

UNITED STATES DISTRICT COURT
WESTERN DISTRICT OF MICHIGAN

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| Three Angels Broadcasting Network, Inc., an Illinois non-profit corporation, and Danny Lee Shelton, individually, |) | |
| |) | |
| Plaintiffs, |) | |
| v. |) | |
| |) | |
| Gailon Arthur Joy and Robert Pickle, |) | |
| |) | |
| Defendants. |) | |
| |) | |

Case No.: 1:08-mc-03

**AFFIDAVIT OF GAILON ARTHUR JOY IN SUPPORT OF
DEFENDANT ROBERT PICKLE’S MOTION TO COMPEL PRODUCTION OF
REMNANT PUBLICATIONS, INC. DOCUMENTS PURSUANT TO FRCP 45**

NOW COMES the Affiant, Gailon Arthur Joy, of Sterling, County of Worcester,
Commonwealth of Massachusetts, and declares and states as follows:

The affiant is an ecclesiastical journalist and a defendant in an action brought by Three
Angels Broadcasting Network, Inc. (hereafter “3ABN”) and Danny Lee Shelton (hereafter
“Shelton”), individually, both parties being from Thompsonville, Illinois. Plaintiffs have alleged
that Defendants are engaged in a conspiracy with the Plaintiff 3ABN’s former vice-president and
the ex-wife of Shelton, for “publication and dissemination of defamatory, disparaging, and
slanderous statements regarding 3ABN and its President Danny Shelton.”

Plaintiffs further have alleged that the Defendants “have published numerous untrue
statements that 3ABN and its President Danny Shelton have committed financial improprieties
with donated ministry funds,” that “3ABN Board members have personally enriched themselves

as officers and directors of 3ABN in violation of the Internal Revenue Code,” that “Danny Shelton wrongfully withheld book royalties from 3ABN and refused to disclose those royalties in proceedings before a court of law related to the distribution of marital assets,” and concluded that “each and every one of the statements set forth above is false and Defendants published them with malice, either knowing them to be false or with wanton and reckless disregard for the truth or falsity of the statements.” Plaintiffs further allege that the Defendants have claimed “Shelton perjured himself through the course of court proceedings relating to his divorce from Linda Shelton,” and therefore “Defendants’ conduct as heretofore set forth evidences a malicious and purposeful campaign of defamation, slander, and disparagement intended and designed to embarrass, discredit, and defame 3ABN and its President Danny Shelton and to vitiate, dishonor, and impair the reputation and goodwill of 3ABN and its President, Danny Shelton,” “and impute serious misconduct to Plaintiffs 3ABN and Danny Shelton and are therefore defamatory *per se*.”

Defendants have denied the allegations and have undertaken discovery to defend against the allegations of the Plaintiffs, including the production of documents from non-parties pursuant to FRCP 45.

The Defendant Joy’s investigation discovered that the Plaintiff Shelton was the respondent to an action for dissolution of a marital estate brought in Illinois by the Petitioner Linda Sue Shelton in 2005 following a Guam fast track divorce in June 2004 that left the settlement of the marital estate open. According to the tax returns of the joint parties, Linda Sue Shelton was a partner in the d/b/a, D&L Publishing. Defendant Joy was told that Linda Sue Shelton was a publishing “partner” with the Plaintiff Shelton from about 1999 to about December of 2004. The public records of the Secretary of State for the State of Illinois show that Plaintiff Shelton formed a new corporation in late November of 2004 entitled DLS Publishing, Inc. Upon information and belief, the assets of the partnership D&L Publishing were somehow

merged into DLS Publishing, Inc., and no provision for a division of the marital asset was made to the knowledge of Linda Sue Shelton and the Defendants.

Defendant Joy discovered from former employees of 3ABN that Shelton had arranged for the first known book deal in 1999 known as *Channel of Blessing*. One employee saw an invoice demonstrating that Plaintiff 3ABN had purchased twenty thousand (20,000) books from the publisher for the sum of twelve dollars and fifty cents (\$12.50) per book. When that employee challenged the invoice noting that the cost per book should not exceed four dollars (\$4.00) per book, the employee was told that Shelton had made the arrangements and the invoice was to be sent to the treasurer for payment. The employee stated that upon information and belief, the invoice was paid and incurred a royalty to Shelton. The 3ABN Form 990 did not reflect disclosure of the publication deal nor did it disclose the royalty income to Plaintiff Shelton. Linda Sue Shelton stated that she was not aware that 3ABN had purchased and inventoried the book and understood the publisher had taken the contingency risk to recover publication costs and would split royalties after the costs of production were covered from the sale of the books. Linda Sue Shelton was not aware that the book ever reached profitability.

