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**Andersen, again, settles
with Foundation investors**

By Bob Allen

PHOENIX (ABP) -- For a second time, Arthur Andersen has agreed to pay \$217 million to defrauded investors in the Baptist Foundation of Arizona.

Announced May 6 in Phoenix, the agreement settles a lawsuit against the accounting firm brought by the BFA's liquidating trust.

The settlement, approved by Judge Edward Burke, came a week into a trial in Maricopa County Superior Court. It also came on the same day that jury selection began for a criminal case in Houston over Andersen's role in the Enron collapse.

Andersen had agreed to settle for the same amount in March but reneged on the deal, claiming its wholly owned insurance carrier refused to pay the claim. This time, the accounting giant made an \$11.3 million down payment and agreed to pay \$10 million a month through October, when the balance is to be paid in full.

Lawyers would get \$41 million, leaving \$176 million for investors, according to a report in the New York Times. If the first settlement two months earlier had gone through, averting a trial completely, attorney fees would have been \$14 million less.

Coupled with an earlier settlement with a law firm that once represented the BFA, roughly 11,000 investors would share \$194 million. That is about a third of the \$585 million still owed them, not counting interest. After the Foundation's assets are liquidated, investors could recover as much as 72 cents on the dollar. So far, investors have been paid about \$56 million from a liquidating trust overseeing the sale of former Foundation holdings.

"This is the best deal possible for investors, and it's likely to get money in their pockets," said Arizona Attorney General Janet Napolitano, according to the Arizona Republic.

But not everyone is counting the money just yet. "I'll believe it when I have the check in my hand," investor Allene Thompson of Tempe told the newspaper. Attorney Sean Coffey explained that a worst-case scenario would be for Anderson to be convicted in the Enron trial and file for bankruptcy before paying off the settlement.

"Investors are relieved that a settlement was reached with Arthur Andersen," investor Tom Kennedy told Associated Baptist Press in an e-mail. "However, we are still on the roller coaster, because if Andersen files bankruptcy we have nothing again."

As in the earlier settlement, Andersen admits to no wrongdoing. "Arthur Andersen was able to put all of the Baptist Foundation issues behind us," Andersen attorney Don Martin told the Republic. "But I am frustrated we were not able to tell the rest of the story."

The Phoenix newspaper talked to jurors who said they believed the Foundation's board and officers were primarily to blame and that the accounting firm was only minimally responsible for the Foundation's collapse in November 1999.

The settlement included revoking certified public accounting licenses for two key auditors who worked on the Foundation's books: former Andersen partner Jay Ozer and current accountant Ann McGrath. They can reapply at any time.

The Foundation's bankruptcy is thought to be the largest financial failure of a religious non-profit in history. The Andersen settlement is the second largest ever paid by a Big Five accounting firm, and is more than twice the largest settlement Andersen has paid before.

Five former BFA officials have been indicted on criminal charges related to the debacle, but their trial dates have not been set. Three others have pleaded guilty to reduced charges, in exchange for cooperating with the investigation.

Prosecutors accuse Foundation officers of defrauding investors by hiding losses while continuing to sell investment products. Many investors were elderly and trusted the Foundation because it was tied to their church.

The Foundation's liquidating trust, which took over assets after the 1999 bankruptcy, had sued Andersen for \$150 million plus punitive damages, saying the firm aided and abetted the scam by issuing clean audits despite red flags. Those included a series of investigative reports in 1998 by the alternative newspaper Phoenix New Times that brought to light many of the allegations that eventually made their way into court documents.

Trust attorneys also said Andersen ignored warnings about potential fraud from one of its own accountants in February 1997 and by two Dallas CPAs in July 1997. Then, in early 1998, Deeann Griebel, a financial planner in Mesa, Ariz., notified Andersen's Chicago headquarters and Phoenix office of problems she discovered while doing work for one of her clients.

Andersen denied being part of any cover up. Lawyers claimed auditors, like investors, were duped by a client intent on committing a fraud.

Started in 1948 to raise funds for Baptist causes, the Foundation more recently began selling different types of savings and investment accounts to individuals, saying they were backed by collateral.

Investors say they were promised high returns and told their investments would help Southern Baptist causes and were safer than if in a bank.

Unlike most Baptist foundations, which invest church funds but don't offer individual investments, the BFA put money in Arizona's booming real estate market in the 1980s. But that strategy resulted in losses when property values went south in the early '90s.

Instead of reporting those losses, BFA officials allegedly hid them in "bad banks" through a web of subsidiaries. For example, the BFA allegedly loaned ALO, Inc., a real estate corporation controlled by a former BFA trustee, more than \$124 million. While that debt showed up as an asset on Foundation books, investors weren't told that ALO's net worth was negative \$116 million.

Values of real estate holdings used as collateral for such loans allegedly were inflated to help cover up the losses. For example, one gift of Colorado real estate valued at \$3.1 million in Foundation records reportedly turned out to have an actual market value of less than \$152,000.

That didn't stop BFA representatives from continuing to solicit investments, however, often in churches. They allegedly used funds belonging to new investors to pay off old ones, an illegal practice popularly known as a Ponzi scheme.

After a yearlong investigation, Arizona officials ordered the Foundation to stop selling investment

products in the summer of 1999. The BFA went bankrupt that November, owing investors \$640 million. Assets at the time were listed at \$290 million.

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News briefs from Associated Baptist Press

SBC membership tops 16 million

NASHVILLE, Tenn. -- Membership in the Southern Baptist Convention topped 16 million for the first time in 2001, according to annual statistics compiled by the denomination's publishing arm.

According to figures released April 15 by LifeWay Christian Resources, total SBC membership stood at 16,052,920, up from 15,960,308 in 2000. The number of churches grew to 42,334 from 41,588 the previous year.

Baptisms, meanwhile, dropped below 400,000 for the first time in five years. Last year's 395,930 were down 4.5 percent from 2000. The statistics show other declines in Sunday school, discipleship training, missions training and the number of church-type missions sponsored by local congregations.

Other increases included enrollment in music ministries, worship attendance and financial support. Southern Baptists gave more than \$8.9 billion in total gifts last year, up 5.9 percent from the year before. Mission expenditures grew 4.6 percent to \$980 million, and the value of church property grew 13.8 percent to more than \$28 billion. (ABP)

California editor changing jobs

RIVERSIDE, Calif. -- Mark Wyatt, editor of the California Southern Baptist newspaper since 1991, has been elected vice president for marketing and communication at California Baptist University in Riverside.

Wyatt, a 30-year veteran of print and broadcast journalism, begins the new job Aug. 1. He was elected May 3 by the university's board of trustees.

Prior to becoming editor of the state Baptist newspaper, Wyatt worked seven years for the California convention as director of public relations. He is an ordained minister and former pastor who has over the years worked at television stations in Spartanburg, S.C., and Louisville, Ky., and at a radio station in Florida. (ABP)

CBF Foundation selects new president

ATLANTA -- Trustees of the Cooperative Baptist Fellowship Foundation have named 33-year-old Don Durham as the agency's new president.

Durham currently is director of development at United Methodist Family Services in Richmond, Va. He previously worked at Albright Care Foundation in Pennsylvania and at Gardner-Webb University.

Durham takes over June 1 for Ruben Swint, who left the job last October. Durham is a graduate of Gardner-Webb and of Southern Baptist Theological Seminary.

The six-year-old Foundation exists to build endowment funds for future ministries of the Atlanta-based CBF. (ABP)

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