Minority Private Equity: A Market in Transition

by

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Abstract

This paper examines the current changes in the minority segment of the private equity market. It argues that there is a confluence of three major changes: the demographic changes in the US population, the changes in the amount of funding available for private equity and the elimination of the SSBIC program. Together, these changes imply a profound rethinking of the investment concepts in the minority market.

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Within the world of private equity, few segments are less understood than the ‘minority’ segment. Yet it may be a fertile area for new growth. There are fundamental changes occurring that require all participants in the private equity market to rethink the concept of minority investing and to reassess its likely attractiveness.

The three major developments affecting the market for minority private equity are the changing demographic structure of the United States, the recent explosion of private equity fund raising, and the elimination of the SSBIC program by the US Small Business Administration. While many people are aware of each of these forces as trends and events in their own right, this article will argue that, when considered together, these three forces suggest a profound transformation of the very concept of the minority private equity marketplace.

First, demographic changes have often been overlooked as the underpinnings of much social change, and by implication change in the business environment. Recent demographic trends however are dramatic and difficult to ignore. The minority population in the United States is not only growing rapidly, but also becoming increasingly affluent, educated, and active in business. In response to these changes, many businesses have sought to target minority consumers’ distinct tastes and preferences.

Second, the last few years have witnessed an explosion of the mainstream private equity market, especially in the venture capital markets. As formerly small funds have succeeded in raising unprecedented amounts of capital, their investment strategies have changed in unforeseen ways. Intensifying competition between venture capital funds has forced funds to focus and define their investment strategies and value propositions more precisely. Consequently, many funds, especially newer funds, have adopted a specialist niche strategy, rather than the more traditional generalist investment strategy. Seeking to capitalize on unexploited market segments, a number of funds have identified the minority market as a potentially fertile ground for exploration.

Third, the elimination of the SSBIC program in 1995 fundamentally changed the traditional minority investment market place. While the commitments to the existing minority funds were maintained, no new commitments were made. As a consequence, many minority funds that used to raise their new funds under the SSBIC program had to reinvent themselves. While the SBIC program remains a possible source of funds, several minority funds have turned to foundations or institutional investors as an alternative source of funding. In the process of seeking new funding sources, these minority focused funds have also modified traditional definitions of the minority market that originated in the SSBIC program.

Together, these three changes predict a fundamental shift in the minority market place. The ultimate result of these changes is still an open question. What seems clear, however, is that traditional conceptions of the minority market are rapidly becoming obsolete, and that experimentation with new investment strategies, concepts and definitions are all likely to generate both opportunity and turmoil in this market segment.

The first force of change: Demographic shifts in the US

The authoritative source on demographic change is the US Census. While the 1990 census may not necessarily reflect current demographics, until the release of the 2000 census data, it is nonetheless useful to analyze the picture that emerges out of 1990 census figures. At the very least, these data offer a conservative estimate of the size and activities of minorities today. The 1990 US Census figures show that as a percentage of the total US population, Asian, Black, and Hispanic populations have been steadily increasing. In 1970, these minority groups represented just 12.5% of the US population. By 1980 their numbers had increased to 21.0%, and by 1990 to almost 24.0% of the US population. According to the Urban Institute, a nonprofit public policy group in Washington, DC, collectively, these groups are expected to grow to 28.3% of the US population by the year 2000, and to almost 38.0% by 2030. Workforce 2000, a project conducted by the US Department of Labor and the Hudson Institute, predicted that by the year 2001 the majority of the population of California will consist of minorities.[1]

Median household incomes for minority groups have also been on the rise. Since 1979, Asian-American median family income has been higher than that of white Americans. In 1992, 32.0% of Asian-American households were considered affluent, earning at least $50,000 annually, compared with 29.0% of white households, according to American Demographics, a research firm in New York. Growth in affluence among Blacks has also been on an upward trend. In 1980, about 8.0% of Black households were considered affluent. By 1990, the figure was almost 12.0%, with more than a third of those households earning $75,000 or more. In the Hispanic community, upward mobility has also been strong, with 8.2% rising into affluence by 1980.[2]

Education levels and professional training have been increasing for minority small business owners as well. According to the US Bureau of the Census' Characteristics of Business Owners database, education differentials between minority and non-minority small business owners are narrowing. In 1987, 34.7% of non-minority small business owners and 30.5% of African-American small business owners were college graduates. Millions of college educated and managerially experienced minorities began entering the labor force in the late 1960s. As a result of this growing pool, recent statistics show that minority-owned businesses have grown at more than twice the rate of all firms in the US economy, both in numbers of new firms and in annual receipts. Today, minority owned businesses have total revenues of $265BN, with sales growing at close to 11.0% a year.[3] 1992 Census figures indicate that 49.0% of all minority-owned firms are located in California, Texas, and Florida. Revenues for minority-owned businesses in these three states exceeded $61BN, $19BN, and $21BN, respectively (see Exhibits 1 and 2). In California, from 1982 to 1987, the latest time periods for which comparable data is available, the increase in the number of businesses owned by Blacks, Hispanics, and Asians increased by 22.8%, 88.2%, and 91.2%, respectively. Corresponding national figures for these groups were 37.6%, 80.5%, and 87.2%, respectively.[4] Nationwide, the majority of minority-owned businesses operate in service and retail industries, in that order (see Exhibit 3). In parallel with the growth in the number of minority-owned firms, the total annual receipts for such firms has also increased for all groups during the 1987 to 1992 period. Exhibits 4-7 provide a more detailed breakdown of receipts by minority firms for 1992.

Some minority owned businesses have grown increasingly successful over the last few decades. For example, while the nation's largest Black businesses generated less than $500MM in sales in 1971, by 1993, the sales of the 100 largest Black industrial service companies exceeded more than $6BN. Early on, Black-owned businesses served mostly Black consumers. More recently, such businesses have expanded into national and international markets, doing business with the nation's largest customers--corporate America and the federal government.[5] Sales for the 500 largest Hispanic-owned companies in the US exceeded $10BN in 1993 (see Exhibit 8).[6]

Minority entrepreneurs have established businesses ranging from franchises to specialty services and retail. The $758BN franchise industry has been touted as offering excellent business opportunities for minority entrepreneurs.[7] Franchises usually involve less risk than building a business from the ground up, have immediate market recognition, and provide comprehensive operational training. During the recession of the 1980's, corporate downsizing and restructuring contributed to the franchise industry's growth. Many franchise companies tapped the wave of displaced corporate executives as potential franchise owners. While fast-food franchising has declined in recent years, business and personal service franchises, which range from specialty retail stores to credit collection services, have grown steadily, especially in the areas of healthcare, niche restaurants, specialty retail, and specialized business services.

As minority-owned businesses have evolved from small, start-up operations to established players in expanding markets, many minority enterprises have begun to consider consolidations, joint ventures, and expansions of their existing businesses. Although some minority entrepreneurs have noted that they still face financial and management impediments to growth, recent trends have opened new opportunities. Financing for minority enterprises has increased from foundations, large corporations, minority focused and mainstream investment funds. Growing numbers of minorities coming from investment banking and corporate management backgrounds have capital and are looking to buy into such businesses. Additionally, this contingent of skilled minority professionals provides a pool of candidates for leadership positions in expanding and growing minority companies.

In light of the growth in opportunities for minority entrepreneurs and the growth of minority markets, some investors see a growing need for funding in this sector. Research suggests that among young firms nationwide that were operating in 1987, average startup capital for non-minorities was $31,939, while corresponding figures for Blacks and Latinos were $14,226 and $15,119, respectively.[8]

Beyond the shifts in the demographics of the minority entrepreneur, market researchers have also predicted a significant shift in the demographic patterns of the American consumer. Specifically, research has uncovered significant consumer trends in America's most diverse demographic–urban areas. According to the Initiative for a Competitive Inner City (ICIC), a Boston-based research group founded by Harvard Business School's

Michael Porter, "for growth-oriented retailers seeking new opportunities in a competitive global marketplace, the message should be clear: America's inner cities are the next retailing frontier for revenues and profits".[9] An 18-month research project conducted by the ICIC and supported by Boston Consulting Group and Price Waterhouse found that US inner cities (specifically, Chicago, Boston, New York, Atlanta, Miami, Oakland) have more collective retail spending power than Mexico (between $85BN and $100BN a year). Due to higher population density, inner city areas may offer more retail buying power than domestic affluent suburbs. Average grocery sales per square foot can be up to 40% higher in low income neighborhoods than regional averages. The study also found that the inner-city consumer, while a very diverse group, tend to be more fashion conscious and spend a larger fraction of their incomes on apparel than the general population. Inner-city consumers have also been found to be more brand-loyal than the general population and willing to pay for quality goods. As an example of a company with an urban growth strategy, Walgreens Co. plans to add as many as 100 inner city stores nationally in the next two years.

