



State of Louisiana

**OFFICE OF
STATE INSPECTOR GENERAL**

EAST BATON ROUGE COUNCIL ON THE AGING
CHARITABLE TRUST

Report by

Inspector General Bill Lynch

Prepared for

Governor M.J. "Mike" Foster, Jr.

September 26, 2001

File No. 1-01-0065

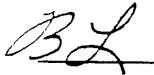


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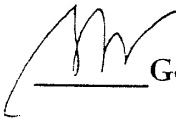
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Report by

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September 17, 2001

File No. 1-01-0065

East Baton Rouge Council on the Aging Charitable Trust

A charitable trust established to benefit the East Baton Rouge Council on the Aging was mismanaged by the trustee, Sharon LaFleur. Ms. LaFleur expended \$1.1 million from the Trust for which the Council received no benefit.

The majority of expenditures were for the purchase and renovation of an antebellum style home, Rosewood Plantation, located in Ascension Parish. The home was primarily used by Ms. LaFleur as a personal residence. Ms. LaFleur depleted the Trust, precipitating the sale of the home to Rosewood Enterprises, Inc., in which she has a 25% ownership interest.

Expenditures of the \$1.1 million in chronological order are as follows:

This is a follow up to a report last May that dealt with mismanagement of the Council on Aging by its executive director, Sharon LaFleur.

This report deals with the mismanagement of a million dollar charitable trust fund for which the Council was the principal beneficiary and she was the sole trustee.

- \$10,000 administrative fee to Ms. LaFleur;
- \$37,400 purportedly for the McCartney Music System;
- \$13,000 unsecured short term loan to a friend;
- \$970,000 for the purchase, renovation, and operation of Rosewood;
- \$6,600 gift to Ms. LaFleur's daughter;
- \$660 for funeral expenses of a relative of Ms. LaFleur; and
- \$45,849 to operate the home after its sale to Rosewood Enterprises, Inc.

The Council was derelict in its oversight of the Trust and acquiescing in the sale of Rosewood from the Trust without first getting additional information.

Ms LaFleur has declined to be interviewed.

The Council has provided this office certain Trust investment account and checking account records.

Background

The Oscar LaFleur Charitable Trust was established on Dec. 30, 1993, naming Sharon LaFleur as trustee and the East Baton Rouge Council on Aging as the income and principal beneficiary. The Trust is irrevocable and was established in accord with Internal Revenue Code Section 509 (a)(3) allowing donations to be deductible for federal income tax purposes.

According to Mr. LaFleur, his original intention was to make donations to two charitable organizations which played a role in the lives of his parents. Mr. LaFleur said, his former sister-in-law, Sharon LaFleur, approached him with a request that he give the money to aid the elderly, primarily through the Council. Mr. LaFleur stated he agreed to the request by Ms. LaFleur as he felt the Council performed valuable services for the elderly.

Mr. LaFleur donated to the Trust 32,207 shares of stock valued at \$619,984 on the date of its inception, Dec. 30, 1993. The stock was placed with an investment company in the name of the Oscar LaFleur Charitable Trust. The Trust grew in value due to asset appreciation and interest income.

Mr. LaFleur said he did not serve a role in the administration of the Trust and was unaware of Trust operations.

Ms. LaFleur served as trustee from the initiation of the Trust, Dec. 30, 1993, until her resignation on Nov. 10, 2000. Ms. LaFleur was dismissed as executive director of the Council on Oct. 29, 2000.

Trust Mismanagement

Ms. LaFleur expended the entire Trust on items which did not assist or benefit the Council or the population it served, as required by the Trust. There were no distributions of principal or income to the Council.

The Trust document states the intent of the Trust is to support operations of the Council and benefit the elderly population it serves. The document specifies the Trust shall be administered by persons associated with the Council and names Ms. LaFleur as the sole trustee. At the time the Trust was established, Ms. LaFleur was the Council's Executive Director.

As trustee, Ms. LaFleur was to hold and administer property in the Trust for the benefit of the Council. The Council, as the income and principal beneficiary, did not own the property held by the Trust. The Trust gives the trustee discretion over assets, investments, and distributions of principal and income to the Council.

The Trust document grants the trustee broad discretion over the operation of businesses owned by the Trust. In addition, the Trust gives the trustee extremely broad latitude in administering Trust investments, including permitting self-dealing investments that may not ordinarily be considered suitable for a Trust.

