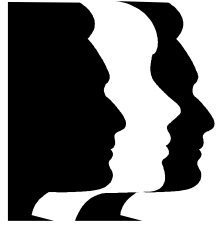


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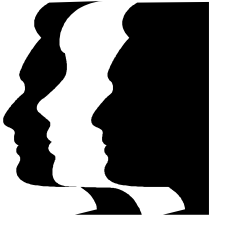


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United Way Cannot Account For Lost Money

Estimated \$3 million lost from profits from the sale of the county owned Bradley Memorial Hospital

by Tonya Brantley

In early October 2005, a committee was formed consisting of Bradley County Commissioners and members of the Bradley Memorial Hospital Board of Trustees to negotiate an agreement on how

the proceeds from the sale of Bradley Memorial Hospital (BMH) would be managed. Nearly four years later, there are many unanswered questions regarding the investments. It is apparent that a portion of the principal from the proceeds that was entrusted to the United Way of

Bradley County has been lost, with no precise explanation as to the amount lost, when it was lost and how.

The People News attempted to find out the exact amount the United Way received from the sale of BMH, how much of that amount was invested, when

the investments were made, and who was responsible for making the investments.

When *The People News* contacted Matt Ryerson, United Way's Vice President of Community Investment Strategy and coordinator of the BMH endowment fund, he said he wasn't sure of the answers to the questions and referred this paper to Art Rhodes, a volunteer for the United Way of Bradley County and the chairman of United Way's Investment Committee for the answers.

When this paper first inquired about the investments, Rhodes said he did not know the exact amount United Way received from the sale of BMH but said it was approximately \$19.7 million. It wasn't until *The People News* contacted the United Way a second time that total amount was disclosed. The United Way of Bradley County received an exact total of \$19,792,656.35 from the sale of BMH.

When the agreement was made to sell the hospital, the buyer set aside \$20 million that they knew would be profit to the county. And the original agreement was that the county would get \$15 million of the profit and the United Way would get \$5 million plus any residual profit that was left over after all the debts for the hospital were paid. Eventually, it was calculated that the residue profit would be approximately an extra \$15

million.

Upon contacting Rhodes a second time in an attempt to clarify the investment losses, he explained the whole amount was invested. During the settlement process, there was \$5 million sitting there that was actually earned

the investment committee, he was responsible for tracking investment performance. It has been reported but was unconfirmed by Rhodes that losses amount to at least 10% of the original BMH United Way proceeds, although this figure could be higher.

Rhodes is the President and Chief Executive Officer of the Church of God Benefits Board, Inc. in Cleveland, TN. The Benefits Board oversees \$250 million in pension plans for ministers and church-related employees, operates a loan program for first mortgage church loans, and also oversees the investments of the Board.

The United Way's portion of the hospital proceeds has not performed as well as Bradley County's investments.

County Mayor D. Gary Davis told *The People News*, "The county received \$15 million from the sale of the hospital. Last year the hospital money was invested and it made approximately 4% interest, which was a good return last year." When asked about the United Way losing money on their investments, Davis explained, "Ours is invested in things that the law says we can invest in, investments that are safe, and we got a good return."



Art Rhodes

ing interest, and then as the other money came in, that also was in interest bearing type accounts. So, there was money being added during that period of time. During this time, the original \$5 million was earning interest but not in investment accounts. As the extra \$15 million began to come in, it was also invested with the \$5 million. This happened between 2005 and 2007. In December of 2007, a selection process selected three investment companies to manage the money for the endowment.

The three managers selected were Regions/Morgan Keegan Investment Services, First Tennessee Bank, and Smith Barney.

Rhodes could not say which managers had lost money, or in which investments it was lost, even though, being chairman of

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