



Associated Baptist Press

Editor: Bob Allen
Executive editor: Greg Warner

Phone: 800.340.6626
Fax: 904.262.7745
E-mail: bob@abpnews.com

May 9, 2001

**SOUTHERN BAPTIST HISTORICAL
LIBRARY AND ARCHIVES**
Nashville, Tennessee

MAY 14 2001

(01-38)

IN THIS ISSUE:

- Indictment names officials of Arizona Baptist Foundation**
- Annual report cites nations for religious-freedom abuses**
- Bill Bennett reportedly considered for religious-freedom commission**
- Tennessee Fellowship approves partnership with Croatian Baptists**
- Kentucky Baptist Fellowship gathering highlights evangelism, shuns politics**
- Baptist pastors experience 24 hours of homelessness**
- Prosecutor calls for new way to look at criminal justice**

Indictment names officials of Arizona Baptist Foundation

By Bob Allen

PHOENIX (ABP) -- Five former Baptist Foundation of Arizona officials could face prison if convicted of crimes alleged in a 32-count indictment unsealed May 4.

Three other former officials pleaded guilty to reduced charges in exchange for turning state's evidence at an initial criminal hearing in Phoenix.

Five defendants pleaded not guilty at the May 4 hearing in Maricopa County Superior Court. They are William Pierre Crotts, the Foundation's former chief executive officer; Thomas Dale Grabinski, ex-general counsel and vice president; Lawrence Dwain Hoover and Harold DeWayne Friend, former members of the Foundation's board of directors; and Richard Lee Rolfes, an accounting consultant.

Charges stemming from a two-year investigation by Arizona's attorney general include theft, fraud and racketeering. It is one of the largest fraud cases involving an affinity group -- in this case a religious denomination -- in U.S. history.

Sentences for the various crimes carry prison terms of between eight and 12 years. If convicted, the former officials could also be forced to pay up to \$550 million in restitution to 13,000 defrauded investors. If convicted of racketeering, the court could go after their personal assets.

Three others targeted in the probe -- former treasurer Donald Dale Deardoff; Edgar Allen Kuhn, an officer of Foundation subsidiaries; and former board member Jalma W. Hunsinger -- accepted a plea bargain in exchange for cooperating with prosecutors.

Deardoff pleaded guilty to two counts of fraudulent schemes, which carries a penalty up to 12-and-a-half years plus fines and restitution. Kuhn confessed to three counts of facilitating fraudulent schemes and Hunsinger to three counts of illegally conducting an enterprise, less-serious felonies carrying sentences of six months to 18 months. Sentencing for the three was delayed until after the case ends.

The indictments, handed down by a grand jury April 24, allege that the eight defendants worked together to defraud thousands of investors into putting money into bogus Foundation investments between 1994 and 1999.

They accuse the officials of hiding losses while promising investors a high rate of return and promising that part of their investments would be used to further Southern Baptist work.

Meanwhile, they allegedly used funds from new investors to pay dividends on old accounts, an illegal practice commonly known as a Ponzi scheme.

As a result, it is alleged, investors lost millions -- some their life's savings.

Attorneys for two of the defendants, meanwhile, told the Arizona Republic newspaper in Phoenix that the charges are unwarranted and that their clients are innocent.

Foundation directors fired Crotts, Grabinski and Deardoff in August 1999, a month after the Arizona Corporation Commission said the Foundation violated securities laws by failing to reveal its true financial condition to investors.

The agency, following a yearlong probe, ordered the Foundation and two subsidiaries to stop selling investment products immediately on Aug. 10, 1999.

The Foundation filed for bankruptcy protection that November, marking the largest nonprofit bankruptcy in U.S. history.

At that time, it reported assets of \$240 million and \$640 million in debts. Foundation-owned properties are currently being sold off to return investors a portion of their money. Investors so far have recovered five-and-one-half cents on the dollar of their total claim under a court-ordered restructuring. They expect to receive no more than 31 percent to 44 percent of their investment over the next five years. Criminal proceedings will have no bearing on the bankruptcy case.

Other civil lawsuits are also pending, however, including a 13,000-member class-action suit against the Foundation. A recent case filed by the state on investors' behalf also seeks up to \$600 million from Andersen, formerly known as Arthur Andersen. It alleges that the accounting giant aided and abetted the scam by continuing to issue clean audits despite warnings from whistle-blowers and other red flags.

