

# adventist currents

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— the Newsletter —

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## Clippings

### Did you know that . . .

Six independent trustees of Kettering Medical Center (KMC) filed suit (including a class action) on 21 June 1990 against Adventist Health System – North East and Middle America (AHS–NEMA) and the Columbia Union Conference Association, asking a U.S. District Court to determine who owns and controls KMC and its assets – the SDA Church, by way of the Columbia Union, or the community that its original charter indicates it was founded to serve.

The suit arises out of concerns by the plaintiff/trustees over attempts by AHS – NEMA to extract \$8 million from KMC to help keep at bay creditors of AHS – NEMA who are threatening lawsuits to recover more than \$216 million worth of loans that are in default. (Most of the \$216 million was lost by AHS–NEMA through diversification ventures into diagnostic imaging centers and nursing homes.)

On 26 June 1990, Mrs. Virginia Kettering, who has con-

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## The Good, the Not So Good, and the Perplexing

### The 55th General Conference Session

*Note: The sources for this article – nominating committee members and regular delegates in both public and private debriefings – are not credited in order to protect both the guilty and the innocent and to multiply the joy of speculation.*

**A**fter twelve years of self-imposed (or at least tolerated) paternalism, Adventism appears to have reached a fork in the road – a fork drawn first by circumstance (we've run out of money) and, second, by political will (a sitting president was refused reelection for the first time since A.G. Daniells was turned out in 1922).

From the opening night it was clear that this Session was different. The delegates to this quinquennium seemed fully aware that politics play a major role in denominational deliberations. And many delegates were restive under their belief that so much of what would take place had already been determined by a few men in Silver Spring, Maryland.

This restiveness became apparent when late in the evening the platform chairman, Enoch Oliveira, general vice-president of the General Conference, distributed the 226-name Nominating Committee list to the delegates. With hardly time provided to read much less to consider the names, the chair asked for a voice vote on the entire slate. The "nays" were considerably louder than the "yeas" and the subsequent show of hands appeared ambiguous. But Oliveira declared that the "ayes" had it and gavelled the meeting to a close to not quite a storm of boos and hisses.

### The Good

#### The replacement of Neal Wilson

The replacement of Neal Wilson as General Conference president was greeted not so much with joy as with relief by a preponderance of the delegates. It was not an easy thing

for the Nominating Committee to do. The individuals who comprised it are by and large quite conservative in makeup; and they did not recommend change to the delegates on a whim.

It would be very interesting to know how a man with Wilson's ego strength absorbs the kind of rejection he received at Indianapolis. He had made it so clear that it was his duty to keep his hands on the plow that, as one Nominating Committee member told a reporter to the session, "we would have to pry each finger from the plow."

From remarks made by both Neal and Elinor Wilson to various people before the Session, it was clear that they just couldn't think of anyone else who could handle the task. And they were correct, if it is assumed that the General Conference president should personally administer the world field, and simultaneously serve as chief executive officer of the North American Division.

But no tears should be shed for Wilson or the church. He will continue to serve in a capacity to which he is very well suited – roving goodwill ambassador to the world.

### Robert Folkenberg's election

Robert Folkenberg's election came as a shock. Many delegates assumed, as *Currents* had predicted, that Wilson would make it to a third term. But as surprising as Wilson's exit was, the entry of an individual from three rungs down the administrative ladder was even more out of the ordinary. And not since A.G. Daniells was replaced by W.A. Spicer in 1922 has a sitting General Conference president been refused his desire to return to the post.

It is not clear whether Folkenberg would have been nominated had he not been chairing the Nominating Committee, and chairing it effectively. His name was included in a second slate of names that was placed for consideration after George Brown turned down the nomination following his third-ballot win (130 to 81) over Wilson.

The assumption of most delegates and Nominating Committee members was that Wilson's only serious opposition would come from the North American Division – a division

in which the delegate total continues to dwindle as a percentage of the world church delegation. North American Nominating Committee members and delegates – at least the majority of them – were deeply concerned about Wilson's abuse of political power and his financially costly mistakes in judgment (see past two issues of this newsletter). But most North American delegates were unaware that the representatives from the Inter- and South American Divisions were unhappy with Wilson for reasons that overlapped the concerns of their brethren to the north very little.

