

HWAPP#9629 5024

MINUTES OF BOARD OF DIRECTORS' ANNUAL MEETING  
WORLDWIDE CHURCH OF GOD  
A California Corporation

The annual meeting of the Board of Directors and members of the Worldwide Church of God was held on January 3, 1978, at the hour of 3:00 p.m. at 300 West Green Street, Pasadena, California, pursuant to a call by its President, Mr. Herbert W. Armstrong.

All of the Director members of the Worldwide Church of God were present and acting, to wit: Herbert W. Armstrong, Garner Ted Armstrong, Shirley Armstrong, Stanley R. Rader, Ronald Dart, Leslie McCullough, Robert Kuhn, Ray Wright, Ralph Helge, Ellis LaRavia, Wayne Cole, Richard Rice and Raymond McNair. Mr. Herbert W. Armstrong presided as Chairman and Mr. Stanley R. Rader served as Secretary.

Mr. Herbert Armstrong gave the convocation and then proceeded to review the most meaningful aspects of his illness and let the Board members know that last August, in his opinion, he was scripturally dead. The doctor had called it heart failure. His heart and his breathing had apparently both stopped momentarily, but with skilled nurses present and administering to him he was able to recover. So far as he was concerned, if his work for God were finished, then he would have preferred to remain dead, but he realizes that God had shown him that his work was not done and restored his life when he was past 85 and without any loss of memory and without any visible evidence. Mr. Armstrong reminded the Board that over 50 years ago he had given his life to Jesus Christ, and it had belonged to Him ever since.

Mr. Armstrong stated: "I have never claimed that I have built any part of this campus or of the Work as a whole. Jesus Christ did it through me as his chosen instrument. He made me His sole Apostle on earth at this time. This is the Work of the Living God. It is not the work of man. We must never forget this. Jesus Christ heads this Work, and I work through and for Him as His instrument. All of you work for me. You are all accountable for your work, as I am accountable to God, but I am responsible to God for your performance, as well as my own. I was chosen and appointed by Him. I am not permanently disabled. I am making a sure and sound recovery. I am not dead.

"Day-by-day administrative matters and the execution of policy decided by me have been delegated by me to Garner Ted Armstrong and to others who have been appointed by me or by Garner Ted Armstrong with my express approval. I will continue to make all policy decisions, whether they be policy decisions concerning doctrine or secular affairs of the College, or things like that.

"I must remind you that everything I do, or try to do, must further the fulfillment of the Great Commission. In other words, I want to show you that I was not commissioned to build the

Very different than what he said in Oct. 1946 !!

College, and I never intended to go into the college business. The Great Commission is to spread the Gospel of Jesus Christ to the world as a witness for all nations by radio, television, the printed word and personal evangelism, and to feed and sustain the flock. Everything must be judged in light of this Great Commission, and whatever does not further its fulfillment must be modified, improved or jettisoned. For example, we established Imperial Schools at a time that we could afford them and at a time that we believed that we needed them. They were a good thing as long as we could afford them, but we came to a place where we decided that we couldn't afford them any longer. Whatever is too costly must be similarly treated.

"With this in the forefront of our minds, we should turn our attention to a few concrete matters about which I have some specific comments to make.

"First of all, I have received Mr. Rader's resignation as Vice President for Financial Affairs. I didn't really understand that he was leaving as Vice President for Financial Affairs, but rather that his primary work would be as my chief assistant and chief adviser. He reminds me that this is what we had agreed to last July, but I do not choose to accept his resignation, at least for the calendar year of 1978. And so, Stanley, I now ask you to remain for another year as Vice President for Financial Affairs."

Mr. Armstrong then returned the resignation to Mr. Rader. The resignation was considered as withdrawn and, there being no opposition, Mr. Rader agreed to remain as Vice President for Financial Affairs.

Turning to other matters, Mr. Armstrong then stated: "The Vista del Arroyo property, Big Sandy, accreditation and the academic budget of Ambassador College are all interrelated and, as we address ourselves to them one by one, please keep the interrelationship in mind, as I have in dealing with them, and also our Great Commission.

"Regarding Vista del Arroyo, I have never sought this property because I have never wanted to accept government aid. Now let me explain something right here. In 1948, just after the closing of the first year of Ambassador College, I went to Chicago to attend the National Educational Convention, and we had group meetings for different categories, and I was assigned to the group that would discuss college and university financing. All the others were spending their time deciding how they could get the most government money, and I told them that I did not want any government money, because, as I stated, 'once one accepts government money, the government has its foot in the door, and once that happens, you are working for the government and the government will tell you what to do.' I have never intended, and I have never

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wanted, to be in a position where I might be forced to throw God out the window or do as anybody else might say, whether an accrediting committee or a governmental agency. As far as the government is concerned, I try to be a good citizen, pay taxes (and be subject to the powers that be). So I have always been opposed to the acceptance of government aid, of this type in particular. I am, thus, not in favor of accepting the government's offer to convey the property, and I believe that the appropriate officers of this corporation should so notify the appropriate governmental officers of this decision."

That would change in 1979-80.

Mr. Ted Armstrong and Mr. Rader both agreed that at the present moment there would be little likelihood that the Vista del Arroyo property would actually be accepted by the College unless certain restrictions in the conveyance from the government would be eliminated or interpreted in such a manner as to be for the benefit of Ambassador College and the Worldwide Church of God. The restrictions would, as they presently are proposed by the government, prevent the property's being used for religious purposes or for purposes of religion in perpetuity. Mr. Rader reminded the Board that this had always been the bottom line. However, when the Church and the College first evinced an interest in the property, and both the government and the City of Pasadena were acting in a manner favorable to the College's application, certain interested parties in the community and certain detractors, dissenters and critics of the Work began to move in opposition against the College and the Church. It was decided at that time to do everything possible to prove that the College was the kind of institution that could be the recipient of such governmental largess and to disprove any allegations that the College and the Church were reprehensible organizations. There had always been a significant doubt in the minds of Mr. Rader and Mr. Helge that the property could be accepted because of the history of the law in this area and the direction in which the law was moving.

