The original documents are located in Box 16, folder "Office of Minority Business Enterprise - General, 1973-1975 (5)" of the Stanley Scott Papers at the Gerald R. Ford Presidential Library.

FROM THE DESK OF

James H. Dowdy

November 8, 1974

Dear Stan:

I will discuss the enclosed letter with you Friday, November 15th. I just want you to know how things stand.

Jim

The Honorable Stanley Scott
Special Assistant to the President
The White House
Washington, D.C. 20500

HARLEM COMMONWEALTH COUNCIL, Inc.

Commonwealth Office Bldg. 215 West 125th Street, New York, N.Y. 10027 (212) 749-5010

November 8, 1974

Mr. Alex Armendaris, Director
Office of Minority Business Enterprise
United States Department of Commerce
14th Street & Constitution Avenue, N.W.
Washington, D.C. 20230

Dear Alex:

I am sincerely grieved that our relationship appears to have deteriorated to the extent of your requesting me not to call you back, in the event I could not come to some agreement with Mr. Newton Downing of your New York Office. I will respect your request.

If I have unknowingly done anything to cause you or OMBE problems, I am truly sorry. However, I owe it to my organization to have at least documented our concerns and forward them to you. As you suggested, I met with Mr. Downing. The meeting resulted in our agreeing that the request for information was made by telephone conversation between Mr. Champion, and Mr. Spriggs. As a result of the justification arriving several days late, a decision was made not to re-fund the Center. At no time did I or Mr. Spriggs, receive written or verbal notice of a deadline date. This bothers me especially, knowing of the admitted distaste for CDC's with BDO's.

At the meeting the conclusion was reached that even though we could present good justification, the best Mr. Downing could do would be perhaps, to get approval for staff to be paid up to the end of this week. The suggestion was also made that we could reapply for a bid contract. This is the very system which created five hundred consulting firms bidding for work which they could not perform at the price.

OMBE also offered to make arrangments for us to refer our seventy clients to ICBO or Capital Formation, which is the highest insult to our creditability that could occur. We feel, and I am sure, that 90% of our clients would express outrage and indignation to such a suggestion.

Though I could seek many distasteful alternatives to resolve this problem, I feel I have worked much too hard physically, mentally and financially for this Administration and its programs. I will not now become engaged in another raking of the OMBE program or any other program that this Administration has initiated.

I have therefore decided that the Council will endeavor to keep the operation going without the help of OMBE for as long as we can, or at least until we finish giving promised services to our present clients. I know our phenomenal successes in the past years have caused many to envy and dislike us, but I attributed our success in business development and technical assistance to dealing with the problems that we know exist as businessmen ourselves--instead of running a race to see who can package the most loans, as opposed to results that are lasting.

I know you can understand my desire to try to resolve this matter from within your offices, and to that end I am forwarding a copy of our justification for refunding under separate cover. I hope that I have not closed any doors between us, but that I have given you an opportunity to see our side and to explain why we sought your assistance.

I would hope that since there is $11,974.32 of remaining OMBE funds left over, a decision can be made for us to use these funds to continue our operation until a final decision on future funding is made.

Sincerely yours,

James H. Dowdy

James H. Dowdy
President

JHD/jls

THE WHITE HOUSE
WASHINGTON

11-18-74
Date

TO: JOHN CALHOUN ✓
HAZEL CORNWELL
PAT HUGHES

FROM: STANLEY SCOTT

ACTION: Place in our files after you view this document. Look's like he has big problems.

Confidential
file

November 14, 1974

Mr. Samuel Cornelius
Assistant to the Director
Office of Minority Business Enterprise
U.S. Department of Commerce
14th & Constitution Avenue
Washington, D.C.

Dear Mr. Cornelius:

It would seem most proper for this letter to have been addressed to Mr. Armendaris, the Director, rather than to you. However, since all of my communication with the Washington office regarding our problem has been directed through you, it was decided that this letter should follow the same path. It seems important in any event that the information I am presenting be made available immediately to Mr. Armendaris.

It was with a certain sense of relief that I learned of the investigation being conducted by representatives of Investigation and Security. It has appeared to me for a long time that the only possible way of resolving the issues involved in our case was through on-site inspection and personal interview of people involved in the work under our contract as employees, consultants, suppliers, or recipients of our services.

For the first time, I have a clear understanding of the specific issues in need of resolution. The way in which the audit questions were communicated to me previously did not clarify the kind of documentation that would be absolutely necessary if a decision in our favor was to be obtained. The issues as we now see them are:

1. Did the Contractor (Malcolm X Educational Foundation) expend 100% of its organizational energy in pursuit of the objectives of the OMBE Contract?

Mr. Samuel Cornelius
November 14, 1974
Page Two

2. Were funds disbursed by the Contractor to salaried personnel, consultants, and others, expended exclusively and properly for work in connection with the objectives of the OMBE Contract?

3. Why were funds from other sources placed in the OMBE Special Account and why were funds transferred from the OMBE account into other bank accounts under the control of the Contractor?

4. What was the purpose of disbursements by the Contractor from the OMBE account or any other accounts where the Contractor noted that the charge was considered to be a non-allowable one under the OMBE Contract?

5. What is the justification for the payment of funds under the Contract to the Executive Director (Hurst), the Deputy Director (Pearson), and certain other persons? The reasoning behind this question seems to involve such factors as the possibility of involvement by these persons in non-OMBE related activities or simultaneous employment elsewhere.

6. What was the nature of the activities of Robert Hurst whose salary was paid from non-OMBE funds, but whose presence was prominent in whatever activities constituted the work of the Contractor?

7. Why were payments for services performed made to persons such as Leonard Searcy, Gerterlyn Dozier, and Sheryl West, if they were acknowledged by the Contractor not to have been involved in OMBE related activities?

8. Were payments to suppliers such as the Lith Printing Company proper and allowable expenditures under the OMBE Contract?

9. Were expenditures for facilities at 5412 West Madison and 230 North Michigan properly charged to the OMBE account and were these facilities used for any purpose other than work under the OMBE Contract?

10. Did the Contractor have any intent, through reports or other materials submitted to OMBE, in writing or orally, to mislead OMBE as to the activities of the organization?

