

The Legacy Lawsuit against the South Central Conference

**PART ONE
OF THREE**

UPDATE

W
M

1
2
0
6

In some respects, this is a more complete collection than the previous one. I am sure you will find this to be of special interest. We can be thankful that, in the United States of America, we can still print the news.

PART ONE Introduction

An unfortunate situation has developed in the South Central Conference, one which has deeply saddened God's people. The members of the conference are praying for their leaders; they are deeply concerned that something must be done. But we want our brethren in that conference to know that fellow believers elsewhere are also praying for them—that a satisfactory solution may be found to this problem which, frankly, seems to be intensifying.

PART TWO The Official Lawsuit Filed September 25, 2003

In our previous study on this, only a few of the points in the lawsuit were mentioned. However, the members of South Central Conference, because they constitute its legal constituency, have a legal right to know what they are confronted with, its serious ramifications, and the money which may be lost if this matter is not satisfactorily resolved.

At the present time, an impasse has occurred, which we will explain later in this news report. It can only be properly dealt with if the legal constituency of the conference (the church members) are told the facts in the case. It is for this reason, and this reason alone, that this more complete report has been prepared.

First, we will present to you the official lawsuit document. It consists of allegations filed in the Indianapolis, Indiana, district court; and, as such, it is a public record. This document is available, at the courthouse, to anyone who wishes to obtain a copy of it. Anyone can legally print and distribute copies of it (or copy it off this website).

The charges are very serious and deserve the thoughtful attention of concerned Advent believers in the South Central Conference.

Since it is their conference which is being sued, and since it will ultimately involve the loss of a sizeable number of their churches and schools—the church members in the South Central Conference would be wise to discuss this widely with one another, consulting together about taking suitable action to protect their local church properties. It is a fact that there are church members in that conference who know nothing about this mounting financial crisis.

To members of the conference I would say: It is your money which, over the years through sacrificial donations, you and your forebears have invested in church buildings and equipment in South Central Conference—which is in danger of being lost. Surely, we would expect that the officers of the conference would want you to have this information!

The following litigation paper is reprinted exactly as given in the official lawsuit. Bracketed notes are ours. The words, “complaint” and “action,” are legal terms for a civil lawsuit:

In the United States District Court Southern District of Indiana Indianapolis Division

[At the top right of this legal paper:]

Case No. 1:03-CV-0183 [The remainder of this line is not readable. This is due to the fact that a court clerk's rubber stamp overlays it; the legible part reads as follows:]

Filed . . [illegible] . . Sep 25 PM 1:10, Southern District of Indiana, Laura A. Briggs, C: Crk

[Below that, on the left:]

Randall L. Woodruff as Bankruptcy Trustee for Legacy Healthcare, Inc. and for Douglas Anthony Bradburn and Jacquelyn Sue Bradburn, Plaintiff,
vs.

South Central Conference of Seventh-day Adventists, Joseph W. McCoy, Cumberland River Health and Human Services Corporation, Kenneth A. Hill, Northeastern Conference Corporation of Seventh-day Adventists, and General Conference of Seventh-day Adventists, an unincorporated association. Defendants.

AMENDED COMPLAINT

The plaintiff, Randall L. Woodruff (“Woodruff”) as Bankruptcy Trustee for Legacy Healthcare, Inc. (“Legacy”) and for Douglas Anthony Bradburn (“Douglas”) and Jacquelyn Sue Bradburn (“Jacquelyn”), for their complaint against the defendants, South Central Conference of Seventh-day Adventists (“SCC”), Joseph W. McCoy (“McCoy”), Cumberland River Health and Human Services Corporation (“Cumberland”), Kenneth A. Hill (“Hill”), Northeastern Conference Corporation of Seventh-day Adventists (“Northeastern”), and General Conference of Seventh-day Adventists (“the Church”), an unincorporated association.

Facts Common to all Counts; Parties and Jurisdiction

1. On July 19, 2002, Woodruff was appointed as successor trustee in the bankruptcy case of Douglas and Jacquelyn in case number 02-11191-JKC-7. A true and accurate copy of the notice of Woodruff’s appointment as successor trustee is attached hereto as Exhibit A.

2. On October 9, 2002, Woodruff was appointed as successor trustee in the bankruptcy case of Legacy in case number 02-16925-FJ0-7. A true and accurate copy of the notice of Woodruff’s appointment as successor trustee is attached hereto as Exhibit B.

3. Woodruff is empowered by 11 U.S.C. 323 to bring this action.

4. SCC has at all relevant times been an unincorporated association, with its principal office located at 715 Youngs Lane, Nashville, Tennessee. It is and has been a part of the Church.

5. McCoy is a resident of Tennessee and at all relevant times has been:

- a. SCC’s president.
- b. Chairman of SCC’s executive committee.
- c. Chairman of the board of directors of Cumberland.
- d. A member of the executive committee of the North American Division of the Church.
- e. An agent of the Church.

6. Northeastern is a corporation organized or existing under the laws of the State of New York, with its principal office located in New York.

7. The Church is the worldwide Seventh-day Adventist Church, an unincorporated association, with its principal office located in the State of Maryland.

8. SCC and Northeastern are part of the hierarchy of the Church, which, in addition to its religious functions, directly or indirectly operates a number of businesses, including businesses in the health care industry.

9. Hill, McCoy and others have used the term “the church” to refer to both SCC and the Church.

10. Cumberland has at all relevant times been a Tennessee corporation whose principal office is (or was) located at 713 Youngs Lane, Nashville, Tennessee.

11. Hill has at all relevant times been a resident of Ohio, the president of Cumberland, and an agent of the Church.

12. Legacy has at all relevant times been domiciled in Delaware County, Indiana.

13. Douglas and Jacquelyn have at all relevant times domiciled in Delaware County, Indiana.

14. SCC is subject to the jurisdiction of this court by reason of its relationship with, or use of, Cumberland, and pursuant to TR 4.4(A)(1), TR 4.4(1)(2), and TR 4.4(A)(3).

