

**IN THE CHANCERY COURT FOR TWENTIETH JUDICIAL DISTRICT
OF TENNESSEE**

*****)
JACK PELHAM, and)
KAY PELHAM,)
)
Plaintiffs,)
)
vs.) Case No. 05-2259-III
)
THE NASHVILLE CHURCH, INC.,)
INTERNATIONAL CHURCHES OF)
CHRIST, INC., HOPE WORLDWIDE, LTD.,)
and CENTRAL AND SOUTH AMERICA)
WORLD SECTOR, INC.,)
)
Defendants.)
*****)

AMENDED COMPLAINT

COME NOW THE PLAINTIFFS, JACK PELHAM and KAY PELHAM, and pursuant to Rule 15 Tenn.R.Civ.P., respectfully submit this amended complaint, and would state as follows:

**I.
Nature of the Action**

1. This case seeks both equitable relief, in the form of an accounting and restitution, as well as compensatory damages arising out of the Defendants' widespread pattern of fraud, misrepresentation, conversion, and deceit in the solicitation of funds through coercion and false advertising. Specifically, the Plaintiffs allege that the Defendants, The Nashville Church, Inc., International Churches of Christ, Inc., Central and South America World Sector, Inc. and Hope Worldwide, Ltd., collected from their parishioners and members, including the Plaintiffs, funds which they falsely represented would be separately allocated to international missionary endeavors

and to benevolence for the needy. These contributions, which were solicited under the guises of “special mission contributions and contributions for the poor” were instead treated by the Defendants as “unrestricted funds” and diverted by them for the personal inurement and benefit of several high-ranking employees and officers of the Defendant corporations.

II. Parties

2. Plaintiffs Jack and Kay Pelham are husband and wife and are adult citizens and residents of Red Boiling Springs, Tennessee.

3. The Defendant, The Nashville Church, Inc., (“TNC”) is a Tennessee corporation and has its corporate headquarters at 2416 Music Valley Drive, Nashville, Tennessee 37214. This Defendant has designated as its registered agent for service of process: Woody Rowe, 1014 Fulton Greer Lane, No. 4B, Franklin, Tennessee 37064.

4. The Defendant, International Churches of Christ, Inc., (“ICOC”) is a California corporation, and has its corporate headquarters at 3731 Wilshire Blvd., Suite 800, Los Angeles, California 90010. This Defendant also holds itself out as a church and, during the relevant time period, appointed supervisory personnel to oversee and manage the affairs of its local affiliate churches, including TNC. During the period that the Plaintiffs were members of TNC they were also considered members of ICOC, and a portion of their regular gifts and offerings were paid to ICOC.

5. The Defendant, Central and South America World Sector, Inc., (“CSA”) is a Florida corporation founded by ICOC, and at all times relevant was an integrated auxiliary of ICOC. It maintains its corporate offices at 10 Goodyear Dr., Irvine, California 92618.

6. The Defendant, Hope Worldwide, LTD., is a Delaware not for profit limited liability company founded by ICOC and at all times relevant was an integrated auxiliary of ICOC. It maintains its corporate headquarters at 353 W. Lancaster Avenue, Wayne, Pennsylvania 19087. It has designated as its corporate agent for service of process: Corporation Service Company, 2711 Centerville Road, Suite 400, Wilmington, Delaware 19808. During the relevant time period of this action, this Defendant conducted business in the State of Tennessee and also maintained an affiliate corporation in this state known as HOPE Worldwide of Tennessee, Inc., which had its corporate offices at 264 Mallory Station, Suite 11, Franklin, Williamson County, Tennessee.

III. Facts

7. The Nashville Church (hereinafter “TNC”) is a local church, and during the time that the Plaintiffs were members, it served as a local congregation of ICOC. It also served as affiliate of ICOC and its sister corporations, Central and South America World Sector, Inc., (hereinafter “CSA”) and Hope Worldwide, LTD. (hereinafter “Hope”). At all times relevant, each of the Defendants derived their principal revenue from the charitable and tax-deductible donations of their parishioners including the Pelhams.

8. During the time the Pelhams were members of TNC, from October of 1998 to August of 2001, it functioned as a local congregation of ICOC and was governed by an Affiliation Agreement with ICOC. As such, it was required to adhere to ICOC policies.

9. During this time period TNC traditionally engaged in the use of cult-like tactics in order to gain compliance with and blind obedience to coercive techniques, such as

manipulation, peer pressure, placing guilt on its parishioners who fail to strictly adhere to its policies and practices, group criticism of the slightest wavering or questioning, or resistance, or objection, restricting and controlling communication between its members and, manipulating them into “tithing” and making contributions under the guises of charitable benevolence and of “special missions contributions.”

