

Suit seeks minimum of \$250,000 in damages from Catholic Online

WASHINGTON - A prosecutor in an upcoming civil trial is seeking a minimum of \$250,000 in punitive damages from Catholic Online, a California media organization, and its president, who are accused of diverting funds intended for charitable causes.

The state of California is also seeking unspecified restitution from the Bakersfield-based organization, which includes Catholic Financial Services, Your Catholic Voice Inc., Your Catholic Voice Foundation and the president of those organizations - Michael Galloway - in the civil case filed by the district attorney's office in Kern County and set for trial Sept. 15.

Mr. Galloway sees the case as an anti-Catholic campaign to spread agenda-driven bigotry using the legal system.

"We believe that we have done no wrong," he told Catholic News Service May 14. "When the truth comes out, the truth will be quite clear. We really want our day in court."

(CNS has had a long-running business relationship with Mr. Galloway and Catholic Online, one that CNS executives say is in the process of being re-evaluated.)

The civil case was filed June 29, 2007, by John T. Mitchell, deputy district attorney for Kern County, which includes Bakersfield. The court document accuses Mr. Galloway and his organizations of involvement in a host of unlawful, unfair and fraudulent business acts and practices.

Among its many claims, the civil suit accuses Mr. Galloway of diverting funds sought for charitable causes and using the money "for purposes other than those for which they were solicited or contributed."

The money was collected on behalf of Catholic parishioners, parishes, dioceses, ministries and assistance programs. The civil case contends the funds were often not available to the institutions for which they were intended.

"The people are informed and believe and thereon allege that defendant Michael Galloway has encountered financial difficulties within the past four years that have caused him to divert funds that were solicited through the aforementioned Web sites," the court document reads.

It alleges that "the defendants have failed to deliver online contributions and payments to clients who have signed up for their services, (and) that Michael Mr. Galloway has made false, fraudulent, deceptive and misleading statements to explain nonpayments."

"We're trying to find out who else is out there," Mr. Mitchell told CNS. "The case is in the discovery phase. We've followed up on additional complaints. Most of the victims are from outside of the county, all over the country."

Mr. Galloway's 17-year-old media enterprise, www.catholic.org, utilizes modern technologies to inform, unite and evangelize in a Catholic forum. Catholic Online provides Internet consumers with Catholic-based news articles and commentary.

The Archdiocese of New Orleans, which contracted with Catholic Online and Catholic Financial Services to facilitate its online contribution system for disaster relief following Hurricane Katrina in 2005, is highlighted in the civil case.

Court documents contend that the money in that account was diverted by the defendants for other purposes, and archdiocesan officials said they had trouble accessing funds from the Catholic Financial Services account, with the money eventually becoming available little by little, \$1,000 at a time.

As of early May the Archdiocese of New Orleans was still owed about \$3,500 in online contributions and has put an end to its business relationship with the Bakersfield organization, said Sarah Comiskey, a spokeswoman for the Louisiana diocese.

Mr. Galloway said his contract makes it very clear that money can be held back for a period of time, because the system is similar to a PayPal account where contributors can recall their money after the donation is made.

He also said fraud attempts are constantly made by computer hackers on the

Internet accounts.

"We designed this technology and we built this as a service for the church," Mr. Galloway said. "There are going to be glitches. Give us a break. Does anyone ever talk about the fact that we published (the Clarion Herald, newspaper of the Archdiocese of New Orleans) online for two and a half years without pay? So what about all of the good things that we have done?"

A system where a charitable organization is unable to access money from its online donation account is odd, said Tad Druart, a spokesman for Convio Inc., an Austin, Texas-based vendor that helps nonprofit organizations such as Catholic Relief Services - the U.S. bishops' overseas relief and development agency - solicit Internet contributions for its disaster aid projects.

"They don't collect money for us and give it to us," said CRS spokesman John Rivera. "The donor makes the donation online, then the transaction is deposited directly into our bank account. So it sort of passes through Convio and then every morning we merge the two databases, so the information they have collected is transferred into our database."

Mr. Druart said he knows of at least one other online vendor that actually keeps the donations in its account and the nonprofits have to access the money through the vendor, but he believes that is a cumbersome system that makes it difficult to transfer the money where it is needed.

Until earlier this year, Catholic Online had been a member of the Catholic Press Association. But the business was asked to strip all references of that organization off its Web sites because it had failed to pay its annual dues, said Tom Conway, executive director of CPA.

"They made an appeal and said there was an administrative error and asked to be re-invoiced, so we gave them 60 days to make those payments," Mr. Conway said. "They still didn't pay."

Mr. Galloway said the CPA no longer meets his company's needs and decided an organization that embraces new technology and Catholic communicators, from

bloggers to online media outlets, was more in tune with Catholic Online.

Recently Catholic Online has been promoting its own new media alliance, called the Catholic Media Association. It's designed "to provide a virtual home and association-based community for faithful Catholics involved in any and all forms of media," according to its Web site. Annual membership dues range from \$29 for students to \$249 for industry members.

With nearly 100 members signed up by early May and an anticipated 1,000 by the end of 2008, Mr. Galloway said his association will host "Webinars" (online interactive seminars) to provide members with educational tools to utilize new technology to propel their Catholic messages in a high-tech world.

A few former employees, consultants and business associates said they wouldn't want to risk paying the new media association dues, since they say that in their past experience with Catholic Online they were not paid or reimbursed as they had expected to be.

So far Mr. Galloway said the pending civil case has cost him more than \$50,000 in legal fees to defend himself against what he said are disgruntled former clients and "agenda-driven zealots" with an anti-Catholic message trying to prevent him from enlightening consumers about his products with Christian values.

"Yes, it's hurt us," he said. "We're looking into - at the state, federal and local level - hate crimes and civil rights violations against us. We believe this is very much agenda-driven. This is going to happen more and more in the Catholic community. It's similar to what has happened to the church in the priest sexual abuse scandal."