However, as trustee, Ms. LaFleur was bound by the Louisiana Trust Code and provisions of the Trust document. Ms. LaFleur had a fiduciary responsibility to act in the highest good faith toward the beneficiary and to administer the Trust solely in the interest of the beneficiary. She was bound to exercise skill and care when dealing with assets of the Trust as a person of ordinary prudence would exercise in dealing with his own property.

Board Responsibility

The board failed to fulfill its obligation to protect the Council's interest as beneficiary and Trust administrator. The board did not require annual reports or raise meaningful questions about expenditures of the Trust.

The board received only oral presentations about the Trust from Ms. LaFleur. The board did not request or receive any accounting or annual financial reports of the Trust's holdings and activities, or even a copy of the Trust document. Given the Council's status as the Trust's beneficiary, the size of the Trust, and the board's duty to safeguard the Council's interests, the board should have made itself more informed about the Trust. Ms. LaFleur spent the assets of the Trust without being questioned. Trust expenditures were of no benefit to the Council or the elderly population it serves.

Although the board did not directly control Ms. LaFleur's actions as trustee, it had considerable oversight over Ms. LaFleur as executive director of the Council, which it failed to exercise.

The Trust document names the Council as the administrator of the Trust. As the administrator the Council was authorized to perform the following tasks with the approval of the trustee, Ms. LaFleur:

- To keep true and accurate books for Trust transactions, including investments, income of the assets and disbursements of the funds.

- To perform any other acts necessary to determine the financial condition of the Trust.
- To prepare and file reports for the Trust with appropriate governmental agencies.

In a letter addressed to “TO WHOM IT MAY CONCERN” dated Oct. 28, 1996, signed by then board Chairman Reginald Brown, the Council concurs with the appointment by the trustee of a local certified public accountant to perform the duties of administrator of the Trust. This letter is attached to the Nov. 14, 1996, board minutes. However, minutes of the September, 1996, and October, 1996, meetings do not reflect a vote or discussion for the appointment of a Trust administrator.

The accountant states he prepared various financial statements for the Trust year ending Dec. 31, 1996. He gave the information to Ms. LaFleur and performed no other services concerning financial statements for the Trust.

Mr. Brown stated he remembers a conversation with Ms. LaFleur concerning the hiring of an accountant, but was not told and did not realize the Council was responsible for the accounting of the Trust.

Former board members contacted by this office state they were not given a copy of the Trust document and were unaware the Council was responsible for duties as the Trust administrator.

Former board members were aware the Trust had purchased Rosewood Plantation and that Ms. LaFleur said she intended to develop the property into a retirement community. They did not question Ms. LaFleur on the specifics of the project or the expenditures of the Trust. They were told by Ms. LaFleur that as the trustee she had complete control of the assets of the Trust, including investments and disbursements.

Board members did not question the expenditures, request a copy of the Trust document, or seek an accounting of the investments. They accepted Ms. LaFleur’s brief presentations concerning the Trust and applauded her efforts to help the elderly.

Administrative Fee

Ms. LaFleur paid herself \$10,000 on Oct. 11, 1996, for duties performed as the trustee. No documents were located to explain the payment.

Trust records do not indicate any activity until July, 1996, when Ms. LaFleur sold stock placing the proceeds in a money market account. In September, 1996, she invested a portion of the cash in three mutual funds.

During the Sept. 12, 1996, Council board meeting, Ms. LaFleur detailed expenditures including the \$10,000 payment for services performed as trustee. The board did not object to the proposed expenditures. Minutes of the board meeting do not indicate Ms. LaFleur offered any supporting documentation to justify the \$10,000 amount of the payment, and the board did not question Ms. LaFleur.

While the Trust does allow the trustee to receive reasonable compensation for services, and reimbursement for necessary expenses, payment should be commensurate with services performed and expenses incurred. Although Ms. LaFleur was entitled to compensation, there are no records to explain the amount. Trust records do not indicate other payments to Ms. LaFleur.

McCartney Music System

Ms. LaFleur paid \$37,400 in Trust funds to individuals associated with McCartney Systems, Inc., a failed business involving a self teaching keyboard system designed by Peter John McCartney Hoy. Documents are not available to reconcile these payments to the stated purpose and intent of the Trust.

