

The original documents are located in Box 24, folder “White House "Think Tank" Session on Minority Business Development, March 14, 1975 (4)” of the Stanley Scott Papers at the Gerald R. Ford Presidential Library.

Copyright Notice

The copyright law of the United States (Title 17, United States Code) governs the making of photocopies or other reproductions of copyrighted material. Bettye L. Scott donated to the United States of America her copyrights in all of her husband’s unpublished writings in National Archives collections. Works prepared by U.S. Government employees as part of their official duties are in the public domain. The copyrights to materials written by other individuals or organizations are presumed to remain with them. If you think any of the information displayed in the PDF is subject to a valid copyright claim, please contact the Gerald R. Ford Presidential Library.



SOUTHEASTERN INSTITUTE OF ENTREPRENEURSHIP AND MANAGEMENT

March 18, 1975

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

Dear Mr. Scott:

It was my distinct pleasure to participate in the "Think Tank" session with top Government officials at the White House on Friday, March 14, 1975.

First of all I would like to thank you for the invitation and secondly to congratulate you upon the excellent way in which you conducted the session. From my point of view, I think it was a very valuable session and I do look forward to further follow-up. Naturally, if I can be of any assistance I hope you will feel free to call.

Again my congratulations and best wishes.

Sincerely yours,

Harding B. Young
Director



HBV/lc

March 17, 1975

The President
The White House
Washington, D. C. 20500

Dear Mr. President:

It was indeed an honor and a privilege to be invited to the meeting held at the Executive Office Building, Friday, March 14, 1975, Chaired by your Special Assistant, Mr. Stanley Scott.

The District of Columbia Chamber of Commerce is dedicated to the enhancement, growth and development of minority business, and consequently, we have made a very serious and careful review of the outline provided in Mr. Scott's letter dated March 6, 1975, and the attached proposed plan reflects the recommendations brought forth as a result of Mr. Scott's request.

The District of Columbia Chamber of Commerce, Incorporated stands ready to assist in the development of a workable plan acceptable to the Administration, and it's constituency.

If we can be of further assistance please do not hesitate to call upon us.

Very respectfully yours,

James L. Denson
Executive Director

Attachment

cc: ✓ Stanley Scott, the White House
John Calhoun, the White House
Carl Hystad, Office of Management and Budget



Chicago Community Ventures, Inc.

March 15, 1975

Mr. Stanley S. Scott
Special Assistant to the President
THE WHITE HOUSE
Washington, D. C.

Dear Mr. Scott:

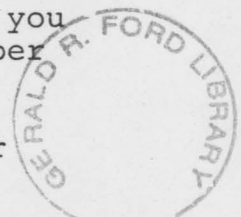
Thank you for the invitation to yesterday's conference on Minority Business Development. The session was informative, educational and provocative. I very much appreciate the opportunity and privilege to have participated in such an event.

The introduction to my position paper and the remarks of most of the other participants emphasized the deep belief that this should be just the first of a series of meetings to be held before a decision is made on how to alter the programs for minority economic development. Listening carefully to conversations before, during and after the session gave me the impression that you should move quickly to follow through on your endorsement of this concept. This would greatly enhance the chance of increasing the presently very small amount of confidence many people have regarding the sincerity of this Administration's commitment to improving the economic situation of minority businessmen.

One problem, which I feel you handled superbly, was the number of participants. There wasn't enough time for everyone to have his say, even though many had come thousands of miles. On the other hand, to have invited fewer people would have left you open to the criticism of having chosen only a select number of favorites.

Therefore, I submit the following recommendation for your consideration:

Every registrant who thought the conference was important enough to prepare a formal position paper should be invited to a follow up conference. A prerequisite would be the submission of a ONE PAGE ONLY synopsis of his position paper, at least three weeks prior to the conference. Your office would collate these one page documents into a book, duplicate the book and distribute one copy, at least ten days before the conference, to each expected participant. The conferees would arrive the evening before the event, which should convene at 9:00 a.m. and continue through 3:30 p.m., with lunch being brought in.



Mr. Stanley S. Scott

March 15, 1975 page 2

The objective would be to draft a position paper on delivery of services to improve minority business which would reflect the on line experience and recommendations of the individuals who have the responsibility of trying to make the programs work.

Again, I thank you for inviting me. If there is any way I may be of service to you, please call upon me.

Very truly yours,

Benjamin Custer
BENJAMIN C. DUSTER

BCD:db

cc: Mr. C. Mack Higgins





INTERRACIAL COUNCIL FOR BUSINESS OPPORTUNITY
OF GREATER WASHINGTON

733 - 15th Street, N.W. Suite 240 Washington, D.C. 20005 (202) 628-387

Belford V. Lawson, Jr., Esq.
Eric R. Fox, Esq.
General Co-Chairmen

William C. James
Executive Director

Albert E. Hampton
President

March 18, 1975

Samuel L. Foggie
Banking and Credit Committee

Addy Bassin
Samuel E. Harris
Business Consultants Committee

Offield Dukes
Carl Levin
Public Relations Committee

Anne Foss
Secretary

Dr. William L. Porter
Treasurer

Durward M. Taylor, Esq.
General Counsel

Members at Large
H. A. Abersfeller
Edward J. Austin
Addy Bassin
Knox Banner
Chester C. Carter
G. Yates Cook
Dr. Cleveland L. Dennard
Offield Dukes
Samuel L. Foggie
Anne Foss
Eric R. Fox, Esq.
Theodore R. Hagans, Jr.
Albert E. Hampton
James M. Harkless, Esq.
Samuel E. Harris
Robert E. Koehler
Belford V. Lawson, Jr., Esq.
Julia M. Lee
Carl Levin
Homer W. Maynard
R. Grayson McGuire
Robert F. Pavelka
Dr. William L. Porter
Christopher B. Rupp, CPA
Rosemary E. Reed
Mark B. Sandground, Esq.
Douglas R. Smith
Durward M. Taylor, Esq.
Joseph D. Tydings, Esq.
Seymour D. Wolf

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

Dear Stan:

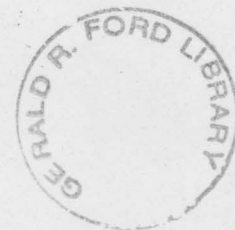
As was stated in the meeting, I do wish to congratulate you for taking the initiative of holding a meeting with the agencies concerned about the economic plight of minority businesses.

I believe it is the first time a meeting of this nature has been held where the information and suggestions were received from the practitioners rather than the theoreticians.

I would like to endorse several of the positions taken and they are:

1. An expanded long-term commitment from the President.
2. Definitely a better infusion of monies to carry forward such programs.
3. A Task Force be established to deal with not only digestion of the position papers and dissemination of that information, but one which also deals with development and design of a long-term program.

Again, I would like to congratulate you for such courage and pledge my support of being any assistance



Mr. Stanley S. Scott
March 18, 1975
Page Two

in carrying forward the goals and objectives for enhancing
minority business enterprise.