10. The Defendant TNC, together with the Defendants, ICOC, CSA and HOPE have, over a period of several years, participated together in an elaborate scheme and artifice to defraud, intentionally misrepresent and conceal from the Plaintiffs and others who are similarly situated, their combined activities with regard to the charitable solicitation of funds. Defendants have accomplished this scheme through an enterprise consisting of various interlocking corporations under the umbrella of ICOC and its various “affiliates” and “integrated auxiliaries.”

11. Throughout the period of the Plaintiffs’ membership in TNC, as part of a scheme and artifice to defraud, and as a means by which it and the other Defendants could obtain money from Plaintiffs and others, the Defendants, acting jointly and intentionally, misrepresented to and concealed from the Plaintiffs and others, that they diverted certain funds raised by them. In fact, Defendants only devoted a small fraction of what they raised to such purposes and lavished the vast bulk of these funds to the personal inurement of their officers and employees.

12. During the time that Plaintiffs were members of TNC they were approached to make the following gifts and donations of money: 1) a regular weekly contribution in the form of a tithe; 2) a weekly charitable donation called the “Contribution for the Poor”; and an annual gift which was designated by the Defendants as a “Special Missions Contribution” which was earmarked for benevolent service abroad. TNC routinely advertised that the Plaintiffs’ weekly

“Contribution for the Poor” was for “local benevolence”, that it would not be sent out of town, and that it was not going into the church’s regular budget or benefitting any church employee.

13. In October of 1998, Plaintiffs Jack and Kay Pelham (then Kay Davis) became members of The Nashville Church, Inc., having transferred their memberships from other ICOC congregations—that is from, The South Florida Church of Christ and The New York City Church of Christ, respectively. Upon becoming members of TNC, the Pelhams retained their existing membership in the International Churches of Christ, Inc. (“ICOC”).

14. As members of TNC and ICOC, the Plaintiffs were required to contribute a portion of their earnings each year to the church in the form of tithes and offerings.

15. In addition to their normal tithes and offerings, the Plaintiffs were instructed by the leadership of TNC to make annual “special missions contribution” donations of as much as fifteen times their normal weekly contributions, to a fund which was purportedly set aside exclusively for missions work in Third World countries.

16. In addition, during the time that Plaintiffs were members of TNC, they were misled by the leadership of TNC and ICOC, including Woody Rowe and Doug Lambert, into believing that no part of the collection designated as “contributions for the poor” or “special missions contributions” would inure to the personal benefit of those in leadership positions within TNC, ICOC, HOPE or other entities affiliated with these corporations. In reliance on these representations, the Plaintiffs regularly made cash donations to these benevolent funds.

17. ICOC Administrative Policies 2001 specifically provides that donations like the ones made by the Pelhams to the “Contributions to the Poor” were to be treated as “restricted

funds”, meaning they were not to be used to fund salaries or other operation expenses of the church:

15.02.04 Other Restricted Contributions

From time to time, members of the Church or others may express an interest in making a donation for a specific program or purpose. Also, the Church leadership may desire to solicit contributions from the membership for a specific purpose or program. **SFAS No. 116 requires that contributions be treated as "restricted" when an explicit (written or oral) donor-imposed restriction exists or when the circumstances surrounding the receipt of the contribution result in an "implicit" restriction.**

Examples of explicit restrictions include members or others including written correspondence or oral instructions along with their donation indicating that the gift is to be used for benevolent needs within the Church or for the acquisition of land, buildings or equipment. **Examples of implicit restrictions would be donations made during or as part of the solicitation for the annual special missions contribution or the weekly collection for benevolence.**

SFAS No. 116 requires that contributions received with temporary or permanent restrictions **be reported separately from unrestricted contributions.** SFAS No. 117 provides detailed guidance on the form and content of the financial statements including the reporting of the revenues, expenses, asset and net assets by the unrestricted, temporarily restricted and permanently restricted categories. **The chief financial officer or other responsible administrator is responsible for maintaining an accounting system that complies with these provisions** and any applicable laws that require a separate accounting of funds from restricted contributions.

With respect to the solicitation of members or others for contributions for a specific program or purpose, Section 25 of the ICOC Administrative Policies should be consulted.

18. During the time that Plaintiffs were members of TNC, even though the above written ICOC policy required that “restricted” donations be reported separately from “unrestricted” donations, neither ICOC or TNC maintained any separate “asset account” designated for holding the “Contribution for the Poor” funds. Instead, these funds were co-mingled with others used to fund salaries and operating costs for the Defendants, and their “integrated auxiliary” organizations such as HOPE and CSA.

