

**OFFICE OF THE MISSISSIPPI SECRETARY OF STATE  
SECURITIES AND CHARITIES DIVISION**

<b>In The Matter Of:</b>	)	
	)	
<b>UNION CENTER/THEO</b>	)	<b>Administrative Proceeding</b>
<b>VOLUNTEER FIRE DEPARTMENT,</b>	)	<b>Number: C-08-0336</b>
	)	
<b>RESPONDENT</b>	)	

**FINAL ORDER**

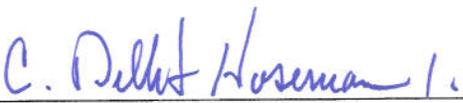
**WHEREAS**, the Securities and Charities Division of the Mississippi Secretary State's Office ("Division") issued a Notice of Intent to Revoke Charitable Exemption and Impose Administrative Penalty against Respondent, Union Center/Theo Volunteer Fire Department, which Notice of Intent was issued by the Division on May 29, 2009;

**WHEREAS**, York Craig, Administrative Hearing Officer, issued a Findings of Fact and Conclusions of Law on November 12, 2009, a copy of which is attached hereto as Exhibit "A" and incorporated herein by reference;

**WHEREAS**, the Hearing Officer's Findings of Fact and Conclusions of Law are an appropriate and thorough resolution of the issues raised in this administrative proceeding;

**THEREFORE**, the recommendations of the Hearing Officer contained in said Findings of Fact and Conclusions of Law are hereby adopted in their entirety, and are made the Order of the Secretary of State.

SO ORDERED, this, the 1<sup>st</sup> day of December, 2009.

  
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C. DELBERT HOSEMANN, JR.  
Secretary of State

**OFFICE OF THE MISSISSIPPI SECRETARY OF STATE  
SECURITIES AND CHARITIES DIVISION**

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**IN THE MATTER OF:**

**UNION CENTER/THEO  
VOLUNTEER FIRE DEPARTMENT**

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**File Number C-08-0336**

**FINDING OF FACTS AND CONCLUSIONS OF LAW**

As the hearing officer appointed in the above-referenced case, I have reviewed the Notice of Intent to Revoke Charitable Exemption and Impose Administrative Penalty, the Brief in Support of the Notice of Intent (including all Exhibits attached thereto), and the applicable law. I hereby find:

1. The Secretary of State has the authority to administer and provide for the enforcement of all provisions of the Mississippi Charitable Solicitations Act (“Act”), Miss. Code Ann. §79-11-501, *et seq.* This includes the authority to deny, suspend or revoke the charitable exemption of an organization which is otherwise exempt from the requirements of the Act; and the authority to impose, against any person who violates the Act, an administrative penalty of up to Twenty-Five Thousand Dollars (\$25,000.00) for each violation.
2. Union Center/Theo Volunteer Fire Department (“UCT”) is a non-profit, volunteer fire department located in Corinth, Mississippi. Union Center fundraises through a charitable gaming operation known as Corinthian Bingo.
3. Union Center has applied for and received an exemption from certain provisions of the Act pursuant to Section 79-11-505(1)(f). UCT is not exempt, however, from the Act’s



requirements regulating fraud, fiduciary responsibility, and use of charitable funds for stated charitable purposes. *See* Miss. Code Ann. Sections 79-11-509 and 79-11-525.

4. In violation of Section 79-11-509(1)(d) of the Act, between February 2007, and November 2008, UCT paid expenses of Corinthian Bingo totaling Twenty Thousand, Seven Hundred Forty-Eight Dollars and Fourteen Cents (\$20,748.13). Those monies have not been repaid to the charity.

5. In violation of Section 79-11-509(1)(d) of the Act, between January 2007, and October 2008, UCT paid nearly one hundred percent of the accounting and bookkeeping services for UCT and Corinthian Bingo, in the amount of Ninety-Five Thousand, Three Hundred Fifty Dollars and Fifty Cents (\$95,350.50). These payments were made despite the fact that UCT's accountant, Cullen Potts, spent approximately 85% of his time on Corinthian Bingo accounts and only 15% on UCT accounts. These monies expended on behalf of Corinthian Bingo have not been repaid to the charity.

