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[1973?]

History of Minority Enterprise in SBA

During the mid-portion of the decade of the sixties, after major emphasis had been directed toward development and assistance programs in health, education, welfare and employment, there developed a perspective which allowed Federal policy makers to evaluate the needs of the Nation's socially and economically disadvantaged.

One area where there was a clear pattern indicating the exclusion of the Nation's socially and economically disadvantaged was in the small business sector of the economy. This phenomenal void was particularly true with respect to the principal minority groups: the blacks, Spanish-speaking and/or surnamed Americans (including Puerto Ricans, Cubans, Mexican-Americans, and other Latin Americans), Native Americans and Asians. While there were wide fluctuations in the degree to which any individual might have suffered from this discrimination, collectively they represent 17% of the total population, but only 3% of the Nation's businesses. These businesses represent less than 1/2 of 1% of the Nation's business assets.

In 1964, a policy decision was reached, within the Small Business Administration, to institute a pilot financial assistance project in Philadelphia, which was aimed primarily at the inner-city black population. As conceptualized, the program proposed making loans for up to \$6,000, for a term not to exceed 6 years, a totally inadequate program in relation to business standards that were in existence. Concurrently, the stringent requirements for a large percentage equity investment, coupled with demanding criteria for demonstrating managerial and/or technical experience, were moderated in order to include more blacks as eligible. This program, which was to be quite short-lived, enabled SBA to cross a major psychological threshold, but little else. Instead of simply turning down a marginal applicant, SBA began to consider ways in which the applicant could be provided with adequate financial, managerial or technical skills, it at least gave them hope of becoming a qualified applicant and successful entrepreneur.

During this same year, 1964, and partly as a result of the experience gained under a clearly inadequate program, the Economic Opportunity Act was enacted into law. Under Title IV, the Administrator of SBA was authorized and



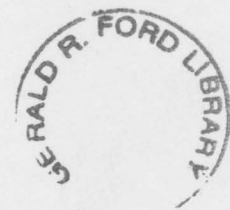
encouraged to initiate a new financial assistance program known as the Economic Opportunity Loan (EOL) Program. With EOL authority, SBA was enabled to make loans of up to \$25,000 for a term of up to 15 years, to persons who were found to be socially or economically disadvantaged. Modifications of the equity and business experience requirements, which began under the earlier programs were expanded and accelerated on a national basis.

As this first major significant program, directly beneficial to minority applicants, was expanded, the Agency found itself breaking new ground. Historically, SBA had emerged as a fiscal agency which sought to measure itself in the same perspective used by the private economic sector, particularly the banking community. In achieving its EOL goal, however, SBA found it advantageous to educate its personnel throughout the Nation in new ways of thinking, in terms of what constituted "success."

In the winter of 1967 - 68, a task force undertook the involved process of evaluating and reassessing what the results of the EOL program were, insofar as they delivered benefits to the target minority business community. One concern emerged from this process which transformed into appropriate program modification: the dollar size of the loans being made to minority applicants was too small, and a new effort was needed to redirect the energies of SBA into attempting to develop larger (\$250,000 plus) loans in the areas of manufacturing and wholesaling. This Community Economic Development (CED) program was undertaken in January of 1968, and utilized a small Washington cadre plus a field apparatus of approximately thirty. Before this concept could be fully tested, there was a change of Administrators, and CED was set aside in favor of a more wide reaching effort, "Project Own."

The present day structure of the Small Business Administration's Minority Enterprise Program, "Operation Business Mainstream," was established during the summer of 1968. Administrator Howard Samuels announced that Project Own was the priority program of his administration. In a sharp break with his predecessor, Samuels placed explicit emphasis on making large numbers of loans, particularly in the retail and services trades sector. His reasoning represented an admixture of logic, economics and emotion.

The emotional tenor of the time can be recalled through allusions to the civil disorders which plagued the Nation. In response to the looting and



burning, some people strongly advanced the argument that, by increasing the extent to which the minorities, particularly the blacks, controlled their own local economy, there would be a marked upswing in respect for private property and law and order. To one degree or another, this theory also made certain other assumptions; that black ownership would eliminate other socio-economic ills which plagued the inner cities of America; that black ownership would mean more jobs for blacks by ending hiring discrimination; that black ownership would end the sale of shoddy goods; that it would mean an end to gouging interest rates; that black ownership would spell the end to the economic colonial status of the ghettos. The emotional overtone of the time added "iffy" social theories to the already difficult task of providing financial and business development in the inner city.

Viewed from the safety of hindsight, it must be acknowledged that SBA, once it had decided to "do something" about minority business development, found itself in the position of not quite knowing how to go about doing the job. Opinions of many persons, black and white, were sought out. But there were still program decisions taken which we now know were based on wishful thinking. A clear example of this was the commonly held faith in the concept, "Buy Black!" In practice, it was quickly learned that there was no assurance in sloganeering, and that the black consumer would buy black only when his or her own economic interests were well served. It was also discovered that the "Buy Black!" concept did not overcome fundamental deficiencies on the part of the businessman; it did not end crime against his business; it did not provide the under-capitalized business with much needed equity financing. Through the painful process of trial and error, it was realized that communities of persons who were very poor could only support the most basic forms of businesses: groceries, drug stores, liquor stores.

Consequently, SBA policy of recent (Nixon) vintage, rejected all these hypothesized theories and has encouraged minority businesses to locate wherever they could best count on becoming successful. This all inclusive concept involves white communities, shopping centers, and marginal or borderline communities between a minority group and their white neighbors. Naturally an individual wishing to open an establishment in an inner-city location can still do so, but the applicant and the Agency now know what kinds of questions to raise as to the positive and negative aspects of the proposed venture. SBA is now aware of a number of built-in stumbling blocks facing a start-up, minority-owned business, and we have a clear responsibility to help the entrepreneur avoid as many of them as possible.

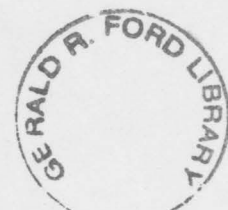


In the spring of 1969, when Mr. Hilary Sandoval, Jr., was appointed Administrator of SBA, he found a situation where the emphasis of the Minority Enterprise effort was, in effect, a concentration on urban Black Capitalism. At this time, the Administration became instrumental in bringing the Agency to recognize its responsibility to all disadvantaged Americans, not just those who had temporarily, captured the public eye. During the early stages of the Nixon administration, SBA's Minority Enterprise effort received its present title, "Operation Business Mainstream." It was also during this period that the post of Assistant Administrator for Minority Enterprise was first created. Historically, it seems appropriate to take an in-depth look at the Office of Minority Enterprise and Operation Business Mainstream to determine how they work and to look, briefly, into some of the problems involved in carrying-out the Administration's commitment to Minority Enterprise.

OVERALL STRUCTURE

The Administrator of SBA has placed Agency responsibility for the development and implementation of programs beneficial to Minority Enterprise development in the Office of the Assistant Administrator for Minority Enterprise. The AA/ME, operating with a small Washington staff, and operating through the Agency's field staff, (including approximately 100 Minority Enterprise Representatives) seeks to make all Agency Financial, Managerial, Technical and Procurement Assistance Programs readily accessible to all actual or potential minority businessmen and women. The Office of Minority Enterprise has no programs of its own. Rather, OME serves as a spearhead or focus in matching the services available for business development within SBA with the target minority client.

The most important individual in the operational chain for providing M. E. services is the Minority Enterprise Representative (technically a Community Economic-Industrial Planner). A priority task in this process is "packaging," the process of assisting an applicant in completing the necessary forms and supporting documents required in order to obtain assistance from SBA. In many larger cities, this procedure has been modified to allow the MER to provide support and guidance to an Office of Minority Business Enterprise (OMBE) affiliates, or other business development organizations, who do the actual work-up or preparation of a package.



Another of the MER's roles, which has become somewhat less critical recently, is their "outreach" function. By definition, "outreach" is the process of establishing the reality of SBA's commitment to Minority Enterprise in the Nation's minority business communities. Initially, this attempt to promote the knowledge of the existence of entrepreneurial opportunities was more crucial as in 1968 when SBA was distrusted by some, and an unknown entity to many more. Five years of continuing SBA presence in these communities has made increasingly clear that SBA has embarked on Minority Enterprise on a long term basis. Consequently, the crucial need for a successful outreach program has declined in direct proportion to our success. Also, within the past two or three years. OMBE has played an increasingly important role in gaining widespread publicity for the Administration's Minority Enterprise effort.

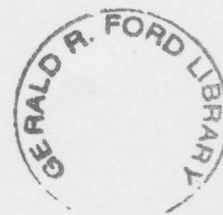
Perhaps the most frequently misunderstood function of the MERs, within SBA, is their role of "advocate." As an advocate, the MER serves as a friend in court for a minority applicant's package once it has reached the point where it is undergoing technical processing by the Office of Financial Assistance or the Office of Business Development (for 8(a) contracts) in SBA, once the package has entered channels within an SBA field office. The misunderstanding arises from the philosophical dissimilarities between the MER and other professional employees of the Agency. The latter have, historically, declined applications upon discovering flaws in the proposal. The MERs, however, are trained and continually urged to find a way to overcome the reasons for decline, rather than leaving the applicant to find a way to overcome the reasons for decline on his own. The MERs, fully aware of the lack of business background and experience on the part of most of their Minority Enterprise clients, act on the assumption that this "sophisticated" test is an unfair one for the minority applicants. This marked difference in approach has lessened, somewhat, as the Agency as a whole has begun to acknowledge the possible benefits of the more positive approach in serving all of its clients.

The MERs are also active in providing informal management and technical advice and assistance to their minority clients. While the degree to which the MERs participate in this aspect of Minority Enterprise varies from office to office, it has generally proved to be successful and beneficial to the clients. Consequently, methods of formalizing this role are being explored. One possibility is to provide the MERs with a more significant role in coordinating the Management and Technical Assistance potential of the various OMBE-funded affiliates.



