

January 10, 2016

The Right Reverend F. Clay Matthews
The Right Reverend Catherine Waynick
The Episcopal Church in the United States
815 Second Avenue
New York, New York

By Email: cmatthews@episcopalchurch.org
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Dear Bishops Matthews and Waynick—

The signatories/complainants are very concerned about the continuing delay in respect of the presentment/complaint regarding Bishop Jon Bruno and await the long anticipated further communication from Bishop Waynick regarding the Conference in this matter, and well as communication from the Church Attorney who Bishop Matthews indicated has now been identified. We need assurances and certainties whether the Church Attorney will contact any representatives of the signatories/complainants before framing and circulating any charges in anticipation of a Conference. In addition, we have requested a new Advisor in order to better understand the process and timing but have heard nothing to date.

The disciplinary process of the TEC seems to be extremely slow. We find the continuing delay and silence both ominous, since the continued delay negatively impacts the TEC, the Diocese, the St. James the Great congregation and the vicar and also very surprising, since the Presiding Bishop himself has already "liked" a late December tweet of SAVE St. James the Great congregation that encouraged the members to stand strong and supported their goal to be back in their church for worship in 2016. As you may know, the current situation represents, we have determined after much research, the only instance in recent memory where an Episcopal bishop has chosen to lock a faithful, viable congregation out of a consecrated church property and leave that church building unused. As we have now discovered and detail below, Bishop Bruno has done so, in response to widespread public criticism of his agreement to sell the church building, in furtherance of the secular purpose of acquisition of additional commercial property interests in the expectation of realizing substantial financial profits on their resale. We are approaching day 200 of being locked out of the vacant, unused and unsold building. The building remains fully usable for worship and ministry

The long delay of the TEC disciplinary process has allowed additional discovery in the civil legal proceedings and has also allowed members of the St. James the Great congregation, many of them non-signers of the presentment/complaint, to research and identify additional public information adverse to the Bishop and relevant to evaluating the propriety of the Bishop's actions and the inaccuracy of his representations to the public, to the St. James the Great congregation and its Transition Team, and to the TEC.

This communication further supplements the Presentment involving Bishop Jon Bruno to provide supporting evidence for canonical violations previously identified that has been developed through investigation of public records by and on behalf of the signatories to this presentment/complaint, since the most recent supplemental submission of December 15, 2015 (itself based largely on recent discovery in the civil litigation, which is ongoing), and thus provides additional information that should be considered by the Church Attorney in framing the issues or charges for any Conference.

211. On May 17, 2015, when Bishop Bruno announced the sale of St. James the Great, he told the congregation that “the diocese does not need the money,” that he had no urgent need for the sale proceeds. Soon thereafter, however, in a June 15 letter to the donor Griffith Company, pressing Griffith to release its church use restriction, Bishop Bruno said that Griffith's position “has serious implications for two pending real estate transactions that are scheduled to close in June.” The Bishop's lead lawyer, Rick Friess, made a similar comment in court a few days later in opposing a request for a temporary restraining order against the sale of the St. James the Great building. Mr. Friess argued that the court should not delay the sale of the St. James the Great building because it would prevent the Bishop from closing an imminent major real estate purchase. These June comments make clear that Bishop Bruno lied to the congregation in May when he said that he did not need the money from the sale of the St. James the Great building. Bishop Bruno *did* need the money, to purchase additional interests in commercial real estate in Anaheim. This is detailed further in Annex 1 hereto and in paragraphs 212 through 214 below.

