



Martin Northern  
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# RETIREMENT INVESTING

SPECIALIZING IN INVESTMENT MANAGEMENT AND ASSET PROTECTION

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## Church Bonds: An Uncommon Value in Today's Bond Market

Churches have capital needs requirements like the U.S. Government, State and Local Governments, and Corporations. Since the very early 1900s, literally thousands of Churches have chosen to issue bonds for the purpose of financing new construction, expanding existing facilities, refinancing an existing debt, or for major capital purchases.

Many Churches have found that bonds have been the best, and most economical way for a Church to secure financing for its long-term capital needs. Church Bonds offer Churches long-term financing with fixed payments protected from unstable market conditions. In most cases, funds from conventional lending sources require the Church to adjust the interest rate of the loan every three to five years, many times requiring the Church to periodically reapply or requalify for the loan and to pay related fees. On the other hand, Church Bonds "lock-in" the mortgage for up to twenty years. Church Bonds provide long-term financing, which will give the Church a fixed payment for the life of the mortgage, protecting it from fluctuating interest rates. Church Bonds can eliminate the need for costly interim construction financing, and the associated fees and usually higher interest rates.

Many Churches would rather pay interest on their loan to its members and other Christian investors, than to a bank. Members and friends of the Church, as well as our other Christian investors have the potential to earn a greater return in their investments while lending money for a worthwhile purpose. Compared to other conventional financing methods, a Church can build equity faster with Church Bonds by rapidly retiring debt.

## Investor Benefits

Church Bonds offer investors a number of benefits including:

- Church Bonds offer current interest rates ranging from 4.75% to 8.25%. Longer maturities yield higher interest rates. A typical Church Bond issue will have maturities in six-month periods ranging from six months to twenty years. Investors can select a maturity date which corresponds with their individual investment objectives.
- First Mortgage Church Bonds are secured by a First Mortgage lien on the Church facilities.
- Investors purchasing Church Bonds pay no sales commission, so 100% of their money is invested immediately. Church Bond underwriting fees are paid by the issuing Church.

## What Makes Great Nation Different?

Great Nation Investment Corporation is widely known for its high quality bond underwritings in the Church finance industry. Church Bond issues underwritten by Great Nation are different from those underwritten by many other Church Bond firms. Because of our extensive experience in the Church financing business, and our comprehensive due diligence investigation into the finances and background of each Church, we at Great Nation are extremely qualified to bring to market the highest quality issues unequalled in the Church Bond industry.

Each Church Bond offering must meet the most thorough qualification standards designed first and foremost to safeguard our bondholder's investment. Churches are required to obtain liability, title, and casualty insurance on the Church facilities for the term of the bond issue. Independent appraisals are required on the property serving as collateral. In addition, a debt service reserve account is established as a safeguard for each bond issue in the event that the issuing Church ever misses a mortgage payment due date. These are just a few of the many standards required by Great Nation Investment Corporation of each Church Bond issue prior to being underwritten by our firm.

## **Frequently Asked Questions:**

### ***What are First Mortgage Church Bonds?***

First Mortgage Church Bonds constitute a promise to pay principal and interest payments at a specified interest rate for a specific period of time, and are secured by a First Mortgage lien on the property of the issuing Church.

### ***What are the current interest rates and maturities?***

Church Bonds underwritten by Great Nation offer a current fixed interest rate of 4.75% for a six-month maturity to 8.25% ranging from ten- to twenty-year maturities.

### ***How long can money be invested in a Church Bond?***

Most Church Bond issues are established with serial maturities. With a serial maturity, the issuer, in this case the Church, will make periodic principal and interest payments over the life of the bond issue. In most cases, bond maturities range in six-month periods from six months to twenty years.

### ***When is the amount invested paid back to the bondholder?***

Usually, the amount invested is paid back to the bondholder at the stated maturity date. However, the bond, at the option of the Church, may be called and prepaid, or paid off early, prior to the maturity date. At that time the bondholder receives the entire principal amount originally invested, plus interest accrued up to the call date.

### ***How is the interest paid?***

With *Simple Interest Bonds*, an independent Corporate Trustee and Paying Agent, or “*Trustee*” issues the bondholder a check every three months. With *Compound Interest Bonds*, the interest is computed, or “*compounded*” each six months, and added to the principal value of the bond and paid to the investor at maturity, or when the bond is called and prepaid, whichever occurs first.

### ***Is the interest earned on Church Bonds taxable?***

Yes, interest earned on Church Bonds is taxable as interest income, similar to a Certificate of Deposit (CD) or a Corporate Bond. The Trustee issues a 1099 to the bondholder each year.

### ***How do interest yields on Church Bonds compare to yields associated with other fixed income investments?***

Generally, but not always, Church Bond interest

yields are higher than those yields associated with other types of bonds or returns on traditional savings instruments such as money market funds or CDs.

### ***How is my investment secured?***

First Mortgage Church Bonds are secured by a First Mortgage lien on the Church property. More detailed information concerning security for the payment of bonds and risk factors are contained in the prospectus.