Very truly yours,

Bill

William C. Jameson
Executive Director

WCJ:mn



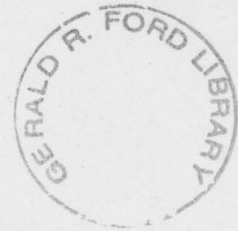
Fields, Freeman Associates, Inc.

51 East 42 Street New York, NY 10017 212-697-7333



March 18, 1975

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



Dear Mr. Scott:

I sincerely appreciate your invitation to our firm to participate in the "Think Tank" session held at the Old Executive Office Building on March 14. Having attended, I am sharing my views on the format and operational aspects of that meeting.

I was extremely disappointed by the proceedings and wonder if the purpose of The White House was actually well served. The quality of input was generally poor with rare exceptions as that input related to the problem and action alternatives presented in your original letter.

I would have preferred regional meetings with no more than 30 participants which would permit greater expression and exchange of ideas. Since the backgrounds, expertise, and experiences of persons involved in minority business development are so diverse, it is difficult to bring all of these persons together and expect qualitative analyses of the problem of minority business development and relevant recommendations.

While I commend The White House for involving minority business persons in the decision-making process, I hope that future sessions will consider these points so that the sessions may be more meaningful to both The White House staff and to the participants.

Although I left two copies of the position paper that we developed at the registration desk, I am enclosing another copy to ensure that it gets into the proper hands.

Sincerely yours,

Evelyn S. Freeman
Executive Vice President



Willie Williams Real Estate, Inc.



6023 Two Notch Road • Columbia, S. C. 29204 • 803 - 754-3063

March 17, 1975

Mr. Stanley Scott
Assistant to the President
White House
Washington, D. C.

Dear Mr. Scott:

Thank you very much for the opportunity to participate in the White House, "Think Tank" on Friday March 14, 1975. I would like to commend you for the way you guided the meeting and hope that you will continue to give us the direction necessary for us to participate in the Free Enterprise System in this great country.

I hope that you will feel free to call on us for any service we can render in any way to you personally or the President. We will be honored to serve you.

We will forward the position paper in the next few days.

Again, our sincere thanks.

With kind personally regards, I remain

Sincerely,

Willie Williams, Jr.

Willie Williams, Jr.
President



WWjr:pbr

**THE
BLACK
ECONOMIC
RESEARCH
CENTER**

112 West 120th Street, New York, New York 10027 • (212) 666-0310 - 0345

Director
ROBERT S. BROWNE

March 17, 1975

Mr. Stanley S. Scott
Special Assistant to the President
White House
Washington, D.C. 20230

Dear Mr. Scott:

Thank you for inviting me to the recent White House Think Tank Session on Minority Enterprise. I did not make a presentation there, but would like to convey to you my thoughts on the subjects discussed.

I am neither a businessman nor an advocate for business, but an economist who has studied black business though time and over space. Let me therefore give you the benefit of some research findings.

Black business generally grows proportionately to the black population because it is comprised primarily of retail and service enterprises that service consumers directly. Between 1929 and 1969 for an example, the number of retail establishments per capita remained at about two per thousand for the black population. Retail enterprise receipts per capita however increased dramatically, from \$8.64 to \$86.27. Much of this increase can be attributed to inflation, though some real improvement is probably included. Real improvement can be attributed to the increase in establishment size as measured by employment per firm. This index moved from .49 to 1.22 over the 40 year period 1929-1969.

The past six years apparently have not altered this picture, the ratio of retail firms to population remaining at 2 per thousand. The industrial distribution of black firms has remained basically the same, except that the larger of the new firms are manufacturing firms. This is of course familiar to us all.



March 17, 1975

Between 1969 and 1972, the total number of Black firms with paid employees declined, according to the 1972 Census Department study of black business. The decline was led by retail trade with a 29 percent drop over the three year period.

Since 1972, according to a study recently done by Lloyd Hogan of our organization for OMBE, the failure rate for all Black firms was over 13 percent, with the retail sector at a 38 percent rate and manufacturing at 36 percent. The study was based on a national survey of black firms. With an estimated ten percent growth in manufacturing between 1972 and 1975, and a two percent growth in retail and other declining industries, the study concluded that black business enterprise showed an overall decline in numbers of 23.6 percent.

On the basis of this evidence, it is clear that neither OMBE nor SBA have been particularly effective in assisting Black business in general since 1968. The focus on administrative readjustments in OMBE and SBA as a solution to the problems of Black business would appear to be misguided, if not in fact invidious. The savings accruing from improved administrative structure and management practice would in all likelihood not be made available to businessmen in the program budgets of these agencies, so the purpose of such a restructuring is unclear. What is needed is increased program funding.

On the specific question of consolidating SBA and OMBE, some considerations are that while virtually all black business is small business, very little of small business is black business. The best course from the point of view of black business is therefore to strenghten the agency with specific responsibility for providing assistance to them, OMBE, by legislation making it a permanent agency. OMBE must be kept separate, and with a direct access to the President.

To move to the question of increasing assistance to black business, we see an opportunity in the general revenue sharing legislation. State and local governments should be required to enact 8-A type legislation in order to qualify for receiving these funds. This would have the impact of increasing the demand for the output of minority enterprise, and would go a long way toward making them viable.



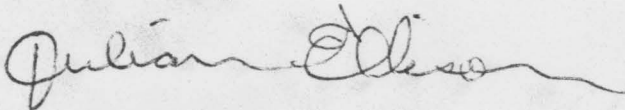
Mr. Stanley S. Scott

-3-

March 17, 1975

There needs to be some regular channel of communication opened between the administration and the minority business community. Smaller meetings than the Think Tank, which had over 250 participants is required for effective dialogue. I support the Task-Force idea raised by Garland Guice and others in this regard.

Yours truly,

A handwritten signature in cursive script, appearing to read "Julian Ellison", with a long horizontal flourish extending to the right.

Julian Ellison
Senior Economist

JE/ve



C. Robert Kemp
Economic Resources Corp.
11633 S. Alameda Street
Los Angeles, CA 90059

March 14, 1975

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

Dear Stan:

Thank you for the opportunity to review and comment on the Minority Business Development Analysis of Organizational Alternatives and for the invitation to participate in the "Think Tank" session at the White House.

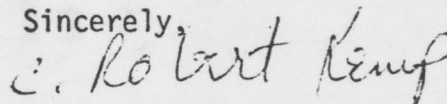
I can think of no process that would be more effective than for the Administration to demonstrate leadership in seeking solutions to the critical problems confronting all minority business.

It is my sincere hope that required action to alleviate the crisis will be forthcoming as a result of the conference. The minority business constituency is prepared, through crisis and experience, to develop and become viable in concert with Administration action.

My suggestions and analysis are included in the attached paper in response to your request. The many suggestions you will receive will, I'm sure, aid you in formulating action.

I will make myself available to assist in the implementation of the decisions resulting from this meeting. Thank you for your continuing concern on behalf of minority business.

