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Memphis Ministry's Muni-Bond Sales Being Investigated by SEC.

The U.S. Securities and Exchange Commission is investigating a Tennessee ministry that owns two municipal bond financed low-income apartment complexes in Memphis that were infested with roaches, caked with sewage and replete with broken windows and damaged walls.

The SEC's Atlanta office is conducting an inquiry into Global Ministries Foundation and the 2011 sale of about \$12 million of bonds to purchase the Warren and Tulane apartments, according to a letter filed in U.S. court in a case brought by the bondholders' trustee. The trustee, Bank of New York Mellon Corp., sued GMF in May and won the appointment of a receiver after the bonds defaulted.

"We believe you may possess documents and data that are relevant to an ongoing investigation being conducted by the staff of the United States Securities and Commission," EC senior counsel Michael Adler wrote in a July 18 letter to the receiver, Donald Shapiro. "Accordingly, we hereby provide notice that such evidence should be reasonably preserved and retained until further notice."

The letter from the SEC was filed as part of the receiver's report to the court for the period July 1 through July 31.

"GMF will continue to fully cooperate with the government's investigation as called upon," Audrey Young, a spokeswoman for GMF, said in an e-mail statement.

In March, the U.S. Department of Housing and Urban Development cut off rent subsidies for more than 1,000 residents that backed the bonds and said it would relocate them because of numerous health and safety violations. As a result, the Warren and Tulane bonds defaulted.

GMF, which is run by Richard Hamlet, a Baptist minister, has built a 10,500-unit, low-rent real estate empire with money raised in the \$3.7 trillion municipal-bond market. In 2011, GMF issued \$12 million in bonds through the Memphis Health, Educational and Housing Facility Board, to finance the purchase of Warrant and Tulane in an area where as many as 40 percent of the families live in poverty. A Las Vegas-based environmental consultant concluded that the apartments were in "good to fair" condition at the time and an appraiser valued them at more than \$15 million, according to an official statement for the bond issue.

The SEC told the receiver, Shapiro, to preserve documents created on or after June 1, 2010, by Hamlet, and three members of his staff or those related to the 2011 bond issue, HUD, and the GMF Preservation of Affordability Corp., the ministry's housing non-profit arm. The housing unit transferred \$7.1 million to the ministry in 2014, according to federal tax filings, subsidizing its missionary work, which includes training pastors, producing a national radio program and undertaking evangelistic crusades overseas.

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by Martin Z Braun

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