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Regarding Big Sandy, Mr. Herbert Armstrong stated that: "Upon elimination of our academic program at Big Sandy, Texas, I took it for granted that we would dispose of our complex there at the earliest possible opportunity, just as we have been trying for some time to dispose of our holdings in Bricket Wood, England, upon the cessation of the academic program there. Naturally, we would hope that any sale or disposition of the property would include a provision permitting our use of the property, particularly the Tabernacle and Administration Building, during the Feast of Tabernacles. Therefore, I direct the appropriate officers of this corporation to begin an effort to find a buyer at the best possible price."

At this point Mr. Garner Ted Armstrong stated that he could not in good faith carry out those orders. He said that he would rather resign his executive capacities in the Work and continue in the radio and television areas. He stated that he would prefer

not to be a part of the administrative, executive decision-making area involving the finances of the Work and undertaking any responsibility for it. He said that he had been wrestling with the problems of Big Sandy, Vista del Arroyo and accreditation for months. He said that he would have never closed the College down if his father had not given him specific orders to do so in the name of Jesus Christ. Mr. Garner Ted Armstrong stated: "I wasn't sure which way accreditation would go here (Pasadena), and I thought that Big Sandy was our only back door." He claimed that it was the only one of the three colleges that has been financially justified and the only one of the colleges where the product we got for the money put in was rational. Mr. Garner Ted Armstrong stated that he and Mr. Rader had discussed for some time that one of the greatest problems of the Work was one of identity, and that, "if this (Pasadena) is the Church Headquarters and that (Big Sandy) is the College, then there is no problem."

Mr. Herbert Armstrong stated that he would not at this moment accept Big Sandy's being the College and keeping Pasadena only as a Church, although he would have more to discuss about how he would like the Pasadena complex to be used in the future.

Mr. Rader reminded the Board, and Mr. Garner Ted Armstrong in particular, at this point that Mr. Armstrong had not ordered the sale of Big Sandy, but had ordered the officers to try to find a buyer at the earliest opportunity.

Regarding accreditation, Mr. Herbert Armstrong stated: "We are not, and can never be, committed to the principles of higher education as those principles are interpreted by the Western Association of Schools and Colleges. We have taught, and we must still teach, that modern education is decadent. I did reluctantly give my approval on two occasions that the process of accreditation be explored, but the results have been as I had always expected and as confirmed in a memorandum prepared for me by Mr. Helge last July. I will never give my approval to such alien concepts as academic freedom, tenure, faculty and student participation in the administrative affairs of God's College, or anything that could even remotely keep God out of the College. Nor will I ever permit, so long as I have a breath, the Living God to be directly or indirectly relegated to the sidelines. Hence, I see no valid purpose to be served in a continuing quest for accreditation. I have felt this way, as all of you know, from the beginning.

"Now, regarding academic budgets, I have been considering whether we should even remain in the college business at all, and I think now it is about time that we begin to look that question squarely in the eye in light of our Great Commission."

Mr. Garner Ted Armstrong stated that, "We are not in the college business and we never have been." He stated further, "We have a very hard-nosed faculty (College) Handbook which is very

powerfully written and which protects us in every one of those areas that you are concerned about (no matter the vibrations it caused in the Western Association of Schools and Colleges), and, in my opinion, if we just capriciously cancel accreditation without awfully clear reasons to do so, we are going to have a barrage of publicity that is going to be worse than anything we have had yet.

Mr. Herbert Armstrong then stated: "It doesn't necessarily mean that we have to cancel it out immediately."

Mr. Rader then added: "I think what I have heard Mr. Herbert Armstrong say is that he doesn't see the purpose in continuing the quest, but I agree with what Mr. Ted Armstrong has said, that if the Handbook as it was submitted last time is still the Handbook in being, then the Handbook does protect us fully on questions of tenure, academic freedom, student and faculty participation in College administrative affairs and the like. It protects the Church and it protects Mr. Armstrong. And you know, Mr. Armstrong, that I was one of the people, prior to 1970, suggesting that we should explore the process of accreditation, which you reluctantly gave us permission to do. We were not successful in getting accreditation at that time for a variety of reasons which are no longer important now. Subsequently, Dr. Meredith (who was then deputy chancellor), Dr. Germano and I came to you again and asked for permission to pursue accreditation once more. We are very close to getting it now. I haven't had anything to do with the process since last February. When the Committee came down for its full study, I was away, and when the Commission met in Oakland, I was also away. But we are awfully close to getting accredited now, on your terms, if Mr. Garner Ted Armstrong is correct and means what he says about the College Handbook, which Mr. Helge and I carefully prepared after years of study. This Handbook followed your guidelines. I don't really think you are saying that we must stop immediately on accreditation."

GTA not originator of accreditation move

Notice how he phrased it !!

