5 PUTTING CAPITAL TO WORK

SOURCES OF CAPITAL TO FINANCE WORKERS' COOPERATIVES

INTERNAL FINANCING

EXTERNAL FINANCING

Money primes the pump of any business. Worker-owners, despite their own capital contributions—which are frequently substantial and when combined often total as much as 40 percent of the fixed capital required—need to know the principles of business finance, the distinctive finances of labor-managed cooperatives, and potential sources of capital.

Money is needed to organize the firm, to provide equipment and a place to work, to meet the expenses of daily operation including salaries and taxes, and to use when the going gets tough. There are two kinds of capital in the labor-managed enterprise—equity capital and debt capital.

Equity capital is provided by worker-members. It is the sum of their membership contributions, and it is what makes workers owners. On a balance sheet, equity is called net worth, and the sum of money left when all the liabilities (money owed to any other firm or person) are subtracted from the total assets. The formula can be stated this way: "Total assets minus total liabilities equals net worth or owner equity."

Debt capital is the short and long-term credit extended by banks, other businesses, individuals, or governmental agencies. There are two principle kinds of debt capital: mortgages which are most often used to finance fixed assets like buildings or equipment; and lines of credit, credit certificates, or straight loans, all of which are used chiefly for current financial needs like payroll, inventory, and purchasing raw materials. The firm's working capital can be measured by subtracting total current liabilities from total current assets. The formula is: "Current assets minus total current liabilities equals work-

ing capital."

Current liabilities include accounts payable to suppliers, to members (including the individual membership accounts), accrued expenses such as taxes, interest payments on loans which are unpaid, notes payable to lenders within one year, and payroll. Current assets include cash on hand or in banks, all accounts receivable, inventory, notes that are collectible within one year, prepaid rent or insurance, and any other expense paid for but not used until some time in the future.

The balance sheet of a worker-owned enterprise differs in several ways from a traditional firm where capital controls labor, and from an employee-owned corporation such as an ESOP. In a traditional firm, profits are distributed to shareholders. In most firms a portion of the profits are retained to provide a reserve or to expand the business by purchasing new buildings or equipment; the remainder is distributed to shareholders who may or may not be workers but who have voting rights. The retained earnings increase the value of each share of stock. Therefore, the bulk of the capital value gained goes to those holding the largest number of shares. A contribution of capital, not of labor, gives the right to vote. The more capital contributed, the more votes furnished to control the firm.

In a pure labor-managed cooperative only workers are shareholders, and each may own only one share of stock. When profits are distributed, either as retained earnings or as actual cash or "patronage dividends" to each shareholder, every worker benefits in proportion to rate of pay, skill level, experience, and responsibility. This idea is one of the Basques' most important contributions to the historical development of cooperatives. The Basques' way of putting capital to work has been adopted around the world.

They divide a member's share into two parts, giving each differing but related functions. First, a member's share insures a right to vote, certain other membership rights, and the right to a share of any profit or loss. These constitute the political rights of worker-ownership. Second, a share assigns the net worth of the company's assets to a system of internal member savings accounts. One account must be established for each worker. The initial balance in these accounts is the membership contribution. These are the economic rights of the worker-owners. They derive from the contribution of labor, not the purchase of shares.

When the worker-owned cooperative divides net income at the end of a fiscal year, every member's account is credited

with a sum equal to that of all other workers making the same wages at the same skill level, experience, responsibility, and number of hours worked. If the firm loses money or, in balance sheet language, the net income is negative, each member's share of the loss is subtracted from the balance. Interest is paid on funds in each account at a rate determined by the board of directors.

On the Basques' balance sheets these devices are called internal accounts. Economist David Ellerman, who first applied this idea to American worker-owned cooperatives, called them internal membership accounts. Regardless of what they are called, the Basques' ingenious way of adding value to each member's share while adding value to the cooperative has solved two vexing problems which prevented labor-managed enterprises from flourishing. First, they were able to keep the cost of a membership share low enough to allow new worker-owners to buy in when older members wanted to leave the cooperative or retire. And second, they provided a way to prevent shares from being sold to outsiders, resulting in the loss of worker control. These problems were major impediments to maintaining worker control in the Pacific Northwest plywood cooperatives; their origins can be traced to Rochdale. The system of internal accounts also solved the problem faced by marketing co-ops which distributed all of their net income to their member-patrons on an annual basis, a practice that left them with no working capital each new year.

