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For Immediate Release

The $1.8 Trillion Question

Are Corporations Hoarding or Acting Responsibly?

September 15, 2010 (Chicago, IL) – Corporate cash is at record high levels – both in absolute numbers and as a percent of total corporate revenue. The Fed's estimated $1.8 trillion in total corporate cash balances is **a rational response to challenging economic circumstances** according to a report issued today by Treasury Strategies, Inc., a global treasury consultancy.

"With so much cash currently sitting in corporate coffers, executives are under intense pressure to put that cash back to work in the marketplace. There have been charges of hoarding and accusations that these record levels of cash are prolonging the recession," says Cathy Gregg, Partner of Treasury Strategies.

Treasury Strategies communicated with over 300 corporate clients to understand the underlying business decisions leading to these historic cash levels.

"Very little insight can be gleaned from the $1.8 trillion headline number. But by looking beneath the surface, we identified several rational behaviors that explain why cash levels remain so high," says Anthony Carfang, Partner of Treasury Strategies.

Over the last six months, 88% of companies with higher cash levels cited positive cash flow from operations as the main driver for increased cash. Conversely, 54% of companies whose cash declined said it was driven by decreased flow from operations.

"So we see that increased cash levels at many firms are the result of improvements in day-to-day operations and independent decisions made for the good of each individual company," notes Gregg. "This highlights both the improved economic conditions for some companies, as well as their rational management through tough economic times."

Over the next six months, 30% of corporations are planning to increase cash, while 23% plan to decrease cash and 47% intend to stay the same.

"Here we see the gap has closed between companies planning to increase vs. decrease cash. It was 16% six months ago but drops to just 7% looking forward to the next six months, which indicates that cash levels might be close to peaking," says Carfang.

Corporations must maintain a combination of cash and access to credit in order to meet working capital requirements. Access to credit tightened at the onset of

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the recession. To partially offset that limitation, some corporations have increased cash levels to stay afloat.

“Treasurers have been acting responsibly by holding onto cash, which has kept their companies financially sound through a tremendously challenging economic period,” says Carfang.

You can learn more by accessing the full report.

About Treasury Strategies, Inc.
Treasury Strategies, Inc. is the leading Treasury consulting firm working with corporations and financial services providers. Our experience and thought leadership in treasury management, working capital management, liquidity and payments, combined with our comprehensive view of the market, rewards you with a unique perspective, unparalleled insights and actionable solutions. For more information, please visit www.TreasuryStrategies.com.

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