

WILLIAMSON COUNTY
CLERK & MASTER

IN THE CHANCERY COURT FOR WILLIAMSON COUNTY, TENNESSEE

ENTERED _____

JACK PELHAM, and
KAY PELHAM,

Plaintiffs,

vs.

THE NASHVILLE CHURCH, INC.,
INTERNATIONAL CHURCHES OF
CHRIST, INC., HOPE WORLDWIDE, LTD.,
and CENTRAL AND SOUTH AMERICA
WORLD SECTOR, INC.,

Defendants.

Case No 31628

COMPLAINT

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 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., CSA World Sector, Inc. and Hope Worldwide, Ltd., collected from their parishioners and members, including the Plaintiffs, two types of charitable contributions which they falsely represented would be allocated exclusively either to international humanitarian endeavors, including recent Tsunami relief efforts, or to the funding of missionary church "plantings" worldwide. These contributions, which were solicited under the guises of "contributions for the poor" and "special missions contributions," respectively, 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 has designated as its registered agent for service of process: Keith Rose, 3731 Wilshire Blvd., Suite 800, Los Angeles, California 90010.

5. The Defendant, Central and South America World Sector, Inc., ("CSA") is a Florida corporation founded by ICOC, and maintains its corporate offices at 10 Goodyear Dr., Irvine, California 92618. This Defendant has designated as its registered agent for service of process: Jaime Luis De Anda, 10 Goodyear Dr., Irvine, California 92618.

6. The Defendant, Hope Worldwide, LTD., is a Delaware not for profit limited liability company founded by ICOC which 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.

III. Facts

7. The Nashville Church (hereinafter "TNC") is a local church affiliated with the International Churches of Christ, Inc., (hereinafter "ICOC") as well as its sister corporations, Central and South America World Sector, Inc., (hereinafter "CSA") and Hope Worldwide, LTD. (hereinafter "Hope"). Each of the Defendants derive their principal revenue from the charitable and tax-deductible donations of their parishioners and others.

8. TNC, is a Tennessee non-profit corporation which operates as a church and has 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."

9. The Defendant TNC, together with the Defendants, ICOC, CSA and HOPE have, over a period of several years, participated together in a 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 also denied requests by members to inspect their financial records.

10. As part of a scheme and artifice to defraud, and as a means by which Defendants could obtain money from Plaintiffs and others, Defendants, acting jointly and intentionally, misrepresented to and concealed from the Plaintiffs and others, that they diverted certain funds — raised by them which were to be exclusively used in benevolence to the needy and poor both locally and in second and third world countries. In fact, Defendants only devoted a small fraction of what they raised to such purposes and diverted the vast bulk of the funds to the personal inurement of their officers and employees.

11. 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”).

12. 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.

13. 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 second and third world countries.

14. The Plaintiffs were misled by the leadership of TNC and ICOC into believing that no part of these “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.

15. 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.

16. 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.

17. On or about May 16, 2003, Bob Gempel, the 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."

18. 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.

19. Prior to this revelation by Mr. Gempel, and throughout the 17 years that the Plaintiffs were members of an ICOC church, 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.

20. 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.

21. As members of an ICOC church, the Plaintiffs were subjected to subtle and even direct of 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.

22. The funds which were raised by TNC and other ICOC churches also were funneled to the Defendant, Central and South America World Sector, Inc., (“CSA”), an affiliate of ICOC. During a CSA conference in April of 2003, a CSA leader 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.

23. 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.

24. 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.

25. 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.

26. 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.

**IV.
Causes of Action**

**COUNT I
Fraudulent Misrepresentation**

27. Plaintiffs incorporate by reference herein the allegations set forth in ¶¶ 1 through 26, and do further allege and aver as follows:

28. 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.

29. 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. 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.

30. 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.

31. 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.

32. 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.

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

COUNT II Civil Conspiracy

34. Plaintiffs incorporate by reference herein the allegations set forth in ¶¶ 1 through 33, and do further allege and aver as follows:

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

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

37. 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.

38. 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.

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

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

COUNT III
Negligent Misrepresentation

41. Plaintiffs incorporate by reference herein the allegations set forth in ¶¶ 1 through 40, and do further allege and aver as follows:

42. Defendants in the course of their non-profit operations and conduct of their corporate affairs and business, or during the course of transactions in which they had a pecuniary interest, negligently misrepresented to the Plaintiffs the true purpose and intent of the contributions made by them. Defendants' representations were false, and the Plaintiffs reasonably relied upon them to their detriment.

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

COUNT IV
Constructive Trust

44. Plaintiffs incorporate by reference herein the allegations set forth in ¶¶ 1 through 43, and do further allege and aver as follows:

45. 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 - III, 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 - III, 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 - III, 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 - III, 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,



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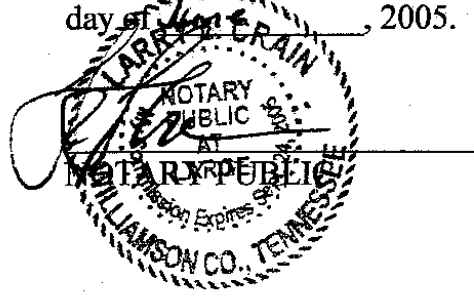



JACK PELHAM

STATE OF TENNESSEE)
COUNTY OF WILLIAMSON)

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 16th
day of June, 2005.





KAY PELHAM

STATE OF TENNESSEE)
COUNTY OF WILLIAMSON)

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 16th
day of June, 2005.