A look at the differences between a conventional balance sheet and one appropriate for the distinctive needs of a labor-managed enterprise is useful. Charts 5-1 and 5-2 illustrate how members in a worker-owned cooperative can put their money to work.

Sources of Capital to Finance Workers' Cooperatives

Historically, banks or similar lending agencies have been loathe to put a nickel at risk in worker-owned firms. They have offered nearly as many excuses for this reluctance as there have been efforts to get loans. Governments have been familiar with cooperatives for many years and have promoted them actively among farmers, fishing or craft industries, and for marketing farm products. But they, too, have kept away from and even refused to assist worker-owned industrial

Chart 5-1

CONVENTIONAL BUSINESS BALANCE SHEET

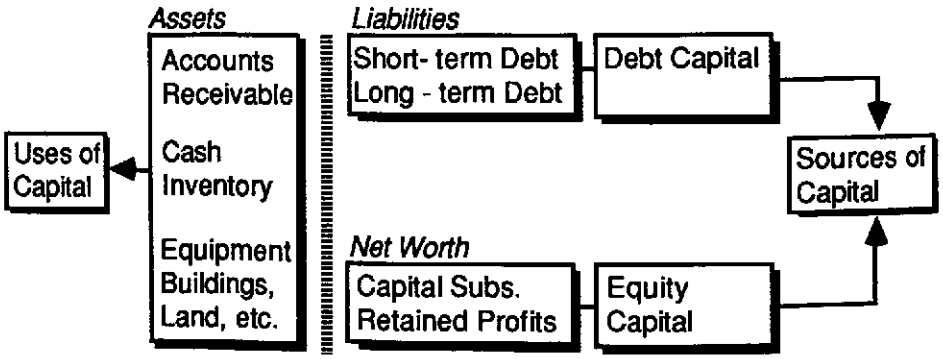
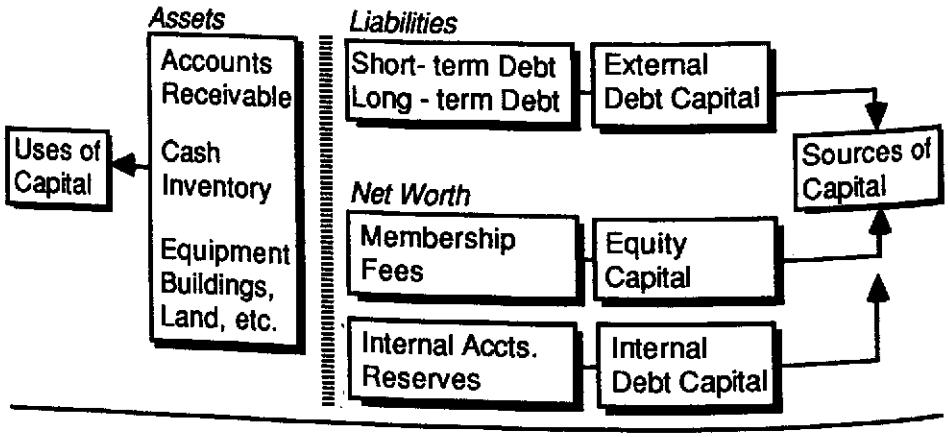


Chart 5-2

LABOR-MANAGED COOPERATIVE ENTERPRISE BALANCE SHEET



cooperatives until recently. Capital has been hard to come by for workplace democracy.

Internal Financing

There was no lending agency to finance the Basques who founded the first worker-owned factory during the height of the Franco regime. Money came from their own pockets or from friends and relatives. From the start, Mondragon workers used internal accounts to finance their own growth. Ellerman has said that the internal accounts "helped insure the stability and dynamic growth of the whole complex." (1)

At first, Basques reinvested 70 percent of the net income (profits) in the cooperative by crediting each member's internal account. The remaining 30 percent was divided into two parts with about 10 percent going to provide education aimed at fostering new vocational skills or cooperative abilities within the company or community, and about 20 percent going into the collective retained earnings account for the proverbial rainy day and to finance capital expenditures. Today, those figures have been revised. Usually 50 percent of net income is contributed to the internal accounts, 40 percent to retained earnings, and 10 percent to education.

