Access to Equity Capital Expert Policy Workshop

National
WOMEN'S
BUSINESS
Council

in coordination with

The Federal Reserve Bank of Chicago

Chicago, Illinois

WORKSHOP REPORT

June 3, 1994

NATIONAL WOMEN'S BUSINESS COUNCIL
ACCESS TO EQUITY CAPITAL - EXPERT POLICY WORKSHOP
REPORT

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The National Women's Business Council is pleased to present the following report from our Access to Equity Capital Expert Policy Workshop. Not only are the ideas expressed futuristic, the resulting initiatives reflect your outstanding foresight as active participants. Thank you for helping shape the future of women business owner's access to financing in such a positive way. The workshop was successful due to your sincere input.

As you will see through this report, The Access to Equity Capital Workshop was an in-depth, comprehensive discussion of the barriers women entrepreneurs face in gaining access to capital and credit. In cooperation with the Federal Reserve the Council has identified issues of concern to women business owners and establish plans of action.

We are committed to our mission of ensuring the full participation of women business owners in the free enterprise system. The Council will continue to address the needs and concerns of our country's women entrepreneurs. It is our hope that this document will not only vocalize our policy recommendations but serve as the catalyst for their implementation.

May this document serve as a useful tool.

Mary Ann Campbell

Mary Ann Campbell, CFP
Chair

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THE SECRETARY OF COMMERCE
Washington, D.C. 20230

As Vice Chair of the National Women's Business Council, I, along with President Clinton and this administration, am committed to increasing opportunities for women-owned businesses. With more than 6 million businesses owned by women today, optimism for their success is well-founded; but efforts to assist them as they strive to overcome long-standing barriers are still needed.

Women-owned businesses are the fastest growing sector of our economy. Increasing the number of businesses they own will enhance our efforts to create jobs and stimulate the economy. Thus the work of the National Women's Business Council is more important than ever. Under Mary Ann Campbell's leadership, the NWBC has made great strides, achieving measurable goals for women business owners, including new initiatives which will increase their access to capital.

This is, perhaps, one of the most pressing issues the NWBC seeks to address. Exploration of different and innovative sources of funding is necessary for most women when starting or expanding a business. Forums like this one are useful for explaining what options exist. Additionally, it can help reinforce the message to traditional commercial lenders and other capital providers that women business owners are a serious and growing force in the business world; that they embrace the entrepreneurial spirit which drives this country.

The Department of Commerce supports and encourages the discussion here today. I commend the National Women's Business Council's work to increase public awareness about problems facing women business owners and its actions to resolve them.

Ronald H. Brown
Ronald H. Brown

FEDERAL RESERVE BANK
OF CHICAGO

Dear Participant:

On behalf of the Federal Reserve Bank of Chicago, I want to express our appreciation to you for making the "Access to Equity Capital - Expert Policy Workshop" a success. Your participation in this workshop helped us gain a better understanding of the barriers that prevent women entrepreneurs from tapping private capital markets, and possible ways to overcome them.

As Federal Reserve Board of Governor Susan Phillips stated, the Federal Reserve System has long recognized the importance of improving access to capital for small and women-owned businesses. In line with that commitment, the Federal Reserve has hosted and actively participated in all of the "Access to Capital Workshops" conducted by the National Women's Business Council (NWBC).

This workshop provided an opportunity to discuss the investment decisions of pension funds, insurance companies, and other investors. Because such institutions represent major potential sources of funding for women-owned businesses, understanding their investment process is critical. Our participation in these discussions helped us in our efforts to foster equal and fair access to the whole array of funding sources for all segments of the community.

The Federal Reserve Bank of Chicago welcomed the opportunity to participate in this event and looks forward to being a part of future forums focusing on the issue of access to capital for women-owned business.

Sincerely,

Nancy M. Goodman

Nancy M. Goodman
Senior Vice President

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THE NATIONAL WOMEN'S BUSINESS COUNCIL
ACCESS TO EQUITY CAPITAL - EXPERT POLICY WORKSHOP
SCOPE OF WORK

Federal Reserve Bank of Chicago
June 3, 1994

Five years of investigations by the National Women's Business Council (NWBC) into the status of women-owned businesses has identified the foremost barrier to success of these entrepreneurs was access to capital and credit. The NWBC has documented that the number of women-owned businesses in the United States has increased dramatically in recent years. Today, there are more than six million women-owned businesses with receipts of over $1 trillion. They constitute one of the fastest growing sectors and are significant contributors to the revitalization of the American economy. They employ more workers than the Fortune 500. But these numbers belie the fact that women still face significant obstacles to obtaining necessary financing to start or expand their businesses. This fact must be addressed if women business owners are to be successful in their enterprises and continue to contribute to the growth and stability of our economy.

On June 3, 1994, the Council, in coordination with the Federal Reserve Bank of Chicago, sponsored a public policy workshop which focused on the sources and uses of equity capital. Women business owners are too rarely recipients of venture capital funds. The Council invited decision-makers from the public and private sectors to discuss the investment opportunities that will fill the capital gaps which limit the growth potential of women's business enterprises. Investment practices by public and private pension funds were a primary focus of our discussions. As one of the economy's principal sources of financial assets, pension funds can play a major role by investing in programs, venture funds and other mechanisms that support both small and women-owned businesses.

The National Women's Business Council, a federal advisory council, makes annual policy recommendations to the President and Congress regarding critical issues of concern to women-owned businesses, with special emphasis on increasing access to business opportunities and the financial marketplace. The intent of this workshop was to employ the talent of experts in the investment field to aid the NWBC in formulating an action plan to incorporate into its policy recommendations.

AGENDA
ACCESS TO EQUITY CAPITAL
EXPERT POLICY WORKSHOP

HOSTED BY
THE FEDERAL RESERVE BANK OF CHICAGO
in cooperation with
THE NATIONAL WOMEN'S BUSINESS COUNCIL

The Federal Reserve Bank
230 S. La Salle
Chicago, Illinois
June 3, 1994

8:00 Registration and Coffee

8:30 Welcoming Remarks by Mary Ann Campbell, NWBC Chair
Remarks and Introduction by Nancy M. Goodman, Senior Vice President
Federal Reserve Bank of Chicago
Remarks by Dr. Susan Phillips, Board of Governors, Federal Reserve System

8:45 **KEYNOTE - Sources and Uses of Capital for Women-Owned Businesses**

Linda Tarr-Whelan, President and Executive Director
Center for Policy Alternatives

9:15 **Panel Discussion** - Institutional Sources of Funding
Moderator: Anne Stelle
Deputy Manager
Brown Brothers, Harriman & Co.
Presenters:

Miriam Santos
City Treasurer of Chicago

David Tseng
Pension and Welfare Benefits Administration
Department of Labor

Bob Stillman
Associate Administrator for Investment
Small Business Administration

Monte Tarbox, Vice President
Marco Consulting Group

10:00 **PANEL DISCUSSION** - Investing in women-owned businesses

Moderator: Susan Davis
President
Capital Missions Company

Presenters:

Margaret Fisher
Principal
Inroads Capital

George Kalidonis
President and CEO
Chicago Capital Fund

Xcylur Stoakley
Principal
Ark Capital Management

10:45 Break

11:00 **EXPERT ROUNDTABLE SESSION** - Areas for discussion:

- Building and expanding the partnerships which connect investors, public programs, financial intermediaries and women business owners
- Policy Initiatives
- Alternative Financing Sources

12:30 **Lunch**

Remarks by Betsy Meyers, Director, Office of Women Business Ownership
Small Business Administration
Remarks and Introduction by William Conrad, 1st Vice President
Federal Reserve Bank of Chicago

HONORED GUEST: Luncheon Speaker
The Honorable Mary Ellen Withrow
U.S. Treasurer

1:30 **REPORTING OUT FROM ROUNDTABLE SESSION**

Facilitator: Austin Fitts
Hamilton Securities Group, Inc.

- Action Plan

2:30 **Conclusion**

THE NATIONAL WOMEN'S BUSINESS COUNCIL
ACCESS TO EQUITY CAPITAL - EXPERT POLICY WORKSHOP
ACTION ITEMS

Federal Reserve Bank of Chicago
June 3, 1994

Challenge # 1	INCREASING INVESTMENTS BY PENSION FUNDS TO WOMEN-OWNED BUSINESSES;
Challenge # 2	INCREASING INVESTING AND LENDING OPPORTUNITIES WITH THE SECURITIZATION OF SMALL BUSINESS LOANS AND THE CREATION OF A SECONDARY MARKET; and
Challenge # 3	INCREASING ACCESS TO EQUITY INVESTMENTS AND DEBT FINANCING THROUGH THE SMALL BUSINESS ADMINISTRATION'S SMALL BUSINESS INVESTMENT CORPORATIONS (SBICs) and SPECIALIZED SBIC (SSBICs) PROGRAMS.

The three challenges targeted in this paper represent the major themes discussed during the roundtable session. Many other important challenges were identified, but for the purposes of this report, have not been highlighted. Those issues we hope will be further explored and pursued at a later date by the National Women's Business Council and other women business advocates and organizations.

Two underlying ideas agreed upon by all, were the need for more extensive data collection, training and technical assistance to ensure the full participation of women business owners in the free enterprise system.

* The lack of consistent and reliable data on women-owned businesses hampers the analysis of why women face barriers in their search for financial resources and how these restrictions can be overcome. Facts and figures are needed that substantiate that women business owners are good credit risks, run stable companies and are a viable investment opportunity.

* Information exchange, educational outreach, and special marketing and training strategies on the part of investors, lenders and government entities are essential components of any successful financing program. Business owners expressed frustration with the difficulty in obtaining information on available resources, lending programs and criteria. It was determined that certain statutes and regulatory guidelines may restrict lenders from providing information and feedback on the credit-worthiness of business owners. Lifting the veil of secrecy that inhibits the free flow of information and technical assistance should be a priority.

Challenge # 1 INCREASING INVESTMENTS BY PENSION FUNDS TO WOMEN-OWNED BUSINESSES

SECTION A. The Classification of Women-Owned Businesses as Economically Targeted Investments (ETIs)

Action Item:

The National Women's Business Council recommends:

(1) classifying women-owned businesses as ETIs and including this sector in the Department of Labor's clearinghouse.

Background:

According to the 1993 data from the Federal Reserve Board - Flow of Funds Report, pensions funds alone, with assets of $4.4 trillion, constitute over 30% of all U.S. financial assets. This figure is virtually equivalent to the value of all the stocks listed on the New York Stock Exchange and more than the amount of money held in personal savings accounts in the United States. Pension funds are second only to corporate earnings as the largest form of domestic holdings. In 1992, public and private pension funds paid out $156 billion in benefits to almost eleven million retirees and furthermore were responsible for over one trillion dollars in investment decisions.

Investors and policy makers alike, recognize the vast and virtually untapped potential that pension funds have to stimulate economic activity, especially in those areas of greatest need. There has been interest expressed by policy makers for creating incentives that will encourage large institutional funds to invest in economically targeted enterprises and undercapitalized sectors of the economy. These include low income and multi-family housing projects, child care centers, resource conservation and job training.

In June 1994, the Department of Labor released an interpretive bulletin identifying Economically Targeted Investments (ETIs) as viable pension fund investment alternatives. ETIs are investment strategies that include any prudent investment filling a capital gap in an underfinanced area of the economy <u>and</u> earn a risk adjusted market rate of return. The Department of Labor is creating a clearinghouse that will gather and examine information about the investment performance and attributes of ETIs. They will provide this information to the pension fund community to aid investment decisions. Initiatives, such as this one, should facilitate investments in those sectors that have been overlooked by lenders and investors.

Women-owned businesses have demonstrated high levels of endurance and stability. More than 40% of all women-owned businesses have been in operation for more than 12 years. Women-owned businesses have proven to be more conservative in their outlook, favoring measured, rather than rapid growth strategies. Plan sponsors of pension funds have long range investment timelines and can afford to make the medium to long-term commitments necessary to support small and women-owned businesses, as they modernize and grow. This is exactly the type of business philosophy needed to boost the health and productivity of the economy.

The National Women's Business Council has spent considerable time examining financial models and their inflexibility to meet the capital and credit needs of women-owned businesses. These enterprises have experienced difficulties accessing sufficient start-up, modernization and expansion capital and perceive the reasons have less to do with their merit and more to do with their gender. These efforts by the Department of Labor are the type of creative policy making that is bridging capital gaps between potential investors and underserved areas. National economic policy must create a framework in which the capital markets will respond to America's need for economic development resources.

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SECTION B. **A Seat At The Table For Women**

Action Items:

The National Women's Business Council recommends:

(1) adopting policies, by plan sponsors, that directs the selection of trustees to reflect the gender of beneficiaries;
(2) adopting policies, by plan sponsors, to vigorously pursue hiring women as emerging managers and pension fund managers;
(3) investment profiles of women-owned businesses be routinely considered when making policy and investment decisions.

Background:

The membership of pension fund boards do not often reflect the gender distribution of their beneficiaries. The discretionary nature of investment decisions, made by these trustees, greatly affects capital allocation to women-owned businesses. The fact is that even though 50% of the beneficiaries are women, there are too few women on pension boards and too few pension fund investments going to women entrepreneurs. A strong case has been made for representational boards and the power those boards have to affect changes in policy and decision making.

Pension fund managers and emerging managers must also be mindful of who are the beneficiaries, incorporating that sensitivity into their investment strategies. Recognizing that their managers have significant control over how the pension's monies are invested, the California Public Employees' Retirement System (CALPERS), has instituted a program to hire a certain percentage of emerging managers and pension fund managers that are women. While this doesn't guarantee investments in women-owned businesses, it introduces a new prospective into the decision making process. Without a seat at the table, it could take a very long time to see an increase in pension investments going to women.