The last aspect of the MER's role which requires in-depth coverage is their function in Marketing Assistance programs in SBA. The 8(a) program, operated by the Office of Business Development, seeks to enable minority businesses to upgrade their size and scope of operations by selling goods and services to the Government. Contracts are placed with these disadvantaged firms on a negotiated basis, enabling the minority businesses to obtain contracts which would be unobtainable through the competitive bidding procedure. Within the 8(a) Procurement Assistance Program, the largest identifiable element is construction contracting. In order to ensure the participation of the nation's minority contractors, who are neither large nor well known, the MERs have successfully located the bulk of the contractors, and have prepared listings of their specialties, their construction capacity, their bonding history, and their financial status. This information, when matched with the known construction requirements of the various Federal agencies, nationwide, has been instrumental in enabling 8(a) construction contracting to become the most significant element in this rapidly growing program.

An additional Marketing Assistance program in SBA is the Minority Vendors Program (MVP), which has been operational for only a few months. The MVP is a service which SBA is providing to the Nation's largest manufacturers, whereby they inform us of certain of their purchasing needs and SBA matches the needs with the computerized, known capacity of minority manufacturers, service and construction contractors. The response from both the private, large businesses and the minority-owned small business has been favorable. It is anticipated that this MVP will provide millions of dollars in new sales for minority firms. Additionally, MVP serves to breakdown traditional barriers which may have caused major firms to pass-over minority vendors in the past. As this program became operational, the MERs were called on to locate the appropriate businesses which could benefit from this kind of program, as well as selling the owners on the advantage of building-up this commercial market. In the future, the MER will be called upon to help the minority business take advantage of appropriate SBA programs to overcome any deficiencies which impede its doing business with the major firms. The in-depth community knowledge of the MERs was a critical factor in enabling SBA to launch this program in a very short period of time.



ASSISTANCE PROGRAMS

All SBA programs are available for Minority Enterprise development, under Operation Business Mainstream. Practically, certain of the programs function through the efforts of the MERs in our field offices, and have been identified in the discussion of the role of the MER, above. In addition, there are some rather esoteric assistance programs which do not come up in the daily routine of the SBA. For the practical purposes of this discussion, those programs which have a significant impact on Minority Enterprise are discussed, albeit briefly, below.

FINANCIAL ASSISTANCE PROGRAMS

- (1) Economic Opportunity Loans, previously discussed, has a maximum of \$50,000, with a term of approximately seven to fifteen years. There is the added advantage that there are some direct loan funds available for the EOL program.
- (2) The 7(a) Business Loan Program, with its higher ceiling of \$350,000, is the regular business loan program in SBA. Traditionally more rigid qualifications were moderated for the Minority Enterprise Program. The bulk of these larger loans must be funded by private sector lenders, with a 90% SBA guarantee, as there is inadequate funds to support current activity levels in this program.
- (3) The 502, or Local Development Company Loan Program provides loans to community-based groups (25 or more). These groups are supposed to assist small business concerns (SBCs) by providing real estate, buildings, and major equipment only, which are usually leased to the SBC on a long term basis. No working capital loans may be made through the 502 program to either a Local Development Company or to an SBC. An LDC may provide as much help to as many SBCs as possible with a limit of \$350,000 per individual SBC, and within the limits of the equity available to the LDC.



- (4) The Surety Bond Guarantee Program allows SBA to guarantee bid and performance bonds for any small business having an assignable contract. The small business applies to private surety underwriters, and the underwriter comes to SBA for a guarantee on the bond. No jobs over \$500,000 may be bonded. This program was instituted in SBA after a considerable amount of pressure and promotion by the staff of the Office of Minority Enterprise resulted in new authorizing legislation.
- (5) Revolving Line of Credit Program allows SBA to guarantee up to 90% of a line of credit for eligible manufacturers or construction contractors, through a participating bank. This program, instituted administratively, was brought about through the interest and pressure of the Office of Minority Enterprise.
- (6) Limited Small Business Investment Companies (MESBICs). Privately owned, but licensed by SBA, these SBICs place risk capital in minority businesses; can provide these funds in the form of subordinated loans, preferred stock, convertible bonds, etc. In turn, risk capital may be used as basis for SBA loan.

PROCUREMENT ASSISTANCE PROGRAMS

The 8(a) Procurement Assistance Program, already discussed, which allows minority firms which would otherwise not receive the contracts to sell goods and services to the Federal Government on a negotiated price basis.

MARKETING ASSISTANCE PROGRAMS

The Minority Vendors Program, already discussed, which provides a matching service for major firms which are seeking to locate and to buy from minority vendors.



MANAGEMENT AND TECHNICAL ASSISTANCE PROGRAMS

- (1) Courses, workshops, seminars, etc., dealing with business topics, which are conducted, in the field, by Management Assistance Officers and other groups with SBA's cooperation.
- (2) The Service Corps of Retired Executives (SCORE) provides no-cost management and technical advice and assistance to small businesses. Utilizes volunteer services provided by retired business persons.
- (3) The Active Corps of Executives (ACE) provides the same types of services as SCORE, utilizing volunteers who are still active in business.
- (4) The 406 Call Contract Program uses limited amounts of money (\$5 million) to provide management and technical assistance to disadvantaged businesses on a no-cost basis for the small businessperson. The servicing contractors are established firms with a history of providing these types of services to the regular business community.
- (5) The Small Business Institute Program provides administrative funds for business school programs which use their students--on a credit basis--to provide management and technical assistance to selected, troubled businesses.

In a relatively few pages, the outline of a minority assistance program which has been underway has been sketched-in, including its history, development and present status. Presently, there are several key problems facing the Minority Enterprise Program at SBA which must be overcome in the future. Some of these immediate problems are:

- (1) The continuing lack of non-debt equity funding for minority business development.
- (2) The continuing lack of adequate direct loan funds for Minority Enterprise. (This need is particularly telling in certain areas of the country, where it is, for all practical purpose, impossible to obtain bank participation, as is generally the case with loans to American Indians living on reservations.)



- (3) There is an immediate and critical lack of resources to provide minimal levels of Management and Technical Assistance (M&TA) to our disadvantaged clients. As the volume of Minority Enterprise loans continues to grow (approximately 35,000 since 1968), and the Agency's overall production of loans continues to skyrocket ever higher, the ability to provide M&TA slips further behind. In its efforts to meet this problem, SBA has found volunteers to be unreliable as the primary source of M&TA; the Agency does not have the in-house capability; and the \$5 million available under Section 406 of the Equal Opportunity Act, while extremely beneficial, is woefully inadequate for the job at hand.
- (4) Improved relations and communications with the Office of Minority Business Enterprise at the Washington level, while certainly important, pale in relation to their vital importance in the field. Unfortunately, in many offices in the field, relations between SBA and OMBE are not adequate, considering that both groups are engaged in the same type of work.
- (5) SBA should take the lead to find innovative methods for upgrading the economic development services which are presently reaching rural Americans, including minority and non-minority citizens alike. This phenomenon includes an opportunity where it is possible to have a major impact, assuming that programs are started soon enough, and receive sufficient support from the Executive and Congressional branches of Government. Such programs would serve to replace some of the activities of the Economic Development Administration, which, as we understand it, are being phased out. It would serve to bridge the gap until the Rural Development Act is implemented, if the Administration feels it is able to fund this new program of rural development assistance.



CONCLUSION

There are no profound statements in this history of the Minority Enterprise Program. It has been a responsive program, which has taken specific actions when the need has become obvious. In the formative stages, there was so much hustle and bustle that there was little or no time for detailed planning. This reaction planning is an oversight that is being remedied through in-house planning personnel, and the planning techniques, such as the Performance Measurement System, available to SBA through the Office of Management and Budget. It has taken time to acquire the perspective necessary to know where SBA wanted to go, in terms of Minority Enterprise. It has also taken time to assess and reassess the steps required to achieve any deferred goals, but SBA is now in a position to move forward in developing a coherent system to deliver increased levels of business development assistance to the Nation's Minority Business Communities. Through the continued support of the Presidential staff, and the coordinating overview of OMBE, these objectives will be achieved.



ME PROFILE AS OF MARCH 31, 1973

TOTAL SBA LOANS

	<u>FY 1970</u>	<u>FY 1971</u>	<u>FY 1972</u>	<u>FY 1973 (thru 3/31)</u>
Total Business Loans	15,102	21,494	28,025	24,993
Total ME Loans	6,262	7,776	9,016	6,842
Total ME Dollars	\$100.4 mill.	\$213.8 mill.	\$258.2 mill.	\$244.4 mill.
ME % of all Loans	41%	36%	32%	27%
ME % of all Dollars	23%	19%	17%	15%

SUMMARY: In FY 1970, SBA made 6,262 ME loans for \$160 million.

In FY 1971, SBA made 7,776 ME loans for \$214 million.

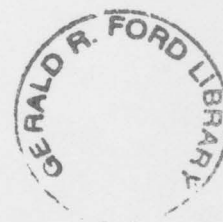
In FY 1972, SBA made 9,016 loans for \$258.2 million.

8(a) ACTIVITY

	<u>FY 1970</u>	<u>FY 1971</u>	<u>FY 1972</u>	<u>FY 1973 (thru 3/31)</u>
No. Firms Receiving				
Contracts	144	501	1032	765
No. of Contracts	199	812	1716	1,142
\$ Amount of Contracts	\$22.5 mill.	\$65.1 mill.	\$152.9 mill.	\$134.0 mill.