The second force of change: Growth and specialization in the mainstream private equity market

With institutional interest growing over the years, investing in the private equity asset class has become highly professionalized and has spurred the growth of other ancillary services. Consulting services have grown in tandem with the growth in venture capital commitments. These consulting firms serve as advisers to the institutional investors who provide the capital to private equity funds. Nationally, there are roughly twenty of these investment advisors. They are commonly referred to as “gatekeepers,” and their role has matured in keeping with the trends in the private equity industry.[10] Some gatekeepers accept full investment discretion, some play a consultant’s role, and others provide monitoring and other administrative services. Institutional investors obtain some protection against fiduciary liability by retaining outside experts regarding this “complex” asset class. Public pension investors must first win the approval of gatekeepers, and their investment committees before making final investment commitments with funds. At the end of the day, any new private equity management team must pass a variety of tests constructed by these gatekeepers in order to gain access to institutional funding. A clear mission statement, definable market strategy, consistent track record, and demonstrated high returns are all prerequisites for passing such tests.

Guided by these gatekeepers, pension funds have been leading the charge as funding sources with their market share of the private equity market increasing from 38% in 1995 to 55% in 1998. Increasing flows into the private equity asset class have tended to favor well-established funds that continue to grow their coffers. During early 1998, established later-stage buyout funds raised unprecedented amounts of capital. E.M. Warburg, Pincus & Co., LLC raised one of the largest private equity funds closing on a $5.0BN fund. Hicks, Muse, Tate & Furst closed on a $4.2BN fund, and Apollo Advisors, L.P. raised $3.6BN in new capital.[11] Funds that specialized on venture capital witnessed a similar explosion of large funds. In 1998, for example, Accel Partner raised a $275MM fund, Institutional Venture Partners (IVP) raised a $350MM fund and Summit partners raised an unprecedented $1BN fund. Over the past few years, as large players have raised more capital, the smaller players have differentiated themselves by developing specialized investment strategies.

Private equity management teams seeking to raise first-time funds have marketed their specialized focus as an advantage relative to larger players that may not allocate resources to investing in smaller companies, or particular investment stages or industries. According to Kevin Albert of Merrill Lynch's Private Equity Group, "the definition of a niche strategy is pretty amorphous; it's everything other than vanilla venture capital and LBOs where the bulk of the money has gone."[12] Most specialists claim that a specialized fund focus tends to foster a depth of industry knowledge, experience, and contacts unrivaled by generalists. In addition, these managers argue that, with fewer competitors in niche markets, valuations are lower, which should result in relatively higher fund returns. For early-stage venture funds, rapidly changing technology forced certain managers to have an industry focus. Chet Borgida, partner at Grant Thornton, a venture capital firm, noted that it is "critical to approach this industry with a rifle rather than a shotgun approach."[13]

Over the years, new entrants have had to focus on developing a pre-defined specialty and a consistently applied strategy. New private equity managers have had to understand the specifics of a particular sector in order to better position themselves for future deal flow, to accurately identify market risk and to bring value-added to deals. By late 1992, the private equity market witnessed an explosion of funding for "niche" strategies. For example, in 1993 the *Private Equity Analyst* noted that private equity funds formed to purchase small and medium-size companies raised a record $5BN – almost three times the total raised in the previous two years. Investors began to realize that there was money to be made doing smaller deals.

Third force of change: The demise of government support in minority private equity markets

The historical structure of the minority private equity market

Many of the minority-oriented venture capital funds were first established via the US Small Business Administration's (SBA) Specialized Small Business Investment Company (SSBIC) program, formerly known as the Minority Enterprise Small Business Investment Company (MESBIC) program. The general Small Business Investment Company (SBIC) program was established in 1958 to increase capital inflows to small business investing and to foster innovation and technological growth through entrepreneurial enterprises. The SSBIC program was established a decade later to serve the same function to "socially and economically disadvantaged" entrepreneurs, who were traditionally not targeted by mainstream private venture capital or general SBIC funds. The portfolio companies had to be at least 50% owned and managed by individuals from groups that are underrepresented in small business enterprise, namely, African Americans, Hispanic, Asian, Eskimo or Native American. S/SBICs are funded through private capital commitments and are privately owned and operated. Until 1995, the FDIC's 1979 Community Reinvestment Act (CRA), which required banks to take measures to meet the credit needs of its community, including low- and moderate-income neighborhoods, encouraged bank funding of S/SBICs by giving compliance credits to banks which invested or owned S/SBICs. In addition to private committed capital, licensees under both programs also had access to government leverage. Upon licensing through the SBA and achieving compliance with SBA regulatory requirements, funds could receive leverage of up to 2:1 on their private capital commitments, depending upon their investment strategies.[14]

Due to stringent government regulations on the type and structuring of investments, overall returns in the S/SBIC industry tended to be moderate. S/SBICs were restricted to investing in small business. Furthermore, S/SBICs were limited in the type of transactions they could do. They were generally prohibited from taking control positions of any portfolio companies except as a protection mechanism for an impaired investment. Exit usually took the form of a debt repayment by the portfolio company and a sale of warrants rather than through an IPO. Consequently, returns to S/SBICs were limited. The burden of government regulation coupled with an increased availability of private funds in venture capital in general led many minority-oriented funds which had started as SSBICs to establish private funds which were structured as limited partnerships and had no affiliation with the S/SBIC program.

Historically, minority-oriented funds relied on capital commitments from corporations, banks, and foundations, in that order. According to the Commission on Minority Business

Development (CMBD), in its twenty year history, the SSBIC program has never been able to fill the huge capital gap that exists for minority-owned enterprises, estimated at $140BN. The CMBD is an independent committee designated by the federal, legislative, and executive branches to assess federal programs that serve minority-owned businesses.[15] In recent years, minority access to private sources of capital has increased through funding from institutional limited partners who have taken an interest in diversifying into the minority markets.

In addition to the relatively small amounts of private capital available to minority-oriented funds, these funds often faced many of the obstacles that have also troubled smaller generalist venture capital funds. According to Timothy Bates, an economist who studies the government's S/SBIC program, funds focused on minority markets have historically been undercapitalized, and were often unable to hire the best managers to oversee investments.[16] High overhead costs relative to fund size and capital constraints limited a fund's ability to finance a diverse portfolio and were among the challenges such small firms had to overcome. Furthermore, minority-oriented venture funds often lacked an industry or functional specialization because the background of the entrepreneurs defined their investment focus. Consequently, it was more difficult for minority focused funds to establish a competitive position in any particular area of expertise and in turn, provide that aspect of added value to prospective entrepreneurs. A period of industry consolidation occurred in the late 1980's that resulted in a smaller number of larger funds (though the funds were still relatively small compared to mainstream venture investing). Of the 141 SSBICs licensed by 1980, only 32 remained in 1994. Although a handful of SSBICs still exist today, in 1995, the SBA stopped licensing the specialized form of SBICs. According to SBA estimates, over $2BN was channeled into minority businesses over the life of the program. Today's minority oriented venture capital funds consist of a mix of SSBICs licensed prior to 1995 and private equity funds, many of which have roots in the SSBIC program.

The new sources of funding: Institutional Capital Flows to Minority Funds

In recent years, limited partners have provided capital commitments to niche focused funds. These trends have benefited those private equity funds seeking to fund the rapidly growing number of minority entrepreneurs.[17] For the first time, minority investment funds, such as Fairview Capital or Bastion Capital, received capital from institutional funds and were viewed as competitive private equity investment opportunities. In late 1992, the California Public Employees Retirement System (CALPERS) allocated $25MM to both Fairview Capital and Bastion Capital, both minority-focused investment funds. Fairview Capital is a $175MM fund of funds based in Farmington, CT; Bastion Capital is a $125MM private equity fund based in Los Angeles, California. Up to that point, this was the single largest commitment by a pension fund for investment in minority-owned businesses. After the investment, CALPERS' chief investment officer noted that this commitment signaled "a sharp departure from its previous strategy of investing only in mainstream funds."[18] Exhibit 9 shows the funding sources of minority private equity in 1998.

Over the years, increasing specialization has been a continuing trend, and as recently noted in the *Private Equity Analyst*, placing a private equity bet on an industry or geography-specific fund has never been easier.[19] Despite this proliferation of specialty fund strategies, funds which focus on gender and ethnic-specific entrepreneurs and markets have remained relatively undercapitalized in the universe of institutional capital. For example, 40% of all small businesses are women-owned, yet less than 10% of early stage venture funding, and 1% of total private equity funding goes directly to companies run by women.[20] In 1998, minority-controlled investment companies received less than 3% of the $70BN raised by private equity firms in 1998.

To date, there have been several barriers to institutional funding for minority funds. First, some pension fund managers are wary about insufficient experience. As cited in the Wall Street Journal, fund manager Stanley Pratt notes that "there aren't enough real track records out there to attract a lot of investment into minority venture capital firms".[21] Secondly, some point to the lukewarm performance of minority firms that started under the aegis of the SBA's MESBIC/SSBIC program as another barrier to institutional interest. Another reason minority investment companies encountered problems raising capital was the perception that these funds were less profit-oriented and were actually more focused on "social" investing.