Challenge # 2 INCREASING INVESTING AND LENDING OPPORTUNITIES WITH THE SECURITIZATION OF SMALL BUSINESS LOANS AND THE CREATION OF A SECONDARY MARKET

Action Items:

The National Women's Business Council recommends:

(1) creating mechanisms that facilitate the building of a secondary market for small business loans. These include partnership programs between the federal government (U.S. Small Business Administration, Department of Housing and Urban Development, Department of Commerce's Economic Development Administration and/or appropriate agencies) and state governments (state economic development agencies, state financial authorities and/or appropriate agencies) that establish risk-sharing, financial guarantee programs, loan pools and other incentives that would offer some protection and allow capital to flow more freely to women-owned businesses.

(2) establishing a secondary market to secure small business loans that would expand opportunities for participation by financial institutions and intermediaries. We recommend one of the following structures:

(a) a new government-sponsored enterprise (GSE) for small business loans, similar to those that have boosted housing and student loan credit, or

(b) easing restrictions in federal laws to make it easier for the private sector to create the market itself. Examples include: allowing banks to hold less than the current 8 percent capital against small business loans that are sold on the secondary market if they can demonstrate that the loans are sound; simplifying paperwork requirements, allowing firms to file a single registration form with the Securities and Exchange Commission, instead of separate ones with the individual states; and instituting favorable tax rules to encourage pooling of small business loans. This is similar to the 1984 law that helped set up a private sector secondary market in home mortgages.

Background:

In the May 1, 1993 Congressional Quarterly, Federal Reserve Board Chairman Alan Greenspan was quoted as having forecasted the inevitability of a small business secondary loan market, "There is no question in my mind that if we could find a way to expedite a secondary market in small-business loans, it would be...a major contribution to the financial vitality of this country."

The idea of creating a secondary market for small business loans has been debated for almost a decade. Currently, Congress is considering legislation to address this issue. The concept is to encourage banks to lend to small businesses by making it easier for these institutions to package those loans for sale to investors or a quasi-government entity. Such vehicles would spread the risk of making small business and commercial loans, ensuring a steady flow of capital to small and women-owned businesses. These businesses are key to economic growth and job creation.

Of the 6.5 million women business owners in the United States, 5.5 million are sole proprietors with relatively small capital needs who often lack the necessary collateral requirements that would make their businesses attractive to institutional lenders. Reducing the risk of funding to small and women-owned businesses would be greatly facilitated through the provision of a secondary market. A secondary market for loans granted to these businesses will provide the essential momentum for the businesses to grow to the point of recognition in venture capital, regional banking and national banking arenas.

As banks attempt to meet the lending needs in their individual communities, they will be better able to provide longer term commitments to developing businesses through the securitization of small business loans. The subsequent sale of these loans to institutional investors creates liquidity in the market, freeing bank capital. This will make additional funds available for non-traditional investments in community development projects and emerging businesses. The benefits of small business loan securitization will accrue to all small businesses - including women-owned businesses - and thus, to the economy as a whole.

Support for the mechanisms to facilitate and create a secondary market were recommendations of both the 1980 and 1986 White House Conference on Small Business and the NWBC in its 1992 Annual Report.

Challenge # 3	INCREASING ACCESS TO EQUITY INVESTMENTS AND DEBT FINANCING THROUGH THE SMALL BUSINESS ADMINISTRATION'S SMALL BUSINESS INVESTMENT CORPORATIONS (SBICs) and SPECIALIZED SBIC (SSBICs) PROGRAMS.

SECTION A. **Venture Fund Investments in Women-Owned Businesses**

Action Items:

The National Women's Business Council recommends:

(1) the U.S. Small Business Administration (SBA) initiate a more comprehensive review of the investment practices of the SBIC and SSBIC programs. If it is found that few investments are made to women-owned firms, the SBA should encourage the SBICs and SSBICs to take a more proactive approach and identify more women-owned businesses who fit their investment criteria.

(2) the SBA expand data collection requirements on each investment (form 1031) made by every SBIC and SSBIC to include the gender, race, type and size of organization, collateral offered and/or used. The turn down rate and a checklist of reasons for denials of investments should be included within the annual financial statement (form 468).

These data are essential to: determine investment patterns; identify any disparities in service to groups such as women and minorities which have alleged discriminatory practices in the past; and evaluate the cause of such disparities and develop methods to ameliorate the situation, such as outlined in the Equal Credit Opportunity Act.

Based on the findings revealed through the review process and data analysis, the NWBC recommends the following initiatives:

(a) Establishment of a task force to study and make recommendations to the SBA within one year, on measures to increase the flow of investment dollars to women-owned firms.

(b) Creation of a Women's Specialized Small Business Investment Company (WSSBIC) pilot which would specifically target investments to women's business enterprises.

(c) Creation by the SBA of incentives for SBICs to invest in women-owned businesses, designing ways to assist the SBIC and SSBIC programs to assess and meet the financing needs of women-owned businesses.

(d) License as SBICs, separate and distinct from SSBICs or WSSBICs, investment companies which are reaching out to women. Funds, such as these, are interested in including women-owned businesses in their portfolios. A regular SBIC license would give them more latitude in their investment decisions and allow such an entity to make a wider variety of investments.

Background:

Licensed by the SBA, SBICs are private investment firms that make loans or equity investments in small businesses. These venture capitalists benefit through the ability to supplement their own private capital with funds obtained on favorable terms through assistance from the federal government. Small businesses benefit because this program increases the amount of money available to them to grow, modernize and expand their businesses - monies that would normally not be available to them.

The SBIC program was created by Congress in 1958. By 1972, Congress established a new class of SBICs, called Specialized SBICs or SSBICs. Unlike SBICs, these new funds were intended to provide financing for small businesses owned by persons who are deemed to be socially or economically disadvantaged.

Ideally, SSBICs should provide an opportunity for most women-owned businesses to access investment dollars. These funds typically invest "smaller" amounts of capital than SBICs or other private venture capital funds and thus are tailor-made for the needs of many women-owned businesses. Statistics compiled by the National Association of Investment Companies indicate that more than 90% of the investments made in 1993 through SSBICs were to minority firms, however, there was no information available on whether any of those investments were made to women-owned businesses.

The National Women's Business Council's analysis of the experience of women in accessing SBIC financing has been hampered because very little data is collected on gender. The SBA does not require SBICs to collect gender based data on the investments they make, nor are SSBICs required to include gender as part of their documentation for eligibility profiles.

Under the new regulations, the SBA will be receiving economic impact data from the licensees with their annual reports. In addition, the Investment Division of the SBA (the division that oversees the SBIC programs) is reviewing proposals that would include gender on the schedule for investments (schedule 1), within the annual financial statement (SBA's form 468). This data would be of great assistance to the SBA in determining who is actually benefitting from the SBIC program, just as the collection of gender based data from the SBA's 7(a) loan program has been helpful in identifying the need to place more emphasis on increasing the number of loans to women.

On a similar issue, the NWBC recently reviewed and commented on the proposed changes to the regulations which implement the Community Reinvestment Act (CRA). The CRA requires depository institutions to meet the credit needs of their communities. The Council urged strongly that data collection requirements on loans, made by both large and small retail banks, be expanded to include the gender, race and income levels of borrowers, which is similar to the Home Mortgage Disclosure Act (HMDA) requirements. This same concept could apply to the SBIC's investments as well.

In addition, the proposed CRA regulations provide for a constructive review process, with measures available to assist institutions in restructuring their plans to adequately meet the communities needs. A similar structure could be created to monitor SBICs and SSBICs. The CRA-type evaluation, review process and comprehensive analysis could serve the investment community as well. In addition to eligibility, one of the criteria could be the degree of marketing to socially or economically disadvantaged business owners, including women-owned businesses. It would also be helpful to determine whether women business owners who apply for funding from the SBIC and SSBIC programs are being turned down at higher rates than their male counterparts.

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SECTION B. **Adding Gender as a Factor for Consideration of SSBIC Investment Criteria**

Action Item:

The National Women's Business Council recommends that:

(1) the guidelines for determining if a small business concern is socially or economically disadvantaged, the "SBA Policy and Procedural Release #2017" Section V, be clarified, adding a factor to read:

- **"gender"**

Background:

Congress has not fully and consistently defined the terms "socially or economically disadvantaged". Various programs on the local, state and the federal levels, employ different factors in determining what comprises a socially or economically disadvantaged business. The NWBC has recommended in its 1992 and 1993 annual reports that a consistent definition of women-owned businesses be adopted. This recommendation would also apply to the need for a consistent, across the board, government-wide definition of what factors constitute a disadvantaged business enterprise.

A composite of factors is reviewed and examined to determine eligibility for the SSBIC program. In the "SBA Policy and Procedural Release #2017" Section V, seven factors are specifically listed concerns to which consideration may be given. They are:

- race;
- low income;
- unfavorable location such as urban ghettos or depressed rural areas of high unemployment or under-employment;
- limited education;
- physical or other special handicap;
- inability to compete effectively in the marketplace because of prevailing or past restrictive practices; and
- Vietnam era service in the Armed Forces.

"or such other factors as contribute to a disadvantaged condition...lacking in basic resources or conditions necessary to an equal position in society."

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SECTION C. **Increasing Funding for the SSBIC Program**

Action Item:

The National Women's Business Council recommends that:

(1) given the anticipated increased level of private investment in SSBIC's, the Congressional appropriation be increased for the SSBIC program.

Background:

Within the provisions of the Revenue Reconciliation Act of 1993, there are new incentives to encourage more private investments in SSBICs. A corporation or individual can elect to use the proceeds from the sale of publicly traded securities to purchase common stock of, or a partnership interest in, an SSBIC. The capital gains tax would be deferred. It is anticipated that this action will result in a dramatically increased level of investment in SSBICs. The current funding level is insufficient to meet the needs of a larger SSBIC program.

Appendices

BUILDING A FINANCING LADDER

FOR

WOMEN-OWNED BUSINESSES

March 1994

In the spring of 1988, the Committee on Small Business of the United States House of Representatives held extensive hearings on the contributions that women-owned businesses make to the economy. At the conclusion of the hearings, the committee issued a comprehensive report entitled, *New Economic Realities: The Rise of Women Entrepreneurs*, which led to the passage of Public Law 100-533, the Women's Business Ownership Act of 1988. In its report, the Committee disclosed that:

> **"Small businesses generally cite limited access to capital as a primary detriment to business success. Capital is essential for business formation, expansion and operating expenses. No matter how marketable the idea, or how capable the management skills of the owner, unless an emerging business has sufficient funds available to keep it running until it can generate its own cash flow, it is bound to fail."**

In 1994, the experiences of women business owners are no different than when the Committee first conducted it's inquiry. Access to capital and credit remain among the most significant factors in determining the success of women-owned businesses; lack of access continues to be the most likely reason for failure of such businesses.

In passing PL 100-533, Congress established the National Women's Business Council (NWBC) to address critical issues of concern to women-owned businesses, including access to the public and private marketplaces, as well as sources of capital and credit. In creating the NWBC, Congress sought to bring together government officials and representatives from the business community to make recommendations for action to deal with the barriers to access. Congress selected six women business owners to work together with three senior public sector policy makers: the Chairman of the Board of Governors of the Federal Reserve Board, the Secretary of the Department of Commerce and the Administrator of the Small Business Administration.

During the first five years of its existence, the Council sponsored a series of workshops and hearings on barriers to success for women-owned businesses. In 1992, the NWBC and the Federal Reserve Board, hosted a symposium on access to capital at the Board's Washington headquarters. The invited guests, experts in the areas of capitalization and credit, women business owners and advocates, federal, state and local regulators and policy makers, were asked to discuss the financing needs of women business owners, including the programs, innovations and obstacles accessing capital and credit. The symposium employed the expert roundtable model developed by the National Women's Business Council as a means of defining possible remedies for the barriers discovered in the course of our hearings.

Three major issues were identified during the roundtable discussions:

* Women business owners don't fit the standard profile for traditional lending sources. They tend to be concentrated in small businesses with low funding needs and in industries lacking traditional collateral.

* Lack of availability of loan sources in that range between very small loans and venture capital.

* Lack of access to the network of financing sources.

From those discussions the NWBC made three recommendations to the Congress and the President in its 1992 Annual Report:

* Change banking practices to include more unsecured loans, allow banks to price for risk so they can make some of these loans, enable individuals to use contracts and accounts receivable as collateral.

* Increase the number and types of lending pools/funds, including pubic/private partnerships and joint ventures.

* Allow banks special lower capital requirements for small business loans or high risk small businesses.

Among the other outcomes of the symposium was a recommendation, subsequently incorporated into the FY 1994 strategic plan, which called for additional expert roundtable workshops.

PROFILE OF THE WOMEN'S BUSINESS SECTOR

An analysis of women-owned businesses by the Small Business Administration, based on the most recent available data, shows that:

* The number of women-owned businesses increased by 57.4 percent -- to 4.1 million -- between 1982 and 1987. This rate of growth is more than four times the rate for all businesses during the same period.

* The rate of growth in the number of women-owned businesses with paid employees increased 98 percent during the same period.

* Total receipts for women-owned businesses nearly tripled -- rising to $278.1 billion by 1987. Women-owned businesses accounted for about 30 percent of all U.S. businesses in 1987, and about 14 percent of total U.S. business receipts.