McCartney Systems, Inc., was registered as a not-for-profit corporation in Louisiana on Aug. 5, 1993. Ms. LaFleur is a director of McCartney Systems, Inc. According to employees of the Council, Ms. LaFleur and Mr. Hoy attempted to market the self teaching keyboard system without success.

Mr. Hoy resided at Ms. LaFleur's home in Baker, La. and later at Rosewood. As covered in a previous report, Mr. Hoy, an Australian national, was employed by the Council without a work visa. Mr. Hoy was paid a salary by the Council for work which appears to be associated with the self teaching keyboard system.

Of the \$37,400, a company named Datatreck Limited, was paid \$10,000 from the Trust on Oct. 11, 1996. Documents have not been located to explain or support this payment.

The Council received a document from Mr. Hoy which indicates a company named Datatreck Limited is registered in London, England. The document also names Mr. Hoy as the managing director. Datatreck Limited is not a registered corporation in the state of Louisiana.

The lack of documents to support the items cited here makes them highly questionable.

Ms. LaFleur has failed to provide records of her tenure as trustee.

In addition, two individuals were paid directly by the Trust a total of \$27,400. According to the individuals, these expenditures were for the repayment of loans made to McCartney Systems, Inc. Justin Schleis of Baton Rouge was paid \$7,400 on Oct. 11, 1996. Mr. Schleis stated the \$7,400 payment was the balance owed on a \$10,000 loan he made to McCartney Systems, Inc.

Mr. LaFleur, Trust settlor, was paid \$20,000 on Oct. 11, 1996. The trust settlor is the person who establishes a trust. Mr. LaFleur stated he was paid \$20,000 for a loan he made to the music system.

The Trust document allows expenditures for the “development and implementation of any program for the teaching and enjoyment of musical skills in elderly or disabled persons through the McCartney System or such similar type program.” This office has no evidence the Trust’s payments to Datatrek Limited or the two individuals are related to the development of a self teaching keyboard or the teaching of music skills to the elderly, or disabled, or any other purpose or intent of the Trust.

Improper Loan

On April 28, 1997, a loan was made from the Trust to a friend of Ms. LaFleur. Ms. LaFleur paid \$13,000 from the Trust checking account to an automobile dealer on behalf of a friend entering into a vehicle lease agreement.

The friend repaid the \$13,000 loan, which was unsecured, with a check dated April 30, 1997. The check is payable to Sharon LaFleur and was deposited into the Trust checking account on May 6, 1997.

The friend stated he was not aware Ms. LaFleur was writing a check from the Trust checking account, and no loan documents were prepared.

The Trust allows the trustee to lend money: however, loans from the Trust must be for the benefit of the Trust. This loan is improper because it did not benefit the Trust objectives.

Rosewood Project

Ms. LaFleur's mishandling of the Rosewood project is the primary cause for the depletion of funds from the Trust, thus frustrating the intent of the Trust. At the outset Ms. LaFleur apparently lacked a comprehensive plan to restore the house and build a retirement community. This plan should have included estimates to repair the house and build the retirement community, including projections of expenditures and revenue sources.

Ms. LaFleur began inquiring about the purchase of Rosewood in January, 1996. However, minutes of board meetings for the period of January, 1996, through October, 1996, do not indicate the pending purchase of Rosewood was discussed.

On Oct. 31, 1996, the Trust purchased the Rosewood property for \$530,000, paying \$317,005 in cash and assuming a \$212,995 mortgage. The note had a five year term with approximately fifteen months remaining. The property consisted of a main house with approximately 7,000 square feet of living area and fifty acres of land. The Trust had a balance of approximately \$473,000 after the purchase of Rosewood.

Prior to purchasing Rosewood, Ms. LaFleur was or should have been aware the facility would require extensive renovations. By April, 1998, Ms. LaFleur spent approximately \$970,000 on the purchase, remodeling, furnishing, and operation of Rosewood. The amount of the revenues earned from operations was minimal.

One of her ideas was to construct a retirement community on the 50 acres. Former Council board members and employees stated Ms. LaFleur planned to use the main residence as the center piece of a retirement community. A feasibility study for a retirement community was developed during 1997 by an Oregon company for the Trust. Ms. LaFleur envisioned building 360 apartments in six separate buildings located on the fifty acres surrounding the main house. The feasibility study indicated that each separate unit would cost approximately \$3,000,000. The study also estimated the cash requirement to secure funding for each building would be approximately \$780,000, which the Trust did not have.