Over the years the value of a share of stock in a successful business increases, this is called capital gains. As workers retire they want to pocket the accumulated result of their labor. In conventional employee-owned corporations, like the plywood cooperatives in the Northwest, the tendency has been to sell shares to outsiders. Younger potential worker-owners cannot afford to buy a share (at a price of $50,000 or more) and enter the firm. Gradually, as more and more shares are sold to outsiders, workers are no longer owners controlling corporate affairs.

When a worker-owner retires from or quits one of the Basque cooperatives, the membership certificate or ownership share is automatically forfeited back to the cooperative. The balance in the member's internal account—the original membership fee plus accumulated earnings and interest—is paid to the former worker-owners over a specified period of time. The internal accounts keep the price of a share at a level which job-seekers or potential members can afford. A person hoping to join the cooperative pays a membership fee to purchase one share, which is a capital contribution equal to the contribution of every other member, thus putting that person "at equal risk" with fellow workers. This contribution can be paid in installments, or all at once.

The internal account for a new worker-member, which starts with only the value of the one share, grows with the addition of the member's share of net income each year, plus interest paid for the use of the money. In effect, the Basques established a generational revolving loan fund which provides capital for expansion and modernization, and prevents shares from escaping worker control. At the same time, the system allows each worker-owner to receive a share of the profits earned over the years of membership, which can be withdrawn at the time of departure or retirement.

The balance sheet of a worker-owned cooperative at the

Chart 5-3

THE WORKER-OWNED COOPERATIVE
BEGINNING BALANCE SHEET

Assets		*Liabilities*	
Current Assets			
Cash	$43,000.00	Short term debt	$0.00
Accounts Receivable	0.00	Notes Payable	100,000.00
Inventory	75,000.00	Accounts Payable	0.00
Prepaid Supplies	12,000.00		
Prepaid Expenses	13,500.00	*Long term debt*	
		Term Loans Payable	25,000.00
Fixed Assets			
Land & Buildings	250,000.00	Mortgage Payable	200,000.00
Equipment	100,000.00		
		Total Liabilities	$325,000.00
		Net Worth	
		Membership Fees (equity)	175,000.00
		Individual Accounts	0.00
		Reserves	0.00
Total Assets	$500,000.00	*Liabilities & Equity*	$500,00.00

time of start-up would appear something like the illustration in Chart 5-3. The figures used are those in the business plan for The Worker-Owned Cooperative in Appendix H.

Charts 5-4 and 5-5 show how the individual member's internal account would reflect the net profits, or growth, of The Worker-Owned Cooperative over periods of five and twenty years. (The approximate working life of an average member-owner is twenty years.) For the sake of illustration, we assume sales growth of 42 percent in 1987, 23 percent between 1988 and 1990, 17 percent from 1991 and 1995, 13 percent between 1996 and 2000, and 8 percent from 2001 and 2005. The charts also assume that all 35 original workers are paid the same wage rate and work for the full 20 years; 50 percent of the annual net income is allocated to the members' internal accounts, 40 percent to reserves (retained earnings), and 10 percent to education. The charts assume a constant net profit margin of 7.7 percent per year during each of the

Chart 5-4

THE WORKER-OWNED COOPERATIVE
CUMULATIVE VALUE OF MEMBER INTERNAL ACCOUNTS 1986-1990

	1986 $	*1987* $	*1988* $	*1989* $	*1990* $
Sales	1,250,000	1,779,250	2,182,235	2,679,236	3,293,000
Sales Growth	---	42%	23%	23%	---
Profit Percentage	0.03	0.05	0.08	0.08	0.08
Net Profit	39,625	71,704	102,566	200,943	246,978
Allocation of Profits in Total for 35 workers					
Internal Accounts @ 50%	19,813	35,809	51,163	100,242	123,044
Reserves @ 40%	15,850	28,682	41,026	80,377	98,790
Education @ 10%	3,962	7,170	10,257	20,094	24,697
Allocation of Profits by Worker/owner					
Internal Accounts per worker per year	566	1,023	1,462	2,864	3,516
Cummulative Internal Accounts (Distribution for current year + previous balance + interest)	566	1,589	3,051	5,915	9,431

NOTE: Interest of 7.5% on the previous year's internal accounts balance is subtracted from the total (50 percent) allocation to worker-owners before distribution.