LICENSED MESBICs (4/23/73)

Number of MESBICs	57
Total Private Capital	\$22.1 million
Total Government Funds	\$ 5.3 million
Total Funds	\$27.4 million



93d CONGRESS
1ST SESSION

S. 1941

IN THE SENATE OF THE UNITED STATES

JUNE 4, 1973

Mr. TOWER introduced the following bill; which was read twice and, by unanimous-consent order of May 23, 1973, referred to the Committee on Banking, Housing and Urban Affairs, and if and when reported to the Committee on Labor and Public Welfare

A BILL

To foster and promote the establishment, preservation, and strengthening of minority business enterprise.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*
3 That this Act may be cited as the "Minority Business
4 Assistance Act of 1973".

5 SEC. 2. DEFINITIONS.—As used in this Act—

6 (a) "Secretary" means the Secretary of Commerce.

7 (b) "Minority business enterprise" means a business
8 enterprise that is owned or controlled by one or more socially
9 or economically disadvantaged persons. Such disadvantage
10 may arise from cultural, racial, chronic economic circum-



stances or background, or other similar cause. Such persons include, but are not limited to, Negroes, Puerto Ricans, Spanish-speaking Americans, American Indians, Eskimos, and Aleuts.

(c) "State" means the States of the United States, the District of Columbia, the Commonwealth of Puerto Rico, and the territories and possessions of the United States.

SEC. 3. TRANSFER OF FUNCTIONS.—(a) There are hereby transferred to the Secretary all functions, powers, and duties heretofore vested in the Director of the Office of Economic Opportunity under title VII, part A, of the Economic Opportunity Act, as amended.

(b) Personnel engaged in functions, powers, and duties transferred under this Act shall be transferred in accordance with applicable laws and regulations relating to transfer of functions.

SEC. 4. TECHNICAL AND MANAGEMENT ASSISTANCE.—

(a) The Secretary may provide financial assistance, under such terms and conditions as he deems necessary or appropriate, in the form of grants or grants-in-aid to individuals, partnerships, corporations, and other entities, and to States and their subdivisions and agencies thereof:

(1) To assist them in developing and carrying out programs and projects designed to make available management



1 and technical assistance to minority business enterprise, in-
2 cluding, but not limited to—

3 (A) planning and research, including feasibility
4 studies and market research;

5 (B) identification and development of new business
6 opportunities;

7 (C) furnishing of centralized services with regard
8 to public services and government programs; and

9 (D) furnishing of business counseling, management
10 training, legal and other related services, with special
11 emphasis on the development of management training
12 programs using the resources of the business and aca-
13 demic communities, including the development of man-
14 agement training opportunities in existing businesses,
15 and with emphasis in all cases upon providing manage-
16 ment training of sufficient scope and duration to develop
17 entrepreneurial and managerial self-sufficiency on the
18 part of the individuals served.

19 (2) To assist in developing community support for
20 minority business enterprise by—

21 (A) establishing and strengthening business service
22 agencies, including trade or professional associations and
23 cooperatives;

24 (B) encouraging the placement of contracts and



1 subcontracts by businesses and other organizations with
2 minority business enterprises (including the provision of
3 incentives and assistance to businesses and other organi-
4 zations so that they will aid in the training and upgrading
5 of potential and existing minority business entrepre-
6 neurs) ;

7 (C) furnishing economic feasibility information, and
8 other services to financial organizations in connection
9 with applications for financial assistance to a particular
10 proposed minority business enterprise and in connection
11 with the planning and initiation of such enterprises ;

12 (D) paying all or part of the costs, including but
13 not limited to tuition, of the participation of socially or
14 economically disadvantaged persons in courses and train-
15 ing programs for the development of skills relating to
16 any aspect of business management ; and

17 (E) conducting pilot or demonstration projects de-
18 signed to overcome the special problems of minority busi-
19 ness enterprises or otherwise to further the purposes of
20 this Act.

21 (b) Grants or grants-in-aid authorized by the Secretary
22 pursuant to subsection (a) of this section shall not exceed
23 90 per centum of the total program or project cost. In deter-
24 mining the amount of the non-Federal share of such costs or
25 expenses, the Secretary shall give due consideration to all



1 contributions both in cash and in kind, fairly evaluated, in-
2 cluding but not limited to space, equipment, and services.

3 SEC. 5. REGULATIONS.—The Secretary is authorized
4 to issue such regulations to implement the purposes of this
5 Act as he deems necessary and appropriate.

6 SEC. 6. RECORDS AND AUDIT.—(a) Each recipient of
7 assistance under this Act shall keep such records as the Sec-
8 retary shall prescribe, including records which fully disclose
9 the amount and the disposition by such recipient of the pro-
10 ceeds of such assistance, the total cost of the project or under-
11 taking in connection with which such assistance is given or
12 used, and the amount and nature of that portion of the cost
13 of the project or undertaking supplied by other sources, and
14 such other records as will facilitate an effective audit.

15 (b) The Secretary and the Comptroller General of the
16 United States, or any of their duly authorized representatives,
17 shall have access for the purpose of audit and examination of
18 any books, documents, papers, and records of the recipient
19 that are pertinent to assistance received under this Act.

20 SEC. 7. APPROPRIATIONS.—There are hereby authorized
21 to be appropriated such sums as may be necessary to carry
22 out the functions vested in the Secretary by this Act. When
23 so specified in the appropriations Act, such appropriations
24 shall remain available until expended.



1 SEC. 8. AMENDMENTS TO OTHER ACTS.—(a) Section
2 741 of the Economic Opportunity Act is repealed.

3 (b) Section 3(c)(1) of the Economic Opportunity
4 Amendments of 1972 is amended by striking "VII,".



WE BUILD THE WORLD OVER



Special United Minority - Foundation

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July 18, 1973

SUM INCORPORATED
MAY 5, 1973

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Mr. Stanley S. Scott
Room 179
Executive Office Building

Dear Mr. Scott,

This is a special call meeting with the assistance of Mr. Melvin Mister and in compliance with Mr. Ben D. Seagle, Special Assistant to the Mayor.

In confirmation of your letter dated May 28, 1973, the minorities nationwide I am sure, will appreciate your concern and assistance to aid and enhance minority business through this organization.

I am sending to you a copy of our complete proposal and projection of the organization's intent. If only a mere phone call or a quick telegram from your office in support of what we are undertaking to do in the nation's economy would be a star in our crown.

After the meeting of July 20, I will know the exact bank or banks that we will be dealing with. We will ask your office to assist the organization in securing certificates of deposit in these banks.

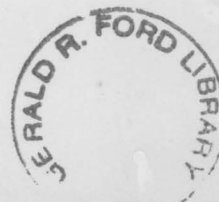
I as President of S.U.M. certainly hope and pray for the speedy recovery of our President, Mr. Richard M. Nixon.

With Best Regards!

Sincerely yours,

Ivery Simmons III
Mr. Ivery Simmons, III, President

Seal:



Special United Minority-Foundation-

What is S.U.M.?

S.U.M. stands for Special United Minority Foundation. We are an organization dedicated to promoting, developing and helping the cause of minority contractors and businesses.

What is the purpose of S.U.M.?

The purpose of S.U.M. is to bring together a substantial segment of minority enterprises with accent on the construction, building and general sub-contracting industry in order to address themselves to the critical problems encountered by Minority contractors and businessmen in meeting financial and bonding requirements vital to their ability to sustain and compete meaningfully in the Economy.

What are the objectives of S.U.M.?

To bring together minority builders, contractors and other minority businessmen to enable them to be more effectively competent in the business market; to acquire, possess and disseminate useful business information and expertise in order to better equip the members/non-members to successfully bid for and complete contracts; to provide technical assistance negotiating and any other assistance to minority businessmen in their efforts to play an active part in the American economy today.

Why do minority businesses need help?

Statistics show a high rate of failure in minority businesses. This demonstrates a need for assistance and guidance in business and legal matters.

The awarding of contracts to minority groups is healthy for the community and for the nation, both economically and morally.

How can S.U.M. help?

S.U.M. can help by keeping businessmen informed of contracts pending, how to obtain financial aid and bonding, and giving legal and accounting assistance. We have a staff of lawyers and researchers in the organization, ready to provide technical knowledge and useful business information; plus experts in the trades to give practical help.

Many minority contractors and businessmen refrain from going to the Federal and State Governments for guidance and help; this creates the need for our type of organization.

Is S.U.M. an old line organization?

We are a "young" organization but we are fighting "old" problems.

Where will S.U.M. operate?

We are currently located in 7 states and project in the near future operating in all 50 states.

Where does S.U.M. get its support, both financially and morally?

S.U.M. is a non-profit foundation, which charges no fee to minority businesses for its assistance. We depend totally on grants from federal, state and private outlets. In order for us to help minority businessmen, we need you to support our cause in any way you can.

Our representatives are sincere in their efforts and dedicated to helping build a better America by helping her minorities help themselves.

You can contact us by writing Special United Minority-Foundation at the address of 1404 New York Avenue, N.W. Washington, D.C. 20005, Suite 608 or calling (202) 638-3681.





Special United Minority Foundation

Suite 608 • 1404 New York Avenue, N.W. • Washington, D.C. 20005 • Phone (202) 638-3681

PROPOSAL FOR FUNDING

S.U.M. is a non-profit foundation. We are trying to meet the needs of minority businessmen or prospective minority businessmen, to fill the vacuum left in financial assistance available to them by existing agencies enabling them to sustain a strong business foundation. We are at this time in great financial need to sustain our administrative efforts to formulate practical self-help projects. Our initial funding came completely from concerned private sources, which is now almost exhausted. Our weekly budgetary needs are approximately \$1,400.00 in order to maintain the administration center, this includes employee salaries, benefits, office rental and communication activities.

We sincerely hope that your organization will help to sustain our administrative operation, that we may be able to put our program of minority self-help into practical application, to benefit the community, nation and mankind in general.

S.U.M. has been in close working contact with United National Bank of Washington, which has been in agreement to supply funding for minority enterprises. We have also been in contact with private, local, State and Federal organizations, in respect to minority business problems and the solutions to them.