Note HWA's response

Mr. Herbert Armstrong: "I don't think we should take time for a full discussion on that point now. I just simply say that I never intended to be in the college business. However, I was on the air and printing the Plain Truth in a small way and spending six nights a week evangelizing in various places. I was having a number of conversions in every place where I went, but not one of these churches lasted six months, because there was no one there to feed the flock and they were sheep that went astray because there was no shepherd. I came to realize that there was a pentecostal church that didn't have God's Truth right there in town, and it was getting little churches started here and there, and they grew. And that put it forcibly in my mind that I had to have an educated ministry. And so, starting the College was just what God was leading me to do, and it has always been under His leading. It took a succession of miracles to keep it alive.

"Now, some of these things that we have been discussing have been up in the air and looked at with an uncertainty, and

I feel the time has come that we should come out with a certain voice and say just what we feel and what we believe. I am sure that that is what Jesus Christ wants done. For many years the Work was growing at a rate of 30% a year, and did so for almost 35 years. Finally, the Work came to the place where it began to hold its own, and we have had to drop some of those things that were luxuries, or that we couldn't afford and that were not essential to the fulfillment of the Great Commission. I have never taken my eyes off the goal. The first law of success is to have the right goal and keep your eyes on it. Our goal is to take the Good News of the Kingdom of God into all of the world for a witness to all nations. I think I see some of the important things even more clearly today than I have in several years, and it is about time that I speak up. Every one of these things can be discussed further and I am sure that you all know that I, more than anyone else, have always been willing to change my mind on proof. As Abraham Lincoln said, 'I shall accept new views as often as they shall be proved to be true views.'

"We have provided the Work with the educated ministry that God showed me was needed, and we can continue to provide new ministers and to continue the education of our present ministry even more effectively at a far lower cost by a ministerial training program. Furthermore, we cannot continue to spend so much of our annual budget on an academic program, in Pasadena or elsewhere, when other needs of the Work are not being satisfied, such as broadcasting, because of a serious lack of funds. Therefore, during the next few months we must thoroughly re-think our approach about the College, and certainly in time to make a decision, if necessary, before the scheduled reopening of the College for the year 1978-79.

"Now, regarding the Ambassador International Cultural Foundation and the magazine, QUEST/77, I did approve both the Foundation and the magazine. I know that Mr. Rader and Dr. Kuhn have been very accurate in predicting the results of their creative efforts. I have personally seen at first hand what the Foundation and QUEST/77 have done for me and the Work during the last three years. However, I have not read QUEST/77, although I have examined it. But I did give my whole approval and authority to Mr. Rader to get the best possible talent to make QUEST/77 a success. I want to remind you at this point that I had been in the publishing business 20 years before this College here in Pasadena was started, and look at all the years that we have been publishing since then. The things that we have been publishing, however, were given freely, and we have not had to depend on a subscription price or advertising income. But for 20 years I was also working in the area of publishing where we did have to have advertising income and subscription revenue to succeed. In fact, that is what the publishing business is; one is in the business of selling advertising and subscriptions. Now I know that QUEST has been very well received everywhere that it was designed to go. It was designed for certain circles where

Point of  
Quest  
magazine

we would be unlikely to reach directly with our other efforts. In other words, it was not designed, nor did I ever expect it, to be a magazine for our Church membership. The whole idea was that it would be a secular magazine that, once it was on its feet, would accept my articles and would also give us advertising for the Plain Truth."

Mr. Garner Ted Armstrong then stated: "This is entirely 180 degrees from what you told me personally and privately. QUEST will never accept your articles. You have voiced great displeasure to me on that issue many, many times. You told me that you didn't know anything about the Foundation. You told me that you were dissatisfied with QUEST, and I reported to you that I was dissatisfied with it and the use of God's name in vain and the profanity that has hurt our membership and our ministry. Now just this mornir in a three-hour session, we were determining whether we could continue to subsidize QUEST to keep it afloat."

Mr. Herbert Armstrong: "Let me say that, since you have talked to me about QUEST, some weeks ago, I immediately took the matter up with Mr. Rader. As usual, and consistently, I wanted both sides."

Mr. Garner Ted Armstrong: "Mr. Rader's side and my side are the same side, and you wouldn't get two different sides."

Mr. Rader: "That is correct; there is only one side."

Mr. Garner Ted Armstrong: "Well, that is correct. I was talking to Stan on the telephone just the night before last, and we both thought we ought to sell QUEST/77, but we both believe that there is an option short of that. We believe that we do not have to lose the millions of dollars that we have placed in QUEST by a forced sale, and that we can continue to subsidize it and that if we should not be able to do so, Mr. Rader can get separate financing from our bankers or others so that we can continue the magazine until such time that we can maximize the sale proceeds."

Mr. Herbert Armstrong: "I would like to extend the time of testing QUEST for the calendar year of 1978, and I want to re-emphasize that Mr. Rader has always stressed to me, and I agree, that the magazine was never designed to appeal to our members. Now I have heard from Mr. Rader that there is some concern within the Church about some articles and some illustrations which have appeared to be in conflict with our basic, underlying values and with some of our basic teachings. We must strive to eliminate this confusion and concern and to be of one mind about the effectiveness of QUEST as a means of getting the Gospel to the world."

Mr. Rader: "I know, Mr. Armstrong, that you believe, one way or another, that, directly or indirectly, the magazine is going to have to carry within its pages a basic message. I

have instructed the editor, Mr. Shnayerson, in writing, as early as September, 1976, before QUEST was even published, that you intended to write for the magazine and that you would do so after he, Mr. Shnayerson, had had adequate time to put the magazine on its feet. As a matter of fact, I have not seen Mr. Shnayerson, nor have I talked with him since November, 1976, but I am confident that he will adhere fully to the dictates of my memorandum of September, 1976, in which I stated that, if he were not in accord, I would cancel the entire project forthwith."