A pre-Session swing through Central and South America by Wilson was interpreted by those populous divisions as little more than a campaign trip. Wilson's tolerance of North America's push toward the ordination of its women pastors did not sit well in those divisions. After all, they reasoned (as does the Italian-born Samuel Bacchiocchi), wasn't Adam created before Eve? And wasn't Eve derived from Adam?

Also Wilson's affidavit in the Pacific Press lawsuits consigning Adventist anti-Catholicism to the historical trash heap had only recently been distributed by an independent Adventist ministry to those Latin American constituencies. Wilson's sworn statement was not easily understood by Seventh-day Adventists who find themselves continually out of step in a Catholic-monopolized culture.

Despite their unhappiness with Wilson, the Nominating

## A sitting president was refused reelection for the first time since A.G. Daniells was turned out of office in 1922.

Committee members from the Latin countries waited for some North American delegation member to make the first move. After nearly two hours of speeches lauding Wilson's service to the church, Pacific Union president Tom Mostert told the committee that the North American

Division had been under the strong influence of one man for twenty-four years – twelve as NAD president and twelve more as General Conference president – and that twenty-four years was enough.

Steve Gifford, Southeastern California Conference president had called Mostert before going to Indianapolis to tell him that he was going to make a speech in the nominating committee arguing the importance of a change. Gifford said

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# Separate Ways – LLU Meiosis

## Finalizing the Divorce and Starting Over

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“It shall be the function of the constituent members of the Corporation . . . to inform themselves on the business of the Corporation to be transacted . . . .”

—Loma Linda University Bylaws Article 4, SECTION 4

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### The LLU Constituency Session

**W**hen the Loma Linda University constituency last met (12 January 1986), it was disenfranchised by a patently incorrect ruling received made by a misinformed parliamentarian who was drafted from the floor during a lively discussion regarding proposed changes to the Loma Linda University bylaws (see “Birth of a Two-Headed Frog,” *Adventist Currents*, 2:2).

At that 1986 constituency meeting, arts and sciences campus student leaders attempted to introduce changes to the LLU Bylaws that would have helped to reduce the size of its board, reduce the potential among the trustees for conflict of interest, and require a more representative makeup to the constituency.

Attorney Kent Hansen, drafted mid-meeting for the job of parliamentarian, mistakenly ruled that however “arcane” the point, proposals for bylaw changes had to be made in advance of a constituency meeting, by a committee chosen by the board from constituents, through the notices calling the constituents together.

If he was correct, when the constituency assembles again on Saturday night, 25 August 1990, it may as well hear the apology of those who called the meeting and return home. Because one of the most important tasks of this constituency session is to vote changes to the LLU Bylaws that will be required to accommodate the separation of LLU’s two campuses into legally independent entities. **But no notice to the effect that bylaw changes will be proposed has been included in the written invitations to the constituency to attend this quinquennial meeting.**

Fortunately the parliamentarian was incorrect five years ago, and it will be possible for the constituents who attend this meeting to do business legally. Actually, no article or section of the current LLU Bylaws suggests that bylaw amendments, changes, or revisions cannot be made by constituents from the floor of any constituency meeting – regular or special. Article 12 states:

These Bylaws may be amended by a vote of two-thirds of the con-

stituency of Loma Linda University, a corporation, present at any regular meeting of said Corporation, when the proposed amendment does not conflict with federal or state laws or with the Articles of Incorporation. **When it is proposed to change the Bylaws at any special meeting of the Corporation, notice shall be given to that effect in the call for the meeting.** (See also Article 5, SECTION 4, f.)

Notice that the second, emboldened sentence refers to a “special” meeting. However momentous, this will be a “regular” quinquennial meeting. Even if this were a special meeting, the wording of the article does not require the notice to specify the nature of the change to the bylaws, much less to mail out in advance a motion. Article 5, SECTION 4, f, referred to in Article 12 above, merely states that one function of the Board of Trustees is

To appoint from constituent members, at least thirty days

prior to a regular constituency meeting, a committee to review the Articles of Incorporation and the Bylaws; said committee to report to the constituency.