As a result of these mixed perceptions by institutional investors, several funds seeking capital are bent on playing purely by capitalist rules. An example is Syncom, a Silver Spring, Maryland based venture-capital group that specializes in financing start-ups run by minority entrepreneurs. Prior to 1998, Syncom raised $53MM through two limited partnership funds. Among others, Syncom partner, Herbert Wilkins, is dismayed by minority investments as acts of charity. He calls this kind of capital “sorry capital”. Wilkins feels such “charitable” investment reinforces the notion that investing in minority enterprises has to be a money-losing proposition.[22] This view is not shared by all participants in the market, and a number of funds have more of a “charitable” orientation. One notable example is New York City Investment Fund, which was founded by Henry Kravis of KKR. The New York City Investment Fund raised $63MM for the purpose of seeding companies of minority entrepreneurs. The investors are not looking for a gain. 45% of the fund was raised as outright charity; and management pledges to use "best efforts" to return the other 55% in 15 years, without any interest or capital gains. If underlying investments are profitable, the distributions will be put into further investments. Despite its structure, the president of the fund, Kathryn S. Wylde believes the fund's managers will be exercising “strict” business discipline to evaluating investments.[23]

Funds successful in raising institutional capital understand the selection criteria used by pension fund managers for investment in private equity partnerships. Larry Morse a partner at Fairview Capital, shared his opinion on the important factors in an investment review. With $175MM under management, Fairview allocates capital into funds focused on minority-owned firms or minority product markets and is largely considered the expert in capital allocation in these markets. Mr. Morse ranked the following characteristics in order of importance: 1) experience in investing institutional capital, 2) the ability to generate deal flow, 3) long-standing management teams, and 4) a logical and consistent investment strategy. One of the largest and first pension funds to invest with minority-focused funds is CALPERs. Jed Maxwell, a private equity investment officer of CALPERs, recently shared the factors he considered important in a fund's success. These qualifications included: 1) extraordinary experience, 2) investment discipline, and 3) quality deal flow.

Examples of new trends in the minority private equity market

Private equity funds that focus on minority markets are a small portion of the entire private equity market. Nationally, investment companies with a focus on minority markets have nearly $1.4BN in estimated assets under management, just 3% of the estimated $54BN raised in 1997 by all private equity firms according to *Private Equity Analyst,* a Wellesley, Massachusetts, newsletter. Currently, the most prominent minority-oriented funds operate with the same objectives as any other generalist private equity fund. Hence, minority-oriented funds have been affected by many of the same trends that have occurred in the larger venture capital market.

Opportunity Capital Partners (OCP) has $35 million in capital under management, and a track record for 27 years. It had originally been formed in the early 1980's under the S/SBIC program, and had risen to become one of the best known and most experienced minority focussed funds in California. By the end of the nineties the fund had become privately financed and with a pure profit orientation. OCP primarily invests in the communications, manufacturing and healthcare industry segments. As a later stage fund, OCP typically deals with more experienced entrepreneurs to acquire businesses, or to significantly expand their existing business platforms. Peter Thompson, a partner of OCP noted that "in the current marketplace, a solid track record and an established network translate into a competitive advantage." He further noted that because the investment opportunities in this segment are very attractive, the segment is generating interest from a broader cross section of financing sources. But he was confident that OCP is well positioned to continue to succeed in the new environment.

TSG Capital Group ("TSG"), a Stamford, CT., based later-stage buyout fund has been successful in delivering the requirements demanded by the institutional market. TSG invests in the buyouts of companies that serve US ethnic markets that include African-American, Hispanic and Asian-Americans. In January, TSG Capital Group closed on their second fund, with $500MM in capital. Including its first fund, TSG manages close to $750MM, and is largely regarded as the leading fund among private equity investors focused on the minority markets. Founded in 1992 as a $240MM partnership, TSG Capital has built a strong investment case based on the continuing shift in ethnic demographics in the US, and over the years, has invested in media, specialty retail, automotive and consumer goods companies. TSG partner, Darryl Thompson underscores the value of maintaining a firm strategic focus. In an interview, Mr. Thompson stressed that TSG believed that its focus on the minority market, and its approach of defining minority markets not by the entrepreneurs but by the targeted customers would continue to be a "sustainable competitive advantage."

Several firms currently marketing funds with a minority focus are hoping to achieve success similar to TSG. Exhibit 10 provides an overview of the main funds active in the minority private equity market. According to Fairview Capital, the aggregate market for minority private equity is approximately $2BN in committed capital. Many of these funds have already raised institutional capital and are in the market again. For example, Syncom is hoping to raise funds for its third limited partnership, targeting $300MM in capital. And OCP is currently raising a $100MM fund. Some first time funds are now seeking to create credibility through joint alliances with well-known buyout funds. Publisher of Black Enterprise Magazine, Earl G. Graves Ltd. has launched a joint venture with Citigroup's Greenwich Street Capital. The fund, Black Enterprise/ Greenwich Street Capital, seeks to invest in Black-owned companies with $10 to $100MM in revenues, and closed on $80MM at its debut in December of 1998. According to Earl G. Graves Ltd. COO, Earl Graves Jr., Citigroup/ Travelers was attracted to the deal because it sought exposure to an under-served market niche.[24]

Other joint-alliances with large well-established private equity firms have emerged and have posed a competitive threat to the smaller niche players. For example, leading private investment firm, Hicks, Muse, Tate & Furst is currently in a joint-venture with a local Dallas-based team, 21st Century Group. The fund managers are targeting $100MM and are focusing on investments in ethnic minority-controlled companies and companies with strong "central-city" operations. With over $5BN under management, Hicks, Muse has had fair success raising capital in specialty markets, and has recently raised $960MM for a

Latin American focused fund.[25] Other large funds are quietly monitoring the ethnic markets and have even made direct investments out of their generalist capital pool. For example, leading international private equity firm, Patricof & Co. Ventures Inc., which manages $3.4BN in aggregate worldwide capital, recently made a modest $5MM investment with Pro-Line Corp, a Dallas-based cosmetics manufacturer. A $70MM (revenues) firm, Pro-line is African-American owned and largely serves the African-American market. In an interview with Black Enterprise magazine, David Landau, the principal at Patricof who spearheaded the transaction, noted that Patricof has been proactively looking to invest in the growth of the ethnic markets.[26]

Conclusion: An outlook on the development of the minority private equity market

Most of the participants in the world of private equity are in principle aware of the three major trends that we have described in this paper. Although an understanding of the interrelationships between these three forces is crucial, relatively few industry players have considered these three trends in concert. According to Joann Price, the president of the National Association of Investment Companies, the trade group that represents minority oriented investment funds, many mainstream limited partners began to invest in more mature industries such as retailing and manufacturing due to scarcer opportunities in high growth industries. Since the SSBICs had always supported minority entrepreneurs in such industries, this shift moved SSBICs much closer to mainstream venture than ever before.[27] The minority investment industry may not have adapted to these trends if their existing business model had not been profoundly changed by the demise of the SBA's SSBIC program. Mainstream players may not have become involved in the minority segment were it not for the compelling growth of these demographic segments of the population.

Three major questions now loom on the horizon. First, there remains a question about the size and depth of the minority market. The demographic argument suggests that there ought to be markets that are emerging and growing among minority segments. Whether or not this is the case depends upon the development of such markets by investors who are willing to bet on it. What remains unclear is what industries offer new opportunities to attract minority consumers and entrepreneurs? What stages of investment will become most feasible for private equity investors? What segments of the minority markets are likely to develop fastest?

Second, there is considerable uncertainty and debate about the definition of minority markets. Under the SSBIC program, the minority market was defined through the regulators' definitions, namely minority owned portfolio companies. These definitions are no longer relevant as the segmentation of the market will now follow the logic of the market. Some argue that the traditional definition of the market for minority entrepreneurs will eventually disappear since minority entrepreneurs also have access to the mainstream players. Others would argue that while some minority entrepreneurs may well have perfect access to established mainstream funds, others are unlikely to have access to the networks of an established mainstream venture capitalist fund. This latter view suggests that the segmentation of the market will follow the patterns of business and social networks. An understanding of the distinct needs and customs of minority entrepreneurs would be required to access the most promising entrepreneurial ventures in these networks. Yet other people argue that the segmentation of the market will not follow the logic of the entrepreneur's ethnicity, but rather follow the logic of the customer needs. In their view, the minority market will be defined by the minority customer, rather than by the minority entrepreneur.

Third, different players have adopted dramatically different strategies for addressing the minority market. On one end of the spectrum there are funds that base their activities on concepts of social entrepreneurship. Although they aim to be sustainable, such funds define their goals and strategy by their impact on the community. They frequently raise funds through foundations. At the other end of the spectrum, there are funds that espouse the same model as mainstream funds, investing purely on a for-profit basis in minority markets. These funds tend to raise funds from traditional funding sources, such as institutional investors. A variety of approaches lie between these two extremes of the minority private equity spectrum. An interesting and important strategic decision for a number of the funds, both minority and mainstream, will be the extent to which they want to seek partnerships and alliances with each other.

That the market for minority private equity is in transition is unmistakable. The old SSBIC model of minority investing may no longer be the most viable conceptualization of the minority private equity market. Both mainstream and minority focused private equity funds constantly struggle to adapt to the shifts and trends in the private equity market.

