

David Mould Update: January 1994

It is not pleasant to document a tragedy, but that is what we find it necessary to do. Yet, please understand, if your money was not being fraudulently taken and misappropriated, we would not discuss the Mould problem.

In his most recent newsletters and tapes, Mould categorically denies the charges and speaks evil of those who have leveled them.

In view of this ongoing situation, the present report is being sent to you. You have a right to know the facts.

In the early 1980s, with Jesus Behind Bars (JBB), David Mould transferred to his own account \$15 as "collector's fee" for every donation check which came in—even though it might only be for \$5.

Beginning later in the 1980s, with Laymen for Religious Liberty (LRL), David Mould took to himself 15 percent as "advertising agency fee" off the top of all campaign donations and loans which came in.

The campaign donations include the \$30,000 for the Indiana Campaign, the \$450,000 for the Orlando Campaign, and over \$200,000 for the Direct-mail Campaign. It would also include the \$15 million for David Mould's projected next advertising thrust: the Lincoln Campaign.

Marketing (advertising) expense for David Mould's campaigns (as of July 1993) have been over \$650,000, which has provided him, personally, with over \$97,500 in "advertising agency charges."

Advertising charges also include the cost of mailing out all his newsletters, since he considered it to also be "advertising expense."

In order to give the siphoned 15 percent an appearance of legality (in case the books are ever audited), it is called "advertising agency commissions," made out to a phony advertising agency name which David Mould invented and solely controls, which, in turn, sends the money on to his totally controlled account, called Heartways. Nathan McLaughlin, former LRL treasurer, knows the entire procedure.

From the donors, earlier in the 1980s, David Mould solicited through the mails for money to build a new chapel at a Florida prison. He received over \$58,000; the new chapel was never built, and none of the money was sent to the prison for that purpose. This is mail fraud.

David Mould has siphoned off so much money, that (1) he finds it impossible to pay salaries and bills on time; (2) he is piling up very large debts; (3) he owes over \$700,000 to those who have loaned LRL money for past campaigns; and (4) he still owes bills on the completed Orlando Campaign.

The LRL workers keep quitting. Knowing very well how David Mould operates, every one of his former staff members stands in objection to what he has done, and believes his work should stop.

Because of his conduct and operating methods, every major Independent Ministry is opposed to the continuation of David Mould's organization.

In order to use their color photos, David Mould signed a contract with Jim Arabito (November 1989) to pay him or his heirs a small royalty on every book sold. David Mould never paid any royalties on those books until over three years later (April 1993), and only because Pat (a widow with two children to raise, and little other source of income) had filed suit to collect the money. Yet David Mould was regularly selling the books, and had already sold out of the first edition (30,000 copies) and ordered, received, and was selling part of the second edition (10,000 received) when the suit was filed.

Yet David Mould illegally began paying himself a "double royalty" on those books, beginning even before they were printed. But he neither authored the book, nor supplied the illustrations which sold it. This is fraudulent; LRL, as an organization, was entitled to profit on the book, but David Mould, as an individual, was not entitled to royalties.

**David Mould even owes the Internal Revenue Service.
LRL money will eventually be seized by the IRS.
He owes them over \$100,000.**

David Mould has repeatedly lied to supporters about the facts and the condition of the ministry. Documents and phone numbers, exposing some of them, are available.

David Mould even owes the Internal Revenue Service. The money you send him will eventually be seized by the IRS. He owes them over \$100,000.

One staff worker became so disgusted with what David Mould was doing with the donations, that she began xeroxing the improper canceled checks he wrote. Then she mailed them all (174 check photocopies) to the trustee. These include 102 royalty checks he paid to himself and several (totaling \$9,807.50) to a woman (not his wife) in the Orlando area. She (herself a former staff member) is well-known to the former workers.

David Mould is known to have had adulterous relations with women, other than his wife. Names and

phone numbers of those to call are included. David Mould dares not sue us for making that statement, for we can subpoena the women into court.

David Mould has consistently refused advice to help him change his ways, pay his bills on time, and stop draining the organization of money for himself. For several years, others have tried to get him to stop these wrong practices. He refuses to stop, because he siphons off so much money as long as he continues sending out newsletters for money.

But when the roof finally crashes, the IRS will seize as much of the money as they can, and the creditors will take the rest, if any remains.

An abundance of names and telephone numbers is supplied in this present report, so you can verify this data for yourself.

Several pages of documents are included at the end of this tract set.

Introduction

David Mould is president of *Laymen for Religious Liberty (LRL)*, and an earlier organization, *Jesus Behind Bars (JBB)*, essentially not operating at this time). He lives in Deland, Florida, in the greater Orlando area (*phone: 904-228-7714*).

Although we first discussed this problem in July of last year (*The LRL Crisis—Part 1-4 [WM—471-474]*), David continues to deny any wrongdoing, pleads for funds, and appropriates to himself sizable amounts of the money received. Please know that significant portions of the money you send him will be secreted into hidden accounts for his own benefit, and much of it will eventually be seized by the Internal Revenue Service for the back payment of large amounts of money owed to that government agency.

David has a powerful command of words and an eloquent speaking style—so much so that his denials sound believable. But the facts are available which disprove his denials. This report presents them.

I have been told that David should be given another chance. But three facts should be borne in mind: (1) David has not changed on any contested point. He continues to do the very things he was doing earlier. (2) At least four Christian young women, who came to work at David's organization, were seduced by David. This is despicable. It is bad enough when worldly Evangelical preachers (such as Jimmy Swaggart) secretly visit prostitutes, but David tries to ruin Christian women, some of whom are already married. We dare not, by our continued support, provide such men opportunity to continue on with such activities. (3) The Spirit of Prophecy says that, when a minister goes into adultery, he should never again be permitted to re-enter ministerial work. A show of repentance—after being

exposed—is not good enough. Achan also thought that would be sufficient. But, in the eyes of God, it was not.

With the passing of time, every major Independent Ministry has taken a stand in opposition to David Mould continuing on as an Independent Ministries leader, to receive and disburse funds. There is a reason for that solid position by so many people. They know what David has done and is doing.

The list includes Ron Spear, John Osborne, Terry Ross, Bob Treftz, John Grosboll, Danny Vierra, and Les Balsinger.

In addition, *every one* of David's former staff members—men and women who have worked closely with him for months—has left him, and is opposed to his continued activity as a minister and program director. (*Several telephone numbers will be listed in the end of this study, so you can contact some of them.*)

David has adamantly refused to receive counsel from his staff or most anyone else. He continues following his old practices, and gives no indication of changing.

Did Mould recently pass an audit?

David says he passed a successful audit in recent years. That is not true.

Mould started *Jesus Behind Bars (JBB)* in 1979 as a prison ministry. In early 1980, David did pass a successful audit. But that was the first and only successful audit he has had in 15 years of operation (of JBB and LRL). He did pay \$10,000 for an attempted audit about 5 years ago, but that audit failed. The auditing firm (*Kolvu, Ruta & Felsing*) kept asking for additional financial information, and David could not produce it. (For further details, *call Sandra Dixon, a former staff member of LRL: 407-292-8986.*)

Pocketing the Collector's Fee

In early 1980, David hired Bill Moors as a worker. Shortly afterward, David, with his usual persuasiveness, won the confidence of Neal C. Wilson (then General Conference president). They convinced N.C. Wilson that Mould was an outstanding person, who should be encouraged in his work for minorities in U.S. prisons. So Wilson did two things for Mould: (1) He gave him his recommendation, so David could travel around the churches to get support. (A picture exists of David shaking hands with Elder Wilson.) (2) Wilson gave Mould a copy of the Review & Herald mailing list.

Using that list, David immediately began soliciting funds for JBB. Then he sent Bill Moors, his worker, out to travel from church to church to get still more money. Moors says he raised hundreds of thousands of dollars for Mould.

But then Moors discovered something: He found that the boss he had been so loyal to—had his fingers in the till. Mould had conceived the idea of attaching a \$15 collector's fee to every donation that came in! When asked about it, he said he was simply charging the fee to reimburse himself for letting the organization "use his mailing list." But it was not his list; it was a copy of the Review list, which N.C. Wilson had shared with him in good faith, for his *Jesus Behind Bars* organization.

Moors was shocked to discover that Mould was collecting the \$15 on every donation which came in—even if it was a \$5 donation! David's assistant was instructed to tally up the number of checks which came in, and write David a check from JBB to cover his collector's fee.

This made it possible for Mould to personally fill his own pocket to the tune of more than \$251,000.

By late 1981, Bill Moors had collected a sizable amount of documentation on this scheme, along with a variety of other irregularities. He mailed a sixteen-inch-high stack of papers to Monte Sahlin at the General Conference. Wilson was stunned when he learned of Mould's treachery, and he promptly stopped all further recommendation of JBB.

Then Moors resigned from JBB, the first of many people to do so.

Bill Moors now lives in the Vacaville, California, area. You may wish to telephone him. *His telephone number is 707-446-3666.* Not only can he verify the above facts, but he is able to tell you even more. Because of David's financial dealings—and other activities—Bill has deep feelings about him. Bill strongly believes David is a liar and an evil man. And he worked closely with him for quite some time.

