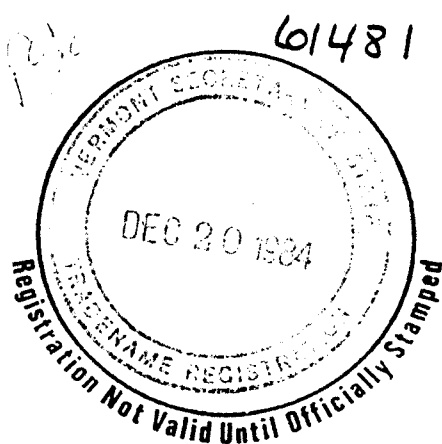




VERMONT SECRETARY OF STATE

Montpelier, Vermont 05602
802-828-2386

TRADENAME REGISTRATION



Please print or type, except signatures.

TRADENAME: People and Prosperity

Business location: 28 Main St., Montpelier, VT 05602
(Street) (Town) (State & Zip)

Date business began: December 19, 1984

Nature of Business: Any and all activities related to community economic development

Name and residences of all individuals, co-partners and members or corporate name and address:
(attach list if you need additional space)

Name	Street	Town	State & Zip
Carol Major	28 Main st.	Montpelier	Vermont 05602
Peter Lowry	248 Main St.	Montpelier	Vermont 05602

PROCESS AGENT: If you are a non-resident doing business in Vermont, you must appoint a VERMONT individual or corporation to act as your process agent.

PLEASE NOTE:

1. The purpose of the registration law is to provide a means whereby the public can know who owns, or is responsible for, a business. Therefore, you must notify the Secretary of State of any change of address for the business or process agent or whenever there is a change in ownership, members, or co-partners.
2. No person or business can acquire exclusive rights to generic or geographic words.
3. Mail original registration to Secretary of State with \$20.00 filing fee.
4. A validated copy of this tradename registration will be returned to you as proof of your registration. This registration will be valid for ten years from the date of validation.

(MAIL ONE VALIDATED COPY TO YOUR TOWNCLERK. (FEE \$3.00))

See reverse side for additional information.

I certify that the information stated above by me is true and accurate.

Signature: Carol Major
applicant signature

Date: 12/19/84

Before me: Charlette L. Hoyt
notary public signature

2/10/87
date commission expires

For Office Use Only: checked by CP approved by BP

See reverse side for additional information.

12/20/84

Note to readers:

The following is presented for informational purposes only. No offering is made or intended through these documents.

People & Prosperity is currently involved in two projects. The first is the East Burke Appropriate Development Corporation (EBADC). EBADC was formed to purchase, renovate and develop the Darion Inn and Farm in East Burke, Vermont. The Corporation plans to employ 43 people within six months, 38 year round in this area of seasonal jobs.

The current owner has agreed to finance \$700,000 of a purchase price of \$1,250,000 at 10% interest over ten years. Another \$1,000,000 must be raised to close the deal, complete renovations and provide the necessary working capital for the first 18 months of operations. (These figures are subject to change following a qualified appraisal and architect's evaluation. This will be done by March 22, 1985) Our Financials indicate this project is feasible provided a good portion of the needed capital is in the form of equity or deferred debt.

One of the major strengths of the EBADC is in it's management. Besides Carol Major and Peter Lowry the management team includes:

General Manager - David Huber

Mr. Huber has twelve years of experience in the Vermont resort industry. He has strong skills in modern management, marketing and property development. For the past six years he has worked at the Trapp Family Lodge in Stowe, Vermont, a famous destination resort and cross-country ski area.

Land Management Manager and Head Gardener - Scott and Patty Manning

Mr. & Mrs. Manning are native Vermonters and have over forty years of combined experience as farmers and woodlot operators. They currently own and operate a small farm in Northfield, Vermont.

Maintenance Manager - Joseph Grailey

Mr. Grailey has extensive experience in maintenance, repairs and caretaking. This experience includes plumbing, heating, appliance and car repair, electrical work and renovations.

Please see additional information and Financials.

People & Prosperity is also involved in finding financing for Clean Air Technologies, Inc.,(CAT) currently in Lyndonville, Vermont. CAT has developed an energy conservation and pollution control product. Start-up costs of \$600,000 are anticipated and 300 jobs could be created within two years. Please see attached prospectus for specifics.

We believe there is an appropriate site at the Darion Farm property for this business.

For further information on either company contact Carol Major or Peter Lowry at People & Prosperity, 28 Main St., Montpelier, Vermont 05602, (800) 535-3551, in Vermont, Alaska or Hawaii call collect (802) 223-3911, after 5pm and on weekends (802) 223-5442.

No.

ARTICLES OF ASSOCIATION

OF THE

EAST BURKE APPROPRIATE
.....

DEVELOPMENT CORPORATION
.....

STATE OF VERMONT

Secretary of State's Office

Filed January 8 19 85

James H. Douglas
.....

Secretary of State

ARTICLES OF ASSOCIATION

The name of the corporation shall be .THE.EAST.BURKE.APPROPRIATE.DEVELOPMENT.CORPORATION

The initial registered agent shall be ...Carol Major.....
(NOTE: A Corporation CANNOT be its own registered agent)

with registered office at ...28 Main Street, Montpelier, Vermont 05602.....

The corporation shall be located at ...28 Main Street, Montpelier, Vermont 05602.....

The operating year shall be? Calendar ...December 31..... Fiscal ...December 31.....
(Dec. 31) (Month-day)

If a fiscal year ending is not specified, the calendar year ending December 31st shall be designated as your fiscal year ending.

The period of duration shall be (if perpetual so state)Perpetual.....

Please check appropriate box:

- ☒ Vermont General Corporation (T. 11, Ch. 17)
- ☐ Vermont Professional Corporation (T. 11, Ch.3)
- ☐ Vermont Non-Profit Corporation (T. 11, Ch. 19)

¶This corporation is organized for the purpose of:

Here set out purposes
clearly and briefly,
using separate para-
graphs to cover each
separate purpose.

Acting as the sole general partner in a limited
partnership to develop and manage the Darion Farm
property located in East Burke, Vermont.

Carrying on
/any and all activities related to marketing, financing, and
creating services that further the development and profit
potential of the above property..

The East Burke Appropriate Development Corporation will
endeavor, whenever possible, to create opportunities for
local community involvement, workplace democracy, and
shared equity in all its activities.

EACH VERMONT CORPORATION MUST FILE AN ANNUAL REPORT WITHIN TWO AND ONE HALF
(2½) MONTHS AFTER THE EXPIRATION OF ITS FISCAL YEAR ENDING.

The following information regarding shares must be completed by business corporations. Non-profit corporations cannot have shares.

The aggregate number of shares the corporation shall have authority to issue is

.....shares, preferred, with a par value of (if no par value, so state)
.....200.....shares, common, with a par value of (if no par value, so state) fifty (50) dollars.....

If preferred shares are provided for, state here briefly the terms of preference.
If shares are to be divided into classes or series, state here the designations, preferences, limitations, and relative rights of each class or series.

Directors: Business corporations with three or more shareholders must have at least three directors. If there are fewer than three shareholders, the number of directors may be equal to, but not less than, the number of shareholders.

Non-profit corporations must have at least three directors.

The initial board of directors shall have.....three (3).....members with the following serving as directors until their successors be elected and qualify:

~~Having named fewer than three directors hereby state that the number of shareholders does not exceed the number of directors~~

Names must be Printed or Typed under all signatures, No. 101 Acts of 1965.

Name	Post Office Address
.....Carol Major.....28 Main St., Montpelier, Vermont 05602.....
Carol Major	
.....Peter Lowry.....248 Main St., Montpelier, Vermont 05602.....
Peter Lowry	
.....Susan Meeker-Lowry.....248 Main St., Montpelier, Vermont 05602.....
Susan Meeker-Lowry	

Dated at ..Montpelier, Vermont....., in the County of ...Washington.....
this ..eighth.....day of ...January....., 19 85.

Incorporators	Post Office Address
.....Carol Major.....28 Main St., Montpelier, Vermont 05602.....
Carol Major	
.....Peter Lowry.....248 Main St., Montpelier, Vermont 05602.....
Peter Lowry	

IN ADDITION TO ALL THE PRECEDING INFORMATION VERMONT PROFESSIONAL CORPORATIONS MUST COMPLETE THE CERTIFICATE ON THE LAST PAGE OF THIS APPLICATION.

The East Burke Appropriate Development Corporation
and the
Darion Inn and Farm in East Burke, Vermont



MLS
MULTIPLE LISTING
SERVICE OF CVBR

EXCLUSIVE RIGHT TO SELL

— READ ALL TERMS AND CONDITIONS —

NO.

B

NO.

ROOMS

BED.

BATHS

GAR.

PRICE: \$ 1,250,000

DIRECTIONS TO PROPERTY:

Rt. 2 to St. Johnsbury, I-91 to exit 23. Lyndonville, Rt. 5 to Rt. 114. Go into East Burke, 1c after Mobil Station in East Burke. Left at fork top of hill.

Four-season recreation complex in various stages of development suitable for destination resort, health spa, dude ranch plus year-round sports center, conference or executive retreat, condominiums complementing Florida winter refuge spots -- in short an ideal nucleus for a multipurpose development centered around 7 principal buildings, 4 auxiliary structures on 650 acres of open and wooded land.

Unparalleled location on high ridge with superb views of nearby Burke Mountain to the east and Green Mountain range to the west. Interstate 91 is less than 10 miles away. Amenities within 15 mile radius: Lake Willoughby, with outstanding fishing and water sports, Burke Mountain with Burke Mountain Academy (training center for future Olympic Alpine skiers), state college, boarding school, hospital, shopping centers.

THE OWNER WARRANTS ACCURACY OF THIS INFORMATION. ALL DIMENSIONS ARE APPROXIMATE.

LOCATION: Darling Hill Road

CITY/TOWN: East Burke, VT

At present, the INN BUILDING and the BRICK CREAMERY provide 23 guest rooms with private baths, two diningrooms, seating 100, 4 parlors (2 with fireplaces), library, manager's 3-bedroom, 2-bath apartment plus 2-bedroom apartment, fully equipped commercial kitchen remodeled in 1979 in stainless steel.

BUNK HOUSE (3 floors 1350 sq. ft. per floor): 2 private bedrooms, 30 bunk beds, 6 showers, 5 toilets, 6 lavatories, kitchen, diningroom, livingroom.

PIGGERY: hot tub, 4 saunas (under construction), 4 massaging rooms, -- balance maplewood pens.

MORGAN HORSE BARN (2 floors, 4600 sq. ft. per floor): one 3-bedroom, 2-bath apartment, ski-touring office, 18 standing stalls.

CATTLE BARN (3 floors, 18,250 sq. ft.) reputed to be largest barn in Vermont. 1200-seat summer theater, 4 weathervanes, vast storage area.

WORK HORSE BARN (2 floors, 3200 sq. ft. per floor) 24 standing stalls, 2 box stalls, tack room, hay loft, clock tower (clock works), open sheds.

And then there are an icehouse, original barn, tool shed, straw barn, sewage system, heating plants, etc. Photos and details of price and financing on request. Free brochure. Shown by appointment only.

MAIN HOUSE

8200 sq. ft. living area

- 13 Guest rooms with private baths
- 3 parlors - 2 fireplaces
- library
- office
- linen room - fully stocked

Apartment - 3rd floor

- 2 bedrooms
- bath
- kitchen
- Living room and dining area

Apartment 1st floor (Managers)

- 3 bedrooms
- 2 baths
- kitchen
- dining room
- living room
- wood burning stove

Basement (Full)

- stone foundation
- 2 oil fired boilers (1 steam, 1 hotwater)
- oil fired domestic hot water

CREAMERY

3300 sq. ft. per floor

2nd floor

- 10 guest rooms with private baths

1st floor

- 1 parlor
- 2 dining rooms (seating 100)
- kitchen - fully equipped (remodeled in 1979 all stainless)
- 3 reach in refrigerators
- 1 reach in freezer
- Hobart dishwasher
- 2 ranges with hood
- 3 work tables
- 6 x 8' walk in box
- broiler
- chest freezer

All dishes, utensils, tableware,

Basement (stone foundation)

- game room - *PUB*
- lounge*
- storage and wine room*
- bollex room*

oil fired hot water BASEBOARD HEAT
oil fired domestic hot water

MORGAN HORSE BARN 4600 sq. ft. per floor

Apartment

- 3 bedrooms
- 2 baths
- kitchen
- dining room
- living room

Heat

- Electric
- Wood burning stove

Ski Touring office

- grooming equipment
- rentals
- display cases
- 2 wood burning stoves
- 18 standing stalls
- 4 box stalls

COW BARN 3 full floors - 18,250 sq. ft. per floor

- 4 weathervanes
- 120 seat summer theatre
- maintenance shop
- vast storage area
- stone foundation

WORK HORSE BARN 3200 sq. ft. per floor

- 24 standing stalls
- 2 box stalls
- tack room
- hay loft
- few open sheds
- operating tower clock
- 220' open sheds

BUNK HOUSE 3 floors 1350 sq. ft. per floor

- 2 private bedrooms
- 30 bunk beds
- 6 showers
- 5 toilets
- 6 lavatories
- kitchen
- dining room
- living room
- oil fired hot air heat
- oil fired domestic hot water

PIGGERY

- hot tub (8')
- 4 sauna rooms (under construction)
- 4 massaging rooms
- area not touched in remodeling is all Maple pens

OTHER BUILDINGS

- ice house
- orginial barn
- tool shed
- straw barn

WATER SUPPLY

- 540' drilled well supplying approximately 50 gallons per minute
- 5 horse power deep well pump
- 700 gallon pressure tank

SEWERAGE SYSTEM

Main house and creamery

- 2 septic tanks 1500 gal, 2500 gal to distribution box and approximately 1200' drainage ditches

Bunk house

- 1 1000 gallon septic tank
- 2 dry wells

Both systems approved by State Health Department

Inn is fully equipped with linen, bedding, dishes, flatware, cooking equipment and all miscellaneous items necessary for operation.

THE DARION INN - EAST BURKE, VERMONT
Inventory Listing as of February 20, 1985

MAIN INN BUILDING

Attic Apartment: (4) twin beds, (2) dressers, (1) table, (1) coffee table, (1) refrigerator, (1) range, (1) sofa, (4) pictures, (1) end table. Drafting table does not remain.

Room #1: (1) double bed, (1) twin bed, (1) dresser, (2) lamps, (2) nightstands, (1) upholstered chair, (1) straight chair, (3) pictures, (1) mirror, wall-wall carpeting.

Room #2: (1) double bed, (1) dresser, (2) lamps, (1) nightstand, (1) upholstered chair, (1) straight back chair, (2) pictures, (1) mirror, wall-wall carpet.

Rooms #3 & #4: (1) double bed, (2) twin beds, (2) dressers, (4) lamps, (2) nightstands, (2) upholstered chairs, (1) straight chair, (5) pictures, (2) mirrors, wall-wall carpet.

Room #5: (1) double bed, (1) dresser, (2) lamps, (2) nightstands, (1) upholstered chair, (1) straight chair, (2) pictures, (1) mirror, wall-wall carpet.

Rooms #6 & #7: (1) double bed, (2) twin beds, (2) dressers, (4) lamps, (3) nightstands, (1) upholstered chair, (2) straight chairs, (4) pictures, (2) mirrors, wall-wall carpet.

Room #8: (1) double bed, (1) dresser, (2) lamps, (2) nightstands, (1) upholstered chair, (1) straight chair, (3) pictures, (1) mirror, wall-wall carpeting.

Room #9: (1) double bed, (1) dresser, (2) lamps, (1) nightstand, (1) upholstered chair, (1) straight chair, (3) pictures, (1) mirror, wall-wall carpet.

Room #10: (2) twin beds, (1) dresser, (2) lamps, (1) nightstand, (1) straight chair, (3) pictures, (1) mirror, wall-wall carpet.

Rooms #11 & #12: (1) double bed, (2) twin beds, (2) dressers, (5) lamps, (2) nightstands, (2) upholstered chairs, (1) straight chair, (5) pictures, (2) mirrors, wall-wall carpet.

Room #13: (1) double bed, (1) dresser, (1) lamp, (1) nightstand, (1) upholstered chair, (1) picture, (1) mirror, wall-wall carpet.

Living Room #1: (2) upholstered chairs, (1) sofa, (1) table,

(1) end table, (2) lamps, (1) straight chair, (4) pictures.
The piano does not remain.

Library: (2) upholstered chairs, (1) settee, (3) lamps, (1) table, (1000-1500) books, (6) pictures.

Office: (1) safe, (1) desk, (1) table, (1) desk chair, (1) four letter-drawer/nine card-drawer filing cabinet.

Living Room #2: (7) upholstered chairs, (2) straight chairs, (1) coffee table, (2) pictures, (1) lamp, (1) mantle clock.

Owner's Quarters: (1) pot-bellied stove, (1) electric refrigerator, (1) four burner gas range and oven, (1) Maytag clothes washer. The remaining items belong to and will be taken by the current owner.

Miscellaneous: Each double bed has two pillows, each twin bed has one pillow. There is linen on hand for a minimum of three changes per bed. There is also a minimum of three changes per occupant of bath towels, hand towels and washcloths. There are two vacuum cleaners in this building. There is also one extra blanket per bed in every room or in storage.

CREAMERY BUILDING

Room #1: (1) double bed, (2) twin beds, (1) dresser, (2) lamps, (1) nightstand, (1) straight chair, (2) pictures, (1) mirror, (1) braided oval rug.

Room #2: (1) double bed, (1) twin bed, (1) dresser, (2) lamps, (1) nightstand, (2) straight chairs, (3) pictures, (1) mirror, (1) braided oval rug.

Room #3: (1) double bed, (1) dresser, (2) lamps, (1) straight chair, wall-wall carpet.

Room #4: (1) double bed, (1) dresser, (2) lamps, (1) straight chair, wall-wall carpet.

Room #5: (1) queen bed, (1) dresser, (3) lamps, (2) nightstands, (1) upholstered chair, (1) straight chair, (4) pictures, (1) mirror, (1) large rectangular area rug.

Room #6: (1) double bed, (1) twin bed, (1) dresser, (2) lamps, (1) nightstand, (1) upholstered chair, (1) straight chair, (5) pictures, wall-wall carpet.

Room #7: (2) twin beds, (1) dresser, (2) lamps, (1) nightstand, (1) upholstered chair, (1) straight chair, (2) pictures, (1) mirror, (1) braided round area rug.

Room #8: (1) double bed, (2) twin beds, (2) dressers, (5) lamps, (2) nightstands, (1) upholstered chair, (1) straight chair, (3) pictures, (1) mirror, wall-wall carpet.

Room #9: (1) double bed, (1) dresser, (2) lamps, (1) nightstand, (1) straight chair, (3) pictures, (1) mirror, (1) throw rug.

Staircase and 2nd floor Hallway: (1) framed painting, (2) straight chairs, (3) wooden benches, (1) antique oak vertical file case. There are (2) vacuum cleaners in this building.

Kitchen: (3) Glenco refrigerators, (1) Glenco freezer, (1) Vulcan six burner gas range and oven, (1) Southbend gas grill and stand, (1) Garland four burner gas range with two ovens, (1) Hobart commercial dishwasher complete with stainless steel tables, stands, etc., (1) small apartment sized refrigerator-presently not in use, condition unknown, (1) Bunn five burner coffee maker/warmer, (1) six foot stainless steel topped serve table/storage unit, (1) five foot formica topped table, (1) four foot, (1) five foot, (1) six foot stainless steel tables/storage units, (1) four slice toaster, (1) Hobart commercial mixer, (1) Kitchen-Aid commercial mixer, (1) Globe commercial slicer. In addition to the above there are approximately 80 place settings of institutional china complete with glassware, silverware, etc., as well as an adequate supply of water pitchers, ashtrays, creamers, salt & pepper shakers. There is a large number of frying pans, stainless steel mixing bowls, baking pans, cookie sheets and miscellaneous cooking utensils on hand.

Main Dining Room: (2) six foot rectangular tables, (4) five foot rectangular tables, (10) four foot diameter round tables, (6) thirty inch square tables, (74) dining room chairs, (10) framed photographs and prints, (1) large oval framed mirror, (1) rectangular framed mirror, (2) buffet style dressers, (2) serving tray stands.

Hallway (between dining rooms): The large antique ice box does not remain. (1) Seville am-fm stereo receiver with speakers, (1) coat rack.

Dining Room: (1) antique "butter-mold/press", (1) Glenwood Model 116 pot-bellied stove, (1) antique "corn-binder", (1) antique cream separator. The tables and chairs that are located in this room are included in the main dining room inventory, (1) antique steam engine.

Storage Area (adjacent to dining areas): (1) antique "butter roller", (1) lamp, (1) antique furrower, (1) antique wooden pulley wheel, (1) antique wooden plow. There are (11) pictures hung in this room that do not belong to the Inn. They are here on consignment.

Basement Recreation Area: (2) ping-pong tables, (1) large wagon wheel, (1) wooden corner bench.

Bar Area: (6) wooden benches, (1) refrigerator, (1) four burner coffee warmer, (1) upright piano.

Storage Room: (21) dining room chairs -some in need of repair, (4) thirty inch rectangular tables, (1) 8'X 8' walk-in cooler, (14) stackable chairs. The beer and wine inventory will be adjusted at the time of closing.

Furnace Room: (1) chest freezer, (1) ice machine.

SKI DORMITORY

Third Floor: (1) double bed, (10) sets of bunk beds, (3) tables, (3) lamps, wall-wall carpet.

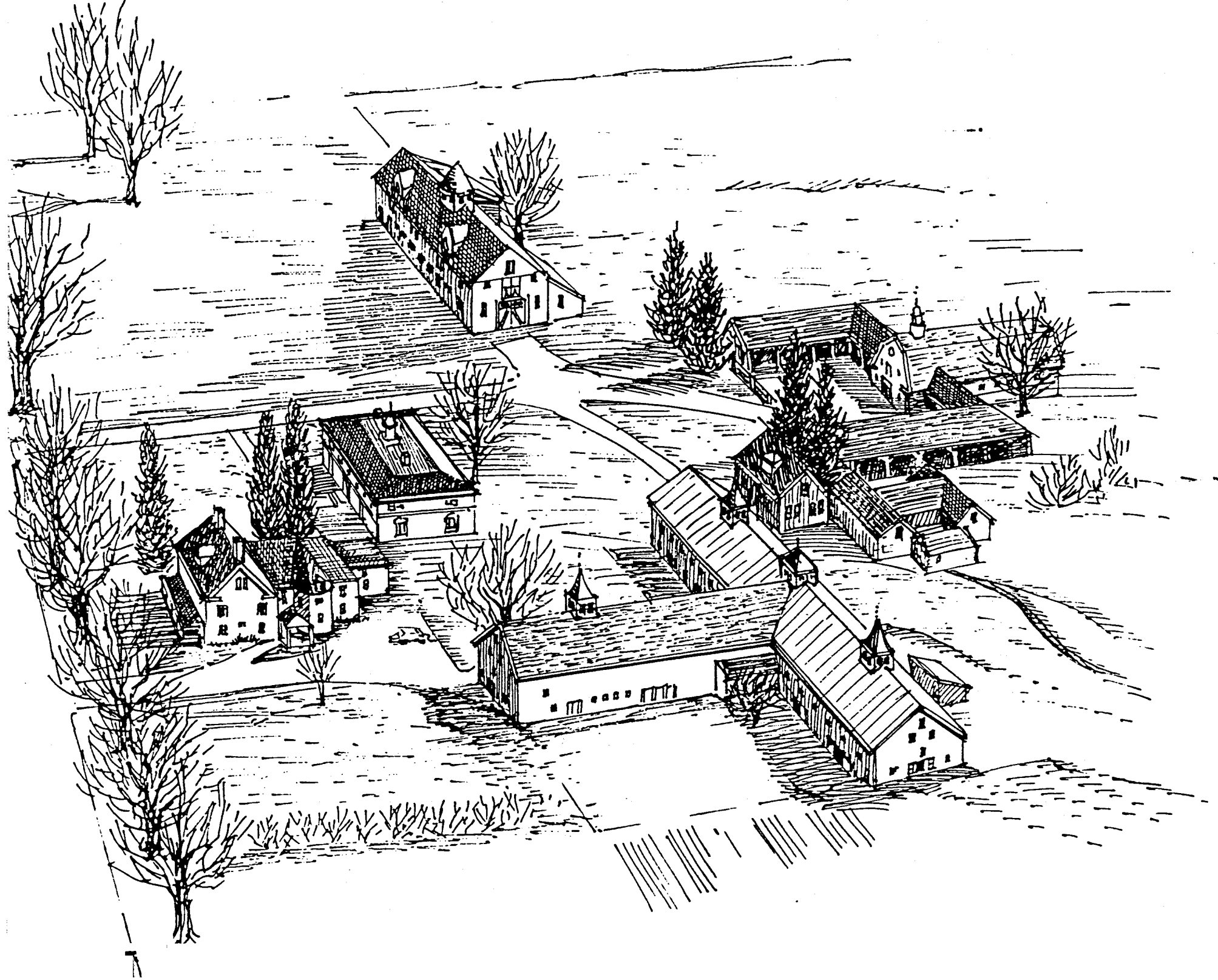
Second Floor: (1) double bed, (14) sets of bunk beds, (5) nightstands/tables, (1) upholstered chair, (5) lamps, (1) dresser, (3) pictures, wall-wall carpet.

First Floor: (1) bunk bed, (2) sofas, (5) upholstered chairs, (1) dresser, (2) coffee tables, (2) tables, (1) dining table, (11) stackable chairs, (3) lamps, (6) pictures, (300-350) assorted books, (20) place settings of commercial china, (1) four burner electric range, (1) refrigerator, (1) two slice toaster, (1) Norelco coffee maker, (1) vacuum cleaner, (1) "box" wood stove, (1) Master Model B-155 kerosene heater, wall-wall carpet.

DAIRY BARN:

Lower Level: All of the materials contained within (i.e. copper pipe fittings, paint sprayer, hand tools, nails, etc.) except for pipe threader and (2) dies, current owner's collection of wrought iron hardware and electric cord with reel.

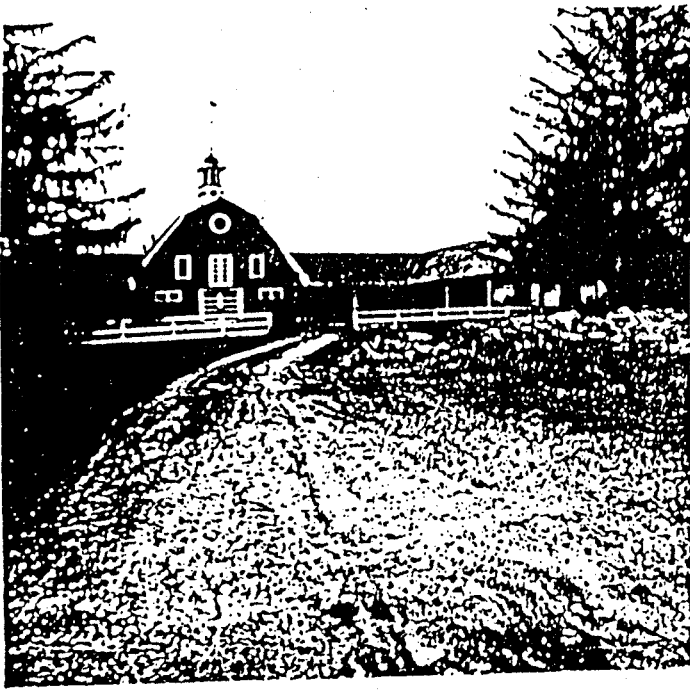
Miscellaneous Equipment: (1) John Deere Model 317 tractor with mower deck-estimated value of \$4,000, (1) Massey-Ferguson Model 150 tractor-estimated value of \$4,500, (1) Bush Hog brush mower-estimated value of \$500, (1) cultivator-fits Massey-Ferguson, (1) Snapper push mower, (1) weed-eater tool, (1) radial arm saw-DeWalt Model 770, (1) sewer auger, (1) propane tank with torch.

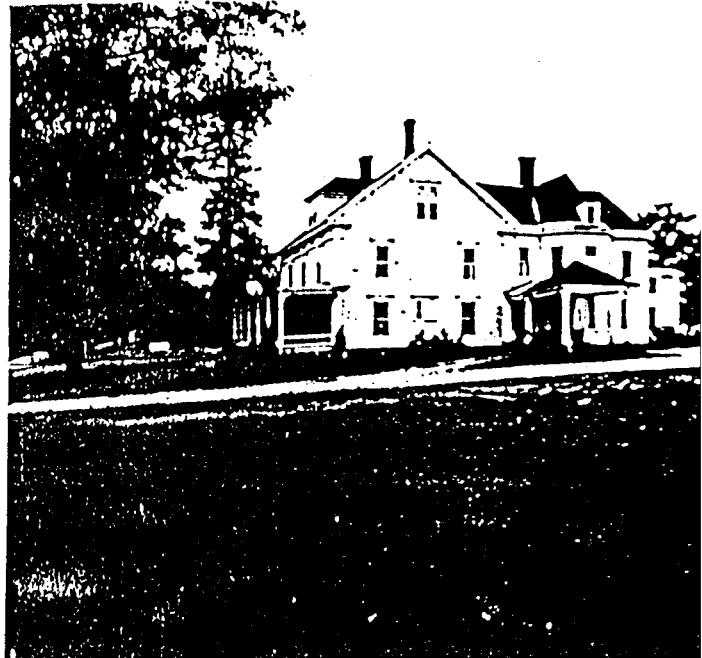
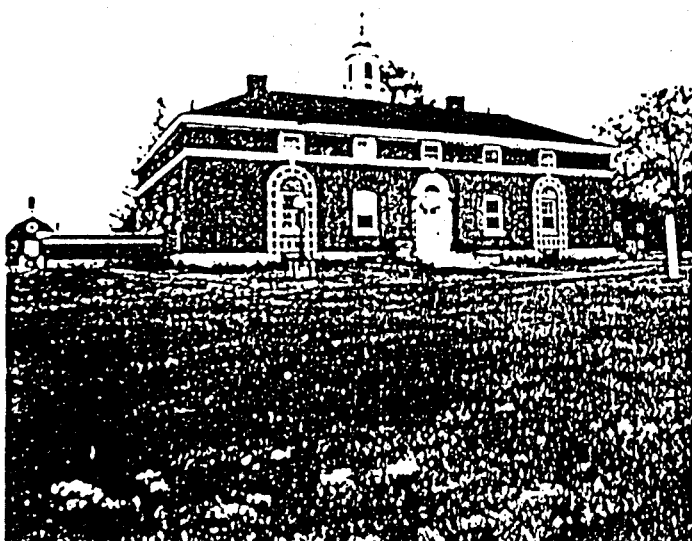
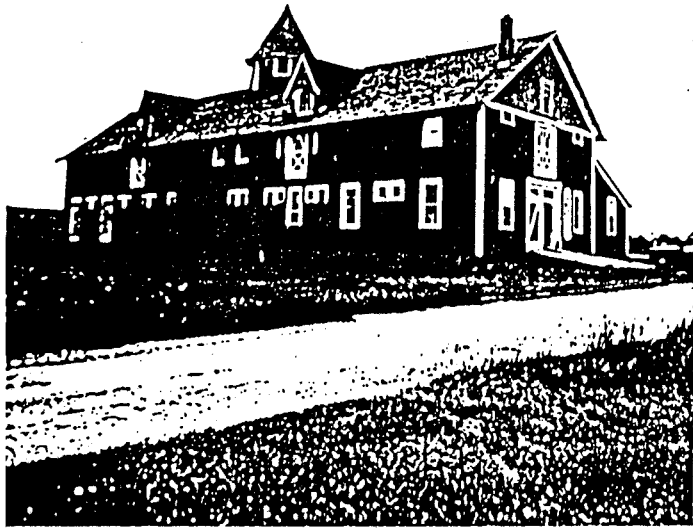
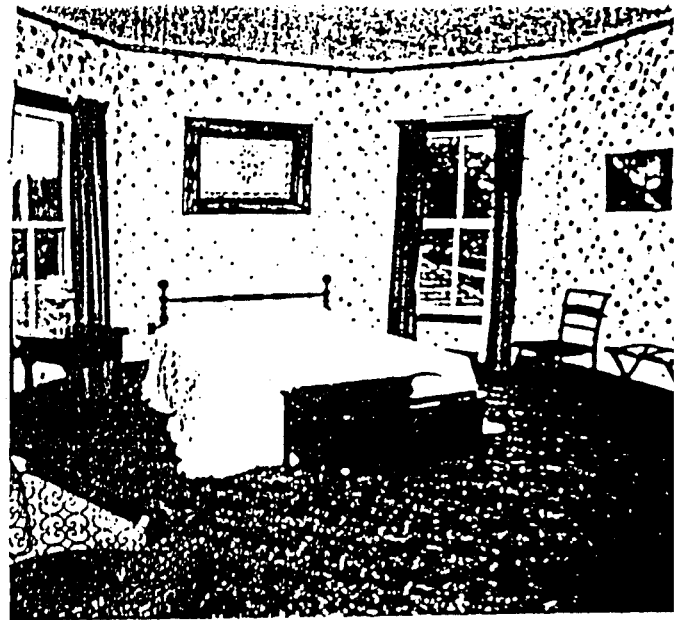




MT VIEW FARM
PRESENTLY THE DARION INN

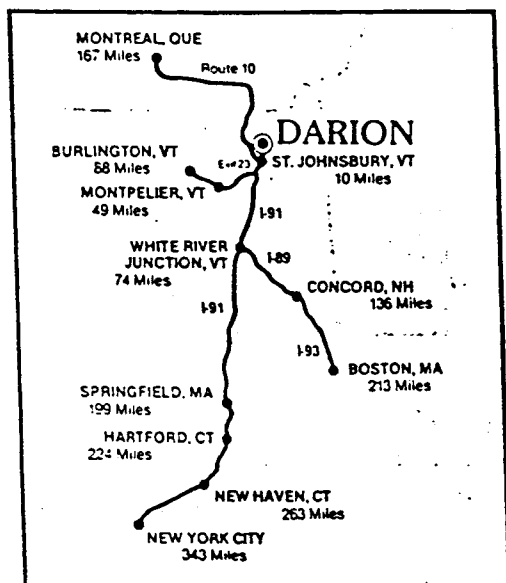
PROPERTY OF THE
DARION INN
DARION, MASS.





open as soon as the first significant snow storm occurs in the autumn and closes when the snow melts from the trails in the spring. The season often starts in early December and lasts into April. The Touring Center hours during the season are 8:30 a.m. to 5 p.m.

GETTING TO THE DARION Ski Touring Center is very easy. East Burke is less than seven miles from Interstate #91, the major north-south highway in Vermont. Take Exit #23 off the Interstate, follow Route 5 to Lyndonville, and then take Route 114 out of Lyndonville to East Burke. Just before entering the village of East Burke follow the sign for the Touring Center and you will be there in less than a mile.



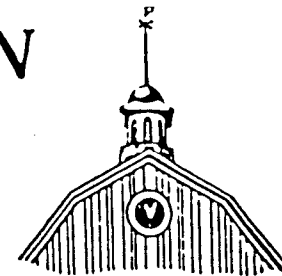
IF YOU ARE NOT FAMILIAR with the area, ask us to send you a free listing of the many lodgings and facilities close to the Touring Center. Lyndonville is served by Vermont Transit and we can also send you a bus schedule. The Darion Ski Touring Center can be contacted year-round at:

Darion Ski Touring Center
Box 101
East Burke, Vt. 05832
Tel: (802) 626-5181

DARION SKI TOURING CENTER
Box 101
East Burke, Vt. 05832
Tel: (802) 626-5181

DARION

SKI



TOURING

EAST BURKE, VERMONT 05832



"This is a gem of a place"

WELCOME TO THE DARION SKI TOURING CENTER!



"Excellent Trails and magnificent views." ★

THE DARION SKI TOURING CENTER is part of the famous Mountain View Farm of East Burke, Vermont. Once a Morgan horse and dairy farm, it is now an inn and ski touring center. Well-known for its architecture and fine craftsmanship of buildings, the farm overlooks Burke Mountain to the east, Willoughby Gap to the north and much of the snow-rich Northeast Kingdom to the south and west. The scenery and views at Mountain View Farm are some of the finest in New England.

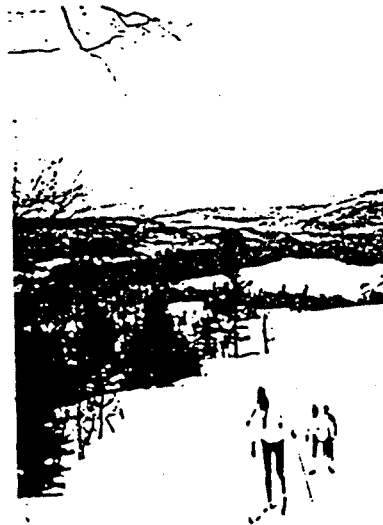
THE TOURING CENTER, operating in the converted carriage house of the original farm, offers a complete selection of rentals for the entire family and retail items such as clothing, waxing equipment, waxes, and trail maps. The staff at the Touring Center are available to assist with advice about trail conditions and weather and are known to be both friendly and qualified. During weekends and holiday weekdays home baked and prepared food as well as refreshments are sold. Hot spiced cider is a specialty every day of the week.

SKI INSTRUCTION is offered by the staff who are certified by PSIA (Professional Ski Instructors of America). They can teach you how to ski, from beginner to expert.

lessons tailored to special needs.

OUTSIDE THE TOURING CENTER the 40 kilometers of trails stretch across more than 2,000 acres of deep woods and open rolling meadows. All trails, clearly and unobtrusively marked, can be enjoyed by the novice, intermediate or expert skier. Because of the layout of the trail system it is possible for the average skier to ski all day without ever crossing his/her tracks. It is also possible for the novice skier to practice for half an hour on a one kilometer trail that passes through open fields, sheltering woods and loops back to the Touring Center. Whether you are just learning to cross country ski or seek the challenge of more difficult terrain, you will find trails to your liking and needs.

EQUALLY IMPORTANT, and a trademark of the Darion Ski Touring Center, is the expert and regular grooming and track setting. Some of the snow equipment has been specially designed for the trails at the Touring Center.



"Thanks for the wide, well-groomed trails."

NOT ONLY IS THE ENVIRONMENT aesthetically pleasing at the Darion Ski Touring Center, but it is also non-competitive. Though the trails are excellent for all levels of skiers, the center is not a competitive ski area.

never to close any part of the trail system on a weekend in order to hold a race.

FINALLY, the careful development and maintenance of the trail system is done in the hope that skiers will enjoy the sport, observe the flora and fauna, and admire the spectacular views. For those who wish to ski in a wilderness setting without grooming and tracksetting, the staff at the Touring Center can assist you in locating many roads and trails long ago abandoned. There are also cabins on and off the trail system where, with proper equipment, skiers can spend the night. One cabin, which is a short ski from the Touring Center, is a favorite spot for warming up on cold days or socializing with other skiers.



"Good baked goods and friendly folks."

THE MANAGER of the Darion Ski Touring Center, Stan Swaim, and the staff members are all experienced skiers who live in the area. Before coming to the Touring Center, Stan helped to develop and manage two major Nordic areas in New England and served as Chief of Race for the 1980 National Cross-Country Ski Championships. He is presently on the Board of Directors of the Vermont Ski Touring Operators' Association. Stan is intimately familiar with most of the flora and fauna that can be seen from the trails. Rumor has it that he is the only person who talks with the trolls that are reputed to be living under one of the trail bridges.

FINANCIALS

	1	2	3	4	5	6	7	8	9	10	11	12
	13	14	15	16	17	18	TOTALS					
Occumung	15%	30%	50%	85%	60%	60%	50%					
Room & Meals	14344	27844	48000	81562	56250	57468	573935					
Non-Guest Meals	744	1440	2232	3720	2520	2602	26976					
Bm	1750	3360	5810	9940	6860	7000	70000					
Ski Center	-	-	-	-	-	-	50000					
Wood Operations	-	-	-	-	-	-	78750					
Any Sales	38720	-	-	-	-	-	193600					
	55558	32644	56042	95222	65630	67070	993261					
Payroll	41098	41098	41098	41098	41098	41098	651577 *					
Payroll Taxes (15%)	6164	6164	6164	6164	6164	6164	97728					
Food Costs (35%)	2937	5701	9740	16525	11381	11637	116560					
Bm Costs (35%)	612	1176	2033	3479	2401	2450	24497					
* Utilities	2450	2450	2450	2450	2450	2450	44100					
* Insurance	416	416	416	416	416	416	6656					
Advertising (6%)	3604	3604	3604	3604	3604	3604	43248					
* Taxes	666	666	666	666	666	666	666					
* Laundry	875	875	875	875	875	875	10500					
Miscellaneous (1%)	600	600	600	600	600	600	10800					
* Maintenance	3300	3300	3300	3300	3300	3300	39600					
	62722	66050	70946	79177	72955	73260	1045932					
	<7164>	<33406>	<14904>	16045	<7325>	<6190>	132728 NET OF REGULAR OPERATIONS DURING 12 MOS.					
* PASTORS ON RECORD OF CURRENT OWNERSHIP							NOTE: REVENUE FROM WOOD OPERATIONS SHOULD BE DOUBLE THAT SHOWN MAKING THE NET \$201,478.					

