

# The Black Business News

*The Official Business Journal of the Black Business Association*

## GOING FOR THE 'BLACK' GOLD MEDAL OF SUCCESS

by DEAN L. JONES

Can your business assume a triple price increase of its raw material costs within a one-year period? The CEO of Patten Energy Enterprises, Inc. is demonstrating the executive know-how to endure and thrive in a volatile market. Patten Energy Enterprises, Inc. markets refined petroleum products, natural gas, and propane to large commercial companies. To make a profit selling the black crude oil requires solidly managed companies to win the gold medal of success.

Ezekiel Patten, Jr. is the founder of Patten Energy Enterprises, Inc. (**PEE, Inc.**) that started in mid-1990, and he describes it as "the biggest undertaking imaginable." Mr. Patten worked for Unocal Corporation from 1970 to 1985, starting out as a management trainee and earning his way up to Retail Representative, Commercial Sales and then Regional Manager. With a broad petroleum industry background, his educational M.B.A. knowledge and skills gave him the ability to create and fulfill a niche business in the same industry.

The petroleum industry is driv-

en by one main product—crude oil—now costing over \$50 per barrel. Mr. Patten recalls that roughly one year ago crude oil was a little more than one-half the price that it is today. Now with his main purchases costing two and three times more than it did just a short year ago, effectively managing the company's cash flow requires securing expanded lines of credit to meet spiraling core product costs.

Although **PEE, Inc.** had a long banking history with a major bank, this bank was not willing to assist in meeting the requirements for increased equity and working capital needed by Mr. Patten in his day-to-day operations. According to Mr. Patten, "many of the major commercial lending institutions are cautious about working with the petroleum industry and smaller companies in this industry are seen as even greater risk."

**PEE, Inc.** is a growing concern with unique requirements. Stan-



(L-R) Donald A. Kinsey, Vice President, Comerica Bank-California, Ezekiel Patten, Jr., President, Patten Energy Enterprises, and Melvyn C. Bell, Vice President-Western Division, Corporate Banking Officer, Community Business Banking, Comerica Bank

dard industry ratios have to be carefully matched and analyzed to reveal fair market values and adequate financial statement comparisons.

Consequently, Mr. Patten learned very quickly that he was going to have to find a lending institution that would listen and work with his unique industry characteristics.

Fortunately, through his business networks, Pacific Coast Regional (a small business development corporation) gave Mr. Patten a referral for commercial lending that they felt was the right match. Mr. Patten made the follow-up call to Donald Kinsey, a vice president and community development officer for Comerica Bank. Don

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Kincey immediately responded and came to **PEE, Inc.** for the initial meeting to explore some of the company's cash flow requirements. After this head-to-head meeting, Don Kincey brought in Melvyn Bell, a vice president and corporate banking officer for Comerica.

It was at this time that Mr. Patten knew he was working with a commercial bank that was willing to develop a loan package that would suit his company's specific business requirements. It took some time for **PEE, Inc.** to meet all of the necessary requirements and to agree on a loan product that would fit the company's productivity, but a sound deal was completed.

Recognizing that **PEE, Inc.** had a need for additional equity capital as well as working capital financing, Comerica Bank worked jointly with the California Economic Development Lending Initiative (CEDLI) to structure a subordinated term loan and a revolving credit line to provide nearly one million dollars in financing. This financing package effectively increased the equity capital of **PEE, Inc.** and provided a working capital credit line that conforms to traditional commercial banking standards. The credit structure allows for future growth in credit availability in accordance with operating performance and financing needs. **PEE, Inc.** now meets the day-to-day buying processes with much greater efficiencies.

Mr. Patten found working with Comerica Bank very refreshing in comparison to other major banks that were not willing to take the time to listen and understand the distinction of his industry and simi-

lar businesses his size. Mr. Patten really appreciated the way Melvyn Bell and Don Kincey made it work and took the initiative to overcome obstacles to develop a solid credit structure.

**PEE, Inc.** buys and sells natural gas, major brand fuels, ultra low-sulphur diesel, gasoline, jet fuel, and all kinds of lube oil (fuel, hydraulic, turbine, automotive, marine engine, and more), transmission fluids, coolant, waxes, and protective coatings.

**PEE, Inc.** uses modern trucks to deliver the products, with professional drivers, and matches these products with excellent service. **PEE, Inc.** boasts one of the most successful safety records and on-time delivery processes among any of his California competitors that market energy products.

Mr. Patten reports that he consistently outpaces his competition by working within the industry and learning all of the latest fuel adaptations and governmental regulations. For example, Mr. Patten described that he was one of the first energy marketing companies to accept all major credit cards. It seems simple, but you have to realize that most fuel companies expedite invoicing to receive payment within 10 days on sales to marketing companies such as **PEE, Inc.** Since marketing companies have been invoicing customers on traditional 30-60 day terms, the high cost to carry credit made many sales unprofitable to most **PEE, Inc.** competitors. However, Mr. Patten took advantage of major buyers' growing use of corporate purchasing cards to expedite his collections.