15. Cumberland is subject to the jurisdiction of this court by reason of certain contracts it entered into with Legacy, Douglas Anthony Bradburn, and Jacquelyn Sue Bradburn, and pursuant to TR 4.4(A)(1), TR 4.4(1)(2), and TR 4.4(A)(3).

16. McCoy is subject to the jurisdiction of this court and pursuant to TR 4.4(A)(1), TR 4.4(1)(2), and TR 4.4(A)(3).

17. Hill is subject to the jurisdiction of this court and pursuant to TR 4.4(A)(1), TR 4.4(1)(2), and TR 4.4(A)(3).

18. Northeastern is subject to the jurisdiction of this court and pursuant to TR 4.4(A)(1), TR 4.4(1)(2), and TR 4.4(A)(3).

19. The Church is subject to the jurisdiction of this court and pursuant to TR 4.4(A)(1), TR 4.4(1)(2), and TR 4.4(A)(3).

20. Cumberland was formed by, for, or under the auspices of SCC to acquire and operate businesses in the health care industry.

21. During and prior to the year 2001, Legacy operated a group of health care facilities in Indiana.

22. Douglas has at all relevant times been Legacy’s president.

23. Douglas and Jacquelyn have at all relevant times been husband and wife and Legacy’s sole shareholders, and have also been guarantors of certain of Legacy’s debts.

24. During the year 2001, Legacy was financially distressed and entertaining offers for the purchase of its assets. At all relevant times, Legacy’s financial condition was known to all defendants.

Count 1 - Breach of Contract

25. Woodruff incorporates the allegations of paragraphs 1 through 24 above.

26. On August 10, 2001, Cumberland and Legacy entered into a series of agreements. The agreements included:

a. An “Asset Purchase and Sale Agreement of Personal Property” (“the Asset Agreement”). A true and accurate copy of the Asset Agreement is attached hereto as Exhibit C.

b. A “Consulting Agreement.” A true and accurate copy of the Consulting Agreement is attached hereto as Exhibit D.

c. an “Equity Payout Agreement.” A true and accurate copy of the Equity Payout Agreement is attached hereto as Exhibit E.

27. Following the execution of the Asset Agreement, the Consulting Agreement, and the Equity Payout Agreement, Cumberland took control of Legacy’s operations and its accounts receivable.

28. Douglas performed services as required under the consulting Agreement.

29. Cumberland has breached the Asset Agreement and the Equity Payout Agreement by:

a. failing to consummate the purchase of Legacy’s facilities;

b. failing to indemnify Legacy, Douglas and Jacquelyn, and others from obligations to banks and the State of Indiana;

c. failing to make required equity payments, including the initial payout of \$2,000,000 and subsequent payment(s) of \$1,000,000 per year;

d. failing to make required loan payments and vehicle payoffs;

e. diverting at least \$785,364 of Legacy’s accounts receivable to, or for the benefit of, one or more defendants (or affiliates of defendants) and failing to reimburse Legacy for the same;

f. diverting Legacy’s operating revenues to, or for the benefit of, one or more defendants (or affiliates of defendants).

30. Cumberland has breached the Consulting Agreement by:

a. failing to pay certain consulting fees to Douglas;

b. failing to reimburse certain consulting expenses to Douglas;

c. failing to honor certain obligations relative to vehicles and office expense.

31. During the period that Cumberland controlled Legacy’s facilities and operations, Cumberland failed:

a. to provide or obtain funding for the purchase of Legacy’s facilities.

b. to collect over \$1.4 million in other accounts receivable of Legacy’s, and forfeiting to receivers the opportunity to collect those funds;

c. to take reasonable steps to redeem Legacy’s facilities from receiverships;

d. to file, or to enable Legacy to file, cost reports relative to medicare payments received in the amount of \$531,933. As a result of the failure to file cost reports, the payments of \$531,933, some of which

were received by Cumberland during its control of Legacy’s facilities, have been deemed overpayments by Medicare authorities, who have demanded reimbursement.

32. By reason of Cumberland’s breaches of the above agreements, Legacy and Douglas and Jacquelyn have sustained damages.

33. Cumberland has at all relevant times been the alter ego of SCC and/or the Church or a mere instrumentality utilized by SCC and/or the Church for purposes that have included:

a. the exercise of the de facto control over health care facilities;

b. a means of compensating SCC’s president with revenue generated by health care businesses, including Legacy’s facilities;

c. the use of health care businesses, including Legacy’s facilities, to broaden, support or reinforce the buying power of the Church-affiliated Adventist Health Care Systems;

d. a means of funding travel and other expenses for employees or affiliates of the Church;

e. on information and belief, and subject to discovery, a device for transferring cash to and for the benefit of the Church or entities related to the Church.

34. Injustice can be avoided only if the court disregards the fiction of a separate existence for Cumberland and holds SCC and the Church accountable for Cumberland’s breaches of its contracts with Legacy and Douglas and Jacquelyn.

Count 2 - Promissory Estoppel

35. Woodruff Incorporates the allegations of Paragraphs 1 through 33, above.

36. During the year 2001, when it was approached by Cumberland, Legacy was considering bona fide offers for the purchase of its facilities from viable purchasers.

[The next line, at the top of a page, is missing from the copy I have.]

the Consulting Agreement, Legacy and Douglas (and Jacquelyn, via Douglas) received promises from the defendants, the substance of which included:

a. that Cumberland was sponsored by “the church”;

b. that “the church was behind Cumberland”;

c. that Cumberland had the financial backing of “the church”;

d. that if financing from outside sources was not available, “the church” was willing and able to provide funding to enable Cumberland to fulfill the terms of the Asset Agreement, the Equity Payout Agreement, and the Consulting Agreement.

e. that “the church” was willing and able to purchase from the State of Indiana a certain judgment

against Legacy in the approximate amount of \$16 million.

38. The promises of the defendants to Legacy and Douglas were made for the purpose of inducing Legacy and Douglas and Jacquelyn to enter into agreements with Cumberland, and made with the expectation that the promises would be relied upon.

