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February 1, 1971

**Court Appoints Receiver
In Guaranty Bond Case**

NASHVILLE (BP)--Guaranty Bond and Securities Corp., the nation's second largest church bond firm, has gone into receivership on orders of a federal judge here, who ruled that a court-appointed receiver could best come up with a plan to solve the company's financial problems.

The appointment of John C. Barbour, a Nashville independent financial advisor, as receiver to control Guaranty's business functions, came just three weeks after the court had enjoined Guaranty from doing business while its net capital was less than 1/20th its indebtedness, the minimum required by federal securities regulations.

U.S. District Judge L. Clure Morton appointed the receiver, saying it was the best remedy to protect the interests of churches, bondholders and creditors involved.

At the same time, Judge Morton approved of a request from an attorney representing a dozen churches, including one Baptist association and four Baptist congregations, to come into the case as additional intervenors or plaintiffs.

About 96 churches are involved in bond programs underwritten by Guaranty, a corporation headed by J. Jere Huey, a prominent Baptist layman. Huey estimated about 40 to 60 per cent of the churches were Baptist congregations.

Guaranty, represented by Attorney Frank S. King, Jr., did not oppose the receiver appointment, but favored it as a means of coming into compliance with the federal net capital requirements.

Earlier King had filed a motion, which was denied by Judge Morton, asking the court for 90 days in which to try to sell \$2 1/2 million in bonds to one to three knowledgeable investors in order to bring the net capital up to the 1.20 ratio.

Guaranty has been closed and enjoined from doing business since Jan. 6, when the court ruled it could not operate as long as its net capital was below federal requirements.

During the latest hearing, Huey testified that during the past nine years, Guaranty had placed bond issues for 834 churches and other institutions totalling \$124 million, and had not defaulted on any one of the bonds.

Guaranty's plight was caused primarily by the SEC's method used in computing the company's net capital, which counted as liabilities all bonds held by Guaranty as "open contractual agreements" which Guaranty was to sell for the churches. Guaranty claimed, however, that most of these bonds had been sold from one church account to another and were not "open contractual agreements" but were assets.

Appointment of a receiver was interpreted here as the first major step toward solving the financial problems facing the church bond firm.

The big question is when and how the receiver will be able to pay off churches which are in the midst of construction programs, but cannot continue without funds which Guaranty has been hold as their bond underwriter.

Under the contracts with the churches, the bonds and the funds received from the sale of bonds were held by Guaranty until a church needed them for construction purposes, at which time Guaranty issued a check to cover the construction.

The attorney who filed on behalf of the dozen churches as "intervenors" in the case, Ed R. Davies of Nashville, said each of the churches he represents is in the construction phase and needs funds which Guaranty is holding in order to pay off obligations to contractors.

Three of the 12 churches had been issued checks by Guaranty before the court injunction on Jan. 6, but a Nashville bank closed Guaranty's checking account to offset loans totalling \$371,976 it had made to Guaranty, causing the checks to be returned to the churches unpaid.

The 12 churches represented by Davies, an attorney with the firm of Boulton, Cummings, Conners and Berry, included the Tampa Bay Baptist Association and Baptist City Mission Board, Inc., an association of 85 churches in Tampa, Fla.; the First Baptist Church of Douglasville, Ga.; Southside Baptist Church, Pine Bluff, Ark.; First Baptist Church, Water Valley, Miss.; and First Baptist Church, Panama City, Fla.

Attorneys representing the SEC, the 12 churches, and the defendants consulted in the judge's chambers and agreed with the court on the appointment of Barbour, a professional financial consultant and former vice president of Equitable Securities in Nashville, as the receiver.

No time table was set on when the receiver's plan for solving the financial dilemma would be recommended to the court. The court order on the receivership indicated that all claims against Guaranty must be filed with the receiver before Sept. 1, 1971.

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Damage Suit Filed Against
TimeRite On Film Contract

2/1/71

DALLAS (BP)--A motion picture production firm here has filed a damage suit in a Dallas district court charging that TimeRite, a subsidiary corporation of the Southern Baptist Radio and Television Commission, has failed to pay agreed upon expenses in the making of a film for the Baptist General Convention of Texas.

Marty Young Productions, Inc., filed the suit, claiming that TimeRite owes the firm \$9,200 in film production, costs and damages, according to a report published in the Baptist Standard, weekly newspaper published by the Texas convention.

TimeRite is an advertising agency presently operated by the SBC Radio and Television Commission. Named as defendants in the suit were TimeRite, Inc., and Paul M. Stevens and Robert Thornton as individuals. Stevens is executive director of the Radio-TV Commission. Thornton is an employee of TimeRite.

The suit charged that TimeRite contracted with the Marty Young Agency to produce a film entitled, "Behind the Shadows," for Texas Baptists, but failed to pay all production costs.

Stevens said that the contract called for the film to be produced for \$25,000, and that attorneys for TimeRite recommended that no production costs beyond that amount be paid.

Young said that his firm had produced 15 to 20 films for the Radio-TV Commission in previous years, most of them on a verbal agreement rather than a firm contract basis, and that production costs exceeded the amount in the contract because of verbal commitments authorizing him to do anything necessary to complete the film by the deadline.

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CORRECTIONS

On BP story mailed 1/27/71 entitled, "Sunday School Board Elects Key Leadership Personnel," please change the word four to three in graph 7, line 1 to read: The Church Services and Materials Division will be comprised of the three groups.

On BP story mailed 1/28/71 entitled, "Personnel, Commentary Key Sunday School Board Actions," please add the word budget in paragraph 5, line 3 to read: this year and said the sales total was about \$500,000 less than the budget for the first quarter.



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