ASSIGNMENT + COMPARISON OF FOOD COST. (EXTRACTED FROM ROOM RATES + INWOOD NON-GUEST MONIES)

		1	2	3	4	5	6
	BUSIS:	Food Portion of Room Rates = 53.33%					
					35% of		
		MTF - Rooms	Food	35% Cost	35% of		
			(53.33%)		Non-Guest Monies		
						TOTAL	
6	Nov.	46406	24748	8661	756	9417	
7	Dec	62347	33247	11636	1041	12677	
8	Jan	52781	28148	9851	911	10762	
9	Feb	64768	34647	12126	1058	13184	
10	Mar	48000	25598	8959	781	9740	
11	April	13969	7449	2607	252	2859	
12	May	14344	7649	2677	260	2937	
13	June	27844	14849	5197	504	5701	
14	July	48000	25598	8959	781	9740	
15	Aug	81562	43497	15223	1302	16525	
16	Sept	56250	29998	10499	882	11381	
17	Oct	57468	30647	10726	911	11637	
18							
19						\$116560	
20							
21							
22							
23							
24							
25							
26							
27							
28							
29							
30							
31							
32							
33							
34							
35							
36							
37							
38							
39							
40							

BAR INCOME COSTS

Nov
Dec
Jan
Feb
Mar
April
May
June
July
Aug
Sept
Oct

KEY @ 50% OCCUPANCY

		1	2	3	4	5	6
		% OF TOTAL ROOMS SOLD BY MONTH.					
1							
2							
3							
4							
5							
6							
7							
8							
9							
10							
11							
12							
13							
14							
15							
16							
17							
18							
19							
20							
21							
22							
23							
24							
25							
26							
27							
28							
29							
30							
31							
32							
33							
34							
35							
36							
37							
38							
39							
40							

Key For Ski Center

	SOLD # OF ROOMS	% TO TOTAL
Dec.	665	27.3
Jan	563	23.1
Feb	693	28.5
Mar.	512	21.1
	<u>2433</u>	

BAR INCOME

PROJECTIONS

		1	2	3	4	5	6
		Sales	Cost (35%)				
1	Nov.	5670-	1984				1
2	Dec.	7630-	2670				2
3	Jan.	6440-	2254				3
4	Feb.	7910-	2768				4
5	Mar.	5880-	2058				5
6	Apr.	1750-	612				6
7	May	1750-	612				7
8	Jun	3360-	1176				8
9	Jul	5810-	2033				9
10	Aug	9940-	3479				10
11	Sept.	6860-	2401				11
12	Oct.	7000-	2450				12
13		70000-	24497				13
14							14
15							15
16							16
17							17
18							18
19							19
20							20
21	Nov	-					21
22	Dec.	13650-					22
23	Jan	11550-					23
24	Feb	14250-					24
25	Mar.	10550					25
26	Apr.	-					26
27	May	-					27
28	Jun	-					28
29	Jul	-					29
30	Aug	-					30
31	Sept	-					31
32	Oct.	-					32
33		50000					33
34							34
35							35
36							36
37							37
38							38
39							39
40							40

SCI CENTER INCOME PROJECTIONS.

OCCUPANCY PROJECTIONS

		1	2	3	4	5	6
	MONTH	# of DAYS	Daily # of ROOMS	TOTAL # ROOMS EXTENDED	ESTIM. OCCUP. %	ROOMS OCCUP'D	Room Sums NUM
1	11/85	30	33	990	50	495	46406
2	12	31	33	1023	65	665	62343
3	1	31	33	1023	55	563	52781
4	2	28	33	924	75	693	64968
5	3	31	33	1023	50	512	48000
6	4	30	33	990	15	149	13969
7	5	31	33	1023	15	153	14344
8	6	30	33	990	30	297	27844
9	7	31	33	1023	50	512	48000
10	8	31	33	1023	85	870	81562
11	9	30	33	990	60	600	56250
12	10	31	33	1023	60	613	57468
13	11	365		12045	51%	6122	573935
14							
15							
16							
17							
18	RELATIONSHIP OF NON-GUEST MOTELS TO ROOMS OCCUPIED.						
19							
20							
21	AND CONSISTENT PERFORMANCE THROUGH AGGRESSIVE ADVERTISING IT IS EXPECTED THE DATIEN WILL BE ABLE CAPTURE A SHARE OF THE LOCAL AND OVERFLOW DINNER MARKET.						
22							
23							
24							
25	PEAK SEASON A: ESTIMATE OF 10 NON-GUEST DINNERS PER NIGHT IS USED AND ADJUSTED TO REFLECT THE EFFECT OF THE OFF-SEASONS.						
26							
27							
		# of DAYS	EST. OCC. %	NON-GUEST DINNERS PER NIGHT	TOTAL ROOMS	1 MONTH * 12	
28							
29	NOV.	30	50	6	180	2160	
30	DEC.	31	65	8	248	2976	
31	JAN.	31	55	7	217	2604	
32	FEB.	28	75	9	252	3024	
33	MAR.	31	50	6	186	2232	
34	APRIL	30	15	2	60	720	
35	MAY	31	15	2	62	744	
36	JUNE	30	30	4	120	1440	
37	JULY	31	50	6	186	2232	
38	AUG.	31	85	10	310	3720	
39	SEP.	30	60	7	210	2520	
40	OCT.	31	60	7	217	2604	
		365	51%		2248	26976	

				TOTAL ANNUAL
MAINTENANCE MANAGER	(1)	250	WEEKLY	13,000
LADENERS	(2)	400	HOURLY	16,640

GENERAL MANAGER	(1)	770	WEEKLY	35,000
BOOKKEEPER	(1)	6.00	HOURLY	12,480
PRESIDENT	(1)	770	WEEKLY	35,000
VICE-PRESIDENT	(1)	770	WEEKLY	35,000

Payroll 484,122.00

Payroll taxes (15%) 72,618.00

TOTAL STAFF 43 556,740.00

Payroll

Basis.

Total
Amount.

FRONT OFFICE MANAGER (1)	200.-	WEEKLY	\$ 10,400.-
DESK CLERKS (2) @	4.00	Hourly	16,640.-
NIGHT AUDITOR (1)	4.00	Hourly	8,320.-

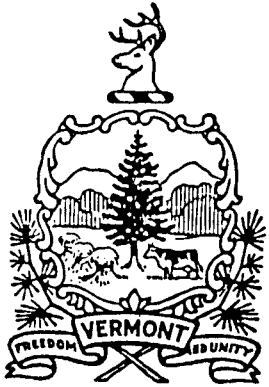
HEAD OF HOUSEKEEPING (1)	5.00	Hourly	10,400.-
CHAMBERMAIDS (4) @	3.50	Hourly (30 hours)	21,840.-

RESTAURANT MANAGER (1)	350.-	WEEKLY	18,200
5 SERVERS (5) @	3.35	Hourly (30 hours)	26,130
1 - BARTENDERS (1 1/2)	350	WEEKLY	18,200
1 - COCKTAIL SERVER (1 1/2)	4.00	Hourly	12,480

CHEF (1)	675.	WEEKLY	35,000
ASSISTANTS (2) @	350	WEEKLY	36,400
TRAINEEES (2) @	5.00	Hourly (30 hours)	15,600
DISHWASHERS (2) @	3.35	Hourly (30 hours)	10,452

SKI DIRECTOR (1)	350	WEEKLY (5 months)	7,580.-
RENTAL/RETAIL (2) @	4.00	Hourly (5 months)	7,000.-
INSTRUCTORS (2) @	4.00	Hourly (5 months)	7,000.-

LAND MANAGER (1)	385.-	WEEKLY	20,000
EQUIPMENT OPERATOR (1)	5.00	Hourly	10,400
LABORERS (2)	4.00	Hourly	16,640.-
HEAD GARDENER (1)	385	WEEKLY	20,000
HELPER (1)	4.00	Hourly	8,320.-



STATE OF VERMONT
Office of Secretary of State

CERTIFICATE OF INCORPORATION

I certify that the attached is a true copy of the Articles of Incorporation of :

EAST BURKE APPROPRIATE DEVELOPMENT CORPORATION

All conditions required to be performed by the incorporators have been complied with and the corporation is incorporated under the Vermont Business Corporation Act. (11 V.S.A. Chapter 17)



January 9, 1985

Date

Paul S. Green
Deputy Secretary of State

ARTICLES OF ASSOCIATION

The name of the corporation shall be THE EAST BURKE APPROPRIATE DEVELOPMENT CORPORATION

The initial registered agent shall be Carol Major
(NOTE: A Corporation CANNOT be its own registered agent)

with registered office at 28 Main Street, Montpelier, Vermont 05602

The corporation shall be located at 28 Main Street, Montpelier, Vermont 05602

The operating year shall be? Calendar December 31 Fiscal December 31
(Dec. 31) (Month day)

If a fiscal year ending is not specified, the calendar year ending December 31st shall be designated as your fiscal year ending.

The period of duration shall be (if perpetual so state) Perpetual

Please check appropriate box:

- ☒ Vermont General Corporation (T. 11, Ch. 17)
☐ Vermont Professional Corporation (T. 11, Ch. 3)
☐ Vermont Non-Profit Corporation (T. 11, Ch. 19)

This corporation is organized for the purpose of:

Here set out purposes clearly and briefly, using separate paragraphs to cover each separate purpose.

Acting as the sole general partner in a limited partnership to develop and manage the Darion Farm property located in East Burke, Vermont.

Carrying on /any and all activities related to marketing, financing, and creating services that further the development and profit potential of the above property.

The East Burke Appropriate Development Corporation will endeavor, whenever possible, to create opportunities for local community involvement, workplace democracy, and shared equity in all its activities.

EACH VERMONT CORPORATION MUST FILE AN ANNUAL REPORT WITHIN TWO AND ONE HALF (2 1/2) MONTHS AFTER THE EXPIRATION OF ITS FISCAL YEAR ENDING.

The following information regarding shares must be completed by business corporations on profit corporations cannot have shares.

The aggregate number of shares the corporation shall have authority to issue is

..... shares, preferred, with a par value of (if no par value, so state)
..... 200 shares, common, with a par value of (if no par value, so state) fifty (50) dollars

If preferred shares are provided for, state here briefly the terms of preference.
If shares are to be divided into classes or series, state here the designations, preferences, limitations, and relative rights of each class or series.

Directors: Business corporations with three or more shareholders must have at least three directors. If there are fewer than three shareholders, the number of directors may be equal to, but not less than, the number of shareholders.

Non-profit corporations must have at least three directors.

The initial board of directors shall have three (3) members with the following serving as directors until their successors be elected and qualify:

~~Having no more than three directors, the number of directors shall not exceed the number of shareholders.~~

Names must be Printed or Typed under all signatures, No. 101 Acts of 1965.

Name	Post Office Address
<u>Carol Major</u>	<u>28 Main St., Montpelier, Vermont 05602</u>
<u>Carol Major</u>	<u>248 Main St., Montpelier, Vermont 05602</u>
<u>Peter Lowry</u>	<u>248 Main St., Montpelier, Vermont 05602</u>
<u>Susan Meeker-Lowry</u>	<u>248 Main St., Montpelier, Vermont 05602</u>

Dated at Montpelier, Vermont in the County of Washington
this eighth day of January, 19 85.

Incorporators	Post Office Address
<u>Carol Major</u>	<u>28 Main St., Montpelier, Vermont 05602</u>
<u>Carol Major</u>	<u>248 Main St., Montpelier, Vermont 05602</u>
<u>Peter Lowry</u>	<u>248 Main St., Montpelier, Vermont 05602</u>

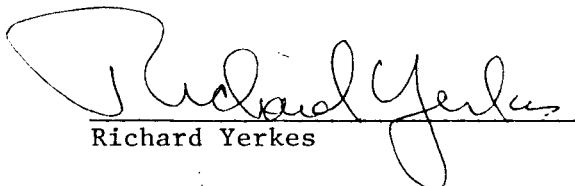
IN ADDITION TO ALL THE PRECEDING INFORMATION VERMONT PROFESSIONAL CORPORATIONS MUST COMPLETE THE CERTIFICATE ON THE LAST PAGE OF THIS APPLICATION.

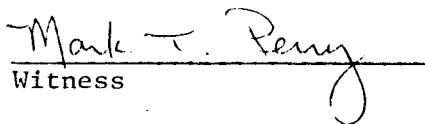
OPTION TO BUY

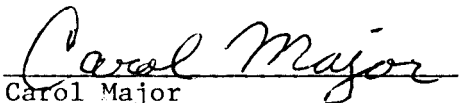
I Richard Yerkes, being the owner of the Darion Farm Property, East Burke, Vermont (the same property shown by REALTOR® Jay Hooper of Montpelier, Vermont, and owner on December 10, 1984 to Carol Major and Peter Lowry) do give an exclusive option to buy said property to People and Prosperity (a partnership formed and registered under the laws of the Sate of Vermont), for a period of 120 days from December 21, 1984 to April 20, 1985 at a purchase price of \$1,250,000 with \$700,000 of that total financed by the owner at 10% interest for a period of ten years, in return for two shares of common stock (and not less than 1% ownership interest in) of the East Burke Appropriate Development Corporation, the sole general partner in a limited partnership to purchase and develop said property.

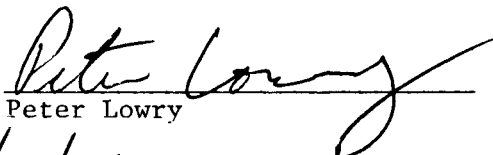
Note: If the shares are not issued to the owner within fifteen working days of the starting date of this option, then this option is null and void.

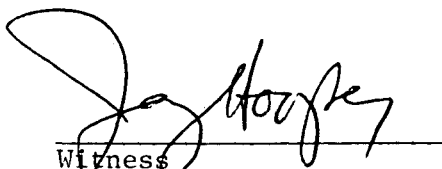
Furthermore, People and Prosperity, shall execute & deliver a promissory note in the amount of \$10,000.00 to Richard Yerkes. This note shall be due and payable on April 20, 1985 only in the event that People and Prosperity do not exercise this exclusive option to buy said property on or before April 20, 1985.


Richard Yerkes
Date 12/21/84


Witness
Date 12/21/84


Carol Major
Date 12/21/84


Peter Lowry
Date 12/21/84


Witness
Date 12/21/84

PROMISSORY NOTE

Montpelier, Vermont
January 3, 1985

On April 20, 1985, People and Prosperity, a partnership, promises to pay to Richard Yerkes, of East Burke, Vermont, Ten Thousand Dollars (\$10,000).

This note shall be due and payable on April 20, 1985 only in the event that People and Prosperity do not exercise an exclusive option to buy the Darion Farm Property (signed by Richard Yerkes, Carol Major and Peter Lowry and dated December 21, 1984) on or before April 20, 1985.

In witness whereof, People and Prosperity has caused this note to be executed by its duly authorized partners.

BY: Carol Major
Carol Major

BY: Peter Lowry
Peter Lowry

Jay Healy
Witness

1/3/85
Date

LYNDONVILLE, VERMONT
PRELIMINARY STUDY OF VOLATILE
ORGANIC CHEMICAL CONTAMINATION OF
VILLAGE WELL FIELD

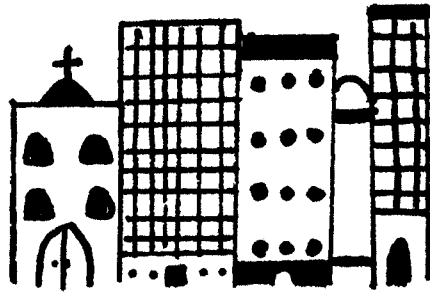
Sources of Contamination.

Sources of contamination identified in this study are summarized below. Location of sources can be found on Map 8.

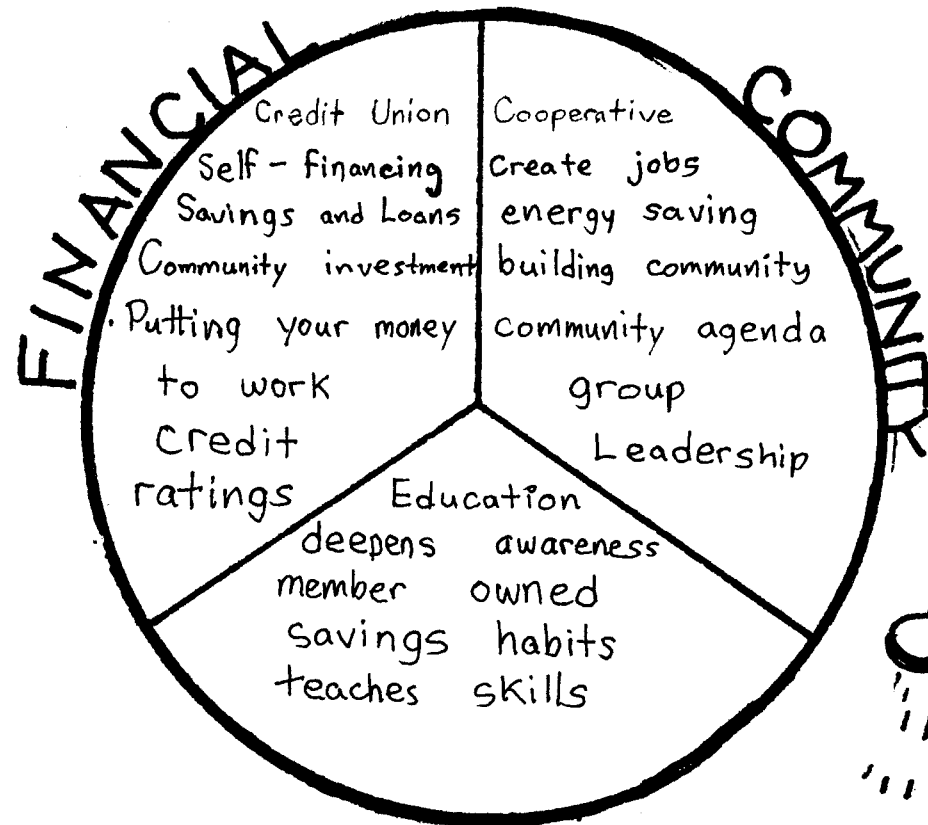
<u>Map 4</u>	<u>Site</u>	<u>Explanation</u>
1	Darling Hill Dump	<p>Abandoned town dump presently used as a stump dump. Town dump was active from about 1951 to 1975. Agency of Environmental Conservation's investigations revealed that this dump received waste oils, industrial cleanup debris, metal plating rinse water, chlorinated solvent sludges, caustic cleaners, metallic salts, cyanide in paste sodium cyanide in solution, was glues and solvents (acetone) in addition to household wastes.</p> <p>Presence of large amounts of chlorinated sludges could cause local and possible regional ground water contamination.</p> <p>Three wells drilled on site did not reach water table. No volatile organic chemicals were found in adjacent streams. Site</p>

South Bronx Senior Citizen Community Development Credit Union

(English) FLYER (Spanish)



COMMUNITY
DEVELOPMENT
FEDERAL
CREDIT
UNION



YOU
CAN
JOIN
NOW

Contact: Seneca Center
750 Faile St.
Bx N.Y. 10474
Telephone: 328-3157



Fact Sheet

WHAT IS A CREDIT UNION?

It is a financial cooperative in which members pool their money, lend it to each other at reasonable rates of interest, and pay interest on the deposits.

HOW SAFE IS MY MONEY IN A CREDIT UNION?

All accounts in a credit union are insured up to \$100,000 by an agency of the Federal Government.

WHAT CAN THE CREDIT UNION DO FOR ME?

The credit union gives access to credit on reasonable terms and is established to service the neighborhood.

DOES A CREDIT UNION HELP YOU SAVE?

Yes, a credit union helps you save in two ways. First, a credit union usually provides lower interest rates on loans than banks or finance companies, and secondly, a credit union pays higher interest rates on passbook savings accounts. Payroll deductions can also be used as a vehicle for saving assistance.

WHAT CAN I BORROW MONEY FOR?

Any worthy purpose. Some examples are: home improvement loans, vacations, weatherization, major appliances, medical emergencies.

WHAT INTEREST RATES WILL BE CHARGED?

Most Community Credit Unions in New York City now charge between 10 - 15% on loans.

WHAT WILL THE CREDIT UNION DO FOR THE COMMUNITY?

It is the instrument by which a neighborhood begins to take control of its

own financial resources. The credit union is a tool for self-help community development. By preventing the flow of monies from the neighborhood, there is money available for investment in the neighborhood. Money for residents to salvage homes, money for businesses to increase development. By preventing financial problems of neighborhood residents the community is easily stabilized for growth.

CAN I GET A LOAN AT THE CREDIT IF I HAVEN'T ESTABLISHED CREDIT ELSEWHERE?

Yes.

Clean Air Technologies, Inc.

C/O People & Prosperity

28 Main Street

Montpelier, VT 05602

(800) 535-3551

In VT, AK, or HI call collect (802)223-3911

Contact: Peter Lowry or Carol Major

Catalyst

Investing in Social Change
Vol. II, No. 2

April/May 1985

It may sound too good to be true, but a Vermont company, Clean Air Technologies, Inc., has developed and patented a product that could not only eliminate acid rain, but save the customer money while burning conventional fuels. Called the Clark Converter this unique product is installed in the combustion chamber of a boiler which burns fossil fuel or even hazardous (!) waste. Tests conducted by a national testing laboratory have shown that the Clark Converter reduced sulfur dioxide emissions by 75% and nitrogen oxide by 29%. The company feels that these results will improve with further development and testing. In addition to the benefits to the environment, the Converter also lowers the stack temperature. It also lowers the hydrocarbon content of exhaust flow and virtually eliminates particulate emissions. This increased efficiency means that payback time for consumers should be well under two years.

When installing the Clark Converter there is no need for expensive and hazardous bag houses or electrostatic stack precipitators. There are also many other advantages. It can be easily and inexpensively installed in existing boilers, has no moving parts, operates automatically and requires no special equipment to be installed. In addition, it increases efficiency by 20-30%, holds the promise of eliminating acid rain, allows fossil fuels, municipal waste and hazardous waste to be burned while meeting tough EPA requirements. If used by all the large corporate polluters, as well as in personal furnaces and cars, it could go far in cleaning up the environment.

Clean Air Technologies, Inc. is in need of \$600,000 to begin production. This will include the purchase of land and a building and setting up a laboratory to further develop and manufacture the product. The company has a commitment to stay in Vermont and locate in one of the poorest counties, which is badly in need of good jobs. They expect to employ 300 people within three years. There will also be an employee profit-sharing plan implemented. Their commitment to clean air in the U.S. was demonstrated recently when they turned down an offer by a West German firm wanting to buy them out. For more information contact Peter Lowry or Carol Major at the above address.

Carol Major

People & Prosperity is a for-profit community economic development (CED) partnership registered in the state of Vermont. Partners Carol Major and Peter Lowry specialize in finding capital for Vermont businesses, consulting on CED issues for community organizations and developing projects that benefit low and moderate-income residents.



DIAMOND & ASSOCIATES, P.C.

ATTORNEYS AT LAW

73 MAIN STREET - SUITE 400

DRAWER D

MONTPELIER, VERMONT 05602

(802) 223-6166

BURLINGTON OFFICE:

FAIRCHILD SQUARE

110 MAIN STREET

BURLINGTON, VERMONT 05401

(802) 862-5195

CAROL A. DIAMOND

LEGAL ASSISTANT

May 23, 1985

REPLY TO:
DRAWER D
MONTPELIER

Mr. Harry Lantz
Department of Banking & Insurance
State Offices Post Office
State Street
Montpelier, Vermont 05602

Re: People & Prosperity

Dear Harry:

After our meeting this afternoon, during which I gave you the proposed letter of rescission, stipulation, and other documents, I want to make sure that you understand my clients' situation. They have received no money or compensation from Clean Air Technologies, Inc. or potential investors; nor have they forwarded the names of such investors to Clean Air Technology, Inc. or any other issuer.

It was our understanding based on my previous phone conversation with you that the Department of Banking and Insurance did not intend to seek prosecution against Carol and Peter in exchange for their execution of and compliance with the Stipulation and the forwarding of the letters of rescission to potential investors. Under these circumstances my clients have cooperated fully with your investigation and have volunteered all available information.

During today's meeting you told me not to instruct my clients to send the letter of rescission to potential investors until we heard further from you. Therefore, I am awaiting further contact from you. Please feel free to call me if you have any questions.

Sincerely,



Stephen C. Smith, Esq.

SCS/dp

cc: Ms. Carol Major
Mr. Peter Lowry

DIAMOND & ASSOCIATES, P.C.

ATTORNEYS AT LAW

73 MAIN STREET - SUITE 400

DRAWER D

MONTPELIER, VERMONT 05602

(802) 223-6166

BURLINGTON OFFICE:

FAIRCHILD SQUARE

110 MAIN STREET

BURLINGTON, VERMONT 05401

(802) 862-5195

CAROL A. DIAMOND

LEGAL ASSISTANT

June 21, 1985

REPLY TO:

DRAWER D

MONTPELIER

Mr. Harry Lantz
Department of Banking & Insurance
120 State Street
Montpelier, Vermont 05602

Re: People & Prosperity

Dear Harry:

On May 31, 1985, you called me pursuant to your investigation into the activities of People & Prosperity and the affiliated businesses. You wanted to know whether any of the employees or principals of the various entities are holding themselves out to be investment advisors or financial planners, which you consider to be the same thing under the definition of investment advisor contained in the Investment Advisors Act, 15 USC § 80(b) et seq.; and, if so, whether such person or persons are exempt from registration.

Based on our analysis of the Act and the case law which construes it, including the recent case of Lowe v. SEC, 53 USLW 4705, my clients do not consider themselves investment advisors within the meaning of the Investment Advisors Act. The following is an explanation of the basis for this opinion.

Carol Major and Peter Lowry are employees of the Center for Economic Revitalization, Inc., a corporation which publishes the following:

1. GOOD MONEY, a bi-monthly newsletter;
2. CATALYST, a bi-monthly newsletter; and
3. NETBACK QUARTERLY, a quarterly newsletter.

None of these newsletters contain advice as to the value of securities, or as to the advisability of investing in, purchasing, or selling securities. Rather, the newsletters

Mr. Harry Lantz
June 21, 1985
Page 2

contain information which the editors feel may be of interest to subscribers based on the social aspects of projects, companies, corporations, or other organizations. The emphasis is on the social aspects of investing rather than the financial aspects (i.e., potential profits, potential losses, etc.). None of the newsletters advise the readers to buy, sell or hold any securities. Of course, some of the companies or corporations reported on are issuers or potential issuers of securities and some of the companies are investment management companies. However, the fact that the newsletters may contain information about corporations which issue securities does not mean that the editors are investment advisors under the Act. Furthermore, even assuming that the publications contain investment advice, such publications or newsletters are excluded from any regulation by the Act under (d) the so-called newspaper exclusion which was the subject of the Lowe case. However, I am confident that the Act does not cover my clients' activities. They do not provide investment advice but rather, information regarding the social ramifications of investing in various concerns.

In addition to issuing the newsletters, the people at GOOD MONEY issue what they call "Good Money Reports" to individual customers. Under this arrangement, the customer, usually a subscriber of one of the newsletters, will fill out a questionnaire which is titled "Economic Need and Social Preference Questionnaire". This questionnaire identifies the type of investment that the customer is interested in, i.e., a corporation, government bond, mutual fund, small business, etc. and correlates it with a social screen by which the customer can identify various social criteria which the customer either favors or disfavors. GOOD MONEY then researches published information on companies from authoritative sources such as the Wall Street Journal, Dow Jones News Service, Barrons, Ethical Investing, The Nuclear Weapons Industry, etc. and identifies companies which the customer has expressed interest in and issues a report. Each report is divided into five sections, most of which concern the specified social concerns. The final section contains financial data such as the price of the stock and its price earnings ratio.

Each GOOD MONEY report is accompaied with instructions on how to use Good Money Company Reports. The opening paragraph clearly indicates that the report is not investment

Mr. Harry Lantz
June 21, 1985
Page 3

advice but social information. "Investors must make decisions based on facts and their own personal judgment. GOOD MONEY is an information service (not an advisory service) and never makes buy, sell or hold recommendations. If financial advice is needed, find a qualified broker, money manager, or advisor. GOOD MONEY's services and publications are a supplement, not a substitute". Clearly, this language correctly identifies the purpose of the Good Money Report - to provide customers with social information with regard to potential investments. The compensation for the reports is based upon the time spent researching and compiling each report.

I have enclosed the Economic Need and Social Preference Questionnaire, the How To Use Good Money Company Reports, and the references and bibliography which accompany reports, and 2 sample company reports, one dealing with ARCO and the other reporting on the Thomas & Betts Corporation. In addition, I would be glad to provide you with copies of the recent GOOD MONEY, CATALYST, or NETBACK newsletters for your perusal. My clients wish to continue assisting you in your investigation.

My clients feel quite strongly that GOOD MONEY and the other activities are not subject to regulation under the Investment Advisors Act based on the literal definitions in the Act, the historical purposes of the Act, and the constitutional guarantees which the Act cannot abridge. However, they also understand that it is your job to investigate the activities of businesses such as GOOD MONEY and draw your own conclusions as to whether they are in conformity with state and federal law. Consequently, they have taken the time and the expense to outline all their activities, provide you with full information, and cooperate in every way in your investigation.

My clients have had no communication with the persons who expressed interest in investing in Clean Air Technologies, Inc., based on your statements that they should take no action. Please notify us of the present status of your investigation as to any further steps which you feel should be taken. If you have any questions or need further information, please feel free to contact me.

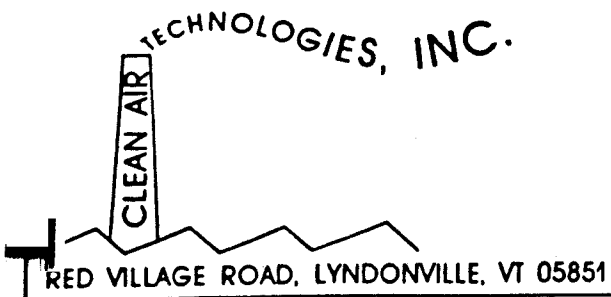
Sincerely,



Stephen C. Smith, Esq.

SCS/dp

CLEAN AIR
IS
GOOD
BUSINESS



P R O S P E C T U S

NUMBER 11

CLEAN AIR TECHNOLOGIES, INC.

CONTENTS

	<u>Page</u>
OFFERING.	2
USE OF PROCEEDS	4
THE COMPANY	5
CORPORATE OBJECTIVES	5
PRODUCT	5
TEST DATA	7
RESEARCH AND DEVELOPMENT (FUTURE PRODUCTS)	11
MARKET	12
MARKETING STRATEGY	13
DISTRIBUTION CHANNELS	13
PRICING	13
LABORATORY/PLANT	14
LABOR	14
MANAGEMENT	14
RISK FACTORS AND DISCLOSURES	16
FINANCIALS	20
NOTES TO FINANCIALS	24

PRIVATE OFFERING MEMORANDUM

1500 COMMON SHARES

CLEAN AIR TECHNOLOGIES, INC.

PRICE: \$399 PER SHARE

NOT FOR DISTRIBUTION TO THE GENERAL PUBLIC

THE SHARES OFFERED HEREBY HAVE NOT BEEN REGISTERED UNDER THE FEDERAL SECURITIES ACT) OF 1933, AS AMENDED, OR SIMILIAR LAWS OF THE STATE OF VERMONT BY REASON OF EXEMPTIONS UNDER SUCH LAWS FOR TRANSACTIONS NOT INVOLVING A PUBLIC OFFERING. FURTHER, THE SHARES OFFERED HEREBY HAVE NOT BEEN APPROVED OR DISAPPROVED BY ANY AUTHORITY OF THE STATE OF VERMONT OR OF THE UNITED STATES, NOR HAS ANY SUCH AUTHORITY PASSED UPON THE ACCURACY OR ADEQUACY OF THIS OFFERING MEMORANDUM.

NO PERSON IS AUTHORIZED TO GIVE ANY INFORMATION OR MAKE ANY STATEMENT NOT CONTAINED IN THIS MEMORANDUM AND ANY STATEMENTS OR INFORMATION NOT CONTAINED HEREIN MUST NOT BE RELIED ON AS HAVING BEEN AUTHORIZED BY CLEAN AIR TECHNOLOGIES, INC.

PROPOSED OFFERING

Clean Air Technologies, Inc. (the "Company") proposes to offer 1,500 shares (the "shares") of the common stock of the Company at a price of \$399 per Share, totalling \$598,500 if all Shares are subscribed. Each Share will have a par value of \$1.00, be non-assessable, and entitled to one vote. Each Share shall have the same rights as all other Shares.

DIVIDENDS

Dividends in cash or stock may be paid from time to time when declared by a vote of the Board of Directors of The Company, and shall only be paid out of profits.

OWNERSHIP

There are currently 3,000 shares of The Company's common stock issued and outstanding. If all the Shares being offered are sold, the total outstanding Shares of The Company will be 4,500 shares. The ownership will then be as follows: Authorized, 5,000 shares; issued 4,500 shares. Breakdown of ownership would then be:

Jacqueline Clark	1,500 shares	33.3%
Roger S. Pile	1,500 shares	33.3%
Investors	1,500 shares	33.3%

The Company is reserving 500 shares of unissued stock for future use in incentive programs and/or stock option plans for its employees.

MINIMUM PURCHASE

Investors may not subscribe to less than fifty (50) Shares, although an investor may divide ownership of his Shares among those of his choice, such as children or grandchildren, spouse, parent(s), etc. This provision may be waived by the Company at its discretion if circumstances warrant such in the opinion of The Company.

TRANSFERABILITY

Transferability of the Shares may be restricted by Federal Law, in particular by Rule 502 and Rule 144 of the Rules and Regulations under the Securities Act of 1933 (See Risk Factors).

SUBSCRIPTION

A subscription to Shares may be made by an investor by depositing with the Company the full purchase price in cash or by certified check payable to Clean Air Technologies, Inc. along with a completed, signed Subscription Agreement. The Company may accept or reject the subscription in its discretion at any time before the termination of the offering. Funds kept on deposit pending acceptance or rejection will be held in trust in a non-interest bearing account. If rejected, such funds will be returned to the investor. The Company may accept any subscription even if the whole offering is not purchased by investors.

INVESTOR SUITABILITY

The shares being offered hereby have not been registered under Federal or State securities laws by virtue of exemptions under such laws for transactions not involving a public offering.

THERE IS NO PRESENT MARKET FOR THE SHARES AND IT IS NOT EXPECTED THAT ANY WILL DEVELOP. INVESTMENT IN THE SHARES IS SUBJECT TO A HIGH DEGREE OF RISK. PURCHASE OF THE SHARES IS GENERALLY SUITABLE ONLY FOR LONG TERM INVESTMENT BY INVESTORS WHO HAVE NO NEED FOR LIQUIDITY IN THEIR INVESTMENTS. (See Risk Factors, Infra.).

All investors must be approved by the Company. Although the Company will not make a financial investigation of a prospective investor, it will require a representation that such investor is, by virtue of his own investment acumen, business acumen, business experience or independent financial advice, capable of evaluating the risks and merits of investing in the Company. A further representation will also be required that the Shares subscribed for are purchased solely for the account of the investor, for investment only, and not with a view to the sale or distribution thereof.

USE OF PROCEEDS

Purchase of land	\$50,000
Erection of laboratory building	100,000
Test Equipment	60,000
Tools & machinery	26,000
Materials for testing, evaluation & prototypes, such as boilers, furnaces, etc.	48,000
Transportation equipment to be used in development, testing of Converter for internal combustion engines.	40,000
Fuel oil (also to be used in testing)	20,000
Reserve for working capital & manufacturing start-up	254,500
Total proceeds	\$598,500

NOTE: The above use of proceeds is an estimate only and may vary within categories if prices are higher or lower at time of actual purchase.

CLEAN AIR TECHNOLOGIES, INC.

THE COMPANY

Clean Air Technologies, Inc. is a Vermont corporation organized in August of 1984 to develop, manufacture and market the Clark Converter under an exclusive fifteen year renewable license from Jacqueline Clark, holder of the patent rights. The license covers all countries of the world and permits the Company to sublicense. Details of the agreement are set forth in "Material Contracts". The Company's principle office is located on Red Village Road, Lyndonville, Vermont. The Company plans to locate its research and development laboratory facilities in Lyndonville, if possible. Location of production facilities has not been determined at this time.

CORPORATE OBJECTIVES

The Company's immediate objective is to produce and test production prototypes of a complete Clark Converter line; industrial/commercial use first, then residential. The Company's next objective is the research, development and testing of a model that can be used in internal combustion engines to substantially reduce polluting emissions. The Company also plans to develop certain other inventions for which there is presently an almost desperate need in the world. To this end, it is an objective of the Company to remain essentially a research and development facility that will develop products up to a production stage. At that time, the Company will form a subsidiary corporation to manufacture and market the product or product line. When each company so formed has become successful enough, it is the Company's intention to take the subsidiary public, at which time the Company will then distribute its holdings in such company to the shareholders of the Company as partial distribution of capital, unless such distribution would be unwise or detrimental because of tax laws in force at that time. It is a further objective of the Company to promote equity ownership by employees, as well as a profit sharing program. Such a program or programs are expected to encourage full involvement and productive contribution to the Company by the employee, as well as loyalty.

PRODUCTS

The Clark Converter is a simple but unique device which, when installed in the combustion chamber, or channel, of a fossil fuel fired, or solid waste fired boiler, will substantially reduce polluting emissions and effect a far more efficient combustion, resulting in startling fuel savings.

The Clark Converter has already been tested in oil burning, as well as coal and wood burning boilers and furnaces. Recently, an independent test by the nationally known and highly respected environmental testing engineering company, TRC Environmental Consultants, Inc., using a prototype Clark Converter, in a Stelrad oil-fired boiler, showed that the Clark Converter reduced sulfur dioxide (SO₂) emissions by 75%! It also reduced nitrogen oxide (NO_x) by an astounding 29% (See Test Data). The Company feels this can be improved with further development and testing. The Company's own tests have shown very significant improvement when the Clark Converter has been used (See Test Data).

TEST DATA (Company's tests)

	<u>WITHOUT</u> <u>Clark Converter</u>	<u>WITH</u> <u>Clark Converter</u>
(1) Carlin #100 CRD oil burner using #2 fuel oil - used in a boiler:		
Nozzle:	.50 gal/hr	.50 gal/hr.
Stack temperature:	600° F.	250° F
CO ₂ :	11	14 $\frac{1}{2}$
Smoke:	Adj. for zero	zero
(2) Becket Flame Retention Head oil burner using #2 fuel oil - used in a boiler:		
Nozzle:	.50 gal/hr.	.50 gal/hr.
Stack temperature:	600° F.	225° F.
CO ₂ :	12	15
Smoke:	Adj. for zero	zero
(3) Becket Flame Retention Head oil burner using #2 fuel oil - used in a 112,000 BTU warm air furnace:		
Nozzle:	1.25 gal/hr.	.85 gal/hr.
Stack temperature:	700° F.	200° F.
CO ₂ :	11 $\frac{1}{2}$	15
Smoke:	Adj. for zero	zero
NOTE: Nozzle was reduced to .85 gal/hr. because when the Clark Converter was used with the 1.25 gal/hr. nozzle, unit was running against upper temperature limit switch. When unit was equipped with the Clark Converter and using the .85 gal/hr. nozzle it was producing the same BTU output, as measured by a) blower speed, b) blower volume, c) temperature of air into blower and d) temperature of air leaving the heat exchanger, as it did with the 1.25 gal/hr. nozzle without the Clark Converter.		
(4) Trianco coal fired boiler using anthracite coal:		
Stack temperature:	600° F.	300° F.
CO ₂ :	16	19
Smoke:	zero	zero

NOTE: With the Clark Converter there was no stack condensation. Burn time before curve drop-off without the Clark Converter was seven (7) hours; with the Clark Converter it was ten (10) hours - resulting in 30% more burn time with the same BTU output.