39. Relying upon the promises of the defendants, Legacy declined the other offers for the purchase of its facilities and entered into the Asset Agreement with Cumberland.

40. Relying on the promises of the defendants, Douglas and Jacquelyn entered into the Equity Payout Agreement with Cumberland.

41. Relying on the promises of defendants, Douglas entered into the Consulting Agreement with Cumberland.

42. After the execution of the Asset Agreement, the Equity Payout Agreement, and the Consulting agreement, but before certain accounts receivable and revenues were diverted or forfeited by Cumberland, each of the defendants made or reiterated promises which included:

a. that "the church" continued to support and stand "behind Cumberland";

b. that Cumberland continued to have the financial backing of "the church";

c. that "the church" was still the ultimate source of funding to enable Cumberland to fulfill the terms of the Asset Agreement, the Equity Payout Agreement, and the Consulting Agreement;

d. that "the church" was willing and able to purchase from the State of Indiana a certain judgment against Legacy in the approximate amount of \$16 million.

43. Legacy and Douglas and Jacquelyn continue to rely, to their detriment, upon the promises of the defendants.

44. Legacy and Douglas and Jacquelyn have sustained damages as a result of their reliance upon the defendants' promises.

45. Injustice can be avoided only by the enforcement of the defendants' promises.

Count 3 - Conversion

46. Woodruff incorporates the allegations of Paragraphs 1 through 45 above.

47. Money diverted from Legacy's revenues and accounts receivable was used by Cumberland, SCC, Hill, McCoy, and the Church:

a. for Hill's personal expenses;

b. in connection with other businesses that Cumberland and SCC operated or were in the pro-

cess of acquiring;

c. to pay weekly compensation to McCoy;

d. to fund travel and other expenses for employees or affiliates of the Church;

e. for other purposes not reasonably related to the operation of the facilities Cumberland contracted to purchase from Legacy.

48. On information and belief, Hill, McCoy, Cumberland, SCC and the Church caused or permitted the above uses of Legacy's accounts receivable to be made at times when Cumberland was insolvent.

49. Hill, McCoy, Cumberland, SCC and the Church knowingly or intentionally exerted unauthorized control over Legacy's property in violation of I.C. 33-43-4-3.

50. Legacy has suffered a pecuniary loss as a result of the defendants' violation of I.C. 35-43-4-3.

51. It has been necessary for Woodruff to employ an attorney to remedy the pecuniary loss arising from the defendants' violation of I.C. 35-43-4-3.

52. Pursuant to I.C. 34-24-3-1, Woodruff is entitled to recover from defendants an amount not to exceed three (3) times Legacy's actual damages resulting from defendants' violation of I.C. 35-43-4-3, along with a reasonable attorney fee and all allowable expenses and costs.

Count 4 - Actual or Constructive Fraud

53. Woodruff incorporates the allegations of paragraphs 1 through 52 above.

54. Prior to the execution of the agreements between Cumberland and Legacy and Douglas and Jacquelyn, Hill made certain representations concerning:

a. his own background and experience;

b. the involvement of "the church" in Cumberland;

c. the willingness or ability of "the church" to provide financial backing to Cumberland;

d. the willingness or ability of "the church" to purchase from the State of Indiana a certain judgment against legacy in the approximate amount of \$16 million.

e. Cumberland's ability to obtain a state license to operate Legacy's facilities.

55. Legacy, Douglas and Jacquelyn relied to their detriment upon Hill's representations.

56. As a consequence of their reliance upon Hill's representations, Legacy, Douglas and Jacquelyn sustained damages.

Legacy Lawsuit against the South Central Conference – Update

PART TWO OF THREE

Continued from the preceding tract in this series

57. To the extent that Hill's representations included false statements that were intended to deceive, such representations constituted actual fraud.

58. At all relevant times, McCoy and SCC knew:

a. that Cumberland was inadequately capitalized;
b. generally of the substance of Hill's representations concerning his own background and experience;
c. that Hill was incapable of properly managing Cumberland's business;

d. that Hill had made or was making representations to Legacy, Douglas and Jacquelyn on behalf of "the church";

e. the substance of Hill's representations on behalf of "the church";

f. that Hill's representations on behalf of "the church" were false and deceptive;

g. that Legacy, Douglas and Jacquelyn were relying upon Hill's representations.

59. The knowledge of McCoy and SCC, in the circumstances, gave rise to a duty to furnish correct information to Legacy and Douglas and Jacquelyn.

60. McCoy and SCC violated their duty by remaining silent, and such silence in the circumstances amounts to constructive fraud.

61. Legacy and Douglas and Jacquelyn have sustained damages as a result of the constructive fraud of McCoy and SCC.

62. McCoy made statements, or confirmed statements of Hill's, concerning:

a. the involvement of "the church" in Cumberland;
b. the willingness of "the church" to provide financial backing to Cumberland.

63. Legacy, Douglas and Jacquelyn relied to their detriment upon McCoy's statements.

64. As a consequence of their reliance upon McCoy's statements, Legacy, Douglas and Jacquelyn sustained damages.

65. To the extent that McCoy knew that "the church" would not in fact provide financial backing to Cumberland, his statements amount to actual fraud.

66. On September 26, 2001, Larry D. Word, Northeastern's treasurer, furnished to Legacy a letter claiming that Northeastern had done business with Cumberland and that Northeastern was satisfied with Cumberland's financial stability. The representations in the letter were false or misleading or both.

67. Legacy and Douglas and Jacquelyn relied on Northeastern's fraudulent representations, which lulled them into continued trust of Hill and Cumberland. In forbearance induced by the representations, they refrained from declaring breaches of the agreements with

Cumberland, allowing additional time for Cumberland to perform its obligations.

68. To the extent that any defendant has engaged in deception or actual fraud, such defendant should be liable for punitive damages along with consequential damages.

Count 5 - Damages as a Result of Civil Conspiracy

69. Woodruff incorporates the allegations of Paragraphs 1 through 68 above.

70. On information and belief, and subject to discovery, Hill acted in concert with one or more other persons, including Northeastern and one or more of the other defendants, to engage in unlawful acts or to use unlawful means to further the Church's interests at Legacy's expense.