Andersen denies any wrongdoing. An attorney for the firm told an Arizona newspaper it is hard to catch a client bent on deceiving an auditor. Andersen recently agreed to pay shareholders of appliance-maker Sunbeam Corp. \$110 million in a similar case, however, also without admitting guilt.

The now-defunct Foundation, an agency of the Arizona Southern Baptist Convention, formed in 1948 to raise and manage endowment for church work in Arizona. It also provided other services like estate planning and financial planning to the state's 400 Southern Baptist churches. It was one of the few foundations affiliated with a Baptist state convention to offer investments to individuals and not just churches.

Court documents allege the Foundation grew rapidly, beginning in the 1980s, by soliciting individual investors with promises of high returns and that their money would be used to spread the gospel.

"We are a ministry dedicated to serving the Lord and furthering Southern Baptist and other Christian ministries," according to a Foundation brochure. "We reinvest your money, and the profit we earn goes to further such ministries as Christian education, care for children and senior adults, missions and new church starts. Your investment actually touches the lives of countless numbers, while you earn a very attractive interest rate."

The Foundation invested heavily in property, another departure from most state Baptist foundations, which typically shy away from highly speculative investments.

"We were told that we were investing in the Kingdom of God, and when we put our money into this it was going to fund churches," said Dianna Francis of Golden Shores, Ariz. She said she had \$35,000 invested with the Foundation when it collapsed. "They didn't say anything about country clubs and golf courses."

When real-estate values dropped off in the 1990s, Foundation officers, under pressure to show a profit,

allegedly hid losses from investors. Instead of writing down losses, officials allegedly performed paper transfers of holdings through a web of subsidiaries, inflating their value in the process.

To keep cash flowing, they allegedly took money from new investors to pay off old investors. Court documents label it a Ponzi scheme, named after a famous swindle.

Charles Ponzi, an Italian immigrant in Boston, raked in \$15 million in eight months in 1920 by persuading thousands of people to invest in a scam where money was shuffled from new investors to old ones. A half-dozen banks collapsed as part of the borrow-from-Peter-to-pay-Paul scheme, according to a 1998 article in Smithsonian Magazine. It was the model, the article warned, for the myriad of pyramid scams now lurking for victims on the Internet.

As a result of the Foundation's alleged Ponzi scheme, thousands of investors lost money, many their life's savings. Some had sold homes and invested proceeds with the Foundation. Others were saving for retirement or their children's education. Some depended on quarterly payments to live. Most investors were in Arizona, but some are from California, Texas and other states.

About \$22 million was invested by churches, according to a 1999 report.

Most of the Foundation's top officers were drawing six-figure salaries. New management after the collapse said there was too much overhead, and laid off more than half of the Foundation's 133 employees in September 1999.

Many of the allegations now appearing in court documents first came to light in a series of investigative articles by the alternative newspaper Phoenix New Times in April 1998. The series, titled "The Moneychangers," alleged insider deals, risky investments, high salaries and that few Foundation dollars were being used for Baptist work.

At the time, Baptist critics accused writer Terry Greene Sterling of being anti-Christian. Asked about the series by Associated Baptist Press in 1998, one Foundation director dismissed the articles as innuendo and character assassination.

Later the series won her recognition as journalist of the year by the Arizona Press Club.

Francis, however, said she is grateful to Sterling for exposing those allegations before others were deceived. She compared the Foundation representatives who solicited investments in her church to "moneychangers in the temple."

"They were crooks," Francis said. "They were living high and good."

"What they did was so wrong, and our sanctuary was used to do this," she said.

Francis is one of a number of vocal investors trying to draw attention to the Foundation scandal. A group calling itself "Investors for the Truth" has picketed Arthur Andersen's Phoenix office three times and is planning a fourth protest May 30.

A Web site, www.bfafraud.com, carries information and suggested actions for disgruntled investors.

Francis said she is often criticized for speaking out by those who say it "gives God a bad name."

"It doesn't give God a bad name," she said. "It gives the people who use God's name a bad name. God wasn't in this."

Annual report cites nations for religious-freedom abuses

By Kenny Byrd

WASHINGTON (ABP) -- Abuses of religious freedom worsened last year in China and the Sudan, according to the second annual report of a government commission set up to monitor religious persecution abroad.