Information from the Internal Revenue Service on non-farm sole proprietorships, which at 70 percent, comprises the largest share of U.S. businesses, shows strong growth among sole proprietorships owned by women. That number increased by more than 96 percent -- to nearly 5 million -- between 1980 and 1989. By comparison, the growth rate for all sole proprietorships during the same period was just 63.6 percent.

This data, more recent trend analyses and state specific surveys show that there has been an unprecedented growth in the women's business sector. The National Foundation of Women Business Ownership (NFWBO) estimates that there are now 6.5 million women-owned businesses and that these businesses employ more workers than the Fortune 500. If the trend continues, NFWBO projects that women-owned businesses will account for 50% of all U.S. businesses by the year 2000.

Despite the significant growth in this sector, women business owners still face barriers in identifying and obtaining the financing necessary to operate and expand their businesses. The economic impact of this reality cannot be understated. Traditional lenders and other capital providers must be encouraged to look seriously at women-owned businesses as sound economic investments.

ACCESS TO CAPITAL: THE KEY TO SUCCESS

Hearings, conferences and workshops conducted by the Council have identified capital and credit needs as significant factors contributing to the success of women-owned businesses. NWBC is not alone in reaching this conclusion. Every woman business owner, and each membership and advocacy organization in the nation acknowledges that financing is the key to success for all small business owners.

A myriad of financing programs and products exist for women entrepreneurs, whether they are starting new enterprises, trying to grow their business, or planning for major expansion. What does not exist, however, is a profile that shows women business owners as consistent users of lender or investment services, or clear information on how well women business owners are being served by lenders and investors.

Although women-owned businesses are represented throughout the economy, the majority are in the service sector. Most entrepreneurs tend to go into business in an area where they have had experience. It is a natural transition for women to begin businesses in the areas of child care, food services, home and plant maintenance, as well as professional services such as, psychological counseling, teaching, accounting, medicine and law. These and other service businesses have few, if any, business assets that would be accepted as collateral by a bank. Consequently, many service businesses lack sufficient collateral to secure a traditional bank loan.

To overcome the barriers to bank financing, efforts have been undertaken to require banks to restructure the methods by which they qualify applicants for a loan. New sources of capital must also be identified which might be more appropriate to the needs and characteristics of certain types of women business owners at different phases in their development. The demand is certainly there, however, the marketplace must be prompted to provide needed services. It is now up to the marketplace to provide the needed services.

NEED IDENTIFIED: SOURCES OF AND INNOVATIVE PROGRAMS FOR ACCESS TO CAPITAL

The economic expansion of the 1980s spawned a series of innovations in business capital and credit formation. Bank mergers and acquisitions resulted in more centralization which supplanted traditional community-based lending practices. This trend clashed with local economic development and community empowerment priorities. The reaction was a renewed interest in strengthening laws such as the Community Reinvestment Act as a means of refocusing lending practices on underserved populations. While many believe that the solution lies simply in requiring banks to make more loans to women, the answer for some businesses may be found outside the traditional lending arena.

The 1980s also saw the creation of non-bank financing opportunities designed to meet entrepreneurial needs that banks were unable or unwilling to service. Venture capital emerged as a significant tool, expanding beyond its traditional niche supporting high-tech industries into other emerging business areas. Enterprise development issues, including creation of new government programs and public/private partnerships to address financing issues, became a focal point of federal, state and local government programs. Women's businesses, multiplied during this time at a rate far exceeding those of their male counterparts, demanded these services in geometrically increasing numbers.

Possibilities for new sources of financing are limited only by the demand, the regulatory environment in which businesses operate and their ability to market and manage their resources. A survey of federal, state and local government initiatives has revealed a number of new ventures supported by both private and public monies. Many of the more recent programs are geared toward expanding options for emerging and micro-entrepreneurs.

The following are a few examples of successful and innovative financing programs :

* The Women's Business Initiative Corporation (WBIC) of Milwaukee, Wisconsin developed a microloan fund targeted to women-owned businesses. The pilot loan fund was initially set up with state funds and then attracted corporate support. In 1992, this program leveraged $900,000 in SBA funding. Microloans up to $25,000 are now available to clients who must participate in WBIC training programs or work with an approved business advisor.

* In a move to supplement traditional bank lending, the State of Illinois created the Women's Finance Initiative. WFI is a public/private partnership comprised of the Illinois State Treasurer, technical assistance centers such as Small Business Development Centers, women's business organizations and associations, and financial institutions. The State Treasurer deposits state funds in participating financial institutions to back approved loans. Participating organizations help to market the program, sponsor workshops, and provide technical assistance to both banks and applicants in writing business plans and completing the loan process.

* In May, 1994, Women's Collateral Funding, Inc. published The Women's Directory, a business resource guide to support women business owners in Philadelphia's five-county region. The Directory provides an alternative source of funding for qualified women entrepreneurs seeking small expansion loans ($10,000-$25,000). Funding is structured in the form of venture collateral, a risk investment with an equity return. A triangular relationship is established between the lending bank, the entrepreneur and Women's Collateral Access Fund, Inc.

* On a national level, the Capital Circle was formed in 1993 to dramatically increase the flow of financial resources to women-owned businesses. The Circle has invited individuals who have expertise in providing financial services, business advocacy and private investment to join this catalytic network. Training for individuals interested in becoming "angels" by investing their own personal capital in enterprises owned by women is also provided by the Circle.

* Small Business Investment Companies (SBICs) are formed to supply equity capital, long-term loans and management assistance to qualifying small businesses. These may be another source of credit for women-owned businesses. The privately owned and operated SBICs use their own capital along with funds borrowed from the Small Business Administration to provide financing to small businesses in the form of equity securities and long-term loans. SBICs are profit seeking organizations that select small businesses to be financed within rules and regulations established by the SBA. Specialized SBICs (SSBIC) provide assistance solely to small businesses owned by socially or economically disadvantaged persons. Establishing an SSBIC targeted to women business owners has been explored as a way to introduce women to this source of credit.

These are just a few of the innovative financing options developed to close the gaps on the credit ladder. As the National Women's Business Council moves forward with our investigation, other ventures and new opportunities will be identified. We plan to introduce these tools and concepts to women business owners during our workshops and to encourage a continuing dialogue between users, lenders and investors.

NEED IDENTIFIED: A PROCESS OF MUTUAL EDUCATION

Designing and implementing innovative approaches to meet specific financing needs are proving to be more productive than trying to develop a "one stop shop" approach. We've come a long way from the days when a business owner could walk into the nearest bank, ask for a loan, sign on the dotted line and be in business. Now we know that banks are often just a starting point and that business owners may need to explore a variety of sources before securing a loan and/or other credit arrangement.

Getting the word out about these different programs is the challenge. There are so many choices these days, yet, most business owners remain in the dark about what options are available, which ones they are eligible for and what requirements they will have to meet. The possibilities are endless and the process daunting...so much so that credit cards are the financing mechanism of choice of many start up businesses.

Information exchanges, educational outreach, and special marketing and training strategies on the part of lenders, government entities, business advocacy organization and educational institutions are essential components of any successful financing program. This makes good business sense, both from the perspective of the lender and the borrower.

At the Council's policy workshops, participants offered the following recommendations to improve the financial service delivery to address concerns raised by women business owners who had great difficulty finding sufficient resources to start or expand their businesses.

* Educational programs should be offered by lenders and government regulatory agencies to help women business owners understand the types of capital/credit options, eligibility requirements, and the realities and expectations of the marketplace.

* Awareness and information programs are needed to help financial institutions understand specific characteristics of women-owned businesses, which are incorrectly viewed as riskier than other business ventures. Possible programs include information programs on the viability of character-based lending, enterprise development experience and innovative financing programs.

  Financial institutions need to become aware that lending to women-owned businesses is profitable. It makes good sense to open new routes of credit for these businesses.

* Education and awareness programs for policy makers are needed on the range of options available to address the capital and credit needs of women-owned businesses. Information on successful state and local programs to leverage public and private sector resources to ensure that women business owners have access to the best options throughout the country should be shared.

* Programs must be created to educate corporations along with private and public foundations on the value of and need for them to support business development, for women, such as SBA's Office of Women's Business Ownership's Demonstration Programs.

ACCESS TO CAPITAL: THE NWBC ACTION PLAN

Action which addresses some of the financing concerns expressed by the participants at NWBC's conferences has already been taken.

The following items specifically target the financing concerns of women-owned businesses.

* Early in 1994, the U.S. Small Business Administration launched the Women's Prequalification Pilot Loan Program, which enables women business owners to receive pre-qualification from SBA for a loan guarantee under the 7(a) program before making a presentation to a bank. This streamlines the application process and provides a quick response to loan requests of $250,000 or less to women business owners. It focuses on the character, credit, experience and reliability of the applicants, de-emphasizing strict collateral requirements.

* SBA has expanded the size and scope of its Microloan Demonstration Program which was originally authorized in October 1991. The microloan program was designed to increase the availability of capital to borrowers normally not able to receive credit from traditional lending sources. Since their creation, over 1500 microloans have been made, approximately 44% of these loans were to entrepreneurs and small businesses in rural areas. The average loan amount is just over $10,000 and it has been estimated that 3.1 jobs have been created or retained with each microloan. Further changes are anticipated that would permanently authorize this popular program, expanding its scope.

As a result of the Federal Reserve Board meetings, the following recommendations have been incorporated in NWBC reports to the President and Congress, requesting:

Public Policy Initiatives: Private Investment

* legislation to encourage and support development of a formal network and/or methodology for "private" investment in small and women-owned businesses;

* security laws that provide greater flexibility in allowing and encouraging alternative investment vehicles and networks for linking private investors with small, minority and women-owned businesses;

* tax legislation that includes incentives for individuals to invest in small businesses.

Public Policy Initiatives: Lending Institutions

* legislation to facilitate the creation and operation of a secondary market for securing small business loans that would expand opportunities for participation by financial institutions;

* Community Reinvestment Act credit for loans and investments extended to women-owned businesses;

* review of the "real world" impact of character-based lending;

* stimulation of bank lending by revision of the Financial Institution Reform, Recovery and Enforcement Act (FIRREA) regulations to provide lower risk-based capital requirements for loans provided to women- or minority-owned businesses whose borrowing needs are not served by the Small Business Administration;

* simplifying the paperwork required for SBA guaranteed loans and instituting a "pre-qualification" process to speed up the approval process, and

* clarification of Federal Reserve Regulation B (12 CFR 202B) to relieve lender liability and allow for debriefings for applicants whose loans are rejected.

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SUMMARY

Five years of Council research has defined access to capital and credit as the foremost barrier to success for women-owned businesses. At every rung of the ladder--from the small, home-based business operating on creativity and sheer nerve to the growth enterprise preparing to go public--inadequate financial resources are cited as the reason for a woman's inability to establish, maintain and expand her business.

Women are starting businesses at twice the rate of men, and over the past ten years, have increased their economic power four fold. The achievements of women business owners are remarkable, considering their limited access to capital and credit.

The National Women's Business Council is seeking innovative ways to remedy the financing inequities perceived and experienced by women business owners. The initiatives identified in this paper are a sampling of the efforts undertaken to ease the credit crunch. These and other creative ideas should be advanced, as well as efforts to educate and inform women of the alternative financing options and new protocols.

Additional topics submitted for future initiatives:

* Sources of equity capital which could be directed towards investments in women-owned businesses.

* Financing needs of women-owned businesses in each stage of entrepreneurial development.

* Innovative debt and equity programs.

* Designing new lending products to fill gaps in the financing ladder.

* Encouraging banking institutions to developing specialized loan programs and to participate in "loan pools" that benefit women business owners.

* Exploring ways that government programs can create incentives for development of new financing mechanisms.

* Analyzing the effects on women-owned businesses of increased commercial lending by non-bank lenders.

* Institutionalizing and promoting continuing education and development for women business owners, lending institutions, other institutional investors, and policy makers.

* The efficacy of requiring banks and investors to collect and disseminate the numbers of applications received from women business owners and the numbers of loans/investments made.

BIOGRAPHIES FOR SPEAKERS, PANELISTS AND FACILITATORS

Linda Tarr-Whelan - *Keynote Speaker*
Linda Tarr-Whelan has been President and Executive Director of the Center for Policy Alternatives since November 1985. The Center is a nonprofit, non-partisan, progressive public policy center which focuses on innovative policies and leaders in the fifty states. Ms. Tarr-Whelan has had 23 years of public policy experience as an advocate and government official in the areas of health care, employment, economic development, education and women's issues. She served in the White House as Deputy Assistant under President Carter, Director of Government Relations for the National Education Association, Administrative Director of the New York State Department of Labor and Director of Program Development for the American Federation of State, County and Municipal Employees. Ms. Tarr-Whelan serves on numerous boards and advisory committees and is a nurse by training. She received her BSN from John Hopkins University and holds an M.S. from the University of Maryland.

"Women entrepreneurs are energizing our economy. Women business owners are the fastest growing sector of the business community - now 32% of small business ownership, up from 5% in 1970. The small business sector is increasingly important to women seeking employment and advancement opportunities. According to the Department of Commerce, in the decade between 1977 and 1987, the proportion of private sector employment in firms over 500 employees declined from 43.3% to 28.7% of total employment. This trend has clearly accelerated with large-scale industrial "downsizing" and defense cut-backs. Strategies for the economic advancement of women cannot depend upon the stabilization of larger businesses.