71. Legacy and Douglas and Jacquelyn suffered damages as a result of the civil conspiracy.

Relief Sought

WHEREFORE, Woodruff prays:

A. For a judgment in favor of Legacy's bankruptcy estate:

1. against Cumberland, SCC and the Church, jointly and severally, in an amount sufficient to fully compensate the bankruptcy estate for all damages arising from Cumberland's breach of its contract with Legacy;

2. against SCC and the Church in an amount sufficient to fully compensate the bankruptcy estate for all damages arising from all damages sustained by Legacy's reliance upon promises made on SCC's and the Church's behalf by Hill and McCoy;

3. against all defendants, jointly and severally, in an amount not to exceed three (3) times Legacy's actual damages resulting from defendants' violation of I.C. 35-43-4-3, along with a reasonable attorney fee and all allowable expenses;

4. against each defendant in an amount sufficient to redress such defendant's actual or constructive fraud, along with punitive damages in an amount sufficient to deter such defendant, and others, from similar future conduct;

5. against any and all defendants who engaged in a civil conspiracy in an amount sufficient to fully compensate the bankruptcy estate for all damages arising from all damages sustained by Legacy as a result of the civil conspiracy.

B. For a judgment in favor of the bankruptcy estate of Douglas and Jacquelyn:

1. against Cumberland, SCC and the Church, jointly and severally, in an amount sufficient to fully compensate the bankruptcy estate for all damages arising from Cumberland's breach of Equity Payout Agreement and its breach of the Consulting Agreement;

2. against SCC and the Church in an amount suffi-

cient to fully compensate the bankruptcy estate for all damages arising from all damages sustained by Douglas and Jacquelyn's reliance (or the reliance of Douglas alone) upon promises made on SCC's and the Church's behalf by Hill and McCoy;

3. against each defendant in an amount sufficient to redress such defendant's actual or constructive fraud, along with punitive damages in an amount sufficient to deter such defendant, and others, from similar future conduct;

4. against any and all defendants who engaged in a civil conspiracy in an amount sufficient to fully compensate the bankruptcy estate for all damages arising from all damages sustained by Douglas and Jacquelyn as a result of the civil conspiracy . . . along with the costs of this action and all other proper relief.

(signed)

Bruce N. Munson, #10464-49, Attorney for Plaintiff

Bruce N. Munson
322 North Walnut Street
Muncie, Indiana 47305
765-282-0786

That concludes the lawsuit paper.

PART THREE

The Report to the Executive Committee November 2003

As you might expect, that lawsuit hit like a thunderbolt at South Central Conference headquarters. But that litigation also set in motion an action by the office of the Secretary of State at the state capital in Nashville, Tennessee.

Because South Central Conference is headquartered in Nashville, it comes under the jurisdiction of Tennessee state laws. One of those laws requires that the secretary of the organization give a full-disclosure report to its Executive Committee. That disclosure is mandated, so that the Executive Committee can then notify all members of the organization to the situation. So this is a good law.

Because the Executive Committee met in the latter part of that month to take action on the matter, apparently this report by the conference secretary was written and presented to the Executive Committee in November 2003.

In an earlier report, the present writer published a very brief, combined summary of some of the facts given in the official lawsuit (which you have just read, above), plus information presented in secretary's report.

But, following publication of that brief summary (which included some quotations from the report itself), a conference representative ordered us to remove it from our website, sdadefend.com.

This we have done; but, in its place, we are here

providing you with an even larger collection of data—but without quoting from that forbidden report.

At this juncture, you will inquire, "What was in that report which made it so dangerous for church members to see it?"

I cannot tell you what the report actually said, but I can tell you the basic point presented in it:

That special report, by Dana Edmond (secretary of the South Central Conference) to the Executive Committee of the conference, provides a lengthy collection of factual data showing—not South Central's involvement in the Hill-Cumberland-Legacy-Bradburn affair—but President Joseph W. McCoy's involvement in it!

That document, which you are not supposed to have access to, would provide evidence which could be used to help exonerate the South Central Conference, the Northeastern Conference, and the General Conference from complicity in what was done to Douglas Anthony Bradburn and Jacquelyn Sue Bradburn and their business firm, Legacy Healthcare, Inc.

Tennessee State required that those facts be given to the Executive Committee, so they could be passed on to the legal constituency of the conference—which is all of its church members—yet this is not being done.

This is indeed unfortunate; and, if disclosure is not made, it will inevitably be costly—not only to the constituency of the conference, but also to the Northeastern Conference, and the General Conference (all of which are being sued by the Bradburns).

If the blame is not placed where, apparently, it ought to be placed, then three large church entities will have to bear it.

The obvious question is Why are South Central Conference leaders so determined to protect President Joseph W. McCoy? This is a puzzling situation.

PART FOUR

The Executive Committee's Refusal to Discharge McCoy November 2003

At that November 23 Executive Committee meeting, a motion was made to fire McCoy. The reason was clear: There was evidence that McCoy had largely worked alone in his lucrative transactions with Hill. By discharging him immediately as soon as it was learned what he had done—South Central Conference could more easily be cleared during later court proceedings in Indiana.

But a large majority of the Executive Committee voted to only place McCoy on "administrative leave" (with full pay during that time) until December 14! So McCoy was rewarded with a 22-day paid vacation. Then, on December 14, he resumed the post of conference president. That action doomed the conference to heavy fines later on.

PART FIVE

Pastor Sargent Simms' Open Letter

December 17, 2003

Fully aware of the immense damage the conference would inevitably sustain because of the decision to retain McCoy as president, a dedicated conference pastor sent out the following open letter:

December 17, 2003

To all Fellow Members of the South Central Conference,

"It pains me to have to write this letter. At our workers meeting, it was brought to our attention that our president was out on administrative leave. When it was brought to the spokesperson's attention that what had been done was out of harmony with our constitution, the response to me was, 'So, it's done.' I did not respond then, for it was neither the time nor the place. Since then, I have done research of the matter and feel compelled to share with you, my fellow colleagues and fellow believers of this conference. I am reminded of the prophet, Ezekiel, *'I have set thee a watchman unto the house of Israel; therefore thou shalt hear the word at My mouth, and warn them from Me.'* Ezekiel 33:7. [Italics his.]

