

Letter to the Membership of The Rosicrucian Fellowship

Dear Friends;

We take pleasure in ending 2004 with well wishes for the spiritual and material welfare of all. We also offer the following information for beginning the New Year with renewed hope for The Rosicrucian Fellowship to make an efficient outreach to humanity.

The majority of the Board of Trustees has authorized the President, with the assistance of a board appointed Committee, to prepare a ground lease for approximately 7.5 -7.7 acres of Fellowship land. This is less than one third of our available flat land and less than one fifth of our total acreage. It is hoped that a satisfactory lease will be prepared for the approval of the Board of Trustees and signed by March 2005. The *Letter of Intent* between the Developer and The Rosicrucian Fellowship to create a lease is posted in the Probationers Membership area of our web site at: <http://www.rosicrucianfellowship.org/yearend.htm>. Note: all probationers should be in possession of user name and passwords to access this portion of our web site.

Much misinformation about the lease and our intentions has been circulated. We hope the following Questions and Answers will give you confidence that your Board of Trustees are working toward fulfilling the purposes of The Rosicrucian Fellowship in an efficient manner.

Questions and Answers:

Q. 1. Why are we proposing to lease land?

A. The basic answer is finances. If we look at the historical trend of how the financial needs of The Rosicrucian Fellowship have been met in the past, we see three important sources of income: Book sales, legacies and donations

Book sales have declined over the last 2 decades or so. The advent of the computer makes it impossible that we will ever see another boom in sales of Ephemeris and Tables of Houses such as seen in the 70's and early 80's. In addition, we need now, or will soon need to reprint some books, but do not have the funds.

The main source of legacies has been from the USA membership. The size of this membership has declined seriously over the last couple decades; therefore, unless we can reverse this membership trend we must expect a lower average income from legacies in the future.

Fortunately, donations have remained relatively stable.

However, The Rosicrucian Fellowship has been faced with the need to upgrade three of its buildings to meet the California and City of Oceanside's Earthquake Ordinances. This requirement has been put off for the past 13 years. Now we are faced with deadline dates of March 2005 for engineering and March of 2006 for completion. Thus, barring an extension of time, we face about \$200,000 in structural improvements to comply with the earthquake ordinances in the next 15 months. If we do not meet the deadline dates required by the ordinances, the City of Oceanside has the right to condemn the Guest House, Healing Building and the Administration Building (Print Shop, Esoteric Departments and Shipping). This would bar us from entering the building because they would be considered unsafe. The City also has the right to tear the buildings down at our cost to remove the debris. Tearing down buildings is not likely, but barring us from using the buildings is an imminent danger. We also have a moral responsibility to our guests and staff to provide a safe environment.

In addition, much of the routine maintenance on buildings and the grounds has been deferred due to a lack of funds and we must complete this work before more serious deterioration occurs.

With the recent inheritance received and the generous donations of the members, we are now fairly stable and this forms the majority of the Fellowship's current income. However, the salaries and operations have been funded at about 40% of what might be considered a reasonable budget. By that, we mean that we need to double our current income in order to fully staff Headquarters and to pay them full salary. In addition, it would be desirable to add an effective outreach program and an efficient maintenance program. Plus we need to meet the earthquake ordinance requirements.

If the donation income were to be combined with lease income, the Fellowship would have adequate funds to address all of the above concerns including outreach and hopefully develop new materials for spreading the teachings including videos, DVD's, etc.

Q. 2. With a ground lease who owns the property when the lease expires?

A. This lease is one with no option to buy. A ground lease is very similar to renting the property. When the lease is over, use of the property reverts back to the owner, the Rosicrucian Fellowship.

Q. 3. If the board approves the lease, what will be built?

A. Condominiums, because condominiums will provide the highest income and the best neighbors for the Rosicrucian Fellowship..

Q. On what land would these Condos be built?

A. On approximately 2.1 acres of the S.E. portion of the property known as the Gum Grove (Marked as Parcel B on the website map.) and approximately 5.5 acres at the S.W. portion of the property (Parcel A.) See the map on our website at <http://www.rosicrucianfellowship.org/yearend.htm> for a view of the two proposed parcels. The Rosicrucian Fellowship has never used a large part of the West parcel. Only a small portion of the East parcel is currently in use by the Fellowship.

Q. Is our land that you propose to lease, Holy land with high vibrations?

A. Yes.

Q. Will leasing Holy land create an unacceptable detriment to the vibrations of the grounds?

A. Consider the question of vibrations from both a global and a local sense.

Corinne Heline said Jerusalem is the Esoteric Heart of the Earth. Yet human cities have been built there for thousands of years. The Fellowship, the San Luis Rey Mission and the Prince of Peace Abbey in Oceanside are placed in a triangle of a spiritual vibration on the earth's face. Yet the energy which gives rise to these three centers of spiritual power have also given rise to a freeway, an airport, an industrial zone and residences. In a local sense, the Fellowship grounds vibrate with additional power from the prayers of the world wide membership to create a healing center. This is in keeping with our commitment to live the life of the Rosicrucian Teachings in all that we do. So would we rather have vacant land surrounding our grounds? Yes, but not at the cost of the problems which will arise if we do not quickly address our financial situation and our responsibility to spread Max Heindel's teachings around the world. A privacy wall and landscape buffer will be placed between the condominiums and our currently used grounds. The privacy wall will be over 200 feet (61 meters) from our chapel, about 400 feet (122 meters) from our healing building, and over 700 feet (213 meters) from our temple. This should provide ample isolation for our work given that there will be a landscaping buffer, a privacy wall for noise abatement, deed restrictions for the condominiums to assure a quiet environment and impede the traffic of trespassers.

