President Clinton was doused with praise yesterday for the economy's strength, likened to the Rev. Dr. Martin Luther King Jr. and generally celebrated at a Wall Street conference bringing together minority and white business leaders.

"You done good, William Jefferson Clinton," said Susan Taylor, the editor of Essence magazine, who advised him to "be gentle with yourself" because "only God is perfect."

Richard Grasso, the president of the New York Stock Exchange, told Mr. Clinton that Dr. King was surely smiling down on the gathering.

"He's recognizing what you've done for this country," said Mr. Grasso, who described how the Clinton Presidency had benefited "my little corner of southern Manhattan."

And the Rev. Jesse Jackson, who organized the conference to promote diversity on Wall Street, told the President that the only people with "clean uniforms" were those whose coaches lacked confidence that they could play the game.

"Those who play have stains on their uniforms," Mr. Jackson said as the crowd, gathered at Windows on the World, at the top of the World Trade Center, responded with cheers and applause.

White House aides said they had learned only at the last minute that Mr. Jackson had arranged for the series of eight testimonials, delivered before Mr. Clinton spoke. The President sat solemnly, his face growing red, as speaker after speaker saluted his achievements in a session that combined the whooping of a revival with the statistics-spouting of a shareholders meeting.

When he finally stepped to the lectern, Mr. Clinton observed that such nice compliments were usually paid at funerals. Breaking into a grin, he jabbed a hand in front of him and added, "And I don't think we're there yet!" The crowd rose in a clamorous ovation.

For Mr. Clinton, it was another day of the brutal juxtapositions that have come to define his Presidency. As the House prosecutors declared that he had corroded his office, he spoke, in speeches in New York and Washington, of his hopes for renewing faith in government.

In a wide-ranging, ruminative address yesterday morning, the President spoke to a conference at the State Department on making government more efficient, saying that "this is about, in my judgment, the preservation of the vitality of democracy."

"To the extent that people do not believe their representatives will handle their money for public purposes the way they themselves would," he said, "democracy is itself diminished."

Then, in his half-hour speech in Manhattan, he argued that now was the time to act to "build a bridge between Wall Street and our greatest untapped markets": low-income areas in the cities and the countryside.

"If we can't do it now, when in the wide world will we ever get around to it?" he said. "If there was ever a time when none of us have an excuse, this is that time. But the world changes very fast, and we have to seize the moment."

To that end, Mr. Clinton proposed a Federal initiative intended to stimulate $15 billion of new private investment in poor areas over several years. One element of the proposal is $1 billion in tax credits spread over five years. Another would provide $608 million in Federal spending, mostly for guaranteed loans to increase such investment.

Mr. Clinton, who flew up to New York yesterday morning after icy weather had postponed a flight scheduled for Thursday, returned to Washington after the conference for a fund-raiser last night on behalf of the Democratic National Committee.

For the White House, the day was another opportunity to demonstrate that neither sleet nor snow nor prosecution in the Senate would stay Mr. Clinton from his duties. Such strategy aside, the President was plainly enjoying himself. He clearly relished the praise as well as the opportunities to talk before appreciative audiences about the sorts of issues — government reform and economic development — that have been hallmarks of his quarter-century political career.

Yet the Senate trial was never far from sight. One participant in the Wall Street conference was Lanny J. Davis, former White House strategist and spokesman, who now is a lawyer in private practice — his name tag identified him as a representative of Motel 6, a client — but informally advises the President.

Moments before Mr. Clinton arrived, Mr. Davis, illuminated by a television light, stood at the back of the jammed, low-ceilinged hall and, to an interviewer's question about the House prosecution, said: "Been there, done that. There's nothing new in this whole thing."

Associated Press

President Clinton and Vice President Al Gore at a State Department gathering yesterday on "reinventing government."

Several members of Congress, including Representative Richard A. Gephardt of Missouri, the House minority leader, also attended the conference. Jack Kemp, the 1996 Republican Vice-Presidential nominee, was seated before the lectern as Mr. Clinton spoke. When the President said, "I always liked him," Mr. Kemp shot back, "I like you too, Mr. President."

The President's predicament was much on the minds of those in the room. An appreciative murmur rippled through, for example, when Ms. Taylor, the Essence editor, told him that because of his "bravery" in hiring women and members of minority groups, "some hardened hearts are bent on punishing you."

"We black women," she continued, "we just want to say thank you, thank you for including us, and not demonizing our men."

Dr. Emma Chappell, president of the United Bank of Philadelphia, said Mr. Clinton shared with Dr. King, who would have turned 70 yesterday, a love of justice and civil rights.

"Tragically," she said, "one was assassinated and one is now persecuted."

C. Michael Armstrong, chairman of the AT&T Corporation, did not refer to the President's travails, but nor was he stinting in praise of Mr. Clinton's stewardship of an economic boom.