19. Jack Pelham and Kay Davis Pelham relied upon the false representations of TNC regarding the Contribution for the Poor to be true and accurate. Had they known that they were

being deceived as to the purpose of this collection, they would have ceased making these cash contributions and would have ceased to give any funds whatsoever to TNC or to any cause for which TNC solicited funds.

20. TNC leaders, including Doug Lambert (who was appointed by ICOC to a leadership position at TNC) and TNC's Elder/Administrator, Woody Rowe were aware that the representations made to the Plaintiffs during their membership in TNC regarding the "Contribution for the Poor" were false.

Interconnection of Defendant Corporations And Their Contacts With State of Tennessee

21. Throughout the course of the Plaintiffs' membership in TNC, the Defendants conducted regular, ongoing business within the State of Tennessee through their local affiliate, organization, TNC, using an elaborate enterprise consisting of various corporations having overlapping boards of directors, employees, and interlocking policies all of which were woven together through what ICOC referred to as "Affiliation Agreements." The following ICOC Administrative Policy, 02.01.01 sets forth the hierarchical structure of this enterprise:

ICOC Policy 02.01.01. ICOC

ICOC is a "Church" as defined by the tax code and is responsible for promulgating administrative policy and procedure to assist each of the other entities in accomplishing the goal of world evangelism. ICOC is composed of individual churches of the fellowship of the International Churches of Christ that are members of ICOC by **affiliation agreements**. These churches are represented by the delegate vote of the current World Sector Leaders (WSL) and World Sector Administrators (WSA). This body meets formally and informally throughout the year to promulgate policy, discuss theology, and implement ministry decisions to accomplish our goal of world evangelism.

22. To illustrate the intricate interconnection between the various Defendant corporations, the Plaintiffs have attached hereto as “Exhibit A” a diagram which identifies various church leaders and their respective positions held within these various corporate enterprises during the time the Plaintiffs were members of TNC.

23. During the time that Plaintiffs were members of TNC this local church was a part of ICOC’s corporate enterprise and any ICOC policy took precedence over local church actions.

01.02 Relationship to Local Standing Board Policies and Procedures

The Model Administrative Policies and Procedures of ICOC shall take precedence over any existing local standing Board Policies or Procedures at the date of adoption of this manual. After adoption of this manual, the local church Board may see a need for a new local standing policy which could possibly be in conflict with one or more of the Adopted Model Policies. Even though the local Board has the authority to establish local standing policies which could be in conflict with the Model Policies, it is preferable that any proposed changes are communicated to the Ecclesiastical Council so that it can consider revising the Model Policies to meet the local church’s need and maintain unity among our churches by keeping the number of policy conflicts to a minimum.

When the local church Board is considering a local standing policy that may conflict with a Model Policy, **the local church administrator, prior to any action on the part of the local Board, should advise the World Sector Administrator of the proposed local Standing Policy, including the reasons for the conflict. The World Sector Administrator will forward the information to the ICOC World Sector Administrator who, if necessary, will confer with the ICOC General Counsel and the Ecclesiastical Council (See 01.03) to determine if the conflicting Model Policy should be revised to avoid a conflict.** If a revision to the Model Policy is not possible, the World Sector Administrator may advise the local church how the local Board might proceed with the establishment of a local Standing Policy.

24. In furtherance of this elaborate, interlocking enterprise, and as a means of exerting domination and control over its local church congregations, ICOC divided the world into geographic sectors and set up church associations which were called “world sector corporations” to serve as a diocese-like enterprise for each sector of the world. Local congregations which were located in a particular geographic world sector became members of this world sector church association. Under this scheme, the geographic region which encompassed Tennessee, and thus

included TNC, was governed under a world sector known as Central and South America World Sector, Inc. (“CSA”).

25. CSA was at all times an affiliate or “integrated auxiliary” of ICOC, and, during the time that Plaintiffs were members, TNC was itself a member of this world sector corporation. CSA was a subsidiary of ICOC., and was also classified by ICOC as an association of churches.

In the following excerpt from ICOC Policy, the word “Member” refers to member church and, during the relevant timeframe, included TNC:

Member shall continue to issue ministerial or ordination credentials to its own ministers. However, (*World Sector*) retains authority to designate the Lead Evangelist of Member and to discipline and/or withdraw the ministerial credentials of any clergy of Member for ecclesiastical reasons. Moreover, (*World Sector*) **and Member agree that ICC retains ultimate authority through the ICC Ecclesiastical Council, to discipline and/or withdraw the ministerial credentials of any clergy of Member.** In the event that an ordained minister moves from one Local Church to another, or from one World Sector Association of Churches to another for ministry purposes, the minister shall remain ordained and no new ordination will be necessary, so long as the minister remains in the CHURCH.