Many women have started their own businesses to: "create my own job" when women's work pays less than poverty wages or where few jobs exist; balance family and work; or escape the unfriendly atmosphere for women in corporate life. In an interesting harbinger of the future, women choose self-employment at a rate five times greater than men and are successful in 80% of the businesses they begin. According to the National Foundation for Women Business Owners, the annual receipts of women-owned business are greater than those of any single state in the nation and quadrupled between 1982 and 1987.

Investing in women-owned businesses creates the nationwide growth that leads to long-term, sustainable growth in the national economy. Pension funds are a key part of that framework. With long-term investment horizons and the substantial need for diversification, pension funds are appropriate investors for economic revitalization. Government and community leaders should challenge private investors to target investments in women-owned businesses that meet their criteria for market return.

These economically targeted investments (ETIs) include any prudent investment that fills a capital gap in an underfinanced area of the economy and earns a risk adjusted market rate of return. An effective ETI strategy enables a plan sponsor to meet legal obligations to plan participants while creating an additional corollary benefit to a geographic area, demographic group, industry or plan participants.

A 1993 Center for Policy Alternatives study of state public retirement programs, found 27 public pension systems, with over 60 different successful ETI programs. These programs that can make a difference for women entrepreneurs include 12 small business loan programs targeted to women; and 14 equity financing - primarily venture capital - programs. California pension funds are in the lead in this area. CALPERS invests up to 1% in small business capital and CALPERS invests $75 million in early and expansion capital in California firms.

Pension funds control $4.4 trillion in pension assets - more than banks and traditional financing for women-owned businesses. Pension funds are so large they are the market. If 2% of all pension funds were invested in ETIs, it could yield $90 billion worth of investment capital needed to create jobs and growth in capital-starved areas of the economy. Women deserve and need access to these new capital sources. **Women Empowered: We mean business."**

<u>The Honorable Mary Ellen Withrow</u> - *Luncheon Speaker*
Mary Ellen Withrow was confirmed unanimously by the Senate to be the 40th Treasurer of the United States and was sworn into office March 1, 1994. She is the first person to have held the post of treasurer at all three levels of government - local, state and national. As Treasurer of the United States, Withrow is responsible for the operations of both the U.S. Mint and the Bureau of Engraving and Printing. During her tenure as Ohio's State Treasurer, Withrow's innovative programs, management efficiencies and record earnings for Ohio earned her nationwide recognition. In 1992, she received the Donald L. Scantlebury Memorial Award from the Treasury's Joint Financial Management Improvement Program for

financial excellence and improvement in government. She is past President of the National Association of State Treasurers and the National Association of State Auditors, Comptrollers and Treasurers. Ms. Withrow is a member of the Board of Directors of Women Executives in State Government, an inductee into the Ohio's Women's Hall of Fame and a recipient of a Women Executives in State Government fellowship to Harvard University.

"The goal of increased access to capital is of vital interest to me. We are no longer at the stage of trying to decide whether there is a problem, or what the problem is. We know the answers to those questions. The questions now is: what can be done to expand access to capital, and more specifically, what changes in federal policy are needed. Women-owned businesses are an integral part of the foundation of the U.S. economy and without the access to much needed funds to begin or grow and expand a business, they are stifled. I applaud the National Women's Business Council's efforts, along with the many women business advocates here today, to tackle this issue. My hope is that by stimulating dialogue, we can come up with viable solutions - solutions that will change existing federal laws or create new ones. As women in the business and financial worlds, we must strive through meetings and workshops like this to make sure that access is opened up to minority- and women-owned businesses. We need to level the playing field and then let the games begin!"

William C. Conrad - *Federal Reserve Bank of Chicago Representative*
Mr. Conrad, First Vice President and Chief Operating Officer of the Federal Reserve Bank of Chicago, has responsibilities for overseeing Operations and Check Services, Automation Support and Electronic Services, Financial and Management Services and Support Services, as well as the Bank's Detroit Branch and the offices in Des Moines, Indianapolis and Milwaukee. Mr. Conrad additionally has responsibility for the Federal Reserve System's Securities Product Office in Chicago and is the Chairman of the Bank's Committee on Securities and Fiscal Services. He is also a member of the Federal Reserve System's Conference of First Vice Presidents. He began his career with the Federal Reserve Bank in 1959. He received a B.S. and an M.B.A. from Wayne State University. He also attended the Graduate School of Banking at the University of Wisconsin and the Advanced Management Program at Harvard University.

"Women-owned business face financing gaps, but at the same time there are many examples of successful and innovative financing arrangements and numerous laws, regulations, and programs intended to help women obtain capital. Although these programs exist, without the consensus building, partnering and networking, it is difficult to access these programs."

Susan Davis - *Expert Moderator for Panel #2*

Ms. Davis is the founding director of a dynamic new network of key investors, financiers and women's business advocates. The Capital Circle is a group of key influencers who have come together to promote their common goal of dramatically increasing the flow of capital and support to women-led businesses. Ms. Davis serves as the President of the Capital Mission Company of Chicago which she founded in 1990 to create networks of socially-responsible business leaders who use assets and influence to solve social problems. In addition to the Capital Circle, Capital Missions also created the Investor's Circle, whose membership includes leading private investors in America who seek social dividends as well as market returns. Ms. Davis has a 25 year history of involvement in launching socially-responsible business ventures. For nine of those years, she was a Division Administrator for the Harris Bank in Chicago. Ms. Davis received a B.A. cum laude in Russian from Brown University and did graduate work in anthropology at Harvard Graduate School of Education.

"There is a great business opportunity for women-led businesses to attract equity investments from angel networks. In particular, a recent national study established that the most effective feature in the success of an angel network (a not-for-profit association of private investors) was the extent to which it developed relationships among its members. The reason is that members then tend to bring their best deals to each other and invest in each other's deals. This results in larger amounts of money moving into entrepreneurial companies.

Most existing angel networks feature computer matching services to introduce investors and entrepreneurs. However, this has been found less effective than networking the investors with each other. There are only two networks in the country which focus on developing co-venturing relationships among investors and both of these networks give special attention to investment opportunities in women-led business deals to find particular favor among angel investors generally."

Margaret Fisher - *Expert on Panel #2*

Ms. Fisher is a general partner with Inroads Capital Partners, L.P., a newly formed venture capital firm which is raising $75 million for the purpose of originating and managing private equity-related investments in middle-market companies, with special focus on the undeserved marketplace. Ms. Fisher provides the Fund with extensive venture capital experience. Since 1981, she has been a founding general partner of Seidman Fisher & Co., a successful venture capital firm, that has raised two funds aggregating approximately $45 million. It is believed that she was the first female to become an initial founding partner of a private venture capital firm in the U.S. During her fourteen years in the venture capital industry, Ms. Fisher has completed numerous equity investments across a wide variety of industries.

She currently serves on the boards of directors of Tessco, Inc. and Cornerstone Technology. She graduated cum laude and Phi Beta Kappa with a B.A. in sociology from the University of Pennsylvania and an M.B.A. in finance from the University of Michigan.

"The venture capital industry is the nation's largest and most vital source of equity funds to private companies in all stages of maturity, but particularly to early stage companies with high growth potential. In 1993, the industry provided $3 billion of funding to such companies. Unfortunately, women have been largely shut out of the venture capital process, despite their substantial ownership of U.S. companies.

Companies owned by women have an annual demand for equity of $12 billion which is largely unmet by professional capital sources. I have spoken to many of the women in the industry; with few exceptions, neither they not their firms have ever backed a female entrepreneur. One pension fund advisor who invests its clients in venture capital LP's surveyed 100 limited partnerships in which their clients invested, and over 1,000 companies in which those LP's invested. Not a single company was minority or female owned. Thus, there is a tremendous imbalance in supply and demand of capital for women-owned companies and the demand is increasing dramatically. Unfortunately, venture capitalists work through a relatively small, close knit, old boys network which often doesn't consider funding women-owned businesses. We need to examine ways to integrate women into this network and make venture capitalists recognize the feasibility of backing a women-owned business."

Austin Fitts - *Expert Policy Workshop Facilitator*
Ms. Fitts is a principal in the Hamilton Securities Group, Inc., a real estate merchant banking firm that provides financial advisory and broker dealer services for the real estate community and related financial institutions. In addition, the firm is involved in managing and investing in private placement equity, nonperforming and subperforming tax-exempt debt, and publicly traded real estate stocks and other securities. Prior to her work with Hamilton, Ms. Fitts was the Assistant Secretary for Housing-Federal Housing Commissioner for the U.S. Department of Housing and Urban Development. Prior to her government service, she was managing director of Dillon, Read & Co., NY, NY. She earned a B.A. at the University of Pennsylvania and an M.B.A. in Finance from the Wharton School, University of Pennsylvania. She serves on the board of First American Bankshares, Inc. and the National Multi-Housing Council. She is a member of the Council for Excellence in Government, the Urban Land Institute, the Economic Club of NY, the Financial Women's Association and the Capital Circle.

Nancy M. Goodman - *Federal Reserve Bank of Chicago Representative*
Ms. Goodman is Senior Vice President of the Federal Reserve Bank of Chicago, in charge of the Community and Information Services Department. Ms. Goodman has management responsibility for the Bank's Community Affairs Office, which implements various outreach activities related to community reinvesting and fair lending. Nancy Goodman joined the Bank in 1962 as a senior research analyst in the economic research department. Goodman holds a bachelors degree in economics from the University of Michigan and did graduate work in economics at Columbia University. She is also a graduate of the Graduate School of Banking at the University of Wisconsin.

"The Council and the Federal Reserve Board have worked closely together, holding regional conferences and workshops to tackle the issue of access to capital. We are pleased with the liaison and feel we are closer to achieving our goal of giving women-owned businesses the same advantages in the financial marketplace that their male counterparts have.

"A Guide to Business Credit for Women, Minorities and Small Business" is a publication of the Board of Governors and it is included in your registration packet.

I am very pleased to see the two National Women's Business Council members, Marilu Meyer and Saundra Herre, who have been on the Federal Reserve Bank of Chicago's Advisory Council. Their input has been invaluable - I'm sure you all know what great resources they can be! Our hope is that all of us will come away with new ideas and better information about opportunities and strategies that can be pursued by providers and users of capital alike."

George Kalidonis - *Expert on Panel #2*
Mr. Kalidonis has had a remarkably varied business and academic career. In 1982, after spending many years as an executive for several large consumer products corporation, he founded Technology Planning & Development Corporation. He also serves as President & CEO of the Chicago Capital Fund. His primary focus is to motivate operating managers to understand the changing fundamental structures and dynamics of their business environment and to develop innovative responses to the emerging demands of the future marketplace. Mr. Kalidonis is a columnist, has written and directed videotape features and has been a frequent commentator on radio and television programs. He earned a PhD in Technology Policy at the University of Illinois, an M.B.A. and a B.S. in Industrial Management from Wayne State University. He has undertaken post doctoral studies in political science/critical theory and has taught at the Keller Graduate School of Management, the University of Illinois at Chicago and the Poynter Institute for Media Studies. In 1988, he received the Clarence Darrow Award for outstanding contributions to human dignity and social justice.

"It is critically important to distinguish between self-employment, lifestyle businesses and growth businesses. Only growth businesses can attract arms length (non-relatives or friends) investment capital. The principal reason for this situation is because only growth businesses retain earnings for reinvestment into growth. The other two types of business' earnings are withdrawn by its owners, in one fashion or other, for personal use. This puts the outside investor in the unacceptable situation of substituting their capital for investment into growth for the earnings withdrawn by the firm's owners. No one is willing to invest more money in a privately-held business than the owners have invested.

Venture capital partnerships are deluged by business plans. From their prospective, they must use very efficient screening mechanisms to filter investment criteria. Therefore, your plan will receive an in depth review, only if it is specifically and realistically tailored to each recipient's investment criteria. Mass mailings are a waste of time and lead to unnecessary disappointment. Research each potential investor's investment criteria, and mail your plan only to those venture firms who could be interested in your plan. Remember, from the prospective of the investor, you are selling an investment opportunity.

Finally, if you really believe in your idea/business and in yourself, follow Winston Churchill's advice, "Never, never, never ever give up". Do whatever it takes. With enough time, you sneak ahead while no one is watching. The idea is to endure long enough to prevail."

Betsy Myers - *U.S. Small Business Administration Representative*
As the Associate Administrator for the Office of Women's Business Ownership at the U.S. Small Business Administration, Ms. Myers serves the fastest growing segment of the small business economy. Ms. Myers received her Bachelor of Business Administration from the University of San Diego. A former small business owner in California, she serves as an advocate for women small business owners and oversees the SBA's procurement, financing, technical assistance and mentor programs of the Office of Women's Business Ownership, which are designed to provide the tools most needed by women business owners to be successful in their enterprises.

"The Small Business Administration is the government's best kept secret for small, minority and women owned businesses - it is the single largest financial backer of U.S. businesses! The SBA has 68 district offices, 950 Small Business Development Centers, 6 Business Information Centers, an on-line program and a service core of retired executives. The SBA has provided over 1/2 million loans and loan guarantees, with our current portfolio at approximately $26 billion.

The SBA's new microloan program is making a tremendous impact on accessibility to credit by providing access to capital for women- owned businesses. The purpose of the program is to assist women, low income and minority entrepreneurs and business owners. These individuals must demonstrate good character with enough management expertise and commitment for a successful operation to assure repayment of the loan. Under this program, the U.S. Small Business Administration is authorized to make direct loans to eligible and qualified intermediary lenders who will make fixed interest rate microloans to start up, newly established and growing businesses. The loans are given for not more than six years and range from $100 to a maximum of $25,000.

