

The Folkenberg Fraud Lawsuit

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Because it is difficult to understand this whole affair, we have prepared a time line for you. In this way, you will not have to wait until March (if details are revealed then) in order to grasp the basic essentials of what is known. In the 28 previous pages on this topic (*The Folkenberg Fraud Lawsuit [WM-853-856]* and *The Folkenberg Fraud Lawsuit: Second Update [WM-858-860]*, written over the last week-and-a-half, we saw the forest; now it is time to look at the larger trees.

In preparing this time line, priority has been given to Moore's legal complaint (his five-page lawsuit) and the General Conference statements on the matter, as being the most accurate. Throughout this time line, "GC" stands for "General Conference."

Date of this writing: Sunday, January 31, 1999.

- 1971** - Robert Folkenberg goes to Central America as a foreign missionary. On the side, he dabbles in many things, including financial deals and acquiring licenses in air transport and helicopters, so he can travel around faster.
- 1974** - *Sharing International of Tennessee* (hereafter called "*Sharing International*") is incorporated in Tennessee.
- 1976** - Folkenberg makes initial contact with James E. Moore, a Sacramento-based real estate developer.
- November 1976** - David Dennis appointed head auditor of the GC.
- January 3, 1979** - Elder Robert Pierson resigns from the presidency, due to ongoing heart trouble, and N.C. Wilson, president of the North American Division, is voted in to succeed him. The GC Committee has authority to elect anyone it wishes to succeed a vacating president.
- 1985** - *Sharing International* ceases as a valid corporation.
- 1987** - *Sharing International* is renewed as a Tennessee Corporation.
- 1987** - Moore is convicted of eight counts of felony grand theft in a case, which is unrelated to church dealings with him [but also unrelated to Folkenberg's dealings with him?]
- 1989** - Legal appeals, having failed, James Moore is incarcerated in a California State prison.
- 1989** - Robert Folkenberg is listed as the president of *Sharing International of Tennessee*. Terry Carson was secretary, and Duane McBride was the treasurer.
- 1989** - The Inter-American Division severs all ties to Moore, but Folkenberg continues his dealings with Moore. By this time, he is, according to the GC Communications Department, on several boards with Moore.
- July 6, 1990** - Robert S. Folkenberg is elected as the 18th president of the General Conference of Seventh-day Adventists.
- Afterward** - Folkenberg resigns from Moore's boards, but maintains contacts with him. Later developments indicate he may have returned to membership on one or more of those boards. Ben Kochenower, also named in Moore's suit, becomes president upon Folkenberg's resignation.
- Fall 1990+** - Robert Folkenberg begins a policy, unknown to his predecessors, of always traveling first class in the U.S. or business class overseas. Although he owns his own home, he regularly uses church employees to carry out repairs and care for the lawn and shrubbery.
- August 1, 1990** - Illegal "courtesy payroll" salary of \$2,052 a month, begins for Folkenberg's wife at his request, via the Columbia Union "*Worthy Student Fund*." (The same arrangement is done for the wife of newly elected Alfred McClure.)
- January 1991** - David Dennis, head GC auditor, discovers the payroll discrepancy and demands that it be stopped. Fearing Folkenberg, no one in treasurer's office will do so.
- March 1991** - Folkenberg gets the Spring Council to vote approval of a project which, ultimately, will radically change the governance system of the church. The *Commission on World Church Organization (COWCO)* is set up to work out the details, and was presented by Folkenberg with "nine principles" it was to work toward. Repeated, in the next three years, COWCO was told by Folkenberg to approve certain measures, which COWCO left tabled.

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June 1, 1991 - Dennis mails an auditor's report to every officer in the Columbia Union Executive Committee. This brings the laundered salaries issue to a head.

June 20, 1991 - Because the whole affair is ready to break wide open, the unethical diversion of money is terminated. After ten months, the two secret salaries are halted.

1989-1991 - According to Johnsson, "during Moore's imprisonment and subsequently, Folkenberg continued to have contacts with him."

January 1, 1992 - Moore is released from prison. The contacts between the two continue.

1992 - Under the guise of "cost cutting," Folkenberg arranges for the GC to contract out its video production to a private firm, owned by his friend (Ray Tetz) who, in addition to receiving a sizeable annual contract fee (\$150,000), is made a GC employee—and uses GC owned and maintained equipment! Folkenberg continues to be good at working on unusual financial deals.