Q. 7. Is income from a lease consistent with our dedication to promote the teachings?

A. Yes, as long as the income is dedicated to the Fellowship's purposes as defined in the Bylaws and

Articles of Incorporation.

Q. 8. Does the Board of Trustees have the authority to lease the Fellowship land?

A. Our bylaws forbid the Board, without permission of the membership, to sell or mortgage our land because a sale removes land from our ownership permanently and with a mortgage the land can be permanently taken by foreclosure limited to the term of the lease. We look forward to the Fellowship being here for quite a long time. Our corporate lawyer has stated the board has the authority to lease the land.

Q. 9. Does the Interim Board of Trustees have the authority to act with full board powers?

A. Yes, as stated in the Settlement Agreement of June 2, 2004, “ These (6) interim directors shall run the Fellowship corporate business until the Fellowship can conduct an election for a new 9 member Board of Directors.”

Q. 10. Why have we not consulted the membership on this very important decision?

A. We believe the membership does not want us to sell our land and know the membership wants us to act and keep the membership informed. The membership has been asked for special donations several times over the last decade and we believe you are giving as much as you comfortably can. Long-term financial solutions must be found and implemented. Several good ideas have been proposed to help us solve our financial needs. Some suggestions are in violation of our bylaws and other suggestions require we upgrade our facilities first. However, as a legally elected board, obligated to act and protect the Fellowship within the limits of our bylaws and consistent with the purposes for which the Fellowship was founded, we believe we are acting in the best interest of the Rosicrucian Fellowship. See Article X, Section 5. of the Bylaws at <http://www.rosicrucianfellowship.org/yearend.htm>.

Q. 11. Have we agreed to create a lease with the first developer who made an offer?

A. No. The developer we are dealing with at present (Doug Jensen) is the second serious developer to approach us. In California, land leases for residences are not common and this makes for a smaller market, compared to offering land for sale.

Q. 12. When will the Fellowship receive its first payments?

A. The current preparations for the lease specify that quarterly option payments will start upon signing the lease. (Estimated March 15, 2005.) A large lump sum payment could be received in early 2006 and as late as March 2007.)

Q. 13. A lump sum payment could be several million dollars, how will this asset be protected from mismanagement?

A. A Foundation, for the benefit of the Rosicrucian Fellowship will be established simultaneously with the lease to protect the funds. The Foundation will keep this lump sum payment in trust and make monthly payments to the Fellowship for 99 years, and would be able to distribute funds only to the Fellowship or for Fellowship purposes such as outreach program. The Foundation would have such bylaws that it would be very difficult if not impossible for any Board of Trustees or President to control the foundation's decisions and destroy its financial integrity.

Q. 14. Why is the lease for 99 years?

A. Ground leases for commercial and industrial use may run for 10 to 30 years. However, commercial and industrial are unacceptable adjacent to a quiet environment. Obtaining financing for ground leases for apartments is very difficult, if not impossible, if the lease is less than 60 years. Condominiums are units, which are sold much as any other house. No purchaser of a condo will buy the unit if the land underneath is guaranteed for use for less than 99 years.

Q. 15. Who gets commissions from the lease of this land?

A. The Fellowship will not pay any commissions. The land Developer will pay his Realtor a commission. See Item 32 in the *Letter of Intent*.

Q. 16. What about the precise boundaries of the land to be leased and other issues about what is to be built.

A. See paragraph 20 of the *Letter of Intent*. During the lease preparation, a Ground Lease Committee will make decisions regarding the proposed development. Then the Board of Trustees will approve or disapprove the precise boundaries and the lease before it is signed in March 2005.

Q. 17. What happens if 'something goes wrong' in the preparation of the ground lease, does the Fellowship have the right to refuse to sign the lease?

A. Once the *Letter of Intent* is signed, we have a moral obligation to go forward with the lease. However, the *Letter of Intent* is non-binding and there are several requirements to be met which allow us to refuse to sign the lease. See the *Letter of Intent*:

Paragraph 8: Minimum required income or lump sum payment.

Paragraph 19: City does not approve uses of the land acceptable to us.

Paragraph 20: Developer's plans must be approved by the Fellowship.

Paragraph 25: No business with an immoral use is allowed on the land.

Note: the language of the Letter of Intent contains many references to options such as apartments or commercial use. The board decided that the developer is instructed to apply for permits for condominium use only. Condominium tenants will be our best neighbors. See the addendum to the *Letter of Intent* for the board motions. Therefore, much of the language in the letter will not apply.

Q. Does the developer have the right to refuse to sign a prepared lease?

A. Yes. See Paragraphs 17, 19 and 23 of the *Letter of Intent*.

Q. Does the Confidentiality clause, paragraph 36, in the *Letter of Intent* prohibit members from sharing the *Letter of Intent*?

A. Confidentiality clauses are standard in these types of agreements and the lawyer for the Fellowship inserted this clause. We are prohibited from negotiating with any other potential Lessee during the lease preparation phase. Members are free to share this letter with each other, but not with the public.

Virgilio Rodriguez,
President

Ross Dewey Duffel,
Chairman of the Board of Trustees

January 2005