Alleged violators of religious freedom targeted in the 188-page report include China, India, Indonesia, Iran, Korea, Nigeria, Pakistan, Russia, Sudan, Vietnam and the Middle East.

Last year, the U.S. Commission on International Religious Freedom limited its inaugural report to three countries -- China, Russia, and Sudan. But with a full year to work and the "experience of our first report behind us, we were able to greatly expand our activities to cover more countries and some additional issues," said Commission Chairman Elliott Abrams.

Abrams said the report discusses roughly 24 countries in all, but they "are not the entire list of serious violators of religious freedom, nor are all of them equally bad."

While Russia continues to make the list, for example, its citizens find "a much larger degree of religious freedom than many of the others."

China, meanwhile, "has expanded its crackdown on unregistered religious communities and tightened its control on official religious organizations," according to the report.

The Beijing government has "intensified its campaign against the Falun Gong movement and its followers," the report states, and it "apparently has also been involved in the confiscation and destruction of up to 3,000 unregistered religious buildings and sites in southeastern China."

The Chinese government has increased its control over the official Protestant and Catholic churches and continues to interfere in the training and selection of religious leaders and clergy, says the report.

The commission called on the United States to urge China to end government controls on religion and release people imprisoned because of their religious beliefs.

The panel specifically recommended that U.S. officials initiate a resolution to censure China with the United Nations Commission on Human Rights.

The panel also said China should not be selected to host the Olympics until the government makes "significant and sustained improvements in religious freedom and human rights."

The situation in Sudan reportedly has grown worse since the commission's last report. "The government of Sudan continues to commit egregious human-rights abuses," states the report. While the Clinton administration took some actions against Sudan, the issue has "remained on the back burner of U.S. policy," the report says.

In India, the ruling party (Bharatiya Janata Party) "is not doing all that it could" to pursue perpetrators of attacks against religious minorities, the report says.

It also says religious freedom is "non-existent" in the Democratic People's Republic of Korea, pointing to reports of executions of religious believers.

Fighting between Christians and Muslims was also discussed in reports about Indonesia and Nigeria.

The commission's May report is to be followed by a September report on the issue by the State Department. The State Department will identify the worst violators of religious freedom, labeling them "countries of particular concern." From there, the president decides what, if any, actions to take against those countries.

Last year, five countries were re-listed as CPCs: Burma, China, Iran, Iraq and Sudan. But the commission continues to urge the addition of Laos, Korea, Saudi Arabia and Turkmenistan to the list.

The commission also reiterated its concern that foreign companies continue to raise capital in U.S. markets without detailing their business interests in CPCs.

The report also complained of continuing lack of cooperation from the State Department. Specifically cited was the agency's refusal to grant access to cables from U.S. embassies.

The State Department recently allowed limited access, but the commission described the process as "cumbersome and lengthy" and said it is not working.

"The commission has tried this system in good faith and concludes that it does not meet the commission's needs," the report says. "It can no longer acquiesce to this situation and will propose a more-expeditious process to the State Department."

In another section, the commission report claims the State Department violated the law by failing to report specific sanctions placed on countries of particular concern last year.

The 1998 International Religious Freedom Act orders the State Department in its annual report on religious freedom to say what, if any, sanctions are imposed under the law.

The State Department, however, "has, to the commission's knowledge, done nothing to publicize the sanctions imposed under IRFA in October 1999," the commission charges.

Following its report last September, the State Department said U.S. sanctions already in place against the five countries designated as being of "particular concern" would continue, but it was taking no further action.

"Although this non-action by the secretary may be authorized under IRFA, the commission believes that it is indefensible policy in the cases of Sudan and China," the panel's May 1 report states.

A State Department official contacted by ABP disagreed that the agency was in violation of the law. But another official authorized to speak on the record was not immediately available for comment.

-30-

-- EDITOR'S NOTE: The commission's full report can be viewed on the Internet at www.uscirf.gov

Bill Bennett reportedly considered for religious-freedom commission

By Kenny Byrd

WASHINGTON (ABP) -- The second annual report of the U.S. Commission on International Religious Freedom marks the end of two-year terms of its nine voting members.

Among individuals being considered as replacements is William Bennett, former education secretary and drug czar and a popular speaker and writer on culture and values.

