Our Generation, Inc.

Minutes of

Default Clock Review Committee Meeting

October 11, 2019

On October 11, 2019 at 9:45 am, members of the Default Clock Review Committee held a meeting to discuss matters relating to the Default Clock. Present were Baker Spring, Jim Claire, Dean Clancy, Kevin Miller, and Alan Dye, later joined by Dan Perrin.

The minutes of the February meeting, as revised by Baker Spring, were approved unanimously.

Mr. Spring stated the purpose of the meeting is to update the Default Clock and to discuss the significance of recent developments in the REPO market. The February minutes set the default clock at 4 minutes before midnight because four of the twelve factors used in determining the position of the clock granted 1 minute each.

Mr. Spring is purposing two different variants for an update. The earlier draft took the pessimistic view, taking the clock 2 minutes until midnight. Another option, based upon government revenue increases, would move the clock from 4 minutes until midnight, to 3 minutes until midnight.

For purposes of the clock, factors 1, 2, 3 and 4 are unchanged and provided no variance from midnight.

Factors 5 and 6 in February bought one minute each. These two factors remain the same.

Factor 7 is dramatically different from February because the amount of public debt in the hands of foreign entities has stabilized and is not growing as fast as before. Foreign debt is now well below 50% of debt held by the public. At the previous update of the Clock by the Review in February 2019, the Committee awarded one minute away from midnight on this factor. If this factor is left in an active status, it would now buy 2 minutes from midnight. Mr. Spring believes that this would not accurately reflect the financial situation the federal government faces and proposes that this factor be placed into an inactive or discounted posture, partly because the denominator of the factor has grown so much larger. The logic underlying this discount is that, to get to midnight, you do not have to fail in all twelve factors, but only ten of the factors.

Jim Claire indicated that there are several things going on, including a flight to safety because of trade issues and increasing gold purchases resulting from illiquidity in the market for federal securities.

After discussion, the group agreed to discount Factor 7 indefinitely. This has the effect of moving the minute hand one minute closer to midnight compared to the February review.

A brief reference was made to Factor 8 (structure of the debt) based upon a modest decline in the bid to cover ratios. Jim Claire indicated there are tradeoffs in effect for Factor 8 involving the relationship between short and long term debt.

Discussion ensued of Factor 10 involving whether the real rate of GDP growth is at or above 3%. In February it was. Now it is not. The 2018 growth rate has been retrospectively reduced to 2.9%, and the Congressional Budget Office is now projecting that this year the rate will be below 2.9%. Mr. Spring recommended that Factor 10 be revised from a plus 1 to 0 minutes. The proposal was unanimously agreed.

Factor 11 involves the use by the Treasury and the Fed of extraordinary measures to manage the debt. Such measures were actively in used from March through August but are not being used now. In fact, the active measures are being unwound. Mr. Perrin suggested that this should provide an additional 1 minute because they are not now being actively used. A discussion ensued between Mr. Perrin, Mr. Spring and others regarding modern monetary theory. No decision to change the position of the minute hand on the Clock in relation to Factor 11 was made, which means it continues to buy zero minutes away from midnight.

Factor 12 remains the same at zero minutes until midnight as a result of a frightening growth projected for mandatory spending.

Mr. Spring discussed the possibility of moving the clock to 3 minutes to midnight rather than two minutes to midnight because of growth in federal revenues, which will exceed 17.5% of GDP later in the ten-year budget period, but may prove unsustainable due to the lower level of projected economic growth discussed earlier. For this reason, Mr. Spring recommends that this factor be returned to active status, in which case it will provide an additional 1 minute. The proposal was agreed unanimously.

In summary, in the revised press release, Factors 5, 6 and 9 will provide a total of 3 minutes away from midnight, Factor 7 will be considered a discounted factor and everything else remains the same as in February. The bottom line is that the clock will now be advertised as 3 minutes until midnight.

A discussion, primarily between Baker Spring, Jim Claire and Kevin Miller, ensued of the events of September in the REPO market. This discussion focused on the burden of financing the federal government's debt has become a contributing factor to rising fragility in the private banking and investment sectors. The market for federal securities has previously been a source of liquidity but has become a source of illiquidity. Given the size of the federal market, additional borrowing can cause huge and sudden reactions in the market for overnight loans. A detailed discussion ensued of how the REPO market works. This discussion concluded with an explanation how the actions taken by the

Federal Reserve Bank of New York to restore liquidity to the banking sector by buying Treasury securities can serve to mask the dangers described by the use of the Debt Default Clock instrument and create a circumstance where the Clock's minute hand can actually go beyond zero minutes from midnight, at least for a limited period of time.

Mr. Spring suggested another conference call to discuss a draft press release to be prepared by Jim Claire and Kevin Miller and to discuss in more detail the REPO crisis and federal policy creating illiquidity in the markets.

Mr. Spring then discussed a fundraising program in which a paper that answers questions regarding federal fiscal and monetary policy be prepared as a pitch piece to request grants from corporations to the Foundation to support the default clock. Baker Spring is to work with Mr. Ferguson to draft the pitch piece.

The meeting was adjourned by unanimous vote at 10:45 am.

Respectfully submitted,

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Alan P. Dye