1992 - Robert's brother, Donald, is hired without approval, as an "associate treasurer." His assignment: disbursing all overseas money for the newly made *Global Mission*.

May 1993 - Moore agrees to exchange his interest in *Kanaka* [pronounced Ka-NAH-ka] *Valley Associates* for two promissory notes, totaling \$8 million. The notes are tied to the development of 1,300 acres of land (called the *El Dorado Hills* property), a short drive east of Sacramento in El Dorado County, California. One note, for 15% [\$1.2 million] of the \$8 million, according to the agreement, is to be transferred to *Sharing International of Tennessee* (by first being laundered through *Sharing International of Barbados*; probably to hide the transaction from the government). (*Legal complaint*, ¶ 6-7) The other note, for 85% [\$6.8 million], is to be transferred (after being first laundered through the Barbados corporation) to a Roman Catholic organization, *Vicariatus Urbis Foundation* (*Legal complaint*, ¶ 6, 8).

May 1993 - August 21, 1996, or thereafter - Folkenberg does not transfer the 15% (\$1.2 million) from Barbados into *Sharing International of Tennessee*, but instead transfers it to the bankruptcy estate of Robert Dolan.

May 1993 - August 21, 1996, or thereafter - Folkenberg does not transfer the 85% (\$6.8 million) from Barbados into the Catholic *Vicariatus Urbis Foundation*, but instead does something else with it. [Neither the complaint, nor anyone else has disclosed what happened to the 85%].

Between May 1993 and August 21, 1996 - Walter Carson, Folkenberg's close friend and attorney (and an in-house GC attorney), has

served as a director and legal counsel for *Sharing International*. At some point between these dates he is alleged to have helped in the \$8 million theft.

1994 - Dennis uncovers the *Global Mission* scheme, —but when he tries to audit its books, is told that no GC auditor may do so. No money, spent by Don Folkenberg outside the U.S., can thus be traced.

1994 - Folkenberg's telephone calls to James Moore begin to be taped. Moore alleges that Folkenberg signed a release permitting him to make these tapes. It is possible that, back when they were close friends and the missing promissory notes had not yet been discovered, Folkenberg might have signed such a paper (although it still seems doubtful that he would). These taped calls continue into 1996.

October 1994 - Folkenberg presents recommendations for changes in church governance to the Annual Council, declaring that these are recommendations by COWCO,—which, in truth, they had not recommended! (A member divulged this in the pages of *Adventists Affirm*). Ignorant of the deception, the council approves part of them, and refers the rest, with its recommendation, to Utrecht for enactment.

December 19, 1994 - Folkenberg devises a way to fire David Dennis. The last remaining whistle blower at world headquarters is gone.

February 22, 1995 - David Dennis sues Robert Folkenberg and Walter Carson for alleged church misconduct.

June 29+, 1995 - The Utrecht Session opens, and, with considerable prodding, enacts about 75 constitutional and bylaw changes, and 30 *Church Manual* alternations, resulting in supreme authority for Robert Folkenberg, at world headquarters, and increased authority for the division presidents.

"on or after" August 21, 1996 - Moore learns that Folkenberg (and other defendants) had transferred the 15% from the Barbados corporation to Robert Dolan's bankruptcy estate, instead of to *Sharing International* (*Moore's statement*; *Legal complaint*, ¶ 9) / He also discovers that the defendants had withheld the 85%, and had not transferred it from the Barbados account to the Catholic organization, *Vicariatus Urbis Foundation* (*Moore's statement*; *Legal complaint*, ¶ 9)

September 1996 - Johnsson cites a different date and cause of the breakdown of the friendship: The relationship "turned ugly" because of "financial loss" by Moore "over a land deal, and blamed Folkenberg for his problems."

Post-August 21, 1996 - The taped phone calls continue; but now Moore begins asking Folkenberg why, and Folkenberg repeatedly admits that he has wrongly kept back the \$8

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million.

After April 1997 - After word of the *Los Angeles Times* investigation into ADRA has reached Folkenberg, he tells Moore on a taped call that it would be terrible if the *L.A. Times* learned about what he, Folkenberg, had done.