Upon information and belief, the Plaintiff Shelton continued to receive royalties from publications copyrighted during the marriage and for draft documents originally written during the marriage, eventually purchased and inventoried by the Plaintiff 3ABN. One such document was the book *Antichrist Agenda* purportedly written and published by Shelton which was later redrafted into a smaller publication known as *Ten Commandments Twice Removed*, in a joint venture between Shelton and Shelley Quinn. The co-author, Shelly Quinn, states that *Ten Commandments Twice Removed* sold over seven million (7,000,000) copies.

The Defendants had discovered from interviews with former employees of 3ABN and Remnant Publications, Inc. that the original printing was done by Pacific Press Publishing

Association in the sum of about 500,000 copies that were purchased and inventoried by the Plaintiff 3ABN. Shelley Quinn and a group of administrators of 3ABN in concert with administrators at Remnant Publications, Inc. put together a campaign to distribute the book *Ten Commandments Twice Removed* via congregations of the Seventh-day Adventist Church for the cost of shipping and handling at 25¢ per book from March through May of 2006, culminating in a National Ten Commandments Weekend Rally in Washington, DC hosted by 3ABN. Upon information and belief, 3ABN purchased an additional four million three hundred thousand (4,300,000) books from Remnant Publications, Inc. at a cost of about three million dollars (\$3,000,000), or about sixty seven cents (67¢) per copy prior to the event. Based upon Shelley Quinn's public statement, they have printed and published about two million two hundred thousand (2,200,000) books since the event from Remnant Publications, Inc. at an unknown cost, except that one Remnant source told this journalist that a 3ABN Director had paid a sum in the amount of three hundred thirty five thousand dollars (\$335,000) to Remnant Publications, Inc., to pay a 2007 invoice for the same book.

Based upon representations of former employees of Remnant Publications, Inc. and the former General Counsel of 3ABN, Nicholas Miller, the Plaintiff Shelton specifically hid his 2006 royalties from his own board of directors. The board was put in the position of borrowing from trust and annuity accounts of the 3ABN Trust Services Department and incurred nearly a three million dollar (\$3,000,000) loss to the Plaintiff 3ABN despite record revenues for the 2006 fiscal year, according to their filed 2006 990. Further, while Remnant Publications, Inc.'s 2006 Form 990 demonstrated a substantial increase in royalties paid for the year 2006, 3ABN's Form 990 did not reflect a disclosure that 4.3 Million books were purchased from Remnant, nor did it disclose that the President, co-founder and Director, Shelton, received any royalties or other consideration for this project.

The Plaintiffs have claimed that the loss of nearly three Million (\$3,000,000) dollars was the result of inaccurate reports from the Defendants and filed suit against the Defendants to recover its purported losses, despite the fact the record will demonstrate that the Plaintiffs undertook the campaign knowing that it would result in substantial losses and that the Plaintiff Shelton clearly stood to benefit from the campaign regardless of the damages to Plaintiff 3ABN.

Further, Plaintiff Shelton did not amend his Financial Statement filed with the Illinois Family Court to reflect any income from the sale of books or publishing activities. Upon inquiry, Linda Sue Shelton states she did not receive royalties from this or any other book.