One of the most significant programs which will have a great impact in increasing access for to the SBA lending program is the new Women's Prequalification Pilot Loan Program. This program allows a woman business owner to receive prequalification from the SBA for a loan guaranty before going to a bank. The program streamlines the application process and provides a quick response to loan requests of $250,00 or less to women business owners. It focuses on the character, credit, experience and reliability of the applicants.

These programs are two examples of this Administration's revitalized commitment to ensuring small business owners, particularly women, fair access to credit and capital."

<u>Dr. Susan M. Phillips</u> - *Federal Reserve Board of Governors Representative*
Dr. Susan M. Phillips was sworn in on December 2, 1991, as a member of the Board of Governors of the Federal Reserve System, to fill an unexpired term ending January 31, 1998. Prior to becoming a member of the Board, Dr. Phillips served as Vice President for Finance and University Services and Professor of Finance at the College of Business Administration at the University of Iowa. Previously, she served on the faculty at Louisiana State University. She also has been a Brookings Economic Policy Fellow and an Economic Fellow with the Securities and Exchange Commission. In 1981, Dr. Phillips was appointed to the Commodity Futures Trading Commission and became its Chairman in 1983, serving until her resignation in 1987 to return to the University of Iowa. Her areas of specialization include options and commodity futures, financial management and economic theory of regulation.

"In enacting the statute that created the National Women's Business Council, Congress included the Federal Reserve: 1) in part because of our responsibilities for ensuring that the Equal Credit Opportunity Act was effectively implemented and enforced; 2) in part because of our role as a supervisor of banks, given the general perception that banks currently are the major source of funding for small business regardless of gender; and 3) in part because of our monetary policy responsibilities for maintaining stable prices and a growing economy which requires that we have a clear understanding of how different productive sectors in our economy are faring along with how the financial system in the United States is changing.

The Federal Reserve has undertaken several initiatives to gain better information about small business access to credit and the financial situations confronting small businesses.

Small Business Survey:
In 1989, the Federal Reserve Board, with support from the Small Business Administration sponsored a survey on small business financing to identify the sources of credit and the balance sheet characteristics of small businesses. This year we are essentially repeating that survey, but with an even larger sample to ensure that there are enough women and minority participants to allow us to compare the experiences of various groups within our economy.

Small Business and Agricultural Advisory Committees:
For more timely and immediate feedback on economic and financial conditions facing small business, each of the 12 federal Reserve banks that are part of the Federal Reserve System created Small Business and Agricultural Advisory Committees.

First Symposium on Access to Capital: Washington, DC
The ongoing interest in the availability of credit and access to capital led the Federal Reserve to agree to host the National Women's Business Council's first symposium on Access to Capital in Washington, DC in September 1992. At that conference, the participating women business owners discussed their perceptions of how they are treated by lenders while bankers described the constraints under which they operate in extending credit. What emerged from the conference was the idea that creating a secondary market for small business loans could expand the total pool of funds available to small business. By developing instruments to securitize such loans, bankers would be able to "sell off" loans to other investors. These instruments could be similar to those that exist in the home mortgage market . It was also recommended at the conference that the Council together with the Federal Reserve sponsor similar roundtables on a regional basis so that information on different aspects of the issue of access to capital could be obtained.

First Regional Roundtable on Access to Capital: Richmond, VA
In September 1993, a workshop was held at the Richmond Federal Reserve at which participants discussed the cumbersomeness of the loan-application process, along with the need for more centralized information for small business owners on training and on sources of financing. The conference touched briefly on the need to look beyond the banking system to alternative sources of finance, particular as a business expands beyond the start-up phase.

Today, we are here to discuss some ideas about alternative sources of financing...As we will learn from our lead speaker, commercial banks in the US arena are no longer the only source of financial assets, thus it is important that we understand investment decisions of pension funds and insurance companies."

Miriam Santos - *Expert on Panel #1*

The Honorable Miriam Santos has been the Chicago City Treasurer since 1989. She is the first woman and first hispanic elected to this office. As the city's banker, the Office of the City Treasurer manages an annual cash flow of more than $60 billion. Ms. Santos has undertaken a massive restructuring of the office. Recognizing the untapped community development potential of the treasurer's job, Ms. Santos has allocated more that $50 million to assist small businesses. In less than two years she successfully helped women and minority-owned businesses obtain short-term loans and lines of credit by investing $20 million in her linked Deposit Programs while earning the city close to $1 million in additional interest. After conducting the first financial analysis of the city's four pension funds, she has recommended sweeping changes in pension fund reform including the consolidation of the funds' $5.88 billion in assets. Ms. Santos obtained a B.A. and law degree from DePaul University and earned an M.B.A. from Northwestern University's Kellogg School of Business.

"It is my belief that all government functions should ultimately be for the benefit of the taxpayer. As the city's "banker", I believe that it is our responsibility to level the playing field for women and minority owned business in this city. I found that to make that a reality, I had my work cut out for me. My mission...to transform my office into a model municipal Treasury...to be at the forefront of the growing trend for municipal governments: linking city bank deposits to accomplish a particular governmental goal. Those goals include encouraging the growth of small business, especially women and minority-owned concerns, stimulating job creation and providing for business development, retention and expansion.

To accomplish this we created several economic development programs beginning with the Linking Deposit Program for small emerging and minority and women-owned businesses (262 loans were made on 25 million dollars and the city earned an additional $1 million dollars in interest). Additional programs which help small businesses receive the money they need to survive, improve a banks CRA rating and help reinvest taxpayer money back into the community are: Deposits for Industrial Development program for small manufacturing companies; Public Investments for Exports program for small exporting firms; Contractors' Assistance program for small prime and sub-contracting contractors; and the Americans for Disabilities Act (ADA) Compliance Program."

Anne Stelle - *Expert Moderator for Panel #1*
Ms. Stelle is the Deputy Manager, Director of Marketing, Investment Advisory Department for Brown Brothers Harriman & Co. She is a marketing executive specializing in financial services and sales, including developing and implementing successful and innovative asset gathering programs. Her background includes relationships with high net worth individuals and institutions, with experience in the financial marketplaces of a registered investment advisor, bank trust department, Wall Street investment bank and major brokerage firm. She is very active in community and church activities. Anne earned a B.A. from Sweet Briar College.

Bob Stillman - *Expert on Panel #1*
Mr. Stillman is the Associate Administrator for Investment at the U.S. Small Business Administration with responsibility for the administration of the Small Business Investment Company (SBIC) program. He was formerly Executive Vice President, Treasurer, and Director of AEA Investors Inc., from 1972 to 1992, a New York private investment firm financed by institutional investors and former CEOs of major companies, which specializes in buyouts of medium-sized companies. Prior to that, Mr. Stillman was a general partner with Payson & Trask. This firm was one of the first organized venture capital concerns in the U.S. During his years with AEA and Payson & Trask, he served as director of numerous corporations. Mr. Stillman received a B.E. degree in Chemical Engineering from Yale University and an M.B.A. from the Harvard Business School.

"Small Business Investment Companies (SBICs) and Specialized Small Business Investment Companies (SSBICs) are profit-motivated businesses that independently either make loans or equity investments. They are licensed by the U.S. Small Business Administration (SBA) to stimulate the flow of equity capital and long-term loan funds into small businesses, so that they can grow and develop.

The benefits of the SBIC and SSBIC programs are extensive. Not only do small businesses benefit, but venture capitalists profit through the ability to supplement their own private capital with funds obtained on favorable terms through assistance from the federal government. More permanent full-time private sector jobs are created by businesses that are financed by SBICs and SSBICs. A bank may invest up to 5% of its capital and surplus in a partially or wholly-owned SBIC or SSBIC. This permits banks to invest in small businesses in which they could not otherwise invest because of banking laws and regulations. Investments made through an SBIC may also assist in meeting Community Reinvestment Act requirements. Finally, the U.S. taxpayer also benefits due to tax revenues generated each year by companies that have become successful through SBIC investments. This more than covers the cost of the program."

Xcylur Stoakley - *Expert on Panel #2*
Mr. Stoakley is a principal in the firm, Ark Capital Management. Ark's Mission is to provide competitive returns to its investors through its pro-active management of private equity funds targeted to invest in women and minority-owned businesses. He managed one of the most substantial private equity investment programs ever developed in the United States. As a member of the Ameritech Investment Management Group he managed Ameritech's private equity program from inception to over $650 million under management in over 100 separate fund investments in the U.S., Europe and Asia. He maintained a significant presence in the industry by providing input on industry policy and direction and by organizing educational and networking events. Xcylur is recognized as a leading spokesperson and educator regarding the venture capital investment process. Mr. Stoakley earned a B.S. in Electrical Engineering from Bradley University and an M.B.A. from the Keller Graduate School of Management.

"Greater investment in and development of women and minority-owned businesses is an economic necessity. From an investor's standpoint, there is no way to continue to make market returns if you are not investing in the segments of the market where new opportunities are coming from. The demographics say that this is the growth segment.

Many would wrongly tend to classify these companies as disadvantaged, when it is more accurate to categorize them as disenfranchised. They lack nothing other than opportunity. They represent markets that have been ignored. They offer a great deal of untapped human potential, talent, creativity, buying power, and economic strength.

Ultimately, we believe that this is one investment opportunity that can truly enhance our competitiveness as a nation, a way to capitalize on a broader approach to being more highly competitive as a country. We maintain that it is from competitiveness that you generate business returns. We also recognize that there will be social benefits to be gained by this process. The way to create social advancement and broader economic stability is to create quality, long-term viable businesses. The rewards then will accrue to those who have provided the capital."

Monte Tarbox - *Expert on Panel #1*

Mr. Tarbox is the Vice President of Marco Consulting Group. He advises pension fund trustees on investment policy, asset allocation, invested manager selection, fund performance, custodial bank operations, proxy voting and other investment issues. Prior to this, Mr. Tarbox was the Director of Governmental Relations with the Citizens Utility Board and Chief Administrative Assistant for Chicago Alderman David Orr where he drafted local and state legislation and was the liaison to the various city departments. Monte graduated Magna cum laude with a B.A. from Carleton College and earned an M.B.A. in Finance from the Chicago Graduate School of Business.

"Given the rapid growth in pension fund assets, the day will soon arrive when pension funds will own a majority of the equity of corporate America. When that happens, conventional investment management strategies may result in pension funds bidding against each other for the same shares. As pension assets grow, trustees and their money managers will need inevitably to look to Economically Targeted Investments (ETIs) and alternative forms of investment to play a role in their portfolios.

Well structured ETIs can offer pension funds the opportunity to diversify their investments and to achieve competitive risk adjusted rates of return. But more importantly, pension fund capital will be a critical catalyst for growth in our economy. The investment decisions made by pension trustees may well determine which businesses thrive and what new industries emerge. Now is the time to begin creating the tools and the analysis which will allow pension funds to play this role effectively and profitably.

We are looking to women investment managers and venture capital professionals to generate innovative products with successful track records. We are looking to progressive pension trustees like Treasurer Santos to show us how to manage these alternative investments within a larger institutional portfolio. We are looking to the Small Business Administration and other government agencies to provide support in the form of guarantees, start up loans and technical support. And we are looking to the Department of Labor to grant us the breathing room to try innovative investment strategies. These are the steps needed to give pension fund trustees the confidence to branch out into new investment realms."

David Tseng - *Expert on Panel #1*
Mr. Tseng is the special assistant to Olena Berg, the assistant secretary for the U.S. Department of Labor's Pension and Welfare Benefits Administration. Tseng's agency is responsible for the administration and enforcement of the Employment Retirement Income Security Act (ERISA), the federal law regulating pension operations and other job benefit plans by private companies and unions. The agency oversees approximately 750,000 pension plans with assets of more $2.3 trillion and another 4.5 million plans involving other job benefits such as health and dental policies. Tseng's role includes acting as Berg's liaison to the ERISA Advisory Council and overseeing a project involving pro-bono legal services with the American Bar Association and ERISA attorneys throughout the country. Prior to this, Mr. Tseng worked as an employee benefits attorney. He graduated with honors from Columbia University and earned his J.D. from U.C.L.A.

"The ERISA Advisory Council has endorsed Economically Targeted Investments (ETIs) as viable pension fund alternative investments. These investment opportunities are intended to create jobs and improve local economies while providing competitive investment returns. ETIs are an often overlooked investment opportunity for the more than $4 trillion capital held in American pension plans. The Department of Labor wants to dispel the mistaken perception in the investment community that investments in ETIs are incompatible with ERISA.

Additionally, the Department of Labor is currently in the process of establishing a clearinghouse on ETIs. This clearinghouse will gather information about the investment performance and attributes of ETIs and make that information available to the pension community to aid its investment decisions."

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Small Business Investment Companies

The **SBIC** Program

Small Business Investment Companies

The SBIC Program

In the 1950s, an entrepreneur looking for the capital to launch or grow a small business had few places to seek risk capital. There weren't many institutions whose business was to back promising but unproven ideas. To help solve this problem, Congress created The Small Business Investment Company (SBIC) Program in 1958.

Licensed by the U.S. Small Business Administration (SBA), SBICs are private investment firms that independently make their own investment decisions. These companies are participants in a vital partnership between the federal government and the private sector. Utilizing their own private capital plus funds obtained on favorable terms through assistance from the federal government, SBICs provide financing to small businesses for growth, modernization and expansion.

Because the statements in this document contain simplified summaries of complex regulatory and statutory provisions, which laws and regulations are subject to change, nothing herein should be viewed as legal interpretations of regulations and law. Before any business decisions are made, current regulations and statutes should be reviewed; proposed changes published in the Federal Register should be reviewed; and if necessary, legal and tax counsel should be consulted.