Associated Baptist Press also has learned that President George W. Bush may nominate John Hanford, a congressional fellow who has worked on religious-persecution cases in the office of Sen. Richard Lugar, R-Ind., to head the State Department office on religious persecution. Hanford is the nephew of former GOP presidential hopeful Elizabeth Hanford Dole.

The post would also make him the 10th -- but nonvoting -- member of the commission established in 1998. Previously, Robert Seiple, a past head of World Vision, headed the State Department office after being appointed by former President Bill Clinton.

Meanwhile, the White House media affairs office hasn't returned ABP's phone calls to respond to charges that the Bush administration is moving too slowly on the religious-persecution issue.

The commission began its work after the 1998 International Religious Freedom Act became law. On May 14, the terms of the commission members will expire.

With a Republican in the White House, five of the appointments to the commission fall to Bush and GOP congressional leaders. Democratic leaders in Congress will make the other four.

A spokesman from the commission said top White House and congressional officials have promised to make the appointments on time.

While some commission members have asked to stay on the panel, others have requested to end their term. Still others will be unable to serve due to new appointments. Commission member John Bolton, for example, senior vice president of the American Enterprise Institute, has been nominated by Bush to be Undersecretary of State for Arms Control and International Security Affairs.

Commission Chairman Elliott Abrams, president of the Ethics and Public Policy Center, said the panel has not "had a single party-line vote in two years. I think that's testimony to my fellow commissioners' devotion to the cause of religious freedom."

Abrams spoke at the May 1 release of the commission's second annual report and urged Bush and congressional leaders to "appoint new commissioners as soon as possible so they can take office May 15.

-30-

Tennessee Fellowship approves partnership with Croatian Baptists

By Alex Smirnov

NASHVILLE, Tenn. (ABP) -- Members of the Tennessee Cooperative Baptist Fellowship approved an anticipated partnership agreement with the Baptist Union of Croatia during the general assembly May 4-5 at Brook Hollow Baptist Church in Nashville, Tenn.

Participants voted unanimously to begin exchanges between CBF congregations in Tennessee and 42 churches and 10 Baptist missions in Croatia, part of the former Republic of Yugoslavia.

One of the first projects during the three-year agreement would be to find seven churches in Tennessee to contribute \$100 a month each to a young congregation in Pula on the Adriatic coast, said Jerry Mantooth, chairman of a missions committee that initiated the agreement. "They had to move nine times during the last two years because of the lease-related issues," he said.

"We encourage this cooperation because there are so many projects we need help with," said Branko Lovrec, president of the Baptist Union of Croatia and vice president of the Baptist World Alliance.

Since its founding in 1991, during the escalation of the war in Yugoslavia, the Baptist Union of Croatia has doubled the number of its churches to 2,500. "We need missionary-minded people who would come without the intention of dividing the Baptist testimony we've been building up," said Lovrec. Croatia's population is 85 percent Catholic, 10 percent Orthodox and 1 percent Muslim.

"I am grateful for their interest in working with us," said Ircel Harrison, coordinator of the Tennessee CBF. "The success of our partnership is going to depend on how many churches get involved."

The first visit of Tennessee volunteers to Croatia is slated for next summer, said Zeljko Mraz, general secretary of the Baptist Union of Croatia.

Lovrec said the idea of partnering with TCBF was introduced by Jim Smith, CBF missionary in Berlin. As a result of this contact, the Baptist Union of Croatia invited Mantooth and Brook Hollow pastor Jim Fairless to visit the country last summer.

"I didn't doubt that our initiative would be passed," said Mantooth. "This is just a formal step in our relationship. Now we need to get to work."

Organizers plan to implement contacts between separate churches in Croatia and Tennessee to enable their members to interface directly. Lovrec said there are many factors that should contribute to the success of the partnership. Among those factors is a long history of the Baptist movement in Croatia, which was established there in the 1860s.

Once the partnership is firmly in place, TCBF and the Baptist Union of Croatia expect to explore possibilities for joint mission efforts in Bosnia.

-30-

-- Alex Smirnov works for the Baptist Center for Ethics in Nashville, Tenn.

