

# I. Donald Gibb to John Stahl, Minister, Starland Hutterian Brethren, 6/5/92

## File I

**NOTE: EXHIBITS refer to appended documents the correspondent included, but are not included here.**

Dear Reverend Stahl:

My relationship with the Hutterites goes back to my days as a youth on our farm at Rosebank, Manitoba, when one night two strange men with beards appeared at our door wanting to speak to my father to request his signature on a petition to permit their new Miami Colony to establish a school on the Colony for its children. There was a lot of emotion and acrimony circulating in the community at the time related to the Colony purchasing farmland in the area, fearing it would drive up land prices and ruin the small towns. Following a long and wide-ranging philosophical discussion, my father was pleased to sign the petition. As one of the more respected members of the community, this seemed to turn the tide of local public opinion in the Colony's favor.

Subsequently, our family became good friends with the Hutterite people on this and neighboring Colonies. When I joined The Royal Bank of Canada as Manager of its Agriculture Services Department for the Manitoba region, I proceeded to work with the Manitoba Colonies as best I could to assist with financing of land purchases for new Colonies and the expansion of existing units, in addition to providing funds for machinery and equipment purchases and operating expenses. I continued to work with the Canadian Colonies when I moved on to head Bank of Montreal's National Agricultural Services Department.

When I ran for political office in Manitoba, several members of the Miami and Darlingford Colonies purchased memberships in the Manitoba Conservative Party in order to vote for me at the nomination meeting held in Miami, Manitoba. Fortunately there was not enough support at the meeting to get me elected! During this period in my life, a number of Ministers and Secretary-Treasurers of the Manitoba Colonies became, and continue to be, among my best friends.

In 1981, when I joined the First National Bank of Chicago ("First Chicago") in Chicago, I had the opportunity to visit the Colonies in South and North Dakota. I realized their banking services were far inferior to the services offered to their Brothers in Canada through the Canadian banks. To remedy this, I set up a lending program for approximately 40 U.S. Colonies at First Chicago, but realized what was needed in the U.S., because of the very different nature of its banking systems, was a Bank controlled by the Hutterites, for Hutterites. When I left First Chicago for Rabobank Nederland in New York, I again was working with the Hutterites through Jacob Kleinsasser to accomplish this goal. The rest is history recorded below and in the narrative attached.

The purpose in bringing the attached information to your attention relates to my complete repugnance and dismay at recently learning that in 1991, Bishop Kleinsasser, through Barney Martin of H.B. Credit, compromised the Rosedale loan at Rabobank for \$651,640.98 plus unpaid legal costs related to these loans (I had left Rabobank in 1988). In attendance at the legal mediation from the Hutterite Community, besides Barney Martin, were two Senior Elders from the Canadian Colonies and three representatives from Rosedale.

When you read the background details leading up to this act, you will agree this action was not characteristic of the traditional values of the Hutterites. Such actions indicate several senior members of the Hutterite Church have lost their way to personal greed and the desire for more power.

Attached is a lengthy analysis and factual background narrative on the various misadventures incurred over approximately the past decade by, generally, the Rosedale, Millbrook and Crystal Spring Colonies and involving especially Mike Waldner and Bishop Jacob Kleinsasser, amongst others.

What follows is a sad story of incompetence, inexperience, and ineptitude, all compounded by lying, deceit, misrepresentation and outright theft of Hutterite Brethren Colony resources. My calculations indicate a loss to the Colonies of at least \$8 million but this figure may be too low due to the lack of audited figures and a general shortage

of "hard" financial data available to me.

From dozens of ill-conceived and even some illegal actions it is difficult to choose even a cross-section of these malefactions. However I offer the following ten examples with confidence they are a fair sample of these many wrongdoings.

I preface these with the observation that while Michael Waldner is frequently seen with the "smoking gun," he could not have done these things without the knowledge and approval of Bishop Jacob Kleinsasser.

1. These problems begin with a Power of Attorney dated March 24, 1982, granted by Jacob Kleinsasser to one Alfred L. DeLeo and Harold E. Cornell, originally of Long Island, New York. Ostensibly retired school teachers, both were practicing homosexuals with little or no financial or business experience. These two individuals and their company Dell-Cornell, squandered millions of Colony dollars on unwise, unsupervised, and highly dubious investments. Both went to jail for crimes against the Colonies; DeLeo was jailed a second time on other fraud-related charges. Such people were given extraordinary powers by the Bishop to literally do anything for the Colonies, and with the Colony's money at that. (EXHIBIT 3)

2. On November 14, 1983, Mike Waldner, Minister of Millbrook Colony (months after he had resigned as President of Rosedale Colony) gave an unbelievable Commitment and Power of Attorney to DeLeo, Cornell and Dell-Cornell which:

A) Committed Rosedale to guarantee financially anything they did.

B) Waived Rosedale's unusual legal rights.

C) On behalf of **The Hutterian Brethren Church and other Colonies**, as well as Rosedale, gave to the above trio 100% ownership of **anything** they negotiated on behalf of the Church and the Colonies!

D) Reconfirmed twice more than anything this trio "touched" on behalf of the **Church, Rosedale or other Colonies**, nationally or internationally, would 100% become their property! N.B. The document specifically commits **ALL** Hutterite Colonies as well as the entire Hutterian Brethren Church, in a clear violation of the Hutterian Brethren Church's Constitution of 1954. This is **patently illegal to say nothing of being totally immoral**. (EXHIBIT 25)

3. On June 18, 1982, Mike Waldner resigned as President and Minister of the Rosedale Colony. Yet later throughout 1983, when he was no longer associated with Rosedale, he continued to sign documents as its President. For example see EXHIBITS 12-14. As late as May 3, 1984, Waldner was still signing documents as President and Minister of Rosedale Colony (EXHIBITS 72- 73). In fact, as late as 1990, EXHIBIT 85 bears the signature blocks for Michael Waldner as President and Minister of both Millbrook and Rosedale Colonies, a clear violation of Hutterian Brethren Canons.

