

# Office of Attorney General Terry Goddard



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## **Fact Sheet on Baptist Foundation of Arizona Criminal Case**

### **Defendants**

- **William Pierre Crotts**, Phoenix, 61, President and CEO
  - Charged with three counts of fraud, 23 counts of theft and one count of illegally conducting an enterprise (Class 3 Felony)
- **Thomas Dale Grabinski**, Tempe, 46, Senior Vice-President/General Counsel
  - Charged with three counts of fraud, 23 counts of theft and one count of illegally conducting an enterprise
- **Lawrence Dwain Hoover**, Paradise Valley, 70, Board Member, participated in board actions that allowed BFA to falsely portray its financial condition
  - Mr. Hoover's case is still pending.

### **Defendants who entered plea agreements:**

- **Harold Dewayne Friend**, Paradise Valley, 72, BFA Board Member
  - Friend entered into a plea agreement with the State in September 2005. He pleaded guilty to one count of attempting to assist a crime syndicate and agreed to testify against the remaining defendants in the criminal trial.
  - In a statement submitted with the plea agreement, Friend admitted to inflating the Foundation's financial statements beginning in 1989. He also admitted to creating transactions to show a profit or gain that would reflect well on BFA's financial standing.
  - As part of the plea agreement, Friend will pay a \$150,000 fine, which will be applied to restitution. Sentencing will be postponed until after the criminal trial is concluded.
- **Richard Lee Rolfes**, Glendale, 49, Secretary of Christian Financial Partners and Office of New Church Ventures, owner of Rolfes Financial Services
  - Entered into a plea agreement with the State in September 2004. He pleaded to one count of facilitation of a fraud. As part of his plea agreement, Rolfes agreed to testify in the BFA criminal trial, and he will pay a fine of \$25,000, which will be applied to restitution.

**The following defendants pleaded guilty in 2001. They were charged by direct complaint (charges filed at same time as plea entered):**

- **Donald Dale Deardoff**, Peoria, 48, served as BFA treasurer, senior vice-president and controller. He pleaded guilty to two counts of fraud in 2001. Required to pay \$550,974,555 in restitution.
- **Edgar Alan Kuhn**, Mesa, 61, served as president of EVIG (a BFA subsidiary) and Christian Financial Partners, also as director of New Church Ventures. Kuhn pleaded guilty to three counts of facilitation of fraud. Required to pay \$25,000 in restitution.
- **Jalma W. Hunsinger**, Tempe, 69, served as president and director of New Church Ventures and sole shareholder of ALO (BFA subsidiary), previously a BFA board member. Hunsinger pleaded guilty to three counts of facilitation of illegally conducting an enterprise. Required to pay \$150,000 in restitution.

**Chronology of the Criminal Case Against the Baptist Foundation of Arizona**

- August 1999 - Arizona Corporation Commission issues Cease and Desist Order to BFA, Arizona Southern Baptist New Church Ventures, Inc. and Christian Financial Partners, Inc.
- November 1999 - BFA and its subsidiaries file bankruptcy in federal court.
- December 2000 - The Arizona State Board of Accountancy files Notice of Public Hearing and Complaint against Arthur Andersen, LLP, the accounting firm that had been auditing BFA's financial records since 1984. In addition, the Board seeks revocation of the licenses and other penalties against three Certified Public Accountants for violation of professional standards for giving BFA a clean bill of health, when in fact the CPAs had information of possible fraud, but did not note such details in audit reports. The Complaint seeks \$600 million in restitution for BFA investors.
- January 2001 - The Arizona Corporation Commission and the Arizona Attorney General's Office file a civil lawsuit against Arthur Andersen, LLP for issuing unqualified "clean" opinions of BFA and failing to take action when it had evidence of financial improprieties. The lawsuit seeks civil penalties for violations of the Arizona Securities Act.
- April 2001 – Crotts, Grabinski, Friend, Hoover and Rolfes are indicted by the Arizona Grand Jury on fraud and related charges.
- May 2001 – BFA employees enter plea agreements with the State: Donald Dale Deardoff, two counts of fraud schemes; Edgar Alan Kuhn, three counts of facilitation of fraud schemes; and Jalma W. Hunsinger, three counts of facilitation of illegally conducting an enterprise.
- September 2005 – Criminal trial involving defendants Crotts and Grabinski begins.
- June 2006 – Jury begins deliberations.
- July 2006 – Verdicts delivered.