

Legacy Lawsuit: Update 3

**SOUTH CENTRAL CHURCH MEMBERS: BE SURE TO ATTEND
THE MAY 30 CONSTITUENCY MEETING IN BIRMINGHAM !!
10 A.M., AT THE DOWNTOWN MEMORIAL CIVIC CENTER ON 22nd STREET**

ALSO IN THIS ISSUE: THE NRB CATHOLIC PRIEST ABUSE REPORT / CRISIS IN IOWA-MISSOURI CONFERENCE

For earlier information on this lawsuit which could financially ruin the South Central Conference of Seventh-day Adventists, see *Legacy Lawsuit against the Seventh-day Adventist Church [WM-1191]*, *Legacy Lawsuit: Update 1 [WM-1196]*, and *Legacy Lawsuit: Update 2 [WM-1206-1208]*.

Based on information obtained from a legal authority and from current facts in the case, here is the status of the Legacy Lawsuit, as of May 14, 2004:

The Indiana judge dismissed the Legacy Lawsuit "without prejudice," which means the court has not ruled on the merits of the case (whether or not it is a valid lawsuit).

This dismissal was made following a motion to dismiss the case on "jurisdictional grounds." This merely means that there was a question whether a court in the State of Indiana had jurisdiction in the case, or, in the words of the court: ". . . were the acts of fraud committed in the State of Indiana . . ."

It was decided that the "acts of fraud" were more likely committed in Tennessee rather than Indiana.

This means that the case is not closed, but will be transferred to a different court elsewhere.

At this juncture, the plaintiffs (Douglas A. Bradburn and, his wife, Jacquelyn S. Bradburn) can do one of four things:

1. Their bankruptcy trustee, Randall L. Woodruff, can, in that Indiana court, file a motion to vacate the order. This would appeal the decision of that court, declaring that there was an error in its findings, in order to still hold the trial in that court. This is less likely.

2. The second option is to appeal the ruling to the appellate court in the State of Indiana. But this would be more time consuming and costly.

3. The third option (and most certain of all) will be to file the same lawsuit in Tennessee. It is unlikely that there will be any jurisdictional disputes if this is done. That means that Tennessee would accept the case. This trial would undoubtedly be held in a Nashville court; since that is where the headquarters of the South Central Conference of SDA (SCC) is located.

4. There is a fourth option; and it will also be pursued: A default judgment has already been obtained against Kenneth Hill, K-Coastal (Hill's firm name), and Cumberland River Health and Human Services (the front organization that connected Hill to Joe McCoy and SCC).

LITIGANTS IN THIS LAWSUIT

Plaintiffs (those who are suing):

Randall L. Woodruff is the bankruptcy trustee for Legacy Healthcare, Inc. (Woodruff)

Douglas A. Bradburn (Douglas) and, his wife, **Jacquelyn S. Bradburn**. (Jacquelyn)

Defendants (those being sued):

Joseph W. McCoy, president of the South Central Conference of SDA. (McCoy)

The **South Central Conference of SDA**, with headquarters in Nashville, TN. (SCC)

Kenneth A. Hill, an Ohio resident, president of Cumberland. (Hill)

Cumberland River Health and Human Services Corp. (Cumberland)

Northeastern Conference of SDA, with headquarters in St. Albans, New York. (NC)

The **General Conference of SDA**. (GC)

AS ALLEGED IN THE LAWSUIT:

All information which follows is alleged in the lawsuit or in the SCC Report to the Church:

Woodruff was appointed as successor trustee in the bankruptcy case of Douglas and Jacquelyn on July 19, 2002.

McCoy is president of SCC, chairman of the board of directors of Cumberland, and a member of the executive committee of the North American Division. But he was also chairman of SCC's executive committee until he recently resigned that position.

South Central is a regional conference which covers the states of Alabama, all of Florida (except part of its panhandle), Kentucky, Mississippi, and Tennessee. It has 149 churches and 30,079 church members.

