

# 'Personal friends'

## Director backs Stoddard's practices

By Tim Richard  
staff writer

"The best way to get and keep a customer was to be a personal friend."

That's how former Detroit Director J. Jacob says he does business. And that's how he said his personal friend and business associate, banker Stanford C. Stoddard, should do business.

At a federal court hearing investigating Stoddard's years at Michigan National Corp. banks, Jacob said that entertainment and personal friendships were important parts of doing business, and that those expenses should be paid by the companies — "absolutely, of course."

As chairman and chief executive of Dayco Corp., a diversified manufacturer in Dayton, Ohio, Jacob also served on the board of MNC, the third largest bank holding company in Michigan, from the early 1960s until March of 1985. Stoddard has served on Dayco's board since 1975.

"IT'S VERY important to become a personal friend. Customers become your friend," Jacob said when asked about Stoddard's business development methods.

Stoddard's lawyer asked Jacob whether he would invite business associates to his daughter's wedding and charge expenses to his company.

"Of course I would," Jacob replied without hesitation, adding, "Our tax laws allow that, you know."

Did Jacob attend Stoddard's daughter's wedding and stay in the Kingsley Inn at bank expense?

"Yes, I think you show that courtesy to directors, customers and prospective customers, new and old. I've never been with Mr. Stoddard where business hasn't been discussed."

### AND FLOWERS?

"We send them flowers for every reason we can think of — marriage, funeral, divorce, the mother-in-law's funeral."

Jacob said he would sign his own or his wife's name to the card, but not Dayco's, though he would charge it to the company. The corporate name would be "not personal," he said.

"If a customer wants to fish, we fish. If he wants to hunt, we hunt. Anything within reason."

And charge it to the company?

"I certainly do."

JACOB WAS a defense witness in the six-week-old hearing in which the Comptroller of the Currency, the regulator of national banks, is seeking to fine Stoddard \$500,000 and bar him from nationally chartered banks for life. The government says Stoddard, 55, misallocated \$150,000 of bank and holding company money for use on his houses, his family and Mormon church projects.

Jacob was asked about a point of great dispute — whether a Comptroller regional official named Karen Wilson made a deal with the MNC board of directors. In this alleged deal the government would agree to halt its investigation of the bank's dealings if Stoddard were ousted as chairman.

Jacob said such a deal was made by Wilson and the MNC board the afternoon of July 18, 1984.

"The gist was, you better get rid of Stoddard or we'll put individual lines on the directors — up to \$1,000 a day — and start removal proceedings against the board," Jacob said.

JACOB SAID the board agreed Stoddard had to go, but Jacob persuaded them to let Stoddard resign rather than remove him.

Jacob was part of the delegation that went to Stoddard's Yacoub Avenue home in Birmingham that evening. "If he heard it from a friend, he would take it easier and understand it better," Jacob said. "Truthfully, we were begging the man to resign, or the board would remove him."

He said the board agreed to work out some kind of compensation for Stoddard when, as they expected, he was cleared of charges.

Jacob made no secret of his admiration for Stoddard. The bank's growth in his years of chairman (1972-84) was "phenomenal. He's one

of the country's great bankers — ingenuity, creativeness."

GOVERNMENT attorney P. Stacey Powers said Jacob's version of the board meeting was a minority viewpoint; that other directors did not indicate Wilson of the Comptroller's office made a deal in order to get Stoddard out of the bank.

The defense Friday wrapped up its second week of witnesses. The hearing was adjourned until Oct. 14 while administrative law judge Thomas Jones takes a vacation.

While the setting is much like a courtroom, with court rules and transcripts, Powers said Jones won't actually find Stoddard guilty or innocent.

"He will issue recommendations to the OCC (Office of the Comptroller of the Currency) and the Federal Reserve Board," she said. The comptroller will decide whether to fine Stoddard; the Fed, whether to bar him from banking.

While such cases are usually heard behind closed doors, Stoddard requested a public hearing to clear his name.

His defense lawyers contend the expense Stoddard charged to the

company and banks were legitimate; that they were standard business practice; and that other bank officers had a hand in approving the expenditures.

ELLEN BRODMAN, chief government attorney, did not cross-examine Jacob but intensely grilled an earlier witness, Phillip Schmidt, an accountant and consultant to Stoddard's defense lawyers.

Brodman's questions sought to show that the banking company lacked good written policies and procedures for work done on Stoddard's and the bank's properties. Schmidt stoutly held that the lack of a written policy was minor.

Brodman asked about company work on the home of Jennie Stoddard, the banker's mother, in the family's Harbor Springs compound. While the elder Mrs. Stoddard reimbursed the bank for work done on a closet, Brodman insisted "the rate was too low. Benefits, fringes, equipment and overhead should have been charged."

When she charged that four men worked on the closet, Schmidt replied, "I have seen the closet, and I don't see how four men can work on that closet."

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