

June 9, 1994

Dr. James Buchanan
Center for the Study of Public Choice
George Mason University
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Dear Jim,

I would like to take a few moments to introduce a program that the Charles G. Koch Charitable Foundation has been supporting for the past three years. As you know, society faces many challenges today, such as poverty, violence, and crime. These problems are tragic not only for those unfortunate members directly affected, but for the remainder of society as well. We are all faced with decreased safety, heavier tax burdens, and a less productive population. Despite massive spending and government intervention, the problems grow.

We believe that we need to invest in market-based programs that effectively address these challenges, harnessing the sources of success in society. One promising approach is the Young Entrepreneurs program, developed by Steve Mariotti, founder of the National Foundation for Teaching Entrepreneurship. The Young Entrepreneurs' mission is to enable at-risk youth to break free from the cycle of poverty by exposing them to basic business concepts. After receiving this background, the students obtain practical experience by planning, establishing and running their own businesses. This unique program provides an opportunity to learn about and participate in the market, and to experience first hand its potential for solving many of today's most pressing problems. The program follows the old adage, "If you give a man a fish, he can eat for a day. If you teach a man to fish, he can eat for a lifetime."

The Young Entrepreneurs program embodies much of the market-based management philosophy that Koch Industries, Inc., and the Charles G. Koch Charitable Foundation have been studying and developing for years. This philosophy, and the Young Entrepreneurs' curriculum, focus on those concepts central to operating any successful venture, whether it is for-profit or not-for profit. Students learn the first concept, social coordination, as they create peaceful, productive relations with their communities by establishing businesses within them. Students learn the vital role of private property, and experience economic opportunities and responsibilities, by owning their products and businesses. Rules of just conduct are demonstrated as students learn that cooperation, humility, civility, honesty and reliability attract customers. The benefits of dispersed knowledge are highlighted as students learn to appreciate their own unique knowledge of

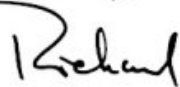
**CHARLES G. KOCH
CHARITABLE FOUNDATION**

customer needs and the unique skills they possess for satisfying them. Finally, the Young Entrepreneurs' program establishes beneficial incentives to master these concepts, since students own their own businesses and keep their profits. They learn that by helping others, they help themselves. In contrast, most government programs offer incentives for young people to remain dependent on welfare.

The Koch family's deep commitment to and continuous support of market-based solutions fits well with the Young Entrepreneurs' mission to teach and encourage at-risk youth. The Kochs have been involved with the Young Entrepreneurs program for the past three years, reaching out to over 1,125 students thus far. The Young Entrepreneurs of Wichita program, sponsored by the Charles G. Koch Charitable Foundation, is now in its third year, and the Young Entrepreneurs of Minneapolis program, sponsored by Koch Refining Company, is now in its second year. The newest Young Entrepreneurs program, located in our nation's capital, is sponsored by the David H. Koch Charitable Foundation.

I have enclosed articles about the Wichita, Minneapolis, and Washington programs and hope that after reading about the Young Entrepreneurs around the country, you will share my enthusiasm. If you are interested in learning more, I would be happy to send you further information.

Sincerely,



**Richard H. Fink
President**

**Enclosures
RHF:kp**

BUSINESS & FARM

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Koch backs business program

By Guy Beutten
The Wichita Eagle

The Charles G. Koch Charitable Foundation has committed more than \$150,000 to launch a pilot program to teach business skills to poor or disadvantaged children.

The Young Entrepreneurs of Wichita Program is being coordinated by the National Foundation for Teaching Entrepreneurship, a non-profit organization based in New York. NFTE, founded by a businessman-turned-teacher, has attracted national attention for its 10-week course designed to encourage children to start businesses.

Elizabeth Koch, president of the 16-member advisory board for the Young Entrepreneurs of Wichita Program, learned about NFTE about six months ago and was instrumental in bringing the program to Wichita.

"We are all frustrated by the crime and the drugs and the poverty that is

The Young Entrepreneurs course, focusing on poor and disadvantaged children, is described as an MBA program explained in eighth-grade English.

threatening to destroy the youth of this city and the fiber of the city itself," Koch said. "NFTE is designed to restore hope in the great American dream."

Koch, who spoke at a news conference Monday at North High School, is the wife of Charles Koch, chairman and chief executive officer of Koch Industries. The Charles G. Koch Charitable Foundation will pay for the program for two years. The \$150,000 commitment is for this year's courses.

The course is being taught at four high schools as well as through Big Brothers/Big Sisters of Sedgewick County and Boys and Girls Club. Teachers recruited the 140 students enrolled in the program, which began last week. The course also will be taught in the fall.

Each student receives \$50 in "seed capital," opens a bank account, meets a banker, writes a business plan and receives one share of stock in a public company. Students also receive a briefcase filled with such business essentials as a watch, calculator, datebook, portfolio and an account book.

The course is described as an MBA program explained in eighth-grade English.