Northeastern is a regional conference, which covers seven states.

In addition to caring for local churches, both regional conferences also operate several businesses, including some in the medical-care industry.

Legacy is a medical-care facility, located in Delaware County, Indiana, and is **operated by Douglas (its president) and Jacquelyn Bradburn**. They are the sole shareholders of the firm and guarantors of certain of its debts.

Cumberland is involved in this lawsuit because of certain contracts it entered into with Legacy and the Bradburns.

Cumberland was formed by SCC to acquire and operate businesses in the medical-care industry.

A similar default judgment will be obtained in a Tennessee court against those entities.

Joseph W. McCoy, president of the South Central Conference of SDA, has announced that he has resigned his position as chairman of the SCC board of directors. But, doing so, will not absolve him from what he earlier did in that capacity. McCoy remains president of SCC; and his board refuses to fire him. Their refusal greatly increases the SCC legal involvement in this lawsuit.

Hill's front organization, K-Coastal, is believed to be a sham corporation. It was incorporated in the State of Texas; and that State has already taken action to dissolve it for failure to comply with the reporting requirements of the Texas Secretary of State's office.

It may be that the same action has also been taken in Tennessee against Cumberland River; but of this I am not certain at the time of this writing.

The plaintiffs maintain that Cumberland River was only a front organization for SCC and the General Conference of SDA (GC). It is Cumberland River's link with Legacy Health Care in Indiana, on one hand, and with SCC and (because of certain statements which were made) the GC, on the other hand, that is the dynamite charge in this entire matter—and could cost them millions of dollars (including court costs; some estimate at more than \$30 million).

It is expected that the plaintiffs will legally attempt to "pierce the corporate veil," resulting in treating Cumberland as the alter ego, or front organization for the SCC and GC. If that is successfully done, the SCC and GC can be sued.

It appears that, at the present time, the attorney for the plaintiffs (Woodruff and the Bradburns) is only waiting to see if the court is going to dismiss the General Conference from the lawsuit. As soon as the decision is made to include or not include the GC from the suit, the plaintiffs will file legal papers for Option #4.

Joe McCoy's involvement with Kenneth Hill links him in Hill's alleged fraud against the Bradburns. McCoy's position as president of SCC (plus certain allegations made by Hill to the Bradburns) also links him to the alleged fraud. Certain statements which were made link the GC to the fraud.

You will notice that I am not mentioning a linkage to the Northeastern Conference of SDA (NC). I am not able to obtain data on whether they are still involved in the case. NC has its own problems to worry about; since it is close to bankruptcy, due to financial errors it made in recent years. Perhaps the plaintiffs have decided they are not likely to get any money out of NC, so have dropped them from the suit.

Therefore, at the present time, neither McCoy, the SCC, nor the GC have escaped the problem. It is not easy to rush the courts; but everything that was pending is still pending, with the possible exception of NC, which may have been dismissed from the case.

SOUTH CENTRAL CONFERENCE OF SDA AND THE GENERAL CONFERENCE OF SDA—According to the Legacy lawsuit that was filed by Woodruff on be-

half of the Bradburns, Kenneth Hill (allegedly acting on behalf of Joseph McCoy, the SCC, and GC) had a part in doing the following:

1. Failed to make required equity payments to Legacy, including the initial payout of \$2 million and subsequent payments of \$1 million per year.

2. Failed to make required loan payments and vehicle payoffs to Legacy.

3. Diverted at least \$785,364.00 of Legacy's accounts receivable (money paid to Legacy by its patients, etc.) "for the benefit of one or more defendants (or affiliates of defendants); it failed to reimburse Legacy for the same."

4. Diverted "Legacy's operating revenues to, or for the benefit of, one or more defendants (or affiliates of defendants)."

5. Did not pay Bradburn what was owed him as a consultant, nor were his expenses paid.

6. Failed to obtain funding to pay for Legacy. They also did not bother to collect over \$1.4 million in other accounts owed to Legacy; thus they forfeited Legacy's right to later collect that money.