11. Was the newspaper published by the Contractor a properly authorized part of the Contractor's activities during the period for which the Contractor has claimed reimbursement?

12. Were all of the activities of personnel employed by the Contractor conducted in connection with OMBE related activities and within the geographic area specified as the Contractor's responsibility?

13. Were all expenditures made from OMBE funds made for services, materials, etc. properly within the Scope of Work specified in the Contract or in modifications approved by OMBE?

14. Were any OMBE funds used to support any other program or to benefit personally any individual connected with the Contractor?

15. Was the item listed as repayment of loan to C. Hurst a proper transaction even though it is clearly earmarked as a non-OMBE item?

16. Were loans made to former employee, Dorothy Miles, made from OMBE funds and were these loans a proper business transaction for the Contractor to engage?

17. Were all funds generated by such OMBE supported activities as the newspaper and the Austin Business Exposition made a part of OMBE funds and expended in accordance with requirements of the Contract?

Mr. Samuel Cornelius
November 14, 1974
Page Four

18. Is there sufficient documentation available in any form to support the Contractor's claims concerning expenditures and work activities?

19. Why were non-OMBE funds co-mingled with OMBE funds in the Special OMBE Bank Account?

If the questions above had been phrased to me in substantially the same language much earlier, I think that this entire matter could have been resolved many months ago and without the attendant suspicions on the part of Commerce officials that were derogatory to me. Further, the extreme organizational tensions created as a result were debilitating to us. Now that we have the specific questions that must be resolved, we are in a position to cooperate fully in making certain that all available documentation is produced.

We are now proceeding to assist the investigators in accumulating all of the information needed for Commerce officials to make a fair and just decision in all aspects of our case. I will, of course, keep you informed as we proceed.

I also think that I should be given an early opportunity for a face-to-face discussion with you and Director Armendaris to present, personally, all background and information related to this matter and to the behaviour of OMBE administrators throughout. Although we are admittedly guilty of some slipshod administration, especially in the early phases of activity under the Contract, and even more guilty of not using professional accounting procedures in maintaining our financial records, it could have been easily ascertained by OMBE administrators very early in all of this that nothing else was involved. In other words, if OMBE has pursued its own role properly in terms of the support and guidance that should be available to any Contractor, all of the problems and misunderstandings could have been avoided.

Charges against OMBE implicit in these statements seem to me to be extremely serious. I am certain that much good could result from granting me the opportunity to meet with you to

Mr. Samuel Cornelius
November 14, 1974
Page Five

clarify these charges and to enumerate some others, broader in scope, even though final results of the investigation are not yet forthcoming. The meeting, if nothing else, would eliminate the adversary overtones that have prevailed up to now and provide you with an adequate frame of reference for evaluating the information and documentation you will ultimately have.

Please let me hear from you as soon as possible.

Sincerely,

Charles G. Hurst, Jr., Ph.D.

CGH:re
cc: Mr. Alex Armendaris , Director, OMBE
The Honorable John Tabor, Under Secretary
U. S. Department of Commerce

CENTRAL PLAZA / 675 MASSACHUSETTS AVENUE / CAMBRIDGE, MASS. 02139

COGME
COUNCIL FOR OPPORTUNITY IN
GRADUATE MANAGEMENT EDUCATION

November 19, 1974

The Honorable Stanley Scott
Special Assistant to the President
The White House
Washington, D. C.

Dear Mr. Scott:

It was a pleasure having had the opportunity to meet with you during my recent visit to Washington. I very much appreciate your taking time from your busy schedule to discuss the COGME program with Kelvin Wall and me, and to explore the possibility of COGME's receiving government support. We at COGME feel that this program fulfills a vital function by helping motivated and talented minority group members to pursue a graduate degree in management training, and thereby to increase minority participation in all aspects of the nation's economic system. Acknowledgement of the need for such a program has been substantiated in a recent report made to the Departments of Commerce and Health, Education, and Welfare by the National Task Force on Education and Training for Minority Enterprise. Its report recommended the establishment of a comprehensive program for minority business education and training and included increased support for financial assistance to minorities for formal business training.

I am now writing to you in your capacity as Special Assistant to President Ford to familiarize you with our past and ongoing attempts to secure funding from a number of federal agencies and to solicit your assistance in our efforts to obtain much needed government support, particularly from the Office of Minority Business Enterprise and the Small Business Administration. COGME's need for such support is critical. If we are to maintain our present level of fellowship activity, $4.2 million must be raised over the next three years, and if we are to meet this objective, substantial government help will be necessary.

As I pointed out during our conversation, COGME was formed to seek out and encourage talented minority men and women to undertake careers in management by assisting them financially while they study for the Masters degree in Business

Administration. To achieve these goals, COGME recruits at more than one hundred colleges and universities across the country and currently helps to fund approximately 225 of the 520 minority students attending the member schools. I would like to emphasize that the COGME program has been designed to supplement the efforts of the member schools in recruiting minority students and providing them with financial assistance and not to relieve the schools of these responsibilities.

COGME was made possible by an initial grant from the Alfred P. Sloan Foundation. This grant was for $3,000,000, and was to be disbursed over a five-year period. The basic philosophy behind the Sloan Grant was that American business and government, with their interest in and need for greater minority representation in managerial positions, would provide funds to supplement the Sloan grant and to continue the program once the Sloan funds were exhausted. While we have made progress in attracting support from the private sector, it has not yet been strong enough to offset the substantial decline in Sloan support. Moreover, our experience has indicated that private enterprise places a low priority on graduate training for minority groups. This attitude is also cited in the enclosed letter from the Conference Board. In addition, the current economic climate does not lead us to be optimistic regarding corporate support in the near future.