### ***What criteria are used in approving a Church Bond issue?***

Through many years of experience, and literally hundreds of Church Bond issues, Great Nation has developed what we believe to be conservative requirements for a sound Church Bond issue. We use criteria such as, and certainly not limited to, minimum per-member giving ratios, past history of growth, and a favorable percentage of Church equity to proposed debt. Great Nation also utilizes a proprietary state-of-the-art computer model unparalleled in the Church Bond industry, in order to calculate and analyze various financial ratios and cash flows to obtain an accurate picture of an individual Church’s financial health prior to underwriting a Church Bond issue.

### ***In what amounts can Church Bonds be purchased?***

Most bonds are normally available in multiples of \$250.

### ***Can I invest in Church Bonds in my Individual Retirement Account (IRA)?***

Yes, you can invest in Church Bonds in an IRA. IRA rollovers are accepted, in most cases.

### ***How does a Church repay principal and interest on its bond issue?***

Churches deposit a portion of its weekly or monthly income into its sinking fund account with the Trustee. This account is established to ensure an orderly payment of principal and interest to the bondholders. The Church is under contract, made in advance of the bond issue, that payment of principal and interest on its bond issue will be made prior to other operating expenses being paid.

### ***Can the Church call the bonds before maturity?***

Yes, the Church may call and prepay, or pay the bonds off early, prior to maturity. However, it is under no obligation to do so.

***What is “Book Entry” form of registration?***

Most bonds are purchased in “Book Entry” form of registration in order to relieve the bondholder from the responsibility of holding the registered bond certificate. Principal and interest payments are automatically sent to the bondholder by the Trustee. However, a bondholder may elect to have the bond held in “Certificate” or “Registered Form.” However, the bondholder must return the Registered bond certificate to the Trustee prior to having their original investment returned to them. Most bondholders elect the “Book Entry” form of registration.

***What happens when the Church Bond matures or is called in early and prepaid?***

At maturity, Book Entry bonds will automatically be paid to the bondholder. Registered or Certificate bonds must be presented, usually by mail, to the Trustee. At that time, the Trustee Bank will remit a check to the registered owner of the bond for the face value of the bond plus any interest due. The Trustee notifies the registered bond owner in advance of the bonds being called in early and prepaid.

***Which Church denominations issue Church Bonds?***

Great Nation will only underwrite a bond issue for Churches dedicated to strengthening the moral foundation of America, and promoting Christian spiritual principles. Once this is determined, the Church’s credit quality determines which bond issues are underwritten and offered to our investors.

***Does an investor pay a commission when purchasing a Church Bond?***

The investor pays no commission when purchasing Church Bonds. Therefore, 100% of an investor’s money goes to work immediately upon purchasing a bond. Great Nation is paid an underwriting fee by the issuing Church.

***Can I sell my Church Bond?***

Neither the Church nor the Trustee is under any obligation to retire a bond prior to its stated maturity date. Therefore, a formal secondary market does not exist. However, Great Nation may act a broker, matching buyers with sellers, and receives a commission for completing the transaction.

***Are Church Bonds rated?***

Due to the issue amount of most of Great Nation’s underwritings, it is not cost-justified for the Church

to incur the expense of a rating service such as Moody’s or Standard & Poors. Non-rated securities are not appropriate for all investors. However, the lack of a rating generally translates into a more attractive yield for those investors who are comfortable purchasing non-rated securities.

***Are there any risks associated with investing in Church Bonds?***

As with any debt security, the possibility always exists that an issuer, in this case a Church, might encounter financial difficulties. In the event that the Church fails to make timely principal and or interest payments, the Trustee if necessary, could foreclose and sell the mortgaged Church facilities in order to satisfy the mortgage debt. Church property is a “special use” facility, therefore there can be no assurance that the Trustee could sell the property at a price sufficient to recover the bondholder’s entire investment. In order to understand these and other risks associated with investing in Church Bonds, please review the prospectus completely before investing or sending money. Church Bonds are not deposits or obligations of any bank, are not guaranteed by any bank, and are not insured by the FDIC or any other government agency. As always, remember that past performance is no guarantee of future results. Church Bonds are sold by prospectus only, subject to availability.

***Where can Church Bonds be purchased?***

Church Bonds underwritten by Great Nation can be purchased by giving me a call at 1-800-468-3007, or in the Little Rock/Benton area at 316-3100. I am ready to assist you with any of your investment decisions. As always, orders to buy Church Bonds or any other security are not solicited and will not be accepted in any state where sales are not authorized or permitted.

For more complete information regarding Church Bonds, please return the enclosed coupon.

**Fixed annuities, life insurance, and long-term care insurance are not offered by Great Nation Investment Corporation, but are offered through Martin Northern and Insurance Designers.**

Note: Investments compared to CDs and Treasury Bonds are not insured while CDs are FDIC insured and the Federal Government guarantees Treasury Bonds. Nothing herein is intended to be legal or tax advice. Readers are encouraged to consult their accountant and/or attorney. Mention of a particular investment should not be considered a recommendation. Recommendations can only be made by determining investor suitability. Past performance is not a guarantee of future results and no investment strategy can guarantee positive returns. Annuities, Mutual Funds and Church Bonds are sold by prospectus only, subject to availability. Any rates quoted herein are subject to change. The S&P 500 and Dow Jones Industrial Average are weighted, unmanaged indexes.

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- p **Please contact me about the benefits of investing in the following annuities:**
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