NORTHEASTERN CONFERENCE OF SDA—The Northeastern Conference of SDA (NC) is a regional conference headquartered in New York State, which covers 49 churches and 45,903 church members in Connecticut, Maine, Massachusetts, New Hampshire, New York, Rhode Island, and Vermont.

Unfortunately, the NC is in a critical financial crisis, from which it may not recover. Their problem is entirely separate from the Legacy lawsuit. At the present time, it owes the General Conference \$28 million! Throughout 2003, its leadership has held meetings with church members in various localities throughout the seven states, in an effort to raise money to help it weather the crisis.

LAKE REGION CONFERENCE OF SDA—Lake Region Conference is currently \$80,000 in debt, primarily due to serious financial errors made in the 1970s and 1980s.

FLORIDA CONFERENCE OF SDA—The amount of financial loss varies between \$5 million to \$10 million. The official version is \$5 million.

As for the cause of the loss, the official version is that it was due to the fact that fiscal year 2002 only had a 1.8% tithe increase while medical expenses were significant. —But why would that cause 25% of the work force to be suddenly laid off?

At any rate, the financial loss was definitely massive and rapid. The official report is that about 30 pastors and 28 office workers are being laid off as of January, although some will not leave until June. Some other operating expenses are being drastically reduced as well. At the end of 2003, the Florida Conference had "over 52,000 members"; so there will now be one pastor for every 416 church members!

The NRB Catholic Priest Abuse Report

In January 2002, the *Boston Globe* released the first of a series of reports about the Archdiocese of Boston's failure to remove abusive priests from the ministry.

This produced an explosion of protest by faithful Catholics throughout the nation as more and more people stepped forward to tell what priests had done to them in childhood.

When American Catholic bishops tried to cover over the problem, the outcry became even more pronounced.

In response to an immense amount of protest from American lay Catholics, in June 2002, the U.S. bishops grudgingly appointed a panel of 12 laypeople, called the *National Review Board*, to analyze the immense child-abuse problem in the nation and draw conclusions from it.

On February 23, 2004, this National Review Board released its findings, in the form of two studies: (1) a quantitative Report examining the nature and scope of abuse from 1950 to 2002. The other was (2) a study the Board asked the John Jay College of Criminal Justice to prepare on their behalf, which examined causes of the abuse.

THE QUANTITATIVE REPORT

The report said that 4,392 priests have abused 10,667 minors between 1950 and 2002. The total monetary cost to the Roman Catholic Church in America: \$572 million paid in legal settlements and treatment costs. That figure did not include settlements during the last year, including \$85 million in Boston alone.

The Board also found that 4% of the 109,694 priests who served the church between 1950 and 2002 were legitimately accused of abuse. That would be nearly one out of every 20 priests in the nation and they routinely work with many children.

The report also disclosed that 40% of the victims were boys between the ages of 11 and 14. At least 19% were girls.

A little more than half (56%) of accused clergy molested one child while 44% claimed between two and 10 children. About one-fourth of abuse claims involved serial predators who were accused of molesting more than 10 children.

Over half (57%) of the abuse took place in a church or rectory; 10% occurred in schools.

The report declared that bishops and other supervisors bore a significant share of the responsibility for what took place.

"This is a failing not simply on the part of the priests who sexually abused minors but also on the part of those bishops and other church leaders who did not act effectively to preclude that abuse in the first instance or respond appropriately when it occurred."—*NRB Report*.

THE JOHN JAY STUDY

In the John Jay Study, designed to identify the causes of this terrible, ongoing tragedy, the NRB panel sharply criticized the church hierarchy for what the panel called "the multitude of preventable acts of abuse." It declared that dioceses had failed to properly screen and train candidates for the priesthood, and that some bishops had failed to respond effectively to allegations of abuse.