Sincerely,



C. Robert Kemp





TECHNOLOGY DEVELOPMENT CORPORATION
599 N. Mathilda Ave. • Sunnyvale, Ca 94086

March 18, 1975

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

Dear Stanley:

I really appreciate being invited to the recent "Think Tank" session on Friday, March 14. I would appreciate being considered for any Task Force that would follow-up on developing specific recommendations.

I would also like to get a copy of the list of Panel Members and any Summary Report of the meeting.

Thanks again, and I am hoping that some concrete results will come from the ideas that were discussed at the meeting.

Sincerely,

A handwritten signature in dark ink, appearing to read 'F. S. Greene', written in a cursive style.

Frank S. Greene
President

FSG/nc

cc: Junius Hayes, National Director NABM



Department of
Commerce

Lieutenant Governor
ROBERT D. ORR
Director

ROBERT C. MORRIS
Executive Director



State of Indiana

336 State House
Indianapolis, Indiana 46204
(317) 633-4450
Cable: INCOM

March 20, 1975

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

Dear Mr. Scott:

I want to take this opportunity to thank you for the invitation to attend the "Think Tank" session last Friday, March 14. I certainly felt that it was a step in the right direction in establishing a viable minority economic development program. There is a definite need for future planning on such a subject of importance that affects so many minority lives.

The Indiana State Office of Minority Business Enterprise has been in existence since May 1, 1974. During the first three months of its existence, many problems arose due, in fact to the concept that OMBE should be operated under a Small Business Development program under the State Department of Commerce. These problems resulted in a lot of time and engery being spent in the small business end and little or no time being spent in helping minorities which have specialized small business problems.

When the position paper was written, it was impossible to quote verbatim all the problems encountered by the Indiana State OMBE in its efforts to implement a minority program. I only hit upon one of many small and non-minority related projects which precipitated the separation of OMBE and the Small Business Development Division.



Page 2

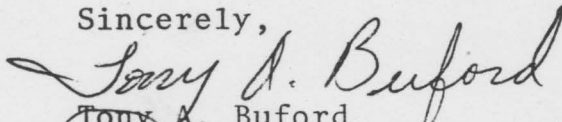
Mr. Stanley Scott

Secondly, the State OMBE feels that an economic division of OMBE should be created. This division would work on minority business trends and factors that deal directly with professional business tactics.

I am volunteering my services and input along with my Deputy Director, Donald R. Anderson in the formulation of the task force to study the organizational structure of OMBE. We would bring to the task force the expertise knowledge and industrial experience that we have had in the industry and business sector which includes consultant work for industry. Another individual whom I highly recommend is Mr. Clark Arrington, Director of Notre Dame MESBIC. Mr. Arrington has a business law background (corporate law) and would be an asset to the OMBE task force.

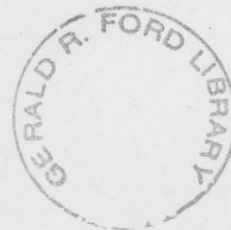
Once again, thanks for involving me in the session on minority development.

Sincerely,


Tony A. Buford
Executive Director

STATE OFFICE OF MINORITY BUSINESS ENTERPRISE

TAB:dmd



TELACU

the east los angeles community union
a community development corporation
David Lizarraga, executive director

1330 south atlantic boulevard, east los angeles, ca. 90022 • 213/268-6745

March 19, 1975

Mr. Stan Scott
Special Assistant to the President
The White House
Old Executive Building
Room 177
1700 Pennsylvania Avenue, N.W.
Washington, D. C. 20500



Dear Stan:

Thank you for the opportunity of participating in the White House Conference on Minority Business Development. We enjoyed the conference and found it to be most interesting.

We did not feel, however, that the conference dealt with the real issues of minority development. We agree with Berkeley Burrell's comment that the conference should have been aimed at solving the minority businessman's problems and not those of the federal agencies. We also felt that the limited amount of time for presentations and the large groups of participants decreased the meaningful discourse that could have occurred among the attendees.

I am, nevertheless, optimistic that the ad hoc committee led by Mr. Floyd McKissick can be most influential in recommending positive solutions for both the agency structure (OMBE and SBA) and the problems of the minority businessman.

I, therefore, have attached a summary of ideas or goals which the committee may want to consider. I feel it is most important that we determine our goals early so we can make an immediate impact on OMB. I hope these suggestions are worthwhile, and I am anticipating meeting with you, Mr. McKissick, and the committee in the near future.

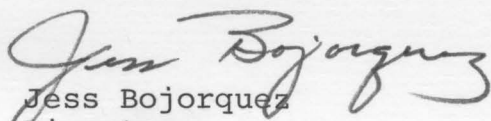
Business Development, Operations & Assistance • Communications
Housing & Urban Development • Manpower • Social Services



Mr. Stan Scott
March 19, 1975
Page 2

I also thank you for the opportunity to serve on this committee
and assist you in achieving a common goal.

With best regards,


Jess Bojorquez
Director,
Economic Development

JB/mg

Attachment

cc: D. Lizarraga



TELACU

the east los angeles community union
a community development corporation
David Lizarraga, executive director

1330 south atlantic boulevard, east los angeles, ca. 90022 • 213/268-6745

March 19, 1975

Mr. Floyd Mc Kissick
Soul City
North Carolina 27553

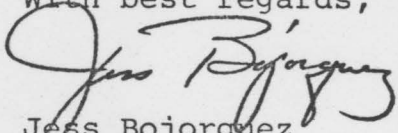
Dear Floyd:

Please find attached a few comments regarding the goals and objectives of the ad hoc committee on Minority Business Development. I feel it is important that we decide what our goals are prior to undertaking any specific task. We are in a key position and whatever we do must be done effectively.

I, therefore, would suggest that we meet immediately to discuss our role and determine a strategy. I have not identified an exclusive list of ideas. I am sure the group can recommend other areas that we should undertake.

Awaiting your response, I look forward to working with you.

With best regards,



Jess Bojorquez
Director,
Economic Development

JB/mg

cc: D. Lizarraga
S. Scott
Attachment



Business Development, Operations & Assistance • Communications
Housing & Urban Development • Manpower • Social Services



AD HOC COMMITTEE BUSINESS DEVELOPMENT

Prior to undertaking any task, we should specifically determine what we as a committee wish to accomplish. It is my feeling that we should provide some direction in the following areas:

GOALS:

1. Identify specific items that the minority business representatives should discuss with OMB/SBA/OMBE (e.g., needs and problems of minority businessman, delivery vehicle capability, goals of delivery vehicle).
2. Select a representative group of 20 individuals from the 180 conference participants. These individuals should be selected based upon geographic location, ethnic background and special area of concern (e.g., bankers, BDO, CDC's, insurance, CPA's, etc.).
3. Continue to be a liaison between Stan Scott, the federal agencies (OMB, SBA, and OMBE) and the 180 conference participants.
4. Assist Stan Scott in any follow-up work or coordination with the representative group and the remaining conference participants.
5. Provide Stan Scott with all the political and technical support to achieve positive results.