UNITS USED IN TESTING

Commercial:

Smith Mills, Series 34 boiler

Residential:

American Standard boiler

Burnham boiler

New England boiler

Wyle-McClain boiler

Johnson warm air furnace

Williamson warm air furnace

Other:

Coal and wood stoves of various manufacturers

TEST PROCEDURES UTILIZED

STACK TEMPERATURE - temperature measured at the breech using stack thermometer.

CO₂ - measured over the fire and at the breech.

SMOKE - measured at the breech.

BTU - measured directly from water temperature in versus water temperature out, and volume.

NOTE: Efficiency testing kits from several different leading manufacturers, pyrometers and a Lynn Analyser were used. All instruments used are standard in the industry.

ANTICIPATED LIFE OF THE CLARK CONVERTER

Used in OIL fired units - 12 months. In tests, duration was 11-16 months before disintegration.

Used in COAL fired units - 24 months. In tests some deterioration occurred after 3 years.

Used in WOOD fired units - 36 months. In tests no apparent deterioration showed after 4 years.

RESEARCH AND DEVELOPMENT PROGRAM

1. Need to determine proper size of Clark Converter for different size applications from small residential to heavy industrial/commercial units, including utility power plants.
2. Need to develop equipment necessary for retrofitting industrial/commercial applications.
3. Need to design a line of heating units for residential applications.
4. Need a fully equipped laboratory with:

Recording instruments

Test equipment

Boilers, furnaces, stoves, etc.

Fabrication equipment

Machine shop equipment for model making

Standard laboratory and office equipment

October 29, 1984

Mr. Roger Pile
President
Clean Air Technologies, Inc.
Red Village Road
Lyndonville, VT 05851

Dear Mr. Pile:

This letter constitutes our report of the preliminary air pollution emission measurements performed on a Stelrad oil fired boiler equipped with a Becket AFG burner. The tests were performed on October 27, 1984 at Northland Boiler Company in East Haddam, Connecticut. The purpose of the tests was to evaluate the effectiveness of the Clark Converter. Thus, the boiler was operated with and without the device. The results are summarized in Table 1, which is attached. As shown, the converter was approximately 75% efficient in removing sulfur dioxide (SO_2) and 29% efficient in removing nitrogen oxides (NO_x) during these tests.

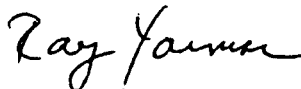
All test runs were performed with a 0.65 GPH oil nozzle. Each test run was approximately 15-30 minutes long. Carbon dioxide (CO_2) was determined with a Fyrite analyzer. Carbon monoxide (CO) was determined with a Bendix non-dispersive infrared analyzer. Sulfur dioxide (SO_2) was determined with a Thermo Electron pulsed fluorescent analyzer. Nitrogen oxides (NO_x) were determined with a Monitor Labs chemiluminescent analyzer. All samples were taken in Tedlar bags at the test site and analyzed in the TRC laboratory within 3-4 hours. All analyzers were calibrated with certified calibration gases.

The Clark Converter demonstrated significant removal efficiency for both SO_2 and NO_x during these tests. However, these tests were preliminary in nature and the results should not be considered conclusive without further study.

Please contact me if you have any questions or comments concerning these tests.

Sincerely,

TRC Environmental Consultants, Inc.



Ray Yarmac
Manager Emissions Measurement Section

RY/sal

Enclosure

INDEPENDENT TESTING

TABLE 1
PRELIMINARY AIR POLLUTION EMISSION MEASUREMENT SUMMARY
CLARK CONVERTER EFFICIENCY TESTS
OCTOBER 27, 1984

<u>Test</u>	<u>Mode</u>	<u>CO₂ (%)</u>	<u>CO (PPM)</u>	<u>SO₂ (PPM)</u>	<u>NO AS NO₂ (PPM)</u>
4	w/converter	9.5	28	8.7	35.3
5	w/converter	9.5	12	7.5	Data Lost
Average	w/converter	9.5	20	8.1	35.3
6	w/o converter	9.5	26	41.0	52.3
7	w/o converter	9.5	21	23.7	47.8
Average	w/o converter	9.5	23.5	32.3	50.0
Average Converter Removal Efficiency				74.9%	29.4%

Tests have further shown that the Clark Converter substantially lowers the stack temperature in each case, minimizes the hydrocarbon content of the exhaust flow, virtually eliminates particulate emission, while drastically improving combustion efficiency (See Test Data). Indeed, the increased efficiency is such that the payback time should, in most cases, be well under 24 months.

Perhaps one of the most important benefits of using the Clark Converter will be for new installations because it will eliminate the need for very expensive to build and costly to maintain electrostatic stack precipitators and hazardous bag houses, which in many cases do not work too well anyway. Even so, the Clark Converter can be easily and inexpensively retrofitted to any existing boiler; the potential is unlimited. Additional benefits to sharply reduced maintenance expense will be sharply reduced insurance premiums; the Clark Converter has no moving parts and is contained within the combustion chamber of the boiler - not in the stack. It has no electronic controls and operates automatically without any supervision. Since it is also non-combustible there is no need for safety systems or alarm systems other than those already in place.

The Clark Converter is easily fabricated, installed, retrofitted or replaced. It is also comparatively less expensive by far than present pollution control systems. It is made of metallic products which are off-the-shelf items, readily available from multiple suppliers. Testing to date indicates that the Clark Converter can be expected to last a year of constant use in an oil fired boiler, up to three years in a coal or wood fired boiler or furnace. In the wood stove test, the Converter completely controlled creosote buildup during the four years of the test, while increasing burn time by 20%. Chimney fires have increased dramatically in the last decade because of the popularity of wood burning stoves and furnaces. The Clark Converter could well be the answer to this serious problem.

The multitudinous advantages of the Clark Converter make it, perhaps, one of the most important technological breakthroughs in the twentieth century to date. It will not be acclaimed, however, so much for its combustion efficiency, its small cost, its elimination of fire and safety hazards, its cost effectiveness as it will be because it, the Clark Converter, holds such extraordinary promise for solving the problems of air pollution and acid rain due to its efficiency and very modest cost which will make it affordable to everyone.

RESEARCH AND DEVELOPMENT

The Company expects to be able to produce a production model of the Clark Converter for industrial/commercial boiler applications within 6 months after availability of funds. In addition to developing the Clark Converter for production, the Company intends to pursue development of several other items as time and money permit. Future potential products are listed below in order of present priority, which may change according to demand.

Clark Converter

The company plans as soon as possible to develop a variation of the Clark Converter for use in internal combustion engines, automotive, marine and stationary. While the market has not been researched, it is obvious from the reports of problems cities and towns are encountering with smog and their ineffective attempts to control auto emissions, for example, that if the Clark Converter, as adapted, works as well in the internal combustion engine as it does in boilers, then a vast market penetration is assured. Given the number of autos on the road today, not only in the U.S., but world-wide as well, plus the number of new cars being built, the market potential boggles the mind. The anticipated design will make this unit far less expensive than the present catalytic converters, far more effective, and, hopefully, retrofittable. Users will be able to burn almost any kind of fuel.

Clark Portable Hay Dryer

As any farmer will be quick to state, the drying of hay in the fields is a tricky business. An untimely rain may cause the hay to become unsatisfactory as food for the farm animals. To preserve its nutritional value, it must be processed just right; often the weather proves very uncooperative. The Company expects to develop a portable dryer using the Clark Converter that will process the hay in the field in hours where by conventional methods it takes upwards of three days. Since there would be nothing like it on the market and since it would fill a need, the market potential should be substantial.

Clark Earth Cleaner

A problem causing increasing concern is the saturation of the soil around gasoline stations with waste oil. This concern is not only here in America but also in Europe, where space is limited. Up to now, correction of this problem has been very costly. Contaminated soil must be dumped somewhere, usually in a land fill. The Company has a rough design of a machine that will process the contaminated soil on site, extracting the oil completely and returning the soil clean and fresh to its original place. The oil might be reusable but research would have to be done on that. No market research has been done as yet, nor is any planned until this product is further along in its development. The Company does know that the potential market for this product is more than sufficient to warrant going ahead with the design and building a prototype.

Potential use of by-products for agriculture

The Company plans an extensive research program to determine if the by-products of the combustion process using the Clark Converter have use in agriculture. Initial observations indicate that such research and testing should prove promising - and productive.

Other products

The Company has several ideas which need to be further developed and determined if feasible; however, such work is not expected to take place for some time.

MARKET

The residential market for new boilers and furnaces runs about \$100 million in sales each year at the manufacturer's level. The uniqueness and the advantages of the Clark Converter should enable the Company to achieve at least a three percent (3%) market penetration, which would mean over three million dollars income from this market alone.

The largest and most profitable potential market for the Clark Converter, however, is in industrial and commercial units. This market is over 17 times larger than the residential market, in terms of dollar volume. The tremendous advantages of the Clark Converter are even more apparent in this market which will rapidly make it the technology of choice. Since the Clark Converter fills a desperate need, market penetration will be swift and deep. Public pressure for a solution to the airborne pollution problem, and desire for a more ecologically sound and healthy environment, are certain to spur increasingly stringent demands for cleaner air. Advantages of the Clark Converter include:

- * fuel savings of 20-30% of present costs. A company using 100,000 gallons of fuel oil at \$1.00 per gallon would save \$20,000 - \$30,000 on fuel oil alone - far more than the installed cost of a Clark Converter.
- * substantial reduction in down time and maintenance costs. In conventional systems, stack precipitators must be periodically dismantled and cleaned. Bag houses require costly maintenance also. Bag houses frequently catch fire, and thus pose serious safety hazards as well as requiring high insurance premiums. Elimination of bag houses and scrubbers not only offers substantial savings in maintenance costs, elimination of safety gambles, but also extremely modest construction outlays.
- * the use of cheaper, high sulphur coal while still meeting the Clean Air Act requirements. This should make the Clark Converter especially attractive to Eastern power plants located near sources of high sulfur coal. The current trend towards conversion to coal burning boilers provides an expanding market where the advantages of the Clark Converter make it extremely attractive.
- * permitting cities, municipalities and small communities all across the nation to build relatively inexpensive solid waste disposal plants that will meet stringent EPA standards. With land fill disposal areas becoming scarcer and subject to increasingly stricter controls because of hazardous waste disposal problems, this market alone could provide a ready market and very substantial sales volume.
- * ease of installation, retrofitting, and maintenance. Safety.

The market for the Clark Converter is not limited to the U.S. and Canada; the market extends to all industrialized nations of the world. For instance, West Germany and Sweden are desperately trying to solve the airborne pollution problem. It is anticipated that the Company will take steps to market the Converter world-wide as soon as practically possible. The Company intends to obtain patent protection in all countries that provide such protection. However, there is no assurance that infringements will not take place. It is the Company's intention to swiftly respond with appropriate legal steps in such case.

Widespread use of the Clark Converter should make a significant contribution to the control of sulfur and NO_x emissions, particulates and hydrocarbons, which are currently the subject of grave national concern as precursors of acid precipitation.

MARKETING STRATEGY

Initial marketing and sales efforts will focus on the domestic industrial/commercial market, especially those plants burning 40-60 gallons of fuel oil per hour, since this area will provide the quickest and most profitable entry market. A secondary target will be coal-fired plants burning 400-600 pounds of coal per hour. These size plants generally have considerable difficulty in meeting anti-pollution control standards, mainly because of the prohibitive cost involved. As the EPA becomes stricter, these companies will be ideal candidates for a Clark Converter system because it will do the job and pay for itself quickly in fuel savings. Because both of these markets are for retrofit units, the Company will have less money tied up in inventory, thus improving its cash flow.

As the industrial/commercial market is penetrated, the Company will enter the residential market with a line of boilers and furnaces designed by the Company. This new line will be built around the Clark Converter to maximize the efficiency of the units and reduce operational costs. Sales in this market are expected to reach \$6-10 million a year.

The Company intends to investigate the feasibility of joint ventures with foreign concerns to manufacture and market the Clark Converter in foreign markets. The Company plans to apply immediately for patents in all countries which adhere to international patent conventions.

The Company believes that the Clark Converter is so unique, has such inherent free publicity potential that very little has been budgeted for advertisement and sales promotion. It is strongly felt that, initially, word-of-mouth will generate all the business that the Company could realistically handle.

DISTRIBUTION CHANNELS

The Clark Converter as well as the new design boilers and furnaces will be distributed initially through local franchised dealers who have proven records of integrity, service, and ability to market the Company's products aggressively. Because the installation of the Clark Converter, and the Converter, itself, is so uncomplicated, dealer technical training requirements will be minimal.

As sales and cash flow increase, the Company will establish regional sales offices and warehouse distribution centers, coordinated by a national sales manager. The Company plans to organize an on-going sales training program designed to provide trained, seasoned managers as new offices, both national and international are opened up. Eventually, the sales network will consist of both top quality independent dealers and Company-owned dealerships; but it will be Company policy to avoid establishing the latter unless no viable alternative is available. The Company will never replace an independent franchised dealer because that dealer has been successful in selling and servicing the Company's products.

PRICING

The Company presently plans to market the Clark Converter at a dealer cost of \$90 each gallon per hour the boiler, or furnace, is fired at, and \$9 per pound per hour of coal burned. For example, a Clark Converter for a boiler being fired at 40 gallons per hour would cost the dealer \$3600. At a suggested retail price of \$120 per GPH, the dealer would bill the customer \$4800, plus installation - a profit for the dealer of \$1200, or 25%. However, at only a 20% fuel cost savings, the customer would have recovered his cost in 90-120 days. Since the Clark Converter would be replaced only once a year, the customer profits handsomely. At present price levels of raw materials, The Company will also make a good profit.

LABORATORY AND FACILITIES

The first and primary need of the Company is a modern, functional laboratory with sophisticated equipment for testing, producing production models, and for research and development of additional products. The Company plans to purchase suitable land and construct a 3,000 square foot building in Lyndonville, Vermont. Land is available at modest prices and building costs are reasonable in this area. The laboratory will be equipped with the latest state-of-the art testing instruments and with a well equipped machine shop. Initial production of the Clark Converter can be conducted in the laboratory but it is the Company's intention, as soon as the Converter has been field tested and debugged, to set up a manufacturing and marketing subsidiary, which may, or may not, be in Lyndonville. The manufacturing facility will be funded separately, for the most part. However, financial market conditions at that time will govern where funds are sought.

LABOR

Lyndonville and a good part of the northeast section of Vermont is an economically depressed area but containing a fairly large labor pool of hard working, dependable workers eager for jobs. The manufacturing process is not complicated and these workers are intelligent and easily trained. Laboratory technicians are also available. Part time help could also be available from a local state college. As the business grows the Company envisions employment of a substantial number of workers in many different categories, and to this end will devise and implement an on-going training program to promote rapid advancement of those willing and able to handle the larger responsibility.

MANAGEMENT

President and Treasurer: Roger S. Pile, Sr., MBA

Mr. Pile has been a management consultant in marketing, finance and administration for over twenty years. Before his retirement, he was President of Industrial Development, Inc., a management consulting firm specializing in small to medium sized companies. Prior to founding Industrial Development, Inc., he founded and was President of Gyro-Stabilizer Corporation, which held the world-wide sales rights to the Kenyon gyrostabilizer. He helped start and served as Vice-President, Sales and Treasurer in Emco Products, Inc., manufacturers of bas-relief plastic overshoes for women and children. He has worked with clients in the heating/cooling field as well as many other fields, sometimes serving in a top executive capacity in turn-around situations. He is the author of "Practical Procedures for Planning and Implementing a New Manufacturing Business", and has a strong personal interest in environmental protection and pollution control.

Corporate Secretary: Jacqueline Clark, MS

Mrs. Clark has extensive experience in technical writing, including instructional manuals for the heating industry, as an educator, math instructor, and as instructional materials coordinator. She is also experienced in office management and accounting.

Chief Engineer: Raymond Clark, Jr.

Mr. Clark has more than twenty years experience in industrial, commercial and residential heating, and in all types of fossil fuel combustion in both the United States and Europe. Among the firms for which he has served as a designer and engineer are Triangle Redfire (UK), H.F. Tarm (Denmark), Northland Boiler, and Northeast Boiler. He has designed and built multi-fuel boilers which have been marketed world-wide. He has over twenty heating industry inventions to his credit. Not only does he have extensive experience in prototype engineering, production engineering but also in setting up production facilities. Prior to forming Clean Air Technologies, Inc., Mr. Clark was an engineering consultant to a number of companies in the heating industry.

SALES MANAGER, NATIONAL

Provision has been made in the financials for a national sales manager. No one has been selected for this position as yet. It was felt that to do so would be premature until the laboratory has been built and put in operation. Initially, the marketing and promotional programs will be handled by Mr. Pile.

ADDITIONAL MANAGEMENT PERSONNEL WILL BE ADDED AS NEEDED AND AS CASH FLOW PERMITS. HOWEVER, CONTINGENT UPON WHEN AND HOW MUCH FUNDING IS RECEIVED, AND UPON WHEN THE LABORATORY BECOMES OPERATIONAL AND PRODUCES A PRODUCTION MODEL, AND UPON THE TIMETABLE FOR MANUFACTURING THE CLARK CONVERTER FOR PUBLIC USE, THE COMPANY PLANS TO DRAW UP A SCHEDULE OF HIRING ON A FLEX BASIS TIED TO A FORMULA OF SALES VELOCITY, WORK NEEDED, EFFECTIVE WORK HOURS AVAILABLE, AND ALTERNATE FULFILLMENT OF NEEDS. EACH POSITION MUST BE COST EFFECTIVE. THE COMPANY BELIEVES THAT THE MASTER EMPLOYMENT TIMETABLE IT CONTEMPLATES AS PART OF ITS CORPORATE PLANNING PROGRAM WILL ACHIEVE THAT GOAL.

RISK FACTORS

Purchase of the Shares involves a high degree of risk and is suitable only for persons of adequate financial means who have no need for liquidity in this investment and who could bear the loss of all or a portion of their investment. Among the risks to be considered are the following:

1. No Operating History. The Company has no operating history and faces the initial and inherent risks in beginning a new business venture. There can be no assurance that the Company will be able to generate income or profits.
2. Change in Government Regulations. It is possible that changes in government regulations and or standards may adversely affect the sales of the Clark Converter or other Company products. However, the Company feels that present regulations and standards greatly favor use of the company's products.
3. Shares Are Unregistered. Neither the Shares offered hereby nor any other securities of the Company are registered with the Securities & Exchange Commission and may not be sold by the investor without registration unless pursuant to an exemption.
4. Price Arbitrarily Determined. There is no market and no market price for the securities of the Company. The price of the shares bears no relationship to any recognized criteria of the Company's value. Thus, price of the Shares was set arbitrarily. Each potential investor should independently evaluate the fairness of such price under all circumstances.
5. No Market for Shares. At present there is no public market for any of the Company's securities. No registration statement has been filed with The Securities & Exchange Commission. This means investors may not be able to liquidate their investments when they wish to do so. Since the Shares are unregistered, no market is likely to develop.
6. Operating Risks. The ability of the Company to become profitable depends upon its successful generation of sales of its products. This depends upon the need for its products, services, level of competition, success of its advertising and sales force, local and international economic conditions and other influencing factors. There is no assurance that revenues, if generated, will be sufficient for the Company to meet its obligations, however, none of the investors will be obligated to provide funds to the Company in the event the Company should fail to meet its obligations.
7. Patent Protection. While the Company expects to manufacture the Clark Converter under an exclusive worldwide license granted by Jacqueline Clark, there is no assurance that the patent applied for (#06/605,230) will be granted in whole or part, or that it will be granted at all. There is no assurance that any future products to be developed by the Company will be patentable, or that in the event of any patent application, the claims will be allowed in whole or part. There is no assurance that any patents granted either to the Company or under which the Company is licensed to manufacture and or market, will not be challenged in court, in which case, the costs of litigation could have a serious adverse effect on the Company's finances, as well as on the ability of the Company to produce revenues.

8. Adequacy of Financing. The money raised from this offering is expected to be adequate to conduct the business of the Company. However, there is no assurance that no further funds will be needed or that the funds raised will be, in actuality, sufficient to bring the Company to self-sufficiency. There are no plans at present to raise further capital and should such become necessary, there is no assurance that any further financing could be obtained.

9. Research & Development/Product Development. At present, the Company depends on its Chief Engineer, Ray Clark, for developing prototypes and production models of its product (s), as well as research and development of future products. Such work is the lifeblood of the Company. However, there can be no assurance that Mr. Clark will remain with the Company. In addition, while the Company intends to place key man life insurance on Mr. Clark, the potential investor should know that Mr. Clark's demise would most seriously adversely affect the Company. The Company will take every step to protect its interests, and will train backup, but there is no assurance that a backup can be hired who has the creative genius, extensive practical experience and expertise of Mr. Clark - or even close.

MATERIAL CONTRACTS

The Company has agreed to an exclusive fifteen year, renewable license to manufacture and market the Clark Converter worldwide. The license is granted by Jacqueline Clark under patent application #06/605,230 and covers permission to manufacture and market the Clark Converter for combustion units and internal combustion engines.

The Company will pay Mrs. Clark a royalty of 5% the first year, 4% the second year, 3% the third year and 2% annually thereafter of the net sales of the Company of the product (s) manufactured and sold under this license.

The royalty payments will be made — annually.

The Company may sub-license at its discretion.

Should the patent not be granted, then this agreement becomes null and void. Should the patent be issued and be challenged in court, or be infringed on, then Mrs. Clark will be obligated to fight same with appropriate legal action.

In further consideration, Mrs. Clark has been issued 1500 Shares of the Company which will be returned to the Company in the event the patent application is denied.

EXECUTIVE SALARIES

Roger S. Pile will be President of the Company and will receive a salary of \$36,000 per annum. However, this will be reviewed at the end of the first year and at the end of the second year, and adjusted in accordance with performance.

Ray Clark will be Chief Engineer of the Company and will receive a salary of \$36,000 per annum. This salary will be reviewed at the end of the first year and the second year and adjusted in accordance with performance.

The above executives will also participate in an employee profit sharing plan to be developed by the Company - possibly a stock option plan. Either, or both, may be necessary the Company feels, to attract the caliber of personnel that will be dedicated to the Company interests and will make positive contributions to the Company's success.

No other executive positions are contemplated at this time so no compensation level is given here.

FINANCIALS

PROFORMA PROFIT & LOSS STATEMENT FOR CLEAN AIR TECHNOLOGIES & SUBSIDIARY - FIRST YEAR

Notes	ITEM	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7	Month 8	Month 9	Month 10	Month 11	Month 12	Year to date
(1)	Units shipped	--Development of production model, production, plant						8	15	30	50	100	150	353
(1)	Sales	--Development of distribution channels -----						28,800	54,000	108,000	180,000	360,000	540,000	\$1,270,800
	Other income												10,920	10,920
	<u>TOTAL INCOME</u>													<u>\$1,281,720</u>
	<u>COST OF SALES</u>													
(2)	Material							6,400	12,000	24,000	40,000	80,000	120,000	282,400
(2)	Labor							3,200	6,000	12,000	20,000	40,000	60,000	141,200
(5)	Chief Engineer	3,300	3,300	3,300	3,300	3,300	3,300	3,300	3,300	3,300	3,300	3,300	3,300	29,700
	Utilities/heat	500	500	500	500	500	500	500	500	500	500	500	500	6,000
	Insurance	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	12,000
	Shop supplies	1,000	1,000	500	500	500	500	500	500	500	500	500	500	7,000
(3)	Depreciation	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	36,000
	Transportation exp.	500	500	500	500	500	500	500	500	500	500	500	500	6,000
(6)	Misc. & Contingency	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	24,000
	<u>TOTAL COST OF SLS</u>	<u>11,300</u>	<u>11,300</u>	<u>10,800</u>	<u>10,800</u>	<u>10,800</u>	<u>10,800</u>	<u>20,400</u>	<u>28,800</u>	<u>46,800</u>	<u>70,800</u>	<u>130,800</u>	<u>190,800</u>	<u>\$554,200</u>
	<u>SALES/MKTG. EXPENSE</u>													
(4)(5)	National Sales Mgr.				3,300	3,300	3,300	3,300	3,300	3,300	3,300	3,300	3,300	29,700
	Adv./sls promotn		1,000	1,000	4,000	6,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	24,000
	Travel & Ent.			500	1,500	2,000	3,000	3,000	3,000	3,000	3,000	3,000	4,000	23,000
	Auto expense			500	500	500	500	500	500	500	500	500	500	4,500
	<u>TOTAL SALES EXP.</u>			<u>1,000</u>	<u>5,300</u>	<u>9,300</u>	<u>11,800</u>	<u>8,800</u>	<u>8,800</u>	<u>8,800</u>	<u>8,800</u>	<u>8,800</u>	<u>9,800</u>	<u>\$81,200</u>
	<u>G. & A.</u>													
(5)	Officer salary	3,300	3,300	3,300	3,300	3,300	3,300	3,300	3,300	3,300	3,300	3,300	3,300	39,600
	Office salaries	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	12,000
(7)	Office expense	500	2,000	1,000	500	500	1,000	1,000	1,000	1,000	1,000	1,000	1,000	11,500
	Travel & ent.	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	12,000
	Auto expense	500	500	500	500	500	500	500	500	500	500	500	500	6,000
	Employee benefits	900	900	900	1,200	1,200	1,200	1,200	1,200	1,200	1,200	1,200	1,200	13,500
	Telephone	500	500	500	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	10,500
	Research & dev. exp.	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000	72,000
(8)	Legal & accounting	1,000	1,000	10,000	10,000	10,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	39,000
	Misc. & contingency	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	24,000
	<u>TOTAL G & A</u>	<u>16,700</u>	<u>18,200</u>	<u>26,200</u>	<u>26,500</u>	<u>26,500</u>	<u>18,000</u>	<u>18,000</u>	<u>18,000</u>	<u>18,000</u>	<u>18,000</u>	<u>18,000</u>	<u>18,000</u>	<u>\$240,100</u>
	<u>TOTAL EXPENSE</u>	<u>28,000</u>	<u>29,500</u>	<u>38,000</u>	<u>42,600</u>	<u>46,600</u>	<u>40,600</u>	<u>47,200</u>	<u>55,600</u>	<u>73,600</u>	<u>97,600</u>	<u>157,600</u>	<u>218,600</u>	<u>875,500</u>
	Royalty payment												64,086	64,086
	<u>NET PROFIT</u>	<u>(28,000)</u>	<u>(29,500)</u>	<u>(38,000)</u>	<u>(42,600)</u>	<u>(46,600)</u>	<u>(40,600)</u>	<u>(18,400)</u>	<u>(1,600)</u>	<u>34,400</u>	<u>82,400</u>	<u>202,400</u>	<u>268,234</u>	<u>342,134</u>
	Est. fed./state txs													184,793
	<u>RETAINED EARNINGS</u>													<u>(12.3%) 157,341</u>
	<u>PER SHARE EARNINGS</u>													<u>\$34.96</u>

PROFORMA PROFIT AND LOSS STATEMENT FOR CLEAN AIR TECHNOLOGIES, INC. & SUBSIDIARY

YEAR 2 (See Note #9, Notes to Financials)

<u>ITEM</u>	<u>1st Quarter</u>	<u>2nd Quarter</u>	<u>3rd Quarter</u>	<u>4th Quarter</u>	<u>Total for Year</u>
Clark Converter units shipped	600	1200	2400	5000	9200
SALES	\$2,160,000	\$4,320,000	\$8,640,000	\$18,000,000	\$33,120,000
<u>COST OF SALES</u>					
Materials	480,000	960,000	1,920,000	4,000,000	7,360,000
Labor	240,000	480,000	960,000	2,000,000	3,680,000
Operating expense	97,950	97,950	97,950	97,950	391,800
TOTAL COST OF SALES	817,950	1,537,950	2,977,950	6,097,950	11,431,800
<u>SALES MARKETING EXPENSE</u>	216,000	432,000	864,000	1,800,000	3,312,000
<u>GENERAL & ADMINISTRATION</u>	597,750	597,750	597,750	597,750	2,391,000
TOTAL EXPENSES	1,631,700	2,567,700	4,439,700	8,495,700	17,134,800
<u>Royalty payment</u>				1,324,800	1,324,800
NET PROFIT BEFORE TAXES	528,300	1,752,300	4,200,300	8,179,500	14,660,400
Estimated federal income tax					6,890,388
Estimated state income tax					1,466,040
TOTAL INCOME TAXES					8,356,428
<u>RETAINED EARNINGS:</u>					\$6,303,972
EARNINGS PER SHARE					\$ 1,400

NOTE: The Company plans to use retained earnings for expansion in so far as cash flow permits. At some point, however, the subsidiary will be spun off to go public, if market conditions are favorable. Clean Air Technologies, Inc. will then derive its funds from royalties from other inventions it will be developing, as heretofore set forth.

PROFORMA CASH FLOW - FIRST YEAR - CLEAN AIR TECHNOLOGIES, INC. & SUBSIDIARY

	<u>Month 1</u>	<u>Month 2</u>	<u>Month 3</u>	<u>Month 4</u>	<u>Month 5</u>	<u>Month 6</u>	<u>Month 7</u>	<u>Month 8</u>	<u>Month 9</u>	<u>Month 10</u>	<u>Month 11</u>	<u>Month 12</u>	<u>Cash</u>
CASH FORWARD	-0-	404,400	252,400	196,900	162,900	122,300	79,700	39,400	14,800	13,600	37,000	117,400	\$274,700
Sales Income							14,400	27,000	68,400	117,000	234,000	360,000	<u>Accts. Rec.</u> \$450,000
Other income												10,900	
Investment	598,500												
Total cash fwd.	598,500	404,400	252,400	196,900	162,900	122,300	94,100	66,400	83,200	130,600	271,000	488,300	
<u>Disbursements</u>													<u>Accts. Pay.</u>
Materials	24,000	24,000					6,400	12,000	24,000	40,000	80,000	120,000	-0-
Salaries	7,600	7,600	7,600	7,600	10,900	10,900	10,900	10,900	10,900	10,900	10,900	10,900	-0-
Wages							3,200	6,000	12,000	20,000	40,000	60,000	-0-
Oper. expense	5,000	4,000	9,000	3,500	5,500	3,500	3,500	3,500	3,500	3,500	3,500	3,500	3,500
Sales/mktg expense				1,000	2,000	6,000	8,500	5,500	5,500	5,500	5,500	5,500	5,500
G. & A.	2,000	10,000	13,000	21,900	22,200	22,200	22,200	13,700	13,700	13,700	13,700	13,700	13,700
Lab./plant	75,000	50,000	25,000										
Test equip/M&E	40,000	40,000											
Research vehicles	40,000												
Equip/furn/fixtrs	500	10,000											
Royalty payment													64,086
Provision for txe													184,793
Total disbsmts	194,100	152,000	55,500	34,000	40,600	42,600	54,700	51,600	69,600	93,600	153,600	213,600	
CASH FORWARD	404,400	252,400	196,900	162,900	122,300	79,700	39,400	14,800	13,600	37,000	117,400	274,700	

PROFORMA BALANCE SHEET OF
CLEAN AIR TECHNOLOGIES, INC. & SUBSIDIARY

End of the first year

ASSETS

CASH & treasury bills	274,700	
ACCOUNTS RECEIVABLE	450,000	
INVENTORY	52,220	
CURRENT ASSETS		\$ 776,920

FIXED ASSETS

Land	\$ 50,000	
Bldgs	100,000	
Test equipment/M.&E.	86,000	
Research vehicles	40,000	
Lab. furniture & fixtures & equipment	<u>10,500</u>	
Less Accumulated depreciation	(36,000)	
TOTAL FIXED ASSETS, NET		250,500

OTHER ASSETS

Orgizational expense	1,500	
Exclusive license (patent)	1,500	
TOTAL OTHER ASSETS		3,000

<u>TOTAL ASSETS</u>		\$1,030,420
---------------------	--	-------------

LIABILITIES

Accounts payable	271,579	
TOTAL CURRENT LIABILITIES		271,579

CAPITAL

Common Stock	4,500	
Capital Surplus	597,000	
Retained earnings	157,341	
Stockholders' equity		758,841

<u>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</u>		\$1,030,420
---	--	-------------

NOTES TO FINANCIALS

The PROFORMA sheets herewith presented are rough estimates only and should be viewed as such. While The Company has tried to estimate income and expenses as they might reasonably be expected to happen, there is no assurance that the schedules as shown will be at all accurate, or will not vary considerably. The Company has tried to provide in its income and expense estimates for as many foreseen expenses as it can at this point but until a company experience has been established all such figures are best guesses.

NOTES

1. Units are sized in accordance with the gallon per hour rating of the nozzle in oil fired boilers, or per pound per hour usage in coal fired boilers. This determines the price of the unit. At present The Company plans to charge a retail price of \$120 per GPH for oil fired units and \$12.00 per PPH of coal used in coal fired units. Price to the distributor (net to The Company) would be \$90 per GPH (oil) and \$9.00 PPH (coal). For purposes of these proformas we have used an average size Clark Converter designed to fit a boiler using 40 gallons of oil per hour. Retail price of this unit would then be \$4,800 with the dealer paying The Company \$3600 (\$90 X 40). All sales have been figured at the dealer level in the proformas.
2. Materials and labor costs have been figured at higher levels than anticipated at this time. This is to allow for low productivity and waste experienced in manufacturing start-up and labor break-in periods. We expect post break-in costs to be lower.
3. Depreciation figures are impossible to pinpoint at this time because it has not been fully determined which item will be expensed and which item will be capitalized. For the purposes of the proforma, a figure has been used that the Company feels is reasonable.
4. The Company has provided in its budget for a National Sales Manager to be hired early on so that work on setting up a nationwide dealer network could commence and, hopefully, be available when the Clark Converter was ready for the marketplace. Salary level for this position is the same as that for the other executives during the first year. An incentive arrangement will be made for both managers and sales personnel commencing the second year. No firm decision has been made yet, nor will, until the proper funding is available and production prototypes are being made.
5. All salaries include a 10% payroll load factor. Withholding amounts and the Company share of FICA due will be placed in a special payroll account to be deposited to IRS account as due.
6. Until The Company has established an operational track record, it is impossible to anticipate unforeseen, unexpected and/or extra start-up costs. Therefore, a Miscellaneous & Contingency Account has been set up and funds allocated to provide a cushion against both manufacturing and overhead extra expenses not otherwise provided for.
7. Office expenses will be heavy at first. However, these will lower as time goes on with the bulk of the expense expected to be for postage and telephone.
8. Provision of \$30,000 has been allocated for legal expense in filing for foreign patent protection. The Company feels this may be on the low side but feels that any extra could easily be funded from the Miscellaneous & Contingency account.
9. The Company has decided not to carry the proformas beyond the second year at this time. To do so might be misleading. It is the Company's intention, however, to have a three year interim business plan by the beginning of the second year of operation. By this time enough information should be available from the first year's experience to formulate such a plan intelligently. For the same reasons, no cash flow for year #2 was made here.

TAX CONSEQUENCES

1. FEDERAL TAX ASPECT. Dividends paid on these shares are taxable as ordinary income, under present tax laws, subject to the applicable dividend deductions as allowed by law from time to time. Any sale of the Shares, may result in a capital gain or loss, short or long term. Holding periods and other conditions affecting capital gains may be revised from time to time by Congress and/or IRS rules.

2. STATE AND LOCAL TAXATION. An investor may be required to file income or other tax returns and pay taxes on income or gains from this investment. Residents of Vermont are required to report and pay taxes on (1) dividend income from the Shares to the State of Vermont and (2) capital gains income derived from the sale of the Shares.

3. RECOMMENDATION. Since such laws are subject to change, however, each prospective investor is advised to consult his own tax counsel and/or tax accountant regarding state and local tax consequences.

FILING RECEIPT

UNITED STATES DEPARTMENT OF COMMERCE
Patent and Trademark OfficeAddress: COMMISSIONER OF PATENTS AND TRADEMARKS
Washington, D.C. 20231

STW

SERIAL NUMBER	FILING DATE	GRP ART UNIT	FIL FEE REC'D	ATTORNEY DOCKET NO.	DRWGS	TOT CL	IND CL
061605,230	04/30/84	345	\$ 160.00	2726-01	4	22	2

MC CORMICK, PAULDING AND HUBER
266 PEARL STREET
HARTFORD, CT 06103

Receipt is acknowledged of the patent application identified herein. It will be considered in its order and you will be notified as to the examination thereof. Be sure to give the U.S. SERIAL NUMBER, DATE OF FILING, NAME OF APPLICANT, and TITLE OF INVENTION when inquiring about this application. Fees transmitted by check or draft are subject to collection. Please verify the accuracy of the data presented on this transmittal.

Applicant(s) JACQUELINE CLARK, IVORYTON, CT.

FOREIGN FILING LICENSE GRANTED 05/21/84
TITLE
COMBUSTION DEVICE

* SMALL ENTITY *

RECEIVED

MAY 25 1984

McCORMICK, PAULDING & HUBER

GOOD MONEY Corporate Social Audits - Table of Contents

- 1) Business Plan
- 2) Appendices
- 3) Sample Social Audit
 - A) Sources Used
 - B) How to use Social Audits paper
 - C) Issue Papers
 - D) Sample Corporate Reports

Statement of Purpose

GOOD MONEY Corporate Social Audits, Inc. will be set up as a research service subsidiary of GOOD MONEY, to provide social research on corporations to enable investors to profit while combining their ethical and investment philosophies.

The Business

GOOD MONEY CORPORATE Social Audits, Inc. is a service company, registered with the Securities and Exchange Commission as financial advisors, specializing in providing social investment information services to individual, professional and institutional customers. To date, most clients are pension funds for such institutions as labor organizations, religious orders, bank trust departments and local governments. Our information enables a comparison of a corporation's actions to the personal ethics of our clients. One issue of particular concern at this time is corporate involvement in South Africa. Institutions and others with large (\$5 million+) portfolios now pay up to .75% of their total assets for this information. Our company's services are priced extremely competitively, based on research time and number of corporations. Often, this means a savings to the customer of 60% or more.

GOOD MONEY Corporate Social Audits have been profitable even in Vermont, which has fewer investors than any state in the United States. Our market studies show that the largest number of socially concerned investors live in the San Francisco, New York City and Boston metropolitan areas. Although the company has just recently been formed (December 1985), the Center for Economic Revitalization, Inc. has researched, developed and provided these services since early 1984. Customers have expressed the concern that they want to be able to walk in to an office and discuss their portfolios in person. Investments and ethics are a personal matter and not something to be handled solely on the phone or through the mail.

Good Money Corporate Social Audits, Inc. has on its Board Carol Major who holds a Masters Degree in Community Economic Development, Peter Lowry who is the Vice President and General Manager of The Center for Economic Revitalization and Ritchie P. Lowry, PhD, a professor of Sociology at Boston College and editor of the newsletter GOOD MONEY. The research staff is well-qualified with a median education at the Masters Level.

The Market

Our potential market is made up of two large groups: 1) those investors (including institutions) who wish to employ strong social concerns in their investment decisions (or who

already are doing so) and 2) those financial professionals who need a good information source to help them serve their clients. However, the size of both the consumer and business markets has been seriously limited by one important factor: the perceived usefulness of our product in helping this group attain their social investment goals. This resistance is dissolving as the positive results of social investing are becoming better known.

Our social audits are for the individual or money manager who wants to take an active role directing and monitoring their investments. Money managers are required to follow clients wishes while investing their money. People invest mostly to make money. However some of these investors with a social conscience will want our service based solely on an ethical basis. They do not want to invest in companies who have policies which are not in line with their principles. These people are growing in numbers as they realize that this research is available. They are demanding that their brokers screen their investments for various social factors. These brokers, whether they are socially conscious themselves or not, do not want to lose their clients and are in need of the type of information we provide. The big investment houses, such as Merrill Lynch, do not have the social research staff that is needed as they concentrate more on traditional financial data. Our research is done using hundreds of periodicals and on-line computer data bases. They include the Standard & Poor Corporate Register, Value Line Investment Survey, The Wall Street Journal, Dow Jones News Retrieval Service, The Source and various other specialized newsletters and periodicals.

There has been much publicity lately over social investment and portfolio screening because of the political climate in South Africa. More than 100 states, cities, counties, universities and pension funds have voted to either divest or restrict their investments in South Africa. Over one third of them adopted their policies in 1985. Already the dollar amount has reached over \$49 billion. Skeptics say that a portfolio can not be divested without sacrificing financial performance because over 140 of the Standard & Poor's 500 will be eliminated which includes the major multinationals favored by institutional investors. The fact is that no one has lost money by divesting and that still leaves about 6,300 other publicly traded companies to invest in. Even if just South Africa free S&P 500 stocks are used performance should improve according to a recent technical analysis(1). Divesting is usually done over a period of two to five years. This allows for the cyclical price fluctuations stock prices generally incur so that securities may bring the highest price possible.