"On November 23, 2003, there was a vote to remove President Joseph Ward McCoy from serving as president of the South Central Conference because of his violation of several infractions. Since it takes two thirds (2/3) of the Executive Committee members to remove an officer, the motion failed and **Elder McCoy was placed on administrative leave until December 14, 2003—when he was reelected [as president of the entire conference]**. The vote was 9 to 11, therefore 911.

"Observation:

"1. Elder McCoy, acting on his own without the support or knowledge of the Conference Executive Committee, organized a corporation called Cumberland River Health and Human Services Corporation, implicating the conference. He signed as an incorporator and served for awhile as Chairman of the Board.

"2. Elder McCoy, according to the deposition, received \$49,000 as Chairman of the Board for a period of one year.

"3. For a period of about one year, Elder McCoy served as chief executive officer of two religious corporations and received income from both, doing business between the two.

"4. Elder McCoy violated Policy 35, the Conflict of Interest Policy, of the North American Division and P-2080, the policy of the South Central Conference Policy Book.

"5. Elder McCoy rented out office space in the old conference office without the vote of the Executive Committee. He said it was a gentlemen's agreement.

"6. **On December 14, 2003, with all the information available, our Executive Committee failed to act in the best interest of our conference, but political moves were taken to reseat Elder McCoy**, because some

of the Executive Committee members are also a part of the problem: **Therefore making us liable for a 152 or 153 million dollar lawsuit**, depending on who you listen to, **and another lawsuit of about one-half million dollars.**

"Recommendation:

"Demand that a special session of the constituency be held to deal with this matter, so that, if it is still possible, we can publish a disclaimer as the General Conference did and place this responsibility where it belongs—on Elder McCoy. You may like to know [that] **Elder McCoy has an insurance policy that will cover him, but we do not. We could lose everything.** Violation of P-35 is ground for termination and pastors have been terminated [in the past] for violation of P-35. **Write, phone, flood the office!**

"Sargent Simms, Pastor"

Church members in the South Central Conference will want to contact Pastor Simms. He surely must be a godly man who is seeking the best good of his church. He sent out the above open letter, fully aware of the fact that it might cost him his job.

I have not contacted Pastor Simms, nor has he made any contact with me. But church records show that his address is 926 County Road, #44, Tuskegee, Alabama 36083. I have learned from friends that his phone number is 334-727-4269. Surely, he must be a man of God; a man willing to stand for the right, at any cost to himself. If you are looking for a replacement conference president, I would recommend that you elect Simms.

PART SIX**The January Area-wide Meeting
January 17, 2004**

"January 23, 2004

"Dear Pastor Ferrell,

"Saturday night, January 17, there was an area-wide meeting of all the churches in Huntsville, Alabama, at the Oakwood College Church. It was convened for McCoy and the Conference Committee to answer questions. But, of course, it was screened because you had to write out your questions and pass them up.

"The people asked pointed questions about the tithe. He admitted he is using the tithe for his lawsuit. The people asked him (and his Conference Committee) to resign.

"Some have called the General Conference and asked them why they are so quiet. The members told the General Conference (Neil C. Wilson is the one they spoke with) that they felt abandoned. He told them he would get back with them.

"Some are planning a website so the members will have an opportunity to air their grievances. The people involved have remained anonymous so McCoy cannot retaliate. The website will call for a constituency meeting.

“Thanks again for your help, and only eternity will reveal how helpful you have been.

“Sincerely,
(Signed)”

PART SEVEN THE LATEST DEVELOPMENTS

January-February 2004

Meanwhile, church members demanded that a conference-wide constituency meeting be convened—so the church members could, themselves, fire McCoy. (A duly called conference-wide constituency meeting would have the legal authority to do this.)

But McCoy refused to convene a constituency meeting; instead he said he would hold “town hall meetings” with members in different localities. Such gatherings would, of course, have no legal authority to take action against him.

As soon as the lawsuit was filed, attorneys representing both the Northeastern Conference and the General Conference filed papers in the Muncie, Indiana District Court, seeking to have both of them removed from being charged as defendants in the lawsuit.

But the judge has ruled that both will definitely be included! This means that, in addition to South Central, heavy fines could inevitably be laid on both the Northeastern Conference and General Conference as well!

On Sunday, February 15, an attorney representing the General Conference met with the South Central Executive Committee. At that meeting, it was alleged that McCoy’s wife was also involved in the Hill transactions. (It is believed by many church members that several other high-ranking conference officials are also implicated, and this is why they dare not discharge McCoy; he will tell about what they did.)

McCoy has since canceled all further town meeting appointments; and, we are told, he refuses to discuss the problem with church members.

Due to the swelling demand of the members, a conference-wide Constituency Meeting will be held on Monday, May 31, 2004. That is a holiday (Memorial Day); and some believe the date was chosen in the hope that most members would stay away and enjoy the day off. Of course, if the members do that, a quorum will not attend—and their decisions would be invalid.

This important gathering ought to be held at Oakwood, near Huntsville; for a large auditorium is available and that is where camp meetings are held. I am told that McCoy does not want to hold it there since many of the members want him out.

For additional information, you may wish to go to the following website: afhi.net. (It stands for “Adventists for Honesty and Integrity.”)

PART EIGHT WHY THIS PRESENT ENLARGED REPORT IS BEING ISSUED

I had not planned to publish much more on the South Central Conference crisis until after attempts had been made by the conference laity to deal with the situation in May. But the unexpected demand of the conference office that I must withdraw my first report on this matter (they said that I had reprinted the secret conference secretary’s report to the Executive Council, which I had earlier placed on the internet)—has awakened me more fully to the extent of the crisis in South Central.

