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**Judge dismisses indictments
of Arizona Foundation officials**

By Bob Allen

PHOENIX (ABP) -- A judge has thrown out criminal indictments against five former Baptist Foundation of Arizona officials accused of defrauding investors out of millions of dollars.

Phoenix Judge Frank Galati said Sept. 12 that some evidence used in obtaining the indictments was improper and prejudicial. He returned the case to a grand jury, which likely will bring new charges.

"We anticipate re-filing the charges as soon as possible and are committed to holding the defendants accountable for their role in the demise of BFA," Arizona Attorney General Janet Napolitano said in a statement.

The delay doesn't affect a civil settlement promising investors they will recover some of their money. Judge Edward Burke approved out-of-court settlements Sept. 13 involving Arthur Andersen and a Phoenix law firm that represented the Foundation.

William Pierre Crotts, the Foundation's former chief executive officer; Thomas Dale Grabinski, the former general counsel and vice president; Lawrence Dwain Hoover and Harold DeWayne Friend, both former board members; and Richard Lee Rolles, an accounting consultant, had pleaded not guilty to charges handed down by a grand jury in May 2001.

The five defendants faced a combined 32 charges of criminal theft, fraud and racketeering.

Three other former officials pleaded guilty to reduced charges in exchange for cooperating in the investigation.

All are accused of misleading investors by concealing the fact that the Foundation was losing money. Foundation officials allegedly continued to recruit new investors, many of them elderly, by promising high yields and that part of the money would be used to further Southern Baptist work. Some transferred their life's savings to the Foundation, which went bankrupt in November 1999.

Defense lawyers at the Sept. 12 hearing in Maricopa County Superior Court argued that a letter from Andersen blaming Foundation officials for the collapse was unfair to their clients. According to the Arizona Republic, Judge Galati agreed that the letter was "irrelevant, immaterial and grossly prejudicial."

"Fairly construed, the letter -- in guise of evidence -- says to the grand jury, 'Arthur Andersen agrees with the attorney general that these BFA officials are crooks,'" the judge wrote.

Andersen later was sued for its own role in the Foundation collapse. The accounting firm agreed to a \$217 million settlement with investors in May, without admitting any guilt.

The law firm of Jennings, Strauss and Salmon also settled out of court, agreeing in May to pay the Foundation's bankruptcy trust \$21 million.

Judge Burke overruled objections to the settlements and gave them final approval Sept. 13.

After paying legal fees, the 11,000 investors would share \$176 million, about a third of the \$585 million still owed them. A hearing on issues related to allocation of funds is scheduled Nov. 25.

Eventually, after remaining Foundation assets are liquidated, investors could return as much as 72 cents on the dollar of their original investment.

The Baptist Foundation of Arizona was founded in 1948 to raise money for Southern Baptist causes. Its demise is believed to be the largest failure of a religious non-profit in history.

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Church politics bill poised for vote

By Robert Marus

WASHINGTON (ABP) -- A bill aimed at allowing churches to engage in partisan politics without risking loss of their tax-exempt status is expected to make it to a vote in the House of Representatives around the end of September.

The "Houses of Worship Political Speech Protection Act," sponsored by Rep. Walter Jones (R-N.C.), had appeared to die in committee. But House leaders have agreed to suspend normal rules and bring the bill directly to the floor.

Churches and other non-profit groups incorporated under section 501(c)3 of the federal tax codes currently cannot endorse candidates or political parties. They may, however, speak out on moral or social issues, such as abortion, gambling or gay rights.

Backers of the Jones bill say the rule was slipped into a revenue bill in 1954 by then Sen. Lyndon Johnson (D-Texas) to silence two non-profit organizations that had opposed his re-election.

"Basically, what the Johnson amendment did was to put a gag order on any type of political speech by a preacher or priest or rabbi," Jones said in a floor speech Sept. 12. Quoting a letter from Florida pastor and televangelist D. James Kennedy, Jones asserted, "I feel this legislation is a vitally important step in reversing a long-standing injustice whereby free speech seems to be protected everywhere except in the pulpits of our churches and other houses of worship."

But opponents of the Jones bill say nothing in the current law bans free speech for churches or religious individuals.

"Religious leaders are already free to expose moral evils, propose ethical solutions and hold our leaders to the highest standards," said Barry Lynn, director of Americans United for Separation of Church and State. "The only thing that tax law prohibits is intervention by tax-exempt groups in political campaigns."

Jones' bill would exempt only churches and other houses of worship from the ban on partisan politicking. Other 501(c)3 organizations still could not take sides in political races.

Christian groups are divided over the bill. The Baptist Joint Committee opposes the legislation, saying it is unnecessary, divisive and would risk turning churches into partisan shells.

Richard Land of the Southern Baptist Convention's Ethics and Religious Liberty Commission has endorsed the bill. Even if it passes, however, he said he would advise churches against formally endorsing candidates.

Other supporters include Christian Coalition founder Pat Robertson, pastor Jerry Falwell and Focus on the Family head James Dobson.

Opponents include the public-policy arms of the United Methodist Church, the National Council of Churches, the Presbyterian Church (USA), the Seventh-day Adventist Church and Jewish and Buddhist organizations.

A recent poll conducted by the Pew Forum on Religion and Public Life found that 70 percent of Americans oppose the idea of churches endorsing political candidates.

Holly Hollman, general counsel of the BJC, said she was surprised to see the bill brought up by a suspension of the rules, a maneuver typically reserved for less controversial matters. She said hearings over the bill revealed "serious flaws" and "a remarkable lack of support" from churches, which are supposed to benefit the most.

Still, it has garnered 130 co-sponsors among Republicans and conservative Southern Democrats.

While rescuing the bill from being buried in a committee, the suspension of rules means the measure must pass by a two-thirds vote, rather than a simple majority.

House leaders normally don't bring up controversial legislation that way unless they are confident it will pass.

Jones spokesperson Lanier Swann said House leaders are confident the bill will receive a majority vote but declined to say if there are enough votes for the necessary two-thirds majority.

Should the legislation pass the House, it faces stiff opposition in the Senate.

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