6. Acquire a small budget from a federal agency to keep the ad hoc committee active to follow-up and support activities recommended by Stan Scott and the special group of 20 with OMB, SBA and OMBE.

These are a few ideas that I considered and are not in any priority. I hope they may be helpful. I am also sure that there are others I did not include. We should, however, discuss a plan for the ad hoc committee prior to taking any specific action.



City of Los Angeles
California

DARREL H. STEARNS
FEDERAL LEGISLATIVE REPRESENTATIVE
TEL. (202) 293-7315
293-7390

1620 EYE STREET, N.W.
WASHINGTON, D.C. 20006
TELEX: NLCUSCM 89-2547

255 CITY HALL
LOS ANGELES 90012
485-3327

March 19, 1975

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

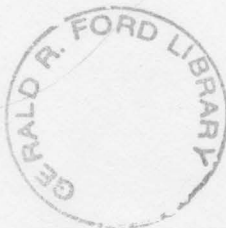
Dear Stan:

The City of Los Angeles was very pleased to have been invited to the recent White House Conference on Minority Business Enterprise Planning and Evaluation. We feel that this is a vital step in the struggle to strengthen this program throughout the country and welcome the opportunity to have some input in this revitalization process. We are anxious to hear from your office relative to follow-up activities on this conference, and if future group meetings are planned please reserve a spot for us. Hope to hear from you soon in this regard.

Thank you for providing us with the opportunity to "think aloud" with others interested in the continued growth and development of a viable minority business enterprise program. We applaud the President's efforts in this direction.

With kind regards.

Sincerely,



Arthur D. Rogers
Federal Legislative Representa-
tive
City of Los Angeles

Daniels & Bell, Inc.

Member New York Stock Exchange, Inc.

20 Exchange Place
New York, N. Y. 10005

Telephone (212) 422-1700
Cable: Danbell

March 20, 1975

PERSONAL & CONFIDENTIAL

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

Dear Stan:

When we were at your meeting last week, liquidity of minority bank stocks was mentioned as an issue. Although the conversation was postponed, the issue remains constant. I am sending you a copy of a memorandum and proposal submitted to OMBE.

Stan, we need your help from the White House to get this project moving. I am a member of the Securities Industry Association committee on public markets for minority businesses. After the research is completed as described, I am extremely confident of establishing viable markets for minority bank shares.

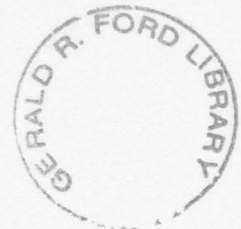
Respectfully requesting your consideration and assistance.

Kindest personal regards,



Travers J. Bell, Jr.
Chairman

Enclosures



PERSONAL & CONFIDENTIAL

March 17, 1975

Mr. Alex Armendaris, Director
Office of Minority Business Enterprise
Department of Commerce
Washington, DC

Dear Alex:

When we were at the meeting held by Stan Scott, the subject of "public markets for minority banks" came up and no one seemed to remember the enclosed proposal.

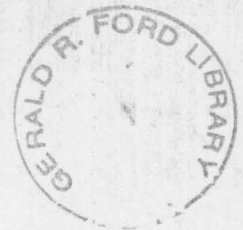
I am resubmitting this proposal to you for your review, approval and funding. Because of inflation and industry costs, we will have to add 15% to the budget, therefore increasing it to \$230,000. We are convinced that the completion of this problem would be a major factor in solving the liquidity problems faced by minority banks and would encourage and structure private capital for investment in these vital institutions.

I am hoping you will guide this through for approval as it is important for us and imperative for the banking community to initiate this project.

Cordially,

Travers J. Bell, Jr.
Chairman

Enclosures



RESEARCH REPORT

Minority-Owned Banks (Savings & Loans and Insurance Cos.)



The recent growth of minority-owned banks has been spectacular. Despite operating losses in their early years, most of them have survived quite well. Three years ago, combined deposits of U.S. minority banks totalled almost \$400 million; today, according to data compiled by the Treasury Department, the figure is over \$1 billion --a jump of more than 150%.

This explosive deposit growth, although a blessing, has nevertheless placed significant pressure on the banks, to recapitalize in order to strengthen their balance sheets. The yardstick of banking safety is the ratio of deposits to capital. A 12 to 1 ratio is considered normal by bank examiners. Yet, some of these institutions have as much as 20 and 30 times more deposits than capital. According to FDIC statistics for 1972, the ratio was 15.5 to 1 for 30 insured minority banks, as against a ratio of 11.8 to 1 for insured commercial banks (about 13,800) as a whole.

Marginal profits of newer banks and their limited borrowing power make it very difficult to improve capitalization. Longer established banks have been able to make some progress through retained earnings. Nevertheless, this input is at best minimal and totally insufficient to impact banking safety. Capitalization improvement must come through stock sale or issue of capital notes or debentures. The efforts of Minban Capital Corpora-

tion are to be commended. However, their projected capitalization of \$10,000,000 and their investment of such monies in nonvoting securities of minority banks is a feeble attempt at solving the critical capital problem. This subsidy although welcomed should not cause all interested parties to neglect the most realistic vehicle to solution; The Market Place.

Traditionally, the American system has made it possible for successful enterprises or ventures with reasonable potential to go to the Market Place and solicit capital from investors. Institutions have evolved profitably by not only creating awareness through research and publication of findings and expectations on worthwhile enterprises, but also by developing trading centers or exchanges facilitating transfer of ownership through the fundamental economic law of supply and demand. So far, this process has been ignored so far as Minority Banking is concerned. The consequences of this neglect are major:

1. The investing public has no awareness of the performances of minority-owned or controlled banks.
2. Even when some awareness exists, it is very difficult for an investor to quickly gather the facts needed to make a decision.
3. When a decision is made, regardless of what its determinants are, the investor cannot readily transact because he does not know where or how to do so.

These described consequences have great negative impact on the valuation process: (1) Minority Bank stocks have no liquidity. The



current owner of such stocks, if he were to decide to convert his ownership into cash, cannot readily do so. Furthermore, he is at the mercy of very few takers who are so well aware of their bargaining strength and so quickly willing to take advantage of their position. This situation can be verified by the abnormal bid-ask spread of most Black bank stocks. (2) The lack of liquidity is a powerful deterrent to investment and a significant handicap to the normal valuation process.

All of the above suggests that a Black banker in need of capital finds it extremely difficult to attract equity investors. Furthermore, the lack of capital significantly reduces the ability of the bank to get involved in the areas of banking which are by size or nature more profitable. This stifled growth makes traditional sources of debenture instruments uncomfortable about the bank's ability to meet its financing obligations. We have therefore, a vicious circle resulting in almost total unavailability of capital.

The appended Exhibits "A" through "E" examine some of the statistical experiences of a sample of minority banking institutions as compared to a random selection of diversified major banking institutions. The material utilized in these exhibits were gathered from published sources such as Moody's Bank and Finance Manual, Standard & Poor's Industry Survey, The Conference Board Record and also from a sample survey of Black Banks conducted by Daniels & Bell, Inc.