S.U.M. has also received a tentative funding commitment from the International Elks to start our first pilot project. We are also working in cooperation with the National Congress of American Indians, to try to help and bring about greater Social & Economic stability to our Nations first citizens.

Undoubtedly your organization has a minority program. We invite you to participate in anyway you can in helping us meet our funding needs. S.U.M. needs your support for our cause any way you can assist. Should you require any other information please feel free to call or write us at the above address.

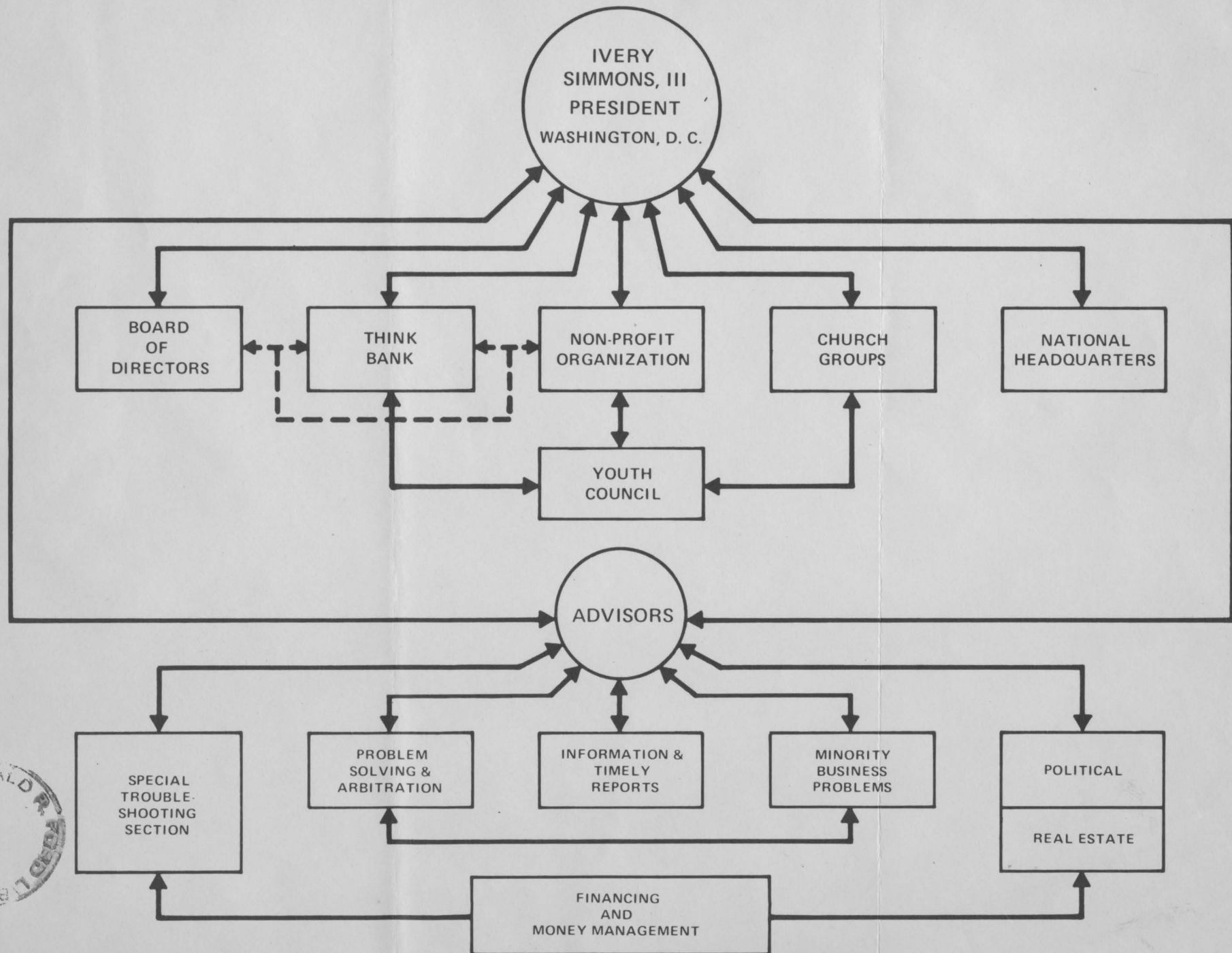
We appreciate your kind consideration.

IS/mjr

Ivery Simmons, III
Ivery Simmons, III.
President



S.U.M. INCORPORATED

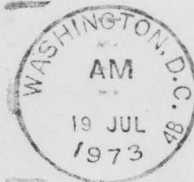


WE BUILD THE WORLD OVER



*Special United
Minority - Foundation*

SUITE 608 - 1404 NEW YORK AVE., N. W.
WASHINGTON D. C. 20005



ALWAYS USE
ZIP CODE



Mr. Stanley S. Scott
Executive Office Building
Room 179
Washington, D.C. 20500



B2

B2

HOW TO APPLY FOR FINANCING

Certain basic information is required in every proposal submitted to give the Urban National staff a brief view of a business and the progress made by the company to date. This should include a description of the type of business, gross revenues and pre-tax income for the last three years, the amount of financing needed and the proposed use of funds. In addition, the company should include pertinent information regarding its key employees, history and plans. All proposals with the requested information will be evaluated. Shortly after receipt, a member of UNC's management will contact the company regarding additional information and possible interest. Applications may be sent to:

Urban National Corporation
177 Milk Street
Boston, Massachusetts 02109
(617)482-3651

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Special Consultant



Financing Minority Business



**Urban National
Corporation**

Boston, Massachusetts

A \$10 MILLION VENTURE FUND INVESTING IN MINORITY-CONTROLLED BUSINESSES

WHAT URBAN NATIONAL DOES

Urban National Corporation (UNC) invests risk capital in businesses throughout the United States which are controlled by Black Americans, Puerto Ricans, Mexican Americans, Native Americans and members of other minority groups experiencing substantial economic discrimination. The Urban National Board of Directors of eleven members is controlled by minority persons and has final approval over all investment proposals recommended by UNC management. The UNC staff consists of professionals in business, law and finance with a history of successful financing of growing businesses. Urban National seeks capital appreciation through equity participation in the companies financed.

The \$10 million of capital to be invested by UNC was provided by twenty-four institutional investors, including major insurance companies and commercial banks, investment banks, and industrial concerns.

WHO IS ELIGIBLE FOR FINANCING

All Types of Companies Welcomed

Urban National may invest in any type of minority-controlled business. Businesses considered to date have encompassed a very broad spectrum of manufacturing and service companies including construction, communications, education, electronics, financial services, food processing, health products, and metal fabrication companies.

Growth Potential Is The Key Factor For Investment Consideration

Urban National is seeking to invest in businesses which can effectively utilize \$100,000 or more and which have the potential to become significant economic entities. A company losing money is not automatically disqualified, but there must be good reason to believe that problems causing the losses can be solved quickly, and that the company will be profitable thereafter.

Take-Overs of Existing Businesses Are Considered

The take-over of a going concern may be considered for an investment by UNC where the proposed management team has worked together successfully in a company providing similar services or products.

Or, if a group is forming a new management team, the group must include persons with successful records in the industry under consideration and competence in the major functional areas of the business. The going concern involved should have a record which supports the assumption that it can be operated on a profitable basis.

Start-Ups

Urban National invests principally in companies which have been in business for a year or more and have demonstrated the ability to survive as independent companies in the competitive marketplace. Small family-type businesses, community development projects, and concerns whose products, processes or marketing plans cannot be reasonably tested will not be considered.

ADVANTAGES OF A RELATIONSHIP WITH URBAN NATIONAL

A Highly-Motivated Partner

UNC goes to bat for the companies in which it invests. Urban National's own success depends on the growth in sales and profitability of its portfolio companies, and extensive efforts are made to help a company solve actual problems and avoid potential pitfalls.

An Attractive Investment Structure

Urban National is flexible in regard to the structuring of its investments. However, all investments will contain some equity feature which gives UNC an opportunity to participate in the growth of its portfolio companies. Typically, UNC's investment is in term debt at interest rates which will not impose an undue burden on the company, and with some form of convertibility into common stock.

Contacts and Expertise For All Stages of Growth

UNC's advice on cost control, financial planning, market analysis, product development, personnel recruitment, new plant expansion, and many other areas of concern to a growing business is available to all companies on a continuing basis. Because the Urban National investment is "equity-type" money, UNC can often assist in obtaining additional debt financing from traditional lending sources. UNC's experience and contacts in the investment banking community can also be helpful when a company is ready to consider the prospects of a public offering.

Title 35—PANAMA CANAL

Chapter 1—Canal Zone Regulations

PART 5—PUBLIC LANDS; MILITARY RESERVATIONS

Revision of Boundaries of Certain Military Reservations

Correction

In F.R. Doc. 71-345 appearing at page 426 in the issue for Thursday, January 14, 1971, make the following changes.

1. In § 5.62 (a), Parcel No. 1, in the 10th line, column 1, on page 501, the reference to "No. 36-2" should read "No. 36-3".

2. In § 5.62(a), Parcel No. 1, the 20th line in column 2 should read "S.52°07'00" E., 2,452.1 feet, along the".

3. In § 5.62(a), Parcel No. 2, in the 38th line from the bottom of column 2, the reference to "79°33' W." should read "79°36' W.".

4. In § 5.62(a), Parcel No. 2, the 28th line from the bottom of column 2 should read "W. plus 2,679.8 feet;"

5. In numerous instances throughout the document, the survey precision indicated by the suffix ".0" on measurements in an even number of feet was inadvertently omitted in typesetting. Therefore, the suffix ".0" should be reinserted.

