

New kind of business lender studied by state

By Tim Richard
staff writer

It wouldn't be a bank. It wouldn't be a venture capital firm seeking high-risk, high-profit investments.

A "BIDCO" would be somewhere in between. And several local businessmen are enthusiastically supporting a bill to create this new class of state-regulated financial institution in Michigan.

"It's apparent this financing niche is not being addressed by banks or venture capitalists," said Rick Beer, president of Cambrian Capital Corp. in Farmington Hills.

Beer and others testified last week before the Senate Economic Development Committee on a bill to allow creation of Business and Industrial Development Corporations — BIDCOs.

THEY GOT a warm reception from Chairman Harry DeLoach, R-Battle Creek, sponsor of Senate Bill 564. DeMaso sees BIDCOs as a method of attracting capital fleeing Hong Kong, which is due to be taken over by the Republic of China (Communist China) at the end of the century. His committee will hold another meeting Nov. 19.

Richard Francis, merchant banker with Carleton, Ward & Co. in Birmingham, supported it on behalf of the 2,500-member Small Business Association of Michigan, of which he is president.

"They will offer a new source of private funding to those persons who have a good idea but are unable to get it to the marketplace because they lack the necessary start-up or expansion money," Francis testified.

At the same time, state regulation

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Richard Francis, president
Small Business Association of Michigan

will allow investor confidence in BIDCOs.

BEER, WHOSE Cambrian firm offers management and capital help for starting businesses, said BIDCOs could be of special help to fledgling companies with a "negative net worth" — more debts than assets.

Banks can't lend to such firms because banks must have collateral. "But

a BIDCO make performance-oriented decisions rather than balance sheet-oriented decisions," Beer said.

Francis, a former state banking commissioner in the Milliken Administration, agreed. "Federal bank examiners would classify a loan to a firm with a negative net worth as a bad risk," he said.

Beer said BIDCOs could either loan or invest in firms seeking technology

modernization and product development funds. BIDCOs also could offer management assistance for compensation — "It's something banks cannot do."

A PREVIOUS device, called Business Development Corporations, allowed under a 1943 law, hasn't worked, according to Murray Brown of the State Financial Institutions Bureau. No such corporations were chartered, Brown told the Senate panel.

William E. Holmer, president of Onset, Inc., of Roseville, said, "We see the need for 20 to 25 such growth funds — to distinguish ourselves from venture capitalists who — rightly so — demand a high return because of high risk."

Although the Michigan Bankers Association has yet to take a position on

SB 564, one bank president endorsed the bill.

"Banks can't take big risks," said N. James Fitzgerald of East Lansing State Bank. "The money banks lend is not their money. It's the depositor's money." But he said his "modest-sized bank" would be interested in forming a BIDCO as a joint venture with another firm.

FRANCIS SAID other investors which might find BIDCOs attractive are savings and loans, insurance companies, trust funds and pension funds.

"BIDCOs are not competition for any existing institution. They are complementary to our lending system," he said.

BIDCOs could help companies with financing packages that included debt, equity and royalties, Francis said.

Bill to stop voter fraud OK'd

A bill designed to eliminate the potential for election fraud has been approved by the Michigan Senate and sent to the House.

Senate Bill 329, sponsored by state Sen. Patrick McCollough, D-Deerborn, is aimed at reducing the potential for election fraud by restricting the process of delivering absentee ballots to local clerks.

The measure passed Nov. 5 by a vote of 32 to 2. All area senators supported the bill.

"LAW ENFORCEMENT officials have testified about abuses in the absentee ballot process, particularly in local elections," said McCollough, whose district includes Garden City.

"While the legislature has taken steps to encourage voter participation by liberalizing the absentee ballot process, the potential for abuse has also increased."

"Most of the abuse comes from aggressive and overzealous campaign workers who solicit applications for absentee ballots and appear at the voter's home shortly after the ballot has been mailed by the local clerk."

"There are documented cases of ballots being turned over to a campaign worker

and eventually turning up missing or altered in some way."

SPECIFICALLY, the bill would restrict who could return a voter's absentee ballot. The proposal specifies members of the voter's family, household resident or persons deputized by the local clerk for the purpose of collecting absentee ballots.

The proposal would also require a person delivering an absentee ballot to do so within one business day after receiving the ballot from the voter.

"One local clerk received a massive number of absentee ballots between 6 and 7 p.m. on election day, and in another community nearly 600 of 900 absentee ballots were received in the mail on election day,"

McCollough noted.

"This appears to be part of a strategy to prevent the opposition from knowing how many absentee ballots have been solicited and returned, but it casts a shadow over the process."

Patrick Foley, Wayne County assistant prosecutor who has been involved in two major investigations of elections fraud within the last three years, told a Senate subcommittee that McCollough's bill would substantially reduce the problem.

"If only a member of the family or the voter's household could return it, then outsiders who engage in massive returns of such votes would clearly be illegal. I think it would reduce the fraud substantially."

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