Mr. Garner Ted Armstrong stated that it was his opinion that that would never happen and that if it were made known we would never have any more advertisers, nor would we have groups of professional people serving the magazine. He continued: "That is my opinion, because that is under cover. That is not clearly stated as a part of the policy of the magazine, and none of those men that I have talked to this morning know that or faintly suspect it. None of them know about it. I saw the men from New York."

Mr. Rader then stated that they were business people, however; they were not of the editorial staff, but strictly on the business side.

Mr. Herbert Armstrong: "We must try to eliminate this confusion, as I have said, and be of one mind. Furthermore, I am aware, after my conversation with Mr. Rader, that both the Foundation and QUEST have had an impact on our budget greater than I had anticipated, and perhaps greater than foreseen by our financial people. Therefore, the Foundation and QUEST may have to be curtailed, or even abandoned, if it should be costing too much or if it should be keeping us from fulfilling our Work in other areas more directly connected with the Great Commission.

"I believe that all other matters can await the next meeting of this Board, or action of the Executive Committee, which, as you know, is comprised of Mr. Garner Ted Armstrong, Mr. Rader and myself. I shall attend the opening of the Ministerial Conference tomorrow, and I have reviewed the major doctrinal papers with my son, Ted, Wayne Cole, Brian Knowles, Robert Kuhn and Mr. Rader. I shall then return to Tucson, where I shall continue to spend much of the winter regaining all of my physical strength. As you are undoubtedly aware, when you spend a few weeks in bed, it takes awhile to recover all of your physical strength. However, I shall be continuing to confer with my son, Ted, as well as Mr. Rader, on a regular basis, and I welcome visits from many of you in the coming weeks. I shall also welcome telephone calls from any of you who would like to discuss Board matters or affairs of this Work but are unable to come to Tucson."

Mr. Rader: "Correct me if I am wrong, Mr. Armstrong, but I have not heard you make but one or two definitive decisions here today. As I understand what has transpired here today, you



have reasserted yourself as God's apostle and you have reminded us all that you are not dead, retired or disabled. You have said that, as always, you will continue to make the final policy decisions and that Ted has been delegated, along with others, to handle all of the other matters of the Church. You have stated that we should re-think our whole academic area because you feel that perhaps we shouldn't remain in the college 'business' any longer. You have stated that you do not see any purpose in continuing to pursue accreditation unless we are moving in a direction in total consonance with the basic values and policies of the Work and in accordance with the guidelines that you laid down. You have said that we should sell Big Sandy, just as you had agreed to sell Bricket Wood when the activities were terminated there. You have not ordered a sale forthwith, but you have asked us to find a buyer, which means that we could still, of course, reject any offer that is submitted. You have said that you have never wanted the Vista del Arroyo property. Mr. Helge and I are already in the process of notifying the government that we do not want the property unless the undesirable restrictions can be eliminated or neutralized. As I understand the meeting, we really haven't changed anything, and you, Mr. Armstrong, are simply letting the Board know some of the things which have been on your mind for some time."

Mr. Herbert Armstrong: "Well, it gets down to this--I have come here today with the intention of stating the facts as they are and making them plain and simple: that I have not retired and have no intention of retiring, and that I think the air needs to be cleared on about three or four matters, and that is why I mentioned them. Now I will hold these matters in abeyance until all of the facts are in. The facts may change my mind, because my mind is changeable, but I am not going to change my mind just to agree with any one of you."

Mr. Garner Ted Armstrong: "We sure would never expect that, Dad."

Mr. Herbert Armstrong: "There is a father and son complex, and you have to put that over on the side of human nature. Both Ted and I are going to have to realize where that human nature comes from, and it's not coming from God. I wrote to you, Ted, maybe six months ago or more, almost a year now, how it seemed to me that the father and son combination that God put here in this Church is a great proof that this is the very Church of God."

Mr. Rader: "We are all in accord. Everyone wants to do the very best thing possible. If you can bear with me for a few minutes, however, I would like to read something that I did prepare for today. Having submitted my resignation to you, Mr. Armstrong, I had decided that this would be somewhat of a valediction, but having withdrawn my resignation at your request, I still believe my comments are relevant and are of importance for the members of the Board. These comments are addressed to you in a letter, Mr. Armstrong, as Chairman of the Board of Directors of

the Worldwide Church of God.

"Dear Mr. Armstrong: Last July you, Ted and I agreed that at an early date, hopefully by the first of January, 1978, I would be able to step down as Vice President for Financial Affairs in order to devote all of my time to you and to the Foundation here and abroad. Accordingly, I have submitted my resignation effective upon your acceptance (which you have now refused, and I am happy to hear that). Meanwhile, I have made every effort to bring about the changes within the administration of the affairs of the Work that were within the ambit of my authority and responsibility, moral and legal, to insure the stability of the organization and the fulfillment of the Great Commission. I have communicated my counsel to Garner Ted Armstrong, to Ray Wright, to Ralph Helge and to Robert Kuhn, the most active members of the Board besides ourselves, in the day-by-day affairs of the Work. In written memoranda and in personal conversations over the past six months I have stressed repeatedly that we must begin to allocate our resources in such a way as to prevent any further misallocation of those resources and to provide adequately for those areas of the Work that will lead to the fulfillment of the Great Commission and in areas that ministers, brethren and colleagues have advised me as essential. However, I do feel it is incumbent upon me today to at least restate here for the entirety of the Board, on the occasion of this most historic meeting after your illness forced you to the sidelines last August.

mid-1976  
misallocation

'I shall not take much time here. I shall merely state the problem as succinctly as possible and as clearly as possible. If any members desire more, they can so request and I shall try to elaborate at a later time.