Nothing there penalizes the constituents by proscribing them from initiating discussion, making motions, or taking votes regarding additions to, deletions from, or changes to the LLU Bylaws – should the board fail to appoint such a committee.

The constituents have a rare opportunity at their 25 and 26 August 1990 meeting to make a significant contribution to the future of Loma Linda University. The composition of the board has to be addressed and changed if for no other reason than because of the divorce of the Loma Linda and Riverside campuses.

**Why has LLU been without a vice president for financial affairs or for academic administration for more than a year?**

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### Whose constituency is meeting?

There are very interesting procedural questions that arise because of the LLU board's vote to sever the relationship between the two campuses. Legally speaking, the divorce is not final until the constituency ratifies the decision of the board of trustees to end the marriage. When this constituency assembles, it will be, initially, still the constituency of both the campuses that are/were Loma Linda University.

Once that ratifying vote is taken, there will remain a host of both ex-officio and appointed constituents whose constituent status was appropriate only so long as the schools on the Riverside campus were part of Loma Linda University. To remove these constituents will require changes to the bylaws. Does the entire assembly of constituents vote those changes, after which the no-longer-applicable constituents leave the proceedings? Or have the bylaw adjustments been anticipated (a very questionable procedure) in the invitations to this constituency meeting?

It would be of further advantage to LLU if its constituency would move and vote changes to the bylaws that would reduce greatly the constituency's size and radically alter its makeup.

As it has been constituted, more than half of the constituency's 550-odd members are either General Conference Executive Committee members from North America, Pacific Union Conference Executive Committee members, or members of the executive committees of the member conferences of the Pacific Union.

The constituency needs to be reduced to under 100 members, constituted mostly of individuals who have an immediate interest in LLU; and who are geographically close enough to attend annual, rather than quinquennial, constituency meetings.

Section 4 of the bylaws lists as one of the functions of the constituents "to inform themselves on the business of the Corporation to be transacted." The constituency needs to figure out a way to make that happen and add it to the bylaws. (A step in fulfillment of that bylaw injunction would be to add to the list of functions required of the board of trustees under Article 5, SECTION 4, that quarterly reports of the activities and actions of the board be mailed to the constituents.)

### Problems

For a number of years, unfortunate administrative situations have existed and decisions have been made at LLU that the board of trustees, for various reasons, has not been able to address effectively. Some of the difficulties summarized below seem at first look to be Medical Center rather than University problems. But the fortunes of the University are inextricably comingled with the success of the Medical Center, especially now that the University is to become exclusively a health sciences university.

Some of these problems could be rectified by changes in the bylaws that dictate the size and makeup of the board. Other bylaw changes might address at least one or two difficulties directly.

### An impotent board

As the three-year history of the campus consolidation effort indicates, the LLU board has a difficult time making decisions that are conclusive. Part of the fault for that difficulty lies with LLU administration for not providing the board with information from which it could make valid decisions. But ultimately it is the board's responsibility to replace an administration that is incompetent. It is hard to explain why LLU has been without a vice president for financial affairs or for academic administration for more than a year.

The forty-five member LLU board suffers from all of the problems that newly-elected General Conference president Robert Folkenberg has described in the June 1989 *Ministry* (see page 13 box entitled, "Folkenberg on church structure").

For more than ten years the Western Association of Schools and Colleges accrediting body has been expressing concern about the size and makeup of the LLU board, stating that "the

Board of Trustees should function . . . more clearly as the advocate of the interest of Loma Linda University within the organizational structure of the Seventh-day Adventist Church."

This constituency could see to it that the new LLU board is limited to something like the fifteen trustees that the Pacific Union Conference Executive Committee

(acting as Loma Linda University Riverside's interim Board of Trustees) will appoint for Loma Linda University Riverside, sometime in September.

### Administrative hegemony

While the LLU constituency has no direct say over policies pertaining to Loma Linda University Medical Center or the faculty medical practice groups, LLU constituents can write into University bylaws certain healthy restrictions on the responsibilities of LLU administrative officers. For example, Article 7, SECTION 7, of the bylaws specifies that "the Vice President for Medical Affairs, who shall be responsible to the President, shall be . . . subject to the reserve of powers of the President . . . and shall perform such other duties as the President may delegate . . ."