What is an SBIC?

Virtually all SBICs are profit-motivated businesses that either make loans or equity investments. Today, there are two types of SBICs: the "regular" SBICs, and the Specialized Small Business Investment Companies (SSBICs). SSBICs are specifically oriented towards the needs of entrepreneurs whose opportunities to own and operate businesses have been limited by social or economic disadvantages.

Although the name "SSBIC" is used in this brochure, it is an unofficial term. Technically, such companies are known as "Section 301(d) licensees" because they are organized under Section 301(d) of the Small Business Investment Act of 1958, as amended. With a few exceptions, the same rules and regulations apply both to "regular" SBICs and to SSBICs. Therefore, unless otherwise specified, when the term "SBIC" is used, it refers to both types of entities.

Purpose of SBICs

SBA licenses SBICs to stimulate the flow of equity capital and long-term loan funds into small businesses so that they can grow and develop. As defined by regulations, a small business (formally referred to as a "small concern") is an operating entity that has a net worth not greater than $18 million and has not had average after-tax income for the previous two fiscal years in excess of $6 million. (There are other alternate tests of eligibility based upon numbers of employees, depending upon the Standard Industrial Classification or S.I.C. code.)

Who Benefits from the SBIC Program?

Small businesses benefit from the receipt of equity capital, long-term loans and management assistance.

Venture capitalists benefit through the ability to supplement their own private capital with funds obtained on favorable terms through assistance from the federal government.

Employees benefit because more permanent full-time private sector jobs are created by businesses that are financed by SBICs.

The U.S. taxpayer also benefits. Tax revenues generated each year by companies that have become successful through SBIC investments more than cover the cost of the program.

Private Capital and Management Requirements

Any corporation, limited partnership or limited liability company formed solely for the purpose of operating as a licensee under the Small Business Investment Act and its regulations may apply for a license. While an SBIC must be domiciled in the U.S., it may be controlled and operated by foreign entities. The basic requirement as mandated by Congress is that there be sufficient private capital and management expertise for the SBIC to be operated with safety and soundness.

On a case-by-case basis, SBA examines an applicant's business plan, taking into account the types of financings that are proposed to determine the adequacy of the proposed private capital. SBA also ascertains whether an SBIC's proposed overhead expenses are in line with its capital base. The absolute minimum capital amounts established by law for the licensing of new SBICs and SSBICs are $2.5 million and $1.5 million, respectively. In practice, these minimums are usually not sufficient for an SBIC to be economically viable, considering the overhead required. Generally, a $5 million minimum is the smallest feasible capital amount, and for applicants that intend to utilize participating securities, the regulations require $10 million under most circumstances, with an absolute minimum of $5 million.

For licensing and regulatory purposes, this capital base may include firm commitments from institutional investors (as defined in SBA regulations), as well as commitments from other sources that carry an institutional guarantee.

In addition to raising sufficient capital to support its planned operations, a prospective licensee must demonstrate to SBA that its proposed management team has something more than general business experience— that it has specific experience making the types of loans and investments in small businesses of the types and sizes contemplated in the business plan.

Once licensed, an SBIC must adhere to certain statutory and regulatory restrictions governing types of investments and manner of operations, and becomes subject to certain financial reporting requirements and on-site compliance examinations.

The Concept of Government Leverage

Within the SBIC program, the term "leverage" has a special meaning. It refers to the funds that an SBIC in good standing may receive by issuing its securities either directly to the government or with a government guarantee. A regular SBIC may receive leverage of as much as 300 percent of its private funds, and for an SSBIC, up to 400 percent. The amount of leverage provided is dependent upon five factors:

1. Types of leverage requested;
2. The amount of private capital within an SBIC;
3. Whether the licensee is an SBIC or SSBIC;
4. Types of investments being made; and
5. Availability of leverage, which is contingent upon the amount of guarantee authority or funds provided by Congress, coupled with the competition from other SBICs for leverage funds that have been appropriated.

Leverage Eligibility

The maximum amount of leverage for which an SBIC may be eligible is determined by its private capital base. If private funds do not exceed $15 million, leverage may be available in amounts not to exceed, in the aggregate, 300 percent of private funds. If the private capital base is more than $15 million, but not more than $30 million, leverage shall not exceed $45 million plus 200 percent of the amount over $15 million. If the private capital base is greater than $30 million, leverage shall not exceed $75 million plus 100 percent of the amount of private capital over $30 million, up to a maximum of $90 million. For SSBICs, the total of subsidized debentures plus preferred securities may not exceed $35 million regardless of the amount of private capital.

Debentures

The most basic type of leverage is a five- or 10-year debenture that is sold in the public markets and which carries a full faith and credit guarantee of both principal and interest by the U.S. government. Typically, a debenture is issued at a rate of 75 to 100 basis points over the Treasury yield for comparable maturities, and requires the payment of semiannual interest with principal repayment at term. Prepayment may be made at any time, with a decreasing penalty during the first five years. The total issuing costs charged to an SBIC are approximately 2.625 percent.

SSBICs may issue 10-year debentures in amounts totalling up to 200 percent of private capital with an interest rate subsidy of 300 basis points during the first five years of the debenture's life. To effect the subsidy, SBA pays the difference between the subsidized and nonsubsidized interest rates. For any SSBIC, subsidized debentures are limited to 200 percent of private funds, and may not be refinanced with another subsidized security.

Preferred Securities

SSBICs may also issue nonvoting preferred securities (either stock in a corporation or preferred limited partnership interests in a limited partnership) with a 15-year mandatory redemption. Such securities carry a 4 percent cumulative dividend which is payable no later than the redemption date, regardless of the earnings that may have been realized by the SSBIC. All SSBICs qualifying for leverage may issue preferred securities in amounts up to 100 percent of private funds. If an SSBIC has met certain criteria for making equity investments, additional preferred securities leverage up to an additional 100 percent of private funds may be available.

Participating Securities

If an SBIC makes equity investments which generate little or no current income, but its leverage is in the form of debentures requiring semiannual interest payments, the result is a mismatch between the sources and uses of funds. This is likely to create cash flow problems for the SBIC. To remedy this, Congress amended the Small Business Investment Act in 1992, allowing SBA to guarantee participating securities. A unique feature of participating securities is that the SBA shares in the profits of an SBIC, generally in the 9 percent to 12 percent range (after the basic dividend rate is paid). Those SBICs issuing participating securities must meet certain guidelines for making equity investments.

This instrument has a 15-year maximum term, although in most cases, SBA expects the actual term to be 10 years. It provides for payment of dividends or interest and profit participations to SBA only when an SBIC has earnings (as defined in the regulations). As with debentures, the rate on participating securities is based on the 10-year Treasury-yield curve. Under no circumstances may participating securities exceed 200 percent of private funds. SSBICs may issue participating securities, but participating securities and preferred securities, in the aggregate, may not exceed 200 percent of private funds.

Advantages to Banks

A bank may invest up to 5 percent of its capital and surplus in a partially or wholly owned SBIC. This permits a bank to invest in small businesses in which they could not otherwise invest because of banking laws and regulations. Investments made through an SBIC may also assist in meeting Community Reinvestment Act (CRA) requirements.

Regulatory Requirements

Within the SBIC Program, SBA does not directly or indirectly approve or disapprove financing decisions made by an SBIC. Investment decisions are made independently by the SBIC management and general partners or board of directors. However, SBA does monitor SBICs to assure their compliance with applicable regulations.

These regulations have two primary purposes: (1) to help insure that SBICs are benefiting small businesses and are not making loans and investments which can be detrimental to small concerns, and (2) to reduce the risk to SBA on the leverage assistance that is provided.

Types of Financings

An SBIC may make equity investments, loans, and combination financings, including the use of convertible debt and warrants. Loans may be secured and amortizable, but normally must have a minimum term of five years, except for loans to disadvantaged concerns which can be for as little as four years. Under certain circumstances, where a loan is necessary to protect existing financings or is clearly made in contemplation of a long-term financing, a loan with a shorter term is allowed. The maximum term permissible is 20 years. All financings may be made in conjunction with other lenders or investors, public or private, including other SBICs.

In general, funds used to purchase securities must go directly to the small concern issuing the securities. The purchase of publicly offered securities of a small business through an underwriter is permitted as long as the proceeds of the purchase go to the issuing company. SBIC funds may be used to purchase already-outstanding securities only when reasonably necessary as a minor part of the sound financing of an eligible small concern, or as part of a plan to finance a change of ownership that meets SBA regulatory guidelines. Under certain circumstances, an SBIC may purchase securities from another SBIC or even from SBA.

Loan Interest Rates

When a loan is made to an eligible small concern, the interest rate charged is not only governed by applicable state laws and regulations, but also by SBA regulations. If a financing is a straight loan without any equity features associated with it, an SBIC may charge up to 7 percent over a computed cost of money base. If a loan has equity features, the lending spread is reduced to 6 percent. In general, the computed base is the higher of the debenture interest rate determined at the most recent public sale of interests in pools of SBA guaranteed debentures, or the SBIC's own weighted average cost of borrowings. Certain fees in addition to interest are also permitted, as is a default penalty rate of 700 basis points over the contract rate.

Restrictions on Financings

SBICs may only invest in eligible small concerns defined in SBA regulations. Without written SBA approval, a regular SBIC with outstanding leverage may not invest more than 20 percent of its private funds in securities, commitments, or guarantees of any single small concern. For SSBICs, this limit is 30 percent. SBICs without leverage are not subject to this ceiling.

SBICs may not invest in other SBICs, passive or casual businesses (i.e., those not engaged in regular and continuous business operations), or companies with less than one-half of their assets and operations in the United States.

Neither may SBICs finance any small concerns whose primary business activities involve, directly or indirectly, providing funds to others, purchasing debt obligations, factoring, or leasing equipment on a long-term basis when there is no provision for performing maintenance and repair services. However, SBICs and SSBICs may finance socially or economically disadvantaged firms that are engaged in relending or reinvesting activities, except for agricultural credit companies and banking or savings and loan institutions not insured by agencies of the federal government.

There are also restrictions on real estate-related investments. Except in connection with financing an operating small concern, the financing of real estate is generally prohibited. For example, an SBIC may not finance the purchase of farmland or finance real estate speculators, nor finance any small concern classified under Major Group 65 (Real Estate) of the S.I.C. manual, except subdividers and developers, title abstract companies, and real estate agents, brokers and managers.

Even where certain other types of real estate related investments may qualify, their percentage is limited to one-third of an SBIC's portfolio, with combined real estate related activities (building contractors, hotels, lodging places, etc.) being limited to two-thirds of an SBIC's portfolio investments.

SBICs that have leverage, and temporarily have excess liquidity, may invest "idle funds" in certain short-term instruments:

- Federal government securities;
- U.S. government repurchase agreements; or
- Deposits in, or CDs of, a federally insured bank or savings and loan.

SBICs not having leverage may invest idle funds in a broader range of short-term investments as long as the securities purchased are not ineligible under the regulations.

Conflicts of Interest

An SBIC may not engage in "self-dealing" to the advantage of, or with favoritism to its associates. Furthermore, an SBIC may not directly or indirectly provide financing to any of its associates, nor may it borrow money from a small concern that it has financed or from any of the small concern's owners or officers. Under SBA regulations, "associates" is a defined term that includes:

- An officer, director, employee or agent of a corporate licensee;
- A general partner, employee or agent of an unincorporated licensee;
- A manager or investment advisor of the SBIC;
- Any attorney regularly on retainer; and/or
- Any person or entity owning or controlling, directly or indirectly, 10 percent or more of the stock or partnership capital of the SBIC, except for an institutional investor with less than a 33 percent limited partnership interest which constitutes less than 5 percent of the investor's net worth.

Control

An SBIC is not permitted to control any small business, either directly or indirectly, or in participation with its associates or other SBICs. In cases where the risks to an SBIC's investments are inordinately high, SBA may allow the SBIC to assume temporary control in order to protect its investment. However, the SBIC must obtain SBA's written approval of a plan of divestiture.

Miscellaneous Regulations

In addition to the regulations and elements of the Small Business Investment Act that have been described in this brochure, SBICs are subject to certain other regulations regarding their financing activities, operations and reporting which must be followed in order to ensure the continuation of the SBIC license and its related advantages.

Congressional Appropriations

The Office of Management and Budget establishes guidelines to measure the cost to the taxpayer of all programs of government. Utilizing these guidelines as a criteria, Congress authorizes and then appropriates budgets for each government program, including the various SBIC programs.

SBA can commit funds to an SBIC for a period of up to 22 months into the future. However, leverage applicants should be aware that due to increased demand for funds, no SBIC can be assured that all the funds that it desires will be available at any given time even if the SBIC is in complete regulatory compliance and is economically sound. At the time of considering a license, it would be prudent to inquire about leverage availability.

Considerations in Obtaining a License

The business plan that is prepared plays a much more important role in the licensing process than it did in the past. The SBA is looking to see that three overall elements of the prospective SBIC are satisfactorily consistent with each other:

1. **Management**

   The managers of the proposed SBIC must be suitable. This means that they should have significant experience that relates to the types of investments that are contemplated. They must be free of any felony convictions, securities violations or other activities inappropriate for someone serving in a fiduciary capacity.

2. **Forecasts**

   The projections of overhead should be realistic relative to the types of financings proposed and the geographic regions that are expected to be covered. For instance, an SBIC that is making loans in a single metropolitan area will typically have lower overhead than a firm making seed capital investments nationally.