Coupled with the imperative to respond to developments in the markets of potential portfolio companies, recent trends in American demographics hold important implications. How the minority private equity industry segment will evolve in the near term is difficult to predict. If, however, private equity investors pride themselves on being skilled at identifying business opportunities in fast changing environments, they simply cannot ignore the emergence of minority markets.

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Exhibit 1

STATISTICS FOR FIRMS OWNED BY ALL MINORITIES BY STATE: 1992

Source: Department of Commerce, Bureau of the Census
Data includes individual proprietorships, partnerships and subchapter S corporations.
Detail may not add to total due to rounding.

SIC Code	Firms (number)	Sales and Receipts ($1,000)	Firms (number)	Sales and Receipts ($1,000)	Employees (number)	Annual Payroll ($1,000)
	A	B	C	D	E	F
All Firms:	2,149,184	209,739,753	(X)	(X)	(X)	(X)
Not allocated by state	183,619	7,728,332	(X)	(X)	(X)	(X)
States:						
Total	1,965,565	202,011,421	311,695	158,806,430	1,872,870	28,536,633
Alabama	17,432	99,532	2,864	748,469	12,630	162,149
Alaska	5,382	475,993	778	346,649	4,303	78,132
Arizona	26,185	2,341,653	4,658	1,827,459	28,447	360,690
Arkansas	7,594	445,206	1,210	341,938	5,767	57,777
California	541,414	61,814,572	89,161	47,385,201	541,237	8,083,123
Colorado	23,463	2,328,021	4,163	1,965,776	26,621	378,486
Connecticut	13,435	1,500,231	2,146	1,171,544	17,435	263,036
Delaware	3,301	430,420	657	355,428	5,414	66,509
District of Columbia	12,669	1,065,994	1,511	884,433	9,898	224,545
Florida	173,287	21,188,648	29,088	17,556,025	176,176	2,808,368
Georgia	52,131	3,921,942	7,482	2,949,011	41,533	546,222
Hawaii	41,111	4,928,642	5,555	3,926,269	44,712	760,387
Idaho	2,747	250,645	615	213,507	3,556	38,999
Illinois	67,603	8,761,797	10,538	7,198,030	72,294	1,287,924
Indiana	13,865	1,633,117	2,844	1,407,570	18,025	274,481
Iowa	2,939	386,251	608	345,390	3,772	50,387
Kansas	7,244	477,344	1,142	348,502	5,783	65,725
Kentucky	7,421	653,982	1,349	554,045	8,570	111,624
Louisiana	29,784	2,037,360	4,014	1,514,133	21,668	288,548
Maine	1,099	132,615	267	112,661	2,053	23,809
Maryland	55,587	3,350,024	6,397	2,333,107	52,076	583,032
Massachusetts	20,749	1,946,680	2,641	1,461,559	17,710	318,443
Michigan	31,740	3,200,128	5,046	2,471,076	34,818	579,183
Minnesota	7,449	984,641	1,395	802,476	11,646	154,900
Mississippi	16,386	924,947	2,552	650,744	10,141	105,825
Missouri	15,437	1,257,777	2,880	1,030,292	17,588	223,924
Montana	1,498	120,281	370	100,877	1,820	23,487
Nebraska	3,138	231,553	604	190,558	3,537	38,299
Nevada	8,223	985,699	1,463	793,556	9,549	148,727
New Hampshire	1,463	218,713	330	188,838	1,915	34,423

Exhibit 1 (continued)

New Jersey	64,074	8,393,553	9,990	6,672,764	53,763	1,083,367
New Mexico	26,729	1,740,520	4,550	1,339,124	22,333	255,913
New York	160,751	17,637,411	20,085	13,873,971	107,463	2,319,815
North Carolina	37,670	2,045,318	5,760	1,477,021	23,933	290,325
North Dakota	613	70,986	128	59,330	790	7,609
Ohio	33,844	3,286,122	5,309	2,666,346	34,527	478,050
Oklahoma	12,865	1,253,337	2,545	1,034,590	15,088	198,801
Oregon	10,160	1,480,482	2,456	1,238,171	15,144	200,114
Pennsylvania	32,712	4,745,334	5,630	3,880,387	39,893	713,949
Rhode Island	3,047	298,390	590	238,962	3,391	61,948
South Carolina	21,127	1,106,541	3,321	796,058	17,015	180,407
South Dakota	891	159,032	248	148,865	1,337	22,313
Tennessee	19,382	1,432,416	2,995	1,048,225	16,490	205,857
Texas	241,334	19,650,346	37,635	15,183,254	203,431	2,727,375
Utah	4,352	400,498	785	313,168	4,769	62,024
Vermont	747	113,503	209	101,724	1,127	16,519
Virginia	46,666	3,887,233	6,951	3,079,605	45,093	744,742
Washington	25,935	3,910,024	5,734	3,263,025	40,910	624,509
West Virginia	2,070	221,411	552	189,852	2,581	34,777
Wisconsin	7,619	1,096,114	1,591	953,198	11,367	150,876
Wyoming	1,195	92,640	299	73,667	1,730	16,177

Exhibit 2

MINORITY-OWNED FIRMS COMPARED TO ALL U.S. FIRMS BY STATE: 1992

Source: Department of Commerce, Bureau of the Census
Data includes individual proprietorships, partnerships and subchapter S corporations.
Detail may not add to total due to rounding.

SIC Code	Minority Firms (number)	All U.S. Firms (number)	Minority as a Percent of All	Minority Sales and Receipts ($ million)	All U.S. Sales and Receipts ($ million)	Minority as a Percent of All
	A	B	C	D		C
All Firms:	2,149,184	17,253,143	12.5%	209,739	3,324,200	6.3%
Not allocated by state	183,619	(X)	(X)	7,728	(X)	(X)
States:						
Total	1,965,565	17,253,143	11.4%	202,011	3,324,200	6.1%
Alabama	17,432	227,119	7.7%	995	41,620	2.4%
Alaska	5,382	58,898	9.1%	476	7,114	6.7%
Arizona	26,185	248,337	10.5%	2,342	35,223	6.6%
Arkansas	7,594	159,820	4.8%	445	23,529	1.9%
California	541,414	2,259,327	24.0%	61,815	408,481	15.1%
Colorado	23,463	323,147	7.3%	2,328	46,763	5.0%
Connecticut	13,435	237,705	5.7%	1,500	70,157	2.1%
Delaware	3,301	42,228	7.8%	430	9,098	4.7%
District of Columbia	12,669	35,344	35.8%	1,066	11,061	9.6%
Florida	173,287	1,000,542	17.3%	21,189	172,499	12.3%
Georgia	52,131	425,118	12.3%	3,922	82,009	4.8%
Hawaii	41,111	79,050	52.0%	4,929	10,724	46.0%
Idaho	2,747	88,712	3.1%	251	12,676	2.0%
Illinois	67,603	726,974	9.3%	9,872	180,500	4.9%
Indiana	13,865	364,253	3.8%	1,633	77,462	2.1%
Iowa	2,939	206,840	1.4%	386	29,896	1.3%
Kansas	7,244	191,262	3.8%	477	27,524	1.7%
Kentucky	7,421	236,525	3.1%	654	37,112	1.8%
Louisiana	29,784	236,589	12.6%	2,037	34,217	6.0%
Maine	1,099	109,360	1.0%	133	14,424	0.9%
Maryland	55,587	328,403	16.9%	3,350	57,909	5.8%
Massachusetts	20,749	442,848	4.7%	1,947	98,358	2.0%
Michigan	31,740	551,091	5.8%	3,200	107,645	3.0%
Minnesota	7,449	358,921	2.1%	985	68,327	1.4%
Mississippi	16,386	135,497	12.1%	925	19,305	4.8%

Exhibit 2 (continued)

Missouri	15,437	348,978	4.4%	1,258	65,303	1.9%
Montana	1,498	76,331	2.0%	120	8,820	1.4%
Nebraska	3,138	124,212	2.5%	232	20,439	1.1%
Nevada	8,223	87,786	9.4%	986	19,593	5.0%
New Hampshire	1,463	97,772	1.5%	219	16,387	1.3%
New Jersey	64,074	517,204	12.4%	8,394	141,761	5.9%
New Mexico	26,729	107,377	24.9%	1,741	11,751	14.8%
New York	160,751	1,159,700	13.9%	17,637	327,619	5.4%
North Carolina	37,670	439,301	8.6%	2,045	76,188	2.7%
North Dakota	613	48,368	1.3%	71	6,441	1.1%
Ohio	33,844	666,183	5.1%	3,286	120,307	2.7%
Oklahoma	12,865	246,936	5.2%	1,253	33,457	3.7%
Oregon	10,160	238,967	4.3%	1,480	38,745	3.8%
Pennsylvania	32,712	728,063	4.5%	4,745	166,894	2.8%
Rhode Island	3,047	67,641	4.5%	298	15,634	1.9%
South Carolina	21,127	197,330	10.7%	1,107	29,217	3.8%
South Dakota	891	57,084	1.6%	159	10,129	1.6%
Tennessee	19,382	325,371	6.0%	1,432	59,161	2.4%
Texas	241,334	1,256,121	19.2%	19,650	229,833	8.5%
Utah	4,352	129,202	3.4%	400	19,313	2.1%
Vermont	747	58,924	1.3%	114	8,592	1.3%
Virginia	46,666	391,451	11.9%	3,887	66,555	5.8%
Washington	25,935	372,975	7.0%	3,910	67,795	5.8%
West Virginia	2,070	94,912	2.2%	221	11,792	1.9%
Wisconsin	7,619	300,348	2.5%	1,096	61,368	1.8%
Wyoming	1,195	40,696	2.9%	93	7,474	1.2%