6. In violation of Section 79-11-509(1)(d) of the Act and the verbal employment contract between UCT and Cullen Potts, UCT overpaid Mr. Potts for his services by Eleven Thousand, Six Hundred Forty-Nine Dollars and Fifty Cents (\$11,649.50). Those monies have not been repaid to the charity.

7. In violation of Sections 79-11-509(1)(d) and (1)(g) of the Act, UCT falsified expenses of the fire department—which fictitious expenses totaled Two Hundred Fifty-Two Thousand, Three Hundred Twenty-Eight Dollars (\$252,328.00). UCT falsified these expenses in an effort to transfer this \$252,328.00 to Corinthian Bingo; create the appearance of compliance with Charitable Bingo Regulation L. Authorized Expenditures Sections 1, 12 (the “60/40 Rule”); and trick the Mississippi Gaming Commission into renewing UCT's bingo license.

- a. UCT's records reflect that this money was never transferred to Corinthian Bingo. Instead, UCT records and testimony show that UCT gave the money to its accountant, Cullen Potts, who deposited the money into his personal checking account at Renasant Bank.
  - b. Corinthian Bingo's records do not show that Cullen Potts ever transferred this money to Corinthian Bingo.
  - c. There is no evidence Corinthian Bingo received the \$252,328.00 that was deposited into Cullen Potts's bank account, and there is no evidence UCT was repaid any monies it expended on behalf of Corinthian Bingo.
8. UCT knew it was a violation of Section 79-11-509(1)(d) of the Act to give money to Corinthian Bingo—which does not fall within UCT's stated charitable purpose.
  9. UCT also used charity funds to build a new fire department building on property it neither owns nor has a contract for use or lease. That property is encumbered by two liens attributable to the true owners, which liens total Fifty-Six Thousand, Four Hundred Eighty-Seven Dollars and Fifty-Four Cents (\$56,487.54).

### **CONCLUSIONS OF LAW**

10. UCT is not exempt from the provisions of Miss. Code Ann. Sections 79-11-509 and 79-11-525. Nor is UCT, a bingo licensee, exempt from any provisions of the Bingo Law.
11. UCT used funds to support Corinthian Bingo, and not for the support of its charitable purpose.
12. In violation of the Act and Mississippi Gaming Regulations, UCT paid expenses of Corinthian Bingo. UCT also misled the Mississippi Gaming Commission and the Division with

fictitious expenses and transfers of large sums of money to Cullen Potts. These acts evidence an awareness of the law and an intent to circumvent it by UCT and its officers and directors.

13. In paying expenses of Corinthian Bingo, in fraudulently transferring money to Potts, in defrauding two state agencies, and in building a fire department on encumbered rental property, UCT's Board of Directors violated their fiduciary duties to the charity.

**THEREFORE**, a Final Order is hereby recommended finding that Respondent, UNION CENTER/THEO VOLUNTEER FIRE DEPARTMENT, along with its Board of Directors, violated Sections 79-11-509(1)(d), (g), and 79-11-525, of the Charities Act.

**FURTHER**, an administrative penalty in the amount of Three Hundred Fifty-Four Thousand, One Hundred Twenty-Four Dollars and Six Cents (\$354,124.06) is hereby recommended against UCT. The penalty is calculated as follows:

- a. The total amount of Corinthian Bingo expenses paid by UCT (\$20,748.13);
- b. The total amount of the transfer checks written by UCT (\$252,328.00); and
- c. Eighty-Five percent (85%) of the costs of employing Cullen Potts (85% of \$95,350.50, which is \$81,047.93).

**FURTHER**, it is recommended that the charitable exemption of UCT be revoked.

Respectfully submitted this, the 12<sup>th</sup> day of November, 2009.

  
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**YORK CRAIG**  
Hearing Officer