MAJOR LEGAL PROBLEMS

1. APOSTOLIC CORP.

THIS MAY BE A SIGNIFICANT PROBLEM IF AUDITED BECAUSE OF THE MINGLING OF CHURCH AND APOSTOLIC FUNDS, AND OF INSUFFICIENT RECORD KEEPING, AND THE PERSONALITIES INVOLVED. RECORDS NEED TO BE BUILT AND A TAX RETURN FILED FOR 1976 AND 1977 (2 months). WE COULD BE FACING, AFTER AUDIT, A TAX BILL OF UP TO $50,100 DEPENDING ON HOW THE SITUATION IS CONSTRUED BY THE TAX AGENCY. WE WILL FILE A NO TAX DUE RETURN BASED UPON OUR VIEW, AND THEN WILL JUST HAVE TO WAIT AND SEE IF IT IS AUDITED. THE BIGGEST PROBLEM WILL BE TO GET TISH TO COMPLETE IT.

2. SOCIAL SECURITY

THERE IS THE POTENTIAL THAT THEY WILL TRY TO MAKE A CASE TO REDUCE OUR PEOPLES SSI / DIB CHECKS BY 1/3 BECAUSE OF COMINGLING OF FUNDS - SUBSIDY. THEY WOULD HAVE TO DO A LOT OF INVESTIGATION. AS OF NOW THEY ARE COOPERATIVE WITH US, AND IN FACT OUR

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OUTSTANDING BACK CHECKS HAVE BEEN REDUCED BY 2/3 IN THE LAST 30 DAYS. OF COURSE, THE LONGER OUR COMMUNAL STRUCTURE IS OPERATED, THE LONGER OUR EXPOSURE TO INVESTIGATION, ETC.

3. LIFE CARE

WITH RESPECT TO PERSONS OVER 60 years OF AGE, ANY AGREEMENT (THIS CAN BE QUITE INFORMAL) TO PROVIDE CARE FOR MORE THAN 1 year REQUIRES A LICENSE AND ETC. I AM SURE THESE RULES APPLY TO OUR SITUATION. THERE WILL NOT BE AN INVESTIGATION UNLESS SOME SENIOR WHO DONATED A HOUSE, OR SUBSTANTIAL FUNDS, COMPLAINS. IF WE DO HAVE A COMPLAINT MY ADVICE WOULD BE TO OFFER TO RETURN THE FUNDS Received, IF ON A HOUSE SALE (LESS REHABILITATION COST). I DOUBT IF THERE WOULD BE ANY LEGAL ACTION IF THAT WERE DONE. THE BEST REMEDY IS TO GET THOSE WHO MADE SUBSTANTIAL DONATIONS HERE AS SOON AS POSSIBLE.

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4. TAX - ATTACK ON CHURCH EXEMPTION

THIS WOULD BE A LONG, DRAWN OUT AFFAIR. WE WOULD HAVE NOTICE OF INVESTIGATION & ETC. ULTIMATELY THEY WILL (IF THEY DECIDE TO TERMINATE THE EXEMPTION) DO AN ASSESSMENT AND GIVE US NOTICE OF TAX DUE. IF THIS COMES ABOUT, THE FIGURE WOULD BE LARGE, ON THE ORDER OF 40-50% OF OUR BANKED INCOME FOR THE YEARS QUESTIONED. ON FAILURE TO PAY, THE WOULD TIE UP OUR ASSETS THEN. I DO NOT HAVE A CLEAR UNDERSTANDING HOW LONG THIS WOULD TAKE, BUT SURELY AT LEAST A YEAR FROM THE START OF FORMAL INVESTIGATION, AND LIKELY MUCH LONGER. OUR BIGGEST PROBLEM IS THE LACK OF BOOKS & RECORDS OF OUR CHURCH FINANCES ... WE HAVE OUR PLAN TO DEAL WITH THAT; AND I'LL START SOME SORT OF BOOKS GOING AGAIN. OUR BEST APPROACH TO THIS IS TO CONTINUE CHURCH OPERATION IN U.S. ON A MODEST BASIS - AND TO STAY OUT OF POLITICAL ACTIVITY.

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5. FINANCIAL ARRANGEMENTS

THERE IS AN IMMEDIATE ~~STORAGE~~ REPORTING ISSUE WITH RESPECT TO ALL WHO CAN EXERCISE "CONTROL". THE NEXT ISSUE IS WITH RESPECT TO ANNUAL TAX RETURNS - 1976 & 1977 FOR WHO FILED THEM. NOTHING TO BE DONE. THIS IS AN ASSUMED RISK. MY FEELING IS THAT THIS WOULD COME TO OFFICIAL ATTENTION, IF AT ALL, BASED UPON EITHER (1) AN IRS AUDIT OF OUR P.T. BANK ACCOUNTS, OR (2) AN INTELLIGENCE AGENCY INVESTIGATION. OUR ONLY FINAL REMEDY FOR THIS, UNLESS WE WISH TO DISCLOSE, IS TO KEEP AFFECTED PERSONS OUT OF THE U.S. I FEEL THAT THE UTILIZATION OF CHURCH FUNDS IN THE AGRICULTURAL PROJECT IS ENTIRELY LEGAL.

6. INDIVIDUAL PROBLEMS

PROBATIONERS AND FOSTER CHILDREN. THESE, IN THE SENSE OF OUR ABILITY TO GET THEM OVERSEAS LEGALLY, DEPEND TO A LARGE EXTENT ON OUR COMMUNITY IMAGE. IF THE ESTABLISHMENT FEELS WE ARE OK, THEY CAN BE WORKED WITH. IT IS ALL DISCRETIONARY.

WITH RESPECT TO CHILD CUSTODY,

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MARRIAGES AND EX-MARRIAGE PARTNERS

AS DISCUSSED, THESE CAN ONLY BE ARRANGED BY those PEOPLE COMING BY THEMSELVES WITH THEIR CHILDREN. WE SHOULD HAVE AS LITTLE ORGANIZATIONAL CONTACT AS POSSIBLE WITH THESE ARRANGEMENTS.

7. THE ROSE ISSUE

I DO NOT KNOW HOW TO EVALUATE THIS, BUT I FEEL IT TO BE A REAL PRESENT RISK IN VIEW OF WHO MAY BE TALKING. IT MAY WELL DEPEND UPON THEIR ABILITY TO ESTABLISH HOW THE EVENT OCCURRED BECAUSE THAT MUST BE DONE AT TRIAL BEFORE ANY ADMISSION OF RESPONSABILITY CAN BE INTRODUCED.

I REMEMBER, IN THIS CONTEXT, THE OLD ADAGE APPLICABLE TO LEGAL EXPERTS, THAT "FIGURES DON'T LIE, BUT LIARS FIGURE"

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