

# House wrestles with bill to create new lenders

By Tim Richard  
Staff writer

A business financing bill that sailed through the Michigan Senate is facing rougher waters in the House.

"My gut feeling is this smells," said state Rep. William Keith, D-Garden City. He was one of only two votes Tuesday as the House Economic Development Committee reported out the amended bill with a recommendation for passage.

The bill would create a new class of financial institution called a BIDCO — for Business and Industrial Development Corp. Its market position would be riskier than a bank's but not as risky as a venture capital firm.

SUBURBAN BUSINESS people — particularly from Troy, Birmingham and Farmington Hills — were strongly in favor of Senate Bill 564 as Sen. Harry DeMaso, R-Battle Creek, guided it through the upper chamber last December.

In Tuesday's vote, the bill was supported by Republicans W.V. (Sandy) Brotherton of Farmington and Lyn



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Banks of Livonia plus Democrat Maxine Berman of Southfield.

The theory is that banks are limited because they must insist on physical assets as a basis for loans. Venture capital firms are interested in equity positions in companies that can grow rapidly and generate high earnings.

A BIDCO could provide loans, equity investments, leases of prop-

erty or royalty-based financing or some combination.

Customers are seen as new firms, service industries and computer software firms.

No state but California has anything like BIDCOs — and that's part of what bothered Keith.

*'We'd be creating something no other state has any experience with,'* said Keith, a bank manager himself until his election to the legislature in 1972.

He voiced two objections:

• "BIDCOs can charge any interest on any kind of loan. There's no criminal usury after this."

• "A BIDCO would take control of a business by making a loan with all sorts of covenants — high interest rate, equity, a share of profits."

"I'm thinking of the family-owned business where the people have put their life savings into it. Obviously, you've got a business that's undercapitalized to begin with," Keith said.

BROTHERTON, minority vice chairman of the 20-member committee, said he too was worried about "unscrupulous" lenders but thought the bill contained protections.

"For a BIDCO to take control of a company, it would have to get approval from the state," said Brotherton, pointing to the bill's article 6.

That article would prohibit a BIDCO from acquiring control of a firm without the prior approval of state Financial Institutions Bureau Commissioner Eugene Kuthy.

It also spells out percentages of ownership a BIDCO could have before it would be deemed to have control of a firm.

Kuthy, former West Bloomfield businessman and lawyer, supports the bill. So does the Small Business Association of Michigan. The Michigan Bankers Association is not opposed — and indeed some banks have said they will consider getting licenses to set up BIDCOs.

Rep. Berman, seconded by Banks, won approval of amendments requiring Kuthy's office to report annually

on the number and dollar amounts of financing assistance provided by BIDCO licenses.

Assistance to minority-owned and women-owned businesses also would be reported. So would the number of jobs created by BIDCO financing.

Kuthy accepted the amendments.

## Michigan National names new officer

Robert J. Mylod, chairman and chief executive officer of Michigan National Corp., has announced the appointment of K. Larry Hastie as executive vice president of the corporation's investment banking unit.

Hastie was vice president and chief financial officer of J.P. Industries, Ann Arbor, and served eight years with the Bendis Corp. of Southfield where he was treasurer and vice president.

He has a bachelor's degree from DePauw University, master of business administration degree in finance and doctorate in managerial economics from Cornell University.

## State economy 'still lags'

Michigan Business Activity Index (MBAI) increased one point in December to close the year at 137.

Overall, the index increased by 5.9 percent in 1985, compared with a record gain of 13 percent in 1984.

"The year 1985 saw respectable but unspectacular growth for Michigan," said Manufacturers Bank associate economist Patrick L. Anderson. "Our unemployment rate finally dropped below 10 percent, and automobile sales nationally reached near-record levels."

"However, despite Michigan's im-

provement, it still lags the nation in labor force, income and population growth.

"Because Michigan's proycyclical economy normally exaggerates the national business cycle, we would expect to perform better than the nation during these times of economic recovery," Anderson said.

December's increase resulted from improved labor market activity, offsetting declines in auto and steel production. Automobile sales improved from the depressed level of November.

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