With regard to the public sector, we were awarded two federal grants during our first years of operation. In 1972, we received a grant of $300,000 from the Office of Native American Programs via the Office of Economic Opportunity with the stipulation that the funds were to be restricted to the recruitment and funding of American Indians only. In that same year, COGME was awarded a $100,000 grant from the Office of Minority Business Enterprise to cover administrative expenses. However, since 1972, our efforts at the federal government have been less than encouraging. At the time of the receipt of the OMBE grant, we were given to understand that COGME could also expect to receive a matching four-to-one grant from the Department of Health, Education, and Welfare. In our efforts to secure funds from HEW during this period, we corresponded with the then Secretary of DHEW, Mr. Elliot Richardson and with Dr. Sidney Marland, then Assistant Secretary of the Office of Education. In response to our inquiries following up on the news of the matching grant, we received a reply from Mr. Robert

Worthington indicating that our request would be placed on the agenda for discussion at the September, 1972 Executive Committee meeting of the Task Force on Education and Training for Minority Business Enterprise, and that COGME would be "notified of the results of our discussion immediately following the Task Force meeting in September." We never heard from Mr. Worthington again. After repeated attempts to reach him, we learned that he had resigned. We continued to pursue the possibility of obtaining HEW funding through correspondence and meetings with Dr. Marland, who was sympathetic and supportive of our efforts. However, he resigned shortly after our initial contacts. We are still trying to locate funds in support of the COGME program from H.E.W.

A further development in connection with the OMBE grant led to greater disappointment and frustration. At the time we received the grant from OMBE in 1972, we were assured by Mr. John Jenkins, then Director, that the grant would be renewed. Not only were we assured of continued OMBE support, but Mr. Richard Hobson of HEW was also informed of the intention to award a second year of funding to COGME. Accordingly, we proceeded on that basis to negotiate for a matching grant from HEW.

After talking with OMBE officials in an attempt to get a clarification of our status regarding refunding, I wrote to Mr. Israel Rubin in May of 1973 expressing my concern at the absence of any formal notification from OMBE concerning our possible grant renewal. Although we never received a reply from Mr. Rubin, we did receive a letter a month later from Mr. Alex Armendaris, Director of OMBE, formally announcing that we were not to expect to receive any additional aid from his office. Of particular interest in his letter was the following:

> OMBE is continuing funding degree programs only where it has a contractural obligation to support a specified number of MBA candidates until they graduate... Since OMBE's funds were used by COGME to pay its administrative overhead costs, we will be unable to continue support for the program.

We had been expressly informed in 1972 that OMBE offered no funds directly for fellowship support and so could assist COGME only by covering administrative costs. Mr. Armendaris' revelation, therefore, came as quite a surprise to us. As I later pointed out to Mr. Rubin during a visit to

Washington, and to Mr. Armendaris in a letter following that visit, by providing us with funds to cover our administrative expenses, OMBE enabled us to direct more of the Sloan Foundation monies toward additional fellowship grants. OMBE was well aware of our intention to do this, and as a result was indirectly supporting approximately 25 MBA candidates who would not have received support if we had had to use Sloan Foundation funds for administrative expenses.

Since the receipt of Mr. Armendaris' letter in August of 1973 informing us of OMBE's decision to not refund the program, we have submitted a proposal to Mr. Edward Moore of the National Programs Office of OMBE in which we requested a $250,000 grant for the coming year. The proposal was submitted on September 11, 1974, and we have as yet heard nothing from OMBE regarding it.

We also submitted a proposal to Mr. C. Mack Higgins of the Small Business Administration in March of this year. Although we received no direct response from Mr. Higgins, we did receive a copy of a letter from Higgins to Mr. John Tabor, Under Secretary of Commerce, in which Mr. Higgins states that the SBA had "no statutory authority to respond to COGME's type of effort." A copy of this letter is attached.

In addition to OMBE, HEW, and the SBA, we have tried unsuccessfully to obtain funding from the Office of Economic Opportunity, the National Institute of Education, and the Department of Labor.

To further familiarize you with the COGME program, I am enclosing a copy of our Fact Sheet, which gives a concise overview of the program and offers information on the success we have had to date. I have also included the two COGME brochures, one which concentrates on the program itself, and the other which describes the management programs at our member schools. I have also enclosed copies of correspondence with various government officials, a letter from Mr. George Shultz, and copies of two articles, one from the New York Times and the other from MBA magazine, concerning the COGME program.

Again, it was a pleasure meeting you, and I much appreciate your taking time to see me, especially when you were yourself preparing to go to the National Business League conference in Atlanta. I regret having to deluge you with so much information. However, I can think of no other way that so graphically illustrates our great need for support and our efforts at trying to obtain it. Our COGME Fellows have established a record of considerable success; the issue now is how to attract greater numbers of these superb candidates and to assist them in their efforts to prepare for careers in business and help to start them. Many thanks for your interest and offer of assistance.

Sincerely,

Bert King

Bert King
President and
Executive Director

BK:dey
Enclosure

CENTRAL PLAZA / 675 MASSACHUSETTS AVENUE / CAMBRIDGE, MASS. 02139

COGME
COUNCIL FOR OPPORTUNITY IN
GRADUATE MANAGEMENT EDUCATION

Graduate School of Business Administration
University of California, Berkeley

Graduate School of Industrial Administration
Carnegie-Mellon University

Graduate School of Business
University of Chicago

Graduate School of Business
Columbia University

Graduate School of Business and
Public Administration
Cornell University

The Amos Tuck School of
Business Administration
Dartmouth College

Graduate School of Business Administration
Harvard University

Alfred P. Sloan School of Management
Massachusetts Institute of Technology

Wharton School of Finance and Commerce
University of Pennsylvania

Graduate School of Business
Stanford University

November 22, 1974

Mr. Stanley Scott
Special Assistant to the President
The White House Office
1600 Pennsylvania Avenue, NW
Washington, D. C. 20500

Dear Mr. Scott:

Since the date of my last correspondence with you seeking your support of our efforts in obtaining funds from the government, I have received the enclosed letter from Mr. Frederick Dent, Secretary of Commerce. In this letter, Mr. Dent acknowledges receipt of the proposal submitted to the Office of Minority Business Enterprise by COGME and informs us that our request is being reviewed by the National Programs Division of OMBE. Mr. Dent added that he has requested an expedition of the evaluation process and advised us that we could expect to learn the results shortly.

I hope that your personal support will enhance our prospects of a favorable response on the part of OMBE.

Again, many, many thanks for your interest and assistance on behalf of the COGME program. Whatever help we can get is greatly needed.

