

U. S. BONDS AND CASH FLOW NEEDS
(Proposed Answer to NYC Resolution)

1971 National Youth Conference Resolution

1. The basic request of the resolution is contained in the next to last paragraph as follows:

"We commend the General Board to immediately dispose of, at any cost, all U. S. Government Bonds under its jurisdiction and control." In reference to the 1970 Annual Conference statement, it is well to note the sentence, "To study seriously the problem of ... investing in those government bonds which support war."

Background Information

2. The endorsement, annuity, and other investment funds of the General Board are used for loans to churches and other limited categories, and for the purchase of securities. Investments have been made in U. S. Government Bonds for two main reasons:
 - (a) As part of a diversified investment program.
 - (b) As a source for securing immediate cash to meet the large demands that occur from time to time during the year. This makes unnecessary the keeping of a large balance in our checking account at the bank.
3. The Government Bonds in the investment portfolio are not considered war bonds, but are issues which were put out from time to time for general government operations, including many programs that we enthusiastically support. Many of our government bonds were purchased in the 1950's. We have not made any purchases since 1965, and during the past year we sold \$500,000 of U. S. Government Bonds.
4. As of September 30, 1971, the General Board owned U. S. Government Bonds in the amount of \$617,933. Of this, \$16,000 represented Government Bonds received under a gift agreement from a member, with the bonds maturing in 1974. Also, of this September 30, 1971 total, \$274,894 represented U. S. Government Bonds that are pledged and held in escrow as a guarantee for the Bethany Theological Seminary Development loan.

Proposed Guidelines, November 1971

5. In light of the above information, the Church of the Brethren General Board shall be guided by the following commitments:
 1. The General Board reconfirms its opposition to war.
 2. The General Board will not purchase additional Government Bonds as long as the U. S. Government continues to spend such a large percentage of its budget for war purposes.
 3. The General Board will sell U. S. Government Bonds to meet continuing needs for cash.

4. The General Board feels that it is unwise to immediately liquidate all of its remaining U. S. Government Bonds, as some of the bonds are pledged for the Seminary loan and since a significant loss will occur if the bonds are not held to maturity.

Proposed Amendment to Guidelines by Board in November

5. In light of the above information, the Church of the Brethren General Board shall be guided by the following commitments:
 1. The General Board reconfirms its opposition to war.
 2. The General Board feels that it is unwise to immediately liquidate all of its remaining U. S. Government Bonds, as some of the Bonds are pledged for the Seminary loan, and since a significant loss will occur if the Bonds are not held to maturity.
 3. The General Board will continue to buy and sell U. S. Government Bonds or paper to handle its cash flow needs.

Other November Board Actions

A MOTION was made to refer this paper, as amended, to the Administrative Council to bring back to the General Board with the options for discussion and if the Board feels it wise, to bring it to Annual Conference. MOTION PASSED.

The options requested are outlined in a supplementary exhibit.

It was VOTED that the Investment Committee seriously consider selling stocks in those companies who are among the top 12 companies holding government contracts and REPORT back to the General Board.

Informal discussion of investments in major defense industries occurred in the Administrative Council following the wide publicity given to a study by a group in DCLM, NCC. The Investment Committee is working on this assignment and anticipates bringing recommendations in March.

Council Recommendations to Replace Guidelines under 5:

1. The General Board reaffirms its opposition to war.
- X 2. The General Board shall ~~not endeavor to sell~~ the U. S. Government Bonds pledged for the Bethany Theological Seminary loan ~~until~~ these are released from escrow. *as*
- ? 3. The General Board shall sell its remaining U. S. Government Bonds, and negotiate a savings account with the Continental Bank of Chicago to provide for its cash flow needs.

Supplementary Exhibit, Response to November Request for Additional Options

Alternatives to U. S. Government Bonds to Provide for Board's Cash Flow Needs

As requested by the General Board during its November meeting, the Administrative Council has secured information as to optional ways of managing the General Board cash flow problem, without the use of U. S. Government Bonds. The main possibilities are:

1. A larger checking account balance be maintained at a bank. During a year's time this would range from \$25,000 to \$300,000. There would be no interest earned on the account.
2. There are several types of corporate commercial paper which could be purchased to secure a $4\frac{1}{2}\%$ to $6\frac{1}{2}\%$ earning on the investment. However, this is a very specialized market usually requiring minimum investments of \$200,000 to \$250,000. There is also some difficulty in rapid conversion to cash.
3. There are a number and wide variety of savings deposit and demand certificate plans at banks and savings and loan associations. We have found these to have some limitations, because interest earned is related to length of deposit and the amount that may be withdrawn immediately upon notice is restricted.
4. The Continental Bank in Chicago has indicated a willingness to provide a savings account from which we could withdraw monies on a few days notice. Deposits and withdrawals would normally be in \$50,000 amounts. The current quoted interest rate is $4\frac{1}{2}\%$, subject to change as interest rates change. (This compares to $5\frac{1}{2}\%$ to 6% currently being earned through the use of Government Bonds.)

In terms of our operations, most of these available options are limited in capability or efficiency. The Council feels that number four is feasible and recommends that this option be implemented as the method of caring for the Board's cash flow needs. This proposal has been written into guideline 5.3 of the proposed answer to the National Youth Conference Resolution.