Kentucky Baptist Fellowship gathering highlights evangelism, shuns politics

By Trennis Henderson

BOWLING GREEN, Ky. (ABP) -- A decade after organizing on the state level, the Kentucky Baptist Fellowship attracted nearly 200 participants to its annual spring gathering April 27-28 at First Baptist Church of Bowling Green, Ky.

The state organization, affiliated with the national Cooperative Baptist Fellowship, "was born out of the controversy in the Southern Baptist Convention," according to printed material distributed by Fellowship leaders.

Despite the historic connection to convention controversy, KBF Coordinator John Lepper said state leaders "have redefined ourselves beyond being a political action group."

Speaking during a small-group listening session, Lepper said, "We're not trying to cause controversy or conflict in any church. We're not trying to get the vote out. There is no political aspect as I understand it. We're here to be proactive."

"I'd like people to see our Fellowship for who we really are," agreed Michael Duncan, the group's new moderator. "We are going to be proactive about what the Fellowship is doing. We're not in the business of bad-mouthing anybody else."

Highlighting a theme of "Missions and Evangelism," the two-day meeting featured messages on evangelism and a commissioning service for four KBF-sponsored summer missionaries. The four college students -- Christy Craddock, Kaysee Graham, Jennie Hall and Justin Swaggerty -- will serve this summer in two ministry settings in south Florida.

Sharyn Dowd, associate professor of religion at Baylor University in Waco, Texas, delivered the conference's Friday evening and Saturday morning sermons on why and how to do evangelism.

Dowd said many Baptists traditionally have viewed salvation simply as "a deal we cut with God" to avoid going to hell. Pointing to the Great Commission, she noted, "It does not say go and make deals with all nations. It says make disciples of all nations."

One key to effective evangelism, Dowd said, is to "put people in touch with the risen Christ in such a way it will change their lives."

"We do evangelism out of the overflow of what God is doing in our lives," she added. "We need to ask the risen Christ to fill us with his Spirit, to fill our lives with what he wants us to do."

In addition to the plenary sessions, participants had the opportunity to take part in small-group conferences ranging from a comparison of the 1963 and 2000 "Baptist Faith and Message" statements to a dialogue about CBF's Young Leaders Network designed to involve Baptists under age 40 in CBF ministry efforts.

During a Saturday morning business session, Duncan was installed as the organization's moderator for the coming year. Duncan, a member of Eminence Baptist Church, succeeds Delores Baugh, a member of Freeman Trace Church in Elizabethtown. Participants elected Heather Barron, a member of Edgewood Baptist Church in Nicholasville, as moderator-elect.

In other action, Alice Marshall, a member of Broadway Baptist Church in Louisville, was elected as a member of CBF's national coordinating council.

Participants also approved a 2001-2002 budget of approximately \$195,000, a 30 percent increase over the current budget of \$150,000.

-30-

Baptist pastors experience 24 hours of homelessness

By Victoria Moon

LEXINGTON, Ky. (ABP) -- Two Baptist pastors in Lexington, Ky., recently took the old adage "walk a mile in my shoes" seriously by participating in 24-hour simulated homeless experience.

Jay Robison, senior pastor of Trinity Baptist Church, and Bob Baker, senior pastor of Calvary Baptist Church, joined approximately 50 other community leaders in going out into the streets of Lexington with little more than the clothes on their backs to discover what homelessness is like.

"We were given a sack lunch, a couple of blankets and were allowed to carry no more than three dollars," Robison said. "The program coordinators let us know the places where many of the homeless frequent for food and shelter, and after that we were basically on our own for 24 hours."

The participants were divided into groups of four and set out from different parts of the city. Police officers were members of each group for safety reasons.

Robison said his group started walking through the downtown area, trying to decide what to do next. "I noticed a lot of people driving past us and slowing down to stare at us and taking special notice of us as we walked," he said. "That was a strange feeling."

After walking for a few hours, Robison said his group found a bakery about to close and asked for some food. Bakery employees gave them a couple dozen bagels, which they took to Woodland Park, a common homeless refuge, and shared the food with actual homeless people they found there.

Later that evening, they attended a free basketball game downtown and then sought shelter in a chapel near the University of Kentucky campus.

"One thing that surprised me about this experience was how much you walk, and how physically exhausted you are just having to walk everywhere you go," Robison said, "and also how little rest you actually get."

Most homeless people get only three to five hours of sleep each night, even when sleeping in shelters, because of constant interruptions and little privacy, Robison noted.