Sincerely,

Bert King

Bert King
President and
Executive Director

BK:dey
Enclosure

THE SECRETARY OF COMMERCE
Washington, D.C. 20230

NOV 30 1974

Dean Justin Davidson
Chairman
Council for Opportunity in
Graduate Management Education
675 Massachusetts Avenue
Cambridge, Massachusetts 02139

Dear Dean Davidson:

Thank you for your letter of October 30, 1974, enclosing a copy of a funding proposal submitted to the Office of Minority Business Enterprise (OMBE) by the Council for Opportunity in Graduate Management Education (COGME).

I understand that the COGME proposal is now being reviewed by the National Programs Division of OMBE. In view of your interest, I have requested that they expedite their evaluation.

You may expect a response in the very near future.

Sincerely,

Secretary of Commerce

COGME

COUNCIL FOR OPPORTUNITY IN
GRADUATE MANAGEMENT EDUCATION

CENTRAL PLAZA
675 MASSACHUSETTS AVENUE
CAMBRIDGE, MASS. 02139

CAMBRIDGE MASS. NOV 22 '74
U.S. POSTAGE 0.10
P.B. METER 1181915

Mr. Stanley Scott
Special Assistant to the President
The White House Office
1600 Pennsylvania Avenue, NW
Washington, D. C. 20500

GOP

Pat Lynn

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Women

1

Eric

DEC 6 1974

MEMORANDUM FOR: Alex Armendaris
Director

FROM: Tony Stadeker Signed/Tony Stadeker
Assistant Director for
Field Operations and Administration

SUBJECT: Decentralization of OMBE Information
Service Center

I would like to reiterate some of the highlights of some of the points emphasized in my meeting with you on November 29, relating to your plans to decentralize the OMBE Information Service. In restating my position, it is my desire that you be made fully aware of the inherent unfavorable consequences that are bound to occur if decentralization is established.

My view is that decentralization will be an unnecessary duplication, exhorbitant in costs, ineffective, and inefficient in performing an essential function which has been most capably done as a centralized operation from national headquarters for more than a year. With a very limited staff of three professionals and rather spasmodic clerical support restricted to a temporary laborer and a temporary secretary-typist, the branch has been very effective. Yet, such staff limitations have diminished neither the tone nor quality of the excellent performance with which the branch has been so widely identified in its services to the broad constituency for which it was established: Members of Congress, The White House, Office of the Secretary, Office of the Under Secretary, OMBE's staff at headquarters and regional offices, OMBE-funded organizations, colleges and universities, and national organizations such as the NAACP, National Urban League, etc.

Most importantly, it is imperative that you seriously consider the inherent dangers in decentralizing our public information function at this time. My principal concern is the unfavorable reactions we will provoke by circumventing the Executive Orders mandating our establishing and maintaining a center for information. Further, to that point, our Fiscal Year 1975 appropriations were not approved by the Congress with its knowledge that we would decentralize our public information functions.

The OMBE Information Service, since October 1973, has been implementing a well-conceived, well-developed public information campaign. The campaign has been embraced not only by OMBE staffers, but also by OMBE's constituency -- those persons and organizations throughout the Nation which are undertaking and promoting the establishment and successful operation of minority-owned businesses. Before the 1973 establishment of the OMBE Information Service, these persons, including OMBE staffers, were not fully provided the substantive responses to their queries and easy access to so many different sources of business information as they are presently being afforded through the OMBE Information Service. Even opponents of the 1973 reorganization fully supported the establishment of the OMBE Information Service as a positive step toward making available useful and substantive information to the OMBE staff and to the public in general.

Although the OMBE Information Service is severely understaffed with only three professionals and two clericals, through sound management practices, it performs the following very important functions necessary and vital to promoting a public comprehension of and support for the national minority business enterprise program:

- It expedites servicing of requests for information from the White House, the Congress, Federal, state, and municipal agencies, and the private sector. It is most important that such requests be honored most expeditiously for it is their support for the national minority business enterprise program that is essential.

- It develops audio and visual program materials, including publications, presentations, displays, and exhibits for use by staff and funded organizations in graphically demonstrating our program.

- It searches for and collects information from a reservior of sources, both Federal and private, to review, summarize and make available to the OMBE staff and to the OMBE constituency. In this regard, the OMBE Information Service is a central reference point from which designated information can be quickly obtained, or researched.

- It establishes, coordinates and maintains an information interchange with a multitude of agencies which contribute to the implementation of the national minority business enterprise program.

If ever one wanted to reduce support for a Federal program, a very effective means to this end would be to decentralize the program's public information function, which would, in essence, limit substantive responses to specific requests for immediate information, and thereby fuel the fire of public opposition to the program--particularly from the White House, Congress, Washington-based agencies and minority-oriented organizations.

The regional offices do not have public information specialists who are sensitized by training and experience to deal effectively with the general and specific publics with which the OMBE Information Service deals daily. Even if the regions did have the appropriate personnel, the Regional Directors would be burdened with an even heavier workload requiring special and immediate attention. Also, the Regional Directors are concerned primarily with the development of minority-owned businesses in their own regions. A region with a heavy constituency of Native Americans, another with a heavy constituency of Mexican-Americans, and still another with a heavy constituency of Blacks, are not likely to have a sensitivity to disseminating useful and responsive information about the national minority business enterprise program in general. As has been proven through experience, program managers tend to be somewhat biased and narrow in their view, and promote their own program. This is why it has been recommended that the OMBE Information Service personnel attend, participate, and represent the Office of Minority Business Enterprise in national conventions, because of their unbiased approach to promoting all program segments of the agency.

A move to decentralize the OMBE Information Service at this time would be premature in that we have no supportive documentation that the national minority business enterprise program would be enhanced or made more effective through such a move, or that the program is presently hampered through the public information function as it now stands centralized.

During the last three months the OMBE Information Service responded to more than 1,800 local and long distance telephone calls for information on the national minority business enterprise program. The type of information requested in those calls was not available in the regions because there is neither experienced staff to collect, review, summarize, develop, and disseminate it, nor space in which to store it. The OMBE Information Service in that same three months period disseminated more than 5,000 publications and substantive responses to requests for information from office visitors and correspondents. This output, however, does not include the 7,500 publications disseminated to national organizations for their annual conventions, or publications sent to cities in which the Director or the Deputy Director spoke in the last three months.

