

Memo:

To: Art Hawkins and Warwick Potts
From: Norman Edwards
Date: January 21, 2004
Re: Port Austin Campus

I want to thank you very much for your offer to help us establish a Sabbatarian post-secondary school. I believe that this is something that our Father in Heaven is working to do. I have certainly seen the need for it after talking with so many independent Sabbatarians who sometimes have no good solutions as to where their young people should go for education.

I hope to start the Sabbatarian Educational Environment (SEE) in Port Austin, and we hope that it lasts for many years to come. I do not have the \$250,000 to pay for the property, but Terry Williams and Phil Frankford, separately or together, potentially do have such funds at their disposal. Terry has already seen the campus, but would still like to take his parents there as they will live with him. Phil is coming to see it this weekend, the 24th.

As soon as these men are satisfied that the property and terms are acceptable, we hope to make a definite agreement with you. Someone representing us would move to Port Austin as soon as Warwick is ready to leave, and the rest of us would follow in early June. We would like to have a summer Christian music and drama camp even before the beginning of the fall school term.

We would like to discuss the method of ownership. It is our understanding that you would like to do it in this manner:

1. We pay \$250,000 to Eternal Life Bible Institute to pay off two existing land contracts.
2. You retain title in the name of Eternal Life Bible Institute, a Minnesota Corporation.
3. You change the corporation's board so that three of the current members remain and so three members associated with SEE are added.
4. We run SEE in as we believe God is leading us.
5. We provide access to Eternal Life Bible Institute members for the Feast of Tabernacles and other Feast days.
6. We return control of the property to you if SEE is stops functioning for some reason.

According to my understanding, this method will not work very well for us, so I would like to explain why, then propose another method that I believe will accomplish the same result from your perspective.

1. I have spent hundreds of hours researching the best method to operate a school (and later, possibly a retirement center for older Sabbatarians—turning the hearts of the children to the fathers and the fathers to the children). We would like to obey Biblical law as much as possible in this. Corporations and associations are heavily regulated by all kinds of federal, state and local laws. The corporate charter of an IRS 501(c)(3) organization must contain a promise to obey all present and future IRS laws. I believe the best way to organize it is as a church community, such as the Amish, Mennonites, Hutterites, etc. These groups have educated their youth and taken care of their elderly without government interference for centuries.
2. I do not believe it would be effective for Eternal Life Bible Institute to own the property upon which the religious community operates. Any branch of the government wishing to exert jurisdiction over SEE would simply take action against Eternal Life Bible Institute, over which they do have jurisdiction. (State jurisdiction over non-profit corporations, even church corporations, is well established.)

3. Neither Terry nor Phil are willing to put their life savings into a situation where they would only have one vote among six as to what happened to them. They are willing to sell their homes to raise the money and to move their household to start this school, but they do not think they should endanger their family's future by having no guarantee of money or a place to live. Please also realize that I have known Terry for only a year and while I met Phil briefly about 28 years ago, I have only spoken with him for the last 2 months. They do not want partial control of a 1.3 million dollar property, whether the school succeeds or not; they want a place to live as long as the school functions and full control over only their investment if the school fails.

What I propose as an alternative is this:

1. We form a new free church community, probably called: Port Austin Church of God.
2. The following steps then take place all at one meeting:
3. Eternal Life Bible Institute files Quit Claim deeds to Terry and/or Phil and then assigns the land contracts to them if possible, or makes other arrangements so that they will accept the payoff from Terry and/or Phil and then grant them title.
4. Terry and/or Phil transfer the proceeds of the sale of their own homes to the land contract holders who file the appropriate deeds granting Terry and/or Phil title to the campus.
5. Terry and/or Phil file deeds to give the property to Port Austin Church of God as an offering.
6. Port Austin Church of God files a first lien in favor of Terry and/or Phil for the amount that each paid. The lien states that it may be collected only if a) the property is sold, b) the school ceases to operate or c) Terry and/or Phil are no longer permitted to live on the premises. This lien expires when these men and their wives die.
7. Port Austin Church of God files a second lien in favor of Eternal Life Bible Institute for \$1,000,000. It may be collected only if a) the property is sold, b) Port Austin Church of God fails to grant reasonable access to Eternal Life Bible Institute members for the Feast Days or c) the school ceases to operate. This lien expires in 15 years or some other time that you desire. The definition of "operating a school" can be made as detailed as you like. This assures you that the property will not be used for anything other than its intended purpose. If it is sold, you will get everything over what Terry and/or Phil put in.

This method provides complete control for the SEE staff if the school succeeds, but gives all the property back if the school fails. This is better than us having partial control whether the school succeeds or fails. The above sequence was designed to minimize the tax consequences for Phil and Terry as well as minimize possible interference from other parties. Since Eternal Life Bible Institute only has a contract and never actually takes title in this scenario, it will be difficult for Glenn, Jory or someone else to claim that they should have a share of the property because they were once part of Eternal Life Bible Institute and did something to improve the campus.

If there is something else that you want, please let us know. If you would like some additional money paid later, we would rather do that than use the other ownership structure.

Thank you very much for reading through this. I do not consider this a final offer, but simply what I believe would be the best for us.

Please let us know what you think.

Thank you very much.

May God bless this effort, and bless you for all your help in it.

In Christian Love,

Norman Edwards