Fuel products are heavy demand products and time normally

accounts for everything. Understanding this is the best edge that **PEE, Inc.** offers over its competitors. Although pricing is essential, response time and overall customer service is paramount. Mr. Patten's past experience as a senior manager for a major oil company is a bonus enabling him to know that large corporations are nearly incapable of responding as fast as his company. Consequently, **PEE, Inc.** spends a great deal of marketing time walking potential customers through its management processes and learning how **PEE, Inc.** is able to meet demand with greater swiftness than competing companies.

Mr. Patten has worked meticulously to maintain a solid balance of customers to ensure that the company delivers a balanced mix of products. Too much fuel over oil products (and vice versa), can tip the company toward inefficient profit margins. This industry lives on profit margins that are sensitive to unstable and increasing costs of crude oil. Although the color of money is green, the color of profit for this industry is derived from the cost of black crude.

The future looks good for **PEE, Inc.** because of its ability to diversify. **PEE, Inc.** is taking the lead on various teaming strategies with two distinct branches within his industry. One is Information Technology and the impact of the automation on this industry. The other is Environmental, which has daily transformation as the knowledge

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base increases for alternative fuel programs.

**PEE, Inc.** is taking on new management visions as a global company. Mr. Patten believes there is a great deal of potential for small business in Africa and China. "I think the biggest amount of growth for small businesses is in South Africa, says Patten, especially as the country settles into its money exchange processes. "I am looking for ways to be an oil distributor for a major oil company for these regions of the world."

**PEE, Inc.** is in its third year as a certified US Small Business Administration (SBA) 8(a) company and has six years remaining in this program to secure greater government contracts. **PEE, Inc.** business expansion plans for this period include acquisition of a small oil refinery for greater control of its fuel supplies.

Mr. Patten, Jr. is also looking at succession plans for Patten Energy. Already learning more and more about the industry is his namesake Ezekiel Patten, III who performs all of the responsibilities of Vice President over Operations for **PEE, Inc.** Mr. Patten's son sees how this business can expand domestically and globally through greater teaming strategies.

Ensuring that succession will stay within the family, Mr. Patten secured the quality executive services of his daughter Jennifer Marie Patten who is the Vice President for Human Resources. Both offspring are providing complete management decisions for the company and are ready to take on greater responsibili-

ties as time progresses for **PEE, Inc.**

Mr. Patten knows that a lot of his knowledge of this small business world is credited to the **Black Business Association (BBA)**. Mr. Patten remains a very active and financial member and was the 1995 Chairman of the **BBA**. Mr. Patten enjoys his work with the **BBA** be-

cause it has helped his firm to better access major corporations as a result of the **BBA's** advocacy to do business with black-owned and operated enterprises. ☺

*Relevant websites:*  
[www.pattenenergy.com](http://www.pattenenergy.com);  
[www.comerica.com](http://www.comerica.com);  
[www.bbala.org](http://www.bbala.org)



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\*Comerica again ranks first nationally in commercial loans as a percent of total assets, by Sheshunoff Information Services, 2004.

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### ***Comerica - BBA's 2005 Majority Corporation of the Year***

**RIGHT CHOICE FOR CORPORATION OF THE YEAR**

by DEAN L. JONES

The Black Business Association (BBA) was pleased to have a resolute company win the important award of Corporation of the Year that we announce during our Annual Award Dinner. This year the major corporate winner is Comerica Incorporated, a financial services company headquartered in Detroit. Comerica's approximately 11,000 employees focus on relationships, and helping people and businesses to be more successful. With more than \$50 billion in assets, Comerica is the 7th largest Small Business Administration 7(a) lender in the nation and among the top 20 banking companies in small business loans.

Comerica is determined to extend opportunity to our community and its support of BBA members. A strong example is when its management staff recently extended business support to a BBA member who operates a firm in the high-risk petroleum products distribution industry. Comerica developed a loan package to expand the firm's equity capital and working capital financing to ensure a continued competitive position for the BBA member firm.

Comerica has been proactive in establishing strategic alliances with community-based lending groups to ensure maximum access to capital and lines of credit for small business owners. The company has established a strong community-based initiative that offers hands-on technical assistance to smaller businesses seeking expan-

sion capital. Comerica understands that the success of small business lending depends on the technical assistance and training work of organizations such as the Community Financial Resource Center and Pacific Coast Regional Small Business Development Corporation, because of their success with loan packaging, including SBA loans and business technical assistance processes.

Comerica is contributing to our financial community through a money management alliance, which meets the needs of accessing capital, and subordinates net lending and loan enhancements for small business owners. Comerica values a partnership approach to community support, and is proud of the close relationships it has formed with Accion, California Economic Development Lending Initiative, F.A.M.E. Renaissance, Los Angeles Lending Development Corporation and Ward Community Development Corporation.

Many of our BBA small business colleagues find that working with Comerica Bank is refreshing because their representatives take the time to listen and understand the needs of the business community. Comerica is working closely with BBA members to review cash flow and develop plans



David C. White, Regional President, Southern California. Comerica's Western Region and Earl "Skip" Cooper, II, President/CEO, Black Business Association

that reduce a company's operating expenses while increasing net worth.