'For some considerable time we have been faced with a combination of circumstances that have made it difficult for the early growth and effectiveness of the Work to continue at the same pace and at the same level of effectiveness. And, in fact, there has been considerable evidence that there has been an actual decline in the thrust of the Work by whatever set of criteria may be used to measure such growth and effectiveness. There have been a variety of reasons for this decline, including inflation, bad publicity, dissension from within, attacks from detractors and former members, a crisis in leadership, exasperated in 1974 and again in 1975, your illness, the 1972 syndrome, various changes in doctrine after years without change, and the like. No single factor can be, or should be, stressed as the primary cause of our problems, but taken collectively they have presented us with a most formidable combination of circumstances. Consequently, we have had to make many changes, and most of the major changes have occurred during my tenure as an officer and a director of this institution.

AR again

'I am proud of my achievements and my part in bringing some of them about. We have terminated our academic program at

Bricket Wood. We have terminated our academic program at Big Sandy. We have trimmed our payroll by more than ten million dollars per year, reducing the number of employees by hundreds, but increasing our efficiency department by department. We have created the Ambassador International Cultural Foundation, that has won for us friends, recognition and praise throughout the world and particularly in the Southland and Pasadena, all of which has helped to overcome the terrible publicity that we have suffered. But this publicity stems from what we do or appear to be doing rather than from what we believe or teach.

NB - not like adverse publicity

'We have created a national, and soon to become international, magazine, QUEST/78, that not only gives us prestige and attention, but it permits us to make an impression on countless thousands of persons in the upper reaches of society who would otherwise be unaware of our existence, of our message and of our Great Commission.

Quest was totally secular so they would not become aware, either.

'We have moved further along the road to accreditation. We have eliminated the red herrings thrown in our path, and may have sealed off the attempts of Satan to remove God from the College

'We have done much to consolidate our position after the ministerial rebellions in 1974 and 1975. We have established a strong renewal policy for the PLAIN TRUTH, and the distribution efforts for the PLAIN TRUTH have been vastly improved and extended due to the important leverage that QUEST has lent to the PLAIN TRUTH in the newsstand area.

'We have extended the Work's image, its name, its influence throughout the world in the highest places of government, in the best academic, social and economic circles, and to the man in the street, as a consequence of your, Mr. Armstrong, inexorable efforts almost 300 days a year abroad.

'We have not done, however, in my opinion, quite enough in the area of radio, television and the printed word to bring the Gospel to the world in the most direct manner. We have steadily reduced our appropriations for the media area in percentage of the overall funds of the Work available for media and in terms of actual dollars committed to media. Meanwhile, others with a false message have been flooding the air with radio and television programs.

AC as a misallocation of resources.

'In my opinion, we have not done what could have been done in the media area for the basic reason that there has been a misallocation of our economic resources, probably to the area of the colleges. This problem became obvious to all of us before I became an officer or director, and for years I have argued in every forum available to me as your chief adviser, as general counsel and as an officer, that we cannot continue to devote so much of our resources, human as well as financial, to the academic area.

This finally led to an elimination of our redundant activities in England and in Texas, but it has not led to an understanding that the academic area is still perhaps receiving too much of that which is presently available to the Work, that the area benefits only the few at the expense of the many, that a college cannot replace the need for a maximum effort in the media, and that the area is one that maybe has become a luxury that the Work can ill afford.

'Naturally, it is possible to single out in any one year an activity that has cost the Work a substantial amount of money, and an argument can be propounded that but for such or such an activity we could have put that money for that year into the media, but that approach is not essentially sound. Yes, we could sell our aircraft, and perhaps we should anyway and put our savings from operation and even the return of capital into media, but would we? And what would we do after that source had been depleted or rendered inadequate by the rising costs in all areas in the wake of inflation? Yes, we can cancel all of the Foundation's efforts. But should we?

'When almost 40% of our annual budget is spent on our academic program, including our debt retirement, one must begin there in thinking about a reallocation of our resources. Is the Great Commission such that we must devote that high a percentage of our resources available to us to Ambassador College or colleges? That is the key question, and that must be answered by you, Mr. Armstrong, in definitive terms, once and for all. For, once we have properly disposed of that question, all of the other problems of the Work will fall into line.

'I trust that the foregoing has not been longer than it need be. As always, I have attempted to give you facts to help you make your decision, because the responsibility is yours, as I have learned to understand your accountability to God, since you, under Him, are ruling from the top. As your adviser, you know what my approach has been: to be candid, to be forthright and vigorous in giving my advice, and to be loyal and energetic in carrying out your policies. I hope that I have never failed you in any respect and I shall be able to serve you many more years until this Great Commission has been fulfilled in accordance with the Scriptures and as you have proclaimed with power around the world.

'In summary, all that I am saying is that, since a very large portion of our entire budget goes into the academic area, we must start there. Once we have solved that problem, whatever it is--maybe we want to spend 80% of our resources on academics--the rest falls in line. In my opinion, for the moment you have too much going there.'

Mr. Rader and Mr. Garner Ted Armstrong then questioned

Mr. Rader's statement that approximately 40% was going into the academic area. Mr. Rader commented that he had been relying upon the most recent information furnished him by Mr. Wright, and both Mr. Rader and Mr. Garner Ted Armstrong agreed that the figure could change, or might be different depending upon what was included in the academic area and what was excluded. Mr. Rader emphasized that it doesn't make any difference what the exact percentage is because the amount of dollars constitutes the single most significant part of the entire budget of the Work and, since it is the largest portion of the Work, we must start any budget analysis with that area.