26. Throughout the period that the Plaintiffs were members of TNC, this Tennessee church was also required to submit to the leadership of its respective world sector corporation, in this case the Central and South American World Sector (CSA). The CSA, like all other world sector corporations, were subsidiaries of ICOC and required under ICOC Policy 02.01.04 to “operate pursuant to applicable ICOC Administrative Policies and Procedures.”

27. Acting pursuant to its authority under the aforementioned and other ICOC policies, in 1998 ICOC appointed and designated Doug Lambert to a position of leadership over TNC as its “Lead Evangelist”. Mr. Lambert resided in Tennessee and, during the Plaintiffs’ membership,

served as an official representative of both ICOC and its World Sector Corporation, CSA, and exercised supervisory authority capacity in the day-to-day operation of TNC.

28. The following ICOC policy 02.04.02.01 sets forth the specific chain of authority which ICOC, acting through Mr. Lambert, exercised over TNC by virtue of Mr. Labert's authority as Lead Evangelist during the period of the Plaintiffs' membership in TNC:

ICOC policy 02.04.02.01 Office Manager (OM)

The OM is responsible for the day to day management of the church offices and its personnel. The OM shall be appointed by the CEO or CFO, subject to approval by the Lead Evangelist. The OM shall submit to the Lead Evangelist on all spiritual and ecclesiastical matters. The OM must have sufficient management skills and experience to manage the office and personnel needs of the church.

(From ICOC Administrative Policies, 2001).

29. In addition, as Lead Evangelist for ICOC and CSA, Doug Lambert exercised broad overarching authority over the management of TNC, as demonstrated by the following ICOC policies which were in effect during the period of the Plaintiffs' church membership:

02.04.02.02 Accounting Manager (AM)

The AM is responsible for the administration of all aspects of cash management for the church. The AM shall be appointed by the CEO or CFO, **subject to approval by the Lead Evangelist**. The AM shall report directly to the CEO or CFO on all administrative matters. The AM shall submit to the Lead Evangelist on all spiritual and ecclesiastical matters. The AM must be a Certified Public Accountant (or have adequate experience to demonstrate similar competence) with adequate business experience to manage the financial and managerial accounting needs of the church. (From ICOC Administrative Policies, 2001)

02.04.02.03 Human Resources Manager (HRM)

The HRM is responsible for all aspects of the management of Human Resources systems and procedures for the church, including policy implementation, employment, wage and salary administration, and employee safety. The HRM shall be appointed by the CEO or CFO, **subject to approval by the Lead Evangelist**. The HRM shall report directly to the CEO or CFO on all administrative matters. The HRM shall submit to the Lead Evangelist on all spiritual and ecclesiastical matters. The HRM must have adequate experience and training to manage the Human Resources needs of the church. (From ICOC Administrative Policies, 2001)

02.04.02.04 Information Systems Manager (ISM)

The ISM is responsible for the management of all information systems of the church. The ISM shall be appointed by the CEO or CFO, subject to approval by the Lead Evangelist. The ISM shall report directly to the CEO or CFO on all administrative matters. The ISM shall submit to the Lead Evangelist on all spiritual and ecclesiastical matters. The ISM must have sufficient experience in information systems to manage the information systems needs of the church. (From ICOC Administrative Policies, 2001)

30. Acting through its Lead Evangelist, in this case Doug Lambert, as well as various affiliated enterprises including one known as the Kingdom News Network, (which ICOC referred to as one of its “integrated auxiliaries”), ICOC routinely solicited contributions in the State of Tennessee from its local ICOC churches, including TNC. These contributions included gifts and donations made by the Pelhams during the period of their membership in TNC and ICOC.