"These leadership failings have been shameful to the church, both as a central institution in the lives of the faithful and a moral force in the secular world, and have aggravated the harm suffered by victims and their families."—*Ibid.*

"There appears to have been a general lack of accountability for bishops for the reassignment of priests known to have been involved in the sexual abuse of minors."—*Ibid.*

The John Jay study found that, by early 2003, dioceses around the country had spent \$572 million for victim compensation, treatment of victims and priests, and legal expenses.

The actual cost to the church, nationally, is actually much higher because 14% of dioceses did not report how much they had spent on abuse-related costs. This omission was frequently due to the fact that they still faced unsettled claims.

It was obvious that homosexuality among priests was a significant part of the problem. The study found that 80% of the victims were male. "The crisis was characterized by homosexual behavior."—*John Jay Study*.

The Board's report said the crisis cannot be understood without consideration of two controversial factors: homosexuality in the priesthood and the Vatican requirement that its priests cannot be married.

According to John Jay College, 97% of the 195 dioceses and religious orders, representing 80% of the religious order priests in the nation, participated in the survey. But there is no verification that truthful responses were given.

Commenting on the report, Bishop Wilton Gregory, president of the U.S. Conference of Catholic Bishops, provided additional information: He said about 700 Catholic priests were pulled from their pulpits in 2002 alone because of abuse allegations.

THE SHAKESHAFT ESTIMATE

After examining the John Jay data, researcher Charol Shakeshaft drew several conclusions, in spite of the fact that research has shown that only 6% percent of victims of sexual abuse report their abuse. Extrapolating from the John Jay study, it was found that there were 10,667 reported cases. Therefore, it is possible that 177,783 children under the age of 18 were abused by Catholic clergy since 1950, or about 3,354 incidents per year!

THE VATICAN BOMBHELL

Throughout the entire scandal, the Vatican has consistently demanded that child-molesting priests be protected and not fired! That position was expressed several times. And, in the face of intense pressure from U.S. laypeople, American bishops voted contrary to Vatican directives.

But now, a new Vatican report (issued by the Vatican's Pontifical Academy for Life), released shortly after the above Board report, declares that **several psychiatrists and psychologists have advised the Vatican that priests should not be fired after abusing only a few children.**

Because of Vatican opposition, many victims and lay Catholics fear that the U.S. bishops will relax their efforts to get rid of the sex offenders in the U.S. Catholic Church.

"The Vatican report provides cover for every shrewd perpetrator and backsliding bishop. It makes already depressed victims feel even more hopeless."—*David Clohessy, U.S. national director, Survivors Network of those Abused by Priests.*

This Vatican report is truly scandalous. **Vatican leaders do not consider such behavior to be sinful.** What sins are they covering up for elsewhere in the world field?

Crisis in Iowa-Missouri Conference

When the Iowa-Missouri Constituency Meeting convened last fall, the delegates knew they must solve a most serious problem. Their conference president, Walter E. Brown, was actively encouraging liberal pastors to push through the most liberalizing changes, at which the conservative members (as well as conservative pastors) were astonished.

It was a repeat of the crisis in Ohio, where that conference president, Raj Attiken, is doing the same thing! (*Ohio Conference vs. the Law of God—Part 1-5 [1181-1185]*).

The church members felt desperate and knew they must discharge Brown, his associate (Ron Carlson, conference secretary), as well as certain other top leaders.

Unfortunately, church leaders above the conference level felt that it was more important to back fellow leaders than to help eradicate leaders who were not doing right. They saw it as setting a bad precedent for the power of church leadership if laymen were permitted to control their own conference. So it was arranged for Donald C. Schneider, president of the North America Division, to chair that meeting. This was very unusual; for normally, the union conference president chairs the session.

At that gathering, several times the delegates from the churches voted out those men; but each time the chair sent it back to the nominating committee. This went on for hours.

Ultimately, late in the afternoon, when everyone was exhausted, Schneider announced from the podium of the main assembly: "You are not going to be able to do this. We are going to put those men back in office!"