17 years following the first three-year start-up phase when profits were 3.17 percent, 4.03 percent and 4.7 percent respectively, and that the board of directors have voted to pay an annual interest of 7.5 percent on the member internal account balances.

Chart 5-5

THE WORKER-OWNED COOPERATIVE
CUMULATIVE VALUE OF INTERNAL ACCOUNTS 1986 - 2005:

	1986-1990 $	*1991-1995* $	*1986-2000* $	*2001-2005* $
Allocation of Profits				
Net Profit	661,812	2,026,888	3,965,100	6,320,989
50% (less 7.5% interest on member allocations for prior years) to internal accounts	330,072	1,006,261	1,960,844	3,112,839
Allocation of Internal Accounts per Worker-Owner				
5-year allocation	9,431	28,750	56,024	88,938
Cumulative balance	9,431	38,181	94,205	183,143

The use of internal financing mechanisms poses dilemmas for North Americans. In order to maintain incentives and encourage reinvestment of surplus, a significant portion of the capital must be owned by individual worker-members. America and Canada have dynamic economies with constantly changing conditions and technology. This makes labor mobility desirable. And that is a dilemma. How do you minimize the conflict between the three objectives of high mobility, equity accumulation, and appropriately structured incentives for reinvestment of surplus?

If the time horizons of cooperative worker-owners are short, as they seem to be in capitalist corporations and their shareholders, then capital accumulation to finance investment may be inhibited and plans for long-term growth distorted.

The historically low mobility of the Basque workforce has diminished the conflict between these objectives, permitting rapid growth and capital accumulation. Their experience suggests that in America these obstacles may be less severe when internally financed, or when worker-owned businesses are established in rural areas or as part of a regional development strategy. It also suggests that the successful worker-owned businesses must adopt effective human resource development policies encompassing quality of worklife pro-

grams to minimize turnover, and including implementing job rotation, retraining, and skill upgrading to facilitate workforce flexibility, adaptability, and internal mobility. Worker-owners must be able to acquire new work skills and take on new job assignments as business conditions change.

External Sources of Capital

Self-financing aside, there are additional sources of financing to help purchase or start a worker-owned business. Listed below are general categories of these lending sources. (2)

Special Credit Sources for Cooperatives. At this writing there are three special credit sources available to worker-owners in the United States. Each has its own set of objectives and requirements. For additional information contact them directly.

- ☐ **The ICA Revolving Loan Fund,** Suite 1127, 20 Park Plaza, Boston, MA 02116. Tel: (617) 338-0010. The ICA Revolving Loan Fund provides a source of conventional loans and "membership equity" financing to worker cooperatives in their initial stage, making it easier for low-income, blue-collar or women workers to put together a successful financing package.

- ☐ **The Self-Help Credit Union,** P.O. Box 3259, Durham, NC 27705. Tel: (919) 683-3016. The Self-Help Credit Union supports worker-owned businesses and fosters local community development in North Carolina. In addition, the Self-Help Ventures Fund, a non-profit subsidiary, arranges financing for worker-owned firms in low-income, and minority communities.

- ☐ **The NCB Development Corporation,** 1630 Connecticut Ave., N.W., Suite 201, Washington, D.C. 20009. Tel: (202) 745-4670. The NCB Development Corporation is the development finance affiliate of the National Cooperative Bank (NCB), which was created in 1980 to provide loans and technical assistance to consumer, housing, and worker cooperatives. The bank was originally established by the federal government, but became self-sufficient through the sale of stock to customers. The bank is now a private institution, but it has established a com-

panion private foundation to give technical assistance and lower interest loans to eligible borrowers. Under its charter, the NCB can extend up to 10 percent of its assets to worker cooperatives.