31. As further evidence of the Defendants’ interlocking corporate enterprise, the following excerpt from its own policy demonstrates the control ICOC exercised over what it referred to as its “integrated auxiliary” Kingdom News Network (KNN):

ICOC Policy 02.01.07 KNN

KNN is an **"integrated auxiliary"** of ICOC yet shall operate as a separate corporation whose primary purpose is the production and provision of news media to the individual members and entities within the fellowship of International Churches of Christ. Even though KNN has its own Officers and Directors, it may be subject to ecclesiastical direction or control of the Media/Law World Sector of the International Churches of Christ. (From ICOC Administrative Policies, 2001)

32. In addition, during the period that the Pelhams were members of TNC and ICOC, the Defendants ICOC, CSA and HOPE all regularly solicited and received donations from their local churches within the State of Tennessee through the collection of what were referred to as

“management fees”. These fees were based on the average weekly offerings received by the local member church. The Defendants’ practice of soliciting these funds from the local church congregations is well documented in the following ICOC policies:

ICOC Policy 02.01.02 ICCMS (International Churches of Christ Mission Society)

ICCMS is an "integrated auxiliary" of ICOC. The sole purpose of ICCMS is the receipt and distribution of mission funding pursuant to the World Financial Plan (WFP). The WFP is a detailed financial plan for the funding and support of world evangelism. Specifically, it is the intent of ICOC to establish a church in every nation that has a city with a population exceeding 100,000 inhabitants by the year 2000. The WFP accommodates this goal by allocating the receipt and distribution of funding from the various churches and other entities associated with or affiliated with the International Churches of Christ. **ICCMS and its board will be responsible for the receipt and distribution of these funds.** The board of ICCMS shall be approved by ICOC. (From ICOC Administrative Policies, 2001)

ICOC Policy 12.03.03.01 HOPE Worldwide Support

For a church entity, HOPE Worldwide support is determined through the World Sector Administration in accordance with the ICOC World Financial Strategic Plan. This amount is usually a percentage of the church’s average weekly contribution from a month in the prior year. This same percentage should then be allocate to sub-entities. (From ICOC Administrative Policies, 2001)

ICOC Policy 12.03.03.02 ICOC Management Fee

The ICOC management fee is determined in the same manner as the HOPE Worldwide Support and should therefore be allocated using the same procedure described above. (From ICOC Administrative Policies, 2001)

ICOC Policy 12.03.04 World Missions Support

The fixed amount of World Missions support is determined annually in the World Financial Plan. This fixed amount is sent to the respective World Sector Corporation as the local church’s funding commitment per the Strategic Plan. (From ICOC Administrative Policies, 2001)

33. In January of 2003, Jack Pelham began to conduct an investigation into the Defendants’ corporate activities with regard to the channeling of funds solicited from local ICOC churches.

34. During the course of his investigation the Plaintiff, Jack Pelham, discovered that contrary to the stated representations of the leadership of ICOC and TNC, several thousands of dollars were being channeled by these corporations to high-ranking individuals within the corporate hierarchy.

35. Specifically, on one occasion during the period of the Plaintiffs' membership in TNC, Jim Taylor, a former member and former director of HOPE Worldwide—Tennessee, informed the Plaintiff Jack Pelham that his own salary was funded in part from the receipts of the "Contribution for the Poor" received from TNC.

36. On or about May 16, 2003, Bob Gempel, the former President of HOPE Worldwide, Ltd., gave a presentation at The Radisson Ivanhoe in Orlando, FL, wherein he explained that HOPE collected funds from **all** ICOC local churches through what he described as a "Management Fee." This "Management Fee" was 4% of the budget of each local church. Mr. Gempel further explained that each local church, including TNC, collected this fee from their individual members in various methods, including weekly "poor contributions."

37. During this presentation, President Bob Gempel also stated that HOPE treated these "Management Fees" received from the contributions of local churches as "unrestricted funds." He also explained that as "unrestricted funds" HOPE was free to use these monies to **pay salaries and administrative overhead**. According to Mr. Gempel, this allowed HOPE then to approach outside corporate donors and promise them that 100% of their donations would be earmarked to a specific relief effort because its administrative costs were covered by ICOC donations, thus making HOPE more attractive to corporate donors.

38. Plaintiffs have attached hereto as "Exhibit B" a true and correct copy of a letter on HOPE Worldwide letterhead signed by Bob Gempel and dated April 15, 2003, in which he states:

An Apology

In my discussions with church leaders in recent weeks, I've learned that from a financial perspective, the corporate operation of HOPE Worldwide is a mystery. They tell me that they have no idea how their money is being used and that, in the absence of feedback, it is becoming increasingly difficult to justify continued support.

We take full responsibility for this problem. We have always been accountable to our Board and more than fully compliant with outside audits as well as to the regulatory authorities. . . . However, we realize that, despite being **our most important and committed donor**, the churches have not felt the same transparency and accountability towards them. I deeply apologize for having taken you and your tremendous sacrifices for granted and want to communicate that HOPE *Worldwide* is committed to changing our relationship with you.

(emphasis added).

39. Mr. Gempel's letter further corroborates that HOPE Worldwide received "consistent financial support from the first world churches of the ICOC (which would include TNC), and that this "funding covered essential managerial and administrative expenses at the HOPE Worldwide Corporate Office. . ." (Exhibit B at ¶¶ 4 - 5).