The respectability divestment has earned has won favor for other types of social screens as well. GOOD MONEY Corporate Social Audits, Inc. will focus on a total of nine social screens:

- 1) South Africa
- 2) abortion
- 3) consumer product safety
- 4) environment
- 5) exploitation in the Third World
- 6) feminism
- 7) labor issues
- 8) nuclear power and alternative energy
- 9) nuclear weapons and military involvement

In the last three years three socially responsible newsletters, four mutual funds and two money market funds have appeared. There have also been numerous articles written in major publications on the subject (see Appendix A).

Currently there is no other corporation or individual who provides this specific information service so in the beginning we will have 100% of the potential market. There are, however, financial advisors who socially screen stocks as part of their relatively expensive services (see Appendix B). We offer a client the option of choosing one to three priority screens. By choosing more a client would be eliminating too much. We include with each social audit a background paper which discusses all the issues relative to a particular screen (see sample social audit section C). Each company report includes the Corporate name and address, all subsidiaries of a corporation, the name and phone number of the investor contact, general corporate information, the latest stock high/low prices, the 52 week high/low prices, P/E ratio, the annual dividend and yield. We then list the client's screens, in order of priority, including the information our research staff has found on the issue. We conclude with a summary of the report for an easy review. This information is packaged in a three ring binder with a cover paper detailing how to use the reports. (see sample social audit section B) We never make buy hold or sell recommendations. We just sell unbiased information to be used in conjunction with another financial professional.

We expect our market to grow rapidly as investors become more aware that you can not only make money by investing in a socially responsible way but that you can actually make more. In a study conducted by the Center for Economic Revitalization of utility companies non-nuclear companies outperformed nuclear utility companies by a 2-1 margin from 1974 to 1982. Much of this performance difference occurred before the Three Mile Island and WOOPS disasters. The Center also has its responsible version of the Dow Jones averages and from 1974 through 1984 it outperformed the Dow by 12.6%. Through the first half of 1985 the socially responsible mutual funds outperformed the Lipper mutual fund average as well.

GOOD MONEY Company Social Audits are priced at \$40 per company audit or .1% of the total value of securities and corporate bonds in the client's portfolio, whichever is

higher. This price gives us an average gross profit of \$25 the first time a company is researched (assuming an average portfolio of \$5 million) and a \$45 profit on repeats. Most major pension fund portfolios contain stocks in the Standard & Poors 500 plus 500 to 1000 other major companies. Once these companies are researched they only require updates from our varied resources.

We plan to place small-scale space advertising in the major financial publications such as Pension and Investment Age, Registered Representative (which 95% of the brokers receive), Institutional Investor, Financial Planning Magazine and other trade magazines as appropriate. Another very good source for marketing is free publicity. Social investing is a very hot topic right now and most articles written on the subject include a resource list. We also plan to send press releases about the service to all the financial editors of the major newspapers and magazines. Word of mouth is also a very good marketing tool. Though this service has not yet been advertised we have a contract with a local union to screen its portfolio of 88 companies and we have an interested city government and a local bank who are interested in our service to screen its trust department investments. We have already served a \$5 million religious pension fund and a large family trust. These customers will not be one-time. Events happen which change the way people feel about stocks. Conditions in the market in general or corporate restructuring may result in the company being out of favor with social investors. This is our opportunity to do periodic updates on stocks currently in a customers portfolio and to screen replacement companies.

Location of Business

GOOD MONEY Corporate Social Audits, Inc. is located at 28 Main Street, Montpelier, Vermont 05602. We share an office on the 2nd floor with The Center for Economic Revitalization, Inc. The rent is \$350 per month which includes use of all office equipment and utilities.

Management

Carol Major was born in Vermont and has lived there all her life. She attended the University of Vermont and received her Masters Degree from New Hampshire College. For the past three years she has worked at the Center for Economic Revitalization in various capacities. She has been in charge of customer relations, the computer division, an editor and writer for GOOD MONEY and CATALYST newsletters and has been instrumental in developing the social audit services..

Ritchie P. Lowry, Ph.D. is a Professor of Sociology at Boston College and former Chair of the department. He is

the author of many books and articles on community power structures, war and the military, social problems, social policy and socially responsive investing. He has done government funded research for the Department of the Army (on the changing nature of warfare and the military) and for the National Institute of Mental Health (on types of research to meet the social needs of mental health-related problems). Professor Lowry has taught at California State University at Chico, the University of California at Berkeley, the American University (Washington, D.C.), and Essex University (England). At Boston College he participates in a special sociology graduate program in Social Economy and Social Policy and in a joint M.B.A. Degree/Ph.D. in Sociology Program with the School of Management. Professor Lowry is founder and President of the Center for Economic Revitalization, Inc., which publishes the newsletters GOOD MONEY, CATALYST and NETBACK QUARTERLY as well as various handbooks/references for socially concerned investors. Professor Lowry is a private investor with experience in the stock and bond markets and venture capital. He is working on a book on the history and philosophy of corporate responsibility and social investing.

Peter Lowry is a founder of the Center for Economic Revitalization, Inc. and has served as General Manager of that corporation for the past three years. He is a frequent lecturer and writer on socially responsive and alternative investments. Peter has worked in the social investment field since 1979 and has studied at Harvard College with graduate level work in community economic development at New Hampshire College. He is currently writing a book on socially responsible investing that is due to be published next year.

Personnel

GOOD MONEY Corporate Social Audits, Inc. currently has three part-time researchers. The researchers are paid an average of \$8.94/hour including benefits and taxes paid by the corporation. All employees receive paid vacations, health care coverage and other benefits (see Appendix C).

Summary

GOOD MONEY Corporate Social Audits, Inc. is a service business, located at 28 Main Street, Montpelier, VT 05602, which does research and publishes reports on corporate ethics for institutional and individual investors. It is a subsidiary of the Center for Economic Revitalization, Inc. which also publishes newsletters and handbooks for social investors. Our business is the only one of its kind who specializes in this type of service.

Careful analysis of our potential market shows an immediate need for this type of service. Our product is priced very competitively--the most inexpensive competitor charges two and one-half times our percentage rate for social investment advisory services.

Our nearest competitors are the brokerage houses and financial advisors who have begun social research on South Africa in response to divestiture. Currently they are only concentrating on one social issue, we concentrate on nine.

Our management team is made up of two of the founders of the Center for Economic Revitalization and one of the original employees. The CENTER publishes the first and most highly respected newsletters in the social investment field.

The personnel all have research and writing experience. Directors are salaried and employees receive an hourly wage. All full time (30 hours or more per week) receive full health and dental insurance through Connecticut General. All new employees receive a copy of our corporate guidelines (appendix C). We anticipate business to increase so that there will be a need for many additional workers, especially if additional equity capital is raised for expansion.

Additional Information

Accountant: Robinson Billings , 5 State St., Montpelier, VT 05602

Attorney: Steven C. Smith, Esq., Diamond & Assoc., 73 Main St., Montpelier, VT 05602

(1) Brown, Theodore. Study for the Africa Fund. June 1985.

BALANCE SHEET JANUARY 1, 1985

Current Assets:		Current Liabilities:	
Cash	2,500.00	Accounts Payable	0.00
Accounts Recievable	2,500.00		
Supplies	35.00		
Prepaid Expenses	350.00		
Total C/A	5,385.00	TOTAL C/L	0.00
Fixed Assets:	0.00		
Total Assets:	5,385.00	TOTAL LIABILITIES:	0.00
		NET WORTH	5,385.00
Ratios:		TOT LIAB/NET WORTH	5,385.00
Working Capital	5,385.00		

File: AUDITFLOW

Page File: AUDITFLOW

CASH FLOW 1986

	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
CASH RECIEPTS	2500	2708	2916	3124	3332	3540	3748	3956	4164	4372	4580	4788
ACCTS REC	0	2500	2708	2916	3124	3332	3540	3956	3956	4164	4372	4580
TOTAL CASH IN	2500	5208	5624	6040	6456	6872	7288	7912	8120	8536	8952	9368
CASH DISB												
CGS	2270	2302	2334	2366	2398	2430	2462	2494	2526	2558	2590	2622
VAR LABOR												
ADVERTISING	200	200	200	200	200	200	200	200	200	200	200	200
INSURANCE												
LEGAL & ACCTG	200	200	200	200	200	200	200	200	200	200	200	200
FIXED DISB	400	400	400	400	400	400	400	400	400	400	400	400
TOTAL CASH OUT	3070	3102	3134	3166	3198	3230	3262	3326	3358	3358	3390	3390
NET CASH FLOW	-570	2106	2490	2874	3258	3642	4026	4586	4762	5178	5562	5978
CUM CASH FLOW		1536	4026	6900	10158	13800	17826	22412	27174	32352	37914	43892

INCOME STATEMENT

	JAN	FEB	MAR	APR	MAY	1986 JUN	JUL	AUG	SEP	OCT	NOV	DEC	1987	1988
NET SALES	5000	5208	5624	6040	6456	6872	7288	7912	8120	8536	8952	9368	112416	129278.4
MATL COST	2270	2302	2334	2366	2398	2430	2462	2494	2526	2558	2590	2622	31464	36183.6
VAR LBR COST														
CGS	2270	2302	2334	2366	2398	2430	2462	2494	2526	2558	2558	2622	31464	36183.6
GROSS MARGIN	2730	2906	3290	3674	4058	4442	4826	5418	5594	5978	6394	6746	80952	93094.8
OP EXP														
RENT/UTIL/LEASES	350	350	350	350	350	350	350	350	350	350	350	350	4200	4830
SALARIES							1500	1500	1500	1500	1500	1500	36000	41400
PAY TAX & BENEFITS							141	141	141	141	141	141	1692	1945.8
ADVERTISING	200	200	200	200	200	200	200	200	200	200	200	200	2400	2760
OFF SUPPLIES	35	35	35	35	35	35	35	35	35	35	35	35	420	483
INSURANCE														
LEGAL & ACCTG	200	200	200	200	200	200	200	200	200	200	200	200	2400	2400
MISC	15	15	15	15	15	15	15	15	15	15	15	15	180	207
TOTAL OP EXP	800	800	800	800	800	800	2441	2441	2441	2441	2441	2441	47292	54025.8
OTHER EXP														
TOTAL EXP	800	800	800	800	800	800	2441	2441	2441	2441	2441	2441	47292	54025.8
NET PROFIT (LOSS)	1930	2106	3290	2874	3258	3642	2385	2977	3153	3537	3953	4305	33660	39069

Appendix A

This is the article that started Good Money. Ritchie got such a tremendous response, he decided to start the newsletter.

Social Investing:

Doing Good While Doing Well

by Ritchie P. Lowry

Many investors want their money to bring good to society as well as profit to themselves. A Boston College sociologist explains how it's done.

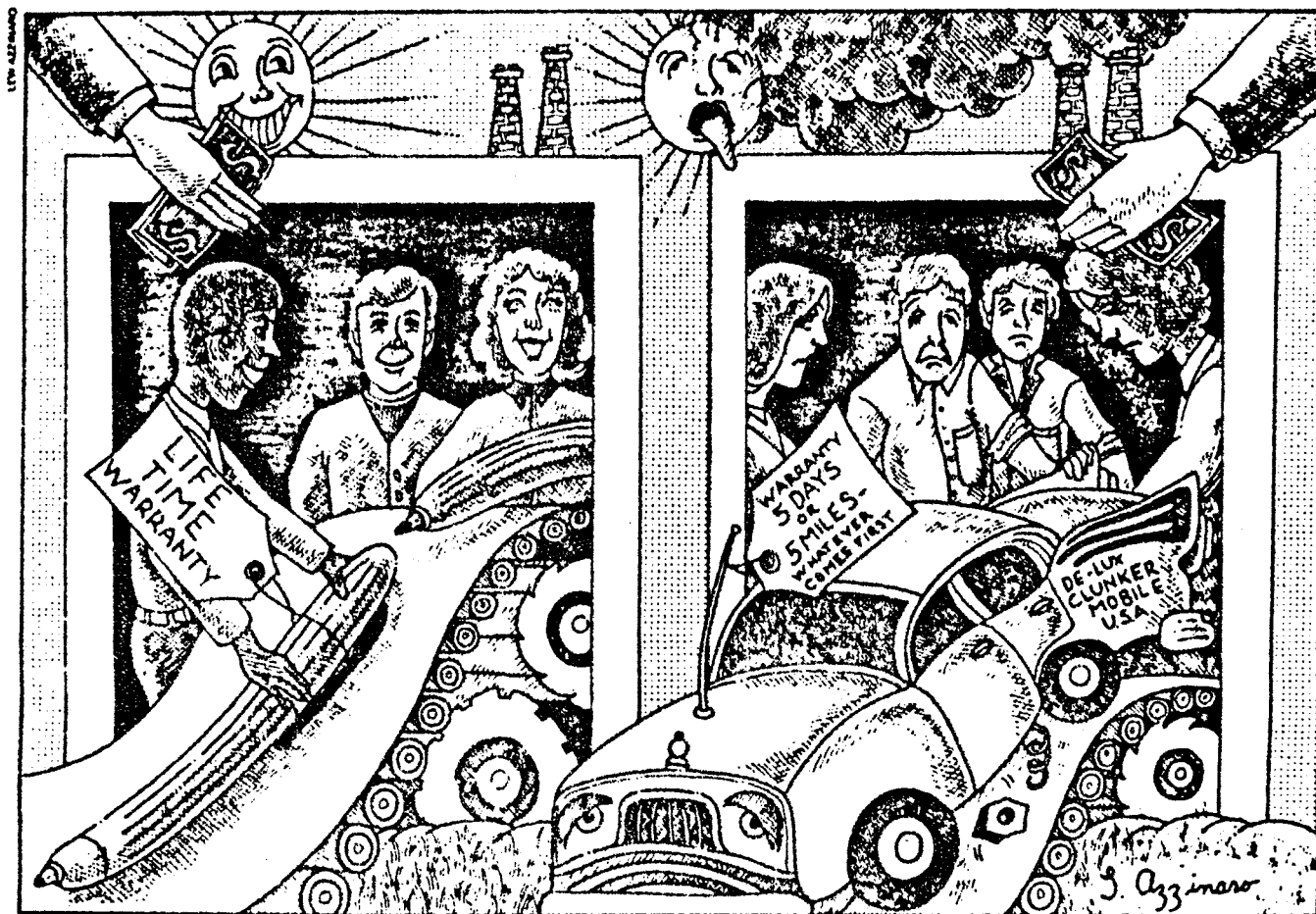
A bank trust officer and a socially conscious investor were discussing what it means to make investments with the aim of effecting social change.

"Investing is *solely* for profit," the trust officer said. "Hell, I'd invest in a whorehouse if it made money and provided a desired service."

The investor thought for a moment, then replied, "Maybe I would, too, if the whorehouse were worker-managed or a cooperative."

The investor's attitude illustrates a trend that is gaining momentum in the investment world. Simply put, more people are now putting their money where their morals are.

Social investing as a broad-based movement began during the Vietnam War, attracted more participants during the Watergate era, and has received increased attention as a result of well-publicized corporate disasters such as Firestone's faulty radial tires, Ford's Pinto, Hooker



To a social investor, a "good" company is one that does more than just make money. The pen manufacturer (left) would be attractive to many social investors: It produces a quality, long-lasting product; keeps its employees happy; does not discriminate in hiring; and does not pollute the environment. The auto maker (right) would be anathema to social investors but might be popular with traditional investors—as long as it continued to show a profit.

Chemical Company and the pollution of Love Canal, and the nuclear accident at Three Mile Island. More and more people are questioning the wisdom of investing in companies that look only for short-term profit, at the expense of long-term social good.

Reflecting the changes in Americans' investment concerns, more investment advisers are specializing in socially conscious investments for their clients. And many of these new counselors are doing well. The United States Trust Company of Boston reports a 150% increase in social investing from 1980 to 1981. By 1981, the bank had 60 clients with assets of about \$20 million in social investments, representing about 17% of the bank's existing accounts and 30% of new accounts.

Such investing could prove to be a force of growing importance in the future, for evidence also indicates that socially responsive corporations are having more success than companies that begrudge attention to issues (such as workers' welfare and the environment) that concern many investors.

Social Investing As an Organized Movement

Throughout history, people have put their wealth into objects and activities that enable them to meet daily needs and protect them from unanticipated needs in the future. They have sought to minimize the risk to the capital committed to these investments in a world that entails social and moral risks as well as economic risks. War, crime, fraud, poverty, and the like have serious moral, social, and economic costs. There is nothing new, therefore, about the idea of making both social and economic judgments to maximize the return from and safety of an investment.

What is new is social investing as an organized movement. Early in American history, those involved in social investing were primarily church groups and religious communities. Utopian communities, such as the Amana Colonies, often successfully combined a philosophy of Christian socialism and economic capitalism.

More recently, groups of individuals with large capital resources have increasingly engaged in the

systematic social assessment of the way their resources are invested. During the 1970s, students and faculty at many colleges and universities asked that their institutions' investment portfolios be examined in terms of such social issues as apartheid in South Africa, the sale of a baby formula to Third World mothers who couldn't prepare or store it properly, and the development of nuclear energy. National women's organizations examined investments from the standpoint of equal rights.

The troubled economy has led many unions to examine their pension and retirement funds to see if investments have been made in anti-union corporations, firms doing business outside the United States, and corporations that move to low-tax, non-union areas, thereby depriving union members of jobs and future pension rights. The AFL-CIO, United Automobile Workers, and United Mine Workers are developing criteria to avoid invest-

Traditional investors consider only the degree of economic risk to their investment. If the whorehouse is making a good return, invest in it. If it starts to lose money, dump it and find a more rewarding investment.

Social investors use traditional economic standards for investment decisions, but they use other measures as well. In addition to the return to the investor, they require economic and social return to others. For example, the investment should provide needed jobs for workers, improve the quality of working life, protect the environment, or help resolve major social problems. While traditional investors typically focus on present return, social investors tend to be future-oriented. They look for present return, but social investors also want future benefits for others, an economic and social return that will eventually improve the quality of life for all.

This widow was raising a number

"They look for present return, but social investors also want future benefit for others, an economic and social return that will eventually improve the quality of life for all."

ments in corporations inimical to union goals or destructive of jobs.

By 1978, TIAA-CREF (Teachers Insurance and Annuity Association/College Retirement Equities Fund), a private college and university employees retirement plan with assets of about \$9 billion and the third largest institutional investor in the stock market, was using an extensive set of social criteria to guide investment decisions.

Are There Any "Good" Companies?

A recently widowed woman went to visit the trust officer of the bank where her late husband had established a trust of common stock and government bonds. As she looked over the neatly prepared reports for the trust's holdings, she became increasingly dismayed.

"Tobacco? Nuclear submarines?" she asked. "Can't I invest in something better? I need income, but I won't have any money going to harm my grandchildren. Don't you have any good companies?"

of important questions, all the more relevant in light of the Reagan administration's philosophy of returning social responsibility to the private sector. Is the social investor's goal of combining economic and social judgments possible? What is a good company?

One problem with social investing is that traditional money managers do not know how to respond to the widow's concern about "good" and "bad" investments. Their backgrounds do not provide the necessary resources or knowledge needed for balancing social and economic judgments.

That situation is changing, however, as more and more financial consultants are offering services directed at social investors. The previously mentioned United States Trust Company of Boston, for example, is one bank that supplies clients with extensive social investment advice. The bank has developed a "social screen" for corporate activity that identifies companies

producing goods and services in ways that respect and preserve the natural environment, provide safe and healthy work environments, deal fairly with both union and non-union workers, and produce and market products according to high standards of trade, safety, and purity.

In 1981, Franklin Research & Development Corporation spun off from Franklin Management Corporation in Boston to provide clients with investment options in companies that make a contribution to society through their products, effective consumer practices, and positive employment programs.

For Your Own Good

Some commercial investment funds also offer opportunities for social investors. Three such funds—Foursquare, Pax World, and Third Century—were conceived during the periods of Lyndon Johnson's Great Society, the Vietnam War,

and the Watergate scandal to support human rights, peace, and environmental controls. Foursquare Fund was started by Christian Scientists and merged in 1976 with a larger Mennonite fund. This fund was designed to steer investments away from liquor, tobacco, and pharmaceutical companies, reflecting the founders' moral opposition to people's use of such artificial substances.

Pax World Fund was formed during the Vietnam War by members of the United Methodist Church to contribute to world peace by investing in companies that produce life-supportive goods and services in industries such as health care, education, construction, food, and leisure. The fund avoids liquor, tobacco, and gambling companies, as well as those doing business with the Pentagon.

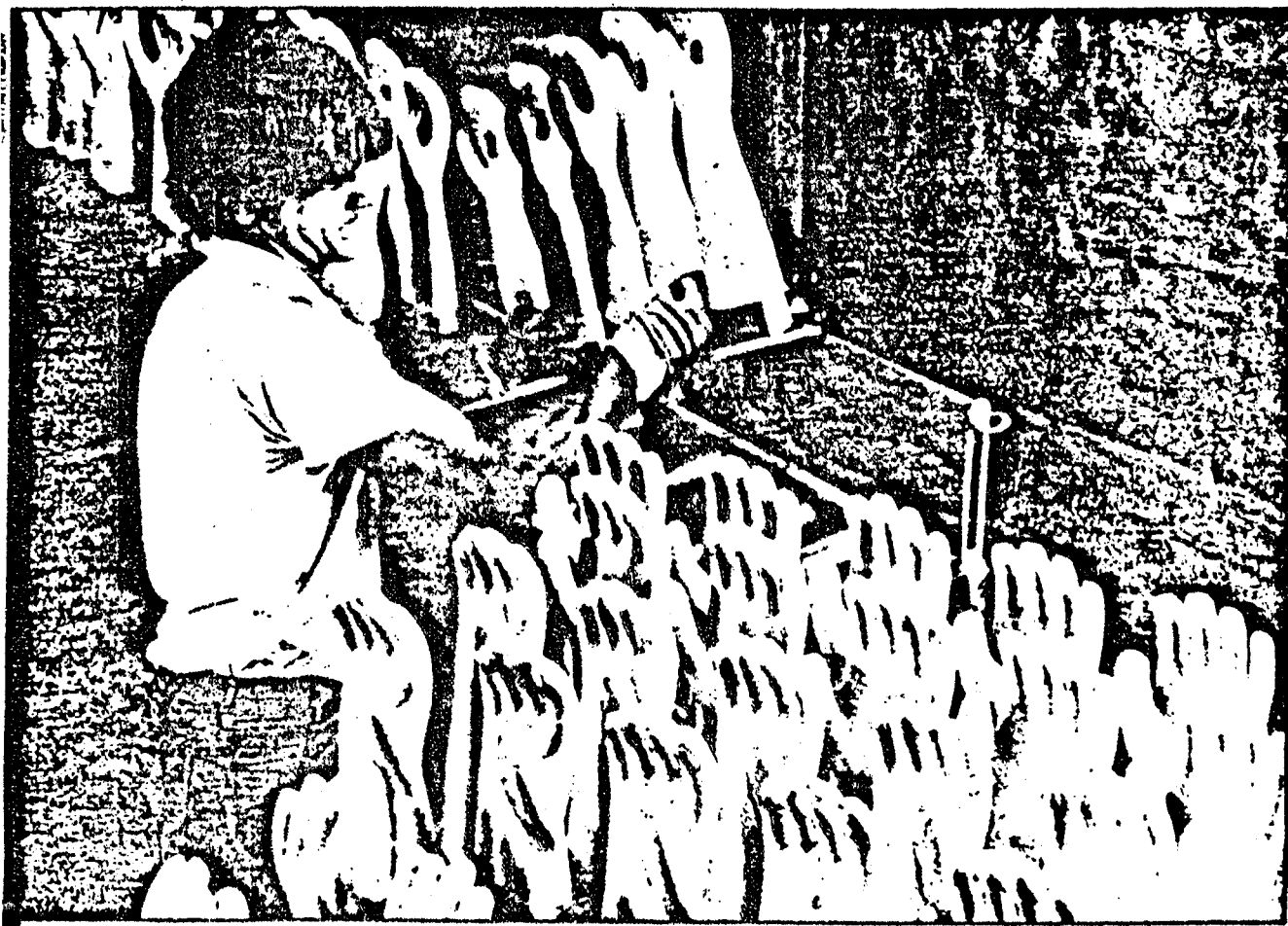
In 1972, the Dreyfus Corporation formed the Third Century Fund, a public commercial fund investing

primarily in corporations whose operations enhance the quality of life. Third Century's goal is to use investment in the private sector as a way of encouraging social progress and change. In addition to traditional economic measures, the fund assesses each potential investment in terms of protection of the environment, occupational health and safety, consumer protection, and equal employment opportunities.

To Do Well, One Must Do Good

One of the traditional criticisms of social investing is that mixing "soft" social judgments with "hard-headed" economic ones leads to economic failure. Evidence indicates that this is not only a myth but that combining social and economic judgments can actually lessen risk and increase economic return.

For example, the performances of the three socially responsive funds often have been far better than the



Norton Company's protective glove factory in Brazil. Norton, a Worcester, Massachusetts, based manufacturer of abrasives, petroleum and mining products, and other industrial products, considers itself a "global" rather than "multinational" corporation. In 1961, the board of directors formed a special Corporate Ethics Committee, and by 1981 the company had developed a set of guidelines for responsible management and personnel administration in the diverse societies and cultures of the company's foreign operations.

Financial Versus Social Responsibility

The bank trust officer who said he would invest in a whorehouse as long as it made money voiced the philosophy of the traditional money manager: that the role of the fiduciary, a trust officer or investment counselor, is to invest a client's funds as wisely—i.e., as profitably—as possible.

The commitment that the traditional money manager feels is both a legal and a moral obligation to advance the economic interests of the beneficiary. The Employee Retirement Income Security Act (ERISA) of 1974 provides guidelines for the handling of the investment and expenditure plans of private corporations. Although ERISA does not bar social investing, it stresses the obligation of the fiduciary to exercise care, skill, and prudence in handling a plan's assets. In essence, financial considerations must come before social ones. Leslie Silverstone, vice president of Dean Witter Reynolds, Inc., in Washington, D.C., says that the fiduciary's moral obligation is at least as compelling as the legal one, for workers' retirement incomes and widows' pensions depend on the fiduciary's investment decisions.

Social criteria are taken into consideration when the client so desires, however. For example, many trade unions specify that their pension funds be invested in corporations that are innocent of the "anti-union" charge. Individuals may ask their investment counselors to invest in "good" companies. But, as Silverstone points out, if such a social invest-



Leslie J. Silverstone, vice president of Dean Witter Reynolds, Inc., argues that an investment counselor is morally and legally obligated to advance a client's economic interests the best way he knows how.

ment loses money, the fiduciary could be sued.

"The fiduciary is in competition with other money managers," Silverstone says. The investor is a consumer who will either accept one fiduciary's "product" or not. The main concern is: Which one will offer the investor a better rate of return? From the fiduciary's point of view, then, "it's impractical to use social criteria," says Silverstone.

John Train, president of Train, Smith, Investment Counsel in New York, argues that social investing is often irresponsible: "Cement works are the worst polluters around. But would you say there should be no cement? No roads? No buildings?" Train believes that social investors fail to take proper account of the economic costs of the benefits they seek. For instance, the high cost of meeting some anti-pollution regulations makes it difficult to achieve other social goals, such as reducing poverty.

Train also argues that social

activists who demand "corporate responsibility" actually take positions that are both adverse to an investor's interest and politically uninformed. For example, on the question of American corporate presence in apartheid South Africa, Train points out that economic support helps to raise the standard of living for blacks. Giving up economic power would mean giving up the political power to liberalize South Africa. Train believes that the social activists who demand withdrawal from South Africa are simply "anti-business." "To be anti-business is vicious," he says.

Social investing may ultimately be a psychological phenomenon rather than a financial one, Silverstone says. "Social investing is not going to change things," he says. "What do you accomplish by not investing in defense? There will always be a defense industry."

He suggests that if people feel guilty about the money they make from non-socially responsible investing they could give it all to charity. "They should take direct action, do something real, go volunteer to work in a free clinic for a couple of hours. Social investing is not for real."

Although many social investors claim that some of the funds that use social criteria in investment are currently doing well financially, Silverstone is unconvinced that this success is due to anything other than good luck. The future of the social investment movement, if indeed there is a movement, may largely depend upon the economy in general. Silverstone concludes: "Times are tough, and if they continue to stay tough we'll not have the luxury of 'social responsibility.'"

market as a whole and toward the top of all managed funds. From 1975 to 1980, a period of economic stagflation, Foursquare's net asset value per share rose about 52%, Pax World's about 61%, and Dreyfus Third Century's about 169%. In 1980, Pax World ranked 154th on Lipper's Index of the 500 best-per-

forming funds, with Foursquare ranked 146th and Third Century an impressive 50th. An investment in the Third Century Fund in late 1974 would have increased more than 373% by 1982. For the same period, an investment in the Dow Jones Industrial Average would have risen only about 110% and one in

Standard and Poor's 500 Stock Average would have gained about 156%.

An examination of the philosophy of social investors helps explain why economic success and social concern tend to go hand-in-hand. This philosophy is based on the assumption that to do well, one must do good,

"General Motors' initial response to Ralph Nader's accusations that they were marketing an inherently unsafe automobile was to send private detectives to investigate Nader's personal life."

and vice versa. This philosophy recalls the early missionaries to Hawaii who, it is said, came to do good and stayed to do well. It sees social responsibility and economic success as necessarily related. When social and economic judgments in business are separated, or when they are considered antithetical, the social and economic costs to corporations, to consumers, and to society as a whole can be great.

The Decline of the U.S. Auto Industry

Consider the case of the U.S. automobile industry. This industry faces a difficult and uncertain future, and many of the difficulties have been of its own making. Sales are off, profits are down, and Americans have turned increasingly to imports. Chrysler faces bankruptcy or continuing governmental support. Ford has had record losses. General Motors has been cutting its work force, which has contributed to severe unemployment in the Midwest.

What happened to this once dominant American industry? Management claims that excessive government regulation, falling worker productivity, and "unfair" competition from abroad caused the problems. But these arguments focus upon cosmetics, ignoring the real sources.

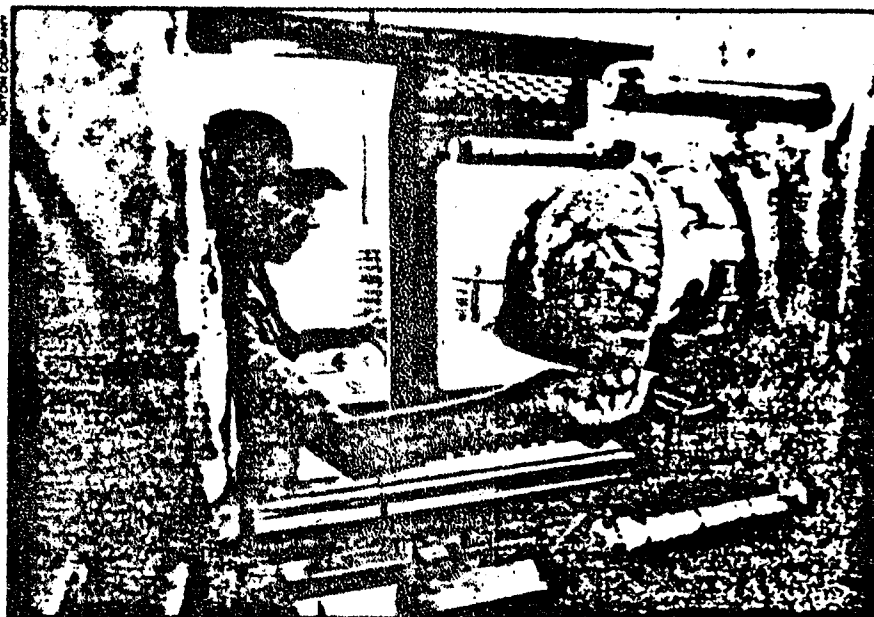
American automobile management, for whatever reasons, did not or could not react to economic and attitudinal changes. "Excessive" regulation arose as consumers demanded a better product: safer and more energy-efficient automobiles. Worker productivity declined as the quality of working life became less desirable and less motivating. "Unfair" competition developed as Japanese and European auto makers were able to anticipate and respond to these changes by supplying generally efficient and reliable products at competitive prices.

In Japan, the guarantee of life-

time employment for workers led to their willingness to accept robotization, which in turn led to higher productivity and quality control. The Japanese worker's commitment to the employing corporation, a sense that one's company was a kind of larger family, was an important factor. Japanese companies involved every worker in quality control. And while Japanese managers were responding to consumer demands

Teams of three to four workers assembled car engines at a rate of up to eight per hour, and team members decided among themselves who would work on what part of the engine. Factories were reported to be safer, cleaner, cooler, and better lighted than American counterparts, and they contained more work space per person. Workers felt autonomous and could communicate freely with each other and with their supervisors.

The point is not that Japanese or Swedish organization and technology should or could be wholly implemented in American automobile plants. What these cases do illustrate is that at a time when foreign executives were responding to



Hard hats and other industrial safety equipment are produced at Norton Company's plants in Brazil. Norton is considered a model company by many social investors because of the way it treats employees. In 1980, for example, Norton spent \$3.7 million on health and safety improvements in its plants around the world.

for fuel-efficiency and safety, American managers were resisting any attempts to discuss these issues publicly. General Motors' initial response to Ralph Nader's accusations that they were marketing an inherently unsafe automobile was to send private detectives to investigate Nader's personal life.

Alternative forms of social organization in the Swedish Saab and Volvo automobile factories, implemented in the 1960s, contributed to high productivity and product quality. The traditional assembly line in these plants was redesigned to improve the quality of working life.

the desire of workers for a better quality of working life, of consumers for more efficient and safe automobiles, and of society for pollution control, American executives had a disappointing record of ignoring or opposing social concerns while concentrating only on short-term profits. The resulting decline of the American auto industry should come, therefore, as no surprise. It would appear that those who do not combine economic and social judgments may, indeed, do very badly. What about those who do combine these judgments? Can they do well while doing good?

Sandpaper is produced at Norton's plant in São Paulo, Brazil. Norton has made great efforts to become a "good" company by developing good relationships within the community. The company's foreign plants provide good working conditions for their employees, including medical and dental care. Norton is also financially successful: its net sales of sandpaper and other abrasives increased 60% between 1976 and 1980, and the company maintained its leading share of the world abrasives market.

Good Companies Who Do Well

Two examples of socially responsive U.S. corporations stand in direct contrast to the economic and social performance of the American "Big Three" auto makers. A.T. Cross Company makes expensive ballpoint and soft-tip pens, mechanical pencils, writing accessories, and desk sets. Reflecting Cross's confidence in the high quality of their products, all writing instruments carry a full warranty of unlimited duration against any mechanical failure, certainly not the kind of warranty given automotive parts and prod-

ucts. Cross's economic performance for the 1970s was exceptional considering the impact that decade's high inflation rates and recessionary economy might have had upon such luxury products.

The secret of Cross's success was not just financial skill. Cross continued to abide by the traditions of a family company. Employees were paid so well that they competed to have their relatives placed on future hiring lists. The company paid Christmas bonuses, contributed the maximum permissible tax-deductible amount to employee profit shar-

ing, and generally fostered a genial family atmosphere among the workers.

One of the most striking examples of a marriage between economic success and social awareness can be found in Worthington Industries, which produces steel, steel castings, low-pressure gas containers, metal and plastic pipe fittings, and energy-saving coated glass.

Many years ago, Worthington started a profit-sharing program for workers, who were paid their profits directly on a quarterly basis in order to make the rewards more visible. In addition, all employees were paid a salary, eliminating the invidious distinction between salaried and hourly-wage workers. By 1980, the corporate staff numbered only 17 people, compared with 4,900 employees and 8,600 shareholders. Therefore, Worthington was not a firm top-heavy with unproductive executives utilizing many costly perks, typical of so many American industries.

The results? Worthington's employee absenteeism and turnover are extremely low, and productivity and efficiency are very high by industry standards. In 1980, the company's annual steel sales per employee averaged \$180,000, compared with just \$65,000 for the steel-processing industry as a whole. Worthington's pollution-control systems have been typically ahead of requirements, avoiding the financial cost and social ill-will of forced compliance with governmental standards.

From 1970 to 1980, Worthington's total sales increased by more than 1,000%, its earnings per share by more than 2,500%, and its net profit by more than 3,400%. These economic rewards were also shared by stockholders as dividends increased from 1 cent to 48 cents per share (4,700%), and the average yearly stock price went from 63 cents to \$18.38 (2,817%). Meanwhile, other U.S. steel-related industries, especially giants like U.S. Steel Corporation, were experiencing major operating problems from higher costs for production and old, unreliable plants.

If the three American automobile manufacturers did not do well largely because they ignored social issues,

Cross and Worthington have certainly done well fundamentally because they have done good. These are exactly the kinds of corporations the widow was looking for when she expressed the desire that her investment money do some good.

Criticism of Social Investing

Social investors often find that traditional members of the business community deride social investing or fail to take it seriously. *Fortune* has labeled it "corporation-hating." Most brokers and bank trust officers refuse to take social factors into account in making investment decisions. Dreyfus executives have ineffectively advertised their Third Century Fund, which remains one of the smallest in total value of all Dreyfus's highly successful funds. Professional fund managers, corporate lawyers, and professors of business have denounced the use of social factors in making business or investment decisions as irresponsible and imprudent.

These criticisms curiously miss the mark. The Moral Majority's concern for Sears Roebuck's sponsorship of sex and violence in television programming is not "do-gooding" by liberals. Christian Scientists, Mennonites, and Methodists do not "hate" corporations when they express an interest in issues related to investing. The American auto industry's rejection of social concerns certainly was not economically prudent or responsible. The social policies of firms like Worthington Industries are not "irresponsible" when they obviously have been related to exceptional economic performance.

The inappropriateness of traditional business criticisms and the use of derogatory and incorrect labels suggest that the real issue in social investing is political. That is, the philosophy of social investing ultimately questions prevailing structures of corporate and business power. For social investors are interested in the issue of power. They are concerned that the conduct of modern business has become increasingly the province of a small group of top executives hidden in the recesses of large, impersonal corporations. At the same time, consumers, shareholders, workers,

"Collectively, social investors are not necessarily for or against capitalism, socialism, or any other 'ism.' "

and citizens affected by the conduct of business have lost power. Therefore, a social investment is seen as contributing to the empowerment of the disenfranchised, as providing a way for the powerless to play a democratic role in the conduct of business.

Social investing to a large extent seeks to redistribute economic and social resources more broadly throughout society. Such an approach could lead to changes that would be far from cosmetic. It would mean new relationships between corporate executives and shareholders, consumers, workers, and public interest groups, relationships based on shared decision-making about how economic resources are used to resolve some of the major problems of society.

Changes would also be required in traditional ideologies and political beliefs. Those who try to encourage corporations to bring about social change often find themselves in the middle of emotional ideological arguments. While they have been accused by members of the business community of trying to undermine capitalism (the profit motive) and foster socialism, they have also been accused by members of the political left of promoting a philosophy that is a sellout to capitalist interests at a time when capitalism should be replaced by an alternative economic system.

Collectively, social investors are not necessarily for or against capitalism, socialism, or any other "ism." They see the world afflicted by a host of potentially devastating problems. If there is any chance of resolving some of these problems through peaceful and economic means, they are willing to explore this alternative. In the process, the emerging movement of investing for social change seems to represent a search for new forms of social organization, human relationships, and belief systems that stand apart from traditional ones.

The Future of Social Investment

As the social investment movement attracts more adherents, it will effect a number of important changes. As more brokerage firms and banks respond to the interests of social investors, and as more corporations form ethics committees, there will be a need to train social scientists, business students, and humanities graduates in the new economic and social skills required for investment counseling.

The movement will alter relationships between shareholders, pension fund participants, corporate executives, fund managers, and local community interest groups. Companies will have to reexamine the value of policies of maximum return to shareholders at the expense of worker or public interests (for example, General Motors' insistence on paying dividends throughout a year of losses in 1981).

Finally, the rise of social investing reflects a withering of the old Protestant or Puritan ethic. The early ethic assumed that maximum individual gain would automatically bring about the greatest benefits for all. In an age of conglomerate corporations, controlled and manipulated markets, social commitment to leisure rather than work, and emphasis upon immediate spending rather than future saving, this ethic is no longer viable.

No economic system can continue to prosper without a solid moral base. The social investing movement reflects a search for new moral principles that show a concern for both individual and collective gain and well-being. The widow who wished to invest in a "good" company was as concerned about the quality of life in the rest of society as she was about a financially comfortable life for herself.