As is well known, Dr. David Hinshaw has been LLU vice president for medical affairs since 1986. Some other positions he occupies include president of the Loma Linda University Medical Center, president of LLU Medical Faculty Practice Groups, and president of Adventist Health Systems - Loma Linda (see box entitled, "Administrative Hegemony"). This is widely considered to be too much responsibility for one individual, no matter how talented; and it is too much power for one individual to wield, no matter how resistant to its abuse he may be.

The practical effect of the vice president for medical affairs occupying these other presidencies has been to void the intention of Article 7, SECTION 7. Rather, for the past several years the LLU president has been responsible to the vice president for medical affairs and subject to the reserve of powers of the vice president and has performed such other duties as the vice president has delegated to him.

**"The Board of Trustees should function . . . more clearly as the advocate of the interest of Loma Linda University . . ." - WASC**

### A Simple solution

A simple and very reasonable step toward undoing this administrative hegemony would be to amend Article 7, Sections 2 - 9, of the bylaws specifying the responsibilities of LLU officers. Article 7 easily could be amended to limit each LLU officer (those positions addressed in Article 7) to one full-time administrative appointment.

### Financial postscript

Many people wonder how many salaries Hinshaw draws from among his various positions. For the present the answer is incomplete; but based on IRS records, sources inform *Currents* that he makes \$140,000 as president of AHS-Loma Linda, and

\$38,000 as vice president for medical affairs at LLU. He apparently draws no salary for his presidency of the LLU Medical Center. *Currents* does not know how much, if anything, he draws for his presidency of the Faculty Medical Practice Group, or for his membership in the surgery group (normally a salary and bonuses).

### Unfinished business

Documents floating among constituents and the LLU constituent community suggest that the LLU board has allowed a \$916,180 misappropriation of LLU funds to go unrectified for more than twelve years.

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# Administrative Hegemony

David Hinshaw, M.D.

- Adventist Health System – Loma Linda.....**President**
- Loma Linda University Medical Center .....**President**
- Loma Linda Faculty Medical Group, Inc. ....**President**
- Loma Linda Mercantile .....**President**
- Medical Properties of Loma Linda .....**President**
- Loma Linda University .....**VP for Med. Affairs**
- LLU Behavioral Medicine Center .....**Board Chairman**
- LLU Ambulatory Services.....**Board Chairman**
- Medical Personnel Services .....**Board Chairman**
- Barstow Community Hospital .....**Board Chairman**

### Notes:

Adventist Health System – Loma Linda is the administrative coordinator of those entities affiliated with the Seventh-day Adventist church to provide health care-related services in the Loma Linda area.

Lyn Behrens, MD, Loma Linda University president-elect, will be David Hinshaw's administrative superior at the University. But Behrens will be administratively subordinate to Hinshaw in her Department of Pediatrics Faculty Medical Group position and at the Medical Center where she teaches and affiliates. In reality, the vice president for medical affairs and the dean of the medical school have more power than the University president, if for no other reason than the size of the budget they control.

In the early 1970s, members of the radiology faculty practice group sued the radiology department and its chairman, Melvin Judkins, on suspicion of financial improprieties. An audit conducted in the discovery part of the suit eventually revealed, rather serendipitously, that then-LLU Hospital administrator C. Victor Way had misappropriated more than \$916,000.

Most or all of the \$900,000 was diverted, it has been claimed, from University accounts through checks co-signed by Victor Way and David Hinshaw, then LLU medical school dean and surgery department chairman.

Way, who became LLU Hospital administrator in 1967, resigned that position under pressure from the board over unrelated issues in mid-1974. He remained for about a year after that as manager of an outpatient practice program.

On 3 April 1975, Way and Hinshaw became the joint owners of a 2,073-acre ranch, divided by Interstate 5, in Lake County, Oregon, near the California border. The purchase price was \$525,000; and the new owners put \$52,000 down. Not long after the purchase, Way moved to the ranch to oversee its development.

It was in 1975, sources tell *Currents*, that then General Conference president Robert Pierson, General Conference general vice president, Willis Hackett, and General Conference vice president for North America Neal Wilson fought repeatedly among themselves in secret meetings over what to do about evidence of the \$900,000 misappropriation and other alleged evidence of financial improprieties that had been presented to them.