40. Prior to this revelation by Mr. Gempel, and throughout the period that the Plaintiffs were members of TNC, they and other unsuspecting members of churches within the ICOC network of churches, were fraudulently informed that their donations to the "contributions to the poor" fund would not be used for salaries or administrative expense and overhead of ICOC or its corporate affiliates. Instead, the Plaintiffs and other parishioners were consistently told that these weekly contributions would be used exclusively to help people who were in need, both locally and on a worldwide level through HOPE Worldwide.

41. Throughout their involvement as members of TNC and other ICOC churches, the Plaintiffs have participated in fund raising activities such as walk-a-thons and door-to-door solicitation campaigns, organized by the various churches and ICOC to “raise funds for HOPE.” It was the Plaintiffs’ shared and sincere belief, based on the representations of TNC and ICOC leaders, that these funds too were designated exclusively to benevolent endeavors, and would not be used to underwrite the administrative and salary expenses of HOPE Worldwide.

42. The funds which were solicited by TNC and ICOC within the State of Tennessee were also funneled to the Defendant, Central and South America World Sector, Inc., (“CSA”), an affiliate of ICOC. During a CSA conference in April of 2003, CSA leadership made the following admission of the miscommunications within ICOC and its member churches with regard to the use of funds:

The CSA Leadership has failed to communicate adequately with the churches in our group especially about the finances and administration of special contributions. Peter Garcia and Jaime De Anda sincerely apologize for this lack of sensitivity to the continual sacrifices of the individual churches and members. Their failure to provide an effective communication channel caused many disciples to feel excluded and disconnected from the administration and finances of the CSA World Sector. In particular, they express their sorrow that some members have been under the impression that all the money collected through their churches’ special contributions was distributed directly to Latin America. Although the majority of the CSA contributions were sent directly to the mission field, a percentage was also used to support the administrative and ministry oversight of the world sector.

43. In January of 2004, the Plaintiffs sent a letter to TNC, requesting to inspect its corporate books and records regarding the church finances, including, but not limited to, “contributions to the poor,” “special missions contributions,” and the regular weekly contributions.

44. On January 26, 2004, the Plaintiffs received a letter back from this Defendant denying their request on the basis that they were no longer members of the local church.

45. The Plaintiffs have, through their own independent investigation into the financial practices of ICOC and its affiliated corporations, discovered several instances in which individuals within the corporate hierarchy have received remuneration from funds purportedly raised through contributions to benevolence.

46. Plaintiffs also have uncovered several instances in which funds contributed to ICOC and its world sector organizations have been channeled for personal inurement of individuals within the Defendant corporations in violation of express representations made by local leaders within these non-profit corporations.

47. Specifically, during the time they were members of TNC, the leadership of TNC received an annual collection from its members which it referred to alternatively as either the "Special Missions Contribution", "Special Contribution" or "Missions Contribution". It was an annual collection in the ICOC churches unlike any other. Each congregation was expected to give a "multiple" of its normal weekly contribution, generally between 15 and 30 times. So if a member gave the \$35 in "regular contribution" each week his expected Special Mission Contribution was between 15 and 30 times that amount, or between \$525 and \$1,050.

48. During the time Plaintiffs were members of TNC, the World Sector Corporations dictated to the local congregations how many "multiples" would be required from the local congregation for the "Special Missions Contribution" for that year. The local congregation was then free to add additional "multiples" to this number if they so desired. The local congregations were advised that anything over the stated "goal" was available for local ministry use.

49. At regular intervals during the period of the Plaintiffs' membership in TNC, this Defendant's leaders falsely misrepresented to the Pelhams that the amount imposed by CSA as

their Special Mission Contribution “goal” was being used exclusively for Latin American missions.

50. In 2003, after the misallocation of funds within ICOC, HOPE and CSA came to light, the CSA Leadership issued an apology letter in which it conceded the following: “In particular, they express their sorrow that some members have been under the impression that all the money collected through their churches' special contributions was distributed directly to Latin America.” CSA further resolved to change their previous compensation policy to the following: “Financial support of CSA employees will be prorated according to the percentage of their work that is focused directly on Latin American missions.”

51. Plaintiffs allege that this change of policy constitutes an admission by the Defendants that former Special Mission Fund offerings which the Pelhams donated to TNC were not used for the advertised missionary purposes abroad, but had instead been converted to support employees doing work for other purposes.