For this reason, I decided to investigate this case far more closely and issue this larger follow-up report. You will now have not only the complete, very lengthy lawsuit paper; but you also will have Pastor Simms’ call for the laity in the conference to take action.

We have here an incredible situation. Within the borders of the United States of America, one of our own church organizations is trying to stifle investigative reporting in our nation! I repeat, this is astounding. Not even the *New York Times* or *Washington Post* can effectively be stopped from publishing investigative reports. Officers of the Shady Grove Hospital discovered that a few years ago. (See *Shady Grove Shakes the Church* [WM-933-934].)

According to a multitude of court actions, not even the vilest pornography can be banned from publication in America. Yet the officers of a denominational conference do not want their constituency (the church members who pay their salary) to know about a fraud lawsuit against their organization. This is a situation which, if not properly and quickly dealt with, will inevitably cost the church members multiplied millions of dollars in heavily mortgaged or sold local churches.

Aroused by the forbidding to provide a fuller report to the constituency of South Central Conference, I checked further into this matter and discovered that the laws of Tennessee State require disclosure by a corporation headquartered within the state (as is South Central Conference), when criminal charges or a civil lawsuit which involves alleged fraud have been brought against it.

That disclosure is required because it will bring to light details which might implicate officers of the organization. Their actions must be reported. This report must be made to the Executive Committee, so it can begin taking suitable actions which include dealing with errant officers—and also disclosing all the facts to the stockholders (in this case, the constituency which is the church members in the conference). The purpose of that Tennessee State law is thus to open up the matter,

Legacy Lawsuit against the South Central Conference – Update

PART THREE OF THREE

Continued from the preceding tract in this series

not only to the board but also to those who financially support the organization, be they stockholders (for-profit corporations) or donors (non-profit organizations).

Checking still further into this matter, I discovered that the information I had earlier published was NOT a reprint of that report, but only a brief summary of both it and the lawsuit paper! At the time, that was done to economize on space and produce a brief report. I had not planned to pursue the matter further until a constituency meeting could be held.

Therefore this present enlarged report is being released on the internet—in an effort to fulfill the intent of that Tennessee State law. In this revised update, I have typed out the complete lawsuit paper, which contains a great wealth of information—including the fact that the Bradburns are seeking court awards totaling three times the actual amount of loss that Legacy sustained!

PART NINE REVIEW OF ESSENTIAL POINTS

Let us review again the following passages from the lawsuit, quoted in full earlier, which deal with financial aspects of the case:

“[29] c. **failing to make required equity payments, including the initial payout of \$2,000,000 and subsequent payment(s) of \$1,000,000 per year;**

“d. **failing to make required loan payments and vehicle payoffs;**

“e. **diverting at least \$785,364 of Legacy’s accounts receivable to, or for the benefit of, one or more defendants** (or affiliates of defendants) and failing to reimburse Legacy for the same;

“f. **diverting Legacy’s operating revenues to, or for the benefit of, one or more defendants** (or affiliates of defendants).

“[30] a. **failing to pay certain consulting fees to Douglas;**

“b. **failing to reimburse certain consulting expenses to Douglas;**

“c. **failing to honor certain obligations relative to vehicles and office expense.**

“31. During the period that Cumberland controlled Legacy’s facilities and operations, Cumberland **failed:**

“a. **to provide or obtain funding for the purchase of Legacy’s facilities.**

“b. **to collect over \$1.4 million in other accounts receivable of Legacy’s, and forfeiting to receivers the opportunity to collect those funds;**

“c. **to take reasonable steps to redeem Legacy’s facilities from receiverships;**

“d. **to file, or to enable Legacy to file, cost reports relative to medicare payments received in the amount of \$531,933.** As a result of the failure to file cost reports, the payments of \$531,933, some of which were received by Cumberland during its control of Legacy’s facilities, have been deemed overpayments by Medicare authorities, who have demanded reimbursement.

“[37] e. [The promise was made as part of the contract] that “the church” was willing and able to **purchase from the State of Indiana a certain judgment against Legacy in the approximate amount of \$16 million** [also in 42d and 54d].

“52. Pursuant to I.C. 34-24-3-1, Woodruff is entitled to recover from defendants **an amount not to exceed three (3) times Legacy’s actual damages resulting from defendants’ violation of I.C. 35-43-4-3, along with a reasonable attorney fee and all allowable expenses and costs.**”

Next, let us review the summary at the end of the lawsuit paper:

“A. For a judgment in favor of Legacy’s bankruptcy estate:

“1. against Cumberland, SCC and the Church, jointly and severally, in **an amount sufficient to fully compensate the bankruptcy estate for all damages** arising from Cumberland’s breach of its contract with Legacy;

“2. against SCC and the Church in an amount sufficient to **fully compensate the bankruptcy estate for all damages arising from all damages sustained by Legacy’s reliance upon promises** made on SCC’s and the Church’s behalf by Hill and McCoy;

“3. against all defendants, jointly and severally, in **an amount not to exceed three (3) times Legacy’s actual damages** resulting from defendants’ violation of I.C. 35-43-4-3, along with a **reasonable attorney fee and all allowable expenses;**

“4. against each defendant in **an amount sufficient to redress such defendant’s actual or constructive fraud**, along with **punitive damages** in an amount sufficient to deter such defendant, and others, from similar future conduct;

“5. against any and all defendants who engaged in a civil conspiracy in **an amount sufficient to fully compensate the bankruptcy estate for all damages arising from all damages sustained by Legacy as a result of the civil conspiracy.**

“B. For a judgment in favor of the bankruptcy estate of Douglas and Jacquelyn:

“1. against Cumberland, SCC and the Church, jointly and severally, in **an amount sufficient to fully compensate the bankruptcy estate for all damages** arising

from Cumberland's breach of Equity Payout Agreement and its breach of the Consulting Agreement:

"2. against SCC and the Church in **an amount sufficient to fully compensate the bankruptcy estate for all damages arising from all damages sustained by Douglas and Jacquelyn's reliance** (or the reliance of Douglas alone) **upon promises** made on SCC's and the Church's behalf by Hill and McCoy;

"3. against each defendant in **an amount sufficient to redress such defendant's actual or constructive fraud, along with punitive damages** in an amount sufficient to deter such defendant, and others, from similar future conduct;

"4. against any and all defendants who engaged in a civil conspiracy in **an amount sufficient to fully compensate the bankruptcy estate for all damages arising from all damages sustained by Douglas and Jacquelyn as a result of the civil conspiracy . . . along with the costs of this action and all other proper relief.**"

What does all that amount to? A fabulous loss to the conference. If the facts in the lawsuit are true as stated, a large amount of property belonging to the Bradburns was essentially stolen; and it was done systematically over a period of time. They want anyone who was involved in stealing the money to pay heavily.