NCB loans are made at market rates for up to 10 years. The bank provides both senior financing and subordinated financing, has fairly conventional underwriting standards, requires cooperative members to have an equity investment, and prefers co-participation by local private lenders. Borrowers are required to purchase NCB stock and must pay the loan closing costs out of their own resources.

- **Church and Foundation Sources.** Several churches have established loan programs for cooperative, community-based or minority business ventures. Some foundations make program-related investments to worker-cooperatives or help capitalize other investment sources which act as intermediaries. Because these philanthropic sources provide high-risk capital at favorable rates of interest, they should be explored by worker cooperatives who have low-income members, by minority or blue-collar workers facing job loss, and by women.

- **State and Provincial Programs.** During the past decade several states and provinces have responded to the problems of plant closing by passing legislation to save threatened firms and revitalize their economies. In New York, Massachusetts, Pennsylvania, Connecticut, Oregon and Washington, this legislation has included loan funds to provide money for modernization, employee buyouts, and other capital needs of threatened firms.

  In Canada, in October 1985, the provincial government of Manitoba launched an Employment Cooperative Program (ECP) to foster the creation of new worker co-ops, conversions, and rescues of threatened firms. The ECP assists prospective co-ops with "bridged" financing until a satisfactory financial package including worker equity and private sources can be put together. The bridging financing can include loans, forgivable loans, grants, loan guarantees, or various combinations as needed.

  The Oregon Economic Stabilization and Conversion Fund was created in 1986 to underwrite feasibility studies and provide partial financing (matched with other private investments) to workers and other groups in the state desirous of saving their jobs and creating new jobs to fur-

ther process the raw materials produced in Oregon. The intent of the legislation is to foster worker and community-owned enterprises. Money to finance the program is coming from a state lottery.

Typically, a variety of sources, both internal and external, are tapped to obtain financing for a worker-cooperative. Be sure and find out whether your community or state has any special financial programs available to help start worker-owned businesses, either new start-ups or conversions of existing businesses.

Private Financing Sources

There are several major private financing sources for small businesses, including labor-managed cooperatives—commercial banks, asset-based lenders, commercial mortgages, leasing, and venture capitalists.

Commercial Banks. Commercial banks will lend money only when they can reasonably predict if and when a company can repay. As a result, they offer short-term, medium-term, or long-term debt financing to businesses which can demonstrate in a business plan the ability to repay loans.

Commercial banks usually require some form of collateral to secure loans and, in the case of closely held companies, personal guarantees. They do, of course, lend primarily against the strength of the business. If a customer is financially strong, a bank may lend on an unsecured basis. A worker-owned cooperative should establish a good relationship with a local bank to obtain credit on reasonable terms, and for other banking services.

Insurance Companies. While insurance companies have not been lenders to cooperatives, the investment division of Consumers United Insurance Company is now considering loans to worker-owned enterprises.

Asset-based Lenders. Another financial institution is the asset-based lender, including commercial finance companies and secured lending departments of banks, e.g., C.I.T. Financial Co. or Chase Commercial Co. They lend to high-risk companies that more conservative lenders shy away from, securing loans with accounts receivable, inventory, or

machinery and equipment, while generally charging several interest points above the prime lending rate. Asset-based lenders do not lend on an unsecured basis. They depend upon the self-liquidation of collateral to repay loans and to cover losses on their higher risk.

Because these lenders look for quality receivables and readily marketable assets, service businesses and construction companies are considered poor lending prospects.

Commercial Mortgages. Purchasing land and buildings as well as refinancing them are the main purposes of commercial mortgages. Commercial mortgages are available from commercial banks, thrift institutions, insurance companies, and commercial finance companies. They make loans of up to 80 percent of the value of property on the credit strength of the business. Loans are typically made at interest rates several points above residential mortgage rates and for 10 to 25 years.

