

**MICHIGAN BIDCO ACT (EXCERPT)**  
**Act 89 of 1986**

**487.1505 Forms, terms, and conditions of financing assistance; participation in program of small business administration; compliance; scope of management assistance; purpose of financing assistance or management assistance; exercise of incidental powers; extension of credit; interest; violation as felony; penalty; "interest" defined.**

Sec. 505.

(1) A licensee may determine the form and the terms and conditions for financing assistance provided by that licensee to a business firm including, but not limited to, forms such as loans, purchase of debt instruments, straight equity investments such as purchase of common stock, preferred stock, or membership interests, debt with equity features such as warrants to purchase stock or membership interests, convertible debentures, or receipt of a percent of net income or sales, royalty based financing, guaranteeing of debt, or leasing of property. A licensee may purchase securities and membership interests of a business firm either directly or indirectly through an underwriter. A licensee may participate in the program of the small business administration under section 7(a) of the small business act, Public Law 85-536, 15 U.S.C. 636, or any other government program for which the licensee is eligible and which has as its function the provision or facilitation of financing assistance or management assistance to business firms. If a licensee participates in a program referred to in this subsection, the licensee shall comply with the requirements of that program.

(2) Management assistance provided by a licensee to a business firm may encompass both management or technical advice and management or technical services.

(3) Financing assistance or management assistance provided by a licensee to a business firm shall be for the business purposes of that business firm.

(4) A licensee may exercise incidental powers to carry on the business of, or are reasonably related to the business of, providing financing assistance and management assistance to business firms.

(5) Except as provided in subsection (6), in connection with an extension of credit by a person to a licensee or an extension of credit by a licensee to a limited liability company or a business entity as defined in section 1 of 1970 PA 52, MCL 438.61, the parties may agree to any rate of interest, including a rate in excess of the rate set forth in 1968 PA 259, MCL 438.41 to 438.42.

(6) In connection with an extension of credit described in subsection (5), a person shall not knowingly charge, take, or receive money or other property as interest on the loan at a rate exceeding 25% simple interest per annum. A person who violates this subsection is guilty of a felony punishable by imprisonment for not more than 5 years or a fine of not more than \$10,000.00, or both. As used in this subsection, "interest" does not include anything of value that is contingent on the performance or value of the borrower including, but not limited to, a percentage of net income of the borrower, royalties, stock in the borrower, warrants to purchase stock in the borrower, and convertibility of debentures.

**History:** 1986, Act 89, Imd. Eff. May 1, 1986 ;-- Am. 1997, Act 150, Imd. Eff. Dec. 2, 1997