TRUE > Mr. Garner Ted Armstrong then stated: "I would like to mention something, that, in the first place, I would wish that the word 'misallocation' never be used in a report, and, in the second place, 'to prevent further misallocation' alleges previous misallocations. I was never a part of the financial decision-making process in this organization until I, in a very halting, very minor way, began to become aware in the summer of 1976 of some of the fiscal policies of the Work. From that time, I have had to find in case after case places where I thought, just my opinion, that our budget priorities were absolutely out of step with reality. I go back to many Boardroom meetings in this very room, where we were faced with serious financial calamities as a result of over budgeting in practically every department of the Work. During those years I would like to recall one budget meeting in which we urged you, Mr. Armstrong, to adopt about a 12% per annum increase in the income instead of a 29% or 30% increase, and you refused. We went with the 30% and, of course, the calamities kept coming like waves of the sea. Now we sat there, Norman Smith and I, and listened, year after year, to how we were going to cancel magazines, combine magazines, change magazines, take out the color, reduce the pages, combine issues. I listened, year after year, to how we were going to cut down in radio, cut back in television, in order to do what? In order to maintain a rapidly expanding physical plant over which I had no power, no control, and I was never listened to, whether it had to do with quarry stone, the Auditorium, this building, the Student Center, the Loma D. Armstrong Academic Complex, whether it had to do with costs, architects' fees and the rest of it. Now, I come in at this later-date picture and have had to walk under the rug and pick up the whole room full of furniture on my shoulders, and it is I, Dad, to whom they come. Anyhow, it is no longer you sitting there coming down with some kind of terrible news that we are going to have to go negative at the bank, that we are going to be denied our lines of credit, that we are going to be bankrupt, and such horrible news. Stan and I have had to shield you from some of the bad news recently because we have not wanted to disturb you while you were ill, but we are going to be facing immediately in the near future other financial crises brought about directly by decisions made over ten years ago with regard to expansion of physical plant. Now I want to make that clear as my statement here, because I was never a part of any alleged misallocation any time in the history of this Work."

Mr. Rader: "Misallocation does not mean misappropriation. Mr. Armstrong has said that he has always followed the dictates of Jesus Christ, as His instrument, and that he saw that it was necessary to build this College in order to provide for an educated clergy. He then saw the need to build Bricket Wood. We then saw collectively the need to build Big Sandy. Then, a few years ago, you, Ted, sent me a very long telex, after a couple of telephone calls, telling me that we were in a budgetary crisis. And that, Ted, was June, 1974, not 1976, and you were acting as Executive Vice President, and you urged that I counsel with Mr. Armstrong and ask whether he would permit the closing of Bricket Wood. I went to Mr. Armstrong that morning. We were in Rome. And I laid it out cold for him, and I said to him, 'Mr. Armstrong, if we didn't have Bricket Wood now, would we build it?' He said, 'Why, no--no, never.' That is what I mean about misallocation. When Mr. Armstrong saw there was no longer a need to continue with Bricket Wood he put an end to it. As long as we continue with those projects that are no longer needed or do not fulfill the Great Commission as effectively, efficiently or directly as they should, we should think carefully about continuing those projects, and think seriously about curtailing them or even abandoning them."

Mr. Garner Ted Armstrong: "Well, I was never a part of allocations in other directions. If I felt it were possible for me to break through in certain areas to make decisions to really help the Work right now, I would do so. But I am constrained, under shackles, in some directions which I simply cannot move. I have been making great progress, however. Dr. Osamu Gotoh is no longer with us, and we are in the process of changing advertising agencies. Little by little, I believe we are going to have a larger allocation in media, to the point that we will be creeping up against that #13, #8, #5, #3, and eventually where we ought to be, which is #1. But that is going to take two or three years."

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Mr. Rader: "If you read what I wrote and have heard what I read, on balance I said we accomplished a great deal, but there is a tendency for some people to read what they believe, even if it is something published by our critics. There is a tendency to agree with what is published by our enemies. There is a tendency to believe because one sees these things in print, even though it is written by someone clearly opposed to our efforts to fulfill the Great Commission. I think it is a great achievement for us to have cut our payroll to the extent that we did and still maintain our efficiency. We would never have had to cut it if we had not been confronted with a budget crisis. Inflation has, unfortunately, hurt us, but we cannot handle the economic problems of the world. We have to hope that other people will do a better job in that area than they have been doing."

"Now, I don't see any basic area of disagreement here today. As I said earlier, I believe that Mr. Armstrong has reminded us collectively that the situation that obtained in August

no longer obtains today. He does not want to be sheltered, and we have no right to shelter him."

Mr. Garner Ted Armstrong: "The only thing that I am going to cling to, in order to agree with your statement, Stan, that there is no disagreement, is that Mr. Armstrong said that he will hold these matters in abeyance until he has been given more input."

Mr. Rader: "That is correct, and, as I said, we are all in accord. It is as Mr. Armstrong stated. The various areas of academic budget, Vista del Arroyo, Big Sandy and accreditation are all interrelated, and we can't solve one area or problem without solving the others. They are all so interrelated that they must, for the moment, all remain in the air. We need more reliable data, and we need it within a reasonably short period of time. Mr. Helge will be going back to Washington within a few days, and we will know a little bit more about whether the government will ease off a bit on the restrictive provisions in the deed and, if they will not, what its impact will mean to us."

Mr. Helge: "I have been doing quite a bit of research on that, and in every case I could get my hands on I could see certain things that are written in granite already and that the government just won't change."

Mr. Garner Ted Armstrong: "Then we will not take it."

