

The  
Portland  
Observer

# Business & Finance

## South African blacks do business

The end of apartheid two years ago dissolved white minority rule but not white economic dominance. Since then, however, black South Africans have made strides in gaining economic power, particularly in forming consortia led by big names to buy chunks of some of the country's largest companies.

In the months after President Nelson Mandela's African National Congress came to power in 1994, blacks controlled only a handful of companies that accounted for less than half of 1 percent of total equity of the more than 600-member Johannesburg Stock Exchange.

Now that stake has increased to 10 percent, and black-owned groups have cut major deals such as the recent purchase of at least \$333 million in shares of a major subsidiary of the giant Anglo American Corp.

Major players include Dr. Nthato Motlana, Mandela's physician who heads New Africa Investments with holdings in banking, insurance and media companies valued at \$262 million on the stock exchange.

But so far, changing ownership hasn't created jobs, and economists say it is new, small businesses—like

Niki's Oasis—that can get the impoverished black majority working to create a middle class.

Sondlo quit her job with an employment agency and put up her apartment and all her savings as collateral for a \$44,500 loan to open Niki's Oasis a year ago.

Since then, she's added lunch service, hired extra staff to help her eight full-time employees on the weekends and grown used to working 12-hour days, seven days a week.

With its mauve walls and cool jazz, the renovated store front does feel like an oasis in the crowded downtown streets.

But Sondlo remembers how hard it was during the African winter to lure people from their homes.

"Sometimes when you're experiencing problems, you think, 'How did I get myself into this?' But you do feel good when you know you're working for yourself," she said.

The challenge for any new business in South Africa, whether black- or white-owned, is daunting. The country's high crime rate is news around the world, worrying potential foreign investors, sending skilled,

white South Africans fleeing overseas and keeping restaurant patrons at home at night.

Since February, the rand currency has fallen 20 percent against the U.S. dollar, battered by concern about the crime rate and other factors. Economic growth has hovered at around

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—Makhaola Mohanoe

3 percent in recent years, half what the government says is needed to create jobs.

Some people, though, have managed to take advantage of the changes.

JafPen Landscapes, started last year by Penwell Msimango and Jaftha Nyama with just two workers, now has a staff of 15 and envisions employing as many as 50.

Msimango and Nyama borrowed \$6,660 from a white developer to buy lawnmowers, a truck and other start-up equipment. They do about \$5,300 a month in business as a direct result of government policy. They

plant gardens around homes being built with state subsidies, earning \$33 per plot from the developer.

The government wants to build 1 million homes for poor blacks by 1999, though there are signs the goal is too ambitious.

But even if the housing plans fall

Even their parents tried to discourage the three—all in their mid-20s—from leaving secure jobs in advertising. In the end, they turned to a franchiser, who helped them get a bank loan and find rental space for their London Pie fast food joint.

"It's almost impossible to get anything on your own. You still need a white face to present your case," Mohanoe said.

The white-owned London Pie Corp. has provided advertising support and expertise, the partners acknowledge. The product is one South Africans know and love, and customers line up for the crescents of flaky pastry filled with steak-and-kidney or lamb stew at their prime retail location near the entrance to a shopping mall.

"More people are trying to do something positive with their lives" since the first all-race elections in 1994, said Mohanoe. "You have the confidence to approach someone and present your case, whereas three or four years ago you wouldn't even have bothered, because you already knew what the answer would be. Attitudes are changing, and that's a start."

## Corruption brings down minority firm

A far-reaching corruption probe in Florida apparently has brought down the nation's biggest minority-owned municipal bond firm and one of its founders.

Calvin Grigsby, co-founder of Grigsby Brandford & Co. in San Francisco, is a figure in the bribery investigation that has ensnared a growing number of major players in Miami politics.

Last month, without giving a reason, Grigsby suddenly resigned from the firm he founded in 1981. He has hired former O.J. Simpson defense attorney Johnnie Cochran.

His firm—once headed for robust growth and trend-busting earnings—was unraveling this week with the resignation of the company's other two partners. The fallout left Grigsby Brandford & Co. without Grigsby, newly appointed chairman and co-

founder Napoleon Brandford III and newly named chief executive Suzanne Shank.

The firm "underwrote more than all the other women and minority-owned firms put together," said Muriel Siebert, who owns a New York securities firm that has hired Brandford and Shank. "To see somebody that has built that up through so much work come down like this—yes, it is pathetic."