Leasing. Leasing is an alternative to purchasing buildings, machinery, or equipment. Banks, equipment-leasing companies, private-leasing arrangements and limited partnerships are among the sources of lease financing for small businesses. Lease payments represent a business expense when figured for tax purposes. This provides a tax advantage compared with the purchase of a comparable asset on credit; the loan enters the books as a liability on the business' balance sheet. A leased building or piece of machinery is considered to be an "off-balance sheet" form of financing which does not worsen a business' debt/equity ratio. Also, IRS regulations require different types of leasing arrangements to meet certain criteria in order to receive favorable tax treatment.

Venture Capitalists. Venture capitalists make high-risk investments in new businesses, usually on an equity basis (common or preferred stock, convertible debentures or debt with warrants). They invest expecting significant capital gains—which requires the firm being financed to experience a combination of growth and liquidity. Normally, this means the business eventually will be sold or will "go public" with a stock offering.

Venture capitalists usually want repayment terms which are tailored to support growth. For example, the principal payments on debentures are waived until the business is on solid financial ground. Venture capitalists also often want to

be represented on the board of directors. Because they want an equity stake and representation on the board of directors, obtaining money from venture capitalists is generally not compatible with the ideal of worker-ownership and control.

Public Financing

Three federal agencies offer funds to help small businesses, including the Small Business Administration (SBA), Economic Development Administration (EDA), and Department of Housing and Urban Development (HUD). Additionally, some states have agencies which provide funds for economic development.

Small Business Administration. The SBA has several programs intended to help small businesses acquire capital. However, two cautionary notes about the SBA: First, SBA procedures are slow and cumbersome, making it time consuming and difficult to obtain loans. Second, Congress recently debated abolishing the SBA or its major loan guarantee programs, voting to reduce the loan funds available to the SBA. For more information about SBA loan programs contact an SBA office. (See Appendix E)

- ☐ **Regular Small Business Loan Guarantee Program (7a).** This program offers loan guarantees to small businesses unable to obtain financing in the private market. Funds are available for construction, expansion or conversion, and the purchase of fixed assets and working capital. SBA loan guarantees are available to worker-owned cooperatives. Guarantees are for up to 90 percent of the loan amount with a maximum of $500,000. The borrower must find a local bank willing to lend with the loan guarantee and demonstrate that the firm is unable to obtain funds without the guarantee. Interest rates are 2.75 points above prime for a loan of seven years or more, and 2.25 points above prime for a loan of less than seven years. SBA also asks for personal guarantees when collateral pledged is not considered sufficiently strong.

  Under the Small Business Administration Employee Ownership Act of 1980, ESOPs became eligible for SBA loan guarantees with terms similar to the 7a loan guarantee program.

- ☐ **Local Development Companies (Section 503).** The SBA Local Development Company Program offers financing

to individual firms through intermediary Local Development Companies (LDCs). LDCs are local corporations established specifically to leverage SBA funds. The SBA guarantees the debentures floated by the LDC to raise money for small business financing. LDCs lend for 'bricks and mortar" or to buy land and buildings, for plant construction, expansion or modernization, and to purchase machinery and equipment. Businesses receiving assistance must have a net worth of under $6 million and net profits of under $2 million. The SBA can guarantee up to $500,000 in debentures issued by the LDC; however, 50 percent of the cost of any project financed must come from outside sources. Interest rates for the money made available by the LDC vary depending upon when the debentures are sold.

- **Small Business Investment Companies (SBICs) and Minority Enterprise Small Business Investment Companies (MESBICs).** SBICs are privately owned venture capitalist firms which provide financing assistance to small businesses through equity-type lending: common and preferred stock, long-term loans of five to twenty years, and convertible debt or loans with warrants. The SBICs are licensed and regulated by the SBA. To qualify for assistance a business must have assets of less than $9 million and a net worth of less than $4 million.

Economic Development Administration (EDA). Under EDA Title IX, special assistance grants can be made to community economic development organizations to aid communities faced with "severe and sudden economic dislocation." The dislocation, usually a major plant closing or bankruptcy, must have occurred within the previous twelve months or be expected to occur within two years. EDA Adjustment Planning Grants are available to develop long-range plans for economic stability and to implement approved adjustment plans. These grants range from $200,000 to $5 million. The federal government usually funds 75 percent of the plan. Funds can be used for many purposes, including starting revolving loan funds.