Feeling totally buffaloed by his attitude and, frankly, thinking that somehow they lacked the authority to make such a change (for that is what he kept telling them), the assembled delegates from all the churches in the Iowa-Missouri Conference accepted his recommendation

that they let the Conference Committee make the decision!

Of course, that committee promptly voted Brown and Carlson back into office! Why did they do that? Because, as with most conference committees, its members are conference employees and have been close friends of the conference leaders for several years.

As soon as Walter Brown was reestablished in office, he immediately set to work to identify and fire every conservative pastor and worker who opposed him at the time of the constituency meeting.

At the present time, he is happily preoccupied with the task of desolating the Iowa-Missouri Conference.

There are 110 churches and 10,146 church members in that conference; yet they were no match for a single, skilled committeeman who presented himself to them as a great authority figure, representing the entire North American Division.

Those faithful souls did not realize that, *at a duly called conference constituency meeting*, they legally have all power in their hands! They can do anything they want! They have authority to hire, fire, or transfer any worker in the conference. There are many other things they can do.

At that fateful constituency meeting, why did the delegates not push on through to success and achieve their objectives? First, they did not realize their great strength. Second, Christians tend to be affable, kindly folk who do not like to argue. So they have a tendency to not stand boldly in defense of Christian principles. In great contrast, the liberals are prowling wolves, anxious to devour the flock and quite willing to do whatever it takes to accomplish their goals, even if it requires deception and falsehoods.

And it was an untrue statement to tell the delegates that they did not have the authority to fire liberal church leaders.

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**ATTENTION: MEMBERS OF
THE SOUTH CENTRAL CONFERENCE
OF SEVENTH-DAY ADVENTISTS**

**IMPORTANT: FROM A FELLOW CHURCH
MEMBER**

DATE: MAY 24, 2004

Our SCC Constituency Meeting is going to have this big meeting at 10 a.m. on May 30 at the Memorial Civic Center on 22nd St. in downtown Birmingham.

Every one of our church members should try to be there! We must vote President McCoy out of office, along with any other conference leaders who take his side and defend him at that meeting.

It was McCoy who, beginning in August 2001, let Kenneth Hill do those bad things to the Bradburns who owned that nursing home in Indiana.

After the lawsuit was filed against us, McCoy admitted in that question-answer meeting with church leaders that he was paid \$1,000 an hour to talk to Hill one hour each week for long over a year. That was McCoy's reward for letting Hill do all those bad things. Man, it was McCoy who got our conference in trouble! And now church leaders want to keep him in office!

But if he stays in office, then our South Central Conference will be even more implicated in the terrible things McCoy and Hill did together to that family in Indiana. Our conference did not do those things. It was McCoy and Hill that should be sued, not us. They are the ones that got the money, not us.

McCoy must be fired at the May 30 Constituency Meeting. If he is not fired, then when the Bradburns win their lawsuit against South Central (and you know they're going to win it), our local churches will be mortgaged or sold to repay the Bradburns for all that Hill and McCoy stole from them.

If McCoy is not fired, when the lawsuit goes

to court we will lose many of our churches, and have to spend years paying off the mortgages on those that aren't sold. McCoy has to go.

It is obvious that the Bradburns are going to refile their lawsuit in Nashville. Just because a judge said it should not be jurisdictioned in Indiana, does not mean it is over with. It will be refiled in Nashville, probably by this summer. So we must put McCoy out of office on May 30 before then!

But the problem is what is going to happen at that May 30 meeting?

We've been talking to one another, and it's become obvious that McCoy is going to have a bunch of lawyers and high-placed church leaders at that meeting to back him up. They are going to try to keep us from firing him that day!

We can't let them do that!