Title 41—PUBLIC CONTRACTS AND PROPERTY MANAGEMENT

Chapter 1—Federal Procurement Regulations

PART 1-1—GENERAL

Minority Business Enterprises

This amendment of the Federal procurement regulations establishes a new subpart 1-1.13, Minority Business Enterprises, and prescribes subcontracting policies, procedures, and contract clauses designed to foster and encourage the participation of minority business enterprises in the subcontracts awarded by Government prime contractors.

The table of contents for Part 1-1 is amended by the deletion of the designation "Reserved" and the insertion of the caption "Minority Business Enterprises" for subpart 1-1.13 and to add new entries as follows:

Subpart 1-1.13—Minority Business Enterprises

Sec.

1-1.1300 Scope of subpart.

1-1.1301—1-1.1309 [Reserved]

1-1.1310 Subcontracting with minority business enterprises.

1-1.1310-1 General.

1-1.1310-2 Required clauses.

AUTHORITY: The provisions of this subpart 1-1.13 issued under sec. 205(c), 63 Stat. 449; 40 U.S.C. 486(c).

New Subpart 1-1.13 is added as follows:

Subpart 1-1.13—Minority Business Enterprises

§ 1-1.1300 Scope of subpart.

This subpart contains policies, procedures, and contract clauses, applicable to the participation of minority business enterprises in Government procurement at both the prime and subcontract level, which are designed to carry out the purpose of Executive Order 11458, March 5, 1969 (34 F.R. 4937).

§§ 1-1.1301—1-1.1309 [Reserved]

§ 1-1.1310 Subcontracting with minority business enterprises.

§ 1-1.1310-1 General.

It is the policy of the Government that the maximum practicable opportunity to participate in the performance of Government contracts be provided to minority business enterprises as subcontractors and suppliers to contractors performing work or rendering services as prime contractors or subcontractors under Government procurement contracts.

§ 1-1.1310-2 Required clauses.

(a) The Utilization of Minority Business Enterprises clause set forth in this § 1-1.1310-2(a) shall be included in all contracts in amounts which may exceed \$5,000 except (1) contracts which, including all subcontracts thereunder, are to be performed entirely outside the United States, its possessions, and Puerto Rico and (2) contracts for services which are personal in nature.

UTILIZATION OF MINORITY BUSINESS ENTERPRISES

(a) It is the policy of the Government that minority business enterprises shall have the maximum practicable opportunity to participate in the performance of Government contracts.

(b) The Contractor agrees to use his best efforts to carry out this policy in the award of his subcontracts to the fullest extent consistent with the efficient performance of this contract. As used in this contract, the term "minority business enterprise" means a business, at least 50 percent of which is owned by minority group members or, in case of publicly owned businesses, at least 51 percent of the stock of which is owned by minority group members. For the purposes of this definition, minority group members are Negroes, Spanish-speaking American persons, American-Orientals, American-Indians, American-Eskimos, and American Aleuts. Contractors may rely on written representations by subcontractors regarding their status as minority business enterprises in lieu of an independent investigation.

(b) The Minority Business Enterprises Subcontracting Program clause set forth in this § 1-1.1310-2(b) shall be included in all contracts which may exceed \$500,000 which contain the clause required by § 1-1.1310-2(a), and which, in the opinion of the procuring activity, offer substantial subcontracting possibilities. Furthermore, prime contractors who are to be awarded contracts which may not exceed \$500,000, but which, in the opinion of the procuring activity, offer substantial subcontracting possibilities shall be urged to accept this clause.

MINORITY BUSINESS ENTERPRISES SUBCONTRACTING PROGRAM

(a) The Contractor agrees to establish and conduct a program which will enable minority business enterprises (as defined in the clause entitled "Utilization of Minority Business Enterprises") to be considered fairly as subcontractors and suppliers under this contract. In this connection, the Contractor shall—

(1) Designate a liaison officer who will administer the Contractor's minority business enterprises program.

(2) Provide adequate and timely consideration of the potentialities of known minority business enterprises in all "make-or-buy" decisions.

(3) Assure that known minority business enterprises will have an equitable opportunity to compete for subcontracts, particularly by arranging solicitations, time for the preparation of bids, quantities, specifications, and delivery schedules so as to facilitate the participation of minority business enterprises.

(4) Maintain records showing (i) procedures which have been adopted to comply with the policies set forth in this clause, including the establishment of a source list of minority business enterprises, (ii) awards to minority business enterprises on the source list, and (iii) specific efforts to identify and award contracts to minority business enterprises.

(5) Include the Utilization of Minority Business Enterprises clause in subcontracts which offer substantial minority business enterprises subcontracting opportunities.

(6) Cooperate with the Contracting Officer in any studies and surveys of the Contractor's minority business enterprises procedures and practices that the Contracting Officer may from time to time conduct.

(7) Submit periodic reports of subcontracting to known minority business enterprises with respect to the records referred to in subparagraph (4), above, in such form and manner and at such time (not more often than quarterly) as the Contracting Officer may prescribe.

(b) The Contractor further agrees to insert, in any subcontract hereunder which may exceed \$500,000, provisions which shall conform substantially to the language of this clause, including this paragraph (b), and to notify the Contracting Officer of the names of such subcontractors.

Effective date. This amendment is effective October 18, 1971, but may be observed earlier.

Dated: August 25, 1971.

ROBERT L. KUNZIG.

Administrator of General Services.

[FR Doc. 71-12795 Filed 8-31-71; 9:54 am]

Chapter 114—Department of the Interior

PART 114-47—UTILIZATION AND DISPOSAL OF REAL PROPERTY

Reassignment of Real Property by the Agencies

Pursuant to the authority of the Secretary of the Interior contained in 5 U.S.C. 301 (Supp. V, 1965-1969) and Sec. 205(c), 63 Stat. 390; 40 U.S.C. 486(c), Part 114-47 of Chapter 114, Title 41 of the Code of Federal Regulations, is amended as set forth below.

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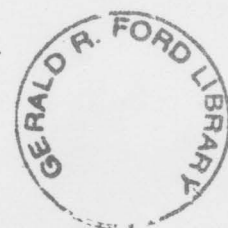
TITLE 41

UTILIZATION OF MINORITY BUSINESS ENTERPRISES

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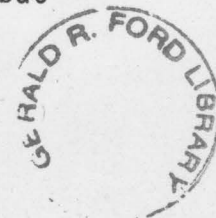
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Effective date. This amendment is effective October 18, 1971, but may be observed earlier.

Dated: August 25, 1971

Robert L. Kunzig
Administrator of General Services

[FR Doc.71-12795 Filed 8-31-71:8:54am]





FROM

ABRAHAM S. VENABLE
DIRECTOR, URBAN AFFAIRS

TO Mr. Stan Scott

Thought you might be interested
in reading the attached excerpt
from the Congressional Record.

6/14/74



TRENDS IN MINORITY BUSINESS ENTERPRISE

HON. LOUIS STOKES

OF OHIO

IN THE HOUSE OF REPRESENTATIVES

Wednesday, June 5, 1974

Mr. STOKES. Mr. Speaker, at the recent 34th annual awards banquet of the Cleveland Business League, I had the opportunity to hear a most informative report on the status of minority business enterprises by Mr. Abraham S. Venable, director of urban affairs for the General Motors Corp.

Mr. Venable's statement reviewed the progress of GM in this most important area, and outlined potential methods for increasing minority efforts and ownership in the business community.

I ask my colleagues to give Mr. Venable's perceptive address their closest consideration, and, accordingly, I submit it to the RECORD:

REMARKS OF ABRAHAM S. VENABLE

Thanks very much Mr. Hamilton, Congressman Stokes, Judge Whiting, Mr. Wynne, distinguished guests, honorees, members and friends of the Cleveland Business League. I'm deeply grateful for this opportunity to participate in your 34th Annual Awards Banquet. I must confess, however, that when I accepted your invitation, I did not realize that today, Good Friday, is one of the few holidays at General Motors. So, in spite of the fact that my wife has refused to speak to me for leaving town today, I do appreciate the opportunity to spend this evening with you.

This is my third trip to Cleveland since joining General Motors three years ago. As you may recall, on March 20th of last year GM quite appropriately presented a report to the community of Cleveland to outline its many activities in areas of crucial concern to members of the minority community. Let me give you the latest figures on a few of the programs in which GM is presently involved.

In the area of minority suppliers, General Motors is presently doing business with approximately 450 minority firms. Purchases from these suppliers last year totaled about \$14 million.

In Motor Enterprises, GM's Minority Enterprise Small Business Investment Company, we have approved loans to 96 minority firms in 39 cities and 13 states. General Motors has loaned approximately \$2.2 million and this has generated another \$10.6 million in loans from other sources for a total of \$12.8 million in financing assistance.

Several years ago, General Motors issued a policy that it would make bank deposits in every known minority bank. Presently 62 minority banks have GM deposits and this represents about 15% of the 403 banks with which GM does business.

In the area of minority dealerships, 88 minority individuals presently operate GM dealerships, of this number 26 are black.

In addition, 670 other minority businessmen sell and service products from AC Spark Plug, Frigidaire, and United Delco Divisions throughout the United States.

And, finally, of the 7 broker-agents handling GM's blanket property damage insurance, three are black. With the three black firms, \$1½ billion of insurance have been placed with them representing almost 16% of GM's total property damage coverage.

This is merely a status report on the efforts of one company. While much remains to be done, I am convinced that the doors of economic opportunity are slowly opening, both inside and outside General Motors. On the

other hand, I am not going to tell you that racism has suddenly vanished from the corporate corridors, far from it, but there are unmistakable signs of change and ripples of opportunity that could become waves of progress in the future.

In preparing my remarks for this evening, I re-read the Business Leadership Lecture given by Asa T. Spaulding at the Graduate School of Business Administration of the University of Michigan when he received the School's prestigious Award for Business Leadership in 1971.