The Prison Chapel Scheme

Don McClure worked as a staff member of JBB for a number of years, from 1982 onward. He also has information you need to know. *His phone number is 517-321-7757 (office number: 707-448-6841x2388).* While McClure was working for him, David decided to raise some extra money. He solicited funds for a new chapel for a prison in Florida. David collected over \$58,000, earmarked for the construction of that chapel. Suspicious because of other things which had happened, McClure, in 1986 or 1987, tele-

phoned the prison and asked them whether the new chapel was being used very much. They replied that Mould had never given them a dime. To this day—in 1994—no information on the whereabouts of that \$58,000 has ever been obtained. Mail fraud.

Late and Withheld Paychecks

At a later time, David decided to bring in still more money by borrowing money from faithful Advent believers. Because it was only loaned, many gave nearly their life savings. But, in order to give credibility to the enterprise, Mould asked Robert McReynolds to serve as trustee of the funds until they were repaid (*Bob McReynolds's phone number is 503-267-4732*).

In his work at David's headquarters, McReynolds, of course, worked in close contact with both present and former staff members of the organization.

He discovered that no one could figure out why Mould refused to pay his workers on time. What was the problem? They knew he was taking in large amounts of donation money and, through Nathan McLaughlin (accountant at the time), they learned that the expenses were not that serious, and that David was siphoning off part of what came in. *Nathan McLaughlin: 305-436-3550.*

As they became better acquainted with McReynolds, they expressed their deep concerns. Bob McReynolds was shocked to discover that they had a deep resentment that David consistently did not pay his workers on time. This caused them serious problems, but Mould did not seem to care, and would not change.

All complained of fiscal irresponsibility. Paychecks were almost always late. In addition, there was the partiality of the various bonuses David gave to himself and the extra "gifts" that, from time to time, he gave to certain workers (generally women workers or the one processing incoming checks).

To make matters worse, when workers would leave—David would still not always pay them their back wages. Some, in good faith, had loaned money to LRL; yet, to this day, they and others have not received repayment of those loans.

Although Orrett Morgan, former LRL board member, was with Mould for almost three years, he still has \$2,300 in back expenses owed him. *Orrett Morgan: 904-532-5761.*

Do not imagine that David was in financial straits. All the while he was paying himself his own regular salary; and, even before he printed the first print-run of the New, Illustrated *Great Controversy*, he was paying himself a "double royalty" on each copy—which he was not entitled to (more on that later).

(In later years, David dropped the \$15 check fee, and switched over to a 15 percent-take on all advertising funds from the campaigns; more on that later.)

As for donation income, it was pouring in all those years. You must understand that David Mould has received more than \$10,000,000 (\$10 million!) during the past 15 years! During 1991, alone, he received in donations more than \$800,000. In 1992, he received over \$810,000.

After he started borrowing money from the faithful, still more money poured in—\$470,000 from investors in 1992 alone. Yet Mould would not even pay McReynolds, the trustee of those accounts, on time.

The money was coming in, and yet Mould would not pay his staff (and some other accounts also; more on that later). Almost all of them were deeply hurt that David would use them to bring in money, but would not pay them their honest wages. Paychecks were generally two to six weeks late. Some staff members lost their cars; some were evicted from their apartments; some even lost their homes—all because David would not pay his just bills. McReynolds has copies of resignation letters from many of, what are now, former staff members.

The Investor Accounts

In January 1992, David conceived the idea of borrowing money. Then he began promoting the idea in newsletters, lectures, and over the phone. Those who loaned to him were to be called "investors," and the money lent was to be called "investments." On October 26, 1992, Bob McReynolds was asked to serve as the first and only trustee of the accounts. He was told that he was to serve as trustee until the money was fully repaid.

Christians have a way of trusting in people, and a lot of people trusted in David Mould. Beware of people who are always glib talkers.

Part of the money the investors gave Mould was spent on unwise marketing schemes, which brought little in return. More on this later.

Financial Summaries as of July 1, 1993

McReynolds has receipted more than \$581,000 from investors. To date, he has paid out \$50,009 in interest to them. Balance on hand in the LRL Trustee Account is \$17,605.81 (July 1, 1993, rectified balance). Balance on hand in the Dean Witter Account is \$1,507, as of that same date. (Please note that, because the Witter Account has a minimum check size of \$500, it is not convenient for smaller interest checks; therefore there are two accounts.)

Here is a brief summary of the investor accounts:

Balance still unpaid on the books is approximately \$130,000.

Principal and interest for investors (with unpaid interest accumulating at the rate of \$297 per day) is \$638,900.

David claims unpaid marketing expenses owed to the LRL operating account is at least \$85,000.

Money charged and still owing to Peterson Outdoor Advertising Company (for Orlando Campaign) is \$6,937.50.

Additional summary:

Approximate amount owed: \$860,837.50

Minus cash on hand (banks): \$19,112.81

Grand total of debt about \$841,724.69

This does not include any other debts that LRL owes (which probably is well in excess of \$150,000).

Additional data:

Marketing expenses in Mould's ad campaigns have, to date, been at least \$513,385.19, which equals more than

\$5,000 spent for each book sold in the Orlando Campaign. David says he has canceled checks for additional marketing expenses paid, totaling at least \$85,000.

Books on hand: approximately 7,000

Books sold: less than 3,000

Number of books still at publishers: 90,000

Future expenses, yet to be met, include the freight on that 90,000 books.

Wasted Money and Big Plans to Spend More

Marlon and Heather James were close friends of Mould. Because they live hundreds of miles from Orlando, they only knew what they read in his newsletters. Because they had so much confidence in him, Marlon became David's contact man for the greater New York area.

On Sabbath, June 26, 1993, Mould visited them in their home in Amityville, New York; and, in the process of explaining his forthcoming "*Lincoln Campaign*," made several untruthful statements to them. Marlon asked him pointed questions about the investment accounts, the results of the Orlando Campaign, the overall financial picture of the organization, whether it had any serious outstanding debts, and whether the salaried workers were being paid. When asked about the stability of all these matters, David, with his usual self-assurance, confidently told Marlon that everything was doing fine, with the exception of the Orlando Campaign which had fallen a little short of its goals. But, he assured him that heavy expenditures of money in the next campaign (he said it would take \$15 million) would wonderfully take care of any problems—and, in addition, pay its own way when it was completed. As for the workers, they being fully paid, debts did not amount to much of anything, and the next campaign would refill all the coffers and totally repay the investors.

Marlon knew the trustee, Bob McReynolds, and when contact was made shortly after Mould's visit, McReynolds explained the whole situation to him and mailed him supporting documents. He also referred him to other staff workers for their comments.

Here is part of Marlon's letter to David, sent soon after:

"Now, David, let's recap our conversation on Sabbath. I specifically asked you 'How is the investment account doing?' You replied, 'Good, everybody is getting paid.' I asked you what happened to the Orlando Campaign and you stated that 'Orlando taught us that we cannot rely on the 800 number alone. We need to market the books on radio and newspaper like the company, *Reading Dynamics* [a beginner's reading program, marketed under the name, *Hooked on Phonics*]. Also we need to get the books in the bookstores nationwide.'

"I asked you how many books you now have available, and you said '90,000 with a retail value of approximately \$2.2 million.' You said you did not sell enough books to justify the amount of money spent on marketing ex-

Continued on the next tract

More WAYMARKS - from —

PILGRIMS REST

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David Mould Update: January 1994

Continued from the preceding tract in this series

penses. I asked how you intended to pay off the investors? You mentioned about the Lincoln Campaign which would be a national campaign costing approximately \$15,000,000; and that you would get the money from other investors, as well as from bookstores, sales revenues, and other avenues.

"It was at that time that I expressed some concerns and wondered about a test market and the raising of such a large amount of money, seeing the unsuccessful financial attempt which was made in Orlando. Around the dinner table you said, 'Marlon, you are looking at me like I am crazy or something. You don't think that the Lord can do it? \$15,000,000 is not a lot of money. Marlon, where is your faith?' I said that if it is the Lord's will, He could do it, but I was uncertain about it. You then replied, 'Marlon, there's nothing that I've put my mind to that has not been successful; nothing!'—*Marlon James letter to David Mould, dated June 30, 1993.*

You can speak to Marlon yourself. *He can explain this in more detail: 706-657-5367.*

Yet, at the very time David made that statement, he knew that the workers were not being properly paid, that he did not have the 90,000 books, that all the previous "test markets" had totally failed, and that all his ad and letter campaigns—although costing hundreds of thousands of dollars—had only resulted in the sale of 2,300 copies of the large, illustrated edition of *Great Controversy* (from October 1992 to March 1993). Yes, it is a great book to circulate, but not at the cost of thousands of dollars per sold copy! Up to the middle of February, the Orlando Campaign, alone, cost over \$350,000 in billboard, radio, and television ads.

Later, in February, when it was already obvious that the campaign had only netted sales of 77 books, Mould sent out newsletters asking for \$200,000 to send out full-color brochures to the Orlando area. He received thousands of dollars in response,—but those brochures were never sent out! The Orlando Campaign only resulted in 77 books sold.