Community economic development organizations can use Title IX financed revolving loan funds to make loans which retain or attract new businesses in distressed areas. They also provide money for technical assistance, and loan guarantees on amounts over $500,000. However, they do not provide

assistance to enterprises in industries faced with overcapacity, and all applicants must pass this test. An EDA Title IX grant was used as part of the financing for the South Bend Lathe ESOP buyout.

Department of Housing and Urban Development (HUD). Local governments can use Urban Development Action Grants (UDAG) to revitalize economically distressed urban areas. UDAG grants have been used for low-interest loans to finance employee buyouts. As the loans are repaid, the money can be used for additional business lending within the community. Funds are designed to complete industrial, commercial or residential projects, create jobs, strengthen tax bases and contribute to economic revitalization. UDAG money has dollar and financial leverage standards. To be considered, a project must have a written commitment of private matching money and have the local political jurisdiction's support. UDAG grants range from $100,000 to $14 million. UDAG funds were part of the financial package used in the Hyatt-Clark Roller Bearing employee buyout in New Jersey, and in the Rath Packing worker buyout in Iowa. However, in 1985 Congress reduced UDAG grant funds by 20 percent.

For more information about UDAG grants, contact local community officials.

Farmers Home Administration (FmHA). FmHA has a Business and Industrial Loan Program which makes loan guarantees for businesses in rural areas. FmHA is a quality lender, not a lender of last resort. Loan guarantees can be made for normal business purposes and range from $11,000 to $50 million. Collateral is required to secure the loan guarantees and normally amounts to 10 percent equity for existing businesses and 20 percent for new businesses. Loans cannot exceed 30 years duration for land, buildings and permanent fixtures, 15 years for machinery and equipment, and 7 years for working capital.

For more information about FmHA programs, contact your state FmHA office or the national office in Washington, D.C.

The Department of Health and Human Services, Office of Community Services has made some money available for worker buyouts, as has the National Rural Development Office in the Department of Agriculture.

State and Local Sources. At the state and local levels there

are several potential sources of funding for worker-owned cooperatives.

☐ **Industrial Revenue Bonds (IRBs).** IRBs are interest-bearing debentures issued by state or local governments through Industrial Revenue Authorities to make direct loans to businesses. The interest rates are usually somewhat lower than commercial loans because the interest on the loans is exempt from federal income tax and from state income tax in some states.

A business applying for IRB financing must find a lender who will accept the bonds. Funds then flow from the lender to the state or local government Industrial Development Authority which passes them through to the business borrower. Loans are repaid with revenues generated.

IRBs have generated some opposition in Congress which has tightened their rules. They are supposed to be used for construction, acquisition, or improvement of commercial or industrial plants or to buy equipment. Working capital cannot be financed. While IRBs vary in size from $200,000 to $10 million, typically businesses receiving funds of less than $1 million have no restrictions on capital spending.

☐ **Other State and Local Programs.** Many states have funded high-tech capital funds to attract Silicon Valley style growth. Massachusetts and Wisconsin have created public or quasi-public community development finance corporations. Information about these agencies can be obtained from local or state offices of economic development or commerce.

Several communities have used UDAG money to set up venture- capital funds to attract new businesses to their communities. North Greenbush, New York, used a $750,000 HUD economic development grant to invest in eight start-up companies, including a biotechnology concern and a computer-networking-system business. Some observers say the town is limiting its return on investment by restricting money to companies that settle within its boundaries. Community leaders nevertheless expect that in five years they will double their money while generating 1,500 new jobs. The town plans to cash in its investments if the eight companies start making money. Profits, if any, can be used to pay for future development. HUD approved

a second grant of $400,000 in 1985 to keep the program going, and the town expects to apply for at least one more grant. The success of the North Greenbush program is attracting considerable attention. (3)

A Time to Vote

Having reached the point where finances are seriously discussed, and plans have been drawn up, your group may want to take another vote *before* signing any loan agreements. The question to decide is: Do we agree to take the risks associated with this loan?