3. **Capital**

   The private funds that are available, together with some of the leverage anticipated, should be sufficient so that overhead will not consume an excessive amount of the firm's capital.

At this time, because the ceiling on leverage has been raised from $35 million to $90 million, both the SBA and Congress are more interested in ensuring that newly licensed SBICs have high prospects for success. This means that the business plan must demonstrate a strong probability of a successful future. In the venture business, there can obviously be no guarantees of success, but there are certain elements that can point to a higher potential for profitability.

A business plan, as utilized within the context of the licensing process, is often synonymous with an offering memorandum utilized in private placements, but all of the customary legal caveats are not necessary. At a minimum, the plan should provide detailed forecasts of overhead expenditures and uses and sources of funds, including:

- Information on the proposed types and mix of investments (debt or equity);
- The sizes of investments anticipated;
- The types of industries in which the SBIC plans to invest;
- The developmental stages of these businesses and their geographic locations; and
- Whether the SBIC intends to be primarily a lead investor, a participant or both.

There should also be a discussion of the anticipated sources of deals and why it is believed that those sources are feasible.

The Procedure for Obtaining an SBIC License

If you are interested in obtaining a license, you should follow these steps:

1. Begin by obtaining a current "Licensing Kit" from the address on the last page of this brochure. Be sure to review the application, the instructions, and especially all the regulations that are in effect, as well as proposed regulatory changes. If you believe that you can meet the criteria and would be comfortable operating within the parameters that have been established, then proceed.
2. Prepare your license application. Be sure that your business plan spells out clearly the types of financings you plan to make and that your forecast is realistic in terms of overhead and when profits may be realized.
3. Submit your complete license application with the fee then in effect. SBA will review all documents and perform background checks on all officers, directors or general partners, and shareholders or limited partners proposed to be "associates" or "control persons" within the context of the regulations. During this process, you can expect that SBA will request additional information. The more promptly you respond, the faster your application will be processed.
4. The final step in the process is issuance of the license. If you have submitted a licensing application prior to actually having raised your minimum capital, you may request a "suitability letter." This does not give you the authority to actually operate an SBIC, but would assure your investors that you were considered qualified within the context of the business plan that was submitted. You could then raise your capital and subsequently continue the licensing process.

For Further Information

SBA encourages qualified individuals and organizations to establish SBICs. You, your attorneys or other advisors are welcome to contact SBA with any questions regarding the SBIC Program. However, it should be understood that SBA cannot provide either legal or tax advice, but can discuss the Small Business Investment Act, regulations and general practices. To obtain a Licensing Kit or other information, telephone, fax or write:

Associate Administrator for Investment
Attn: Program Development
U.S. Small Business Administration
Mail Code 7940
409 Third Street, S.W.
Washington, DC 20416
Tel. (202) 205-7582
Fax: (202) 205-6959
TDD: (202) 205-7333

All of SBA's programs and services are provided to the public on a nondiscriminatory basis.

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THE EQUAL CREDIT OPPORTUNITY ACT

A Guide for Consumers

Enacted in 1974, the Equal Credit Opportunity Act, or ECOA, seeks to ensure that non-credit-related factors, such as a person's race, national origin, or sex, do not enter into a decision to deny a person's request for credit. In all, the Act defines the following prohibited bases for credit denials: race, color, religion, national origin, sex, marital status, age (provided the applicant has the capacity to contract), receipt of income from public assistance programs and good faith exercise of any rights under the Consumer Credit Protection Act. A lender may not deny or discourage a loan applicant for any of the above-listed reasons. Lenders do have the right to deny loan applications for reasons such as poor credit history, insufficient income, excessive amounts of debt or high debt-to-income ratios.

The Act and its implementing regulation, Regulation B, are intended to cover all aspects of the credit transaction from the preapplication stage to the application and the credit decision. The regulation imposes a delicate balance on the credit system, recognizing both the creditor's need to know as much as possible about a prospective borrower and the borrower's right not to disclose information that is irrelevant to the transaction. Regulation B does not prevent a creditor from determining any pertinent information necessary to evaluate the *creditworthiness* of an applicant.

Financial institutions (banks and savings and loan associations) are regulated by the federal financial supervisory agencies (the Board of Governors of the Federal Reserve System, the Office of the Comptroller of the Currency, the Federal Deposit Insurance Corporation and the Office of Thrift Supervision). These regulatory agencies are responsible for the enforcement of Regulation B which implements the Equal Credit Opportunity Act and examine their member financial institutions for compliance with Regulation B. The examination incorporates a review of the financial institution's articulated lending standards, loan files, discussions and interviews with bank personnel including loan officers and any other staff permitted to take applications, and a review of the bank's marketing efforts.

Each regulatory agency also investigates any complaints filed by individuals who believe that they have been denied credit or been discouraged from applying for credit on a prohibited basis. Complaints should be as specific as possible and sent to the appropriate regulatory agency.

The following examples are intended to illustrate some, but not all, of the types of situations that the Equal Credit Opportunity Act seeks to eliminate.

ILLEGAL SPOUSAL SIGNATURE REQUIREMENTS

A creditworthy customer enters a bank to apply for an individual installment loan, for example, a vacation loan. The banker asks the customer for collateral and the customer offers his/her car which he/she owns jointly with his/her spouse. The banker informs the customer that he/she must have his/her spouse sign on the loan because the car is in both of their names.

Under Regulation B, a lender may not require a signature other than the applicant's or joint applicant's, if the applicant meets the lender's credit underwriting standards. If the applicant does not meet the lender's credit underwriting criteria, the lender may ask the applicant to provide an acceptable cosigner. The applicant may offer his/her spouse, but the lender may not specifically request the spouse. In the case above, the creditor would be allowed to obtain the spouse's signature on a security agreement which allows the creditor to perfect its lien against the collateral offered by the borrower, in this case, the borrower's car (meaning that the creditor can repossess the car in the case of default); but the lender would not be able to obtain the spouse's signature on the loan.

PROHIBITED BASIS: MARITAL STATUS

A woman enters a bank and asks to speak to a loan officer. She tells the loan officer that she wants to apply for a car loan. The loan officer asks if she is married and she replies "No." The loan officer tells her that the bank doesn't make loans to unmarried people.

A lender cannot ask an applicant's marital status unless the credit transaction is to be secured and the information may be necessary to determine what would be required to gain access to the collateral in the event of default or if the applicant and/or the assets used as collateral are in a community property state. In this case, the lender has committed a substantive violation of Regulation B: refusal to take an application and grant a loan on a prohibited basis, marital status.

PROHIBITED BASIS: PUBLIC ASSISTANCE SOURCE OF INCOME

A man enters a bank and asks to speak to a loan officer. He indicates that he wants to apply for a loan to purchase a used car. The loan officer asks him to fill out an application. He does so and returns it to the loan officer. The loan officer notices that the applicant's only source of income is social security. The loan officer then tells the applicant that it is against the bank's policy to make loans to people who do not have a full-time permanent job.

Under the Equal Credit Opportunity Act, a lender may not deny, or grant credit on more onerous terms, because some or all of the applicant's income is derived from public assistance sources. However, a lender may consider the probable continuity of such income. In the situation above, the applicant cannot be denied credit solely because his income came from a public assistance source.

ILLEGAL DISCOURAGEMENT

An African-American couple enter a bank and ask to speak to a loan officer. They tell the loan officer that they are interested in applying for a mortgage. The loan officer sits down with the couple and begins to explain the mortgage products that the financial institution makes available. In doing so, the loan officer apologizes because the financial institution has to charge a non-refundable $350 application fee to cover all of the expenses it will incur to process the loan application. The loan officer candidly suggests that the couple talk to the bank down the street about its products. She tells the couple that the bank down the street offers a wide variety of government-insured loan products and those are usually more affordable. The loan officer explains to the customer that she's just interested in seeing that they get the best deal possible, as she sends them away.

Regulation B's concern with the application process starts before the application is even taken. Lending officers and employees must be careful to take no action that would, on a prohibited basis, discourage anyone from applying for a loan. In the example above, the loan officer is cordial and seemingly wants to help the couple, but what results from the loan officer's conversation with the couple is that they leave the financial institution without applying for a mortgage loan. This is an example of possible illegal discouragement.

Please note that most financial institutions do charge application fees to cover the cost of their expenses in processing loan applications and there is NO law against this practice. Application fees are only a concern when they are used to discourage a person from applying for a loan on a prohibited basis. Consumers should ask a financial institution for a copy of its credit underwriting guidelines so that they can review the underwriting guidelines and their own financial position to determine if they want to apply for a loan.

In efforts to comply with the Community Reinvestment Act (a federal law designed to encourage financial institutions to meet the credit needs of their entire delineated communities including low- and moderate-income areas), many lenders have chosen to make their application fees partially refundable if the applicant's income or credit history disqualify him/her for the loan in the application's initial review.

CONCLUSION

The examples presented here illustrate some of the more obvious forms of discriminatory practices and illegal discouragement. Lenders are required to provide a Notice of Action to each credit applicant within 30 days of receiving a complete application. In cases of a credit denial, lenders must provide the ability to learn the accurate reasons for the denial and the ability to learn what sources of information were used to reach a decision, such as a credit bureau report. The Notices of Action for credit denials are commonly referred to as adverse action notices. Consumers who have been denied credit should review their adverse action notices carefully to ensure that the reasons are, in fact, accurate.

Consumers who believe that they or someone they know have been denied credit on a prohibited basis or illegally discouraged at a financial institution should write to the institution's primary federal regulator. Complaints against state member banks (those regulated by the Federal Reserve Bank of Chicago) in the Seventh District of the Federal Reserve System should be sent to the following address:

Consumer and Community Affairs
Supervision and Regulation
Department
Federal Reserve Bank of Chicago
P.O. Box 834
Chicago, Illinois 60690-0834

The Federal Reserve System encourages consumers to increase their awareness of their rights under the federal fair lending laws and to communicate any concerns they may have to the financial institution and the institution's primary federal regulator.

Small Businesses and the Equal Credit Opportunity Act

The Equal Credit Opportunity Act was enacted by Congress in 1974 and is most frequently referred to in discussions about consumer credit. But it applies to business credit transactions — credit extended for business, commercial or agriculture purposes — as well. Although specific requirements under Regulation B, the implementing regulation for the Equal Credit Opportunity Act (ECOA), may differ for business credit transactions as compared to consumer credit transactions, the general principle is the same. Creditors may not discriminate against any applicant on a prohibited basis in any aspect of a credit transaction.

What does this mean? It means that lending institutions may not deny an application for credit or discourage a potential customer from applying for credit on any of the following bases:

a) Race, Color, or National Origin;
b) Religion;
c) Sex;
d) Marital Status;
e) Age;
f) Receipt of Public Assistance; and
g) Exercise of any right under the Consumer Credit Protection Act.

Regulation B provides specific directions to financial institutions about what types of information they may, and may not, ask for in connection with a credit application. For example, a creditor may not require a spousal guarantee on a loan to a business in which the spouse is not a principle, if the loan stands on its own merits. If the business loan is being secured by property that is jointly owned with a spouse, then the lender may require the spouse to sign a security interest agreement, allowing the lender access to the collateral in the event of default; however, the lender may not arbitrarily require the spouse to sign the loan agreement.

Regulation B also requires that creditors provide small business credit applicants with a notice of action taken on the application. In the case of a credit denial, the lender must provide the applicant with an opportunity to learn the reason(s) for the denial. Business credit applicants should learn why their loan was denied and should verify that the reason(s) are accurate. If the reason(s) are not accurate, the applicant should pursue the matter with the lender and correct any inaccurate information.

Finally, if a small business credit applicant believes that he has been denied credit or discouraged from applying for credit on a prohibited basis, he should send a letter of complaint both to the financial institution and to the institution's primary federal regulator. You may obtain the name and address of an institution's primary federal regulator by visiting its main or branch office. Regulated depository institutions (banks and savings and loan associations) are required under the Community Reinvestment Act to post a Community Reinvestment Act Notice in their main and branch offices. This notice must include the name and address of the institution's primary federal regulator.

The Federal Reserve System encourages all credit applicants to learn more about their rights under the Equal Credit Opportunity Act. Business credit applicants are offered protection under ECOA and should be as fully apprised of their rights as possible at the time of a credit application.

FEDERAL RESERVE BANK
OF CHICAGO

Consumer and Community Affairs

July 1993

The Equal Credit Opportunity Act — Know Your Rights Before Applying for Credit

Enacted in 1974, the Equal Credit Opportunity Act, or ECOA, seeks to ensure that non-credit-related factors, such as a person's race, national origin, or sex, do not enter into a decision to deny a person's request for credit. The Act defines the following prohibited bases for credit denial:

1) race;
2) color;
3) religion;
4) national origin;
5) sex;
6) marital status;
7) age (provided the applicant has capacity to contract);
8) receipt of income from public assistance sources; and
9) good faith exercise of any rights under the Consumer Credit Protection Act.

A lender may not deny or discourage a loan applicant for any of the above-listed reasons. Lenders do have the right to deny loan applications for reasons such as poor credit history, insufficient income, excessive amounts of debt or high debt-to-income ratios.

The Act and its implementing regulation are intended to cover all aspects of the credit transaction from the preapplication stage to the application and the credit decision. The regulation recognizes both the creditor's need to know as much as possible about a prospective borrower and the borrower's right not to disclose information that is irrelevant to the transaction. Regulation B does not prevent a creditor from asking any pertinent information necessary to evaluate the creditworthiness of an applicant.