It is one thing to make mistakes; we all do that. But David cannot seem to learn from his. He just goes back and does it again. Why? Some believe it is because he uses the campaigns as a means of siphoning off part of the money that comes in, in addition to using part of the money to pay the most urgent, unpaid bills from the previous campaign.

In a recent telephone conversation with Nathan McLaughlin (David's treasurer until August 1992), McReynolds inquired whether Mould had ever had a successful financial venture for either JBB or LRL. He said not that he was aware of. Yet David keeps dreaming up a new campaign and writing newsletters to get still more money. Call Nathan McLaughlin, and ask him yourself about what

went on while he was with Mould. *McLaughlin's home phone is 305-436-3550.*

Unpaid IRS Bills

On June 4, 1993, David Mould telephoned McReynolds and demanded that he immediately send him \$20,000 from the investor accounts for the IRS. Bob explained that that was not what the investor accounts were set up to pay for. But David told him that—that very day—the money had to be sent by Mould to IRS—or they would shut LRL down. The situation appeared so urgent, that McReynolds wired the money that day.

Several days later, he anxiously phoned David to find whether the bill had been paid on time. Mould replied, "I was afraid you would ask me that question." He then went on to say that he "ran into someone at church on Sabbath" who had earlier loaned him \$5,000 and now asked for it back. So, he said that, that Sabbath morning, he wrote him a check for the amount. Shocked, Bob asked him to justify where the rest of the \$20,000 had gone, and David promised to fax him copies of checks or check stubs the next day. As so often happens, he did not fulfill that promise. To date (January 1994), neither the \$5,000 nor the \$15,000 was ever returned to McReynolds for the investors' account.

Mould owes the IRS over \$100,000. Supporting documents, regarding their investigations and plans to seize his company assets, are included with this report.

The Royalty Lawsuit

David Mould wanted an eye-catching edition of *Great Controversy* to offer the public. So he asked Jim Arabito for permission to use a number of his color photographs in such a book. From the very beginning, it has been obvious that it was the photographs which made the book. Apart from them, it was a medium print-size book with a maroon hard cover—with little else to make it worth a \$19.95 retail price tag, in the eyes of the average person.

But the pictures made it unusual. Yet they were printed in the book only because David signed an agreement to pay Jim and Pat a reasonable royalty of \$1.68 on each book printed. That agreement was signed in the fall of 1989, and Mould handed Jim a check for \$5,000 as a binder, confirming the contract. Shortly before Jim's death (in an Alaskan plane crash in September 1990), Mould printed 30,000 copies. He owed Pat, Jim's widow, \$50,400 in royalties for those books.

But he sent her nothing. Nothing, aside from the initial binder fee, from December 1989 to April 1993. Not one cent. (He did send her three checks in 1991, but all three bounced. She still has them [see documentary section, later in this tract set].) Yet all that time money was arriving daily from donations, and soon investors began pouring in still more.

But the most incorrigible part was that, all that time,

David Mould was illegally paying himself a royalty on those books! And it was a double royalty. Claiming that it was because of his remarkable abilities and hard work, which had brought the book into existence, even before the first print-run came off the press, he began writing himself (what he called) "royalty advances," equaling twice the amount of royalty he was supposed to be paying Pat Arabito! (*Her phone number: 707-965-2786.*)

Only an evil man would do that! Take the money due the widow (who, because she was suddenly widowed, had almost no other source of income at the time), and pay it to himself—when it was not due him!

Ellen White was the author of the book, and Pat Arabito the legal owner of the pictures which sell the book. By legal contract, she was to receive a royalty on each book; but, instead, David was paying himself a double royalty, when he did not deserve even a single royalty!

Yet David Mould illegally began paying himself a "double royalty" on those books, beginning even before they were printed. But he neither authored the book, nor supplied the illustrations which sold it. This is fraudulent; LRL, as an organization, was entitled to profit on the book, but David Mould, as an individual, was not entitled to royalties.

Pat pled with him for the money. Others did also. But all to no avail. Then Pat filed a lawsuit in February 1993. Then Mould, for the first time, began sending her royalty payments. The first one arrived in April of that year.

What was Pat supposed to do all that time? Live on air, while David spent nearly \$10,000 (\$9,807.50, to be exact) on a woman he visited frequently in the Orlando area? (More on that later.)

Between November 1989 and July 1992, David had written himself 102 royalty checks, totaling \$98,000. Those royalties were fraudulent, since Mould had no legal right to pay them to himself. He neither authored the book nor provided its illustrations. In addition, he would write himself royalty checks on a print-run—even before it was printed! (Bob McReynolds has copies of all those checks: 503-267-4732.)

Pat Arabito was an extremely patient woman. After waiting for years, she was finally driven to sue Mould for the royalties owed her, of which the original amount (on the first 30,000 books) was \$50,400. Yet, all those years, Mould faithfully paid himself royalties on every copy off the press—a total of nearly \$100,000.

(That \$97,684.35 figure is royalties paid by Mould to himself up to July 1992; we do not know how much royalties he has paid to himself on the books since then. From August 1992, onward, he has had no treasurer. None of the second print-run arrived at LRL until the summer of 1993. So it is likely that he has dipped more money out of the till in self-royalties for those books also.)

It should be noted that, in the first six months of 1992, David paid himself \$35,917.50 in pseudo royalties (in 36 checks). How much did he pay himself in the second six months of that year? We do not know. Assuming it was also \$35,000, this would mean he wrongly took at least

\$130,000 in royalties to the end of 1992.

When I learned about what Mould had done to Pat, I phoned her and asked if I should become involved on her behalf. She said no; she just wanted to wait. There was no enmity, only quiet despair.

Bob originally got into Mould's organization partly to help get Pat Arabito repaid. He had arranged that it be written into the trust agreement that he, Bob (as the trustee) was to pay Pat double royalties (\$3.82 per book) until the old royalties were paid. But he found he was never able to do this, because all checks required two signatures—and David refused to sign any royalty checks to Pat until April 1993, and then only in response to a lawsuit by Pat, filed in February.

Yet, in spite of these facts, David Mould continues to say that he is nearly paid up on all royalties to Pat Arabito. He says he only owes about \$4,000. That is not true. She was paid only the initial \$5,000 binder of the original \$54,000 that David owed her. She did not receive a penny more until she filed suit in February 1993. At the present time, she still has a balance owed her of \$15,000 on royalties on the first 30,000 books printed. But, in 1993, David took possession of 10,000 of the second print-run of the book. The total print-run was 100,000 (90,000 of which is still at the printing house). He has not paid any royalties to Pat on those 10,000 books. Mould owes her \$16,800 on those additional 10,000 books. According to his newsletters, he has already sold 8,000 to 10,000 of them. But, once again, Pat has not received one penny of royalties from those sales. Yet royalties are to be paid as books are sold.

Mould may have wonderful, persuasive words, but the facts, witnesses, and documents tell something different. *Call Pat Arabito at 707-965-2786 and talk to her.*

Board Meetings

Orrett Morgan was the only non-family member of the board of LRL. On June 29, 1993, he contacted Bob McReynolds and told him there had not been a board meeting since July 1992. He ought to know, since he, along with David and his wife, JoAnn Mould, are the only board members. As of the date of the present writing (January 16, 1994), the situation has not changed. Call and ask Orrett about it. *There are many things he could tell you: 904-532-5761.*

David has consistently rejected Bob's demands that he appoint a duly-constituted board of directors—one that has the ability to keep him operating in legal ways, without overspending when he did not have the money, and without siphoning off money to himself. But Mould has refused.

"He would put me off by stating that he didn't need a board, didn't want a board, or sometimes even would state that there would be a board sometime in the future. When I would try to get him to listen to reason, he stated that I was looking over his shoulder and that was not my job."—*McReynolds fax to Vance Ferrell, January 16, 1994.*

But that is exactly what a trustee is supposed to do! Bob was helpless to do anything except to alert the investors and donors. The two-signature check system forbade

him from writing checks to pay LRL's just debts without David's cooperation, which was not given.

The Checks Mould Wrote

One worker at the Deland headquarters was so upset by the checks Mould was writing—from LRL!—to his girl friend (not JoAnn, his wife), that she began xeroxing them. Later she sent the copies to McReynolds. She continued xeroxing questionable checks for over two-and-a-half years (from November 1989 to July 1992). That lady was Sandra Dixon. She had the courage to do what needed to be done in a crisis, when many did not realize what was going on. She gave them all to McReynolds. *Sandra Dixon's phone number is 407-292-8986.*

Nathan McLaughlin, Mould's last treasurer, is still owed over \$12,000. Nathan has told McReynolds: "If David is ever audited, he will go to jail." *Phone Nathan and ask him about it: 305-436-3550.* Nathan is now saying he is going to sue David. As I write this, he is just now making arrangements with an attorney to do so.

In discussion with former staff members, McReynolds was told many things that implicated David in very serious charges—both financial and moral. *Bob's number: 503-267-4732.* Staff members have sent him copies of 174 canceled checks, written by Mould, each involving a wrong action. Included here are 102 royalty checks David paid to himself, checks to buy himself a house, and \$9,807.50 in checks to a woman in the Orlando area. (Since we have reason to believe the money to buy himself a house was not processed as salary, this would be regarded as a violation of IRS regulations.)