Please note that the Bradburns are not merely asking that the money be repaid. Because this case involves alleged fraud, they are asking for both (1) a triple award and (2) an amount to cover "punitive damages."

The triple award would mean that the amount of money to be repaid to the Bradburns on behalf of Legacy—must be tripled!

The punitive damages means that a large amount must be paid, in addition, as a "punishment" for the alleged criminal conduct, systematically carried on over a extended period of time. Punitive damages are generally very large; they are frequently twice the size of the basic award.

You can expect that neither the judge nor a jury would look with favor on systematic theft of a couple's property by representatives of a large, professedly, Christian church.

Lastly, all legal and court costs must be paid. Do not forget what happened to the Lake Region Conference when they were sued in the 1980s (see our 92-page published report, *Lake Region Documentary Tractbook*). Instead of trying to settle the case, they fought it for years,—and as a result spent far more money than if they had quickly settled the case. If the constituency does not take action, it is likely that the officers of the South Central Conference will attempt to do the same thing! Why would such stalling occur? It is done, so the officers can retire (or transfer to another conference) before the case comes to court! This may protect their own necks; but it is done at terrible cost to the denomination—and your local churches.

I want you to know that, although the present writer

may be considered to be a "troublemaker" in some circles, in reality he is a whistle-blower. Our denomination needs more whistle-blowers, not less! It is the whistle-blowers who are the most loyal to the best interests of the denomination; it is they alone who warn us to take action in a time of crisis.

Next, please review a portion of Elder Sargent Simms' statement. Part of this focuses on the alleged fact that McCoy led out in nefarious activities;—yet the Executive Board refuses to fire him because, by retaining him, McCoy is less likely to reveal their involvement in what happened.

"2. **Elder McCoy, according to the deposition, received \$49,000 as Chairman of the Board** [of Cumberland] for a period of one year.

"3. For a period of about one year, Elder McCoy served as **chief executive officer of two religious corporations and received income from both**, doing business between the two.

"4. Elder McCoy violated Policy 35, the Conflict of Interest Policy, of the North American Division and P-2080, the policy of the South Central Conference Policy Book.

"5. Elder McCoy **rented out office space in the old conference office** without the vote of the Executive Committee. He said it was a gentlemen's agreement.

"6. **On December 14, 2003, with all the information available, our Executive Committee failed to act in the best interest of our conference, but political moves were taken to reseal Elder McCoy**, because some of the Executive Committee members are also a part of the problem: **Therefore making us liable for a 152 or 153 million dollar lawsuit**, depending on who you listen to, **and another lawsuit of about one-half million dollars.**"

Elder Simms is closer to the action than we are; and he recognizes that, including all the stalling tactics our leaders try to do to slow the case from going to trial (so that their involvement will not be publicly known until much later), this case may ultimately cost the South Central Conference over \$150 million on one lawsuit and \$500,000 on the other!

Do you realize how much money that is? Do you realize the implications of a \$200 million loss? That is \$200,000,000. At the present time, due to financial (but not fraudulent) mismanagement, the Northeastern Conference owes the General Conference \$28 million! (In addition to other excesses, the previous conference president loaned large amounts of money to ministers, to purchase their homes.)

The latest development in that matter is that the Northeastern Conference has now mortgaged the Ephesus SDA Church for \$2 million! That is one of the oldest black churches in the denomination; it is also the largest in Northeastern and second largest in North America. That church building has existed for many

decades; and, to our knowledge, it had no indebtedness. Now it is encumbered with a heavy mortgage which its members will have to pay off. The Northeastern Conference has 49 churches and 45,903 members.

(The way to protect against such wrongful mortgages is for the church members in each conference, at their next biennial Constituency Meeting, to vote that their conference constitution be changed. This is so that the conference and each local church jointly own the church building, its church school, etc.; and that the approval of both must be obtained before mortgages can be applied or buildings sold.)

Under the present situation, you can expect that more churches will be mortgaged or sold. The \$2 million mortgage on Ephesus Church is a drop in the bucket, when compared with the total Northeastern Conference debt of \$28 million! \$2 million divided by 49 equals \$40,016 per church in Northeastern's territory!

In view of the mortgaging taking place, in Northeastern, and Lake Region court delaying tactics, which occurred throughout most of the 1980s, members of the South Central Conference, you need to take action in your own situation. Some are telling me that, at your forthcoming May 31 Constituency Meeting, they should remove the president, possibly some other officers, and most or all of the South Central Executive Committee. If that happens, in their place, competent, honest men who will deal directly with this problem—and deal honestly with you as well should be elected.

Do a little math: South Central has 49 churches and a \$200,000,000 bill looming. Divide \$200 million by 49. That equals a very large amount of money, per local church! Do you think you had better take action on May 31?

PART TEN THE DOCUMENT YOU CANNOT READ

What was in that secret report which was presented to the Executive Committee, which conference leaders apparently fear to have you read? You will not find out until they share it with you. If you wish, at the May 31 meeting, you can vote to have the full report (including the astounding transcribed interview with McCoy, which was part of it) given to each of you.

Pastor Simms and others believe there is an urgent need to immediately discharge Joseph McCoy, in the hope that this may lessen the amount of financial damages the court will ultimately award to the Bradburns.

