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'Business' use of bank funds defended

By Tim Richard
staff writer

"There was always a mixture of business and pleasure," said Edwin B. Jones, a retired Michigan National Bank official he defended the conduct of his former boss, Stanford C. Stoddard.

Even at the wedding of Stoddard's daughter, Betsy, "business was discussed," Jones testified Tuesday in a federal hearing into Stoddard's alleged misuse of bank funds.

Stoddard, 55, board chairman of Michigan National Corp. from 1972 until he was forced to quit in 1984, has a career at stake. The Comptroller of the Currency, which regulates national banks, wants to fine Stoddard \$500,000 and bar him from life from banking — a business he would like to get back into.

THE FEDERAL agency last week completed a month of prosecution testimony aimed at proving he misappropriated more than \$150,000 of bank and holding company money.

Specifically, comptroller charges the money was misused on Stoddard's homes in Birmingham and elsewhere, weddings for members of his family and facilities for Mormon churches across Michigan.

The scene is makeshift quarters on the second floor of the federal building in Ann Arbor. The white-haired man with the "Judge" label on his desk is Thomas Jones, an administrative law judge from Grand Rapids who usually hears Social Security cases.

Although entitled to a closed hearing, Stoddard sought a public hearing and is conducting an aggressive defense.

Edwin Jones, a Mormon like Stoddard, was a key witness in that defense. Now a Utah resident, Jones said he started with the bank as a trainee in 1957 and rose through the ranks to become president from 1984 until his retirement in 1985.

"A GOOD investment" was how Jones described the so-called "missionary apartment" in a Michigan National building at 14 Mile and Crooks roads in Oakland County.

He said Mormon missionaries were given use of the apartment, and they would "superintend the property at night" without pay.

Their services were valuable because lights could go off, a fire could start or the air conditioning could go off, Jones said.

Asked by defense attorney Richard M. Roberts about entertainment Stoddard conducted in his Birmingham home, Jones said it was "business-oriented" and involved "bank-related people."

For his own part, Jones said, "I seldom go anywhere without people asking me business questions."

In the "family spirit" that existed at the bank, Jones said, employees could use bank trucks to move, and snowplowing was performed for "certain officers and directors."

BUT WHEN comptroller attorney Ellen Broadman

The comptroller's case is that Stanford C. Stoddard circumvented normal procedures in using Michigan National Bank property and personnel for personal and Mormon projects.

asked Jones whether he charged off his own entertainment to the bank as business expenses, the former president answered, "I did not have the type of guests at my place that Mr. Stoddard did at his."

It was the kind of answer Broadman wanted. The comptroller's case is that Stoddard circumvented normal procedures in using bank property and personnel for personal and Mormon projects.

For example, Jones said the holding corporation's buildings and properties division "in some cases" re-

ported to him as president and at other times to chairman Stoddard. "He made his own arrangements," Jones said.

Broadman asked if Jones thought Stoddard ought not to use the buildings and properties division to make contributions to Mormon church renovation projects.

"I thought that was better — not that his way was wrong," Jones replied, noting that the Mormon headquarters in Utah often matched private gifts to local churches.

"In many cases it turned out I was wrong and he was right," Jones added.

Broadman produced papers showing Jones reimbursed the bank \$135 for a truck he borrowed for personal use, basing the amount on rental agency rates.

DEFENSE ATTORNEY Roberts had two outsize Mormon church officials testify that members did most of the work on church renovation projects and that Stoddard supplied only materials and used equipment.

"The bank delivered surplus materials to the church — pews, (used) carpeting from bank offices, a used office desk," said Richard Sirjon, former vice president of the Crystal Falls branch of the Mormon church.

Church members did the cleanup, wiring, patching and repair of the heating system, Sirjon said.

"Members did it all," said Robert C. Newman as he described a renovation project at the Ludington branch of the Mormon church where he was president for 12 years.

Seeger predicts moderate economic growth in '87

By Bill Parker
staff writer

There seems to be an unusual amount of uncertainty clouding the short-run economic outlook. But the general consensus forecast is for continued moderate economic growth with low inflation, according to Dr. Martha R. Seeger, chairwoman of the Federal Reserve Board Research and Statistics Committee.

In addressing the Planning Forum of Detroit at Oakland Hills Country Club last week, Seeger, a former Oakland University professor, said she was cautiously optimistic about the U.S. economy for the next year or so.

Despite a substantial decline in interest rates, the economy has remained sluggish. A major factor holding down economic growth has been the growing international trade deficit. Because of the overvalued dollar and more rapid growth in the United States than by most of our trading partners, a large share of the demand for consumer durable goods has been met by imports, according to Seeger.