4. Jacob Kleinsasser has fostered a major problem amongst the Colonies concerning the patent rights to a wet and dry hog feeder. This device was apparently invented at Lakeside Colony although the resolution has been left up to the Canadian Supreme Court. Jacob Kleinsasser allowed his brothers, Danny and Jonathan, to register a patent on this feeder who then assigned the patent rights in Canada to the firm C & J Jones (1985) Manitoba Ltd.

The Jones-Crystal Spring deal on this feeder allows them to sue for patent infringement protection and after legal costs, share 50:50 the proceeds from such lawsuits. **Most of the patent infringement lawsuit payments to date have come from other Colonies**, and at May, 1989, Crystal Spring is reported to have received as much as \$500,000 from patent settlements from other Colonies. (EXHIBIT 110)

The concept of one Colony suing another and receiving monetary gain (if through the Jones front) seems strikingly un-Hutterite and wrong by any standard.

5. In 1985, Atlanta attorney J. Stuart Youngblood was retained by Jacob Kleinsasser to be his "eyes and ears" at WELK. Youngblood wrote to myself at Rabobank on December 13, 1984, with a copy to Jacob Kleinsasser, that it was his opinion that the ill-fated Consumers Bank equipment leasing matter could be settled for about \$1 million. (EXHIBIT 99)

This leads to the interesting question as to why Bishop Kleinsasser promptly agreed to settle the Consumers Bank lawsuit at literally their then-asking price of \$2,040,000, plus an estimated \$1 million in associated legal costs.

This "quick fix settlement" strongly implies that the Bishop did not want the known fraudulent elements of this transaction to surface. (EXHIBIT 27)

The consumers Bank settlement later saddled Rosedale and Crystal Spring Colonies with an unjustified \$750,000 each, in debt. While attorney Youngblood's opinion on a \$1 million settlement with Consumers Bank was ignored, it is interesting that he was respected enough to be retained for an opinion about possible dishonesty in the Hutterites' oil and gas leasing matter. He found poor business judgment, but no dishonesty. (EXHIBIT 39)

6. One of the clearer examples of "sticky fingers" on Colony monies is the utterly unbelievable sum of \$44,372 to register three semi-trailer trucks which even today is only a few hundred dollars. Nobody was "watching-the-far-away-store" in Florida, so people helped themselves, inevitably. (EXHIBIT 114)

7. Mike Waldner, again with what had to be Bishop Kleinsasser's knowledge, had **personal** ownership of 2000 shares of RIDON, the general partner in the ill- fated WELK partnership. Later Don Edel transferred to Mike Waldner an additional 3000 RIDON shares so that Mike became the sole and **personal** owner of that entity. (EXHIBIT 44 and 111)

Further, Don Edel later transferred to Mike Waldner's **personal** ownership his 12% interest in the output of the Alexander oil wells.

Mike Waldner's **personal** ownership of both the above properties is another clear violation of Hutterite Canons.

8. Another of Mike Waldner's dubious practices was to give and/or allow DeLeo and Cornell to have or use titles such as "Chief Financial Investment Officers" and "Secretary-At-Large" of Rosedale. (EXHIBITS 12, 13 and 113)

9. A critical failure of Bishop Kleinsasser and Mike Waldner was to allow DeLeo, Cornell and others to make remote and grossly-unfamiliar-to-the-Hutterites investments in such things as a clock factory, a plastics plant, oil and gas properties, oil well servicing equipment, gold mining equipment and other matters totally unfamiliar to a basically agrarian people.

10. One of the most inexplicable events in this whole unsavory mess was the decision of Jacob Kleinsasser, through Barney Martin of H.B. Credit, to compromise Rabobank for \$651,640.98 plus legal fees in 1991 related to the repayment of the Millbrook and Rosedale loans. This was done in spite of Jacob Kleinsasser's personal word to Hugo Steensma, General Manager of Rabobank, and I that he would personally see to it that any loans the Bank granted to the Colonies would receive his personal supervision to ensure their terms and conditions were scrupulously met. This compromise was made in spite of Rabobank's financial support to Millbrook and Rosedale to "bail out" Crystal Spring from the flawed and fraudulent Consumers Bank lawsuit. Without Rabobank's financial support at that time, Rosedale and, in all likelihood Crystal Spring, would have both failed due to a lack of liquidity when forced by the courts to provide the funds required to settle the Consumers lawsuit.

This chain of unfortunate, costly and dangerous events, only ten of which are highlighted above, was set in motion by Bishop Kleinsasser when he issued the March 24, 1983, Power of Attorney to DeLeo and Cornell. These two could have been little more than strangers to the Bishop, yet he gave them vast powers to commit Crystal Spring and the entire Hutterian Brethren Church, and claiming falsely that the Church Board had concurred with, and approved of, this empowerment.

The end result was lies were told; several elements of fraud were committed; at least one Colony was severely deceived; fundamental Hutterite beliefs and canons were violated; friendship and reputations were damaged or destroyed; DeLeo and Cornell went to jail; and the Colonies' capital depleted by at least \$8 million. (Appendix II)

This sad litany is a sober indictment of Bishop Kleinsasser and his badly flawed judgment, and an even worse indictment of Mike Waldner, his lieutenant. Surely this is no way for a Bishop to treat his Brothers.

Signed, I. Donald Gibb

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