212. through 214. As supplement to paragraph 62, from continuing investigation and as detailed in Annex 1, the commercial real estate transactions in Anaheim, California, to be facilitated and financed by the sale of the St. James the Great building (as Bishop Bruno indicated to the donor Griffith Company and to the court in June 2015 through his attorney) and the expected very large profit opportunities (as Bishop Bruno indicated to the Standing Committee in June 2015) are transactions relating to assembly over the course of many years of a contiguous multi-property block of real property for resale at the intersection of East Katella Avenue and Howell Avenue in the so-called ‘platinum triangle’ area near Angels Stadium (no longer called Edison Field) (the venue for home baseball games of the Los Angeles Angels of Anaheim) and the Honda Center (the venue for home ice hockey games of the Anaheim Ducks) and near Disneyland. These transactions are listed in detail in public records and relate to interests in properties located at 2225 East Katella, 2331 East Katella and 2222 Howell Avenues and perhaps other properties. We note that these real property transactions in the public records also involve other high officials of the Los Angeles Diocese, specifically Canon David Tumilty, Chief Operating Officer of the Diocese and the Bishop’s chief of staff, Mr. Ted Forbath, the Chief Financial Officer of the Diocese, and Mr. James Prendergast, the Chancellor of the Diocese and the individual who apparently advised the Bishop (incorrectly, we believe) that the Standing Committee had no jurisdiction with respect to the sale of the St James building and need not give any consent (even retroactively after entry by the Bishop into the sale agreement). The recent property acquisition during the summer of 2015 by Bishop Bruno (through Corp Sole and, as detailed below and in Annex 1, Katella Howell, LLC), for which we believe the sale proceeds of the St. James the Great building were intended to be used, was of locations currently leased and used as an auto repair facility and a gasoline service station, among other uses. Just last Sunday, January 3, 2016, the Orange County Register (Real Estate Section, page 3), the major local newspaper in the area, noted that “[p]lanned construction for the 820 acre Platinum Triangle, which includes Angel Stadium and the Honda Center, includes apartments and condos and retail, hotel and office space.” In summary, the Bishop hopes by assembling the properties to realize very substantial profits, as he told the Standing Committee in June 2015, in excess of the costs to him of the component properties. The Bishop is doing the most recent acquisition through the vehicle of his Corp Sole and in addition, through a recently formed Delaware LLC, Katella Howell Co. LLC, previously identified to you and other TEC officials as part of this compliant/presentation, of which he is the sole identified officer in Delaware public records. While there is nothing inappropriate or unsound in these transactions themselves so far as we yet know, it is highly inappropriate and unbecoming to finance these speculative commercial real estate transactions for pure financial gain on the back of a viable Episcopal congregation. In the June 10, 2015 meeting with the St. James Evaluation/Transition Team, when responding to the question why he needed to sell the St. James the Great building, Bishop Bruno said it was for important Diocesan reasons and that the matter rested entirely within his discretionary authority. However, that authority should be and properly is limited by Bishop Bruno’s canonical

obligations of avoidance of unbecoming behavior, truthfulness and pastoral care. The Bishop's decision to seek to sell the St. James the Great building and provide so much misinformation about the congregation, its finances and its sustainability both publicly in the Diocese as well as, at the suggestion and with the involvement of the proposed purchaser developer Legacy Partners, to elected public officials of Newport Beach, to lock out a congregation (immediately following notice from the purchaser developer Legacy to the Bishop that the congregation expected to use the building for worship until sold), and to claim the vicar resigned, all in response to widespread criticism for his decision to sell the building, seems to be attributable to the Bishop Bruno's well-known and oft-expressed dislike of the Episcopalians of Newport Beach. This also seems to explain his conflicting position of authorizing the congregation to continue while doing, and causing the Diocese to do, everything in his and its power to prevent the continuation of the congregation and promote its dissolution and the scattering of its members. An important fact to consider is that in spite of the adversity, St. James the Great continues to average greater attendance on Sunday mornings than most of the surrounding Episcopal parishes and missions in the area. It is, we would again note, the only instance in modern memory of an Episcopal Bishop locking out a faithful and viable congregation from a usable church property and allowing that property to remain vacant, unused and beginning to experience neglect and decay. Nor, for understandable reasons of avoidance of unbecoming behavior, are there recent examples of any other Episcopal bishop seeking to destroy a viable congregation or violating basic state civil law employment protections of clergy. Surely these actions are not the pastoral care required of a rector of any Episcopal church under the canons of the TEC.