Exhibit 3

STATISTICS FOR FIRMS OWNED BY ALL MINORITIES BY MAJOR INDUSTRY GROUP: 1992

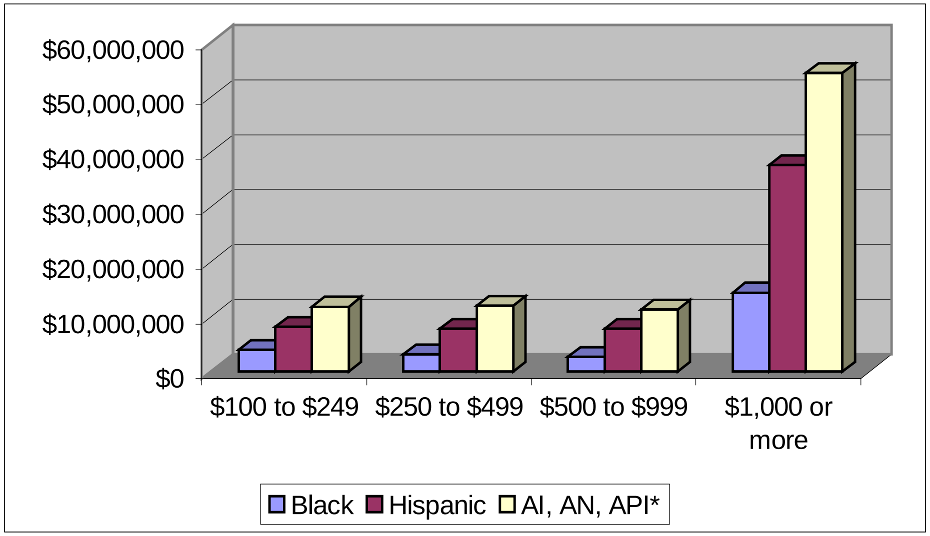
Source: Department of Commerce, Bureau of the Census
Data includes individual proprietorships, partnerships and subchapter S corporations.
Detail may not add to total due to rounding.

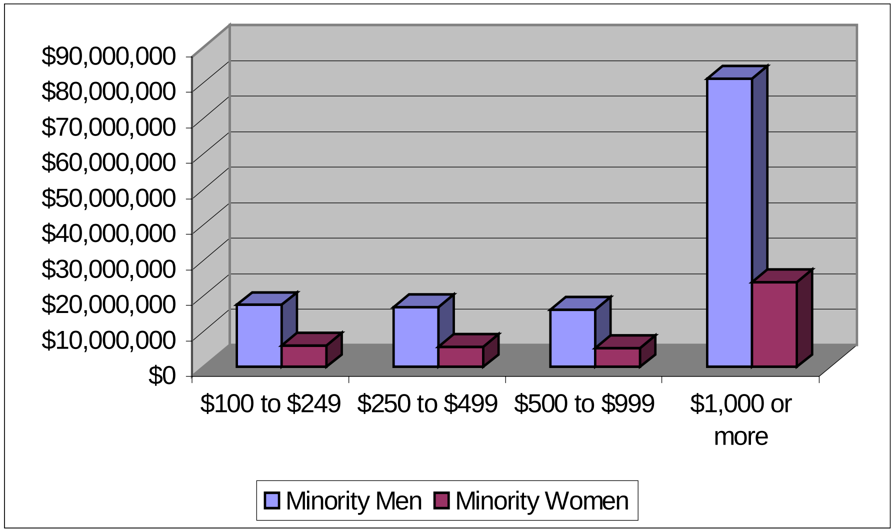
SIC code	Major industry group	All firms: Firms (number)	All firms: Sales and Receipts ($1,000)	Firms with paid: Firms (number)	Firms with paid: Sales and Receipts ($1,000)	Employees (number)	Annual Payroll ($1,000)
		A	B	C	D	E	F
All Firms:		2,149,184	209,739,753	(X)	(X)	(X)	(X)
Not allocated by industry#		183,619	7,728,332	(X)	(X)	(X)	(X)
Industries:							
	All industries	1,965,565	202,011,421	311,695	158,806,430	1,872,870	28,536,633
	Ag serv, forest & fish (07-09)	54,920	2,526,743	7,139	1,598,240	28,702	372,657
07	Agricultural services	44,392	2,171,214	6,530	1,483,168	27,246	350,091
08	Forestry	866	50,557	156	37,167	874	11,342
09	Fishing, hunting, and trapping	9,662	304,972	454	77,905	581	11,225
	Mining industries (10-14)	2,824	835,130	383	718,625	4,444	107,926
10	Metal mining	88	0	11	0	0	0
12	Coal mining	29	0	14	0	0	0
13	Oil and gas extraction	2,574	621,192	310	512,217	2,703	68,269
14	Nonmetallic minerals, exc fuel	133	0	48	0	0	0
	Construction ind(15-17, 6552)	166,411	15,791,742	35,297	12,531,877	143,879	2,655,621
15	General building contractors	23,488	4,667,127	6,971	3,884,180	26,370	520,845
16	Heavy construction, exc bldgs	2,539	1,515,818	924	1,470,995	10,965	323,152
17	Special trade contractors	137,219	7,648,924	26,852	5,623,561	91,876	1,550,226
	6552 Subdividers & developers (sec2)	3,165	1,959,874	549	1,553,141	14,667	261,398
	Manufacturing ind (20-39)	47,240	15,703,855	13,140	14,908,960	166,339	3,188,317
20	Food and kindred products	2,159	1,516,706	667	1,485,189	11,127	198,324
21	Tobacco manufactures	7	0	7	0	0	0
22	Textile mill products	710	370,944	191	351,508	3,841	69,805
23	Apparel and other textile prod	10,873	2,017,298	3,415	1,910,854	43,735	500,525
24	Lumber and wood products	5,840	702,279	1,395	589,933	6,329	99,405
25	Furniture and fixtures	1,752	536,863	520	504,131	6,642	107,880
26	Paper and allied products	409	279,302	90	273,477	2,645	64,883
27	Printing and publishing	8,385	1,364,523	2,319	1,196,770	15,184	345,425
28	Chemicals and allied products	298	1,322,465	188	1,316,949	8,554	197,428
29	Petroleum and coal products	22	0	8	0	0	0
30	Rubber & misc plastic products	467	681,006	316	666,593	7,434	156,612
31	Leather and leather products	632	0	107	0	0	0
32	Stone, clay, glass & concrete	1,356	288,123	232	272,916	3,016	67,972
33	Primary metal industries	396	908,915	74	0	0	0
34	Fabricated metal products	3,116	1,517,995	773	1,453,207	11,394	250,727
35	Industrial machinery and equip	3,097	1,060,788	1,048	1,010,749	9,759	271,306
36	Electric & other elec equipment	1,762	1,036,384	494	1,003,374	11,933	265,836
37	Transportation equipment	386	502,681	284	494,810	4,823	125,850
38	Instruments & related products	330	341,270	287	340,151	3,521	89,884
39	Misc manufacturing industries	5,242	974,785	726	868,872	10,558	190,797

Exhibit 3 (continued)