The 174 canceled checks, sent to McReynolds by staff members, cover that time period from November of 1989 (right after the royalties agreement with Jim Arabito was signed) through July of 1992. Throughout most of that time, David was receiving his regular salary checks.

According to Nathan, IRS W-2 forms were issued to Mould for his regular salary. But the royalty checks constituted an illegal income which, to our knowledge, was unreported to the IRS. That would constitute a second illegality, since he was not entitled to royalties in the first place.

As mentioned earlier, David began writing himself those royalty checks—even before the books were printed! Here are the royalty check yearly totals from November 1989 to July 1992, which David Mould paid to himself (*verification: Bob McReynold's check copies: 503-267-4732*):

Nov-Dec 1989 - 10 checks	\$8,350.00
1990 - 36 checks	\$37,587.50
1991 - 19 checks	\$15,829.35
1992 - 37 checks	\$35,917.50
TOTAL paid to Mould - 102 checks	\$97,684.35

Here are the royalty check amounts David Mould paid to Pat Arabito (Jim's widow who has two children to raise) during that same time period (*Verification: Pat Arabito: 707-965-2786 or 965-2512*):

Nov-Dec 1989 - 0 checks	\$0.00
1990 - 0 checks	\$0.00
1991 - 0 checks	\$0.00

1992 - 0 checks	\$0.00
TOTAL paid to Arabito - 0 checks	\$0.00

You should know that books from the first print-run were not available for sale until about July 1991. Yet David was writing *himself* royalty checks twenty months earlier, in November 1989. That was the month he signed the agreement with Jim! The ink was not dry on the contract, before Mould flew home to Florida and began writing himself royalty checks! Over the years, he wrote those checks to himself from six different accounts in four different Florida banks.

Since July 1992, David has been his own treasurer. Yet even his earlier checks bounced so frequently that, when Nathan McLaughlin first joined the organization as its new treasurer about the time LRL began operations, he was told by one of Mould's banks that they would no longer do business with David Mould's organization, because it bounced too many checks. (*Call and ask Nathan: 305-436-3550.*) Yet, incredibly, even some of the checks David wrote to himself bounced! Yet, since July 1992, this man who cannot handle money has been the organization's only treasurer!

The House Purchase

During this same check-writing time period, Mould decided to buy a house in the Orlando, Florida, area. According to Nathan, his treasurer, David wrote checks from LRL for \$19,908.19 as part of the purchase money on a house. But, because he never signed a contract of sale, he lost both the house and the money. *Ask Nathan to explain it. His phone number is 305-436-3550.* Regarding Nathan, Bob said: "Nathan has been very careful to volunteer nothing, but if the right question is asked, he will not lie to protect anyone."

Bob has copies of canceled checks to back up what Nathan says about this house transaction. In addition, on July 8, 1993, David himself read a letter from a Judge Harry Rein, describing more than \$40,000 which he, David, paid on the house he is currently living in. Mould told Bob about that second house expenditure in order to explain how the royalties he was paying himself had been used. But Bob says that (all aside from the illegal aspect of paying the royalties to himself, instead of to Pat) this explanation does not explain what those royalties were used for—because the dates and check amounts do not even begin to come close to matching the royalty check copies which Bob has in his possession.

The National Time Magazine Campaign

For many months before the brief Indiana Campaign took place, David asked for funds to carry out a National Book Sales Campaign, via a nation-wide ad in *Time* magazine. Thousands of dollars came in for that campaign, but we do not have the exact amounts. However, we do know that the call for funds continued on for months. It is also known that many people sent money, who wanted books in return. But many say they never received their books.

But then, in July 1990, the first actually-completed book

campaign occurred.

The Indiana Time Magazine Campaign

The book, of course, was the New, Illustrated *Great Controversy*. Here is its publication background:

We earlier noted that the royalty contract, permitting David Mould to use the best of Jim's worldwide collection of color photographs, was signed in November 1989. We also noted that Mould first began writing himself "royalty" checks on those books that same month (Bob has copies of canceled checks to prove it). Early the next year, arrangements were being worked out for the first print-run of the book. It took time to typeset the book and arrange the photos for camera-ready shooting at the printing house.

To date, there have been two print-runs of this book. The first print-run (30,000 books) did not arrive at Mould's place until July 1991. By that time, he had been paying himself royalty checks for 20 months, with nothing paid to Pat. (Jim had, by that time, died in that Alaskan plane crash.) All this time, Mould was busy collecting funds for a massive *Time* magazine ad, which was to run in all its U.S. editions. This would require an immense amount of money; he was asking for \$2 million). The plan, as he explained it, was to sell hundreds and thousands of copies of the book, which would pay for the ad and provide money for still more ads.

A trial ad was then run in the Indiana edition of the magazine during the very week that the General Conference Session was meeting in Indianapolis. The ad went to every reader of *Time* magazine in Indiana, which, according to Richard Mierzwa at *Time*, was 66,000 subscribers.

Shortly afterward, a close friend telephoned me to confidentially mention that David was in deep despair. He had sold only a few copies, and had admitted that the Indiana Campaign was a total failure. We later learned that the expensive *Time* ad, costing \$25,192, only resulted in the sale of 30 copies of the book. (Contact Orrett Morgan at 904-532-5761, or Michael Delaney at 904-296-3553 for verification of this 30 copy sale number.) I felt very sorry for David, and knew he would need to find something different to work on as a project. David had had good success selling the illustrated *Great Controversy* to Adventists; no doubt. But the general public was clearly not willing to pay \$19.95 for a plain maroon-cover book, with several pages of pictures inside.

Before leaving this campaign, it is of interest that, according to *Time* magazine in New York, the ad cost \$25,192.74, and Mould sent a check for that amount as payment in full for the ad on May 19, 1990. But David later told his supporters (see *LRL Newsletter* dated September 11, 1990) that the ad cost \$30,950.

The Fraudulent Zip Code Mailing Campaign

Two months after the Indiana Campaign, David told the people to send him money and zip codes, and he would circularize the zip codes with a *Great Controversy* ad. The Zip Code Mailing Campaign was announced in his September 11, 1990 newsletter. The announced plan was for people to send in zip codes and the money to circularize

them with an ad mailing.

Apparently, Mould assumed no one would know the difference if he just kept the money—and did not send out the mailings. So he did just that.

Many people have telephoned Bob that David had taken their money for Zip code mailings, and then not mailed anything. He also refused to refund their money.

Bob asked Rick Metcalf about it, and Rick replied that Mould never had sent out any of those zip bulk mailings. *Rick Metcalf's number is 601-655-8773.*

The Fraudulent Jamaican Papal Visit Billboard Campaign

In November, 1992, David Mould initiated another ad campaign. He wrote a newsletter, to be sent to the donors, asking for money for billboards in Jamaica during the time Pope John Paul was scheduled to be there. After typesetting the appeal for funds, he sent the newsletter to the printers. But, just as the the printed sheets arrived back from the printers, news came that the pope had canceled his forthcoming visit to Jamaica.

What did Mould do? He should have thrown the sheets in the trash; yet, although knowing that, he gave orders to mail out the newsletters anyway. The staff members knew the truth of the situation and were understandably shocked. Rick Metcalf, one of his workers, stood and argued with him about it for quite some time, and tried to talk him out of mailing that appeal for funds, but all to no avail. *Metcalf's phone number is 601-655-8773.*

Mould knew this would be another swindle, which it was (the billboard ads in Jamaica were never posted). The truth is he does not care about you or your intrusted requests; he only wants to get your money.

In response to that mailing, he received an outpouring of funds which he did not use as announced. The legal word for this is "*mail fraud.*"

The Orlando Book Sales Campaign

I was later shocked to discover that David intended to repeat the Indiana mistake! As I look back on it now, I did wrong in not warning our believers about what was clearly going to be another failure. I knew the Orlando Campaign would fail, for the ad campaign idea had already been tested out in Indiana.

The campaign in Orlando, Florida, was primarily conducted between December 1992 and January 1993. Ads were placed on 68 expensive billboards; radio and television ads were purchased. Everything that David could imaginatively conceive of was done to plug the \$19.95 books. So the test was carried out again, this time with wide-spectrum media coverage. (It was even discussed on radio and TV talk shows.)

\$449,000 was spent on that Orlando ad campaign alone. Yet the entire campaign only resulted in the sale of 77 books! One worker believes that two thirds of those

David Mould Update: January 1994

Continued from the preceding tract in this series

sales may have been to Adventists in the Orlando region (Orlando is home to the *Florida Conference office*, the *Conference ABC*, *Forest Lake Academy*, as well as headquarters of *AHS/Sunbelt* and the largest Adventist hospital in the world: *Florida Hospital*, which is actually three hospitals scattered throughout the area).

It is estimated that, in the Orlando Campaign, the cost in advertising was \$5,000 per book. We know the exact number of books that were sold, because one of the LRL staff members phoned *West Telemarketing, Inc.* and found out. That company had contracted to handle the campaign's 800 number, answering clerks, and book sales processing and shipping to customers. (They were paid \$5,000 to set up the account and \$1,000 a month for the service, plus 63 cents for each call received. They reported that thousands of "nuisance calls" came in to jam the lines; those appearing on the talk shows told the audience to do it "to drive them out of business.") The amount of animosity and hatred generated by those anti-papal billboards was immense. Incidentally, the *West Telemarketing* account was not closed as late as July 1993! So all that time, *West Telemarketing* continued to receive a \$1,000 check each month from LRL.