Mr. Spaulding, who as you know is the retired president of the North Carolina Mutual Life Insurance Company, and now Chairman of the Board of Trustees of Howard University, is a man I admire greatly. In his Business Leadership Lecture, he said:

"... despite our country's shortcomings, I still believe America provides the best soil, democracy the best climate, the free enterprise system the best incentives, and freedom the best opportunity, for the growth and development of the whole man and the achievement of the highest potentials of each individual."

This sums up my own views in spite of the fact that so much remains to be done in assuring blacks an even chance at the starting line. And, yet I know that until all minorities have the opportunity to gain a meaningful economic stake in the future of America there can be no real solution to our urban problems.

Prior to joining GM, I was the Director of the Office of Minority Enterprise at the U.S. Department of Commerce in Washington, D.C. And even though I have now been away from this office for 3 years, many of my thoughts and most of my concerns are still deeply rooted in the minority enterprise effort. The purpose of this office was and is today to promote wider ownership of business among blacks and other minorities.

It is not a new movement by any means. Ironically, this latest thrust of the civil rights movement dates back to the days of Booker T. Washington, 74 years ago. This great man's dream was of an America in which—at long last—the black man would enjoy a full measure of economic, political and social justice. The vehicle to translate this dream into reality was to be business ownership.

But that was 74 years ago—the turn of the century—and Booker T. Washington's idea was one whose time had not come. On the other hand, there were many similarities between conditions and moods of that time and today. Looking back, we see that:

Some said the solution to their racial ills lay in amassing political power—in other words, "black power".

Others said it was in amassing economic power—we call it "green power".

Some said they should work toward a fully integrated society;

Others called for a parallel, duplicating, black-owned and managed society, and so on;

Some gave up completely, calling attempts at reform useless. They turned their backs on the American dream and prepared to migrate to Africa.

The resemblances between then and now are striking. The only major difference is that today the overwhelming majority of blacks have not given up. They are not preparing to migrate to Africa. Instead, they are prepared to stand up and fight for a full and equal share of America's economic pie.

Today, almost three-quarters of a century after Booker T. Washington first issued his call for blacks to organize themselves economically, current statistics indicate that minorities constitute 17% of our population—but they own and operate less than 3% of the businesses and control less than ½ of 1% of the capital assets.

Further, a closer look shows that many black-owned businesses are still in the serv-

ice and trades industries. Operationally, they are very small, comparable to the typical, white-owned business of 40, 50, 60 and even 70 years ago. In other words, most black business today is still at the mom-and-pop store stage and it is easy to see why. Minorities were not a part of the so-called industrial and economic development of this country. As a result, minority-owned business today is still struggling to survive while—for the rest of industry—sales are higher than they have ever been in the history of the world. Black business at best is marginal and, if it ever had to pay for the free family labor that goes into it, most would undoubtedly be submarginal.

It is not surprising that many minority parents still tend to discourage their children from seeking careers in business. Too often they find that minority enterprise represents the fashionable thing to discuss but obviously not the logical thing to do. However, in spite of what appears to be a somewhat bleak picture, I don't think it would be at all fair to say that there is no hope for the future black business development. Quite the contrary, I have found that many of the seeds have been sown and there is a deep seated determination by many blacks and whites to get the show on the road—in the face of overwhelming odds and loss expectations.

In many ways this could be a new day, and while I have pointed out that there are striking—if not alarming—similarities between conditions at the turn of the century and now, I want to point out also that there are at least three new forces for change which I believe can make tomorrow better than today and eventually change a nightmare into hope for the future.

The first and most important of these forces for change are the many individuals and organizations like the Cleveland Business League that have unrelentingly, imaginatively, and constructively kept the Nation's attention focused on one of its foremost pieces of unfinished business—insuring minorities their rightful place at the starting line on the road to business ownership.

The second force for change is the result of the first. It is the majority community's realization that our entire country will prosper even more when everyone—regardless of race, color or national origin—participates equally in this Nation's economy.

The third force is the result of the first two. It came into being on March 5, 1969, when the federal government established the Office of Minority Business Enterprise.

This represented the first time that the Federal Government officially recognized, by Executive Order the role of blacks and other minorities as owners and operators of the means of production. While this does represent a significant step forward, it should be clearly understood that the Federal Government cannot, should not, and must not be relied upon solely by the black community as an all encompassing entity to plan its destiny. The role of the Federal Government can only be supportive of the desires of the people. And, while I have great hope for the Office of Minority Business Enterprise, its efforts—even if totally successful—will barely scratch the surface in resolving this monstrous problem created by years of deprivation and discrimination. Still these forces for change in my mind clearly set the tone for the future and if properly utilized will undoubtedly determine the destiny of our black entrepreneurs. We can succeed if we apply the right approaches and techniques to resolving the most critical and pressing minority business problems.

Usually most practitioners in the minority enterprise field generally agree that there are 4 ingredients necessary for a successful business.

First, the man, and he is most important. He must have the entrepreneurial juices—the stamina, the stick-to-it-iveness, the de-

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sire and the will to take a risk. If he doesn't, he has little or no chance of success.

And, next the business opportunity. And, here we are talking about a realistic opportunity which can provide an entrepreneur with a good standard of living and provide an adequate return on investment to the individual or the stockholders.

Third, the money. Too often most people consider money to be the sole ingredient for a successful business. An entrepreneur must have sufficient capital but he must first have a reasonable business opportunity for which he is adequately trained or experienced. Therefore, money is important but only as a final part of a total business package.

Last, but not least, technical assistance. Blacks in most cases have not been a part of the industrial and economic development of this country. As a result, the majority are by necessity not familiar with the most advanced business techniques that are being used in today's competitive world—to assure efficiency and profitability in business management. Unfortunately, in too many cases, most technical assistance has represented the "blind leading the blind."

And, this brings me to the key point in my remarks. I doubt very seriously if anyone in this audience this evening would question the fact that in most instances those blacks who already own and operate the many small businesses throughout the black community represent the forgotten souls of modern capitalistic advancement. We have seen that they barely make enough to survive; many are 30 to 50 years behind their white competitors in systems and procedures know-how, they are struggling to keep the tiny market that is left as table scraps by the large firms. They are weak and they are all alone.

Admittedly, there is great merit in those assistance programs which encourage blacks to establish new businesses. But, in my mind, we face a much greater problem in trying to improve the efficiency and profitability of those minority businesses already in existence. And, until we develop effective techniques to provide meaningful assistance to existing black businesses, there can be no real hope for a successful black business development effort. This represents a necessary first step in changing the basic image of black business at its lowest level.

As we all know, what most minority businessmen need is not more rhetoric or an illusion of attaining the impossible dream, but simply a foothold on the advancement ladder which has led to the prosperity of mainstream firms. For most mainstream businesses, that foothold has often been the trade association. Let me go into more detail.

The trade association concept is not a new approach nor does it depend heavily on inputs from the outside community. It is simply an organization of successful businessmen having similar interests and needs who can benefit from cooperative effort. Amalgamation allows them to retain their individual pride and freedom while discovering, through action and involvement, the merit of cooperation and mutual improvement. Together, these businessmen can achieve economies of scale in purchasing, group advertising, employee benefits, and business services. Among themselves, they can exchange information on quality standards, pricing policies, diversification opportunities, and operating techniques.

The trade association would be an ideal structure for "bootstrap" upgrading of existing black businesses—except for one very important thing: the trade association is a mainstream invention; it amalgamates basically viable firms.

Most existing black firms are typically not viable according to mainstream standards. Indeed, by strict definition, many are not

even "business" entities but merely self-employed individuals who get paid for labor but do not make a profit of any kind.

As a result, very few black firms can gain membership to a mainstream trade association today just because of that fact: they are not in most cases on a par with successful businesses.

Thus, black entrepreneurs need something that is similar in structure to trade associations but radically different in level of emphasis. The black structure must do more than offer economies in purchasing, advertising, and so forth. It must stress education in business systems and procedures. The point may seem trivial, but actual experience has shown such education is the most vital and meaningful form of assistance we can give to the majority of existing black businessmen. For that reason, the structure I am recommending as an initial step is not, properly speaking, a "trade association" but a "Business Organization."

Most accurately described, a "Business Organization" embodies the cooperative joining of businesses engaged in similar or identical lines of activity into a trade association—and through such an association—work can begin on standardizing all operational procedures and marketing techniques. Such a sharing of experience allows the individual participating firms an opportunity to upgrade themselves in order to meet the minimum standards of operation necessary for survival and growth in the general market. The total effort of the organization is directed at maximizing efficiency and profitability. This, and only this, will give the minority businessman an equal chance at the starting line. This concept ties in the key elements and ingredients reflected in the evolution of capitalism—from the "mom-and-pop store" to the voluntary chain, to the large corporation and finally to the commercial or industrial giant.

The Business Organization concept is a tested and proven mechanism. It was first tried by Howard University in Washington, D.C. where 85 black dry cleaners were organized into a trade association. To achieve the necessary objectives, participating dry cleaners standardized their operational procedures, including such items as quality control, physical appearance or image standards, accounting methods, etc. Out of this experience came a new awakening by black dry cleaners in Washington, D.C. Not only did they purchase a building for their trade association headquarters but they reduced the cost of hangers almost 65% through group purchasing.

There were many problems, but these were expected. For nothing good comes easy.

As a tool of survival and growth, the Business Organization concept is relatively new to minority businessmen. It represents a more far-reaching and effective means of upgrading marginal businesses than programs involving guidance, counseling and training. This does not mean that these tools are unimportant. On the contrary, they are a vital part of Business Organization, with the concepts of guidance, counseling and training built-in. It provides the mechanism for the businessman to take full advantage of his training, and enables him to move up to a more efficient and productive level of operation. The Business Organization is useful in single-line operations on the local level as well as multi-line business on a regional or national level.

I am convinced that Business Organization of minority-owned businesses represent an effective means of setting in motion self-perpetuating machinery which will eventually allow the minority community to function and grow on its own as a vital part of the total business community.