1998 - At some point this year, the taped phone calls (continued since 1994) ended. A total of 27 hours of taped messages have been recorded. Those who have heard part or all of them declare them to be very damaging to Folkenberg's credibility and continuing usefulness as a church leader, all aside from leaving him wide open, with accomplices, to prosecution for the theft of \$8 million.

March 17, 1998 - At the request of Robert Folkenberg, Vincent Ramik writes to a small group of believers in south Florida, on behalf of the GC Corporation, and threatens them with a devastating trademark lawsuit, if they continue to declare their belief in the Adventist faith.

August 21, 1998 - Moore files the lawsuit in the Sacramento Superior Court against Robert Folkenberg (former business partner); Walter Carson (Folkenberg's attorney in the dealings); Ben Kochenower (earlier Sharing International president); up to fifty unknowns who helped in the theft (who, Moore claims, include men in the GC); and, as accessories, the GC Corporation and the Inter-American Division. Moore says he delayed as long as he could, hoping the money would be returned.

October 21, 1998 - A *Show Cause Order* is sent to Moore by the court, requiring him to appear on December 21 to explain why he has not, within 60 days, served the defendants in the case.

October 22, 1998 - The statute of limitations would have expired on Moore's lawsuit, if he had waited for this day to file the suit (because he claimed to have not learned about the alleged theft until about October 21, 1996).

Soon after - Moore is granted an extension of time in which to provide service.

December 2, 1998 - A terrible trademark lawsuit is filed by the GC Corporation against that small group of believers.

December 28, 1998 - Moore serves lawsuit papers on the defendants by certified mail, informing them that they have been sued. For the first time, the GC learns about the impending litigation and the details given in Moore's legal complaint. Defendants learn that they have 30 days, from the date of service, in which to respond.

December 30, 1998 - Copies of the Show Cause notice are mailed, by the court, to all parties in the case.

Soon thereafter - James Prochnow; Patton

Boggs, of Denver, Colorado; and Joe Reeder are hired as attorneys by Robert Folkenberg to represent him. [Who is paying their bills?] / Phil Hiroshima (of Hiroshima, Jacobs, Roth & Lewis, of Sacramento) is hired by the GC to investigate the matter. Hiroshima carries out an extensive investigation, and acquires copies of "thousands of pages" of documents, including data about Folkenberg transactions totally unrelated to Moore.

January 12, 1999 - The GC sends a one-page fax to major church leaders.

January 12, 1999 - By this date, Folkenberg is being urged to resign by a number of friends and church officials, in order to spare the church a terrible credibility crisis.

January 13, 1999 - A 20-member Ad Hoc Group is appointed to investigate allegations against Folkenberg, based on Hiroshima's research.

January 13, 1999 - The GC Communications Department releases a brief fax, "GC ADCOM Votes Special Ad Hoc Group" for certain workers, telling them a little and asking them to be cautious.

January 14, 1999 - The small church in Florida writes a 25-page letter to the GC, appealing to it to cancel the trademark lawsuit, declaring that, to avoid all confusion, their group is called an "independent church of Seventh-day Adventists," not "Seventh-day Adventist Church," and that they include a careful statement of separation from the GC church below their church name in every public statement. / The GC rejects this, and continues working toward a court trial, which could devastate the small group.

January 21, 1999 - Because news is leaking out, Folkenberg assembles the GC staff of 700 employees and acknowledges that Moore has accused him of breaching his fiduciary responsibilities toward the church. They are asked to remain quiet about the matter.

January 23, 1999 - The *Los Angeles Times*, *Washington Post*, and *Sacramento Bee* publish articles on the lawsuit. This triggers the beginning of a series of GC news releases for general circulation to the membership.

January 24, 1999 - The Associated Press prints an article on the church crisis.