For more information on the Orlando Campaign, contact one of the already-named staff workers (or *Rick Metcalf*: 601-655-8773).

Conclusion of the Orlando Campaign

Earlier in this study, we detailed the immense amount of money which David borrowed from the faithful. He called them "investors" and their loans "investments." He promised to repay them as soon as the sales came in from the ad campaigns. Yet the pattern became: When one failed, do another one. The next step was the \$15 million "Lincoln Campaign," when Bob McReynolds blew the whistle on June 29, 1993, and warned the investors; shortly afterward (in early July), we warned the donors.

Mould had continued on with the financially disastrous ad campaigns, even though the initial one (the Indiana Campaign) had so signally failed. As he prepared for the oncoming Orlando Campaign, Nathan McLaughlin, treasurer of LRL until August 1992, warned him that his scheme to borrow funds would lead him into bankruptcy (*Nathan*: 305-436-3550). By February 1993, McReynolds argued with Mould that the Orlando Campaign was a failure—and would he please stop this super-expensive campaign (*Bob*: 503-267-4732). In reply, David said that his wife, JoAnn Mould, had earlier told him that he would be crazy to do the Orlando marketing campaign.

As the Orlando Campaign neared its close, with only 77 books sold, Mould determined to push forward and spend more money. After almost total disaster in sales, in February he contracted with Peterson Outdoor Advertis-

ing Company to keep the billboards up another three months, at the going rate of \$15,000 per month. In addition to that \$45,000 expense, he also kept the radio ads going for an additional three months. He asked the donors for an additional \$200,000 to complete the mailing out of the big full-color brochure to the Orlando area. Interestingly enough, the letter appealing for those funds was sent to everyone, with the exception of McReynolds.

What was the total cost of the Orlando Campaign? The period from November 1992 to mid-February 1993 cost at least \$350,000. But with the additional three months, which David then added, it ran to \$450,000. Yet, for all the money spent, only 77 books were sold in the Orlando Campaign.

That does not include the full-extent of the *West Telemarketing* account, which, strangely, was not closed until as late as July 1993! So all that time, *West Telemarketing* continued to receive a \$1,000 check each month from LRL. Their services? Answer 800 number telephones and process book orders. Yet, the Orlando Campaign was the last of the 800-number call-in campaigns.

Mould regained his zest after that failure—while talking about his plans for an even bigger campaign to follow: a \$15 million *Lincoln Campaign*.

Summary of the Five Campaigns

The National Time Magazine Campaign—Although tens of thousands of dollars came in for this long-advertized campaign, it never got off the ground. The ad was never placed and no sales were generated.

The Indiana Time Magazine Campaign—A one-time ad set in a July 1990 issue of *Time* magazine to 66,000 subscribers in Indiana netted 30 sales. The ad purposely ran during the Indianapolis General Conference Session, and copies of the ad were circularized at the Session. We are told that nearly all the sales were to Advent believers. The ad cost \$25,192.74, but Mould told his supporters it cost \$30,950. The ad cost per book sold was \$839 per book.

The Zip Code Mailing Campaign—This campaign, which was initially announced in September 1990, brought in thousands of dollars. But staff members know of no instances in which any of the agreed-on zip code mailings were sent out.

The Jamaican Papal Visit Billboard Campaign—This campaign, what was advertised by mail in November 1992, brought in thousands of dollars, but resulted in no ads and therefore no sales. As noted earlier, the papal visit to Jamaica was cancelled before the appeal was mailed out.

The Orlando Multimedia Campaign—This campaign, which primarily ran from December 1992 to February 1993, cost over \$450,000, and resulted in a sale of 77 books, most of which were purchased by Adventists. The ad cost per book sold was \$5,844 per book.

The staff members inform us that less than 1/10 of 1

percent of the book campaign sales were made to non-Adventists.

The 15 Percent Marketing Commission

But there was also another reason why it was helpful to keep pouring money into marketing schemes. They paid well. Each such campaign enriched David Mould personally. Let me explain.

As mentioned earlier, back in the early 1980s, Mould would charge the organization \$15 for each check that came in—as payment to himself for letting the organization use his mailing list. (Yet it was a list which N.C. Wilson kindly let him use; it did not belong to Mould.)

But, when David began planning for the book marketing, he started LRL, dropped the \$15-per-check arrangement, and switched over to a straight 15-percent plan, whereby he scooped the cream off the top of all advertising money that came in. The pretext which he used to excuse this practice was the idea that he, personally, deserved 15 percent of ALL money which came in for the campaigns, since he had dreamed up the idea! This included all money from donors for the campaigns, and all money from the investors which McReynolds sent on to him, after receipting it. Talk about highway robbery. Now you can understand why it was best to keep those billboards and radio ads going for an extra three months after the campaign had exhausted itself.

On this basis, if the total Orlando Campaign, cost \$450,000, alone, David Mould collected \$67,500 for himself. He skimmed the cream. What did David do with all that money, since he always seemed low on cash?

The Ad Agency

David wanted to launder the percentage money he was scooping out of the LRL accounts. So he set up a pseudo organization to receive the scooped percentages. The name used was *Heartways, Inc.* But, in order to make the cover even more secure, he made up a fictitious ad agency to channel the money through.

In order to understand this better, you need to understand that a bonifide ad agency handles advertising accounts for businesses. It prepares and places the ads and charges 15 percent commission for its services. Well, when you sent David money in good faith, believing it will be used to advertize his illustrated *Great Controversy*, you have not been told that he siphoned off 15 percent of your donation for himself.

Mould recently gave the imaginary ad agency a new name: *Farquharson, Emerson & Churchill*. Now, that does sound genuine, doesn't it? It sounds like a major New York brokerage house, or something equally prestigious. But that is where 15 percent of your donations for his campaigns goes. (And advertising campaigns is about all David has asked money for, during the past several years.)

The first name in the title of his wife's maiden name; the second name of David's middle name; and the third adds the distinctive final touch. One man, who knows David and his background well (David, by his own admission, spent his early teen years working at a Jamaican race-

track, helping the men illegally fix races), believes David may have named it after "*Churchill Downs*," one of the most famous racetracks in the world.

David puts a whopping 15 percent of all advertising money (book campaign money) through FEC and into *Heartways, Inc.* As the donations come in, he writes a check to FEC (which has as its office a post office box in Orange City, Florida). Then, without leaving his office, he takes the FEC checkbook out of a drawer and writes a check from FEC to Heartways. He then processes both checks through his bank, without even bothering to mail the FEC check to the Orange City box.

On this basis, the 15 percent cut that he will get from the planned \$15 million Lincoln Campaign will be \$1 million.

The IRS has been checking on all of David's accounts, properties, and deposits. They have told McReynolds that they have already found FEC.

The Illegal Interest Rates

When David was laying initial plans for obtaining loans, he offered to pay the investors between 10 and 25 percent interest on their loans. The plan he envisioned was a sliding scale: the more money they loaned, the higher the rate of interest they received. But David was warned.

Bruce Olson (account manager at Dean Witter) told him that it was illegal, by federal law, to loan money at interest above 18 percent. So he said he would "roll the interest back down to below 18 percent."

Before he started on this loans-for-interest program, he was told that it was illegal to do so, unless he first registered with the Securities and Exchange Commission. But he did not do that. *Ask Len Nelson about this: 904-734-2691.* McReynolds only learned that it was illegal, later when the Florida Securities & Exchange Commission told him.

The Direct-Mail Book Sales Campaign

About 2,230 copies were sold after the Orlando ad campaign, through a Direct-mail Campaign, which cost much more than it brought in. The use of a 255,000-name mailing list of Adventists was purchased for \$7,000 from a northeast business firm. Expensive full-color brochures were then mailed to 120,000 Adventist names. Always willing to go the extra mile in spending money, David insisted that first class stamps be affixed by hand to each envelope! That, plus the expensive full-color printed sheet (totaling about \$2.38 per piece, including 98 cents postage) brought in orders which amounted to less than 7/10ths of one percent. We are told that the resultant sales did not even pay the postage of the mailing. (*Ask one of the staff workers about this; phone numbers are listed elsewhere.*) But then, as far as Mould was concerned, why should the campaign be economical, pay for itself, or accomplish anything? All that mattered was that it provide more campaign money for David to take his 15 percent cut from.

The Adulteries

No man should be retained as a minister who is com-

mitting adultery or who has committed it even once during his ministry. Yet David has done it repeatedly. Think about it: *It is sinful to support an adulterer in the ministry.* Is that statement true or false?

People pled with him over this matter, but he continued on with his mesmerizing seductions. David Mould is known to have seduced six different women workers at JBB and/or LRL over the years. Two of them were married at the time. What greater sin can there be—than to seduce a fine, clean young person—and lead that person into sin! It starts them on a path which can ruin their entire afterlife. Yet when David Mould speaks or writes, people telephone me and say, "But Vance, he says he is repentant!" The man should be kicked out of the ministry for what he has done! That is Spirit of Prophecy counsel. We live in an age when the criminals are placated, and the innocent suffer.

