

Funding inner-city businesses

By Wendy Bowman-Littler
STAFF WRITER

A \$75 million fund is being created to spur business development in low-income communities.

The fund will be based in Atlanta and offer advice, money and technical assistance to businesses in inner-city and low-income areas throughout the Southeast. The hope is that these businesses will grow, create new jobs and build wealth within the surrounding communities, said C. Earl Peek, the fund's manager.

The fund, which will be known as **Diamond Ventures LLC**, also plans to invest in minority- and women-owned enterprises, he said.

of Atlanta agency that promotes revitalization and redevelopment. Helping Peek form the fund is Lonnie Saboor of the Atlanta Development Authority.

Peek currently is in the process of raising \$25 million in investments from corporations, foundations and individuals, which will be matched 2-to-1 by the U.S. Small Business Administration (SBA) under its New Markets Venture Capital program. The program was developed as a result of new legislation passed in December 2000.

The SBA operates the New Markets Venture Capital program, which will provide matching investment funds and matching operational assistance funds

others, and he will be notified in mid-July as to whether or not he has been "conditionally approved" for the program, said Hans Petersen, a spokesperson for the SBA in Washington, D.C.

Peek already is applying for a Small Business Investment Companies (SBIC) license. Once Diamond Ventures is formed, it will operate as a New Markets Venture Capital company and an SBIC, a designation that makes Peek eligible for additional matching operational assistance funds from the SBA under the New Markets Venture Capital program.

Tucker Federal

Atlanta-based **Tucker Federal Bank**, Georgia's 11th-largest financial institution, has signed on as the venture's first investor, putting up \$1 million. Peek also has begun approaching other financial institutions for backing, including **Bank of America N.A.**, Gainesville-based **Regions Bank of Georgia**, **First Union National Bank of Georgia** and **Wachovia Bank N.A.**

Financial institutions are a good target for funds, he said, because a recently changed law allows the financial institutions to receive tax credits of up to 39 percent when they invest in projects that benefit underserved communities in areas where they operate.

"As a federally chartered financial institution, we have a responsibility to be involved in the redevelopment of low- to moderate-income areas in our marketplace," said Roger D. Bower, senior vice president of retail banking and community reinvestment officer for Tucker Federal, which has \$1.2 billion in assets and 14 offices in Georgia.

"[Diamond Ventures] was a tremendous vehicle to participate in, with folks who are extremely experienced in redevelopment efforts, to leverage our resources with theirs and to have a greater overall impact," Bower said.

Federal regulators keep close tabs on the loans banks make in low- and mod-



ARETHA WHITE

Building wealth: Lonnie Saboor, from left, Roger D. Bower of Tucker Federal Bank, and C. Earl Peek of Diamond Ventures LLC.

"A lot of underserved communities haven't had wealth creation," Peek said. "People don't have access to capital, so they have ideas that just sit on the shelf."

Peek was formerly a senior commercial lender for the Atlanta Economic Development Corp. (now known as the Atlanta Development Authority), a city

to about 20 New Markets Venture Capital companies in 2001.

To date, the SBA has received 23 applications from people around the United States who are interested in participating in the program. Peek's application — the only one from the Southeast — currently is under review with the

erate-income areas. The Community Reinvestment Act requires financial institutions to help meet the credit needs of the communities in which they operate. In its most recent review, regulators told Tucker Federal it needs to improve in this area, Bower said.

Bower said the bank decided to invest in Peek's fund to show its commitment to the Atlanta market. After expanding its operations to include Florida, North Carolina, Tennessee and other areas in Georgia during the past five years, the bank now is returning to its roots and refocusing its resources on the Atlanta market, he said.

"We have brought our management resources back into the Atlanta market and feel the need and desire to be a better corporate citizen," he said.

Although the bank's million-dollar investment doesn't even begin to compare with the Bank of America Foundation, which funneled \$87.4 million into economic development projects in 2000, it is a substantial expenditure for an institution of its size, Bower said.

15 to 20 deals per year

Once Peek has received SBA approval and completed his fund-rais-

ing, he plans to begin looking at potential investments in August or September and to invest in a few businesses before the end of the fourth quarter.

His screening process will include linking up with professionals, such as accountants and attorneys, and getting out into the community to identify candidates. He then will evaluate potential investments and fund those with the best management team, likelihood for growth and which promise to make the biggest impact.

Diamond Ventures will serve as a minority shareholder in the businesses. By providing advice, capital and technical assistance, it will try to help them expand to a level where they are able to exit the fund's portfolio.

Peek intends to invest a minimum of \$100,000 in 15 to 20 deals per year, but doesn't plan to put more than \$5 million in any one deal.

"An example of a project might be the guy that invented this mousetrap," Peek said. "It may be a start-up, but he needs \$100,000 to provide the concept and bring it to market to attract more money.

"I often got frustrated as a lender, because [these types of enterprises]

need equity or capital, not loans or debts," he said. "There's nowhere to go for an injection of money to build their contract based on more ability to take on capacity."

Peek said he anticipates an annual growth rate of around 30 percent from the companies and hopes to distribute back to Diamond Ventures' limited partners an 18 percent to 20 percent return.

Diamond Ventures will focus on companies in both urban and rural areas.

"The whole role of venture capital is to take a very good idea and grow it to a level where you can have it do a public offering," he said.

One specific endeavor Peek hopes to accomplish with the help of Diamond Ventures advisory board member and Florida A&M University President Frederick S. Humphries is to commercialize technology and research currently being developed at historically black colleges.

"They have it on the shelf and don't have the ready means to transfer it to the private sector and commercialize it," he said. "I'll try to get into that niche that has been missed out on."

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