During the awards dinner I learned that Comerica has consistently been rated one of the "best places to work" and has a strong commitment to diversity in the workplace. Comerica supports BBA members through its understanding of today's marketplace, its commitment to provide the right people and resources to help BBA members' businesses grow, and its ability to understand the full scope of issues facing BBA members today. Although Comerica is a global financial services institution, it has supported BBA by providing local, effective, committed decision-makers.

Sometimes you not sure if a major company deserves the recognition that it receives, but in this case I am positive that the 2005 Majority Corporation of the Year Award presented by the BBA went to the right corporation-Comerica Incorporated. 💰

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## *Credit Card Merchants Make More Money*

By Dean L. Jones

As a business owner, if you had one wish it would probably be for a reliable way to create increased business revenue. Increasing sales is something that normally centers on product enhancement or spending more on promotions and advertising. The addition and/or improvement of credit card acceptance is sometimes an overlooked opportunity to generate new sales. Establishing and promoting your business as a credit card merchant is a definite asset for operating a business concern, according to **Naomi Mastera**, Senior Vice President, Merchant Card Sales and Marketing for Comerica Bank.

There is little doubt as to the value of being able to take credit cards as payment for your product or service. Up until now, most banks would not talk to you unless you were an active customer with their bank. However, with the proliferation of mail order and home-based businesses, numerous merchant card providers have sprung up everywhere. That is the good news. The down side is that if you are not very careful with your service provider selection, your merchant account may cost you a lot more than necessary.

Merchant card business specialists consult with prospective and current customers to help them see areas to increase business profit

margins, and identify areas to mitigate the potential for fraudulent card use and premium rates that can take away from your business profits.

As you identify the bank providers you would like to work with, the first thing you will want to know about is what the various charges for merchant credit card accounts are. The bank's credit card agent who operates the electronic gateway (clearinghouse) generates a significant portion of fees charged by most banks. Comerica Bank and Global Payments, Inc. have a partnership (49% and 51% respectively), that represents a progressive strategic alliance serving to eliminate those extra commissions paid by each transaction to the payment agencies found with other merchant card provider banks.

An established merchant card account is like having a bank line of credit. Each customer credit transaction requires that you pay a fee. Comerica has competitive transaction fees ranging from \$.0-\$0.20 cents for a retail or moto (card not present) account. Pricing is based on volume and average ticket. Most companies charge between \$99 - \$200 for set-up. For internet e-commerce accounts, the fees can be higher. Merchants wanting to accept credit cards online via their web

site may pay \$.15¢ - \$.20 cents per transaction plus an application or setup fee of roughly \$300 to \$400 depending on the gateway company they choose. Merchant status requires you to deal with a provider or electronic gateway (clearinghouse) for the credit transactions and a sponsoring bank for deposit of your product sales revenue on e-commerce. After that, an internet service-provider fee will cost around \$20 per month. For all other businesses, you will need a terminal and/or software for entering the customer credit card data. Comerica offers software/terminal maintenance with universal processing capability and does not issue proprietary equipment that would limit your use of it to just their bank.

One process that Comerica implements is that when merchants electronically swipe a customer's credit/debit card the terminal prompts that the last four digits of the card be input into the system. This is an example of the proactive features Comerica practices to help business owners stay in front of charge backs and card misrepresentations.

This sort of feature works well for businesses that are participating in trade shows that can enjoy the new freedoms of using a wireless terminal for sales on the road. The newer technology of a wireless terminal gives merchants the chance to improve sales and it lowers transaction fees resulting from the reduced risks of real-time customer credit approvals and declines.

Similarly, professional service firms have an advantage as a credit

## Credit Card Merchants Make More Money

merchant when interfacing with major buying organization credit card users. These cardholders make use of their cards to finalize professional engagements, while using their purchasing card to gain bonus points for travel and related buying rewards. This multi-incentive card use makes merchant card activity non-exclusive to the retail industry, in that many purchasing management professionals can charge in some cases up to \$100,000, in order to expedite service delivery for the corporation. This is a simple example of how any credit card merchant can quickly improve sales.

Numerous selling enhancements are possible as a credit card merchant. Comerica Bank has the capacity to help merchants by personalizing their gift cards. A personalized card not only serves to better service current customers, it also becomes an advertising impression. Additionally, gift cards work well for gaining new customers and in the process real profit. 10% to 20% of gift cards go unclaimed by the gift recipient, and while this represents lost opportunity to gain new customers, business owners enjoy the 100% profit received from the sale of these gift cards.

There are specific strategies with implementing card activity and you want to work with a reputable merchant card provider. Merchant card



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accounts have to reserve money to mitigate risk and to cover charge backs. Some providers take advantage of this process and can hamper cash flow. In addition, the recently enacted US Patriot Act requires business credit checks on business owners, articles of incorporation and background checks. The main thing with this is to ensure that you have a full service merchant card provider who wants to see you succeed in

business.