David admitted to two sexual incidents with one woman worker and an ongoing sexual relationship with another. Two of the six ladies involved spoke quite candidly to Bob McReynolds about the matter. Some of the women involved have agreed to substantiate the matter, if necessary. None of the former staff members expressed any surprise at the questions concerning this aspect of the investigation.

As mentioned earlier, one worker at the Deland headquarters was so upset by the checks Mould was writing to a girl friend, that she began xeroxing them. Later she sent the copies to McReynolds. She continued xeroxing questionable checks for over two-and-a-half years (from November 1989 to July 1992). That lady was Sandra Dixon. She had the courage to do what needed to be done in a crisis, when many did not realize what was going on. She gave them all to McReynolds. *Sandra Dixon's phone number is 407-292-8986.*

In addition to other irregularities (including the double royalty checks which Mould wrote to himself), Bob has canceled check copies of \$9,807.50 which David wrote to a girl friend, a former woman staff worker who, today, continues to live in the Orlando area. Neighbors have reported seeing Mould's car parked at her home all night. The joke going around LRL was, "If you want to know what's going on in the ministry [LRL], ask __, because David talks to her more than to his wife."

McReynolds asked David to take a lie detector test, but David refused to do it, unless no witnesses were present and the results were kept secret.

If you wish to know more about this serious difficulty, you may wish to contact Orrett Morgan, board member of LRL, and its former program director. On July 8, 1993, David phoned Orrett and confessed that he had lied when he earlier told Orrett that he had not had sexual relations with other women. During that phone conversation, Mould made additional confessions. *See enclosed Orrett letter, dated October 1, 1993, later in this report. Orrett's phone: 904-532-5761.*

You may also wish to contact Sandra Dixon, who was so incensed by the situation that she began xeroxing checks: 407-292-8986.

Rick Metcalf will also verify that this happened: 601-

655-8773.

Mould also confessed to John Osborne (1-800-447-5683) and Terry Ross (503-471-9648) that he had been committing adultery with women.

Bob comments, "I have been unable to discover where the money went that David helped himself to." Whether it be in business or his personal life, David likes risky activities. Recently, Bob said this:

"The following incident came to me from a former staff member to whom it happened. It can be verified by contacting two other staff members, one of whom is Michael Delaney. *Michael's phone number is 904-296-3553.*

"The former staff member and his wife, to whom this happened, had worked for David Mould for almost eight years. Just about two years ago, the wife one night approached their mobile home, where her husband and her own children were sleeping, poured kerosene on the trailer and then set it ablaze. She then went to the neighbors and told them her home was on fire.

"He, the husband, told me [Bob] that an angel awakened him and the children, so they could miraculously escape in time. He told me that, after the fire, his wife confessed to him that she had had a continuing sexual relationship with David almost the whole time they had been working for David.

"Another staff member told me that this same lady had also gotten pregnant. Then David took her on a trip to Jamaica, where he paid for an abortion. A divorce, not surprisingly, followed.

"Notice that this event occurred in the last few years, not prior to 1986. (David has told his followers that there was a major conversion in his life in 1986, and he no longer does what he used to.)"—*Bob McReynolds fax letter to Vance Ferrell, January 15, 1994.*

There are a number of powerful statements in the Spirit of Prophecy about adulterous ministers. We are preparing a compilation on this topic and will release it soon. The title: *Immorality in the Ministry.* The following quotation is about an Adventist minister who led Christian women into sin:

"How many souls he will destroy with his satanic sophistry the judgment alone will reveal. Such men ought to be rebuked and discountenanced at once, that they may not bring a continual reproach upon the cause."—*5 Testimonies, 139.*

Read the entire chapter. Here is another statement from it:

"Sin and sinners in the church must be promptly dealt with, that others may not be contaminated. Truth and purity require that we make more thorough work to cleanse the camp from Achans. Let those in responsible positions not suffer sin in a brother. Show him that he must either put away his sins or be separated from the church."—*5 Testimonies, 147.*

The Situation Does Not Change

David gave Bob a name to contact. It was an elderly lady who was considering investing in Mould's project.

Telephoning her, McReynolds found that she was an 82-year-old widow, living on \$362-a-month Social Security. He told her that she should not invest with LRL because of the high risk involved. (Would you not have given her the same advice?) Bob then phoned David to suggest that, in view of the continual losses so far, that was good advice to give future lenders, especially elderly ones. Mould's response was an unfeeling interest in just getting more money from the people.

In spite of his syrupy expressions of warm love for you, do not think that David Mould is your friend. He just wants your money.

Hoping against all hope for months, the staff workers finally gave up. In August 1992, all but one resigned. The workers that took their place resigned on July 15, 1993. At the time of their departure, they wrote a letter to Mould which we published last year (*The LRL Crisis—Part 1-4 [WM—471-474]*).

His latest plan is to borrow \$15 million in order to carry out the "*Lincoln Book Ad Campaign*." He promises that will generate so much income, that it will pay all the bills and repay the investors. But that is what he said before starting all the previous campaigns.

Yes, we all want the circulation of *Great Controversy* to be widespread, but not at the hands of an adulterer, liar, and thief. David's method is spend big and then, when troubles develop, tell his supporters it is the Jesuits and his enemies who are just trying to get him. That generates additional sympathy and strong support.

John Osborne (800-447-5683) tried to step in by asking David to change his ways. But this had little effect. David continued writing checks on unbalanced ledgers, and refused to appoint a valid board. Finally, Terry Ross (503-471-9548) tried to avoid the lawsuit by Pat Arabito (707-965-2512) against Mould, by telling David to meet a deadline which Pat had set for a \$2,000 royalty payment. David failed to send the money, and Terry stopped trying to help David solve his problems. The suit was filed in Florida.

Names and Telephone Numbers

In order to verify this, we have given you many names and phone numbers to call. See these below:

Sandra Dixon is another former worker at LRL: 407-292-8986.

Rick and Sherry Metcalf, two former workers at LRL. They had important positions in the Orlando Campaign. She was director of marketing and he was in charge of computer graphics: 601-655-8773.

We have already given you the following phone numbers:

Orrett Morgan, program director and board member of LRL: 904-532-5761.

Nathan McLaughlin, former treasurer of LRL: 305-436-3550.

Terry Ross, a staff member at Prophecy Countdown: 503-471-9548.

John Osborne, a former close friend of his, who tried

to help him. David confessed two moral falls to John and Terry: 1-800-447-5683.

Marlon and Heather James, former close friends and supporters of LRL: 706-657-5367.

Patricia Arabito, the widow who, for years, Mould refused to pay his just royalties to: 707-965-2512 or 965-2786.

Len Nelson, former LRL marketing director: 904-734-2691.

Bill Moors, the first one to document Mould's irregularities: 707-446-3666.

Don McClure, another early worker to discover what was going on: 517-321-7757 (office phone: 707-448-6841x2388).

Bob McReynolds, the trustee of the organization: 503-267-4732.

Michael Delaney, another former staff member: 904-296-3553.

If you would like to talk to one of David Mould's most faithful supporters, for many years, who has discovered many facts, call Kathy Swanson: 216-848-3224.

David Mould has steadfastly refused to change his pattern of operation. He has no treasurer and no board meetings. The creditors are not being properly paid. He writes checks to himself (sometimes several thousand dollars at a time), cashes them, and the money disappears. No accounting is ever given of those amounts. The workers are not regularly paid; sometimes part of their salary is never paid, even after they quit. Yet David nearly always regularly receives his salary.

What is Mould's salary? \$34,000 a year in 1989 and up to \$37,000 a year by 1992. He actually takes home over \$3,000 a month, all aside from the 15 percent "commission" on the hundreds of thousands that come in for his "ad campaigns." On top of that, he keeps handing himself double the royalties which should go to Pat Arabito.

David Mould, himself, can be difficult to locate. Arcata Graphics tried to subpoena him into court, in an effort to get him to pay for the *Great Controversys* they had printed which he would not pay for. Several times, in October 1993, they sent men to serve him with subpoenas. But each time he opened the door and turned his big dogs loose—and chased them away. Then, in early November, when Joe Warner from the IRS went out to Mould's home to talk with him, David obliged by opening the door and turning out the dogs again. Warner had to quickly leave. But here is Mould's unlisted home phone: 904-738-5916. And here is Joe Warner's: 904-254-2800.

David has spent more than \$125,000 in defense efforts since July 1, 1993. This has only added to the loss. It has been a loss to the donors and investors; it has been a loss to historic Adventists.

The Internal Revenue Service Crisis

David Mould Update: January 1994

Continued from the preceding tract in this series

Then there is the *Internal Revenue Service*. As of today, McReynolds has copies of tax liens owed by David Mould and JBB. Those tax liens total over \$100,000! There is nobody as efficient as the U.S. Government at getting their money. Joe Warner, the Florida IRS agent in charge of this procedure, has adamantly told Bob on the phone that the IRS is maintaining a continual search for all the money they can seize, which belongs to David Mould or his organization. The only reason they do not immediately close his organization down is because they realize more and more money keeps coming in. They are getting as much of it as they can. But David is efficient at squirreling it away as fast as it arrives. It is known that he has overseas banking accounts. Only recently the IRS discovered a hidden account containing US\$27,667 (\$830,000 Jamaican), which Mould privately held in a Kingston, Jamaica, bank. Only discovering it recently, they are planning to seize it.