Defendant Joy's investigation discovered from former employees of Remnant Publications, Inc. that the Plaintiff Shelton had formed a contract with Remnant Publications, Inc. with the assistance of Dwight Hall, the President of Remnant Publications, Inc., which was later amended at the Fall Campmeeting of 3ABN in late September, 2006. I quote from one source:

“Last year when 3ABN launched the 10 commandment book give away I thought it was wonderful that they where doing this kind thing, I soon learned the Danny was getting royalties from Remnant Publications, which was odd since he was the one who decided to give the books away, in my opinion it was a conflict of interest but anyways. ... and when the board started to inquiry about the royalties, Danny secretly talked with Dwight Hall the president of Remnant Publications and made a deal with him that Remnant would hold all future royalties till they worked something else out that would not cause any more controversy - meanwhile Remnant is sitting on \$80, 000.00 dollars (that's right eighty thousand dollars) of Danny's royalties not wanting anyone to know about it ... As a Christian ministry's they should be transparent not hiding things. You may wonder how I know this - ... I was told in a round about away don't worry about it - it was none of my business.”

And later:

“I can assure you what I have shared is a fact and I can provide all the details with dates and times and details about the contract deal Dwight and Danny worked out, when and where Danny and

Dwight meet, when and where he signed the contract - that was suppose to be top secret. Remnant is hiding Danny's money. And it was done at Danny's request - and Dwight agreed to do it. The only other person at Remnant that knows about it is Dwight's brother Dan Hall he is the CFO - ... and they don't let to many people see what really goes on."

And finally:

"Danny first talked with Dwight about the Royalties in June 06 and told him he needed to find some way to shelter the money for awhile because of Linda was trying to get some of it and because 3 ABN's [board] wanted to know what he was getting. Dwight told him he would hold it till they could work something else out and Dwight would keep it [quiet] so nobody knew. The 80k was the first installment for royalties that was due Danny, after 3ABN's [board] wanted to know how much Danny was getting. Remnant did not run any more royalties reports - Remnant runs a standard report every quarter on all the books shipped, they stopped running it on Danny's book after June 06 at Danny's request. Remnants original contract with Danny stated he would get 10% royalty of the **retail price** [emphasis provided] - Dwight never thought they where going to sell 4.3 million books, Dwight talked with Danny about re-doing the contract and putting the royalty on a sliding scale based on volume Danny agreed to it. ... Dwight re-did the contract and brought it to Danny at 3ABN's fall camp meeting ... and signed the new contract. 3ABN paid for all the books that where ordered - Remnant billed 3ABN for almost 3 Million dollars."

Another source later confirmed this story and noted that they had seen a six figure sum credited to Defendant Shelton and carried on the books of Remnant Publications which "...was close to three hundred thousand dollars (\$300,000)." If these allegations are correct then we have a violation of the Internal Revenue Code and would constitute a personal inurement to the Plaintiff Shelton undisclosed by Plaintiff 3ABN or Plaintiff Shelton with the assistance of the officers and directors of Remnant Publications.

The Plaintiffs have alleged Defamation and Defamation *per se* by and through counsel as well as in their complaint. Therefore it is incumbent upon the Defendants to prove that they have issued reports based upon reasonable representations from reliable sources, and we have the duty

to discover from the co-conspirator, Remnant Publication, Inc., the documentation to validate the statements of sources and to prove our case by a preponderance of the evidence at bar in the U.S. District Court of Massachusetts, Central Division.

Further, Defendants' forensic accounting expert requires the complete picture of financial activity and will need the documentation from Remnant Publications to fit together with documentation from the Plaintiffs, and the Plaintiffs' auditor and bank statements. The court has already ordered the production of bank statements subject to the confidentiality order of the U.S. District Court of Massachusetts, Central Division.

Defendants have also reported, based upon various sources, that the Internal Revenue Service criminal division is investigating the Plaintiffs. The Plaintiffs have asserted that the Defendants' various allegations of financial impropriety implies that the Defendants are claiming that the Plaintiffs' actions as reported by the Defendants constitute crimes or criminal activity. The Plaintiffs purport that this supports their claims of defamation *per se* alleging and that the Defendants' inaccurate reporting was maliciously intended to cause financial damage to the Plaintiffs.

In fact, the Defendants need the documentation from Remnant Publications, Inc. and other third parties to demonstrate that it was the maladministration and misdeeds of the Plaintiffs that have raised serious public questions and caused damage to the Plaintiffs 3ABN and Shelton, and to demonstrate by the preponderance of the evidence that the Defendants properly reported journaled information from multiple and reliable sources.

FURTHER AFFIANT TESTIFIES NOT.
Signed and sealed this 1st day of May, 2008.

/s/ Gailon Arthur Joy

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