Under the Act, creditors are prohibited from discriminating against or discouraging potential loan applicants on a prohibited basis. You, as a consumer, may ask for the articulated lending standards of your financial institution to determine how your loan application will be judged. Since most financial institutions charge loan application fees, you may also choose to review your own financial position before you apply for a loan.

If a consumer chooses to apply for a loan, he/she should keep in mind that lenders will ask for information that will help them determine whether or not the consumer has the capacity to repay and has demonstrated a willingness to repay his/her debts. This information may include tax forms filed in previous years, sources of income such as copies of current pay stubs, public assistance checks/vouchers or alimony payments and some means to verify continuance of the payments; credit bureau reports, number of dependents and information about the applicant's assets.

Lenders are required to provide credit applicants with a Notice of Action within 30 days of receiving a complete credit application. In cases of a credit denial, lenders must provide the ability to learn the accurate reasons for denial and the ability to learn what sources of information were used to reach a decision, such as a credit bureau report. The Notices of Action for credit denials are commonly referred to as adverse action notices. Consumers who have been denied credit should review their adverse action notices carefully to ensure that they are, in fact, accurate. If the reasons are not accurate, the applicant should pursue the matter with the financial institution and may file a formal complaint with the financial institution's primary federal regulator.

Consumers may determine their financial institution's primary federal regulator by visiting the main or a branch office of their financial institution. Each office or branch of an insured depository institution (banks and savings and loan associations) must have a Community Reinvestment Act Notice posted in the lobby, and it will indicate the name and address of the institution's primary federal regulator.

Complaints against state member banks (those regulated by the Federal Reserve Bank of Chicago) in the Seventh District of the Federal Reserve System should be sent to the following address:

Consumer and Community Affairs
Supervision and Regulation
Federal Reserve Bank of Chicago
230 South LaSalle Street
Chicago, Illinois 60604

FEDERAL RESERVE BANK
OF CHICAGO

Consumer and Community Affairs

July 1993

RESOURCES

THE NATIONAL WOMEN'S BUSINESS COUNCIL ACCESS TO EQUITY CAPITAL WORKSHOP

The Federal Reserve Bank of Chicago
Chicago, Illinois
June 3, 1994

Ark Capital Management
29 N. Wacker Drive
Suite 795
Chicago, IL 60606
312/541-0330
312/541-0335 fax

Capital Missions Company
2400 East Main Street
Suite 103
St. Charles, IL 60174
708/876-1101
708/876-0187 fax

Center for Policy Alternatives
1875 Connecticut Avenue, NW
Suite 710
Washington, DC 20009
202/387-6030
202/986-2539 fax

Chicago Capital Fund
500 N. Michigan Avenue
Suite 1920
Chicago, IL 60611
312/855-1135
312/855-1134 fax

Employee Benefit Research Institute
2121 K Street, NW
Suite 600
Washington, DC 20037
202/659-0670
202/775-6312 fax

Federal Reserve Bank of Chicago
Community Affairs Division
230 S. La Salle Street
Chicago, IL 60604
312/322-5877
312/322-5062

Inroads Capital Partners, L.P.
525 West Monroe Street
Chicago, IL 60661
312/902-5347
312/902-1061 fax

Investment Division
U.S. Small Business Administration
409 Third Street, SW
Suite 6300
Washington, DC 20024
202/205-6510
202/205-6959 fax

National Association of Investment Companies
1111 14th Street, NW
Washington, DC 20005
202/289-4336
202/289-4329 fax

National Association of Small Business Investment Companies
1199 N. Fairfax Street
Suite 200
Alexandria, VA 22314
703/683-1601
703/683-1605 fax

National Foundation of Women Business Owners
1010 Wayne Avenue
Suite 900
Silver Spring, MD 20910
301/495-4975
301/495-4979 fax

Pension and Welfare Benefits
Administration
Department of Labor
200 Constitution Avenue, NW
Suite South 2524
Washington, DC 20210
202/219-8233
202/219-5526 fax

Office of Women's Business
Ownership
U.S. Small Business
Administration
409 Third Street, SW
Washington, DC 20024
202/205-6673
202/205-7287 fax

Texas Capital Network
8920 Business Park Drive
Suite 275
Austin, TX 78759
512/794-9398
512/794-0448 fax

Women's Business Development
Center
8 S. Michigan, Suite 410
Chicago, IL 60603
312/853-3477
312/853-0145 fax

Women's Collateral
Funding, Inc.
Box 410
Gladwyne, PA 19035
610/896-2730
610/896-2756 fax

Women's Equity Fund
P.O. Box 17143
Boulder, CO 80308
303/443-2620
303/449-2122 fax

Women's Self Employment
Project
166 W. Washington Street
Suite 730
Chicago, IL 60602
312/606-8255
312/606-9215 fax

Women's World Banking
8 West 40th Street, 10th Floor
New York, NY 10018
212/768-8515
212/768-8519 fax

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THE MISSION OF THE NATIONAL WOMEN'S BUSINESS COUNCIL

"The National Women's Business Council shall ensure the full participation of women business owners in the free enterprise system by identifying and vigorously promoting their interest in ways that can be measured."

In 1993, the National Women's Business Council brought together prominent women business owners and advocates to develop a strategic plan to target the Council's efforts to those initiatives of greatest importance to women entrepreneurs. On behalf of the more than six million women business owners in this country it was determined that policy and statutory changes needed to be addressed in three critical areas:

* increase access to public procurement opportunities by establishing a Federal government-wide separate goal for women prime and sub-contractors;
* improve the ability of women business owners to access essential financial resources to successfully start and grow their businesses; and
* to collect more timely data on the fastest growing sector of the economy through the institution of an annual national census of all women-owned businesses.

In addition to advising Congress and the President about the most effective means to accomplish these objectives, the Council has also set out to increase the awareness of the contributions that women owned businesses make to the stability and growth of our economy. We intend to serve as a catalyst for all women business owner and executive representative organizations who wish to participate in the process of improving our lifestyles and the way we do business in this country, be it procurement, health or welfare reform, or growing the economy and ensuring our personal security.

ACCOMPLISHMENTS
OF THE
NATIONAL WOMEN'S BUSINESS COUNCIL

The National Women's Business Council was created with the enactment of PL 100-533 to address critical issues of concern to women-owned businesses, with special emphasis on increasing access to the public, private and financial marketplaces. On these and other women's enterprise issues, the Council makes annual policy recommendations to the President and Congress.

CURRENT PROJECTS 1993-1994

* NETWORK AND COALITION BUILDING, EXPANSION AND COMMUNICATION
* IDENTIFY SOURCES AND USES OF CAPITAL FOR WOMEN-OWNED BUSINESSES
* COMPENDIUM OF STATISTICAL INFORMATION ON WOMEN-OWNED BUSINESS
* ANNUAL CENSUS FOR WOMEN'S BUSINESS OWNERSHIP
* SEPARATE FEDERAL PROCUREMENT GOAL FOR WOMEN-OWNED BUSINESSES
* AGGRESSIVE OUTREACH PROGRAM TO BRING WOMEN TO THE BIDDING TABLE
* PROMULGATE REGULATIONS FOR DEFINITION OF WOMEN-OWNED BUSINESS
* FOSTER PARTNERSHIPS BETWEEN WOMEN'S BUSINESS ADVOCATES AND PUBLIC AND PRIVATE SECTOR INSTITUTIONS

NWBC EVENTS

DATE	LOCATION	TOPIC
January 23, 1990	Washington, DC	Survey of Resources
July 9-10, 1990	Los Angeles, CA	Access to Credit & Export Opportunities
September 10, 1990	Chicago, IL	Procurement and Certification
April 30, 1991	Little Rock, AR	Access to Capital
December 5-7, 1991	Arlington, TX	High Technology
March 16-17, 1992	Denver, CO	Telecommunications
September 10-11, 1992	Washington, DC	Access to Capital
March 24-26, 1993	San Diego, CA	International Trade
September 28, 1993	Richmond, VA	Access to Capital
June 3, 1994	Chicago, IL	Equity Investments in Women Owned Businesses

MARY ANN CAMPBELL, CFP, CHAIR
President
Money Magic, Inc.
Little Rock, Arkansas

Mary Ann Campbell is a certified financial planner and president of Money Magic, Inc., in Little Rock, Arkansas. Her company provides financial education seminars as a corporate employee benefit. She is a professional speaker who uses magic to deliver her messages. Mary Ann serves on the Arkansas Business and Education Alliance and was a member of Southwestern Bell's Small Business Advisory Panel. Listed as one of America's 200 best Certified Financial Planners, she has won national awards for her Money Magic ETV series. She has been a financial reporter for an NBC affiliate, has hosted a local Money Talk radio program and wrote a Money Magic column for a local newspaper. In 1991 Mrs. Campbell was awarded the SBA Women in Business Advocate for Arkansas. She was Adjunct Assistant Professor in the Economics department of the University of Arkansas at Little Rock for seven years. Mary Ann holds a master's degree from Texas Woman's University, and is an honor graduate of Ouachita University.

RONALD H. BROWN, VICE CHAIR
Secretary
Department of Commerce
Washington, DC

Ronald H. Brown is Secretary of Commerce. He also serves on the President's National Economic Council and the Domestic Policy Council. He is chairman of the Trade Promotion Coordinating Committee, the co-chair of the U.S. - Russia Business Development Committee and the U.S.-Israel Science and Technology Commission, and leads President Clinton's initiative of the revitalization of the California economy. He also serves on the Board of Trustees for Middlebury College and is chair of the Senior Advisory Committee of the Institute of Politics and the John F. Kennedy School of Government at Harvard University. He also is an elected member of the Council on Foreign Relations.

ERSKINE BOWLES
Administrator
U.S. Small Business Administration
Washington, DC

As chief executive officer of the U.S. Small Business Administration (SBA), Erskine Bowles directs a comprehensive array of programs and services to promote and expand U.S. small businesses. Prior to his nomination to head the SBA in March 1993 and his confirmation by the U.S. Senate in May 1993, Mr. Bowles served for 18 years as chairman and chief executive officer of Bowles Hollowell Conner & Company, a Charlotte, N.C. investment banking firm. He also has served as president of the Juvenile Diabetes Foundation and a member of the Board of Visitors of the University on North Carolina, Davidson College and Johnson C. Smith University, as well as a number of private corporations.

DR. SUSAN M. PHILLIPS
Member, Board of Governors
Federal Reserve System
Washington, DC

Dr. Susan M. Phillips was sworn in on December 2, 1991, as a member of the Board of Governors of the Federal Reserve System, to fill an unexpired term ending January 31, 1998. Prior to becoming a member of the Board, Dr. Phillips served as Vice President for Finance and University Services and Professor of Finance at the College of Business Administration at the University of Iowa. Previously, she served on the faculty at Louisiana State University. She also has been a Brookings Economic Policy Fellow and an Economic Fellow with the Securities and Exchange Commission. In 1981, Dr. Phillips was appointed to the Commodity Futures Trading Commission and became its Chairman in 1983, serving until her resignation in 1987 to return to the University of Iowa. Her areas of specialization include options and commodity futures, financial management and economic theory of regulation.

BARBARA AIELLO
President
Aiello & Company
Kennebunkport, Maine

Barbara Aiello, owner of Aiello & Company Real Estate, is the 1993 President of the Maine Association of Realtors, chairman of its Executive Committee and a member of its Government and Political Affairs and Political Action committees. She also serves on the board of directors of Ocean National Bank and the Kennebunk Rotary Club, and is an advisory board member of the Institute for Real Estate Research and Education at the University of Southern Maine. She is a member of the Kennebunk/Kennebunkport Chamber of Commerce, Kennebunk Downtown Revitalization Committee and Kennebunkport Business Association.

PASTORA SAN JUAN CAFFERTY
Professor
The University of Chicago
Chicago, Illinois

Dr. Pastora San Juan Cafferty joined the Council on May 22, 1992. She is a professor at the University of Chicago in The School of Social Service Administration and The School of Public Policy Studies. She has extensive background in public policy and has served on a number of public and private boards including the Kimberly-Clark Corporation and the Lyric Opera Association in Chicago.

SAUNDRA R. HERRE
President
Herrewood Associates
Racine, Wisconsin

Saundra Herre is President of Herrewood Associates in Racine, Wisconsin. Her company provides management consulting services to small business owners and non-profit organizations in the area of advertising, marketing and management practices. Ms. Herre is a board member of Wisconsin TCF Financial and was appointed by the Governor as a member of the Wisconsin Jobs Council. She also serves on the board of Big Brothers/Big Sisters and the Center for Community Concerns, and is an advisor and guest lecturer to the business schools of several universities.

BARBARA LAUGHLIN
Executive Vice President
Manufacturers and Traders Trust Company
Buffalo, New York

Barbara Laughlin was appointed to the Council on May 22, 1992. She is an Executive Vice President of Manufacturers and Traders Trust Company in Buffalo, New York. As Director of Technology and Banking Operations, she is responsible for the provision of data processing, telecommunications and centralized services to support the $10 billion First Empire State Corporation.

MARILU B. MEYER
President and Owner
Castle Construction Corporation
Chicago, Illinois

Marilu Meyer is the president and owner of Castle Construction Corporation in Chicago, Illinois. Castle Construction is a general contract which self-performs concrete, masonry, carpentry and decorating services. MBB Construction Group, a Castle subsidiary, serves the industry in the construction management field. The company has performed extensive work for the City of Chicago, O'Hare Development Projects, Illinois Department of Transportation and the Washington Metropolitan Area Transit Authority.

NATIONAL WOMENS' BUSINESS COUNCIL

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