Many people have stated that blacks have not taken those steps that represent a necessary pre-requisite in achieving economic

independence. In my mind, the first step must be to organize the existing business institutions in the black community at the most efficient operational level. This would include the barber shops, the beauty parlors, the dry cleaning stores, the auto repair shops, and all other small businesses which blacks operate in relatively large numbers. The potential profit and the resulting savings would astound you.

With the civil rights focus now having turned at last to the role of blacks as owners and operators of the means of production—we all must realize that the time for philosophical debate has long since passed. In essence, I am saying that if going into business is ever going to represent a meaningful goal for black people, we must recognize the problems and develop a system and procedure approach based on those techniques which the majority community has used and is using to achieve its economic goals.

So, in conclusion, the question is not whether we take those steps through which we can share significantly in the ownership of America's means of production—the question is "How?" and "When?" When are we in the black community going to work together in a concerted manner to attack the vicious problems discrimination has caused in the development of black business?

So, this evening I call upon each of you to pledge yourself to make the 70's the era of true emancipation. What Booker T. Washington attempted to do 74 years ago became little more than a dream. It is certainly far past the time that we should have awakened from that dream!

Thank you.



A. S. Venable

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Mr. Stanley Scott
Special Assistant to the President
The White House
Room 179 - Executive Office Building
Washington, D. C. 20501



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BENJAMIN HICKMAN WRIGHT
SENIOR VICE PRESIDENT
DIRECTOR-NEW YORK OFFICE

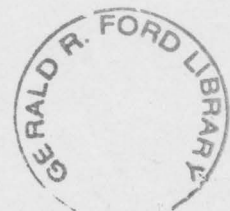
September 4, 1974

Mr. Arthur A. Fletcher, President
Arthur Fletcher & Associates
1627 K Street, N. W.
Washington, D. C. 20006

Dear Art:

The purpose of this letter is to call to your attention to at least three things that you might be helpful in effecting for some beneficial change by the Ford Administration. The first would be helpful to the entire black-owned media field. . .so they, in turn, will be better able to serve the communications needs of our long-deprived communities for the good of all in America. The others also benefit everyone in our nation because their leverage ability to change things positively within the black community. These are:

1. Assisting us to have the term "minority-owned media suppliers" included specifically in the OFCC guidelines. The specific recommended wording is imposed upon the attached marked "A." We are certain that we are included under the present wording. However, the above-suggested specificity would be of enormous help.
2. Requiring OMBE to set an example for what it would like private industry to do (give equitable or compensatory assistance to minority entrepreneurs) by disallowing OMBE grants to other than "affected-class" minority-owned firms. This practice of making such grants has been extremely damaging in the past. It has no multiplier effect in the black community. It perpetuates the image of "white father knows best." It gives creditability to the same kind of non-liberation-oriented advice that got us in trouble in



September 4, 1974

the first place. And, it is unnecessary in every instance, since competent black professionals are available. OMBE, of all agencies, should be concentrating all of its leverage via minority suppliers, who, in turn, should have to demonstrate that they would be using sub-contractors, suppliers, consultants and professionals from within their minority communities. And...

3. Encouraging "Model Cities" and other minority-related endeavors of the government to use policies/guidelines similar to those suggested in item #2.

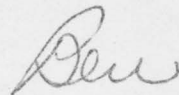
As background, you might want to peruse the attached paper we prepared for NAMD. Further, many corporations would appreciate having guidelines regarding minority-owned media support spelled out more clearly. In this regard, when I was at Clairol, Inc., we developed what we considered an equitable program and monitored it via the attached form marked "B". Additionally, you might want to talk with Malcolm Corrin of ICBO, since he is suffering bitterly because of OMBE's present policies of giving credibility and financial support to firms run by other than "affected-class" minorities.

Via copies of this letter, I am calling these suggestions also to the attention of The Honorable Commissioner John Powell, The Honorable Charles Rangel (who also is my congressman), Dr. Carlton B. Goodlett, president of NNPA, and Stanley Scott for their consideration and action as they deem best.

Should you need additional information, please call me at my office. You have my private number. My wife (Jeanne), who remembers you so fondly from our 1968 Philadelphia Minority Development Conference, joins me in wishing you only the best.

Sincerely and respectfully yours,

JOHNSON PUBLISHING CO., INC.



Benjamin H. Wright

BHW:jmt
Enclosure



cc: John Powell; Charles Rangel; Carlton B. Goodlett, M.D. & Ph.D.
" Curtis Perkins; Malcolm Corrin; Paul Johnston; Stanley Scott; John Johnson

Public Contracts of Property Management: Minority Businesses

Following is the text of an amendment to the Federal Procurement Regulations establishing a new subpart prescribing subcontracting policies, procedures, and contract clauses designed to foster and encourage minority participation in subcontracts awarded by government prime contractors.

Chapter I—Federal Procurement Regulations

PART 1-1—GENERAL

Minority Business Enterprises

Subpart 1-1.13—Minority Business Enterprises

Sec.

- 1-1.1300 Scope of subpart.
- 1-1.1301—1-1.1309 [Reserved]
- 1-1.1310 Subcontracting with minority business enterprises.
- 1-1.1310-1 General.
- 1-1.1310-2 Required Clauses.

AUTHORITY: The provisions of this subpart 1-1.13 issued under sec. 205(c), 63 Stat. 390; 40 U.S.C. 436c).

Subpart 1-1.13—Minority Business Enterprises

§ 1-1.1300 Scope of subpart.

This subpart contains policies, procedures, and contract clauses, applicable to the participation of minority business enterprises in Government procurement at both the prime and subcontract level, which are designed to carry out the purpose of Executive Order 11458, March 5, 1969 (34 F.R. 4937).

§§ 1-1.1301—1-1.1309 [Reserved]

§ 1-1.1310 Subcontracting with minority business enterprises.

§ 1-1.1310-1 General.

It is the policy of the Government that the maximum practicable opportunity to participate in the performance of Government contracts be

provided to minority business enterprises as subcontractors and suppliers to contractors performing work or rendering services as prime contractors or subcontractors under Government procurement contracts.

§ 1-1.1310-2 Required clauses.

(a) The Utilization of Minority Business Enterprises clause set forth in this § 1-1.1310-2(a) shall be included in all contracts in amounts which may exceed \$5,000 except (1) contracts which, including all subcontracts thereunder, are to be performed entirely outside the United States, its possessions, and Puerto Rico and (2) contracts for services which are personal in nature.

Utilization of Minority Business Enterprises

(a) It is the policy of the Government that minority business enterprises shall have the maximum practicable opportunity to participate in the performance of Government contracts.

(b) The Contractor agrees to use his best efforts to carry out this policy in the award of his subcontracts to the fullest extent consistent with the efficient performance of this contract. As used in this contract, the term "minority business enterprise" means a business, at least 50 percent of which is owned by minority group members or, in case of publicly owned businesses, at least 51 percent of the stock of which is owned by minority group members. For the purposes of this definition, minority group members are Negroes, Spanish-speaking American persons, American-Orientals, American-Indians, American-Eskimos, and American Aleuts. Contractors may rely on written representations by subcontractors regarding their status as minority business enterprises in lieu of an independent investigation.



(b) The Minority Business Enterprises Subcontracting Program clause set forth in this § 1-1.1310-2(b) shall be included in all contracts which may exceed \$500,000 which contain the clause required by § 1-1.1310-2(a), and which, in the opinion of the procuring activity, offer substantial subcontracting possibilities. Furthermore, prime contractors who are to be awarded contracts which may not exceed \$500,000, but which, in the opinion of the procuring activity, offer substantial subcontracting possibilities shall be urged to accept this clause.

Minority Business Enterprises Subcontracting Program

(a) The Contractor agrees to establish and conduct a program which will enable minority business enterprises (as defined in the clause entitled "Utilization of Minority Business Enterprises") to be considered fairly as subcontractors and suppliers under this contract. In this connection, the Contractor shall:

(1) Designate a liaison officer who will administer the Contractor's business enterprises program.

(2) Provide adequate and timely consideration of the potentialities of known minority business enterprises in all "make-or-buy" decisions.

(3) Assure that known minority business enterprises will have an equitable opportunity to compete for subcontracts, particularly by arranging solicitations, time for the preparation of bids, quantities, specifications, and delivery schedules so as to facilitate the participation of minority business enterprises. And, in those instances

where business of the contractor from the black community can be measured, at least an equitable quid-pro-quo formula for a return to that community should exist.

(4) Maintain records showing (i) procedures which have been adopted to comply with the policies set forth in this clause, including the establishment of a source list of minority business enterprises, (ii) awards to minority business enterprises on the source list, and (iii) specific efforts to identify and award contracts to minority business enterprises.

(5) Include the Utilization of Minority Business Enterprises clause in subcontracts which offer substantial minority business enterprises subcontracting opportunities.

(6) Cooperate with the Contracting Officer in any studies and surveys of the Contractor's minority business enterprises procedures and practices that the Contracting Officer may from time to time conduct.

(7) Submit periodic reports of subcontracting to known minority business enterprises with respect to the records referred to in subparagraph (4), above, in such form and manner and at such time (not more often than quarterly) as the Contracting Officer may prescribe.

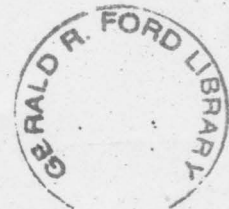
(b) The Contractor further agrees to insert, in any subcontract hereunder which may exceed \$500,000, provisions which shall conform substantially to the language of this clause, including this paragraph (b), and to notify the Contracting Officer of the names of such subcontractors.

Effective date. This amendment is effective October 18, 1971, but may be observed earlier.

Dated: August 23, 1971.

Robert L. Kunzig,

Administrator of General Services.