Mr. Helge: "In one case it is stated that no religious institution, training, etc. could be conducted on the campus in perpetuity. There is a Supreme Court case, and we have a beautiful guideline, in which there is a statute regarding loans, regarding construction of buildings. The statute provided that religion could not take place for a period of 20 years, and the Supreme Court said that the statute was unconstitutional because it should have provided for perpetuity. Therefore, the perpetuity restriction against religion is what the government will probably put in the deed, and it looks like we are not going to be able to get around it. I was hoping to say that we were actually purchasing the property, because we are putting money in it, but the court already looked at that in the statute as well."

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Mr. Rader: "These are problems that we knew about before, and we couldn't come to a bottom line determination because our enemies became involved and tried to deny us from being acceptable to HEW. We fought and won that battle."

Mr. Garner Ted Armstrong: "Now we, ourselves, can back out of the deal because it is not acceptable to us on their terms."

Mr. Rader: "Exactly."

Mr. Garner Ted Armstrong: "Beautiful. That will be done forthwith. Don't worry about it."

Mr. Rader: "But I still want another opportunity to come at it through a different channel. There is always that possibility, slim but possible . . ."

Mr. Garner Ted Armstrong: "I don't think we ought to make any announcements about it as yet anyway."

Mr. Herbert Armstrong: "I am going to make the final decision on these matters, but I am going to hold them in abeyance until I have all the facts."

Mr. Garner Ted Armstrong: "Beautiful."

Mr. Rader: "There is no disagreement."

Mr. Herbert Armstrong: "Ted, if you can't agree with me, you will have to . . ."

Mr. Garner Ted Armstrong: "Well, I couldn't earlier, but I can now. I can agree."

Mr. Helge: "May I make just one comment here, please? I know we all know this, but if I could just state it, and I hope I am not looked down upon for stating what is obvious, but there are so many things that are covered in these Board meetings, and I think we have to be so attuned to the concept of confidentiality that I would just try to bring to everyone's mind that I feel nothing should be stated that took place here, and that only one or two people, whoever is authorized to make the announcement, could make it. And I, myself, in my own heart and quietly, take a vow that nothing is ever mentioned even to my own wife or my closest friends regarding any comments that may be made between any individuals here."

Mr. Rader: "Exactly."

Mr. Herbert Armstrong: "We can rise up sometimes and have some words, and we always have ended up all in harmony. We don't want the enemy to get a different side of the story."

Mr. Garner Ted Armstrong: "No way."

Mr. Rader: "I have another matter I have to take up here, and I must once again bind you all to confidence, but I am obliged to do so. I received a formal communication from Jack Kessler, who is the auditor for the Church. I have a letter for each member of the Board that deals specifically with two areas. I was not able to cut off the communication, but I would not be too alarmed by its contents. The one important area which I am

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obliged to refer to will require Board action sometime down the line, or it will have to show up as a footnote on the financial statement of the Church. Oddly enough, people have been trying to declare Mr. Kessler to be 'not independent', and perhaps when you push somebody really hard and unfairly, they may wind up pushing back. The problem is that in the resale of the Falcon aircraft to a party in Mexico, through our agents for the sale, Western Commander, in the process of auditing, Mr. Kessler discovered a \$50,000.00 item that appears to be an illegal transaction. If his conclusions are correct, the money was paid illegally by Western Commander to a party in Mexico, and we must have a clarification of the transaction. You should all realize that payments made to parties overseas as bribes for an unauthorized transfer, etc., are considered as illegal and are looked at very, very dimly today by the government.

"The other point that was raised in the letter as a specific item refers to a matter that I was surprised to see raised at all, because I have referred to it in this same Boardroom on at least two different occasions, before this Board or other Boards. In 1973, after the successful conclusion of an audit for the year 1972, I advised the Board that the government was concerned that there was an inadequate system of accounting for cash advances to certain executives, as well as for certain expenses incurred by executives and middle echelon employees for travel and such purpose I caused to be issued a very strong letter from the institution, which Mr. Portune signed at that time. It was sent to everyone who was, or should have been, concerned, and the accounting department was given specific instructions to enforce compliance. In 1976 we concluded another audit for the year 1974, and the very same thing resulted.

"Mr. Kessler, in reviewing our transactions, has discovered there has been a failure of compliance, and we may have to footnote the financial statements. It is incumbent upon everyone who gets cash to account appropriately. It is incumbent upon everyone who uses College or Church credit cards or College or Church credit accounts to account appropriately. I will again give instructions to my staff, and I will give instructions to the accounting personnel to see that compliance is enforced. My instructions last time were very rigid, and they will be more rigid this time. Everyone knows whether he is personally a person who receives cash or uses corporate credit cards, etc., and it isn't necessary to dwell here on which individuals may have failed to comply as fully as they should. I am more concerned about compliance in the future. We must have more strict compliance. I mentioned before, in other Board meetings, that the government takes a dim view of middle echelon employees benefiting, particularly when the government is being represented at the agent level. The agent, for example, knows that he buys his own lunch and, therefore, he believes that everybody ought to buy his own lunch. If he finds out that everybody around here eats on the company, he will not be happy. If he

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finds out that everyone goes to dinner on the company, he will not be happy. Now we are all on notice again about this area, and we will have to eliminate it as a problem for the future. I shall worry about the problems of the past, and I will be going over the data with Mr. Kessler. I have already asked for the data from accounting on a person-by-person basis, and if I see anything included that I am not happy with, then I will get in touch with that individual and work something out."