Exhibit "B" expresses the relationship between the indicated average sale price for minority bank capital shares during a twelve month



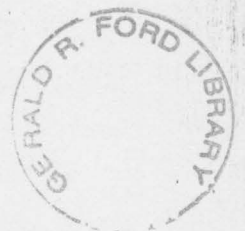
period ending in April 1973 and the indicated December 31, 1972 per share book value. Exhibit "D" makes the same comparison for the major bank sample; in this case we used the average of the 1972 full year price range and December 31, 1972 per share book value.

It is shown that the ratio of price to book value for the nine minority bank sample ranged from a high of 2.26:1 to a low of 0.70:1, with an average of 1.15:1. This experience compares to the major bank range of 2.39:1 high and 0.96:1 low, with the following averages:

New York City Banks	1.61:1
Non-New York City Banks	1.36:1
Total Sample	1.45:1

Thus, the minority bank average ratio fell between 18% and 40% below the comparison averages.

Exhibit "C" expresses the estimated sale turnover of total outstanding capital shares for the nine minority banks in the same twelve months period. The average full year share turnover represented a very small 3.4% of the total outstanding shares. The disparity between the trading activity of minority banks and that of major bank shares is tremendous, part of which is a function of the availability of sufficient capital float to satisfy institutional investor requirements. As an indication of the gap size Exhibit "E" shows the reported share trading volume for the major banks sampled as measured against the total outstanding shares. These figures represent only one month's trading results, December 1972



and yet the turnover compares equally in many instances with the full year turnover of minority bank shares.

This paper has attempted to draw additional recognition to the prevailing capital raising problem associated with minority banking institutions. Our comments, however, have only brushed the subject. We believe that a major research effort should be started to explore the depths of the problems and the development of solutions. We have some exciting ideas on solving the described problem. Their validity must be properly supported by thoroughly researching the situation and tightly structuring the most efficient vehicle for implementation of the most feasible program.

March 1974

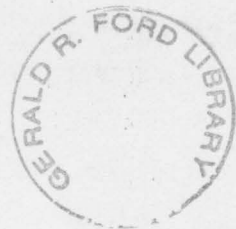


EXHIBIT "A"

			<u>December 31, 1972</u>	
<u>Minority Bank Issue</u>	<u>Deposits (mil) 6-30-73</u>	<u>Est. Capital Stock, Surplus & Undivided profits</u>	<u>Capital Shares</u>	<u>Est. Book Value per sh</u>
American State Bk (Tulsa)	4.6	498,691	29,000	\$17.20
Centinel Bk of Taos	7.8	732,730	17,143	42.74
Consolidated Bk & Tr (Richmond)	21.3	1,137,551	33,000	34.47
Douglass State Bk (Kansas City)	17.5	1,029,756	16,366	62.92
Freedom Bk of Finance (Portland)	4.7	573,831	80,000	7.17
Gateway National Bk (St. Louis)	18.7	423,378	31,835	13.30
Independence Bk (Chicago)	47.4	1,765,000	75,000	23.53
Seaway National Bank (Chicago)	46.1	1,797,000	62,500	28.75
Tri-State Bk (Memphis)	<u>20.1</u>	<u>1,282,648</u>	16,897	75.91
Total Nine Minority Banks	\$188.2	\$9,240,585		

Total 6-30-73 Estimated Deposits for

49 Minority Banks \$832.2 million

% Nine Bank Share of Total Deposits 22.6%



EXHIBIT "B"

<u>Minority Bank Issue</u>	<u>Est. Average Share Sale Price</u>	<u>Est. 12-31-72 Book Value Per Share</u>	<u>Ratio of Sale Price: Book Value</u>
American State Bk (Tulsa)	\$20	\$17.20	1.16:1
Centinel Bk of Taos	\$50	\$42.74	1.17:1
Consolidated Bk & Tr (Richmond)	\$25	\$34.47	0.73:1
Douglas State Bk (Kansas City)	\$80	\$62.92	1.27:1
Freedom Bk of Finance (Portland)	\$ 5	7.17	0.70:1
Gateway National Bk (St. Louis)	\$30	\$13.30	2.26:1
Independence Bk (Chicago)	\$24	\$23.53	1.02:1
Seaway National Bank Bk (Chicago)	\$31	\$28.75	1.08:1
Tri-State Bk (Memphis)	<u>\$72 1/2</u>	<u>\$75.91</u>	<u>0.96:1</u>
Average Ratio of Nine Minority Bank Issues			1.15:1



EXHIBIT "C"

	Est. Sh Turnover 12 mos period	Est. Avg. Sh. Sale Price	Totl Est Value of Share Turnover	Total Share Out- Standing	Percentage Share Turnover
<u>Minority Bank Issue</u>	<u>1972</u>	<u>1973</u>			
American State Bk (Tulsa)	325	\$20	\$6,500	29,000	1.1%
Centinel Bk of Taos	300	\$50	15,000	17,143	1.7%
Consolidated Bk & Tr (Richmond)	363	\$25	9,075	33,000	1.1%
Douglass State Bk (Kansas City)	1,727	\$80	138,160	16,366	10.6%
Freedom Bk of Finance (Portland)	3,069	\$ 5	15,345	80,000	3.8%
Gateway National Bk (St. Louis)	1,338	\$30	40,140	31,835	4.2%
Independence Bk (Chicago)	2,113	\$24	50,712	75,000	2.8%
Seaway National Bk (Chicago)	1,919	\$31	59,489	62,500	3.1%
Tri-State Bk-(Memphis)	<u>1,105</u>	\$72 1/2	<u>80,112</u>	<u>16,897</u>	<u>6.5%</u>
Total Nine Minority Bank Issues	12,259		\$414,533	361,741	3.4%



EXHIBIT "D"

<u>Major Bank Issues</u>	<u>Avg. Sh. Pr. 1972</u>	<u>Book Value Per Share 12-31-72</u>	<u>Ratio of Sale Price: Book Value</u>
New York City Banks:			
Chase	59.375	39.54	1.50:1
Chemical	53.5625	49.58	1.08:1
First National City	30.125	12.58	2.39:1
Manufacturers Hanover	34.875	25.93	1.34:1
U.S. Trust	38.3125	22.05	1.74:1
Non-New York City Bank Issues:			
Bank of Virginia	29.875	16.96	1.76:1
Cleveland Trust	86.375	89.73	0.96:1
Continental Illinois	52.875	36.99	1.43:1
Crocker National	34.875	28.85	1.21:1
First Chicago	49.125	33.54	1.46:1
Mellon National	48.375	47.74	1.01:1
Pittsburgh National	35.00	29.68	1.18:1
Republic National (Dallas)	33.125	15.21	2.18:1
Security Pacific	31.75	26.50	1.20:1
Wells Fargo	24.40625	19.41	1.26:1
Average of Five New York City Bank Issues			1.61:1
Average of Ten Non-New York City Bank Issues			1.36:1
Average of Total Fifteen Bank Issue Sample			1.45:1



EXHIBIT "E"