January 25-26, 1999 - The Ad Hoc Group convenes. Of the 20 men supposed to attend, 19 are present. Robert Nixon, head of the GC Office of Counsel, is also present. This special committee, under the chairmanship of Andrews University president, Niels-Erik Andreasen, meet at the Dulles International Airport Marriott Hotel in northern Virginia for 25 hours on two days. Hiroshima presents his report to them, and summarizes what he has found. According

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to William Johnsson, who was present, the men were "given access to thousands of pages of documents." Therefore, Hiroshima had uncovered a lot. This presentation probably includes extensive portions of the phone tapes. (If the *Los Angeles Times* was permitted hear portions of those tapes, we would expect that Hiroshima heard and took notes of them all.) This was followed by 4 hours of "close questioning" of Hiroshima. Later on Monday, Prochnow and Folkenberg spoke to the group. The next day, Tuesday, the group discussed the documents and prepared their written recommendation. The recommendation to ADCOM is that the matter be referred to the Spring Council.

January 26, 1999 - The *Washington Post* releases a second article on the crisis.

January 27, 1999 - The GC Administrative Committee (ADCOM), including 10 of the 12 division leaders, meets at the Hyatt Hotel, Herndon, VA. Forty senior church leaders are in attendance. The first 3 hours is occupied with hearing the ADCOM presentation of its findings and recommendations and hearing Folkenberg. The last 7 hours are devoted to discussing the matter, preparing a written recommendation, and voting to place it before the Spring Council. ADCOM decides that there is no misuse of church funds, Folkenberg has misused his office, and his business dealings should be referred to the full GC Executive Committee when it meets in Spring Council. Once again, he is asked to resign.

January 28, 1999 - Many of those GC and division leaders meet with Folkenberg at 10 a.m. at the GC. They ask him to resign, and he makes it clear that he will not do so. This has the effect throwing the whole affair into a denomination-wide crisis, which will inevitably receive much more attention and negative publicity in the media than if he had quietly stepped down. Meanwhile, Robert's brother, Donald, remains in charge of unaudited Global Mission finances.

January 28, 1999 - Robert Folkenberg is placed on administrative leave of absence, until Spring Council can decide on the matter.

January 28, 1999 - The *Los Angeles Times* publishes another article on the crisis.

January 29, 1999 - Folkenberg speaks on the phone with William Johnsson, *Review* editor. Folkenberg maintains he did not personally profit from the Moore deals, and states that he has not decided whether he will appear at the March meeting. [To appear is to be able to defend himself; to not appear is to avoid being questioned.]

January 29, 1999 - GC sends an e-mail to North American pastors, urging them to be cautious in their comments on the case.

January 31, 1999 - Johnsson declares that, in the Ad Hoc meetings, he and the others were presented with "thousands of pages of documents."

March 1+, 1999 - The full committee of the GC, consisting of 268 members from around the world field, will meet somewhere in the Greater Washington, D.C. area to consider the matter; and, hopefully, they will find time to discuss a few other things.

It is now 19 months before the next Session (Toronto, June 29-July 8, 2000). This present crisis in our denomination occurs at the worst possible time, for Folkenberg's refusal to quietly step down will link us with three other major crises, now at their height:

(1) Henry Lyons, president of the largest Baptist church in America (the National Baptist Convention, U.S.A.), has refused to resign. Accused of major financial fraud, his criminal trial began in Miami, Florida, last week.

(2) The Mormon Church, headquartered in Salt Lake City, has an immense credibility crisis over the ever-broadening Olympics' extortion/bribery scandal. A number of local officials have refused to resign.

(3) Ten miles from Silver Spring, the entire country is in turmoil over required Congressional action against another president who, by his refusal to resign, continues the crisis.

Folkenberg's refusal to resign will inevitably bring greater injury to our church and hindrance to our missionary work.

—Sources:

James Moore lawsuit paper; GC releases about the Folkenberg fraud lawsuit; *Los Angeles Times*; *Washington Post*; *Sacramento Bee*; *United Press*, as quoted in *The Folkenberg Fraud Lawsuit [WM-853-856]*; and *The Folkenberg Fraud Lawsuit: Second Update [WM-858-860]*, both prepared in January 1999.

The Ominous Utrecht Agenda [WM-620-622], June 1995.

Our New Church Governing System [WM-644], September 1995.

The Los Angeles Times Articles [WM-850-851], September, 1998.

Collision Course, 56 pages, 1995, \$5.00+\$1.50. obtainable from this publisher.

The Donald Folkenberg Transactions, 20 pp, 1996, \$3.25+\$1.50.

Pray for our people! They face so many problems in their work, and now this! —vf