In conclusion, I recommend that the OMBE public information program remain centralized as it is in the OMBE Information Service. And further, I recommend that you favorably consider increasing its staff so that it can become even more effective in promoting the national minority business enterprise program. This can be accomplished by reassigning to it appropriate regional personnel who wish to relocate to Washington, and who are trainable as public information specialists. I make this recommendation because of the indispensable and invaluable utility a centralized public information function is to the survival of our program.

To assure support for any change to our present system of a centralized public information function, as an alternative should you desire to decentralize, I recommend a user-representative panel be established, comprised of a representative from the White House, the Congress, the Secretary's Office, and the primary users of the OMBE Information Service -- the OMBE-funded organizations -- to study the feasibility, advantages, and disadvantages of decentralizing the function, and make appropriate recommendations to you for your disposition. In this way, you would have the benefit of the necessary support and back-up for any such decentralization if it were recommended. And even if it were not recommended, but you were convinced that it would better serve our program mission, the panel's recommendations would afford you an indication of from where and for what reason opposition might erupt.

cc: Lewis Giles ✓

UNITED STATES DEPARTMENT OF COMMERCE
Office of Minority Business Enterprise
Washington, D.C. 20230

January 9, 1975

Honorable Stanley S. Scott
Special Assistant to the President
The White House
Washington, D. C. 20500

Dear Mr. Scott:

At the December 12 meeting of the Interagency Council for Minority Business Enterprise, I announced preliminary results of a 1972 census of minority-owned businesses. I am pleased to now send you the enclosed survey of Black-owned businesses, which is the first completed part of the nationwide census being prepared by the Bureau of the Census.

We can be greatly encouraged that this initial data on Black businesses in 1972 shows a 20 percent increase in the number of Black firms and a 60 percent increase in their gross receipts since 1969. I will be sending you the census reports on Spanish surname and other minority-owned firms as they are completed.

I would also like to take this opportunity to thank you for your agency's continuing support of the minority enterprise program. While the above census figures are encouraging, I caution that present economic conditions can have a serious impact on minority firms. It is especially important that we assure the continuing viability and growth of existing minority businesses. In this regard, I would like to personally reemphasize President Ford's recent request that all Federal agencies reexamine and improve their minority business development efforts. If there is any way that the Office of Minority Business Enterprise can assist you in such efforts, please let me know.

Sincerely,

Alex Armendaris

Alex Armendaris
Director

Enclosure

THE WHITE HOUSE
WASHINGTON

JAN. 31
Date

TO: STAN

FROM: JOHN CALHOUN

~~For Your Information~~

ED SEXTON'S CONFIDENTIAL MEMOS AGAIN —

IF THERE'S ANY SUBSTANCE TO HIS CLAIM, THE AGENCIES OUGHT TO BE KICKED INTO HIGH GEAR.

U.S. DEPARTMENT OF COMMERCE

January 21, 1975

~~CONFIDENTIAL~~

Determined to be Administrative Marking
Date 6/7/01 By WHM

To : John Calhoun

From: Edwin T. Sexton, Jr.

Attached is a report on Federal Government Agencies and OMBE Funded Organizations with funds deposited in Minority Banks. This may be of interest to you.

~~CONFIDENTIAL~~

Determined to be Administrative Marking
Date 6/7/01 By WHM

January 21, 1975

MEMORANDUM FOR: Samuel J. Cornelius

FROM: Edwin T. Sexton, Jr.

Subject: Study and evaluation of Federal Government Agencies and OMBE Funded Organizations with funds deposited in Minority Banks.

On October 31, 1974 you requested me to submit a study and evaluation of funds available through government agencies which were deposited in minority banks during the past fiscal year and also the percentages of OMBE Funded Organizations that have placed their funds in minority banks.

As you know I have been forced to be away from my office due to the illness and death of my father, therefore, I was unable to complete it until now. I hope that the delay has not proved its use to be of no value and that it justifies your request.

Attachment

BCC: John Calhoun

Minority Bank Survey 12/17/74

The minority banking industry has been quite dynamic over the past five years. In 1969, there were 28 minority-owned banks. In September 1970, 31 banks had been designated minority-owned with total deposits equaling 396.5 million dollars. One year later the same banks, with the assistance of the Federal Deposit Program, had expanded their deposits to over 552 million dollars. As of June 30, 1974 the number of minority-owned banks had increased over 100% during the five years to 57. Deposits increased by more than three-fold to 1,162.6 million dollars. Currently (as of Nov. 15) there are 69 banks designated minority-owned with deposits in excess of 1.2 billion dollars.

From the latest figures available, in 1970 banks designated as minority-owned represented a cheerless .0023% of all the national and state chartered commercial banks. By 1973, minority-owned banks had increased to .0038% of the total banks.

The deposits in minority-owned banks in relationship to the total banking industry increased from an inconsequential .0008% to .0014% during the same period. However, all told, the deposits in minority-owned banks represents a little more than the total deposits of the First Citizens Bank and Trust in Smithfield, North Carolina.

Year	Number		Deposits	
	Minority	Majority	Minority	Majority
Dec. 31, 1970	31	13,550	443,324,000	528,840,000,000
Dec. 31, 1973	53	13,925	1,079,588,000	791,840,000,000

Although great strides have been made, minority ownership of one of the most prominent institutions in the country is still minuscule. Minorities need the continuous assistance from OMBE in the development of new banks and the strengthening of existing banks.

While some of these activities will be facilitated through a revised scope of work for the National Bankers Association, OMBE should and ought to vigorously promote the Federal Deposit Program. It would appear that the Federal Deposit Program surpassed the original goal of $35 million, which was set in 1970 and has been forgotten. The total outlays of the federal government have increased by $71 billion; from $196 in 1970 to $268 in 1974. (Used to show increased Federal spending; funds not necessarily available for deposit).

Although the Administration has continued to support the encouragement of federal agencies diverting deposits to minority banks, little progress has been made. In fact, it would appear that during the past year deposits have dwindled at a time when they were most needed to cushion the impact of reduction of normal deposits.