Bob also has a copy of a judgment against David from *Wolf Printing Company* for \$28,391.76 at 12% interest, unpaid since June 26, 1988. This is a matter of public record, available at the courthouse in Deland, Florida.

Please see the documents at the end of this study, for additional information: four IRS Tax Liens against LRL (dated March 15, 1990, October 25, 1992, October 7, 1993, and October 7, 1993) and the one-page Notice of Levy, dated January 10, 1994—issued only six days before this writing.

Present Status of the Royalty Payments to Arabito

David continues to say he is all but paid up in what he owes Pat Arabito. But that is not true, either. On his recent papers and tapes, he indicates he only owes about \$4,000, but the amount is actually over \$15,000 at this time. Another mistruth. In addition, he has paid no royalties to her on the 10,000 books he took possession of from the second print-run. (The 2,300 books he sold in the Direct-mail Campaign came from that second print-run, as well as the 77 Orlando Campaign books sold.) *Ask Pat: 707-965-2786.*

From October 1992 through March 1993, Bob has receipted \$581,000 from investors and paid out \$50,009 in interest. During that same time large amounts of donations also came in (\$810,000 in 1992 alone) But all it resulted in was two ad campaigns, in which the investors' money was put into: 77 books sold in the Greater Orlando Campaign and less than 2,300 books sold in the Direct-mail Campaign. (Investor money was not used in the Indiana Campaign.)

But do not think that David sold only those few books. Although the expensive ad campaigns to non-Adventists resulted in few sales, yet he sold most of the rest of the books he got from the printing house to Adventist believers. That is why David believed he could include the production and mailing cost of his newsletters as also constituting "advertising"—and subject this to the 15 percent

skim. The number of books, which Mould sold, included the initial 30,000 copies (first print-run) and, according to a recent Mould newsletter, "7,000 to 8,000" of the 10,000 he received of the second print-run of the book. So Mould definitely owed Pat Arabito for all those books sold.

Jim died several months after signing that contract. He told his wife, Pat, that he did it to make sure she would have some kind of income, in case anything happened to him. But, before that plane crash, he told Pat that, already, he could see that he had made a mistake. He told Pat that Mould was a crook, and he, Jim, should not have signed a contract with him. Pat mentioned that to Bob. *You can verify it with either of them (Pat: 707-965-2786; Bob: 503-267-4732).*

What about the 90,000 Books at the Printing House?

What about the books at the printing house? David says enemies are trying to steal his books, and he boasts that he is going to get them anyway. Yet he well knows the truth of the situation. The true facts are known to him and have been widely shared by Bob to the investors. Here are these facts:

Mould paid for the first print-run of 30,000 books, and received it in July, 1991. Nearly all of them were sold to Adventists through his newsletters. But 30 were sold to people who answered the July 1990 *Indiana Time* magazine ad. (At the same time, the ad sheet was widely distributed at the General Conference Session. It is possible that many of the 30 were purchased from the full-color handbill by those attending the Session.)

When David started the Orlando Campaign (November 1992-February 1993), he was already sold out of books, but had ordered 100,000 from the printing house. He then asked them to send him some, but they refused, telling him he could not have any until he paid for them.

Mould sent \$120,000 down payment to the printing house, but he did not send more until April, when, after sending \$20,000 more in two payments, they sent him 10,000 copies. By that time, the Orlando Campaign was about ended. Seventy-seven were sold in that campaign and less than 2,300 in the Direct-mail Campaign which followed.

On June 29, 1993, when Bob pushed the panic button on what was going on, he informed the investors about the financial and moral crisis at LRL; the investors got together and decided that the only way they could recoup their money was to get the 90,000 books, which were still at the printing house. Selling those books, they could get their money back. In addition, they fully agreed to pay Pat Arabito her royalties.

On July 9, 1993, the printing house waited no longer for David Mould to pay for the books. On that date, the account was turned over to attorneys for collection. This requires selling the books to the highest bidder.

Typically, David portrays the investors as "enemies" who are trying to get his books. He is the poor, mistreated un-

derdog, who is harrassed by the bad people. The truth is that faithful Adventists are simply trying to recover money he promised to give them. There is nothing wrong in what they are trying to do. When they get the books, they intend to sell them to the public.

In his newsletters and tapes, David gloats about how he is going to foil the efforts of his "enemies" to get those books. The truth is that those believers deserve to have them! And we hope they will have them soon.

Workers Threatened

For his part, David is both cajoling donors with flowery words and threatening those who might cause him trouble. He has threatened fire to the homes of those who might oppose him. Later, when one fire occurred, he gloated about it in his newsletter. I can assure you that God does not set fires to aid adulterers.

David has been known to threaten staff members who are leaving, so they will keep their mouths shut and not make trouble for him. With a meaningful laugh, he mentions that he can get anyone killed for only a few packs of cigarettes. Mould is here referring to his contacts inside the prison system. While visiting the prisons for JBB, he met killers who offered their services after they get out—or even before. It is well-known among penitentiary personnel that short prison terms for hardened criminals is having deleterious effects. Guards are openly threatened about what may happen to them. The present pattern of brief prison term sentences provides excellent communications between inmates and their associates outside.

We are able to support the fact that David has made such remarks. Former staff members verify it. But, although David is a dangerous man, do you not think that you should be told the facts in the case anyway?

Is Bob McReynolds the Trustee?

David also denies that Bob McReynolds is the trustee. But, legally, once the *trust agreement* is made, the trustee cannot be released until the investors have been repaid, and the accounts completely wound up.

"A trustee is a person or corporation that holds or manages property for the benefit of another. A will, a document, or a verbal statement may create a trust. A person named as trustee may decline to serve, but if he accepts, he cannot give it up without permission. He may be released only if all persons interested consent or if a competent court is willing to discharge him . . .

"A trustee must keep account of all money, collect debts, keep funds properly invested, and render accounting at stated times for those for whom he is acting."—*Trustee, World Book Encyclopedia, 1966 edition, p. 389.*

"Trust—an obligation upon a person; the trustee—arising out of the terms of a special grant to hold and apply property according to those terms, for the benefit of others—the beneficiaries. The trust relationship implies a very high degree of confidence in the trustee, and he is required to discharge his duties with extreme care and faithfulness."—*Everyday Law Made Simple, p. 191.*

"It is the duty of the executor to take all steps necessary to collect all debts due the estate."—*Op. cit., p. 85.*

So Bob McReynolds is merely discharging his duty to the investors—to collect debts, protect their money, and try to get it returned to them. That is quite a responsibility, since Mould owes them \$638,000, as of July 1993, plus unpaid interest accumulating at the rate of \$297 per day.

Guarding Your Interests

Just as it is the duty of Bob McReynolds to guard the interests of the many investors who trusted in David Mould, so it is our duty to guard your best interests—you, the believers in historic Adventism, who trust Pilgrims Rest to give you suitable warning when you should have it. Whether it be in the denomination, in the world, or in the Independent Ministries. When your best interests are jeopardized, we will try to warn you. That is part of the work of the ministry which has been committed to us.

May God bless and keep you.

Vance Ferrell

Here is additional information:

The Mailing List

David Mould claims that Bob McReynolds "stole" his mailing list. Here are the facts:

In November 1992, while Bob was working as a staff member at LRL, David asked him to bring his computer to the office because of a problem Mould was having. David's computer was keyed to an old-fashioned network, and did not have a backup system. So he asked Bob to transfer the files from his (David's) computer to Bob's, so a backup could be made (so the contents could be retrieved if, at some later time the hard disk crashed).

Bob did as he was asked. David's brother, Carey Mould, knew a lot about computers and showed Bob how to do the transferring, so the backup could be made.

Bob was also given free access to what was in Mould's computer files. Without realizing the significance of what he had said, David told him he could copy and read whatever he wanted, since he was the trustee. So, in the course of making the backup, Bob took a copy of the files. This included every file Mould had written prior to that time.

On January 21, 1993, Bob, having only recently discovered David's moral problem from various workers, left for his home in Oregon so he could continue his trustee duties there. If you had learned what Bob had learned, you would want to move somewhere else, also.

He also took with him, when he moved, several boxes of labels. David had earlier purchased a fancy printed label which did not space right on most computer printers. Bob had figured out a way to print them on his own computer. He took the boxes, expecting to continue making labels for Mould in Oregon.

As Bob was departing, David asked him if he had the computer files; Bob said, "Yes," but they were already packed and outside in the car. David asked him to remove

that material from his computer, when he reached Oregon. Bob told him he would do so.

Subsequently, in April, Bob erased those files, as he had promised. Later, after the June 29 separation, as Bob and his wife were unpacking some boxes (which they had placed in the back of a closet upon arriving home from Florida), Bob found a set of back-ups that he did not know existed. He then went through them and found additional information on the 15 percent siphoning into *Heartways, Inc.* He also found the nine locked files.

There was no “stealing,” which would require a breaking into and entering. Mould continued to pay his salary checks, as trustee, for five months after he left Florida.