About the Author

Ritchie P. Lowry is a professor of sociology at Boston College. He manages four large family funds and is writing a book on social investing. His address is 422 McGuinn Hall, Department of Sociology, Boston College, Chestnut Hill, Massachusetts 02167.

Socially Responsible Investing

by Joe Kane

LET'S SAY YOU HAVE \$2000, \$10,000, \$100,000. You want to invest it, but you don't want it to support defense department contractors, builders of nuclear power plants, or tobacco companies — not because you consider them financial risks but because you perceive their business practices to be morally incorrect. You are, in the jargon of the trade, seeking a “socially responsible” investment, and you are part of one of the most important new voices in the American economic dialogue.

Just what is a socially responsible investment? There are as many definitions as there are people of conscience. A deposit in a local savings and loan, with the stipulation that your funds go toward home loans in your neighborhood, can be a socially responsible investment, as can an investment in an alternative energy company or in a company that treats its workers well.

Or you might invest in one of the half dozen socially responsible mutual and money market funds, such as the Pax World Fund, which won't support defense contractors or buy liquor, tobacco, or gambling stock.

In short, in the field of socially responsible investing, only one broad definition applies: the investor asks not only how much of a return an investment will make, but *what kind of work is being done with the investment*. It is this attitude of *paying attention* — not just to returns but to quality of work, moral intent, and social consequence — that suggests a profound shift in the American economic psyche.

THE ROOT OF SOCIAL investing is in large institutions, primarily churches and universities. In the last decade, in response to Vietnam, Watergate, the environment, etc., these institutions re-examined their portfolios, raising questions about apartheid in South Africa, discrimination in hiring, environmental impact, and political affiliation. They found their economic weight could sometimes sway even large multinational corporations. Unions, pension funds, and individuals have begun to follow suit.

As social investing has grown it has strengthened itself by developing an extensive research network. Organizations like the Council on Economic Priorities and the Interfaith Council on Corporate Responsibility have amassed information on which corporations are doing what where, and have made this information readily available to the public.

The momentum social investing has gained is just now opening up investment opportunities for small investors. While wealthy individuals have long had the



JAY KINNEY

financial freedom to back such risky but noble endeavors as alternative energy development, the individual with one, five, or ten thousand dollars really didn't have anywhere to go with it. The last few months alone, however, have seen the emergence of a newsletter — *Good Money* — and several mutual and money market funds aimed specifically for the small investor, with more to follow soon.

THE QUESTION THAT remains is that of the bottom line: can I expect my socially responsible investment to offer any kind of return? The answer is an emphatic yes. Indeed, you can often expect socially responsible investments to offer a better return than “dirty money” investments, primarily because social investments are concerned with quality — of service, of product, of human concern.

Let's take a particularly graphic example:

Ritchie Lowry, a sociologist at Boston University and the publisher of *Good Money*, the best available journal on social investing, recently completed a

Joe Kane, intrepid CQ researcher, also coedits the weekly *Whole Earth Catalog* column in the *San Francisco Chronicle*, for which the original version of this article was written.

—Jay Kinney

study of utility companies, traditionally a solid investment. He divided 25 major utilities into three groups: those with a large or primary dependence on nuclear power, such as Commonwealth Edison and Carolina Power and Light; those with a developing but not yet substantial dependence on nuclear power, such as PG&E and Arizona Public Service; and those with no dependence on nuclear power, such as Hawaiian Electric, which depends primarily on oil but has made a large commitment to developing geothermal and wind power, and Magma Power, which uses only geothermal power.

For the period from 1974 to 1982, the nuclear based stocks appreciated 24 percent; the mixed group, 52 percent; and the nonnuclear group, 184 percent. (Excluding Magma, which started out as a penny stock in the mid-60s and was recently bought by Natomas Power for \$45 a share, the nonnuclear group still appreciated 60 percent.)

Dividends followed a similar line: dividends for the nuclear based group increased an average of 30 percent; for the mixed group, 59 percent; and for the nonnuclear group, 71 percent. (Excluding Magma, which paid no dividends at all, the nonnuclear group increased an average of 81 percent.)

In industry, too, socially responsible companies have proven to be big earners. Lowry points to Worthington Industries as an example. Worthington is primarily a producer of steel products. Over the last decade, it started a profit sharing program for its employees, with shares paid quarterly to better reflect performance; it put all employees on salary, thereby eliminating one of the more bitter dividers between white- and blue-collar workers; and it greatly trimmed its executive staff, to a total of 17 in an employee force of 4900, thereby reducing top heavy executive salaries and perks. In addition, while other companies complained about and fought environmental regulations, Worthington kept well ahead of

Socially responsible investments often offer a better return than "dirty money" investments.

pollution-control guidelines, avoiding the fiscal burden of forced compliance.

The result? From 1970 to 1980, while most of the American steel industry underwent convulsions nigh unto death throes, Worthington saw its total sales increase by more than a 1000 percent and its earnings per share increase by more than 2500 percent. Dividends increased from one to 48 cents a share, and the average yearly stock price went from 63 cents a share to \$18.38.

SUCH PERFORMANCES are not limited to a few isolated examples.

Indeed, with regard to socially responsible investments, they can be found across the board.

Steve Moody is a portfolio manager for U.S. Trust, the acknowledged leader in the social investment field. For more than a decade now, U.S. Trust has been screening portfolios for clients concerned with specific social issues. By 1981, 17 percent of the bank's existing accounts and 30 percent of its new accounts, representing some \$20 million, were social accounts.

For his part, Moody maintains that "you have to be willing to settle for less with social investments, because performance is a function of style, and by looking for social desirability, you've already limited your style."

With that caveat in mind, however, Moody offers some interesting statistics: Over the last three years, U.S. Trust's socially concerned accounts have outperformed their pooled pension accounts, which have no constraints other than security and performance.

The pooled pension accounts showed an 18.7 percent annual return, while the socially concerned accounts had a 19.2

percent return, which would have placed them, when considered on their own, among the top ten percent of balanced fund accounts.

SOcial investing is an idea that has attracted public support both for its idealism and for its substantial financial viability. That *socially responsible* is a term open to the broadest of interpretations is not really important. What matters is that investors are asking that attention be paid to consequences beyond profits.

We can expect to see social investing grow mightily in the next few years. Many investment opportunities will open up for investors both large and small. Research and screening, vital elements both, will become even more thorough and accessible, especially as stock brokers and money managers see increased demand for such services. Socially responsible money market and mutual funds will increase in number. Perhaps most important, businesses and corporations will find themselves rewarded for paying closer attention to real human needs.

Listed below are resources for the investor seeking to make socially responsible investments. Though intended for the small investor, they should prove useful to the large investor as well. The money market and mutual funds listed here are by no means the only available social investments. Indeed, describing the full range of such investments is beyond the scope of this article. A very good resource list, however, is available from Strategic Investments Advisors, a registered not-for-profit investment advisor that for the last ten years has specialized in ethical investing. Send a stamped, self-addressed

The embattled savings and loan associations might be just the place a socially conscious small investor wants to go.

envelope to Strategic Investment Advisors, P.O. Box 607, Star Route Muir Beach, Sausalito, CA 94965.

Mutual and Money Market Funds

Because there is no official definition of a "socially responsible" investment, what you are getting from such a self-described fund is an indication that it uses criteria in addition to security and return in making its investments. These criteria vary widely. While the Dreyfus Third Century Fund, for example, touts consumer safety and environmental protection, it also invests in large energy and aerospace companies. Similarly, while the Pax World Fund won't invest in the war effort, it embraces the likes of Walt Disney, Inc., and Time, Inc., companies some might find unpalatable.

In short, read the prospectuses carefully.

Calvert Social Investment Fund: Calvert has two social funds, one a mutual fund, the other a money market fund, both of which have U.S. Trust as the screening subadvisor. The money fund invests primarily in funds from banks it considers socially responsible, as well as in some World Bank funds. It will not invest in T-bills, a portion of which go to defense spending. The Managed Growth Fund invests in stocks of such companies as Apple, MCI, Magma Power, Citizens Utility and Waste Management, as well as in government housing funds.

Calvert Social Investment Funds, information free from the Calvert Group, 1700 Pennsylvania Avenue, N.W. Washington, D.C. 20006; (800) 368-2748.

Dreyfus Third Century Fund: The granddaddy of the social investment funds, Dreyfus has been around almost a decade. While Third Century describes itself as dedicated to "protection of the environment, occupational health and safety, consumer protection . . ." its investment policies are murky at best and include such questionable investments as large energy and aerospace companies. Still, they have a proven track record. Read their prospectus and see if it fits your needs.

Dreyfus Third Century Fund, information free from 767 Fifth Avenue, New York, NY 10022; (800) 645-6561.

Foursquare Fund, Inc.: Foursquare was started by Christian Scientists and Mennonites and will not invest in companies producing alcohol, tobacco and pharmaceutical products. A warning, though: A Foursquare official told us that it's quite likely the fund will drop its social criteria by the end of 1983.

Foursquare Fund, information free from Eaton and Howard Vance Sanders, Inc., 24 Federal Street, Boston, MA 02110; (617) 482-8260.

Pax World Fund: The Pax mutual fund was started in response to the Vietnam War. It will not invest in the 100 largest defense contractors, in companies for whom 5 percent or more of their sales are to the Defense Department, in T-bills (a portion of T-bill money goes to defense), or in liquor, tobacco, or gambling stock. Pax will invest in companies that it feels make a "positive contribution" to the society. These include H.J. Heinz, Merck Drug, Walt Disney, Inc., Time, Inc., U.S. Home, and C.R. Bard.

Pax World Fund, information free from Pax World Management Organization, 224 State Street, Portsmouth, NH 03801; (603) 431-8022.

Working Assets Money Fund: Working Assets is a money market fund based in San Francisco that should be available by the time you read this. Its organizers include Jerry Dodson, former president of Continental Savings and Loan, and John Harrington, the chairman of former California Governor Jerry Brown's Public Investment Task Force. Working Assets will invest primarily in short term securities, including government paper for housing, education and Small Business Administration loans, as well as in commercial paper from companies meeting such criteria as affirmative action hiring policies, a majority of employees employed in the U.S., compliance with EPA standards, no strategic investments in repressive foreign regimes. A prospectus is available now.

Working Assets Money Fund, information free from: 1427 Shrader Street, San Francisco, CA 94117.

Good Newsletters and Research Services

Good Money: This bimonthly newsletter, begun last fall, is the single most comprehensive journal of social investing. It includes analyses of socially responsible companies, investment advice, book reviews, and pertinent news items, all delivered with a nice mix of wit and passion. It's edited by Boston University sociologist Ritchie Lowry (quoted above) and his son Peter. There's a bonus: subscribers get a free ad in *Netbacking*, *Good Money's* bimonthly supplement.

Good Money, \$36/year, 6 issues, from the Center for Economic Revitalization, Inc., Box 363, 28 Main St. Worcester, VT 05682; 05602

Interfaith Center for Corporate Responsibility: The ICCR, a coalition of 180 Protestant and Catholic churches, researches corporate activity for church

investors and makes their findings available both over the phone (212-870-2295) and through their newsletter, *The Corporate Examiner*. The Examiner reports on what churches and other groups are doing in the way of social pressure on corporations and publishes briefs on such topics as banks with investments in South Africa, firms with investments in Chile, Agent Orange, Dow Chemical, follow-ups on the Third World infant formula crisis, pharmaceutical dumping in the Third World, genetic engineering and cloning.

Corporate Examiner, \$12/year, 11 issues, from the Faith Center for Corporate Responsibility, Room 566, 475 Riverside Drive, New York, NY 10115.

Council on Economic Priorities: One of the most effective links on American corporate life is this nongovernmental

research organization. Their reports have earned such confidence that they are routinely transmitted through the economic pages of the *New York Times*, the *Wall Street Journal*, etc. What the reports detail is the actual anatomy of corporate activity in terms of pollution, worker's rights, defense contracts, relations with South Africa, energy, pricing, political activity, etc., etc. Credit is given where it is due and blame likewise. A quiet, pointedly effective service."

—Stewart Brand, *NWEC* p. 386

Council on Economic Priorities Newsletter, \$25/year, 10 issues, from Council on Economic Priorities, 84 Fifth Avenue, New York, NY 10011.

Banks and Savings and Loans

The embattled savings and loan associations might be just the place a socially conscious small

investor wants to go. You can help improve your own neighborhood: go to your local S&L and tell them you want your deposit to go to local home and home improvement loans. Another good thing about S&Ls is that unlike most large banks, they don't lend money outside the country and they don't lend to large corporations.

Banks aren't necessarily ogres. Many banks, especially smaller local banks, work hard to put money back into the community. One of the most socially responsible acts you can perform is to investigate the investment policies of your local banks and then patronize them accordingly. Banks do change their lending policies in reaction to customer complaints. People involved in institutions like churches, clubs, and schools especially can exert influence and bring about change on a large scale. ■

Community Jobs

...entions that aren't grounded in real-world action, evaporate or turn into impotent cynicism. Find a job which enables you to help people, work for peace and justice, or research social ills while the rent can be a great solution.

Community Jobs is a monthly tabloid which runs page after page of listings for jobs and internships with public groups, citizen action organizations, and social efforts all across the U.S. Each issue also includes news of resources available for such groups and two lengthy articles on specific organizations or topics like meeting-planning or cooperation.

...reats from opposite ends of the spectrum: Neoliberals are likely to consider most of these jobs as "class" ventures — do-good slots for a liberal elite in institutionalizing their class values. Radical on the other hand may dismiss them as "reform" efforts which fail to tackle the Big Picture. There's truth in both gripes — but to take either as an excuse inaction benefits no one but the status quo. Belong to a label, try a job, and make a difference. *Community Jobs* is a good place to start. —Jay Kinney (Suggested by Christopher Bell)

Ship Detroit

...ers for a Democratic Union (TDU) is a national organization of rank and file Teamsters who are seeking return control of the union to its membership. The national office is in Detroit with chapters all over the U.S. The national office produces a monthly newspaper, *Convoy Dispatch*, and other materials and provides staff organizers.

...end out mailings; fill orders for materials; file; produce newspaper, leaflets and bulletins; occasionally develop projects.

Community Jobs

Glee Murray, Editor
\$12/year (10 issues)
from:
Community Jobs
1520 Sixteenth St. NW
Washington, D.C. 20036



Requirements: Skills in typing, layout, typesetting, darkroom, etc., helpful but not necessary; willingness to work hard for little pay; desire to learn about and assist the rank and file movement; some knowledge of labor politics useful.

Salary: \$75/week. Housing. Minimum 3-month commitment, longer preferred.

Rural Organizers Edwardsville, Illinois

The Farm Alliance is a coalition of progressive statewide farm organizations and multi-issue county organizations in rural areas. The Alliance is developing a powerful new force in Illinois politics. Working together with labor and consumer organizations, the Alliance is pushing innovative legislative solutions to achieve equity for the family farmer.

Duties: Coalition building; issue/program development; leadership development; fundraising.

Requirements: Concern for economic justice and social change; maturity; responsibility; self-starting; effective communication skills; willingness to work flexible hours; must have car; some organizing experience preferred.

Salary: \$8,000—15,000/year, negotiable, based upon experience and ability.

MAY 13, 1985

INVESTING WITH A SOCIAL CONSCIENCE

HOW TO STRIKE
A BALANCE

KEEPING
UP TO DATE

FINDING
THE INVESTMENTS

EDITED BY DONALD H. DUNN

To feel comfortable about your investments, it isn't always enough to have stocks that beat the averages and pay steady dividends. You may want to invest in companies whose activities don't trouble your conscience or that provide products and services you find especially constructive. If that's the case, you may be ripe for "socially responsible" investing, a concept that growing numbers of mutual funds, advisers, and publications are embracing.

With the growing furor over South Africa's apartheid policies, this approach to investing made headlines as student demonstrators pressured universities to rid their portfolios of stocks of companies operating there. Even if you differ—perhaps agreeing with the companies that their presence is a positive force for the advancement of blacks—there are plenty of other causes to rally around. You might, for example, want to purge your portfolio of companies that pollute rivers, trade with unsavory dictatorships, discriminate in hiring, or tolerate hazards in the workplace. "If you're an antinuclear proponent, there's egg on your face when you discover a nuclear company in your portfolio," says Amy L. Domini, a stockbroker at Moseley, Hallgarten, Estabrook & Weeden Inc.

The idea is not just to avoid investments that might make you uneasy. Rather, says Rian Fried, president of Fried & Flier Investment Services Ltd., you can aim for companies that have both a strong financial performance and a high sense of corporate responsibility. You will want to keep in mind that few large companies can stay entirely free of social problems. "Even the best-run ones may have a subsidiary somewhere with labor trouble," concedes Fried. But you can do enough research to help you make a balanced decision.

"It's not a pure science," says Domini, co-author of *Ethical Investing* (Addison-Wesley, \$17.95). "If IBM, for example, is involved in South Africa, it's also a major contributor to Catalyst, which helps women advance in the labor market, and it's a big funding source for public television." In making recommendations, she says, "I have to be guided by the specific concerns of my clients, who must sort out what is most important to them."

You no doubt have your own notions about what is and is not responsible corporate behavior. To keep you up to date on what individual companies are doing, several newsletters highlight both positive and negative activities. *Insight: The Advisory Letter for Concerned Investors* (\$78 annually from 222 Lewis Wharf, Boston, Mass. 02110) is a quarterly sent to some 700 subscribers. Its focus, says an editor, "is to identify companies to invest in, rather than those to be avoided." The socially responsible companies "will outperform the market over the long haul," he contends.

A package of two alternating bimonthlies, *Good Money* and *Catalyst*, plus the *Netback Quarterly*, costs \$49 a year from the Center for Economic Revitalization, 28 Main St., Montpelier, Vt. 05602. A new monthly newsletter, *Clean Yield*, (\$65 per year from Box 1880, Greensboro Bend, Vt. 05842) is issued by Fried & Flier. "It's more of a stock letter," says Fried, "and looks at market fundamentals of companies that have been passed through a 'social screen.'"

Some of the publications use research material provided by Data Center, a nonprofit organization in Oakland, Calif., that clips articles about hundreds of companies from some 400 newspapers and magazines. Many wind up in a monthly 100-page book, *Corporate Responsibility Monitor*, available to subscribers for \$300 annually. Data Center can provide you with material from its files on a specific company for \$30 per hour of research time. "If a company wins an environmental award, we'll have that in its folder along with critical articles

about its role in weapons production or whatever," declares a spokesman. Too busy to do research on corporate responsibility yourself? That's where Domini, Fried, and other advisers and brokers come into the picture. A booklet, *Directory of Socially Responsible Investments*, lists a number of them and costs \$5 from Funding Exchange, 135 E. 15th St., New York, N. Y. 10003.

Check the prospectus of any of five mutual funds that purchase stocks only in companies that meet various criteria. The 14-year-old, \$22 million no-load Pax World Fund Inc. (224 State St., Portsmouth, N. H. 03801) shuns any company connected with South Africa, weapons, liquor, gambling, or tobacco and favors those involved with food, housing, medicines, and transportation. Dreyfus Third Century Fund Inc., with some \$130 million in assets after 13 years, is the largest of the socially responsible no-load funds, although some purists question the stringency of its criteria. More restrictive is the three-year-old Calvert Social Investment Fund (phone 800 368-2748), which offers both a \$17 million no-load growth fund and a \$42 million money market fund.

Another fund that started in 1982 is the small (\$500,000) New Alternative Fund (295 Northern Blvd., Great Neck, N. Y. 11021), which has a 6% load. A 3% commission is also part of the three-month-old Parnassus Fund (1427 Shrader St., San Francisco, Calif. 94117), which has about \$520,000 in assets and some 50 shareholders. Its president, Jerome L. Dodson, previously headed the two-year-old \$52 million Working Assets Money Fund (800 543-8000), which avoids certificates of deposit in banks that invest with repressive foreign governments, and which also shuns Treasury bills—on the ground that lending the government money can mean backing programs that don't merit your approval.

If you are affiliated with a group of investors who share your interests, an organization called Interfaith Center on Corporate Responsibility (475 Riverside Drive, Room 566, New York, N. Y. 10115) works to bring you together with others who are looking for socially motivated funds. Formed a decade ago by some 235 church groups, the organization's Clearinghouse on Alternative Investments takes a middleman's role in finding deposits for minority-owned banks or securing loans for community-development projects. It also co-sponsors seminars on responsible investments in various cities.

Before you start dragging bikes, lawn mowers, golf clubs, and other items out for a garage or yard sale as part of your spring cleaning, check the liability clauses in your homeowner's policy. If a crowd shows up and someone is injured on your property, your insurance should provide coverage—if the sale is, say, a once-a-year event. But if you or your spouse makes pottery, woodcarvings, or quilts, for example, and you put them on sale regularly on warm-weather weekends, you might need liability coverage for a business. Similarly, your present policy may not apply if someone's hurt while looking over merchandise you put on display at a neighborhood flea market or on someone else's property. So ask about coverage before moving the articles. And, says the Insurance Information Institute, always spread them out so prospective purchasers can move around safely.

When Richard K. Knox, executive vice-president of Knox Oil of Texas Inc., serves what he calls "the best and quickest frozen margarita anywhere," he uses his wife's recipe: Fill a blender with ice and pour in a can of frozen limeade. Refill the can with tequila and add it, followed by three-quarters of a can of triple sec. Blend until smooth. "And," says Donna Knox, "skip the salt. It's bad for you."

INFORMATION
FOR GROUP INVESTORS

**POTPOURRI:
YARD SALES AND
MARGARITAS**

Business

Chicago Tribune Wednesday, May 23, 1984

It can pay to follow conscience

By R. Bruce Dold

"IT'S 11 p.m.," reads the magazine ad with the sinister-looking silhouette of the twin towers of a nuclear generating plant. "Do you know where your money is?"

Figuring that the Woodstock generation has grown up, exchanged tie-dyed T-shirts for pinstripes and socked away some money, a growing number of investment houses have turned to them with an appeal that their money can be used to aid industries that watch their social responsibility as carefully as the bottom line.

In the last two years, a coterie of funds that use social criteria for

Spotlight

investments has begun to add members, seeking to create a niche in a mutual fund marketplace characterized by increasing specialization and fragmentation.

The funds use varying criteria for their dos and don'ts of investment, but they generally promise to avoid investing their assets in industries that pollute, discriminate, make weapons or have poor labor relations, and to invest in companies that are active in alternative energy, conservation, health, education and transportation programs.

"IF WE GET enough people together and put money into positive programs, eventually we'll have an impact and feel good about it. That's the hope," said Carmen Wyllie, a

spokesman for the San Francisco-based Working Assets Money Fund, one of the newest socially responsive funds, founded last September.

Working Assets has invested in financial institutions that provide for community support, such as Chicago's South Shore Bank, which has been recognized for its innovative investments in the struggling South Shore neighborhood. Good Money, a newsletter for social investors, has recommended investments in worker-owned Chicago and North Western Transportation Co. and People Ex-

press Airlines.

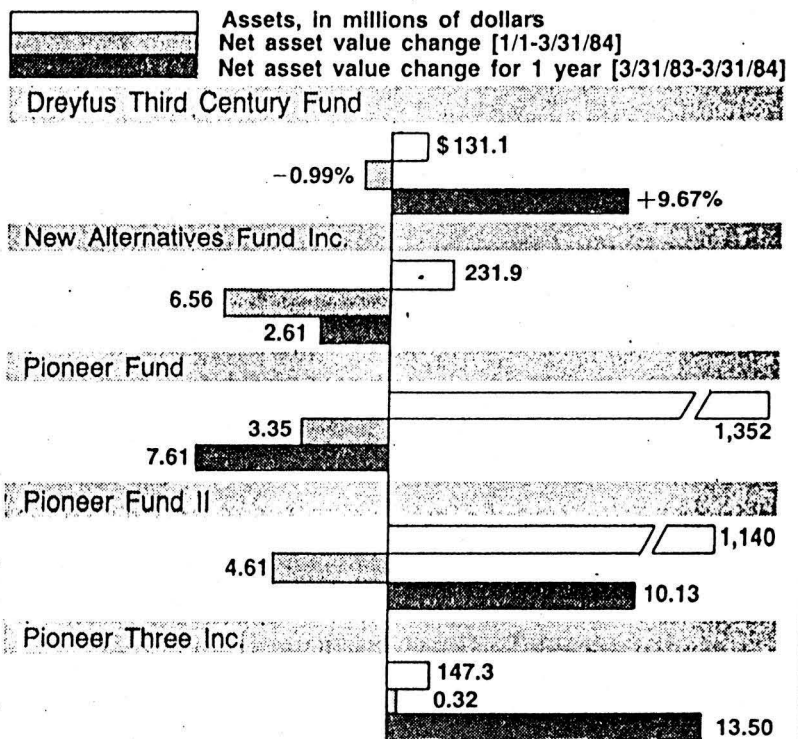
Working Assets is admittedly small [\$14.7 million in assets as of March 31], but it and other socially responsive funds are proceeding on the assumption that if they catch on, they can make an impact in the larger investment community.

ALTHOUGH two funds, the Dreyfus Third Century Fund and Pax World Fund, have been around since the early 1970s, most of the social investment funds have cropped up in

Continued on page 8

Socially responsive mutual funds

Their condition as of March 31, 1984



Chicago Tribune Graphic; Sources: Donoghue Money Fund Report of Holliston, Mass.; Good Money newsletter; Calvert Social Investment Fund

Conscience

Continued from 1st Business page
just the last two years, sensing a growing market in a baby-boom generation that kept its ideals from the 1960s when it reached a high financial standing in the 1980s.

"That's a very significant generation, and we're just beginning to see the impact of that in the whole perception of the way business should be conducted," said Ritchie Lowrie, a sociology professor at Boston College, who founded Good Money in January, 1983.

Lowrie became interested in the idea of social investment when his father died four years ago, leaving him with a seven-figure inheritance to manage. He set up four trust funds with the money and earmarked one that would be invested only in "socially responsible" industries. When it performed better than the other funds, he decided such investment could be profitable.

"I get business suits in my class who ask me, 'How can I live with myself, and not take it out on my employees?'" Lowrie said. "It is tied to the maturation of the 1960s generation."

The supporters of socially responsive funds say the idea has reached well beyond the Woodstock generation, though, and has proven particularly attractive to women, who are relatively new to business.

"The whole social investment field is growing. It's not just old-fashioned American left-wing liberals," Lowrie said. "We have a lot of conservatives who are concerned about the environment. It crosses all of the old partisan boundaries."

THE SOCIAL investment funds have come under criticism, though, both from within their young fraternity and from investment counselors who say the funds may merely be trying to find a sellable niche in the crowded field of investment opportunities.

"There's a legitimate question: The people who founded these funds are in business to get money. It may be they're merely trying to look appealing, to find a gimmick," said Leslie J. Silverstone, senior vice president with Dean, Witter Reynolds Inc. in Washington. "I don't know if their [idea is] anything better than a commercial."

"I don't see how they can compete. If you're going to stay away from an area because you don't like some of the things they do, you're going to limit your opportunities," Silverstone said. "Eventually it's going to hurt your performance."

SOCIAL INVESTMENT supporters have questioned and continually revised their own criteria for what is a good or bad investment. But they say their philosophy in many cases has actually boosted performance, and they have some claim to success.

The net asset value of most of the socially responsive mutual funds has dropped since the first of the year, as have most mutual funds investing in the falling stock market.

Meanwhile, the Calvert Social Investment Fund's money market portfolio, started in 1982, had the top

yield of all taxable money market funds in 1983 that were tracked by Donoghue's Money Fund Report. Working Assets has performed above the average for money market funds since it was introduced.

IT'S MORE difficult to track the investments of a growing number of individuals who have created their own socially responsive portfolios, of course. But Good Money has found 15 selected "responsive" industries and 30 non-nuclear utility firms that, as a group, have consistently outperformed the Dow Jones industrial average, the most widely followed market indicator.

"Most of the [social] criteria can be tied to investment performance," said Grace Parker, a vice president of the Calvert Social Investment Fund. "If a company has had unfair labor practices, they may pay the costs of a labor action. If they are environmental polluters, they may have to deal with fines."

"People are watching the social investment funds to see how we perform. If we don't perform, nobody's going to care about them."

But a good return on investment may be an easier goal to reach than influencing the conscience of corporate America. Even the managers of the social investment funds agree that it will be some time before they could have any impact on investment practices. "We're so tiny, they [financial institutions] don't take us seriously," said Wyllie of Working Assets. "But social change comes about slowly."

Short term.

Investing with a Conscience

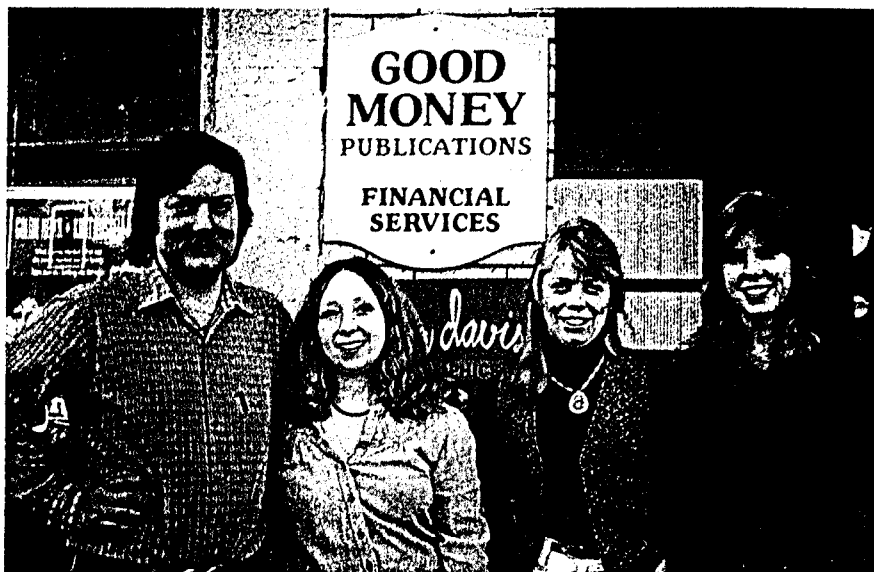
Socially conscious mutual funds have enjoyed new growth, a sometimes fanatical following—and even a few good performance figures.

by Judith Schonbak

Slender and bespectacled, D. Wayne Silby presented the less-than-imposing image of a junior accountant with one of the larger accounting firms. His audience beyond the podium consisted of equal numbers of true believers, willing potential converts and the curious, with more than a few skeptics. "American business has lived with the curse of the survival of the fittest concept for two hundred years," he began.

As he warmed to his subject, and spoke intensely of ending the struggle of the strong overcoming the weak, of mutual ecosystems and of business bringing us models and means of networking and relationships, the believers nodded their heads in agreement, even enthusiasm. One almost expected to hear a few "Amen, Brothers!". For others, the eyes automatically glazed over as the words recalled other times and places, where such messages as this were delivered endlessly during marches, sit-ins and protest rallies. But even the skeptics listened to Silby when he began talking numbers. The young, idealistic financier happens to head The Calvert Group of Washington, D.C., a family-owned \$1 billion mutual fund management company with 10 funds in the market. In October of 1982, Silby founded his own pet project, the Calvert Social Investment Funds, specifically for the purpose of channeling revenues in socially responsible enterprises and companies. Last year, according to statistics compiled in "Donoghue's Money Fund Report," that fund was the highest yielding general purpose money market fund in the United States.

The event that surrounded Silby's speech and the gathering of his (at least partly) idealistic audience was a conference of leaders of—and potential investors in—a new movement in American finance. Known to the public as Socially Responsible Investing, or simply SRI, it is described as investment for the betterment, rather than the detriment of human values; for social impact as well as financial return. The movement's primary investment vehicles are mutual funds which apply social as well



Staffers of Good Money Publications: Riding herd on stock performance charts and social issues.

as economic selection criteria. This may include looking for companies which further fair labor practices or have clean environmental records, or defending the portfolio from companies involved in matters like apartheid, nuclear power, pollution or large defense contracts. SRI leaders may encourage direct community investment towards such projects as building low-income housing and developing co-op companies and small business. In each case, the idea is to use a more forceful approach than the old placards and sit-ins: putting increasing amounts of money where your principles are, to invest for a double bottom line of both financial and social return. Or, to use the phrase that SRI insiders have coined, doing good while doing well.

The movement traces its origins to the founding of the Dreyfus Third Century Fund in 1972. Third Century went on to become one of the slower-growing mutual funds on record. In the same year, Pax World Fund was begun in New Hampshire by the Methodist Board of Christian Social Concerns, with a stated aim of avoiding stock of companies that produce military products, tobacco or alcohol, or that have anything to do with gambling. By 1981 Dreyfus was still

floundering and Pax had anemic assets of just \$5 million by the end of this year. Dreyfus now has \$100 million under socially-conscious management, and officials are predicting a healthy increase in investment funds this year.

The big action, however, has been in the start-up of several hot new funds in the last 2 years: Working Assets Money Fund, of San Francisco; Franklin Research & Developing Corp., a Boston-based investment group that designs SRI programs for its clients; and Calvert Social Investment Fund. Calvert, under Silby, now offers a money market portfolio and a managed-growth portfolio, and has attracted over 2,500 clients—individuals as well as organizations—in its short existence. One of its no-load funds with assets of about \$28 million, had a return of 18.27% in 1983—doing good, in the vernacular, while doing very well.

Other do-gooders are doing equally well. Take, for example, Robert Zevin, one of the new gurus who has grown up around SRI analysis. Although Zevin has a long history of radical activism, he brings to his current position—managing some \$52 million in what he calls "socially sensitive accounts" for United States Trust Co. of Boston—a certain

Dr. Richard Lowry: "We have to recognize that there is a lot of space between the black and white absolutes in business as well."



"One of Calvert's no-load funds, with assets of about \$28 million, had a return of 18.27% in 1983—doing good, in the vernacular, while doing very well."

the possibility of simultaneously doing "good and well". During his public appearances, Silby appears to be as intent on some real old-fashioned consciousness-raising among audiences as he is in attracting investors.

Where does—and does not—Calvert put its investors' money? Using U.S. Trust of Boston as a sub-advisor for social screening of its investments, Calvert holds stock in companies like Ametek, a leader in solar power cell research, Humana, a health-care provider, and MCI. About 35% of Calvert's Social Investment Fund's managed-growth portfolio is in stocks; 40% in money market instruments; and 25% in bonds. Calvert will not invest in companies that produce nuclear weaponry, firms that violate union standards or environmental laws, or those that do business in South Africa. Its criteria for the ideal company are set out in its prospectus. (See box.)

Joan Bavaria, president of Franklin Research, points out that right now apartheid is of major concern. It is also a subject that has drawn increasing attention to socially responsible investing since several states, including Connecticut, Massachusetts, Michigan and Nebraska, have passed, or have pending laws requiring divestiture or barring public-employee pension funds from investing in securities of U.S. companies doing business in South Africa. Other leading topics of concern are weaponry, nuclear power, fair labor practices and environmental pollution. Additional concerns include discrimination against minorities, age and sex discrimination, animal exploitation, production of useless or shoddy goods and services, alcohol, tobacco and gambling. In addition, SRI investors support investing in renewable energy, high-quality goods and services, quality work environment, small businesses, cooperatives and non-nuclear weapons.

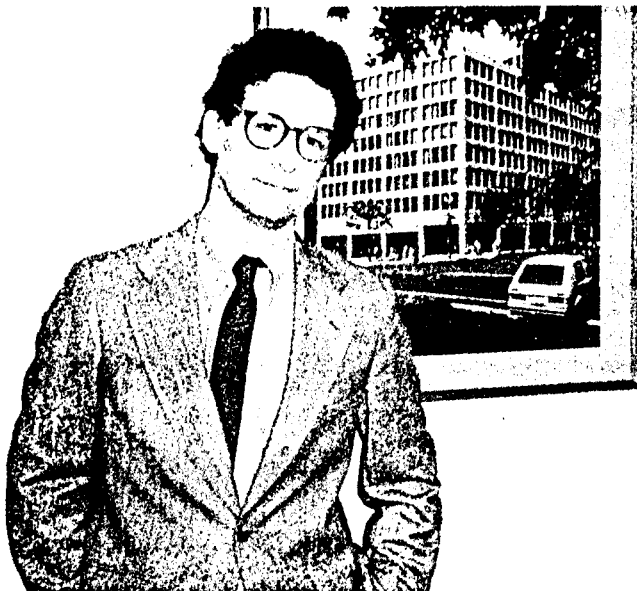
Silby is quick to admit that it is a rare company that is 100% "clean". Adds Lowry: "There are a lot of gray areas in life. We have to recognize that there is a lot of space between the black and white absolutes in business as well." Informa-

activist intensity that may be lacking in some of his compatriots. This has translated to the bottom line. Over the last 3 years, Zevin's division has outperformed U.S. Trust's traditional accounts and the Dow Jones average. The \$52 million figure represents a 650% increase since 1980.

exploitation," says Dr. Richard Lowry, another true believer who serves both as director of social investing for the Vermont-based Center for Economic Revitalization and professor of sociology at Boston College.

This argument may come to have increasing power in the financial services marketplace, where financial planners are beginning—often for the first time—to elicit life goals and sensitivities concerning investment activities. The planner's familiarity with the investment products universe has also greatly expanded the investor's freedom of action. Silby, who characterizes himself as "chief daydreamer" of the Calvert organization, believes that his ideals have been kept out of the investment arena, in part because fund managers were seldom interested in demonstrating

Zevin, Silby and others see no contradiction in the merging of activist politics and hard-nosed financial management, preferring to call the phenomenon a natural progression. In the long run, they argue, investing in companies that are solving problems instead of creating them is good business. "We, society, are collectively responsible and we ultimately pay for any ills, whether it's the multibillion-dollar costs of nuclear energy, hazardous waste production and disposal or Third World ex-



D. Wayne Silby, daydreamer-in-chief of The Calvert Group, admits that it's rare to find a company that is 100% "clean".

tion for social screening comes from a variety of sources. Joan Bavaria uses a computerized set of 11 social screen criteria to look at some 1,500 companies. Others rely on a network of non-profit research groups, government agencies like the Environmental Protection Agency, organizations like National Organization for Women (NOW), Wall Street sources, company reports and SRI firms' own research. Social reporting is becoming a little more common, says Bavaria, but, she warns, "you have to be careful not to be led into the clean room by the company." A fund may decide to buy or sell based on either or both social and financial standards. "It's often a matter of degree," admits Lowry, "and realistically, it's a balance of pluses and minuses." For example, while some SRI investors might rule out any utility company which deals in nuclear energy, Lowry maintains that there are some good companies within those fields. Atlantic Richfield is rated highly within the oil industry by SRI analysts, just as Pacific Gas & Electric in California is rated highly among utility companies. If only, Lowry says wistfully, they would get rid of Diablo Canyon, a nuclear power plant that has cost overruns in the millions, is years late in completion and has had numerous other problems. Then, he says, PG & E would be a near-perfect utility firm. But, he stresses, in the field of utilities, they are top line.

The lists are not stagnant, adds

Bavaria. For example, Fort Howard Paper has been a leader in the field of recycled paper, a social plus. But it has had labor problems and some questions

"During his public appearances, Silby appears to be as intent on some real old-fashioned consciousness-raising among audiences as he is in attracting investors."

have arisen about its pollution control. Still, the company has been worth weighing for SRI. Its recent acquisition of Maryland Cup, a plastic disposable cup manufacturer, however, has dismayed some SRI analysts and may ultimately put Fort Howard on the SRI black list. "But we don't scratch a company overnight," says Lowry. Waste Management of Ohio was a darling of the SRI folks for a long time, but is spoken of now in the disappointed tones of parents whose child has gone bad. In March of 1983, this model company was cited by Illinois, Pennsylvania and Ohio for allegedly disposing of toxic wastes illegally. At the same time, the Securities and Exchange Commission began looking into the company's records for possible failure to report expenses. At the end of 1983, Waste Management's stock had

fallen 13.3% from the previous year. "We spent a lot of time checking on the citations, talking with the management of the company and generally trying to find out what happened," says Lowry. Finally, he says, "we had to accept the fact that they were not accidental occurrences and that the company had suffered under bad management." Would the SRI people allow Waste Management back on their good-guys list? No problem, says Lowry, if they—literally—clean up their act.

Still, one person's principle may be another's red flag. And even those who work with the criteria do a balancing act every day unless, as some investors do, they choose exclusive rules that rule out investment in any company that has anything at all to do with one of the undesirable practices. This fuels arguments

of critics and skeptics who maintain that when doing good, you don't do as well. Not so, says Lowry. Clean companies can do very well. He does, however, see SRI as long-term investment. Monies invested in any defense fund or company now may do very well because defense spending is way up, but, in the long run, he says, that will not be so. Besides, SRI advocates argue, there's the danger of blowing up the planet, or at least large portions of it. That would create a high social cost.

