

Michigan National: No 'bargain basement' sale

By Tim Richard
staff writer

Michigan National Corp. has a future as an independent retail and small business bank, in the emphatic view of Robert Mylod, the new chairman and CEO of the state's second largest financial holding company.

"I didn't come here for the drill of selling your institution to bargain basement hunters," Mylod told the annual stockholders meeting in the Birmingham Theater.

Although severely criticized by one stockholder for failing to report details of Comerica Inc.'s offer to merge, Mylod was praised for rejecting the offer. Comerica proposed MNC shareholders trade each of their shares for 0.72 Comerica shares — an effective price of \$26.50 at a time when MNC was trading for about \$17.

"THAT PRICE (Comerica's) is below the book value (\$30) of Michigan National Corp. and doesn't begin to represent the future value," said the 45-year-old chairman, who came to MNC four months ago from the Federal National Mortgage Association.

He likened MNC, which reported a profit in 1984 after losing money in 1983, to a Rocky Mountain flower called saxifrage, Latin for rock-breaker, and so called because it breaks down rock, creates soil, digs its roots and survives under hostile conditions.

After reporting first-quarter earnings of \$5.2 million or 42 cents a share, up 23 percent from the previous year, Mylod promised a long-range "strategic plan within a year."

Predicting a national trend toward deregulation, Mylod reported MNC will move its credit card operation from Lansing to South Dakota because Michigan's 18 percent usury law is costing MNC \$11 million in revenues a year. The two-hour meeting had the tone of a pep rally, highlighted by a 30-min-

ute videotape narrated by radio personality J.P. McCarthy. It featured a Jewish businessman, a Polish-American couple from Detroit's east side, a former professor turned stained-glass maker, and a black vice president — all paying glowing tributes to MNC's helpfulness and independence.

"If it ain't broke, don't fix it," said McCarthy, a stockholder, in apparent reference to the Comerica offer.

AN ANGRY Birmingham stockholder of 30 years told Mylod, "You should allow more time for questions and less time for J.P. McCarthy. Incidentally, you might tell us how much you paid McCarthy."

Mylod ignored the question. MNC went through a period of troubles when a major loan went sour and Chairman Stanford C. Stoddard was forced to resign over charges of misuse of bank funds. It suspended dividends in 1984, but Mylod said "our board is generally committed to reinitiating a dividend and reviews the question carefully each quarter."

Asked by a stockholder what factors the board would use in deciding to pay a dividend, Mylod replied it would be "return on equity" once the company has "consolidated and expanded the capital base."

MNC's 1284 return on equity was 6.24 percent, according to the annual report. Mylod didn't say what the return on equity should be before a dividend would be paid.

Three times stockholder Harry Carson asked Mylod what action was taken against MNC officers responsible for \$200 million in loan losses. Three times Mylod ignored the question, saying only that "whatever actions are necessary" were taken.

DESPITE THEIR tough and even angry questions, stockholders voted for all three bank proposals of the board of directors. With 8.8 million of the 11.2 million outstanding shares represented,

stockholders:

- Re-elected 15 men to the board of directors with 87 percent of the votes.
- Approved an increase in the number of authorized common shares from 16 million to 20 million with 75 percent

of the vote.

- Approved a program of incentive stock options for employees by 76 percent.

On the proposal to increase authorized shares, H. Perry Driggs Jr., vice

president and treasurer, said the additional shares could be used for stock splits, stock dividends, acquisitions and "defensive measures."

AFTER THE meeting, this newspaper

per asked how the additional shares would be used to impede a potentially hostile takeover by Comerica. The question was referred to Clark B. Hinckley, vice president for planning and finance.

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