But keep in mind that, as the trustee, Bob had a right to have and use the mailing list, and have access to pertinent data which could affect the security of the assets of the investors.

In June, before the separation, Mould told Bob on the phone, “Bob, there is only one thing in all the world that I fear, and that is your mouth.”

The Nine Locked Files

After the separation, when he carefully examined Mould’s files, Bob found nine which were locked. They were in WordPerfect and could not be entered without a password or code. Because so many illegal activities had already turned up, Bob could not help wondering if these nine files might contain still further revelations, which could adversely affect the best interests of the investors.

So he asked a friend on the West Coast if he could help him solve the problem. That man, in turn, asked for the help of a computer expert who, only recently, had become a Christian. Having extra time on his hands for awhile, that man took those nine files and worked on them 16 hours a day for over a month (44 days to be exact).

Then one evening, while praying, the words came to him. He tried them, and the files opened.

There were four code words for the nine files. These were the code words: (1) *Jo*; (2) *JoJo*; (3) *JoJoJo*; (4) *Crook*. (JoAnn is the name of David’s wife.)

Each file had a name, of which these are four: *Agenda*; *Dmaccoun* [David Mould Accounts]; *DMRein* [David Mould data to Judge Harry Rein]; and *DMGencon*.

The *Florida Securities & Exchange Commission* had an ongoing investigation of David Mould in progress, and they told Bob to come to Florida for they wanted to talk with him. They paid for his trip. While he was there, he was called to the phone; it was his friend on the West Coast—with news that the codes had been broken. They were told to Bob over the phone and he wrote them down. He took them into the next room and handed the paper to Delroy Thompson, chief investigator for the FSEC. The men in that room laughed when they learned that one of the code names was “crook.” One of the men immediately took the locked files into the next room, applied the code, opened the files, printed them out, and brought them back into the conference room. The investigators said they found them quite interesting. *Two of the letters are included in*

the document section, at the back of this study.

LATE-BREAKING NEWS—THE BOOK AUCTION

What is the truth about the 90,000 books? Here is the complete story on them, up to the present time:

Shortly after Jim Arabito’s death, David ordered and received the first print-run of 30,000 books. Mould had sold them all by the fall of 1992. Then he started the Orlando Campaign, but he had no books. Mould decided to place a big book order this time—for 100,000 copies. He negotiated the deal in October 1992, placed the order in November when he sent a down-payment (\$120,000). The publishing house (Arcata Graphics) then printed the books, but would not send him any copies until he sent them more than the down-payment. Bob repeatedly told David to send them more money; but “risk” is Mould’s middle name, and he thought he could wait till later. Time passed.

The mammoth Orlando Campaign, with its immense outlay of money (\$450,000 in advertising before it was finished), was carried on, nearly to its end, without books in inventory! January slipped away and then February; by this time, the campaign was winding down. Yet Arcata Graphics refused to budge; they wanted more than the down payment before they would ship any books. Mould sent them \$16,000 in April. They still refused. So, soon after, he sent them \$4,000 more. But that time, he had sent enough money, and Arcata Graphics sent him 10,000 books. (Do not consider them obstinate; Mould signed a contract specifying the amount he must pay them before any books could be shipped to him.)

What about the 90,000 books still at the printing house? Before David could get the rest of the print-run (90,000 books still at the printing house), he would have to pay what he still owed the company about \$114,000, plus shipping). But David never paid to get the rest. So, month after month, the books remained at the printing house—collecting storage charges at \$731 a month.

Finally, on July 5, 1993, the printing company filed suit against LRL to collect their money. The crisis had finally arrived, and something had to be done; McReynolds represented the investors, and they had to be repaid. David had promised them, and he was not repaying anyone. It was McReynold’s job to recover their money. Yet they could only get their money back by obtaining the 90,000 books, and then selling them to the general public.

On July 27, 1993, Bob, as trustee for the investors, telephoned Peggy Spivey, Director of Credit for Arcata Graphics. She told him the investors could have the books if they would pay \$116,504.18.

About a month later, on August 30, he called again and she told him it was up to \$118,000.

Then the attorney for the printing house announced an auction was to be held on December 15, 1993, and the books would be sold to the highest bidder. But they also stipulated that the lowest acceptable bid would be \$125,000.

Neither Bob, representing the investors, nor David Mould, representing LRL, had that much money. For his

part, Bob was told by his attorney that no one would probably bid, and later the investors would be able to get the books for less money.

As it turned out, no bids were received that day and another auction was scheduled for January 18, 1994. As the date neared, Bob set to work, and in five days raised a little over \$100,000 from the investors. They trusted Bob. On their behalf, Bob bid \$100,000, planning to use another \$5,000 for shipping the books later.

His bid, which arrived on January 18, was supposed to be taken to the courthouse that day. But the weather was so bad, the courthouse was closed. The next day, a bid came from Mould through his attorney for \$111,000, with the urgent request that it be considered even though it was a day late. Arcata Graphics accepted the bid, and took both bids to the court on the 20th.

Ten percent of the full bid had to be submitted with the bid offer. So David had sent \$11,500.

A lot happened on the 20th of January:

First, there was the legal paper, "*Clerk and Master's Report*," which required that the LRL bid only be accepted if the funds were shown to be "in an escrow account and proof is provided that no lien holders can access the escrowed account."

That proved to be a deathblow to Mould's bid because, second, the same day, Joe Warner, the Florida collections officer for IRS handling the Mould/LRL case, telephoned

Bob Arrington, the attorney for Arcata Graphics in this LRL book auction, and, in no uncertain terms, told him this: "I want to see that check you got from Mould's attorney for \$11,500—so we can learn what bank it is written on and seize the money in that account!" The IRS has its finger on the pulse of legal and financial activities throughout the nation.

Third, R.L. Arrington, attorney for the printing house, filed a "*Motion to Confirm Sale*," with the court—asking that LRL be required to give a bid equaling the full amount of the judgment (all the money due the book company), and that the \$11,500 deposit, just received, be seized by Arcata Graphics as partial satisfaction of the judgment—regardless of who might win the bid.

Now, if you find all this hard to believe, then look at the attached documents. If you still cannot believe that the situation is so drastic, telephone Joe Warner. He is the Internal Revenue officer in charge of the LRL case. *Joe Warner's phone number is 904-254-2800.*

According to what we know at this point, on January 28, 1994, the court will decide who will get the 90,000 books.

As of today's date, not only does David Mould owe the investors over \$650,000, but he also owes various investors more than \$125,000. For more detail on this, contact Bob McReynolds: 503-267-4732.

The entire situation is a needless tragedy.

Still later news: By the conclusion of this lengthy litigation (which began in July 1993 when Arcata Graphics filed suit against LRL in order to recover the money it put into the printing of the 100,000 print-run of *Great Controversy*), LRL will owe Arcata Graphics the remainder of the print-run costs, plus added expenses. These include the following:

\$6,579 storage charges (at \$731 for nine months)

\$360 for the costs of the January 29, 1994 auction.

\$1,250 commision to the Chancery Court Clerk.

\$287.28 to Kingsport *Times-News* (notices of various legal actions associated with this litigation).

\$3,255 to *Publisher's Weekly* (book auction sale notice).

At the February 18, 1994 hearing, the Chancery Court said that only two bids had been submitted, and that it would release the books to whichever group could provide proof it had the money to pay the full amount. The next hearing date was set for ten days later.

On February 28, 1994, when the court reconvened, two attorneys representing LRL appeared before it. They told the court that their client did not have the money to pay for the books at this time. (Keep in mind that the court had already ruled that any additional LRL money submitted in bid was subject to seizure, to pay all printing-house expenses above and beyond the bid amount.)

Then, in a surprise move, the attorneys representing Mould declared that the investors' bid should be applied to the LRL bid—since that money actually belonged to LRL, and not to the investors! If the court accepted that plea, the investors would be entirely cheated out of the more than half-a-million dollars they had invested in the book project. For his part, Mould would then be able to use the books as a lever to get more donations which he could siphon to his own account through his 15 percent, and

other, "plans."

The court immediately contacted McReynolds in Oregon for evidence that the investor \$100,000 bid money could not be construed as belonging to the LRL investor trust fund. Bob had all the records there, and immediately FAXed them copies of checks received in January 1994 from the investors, in the amount of \$107,300, to be applied specifically on this book auction bid,

In addition, McReynolds also prepared and FAXed a report listing the investors (names, addresses, and amounts) who had sent him that \$107,300. This satisfied the judge (Richard E. Ladd). He said the trustee could have it on behalf of the investors, if a check for the rest of their bid (\$90,000) was immediately wired to the court. That was immediately done, and the judge announced that final confirmation would be made on February 4, 1994.

This present tract set is already quite lengthy, so if you wish copies of the five-page *Order Confirming Sale*, plus Exhibit A, and two additional pages of FAXs, send a donation and ask for *The February 28, 1994 LRL Court Papers*. Along with it, we will enclose copies of any legal papers that the Chancery Court issues on February 4

The remainder of this tract set contains reprints of 24 pages of significant documents. It is our prayer that something can be done so that the financial scandals, which have afflicted the denomination in recent years, be kept out of the self-supporting ministries. —vf

More WAYMARKS - from —

Continued on the next tract

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