Siebert's firm, Muriel Siebert & Co., is forming a new unit headed by Brandford and Shank, who took with them more than half of Grigsby Brandford's 70 employees.

Grigsby Brandford was one of the nation's largest municipal underwriters, ranking 19th last year, according to the trade publication Bond Buyer. The firm handled 65 bond issues in 1995 totaling more than \$1.23 billion.

### BUSINESS BRIEFS

#### Dow Dips on profit-taking

Profit-taking is driving down blue-chip stocks on Wall Street. In mid-day trading, the Dow Jones industrial average was off 28.32 points at 5,981.68 following an early run-up to 6,044.29. The Dow jumped 41 points yesterday to close at a record high of 6,010.00 after gaining 48 points Friday, as investors cheered the outlook for continued moderate economic growth and low inflation.

#### GM earnings in high gear

Despite labor trouble in Canada, General Motors says it rolled to a \$1.3 billion profit in the third quarter. The world's largest automaker was boosted by both its North American and international automotive operations. GM says the combined net income of its North American Automotive Operations and its Delphi Automotive Systems parts businesses reached \$515 million, the first third-quarter profit for NAO-Delphi since 1986.

#### CSX acquiring conrail

A major deal was announced in the railroad industry. CSX Corp. says it has agreed to acquire Conrail for about \$8.4 billion in cash and stock. Conrail is a rival rail transport company in the eastern United States. The merged entity will offer extensive rail service in 22 eastern states over 29,645 miles of track. It covers a territory from Chicago, Boston and New York to Miami and New Orleans.

#### Buffett gets another one

Warren Buffett has struck again. Berkshire Hathaway, the holding company controlled by the billionaire investor, says it is acquiring FlightSafety International for about \$1.5 billion. FlightSafety provides high-technology training to operators of aircraft and ships. Berkshire Hathaway says it has executed a definitive agreement under which FlightSafety will become a wholly owned subsidiary of Berkshire.

#### TI \$148 million loss

Plunging prices for computer memory chips have cost Texas Instruments. The Dallas-based semiconductor giant says it lost \$148 million in the third quarter and will offer early retirement to 5,300 employees to cut costs. TI says the loss, equal to 78 cents a share, is due to a one-time charge of \$192 million for research and development costs associated with its acquisition this year of Silicon Systems.

#### Bank profits up in 3rd quarter

Major U.S. banks are reporting strong gains for the latest quarter. Chase Manhattan says its earnings in the third quarter rose to \$858 million, up 12 percent from \$764 million in the same period of 1995. Chase surpassed Citicorp this year as the nation's largest bank company after its merger with Chemical Bank.

#### Coke, Pepsi Report Results

The two combatants in the cola wars released their earnings reports. Coca-Cola says its earnings jumped 21 percent in the latest quarter, thanks to strong soft drink sales. Coca-Cola says it earned \$967 million, or 39 cents a share, in the third quarter versus year-ago earnings of \$802 million, or 32 cents a share. Revenues slipped to \$4.7 billion from \$4.9 billion. Rival PepsiCo reported a sharp drop in income due to a previously announced charge to restructure its international soft drink operation.

## Nelson's Bar-B-Que

It had been a long time desire of Oscar Nelson to open a Bar-B-Que restaurant. Finally in August he realized his dream and opened Nelson's Bar-B-Que. Located at Dekum and 8th, Nelson works for the City of Portland Maintenance Department, and he is also an ordained Baptist Minister.

He characterizes his Bar-B-Que as southern style influenced by his travels to such places as Chicago to Mississippi.

Nelson's Bar-B-Que is a family run business involving all six of his children and wife. Oldest son Lathan runs the operation weekdays when his parents are at work.

The decor at the restaurant is sparse, with white-washed walls and a checkered black and white tile flooring. However there is a free standing circular fire place in the center of the seating area. The



restaurant seats up to 28 people with booths.

Compared to most Bar-B-Que restaurants Nelson's prices are modest: charging \$6.50 for a chicken dinner and \$7.50 for a rib dinner. Mr. Nelson says that his experience in working in the meat packing business gave him the ability to pass the savings on to his customers. According to Mr. Nelson, business has been real good... since we have been opened we sold out once... I think my

time has come for what I had in my heart.

I own the place, I can't lose. The people of the community have stood by us.

The Nelson's were kind enough to provide me with a sample plate so that I could describe to the Portland Observer readers what their food tastes like.