Here's something we've discovered: Last summer, the church members in the Iowa-Missouri Conference went to their Conference Constituency Meeting intending to fire their conference president and his associates. The reason was that their Conference President and Conference Secretary (Elder Walter Brown and Elder Ron Carlson) were putting new theology pastors into the churches, who were teaching it's all right to sin and break the ten commandment law of God.

So they went to the meeting with the same plan in mind that we have: to fire some conference leaders. But see how they were stopped!

Those church members went to that meeting, fully intending to get rid of those leaders. But when they arrived, instead of the union conference president in charge of the meeting, it was Elder Don Schneider, President of the North American Division.

Even though the meeting started early, like ours will, Elder Schneider and the other leaders on the platform kept telling them they couldn't do it! They told them they couldn't fire Brown and Carlson.

That was not true! A Conference Constituency meeting as the power to fire its leaders.

Three times the church members at that meet-

ing fired - actually fired - Brown and Carlson. And every time Elder Schneider stopped it. He pretended he had the authority to overrule their vote. But that was not true. He did not have the authority to overrule their vote! He just pretended he did. And those church members believed him!

Finally, worn out by haggling all day long, late that afternoon, Elder Schneider told them he wasn't going to let them do it. He wasn't going to let them fire those men. Instead, he said, they should vote to let the Conference Executive Committee make the decision.

What happened next was downright amazing! Those exhausted church members did what he told them, and voted to let the Conference Committee decide what should be done!

Of course, you know what they did! Everyone on the Conference Committee is either a hirling (that is, an officer or pastor who is paid their salary by Brown), or a layman earlier hand-picked by Brown to be on that committee. So the committee voted that Brown and Carlson should remain in office.

And what do you think happened next? Yes, you guessed it! Brown and Carlson immediately got busy and started firing the good pastors in the conference who did not want new theology taught in their churches!

Right now they are ruining the Iowa-Missouri Conference, and all because they believed what the man on the platform told them!

So you can know that if you let McCoy stay in office after May 30, he will get busy and fire the pastors in South Central who have said he should be removed from office. Because you left him in office, he will have the authority to do that.

Are we going to let that happen? Are we going to let our conference be ruined financially by that lawsuit because we let McCoy remain in office? Are we going to let him get rid of our best preachers?

The fact is that at a duly-called Conference Constituency Meeting, WE LAYMEN AND LAY-WOMEN HAVE THE AUTHORITY to fire and hire conference leaders! On May 30, we'll have the

power in our hands to fire Elder McCoy and any other conference officer defending him, and, in their place, vote to hire the best, most conscientious pastors in the conference into office - to take their place!

At that May 30 meeting, you are going to be told by the officers and church leaders on the platform that you DO NOT have that authority. But you DO have the authority!

So here is what you should do: Learn from the lesson of what happened at the Iowa-Missouri Conference Constituency Meeting: Do not vote the way the men on the platform want you to vote - IF YOU KNOW it is the wrong thing to do! Only vote the way you KNOW you SHOULD vote.

Just doing that one thing, will solve the problem. ONLY VOTE to get rid of McCoy and anyone else you want to get rid of. ONLY VOTE to replace them by voting to put into office those you think should take their places! You know who are the good men in South Central. Do not let church leaders on the platform suggest that you vote into office people from somewhere else, outside the conference. Don't vote into office people you don't know! If you do that, you'll get more yes-men in charge of our conference. And we don't need that! McCoy has been too much of a problem. We don't need more like that.

Remember: Decide in advance what you want to vote at the meeting. Then when the meeting starts, only vote the way you decided on.

Do not vote the way the leaders tell you to vote, because you know they want to keep McCoy, and if they lose him, to put in someone like McCoy.

Instead, we must vote McCoy (and anyone supporting him) out of office, and vote into office only men we know are the most God-fearing men already in our own conference. Pastors we can trust. That's what we need.

Keep praying, brethren and sisters. Keep praying, and determine that you will stand for the right though the heavens fall.

It is our conference, and we have to make good decisions that God can approve of! He is counting on us to do what is right!

