



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

APR 24 2006

OFFICE OF THE ADMINISTRATOR

The Honorable John Kerry
Ranking Member
Committee on Small Business and Entrepreneurship
United States Senate
Washington, DC 20510

Dear Senator Kerry:

This letter responds to your letter dated February 16, 2006, in which you express concern that the SBIC program is not meeting the needs of minority and women-owned small businesses.

You and I share the same passion – the desire for the SBA’s programs to produce results on behalf of all Americans – which is why I have worked, along with my staff, to expand the impact of the SBIC program through aggressive outreach efforts.

The federal government invests taxpayer dollars alongside private investors in SBICs in order to increase the economic benefit that newly formed private equity funds can have on the small businesses they reach. Our goal is for SBICs to become highly successful investors that can help entrepreneurs flourish, create jobs, and serve local customers and communities.

Over the last 4 years, our SBA team has aggressively marketed the SBIC program to groups interested in serving underserved markets. Those efforts include:

- Working groups and brainstorming meetings on underserved markets that I chaired in Chicago and both Miami (co-sponsored by the National Conference for Community and Justice - NCCJ) and Los Angeles;
- Discussions and meetings with officers and members of the National Association of Investment Companies (NAIC);
- Participation in minority private equity manager-recruitment events co-sponsored by the NAIC and RG & Associates (as event planner);
- Speeches at New America Alliance (NAA) gatherings; and
- Meetings with prominent, Community Reinvestment Act-focused limited partners, including the Small Business Investment Alliance (SBIA).

Although SBA does not collect information on the ethnic or racial composition of the managers of, or investors in, SBICs or SBIC applicants, as noted above, since I became Administrator, we have instituted an aggressive outreach program to groups interested in serving underserved markets. We understand that a number of minority-led firms are in the process of applying for SBIC licenses. While we cannot provide a breakdown of licenses to minorities, we firmly believe that we have reached out to more minority fund managers and underserved market-focused teams during my tenure than during the previous ten years of the SBIC program.

We have also focused on reaching out to women private equity managers as part of our women’s outreach efforts. According to a Kauffman Foundation report released on March 26, 2004,



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women represent less than 10 percent of high-level venture capitalists, and they have been leaving the industry at twice the rate of men. Yet we have licensed 16 SBICs with at least one woman manager since the beginning of 2003 (representing 18% of all funds licensed during that time period).

Even with our growing success in the licensing of minority and women-led SBIC funds over the last four years, the SBIC program's share of investments into minority and women-owned small businesses has followed an overall trend in the venture capital industry of declining investments in minority and women-owned businesses. We are working hard and creatively in trying to improve our results in this area. At your request, we have also provided a breakdown of NMVC financings as an **enclosure** to this letter.

I do want to emphasize that since my tenure began as SBA Administrator the agency has made minority and women outreach a priority in the SBIC program because we know that these are the fastest growing small business segments in America. I firmly believe that investing in more minority and women-owned small businesses will only make the SBIC program stronger for the future.

In sum, I can assure you that the SBA shares your interest in maximizing the impact of the SBIC program on minority and women firms. Thank you again for your interest in this matter.

Sincerely,

A handwritten signature in cursive script that reads "Hector V. Barreto".

Hector V. Barreto
Administrator

Enclosure

New Markets-Small Business Financings Reported on Forms 1031
As Of March 9, 2006

	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006	Total
Number of Businesses Financed						
Total	1	6	19	20	7	34
Startup	1	2	5	6	0	10
Existing	0	4	14	14	7	24
COGS	0	1	1	1	0	3
Number of Financings						
Total	1	6	22	25	11	65
Startup	1	2	6	6	0	15
Existing	0	4	16	19	11	50
COGS	0	1	1	2	0	4
Amount of Financing (\$ in millions)						
Total	\$0.5	\$2.7	\$9.7	\$7.8	\$2.5	\$23.2
Startup	\$0.5	\$0.7	\$2.5	\$1.2	\$0.0	\$4.9
Existing	\$0.0	\$2.0	\$7.2	\$6.6	\$2.5	\$18.3
COGS	\$0.0	\$0.4	\$0.4	\$0.7	\$0.0	\$1.5

Total Financing to Businesses Owned by Women, Minorities and Veterans (COGS):

FY 2003: 1 financing for \$400,000 to a veteran-owned business
 FY 2004: 1 financing for \$400,000 to a woman-owned business.
 FY 2005: 2 financings for \$675,000 to 1 veteran-owned business