In Millions

6/30/73	9/30/73	12/31/73	3/31/74	6/30/74
86,637	88,999	79,070	70,859	73,905

Further, with the recently passed Housing and Community Development Act, it is conceivable that we will lose a measurable amount of HUD's funding. In FY '74, $10,800 million, or 14% of the total federal dollars deposited represented funds from HUD. (See Exhibit 1).

To increase federal participation, perhaps as an alternate to setting a goal of a fixed amount deposited in minority banks, an objective for deposits of a percentage of total funds controlled directly or indirectly by each agency should be established. This would create a sharing of the responsibility and eliminate certain agencies from passing the buck to those agencies which are totally committed. Also, it is measurable. Such an objective would need, I believe, the concurrence of the President.

Within OMBE, greater assistance to minority-owned banks could be rendered if we were to increase the number of funded organizations doing business with minority banks, especially those organizations which are in the same cities (See Exhibit 3). Currently, only 44 organizations out of 157 (28%) surveyed are making deposits in minority banks. 94 of these 157 organizations are located within cities where minority banks are also located. (See Exhibit 2). OMBE, by policy decision, could allow funded organizations to receive two month's advance initially and one month's advance thereafter for 11 months. Thus, we would increase the deposit flow 1/12th of our contracted obligations, assuming 12-month obligations for 11 months in the minority banks.

In addition to bank deposits, OMBE should support the efforts of the minority banks seeking increased loan participation from those organizations which have Federal Government guarantees. Maritime Administration has allocated two billion dollars for ship building guarantees. The concentration of these guarantees is within six or seven larger banks in New York City.

Exhibit 1

FEDERAL GOVERNMENT - CONTROLLED DEPOSIT WITH MINORITY BANKS - PER AGENCY AS REPORTED TO TREASURY (IN $ THOUSANDS)

	9/30/70	9/30/71	12/31/71	3/31/72	6/30/72	9/30/72	12/31/72	3/31/73	*6/30/73	9/30/73	12/31/73	3/31/74	6/30/74	9/30/74
Agriculture	--	$ 1,965	$ 2,541	$ 2,549	$ 3,772	$ 2,987	$ 3,042	$ 3,534	$ 3,594	$ 4,326	$ 4,280	$ 3,616	$ 3,616	
A.E.C.	--	233	877	941	985	1,196	2,027	2,356	2,291	994	1,562	1,726	1,463	
Commerce	--	112	916	879	1,026	1,923	1,923[2]	948	948	948[1]	948[1]	948[1]	73	
Defense	--	10,980	12,751	13,436	12,936	10,521	10,051	10,315	16.231	19,466	19,307	17,032	19,719	
Exp.-Imp. Bank	--	10	43	31	--	--	22	14	14	14	14[1]	14[1]	--	
F.D.I.C.		110	67	116	115	106	106	106	106	106[1]	106[1]	--	--	
H.E.W.	--	4,593	3,933	5,895	9,065	10,065	14,090	14,690	14,690	14,690	5,608	5,421	6,311	
H.U.D.	--	6,450	15,578	15,578[1]	10,948	11,757	10,317	14,100	18,185	15,458	18,828	17,766	10,800	
Interior	--	--	76	76	--	--	--	--	--	--	--	--	--	
Labor	$ 3,220	12,036	14,066	20,350	20,512	21,606	16,200	14,260	21,706	23,714	19,314	15,660	22,361	
O.E.O.	--	6,050	17,694	16,628	21,791	20,825	14,382	4,876[2]	4,876[2]	4,876[2]	4,876[2]	4,897[2]	4,836[2]	
Postal Service	460	1,039	732	1,191	1,593	1,593	2,661	2,137	2,137	2,322	2,212	1,778	1,700	
Transportation		161	282	353	514	593	652	554	622	830	760	657	1,212	
Treasury	--	529	529	724	726	1,107	1,237	1,237	1,237	1,255	1,255	1,344	1,789	
Nat. Science Fn.	--	--	--	--	--	--	--	--	--	--	--	--	25	
TOTALS	$ 3,680	$44,268	$70,085	$78,747	$83,983	$84,279	$76,710	$69127	$86,637	$88,999	$79,070	$70,859	$73,905	

1) No report, figure shown is for prior quarter
2) O.F.C. only

Exhibit 2 (cont.)

Region: Atlanta

Contractor	Banks	Minority Bank	City With Minority Bank
Atlanta Business League	Citizens Trust	*	*
Central Savannah River Area Business League (CSRA-NBL)	Citizens Trust		
Chattanooga National Business League	American National Bank and Trust		
Columbia Urban League (NUL)	Bankers Trust		*
Durham Business & Professional Chain, Inc.	Mechanics & Farmers Bank	*	*
Federation of Southern Cooperatives	McMillan & Co., Livingston, Ala.		
Louisville Business Resource Center	Liberty National Bank & Trust		
Memphis Business Resource Center	Tri-State Bank of Memphis	*	*
Atlanta Associated Contractors & Trade Council	Citizens Trust Bank	*	*
Alabama Council on Human Relations	Auburn National		
Atlanta Inner-City Development Corporation	Citizens Trust	*	*
Warren Regional Planning Corp.	Mechanics & Farmers Bank Durham	*	
Kentucky State OMBE	State Treasury		

Region: Atlanta (Con't)

Contractor	Banks	Minority Bank	City With Minority Bank
Tennessee State OMBE	State Treasury		
Seminole Employment Economic Development Corporation	Atlantic National of Sanford		
Florida A&M University Business Development Center	State Treasury (funded through school)		
Forsyth County Economic Development Corporation	Wachovia Bank		
Jackson Chapter NBL	Deposit Guarantee National Bank		
Magic City Economic Development Association	Birmingham Trust National Bank		
Memphis Business League	Tri-State Bank	*	*
National Progress Association for Economic Development(N.C.)	Mechanics & Farmers Bank	*	*
National Progress Association for Economic Development (Tenn.)	Citizens Savings Bank	*	*
Jacksonville Urban League	Marine National		
Penn Community Services, Inc.	First Carolina Bank		
Spanish Economic Development Corp.	Republic National Bank	*	*
Tuskegee Institute, Carver Foundation	Alabama Exchange Bank		

Region: Atlanta (Con't)

Exhibit 2 (cont.)