So, whether your business has a merchant card program or not, it is a wise investment of time to gain some up-to-date information about your company's credit card business model. To do so, you can feel free to call Naomi Mastera, Comerica Bank, at 1(800)982-9091, or by email: [naomi\\_v\\_mastera@comerica.com](mailto:naomi_v_mastera@comerica.com), in order to get your company up to speed. 🙌

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## ***ACCESSIBLE CASH FOR SMALL BUSINESS OWNERS***

by DEAN JONES

At a time when every conceivable capital resource seems to be avoiding small business owners, I recently met someone that is ready, willing and able to make smart business loans. Small business resources sometimes don't quite fit because the offered product cannot be customized to the situation. There is someone who ensures customization, particularly when it serves to increase your business's bottom line.

A great resource to our small business community is a banker named Raylene Prout. Ms. Prout is an Assistant Vice President and Business Development Officer for Comerica Bank. She enjoys working closely with small business owners by helping them develop a sound cash flow plan and loan strategy that works to expand their respective business activity. Comerica Bank is making conventional and Small Business Administration (SBA) loans where the US Government guarantees a portion of the loan.

Ms. Prout and I spoke in her El Segundo office, and she shared a number of advantages for acquiring an SBA loan. The first thing is that an SBA loan offers longer borrowing terms and lower interest rates than conventional busi-

ness loans. There are lower equity and debt service requirements. An SBA loan even has less restrictive collateral parameters, which is a big difference over conventional loans.

These are examples that can present a big business boost to small business owners. Comerica Bank also receives advantages in this SBA loan process. For starters Comerica Bank benefits from helping small businesses build capacity and seek additional business products from their company. Comerica also wins because the SBA guarantee diminishes the risk factor for a lending bank.

The most common use for a loan is to provide expansion capital for a business. However, there are several other ways that an SBA loan can produce results for your business. An SBA loan can work to reduce current overhead and operating expenses.

Buying real estate is exciting, and the SBA has a loan program that beats the pants off of a traditional commercial real estate loan. Having to come up with 10% down instead of the normal 30% for a conventional real estate loan is most useful with the purchase of a building and/or upgrade to real estate. This is a huge difference



Raylene D. Prout,  
Vice President & Business  
Development Officer,  
Comerica Bank

when buying a commercial building in the County of Los Angeles that will average \$2 million dollars for a small to medium sized building. Just a small note is that anyone who owns 20% or more of the business should have good credit.

Ms. Prout shared a story where she reviewed the cash flow of a small restaurant in the City of Inglewood. She was able to work with the restaurant owner and develop a plan to make a bid on the building where the restaurant served its daily customers. The business owner only needed to place 10% down to complete the offer to buy the building. Being able to come up with a sufficient down payment

## ACCESSIBLE CASH FOR SMALL BUSINESS OWNERS

enabled the real estate deal to go through with flying colors. The benefits are tremendous since the real estate ownership now provides a meaningful reduction in the monthly building overhead for the restaurant's operation and at the same time increased the company's net worth.

There are a number of other specific uses for an SBA loan including construction and expansion of business premises, buying machinery and equipment, additional inventory, furniture and making leasehold improvements.

Acquisition is an arena that all entrepreneurs need to explore as a regular part of doing business, either as a buyer or a seller. Small businesses need to better follow the lead of larger corporations who most often quickly increase profits from expanded markets and flexible resources through effective mergers and acquisitions. Ms. Prout is prepared to help small businesses excel with acquiring broader resources by buying another business. She can help a small business owner buy an independent company or a franchise business with a good track record, which offers less stringent collateralization requirements than for conventional loans.

Many entrepreneurs are looking at franchise opportunities, and Ms. Prout offers sound SBA loan advice for potential franchisees. She has completed a number of franchise start-up loans and each is working well. Whether you are looking to open a franchise in coffee service, fast food, tax service, or automotive, the SBA lending process may fit your business plan. A word of advice is that you should make sure you understand the industry, the business, and

product or service delivered before you do decide to apply for a business loan. Your character is still the number one element of a credit review and how well you know the business goes a long way.

Ms. Prout is experienced with loan reviews and has an intuitive business sense for entrepreneurs who know their business and the industry that they serve. It takes a great deal of enthusiasm to sometimes convince lenders that you have what it takes to grow a business and ultimately repay your debt. Any business owner should give Ms. Prout consideration as a business banker who can acquaint you with the specifics of loan approval and application strategies.

Nearly all types of businesses are eligible for an SBA loan. As long as it is owner-operated, for-profit, organized as a sole proprietorship, corporation, LLC, or professional partnership your company will meet the minimum qualifications for the loan program. However, using your intellectual property as collateral is not a consideration under this program.

Ms. Prout enjoys visiting businesses and helping owners better determine options for business

expansion models. She covers a large service area and works diligently in the cities located in and around Long Beach, Downtown Los Angeles, the Westside and Inglewood. She is interested in working with businesses in manufacturing, retail services, trade construction, agricultural, professional services, restaurants, and the music industry.

In addition, Comerica offers a number of specialists to help businesses stay on course. Their national SBA business unit is located in San Jose, California. The specialists are in place to help Comerica clients with bank credit, underwriting programs, and business expansion strategies. You can contact Raylene Prout at (310) 297-3056, or email [rdprout@comerica.com](mailto:rdprout@comerica.com).