<u>Major Bank Issues</u>	<u>December 1972 Share Volume</u>	<u>December 1972 Shs. outstanding</u>	<u>Percentage Sh. Turnover</u>
New York City Banks:			
Chase	449,300	31,882,000	1.4%
Chemical	359,500	13,655,000	2.6%
First National City	1,002,000	57,676,000	1.7%
Manufacturers Hanover	362,800	28,368,000	1.3%
U.S. Trust	34,100	2,100,000	1.6%
Non-New York City Bank Issues:			
Bank of Virginia	48,400	3,808,000	1.3%
Cleveland Trust	15,700	3,012,000	0.5%
Continental Illinois	431,600	17,244,000	2.5%
Crocker National	150,100	10,239,000	1.5%
First Chicago	151,900	18,619,000	0.8%
Mellon National	97,000	9,999,000	1.0%
Pittsburgh National	91,000	6,185,000	1.5%
Republic National (Dallas)	193,000	9,393,000	2.1%
Security Pacific	341,800	30,432,000	1.7%
Wells Fargo	304,400	19,524,000	1.6%

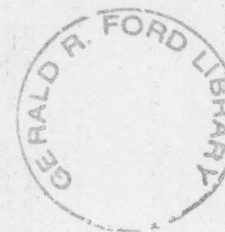
NOTE: Volume and Turnover figures represent only the month of December 1972 not a twelve month period.



OUTLINE

Daniels & Bell, Inc.

Minority Bank Research Project.



OBJECTIVE:

Daniels & Bell, Inc. proposes to conduct a comprehensive research study of the developing Minority Banking field. The objective of this program is to accumulate and eventually to disseminate information of both operating (historic and potential) and investment market characteristics. This material will then be thoroughly analyzed to uncover the strengths and weaknesses attendant with Minority Banks. This research process will utilize all available public information and close coordination with each of the Minority Banks' operating management.

The overriding purpose of this study is to establish the degree of investment liquidity, or lack of liquidity, and relate that to the capital raising function and the tenacle impact on the banks' operating performance. The feasibility of a minority bank stock trading vehicle will be defined and various formats will be explored.

We expect the Research Project to be conducted along the following parameters:

PROJECT PROGRESSION:

Stage One: Establish the minority bank population using Federal Reserve data and other required reference sources. Prepare a letter

for each of the minority banking institutions to inform them of the existence and objectives of this project and the funding sanction received. Ask for the financial statements for the last three-to-five years, if available. Explain the depth of the project and encourage their continued cooperation in our efforts.

Gather available published and referenced information on each of the banking institutions, stressing size (deposit and capital bases), geographics and ownership criteria. The Federal Reserve, Securities and Exchange Commission, individual banks and other financial information sources will be utilized.

Based on the minority bank criteria outlined above, establish comparison populations of two and perhaps three separate non-minority banking institution samples and follow the same procedures as above in accumulating the required information.

This stage will take approximately one month to complete and will require perhaps two trips, of one week duration each, to Washington, D.C.

Stage Two: (a) Perform an in-depth financial analysis of the minority bank population and compare to an identical analysis of the various balancing bank samples; (b) Prepare a detailed report on the analysis results highlighting the financial areas of difference between the minority and non-minority banking institution; (c) Employing the financial



analysis results develop a questionnaire exploring the unanswered areas of interest. This questionnaire will be cross-checked against available information sources such as the Federal Reserve and the Securities and Exchange Commission. The still unsatisfied areas of interest will be forwarded in questionnaire form to each of the minority banking institutions for their input. This stage will require approximately two-three months to complete.

Stage Three: While awaiting the replies from Stage Two (c), we will begin an analysis of the security trading characteristics of the minority and non-minority banking populations. This analysis will cover such areas as:

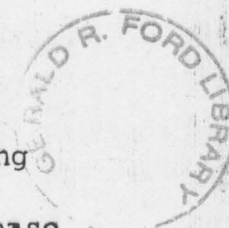
- (a) Stock Trading Activity over the latest twelve months
- (b) Number, location and depth of market makers for each issue
- (c) Bid/Ask Spread Analysis
- (d) Price fluctuations
- (e) Availability of independent investment research information
- (f) Knowledge of issue and its fundamental operating qualities by the market makers
- (g) Analysis and correlations of information flow, market maker knowledge, and share float to trading activity for various issues, and the various sample populations as a whole



The functions required to complete Stage Three will closely correspond to Stage One and Two although the information sought will be of a different nature; trading activity versus fundamental operations activity. We will need to consult various regulatory agencies, investment community participants and importantly, the banking institutions themselves. We expect this stage to require approximately three months to complete.

Stage Four: Establish the demographics and income characteristics of each bank operating environment to assist in the development of potential institutional growth factors. The Department of Commerce, Bureau of Census and Department of Labor would be primary sources of material. Compare growth potentials to the growth potentials of the comparison sample populations.

Stage Five: After completion of the financial and trading analysis, we will embark on an extensive field trip which will touch base with each of the minority banks. The purpose of this trip will be to submit a summary of our completed analysis and more importantly to evaluate the operating management structure and policies. Any investment evaluation relies heavily on a management analysis. We expect to put our whole staff in the field with a very specific program of questions to be asked and a detailed briefing of attitudes (desirable and undesirable). The time required by this field trip stage will ultimately depend on the final number of minority banks studied, but we expect that it will be completed within two to three months. We will also endeavor to pinpoint specific areas of



success in minority banking and evaluate to detect the specific circumstances that helped produce that success.



BUDGET OF GRANT

1. Senior Analysts (2) @ \$25,000/yr	\$50,000
2. Junior Analysts (2) @ \$20,000/yr	\$40,000
3. Financial @ \$12,000/yr	<u>\$12,000</u>
Total	<u>\$102,000.</u>

4. Professional Services

(a) legal	\$15,000
(b) accounting	\$10,000
(c) data processing	<u>\$10,000</u>

Total	<u>\$35,000</u>
-------	-----------------

5. Travel expenses	\$30,000
6. Telephone & Typing	\$10,000
7. Miscellaneous	\$ 5,000
8. Additional rent	\$ 3,000
9. Miscellaneous expenses	<u>\$15,000</u>
	<u>\$98,000</u>
Total	<u>\$200,000</u>





Vanguard Oil & Service Co., Inc.

1255 ATLANTIC AVENUE BROOKLYN, N. Y. 11216

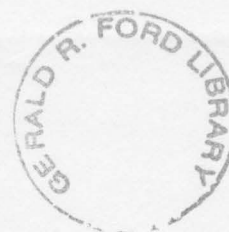
(212) 636-1050 - 1051

KENNETH BUTLER
President

WUI 62401
TELEX 125965

March 20, 1975

Mr. Stanley S. Scott
Special Assistant to the President
C/O The White House
Washington, D.C.



Dear Mr. Scott:

I sincerely hope that the "Think Tank" session would stimulate your office to make some positive steps in helping minority businesses. I have attended numerous conferences that talk about the problem, I have yet to be in one that recommend solutions.

