



Business Report

THE NEW ECONOMY: Wall Street and Main Street Become Equal

by John F. Robinson, Gary D. Mizel,
and Gary A. Agron, Esq.

Three experts in business and the securities industry formed a think tank during the Wall Street debacle and have been preparing this article which is designed to predict the reformation that will take place among underwriters and predict how active the small business and ethnic business communities will be in taking the lead to reassemble the money raising apparatus that fuels our capitalistic form of social organization. According to Messrs. Robinson, Mizel, and Agron, the time for the minority business community to assert itself is now!

Mr. Robinson's vision of the commercial future is that the securities behemoths that dominated the past decade will be broken up by necessity, and will become smaller specialists as they organize around various industries and conduct private placements and public offerings in the \$5 million to \$15 million range. This is quite a departure from the \$50 million minimums of such firms as Lehman Brothers and Goldman Sachs. It is within these small to medium-sized offerings that "Boutique Firms" will gather and raise capital for companies of color as well as their mainstream counterparts. Mr. Robinson believes in the fair construction of the new Wall Street as it takes on the accouterments of Main Street.

Mr. Agron, (the highly esteemed securities attorney, Gary A. Agron who has initiated scores of IPO's in companies for whom he has performed securities work including introductions to underwriters), has

provided us with insights that one cannot read in financial media. From his lofty perch in the world of broker-dealers he cites the following assertion "The biggest cause of the Wall Street collapse was the Securities and Exchange Commission's desire to have fewer but larger securities firms so that regulation would be easier." Mr. Agron further asserts that penalties for smaller firms are worse because the SEC wants to put them out of business. He goes on to say that commissions are now minuscule because the fees are the same for \$100,000 purchases as for \$10,000,000 purchases. And now that there are relatively few IPO's taking place, he wonders how people are going to make living raising money in the securities industry.

Mr. Mizel, a broker-dealer himself for seven years, feels that nobody really knows the future of Wall Street. He assumes, however, that the same forces that initiated our current dilemma have not changed, and, therefore, the new Wall Street may look very much like the old one. He recalls that back in the 80's in Denver, which carried the moniker of "Wall Street West," there were routinely public offerings in the million dollar range. The typical new issue was around \$3 million. As a victim of the times, with the Sarbanes-Oxley Act and other commercial factors, there is no longer an active broker-dealer doing any IPO's in Denver. But considering the undiscovered value in minority businesses, companies of color may lead the Wall Street pack and become the "in thing" with regard to investing in the stock market. These three business leaders: Messrs. Robinson, Mizel, and Agron are creating a philosophy behind the coming age of diversity and the concomitant business opportunities that arise from it. The think tank is being wound up again for another round of discussions that analyze the

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securities industry and the place within it for small to medium sized and ethnic-owned businesses to flourish.

The next idea spinning off from our think tank is the Mizel claim that now is the time for people of color to have a voice in reshaping our financial system. Wall Street, which barely recognizes minority businesses, must take a fresh look at our ethnic citizenry and understand that American citizens of color have a good amount of capital. If they had a company they could believe in and which reflected their heritage, the investment capital would come pouring in as the greatest aspect of the securities industry is that stocks are liquid. There is no waiting for the house to appreciate or other assets to recover their value. Stocks provide liquidity and can be bought or sold within minutes. This is mentioned as an adjunct to safety for our future share buyers. Mr. Mizel goes on to present a simple idea. In addition to the supplier diversity programs offered by the majority of Fortune 500 companies, Mizel would like to see an “equity diversity” program where companies of color would be vetted and, if qualified, presented to representatives of venture capital funds, securities firms, and other prestigious financial institutions. If this idea were promulgated through the media and by our legislative representatives, it could serve as a major initiative to give a voice to companies of color during the Wall Street reconstruction.

Emerging from our confabulation are the ideas of Mr. Robinson who asserts that the small business community has the potential to grow the fastest and bring new growth to our economy in the shortest period of time. He goes on to say that the government is buying commercial paper of smaller banks to fuel this growth. Therefore, this Wall Street debacle is the great equalizer between mainstream and minority business as the Fed’s new policy of promoting small business growth applies to white and colored entrepreneurs equally.

The crux of Mr. Robinson’s point of view is that order to be seen as equal, the ethnic business community must begin to speak for the mainstream as well as itself. He believes that small and medium sized businesses will be reborn and that people of color are in the same boat as the other firms on Wall Street. The equal treatment of the melting pot of American businesses is based upon both surviving these turbulent times together and coming out equally from the quagmire.

“Our group, states Mr. Robinson, does not intend to use the condition of minority business as its central theme.” The group looks upon Wall Street as a “start-up.” Coming into the new economy we’re all sitting at the same table with the same concerns and similar attitudes. Let Wall Street emerge after our shared sustenance at the table of equality; and when the new Wall Street is healthy again, we should see a good deal of integration of the securities industry after the experience of all being in it together - Main Street and Wall Street are merging.