	Trans, communic & util (40-49)	118,910	8,321,477	11,412	5,160,796	72,360	1,259,553
41	Local & urban passenger transit	33,207	977,343	1,131	330,383	9,333	108,468
42	Trucking and warehousing	63,431	3,822,910	7,005	1,865,307	24,983	417,723
44	Water transportation	483	239,197	155	220,991	2,489	59,065
45	Transportation by air	806	149,097	136	133,218	2,267	39,671
46	Pipe lines, except natural gas	0	0	0	9	0	0
47	Transportation services	15,491	1,555,253	2,187	1,126,804	19,118	353,280
48	Communications	3,898	1,277,403	584	1,210,019	13,071	258,721
49	Electric, gas & sanitary serv	1,593	300,273	213	274,073	1,099	22,625
	Wholesale trade (50-51)	44,841	33,395,236	12,920	30,867,880	89,561	2,110,777
50	Wholesale trade--durable goods	25,230	16,245,192	7,361	14,868,986	45,739	1,128,731
51	Wholesale trade--nondurable goods	19,611	17,140,044	5,559	15,998,894	43,822	982,046
	Retail trade (52-59)	322,001	52,562,438	89,326	43,815,049	554,434	5,314,385
52	Building materials & garden sup	4,062	942,965	1,435	820,913	5,970	98,080
53	General merchandise stores	5,578	669,707	704	466,493	4,061	45,859
54	Food stores	44,064	11,236,340	16,137	8,698,801	71,046	720,566
55	Automotive dealers & s station	16,650	12,581,624	6,612	11,606,571	40,176	718,119
56	Apparel and accessory stores	24,421	2,302,323	5,448	1,743,521	19,420	186,000
57	Furniture & home furnishings s	10,821	2,189,633	3,177	1,798,516	13,538	194,475
58	Eating and drinking places	73,906	12,096,010	40,148	10,925,071	341,767	2,630,742
59	Miscellaneous retail	142,499	10,543,836	15,665	7,755,161	58,456	720,544
	Fin, insur&rest (60-67) ex 6552	152,096	17,310,094	14,131	11,162,547	82,326	1,740,356
60	Depository institutions	243	0	225	0	0	0
61	Nondepository credit instituti	2,574	343,242	584	272,798	2,291	62,109
62	Security and commodity brokers	3,588	0	422	0	0	0
63	Insurance carriers	66	18,660	41	0	0	0
64	Insurance agents, brokers & sv	31,502	1,376,174	4,182	831,853	10,755	233,321
65	pt Real estate (ex 6552 subdiv/dev	101,730	12,346,814	8,183	7,332,141	54,956	927,718
67	Holding & other investment off	12,394	0	494	0	0	0
	Service industries (70-89)	937,676	52,762,133	123,277	37,439,036	726,984	11,727,324
70	Hotels and other lodging place	12,471	3,968,041	6,302	3,640,593	95,180	915,099
72	Personal services	205,031	5,603,455	22,160	2,811,813	82,039	821,996
73	Business services	243,946	9,978,118	19,019	6,565,419	193,565	2,651,559
75	Auto repair, services & parking	48,098	3,236,657	10,724	2,293,618	34,571	512,277
76	Miscellaneous repair services	21,740	1,039,103	3,462	665,995	12,215	178,915
78	Motion pictures	8,491	996,751	1,858	831,466	14,119	187,722
79	Amusement & recreational servi	51,652	1,848,129	3,053	1,030,972	20,353	369,077
80	Health services	122,515	15,589,140	33,642	12,280,071	163,347	3,480,862
81	Legal services	17,566	2,447,541	5,495	2,032,883	19,312	568,373
82	Educational services	19,063	0	971	0	0	0
83	Social services	72,856	1,229,603	6,198	693,330	27,350	249,396
84	Museums/art, botanical/zoo gar	8	0	8	0	0	0
87	Engineering & management servi	98,540	5,621,833	9,865	4,012,050	54,510	1,589,965
89	Services, n.e.c.	15,700	804,659	519	339,035	4,493	121,316
	Industries not classified	118,645	2,812,571	4,670	603,420	3,840	59,716

Exhibit 4: Aggregate Receipts for Minority-Owned Firms (1992)

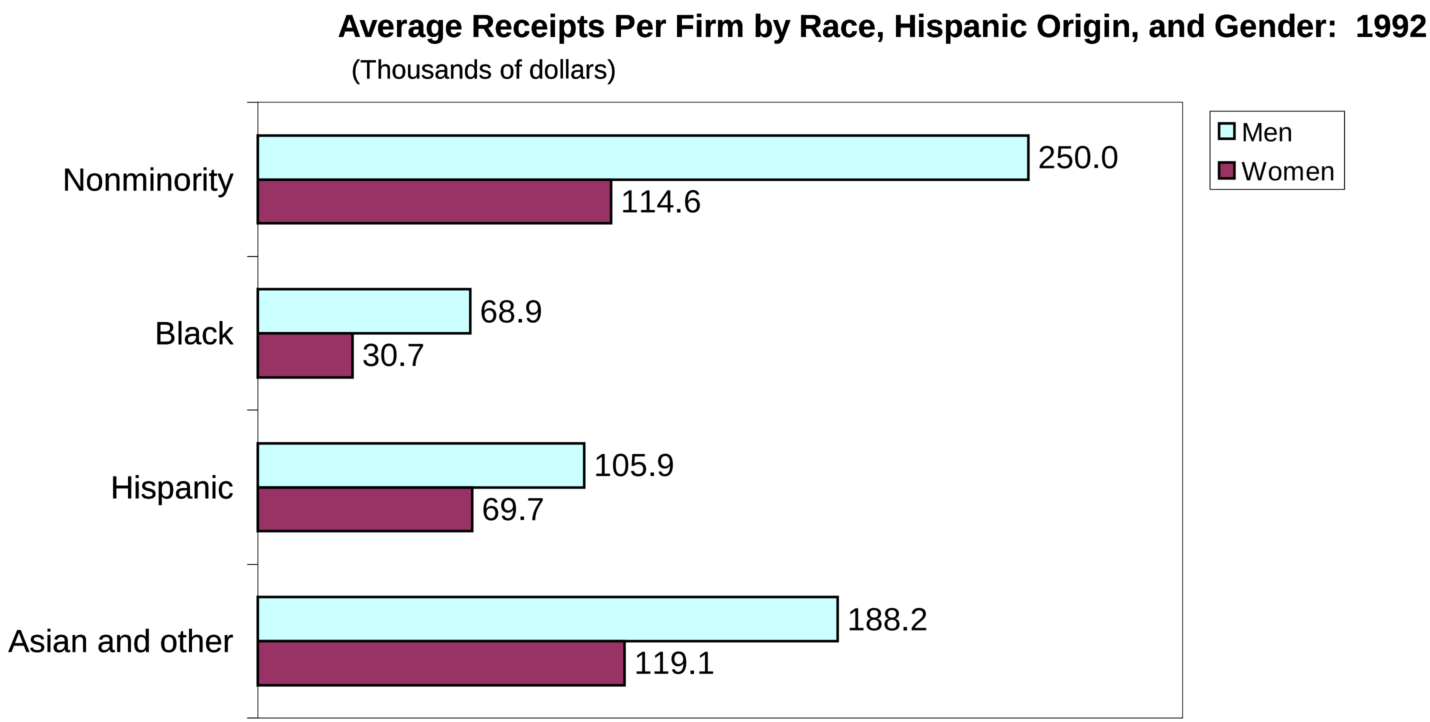




($'000s)

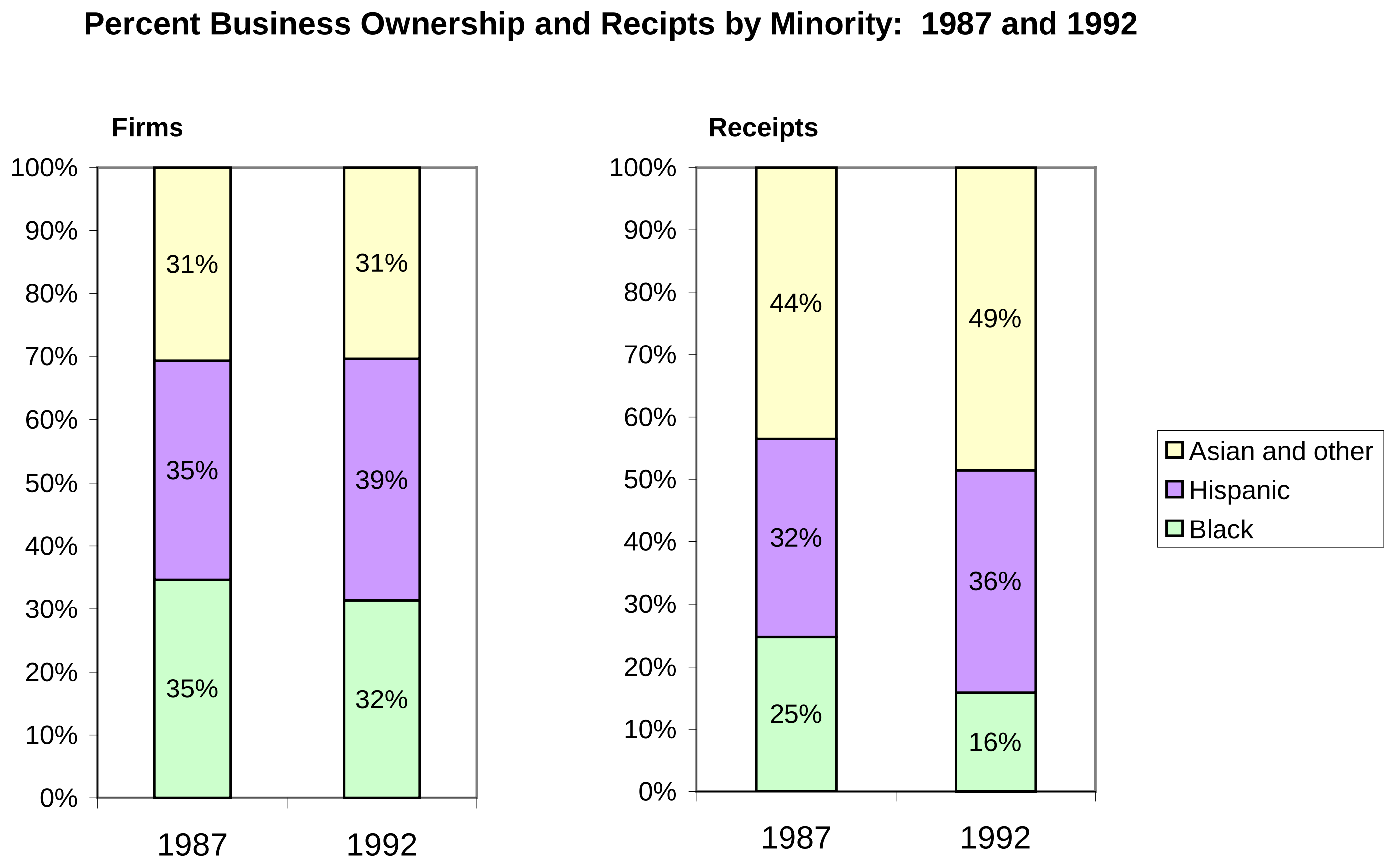
*American Indian, Alaska Native, Asian and Pacific Islander
Source: U.S. Bureau of the Census, Survey of Minority-Owned Business