Mr. Helge: "Just a couple of brief points, and they may be minor, but mainly because I don't get the chance for some input, but I would like to take the opportunity at this point to say that it is my thinking that, if we had an independent auditor other than Mr. Kessler, we would not have had the problem that was just presented, but I would like to say that I look upon Mr. Kessler as a great asset to the Work, and if we had a different auditor we would have been plagued with a lot more details and horrendous strappings than we have been in the past."

Mr. Garner Ted Armstrong: "I would like to point out, as an addendum to that, however, that a different auditor might come in with an actual written proposal at about 50% of Mr. Kessler's annual price tag, so, if Haskins and Sells, for example, would do 50% more detail work for half the cost, maybe that is good for us. I don't know. If our corporations from top to bottom were absolutely impeccable in our financial records, we have nothing to fear from Haskins and Sells."

RECORDS ARE  
NOT A  
PROBLEM---  
PRACTICES  
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Mr. Rader: "Ted, for some reason or other you approach this entire area and wind up a bit off center. The problem with us is that we have followed generally accepted accounting concepts, and our records are too good. We have so much information that it is perhaps not good. What is wrong is our practices. There is a big difference between our practices, if we want to examine them and fault them, and our accounting records, if we want to examine them or fault them. You cannot blame the practices of the institution or its employees on the accountants or auditors."

Mr. Garner Ted Armstrong: "Amen."

Mr. Rader: "The point is that we have so much information and we can retrieve it so well that there is a legal Hansel and Gretel approach that can be used by an auditor, government or private, to every single transaction. For example, there is this \$50,000.00 item. How would the \$50,000.00 item show up? Well, you follow the bread crumbs, and you get right there. Now, as Mr. Kessler points out in his memorandum, if somebody had run that by competent counsel ahead of time, there would have been no problem. But it wasn't run by competent counsel. It was just boneheaded at the time."

Mr. Garner Ted Armstrong: "To what degree, in other

words, does Kessler get in touch with Western Commander and/or their auditors? How does Western Commander come out of this?"

Mr. Rader: "Look, it's our problem."

Mr. Garner Ted Armstrong: "We have to put the screws on Western Commander?"

Mr. Rader: "We will try to work it out in the best possible manner. Mr. Kessler has discovered something that we were involved in and that he feels was wrong and/or illegal. Western Commander was acting as the Church's agent. The Church issued the check. We bought a cashier's check."

Mr. Garner Ted Armstrong: "You say 'we'?"

Mr. Rader: "The Church."

Mr. Garner Ted Armstrong: "For pity's sake!"

Mr. Rader: "That is the whole point, and that's got nothing to do with auditing. That has to do with somebody's making a decision and making an error, you might say, somewhere along the line in the way the transaction was handled. The auditor found it. That shows the auditor is good. Do you understand?"

Mr. Garner Ted Armstrong: "Oh, I want to make a motion before the Board of Trustees of this Church right now. I move we adopt a resolution of this Board that no amount in excess of \$100,000.00 may be spent, I don't care for what purpose, without the express approval of Mr. Herbert W. Armstrong and/or myself, and a signature to that effect on a memorandum. No money can move without a signature or a combination of two. Does anybody wish to second it?"

The motion did not pass.

Mr. Herbert Armstrong: "Well, I always want to be informed on these things, also. I want to say a final word before we leave, and I want to explain another thing. First, I had this meeting called because we need to have meetings on a regular basis. Additionally, I had this meeting called to let you know that, while I am not fully recovered as yet, I am well on the way; I am not retired; I am still the apostle; and I am going to make the final decisions. We all are very definite about the Arroyo del Vista transaction, and I have already given instructions to that effect. It is in motion. The others I will hold in abeyance until I get any facts that any of you want to present to me. In the meantime, I think we must all promise to ourselves, as emphatically as if you were taking a vow, that we will not discuss this at home or with any person."

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Mr. Garner Ted Armstrong: "Agreed."

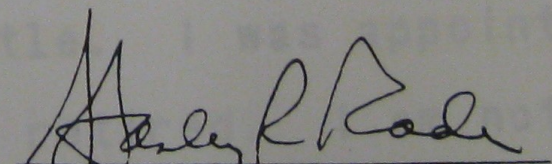
Dr. Robert Kuhn: "Excellent."

Mr. Richard Rice: "Mr. Armstrong, I would like to further that by saying that almost a thousand people from all around the United States and the world, ministers and their wives, are gathered on this campus for the Ministerial Conference tomorrow, and it behooves all of us, and especially you and Ted, as we support you, to go out of this meeting totally united and giving the truth to every minister who is coming in of the tremendous strength of the Church, of the power of all of us backing you and backing your son and looking forward. We are looking forward to a spectacular future as God leads you and you lead us, and all of us together radiate that to everyone we talk to--every idle word before dinner and after dinner and late at night and before lunch and after meetings and commentary on meetings--and that we all fully resolve to back you in that regard."

It was moved that the Board approve and ratify the executive actions of the President and Chairman, Mr. Herbert W. Armstrong, the actions of the Executive Vice President, Mr. Garner Ted Armstrong, and the actions of Mr. Stanley R. Rader as Vice President for Financial Affairs. It was further moved that the Board approve and ratify the actions of the Business Manager, Mr. Ray Wright, and authorize him to pay all bills, debts and encumbrances incurred by the Worldwide Church of God throughout the coming year, and the motions were seconded and unanimously approved.

The existing officers of the Board were appointed to serve again another year with no changes in Board members.

There being no further business to come before the Board, and upon motion duly made, seconded and unanimously carried, the meeting was adjourned.

  
Stanley R. Rader, as Secretary