"A lot of times you might see homeless people during the day, sleeping on a bench or a chair in the public library," he said. "The reason why is that it's very difficult to get any sleep when you're on the streets."

Baker said he also was surprised by the physical toll of homelessness.

"We were tired just from the walking," he said. "It's incredibly exhausting."

He said his group took advantage of various community resources for the homeless in Lexington, including a men's shelter called the Hope Center, the Salvation Army, and various churches in the area.

"The things I took away from this experience were that a lot of homeless must have a deep sense of hopelessness," he said. "And they don't have a lot of self-esteem -- you really have to swallow your pride to ask for a handout or help."

Baker also noted that it would be easy for homeless men and women to lose their sense of identity.

"Too often the homeless are just lumped together in one big category, and are never seen as individuals," he said. "But they are individuals who God loves and Christ died for. It's important to remember that."

The "24 Hour Homeless Experience" was sponsored by the Lexington Faith Community Housing Advocacy Program, an outreach ministry of Catholics In Action. The event raised funds for area residents whose rising utility costs threatened to make them homeless.

Both men said their churches supported their experience both financially and spiritually.

Baker said he plans to take his experiences from the event and use them as a way to further sensitize his congregation to the challenges homeless men and women face.

"I hope to use what happened as sermon illustrations in the upcoming months, and use it as a way to help our members be more aware of the needs of our community," he said.

According to Baker, the Faith Community Housing Advocacy Program and Catholics In Action have planned a meeting for all the participants to discuss using their experiences in the community and working together to assist the homeless.

"This whole experience has made me appreciate the material blessings I have, and I am more willing and more intent on helping the homeless," Baker said. "I'm looking forward to meeting with the group participants again and discussing where we go from here."

"This experience has been what I think Matthew 25 is all about," he added. "The church needs to do a whole lot more than it has been doing."

-30-

Prosecutor calls for new way to look at criminal justice

By Ken Camp

AUSTIN, Texas (ABP) -- The classic debate about whether prisons exist to punish criminals or rehabilitate them misses the point, says a Texas prosecutor who supports a third model called "restorative justice."

Restorative justice offers something neither retribution nor rehabilitation can give. It rebuilds community, says Ronnie Earle, who has served 24 years as district attorney in Austin.

"Restorative justice uses opportunities created by crime to solve problems that led to the crime in the first place, reweaving the fabric of community," Earle said in the keynote address at a "Peacemaking Through Community" banquet, held as part of an annual Restorative Justice Ministry Convention.

The convention, held May 4-5 in Austin, was co-sponsored by the Baptist General Convention of Texas, the Texas Conference of the United Methodist Church, the Episcopal Diocese of Texas and the Catholic Diocese of Beaumont.

Earle commended Christians who minister to people in the criminal-justice system.

"We've been told we have two choices. One is to build more prisons, lock 'em up, and throw away the key. The other is to offer more treatment -- give them an apple and a kiss on the cheek," Earle said.

Restorative justice offers a third alternative that supports the victim, holds the offender responsible, and protects the community.

"Restorative justice is what the people want. That makes it good politics. It's what the country needs. That makes it good government. And it's what the future holds," Earle said.

The problem with the conventional criminal-justice system is that its focus is the offender, he said. The system is consumed with discovering which law was broken, who committed the crime, and how the offender should be punished.

Restorative justice, on the other hand, asks what harm was inflicted, what needs to be done to repair the harm, and who is responsible for bringing about the repair.

"Efforts to improve the criminal-justice system without addressing improvements in the community are like building a house on sand," Earle said. "Restorative justice builds the house on rock," Earle said.

Innovative programs such as victim/offender mediation panels and other alternative sentencing help to restore the power that comes from a genuine sense of community, he said. Both approaches involve the victims and their support groups, along with the offenders and representatives of "the system." They also fill the need for "up close and personal accountability," he added.

Earle said Christians and other concerned citizens should demand "a place at the table" on local community-justice councils and require law-enforcement and social-service agencies to learn how to work together to address crime prevention.

"Being tough on crime is easy," Earle said. "What's hard is being smart on crime. The community must take responsibility for the precursors of crime," Earle said.

"Child abuse is the cradle of crime," he said. "Stop it there, and you stop the assembly line."

-30-

END