### Footnotes:

Loan Strategies in Industries with the Most Success:

Acquisitions, Car Washes, Child Care Facilities, Eating Places/Franchises, Gas Stations, General Automotive, Grocery Stores, Hotels, Manufacturers & Wholesalers, Professional (Doctors, Dentists, Veterinarians), Pet Board Facilities, Service Companies

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## *Comerica Offers Bankable Money Solutions for Small Business Owners*

by DEAN L. JONES

COMERICA BANK Vice President Donald Kincey is one of the Black Business Association's all-stars, bringing about positive money lending opportunities for the "community business banking" industry. As a corporate banking officer with one of the nation's Fortune 500 corporations, Kincey is excited about COMERICA BANK'S vision of producing one of the most resourceful community lending models for small businesses in the western states.

Before describing this exceptional community-based lending model, Kincey shared how his bank awards "Performance Grants" to Community Development Financial Institutions which are non-profit groups that operate small business development corporations. These corporations take delivery of a 12-month grant from COMERICA BANK to lend this money to credit worthy small businesses. The lending terms are at the discretion of the non-profit corporation, although the rate is normally favorable to the borrowing business with the ability to repay. COMERICA BANK has enjoyed a 6 year relationship with First African Methodist Episcopal Church in Los Angeles, having financed two commercial buildings, and agreements are being final-

ized with the Church's business center, FAME Renaissance Small Business Development Corporation. Kincey sees more activity in this area by working closely with Los Angeles based churches, business coalitions, accountants and consultants.

"This portion of COMERICA BANK'S community lending program allows non-profit groups to lend capital to smaller operations that require additional support and those that would not qualify for a commercial loan from a larger financial institution," says Kincey. "Although COMERICA BANK conducts complete outreach to small businesses at the branch level, micro-loans (\$5,000 to \$250,000) are FICO score-sensitive, and it is not unusual for smaller business owners to slip under the minimum credit lending criteria for bank financing.

However, because Kincey has a distinguished business work experience with the community of Los Angeles, it enabled him to collaborate formally with existing lending groups that offer hands-on technical assistance to smaller businesses seeking expansion capital. Kincey states the success of the lending model is dependent on the technical assistance and training work of the Commu-



Donald Kincey  
Vice President, Corporate Banking  
Officer, Western Division,  
COMERICA BANK

nity Financial Resource Center and Pacific Coast Regional Small Business Development Corporation who already have successful performance records with loan packaging, including SBA loans, and business technical assistance processes. To activate an all-embracing community based lending process, Kincey solicited the input and support of Broadway Federal Bank, a historical business warrior for the L.A. black community, to link a whole community financial management alliance.

"As a Los Angeles native, I can't imagine having another opportunity to make such a positive impact with lending to small businesses in the Southern California region, and to interact with such great people," expresses Kincey. Broadway Federal Savings, lead by CEO Paul Hudson, and COM-

## ACCESSIBLE CASH FOR SMALL BUSINESS OWNERS

ERICA BANK are collaborating to operate a master plan of commercial lending solutions and training with improved flexibility to meet smaller business needs. The basic plan bridges Community Development Financial Institutions (CDFI) with major lending resources.

The Community Financial Resource Center and Pacific Coast Regional each operate as a certified CDFI. The CDFI designation is a non-governmental entity to provide business development services, technical assistance, and financing to their clients in an effort to foster community and economic development. The California Organized Investment Network (COIN) administers the CDFI program through the California State Department of Insurance and is responsible for certification of eligible CDFI's for receipt of investments. COMERICA BANK develops direct investments for enhancing the level of service that a CDFI provides to the Southern California business community.

Aside from lending programs, Kincey stresses the importance of knowing your overlooked global market opportunities. He reviews many company financial statements, and business firms with solid balance sheets normally have product distribution channels in foreign markets. Kincey remarked that he works with an American based furniture manufacturing company that exports its finished products to the United States from Indonesia. "Exporting from your native country demonstrates an example of the rapidly changing nature of our American business paradigm. Even small businesses have to explore multiple possibilities to efficiently reach their target markets," says Kincey.

Donald A. Kincey is Vice President, Corporate Banking Officer for the Western Division of COMERICA BANK, which includes 44 branch offices in key California markets, including San Francisco, San Jose, Los Angeles, Orange County, San Diego, Sacramento, Fresno and Santa Cruz/Monterey, with a regional office in Phoenix, Ariz. COMERICA BANK is a subsidiary of Comerica Incorporated (NYSE: CMA), a financial services company headquartered in Detroit, strategically aligned into the Business Bank, Small Business & Personal Financial Services, and Wealth & Institutional Management. COMERICA BANK focuses on relationships, and helping businesses and people become more successful. ♡

### Footnotes:

The Pacific Coast Regional Corporation (PCR) is a private, non-profit corporation administering contracts with the Federal Government, the State of California, and partnerships with private institutions. It provides financial, educational, and consulting services for California based small businesses, which include Loan Guarantees, Bond Guarantees, Disaster Bridge Loans, and Direct (Environmental) Loans.