Exhibit 5



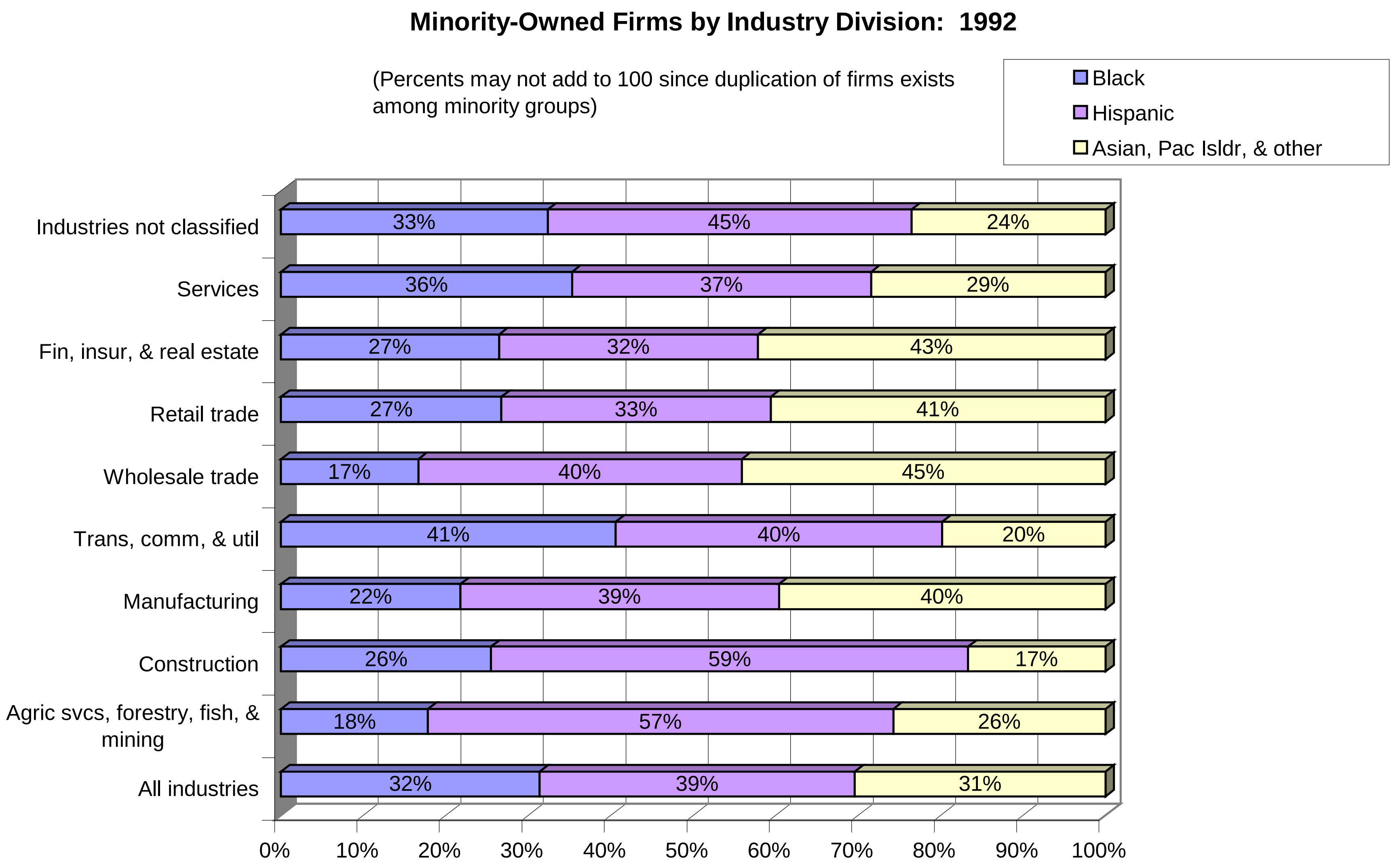
Source: U.S. Bureau of the Census, Survey of Minority-Owned Business Enterprises—MB92—4.

Exhibit 6



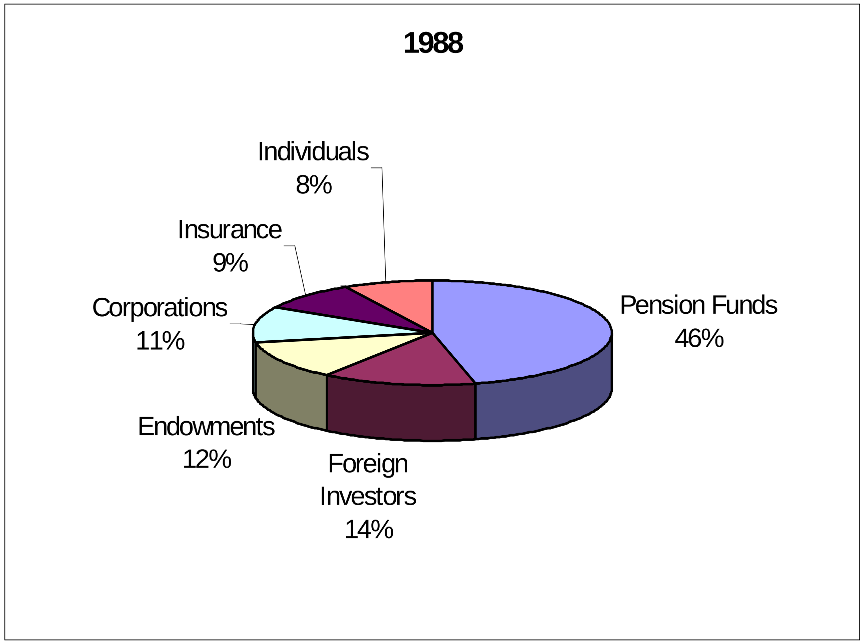
Source: U.S. Bureau of the Census, Survey of Minority-Owned Business Enterprises—MB92—4

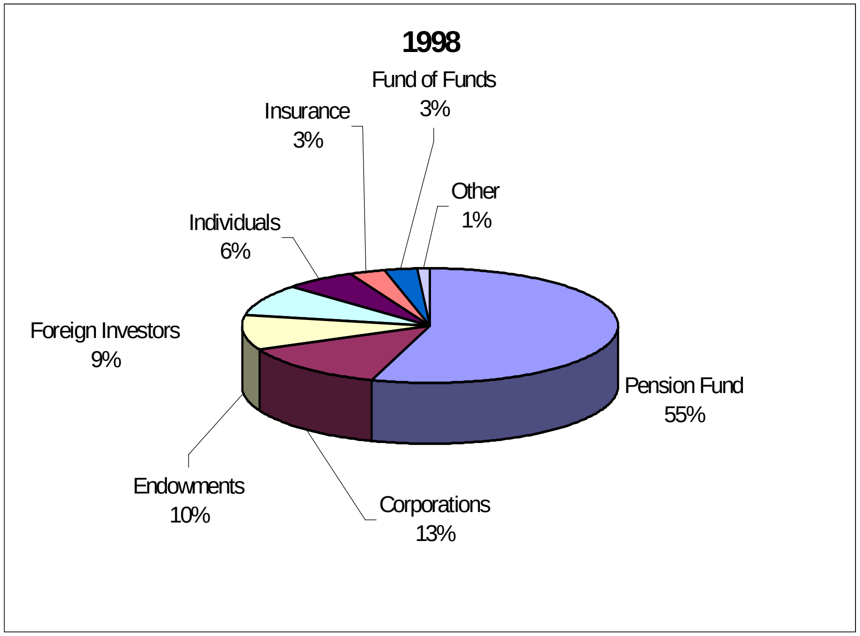
Exhibit 7



Source: U.S. Bureau of the Census, Survey of Minority-Owned Business Enterprises—MB92—4.