Recap of section (3)
Assure that known minority enterprises -- including media suppliers -- will have an equitable opportunity to compete for subcontracts, particularly by arranging solicitations, time for the preparation of bids, quantities, specifications and delivery schedules so as to facilitate the participation of minority business enterprises. And, in those instances where business of the contractor from the black community can be measured, at least an equitable, quid-pro-quo formula for a return to that community should exist.

CONFIDENTIAL Response:

1. What kinds of training programs are being used, or planned for use, to help "affected" classes become both fully qualified in immediate terms and promotable at an early date? Please name specific targeted persons and state how you feel your efforts will correct deficiencies identified on the reverse.

"B"

2. What are your special recruitment plans to bring in "affected" class persons at all levels? Please show how this will correct deficiencies identified on the reverse-- and give timetables where applicable.

3. Are you using minority vendors, service contractors, media suppliers or consultants during this month in filling any of your needs. If so, who are they (please list along with % of total volume in that category). If not, please give reasons for non-involvement.

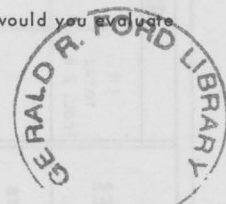
4. If you are engaged in--or planning--any programs dealing with the public, have you developed plans for equitable representation of "affected class" persons? If so, please summarize briefly.

5. Have you reviewed the government regulations and Clairol's Affirmative Active Policy Statement and then discussed it with your employees in the last six months? If so, when? If not, please explain.

6. What kinds of help do you feel you need to do a better job in the area of Affirmative Action? Please list.

7. Since your appraisal and salary review take into consideration your actions in the affirmative action area, how would you evaluate yourself in terms of your Affirmative Action efforts?

8. Other comments or suggestions...



**AFFIRMATIVE ACTION TEAM
MANAGER'S MONTHLY EMPLOYMENT and GOAL REPORT**

REPORTING UNIT _____ NAME _____ COVERING MONTH ENDING _____ SUBMISSION DATE _____

JOB CATEGORIES		ALL EMPLOYEES				MINORITY GROUP EMPLOYEES								MINORITY		HIRES DURING MONTH	
		(1) TOTAL (COL. 2 & 3)	(2) MALE	(3) FEMALE		MALE				FEMALE				(12) TOTAL	(13) PERCENT	(14) MINORITY	(15) FEMALE
				#	%	(4) BLACK	(5) ORIENTAL	(6) AMERICAN INDIAN	(7) SPANISH AMERICAN	(8) BLACK	(9) ORIENTAL	(10) AMERICAN INDIAN	(11) SPANISH AMERICAN				
Officials and Managers																	
Professionals																	
Technicians																	
Sales Workers																	
Office and Clericals																	
Craftsmen (Skilled)																	
Operatives (Semi-Skilled)																	
Laborers (Unskilled)																	
Service Workers																	
TOTAL																	
Total For Last Month																	
Net Change In Month																	
		(The data below shall also be included in the figures for the appropriate occupational categories above)															
Apprentices																	
On the Job Trainees	White Collar																
	Production																

	OFFICIALS & MANAGERS				PROFESSIONALS				SALES															
	MINORITY		FEMALE		MINORITY		FEMALE		MINORITY		FEMALE		MINORITY		FEMALE		MINORITY		FEMALE		MINORITY		FEMALE	
	#	%	#	%	#	%	#	%	#	%	#	%	#	%	#	%	#	%	#	%	#	%		
Year End Goal*																								
% Of Goal Attained																								

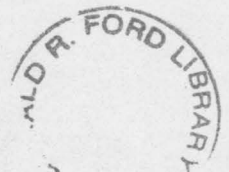
LEVERAGING
MINORITY BUSINESS SUPPORT PROGRAMS
FOR
MINORITY COMMUNITY ECONOMIC DEVELOPMENT

(A preliminary set of notations for
a later report dealing with how we
can make the above a significant
alternative to the uncertainties/
risk costs plaguing Corporate America)

Submitted and Perfected By
ECONOMIC DEVELOPMENT TASK FORCE
of
N. Y. - N A M D
At

San Francisco Hilton Hotel

July 28, 1974



THE GENESIS OF MINORITY BUSINESS SUPPORT PROGRAMS:

Minority business/entrepreneur support programs came into existence almost solely to act as a significant means of riot/disorder prevention from within minority communities. It was assumed that through the multiplier concept . . . as evidenced by other ethnic/ethnocentric communities . . . the dollars invested with a Black/minority business person/supplier would turn over many times within the Black community.* Via this route and other efforts, it was further assumed, the total Black community would develop equity to a point that riots and other forms of disorder that give rise to much of our awesome uncertainties risk costs would have little or no basis.

THE MULTIPLIER PRINCIPLE AT WORK:

The "multiplier" is a valid and important macroeconomic concept which is operable at its maximum only within an insular community or nation where there is an economic containment or circular flow.** The concept/principle operates within any community which tends to deal primarily with its own members in economic matters. Under this concept, the larger the percentage of one's income that is spent within that community, the larger the income in a multiplied way is that of the total community. Conversely, to the degree that money is either withheld from . . . or spent outside . . . the community, "leakages" or diminutions in income occur.

* The terms Black and minority are used interchangeably in this outline.

** The term "multiplier" describes the fact that additions to spending (or diminutions in spending) have an impact on income that is greater than the original increase or decrease in spending itself.

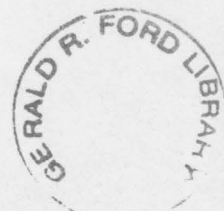


Thus, whenever black businesses spend all or most of the money invested through them with businesses outside the black community, there is little or no multiplier effect within the black community. This diversion from the black community is a major drain or "leakage" from the black community.

THE MULTIPLIER SITUATION WITH BLACK BUSINESSES:

There are many reasons why the multiplier concept has not produced significant impact upon the black community. Among these reasons are:

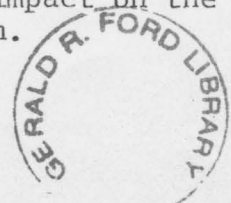
1. The self hatred among black people induced upon them over centuries motivates many black business persons to deal largely, if not almost exclusively, with persons outside the black community. This is a major source of leakages from the black community.
2. Many purchasing agents and other users of black suppliers have little or no understanding of the genesis/intent of minority business support programs imposed upon them via Executive Order 11625 and other government regulations. Thus, they do not consider their black business selections in relation to the ultimate intent of over-all and equitable minority community development. And, to the degree that the businesses they select do not, in turn, deal economically within the black community leakages occur.



3. Many of the government sponsored regional purchasing councils are headed by white consultants who also either have no knowledge of the intent of these programs and/or who are outside hustlers/saboteurs who have no regard for efficient black community economic development.*** This is a serious and unacceptable source of leakages from the black community. And,
4. Extremely few black persons are trained to think in terms of dealing within their own community as means of helping the entire nation by developing their community and, in turn, helping themselves in a multiplier way.

The clear result of this, if we do not find alternative, counter-balancing/corrective methods in immediate terms is the black community will never be developed in an equitable manner that will eliminate the massive, joblessness, widespread and increasing drug abuse, high crime rate and lack of economic control . . . all forces that will foment the very riots and other forms of disorder that none can afford.

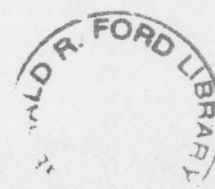
*** In a recent meeting of a group relating to regional purchasing council in the N.Y. area, the two white consultants from a government sponsored support agency declared to the purchasing agents present that with whom a minority business person did business and/or his economic impact on the Black community should not be a criterion for consideration.



COUNTERBALANCING MEASURES NEEDED:

Among the counterbalancing or alternate actions we in Corporate America must consider are:

1. Registering and setting guidelines for all minority enterprises who ask for "equitable or compensatory assistance under Executive Order 11625 (superceding E.O.11458). This could be done at one central office in every corporate location via helpful and graphic pamphlets (a) describing the ultimate multiplier benefits corporations expect to achieve within the black community from this compensatory help, and (b) presenting guidelines to which they must conform if they want to be considered for this "set aside" business aimed at developing the black community as a means of reducing the "risk" climate and its risk costs for all America.
2. Aiding in various ways purchasing agents and others dealing with minority suppliers as they develop black businesses such as (a) presenting them with the same kind of background information, (b) helping them to carefully select and develop via reasonable compensatory assistance minor business persons who have been deliberately and systematically shut out in the past to



compete successfully in new "mainstream" supplier fulfillments and (c) helping them to understand that since these new "mainstream" fulfillments, by their unique nature, can or best only be a relatively small percentage of our total supplier fulfillments, proportionately more business should, as an offsetting or corrective mechanism be done with minority suppliers in those areas where they do have experience and can compete. These people must be made aware also that their efforts have to be part of an over-all coordinated plan.

3. Making certain that as a means of helping the media from within our minority communities play the developmental role which only media owned from within the communities can do. Our companies allocate proportionate advertising support in terms of our business generated from these communities.
4. Insisting that OMBE set up clear guidelines in this regard (the Clairol model is an excellent prototype) and force itself to deal in an equitable way with minority contractors. One sure thing they must consider is limiting minority assistance



contracts to minority consultants and/or economic development agencies.

5. Working with an acceptable and non-political umbrella organization like that of the National Business League to develop a massive and coordinated black community development educational campaign. Perhaps the NBL could consider promotion an educative instrument or credo relative to support of our businesses and institutions to which the masses of black Americans could subscribe.

This paper only includes preliminary notes as a discussion basis for a later-to-be-developed NAME position paper.

Respectfully submitted by,

N. Y.-NAMD Economic Development
Task Force

Benjamin H. Wright, Chairman

Committee Members:

Malcolm Corrin
George Edwards
Ralph Fowler
Alvin Johnson
Octave LaBeet
Harold Sims