While the maturing '60s generation may be leading the way for socially conscious investment, other factors are at work. The recession spurred the general population to become more economically literate and awakened people to the realization that they could have some control over their investments. Lowry

The Laundered List

How does the investor define a "clean" company? Executives at the Calvert Social Investment Fund have established a number of more or less binding criteria that define their investment universe. The ideal company, according to the Funds' prospectus:

- "Delivers safe products and services in ways that sustain our natural environment.
- Is managed with participation throughout the organization in defining and achieving objectives.
- Negotiates fairly with its workers, provides an environment supportive of their wellness, and provides opportunities for women, disadvantaged minorities and others for whom equal opportunities have often been denied.
- Fosters awareness of a commitment to human goals, such as creativity, productivity, self-respect, and responsibility within the organization and the world, and continually recreates a context within which these goals can be realized."

vesting. A number of books and reports on the subject have appeared, and newsletters are blossoming. Franklin Research produces "Insight", a monthly newsletter that analyzes specific companies, including the soiled and unsoiled. "Good Money", co-edited by Lowry along with his son and daughter-in-law, is also directed towards issues and companies and stock performance charts. The editors of "Market Conscience", still another SRI newsletter, also produce a 60-page SRI guide. "News for Investors", "CEP (Council on Economic Priorities) Newsletter", and "The Corporate Examiner" offer advice and company profiles on socially responsible investing.

The movement has also moved into a community setting. This is most often labeled 'alternative investing', that is, investments made usually through an organization set up to make direct investments that make a clear social impact, such as the development of worker-owned business or the building of low income housing. In the words of a statement prepared by some of the alternative investment organization leaders: "Alternative investments address the needs of the people traditionally outside of the economic mainstream, and help develop structures for a more just distribution of opportunity. They support not only a community's physical or economic development, but its members' empowerment, decision-making to ensure that long-term benefits and future development ensue." Of course, all this is not without its price. Generally, the investor must be willing to risk a lower—sometimes considerably lower—financial return than for more conventional investments. They should also be prepared to accept higher risk and reduced liquidity. Chuck Matthai, head of the alternative investment group of the Institute for Community Economics, advises would-be investors to look not only for an organization whose social goals match those of the investor, but which also has a good track record and capability to deliver community projects, and the financial performance of the investment.



Joan Bavaria: Concern about such issues as apartheid and nuclear power are drawing attention to socially responsible investing.

At present, there is no accurate way to measure the SRI universe. Silby estimates that his group's Social Investment Fund represents only about 2% of The Calvert Group's total assets. Calvert, however, like other SRI groups, expects larger monies through institutional funds in the near future, and the SRI fund to reach \$50 million by the end of 1984. Joan Bavaria estimates that the total figure is now in the billions—still a small percentage of the overall investment marketplace, but growing rapidly enough to command attention. The SRI concept has led to virtually all of the few products available to meet the more complex goals of the financial planning client, goals which are now being elicited in greater numbers than ever before. If that trend continues, social responsibility—doing good while doing well—may become a standard question in the initial planning interview, and the planning profession may become the catalyst of a more complex financial services marketplace. □

Judith Schonbak is an Atlanta-based business writer.

believes that the growing number of women investing has also been a cause in the increased interest in SRI. Women, he says, tend to be more concerned with social issues and their implications than are men. Additionally, the availability of money markets in general, in particular Working Assets and Calvert, have offered an affordable option to small investors.

Besides the funds and money markets, brokers and banks are getting into the SRI act, and, often, are giving clients the option to dictate standards of "clean" in-

GOOD
CENTER FOR ECONOMIC REVITALIZATION
28 Main Street, Montpelier, Vermont 05601
phone (802) 223-3911



Social Investing

Meeting the Needs of
Socially Conscious Clients.

by Rose Darby

If the idea of social or ethical investing conjures up images of an era when people burned their draft cards, it may surprise you to learn that the concept is making a comeback.

Witness the fact that public pension funds invested about two percent of their assets, roughly \$1.9 billion, in socially responsible investments by the end of 1982, according to a study by the Municipal Finance Officers Association.

There are five mutual funds that specialize in socially responsible investments, two founded in 1982 and one within the last year. And social investing has taken on enough importance to warrant the formation of a professional organization with 150 members. The Social Investment Forum, as the organization is dubbed, held its first meeting in New York last February.

Roots

The roots of ethical investing lay in the early '60s when social responsibility and ethics were in the forefront of our national consciousness.

Concerned individuals, churches, labor

Social Investing Sources

Calvert Social Investment Fund
1700 Pennsylvania Ave. N.W.
Washington, DC
800-368-2748
Contact: Grace Parker

Dreyfus Third Century Fund
600 Madison Ave.
New York, NY 10022
800-645-6561
212-715-6000
Contact: Jeffrey Friedman

Good Money
28 Main St.
Montpelier, Vermont 05602
802-223-3911
Contact: Carol Matz

Insight
222 Lewis Wharf
Boston, MA 02110
617-723-1670
Contact: Pat Davidson

Investor Responsibility Research Center
1319 F St. N.W.
Washington, DC 20004
202-833-3727
Contact: Margaret Carroll

New Alternative Fund
295 Northern Blvd.
Great Neck, NY
515-466-0808
Contact: David Schoenwald

PAX World Fund
224 State St.
Portsmouth, NH 03801
603-431-8022
Contact: Anthony Brown

Social Investment Forum
222 Lewis Wharf
Boston, MA 02110
617-723-1670
Contact: Pat Davidson

Working Assets Money Fund
230 California St.
San Francisco, CA 94111
800-543-8800
415-989-3200
Contact: Jerome L. Dodson

unions, women's groups and enlightened corporations with money to invest began to target where, with whom and how that money would be put to work. Brokers were instructed to sell off or avoid the stock of a company producing napalm, for instance, or the bonds of a company putting M-15s in the hands of our troops.

A group of Christian Scientists back in 1962 were among the first to start a mutual fund that would not invest in alcohol or tobacco company stocks. Though the fund never gained much momentum (when it merged into a fund at Eaton & Howard, Vance, Saunders in 1983, it had only \$5 million in assets), it had broken important ground.

Nine years later a group of Methodists launched the PAX World Fund, which exists today. This time, the mutual fund avoided the securities of all weapons makers. It was followed in 1972 by the Dreyfus Third Century Fund, which would buy only securities of equal opportunity employers for minorities and women, among other ethical requirements. From there, the idea receded into the background to reemerge in the '80s.

Now that social investing has popped back into the picture, how can you use it

*Companies that fail the
"classic Christian screens"
are fairly easy to spot
and act upon.*

to lure that rare breed—the socially conscious investor? Are there alternatives when a customer asks not to invest in companies with money in South Africa or nuclear power plants? Where do you find them? How do you get information about a company that is not revealed in an annual report or other printed sources? And, even if you had the answers to these questions, is there enough demand for social investing to make it worth your while?

According to one broker who has based much of her nine-year career on social investing, Amy Domini of Moseley, Hallgarten, Estabrook and Weeden in Cambridge, Massachusetts, the answer is a resounding yes. "I think there's big interest out there in social investing. And it's expanding."

Bad Guys and Good Sources

Social investing, says Domini, must be approached in more than one way by bro-

"You can't condemn a company because of one aspect of its business. The company could be selling a bad product, but also be doing research on something beneficial."

—Robert Check, Advest

kers. "First," she explains, "is the technique of avoiding the 'bad guys,' which involves investing in corporations that provide products or services the customer doesn't want, such as tobacco, alcohol or drugs. These are known as 'classic Christian screens.'" They are fairly easy for brokers to find and act upon, she adds.

Also included in this area, says Domini, is the exclusion of companies that provide goods or services the customer finds odious, such as those that invest in South Africa or have a poor track record hiring minorities or women. "These," she says, "are a little harder for brokers to identify."

Although there are good resources publicly available (mostly newsletters) to guide brokers through the minefield of social investing, they all involve buying a subscription, says Domini. She suggests a book by Sharon Knight, *The Concerned Investors Guide* published by Resource Publishing.

The book mentions all NYSE issues of corporations that have been charged with recent Occupational Safety and Health Administration (OSHA) violations, those that have been identified or charged with environmental violations and those that have had large product recalls. Areas such as unfair labor practices, antitrust violations, civilian nuclear investments, companies that invest in South Africa and weapons contractors are also covered. This book can be a great help in screening a portfolio, says Domini.

Positive Investments

The second and more difficult approach to social investing for the broker involves positive investments. These include stocks in companies developing alternative energy sources or manufacturing alternative food sources. "These companies make the world a better place in which to live," Domini says. "It's a lot harder to find these companies."

One research technique is to find news

GET BLUE CHIP SALES LEADS!

Find vital, *new* information you can turn into sales and profits—in these 2 unique directories!

1. THE FINANCIAL DIRECTORY OF PENSION FUNDS

Pinpoints the *successful small companies in your area*—always the hardest to locate and identify (including Keogh holders). Gives *individual names* of those who *make the buying decisions* and have ready cash.

FACTS FOUND NOWHERE ELSE!

275,000 key contacts' names, phone numbers and complete financial profiles—divided into 104 separate area volumes—prices start as low as \$129.00 per volume!

2 BIG FREE BONUSES

Portfolio of Successful Prospecting Letters,
plus Roger Staubach's *Winning Strategies in Selling*.

2. 1984 FINANCIAL DIRECTORY OF NON-PROFIT GROUPS

100,500 *newly available* prospects with \$100,000 and *up* in assets! You get *individual names* of over 75,000 decision-makers or administrators—over 85,000 phone numbers to help you sell these *new* hot prospects. Pick just the selling areas you cover from the 83 geographical volumes.

Reach these prime prospects in *your* selling area! For details, clip your business card to this ad and mail to the address below. Or—

CALL ROBBIE ROBERTS TOLL-FREE NOW: 1-800-368-5818



ERISA Benefit Funds, Inc., a Prentice-Hall Company.
1341 G Street NW, Suite 610, Washington, D.C. 20005

Check #23 on Reader Response Card

Prepare for your Securities Exam by giving yourself the advantage of live instruction combined with the convenience of self study.

Study for your securities exam by taking the course with you **WHEREVER YOU ARE**. Listen as you follow along in the workbooks to these lectures developed specifically for self study.

SERIES 7 - GENERAL SECURITIES

17 AUDIO CASSETTES...containing lectures on all materials.

9 WORKBOOKS...plus test booklets.

2000+ SAMPLE TEST QUESTIONS...complete with answer keys and a written explanation of the answer.

WARRANTY CARD...to guarantee that you receive our most current questions (updated monthly) just prior to the exam.

SECURITIES SCHOOLS EXPERIENCE...over 40,000 people have passed their exams with the help of Security Schools.

LEARN WHAT THESE PEOPLE HAVE LEARNED.
PUT OUR KNOWLEDGE TO WORK FOR YOU.

SERIES 7 - \$285

(\$297 including four 3-ring binders)

SERIES 63 - \$35

2 Tapes + Workbook

THE LICENSE PREP PEOPLE

**S
S
I**

SECURITY SCHOOLS INC

268 W. Burnsville Parkway

Burnsville, MN 55337

1-800-328-2967

Classroom Instruction

Milwaukee (414) 464-9040

Chicago (312) 922-4262

Minneapolis (612) 894-6500

stories about a company that fits into the positive category and then file the clip-pings. "You have to keep files and speak with the corporation's shareholder relations person. However, there are a lot of companies for which you're not going to find enough information," says Domini.

Social investing has been a profitable pursuit for Domini. In the last three years since she started teaching a local adult education class on the subject, at least 90 percent of her new accounts have been ethical investors. These classes generate many referrals.

Growing Interest

Another successful broker who practices social investment is Dr. Robert J. Schwartz, corporate vice president at Shearson/American Express. He is rumored to manage over \$1 billion.

Although Schwartz and his staff specialize in social investing, he points out that he speaks on this subject only for himself as a broker and not for Shearson. Recently, in fact, Shearson scrapped plans for a fund entitled Trust for Balanced Investments, which Schwartz would have overseen. It was slated to avoid stocks of companies with poor employment relations records, poor environmental track records, those that were known OSHA violators and those with significant investments in South Africa.

The fund never made it to the launch stage, he explains, because Shearson was looking for a target minimum of \$75 million by year-end 1983. "Although we raised a substantial amount of money—commitments of \$40 million were indicated with promises for more—we didn't reach \$75 million by the end of the year." Despite this setback, says Schwartz, social investing is growing at a significant pace.

As substantiation, he points to laws recently passed that bar investment in South Africa. Such laws were passed by Michigan, Connecticut, Massachusetts and the District of Columbia, as well as the city of Philadelphia. According to Schwartz, there are 28 bills pending around the country concerning this subject.

The Other Side

One investment professional who is less optimistic about targeting socially acceptable investments is Robert Check, manager of mutual funds and the unit trust department at Advest. "So-called social investment often ends up limiting the investor," he says. "You can't condemn a company because of one aspect of its

Check #62 on Reader Response Card

There are alternatives when a customer asks not to invest in companies with money in South Africa or nuclear power plants.

business. A company could be selling a bad product, but also doing research on something beneficial. It's nice to think we could convert all our smokestacks into solar units, but it's impractical at this stage."

Check also questions mutual funds and organizations set up to identify social investment opportunities. "They're a kind of reverse protest," he says, "because they do not let the public have first right of approval." In his opinion, individuals should weigh the pros and cons independently on each investment they make.

Screening

Joan Bavaria, president of Franklin Research & Development, knows many brokers and investment professionals share Check's point of view, but she makes a living convincing them otherwise. Her firm is a cooperatively owned investment research firm specializing in socially responsible investment. Formerly a part of Franklin Management Corp. of Boston, her firm officially became independent in 1982.

"We're looking all the time," says Bavaria, "for companies that will drop through almost all screens." It is the client who chooses the financial and social guidelines for his or her investment portfolio, she says.

Running stocks through a number of screens that test for social responsibility often reveals surprises, says Bavaria. "We uncover some very interesting facts about companies with potential problems before the actual financials do."

Bavaria also notes that it is not easy for brokers to collect data on their own. "This is definitely not a mass-produced investment product," she says. "We have to tailor each portfolio, even those as large as \$100,000."

Despite obvious obstacles, Bavaria maintains that overlooking social investment can be a costly error for both investors and brokers. "Companies that ignore ethics," says Bavaria, "suffer in the long

The Darby is a New York-based free-lance financial writer.

RANCHO CONSULTANTS FINANCIAL, INC.

INTRODUCES



Rancho Consultants Realty Fund III

\$37,500,000 S.E.C. registered California limited partnership
minimum purchase \$2,000

Warrant Concept - Opportunity without obligation to add
an additional \$3,000 in your partnership over a 2 year period.

This advertisement is not an offering and does not constitute an offer to buy or sell units in an investment. The offering is made only by the prospectus and only to persons meeting certain financial requirements and who are bona fide residents of states in which the offering is authorized. No offering is made except by a prospectus.

Rancho Consultants Realty Fund III

28636 Front Street, Temecula CA 92390 (714) 676-6664

Please send me the final Prospectus on RCRF III

Firm Name _____

Name _____

Address _____ City _____

State _____ Zip _____ Telephone _____

Check #59 on Reader Response Card

We are pleased to announce the relocation of

Broadcort Capital Corp.

Broadcort Capital Corp., a member of the
New York Stock Exchange, is now located at:

100 Church Street
New York, New York 10007

BCC is a leading provider of clearance and execution,
communication facilities, financial products and opera-
tional services to the securities industry worldwide.

For additional information call:

In New York City (212) 602-6141

In San Francisco (415) 955-5390





Investing

Money and Morals

Despite the dilemmas, you can profit by following your conscience.

by Jerry Edgerton

If you are concerned deeply about the future of South Africa or other social issues such as pollution, abortion, defense spending, the spread of nuclear energy or restraints on free enterprise, should you consider applying your ethical standards to your investments? Wall Street's conventional wisdom is that trying to do good will keep you from doing well. However, a careful look by *Money* at the per-

formance of mutual funds and portfolio managers who use social-issue criteria in picking stocks points to a surprising conclusion: if you invested in a portfolio tailored to ethical considerations during the past 10 years that ended in September, you could have profited both spiritually and financially. Here's the record:

► Three out of four of the mutual funds guided by their own ethical criteria that have been in existence for 10 years or more outperformed Standard & Poor's index of 500 stocks during the same period.

► Two of those four social-issue funds also beat the S&P 500 in the past four years that ended Sept. 1.

► And for the 12 months that ended Oct. 31, four of the seven funds available outdid or equaled the S&P 500, while six outperformed the average stock mutual fund, if sales charges aren't taken into account.

This surprisingly strong showing aside, socially sensitive investing does present built-in limitations. A lot has been written lamenting that social screens elimi-

Beyond questions of performance, investing to suit your conscience is like cozying up to a porcupine: proceed with care.

nate great percentages of stocks from consideration. For example, the Pax World Fund's ban on arms makers, alcohol, tobacco and gambling rules out some 60% to 70% of the stocks listed on the New York Stock Exchange. Not to be overlooked, however, is that most fund managers and investors focus on a limited universe of stocks, often with outstanding results. Look at Mutual Shares. It reduces its choices to troubled companies, some of them bankrupt, whose securities the fund believes are substantially undervalued. That eliminates some 99% of all securities from the fund's consideration. Yet it has achieved a total gain of 23.5% a year over the past 10 years, placing it among the top 10 long-term growth funds in *Money's* rankings.

The real point to remember is that social-issue standards prohibit the purchase of certain stocks and mutual funds no matter what attractive returns they might offer. Therefore, you are handicapping yourself in the race for the greatest return. You may achieve good results, as we've noted, but the best possible gain may elude you.

For example, the Dreyfus Third Century Fund, which uses a variety of ethical criteria, gained a total of 16.6% annually over the past 10 years, compared with 13.3% a year for the S&P 500 and 16.02% for the average long-term growth mutual fund. Not a bad showing. But you could have received a higher return for that period in 31 other growth-oriented funds that use conventional techniques, according to our ranking of 515 mutual funds (see *Money*, October). In addition, *Money's* top-ranked fund, Fidelity Magellan, shot up 32.1% a year on average over the decade—nearly two times faster than Dreyfus Third Century.

Beyond questions of pure performance, investing to suit your conscience is like cozying up to a porcupine: proceed with care.

Consider the social issue of 1985: South Africa. Vocal opponents of South Africa's white-supremacist government call for the divestiture of all stocks of companies operating there—some 130 of Standard & Poor's 500. In sharp contrast, some conservatives are speaking out in favor of buying such shares. The Rev.

Jerry Falwell, for one, has urged conservatives to buy South African stocks and gold coins to support the regime, which is a staunch and strategic U.S. ally.

The two sides seem clear enough. But consider what happens when you weigh specific investments. Coca-Cola maintains one of the largest U.S. operations in South Africa but has promoted blacks and implemented other equal-employment principles developed and popularized by the Rev. Leon Sullivan, a director of General Motors, which is a major employer there. Archrival PepsiCo Inc. has closed down its South African operations but still sells Pepsi syrup there through middlemen. Which stock—if either—should you buy?

Another example to ponder: Although General Motors has its own sizable South African operations, Ford has merged its South African business with a local auto manufacturer and Chrysler has left the country entirely. Yet the chrome on Chrysler bumpers comes from South Africa, the principal supplier of the metal. Should you shun one, two or all three of the auto companies?

To help you sort through the confusing questions that are inherent in social-issue investing, the first thing to do is ask yourself what you want to achieve. If you are trying to influence corporate or government policy through your investments, you may end up greatly disappointed. As a shareholder, you can attempt to sway management by voting on proxy matters and writing letters to executives. But such efforts are almost always ineffectual.

The managers of multi-million-dollar, issue-conscious funds concede that their decisions to buy one stock and shun another have little if any impact on the actions of those companies. Reason: lack of size. The \$3.2 billion or so now managed by the current total of eight stock mutual funds, two money-market funds and one corporate bond fund that apply social criteria is nearly inconsequential compared with the \$5 trillion invested in all securities in the U.S. Even public pension fund managers in the 17 states and 42 cities that have adopted restrictions on ownership of companies operating in

South Africa doubt the \$50 billion in stock they control will sway the Pretoria government.

If you want to have direct impact to advance some cause or personal view, you will probably be more effective investing your money conventionally for maximum returns and giving the profits to some action group. Advises Norman Fosback, editor of *Market Logic*, a highly rated stock advisory newsletter: "Make as much money as possible through sound investments and then donate some of the profits directly to benefit whatever cause you wish." To fight racial discrimination in South Africa, for example, you might have more clout if you contributed to an anti-apartheid group than if you put your money into a mutual fund that avoided South Africa-linked stocks. When corporations debate whether to pull out of South Africa, most observers agree, top executives focus more on whether the company's overall public image is being tarnished by activist groups rather than on where its shares are trading at the moment. Beyond that, as ethically motivated investors dump shares, stock ownership presumably tends to concentrate in the hands of people with whom they disagree and who are more likely to hang tough with the company.

If, on the other hand, your personal goal is to keep a clear conscience, social investing can work for you. Says Sheldon Jacobs, editor of the *No-Load Fund Investor* newsletter: "If it's important to a person not to invest in industries that he doesn't approve of, that's his right."

Once you've straightened out your own motivations, you'll have to face yourself and decide precisely what you stand for—and then finally what stocks suit your conscience. There is no real way around this step. Even if you plan to invest through social-issue mutual funds, you can't assume that all ethical funds are right for you. Each of them applies its standards in its own way, as we explain in detail in our fund listing that follows on page 156. The best guide to a fund's criteria is its prospectus, which spells out in detail what it will and will not buy. Some funds avoid alcohol and tobacco stocks; others buy them. Some avoid the defense stocks entirely; others



Three principled portfolios

If you want to tailor your portfolio to suit your conscience, you're not limited to buying shares in one of the eight social-issue stock mutual funds. You can select your own stocks to reflect your political or moral beliefs. After financial analysis and interviews with fund managers, Money has constructed three sample portfolios. Since profits need not be totally sacrificed to principle, each represents viable investment options suited to a distinctive point of view.

ANTI-APARTHEID

Civil libertarians who oppose any investment in South Africa could be buyers of these stocks, which were drawn from the holdings of issue-conscious funds and from the picks of ethical investing newsletters. None of the companies has any South African operations, and all are considered to be progressive on such business and community issues as worker satisfaction and pollution.

Aetna Life & Casualty (NYSE, \$50.50). One of the first to offer no-fault auto insurance. Higher premium rates are speeding profit growth.

American Greetings (OTC, \$31.50). Creators of wholesome greeting cards featuring the Care Bears and Strawberry Shortcake. Profits up 14.5% annually since 1975.

Brooklyn Union Gas Co. (NYSE, \$41.75). Expands customer base by subsidizing home renovation. Yields 8%.

Fleming Cos. (NYSE, \$37.25). Food distributor serves independent supermarkets, allowing them to compete with giant chains. Earnings have risen an average of 12.5% a year since 1975.

Goulds Pumps (OTC, \$16). Makes pumps for growing industrial, agricultural and residential markets. Profits are expected to rise about 15% this year.

Honda Motor (NYSE, \$56). Builds quality cars and motorcycles. Profit margin of 5.6% exceeds auto industry average of 4.7%.

Maytag (NYSE, \$65.25). Reputation for durable appliances allows sizable profit margins. Record earnings likely this year. Yields 6%.

Noxell (OTC, \$54.50). Maker of health-oriented Noxzema and Cover Girl cosmetics. Average annual profit increase of 14.5% over the past 10 years.

Standard Register (OTC, \$35). A new plant to make carbonless business forms that cut waste due in 1986. Profits up 14% a year since 1980.

Student Loan Marketing Association (NYSE, \$36.25). Sallie Mae helps finance student college loans. Record profits since going public in 1983.

ENVIRONMENTALIST

Sierra Club partisans and others concerned about ecological issues and energy efficiency could own these stocks, which were culled from the holdings of various ethical mutual funds.

AFG Industries (OTC, \$21.25). Makes energy-saving residential window glass. Profits up for five straight years.

Applied Solar Energy (OTC, \$8.25). Supplier of photovoltaic cells that convert sunlight into electricity for communications satellites and the space shuttle. New plant due for completion next year is expected to boost profits.

Browning-Ferris (NYSE, \$55). Turns trash into cash by burning waste to produce energy. Earnings up 15% annually for the past 10 years.

CertainTeed (NYSE, \$23.50). Insulation maker. Earnings have rebounded sharply since 1983.

Hawaiian Electric (NYSE, \$21.75). Generates power from alternative sources such as wind farms, sugar cane and volcanoes. Thirty-year record of higher earnings. Yields 8%.

Magma Power (OTC, \$14). Taps the geothermal power of California geysers and sells steam to Southern California Edison. Profits forecast for 1986 after three years of losses.

Products Research & Chemical (NYSE, \$14). Makes coatings, adhesives and sealants for energy conservation. New window sealant will push profits to a record this year.

Spire (OTC, \$14.50). Makes both advanced photovoltaic cells and the equipment to manufacture the cells. Earnings have tripled since 1983.

Thermo Electron (NYSE, \$20). Leading manufacturer of equipment that generates energy by reusing waste heat. Sales are sharply higher.

Zurn Industries (NYSE, \$39). Makes devices that treat air, water, solid and thermal pollution. Profits should be up 17% this year.

CONSERVATIVE

These investments, picked after consultation with such groups as the Heritage Foundation and the Conservative Caucus, represent firms with a strong orientation toward free enterprise and leading U.S. defense contractors. The portfolio also includes companies that have remained invested in South Africa and adhere to the Sullivan principles for equal treatment in hiring and promoting blacks.

Adolph Coors (OTC, \$17). Tough anti-union labor policies. Beer shipments and profits up sharply.

General Dynamics (NYSE, \$64.50). Largest defense contractor with profits from the F-16 fighter and M-1 tank. Earnings up from \$2.25 a share in 1981 to an estimated \$9.30 this year.

General Motors (NYSE, \$67). Employs about 3,500 South Africans, among the highest of any U.S. company. Earnings will sag this year owing to a surge of imports.

Lockheed (NYSE, \$46.75). Major contractor for the Star Wars defense system. Should prosper from several multi-billion-dollar military projects over the next decade.

Mobil (NYSE, \$30). Vocal defender of free enterprise and Big Oil. Has \$400 million invested in South Africa.

Moog (ASE, \$17). Maker of controls for the F-15 fighter, MX and Trident missiles and B-1B bomber. Profits will rise to record levels this year.

Rustenberg Platinum (ADR OTC, \$6). South African-based supplier of strategic minerals such as platinum and chromium to U.S. defense contractors.

Servicemaster (OTC, \$19.50). Hospital maintenance firm shares profits with independent businessmen who operate as franchisees. Earnings up 24.5% annually for the past 10 years.

Western Holdings (ADR OTC, \$20.75). South African gold-mine firm with extensive reserves. Yield to U.S. shareholders: 17%.

Krugerrands (\$324 an ounce). The Rev. Jerry Falwell's choice to support constructive change in South Africa, though President Reagan's executive order in October banned future imports. Old Krugerrands are currently selling at a small discount to other gold coins.

—JORDAN E. GOODMAN

Introducing SteinRoe Intermediate Municipals



**“I want
higher
tax-free
yields
but not
high risk.”**

SteinRoe Intermediate
Municipals is perfect
for me.

I can get higher after-
tax yields than from
my money market fund
or CD, but without the
risk of long term tax-
free investments.

It could be for you, too.
The higher your income
tax bracket, the more
attractive this investment
can be.

For example, I'm in the 50% tax bracket. I would have to earn
twice as much from a taxable investment to earn the equivalent
of Intermediate Municipals' current tax-free yield.

Plus, I know my money is expertly managed by Stein Roe &
Farnham, the Fund's adviser.

Why not find out for yourself? Call or send the coupon for
a free information packet today.

Call 800/621-0320

In Illinois (312) 368-7826 Collect

Get a share of tomorrow

SteinRoe

MUTUAL FUNDS

P.O. Box 1143, Chicago, IL 60690

I want to maximize my after-tax yield.

☐ Please send me more information about Intermediate Municipals.

Name _____

Address _____

City _____ State _____ Zip _____

*A portion of your income may be subject to Federal, State and local taxes. For more complete
information about the Fund, including management fees and expenses, call or send the coupon
for a prospectus. Read the prospectus carefully before you invest or send money.*

© 1985 Stein Roe & Farnham

92785335IMMC

it. Some funds will invest in a com-
pany if it merely has a better than average
record in its industry for, say, pollution
control; others won't buy stocks in high-
pollution industries at all.

To make sure you're not compromis-
ing your principles, you may decide to
invest in stocks directly—perhaps with the as-
sistance of a broker or one of half a dozen
advisory newsletters—especially if you
have \$10,000 or more and therefore can
buy enough stocks to diversify. For in-
stance, Seattle anesthesiologist Don
Stromberg decided two years ago to be-
gin investing his \$60,000 portfolio ac-
cording to his convictions. With the aid
of Smith Barney broker William Don-
nelly, also of Seattle, Stromberg has so far
invested about \$20,000 into Nordstrom Inc.
(NYSE: \$50), a Seattle department store
chain with a reputation for treating its
employees well, and Alliance Mortgage
Securities Income Fund (recently yield-
ing 12.3%), which he sees as performing a
social good by helping to finance hous-
ing. Stromberg is looking for additional
investments while keeping the balance
of his portfolio in conventional money-
market and mutual funds. Stromberg and
his wife Patricia—who stand out in Seat-
tle as the home of Boeing, for actively try-
ing to slow the arms race—say: “We felt
it didn't make sense to put our retirement
money into defense companies.”

Should you want to seek answers to
some of the puzzling questions about eth-
ical investing, there is help available. The
Ethical Investment Forum (711 Atlantic
Ave., Boston, Mass. 02111) will provide
at no charge a list of brokers who use so-
cial criteria. And the newsletters listed on
page 160 analyze companies and indus-
tries based on social issues. Otherwise,
you may want to consider a mutual fund.
The following, in alphabetical order, is a list of the
ethical-investing funds and their criteria
along with their asset size and perfor-
mance for the 12 months that ended Oct.
(The S&P 500 gained 19.2% during
this period.) These funds are no-load ex-
cept where otherwise noted; sales charges
have been computed into the results.

**Alert Social Investment Fund—
Growth Portfolio** (800-368-
9 million in assets; up 21.5%) and
Key Market Portfolio (same phone;
10 million; 8% yield over the past 12
months). Neither of these three-year-old

Making The Right Investment Moves

The first move in a winning investment strategy is to ask yourself, "What do I want to achieve?"

Only when this question is answered can intelligent decisions be made to determine the right investment moves to meet your goals. The Financial Group of Funds offers you a free booklet, "Making The Right Investment Moves," to help you identify your individual investment strategy.

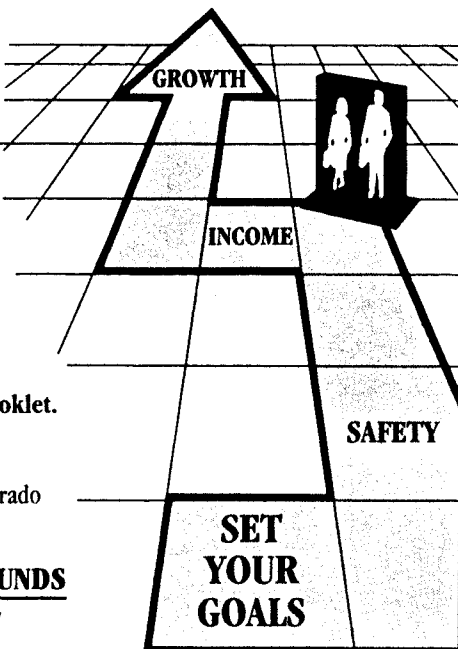
Call us today to receive this free booklet.

800/525-8085

800/525-9769 in Colorado

THE FINANCIAL GROUP OF FUNDS

THE BEST PLACE TO START



Financial Programs, Inc. P.O. Box 2040, Denver, CO 80201

For more complete information on any of The Financial Group of Funds, including management fees and expenses, call or write for a free prospectus and the booklet. Read both carefully before you invest or send money. 12/85M

Parnassus Fund
is socially conscious
and contrarian.

Calvert funds invests in companies that operate in South Africa or are involved in nuclear power or in defense. They do seek out the stocks, or short-term debt, of companies that actively practice equal-opportunity hiring and have strong community and environmental records. For instance, Calvert favors Stride Rite Corp. of Cambridge, Mass. for making high-quality, reasonably priced children's shoes and for operating community day-care centers.

Dreyfus Third Century (800-645-6561; \$164 million; up 22%). Third Century began only on Oct. 1 to exclude all stocks of companies with South African operations. Otherwise, its portfolio is hard to distinguish from that of a conventional mutual fund. Third Century grades its investments against others in their industries rather than against an absolute standard. In chemicals, for instance, it picks the companies with the best worker safety and pollution record rather than avoiding the industry entirely.

New Alternatives Fund (516-466-0808; 6% sales charge; \$626,000; up 15%). This very small three-year-old fund specializes in firms developing solar, geothermal and other alternative sources of energy. It avoids arms makers.

Parnassus Fund (415-664-6812; 3% sales charge; \$900,000; up 4% since May). Less than a year old, this is both a socially conscious and a contrarian fund. It invests in out-of-favor companies that its managers believe make quality products, treat their employees well and are community-minded.

Pax World (800-343-0529; \$2.8 million; up 19.1%). With Methodist ministers among its founders, Pax World has a distaste for arms makers, alcohol, tobacco and gambling. It attempts to invest in "life supportive goods and services," but does not exclude companies with South African operations.

Pioneer Group (800-225-6292; 8.5% sales charge). The 57-year-old **Pioneer Fund** (\$1.3 billion; up 5.2%) and **Pioneer II** (\$1.9 billion; up 12.4%) were the first to adopt any social criteria. Along with the newer **Pioneer Three** (\$368 million; up 4.5%) and **Pioneer Bond Fund** (\$19 million; 7.2% yield), they avoid stocks of companies involved in alcohol, tobacco, gambling and South Africa. The newer funds, which have the same social aims,

Cast Your Vote For:

"Man of the Year" "Woman of the Year"
"Baby of the Year"



Do you know someone who deserves to be named TIME Magazine's "Man of the Year"? Put him (or her) "on the cover" with these clever mirrors and picture frames. For your "Man (or Woman) of the Year," 8" x 10" brushed brass-tone mirrors or picture frames for wall or desk. And for your favorite "Baby of the Year," a matching picture frame that holds a 5" x 7" snapshot.

To order: specify "Man of the Year" Mirror or Frame, \$12.75; "Woman of the Year" Mirror or Frame, \$12.75; and/or "Baby of the Year" Frame, \$9.75.

Include payment, complete address and mail to:

TIME "Man of the Year" Offer
Dept. A-75
P.O. Box 1595
Trenton, NJ 08607

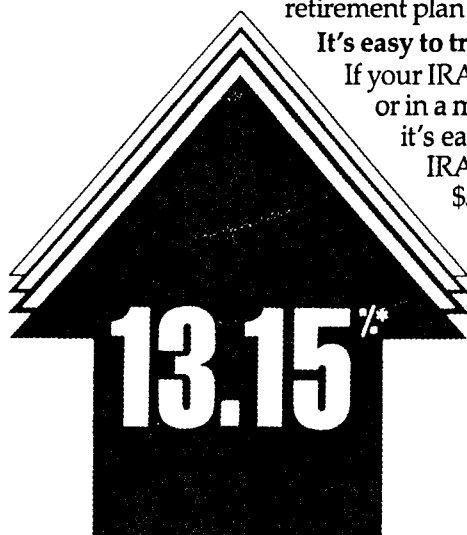
Put your IRA where the high yields are: 13.15%*

The T. Rowe Price High Yield Fund

If you are looking for a high income investment for your IRA, you know that attractive yields are becoming hard to find. The High Yield Fund capitalizes on some of the best yields available by investing in a diversified portfolio of long-term, medium to lower quality bonds. It is aggressively managed to reduce the risks associated with investment in high yield securities. And, with its high level of income compounding tax-deferred, it can help your IRA, Keogh or other retirement plan grow faster.

It's easy to transfer your IRA

If your IRA is in a bank CD that's maturing or in a money market deposit account, it's easy to transfer to a T. Rowe Price IRA. The minimum investment is \$500 (\$1,000 otherwise) with no sales charge. For information, call 1-800-IRA-5000.



T. Rowe Price
Invest With Confidence



Mail to: T. Rowe Price, 100 East Pratt Street, Baltimore, MD 21202

Please send a free IRA Information Kit and Fund prospectus, with more complete information, including management fees and other charges and expenses. I will read them carefully before I invest or send money.

Name _____

Address _____

City _____

State _____

Zip _____

RH497

() _____

Phone _____

☐ Home ☐ Business

CD maturing? Get higher yields: call 1-800-IRA-5000

*Average annualized yield for the thirty days ending 10/23/85, based on an average price per share of \$10.42. Average maturity during this period was 12.6 years. Unlike bank products the Fund's principal is not insured and its yield should be considered together with changes in share price—both will fluctuate as market conditions change. T. Rowe Price Investment Services, Inc., Distributor. Member SIPC.

Contrarians are
buying South African
gold-mining stocks.

were started as the older ones grew too large to manage efficiently.

Working Assets Money Fund (800-543-8800; \$68 million; 7.9%). Working Assets applies very strict rules. It avoids not only companies doing business in South Africa but also banks that lend there, and it shuns U.S. Treasury securities as part of its anti-weapon policy. It also searches for firms that support the environment, equal opportunity and worker health and safety.

As always, a stock sale by one investor is a buying opportunity for another. Some traders now think they see bargains in the shares cast aside by investors following their conscience. A group of investment advisers that might be described as amoral contrarians recently were recommending South African gold-mining stocks, since the political upheaval has driven these issues down 30% or more. If the price of gold rises, the gains could be great. Of course, questions of ethics aside, there is a real risk that these mines could be shut down by civil war or nationalized if the South African regime is overthrown. If it gives you any comfort, investing in perilous situations fits perfectly the grisly 19th-century contrarian maxim attributed to the Rothschilds in France: "Buy when blood is running in the streets." **S**

Among the publications offering advice to ethical investors, the following are ranked as some of the best:

Ethical Investing by Amy Domini (Addison-Wesley Publishing, Jacob Way, Reading, Mass. 01867; \$17.95)

Council on Economic Priorities Newsletter (30 Irving Place, New York, N.Y. 10003; monthly; \$25 a year)

Good Money, Netback Quarterly and **Catalyst** (Center for Economic Revitalization, 28 Main St., Montpelier, Vt. 05602; \$49 a year for two bimonthly and one quarterly newsletters)

Insight: The Advisory Letter for Concerned Investors (Franklin Research & Development Corp., 711 Atlantic Ave., Boston, Mass. 02111; monthly; \$78 a year)

IRRC News for Investors (Investor Responsibility Research Center, 1319 F St. N.W., Washington, D.C. 20004; monthly; \$200 a year)

Appendix B

Firms doing research on South Africa:

Alliance Capital Management

Trinity Investment Management Corp.

Lazard Feres Asset Management,

Bear Stearns Asset Management

The Boston Co.

Wright Investors Service

U.S. Trust Co. of Boston

Lehman Management Co.

Putnam Advisory Co.

One Federal Asset Management (a subsidiary of Shawmut)

Endowment Management & Research Corp.