215. From continuing investigation it has been determined and posted on the Save St. James the Great website publicly that the Bishop's Corp Sole owns 63 properties, some 30 of which are non-religious secular properties (and the religious properties include non-Episcopalian ones, including the Korean Methodist Church, Buena Park, and the Philippine Independent Church, Wilmington, Calif.). These properties have current values well in excess of the expected sale proceeds of the St. James the Great building. The Bishop could have sold some of these in order to further the commercial real estate profits of his Corp Sole but for his own reasons decided not to do so. Instead, without consultation with the Standing Committee, the Bishop agreed to the sale of the St. James the Great building and sought to claim the St James congregation was not viable (telling the Transition Team on June 10 in a carefully scripted remark as he knowingly eyed his chief of staff Canon Tumilty "I only know what I read in the official reports," apparently referring to a very old May 2014 report later cited in the Standing Committee statement of July 9 in the Episcopal News and completely ignoring information communicated to him, as rector, and to the Corporation of the Diocese, at meetings he attended in 2014 and early 2015 about the growth and vibrancy of the St. James the Great congregation and its plans to open a new pre-school at St. James the Great. These decisions and communications, coupled with the Bishop's apparent plan to tell the congregation of the sale only at the last possible moment so as to reduce criticism, are unbecoming in the extreme.

216. As a follow-up relating to the seizure of the St. James the Great bank account by the Bishop and the Diocese noted earlier in this presentment/complaint, the Bishop and Diocese as of December 30, 2015 have overdrawn this account. The account has not been used in any way by or for the benefit of the congregation since June 2015 and should be restored in full. In any event, its dissipation and overdrawing represents a failure to satisfy fiduciary responsibility and further unbecoming behavior.

217. We note another misrepresentation and inconsistency between the Bishop's words and his actions. At the Diocesan Convention in December 2015, the Bishop Bruno gave a long explanation of why he sold the St. James the Great property. One of his arguments was that he had to sell the St. James property because the Diocese was "property rich and cash poor." The Bishop did not mention that *the first thing* he intended to do with the proceeds of the St. James sale was to *purchase more property*, namely, to purchase the remaining one half interest in the commercial Anaheim

property. Instead the Bishop focused on a more remote and ultimate goal of Corp Sole of the disposition of its cash arising from any source, claiming that the purpose of the St. James sale was to “help the poor and needy.” This purpose, of course, could be served by the disposition of secular assets of Corp Sole rather than by disposition of a long consecrated church property that is home to an active, viable and growing congregation and where the only Standing Committee ever consulted theretofore (in 2009) and prior to entering into the sale agreement (as was affirmatively reconfirmed in Deanery meetings in the run up to the Diocesan Convention in early December) had affirmatively voted that the St. James the Great building could not be sold if it were home to a viable congregation.

218. The lock out of the St. James the Great congregation has continued to generate substantial adverse public news about the Bishop, the Diocese and the TEC. “Bishop kicks out congregation” was one of the top ten local stories in one newspaper in Newport Beach, while another named the St. James the Great vicar as the fourth most important influential (of a total of 103) local newsmaker for 2015. This can be expected to continue, to the further embarrassment and detriment of TEC, so long as the current situation prevails. The Bishop told the Transition Team at his only meeting with them on June 10 that he was unconcerned with his reputation, since he was already primarily known for his lengthy litigation against the Anglicans. We submit, however, that the TEC should and must be concerned with its reputation and standing in the community, the Diocese and the nation resulting from the detrimental actions of Bishop Bruno. These can only be (and are by the increasing number of knowledgeable members of the community, Episcopalians and non-Episcopalians alike) regarded as a great embarrassment to the Diocese and TEC. The embarrassment and unbecoming nature of the Bishop’s behavior will increase in the community as it becomes even more widely known, as detailed in paragraphs 182 and 187 of this presentment/complaint, that the Bishop was following the suggestion and lead of the purchaser developer Legacy Partners in misrepresenting the facts of the situation to the Newport Beach mayor pro tem and locking out the congregation. Certainly Newport Beach is the only community in the United States where an incumbent Episcopal Bishop has been described in public City Council proceedings as “despicable” and his actions as “deplorable.”

