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SEC probe of Fla. company freezes church money

Bruce Nolan Religion News Service | May. 8, 2009

NEW ORLEANS -- The federal government has seized the assets of a Florida investment firm holding $5 million from the storm-damaged Archdiocese of New Orleans, charging it lied to the church and others about how it was investing more than half a billion dollars of its money.

In addition, a federal judge in Fort Myers, Fla., appointed a receiver to sort out what happened to an estimated $550 million investors placed with Founding Partners Capital Management Co., of Naples, Fla.

The actions mean that some or all of the church's investment may be tied up while the receiver combs through Founding Partner's books.

Speaking on background, lawyers and regulators said it is impossible to speculate how much of the church's money might be at risk.

Officers of Founding Partners weren't immediately available for comment.

Sarah Comiskey, spokeswoman for the archdiocese, said the potential tie-up of the church's money "will have no effect on the archdiocese's operating budget, nor will it affect any planned construction projects.

"We are not sure how long the funds will remain frozen, but this will not have any adverse effect on the archdiocese or any of its entities," she said.

Comiskey said she did not know what percentage of the archdiocese's investment portfolio is entangled with the Florida firm. Officials of the archdiocese finance office were not available for comment.

She said the archdiocese is exploring legal options.

The archdiocese has not released a comprehensive financial report since Hurricane Katrina, which dealt it $288 million in property damage.

In a recent interview, Archbishop Alfred Hughes characterized the archdiocese as "stretched" financially, but declined to say more, pending the release of the detailed report.

The SEC alleges that Founding Partners told the archdiocese and other investors that their mutual fund and three hedge funds would lend their money to Sun Capital Inc. and Sun Capital Healthcare Inc., two Florida companies that in turn were lending to hospitals.

The underlying collateral was supposed to be the safest, most short-term of the hospitals' "accounts receivables" -- the bills that customers like insurance companies and the government were most likely to pay the hospitals for medical services.

In fact, however, Founding Partners and Sun Capital, without telling investors, allowed the collateral to get much riskier and hard to collect, according to the SEC.
