



SEVENTH-DAY ADVENTIST CHURCH

South Pacific Division

2 February 2012

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Dear Gentlemen,

I have been on annual leave and have returned to two letters from MCA. The first letter looks like it was written before you received my last letter written to you answering questions.

In your letters you are making an assumption that mortgage security means a loan of the same value. As I have said before and confirmed by Grant Thornton \$69 million has not been given in loans to the Johnson Property Group. Your assumptions and speculation on the structure of financing and accounting treatment is incorrect and not allowed under Australian Accounting Standards, but I will not say any more than that. The church has no plans to contribute land or invest any further in the Joint Ventures. The projects are at a divestment stage with land being made into individual blocks for sale with property settlements happening on a regular basis. The Australian economy and housing market is very different to the USA. Australia has rising personal income, low interest rates and a growing economy. In some states house prices have stopped growing or fallen slightly, but in other areas have continued to rise. With a growing population in full employment demand for housing still outstrips supply.

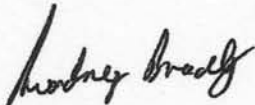
I am on board with the General Conference direction on Accountability and Transparency. The documents are still under development and consideration by the different Divisions. I have read that Boards need to have full disclosure of information to assist with governance and decision making. I have not read in the GC draft documents that any question a member asks from anywhere in the world will be answered in the detail they want. If you were to ask the General Conference specific employment detail questions about an individual or specific facts about a current litigation case it is unlikely that information would be supplied and placed in the public arena. In the matter you have raise questions about, because we are constrained in the detail that can be given and to give assurance to members who read an incorrect media report we engaged Grant Thornton as a professional independent party bound by confidentiality provisions backed by professional indemnity insurance. Obtaining the report is not something we had to do but an action that has been appreciated by members.

Not being resident in the South Pacific Division you would not understand the different structure of this Division. It is those differences that will contribute to a difference in expectations you have and the way you view church finances. The SPD is structured very differently to the North American Division. Financially it is a net contributor to the General Conference and unlike other Divisions is able to finance its own missionary program costing over \$8 million a year plus

support a mission field where over 85% of the Divisions membership resides. This Division has a large institutional base (i.e. hospital, health foods, services) that has a strong connection with the church. The Division owns the real estate and intellectual property used by institutions and charges them for usage. In the Divisions finances tithes and offerings is not the major source of income. Our institutions operate in a very competitive environment and several different countries within the Division. Competitors would like to find out information for their own advantage so we have to be very careful with our information. If a member asked for details about intellectual property or licencing details that was commercially sensitive – should they expect that and should it be supplied? I say this to try and give you some appreciation to the environment we operate in within the SPD as we see things and have expectations based on our perspectives and background.

Sometime in the future circumstances may change that I will be able to answer the specifics of your questions. Unfortunately at this time I am not able to say more than I have already.

Yours sincerely,

A handwritten signature in cursive script that reads "Rodney Brady".

Rodney Brady
Chief Financial Officer
South Pacific Division