52. This CSA apology letter was signed by both Doug Lambert (as Lead Evangelist for TNC) and Woody Rowe (Elder/Administrator of TNC and Delegate to CSA and member of the board of CSA). Plaintiffs therefore allege that these individuals were well aware of the misappropriation and hence are complicit, along with the other CSA Leaders, in the conversion of funds, and the fraud perpetrated upon the Plaintiffs.

53. Plaintiffs further allege that this misallocation was not merely the result of “inadequate communication”, as suggested in CSA's apology letter. Rather, it was the result of the deliberate representations made by CSA and church leadership made during the time Plaintiffs were members of TNC.

54. During the course of his investigation, Mr. Pelham has since discovered that during the period of their church membership, the Defendant ICOC also funneled funds which it received from them as members of TNC to corporate employees in other world sectors, including the Middle East World Sector. Neither TNC nor CSA ever informed the Plaintiffs that theirs and other TNC members' Special Mission Fund donations were being used for that purpose.

55. In addition, Mr. Pelham has since learned from a reliable source that approximately 18% of the Special Mission Funds collected by CSA, were forwarded to the Defendant ICOC, where a large portion was used to support *local* ministry work in the Los Angeles Church of Christ during the time Plaintiffs were members. Neither TNC nor CSA ever informed the Plaintiffs that their Special Missions Contribution donations were being used for local ministry work in Los Angeles or in any other established church in the United States.

56. The Plaintiffs have also been informed that during the time they were members of TNC a portion of the funds which were paid to ICOC were funneled into a "discretionary fund" for Kip McKean, one of the founders of ICOC.

57. In addition, the Plaintiffs have learned through a reliable source that contrary to the representations made to them by the Doug Lambert and Woody Rowe of ICOC and TNC, a significant portion of the yearly special missions contribution was often used to cover deficits accrued in the monthly budgets of the large American churches where the world sector leaders were based.

58. As members of an ICOC church, the Plaintiffs were subjected to subtle and even direct tactics involving coercion and manipulation to obtain their submission to the forced tithing and fund raising efforts by the Defendants. By illustration, and not by limitation, the Plaintiffs

were: (1) told that their failure to participate in these programs would subject them to public exposure; (2) subjected to guilt-producing tactics; (3) subjected to threats of possible church discipline, including disfellowship or excommunication; and (4) warned about the loss of their eternal salvation. TNC, acting on its behalf and that of ICOC and HOPE, would even send representatives to the homes of its members to “collect” these contributions in the event that the members were absent from church meetings. Members who did not make their mandated contributions were subjected to phone calls and other forms of intimidation or harassment, including the public ridicule by having their names called at church meetings.

IV. Causes of Action

COUNT I Fraudulent Misrepresentation

59. Plaintiffs incorporate by reference herein the allegations set forth in ¶¶ 1 through 58, and do further allege and aver as follows:

60. The Defendants, by their actions as described herein, have perpetrated a scheme and artifice to defraud the Plaintiffs by falsely representing to them that contributions which they made to the “contributions for the poor” were to be used exclusively for this benevolent purpose. Defendants perpetrated their scheme and artifice by knowingly making and allowing to be made false representations regarding material facts that they knew were false when made.

61. The Defendants, by their actions as described herein, have perpetrated a scheme and artifice to defraud the Plaintiffs by falsely representing to them that contributions which they made to the “special missions contributions” were to be used exclusively for missions work in

Third World countries. Defendants perpetrated their scheme and artifice by knowingly making and allowing to be made false representations regarding material facts that they knew were false when made.

62. Defendants intended for the Plaintiffs to rely upon their false and fraudulent representations so that Defendants could compensate their officers and employees in the form of salaries and bonuses and other forms of remuneration.

63. Plaintiffs did, in fact, rely upon Defendants' fraudulent representations and contributed several thousands of dollars over the course of several years, and these funds were diverted by the Defendants to other uses.

64. As a direct and proximate result of Defendants' scheme and artifice to the Plaintiffs, the Plaintiffs have suffered damages. Therefore, Jack and Kay Pelham are entitled to recover the damages they have sustained as a result of Defendants' willfully fraudulent conduct in the sum of at least \$93,000.

65. Plaintiffs are entitled to recover punitive damages from Defendants for their fraudulent and intentional conduct.

COUNT II Civil Conspiracy

66. Plaintiffs incorporate by reference herein the allegations set forth in ¶¶ 1 through 65, and do further allege and aver as follows:

67. Defendants conspired and combined together to effect a preconceived, common, and concerted plan of action.

68. Defendants' common plan had unlawful primary purposes, namely to defraud the Plaintiffs.

69. Each Defendant intended to accomplish their unlawful common plan. Upon information and belief, each Defendant, as a member of the conspiracy, had knowledge of the intent of all Defendants to accomplish their unlawful common plan.