Our think tank is very insightful - always looking within to solve problems first. We thought it only fair that we come up with an aspect of minority business where entrepreneurs of color may be at fault (to some degree) with regard to not being able to attract investment capital for their stock. The most salient aspect of this self analysis is the assertion that ethnic business owners are reluctant to “open the books.” Full disclosure is an aspect of the Securities Act of 1933 where companies must allow access and provide exposure so that potential investors can be warned in the event something is not “kosher.”

This legal point of view applies to any business although minority business has this particular reputation. In posing the question to Mr. Agron, the retort was that all businesses hate the full disclosure requirements. He went on to assert that passage

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the Sarbanes-Oxley bill, which hammers companies with disclosure regulations, has cost many millions for businesses as it drives up the cost of their offerings. Therefore, once again small businesses (white or ethnic) are sitting at the same table and agreeing on many issues. Primarily they all hate the SEC regulations. Our group feels that this is a form of togetherness.

The information presented so far has coalesced into an attitude that the Wall Street debacle is the great equalizer. All of our American business owners are being treated equally at this stage, which means no one has credit to rely upon for the operation of their businesses. We summarize again that Mr. Robinson's most prominent declaration is that minority businesses are in a position to speak for the mainstream. This will create the integration of ideas first, and then the actions necessary for small businesses generally to do what they are famous for - growing faster than any other segment of our economy and providing more jobs than the large corporations.

Since Mr. Agron is a high powered securities attorney with an insider point of view, we asked him how long it took for the situation on Wall Street to develop. To our amazement, he responded "a year and a half." That is all the time it took to over value homes so that after the trillions in mortgage-backed securities were sold in the aftermarket, the financial institutions that held them had to watch the equity securing their loans get wiped out, engendering an increase in the need for more net capital. In the securities industry this process is called "taking a haircut." Essentially a broker-dealer has to pony up more money if his or her net capital falls under a certain point. Without any equity (and prices plunging) the value of these mortgages had to be retrieved worldwide which has led to our government and governments around the world to try and keep credit available. However, even the financial institutions who received a portion of the \$825 billion in bailout money never

loaned it out in order to show on their books the healthy net capital they had acquired. Mr. Agron rhetorical question followed: "Are the insurance companies next?"

Our think tank in general is very worried about unemployment on Wall Street. Apparently, the j losses hit minorities first because in many cases they have less time invested. What we find most disconcerting is that the current depression on W Street is only half way through. In other words, are only halfway to the bottom. Luckily, the market usually begins to turn around after a recovery is only halfway initiated; so the gyrations even themselves out. What is our main point or idea that we want most to be promulgated? It is the fact that 1% of the citizens of America own 35% of its assets primarily in stock and real estate. Now, after the bloodletting on Wall Street, they only own 15%. When the real establishment takes a hit like what is happening currently, one knows that the situation was really out of control. Our group would like to extend its best wishes to the small business community (of which we participate in an important way) and speak for all of us when we say that we "the Rainbow Coalition of business owners" are surviving and laying the groundwork for a major comeback.

Our think tank of color has re-inherited the point of view that we discussed 20 years ago. In Mr. Agron's words, "the ethnic community needs to support itself like the Jews did back in the forties and fifties. However, (he laughs) it may have been simply that they had no one else to deal with but themselves."

In any case, our determination is that people of color need to support companies of color with their investment capital. Because of the social barriers for entrepreneurs of color, the quality of business managers in the minority community has been compounding for so long that the cream of the cr

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of ethnic business leaders are people of color. Amazing! Mr. Mizel extended the comments by saying that “the degree to which investors of color buy stock in minority businesses is the degree to which ethnic capital accumulation will engender real, commercial equality.”

In conclusion, Mr. Robinson spoke for the group with this final analysis. According to Mr. Robinson, when reconstruction on Wall Street is over, we look forward to sharing the securities industry with our Main Street brothers and sisters. As we stated at the beginning of this piece, small, minority, women-owned, and veteran-owned businesses will be the leading force that will help to bring back the American economy to a degree of normalcy through accelerated job creation, thus bringing together Wall Street with Main Street for a better America.

Footnotes:

John F. Robinson is the co-founder, president and CEO of the National Minority Business Council, Inc.

Gary D. Mizel is a playwright, the founder and owner of a broker-dealer (1985-92) specializing in minority private placements, and founder of 7200 To 30 Productions, Inc. - representing the ratio of mainstream to minority public companies.

Gary A. Agron is a recognized and esteemed securities attorney performing state-of-the art securities work and accumulating highly valued shares of stock in the firms for whom he initiates private placements or public offerings.

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