What was in that report which Tennessee State required to be disclosed, but which the Executive Committee does not want you to read? You will have to ask them to release the document. (Fortunately the church members in the South Central Conference, who first obtained a copy of the document, are spreading it all over the conference. In order to learn its contents, you should contact friends in some of the larger churches, such as those in the Huntsville area.)

- It explained the conference Conflict of Interest Policy, which staff workers were required to sign. It told whether McCoy had signed it.

- It quoted paragraph after paragraph of that policy; it also provided interesting McCoy-Hill history in relation to it.

- It told when court papers first arrived at the conference office.

- It told McCoy's official position on the Cumberland River Corporation.

- It told the amount that McCoy received as salary from Ken Hill's Cumberland during the entire time he served in that capacity.

- It told the number of hours per week that McCoy claimed to have worked for Cumberland.

- It told, on the basis of that information, how much per hour McCoy was paid for his work for Cumberland.

- It told what McCoy claimed to be his total knowledge of the finances and the identity of the other board members of Cumberland.

- It told the other financial indebtedness which Hill had with the conference, the amount he owed the conference at the beginning of the special McCoy-Hill relationship, and recent developments.

- It told the amount of the promissory note Hill signed with the conference, the date it was signed, and subsequent payment history.

- It told about the office space lease to Hill and Cumberland River, and whether any conference records about this lease existed.

- It told the amount still owed on the office space lease.

- It told the number of lawsuits the conference was confronted with, because of the entire relationship.

- It told the number of different states in which the conference is being sued over this matter, and the number of legal firms they have already hired to defend themselves.

- It told the number of companies, and their debts, that Hill promised to buy.

- It explained the manner in which McCoy was the connecting link between the conference and Hill's Cumberland.

- It explained part of the plan for Riverside Hospital. (Its earlier history is common knowledge to our people: This former church medical facility was started in 1901, with the present hospital erected, in 1972, and later sold in 1983.)

- It told what Ken Hill promised the Bradburns that he would do, as part of the initial contract signing.

- It told how much South Central Conference had already spent on the lawsuit, even before going to trial.

- It told the amount of money South Central might eventually have to pay in legal fees alone.

- It discussed the insurance coverage problem, due to the type of suit they were confronted with.

- It explained why this put conference assets and

the ability to operate at risk.

- It told about the future liability insurance problem the conference would have.

Monday, May 31, 2004 is the date of the forthcoming South Central Conference Constituency Meeting. You should attend it! You have no excuse not to, since it is Memorial Day. Be there and take action.

Make sure beforehand (through personal contacts and phone calls) that others who will be in attendance understand the seriousness of the matter and some of the issues involved.

I would suggest that you not permit delaying tactics when the meeting convenes that morning. Do not let them start the business meeting halfway through the morning. When it does, demand that this item be discussed first. You have the legal right, by majority vote, to do this. Do not permit the matter to be “tabled” till a later time. Do not accept the excuse, “We will study the matter further and report back to you later.”

This is your meeting; and you are the legal authority during it, not the officers nor the Union president who will be presiding at the podium.

Prior to the meeting, plan ahead and decide the men you will vote in to replace the officers you may choose to replace. Think it through ahead of time! Get together among yourselves and talk about it before May 31.

It is extremely important that you not permit long-winded speeches and endless comments from the audience to continue for hours, which will delay action until 4:30 p.m.! The important votes must be taken early enough in the day, so that you can work through the matter of selecting new officers and appointing special committees. You have a full day’s work to do on May 31; do not waste most of it listening to fellow delegates stand up and talk. We all like to talk; but that is not the day to just talk. Make motions; call for the votes!

I recommend that you also vote a change in the makeup of the Executive Council—so that 51% of its members are conference laymen / laywomen. There are other conferences (and at least one union) which (in desperation over financial mismanagement, scandals, and coverups) have already done this. You would be wise to do it also; you have the legal power to do this. Do not let a respected person standing at the podium tell you that you do not have such a right. (At the last General Conference Session, when a delegate stood up and tried to introduce a new item, the chair told him he could not do so because the agenda had been decided before the Session began. Do not accept such untruthful statements. You have the right to introduce and enact new things. But, in all you do, adhere to Bible / Spirit of Prophecy principles.

Be sure to elect good men, humble men, godly men,

capable men! This is crucial. I recommend that you elect Simms as president. He was willing to be personally sacrificed (fired) *for your sakes*. You know he has integrity!

There will be aspects of the matter which cannot be completed in a single day’s meeting. Plan to appoint a small committee to deal with them and later report back to you at another constituency meeting. You are paying the bills; it is time that you take charge of your conference!

My brothers and sisters in the South Central Conference, I pray that you will succeed in this difficult endeavor. But if you will pray, and act on your prayers, God will be with you and ultimately make your future better than what it otherwise would have been.

When good men do nothing, we have reason to fear. The angels will go before you and help you, if you will resolutely set yourselves to do what is right in this matter.

Before closing, let me tell you a little history.

In 1971-1972, I and my family were members of the South Central Conference. We were living in northern Mississippi at the time (so we could legally teach our children at home).

In the fall of 1971 we visited the Longview Heights Church in Memphis, the largest black Adventist church in the city and probably one of the largest in the state of Tennessee.

We were so happy with the folk and their outstanding pastor, that we transferred our membership there from a Mississippi church.

During the time we attended, my daughter Ellen (named after Ellen White) was baptized on February 19, 1972 by the pastor, Robert Leslie Willis. All four of us were members of his church.

Elder Willis was an outstanding pastor; he gave powerful heart-reaching sermons and fabulous pastoral prayers (each one would last about five minutes). And, oh, could that congregation sing! I have never heard anything like it anywhere else.

Later that spring, my family moved to Florida where I had obtained employment. I will never forget our happy experiences at Longview Heights.

If you talk to one of the old timers there, they will tell of the time when the church had one white family in a congregation of about 700. As Elder Willis proudly announced from the pulpit one morning, “We’re integrated now!”

So it is a former member of South Central Conference that is writing this report.

We will all be living together in heaven; and I am glad we can value one another down here and provide each other with needed help.

— *vf*