I cannot recognize the need to create new agencies, when the ones that exist don't work. I strongly urge you to put S.B.A. and Ombe under a microscope and examine the effectiveness of their programs.

I would like to extend my congratulations to you for bringing this conference together.

Very truly yours,

Kenneth Butler
President

KB:db
Enc.



Vanguard Oil & Service Co., Inc.

1255 ATLANTIC AVENUE BROOKLYN, N. Y. 11216

(212) 636-1050 - 1051

KENNETH BUTLER
President



WUI 62401
TELEX 125965

MINORITY BUSINESS DEVELOPMENT

It would suit the interest of minority vendors in their particular industries, to have true support from our government in the most expeditious form. It is known that minorities have never sat at the table of plenty, when it comes to securing government business, nor have minorities received at least 10% of the benefits those agencies are set up to administer. We are not looking for you to totally set up minorities in business, but to properly assist those businesses as they need it, in procuring solid growth contracts relative to their industry.

We strongly feel that the government should consolidate its direct federal assistance under the S.B.A.'s 8A procurement program. And to give the S.B.A. power to instruct and command any governmental agency to purchase from a minority business over the development period agreed, too, between vendor and the S.B.A. The S.B.A. should have the power to sanction state procurement agencies to purchase goods and services from minority vendors in their respective state. Executives from prescribed industries should be commandeered by the S.B.A. to aid vendors with their business problems during development years. This assistance will enable the government to short-stop rampant failures in minority businesses. The intent is to assure a solid base for development.

It is generally known that major corporations have a substantial amount of government business. Billions of Dollars flow into these corporations, and a few million to minorities.

Ombe should also be given the power to use leverage on major corporations and city agencies to utilize the services of minority businesses. Ombe would appoint a number of advanced minority businesses to service the sanctioned corporations on a

competitive basis, and utilize city agencies with the less developed corporations. Onbe will provide management assistance in securing working capital from Major American Banks, and to make sure that those vendors receive lower interest rates.

A program of this type will generate new capital into minority corporations not currently available to them. Secondly, it will establish these firms in banks, without their paying for the high risk factor.

The objective is to create a competitive industry for minorities, who have not had the chance to compete because of compounded problems, from banks and industry. We do not say that all minority businesses will prosper, but failure will subside dramatically.

This proposal will not require restructuring of the S.B.A. nor Onbe, but will give power where there is none over various governmental agencies. This program will create a taxable profit income for the government, through minorities. Stagnant minority labor can be utilized in the various corporations who are currently laying off their help.

We strongly feel that this could be the governments best investment.



SYSTEM TECHNOLOGY

62 TOWNSEND STREET • SAN FRANCISCO, CALIFORNIA 94107 • 415-957-1114

March 21, 1975

Mr. Stanley C. Scott
Special Assistant to the President
The White House Executive Office
Washington, D.C.

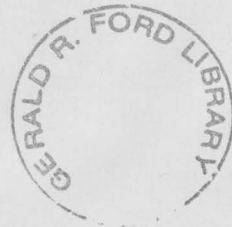
Dear Mr. Scott:

I am well aware of the summit conference on minority business that was recently held under the aegis of your office. I am likewise aware of some of the views that were put forth by various business leaders vis á vis their position papers on the subject. I would like to provide a complementary set of views and opinions on the subject of minority business development. This is not a position paper, but rather the views of the minority business development spectrum as seen through the eyes of a minority businessman.

I will begin by making a categorical statement on the overall viability of the current minority business enterprise program.

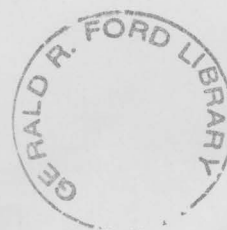
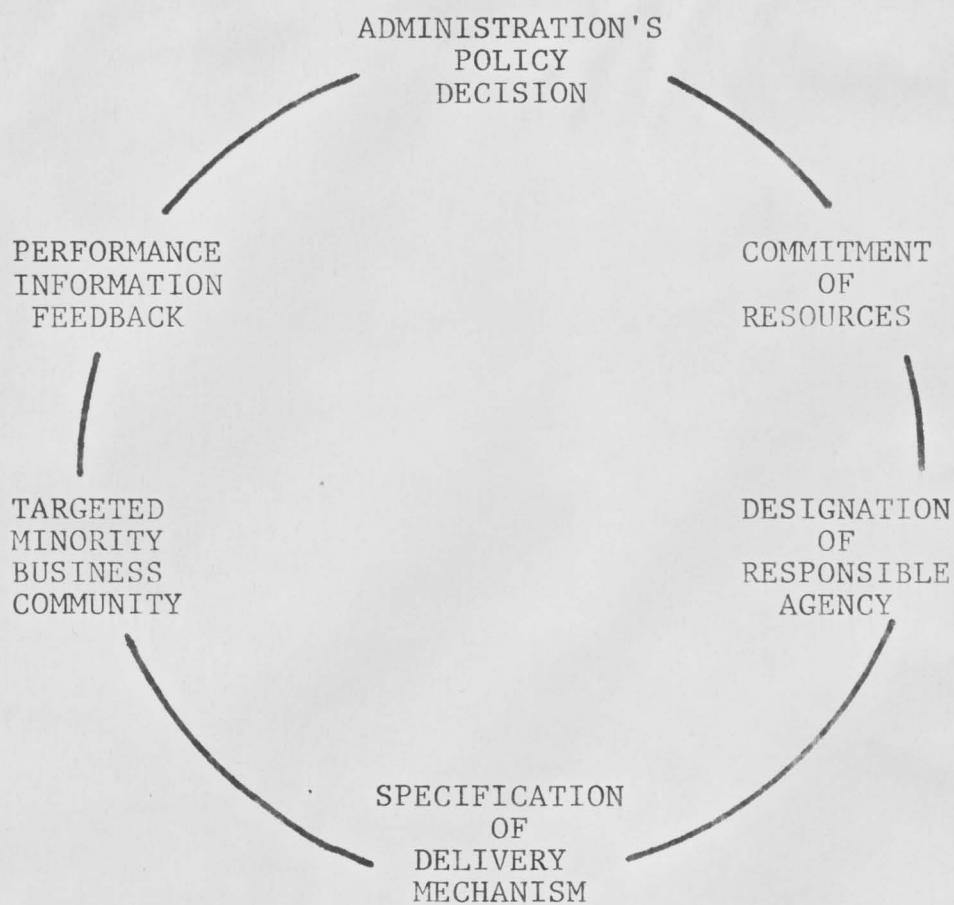
"THE MINORITY BUSINESS ENTERPRISE PROGRAM IS NOT WORKING. THE PROGRAM IS NOT ACHIEVING THE SPECIFIED GOALS OF THE ADMINISTRATION... NOR IS IT DELIVERING TO THE MINORITY BUSINESS COMMUNITY A MEANINGFUL LEVEL OF RESOURCES."