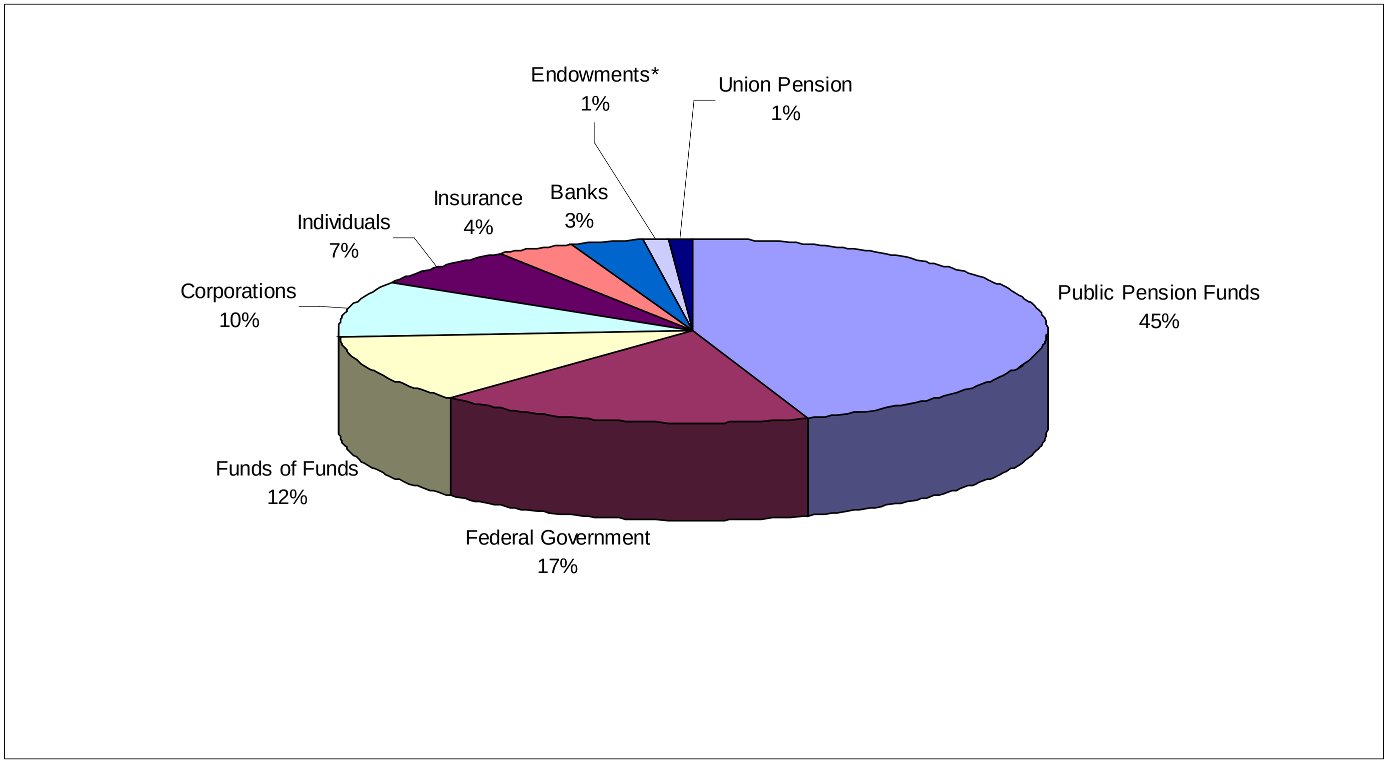
Exhibit 8: Sources of Capital to Venture Capital Funds





**Source: Venture Economics Information Services*

Exhibit 9: Funding Sources of Minority Private Equity: 1998



Source: Fairview Capital
*Endowments include Universities and Foundations

Exhibit 10: Overview of Selected U.S. Funds Focused on Minority Markets

Fund	Location	Capital (MM, US$)	Investment Products	Industry Preference	Geographic Preference	Investment Type	Sources of Funding
TSG Capital Group[(1)]	Stamford, CT	734.4	Equity	Media, Retail, Manufacturing, Diversified	National	Expansion, Later Stage, Acquisition	Fairview, Chase Venture Capital, others.
(affiliate) TSG Ventures	Stamford, CT	10.6	Mezzanine	Media, Retail, Manufacturing, Diversified	National	Expansion, Later Stage, Acquisition	SSBIC, others.
Syncom III*	Silver Spring, MD	300.0	Debt & Equity	Communications	National	Diversified	Fairview.
(affiliate) Syncom II & III	Silver Spring, MD	53.0	Equity	Communications	National	Early Stage	SSBIC, Fairview.
Opportunity Capital Partners	Fremont, CA	40	Equity & Mezzanine	Diversified	National	Diversified	SSBIC, others
21st Century*[(2)]	Dallas, TX	100.0	Equity & Mezzanine	Manufacturing, Distribution, Services, & Media	National	Expansion, Later Stage, Acquisition	Hicks, Muse, Tate & Furst.
ICV Equity Partners*[(3)]	New York, NY	100.0	Equity & Mezzanine	Healthcare, Commercial Services, Food Processing, Light Manufacturing, Retail	National	Expansion, Later Stage, Acquisition	American Securities.
Bastion Capital Corp.[(4)]	Los Angeles, CA	125.0	n/a	Diversified	National	Expansion, Later-stage, Acquisition	Calpers, others.
Penman Partners	Chicago, IL	87.9	n/a	Diversified	National	Expansion, Acquisition, Build-ups	Calpers, others.
Black Enterprise/ Greenwich Street[(5)]	New York, NY	80.0	Equity & Mezzanine	Diversified	National	Expansion, Later Stage	Travelers.
Provender Capital Group*	New York, NY	75.0 – 100.0		Specialty Finance, Multi-unit Franchise	National	Expansion, Later Stage, Acquisition	n/a
MESBIC Ventures Holding Co.	Dallas, TX	64.0	Debt, Mezzanine, & Equity	Electronics, Telecom. Aerospace and Automobile Suppliers, Broadcast Properties, Food Manufacturers	Southwest	Expansion, Later Stage, MBO/LBO	SSBIC, others.
(affil) Pacesetter Growth Fund	Dallas, TX	46.5	n/a	Manufacturing, Telecommunications, Broadcasting, Specialty Food Distribution, Electronics	Southwest	Expansion, Later Stage, Acquisition	Oklahoma Capital Formation Corp., Others.

Exhibit 10 (continued)

Fund	Location	Capital (MM, US$)	Investment Products	Industry Preference	Geographic Preference	Investment Type	Sources of Funding
Atlantic Coastal Ventures	Stamford, CT	50.0	Equity	Converging Technologies, Consolidations	MA to Florida	Expansion, Early Stage, Later Stage	n/a
(affil) Connecticut-Greene Ventures, L.P.	Stamford, CT	n/a	Debt & Mezzanine	Diversified	National	Expansion, Early Stage, Later Stage, MBO/LBO	n/a
(affiliate) Multimedia Broadcast Investmnt Corp.	Washington, D.C.	1.5	Debt & Equity	Broadcasting, Telecommunications	National	Expansion, Early Stage, Later Stage	SSBIC, others.
Ark Capital*(6)	Chicago, IL	30.0	n/a	n/a	n/a	n/a	n/a
New Vista Capital	California	20.0		Technology	California	Early stage	SSBIC, others.
Medallion Funding Corporation	New York, NY	14.5	Debt & Mezzanine	Service, Retail	Mid-Atlantic, Northeast	Expansion	SSBIC, others.
(affil) Capital Dimensions	Minneapolis, MN	n/a	Debt & Mezzanine	Communications, Technology	National	Expansion, Later Stage	n/a
(affil) Medallion Capital Inc.	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Polestar Capital	Chicago, IL	13.2	Debt & Equity	Manufacturing, Technology	National	Expansion, Early Stage, Later Stage	SSBIC, others.
Civic Ventures	St. Louis, MI	10.0		Diversified	Southwest	Later Stage	SBIC, others.

Source: SBA, National Association of Investment Companies, & Fund/ Company reports.
Capital for SSBICs reflect regulatory capital as reported by SBA.
* Reflects that fund is currently seeking to raise this capital in the market.

Notes:

(1) Seeks control and minority equity positions in companies serving fast-growing, under-served ethnic markets (African-American, Hispanic, and Asian). TSG's works with managers to develop strategy, build infrastructure, and make add-on acquisitions.

(2) Direct investments in businesses which are: 1) Ethnic Minority Owned, 2) Serve Ethnic Minority Consumer Base, 3) Majority-owned with central city operations. Currently has an alliance with Hicks, Muse, Tate & Furst.

(3) Focus on companies that serve, operate in, or are owned by resident of US inner cities. Fund likely to serve fast-growing ethnic markets and involve minority entrepreneurs. Currently has an alliance with American Securities.

(4) Targets investments in middle-market companies that are owned by minorities and women, companies that serve minority consumer markets, and mainstream companies that can be converted to minority or female-owned status.

(5) Seeking to invest in black-owned companies with $10MM to $100MM in revenues. Currently has an alliance with Travelers.

(6) Invests in minority and women-controlled businesses.