Respectfully Submitted

The (112*) Signatories to the Presentment/Compliant

*Although signatures have not been sought in many months so as to avoid overburdening the TEC disciplinary process, a few more have been received by the Save Saint James the Great organization.

cc: The Most Reverend Michael Curry, Presiding Bishop
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(Annex 1 follows on next page.)

ANNEX 1

Corporation Sole acquired at some point before 2005 a one-quarter interest in three adjoining commercial parcels in Anaheim, California: the parcel numbers are 253-531-05, 253-531-06 and 253-531-07. These are valuable commercial parcels: they sit less than a mile from Anaheim Stadium and their total value on the county tax rolls is almost \$4.5 million. (tax records).

It is possible that Corp Sole acquired its initial one-quarter interest in the three Anaheim lots from Ledger T. Smith, who died in 1989. A retired Episcopal priest has informed us that “Ledger Smith through the promise of Corporation Sole agreed to deed some eight acres of land around Angel Stadium as long as the Diocese would give the money to the poor on a monthly basis. The Diocese would not get it until the Ledgers’ adopted son died. The rumor is that the Bishop made a deal with the son to get the property. It would not be legal as the son did not have authority to change the will. The son died several years ago. The rumor is that the money went somewhere rather than to the poor.”

We cannot verify all these statements but we can see Corp Sole’s interest in these three parcels in the public records. The first mention we have found is in a September 2005 note regarding the assignment of a ground lease on two of the parcels: they are described as being owned as of that date by: 1. Corp Sole 2. Corky Smith, Trustee of the Corky Robert Smith Trust, and Bank of America, Trustee under the Will of Gladys K. Smith. (We are continuing to research public records regarding the various Smith family interests, as well as residual and contingent beneficiaries, including other eleemosynary entities, under that will).

In November 2014, James Prendergast, as successor trustee of the Corky Smith Trust established under the Ledger T. Smith Trust deeded an additional one-quarter interest in the three parcels to Corporation Sole. Based on the deed documents, it appears that Corporation Sole apparently did not pay anything to the Corky Smith Trust for this one quarter interest in the three lots: the deed recites that no transfer tax is due because the transaction was a “*bona fide* gift.” (The role of Mr. Prendergast in the transaction interesting, for he was on both sides: as the trustee of the Corky Smith Trust and as the chancellor to the Bishop, whose Corporation Sole benefitted from the transaction).

It would appear that Corp Sole had, by June 2015, agreed to purchase the remaining one half interest in the three Anaheim lots. That transaction did not close in June 2015 but rather in August 2015.

In August, Corporation Sole conveyed its one half interest in the three Anaheim lots to Katella Howell, LLC. We believe that Katella Howell is a wholly-owned subsidiary of Corp Sole, for the grant deed notes that no transfer tax was due because there was no change in proportional ownership. This belief is reinforced by the address for Katella Howell, the offices of the LA Diocese at 840 Echo Park Avenue, and that its sole officer is Bishop Bruno. Katella Howell, at the same time, borrowed \$5.3 million from First Republic bank, secured by its interest in the three parcels. A few days later, Katella Howell purchased a one half interest in the three Anaheim lots from Bank of America, as trustee under the Will of Gladys K. Smith, late wife of Ledger T. Smith. It appears, from the transfer tax paid, that Katella Howell paid the Gladys Smith Estate \$6.3 million for this one half interest.

We believe that the Bishop’s plan in June was to use part of the \$15 million proceeds from the sale of St. James the Great in order to pay the agreed \$6.3 million purchase price for the one-half

interest in the three Anaheim lots. When the St. James transaction did not close, the Bishop arranged the \$5.3 million loan from First Republic bank, enabling him (with an additional million of cash) to close on the Anaheim purchase. It seems that the Bishop now owns (through Corp Sole and Katella Howell) the entire interest in the three Anaheim parcels (subject to the \$5.3 million loan from First Republic).

To be clear we have no objection to the Bishop using Corp Sole to engage in prudent, profitable real estate transactions. We *do* object to the Bishop selling the St. James property, which is subject to a church use restriction, and was being used by a church congregation, rather than one of the many *other* Corp Sole properties he could have sold.