Contractor	Banks	Minority Bank	City With Minority Bank
Southeastern Economic Development Foundation	Citizens Trust	*	*
Charlotte Business Resource Center	Mechanics & Farmers Bank	*	*
Minority Development & Management Association	Citizens & Trust of South Carolina		*
Interracial Council for Business Opportunity	Citizens Trust	*	*
ONYX Corporation	Citizens & Trust		*

LISTING OF BANKS USED
BY OMBE FUNDED ORGANIZATIONS
CHICAGO REGION

ILLINOIS

ORGANIZATION	BANK
Chicago Economic Dev. Corp.	*Seaway National Bank, Chicago
Spanish American Business-men's Association	*Gateway National Bank *Highland Community Bank *Independence Bank of Chicago *Seaway National Bank
Chicago Minority Purchasing Council	*Independence Bank of Chicago
Talent Assistance Program	*South Side Bank, Chicago
Breadbasket Commercial Assn.	Union National Bank, Chicago
Northern Ill. Bus. Dev. Corp.	Illinois National Bank, Rockford

INDIANA

Gary BRC	*Midwest National Bank, Indpls.
Indpls. Bus. Dev. Foundation	Merchants National Bank, Indpls.
Indianapolis Urban League	*Midwest National Bank, Indpls.

KANSAS

Kansas OMBE	Highland Park State Bank, Topeka

MICHIGAN

Inner City Business Improvement Forum	*First Independence National Bank, Detroit
Metropolitan Contractors	Manufacturers National Bank, Detroit
Economic Dev. Corporation of Greater Detroit	Detroit Bank and Trust

MINNESOTA

ORGANIZATION	BANK
Metropolitan Economic Development Association	*1st Plymouth National Bank Minneapolis

MISSOURI

ORGANIZATION	BANK
St. Louis BRC	*Gateway National Bank St. Louis
MOKAN	Kansas City Bank and Trust Co., Kansas City, Mo.
Black Economic Union	*Douglass State Bank, Kansas City, Mo.
St. Louis MEDA	United Mo. Bank, St. Louis

NEBRASKA

ORGANIZATION	BANK
Urban Bus. Dev. Center	*Community Bank of Nebraska, Omaha

OHIO

ORGANIZATION	BANK
Columbus BRC	Huntington National Bank, Columbus, Ohio
Regional Purchasing Council	National City Bank of Cleveland
Youngstown Econ. Dev. Corp.	Dollars and Savings Trust Co. Youngstown
Executive Bus. Dev. Corp.	Ohio National Bank, Canton
Determined Young Men	The Provident Bank, Cincinnati
Cleveland Contractors	Capital National Bank, Cleveland
MEDCO	Union Commerce Bank, Cleveland

WISCONSIN

ORGANIZATION	BANK
Afro Urban Institute	*No. Milwaukee State Bank
Milwaukee Urban League	*No. Milwaukee State Bank

*-Denotes Minority Owned Bank

Exhibit 2 (cont.)

Region: Dallas

Contractor	Banks	Minority Bank	City With Minority Bank
Acadiana Business Development Corporation	Hub City Bank & Trust Co.		
Amalgamated Builders and Contractors of Louisiana	Liberty Bank		*
Center for Business and Economic Development		*	
Gulf South Minority Purchasing Council	1st National Bank of Commerce		*
National Information Research and Action League	Louisiana Bank & Trust		*
American GI Forum	Ft. Worth National Bank		*
Austin Economic Development Corporation	Union National Bank	*	*
Coastal Bend Minority Contractors Association	Nueces National Bank	*	*
Dallas Alliance for Minority Enterprise	Brookhollow National Bank		*
Corpus Christi Economic Development Corporation			
Dallas Mexican Chamber of Commerce	Main Street National Bank		*
Pan American Contractors Service Center	State National Bank of El Paso		*
San Antonio Business Resource Center	Texas State Bank		

Exhibit 2 (cont.)

Region: Dallas (Con't)

Contractor	Banks	Bank	Minority Bank
SER - Jobs for Progress, Inc.	Banco del Pueblo Commercial Bank		*
United Organization Coalition	Security National Bank		
Venture Advisers, Inc.	Main Street National Bank		*
Colorado Economic Development Association	Colorado National Bank	*	*
Denver Coalition Ventures, Inc.	United Bank of Denver		*
Uplands, Inc.	Bank of Durango		
Corporation in Action for Minority Business Opportunity	1st National of Dona Ana		
New Mexico Contractors Service Center	Albuquerque National Bank		*
Tulsa Urban League (NUL)	American State Bank	*	*

Exhibit 2 (cont.)

National Programs Division

Contractor	Banks	Minority Bank	City With Minority Bank
American Association of Spanish-Speaking CPAs (AASSCPA)			
American Institute of CPAs	Chemical Bank & Trust		*
American Savings & Loan League	Industrial Bank & Hemisphere Bank	*	*
Caucus of Black Economists			
Federal Government Accountants Association	1st Bank of Washington		*
Greater Horizons	1st National City Bank		*
Interracial Council for Business Opportunity	Morgan Guarantee		*
Market Facts, Inc.	American Security		*
Menswear Retailers of America	Union Trust		*
Minority Contractors Assistance Project	American Security & Trust		*
Minority Enterprise Research & Investment Clearinghouse, Inc. (MERIC)	1st National City Bank		*
National Association of Accountants			
National Association of Black Manufacturers	United National Bank	*	*
National Association of Minority CPA Firms	Industrial Bank of Wash.	*	*

Exhibit 2 (cont.)

National Programs Division (Con't)

2

Contractor	Banks	Minority Bank	City With Minority Bank
National Association of Real Estate Brokers	Industrial Bank of Wash.	*	*
National Bankers Association	Industrial Bank of Wash.	*	*
National Business League	Industrial Bank of Wash.		
National Economic Development Association			
National Economic Development Association			
National Insurance Association	Seaway National Bank	*	*
National Minority Purchasing Council			
National Progress Association for Economic Development			
National Shoe Retailers Association	Bankers Trust Co.		*
Opportunity Development Association			
Cable Communications Resource Center	Industrial Bank of Wash.	*	*

Exhibit 2 (cont.)