But the 30 percent reduction in the value of the dollar since its peak last year, together with the slowdown in U.S. growth, should theoretically turn the U.S. trade position around. So far there is little evidence of such an improvement.

"In fact, we are all turning a little blue holding our breath waiting for this to occur," Seeger said.

THE STRENGTH of the dollar does have some positive aspects. It helps keep U.S. inflation at a rate lower than we've experienced since the mid-'60s, and with the additional help of declining oil prices, inflation has dropped even lower this year.

Despite this, many observers warn of a sharp increase in inflation late this year or next.

Seeger disagrees. "I think inflation will remain subdued. My optimism is based on evaluation of the economic fundamentals. Commodity prices, for example, have declined on balance for about two years. And these price declines have not yet been fully reflected at the consumer level. More-



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— Martha Seeger

over, there is excess capacity worldwide for most raw commodities.

"Because many commodities are produced by developing countries in need of dollars to service their external debts, any pickup in world demand is likely to be reflected chiefly in higher production rather than higher prices."

According to Seeger, the decline in consumer price index between January and April of this year was the steepest since 1949. This should help insure the fifth consecutive year of consumer inflation at or below 4 percent.

BUT SEGER is cautious and explained that there is the possibility of the economy taking a drop.

There are a few areas of strength in the economy, but they are offset by areas of weakness.

"The primary risk is not that the economy will overheat and rekindle inflation, but that the weak sectors will somehow overwhelm the pockets of strength, tipping the economy into a recession," said Seeger. "But with the right policy choices we can avoid such an outcome and keep the economic expansion alive for the rest of this year and next."

Seeger is also optimistic about the long-run outlook for the housing industry. A healthy housing industry signals increased spending in consumer products such as appliances and furniture.

The good news on inflation and real income also should support a couple of good years for the U.S. auto industry. Lower gasoline prices should also improve sales overall and possibly tilt demand toward larger U.S. cars.

"That doesn't imply that the U.S. auto industry will have an easy time of things," Seeger said. "Even with price increases on foreign cars, their sales have remained very strong. U.S. companies may very well have to rely on incentive financing deals and price restraint to keep their share of the world market."

In evaluating the short-run economic outlook, Seeger said there were still some old problems hanging around such as debt burdens, which hamper the economic prospects of developing nations, the competitiveness of U.S. industry in the world market and the associated danger of rising protectionism. She said at last check there were more than 300 bills in Congress offering protection to someone.

Also, farm sections will most likely remain depressed with spillover effects damaging banks, businesses and communities in rural America.

"Taking all of these factors into consideration, I expect the economic expansion to continue at a moderate rate and inflation to remain subdued over the next year," Seeger said.

Businesses told to expect state government help

By Kevin Brown
staff writer

It was a stark symbol of troubled economic times: On a frigid January morning nearly five years ago, a man picked through a garbage can for food, a faded UAW insignia on the raincoat he wore.

"We've come a long way since then," said the jagger who recalled the scene — Jack Russell, director of Innovation and Technology Services for the Michigan Department of Commerce.

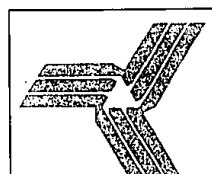
Yet, Russell warned local business

people, "I see some firms that are out there sleeping."

Russell told more than 100 businesspeople recently gathered at the Southfield Hilton: "Unless you are aggressive about modernization, you've got a problem."

Or, more accurately, problems — industrial erosion taking away jobs and revenues as innovative foreign and out-of-state entrepreneurs develop more efficient ways of supplying the auto industry.

Saying this scenario is unacceptable, Russell urged his audience to



The Michigan Technology Council will present a program on expert systems Tuesday, Sept. 30, at the Southfield Hilton. The schedule includes applications in materials and logistics, control and inspection, machine monitoring applications, and sales support tools. For more information, call 747-3048.

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Defense meets charges head on

Attorney Richard M. Roberts Tuesday unveiled his strategy in the defense of Stanford C. Stoddard.

He said the defense will show:

- Gifts to churches made by Stoddard were "charitable contributions."
- The buildings and properties division of Michigan National did work for other officers and directors besides Stoddard.
- "You do conduct business" at weddings (a reference to charges that bank money was used to pay for

Stoddard family weddings). "It's a matter of style. The entertainment was business-oriented."

• The "missionaries apartment" was a business decision to furnish guard service to a bank property.

• Comptroller made a "bad faith" deal with the bank when one of its officials, Karen Wilson, told the Michigan National board on July 18, 1984, the government would drop its investigation if Stoddard would resign as chairman. Stoddard quit next day, but the government continued to go after him.

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