Broadway Financial Corporation is the parent holding company for Broadway Federal Bank, with assets in excess of \$175 million, and is a publicly traded common stock on the NASDAQ small cap market under the symbol 'BYFC'. With four full service banking facilities, three in the City of Los Angeles and one in the City of Inglewood, Broadway's mission is to serve the credit and depository needs of the communities in which its branches are located. It has also maintained a broader commitment to employ, train and mentor community residents, to contract for services with community businesses, to volunteer

civic and community leadership, and to provide contributions of money and meeting space to community associations and long-standing partnership with community churches.

Community Financial Resource Center (CFRC) provides loan packaging and business plan development for existing businesses, networking to businesses with potential clients, and access to investment capital. Since 1993, CFRC has provided services to over 52,000 Los Angeles area residents and business owners... including \$2.7 million in loans to 200 neighborhood enterprises.

A FICO score is a credit score developed by Fair Isaac & Co, in order to score credit with a uniformed method to determine the likelihood that credit users will pay their bills. Fair, Isaac began its pioneering work with credit scoring in the late 1950s and, since then, scoring has become widely accepted by lenders as a reliable means of credit evaluation. Credit score-model developers find predictive factors in different pieces of information, which best predict future credit performance. The FICO scores range from about 300 to 900, where in general the lender accepts higher scores as lower credit risks. ♡

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## *A Profit Treasure Trove From International Trade*

by DEAN L. JONES



Caroline V. Brown, First Vice President, Comerica Bank, Western Division for International Trade Services

Have you ever considered international trade as a revenue stream for your business? Exporting and/or importing can baffle business owners on whether or not to pursue this line of activity. On the other hand, once you understand how to penetrate foreign markets and how to protect yourself from major risks you will be able to build tremendous production and profits.

Recently I had the opportunity to meet just the professional who knows how to make international trade a profitable encounter. Caroline V. Brown, First Vice President, Comerica Bank, Western Division for International Trade Services, shared a great deal to help remove the mystery and unfamiliarity with exporting and how to mitigate the risks with getting your products safely to the customer in a

foreign market.

Ms. Brown enlightened me on how manufacturing companies are prime businesses for exporting products to foreign countries. Her 20 years international trade experience, at Comerica Bank and the State of California's Export Finance Office, and prior commercial lending, provided a great platform of understanding the demand for quality products in foreign markets. The key is to know how to reach the right customers, but it is not unlike seeking and capturing ready and willing domestic customers.

Ms. Brown explained that the utmost matter in this area is to mitigate the risks involved in getting your product to the buyer and receiving payment. She provides consultative services to companies regarding international trade, and especially one widely used tool, the payment mechanism called a Letter of Credit (L/C) that works to mitigate a number of risks.

The L/C is a powerful selling tool in foreign market trade and is in place primarily to increase payment probability. The L/C is a written instrument issued by a bank assuring the payment for a customer's product up to a stated amount for a specified period. In essence, it substitutes the bank's credit for the buyer's credit, thereby eliminating the seller's risk of not receiving payment for the goods shipped.

If you are the customer of Comerica Bank as an importer (or applicant), then the Comerica promises to pay the exporter (beneficiary) for goods or services; provided that the exporter presents all documents called for, exactly as stipulated in the L/C, and meets all other terms and conditions set out in the L/C. The Letter of Credit transfers risk to the bank if the buyer meets all of the requirements; it's similar to a cashier's check or other nego-

tiabile instrument, in which the bank is required to make payment.

This makes the L/C a common payment tool in the export and import market. That is why you need to have an international trade professional to help navigate and provide guidance in structuring transactions. Considerations include:

- Assuring payment prior to buyer receipt of the goods
- Adequate product insurance for damage/loss
- Currency fluctuations and exchange rates
- Foreign/political risk

Equally, timing can affect the need to schedule a longer lead-time to ensure that you have the right stock on hand to meet product sales needs. Ms. Brown serves a number of companies that invite her advice and she is open to visit companies that have been in business greater than two years to review facilities, discuss financial positioning, and to get a general feel of the overall objectives and goals of management.

Banks can provide guidance on foreign credit insurance, methods of payment, foreign bank/country risk, or acquiring a loan to finance the expanded manufacturing needs. Any of these or other new costs can be factored into the product's pricing for selling to a foreign market. Once you have a professional like Ms. Brown serving as your consultant, the more tedious task is to identify your desired foreign market and the potential buyers or sellers. She encourages service companies and helps them to develop a business model for foreign trade, such as with architectural and civil engineering service firms in which such capacities have a large need in many developing countries.

There are a number of trade associ-

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ations like the BBA that specialize in international trade. Ms. Brown is an active member with the Foreign Trade Association (FTA), which is comprised of a broad base of international businesses and trade professionals that meet in Southern California. She is the Chairperson of the Women In International Trade (which also includes men as members). Each of these organizations regularly presents a variety of programs, courses, and seminars to educate business owners on the specific aspects of international trade. These are excellent groups to help network and meet the various service providers involved with export and import trade.