"You had the courage to get it started," Mr. Armstrong said, adding that everyone was then able to take the greatest "economic ride in the history of the country."

Mr. Jackson also compared the President to Dr. King.

"What you are about as a public policy leader represents the fulfillment of his dream," said Mr. Jackson, who then likened Mr. Clinton to Babe Ruth, noting that Ruth was remembered for his home runs rather than his strikeouts.

"At the end of the day, what is your box score?" Mr. Jackson said. "That's how God judges us."

THE NEW YORK TIMES, TUESDAY, JANUARY 19, 1999

Keith Meyers/The New York Times

As his trial continued yesterday, President Clinton basked in praise at an economic conference in New York City. It was organized by the Rev. Jesse Jackson, who greeted Representative Richard Gephardt. Page A9.

"All the News
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Project for Minorities Aims to Show Its Broader Mandate

Target Is Wall Street And Well Beyond

By DIANA B. HENRIQUES

Senior executives from several dozen blue-chip corporations will gather in New York today with hundreds of their counterparts at minority-owned companies for the second annual economic conference organized by the Rev. Jesse L. Jackson's advocacy initiative, the Wall Street Project.

Like last year's event, the two-day conference has a high-kilowatt guest list that includes C. Michael Armstrong, chairman of AT&T, and Sanford I. Weill, the co-chief executive of Citigroup — and, by the way, President Clinton, three Cabinet members and other officials.

Once again, Mr. Jackson will use the occasion to exhort corporate America to expand its "trade relationships" with the "emerging markets" in inner cities and rural backwaters, through employment, capital investment and the purchase of goods and services.

But this year, Mr. Jackson will also be trying to demonstrate persuasively that the Wall Street Project is operating with a broader mandate and a clearer focus than it demonstrated at its debut conference last year.

Despite its name, the project is aimed at expanding opportunities for women and minorities all across corporate America, not just on Wall Street. "The term 'Wall Street' is simply symbolic of the entire finance and business culture," Mr. Jackson said in a recent interview.

When he met with local groups over the last year, he said, he frequently asked them to name five top political leaders, and "they all could.

"Then I asked them to name five top corporate C.E.O.'s, and there was dead silence," he continued. "We've got to change that."

The Wall Street Project still has much of the fervor and facets of a grass-roots political organization. It relies heavily on its founder's charisma and access to top executives. And while Mr. Jackson says he prefers private negotiations, in the last year he has also led marches, visited picket lines and attended rallies — proving that the fledgling project is, at the very least, a bully pulpit for the economic agenda that he has promoted through his Rainbow/PUSH Coalition for many years.

Reuters

The Rev. Jesse L. Jackson, accompanied by Richard A. Grasso, New York Stock Exchange chairman, recently gave reporters a preview of the Wall Street Project's second annual economic conference.

And, like the grass-roots civil rights movement that first brought Mr. Jackson to prominence as a top aide to the Rev. Dr. Martin Luther King Jr., the Wall Street project is emerging as a first-class networking arena for minority business leaders, introducing them not only to mainstream executives like Mr. Weill at Citigroup but also to one another.

Emma C. Chappell, the founder and chairman of the United Bank of Philadelphia, cites her encounter with Vernon Duckrey, who owns more than 100 Burger King and Pizza Hut franchises in southern New Jersey. The two black entrepreneurs have built their businesses a short distance away from each other. "But I had no idea he existed until the Wall Street Project referred him to me," Ms. Chappell said. "Now we are getting ready to finance some of his new construction, and I've got a good new customer."

A new element added to the project's grass-roots format, Mr. Jackson said, is shareholder activism. The project has purchased stock in 107 American corporations, and it intends to be an active shareholder. Mr. Jackson has attended annual meetings to urge corporations to resolve existing disputes with minority employees and to expand the business they do with minority-owned suppliers, professionals and banks.

"This has always been part of Jesse Jackson's broader rhetorical agenda, but now they're putting it into action," said Timothy H. Smith, the director of the Interfaith Center on Corporate Responsibility in New York. "I don't think any company could ignore him. He can jawbone or encourage or praise — and he also has the ability to launch a major campaign against you if you don't respond."

The Wall Street Project already claims some successes. Several companies have added minority directors to their boards at the group's urging, and others, like the **Boeing** Company, have begun to resolve longstanding employee disputes after Mr. Jackson intervened.

The project persuaded the **General Motors** Corporation to undertake a yearlong independent review of its minority dealer development program. That review resulted in a blueprint to improve the program, which is now being carried out. The project also encouraged **MCI Worldcom** Inc. and six other companies to include minority-owned banks in their securities sales last year.