Appendix C

RIGHTS, BENEFITS AND RESPONSIBILITIES OF WORKERS

- A. A full-time worker is defined as any employee who works forty hours or more per week *on a continuous basis.*
- B. Base pay at GMSCA is set at \$4 per hour minimum. Full-time workers may be paid a salary that, in some weeks, may result in a higher average pay on an hourly basis. However, workers may be expected to work whatever hours are necessary to complete special projects, and any decision concerning extra pay for over-time work will be made using the contracted pay rate. It is the nature of our very rapidly growing business that from time-to-time last-minute projects require special work. However, in most cases in the past we have found that we can offer additional incentives (over-time pay, bonuses, etc.).
- C. Every full-time worker has the right to a contract which specifies duties, responsibilities and wages. In addition, every full-time worker will be provided with a copy of GMSCA Company Philosophies, Policies and Organization handbook.
- D. Every full-time worker has the right to a semi-annual evaluation of their job performance. Evaluations will be used to determine promotions, changes in duties and responsibilities, salary increases and other special benefits (for example, bonuses).
- E. Full-time workers have the right to the following benefits:
- (1) One hour paid for lunch for each workday.
 - (2) Paid days for holidays and office shutdowns.
 - (3) Fully-paid health insurance coverage.
 - (4) Childcare of the company's choosing.
 - (5) One sick day accumulated for each month worked. After fifteen sick days are accumulated, additional sick days earned may be used as vacation days.
 - (6) One vacation day accumulated for each month worked. Vacation days must be approved by management, in terms of upcoming duties and projects. The Board recommends that workers give management at least two weeks notice of any vacation days desired.
 - (7) Six months of unpaid maternity/paternity leave.*
- F. At the end of a minimum of two years of full-time employment, GMSCA Board may offer voting stock for sale to workers who have demonstrated commitment and excellence in their work. However, GMSCA is under no obligation to offer stock to a particular worker and no worker will be required to purchase stock. (See the following "Special Note On Stock Ownership")

DECISION-MAKING STRUCTURE

- A. The President and General Manager are the final authority on all day-to-day management decisions.
- B. In the absence of the President, his/her designate has the full authority of the President.
- C. Each manager individually has the authority to make assignments to and resolve personnel problems with every worker, though these actions should be cleared through the General Manager as soon as possible. Workers may appeal any decision directly to the President at any time without prejudice, providing that the worker first tries to resolve the dispute with the manager making the decision. The President in his absence from the office may be contacted at no cost to the worker by using the company telephone. If the President or his/her designate cannot be contacted for any reason, the manager's decision stands until such contact can be made.
- D. Approximately once a week, worker/management company meetings will be held. At these meetings, project coordinators will be selected, assignments made, products and services evaluated, and the like. Every worker will be given an opportunity to voice their opinions, criticisms and concerns without prejudice. Though management has the final authority, every effort will be made to solicit all viewpoints and opinions and to give every worker a respectful and full hearing.
- E. *Personnel-related* issues will not be discussed at weekly company meetings. Instead, personnel evaluations will be made by management and the Board of Directors, utilizing as much information and feedback from other workers as appropriate in private consultation.
- F. All spending and policy decisions will be made by management and the Board of Directors, utilizing as much information and feedback from other workers as appropriate. Important spending and policy decisions will be discussed at weekly company meetings.
- G. A Stockholders Meeting will be held once a year in January or February. At this meeting, three Directors will be chosen by vote of the stockholders. Immediately after election, the Board of Directors will appoint the President, Treasurer, Secretary, and Vice Presidents for terms of one year. Shareholders will be entitled to vote for three Directors on the basis of one vote for each share^{owned}.

of voting common stock

Appendix D

Center for Economic Revitalization

Departments

- 01 - Publications
- 02 - Handbooks & Misc. Publications
- 03 - Marketing
- 04 - Travel & Conferences
- 05 - Com Econ Development
- 06 - Education
- 07 - Social Audits
- 08 - Overhead

Object Codes - Expense Accounts

- 500 - Freelance - Good Money
- 501 - Freelance - Catalyst
- 502 - Freelance - Netbacking
- 505 - ^{general}Printing - Good Money
- 506 - Printing - Catalyst
- 507 - Printing - Netbacking
- 509 - ^{general}Postage - Good Money
- 510 - Postage - Catalyst
- 511 - Postage - Netbacking
- 512 - Freight
- 515 - Typesetting - Good Money
- 516 - Typesetting - Catalyst
- 517 - Typesetting - Netbacking
- 520 - ^{general}Design - Good Money
- 521 - Design - Catalyst
- 522 - Design - Netbacking
- 525 - ^{general}List Rental - Good Money
- 526 - List Rental - Catalyst
- 527 - ^{general}List Rental - Netbacking
- 530 - Lettershop - Good Money
- 531 - Lettershop - Catalyst
- 532 - Lettershop - Netbacking
- 535 - Advertising ^{everything else}
- 540 - Surveys ^{everything else}
- 545 - Training (Education)
- 550 - Publications/Subscriptions
- 555 - Registration/Fees
- 560 - Travel
- 565 - Rooms & Meals
- 570 - Rent ^{inc. car}
- 575 - Electric
- 580 - Telephone
- 585 - Office Supplies
- 590 - Leases
- 595 - Vehicle Maintenance
- 600 - Childcare

605 - Business Taxes
610 - Payroll Taxes
615 - Insurance
620 - Salaries - Regular
625 - Salaries - Overtime
630 - Health Insurance
635 - Miscellaneous
640 - Depreciation
645 - (Subscription) Refunds
650 - Memberships
655 - Legal Fees
660 - Accounting Fees

Sample Corporate Audit

TABLE OF CONTENTS

Sources	1
How to Use GOOD MONEY Company Social Audits	2
Issue Paper: Nuclear Weapons.	5
Issue Paper: South Africa (includes attachment on Sullivan Principles)	8
Issue Paper: Abortion	18
Company Reports (Reports are in alphabetical order)	23
<u>Appendix:</u> Companies Without Social Audits	

[Also attached: a copy of the GOOD MONEY handbook "How to Screen Traditional Investments for Social Factors," a handbook that may prove useful in helping the investor construct and apply social screens to their portfolio.]

SOURCES

GOOD MONEY Social Audits and Issue Papers are thoroughly researched using the resources listed below. Most of the specific claims made in the Social Audits and Issue Papers are referenced with the appropriate footnote. Page numbers, periodical dates and other detailed information is available on request at no additional charge.

- (1) Barnet, Richard J. and Muller, Ronald E. 1974. Global Reach: The Power of the Multinational Corporations. New York: Simon and Schuster.
- (2) Bertsch, Kenneth A. and Shaw, Linda S. 1984. The Nuclear Weapons Industry. Washington, DC: Investor Responsibility Research Center Inc.
- (3) Center for Economic Revitalization, Inc. 1982-1985. Good Money. Montpelier, Vermont.
- (4) Clinard, Marshall B. and Yeager, Peter C. 1980. Corporate Crime. New York: The Free Press.
- (5) Domini, Amy L. with Kinder, Peter D. 1984. Ethical Investing. Reading, Massachusetts: Addison-Wesley.
- (6) Dow Jones & Company. 1984-1985. Barron's. New York.
- (7) Dow Jones & Company. 1984-1985. Dow Jones News Service (on-line database). New York.
- (8) Dow Jones & Company. 1984-1985. The Wall Street Journal. New York.
- (9) Econo Communications. 1984. 1984 Directory of Investor Contacts at Listed Companies. Pittsburgh.
- (10) Frundt, Henry J. 1978. An Agribusiness Manual. New York: Interfaith Center for Corporate Responsibility.
- (11) Interfaith Center on Corporate Responsibility. 1982-1985. The Corporate Examiner. New York.
- (12) Investor Responsibility Research Center Inc. 1984. Foreign Investment in South Africa. Washington, DC.
- (13) Kazis, Richard and Grossman, Richard L. 1982. Fear at Work: Job Blackmail, Labor and the

Environment. New York: The Pilgrim Press.

- (14) Levering, Robert; Moskowitz, Milton and Katz, Michael. 1984. The 100 Best Corporations to Work for in America. Reading, Massachusetts: Addison-Wesley.
- (15) Mattelart, Armand. 1983. Transnationals & the Third World. South Hadley, Massachusetts: Bergin & Garvey.
- (16) Moskowitz, Milton; Katz, Michael and Levering, Robert, eds. 1980. Everybody's Business. San Francisco: Harper & Row.
- (17) Resource Publishing Group, Inc. 1983. Concerned Investors Guide: Non-Financial Corporate Data Arlington, Virginia: Resource Publishing Group.
- (18) Shaw, Linda S.; Knopf, Jeffrey W. and Bertsch, Kenneth A. 1985. Stocking the Arsenal: A Guide to the Nation's Top Military Contractors. Washington, DC: Investor Responsibility Research Center Inc.
- (19) Standard & Poor's Corporation. 1985. Standard & Poor's Register of Corporations, Directors and Executives. New York.
- (20) Value Line, Inc. 1985. The Value Line Investment Survey. New York.

In addition to the above sources and our extensive social investment library, GOOD MONEY Social Audits and Issue Papers draw upon many periodicals, as well as a clipping service from the Data Center in Oakland, California called The Corporate Responsibility Monitor. This source clips over one hundred additional periodicals from 1983 to the present. References will be made to those books and periodicals specifically in individual Social Audits and Issue Papers, using footnotes #21 and up.

HOW TO USE

GOOD MONEYTM Company Social Audits

GOOD MONEYTM Company Social Audits are designed to give you concise, up-to-date and accurate information regarding corporate activities that relate to your personal social screen. In addition, financial data and vital statistics of each company are presented in a useful, easy to understand format. All information is referenced using extensive footnotes and is presented in an objective, non-judgmental way. Investors must make decisions based on facts and their own personal judgment. GOOD MONEY is an information service (not an advisory service) and never makes buy, sell or hold recommendations. If financial advice is needed, the services of a qualified broker, money manager or advisor should be utilized. GOOD MONEY's services and publications are an important supplement, not a substitute.

In using our social audits, begin by reading the Issue Papers carefully. Each one concentrates upon a particular social issue you have identified as a major concern. The Papers present several major strategies that socially concerned investors have utilized in relationship to each issue. The pros and cons of each strategy are discussed in the Papers. GOOD MONEY does not advocate any particular strategy for any given issue. However, we present sufficient information so that you can choose what is best for your needs. The Issue Papers for South Africa and Abortion are separately and fully footnoted. The paper on Nuclear Weapons utilized (18) as the primary source, unless otherwise indicated.

After having read the Issue Papers, you will be ready to use the social audits for each company. A GOOD MONEYTM Company Social Audit is divided into clear, easy-to-use sections.

In the upper left corner is the company's name and address. Just below that is a contact investors can use to obtain more information about the company. Unless otherwise specified, the source for this contact is (9).

In the upper right corner is a list of all the company's subsidiaries, divisions and affiliates, identified with an (S), (D), or (A) as appropriate. Divisions are wholly-owned by the parent company. In contrast, subsidiaries represent 51% or more parent ownership, and affiliates 50% or less. Indented company names indicate subsidiaries within subsidiaries, etc. This information is important since a modern conglomerate can be involved in everything from Aerospace to selling food to writing insurance policies. The source for this information is (19).

Below the company and subsidiary information is a section on Products/Services. This includes not only all basic products and services of the parent company but also those of subsidiaries, divisions and affiliates as well. Sources (19) and (20) are used for this information.

Next is the section on Stock Information. For all your GOOD MONEYTM Company Social Audits the July 15, 1985, edition of The Wall Street Journal was used for this information. Included is the company stock exchange symbol, current stock price, the high and low stock price for the last 52 weeks, dividends paid, and the P/E ratio. Where appropriate,

this information is modified as necessary. In general, stock prices near a 52 week high will fall back in the near future, and those close to the low will bounce back. A P/E ratio of 10 or less is considered good; a higher ratio can signal an overpriced stock. Special company or industry conditions can, of course, change these general indications.

Following stock information is General Company Information. Included are the number of employees and shareholders, percentage of foreign business, breakdown of loan portfolios for banks and power generating sources for utilities, major corporate acquisitions, and other relevant information for the particular company. Sources for this section are (19) and (20).

The next major sections of the audits contain information about the social screens; in the case of this report, Nuclear Weapons, South Africa and Abortion. Detailed information is provided in a format consistent with the Issue Papers.

The last Summary section of each audit indicates how each company relates to the three issues in your social screen. The Summary also contains information about any other relevant social positives or negatives and an economic evaluation of the stock.

A final caution is necessary on how to use GOOD MONEY's audits. never decide to buy or sell a particular security solely on social grounds. Financial criteria are important for this decision. However, social factors frequently are related to financial factors in the performance of a company and return to investors. When the two sets of factors can be related, an investor can have a powerful strategy for both social change and profitability. Please see your attached copy of How to Screen Traditional Investments for Social Factors for more information.

Examples Of Issue Papers

- I. NUCLEAR WEAPONS (Nuclear Power/Energy)
- II. SOUTH AFRICA
- III. ABORTION

ISSUE PAPER: Nuclear Weapons

To some it may appear that the issue of nuclear weapons is a fairly simple one for socially concerned investors. However, an examination of the range of views about nuclear weapons and war expressed in the investment and business communities discloses that there are a number of complex decisions that must be made concerning this issue. It is not sufficient to merely decide that investments should avoid a corporate nuclear-weapons connection without first determining exactly what such a connection constitutes. GOOD MONEY's research has identified four key issues concerning nuclear weapons work.

1. War-Heads Versus Delivery Systems

Nuclear weapons can be delivered in a number of ways: by plane ship, missile or conventional weapon systems (e.g., nuclear-tipped, mortar shells). Some concerned investors distinguish between those companies making war-heads and delivery systems which are obviously only nuclear in character (primary systems) and those companies doing defense-contract work on delivery systems which may or may not be nuclear in nature (secondary systems).

For example, Allied Corp. has had prime contracts for the Pershing and Minuteman missile systems. These systems obviously involve only nuclear capabilities. In contrast, Emerson Electric has done work on the B-52 bomber, which carries nuclear weapons but has been used to carry conventional weapons as well.

In this connection, it is important to note that concern about nuclear weapons is not confined to "liberal" or "anti-war" constituencies. Studies by GOOD MONEY staff and others have disclosed that many high-ranking military officers particularly in the U.S. Navy and Army, have informally expressed grave misgivings about nuclear weapons. The major argument is that, unlike conventional weapons, these systems are beyond human control (escalation is inevitable) and so ultimately destructive that it is impossible to think about a "normal" war with winners and losers. Such concerns have also been expressed by such middle-of-the-road groups as The Center for Defense Information (CDI, 303 Capitol Gallery West, 600 Maryland Ave., SW, Washington, DC 20024) and more conservative groups such as Business Executives for National Security (BENS, 21 Dupont Circle, 4th Floor, Washington, DC 20036).

2. Production of Systems/Equipment Versus R&D Work

Some concerned investors distinguish between those companies which are involved in the production of nuclear systems compared to those who do research-and-development work which may make a contribution to nuclear weapons design and production. AT&T manages Sandia National Laboratories in Albuquerque, New Mexico, for the Department of Energy. This lab designs weapons components and conducts weapons management research, but it is not involved in the actual construction of nuclear systems. However, it should be pointed out that some studies indicate that nuclear weapons

rely upon AT&T knowledge to become operational. In this sense, AT&T's work constitutes a more direct contribution to nuclear weapons and war.

A similar example is Ford Motor Company's ballistic missile defense R&D contracts. Is this merely a patriotic response to the Government's needs, as most CEO's of these companies claim, or is it a crucial contribution to nuclear weapons development and the resulting dangers to world stability?

In the same manner, the development of domestic nuclear power has played a role in the development of a nuclear war-making capability. Thus, R&D conducted for these purposes could have such a relationship as well. This is discussed in more detail below.

3. Degree/Proportion of Nuclear Weapons Work

Another distinction which has been made by some concerned investors is the degree or proportion of nuclear work done by a company relative to total sales and other products and services. Many church-related groups own shares of common stock in AT&T, while, at the same time, they are troubled by the company's management of Sandia Labs. However, since AT&T's total defense-related work constitutes only about one percent of the company's total annual sales, these shareholders have opted for putting pressure on the company through proxies, which ask that AT&T cancel its Sandia connection. Most active in this has been the Interfaith Center on Corporate Responsibility (ICCR, 475 Riverside Drive, Room 566, New York, NY 10115). Therefore, an investment strategy employed by some concerned investors involves putting a proportionate limit on nuclear-weapons work (say, 5 percent or less of total sales). A stricter screen might seek to ban all companies involved in even a borderline case of nuclear weapons production.

4. The "Peaceful" Atom and Nuclear Weapons

Some studies have persuasively argued that, despite formal denials by both industry and Government officials, domestic nuclear power became a major national commitment in the early 1950's because of the U.S. military's need for a nuclear capability as the Cold War intensified. (See, particularly, Mark Hertsgaard's Nuclear Inc.: The Men and Money Behind the Nuclear Industry, Pantheon Books, 1983). There is a saying: "If sun-beams had been weapons of war, we would now have solar energy."

The claim is that domestic nuclear power has contributed to war-preparation in three ways. First, certain aspects of the technology for weapons and reactors were not that dissimilar. Furthermore, plutonium was needed for both weapons and reactors. Second, the presence of a benign nuclear capability was seen by officials as making the construction of a nuclear war-making potential more palatable to the American public (something which obviously has not happened since the turn-around in public opinion about nuclear power). Finally, officials believed that the continuing need for domestic nuclear reactors and uranium would support and complement a growing military need. The Navy wanted nuclear-powered submarines carrying nuclear missiles. The Air Force wanted long-range nuclear missiles and nuclear bombs.

Therefore, the American atom marched off to peace and to war simultaneously.

As a consequence, some concerned investors see a link between nuclear-power producing utilities, such as Commonwealth Edison and Pacific Gas & Electric, and nuclear-weapons work. Another concern would be financial institutions, such as J.P. Morgan & Company, which have played a major role in financing both nuclear power plant construction and those corporations involved in the production of nuclear reactors and other nuclear-related equipment.

In summary, investors concerned about nuclear weapons work must make decisions about what they feel constitutes such a corporate connection. Are war-heads the basic concern or will companies working on "neutral" delivery systems (ships, planes) also be screened out for investment purposes? Will a screen become absolute if there is any degree of or doubt about nuclear weapons work by a company? Finally, concerned investors must decide to what extent they see a connection between nuclear weapons work and the development and utilization of domestic nuclear power.

When making these decisions, investors should remember that there are sometimes sound economic reasons for screening out investments in defense contractors and nuclear utilities. Both types of investments have had similar problems (shoddy work, cost-overruns, potentially dangerous technology, etc.). In some cases, these problems have resulted in big losses for investors. Therefore, an effective nuclear-weapons screen can be designed which is, at the same time, economically prudent.

Indeed, there are indications that the boom in defense related stocks may be over as Congress grows more tight fisted because of budget deficits and procurement scandals (21).

- (21) Nielsen, John. The Party's Over for Armsmakers.
Fortune. August 5, 1985, pgs. 88-93.

ISSUE PAPER: SOUTH AFRICA

Definitions and Introduction

GOOD MONEY's research has identified four possible strategies for investors who would like to join the growing national movement to create economic pressure to end South Africa's apartheid system:

1) Partial or full divestment - selling off securities in an equity portfolio strictly on the basis of whether or not each company has direct investments in South Africa, regardless of that company's conduct in that country.

2) No new investment - a strategy of leaving the equity portfolio "as is," while instructing the portfolio manager not to purchase any more South Africa-involved securities in the future (and, in some cases, selling off S.A. securities gradually, in the course of normal portfolio turn-over, without specifying a deadline for completion of this process).

3) Selective divestment - choosing to buy, sell and hold corporate equities on the basis of the ethical record they've demonstrated with their South Africa involvements to date. This strategy generally entails use of the "Sullivan principles" (or some variation on them; more on this below) to judge whether or not a company is making a good-faith effort to use their holdings to benefit the black majority in South Africa. This presumes some level of ongoing activism by shareholders, in attempting to persuade corporate management to address these concerns and/or holding management accountable to their commitments in this area, by monitoring corporate compliance with those commitments.

4) Boycott of strategic goods, services - choosing not to:

- * purchase goods mined or manufactured in South Africa
- * purchase goods or services by U.S. corporations that sell strategic products and services (such as computers, weaponry and police and nuclear technology) to the South African government
- * purchase goods or services by U.S. corporations that have direct investments of any kind in South Africa

This issue paper will focus on the "pros and cons" of various divestment strategies, and conclude by introducing the elements to be cited in the company reports that follow.

Partial or Full Divestment: Pros and Cons

The arguments in favor of a full divestment strategy, or a "no new investments" strategy, are fairly similar, and can be summarized as follows:

1) U.S. corporations play a very significant role in the South African economy; U.S. companies make up 17% of foreign investment in South Africa, and dominate strategic sectors of that economy, particularly energy, computers, motor vehicles, chemicals and mining (21).

2) Divestment applies very effective economic pressure to end apartheid. When successful on a mass scale, and especially when these strategies include the participation of many large institutional investors, divestment depresses stock prices and

creates a host of compelling economic reasons for corporate managers themselves to put pressure on the white minority government of South Africa to enact reforms. In the absence of political pressure from the U.S. government, it is the most direct, effective non-violent strategy that ordinary U.S. citizens can take to end apartheid.

3) Those investors who have completed So. Africa divestment of their equity holdings have enjoyed an equal (and in some cases improved) rate of return on their investments, since they divested. Nobody has ever lost money from divestment (22).

4) Given current circumstances, South Africa is a highly risky and dangerous place to invest. The economy has been rapidly sliding towards its worst depression since the 1930s, with gold prices low and unemployment very high (23). In the event of a nationwide black upheaval, U.S. corporate plants and offices would be among the first targets of violence; this has been verified by recent news of black protests against Citibank headquarters in Johannesburg, and studies by an independent consulting firm, Business Environment Risk Information of Switzerland (24).

[Of course, a "no new investment" policy does not deal with this problem, because it entails leaving money in South Africa-involved securities indefinitely.]

There is growing evidence that the South African government is beginning to feel the heat of these strategies. The regime recently created a special government post in the foreign ministry to deal with divestment, and dispatched a senior official to tour South Africa to warn businesspeople to prepare for the shock of further U.S. divestment actions. The Rand Daily Mail of Johannesburg recently reported that the South Africa regime recognized that "... the divestment lobby is taking action that could strike telling blows on South Africa" (25).

Selective Divestment and the Sullivan Principles

The arguments against full divestment are generally quite similar to those used in favor of a "selective divestment" or "Sullivan principles" exception to full divestment. They make these points:

1) Some blacks do benefit from U.S. investments, and those blacks might face unemployment if full divestment succeeds.

2) Full divestment reduces the opportunities for shareholders to pressure corporate management to reform their South African operations. This argument holds that "if you dump your shares, you lose your right to a say in corporate policy-making."

3) Rather than leading to reforms, divestment (and other forms of economic pressure) could contribute to further repression and a "circle up the wagons" response by the South African regime.

4) Full divestment creates unreasonable restrictions on money managers, to the point where they claim they cannot do their jobs properly.

Some of these arguments certainly reflect valid concerns. However, some are based upon insufficient recognition of the evidence we have already accumulated on the South Africa

divestment movement. Other aspects of these arguments are simply misleading.

* It is true that divestment could lead to higher black unemployment. However, it's important to note that only about 1/2 of 1 percent of black South African workers work for U.S. companies that have signed the Sullivan principles (26). This means at best, only about 30,000 of South Africa's 25,000,000 blacks see any benefit from these policies--which is probably why Bishop Desmond Tutu and a majority of other black leaders favor stronger measures (such as divestment). It's also true that U.S. corporations pay, as a group, three times as much money in taxes to support the apartheid regime as they pay all their black workers combined. This statistic supports the argument made by divestment activists that the Sullivan principles amount to little more than corporate "window dressing."

* It is certainly true that many institutional investors (particularly churches) have used their stock holdings as a means to pressure management on South Africa reforms, and that full divestment removes this opportunity. At the same time, three observations are relevant here:

a) The "Sullivan principles" effort represents one of the best-organized shareholder action campaigns ever attempted. The recent growth of the divestment movement is, in part, the result of a recognition by the churches and other large institutional investors that this experiment (in process since 1977) has proven (thus far) to be ineffective in forcing an end to apartheid (27).

b) In recent years, the Securities and Exchange Commission has moved to make the process of bringing shareholder resolutions to corporate annual meetings far more difficult than it was before. There are now more hurdles than ever to those using this route (though many investors still make the effort) (28).

c) Total divestment does have a powerful impact on management (as outlined above), and provides a useful "big stick" to the "carrot" of milder shareholder resolutions as a means for concerned shareholders to force management to act. There are other, related forms of public pressure (including consumer boycotts, negative media coverage and government regulation) that can be just as effective in changing corporate policy as shareholder activism, depending on the issue and the corporation involved.

* The possibility that wholesale and widespread divestment could contribute to more repression by the South African regime (such as the recent adoption of "police state" emergency powers) is a valid concern. (In announcing the recent crack-down, Prime Minister Botha made no reference to the divestment movement in the U.S., but he did cite growing violence in the black townships.) Nobody knows for certain whether the additional pressure created by the divestment movement will bring the South African regime to its knees--or simply harden its resolve. Nobody can predict the future.

However, there is no question that the apartheid regime would have a hard time replacing the tax revenues, strategic products, jobs and other benefits of the U.S. investment there, should those investments suddenly come to an end. Many observers have suggested that such pressure encourages moderates within both the white minority regime and the black leadership, by encouraging

dialogue and negotiation between business leaders and the regime. By contrast, it is argued that the regime's token reforms of the past two years have only led to cycles of increased black anger and violence and more repression by the police. In this sense, divestment (and other economic sanctions) are seen by some as a safer, less violent alternative.

* The argument that divestment makes a money manager's job impossible because it unnecessarily restricts investment opportunities is, based upon the accumulated evidence, probably the most misleading argument of all. There are many state pension funds, college and university endowment funds, and large individual investor portfolios which have been using South Africa divestment strategies. To date, there is no record that any of these investors have lost money due to this strategy. Therefore, it would be impossible to prove that a fund manager violated any standards of prudence in making such investment decisions. Even if an investor chooses to exclude all 281 U.S. corporations with direct investments in South Africa from a portfolio, there are still approximately 9,700 publicly-traded stocks in the "universe" of investment possibilities. These remaining investment options are certainly sufficient to allow for high levels of diversification, security and yield, depending upon the investor's economic needs (29).

Summary and Conclusion

It is not our intention to suggest a "right" or "wrong" strategy for investors concerned about South Africa, but rather to clarify the discussion by pointing out the major facts and arguments on each side. Regardless of the strategy adopted, an investor should proceed carefully and gradually with any divestment policy; money managers should be instructed to "buy low, sell high" when implementing any level of divestment.

If the decision is made to go with a "Sullivan principles" exception to full divestment, the Interfaith Center on Corporate Responsibility (Room 566, 475 Riverside Dr., New York, NY 10115) can be of assistance. This group is a resource center and clearinghouse for shareholder action strategies, and could be quite helpful in making sure that shareholder concerns are expressed effectively.

Finally, if the decision is made to adopt a divestment strategy, investors will have to decide whether or not positive features in a company's operations can offset its mere presence in South Africa. For example, the Norton Company of Worcester, Massachusetts--a long-time favorite of socially concerned investors, for its high level of community concern and strong employee programs--does have South Africa operations (see Norton's Social Audit for details). Thus, the social decisions which have to be made concerning South African investments are not simple or easy; many factors must be taken into account.

The GOOD MONEY Social Audits that follow state whether or not each company has any direct investments in South Africa. Where we do have evidence of such investments, we give the name of the South African subsidiary, equity held by the U.S. company, and the product/service line. The numbers of black and colored

(mixed-race) employees (as a percentage of the entire workforce) is noted, when this information is available. We also present their Sullivan principles compliance record in brief. [A copy of the most recent version of the Sullivan principles, along with an explanation of the criteria used to evaluate compliance and the categories used in our company reports, is attached as an appendix, for use in understanding these criteria.] The section concludes by noting the company's 1983 sales and assets in South Africa, as a percentage of world-wide sales and assets, so that the reader can better understand the size and significance of each company's investment (30).

Copies of most of the source materials referenced herein are available at cost from the publishers, or from GOOD MONEY. We would also be glad to provide copies of any of the research we've done to support our testimony on South Africa divestment to the Vermont legislature. Included in the latter are more detailed analyses of some of the issues raised here, including the impact of boycotts and other consumer strategies, the history of international / state & local government / university divestment strategies, an analysis of black South African response to the divestment movement, and other background information useful to understanding this issue.

FOOTNOTES

- (21) from "Taking Sides on South Africa," by Ben Bradlee Jr., in Boston Globe Magazine, February 24, 1985, p. 53
- (22) from "Sell Holdings, Profit Otherwise," by Robert Schwartz, in The New York Times, June 21, 1985, p. 71.
- (23) from "An Economy in Decline," by Jan Prager, in In These Times, February 6-12, 1985, p. 9.
- (24) This data summarized from a report by Mary McCarthy, BERI's V.P. for Research, for a state of California-sponsored Conference on Investment and South Africa in 1983.
- (25) Figures from June 20, 1985 memo by Damisani Kumalo, of the American Committee on Africa (198 Broadway, New York, NY 10038), pp. 1-3.
- (26) From 1982 Survey of Race Relations in South Africa by the South African Institute of Race Relations (Johannesburg: 1983), pp. 62-69, and Sixth Report of the Signatory Companies to the Sullivan Principles (Cambridge, MA: Arthur D. Little Co., 1983), p. 1.
- (27) An example of this judgment is drawn from a study conducted by the Disciples of Christ church, reported in Minutes of the General Synod (Reformed Church of America, 1980), p. 306, which states in part:

INTERPRETATION OF THE SULLIVAN PRINCIPLES RATINGS

If a company has signed the Sullivan principles, its ratings measuring compliance are summarized in the Social Audits. There are several different categories used by the firm which monitors corporate compliance with the Sullivan Principles (this firm is the Arthur D. Little Co. of Cambridge, MA); these categories are summarized below.

- Category I -- Making good progress
- Category II -- Making progress (based either on full reporting, or based on a "short form" reply for small companies and/or minority holdings in S.A.)
- Category III -- Needs to become more active (did not meet basic requirements on some or most of the principles, or failed to submit required reports)
- Category IV -- Endorsers of the Sullivan Principles that have few (25 or less) or no employees
- Category V -- New signatory (no record of compliance yet)

At a minimum, a company must meet nine "basic requirements" in order to be rated in either of the two top rating categories. Failure to meet any of these requirements automatically consigns a company to Category III, regardless of its performance in other areas. The basic requirements cover such issues as on-the-job desegregation, minimum wages, trade union rights, equal pay for equal work, and elimination of racial discrimination in pay or benefits--the objectives covered by the first three Sullivan Principles. In addition, the basic requirements direct the company to inform all its employees that it has signed the principles, to tell them its Sullivan rating, and to review its implementation of the principles with representative groups of employees several times each year.

Since 1982, each company also is required to submit its completed questionnaire to its accounting firm to verify the company's responses concerning its total payroll, total employment, minimum wage, and total expenditures made for education, training, and community development programs. If a company meets all the basic requirements, it is then evaluated and assigned points for its performance in three major areas--efforts on behalf of black education, training and advancement, and community development.

The most recent "amplification" of the Principles is the addition of the section entitled "Increased Dimensions of Activities Outside the Workplace," and basically mandates actions by U.S. corporations that would involve lobbying for an end to the apartheid system itself. It is unclear how progress towards these goals will be monitored.

... the presence of these businesses in South Africa strengthens the apartheid system, postpones liberation, and identifies the United States with the white minority. The benefit to the majority of people is minimal, while all the people suffer under the system those businesses sustain.

- (28) "If You Want to File a Shareholder Resolution," by Steve Lydenberg, in GOOD MONEY, July/August 1984, p. 10.
- (29) Letter (with study) from Robert Zevin of U.S. Trust Co. of Boston, to the Rev. Christian Iosso of the Committee on Mission Responsibility Through Investment of the Presbyterian Church U.S.A., dated September 10, 1984, pp. 5, 9, 10.
- (30) Much of this information is summarized from Foreign Investment in South Africa, by Anne Newman and Cathy Bowers (Washington, D.C.: IRRRC, December 1984).

The Sullivan Principles

Principle I. Non-segregation of the races in all eating, comfort and work facilities.

Each signator of the Statement of Principles will proceed immediately to:

1. Eliminate all vestiges of racial discrimination.
2. Remove all race designation signs.
3. Desegregate all eating, comfort and work facilities.

Principle II. Equal and fair employment practices for all employees.

Each signator of the Statement of Principles will proceed immediately to:

1. Implement equal and fair terms and conditions of employment.
2. Provide non-discriminatory eligibility for benefit plans.
3. Establish an appropriate and comprehensive procedure for handling and resolving individual employee complaints.
4. Support the elimination of all industrial racial discriminatory laws which impede the implementation of equal and fair terms and conditions of employment, such as abolition of job reservations, job fragmentation, and apprenticeship restrictions for blacks and other non-whites.
5. Support the elimination of discrimination against the rights of blacks to form or belong to government registered and unregistered unions and acknowledge generally the rights of blacks to form their own unions or be represented by trade unions which already exist.
6. Secure rights of black workers to the freedom of association and assure protection against victimization while pursuing and after attaining these rights.
7. Involve black workers or their representatives in the development of programs that address their educational and other needs and those of their dependents.

Principle III. Equal pay for all employees doing equal or comparable work for the same period of time.

Each signator of the Statement of Principles will proceed immediately to:

1. Design and implement a wage and salary administration plan which is applied equally to all employees, regardless of race, who are performing equal or comparable work.
2. Ensure an equitable system of job classifications, including a review of the distinction between hourly and salaried classifications.

Principle III - cont'd

3. Determine the extent upgrading of personnel and/or jobs in the upper echelons is needed, and accordingly implement programs to accomplish this objective in representative numbers, ensuring the employment of blacks and other non-whites at all levels of company operations.
4. Assign equitable wage and salary ranges, the minimum of these to be well above the appropriate local minimum economic living level.

Principle IV. Initiation of and development of training programs that will prepare, in substantial numbers, blacks and other non-whites for supervisory, administrative, clerical and technical jobs.

Each signator of the Statement of Principles will proceed immediately to:

1. Determine employee training needs and capabilities, and identify employees with potential for further advancement.
2. Take advantage of existing outside training resources and activities, such as exchange programs, technical colleges, and similar institutions or programs.
3. Support the development of outside training facilities, individually or collectively--including technical centers, professional training exposure, correspondence and extension courses, as appropriate, for extensive training outreach.
4. Initiate and expand inside training programs and facilities.

Principle V. Increasing the number of blacks and other non-whites in management and supervisory positions.

Each signator of the Statement of Principles will proceed immediately to:

1. Identify, actively recruit, train and develop a sufficient and significant number of blacks and other non-whites to assure that as quickly as possible there will be appropriate representation of blacks and other non-whites in the management group of each company at all levels of operations.
2. Establish management development programs for blacks and other non-whites, as needed, and improve existing programs and facilities for developing management skills of blacks and other non-whites.
3. Identify and channel high management potential blacks and other non-white employees into management development programs.

Principle VI: Improving the quality of employees' lives outside the work environment in such areas as housing, transportation, schooling, recreation and health facilities.

Principle VI - cont'd

Each signator of the Statement of Principles will proceed immediately to:

1. Evaluate existing and/or develop programs, as appropriate, to address the specific needs of black and other non-white employees in the areas of housing, health care, transportation and recreation.
2. Evaluate methods for utilizing existing, expanded or newly established in-house medical facilities or other medical programs to improve medical care for all non-whites and their dependents.
3. Participate in the development of programs that address the educational needs of employees, their dependents, and the local community. Both individual and collective programs should be considered, in addition to technical education, including such activities as literacy education, business training, direct assistance to local schools, contributions and scholarships.
4. Support changes in influx control laws to provide for the right of black migrant workers to normal family life.
5. Increase utilization of and assist in the development of black and other non-white owned and operated business enterprises including distributors, suppliers of goods and services and manufacturers.

With all the foregoing in mind, it is the objective of the companies to involve and assist in the education and training of large and telling numbers of blacks and other non-whites as quickly as possible. The ultimate impact of this effort is intended to be of massive proportion, reaching millions.

INCREASED DIMENSIONS OF ACTIVITIES OUTSIDE THE WORKPLACE

1. Use influence and support the unrestricted rights of black businesses to locate in the urban areas of the nation.
2. Influence other companies in South Africa to follow the standards of equal rights principles.
3. Support the freedom of mobility of black workers to seek employment opportunities wherever they exist, and make possible provisions for adequate housing for families of employees within the proximity of workers' employment.
4. Support the recension of all apartheid laws.

PERIODIC REPORTING

The Signatory Companies of the Statement of Principles will proceed immediately to:

1. Report progress on an annual basis to Reverend Sullivan through the independent administrative unit he has established.
2. Have all areas specified by Reverend Sullivan audited by a certified public accounting firm.
3. Inform all employees of the company's annual periodic report rating and invite their input on ways to improve the rating.

ISSUE PAPER: ABORTION

Abortion is one of the most highly charged emotional, spiritual and political issues of our time. GOOD MONEY respects the diversity of feelings and opinions on abortion, and this issue paper will not attempt to make any ethical judgments. Rather, we wish to cut through the rhetoric and jargon to provide a clear view of the nature of abortion-related products and services available and the companies that provide them. With this issue paper, you will be able to accurately evaluate the information provided in the Abortion Social Screen section of GOOD MONEY Company Social Audits. In addition, information is provided on abortion-related industries to help you with future investment choices.

Many euphemisms cloud the discussion of abortion. For the sake of clarity and accuracy, GOOD MONEY uses the following definitions:

Pregnancy -- The state that exists in a woman after fertilization of her egg takes place.

Contraceptive -- A birth control product or procedure that works by preventing fertilization and pregnancy. Examples of pure contraceptives include periodic abstinence (such as rhythm), condoms and diaphragms.

Primary Abortive -- A product or procedure that is designed to terminate a pregnancy. One example is the prostaglandin medication currently manufactured by Upjohn for use in inducing 2nd trimester abortions (21). This company even hopes to have a do-it-yourself "morning after" home abortion kit on the market soon (22). Such products are sometimes referred to as "menstrual inducers" or "post-coital contraception" by population control groups (23).

Secondary Abortive -- A contraceptive product that is sometimes used to terminate pregnancy or carries a substantial risk of abortion when used. Certain birth control pills (such as Ovral^R, manufactured by Wyeth Labs, a division of American Home Products are sometimes perscribed in large doses 72 hours after possible conception (24). Intrauterine devices (IUDs) lead to abortions in 5% of all pregnancies that occur while the product is in use (25). The so-called "minipill" has a "relatively high rate of ectopic pregnancy" (26). Ectopic pregnancy (the fertilization of the egg while still in the fallopian tubes) virtually requires an abortion if the life of the mother is to be saved.

The following six categories identify various relationships companies have to abortion. It is up to you to determine which of these reflect your personal ethical concerns. In the Abortion Social Screen section of GOOD MONEY Company Social Audits, specific product and service information plus category identification is presented for your use.

1. Performing and Financing Abortions

Abortion clinics are privately-held or are run by non-profit organizations. GOOD MONEY has been unable to find any publicly-held corporations which run abortion clinics per se. However, hospital chains (such as Humana) make money by offering abortions (often disguised as routine D&Cs) as part of their medical care services.

Health insurance companies (such as CIGNA) routinely cover abortion in their policies. The profit motive is clear here: an abortion is much less expensive than a birth.

2. Manufacturing Primary Abortives

Upjohn has drawn increasing fire from anti-abortion groups for its aggressive research, promotion and production of prostaglandins. The company claims to be the largest manufacturer and chief provider of these primary abortives (27). The National Right to Life Committee announced a boycott of Upjohn products on May 16, 1985 (28). For your information a list of the company's products along with alternative brands is provided below (29):

UPJOHN BRAND	ALTERNATE BRAND
Kaopectate.....	Donnagel Pepto Bismol
Cheracol.....	Robitussin, Triaminic
Cleocin	
Lincocin	Other Antibiotics
Trobicin	
Cortef	
Medrol	Decadron Aristocort
Halcion.....	Dalmane/Restoril
Xanax.....	Tranxene/Valium
Neo-cortel.....	Cortisporin
Tolinase.....	Dymelor, Diabinese
Orinase.....	Tolbutamide generic
Micronase.....	Glucotrol, Diabeta
Viticillin K.....	Pen VK, V Cillin K
E-mycin.....	E.E.S., Erythromycin
Panmycin.....	Tetrex, Tetracycline
Unicaps.....	One A Day
Zymacaps.....	Dayletts
Adeflor.....	Poyl-vi-lior, Vidaylin F
Pensyn.....	Polycillin, Ampicillin
Motrin.....	Rufen, Ibuprofen generic

3. Manufacturing And Selling Secondary Abortives

Many major pharmaceutical corporations are involved in the production and sales of these drugs and devices. Some of the big players are American Home Products (through its subsidiary Wyeth Labs) and A.H. Robbins, maker of the notorious Dalkon Shield.

4. Manufacturing And Selling Contraceptives

Does the use of contraceptives lead to abortion? Certainly every contraceptive has an in practice failure rate per year of use, ranging from 1-5% for "the pill" to 15-30% for the vaginal contraceptive sponges (30). Although some users decide to carry an unplanned pregnancy to term, a large number use abortion as a "back-up" method of birth control. It is therefore argued that use of contraceptives leads to an increase in abortions, especially in industrialized societies.