I view the minority business enterprise program as a delivery system designed and implemented to get resources to a specified target. My concept of this delivery system is reflected in the figure that follows. The parameters that are identified in the figure not only represent problem areas but also point the way to a workable set of alternative "solutions".



March 21, 1975

MINORITY BUSINESS ASSISTANCE SYSTEM



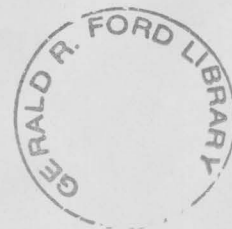
The following text discusses the individual parameters of the delivery system as they have been set forth in the preceding figure. In addition to making an identification of the inherent problem(s) in each of these sectors, there is also an indication of the proposed solutions.

ADMINISTRATION'S POLICY DECISION.

The current statement of the Administration with respect to the development and conduct of the minority business enterprise program is not specific as to the goal's and objectives of the program as measured in real terms. The policy statement is not concise, that is, it does not specify the functional entities that are to effect the delivery of resources. And, the policy statement is fragmented. It does not specifically consider the aspects and implications of program responsibility and program accountability. There is no single program or single program manager.

The alternative solutions with respect to setting a positive Administration policy are well-defined. Obvious choices are:

- *Specify goals and objectives in real terms.
- *Establish concrete measures of performance.
- *Identify and specify the delivery mechanism or vehicle.
- *Define operational and functional parameters for operational system.
- *Designate a single minority business enterprise program manager.
- *Enforce concepts of program responsibility and accountability.



COMMITMENT OF RESOURCES.

The Administration has clearly committed sufficient resources to the minority business development efforts at large. There is no doubt of this. The problem lies not in the commitment of resources to the program, but rather on the impact of these resources on the minority business community.

To the point, the impact of the committed resources is seriously dampened by ineffective application. The potential inherent in these resources is virtually and literally negated by the time it reaches the business community. The resources have to pass through too many "filters" before they get to the point of need. There are too many administrative levels that syphon off the substance of the resources. To put it another way, the administrative overhead is too high.

To focus on specifics, the Small Business Administration is one program manager. The Office of Minority Business Enterprise, Department of Commerce, is still another. Add to this the fact that each federal agency has its own minority business program set up internally to "... administer to the problem." And each of these entities has its sub-entities and sub-programs. One could get lost in the maze of current programs, each of which is designed to deliver minority business assistance.

One simplistic alternative emerges here. Establish a single minority business enterprise program within the federal government... or a single operational agency. And designate a single manager responsible and accountable for the accomplishment of its expressed objectives. To put it in grass roots terms, the minority business representative in the Department of Health, Education and Welfare should be accountable to the minority business program manager and not to an agency official within DHEW. With this current structure, everyone's hands are tied.

DESIGNATION OF RESPONSIBLE AGENCY.

This factor was addressed in part in the preceding section, however, this single factor is the crux of the program. Currently there is no single entity that is responsible...or accoun table for the minority business program.



March 21, 1975

A single agency must be designated to operate and administer the program government-wide. This agency must be responsible for the overall attainment of the Administration's objectives. To this end this agency must develop, administer and enforce both the operational and functional parameters of the system.

Implied in this concept is the fact that this agency must have the "teeth" necessary to back up the Administration's goals. This single program, single program manager concept must necessarily have the full support of the Administration. The program must be "fully subscribed".

SPECIFICATION OF DELIVERY MECHANISM.

The absence of a clear and well-defined mechanism stands as a primal factor in the perceived lack of success of the program. Each operating entity that is involved in the minority business program has a different setup for the delivery of resources. There is no standardized delivery system that operates government-wide.

The assertion here is that this lack of standardization acts to the detriment of the assistive efforts. Each agency has its operational criteria and parameters. Each agency has its own screening and selection criteria. Each agency has its individualized enforcement standards. And each agency has its selective measures of performance.

The most obvious alternative is to specify a single delivery mechanism, with a single set of guidelines, unified selection standards and criteria, and a codified set of reporting procedures. Finally, the delivery system must have definitive enforcement standards if the delivery mechanism (and ultimately the system) is to be viable.

TARGETED MINORITY BUSINESS COMMUNITY.

The existent delivery system has traditionally lacked specific targets within the minority business community. The selection criteria and processes that have determined "eligible" recipients of the already-scarce resources have been ill-defined and totally inept. The phenomenally high failure rate of minority businesses that were selected for direct SBA loan assistance is a prime example.



An in-depth study of the qualifications of these businesses and businessmen that failed will further indicate that they virtually had a "zero" propensity to succeed. The system chose "losers" to start!

A more positive mechanism must be developed that will identify, specify and target goals within the minority business sector. Once a delineation of these "targeted businesses" has been made, then a screening and selection process can be detailed. This screening and selection should weed out all but the most highly qualified of business prospects, all of which have the maximum potential for success.

PERFORMANCE INFORMATION FEEDBACK.

The existence and operation of a multiplicity of delivery systems, each of which having a different set of performance criteria, reporting standards and formats, negates the information and credibility content of the existent feedback mechanisms.

The value of performance information feedback is the pro forma measure of the success of the overall program. The program is designed to bolster minority business enterprise, not the "administrative system" necessary to support these efforts. An assessment of dollars spent versus dollars received by the minority business community would reflect the abhorrent ineffectiveness of the system. And when the measure is made against businesses that are currently viable or operational on an on-going basis, the statistics are totally skewed.

The reality is that the system designed to administer the minority business assistance program has received the lion's share of the resources. The minority business community has not been the true beneficiary. The inherent weakness of the system is indicated by the fact that there is no existing measure of the validity of this statement.

The advent of a meaningful feedback mechanism that accurately reflects the performance of dollars and resources expended is inherently a part of the single program concept. In any event, the feedback considerations must be an integral part of the overall delivery system design. This is prima facie.



CONCLUSION.

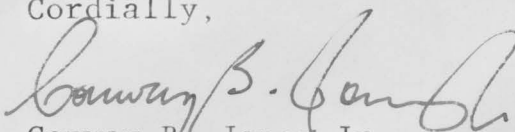
The minority business community is deeply appreciative of the commitment which the Administration has made in its efforts to bolster minority business enterprise. The minority business community is likewise cognizant of the resources that have been pledged to support this commitment.

The current delivery system however does not facilitate the direction and funneling of resources to the specific points of need within the minority business community. Significant resources have literally been wasted on business enterprises (and individual businessmen) that were pre-destined to failure. Furthermore, significant portions of the resource "pie" have been syphoned off to support the administrative burden and overhead of the system.

The current lack of effectiveness and efficiency of the system seem to dictate the need for a single program operating government-wide and a single program manager. This new approach, given the same commitment on the part of the Administration and the same resources, will generate a multifold increase in the effects that the minority business community will feel.

I wish to thank you for your attention and consideration of my assessment of the minority business assistance efforts. I fully support the current objectives of the Administration in this regard. I pledge my support towards the attainment of these expressed goals. If I can be of assistance in these endeavors please call upon me.

Cordially,


Conway B. Jones Jr.
President

CBJ:md