Mr. Jackson's effort has emboldened some minority business leaders to promote his agenda. In one example, analysts from **Ariel Capital Management**, a black-controlled mutual fund and money-management company in Chicago, now routinely ask executives about the diversity of their boards and senior management, said John W. Rogers Jr., Ariel's president. "The Wall Street Project has made it easier to ask the question," he added. "And it is a great way to see whether top management at a corporation gets it."

The project's leaders have lobbied for improvements in Federal Communications Commission rules about minority ownership of media outlets and Small Business Administration programs aimed at financing less affluent entrepreneurs. And it has pushed for new public-private programs to steer capital to the inner cities and Appalachia.

But in a departure from both traditional shareholder activism and grass-roots political work, the Wall Street project has as much to say to its supporters as it does to its adversaries. And its message, Mr. Jackson says, is that "casting a ballot to vote is not enough."

"We have to cast our proxy, too," he said. "We have to exercise our power as investors."

At least 30 corporations are helping to sponsor this year's conference events, up from barely a dozen last year. And while last year's sponsors were largely from the financial-services industry, this year's sponsors include Boeing, the Frito-Lay subsidiary of **Pepsico**, the **Xerox** Corporation and the Stop and Shop supermarket unit of **Royal Ahold** N.V.

The Wall Street Project is a program of the Citizenship Education Fund, an Ohio-chartered charitable foundation that Mr. Jackson formed 15 years ago. The fund has supported the project during its embryonic stages and monitors its finances, said Janice Mathis, an officer of the fund and general counsel of the Rainbow/PUSH Coalition in Chicago.

But most of the project's 1998 revenues consisted of the approximately $400,000 raised at last year's conference, Ms. Mathis said, and its 1999 budget relies heavily on tonight's benefit, at which the poet Maya Angelou and President Clinton will be the guests of honor.

The project's main office is in New York. Each of its new regional outposts — in Chicago, Detroit and Los Angeles — is expected to be self-sustaining through local fund-raising, Ms. Mathis said. These offices, in most cases, are built around "trade bureaus," the local minority business clubs that have been run for years by the Rainbow/PUSH Coalition. Trade bureau members contribute a minimum of $250 to join, their dues now entitle them to receive the Wall Street Project's monthly newsletter, which says it has 3,500 subscribers.

The Wall Street Project will be constantly tempted to expand beyond its shoestring budget simply because the needs are so great, said Chee Chee Williams, who directs the New York office. And Mr. Jackson has often been criticized for spreading himself too thin and not following through on his ambitious agenda.

But his supporters do not seem worried. "I don't think we should expect him to do the follow-through," said Ms. Chappell, the Philadelphia banker. "It is up to all of us to do that."

A Test Case for Investing Inclusion

By DAVID BARBOZA

When the Rev. Jesse L. Jackson opens up the Wall Street Project conference on minorities and investment today, one of the central players is expected to be Mel Farr, who heads the nation's largest black-owned auto dealership.

Mr. Farr, who operates dealerships in Michigan, Ohio and Texas, has been held up by Mr. Jackson as one of the nation's leading minority entrepreneurs, a prime candidate for Wall Street to look to if it is going to invest in minority businesses and neighborhoods.

But Wall Street has not yet embraced Mr. Farr's effort to raise $45 million in a private placement of asset-backed securities to expand his **Mel Farr Automotive Group** dealerships.

"I don't have anything concrete yet," said Mr. Farr, who plans to meet this week with officials at Citigroup and Goldman, Sachs & Company. "This is a test. We want inclusion. I've got a portfolio of investment grade, and now I want to see if they're going to invest in an African-American business that does business in the African-American community."

In some ways, Mr. Farr, 54, might be seen as a test case for the Wall Street Project, which Mr. Jackson and Mr. Farr say is all about investing in the "emerging markets of urban areas."

"He comes to Wall Street looking for access to capital," Mr. Jackson said last night. "And we're going to work hard for him." Of Wall Street, he added: "They can't say they can't find a guy. They have a guy. He comes to the plate with all the qualities."

Indeed, over the last few decades, Mr. Farr, a former pro football player, says he has turned a bunch of failing dealerships in the Detroit area into a business with more than $600 million in revenue. He built his business selling and leasing cars in poor neighborhoods, to minorities with little or no credit, often at high interest rates. He says that for many it is their only way to get transportation for some jobs.

Although he caters primarily to minorities, he also has dealerships in largely white neighborhoods. His sales are often bolstered by television ads aimed at blacks that feature "Superstar Mel Farr" with Mr. Farr in a suit and a red cape. And until recently, there were also television ads that spotlighted a white actor in commercials done for a dealership in Fairfield, Ohio, which Mr. Farr says illustrates how difficult it is to cross over in some areas. "It's a market that is primarily white Americans, and I didn't want to turn off those customers because I am black," he said.