



September 24, 2008

Testimony of Diamond Ventures, LLC and C. Earl Peek

Good morning Mr. Chairman and Members of the Information Policy, Census, and National Archives Subcommittee, Oversight and Government Reform Committee. My name is C. Earl Peek. I have 22 years of experience as a CPA and a lender with minority-owned and majority owned banks, CDC's, and economic development corporations. I have counseled thousands of entrepreneurs and their businesses, financed hundreds of businesses of which more than 60% are minority and women-owned businesses. I have experienced firsthand the obstacles to the development of small businesses by their #1 nemesis- Access to Capital. I see and have seen daily the obstacles to fulfilling contracts, qualifying for loans, obtaining investments, entering into joint-ventures, hiring employees, and competing on a level playing field. The central and supreme issue is access to capital. Seven years ago I formed a management team of four persons (a majority minority firm), which had created or saved over 30,000 jobs, had deployed over \$1 Billion in capital through our combined 100 years of experience, and had investment returns of greater than 30%. We applied for a Small Business Investment Company license (SBIC) and were denied. SBA deemed us unqualified to lend to and invest in minorities and women in inner-city, underserved, and rural areas. We sued SBA for discrimination (case # 03-1449) with help from an Inspector General report (#3-17) showing bias, ill and separate treatment. This first ever lawsuit gave us and the citizens of this country a precise, specific, documented look at the way the lack of venture capital financing and funds from SBA poses obstacles and stumbling blocks to small and minority business growth, development, and expansion. I speak uniquely as a "troop soldier" with battlefield experiences.

SBA and the SBIC program is the primary culprit of discriminatory and restrictive practices that prevent minority and women-owned businesses from accessing or receiving necessary venture capital which directly affects contracting, business expansion, and job creation.

Dr. Timothy Bates has studied SBA and Minority businesses since the 1970s, most recently in a 2008 107 page report. He provided clear statistical and anecdotal evidence that demonstrates that investments managed by and in minority and women-owned businesses are profitable, and provide market rate returns. Despite these findings, Dr. Bates concluded that SBA continues to use exclusionary criteria, evaluation and methodologies that further deny minority and women-owned businesses and management teams focused on them SBIC capital resources and/or assistance.

This study, submitted into the record together with those by the Wall Street Journal today (among numerous studies and information supplied by SBA), confirms that approximately 99% of the management of venture capital at SBA SBIC's and approximately 97% in the private sector is with white males. It's no wonder that SBA consistently reports to Congress that less than 5% of SBA and SBIC capital goes to minorities and women and the number of fundings to this group has declined each year since 2001. I have personally witnessed SBA officials who testified under oath that they do not keep records of the race of applicants, they cannot tell you which SBIC licensee deploys capital to a (or any) minority or women-owned firm, and they cannot tell Congress when and under what criteria an SBIC has reported investments in Low-Moderate-Income (LMI) areas. Further, program analyst have no training, sensitivity, or believe it is a goal of SBA to make capital more broadly available to minorities or women. SBA has unreliable records for public inspection that show the intake of ALL applicants and inquiries, their final disposition, and their reason for approval, denial, or withdrawal of applications. SBA does not evenly score applications to the program and in a large number of cases does not even have the scoring data or full applications on hand. In short, we have learned through their sworn testimony in litigation that they do not have or maintain adequate recordkeeping such that Congress could measure the effectiveness of the SBIC program for dispensing capital-the bedrock of small business growth and the achilles heel of its minority and women-owned businesses expansion and continuance.

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As President of one of “those” minority owned businesses, which sought to be a New Markets Venture Capital (“NMVC”) and a SBIC licensee to become a provider of capital to minority and women-owned businesses, we have encountered discrimination, bias, ill-treatment, and categorical dismissal of our efforts for seven years. We just learned in May that SBA is so obstinate in funding minority and women owned businesses that it concealed an approval letter for seven years showing we were **Eligible and Qualified** to be an NMVC firm as well as that of another firm-Women and Minority Partners, LP of New York. Who knows how many instance of dissuasion from applying , lost records, concealed approvals and failure to evaluate applicants on a level playing field exist?

Mr. Chairman, Senate Bill 2920 is proceeding through Congress for approval and must be heard in The House. That Bill allows for SBA and its licensees who are overwhelmingly white males to get MORE money without any apparent assuredness of the recordkeeping, policy, reporting , and accountability for equitable distribution of funds and investment reporting to Congress on a frequent basis or penalties for not doing so. We implore you to examine the Bill for equity in managerial diversity of those who will dispense capital and for those who will receive it, how it is to be measured, and if the firm fails, the ultimate penalty of no government funding. Just like the current market situation before us, the full faith and credit of the U.S. government comes with accountability and responsibility to all the people.

It is time for a change in the way America and the SBA conduct business and deploys public funds that have been entrusted for the purpose of making the availability of capital for all Americans a reality.

I thank you kindly, and submit with my testimony today detailed reports by Dr. Bates, the concealed SBA approval letter, comments and sworn testimony by SBA employees and officials that SBA do not consider investing in LMI areas a program strategy, that it is a public policy of making capital more broadly available to minority and women their duty or a goal of SBA. I hope your committee hearings will expose truth and that the Members will be outraged to address these matters and correct them in current and future legislative considerations.