70. Defendants took concerted, unlawful, and overt actions in furtherance of their common plan, including, but not limited to, soliciting funds from the Plaintiffs and others within the local ICOC churches through the use of false information or fictitious goals.

71. As a result of Defendants' actions, Plaintiffs have sustained damages in the sum of at least \$93,000.

72. Plaintiffs are entitled to recover punitive damages from Defendants for their fraudulent and intentional conduct.

COUNT III
Conversion

73. Plaintiffs incorporate by reference herein the allegations set forth in ¶¶ 1 through 72, and do further allege and aver as follows:

74. The actions of the Defendants constitute the intentional tort of conversion.

75. As a result of Defendants' actions, Plaintiffs have sustained damages in the sum of at least \$93,000.

76. Plaintiffs are entitled to recover punitive damages from Defendants for their intentional tortious misconduct.

COUNT IV
Constructive Trust

77. Plaintiffs incorporate by reference herein the allegations set forth in ¶¶ 1 through 76, and do further allege and aver as follows:

78. By virtue of their wrongful acts, the Defendants hold monetary contributions made by the Plaintiffs as constructive trustees for the benefit of the Plaintiffs.

PRAYER FOR RELIEF

WHEREFORE, the Plaintiffs respectfully request that this Court grant the following relief:

1. That process issue to the Defendants requiring them to answer within the time required under the rules;
2. That the Court enter a judgment against the defendants as follows:
 - A. Against the Defendant, The Nashville Church, Inc., under COUNTS I - II, in the amount of \$50,000 in compensatory damages and \$100,000 in punitive damages;
 - B. Against the Defendant, International Churches of Christ, Inc., under COUNTS I - II, in the amount of \$50,000 in compensatory damages and \$100,000 in punitive damages;
 - C. Against the Defendant, Central and South America World Sector, Inc., under COUNTS I - II, in the amount of \$50,000 in compensatory damages and \$100,000 in punitive damages;

D. Against the Defendant, HOPE Worldwide, Ltd., under COUNTS I - II, in the amount of \$50,000 in compensatory damages and \$100,000 in punitive damages;

3. That the Court enter an order declaring that Defendants hold in trust, as constructive trustees for the benefit of the Plaintiffs, any funds obtained from their false and fraudulent scheme to solicit charitable funds, and requiring Defendants to provide Plaintiffs a full and complete accounting of all amounts due and owing to them as a result of Defendants' fraudulent and illegal activities.

4. That Plaintiffs have and recover such further and general relief as to which they may be entitled, including reasonable attorneys fees and the costs of this cause.

Respectfully submitted,

LARRY L. CRAIN, ESQ.
Tn.Sup.Crt. No. 9040
Law Offices of Brentwood
5214 Maryland Way
Suite 402
Brentwood, TN. 37027
(615) 376-2600
Lcrain@brentwoodlaw.com

Attorney for the Plaintiffs

.....
Jack Pelham

STATE OF TENNESSEE)

COUNTY OF _____)

The above-signed Plaintiff hereby makes oath that the information contained in the foregoing Complaint is true and correct to the best of his knowledge, information and belief.

Sworn to and subscribed
before me this _____
day of _____, 2005.

NOTARY PUBLIC

.....
Kay Pelham

STATE OF TENNESSEE)

COUNTY OF _____)

The above-signed Plaintiff hereby makes oath that the information contained in the foregoing Complaint is true and correct to the best of her knowledge, information and belief.

Sworn to and subscribed
before me this _____
day of _____, 2005.

NOTARY PUBLIC

CERTIFICATE OF SERVICE

I, Larry L. Crain, do hereby certify that a true and correct copy of the foregoing pleading was delivered to the following individuals on this the _____ day of _____, 2005, in the manner indicated below:

E. Todd Presnell
Miller and Martin, PLLC
1200 One Nashville Place
150 Fourth Avenue, North
Nashville, TN 37219-2433

Charles K. Grant
Baker, Donelson, Bearman et al.
P.O. Box 190613
Nashville, TN 37219

Kathryn Ann Stephenson
Trauger, Ney & Tuke
The Southern Turf Building
222 Fourth Avenue North
Nashville, TN 37219-2117

Nancy King Crawford
Attorney at Law
1929 21st Avenue South
Nashville, TN 37212

- " U.S. Mail, Postage Prepaid
- " Overnight Delivery
- " Facsimile
- " Email
- " Hand Delivered

.....
LARRY L. CRAIN