So-called at-risk children, because of their "street smarts," are skilled at entrepreneurship, said Steve Mariotti, NFTE's founder. About 4,000 students have been through the program since it began in 1987, he said.

New Program Gives Students the Business

By Susan Herendeen
Capital News Service

Students from six D.C. schools are getting a chance to buy low and sell high in courses designed to launch them as business owners.

The program gives students confidence in themselves and teaches them basic business skills that they will need to get jobs when they graduate, supporters said at a news conference last week.

The David H. Koch Charitable Foundation fully funded the classes for the

first two years with a \$1 million grant. Another nonprofit group, the National Foundation for Teaching Entrepreneurship, designed the courses and trained the teachers.

The project is a "perfect example of the old biblical adage: If you give a man a fish, he will eat for a day. If you teach a man to fish, he will eat for a lifetime," said David Koch, executive vice president of Koch Industries and head of the charitable foundation.

The teaching foundation believes that young people from poor neighborhoods

have what it takes to become small business owners, because they are forced by circumstance to be tough-minded, resilient and willing to take risks, said the group's founder and president, Steve Mariotti.

Hine Junior High School students are participating in the classes, along with high school students from Roosevelt, Cardozo, Anacostia, Bell Multicultural and the Options School.

Nneka Nwankea, 16, a senior at Roosevelt High School, said she was recom-

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Grant

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mended for the class by her teacher and hopes to study business in college.

In the program, each of the 115 students takes a 50-minute entrepreneurship course every school day.

Each pupil gets a BIZBAG, or business startup kit, that contains a sales receipt book, a record-keeping book, a business-card holder, an address book, a calculator, a watch and a dictionary, said Kevin Greaney, a spokesman for the teaching foundation.

Students are given \$10 to open savings accounts.

They are given an additional \$50 to buy wholesale merchandise, then are told to make posters and fliers to advertise their goods and sell them at flea markets, Greaney said.

At the end of the term, the students with the best plans compete for \$500 grants to start real businesses, Greaney said.

"Our youngsters can do whatever we provide them the opportunities to do," said D.C. School Superintendent Franklin L. Smith.

Smith said he was glad to be offered a program that he did not need to fund and that had the support of school principals.

The teaching foundation was established in 1987 by Mariotti, a former businessman turned schoolteacher. He began with one student entrepreneur program in New York's South Bronx neighborhood and now supervises programs in 10 cities.

Fifteen percent of the students who have taken the course in other cities have started small businesses that have lasted at least six months and generated more than \$5,000 a year each, Koch said.

The teaching foundation has raised \$3.5 million in private donations and educated 5,000 students in the last seven years. About 2,200 students nationwide will take the course this year, Mariotti said.

Biz kids

Koch gift puts at-risk kids in business

They could have been getting into mischief that recent Saturday. Instead, 115 teenagers, many of whom would fit some expert's definition of "at risk," were at the Mall of America. They weren't shopping or loitering. They were selling legitimate wares, and pocketing their profits.

Patricia Dawa, 13, of Minneapolis sold an assortment of handcrafted goods from her native Kenya. Robbie Alvarado, 12, and his buddy David Cohen, 13, of St. Louis Park, hawked floppy hats bearing sports team logos. Angelique Hayes, 12, of Minneapolis, pushed T-shirts. Other teens offered beaded key chains, coin holders, clocks, jewelry and more, experiencing the thrill and disappointment business ventures can bring.

They are participants in the Young Entrepreneurs of Minnesota Program, the local project of the National Foundation for Teaching Entrepreneurship, a New York-based program that teaches business skills to disadvantaged youth. The project demonstrates how young lives can change for the better when corporate America puts its money as well as its mouth behind educational innovation.

Young Entrepreneurs of Minnesota is solely sponsored by Koch Refining Co. of Rosemount. Its gift this year of \$380,000 allows the program to invest an average of \$1,500 in each student. That investment buys appealing hands-on, experiential learning, unlike the traditional pedagogy often offered in

school classrooms. Each student is required to go into business for himself or herself, and keeps any profits. Each receives a canvas attaché case stocked with business supplies. Students also get "venture capital" — \$50 to invest in a business, \$15 to start a bank account, \$35 to purchase a share or more of stock. They devise a business plan and compete for a \$1,000 prize for the plan judged best each semester.

No young entrepreneur has struck it rich in Minnesota — yet. But in New York, where the program got an earlier start, several flourishing retail stores, one recording studio and a dressmaking company have been founded by program graduates. A better measure of the program's success may be that, in Minnesota, 45 of the program's 200 graduates are still engaged in the businesses they founded, and several others are pursuing college degrees or careers they might have considered unattainable before.

As educators are beginning to understand, many children considered disadvantaged possess resilience and survival skills that, if properly channeled, can make them successful adults. The lessons of the School of Hard Knocks may be especially applicable to entrepreneurship and the risk-taking it requires. Thanks to Koch's vision and generosity, the Young Entrepreneurs program is testing that notion. It may serve as a model for larger-scale efforts to redeem troubled young lives and inner-city America.