I had catfish, pork ribs, hush puppies and sweet potato pie.

The ribs were tender and well-done the sauce was dominated by a tomato sweet taste.

The catfish was a pleasant surprise and one of the best fried catfish items I had to date. The outside of the catfish was crispy with a slightly salty taste. The fish was well done and didn't have a hint of under cooking. The sweet potato pie, was firm, sweet and very palatable with a flaky crust.

## Chips are up for a woman in a man's world

When Abby Cole began her Chip Factory, her friends thought she was dabbling in chocolate or potatoes.

Instead, Cole, founder and president of The Chip Factory, entered the highly competitive and male dominated world of computer memory chips, where she has been outdoing the competition bit by bit.

After a few years of selling peripherals for another company, Cole recognized a need for memory chips.

In the late '80s, computer companies were putting out a new model with expanded memory and faster processors every six months.

If you happened to own last year's model, your computer may not have

had enough memory to run the next generation of software, so computer users were forced to upgrade their computers every year.

In this system of "programmed obsolescence," Cole recognized a real business opportunity.

She decided to sell memory chips that would allow her customers to upgrade their computer systems so they could run the new software programs.

With this idea, Cole built her Chip Factory from the ground up—well below the ground up.

Cole began her business in the basement of her home. "I had three employees helping me out," says Cole. "We made sales calls, took

orders and shipped the product, like we were a major distributor. No one would have guessed we were working out of a home."

While the orders were coming in and the product shipping out, Cole recalls this period as more hard work than profits. "I was new to the business and I had to learn by trial and error," says Cole. "I made some mistakes and some bad decisions, but we eventually got it right."

Confident she had worked out the bugs, she moved her company into a new office building. There, she took on additional employees and worked harder than ever to watch profit margins continue to grow thinner and thinner. "The industry just became

increasingly competitive until companies were forced to sell huge volumes just to stay in business," says Cole.

Realizing she couldn't compete with the larger distributors, but never one to give up a fight, Cole sought new opportunities in new market arenas, and she found them in her own electronic back yard.

While scanning the Internet, Cole discovered several bulletins calling for pricing bids on memory chips for a variety of government agencies. She quickly acquired minority/woman-owned business status and began bidding on contracts for various universities and government agencies. "In acquiring these university and

government contracts, we are able to fill a niche and remain profitable," says Cole. "no mean feat in this highly competitive market."

While Cole enjoys her recent success, she is never one to sit back on her laurels. She is always looking for new opportunities and new ways to stay ahead of the competition. She continues expanding her product line and she has begun offering a variety of peripherals. Also, she is continually seeking new markets.

Having conquered the public sector, she is beginning to glance back at private industry. "We also started doing business with larger corporations. They are constantly needing to upgrade their computers."

## Startup smooth with Business Development Fund

With the metropolitan region to choose from, Marilyn Riggs of Gresham decided Northeast Portland, with its varied economic assistance programs, was the place for her start-up business.

A Business Development Fund loan of \$40,000 and additional assistance from the Portland Development Commission helped Riggs set up her Magnetic Attractions. She and four workers, located at Oregon Association of Minority Entrepreneurs campus at 4134 N. Vancouver Ave., make refrigerator magnets sold by Disney and Hallmark, among others.

Business Development Loans, administered by the state Economic Development Department, can be up to \$250,000, and up to 40

percent of the financing, for capital costs for emerging small businesses. They are targeted to industrial firms, but retail and food services that are located on Northeast Martin Luther King Jr. Boulevard are also eligible.

As a condition of the loan a borrower must sign a first source hiring agreement in which they agree to seek employees first from the local community.

Riggs first tried to obtain all of her financing privately but, she says, "The commercial banks want you to be fully collateralized, preferably in liquid funds. If I had that kind of money I wouldn't have needed a loan. Start-up businesses have a terrible time. If I'm successful, I hope I remember my roots."

A Gresham native, she says she was attracted to the area as a business location by the benefits of the Northeast Enterprise Zone. "I had the OAME staff, the Portland Community College staff and the ODD staff to run things by, so I didn't feel so isolated," she says. "I had access here to so many resources here to make sure I succeeded that locating here seemed like the prudent thing to do."

Any concerns about operating in "bad" northeast Portland? Riggs says that at first she was nervous. "I drove the streets here a lot before I signed a lease. Now I stay here late at night, go out to eat, and I'm no more uncomfortable than I would be in Gresham. I'm cautious, but I would be anywhere."

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