Region: New York

Contractor	Banks	Minority Bank	City With Minority Bank
B.L.E.D. Company	Freedom National Bank, Brooklyn	*	*
The Circle, Inc.	Unity Bank & Trust Co.	*	*
National P.R. Bus. & Marketing Association	United Americas Bank		*
Rochester B.R.C., Inc.	Marine Midland Bank, Rochester		
G.N.H. Bus. & Professional Men's Association	First New Haven National Bank		
S. Bronx Overall Economic Development Co.	Bankers Trust Co.		*
Pan African Business Center	Bankers Trust Co.		*
G.N.H. Chamber of Commerce	First National Bank, New Haven, Conn.		
S. Bronx P.R. Development Co.	Banco Popular de Puerto Rico	*	*
Contractors Association of Boston	National Shawmut Bank, Boston		*
Jamaica Chamber of Commerce	Marine Midland Bank		*
Pioneer Valley Business Development Center	Third National Bank of Hampden County, Ma.		

Region: New York (Con't)

Contractor	Banks	Minority Bank	City With Minority Bank
Volunteer Urban Consultant G.P.	Banco de Ponce	*	*
Puerto Rican Businessmen's Association	Conn. Bank & Trust Co., Hartford		
United South End Settlements	Unity Bank & Trust Co., Boston	*	*
Joint Enterprises Trusteeship Corporation	Broad National Bank, E. Orange, N.J.		
B.P.U.M.	Heritage Bank N.A., Cherry Hill, N.J.		
Lewis Latimer Foundation, Inc.	Coolidge Bank & Trust Co. Cambridge		*
Harlem Commonwealth	Bankers Trust Co. of N.Y.		*
Consumer Action Program of Bedford Stuyvesant, Inc.	Bankers Trust Co., Brooklyn		*
Puerto Rican Development Foundation, Inc.	Banco Popular de Puerto Rico	*	*
Puerto Rican Forum	Banco de Ponce, N.Y.	*	*
LESADAC	Banco Credito Y Ahorro Ponceno	*	*
Project Bold of South Jersey, Inc.	Atlantic National Bank, Atlantic City, N.J.		
Capital Formation	Banco de Ponce	*	*

Region: San Francisco

Contractor	Banks	Minority Bank	City With Minority Bank
PACT	First Enterprise Bank	*	*
WEDCO	United California Bank		
Asian, Inc.	Bank of Tokyo	*	*
Arcata Management	Wells Fargo		
Golden State Business League	Bank of America		*
Tri-County MAUC	United California Bank		*
NEDA	Los Angeles National Bank		*
NEMA	Bank of America		*
MECLA	Bank of America		*
Pasadena Urban Coalition	Wells Fargo		
TELACU	Bank of America		*
Asian American National Business Alliance	Cathay Bank		
San Diego BRC	Pacific Coast Bank	*	*
CAMAC	Bank of America		*
Economic Resources Corp.	Lloyds Bank of Calif.		*
UIDA	Bank of America		*
IMPAC	Bank of America		*
Operation Second Chance	Bank of America		
Latin American Mfg. Association	Security Pacific		*

Exhibit 2 (cont.)

Contractor	Banks	Minority Bank	City With Minority Bank
Phoenix BRC	Valley National Bank		
Progress Association for Economic Development	Valley National Bank		
NEDCO	Nevada State Bank		
United Inner City Development Foundation	Pacific National Bank of Washington		*
Central Contractor's Association	National Bank of Commerce		
Arizona Contractors Association	Great Western Bank		

Exhibit 2

Region: Washington, D. C.

Contractor	Banks	Minority Bank	City With Minority Bank
D.C. Chamber of Commerce	McLachlen National Bank		*
Interracial Council for Business Opportunity	Community National Bank		*
Metropolitan Washington Business Resource Center	National Bank of Washington		*
National Council for Equal Business Opportunity	National Bank of Washington		*
Furniture Retailers Associations for Minority Enterprise, INC. (FRAME)	United National Bank	*	*
Metropolitan Retail Liquor Dealers Association	National Bank of Washington		*
Model Cities Economic Development Corporation	Industrial Bank of Washington	*	*
Washington Council for Equal Business Opportunity (WCEBO)	United National Bank	*	*
Urban Business Education Association	Union Trust Company		*
Washington Black Economic Union Development Corporation	National Bank of Washington		*
Minority Contractors Resource Center	National Bank of Washington (Checking), Hemisphere National Bank (OMBE Dep.)	*	*
Hemisphere Development Corporation	Hemisphere National Bank	*	*

Exhibit 2 (cont.)

Region: Washington, D. C. (Con't.)

Contractor	Banks	Minority Bank	City With Minority Bank
Washington Business Development Center	National Bank of Washington		*
Baltimore Council for Equal Business Opportunity	Union Trust Company		
Metropolitan Baltimore Business Resource Center	Equitable Trust Company		
Community Enterprise Development Association, Inc.	Annapolis Banking & Trust Company		
Morgan State Minority Business Enterprise Project	Equitable Trust		
Wilmington Business Opportunities Economic Development Corporation	Delaware Trust Company		
Zion Non-Profit Charitable Trust Entrepreneurial Development Training Center	First Pennsylvania Banking & Trust Co.		
The Philadelphia Urban Coalition Construction Contractors Association Center	Provident National Bank		
The Philadelphia Urban Coalition Business Development Organization	Central Pennsylvania National Bank		
Spanish Merchant Association of Philadelphia	Philadelphia National Bank		
Business & Job Development Corporation	Mellon National Bank		

Region: Washington, D. C. (Con't)

Contractor	Banks	Minority Bank	City With Minority Bank
University of Pennsylvania United Black Front (UBF)			
Pittsburgh Business Resource Center	Mellon Bank		
Metropolitan Business League	Consolidated Bank & Trust Company		*
Tidewater Area Business League	Atlantic National Bank, Norfolk	*	*
Roanoke Valley Business League	United Virginia Bank, Roanoke		
Tidewater Area Minority Contractors Association	Atlantic National Bank, Norfolk Consolidated Bank & Trust Company, Richmond	*	*
Progress Association for Economic Development	Kanawha Banking & Trust Company		