It was not until May of 1977, according to attorney Robert Warren of Gibson, Dunn and Crutcher, that the board of trustees became aware of the problem. In January of 1978 Hinshaw resigned his position under pressure from the LLU Hospital board. Hinshaw denied any involvement in or knowledge of the misappropriation of funds and said that he had paid for his portion of the ranch with his own money.

On 24 February 1978, Way signed an Agreement of Restitution in which he agreed to repay to the University \$916,180. Shortly thereafter he paid the University \$53,978.35 – leaving a balance due and owing of \$862,201.65.

The ranch became a focus of LLU efforts, in March and April of 1978, to recover its loss. Way and Hinshaw had very little equity in the property, but they proposed a plan that would allow Way to make it profitable and pay his debt to the University with the proceeds. The University had attached a \$200,000 second mortgage on the property (security interest on a \$200,000 promissory note from Way) that it agreed to lift so that Way could refinance the property and pay for more than \$100,000 worth of improvements (including an irrigation system) that were needed to make the ranch profitable.

Hinshaw and his wife signed an agreement with LLU on 4 March 1980 in which Hinshaw agreed “to assist Way in fulfilling his obligations to University, and to settle all disputes between Hinshaw and University.”

Hinshaw further agreed “to do whatever is necessary to assist Way in attempting to secure new financing sufficient to repay and discharge all security interests on the Oregon ranch and to

install an irrigation system costing not less than \$100,000 . . . .”

Hinshaw also agreed that if, when LLU directed the sale of the ranch, he wanted to keep it he would “be relieved of obligations under this agreement by paying forthwith to University the full principal sum then due under the Agreement of Restitution plus interest at the rate of ten (10%) percent per annum from April 24, 1978.”

Way and Hinshaw were unsuccessful in whatever efforts they made to refinance the property.

Nine months later (9 December 1980), the University “release[d] and forever discharge[d] . . . Hinshaw’s liability for the actions of Way,” in exchange for his agreement to “execute any and all documents” that would enable the University to sell the Way/Hinshaw ranch to a third party.

On 4 February 1981, the property was sold to J. R. Ferguson & Associates, Inc., who also assumed the \$200,000 promissory note obligation to LLU. Shortly after the sale, Ferguson paid the University \$18,000 in interest that was owed on the promissory note. One year later (4 February 1982) he paid \$2,000 toward the principal on the same note.

By August of 1983 Ferguson was delinquent on the \$200,000 second trust deed/promissory note, and the \$500,000 first deed of trust was in default to Downey Savings & Loan. Downey Savings & Loan subsequently named LLU as a defendant in a suit over the ranch default.

On 10 November 1987, the LLU Investment Management Committee

VOTED that the Way Lakeview property be “sold” for \$25,000 cash provided that Loma Linda University is dismissed as a defendant from Downey’s suit, with prejudice.

From what evidence *Currents* has been able to compile, it appears that of the original \$916,180 misappropriation, LLU recovered \$98,978 – \$53,978 from Way in 1978, \$18,000 in interest from Ferguson in 1981, \$2,000 in principal from Ferguson in 1982, and \$25,000 from the lawsuit sale of the property settlement in 1987. If the question of interest is simply ignored, LLU is still out \$835,202.

Why the board did not deal more definitively with this issue is not clear. Individuals who were on the board during the events just related say that both Way and Hinshaw would appear before the board defending themselves and each other. There were no confessions. Sometimes when the issue would come up the board would be called into executive session by the chairman.

After being expelled from LLU in 1978, Hinshaw became dean of the medical school at Oral Roberts University. By the time LLU was looking for a new School of Medicine dean, in late 1985, to replace Gordon Hadley, ORU had let Hinshaw go. (Hinshaw’s immediate superior at ORU, vice president for medical affairs James Winslow, indicated to a member of the LLU search committee that shortly after Dr. Hinshaw arrived at Oral Roberts he began to function more like a vice president for medical affairs than like a dean, and Oral Roberts needed someone who could concentrate on the day-to-day details of running a medical school.) Eight years after his ignominious departure from LLU, Hinshaw returned to the University, replacing Harri-

### Article 7 easily could be amended to limit the LLU officers to one full-time administrative appointment each.