Birth control advocates (such as Planned Parenthood) counter that many couples who do not want children are currently sexually active and are not using contraception. If this is true, then use of contraceptives should reduce the incidence of abortion.

What does the evidence indicate? There has undoubtedly been a huge increase in unplanned pregnancies (including abortions) since the legalization and widespread distribution of contraceptives. This lends credence to the former argument. A recent study by the National Center for Health Statistics indicates that only 35% of sexually active unmarried women between the ages of 15 and 44 use any form of contraceptive (31). Given this statistic, it seems that use of contraceptives by the other 65% would reduce the number of unplanned pregnancies. However, it all depends on how sexually active the current non-users are. If a woman becomes six times more sexually active after she starts using a contraceptive with a 20% per year in practice failure rate, then more pregnancies may result. It should be pointed out that no solid evidence exists linking or disproving an abortion-contraceptive link.

The same dynamic described above becomes worse when a company misleads consumers about the effectiveness of a particular contraceptive product. On February 28, 1980 the Federal Trade Commission accused American Home Products and two other companies of claiming through advertising that vaginal contraceptives that they manufactured were as effective as birth-control pills or IUDs (32). As you can see from the chart below (33), they were actually from three to ten times less effective. It is unknown how many unplanned pregnancies (and abortions) occurred from this needless exercise of corporate greed.

<u>CONTRACEPTIVE</u>	<u>In Practice Failure Rate</u>	<u>Abortion Side Effect Risk</u>
Intrauterine Device (IUD)	1-5%	Yes
Oral Contraceptive (the pill)	1-8%	No
Progestin-only Pill (minipill)	3-10%	Yes
Condom	3-15%	No
Diaphragm	4-25%	No
Vaginal Contraceptives	10-25%	No
Vaginal Contraceptive Sponge	15-30%	No

5. Non-Issue: Manufacturing Products that are Sometimes Used in Abortions

Most of the instruments and products used in abortions are also used for other medical procedures. Scalpels, catheters and speculums are all examples. Saline solution has many medical uses besides inducing second trimester abortions. Fetal testing, such as aminocentesis and ultrasound, may be used to detect birth defects before the third trimester and allow the decision of voluntary abortion. The same tests allow treatment of the fetus in utero and therefore prevent a spontaneous abortion. It is the opinion of GOOD MONEY and anti-abortion groups we contacted that no useful purpose would be served by screening companies for these products.

A current rumor has charged that aborted fetuses provide collagen and placenta for the cosmetics industry. GOOD MONEY has uncovered no evidence supporting this and we believe this idea to be totally unfounded. The collagen used comes from animals and the placenta is the "after-birth" from live births (34).

6. Other Issues

Some companies openly advocate premarital sex and abortion rights. A notable example is Playboy, which through the Playboy Foundation has supported efforts to legalize abortion. Movie and record companies (such as Warner Communications and RCA) have been charged with creating a cultural atmosphere that encourages sexual promiscuity and therefore leads to a greater number of abortions. Among all publicly-held movie companies, only Disney can be commended for providing family-oriented entertainment free of sex.

Many corporations produce products that have side effects that can cause birth defects or spontaneous abortion. There is also great concern over the procedures used and the implications of genetic research and engineering. Some companies are implicated in premature fetal and infant deaths in the Third World.

These secondary issues are beyond the scope of GOOD MONEY's Abortion Social Screen. Detailed information will be found on these issues using our Pornography/Exploitation of Women, Chemical/Genetic Engineering and Third World Exploitation Social Screens.

FOOTNOTES

- (21) "Prostaglandins said Source of New Medical Treatments." Barron's. June 18, 1979.
- (22) Ibid.
- (23) Issues in Contraceptive Development. Population Crisis Committee. May 1985.
- (24) Ibid.
- (25) Ibid.
- (26) Ibid.
- (27) "Prostaglandins." Op. cit.
- (28) "Anti-Abortion Group Calls for Boycott of Upjohn Co." Wall Street Journal. May 17, 1985.
- (29) List courtesy of Burlington Crisis Pregnancy Services.
- (30) Issues. Op. cit.
- (31) News briefs. Contact Magazine. June 1985.
- (32) "FTC Accuses Three Contraceptive Makers of Using Misleading Advertizing." Wall Street Journal and Dow Jones News Wire. February 28, 1980.
- (33) Issues. Op. cit.
- (34) "Experiments with Aborted Babies Explained." Burlington Free Press. July 16, 1985.

Examples Of Social Audits

AMERICAN HOME PRODUCTS - South Africa & Abortion

AMERICAN TELEPHONE & TELEGRAPH - Nuclear Weapons Research

DETROIT EDISON COMPANY - Nuclear Weapons/Nuclear Power

GENERAL MOTORS - Nuclear Weapons & South Africa

IC INDUSTRIES - Nuclear Weapons & Abortion

J. P. MORGAN & CO. - Nuclear Weapons/Nuclear Energy & South Africa

NORTON COMPANY - South Africa & Socially Responsive (in Summary)

PACIFIC GAS & ELECTRIC CO. - Nuclear Weapons/Nuclear Power & Alternative
Energy (in Summary)

ROYAL DUTCH PETROLEUM CO. - Nuclear Weapons (change in policy) & South
Africa (through a subsidiary)

AMERICAN HOME PRODUCTS CORP.

685 Third Avenue
New York, NY 10017

Contact: John W. Culligan
Inv. Rel. Officer
(212) 878-5000

Subsidiaries:

American Home Foods (D)
Ayerst Laboratories (D)
Boyle-Midway (D)
Ekco Products, Inc. (S)
Fort Dodge Laboratories (D)
Household Research Institute (S)
Ives Laboratories Inc. (S)
Sherwood Medical Company (S)
Slaymaker Lock Co. (D)
Whitehall Laboratories Division
Wyeth Laboratories (D)

Products/Services: AHP is a leading manufacturer of prescription and ethical drugs, and household products (oven cleaners, insecticides, air fresheners, waxes and polishes); specialty foods and candies; and proprietary drugs (analgesics, cold remedies). Important product names include Advil, Ativan, Inderal, Ovril, Premarin, Chef Boy-Ar-Dee, Brach's, Anacin.

Stock Information: American Home Products common stock sells on the New York Stock Exchange and the symbol is AHP. On July 12, 1985, the stock closed at 65 3/4, up 1 from the previous close. The stock's P/E ratio was 14, and the 52 week high/low prices were 66 7/8 / 46 3/4. Currently, AHP pays an annual dividend of 2.90, for a yield of 4.4%.

General Company Information

American Home Products has approximately 54,680 employees with 75,351 common stockholders. International business: 28% of sales (26% of operating income); R&D, 3.3%, labor costs, 23%. American Home Products expects to introduce new drugs into their product line. Value Line expects the overseas earnings to increase in 1985.

Nuclear Weapons

None of our sources disclose any information about nuclear weapons relative to American Home Products.

South Africa

American Home Products has three major subsidiaries (all wholly-owned) in South Africa: Wyeth Laboratories, Ltd. in Johannesburg, Whitehall Products S.A. Ltd., also in Johannesburg, and Ayerst Laboratories Ltd., at Halfway House. These plants manufacture and market pharmaceuticals, infant formula, and household products. Of AHP's 503 workers, 51% are black or colored.

AHP is a signatory to the Sullivan principles, but has a spotty record of compliance; in 1984, they were "making progress", whereas in previous years they did not sign or had a lower point rating. On a different note, the company's Wyeth division has failed to sign the WHO/UNICEF code for regulating the marketing of infant formula, and in fact appears to be taking advantage of Nestle's withdrawal from these

AMERICAN HOME PRODUCTS CORP.

unethical practices to move in on some of the Third World markets Nestle has abandoned (21). Since Wyeth's South Africa plant produces for that market, this problem presents another dilemma for the socially concerned investor.

AHP had South Africa 1983 sales of \$41 million, representing 0.85% of their worldwide total, with assets in that country of \$24 million, representing 0.75% of their worldwide total.

Abortion

American Home Products manufactures contraceptives (categories 3 and 4) and equipment that could be used in abortions (category 5). Their subsidiary, Wyeth Labs, introduced a new oral contraceptive, Triphasil, in 1984 and is now established in 64 countries. They also produce Nordette, a low dose oral contraceptive, and Lo-Ovral, the most frequently prescribed contraceptive. A study by a major government research program found that Lo-Ovral had an adverse affect on the body's cholesterol levels.

In 1980 the Federal Trade Commission accused American Home Products and others of misleading women about the effectiveness of vaginal contraceptive suppositories. They charged that the ads for Semicid, implied that suppositories are as effective as birth control pills or intrauterine devices when actually they are less effective. In the future they were instructed to not make unsubstantiated claims and develop a pamphlet discussing the advantages and disadvantages of various contraceptive methods (28).

American Home Products also produces suction catheter kits which could be used in abortions. They also make intrapartum fetal monitors and neonatal monitors.

Summary

None of our sources disclosed any information for American Home Products concerning the issue of Nuclear Weapons.

The company has three major wholly-owned subsidiaries in South Africa. Although AHP is a Sullivan Principles signatory, its record of compliance has been spotty.

American Home Products is heavily involved in the contraceptive business. Some, such as Ovral,^R are sometime prescribed the "morning after." They have been charged in the past with misrepresenting the effectiveness of their products, possibly leading to unplanned pregnancies and abortions.

AHP's Wyeth subsidiary has a new infant nutritional R&D laboratory in Georgia, Vermont. Wyeth's has failed to sign the WHP/UNICEF code for regulating the marketing of infant formula, and appears to be taking advantage of Nestle's withdrawal from these unethical practices to move in on some of the Third World markets Nestle abandoned (21).

AMERICAN HOME PRODUCTS CORP.

Summary cont'd

Value Line expects this company to show steady double digit earnings to 1989. These shares should outperform the market (20).

- (21) "Babies at Risk: Companies Still Violate Infant Formula Code." Multinational Monitor. December 1985.

© Center for Economic
Revitalization, Inc., 28 Main Street,
Montpelier, VT 05602
July 1985

AMERICAN TELEPHONE & TELEGRAPH CO.

195 Broadway
New York, NY 10007

Contact: John T. Mapletoft
Division Mgr.
(212) 393-8855

Subsidiaries:

AT&T Communications Inc. (S)
AT&T Information Systems Inc. (S)
AT&T International Inc. (S)
AT&T Resource Management (S)
AT&T Technologies Inc. (S)
Bell Telephone Laboratories
Inc. (S)
Nassau Recycle Corp. (S)
Teletype Corp. (S)
American Transtech (S)

Products/Services: Provides communications services and equipment. Operates the interstate and international toll networks, and portions of the intrastate networks. Also owns local on-premise equipment, Western Electric and Bell Labs.

Stock Information: American Telephone & Telegraph's common stock sells on the New York Stock Exchange. The symbol is T. On July 12, 1985, the stock closed at 23 1/4 down 1/8 from the previous close. The stock's P/E ratio was 17, and the 52 week high/low was 24 5/8 / 16 5/8. Currently, AT&T pays an annual dividend of 1.20 for a yield of 5.2%.

General Company Information

American Telephone & Telegraph Co. has 376,000 employees with about 3.1 million stockholders. The AT&T which resulted from the breakup of American Telephone & Telegraph received about 23% of the former company's assets. Current revenue breakdown: Interstate and Intrastate toll: net of access charges, 48%; product sales, 28%; equipment rentals, 24%. 1983 depreciation rate: 5.9%.

Nuclear Weapons

According to the Investor Responsibility Research Center, AT&T's total contracts for Fiscal Year 1983 amounted to slightly over one percent of total net sales, while nuclear weapons work constituted 2/10ths of one percent of sales (18). At the same time, the company's war-work had both indirect and direct connections to nuclear weapons.

Indirect connections constituted such equipment and services as military telephone communications and teletype/facsimile equipment. These types of equipment and services could conceivably be used in nuclear conflict.

Direct connections could be seen in work on the Nike Hercules missile system and operation of Sandia National Laboratories in Albuquerque, New Mexico (where the first atomic bomb was developed during World War II) for the Department of Energy. This latter continuing commitment has become the focal point of activist critics of AT&T's nuclear weapons.

Nuclear Weapons - cont'd

As indication that AT&T has no intention of abandoning its military commitments, the following appeared in the company's 1984 Annual Report:

"In 1984 we broadened the base of products and communications services sold to the Federal government. In the large command and control communications systems market, AT&T won a number of competitive bids both domestically and abroad. One was a major award by the Defense Communications Agency to build an advanced network that will provide voice, data and video services to the U.S. Department of Defense and other related Federal agencies."

South Africa

Our sources disclosed no information about AT&T operations or business in or with South Africa.

Abortion

Our sources disclosed no information about the issue of abortion relative to AT&T.

Summary

None of our sources disclosed any information for AT&T on the issued of South Africa and Abortion.

Over the years, AT&T has been a continuing target for shareholder activities concerned about the company's connections with nuclear warfare, particularly its operation of Sandia Labs. This is one strategy which concerned investors have adopted, especially in the days before the breakup when AT&T was considered to have many other positive social features.

Since the government-mandated breakup, "Ma Bell" is no longer the friendly local phone company; investors who want the stability such investments offer must look instead to a local or regional phone company. As for AT&T, the uncertainties of its heavy competition in the high-tech computer and office equipment fields, and the regulated environment of inter-state long distance telephone services have both contributed to lower-than-expected profits and returns for investors. Nevertheless, the outlook for the "new and improved" AT&T remains strong, as demand for its computers and long-distance service has been very good (20).



GOOD MONEYTM Company Social Audit

THE DETROIT EDISON COMPANY

2000-2nd Avenue
Detroit, MI 48226

Subsidiaries: None listed

Contact: Robert Paoletti
Director Investor Relations
(313) 237-8030

Products/Services: Detroit Edison supplies electricity (98% of revenues) to Detroit and more than 300 communities in southeastern Michigan and steam (2%) to downtown Detroit.

Stock Information: Detroit Edison's common stock sells on the New York Stock Exchange and the symbol is DTE. On July 12, 1985, the stock closed at \$17.75, unchanged from the previous day. The stock's P/E ratio was 8 and the 52-week high/low prices were \$17.88/\$12.13. Currently, DTE pays an annual dividend of \$1.68, for a yield of 9.5%.

General Company Information

DTE has over 11,150 employees and over 250,000 stockholders. DTE's 1984 electric revenues were distributed as follows: 33%, residential; 23%, commercial; 36%, industrial; and 8%, other. Fuel generating sources were: 83%, coal; 1%, hydro/oil/gas; and 16%, purchased power. DTE has had a long history of problems with trying to build nuclear power plants.

Nuclear Weapons

None of our sources indicated any direct nuclear weapons connection for DTE. However, the company had an early involvement with the domestic nuclear power industry and has had a long history of construction problems.

DTE was one of the first utility companies to become interested in nuclear power during the early 1950's. Together with Dow Chemical, they submitted a proposal to the Federal Government to build and operate a nuclear-powered generating plant. In their proposal, the link between nuclear weapons and domestic nuclear power was clearly evident(21).

In 1966, DTE's Enrico Fermi Atomic Power Plant malfunctioned and leaked radiation during a test run, which led one official to comment: "We almost lost Detroit"(22). By 1983, the company ranked ninth on a list of 27 nuclear-building or generating companies with the heaviest debt. DTE's debt was \$3-billion per year for 1981-1983(20). However, the nuclear connection will still be there. In 1985, DTE will seek permission from the Nuclear Regulatory Commission to put their Fermi 2 plant into full operation(23).

South Africa

None of our sources disclosed any information about operations or business by DTE in or with South Africa.

Abortion

None of our sources disclosed any information about the issue of abortion relative to DTE.

Summary

None of our sources disclosed any information for DTE concerning the issues of South Africa and Abortion.

For some socially concerned investors, investment in DTE is to be avoided primarily because of the company's early and continuing connection with the development of domestic nuclear power. In addition, the company has had problems in constructing nuclear plants.

From an economic standpoint, DTE's stock price has been relatively flat for the last 7-8 years. It has ranged from a 1977 high/low of \$18/\$15 to a recent high/low of \$17+/\$12+. During that time, common stock dividend payments have risen a modest 14%, from \$1.47 to the present \$1.68 per year. The present dividend payment has remained unchanged for about the last 3½ years.

DTE's flat economic performance for investors has been partly related to its nuclear power connection and problems.

(21) Hertsgaard, Mark. 1983. Nuclear Inc.: The Men and Money Behind Nuclear Energy. New York: Pantheon Books.

(22) Fuller, John G. 1975. We Almost Lost Detroit. New York: Rader's Digest Press, Thomas Y. Crowell Co.

(23) The Detroit Edison Company. Annual Report 1984

GOOD MONEYTM Company Social Audit

GENERAL MOTORS CORP.

3044 W. Grand Blvd.
Detroit, MI 48202

Contact: R. Dugan
Inv. Contact
767 Fifth Ave.
New York, NY 10022
(212) 418-6100

Subsidiaries:

AC-Delco Division
AC Spark Plug Division
Buick Motor Division
Cadillac Motor Car Division
Central Foundry Division
Chevrolet Motor Division
Delco Moraine Division
Delco Products (D)
Delco Products Division
Delco Remy Division
Detroit Diesel Allison Division
Electro-Motive Division
Electronic Data Systems Corp. (S)
Virginia Data Center, Inc. (S)
Fisher Guide Division
GM Baltimore Assembly Plant-Truck
& Bus Group (D)
GMC Truck & Bus Group (D)
General Motors Acceptance Corp. (S)
General Motors Acceptance Corp. of
Canada, Ltd. (S)
Motors Insurance Corp. (S)
Harrison Radiator Division
Hydra-Matic Division (D)
Inland Division
New Departure Hyatt Bearing Division
Oldsmobile Division
Packard Electric Division
Pontiac Motor Division
Rochester Products Division
Saginaw Steering Gear Division

Products/Services: General Motors is the world's largest auto manufacturer (Chevrolet and GMC trucks), GM diesel locomotives and engines. European plants make Vauxhall cars and Opel and Holden cars and trucks. Manufactures aircraft engines and missile components.

Stock Information: General Motors Co.'s stock sells on the New York Stock Exchange and the symbol is GM. On July 12, 1985 the stock closed at 68 3/8 down 7/8 from the previous close. The stock's P/E ratio was 6, and the 52 week high/low prices were 85 / 64 1/4. Currently, GM pays an annual dividend of \$5.00 for a yield of 7.3%.

General Company Information

General Motors has approximately 691,000 employees and 998,000 stockholders. GM claims 58.7% of the total U.S. output. Automotive products account for 96% of sales. Foreign business accounts for 15%; labor costs, 26% of sales.

GENERAL MOTORS

Nuclear Weapons

General Motors is going after the aerospace/defense business in a big way. In June of 1985, the company acquired Hughes Aircraft Company for about \$5 billion. The March 24, 1985, issue of The Washington Post commented that, though company officials claim that the acquisition will help GM make better cars by applying Hughes technology, the actual effect was to triple the company's defense-related contracts over the next 5 years. Hughes makes microchips, lasers and fiber optics, radar, satellites, naval and land-based electronics and missiles. Interestingly enough, they make no aircraft. Research for President Reagan's "Star Wars" concept is also an important part of Hughes' work.

In addition, GM has done R&D work on the ballistic missile defense system and Titan III space booster (18). Fiscal Year 1983 defense work included 18 major awards for general defense programs, 2 primary awards for nuclear weapons-related work, and 4 secondary awards for nuclear weapons-related work.

This is a company which appears to actually seek out defense work, including nuclear weapons.

South Africa

General Motors has two wholly-owned South Africa subsidiaries: GM South Africa Ltd. of Port Elizabeth, manufacturer of cars, trucks and automotive parts, and GM Acceptance Corp. South Africa Ltd., which offers auto and truck financing. GM is the third-largest foreign employer in South Africa, with a total workforce of 4,300, of whom 65% are black or colored. (Within GMAC/S.A., however, only 17% of employees are non-white.)

The Rev. Leon Sullivan, author of the "Sullivan principles," sits on GM's Board of Directors. As one might expect, GM is a signatory of these principles, and has consistently been ranked in the highest category of compliance ("making good progress"). However, GM has also been criticized for its sales of cars and trucks for the South African military and police, and for hiring more whites than Africans in their plants (21).

GM had South Africa sales of \$320 million, representing 0.43% of their world-wide total. They have assets of \$140 million in South Africa, representing 0.31% of their worldwide total.

Abortion

None of our sources disclosed any information about the issue of abortion relative to General Motors Corporation.

GENERAL MOTORS

Summary

No information was located for the issue of abortion relative to General Motors.

However, for the issues of Nuclear Weapons and South Africa information of concern to social investors was located.

General Motors has done direct nuclear weapons work and appears to be actively seeking more through their recent acquisition of Hughes Aircraft.

Though the Rev. Leon Sullivan, author of the Sullivan Principles, sits on the board of General Motors, the company has been criticized by concerned shareholders for hiring more whites than blacks in their South African plants and for selling trucks and automobiles directly to the South African police and military.

GM continues to return high dividends to investors, and the outlook for further growth in market share and profits seem good (20).

- (21) Sindab, Jean. "The Logic of South Africa Divestment."
The Los Angeles Times. April 30, 1985.

GOOD MONEYTM Company Social Audit

IC INDUSTRIES, INC.

111 E. Wacker Dr.
Chicago, IL 60601

Contact: Granger F. Kenly
V.P. - Cor. &
Inv. Rel.
(312) 565-3000

Subsidiaries:

Abex Corporation (S)
Aerospace Division
Denison Division
Friction Products Division
Jetway Division
Mead Fluid Dynamics (D)
Remco Hydraulics (D)
Signal-Stat Division (S)
Bubble Up Company, Inc. (S)
Dad's Root Beer Co. (S)
Husmann Corporation (S)
Alton Mfg. Co. (S)
Chesley Industries Inc. (S)
Krack Corporation (S)
IC Products Company (S)
Illinois Central Gulf RR. Co. (S)
Midas International Corporation (S)
International Stamping Co., Inc. (S)
Pepsi-Cola General Bottlers, Inc. (S)
Pet Incorporated (S)
Bisler Packaging (D)
Old El Paso Mountain Pass Canning (S)
Stuckey's Inc. (S)
Whitman's Chocolates Division
Pneumo Corp. (S)
Cleveland Pneumatic Co. (S)
Cleveland Pneumatic Product Service Div.
Claud S. Gordon Co. (S)
P&C Food Markets, Inc. (S)
PNC Food Markets (D)

Products/Services: IC Industries, Inc., a holding company, owns the Illinois Central Gulf Railroad (links Chicago with the Gulf of Mexico). Also has real estate interests and owns Abex Corporation (industrial products); Pepsi-Cola General Bottlers; Midas-International (auto replacement services); food products (Acquired Pet, Underwood); and aerospace, food wholesaling/retailing (Pneumo Corp.).

Stock Information: IC Industries' common stock sells on the New York Stock Exchange and the symbol is ICX. On July 12, 1985 the stock closed at 33 7/8, down 1/4 from the previous close. The stock's P/E ratio was 12, and the high/low prices were 35 3/4 / 22 5/8. Currently, ICX pays an annual dividend of \$1.44 for a yield of 4.3%.

General Company Information

IC Industries, Inc. has 40,807 employees and 35,138 stockholders.

Nuclear Weapons

In October of 1984, IC Industries, a conglomerate holding company, purchased Pneumo Corp. This purchase significantly expanded ICX's aerospace business by adding landing gear and jet engine controls to the company's then current line of hydraulic components and jetway boarding bridges (20). In the opinion of Value Line, defense work by ICX will remain strong through the late 1980's though the aging of commercial jet fleets will also help sustain this newly expanded business (20).

According to ICX's 1984 Annual Report, the company manufactures landing gear and/or "fly-by-wire" flight controls for virtually every aircraft in the country's defense arsenal (including the B-1B bomber). The company also makes flight controls for the Maverick, Hellfire and Advanced Cruise Missiles, through its Pneumo subsidiary.

There is, therefore, no doubt about ICX's connection to the development of nuclear weapons.

South Africa

None of our sources disclosed any information about ICX operations or business in or with South Africa.

Abortion

Carls Drug Company, a growing chain of promotional drugstores, is a subsidiary of ICX's newest acquisition, Pneumo Corp. As such, Carls sells birth control devices/drugs (categories 3 and 4).

Summary

None of our sources disclosed any information about ICX concerning South Africa. However, an examination of this jerri-built conglomerate disclosed that one of its subsidiaries had an indirect connection to the abortion issue through the sale of birth control devices/drugs.

The greatest problem for ICX is its direct connection to the production of nuclear weapons and delivery systems through its newest acquisition, Pneumo Corp. It is clear from the company's 1984 Annual Report that management intends to give defense aerospace a major role in the conglomerate's near future.

Of interest to Vermont residents will be the fact the another subsidiary of Pneumo Corp. is P&C Food Markets. IC's involvement in so many different product lines will probably translate into stable earnings for investors, with that performance likely in the near few years (20).

GOOD MONEY™ Company Social Audit

J.P. MORGAN & CO., INCORPORATED
23 Wall Street
New York, NY 10015

Subsidiaries:
J.P. Morgan Overseas
Capital Corporation
Morgan Guaranty Trust Co.

Contact: Carol H. Hallingby
Vice President
(212) 208-3022

Products/Services: J. P. Morgan & Co. owns Morgan Guaranty Trust Company of New York, which is the 5th largest U.S. bank on the basis of assets. The bank serves primarily large corporations and has one of the largest trust departments in the U.S. Morgan also has branches in several foreign countries.

Stock Information: J. P. Morgan's common stock sells on the New York Stock Exchange and the symbol is JPM. On July 12, 1985, the stock closed at \$52.75, down \$1.38 from the previous close. The stock's P/E ratio was 8, and the 52-week high/low prices were \$54.75/\$28.25. Currently, JPM pays a dividend of \$2.20, for a yield of 4.2%. (All figures adjusted for a recent 2-for-1 stock split).

General Company Information

JPM has almost 13,000 employees and over 26,000 stockholders. In 1984, international earnings constituted 54% of the company's consolidated net profit.

Net loan losses were 3/10ths of one percent of the average gross loans. The loan loss reserve was 1.4% of the gross loans outstanding. Morgan is the only bank that Value Line rates A++ in financial strength.

Nuclear Weapons

Many of the country's largest corporations, such as General Electric and Union Carbide, have been able to remain profitable while, at the same time, absorbing enormous losses related to the development of the American nuclear industry because of friends in the financial industry. JPM has been one such friend.

By the end of 1980, JPM owned billions of dollars worth of stock in 19 of the country's top 24 nuclear companies. The bank was the Number 1 shareholder at Halliburton; No. 2 at Combustion Engineering, Kerr-McGee and UNC Resources; No. 4 at General Electric, Getty Oil, Rockwell International and Union Carbide; No. 6 at Du Pont and Allis-Chalmers; No. 7 at Exxon; No. 8 at Standard Oil of Ohio; No. 10 at McDermott; and No. 11 at Gulf Oil (21). It should be noted that these companies are not merely involved in the domestic nuclear power industry. Five were ranked in the top 30 public corporations with the greatest prime contract funding for primary nuclear warfare systems in 1983. Rockwell International was number 1;

General Electric, number 3; Du Pont, number 7; Union Carbide, number 11; and UNC Resources, number 20(18). Thus, JPM's shareholding had a direct relationship to nuclear weapons.

In addition, in 1978, JPM joined with other U.S. and European banks to sign a \$200-million, 7-year loan agreement with Atlantic Richfield, a company JPM had loaned \$25-million in 1973. In 1974, when Westinghouse Electric decided to secure a \$500-million line of credit to meet short-term borrowing needs, JPM joined 15 other major banks in responding (21). Atlantic Richfield mines uranium (16), and Westinghouse was ranked 16th among the top 30 nuclear-warfare-systems contractors in 1983(18).

South Africa

None of our sources disclosed any South African offices or subsidiaries for JPM. However, the bank does do business in that country through loans to the private sector.

In early 1985, JPM adopted a policy of prohibiting loans to the public sector of South Africa. JPM has also recently signed the Sullivan Principles, according to the latest information from the Investor Responsibility Research Center in Washington, DC.

Abortion

None of our sources disclosed any information about the issue of abortion relative to JPM.

Summary

There is little doubt that, of all the country's major financial institutions, JPM has played a central part in funding the work of America's nuclear industry. This support includes both domestic nuclear power and the work done by some of the country's leading makers of nuclear weapons.

JPM's record in South Africa is somewhat ambivalent. The bank has signed the Sullivan Principles and has agreed not to make loans to the public sector. Nevertheless, the bank does make loans to the South African private sector, and some of these could well go to corporations and other banks which are engaged in work that is supportive of the apartheid system.

- (21) Hertsgaard, Mark. 1983. Nuclear Inc.: The Men and Money Behind Nuclear Energy. New York: Pantheon Books.



GOOD MONEY TM Company Social Audit

NORTON COMPANY

1 Bond Street
Worcester, MA 01606

Contact: Ellen M. Lynch
Mgr. Inv. Rel.
(617) 853-1000

Subsidiaries:

Chemplast, Inc. (S)
Christensen, Inc. (S)
Boyles Brothers Drilling Company (S)
Norton Pike Division

Products/Services: Manufactures grinding wheels, coated abrasives, industrial ceramics, sealants, plastics, fluoropolymer ceramic compounds, petroleum mining products and services, health care products and industrial safety equipment.

Stock Information: Norton Company's common stock sells on the New York Stock Exchange and the symbol is NRT. On July 12, 1985, the stock closed at 36 1/4, up 3/4 from the previous close. The stock's P/E ratio is 12, and the 52 week high/low prices were 38 7/8 / 30 3/4. Currently, NRT pays an annual dividend of \$2.00 for a yield of 5.5%.

General Company Information

Norton Company has approximately 19,000 employees and about 8,600 stockholders. International business: about 42% of sales, 26% of earnings. Employee costs: about 35% of revenues. R&D equals 2.4% of sales in 1983. Approximately 1.5% of the annual sales supports the development of new abrasive products.

Nuclear Weapons

None of our sources disclose any information about nuclear weapons relative to Norton Company.

South Africa

Norton has several wholly-owned subsidiaries in South Africa: Norton Co. Ltd., its Johannesburg holding company, Norton Abrasive Ltd., which manufactures abrasives, Lasher Tools Ltd., which manufactures hand tools, Republic Buff Manufacturers Ltd., which produces buffing and polishing media, and Blane and Co. Ltd., which mines ore and performs related engineering work. Norton's subsidiaries have a total workforce of 1,342 people, of whom 74% are black or colored.

Norton is a signatory of the Sullivan principles. Until last year, its subsidiaries had a mixed record of compliance; however, in 1984 every subsidiary received the highest compliance rating ("making good progress"). Norton president Tom Hourihan recently commented on Norton's involvement: "We deplore apartheid and make no secret about that, but we know we can't quit or pull out. We've been a force for good in our own way in South Africa. We feel strongly about this. On a moral basis, we feel very comfortable about what we've done and what we're doing" (1).

South Africa cont'd

Norton had 1983 sales of \$38 million in South Africa, representing 3.3% of their worldwide total, with assets of \$26 million, representing 4.2% of their worldwide total.

- (1) from "Taking Sides in South Africa," article by Ben Bradlee Jr. in Boston Globe Magazine, February 24, 1985, p. 53.

Abortion

None of our sources disclosed any information about the issue of abortion relative to Norton Company.

Summary

None of our sources disclosed any information for Norton Co. concerning the issues of Nuclear Weapons and Abortion.

Norton Co. has a large number of subsidiaries in South Africa and substantial assets there. The company is a Sullivan Principles signatory and has an excellent record of compliance in 1984.

Despite the South African connection, Norton has been a favorite of many social investors for some time. The company has good labor relations and an excellent community record in Worcester, Massachusetts.

Value Line sees Norton floating with the market this year. But by the end of the decade when the bulk of their sales and earnings are from plastics and ceramics they should be able to earn \$650-700/share (20).

GOOD MONEYTM Company Social Audit

PACIFIC GAS & ELECTRIC CO.

77 Beale St.
San Francisco, CA 94106

Contact: Ann B. Lazarus
Dir. Inv. Rel.
(415) 781-4211

Subsidiaries:

Natural Gas Corp. of California (S)
Pacific Gas Transmission Co. (S)
Standard Pacific Gas Line Incorporated (

Products/Services: Supplier of electricity and gas in California.

Stock Information: Pacific Gas & Electric's common stock sells on the New York Stock Exchange and the symbol is PCG. On July 12, 1985, the stock closed at 19 7/8, up 1/8 from the previous close. The stock's P/E ratio was 8, and the 52 week high/low prices were 20 1/4 / 13 1/4. Currently, PCG pays an annual dividend of \$1.84, for a yield of 9.3%.

General Company Information

Pacific Gas & Electric Co. has approximately 27,200 employees and about 297,767 common shareholders. The company supplies electricity (59% of revenues) and gas (41%) in California. Electric (and gas) revenues break down as follows: res., 31% (42%); comm., 35% (28%); ind., 24% (28%); other, 10% (2%). The petroleum refining industry is the largest electricity and gas customer. 1983 energy sources: hydro, 44%; natural gas and oil, 41%; geothermal, 15%. Fuel cost (elec.): 37% of revenues; labor costs (system): 15%.

Nuclear Weapons

None of our sources indicated any direct nuclear weapons connection for PCG. However, the company has had a long history of propagandizing for domestic nuclear power and has experienced many problems constructing and putting on-line its Diablo Canyon nuclear plant.

PCG is a schizoid company for socially concerned investors. On the positive side, the company has had a major commitment to alternative energy, having supported experimentation with wind power and the successful use of geothermal energy in California. In addition, PCG has the highest number of solar projects of any major utility in the country. Finally, the company is considered somewhat of a model for other utilities, since its fuel mix is varied. This makes the company less vulnerable to any unexpected changes, such as oil embargoes, problems with geothermal energy, poor winter conditions effecting hydroelectric generation, etc.

At the same time, PCG's executives have played major roles in the attempt to persuade Americans that nuclear power is the only answer for the country's energy future.

In 1979, PCG occupied a leading role in the commemoration of Nuclear Energy Education Day (NEED). Company officials have publicly stated that the only barrier to nuclear power is the Abalone Alliance, an anti-nuclear group which has demonstrated against the construction of the Diablo Canyon facility. Officials have called the Alliance a group of "forty people, a press list, and a rock band". Other publicity efforts have succeeded in getting major California corporations to support a "public information" organization, Citizens for Adequate Energy. The corporations have included Levi Strauss and Wells Fargo Bank(21).

In addition, Diablo Canyon has had a history of problems. Not only is the plant constructed on an extremely dangerous site (along a major California earthquake fault and close to the ocean), but workmanship has been frequently shoddy (faulty welds). After many delays, PCG hopes to make Diablo Canyon operational in 1985, with the approval of the Nuclear Regulatory Commission. However, in October of 1984, the company had to be warned by an administrative law judge for the California Public Utilities Commission not to destroy sensitive documents concerning the safety and construction of the Diablo Canyon plant.

South Africa

None of our sources disclosed any information about operations or business by PCG in or with South Africa.

Abortion

None of our sources disclosed any information about the issue of abortion relative to PCG.

Summary

For socially concerned investors, PCG is a curious case. On the one hand, the company appears to have had a generally good record on a host of social issues, including fair labor practices, health and safety, antitrust violations and the like. We could find no information about any connections of the company to the issues of South Africa or Abortion. In addition, PCG has accomplished a remarkable job, for a major utility, of diversifying its fuel sources for energy-generation and in stressing the development and implementation of alternative, renewable energy sources.

At the same time, the company's long association with the American domestic nuclear industry and its continued attempt to get Diablo Canyon on-line, in the face of continuous controversy and problems, is troublesome, to say the least. It is clear that domestic nuclear power has strong links to the development of nuclear weapons. The extent to which PCG's publicity for the domestic industry was successful can be considered a contribution to nuclear weapons development. In some ways, it is not so much what the company has done as the way they have done it. PCG's executives have consistently exhibited contempt for critics of nuclear power and Diablo Canyon and disdain for alternative arguments and views.

PACIFIC GAS & ELECTRIC CO.

The company's appearance of pushing ahead no matter what the consequences or costs symbolizes corporate arrogance at its worst. Thus, this company is one which seems to wear both white and black hats simultaneously.

Value Line feels that PG&E is only an average utility holding and suggests that risk adverse investors consider looking elsewhere at this time (20).

(21) Hertsgaard, Mark. 1983. Nuclear Inc.: The Men and Money Behind Nuclear Energy. New York: Pantheon Books.



Center for Economic
Revitalization, Inc., 28 Main Street,
Montpelier, VT 05602
July 1985

GOOD MONEYTM Company Social Audit

ROYAL DUTCH PETROLEUM CO.
c/o Scallop Corp.
One Rockefeller Plaza
New York, NY 10020

Contact: John F. Casey
Gen. Mgr. - Inv. Rel.
(212) 262-7400

Subsidiaries: None Listed
Note: The Royal Dutch/Shell Group has two parent holding companies: The Royal Dutch Petroleum Co., Inc. in the Netherlands; and the "Shell" Transport and Trading Co., P.L.C., incorporated in the United Kingdom.

Products/Services: Holding company: oil, gas, coal, nuclear energy, chemical and metal.

Stock Information: Royal Dutch Petroleum's common stock sells on the New York Stock Exchange and the symbol is RD. On July 12, 1985, the stock closed at 60 5/8, up 7/8 from the previous close. The 52 week high/low prices were 60 1/8 / 41 1/4. Currently, RD pays an annual dividend of \$3.07, for a yield of 5.1%.

General Company Information

The Royal Dutch/Shell Group is organized as follows. It has two parent holding companies: The Royal Dutch Petroleum Company, incorporated in the Netherlands, and the "Shell" Transport and Trading Company, P.L.C., incorporated in the United Kingdom. These parent companies own 60% of Shell Petroleum N.V. (a Group holding company) and 40% of the Shell Petroleum Company Limited (a second Group holding company). These two holding companies, in turn, hold the shares in the Group's operating and service companies.

The Royal Dutch/Shell Transport Group, formed in 1907, is the second largest international oil company. In effect, the Group owns 95% of Shell Oil Company and 79% of Shell Canada. The Group employs about 163,000 people.

Shares of common stock can be purchased in either Royal Dutch Petroleum (about 500,000 stockholders) or Shell Transport (about 400,000). Royal Dutch and Shell Transport have agreed to share net assets and dividends on a 60/40 basis. However, the two stocks often trade at different price earnings ratios and yields because of special features (for example, dividends of Shell Transport are tax-free for British residents).

Nuclear Weapons

Our records disclosed that early in the development of the U.S. domestic nuclear power industry, Royal Dutch/Shell played a major role with other large corporations, including Allied Chemical and Gulf Oil. However, a careful check of recent sources disclosed no information about nuclear energy and RD. This may be because of losses experienced in nuclear energy. The above 3 companies lost \$360-million when President Carter indefinitely prohibited the commercial reprocessing of uranium at a plant owned by the companies(21).

As a consequence, RD may have withdrawn any commitment to the development of nuclear power. Indeed, the company's 1984 Annual Report does not mention nuclear power while stressing RD's search for gas and oil, sales of coal, and development of solar energy and cogeneration systems.

South Africa

Our records disclosed no information about Royal Dutch Petroleum operations or business in or with South Africa. However, Shell International Petroleum Ltd., an affiliate of the Royal Dutch/Shell Group, does have a South African subsidiary---Shell South Africa (Pty.) Ltd. In 1984, this subsidiary employed 2,590 people, 46% of whom are black, colored or Asian.

Investor Responsibility Research Center lists 2 major subsidiaries in South Africa for Shell South Africa. In turn, each of these have 11 more South African subsidiaries, all in petroleum-related products and services businesses(21).

Abortion

Our sources disclosed no information concerning Royal Dutch Petroleum and the issue of abortion.

Summary

When it comes to the question of a connection between RD and the issues of Nuclear Weapons and South Africa, it is a matter of who did what and when.

Though the company was active in the early development of nuclear power, no recent source indicates any such connection at this time.

If one traces their way through the labyrinth of affiliations which constitutes the parent Royal Dutch/Shell Group, it is possible to find a South African connection. However, this connection is not directly traceable to Royal Dutch Petroleum. Rather, it stems from the other side of the corporate structure through Shell International. Nevertheless, both sides of the corporate structure have ownership in these South African operations. In addition, since the operations involve petroleum products and services, it is reasonably certain that they directly support the government of South Africa.

Oil prices have been flat and are not expected to increase in the foreseeable future. For several years the company has refined operations and effected higher utilization rates than its rivals have on the average(20

- (21) Hertsgaard, Mark. 1983. Nuclear Inc.: The Men and Money Behind Nuclear Energy. New York: Pantheon Books.