There is also a considerable payoff from working with international trade agencies that assist businesses with identifying new markets for their respective products and services. The US Department of Commerce Commercial Service and Los Angeles Area Chamber of Commerce are also available. There are six Centers for International Trade Development (CITD) near Los Angeles, including; El Camino College ([www.elcamino.citd.org](http://www.elcamino.citd.org)); Long Beach City College ([www.longbeach.citd.org](http://www.longbeach.citd.org)); Santa Ana Center ([www.santaana.citd.org](http://www.santaana.citd.org)); Riverside Community College ([www.riverside.citd.org](http://www.riverside.citd.org)); Citrus College ([www.citrus.citd.org](http://www.citrus.citd.org)); and Oxnard Center for International Trade ([www.oxnard.citd.org](http://www.oxnard.citd.org)), which provide services to small businesses.

It was refreshing to listen to Ms. Brown speak about how she works with companies to focus on their trade cycle. Exporter and importers have to be aware of timing the receipt of income to pay expenses, and any associated discounts when exchanging money in the international market. As an exporter, the least risky scenario is to receive payment from a buyer prior to the product leaving your warehouse. However, that's not a very feasible way to increase business and improve your competitive edge. With importers, the opposite is true. Companies want to receive product, have time to sell and be paid by the end user before paying their suppliers.

This is very appealing to the buyer (importer) but not for the seller. Here is where the negotiations begin.

Southern California based companies have a tremendous advantage in the foreign market because of the close proximity to the seaports that service the Pacific Rim countries, along with Mexico and Canada. The Long Beach and Los Angeles harbors are the two most active seaports in the nation, and Los Angeles International is the fourth most active cargo airport in the world. Interesting to note is that when combined the annual productivity of Los Angeles and Long Beach ports become the world's busiest seaport right behind Hong Kong, Singapore and Shanghai. The foreign countries that receive the most export trade activity from California based companies include Mexico, Japan, Canada, China, and South Korea, and although most cargo is shipped by sea, some products that are light in weight or time sensitive can be shipped more cost effective by airfreight.

Relationship building in foreign markets may be as important as quality and price of the product. Knowing your international buyers or suppliers can be useful as with the story Ms. Brown shared where her client had an established and good relationship with a foreign manufacturer to import manufactured hardwood floors. Her client set out and developed a series of domestic customers wanting to purchase inventory for their stores and they proceeded to take orders. The foreign manufacturing company shipped the hardwood floor products, but there was a quality issue where the wood coating did not adhere properly, causing the wood coating to peel. Although the Letter of Credit was properly written and the shipment met all of the documents required for payment, it was the established relationship that supported the recourse for the importer to receive a new shipment to replace the defected product.

Securing financing is vital in foreign trade, and Comerica works with the Export-Import Bank of the United States (Ex-Im Bank) as a commercial lender for extending working capital

loans, and is one of the most active lenders with delegated authority from the government agency. Ex-Im Bank is the official export credit agency of the US, which assists in financing the export of U.S. goods and services to international markets. Ex-Im Bank does not compete with private sector lenders but provides export-financing products that fill gaps in trade financing by assuming credit and country risks that the private sector is unable or unwilling to accept. Overall, Ex-Im Bank helps with leveling the playing field for US exporters by matching the financing that other governments provide to their exporters.

Ms. Brown works with a professional team of experts at Comerica Bank that support the entire foreign trade process. These foreign market professionals bring industry experience and knowledge to meet the international business challenge. The Comerica team members work to ensure that their clients who export/import products retain control of the merchandise. In order to serve as a real personal consultant, each team member is assigned specific companies for consistency of service performance. Ms. Brown's professional team coordinates the handling of all documents and the release of merchandise to the buyer, and handles any special circumstances that may arise in the buyer's country.

There many things involved with importing and exporting and there is no need to encounter high risks. Plan ahead and know your total expenses and build your product pricing according to your findings. If you do not know your total shipping costs, any shortfalls will chew away at your margins.

In conclusion, if your business is not exporting it is missing out on a treasure trove of potential profit. For more information about Comerica Bank's international trade assistance visit the corporate website at [www.comerica.com](http://www.comerica.com) and click on Global Services. Caroline V. Brown can be reached at (310) 297-2852 or [cvbrown@comerica.com](mailto:cvbrown@comerica.com).

July 2006

# Black Business News

YOUR LINK TO BLACK BUSINESS ENTERPRISE IN SOUTHERN CALIFORNIA

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## Corporate Leadership Brings About Outstanding Leaders

by Dean L. Jones



Charles E. Shepherd, Vice President-Western Market, Corporate Purchasing

How well do major financial lenders respond to the old adage about placing your money where your mouth is? Well, COMERICA Bank does not have any idle talk when it comes to growing small business and placing its money on sound employee investments.

COMERICA Bank wants to broaden its diverse supplier market by using the proven methods gained from the outstanding management experience of Charles E. Shepherd. In January of this

year, COMERICA Bank appointed Shepherd to the position of Vice President-Western Market, Corporate Purchasing.

There are numerous business models employed by major buying entities to enhance their participation with diverse suppliers. Shepherd's background exemplifies the type of large-scale improvements with minority-owned and operated businesses throughout the State of California. His dedicated work expands over 25 years working closely with the minority business community and legislative activity surrounding small business issues.

Prior to his acceptance to work at COMERICA'S Western Market, based in San Jose, California, Shepherd worked for Silicon Graphics, Inc. in Mountain View and before that served 22 years in management with Pacific Gas and Electric headquartered in San Francisco. In each of these sizeable corporations his leadership helped to guide these companies to a combined annual spend increase greater than a billion dollars with minority-owned business enterprises.

Shepherd's experience includes an innovative and good record of

accomplishment with elevating the use of high-tech firms. His present appointment will call upon some of the same skills. In view of that, he is directly in charge of seven national contract buying requirements for COMERICA Bank that include copiers, facsimiles, vehicle allowances, ergonomics, printing, promotional items, and mailing equipment. His geographical span of responsibility extends from Arizona to California, emphasizing the Los Angeles and San Francisco areas.

Shepherd will be identifying the champions inside of COMERICA Bank that have a high level of commitment toward the success of its supplier diversity program. These champions will help to influence the decision making process for diverse supplier inclusion. He noted, "...sometimes these managers are an invisible part of the organizational buying matrix, but they can help to serve as change agents, sustaining us as a superior world-class corporation in the area of economic development."

COMERICA Bank is adding banking centers throughout the state and is increasing its service access within the black business community. Toward this expansion, Shepherd will add the identification of professional service needs and match those requirements with qualified diverse companies. He is familiar with incorporating effective use of legal,

## Corporate Leadership Brings About Outstanding Leaders

accounting, insurance, and bonding companies as part of the core business of a major buying organization. For example, Golden State Mutual Life Insurance Company benefited from his purchasing management experience with PG&E, enabling this diverse professional firm to earn a portion of the insurance pension activity with the corporation.

Shepherd knows the value of bundling corporate contracts to enhance the competitive pricing and broader service capacity from its suppliers. Notwithstanding, he will review currently bundled contracts to determine where unbundling may better effect diverse supplier inclusion for COMERICA Bank. "This represents one small example that will forge an excellent purchasing environment within the culture of our company," states Shepherd.

As a result, Shepherd believes that he is in the right place at the right time, mainly due to the company's diversity initiatives for community involvement, multicultural hiring, supplier engagement, and small business lending and financial products. The corporate objectives are clearly set for enhancing COMERICA'S use of diverse suppliers, striving to make it a seamless part of how the company conducts business. He understands that this will take a consistent effort on the part of the entire organization working on all cylinders, taking its directive from the headquarters based in Detroit, Michigan.

This corporate top-down pronouncement adds to the importance of having a companywide commitment for the supplier diversity effort to make progress. Likewise, Shepherd insists that

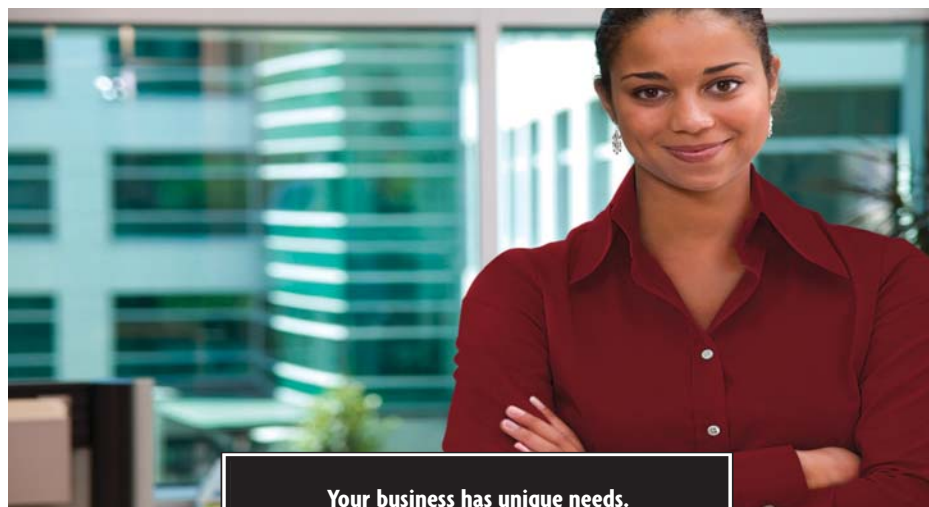
small business suppliers seek to balance their service levels with price, quality, and timely service delivery.

Shepherd outlined that Comerica has already incorporated where possible supplier diversity into individual performance management plans throughout the organization -- primarily because the organization knows it will take many key players who influence buying design parameters to persuade small business decision outcomes.

Shepherd is excited about the opportunities set forth in his new role and looks forward to meeting new suppliers along the way. He takes pleasure in working with minority trade groups such as the Black Business Association, Greenlining Institute, and Southern

California Minority Development Council. Serving as a testimony for his work with small and diverse businesses, he was bestowed the Corporate Coordinator of the Year Award in 2003 by the Northern California Supplier Development Council. The U.S. Department of Commerce, United Nations and U.S. General Services Administration have honored his work on five distinct occasions for increasing the use of diverse suppliers with federal contracts.

Should you want to know more about COMERICA Bank's supplier service opportunities, Shepherd's email address is CEShepherd@COMERICA.com. Alternatively, his telephone is (408) 556-5151. ☺



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