On June 30, 1997, the Trust had only \$134,000 on hand, far short of the amount needed to finance the first structure. At this time there were only seven months left until the mortgage note of approximately \$200,000 was due.

Ms. LaFleur was aware that the Trust was liable for the note on the facility and that the development of a retirement community would require a substantial amount of money. However, instead of completing only essential structural requirements of the home to

protect the investment while trying to secure additional funding to complete the intended project, Ms. LaFleur exhausted Trust funds for furnishings and renovations on a piece of property which had become her personal home. Without an additional funding source, the Rosewood project had no means for success.

As trustee, Ms. LaFleur was obligated to manage the property to the best interest of the Council. Instead, while the Trust still owned the property, she used it as a personal residence while continuing to misspend funds on renovations and furnishings that depleted the Trust and were of no benefit to the Council.

Sale of Rosewood

Rosewood plantation was sold by the Trust to Rosewood Enterprises, Inc. on April 2, 1998, according to Ascension Parish Clerk of Court records, for \$199,338, the amount of the note owed on the property. According to Mr. LaFleur, he owns 70% of Rosewood, Inc., with Ms. LaFleur owning 25%. Mr. LaFleur stated Ms. LaFleur's ownership in the company was to represent the interest of the Council. However, there is no record of any ownership by the Council in the corporation.

Mr. LaFleur stated Ms. LaFleur informed him in November, 1997, that the Trust was nearly depleted and work on the house was not finished. He said, she asked him to donate additional money to the Trust or to purchase the property from the Trust. Mr. LaFleur stated he did not want to donate additional money and did not want to invest in Rosewood. Mr. LaFleur stated that at Ms. LaFleur's insistence he agreed to purchase the property. Mr. LaFleur said his participation hinged on the approval by the Council.

At the Jan. 8, 1998, Council board meeting Ms. LaFleur informed the board for the first time, without any prior warning, that the Trust was broke and would lose Rosewood if immediate action was not taken that day. She told the board that action was needed that day because Mr. LaFleur was about to travel to China, and a decision needed to be made before he left.

A financial disaster that had been building for months was suddenly presented as a crisis that had to be dealt with that day.

In fact, the looming financial crisis had been apparent for months. On Jan. 8, 1998 there was only \$11,200 in the Trust.

Ms. LaFleur told the board the \$200,000 balance on the note assumed when Rosewood was purchased was due on Jan. 27, 1998, two weeks hence.

Ms. LaFleur told the board that a bank would probably not give the Council a loan for the \$200,000 owed without someone backing the loan. Ms. LaFleur insisted the board make a decision on the property that day or they would lose Rosewood.

The Council was given three options by Ms. LaFleur to solve the financial problems associated with Rosewood and the Trust.

- Option one – Terminate the Trust and return the assets to the settlor, Mr. LaFleur. Ms. LaFleur stated this would look bad for both herself and Mr. LaFleur and that, therefore, they did not want to exercise this option.
- Option two – Seek a partnership with Mr. LaFleur. However, Ms. LaFleur told the board that Mr. LaFleur was not interested in such a partnership.
- Option three – Mr. LaFleur would buy Rosewood from the Trust for \$500,000 or \$600,000. She said, of that money Mr. LaFleur would pay approximately \$300,000 to the Council which would then pay off the note and capital gain taxes owed to the federal government. An additional \$300,000 was to be paid to the Council over time, which Ms. LaFleur said she would like to see go back into the Trust to go into the project.

The board concurred with option three with the reservation that it did not have the authority to approve the sale of the property. A resolution of the meeting was signed by then board secretary Mary Findley. The resolution is as follows:

“BE IT RESOLVED that, following a report by Sharon LaFleur concerning the status of the Oscar LaFleur Charitable Trust, the board recognizes that the trust will remove the property in Ascension Parish from the trust based on legal and accounting advice, and the board of directors of East Baton Rouge Council on Aging, Inc. voices no objection.”

Ms. LaFleur’s failure to advise the board of the situation until it had reached a crisis should have alerted the board to dire problems with her administration of the Trust and

the Rosewood project. During the Jan. 8, 1998, meeting, Ms. LaFleur repeatedly stated the reason she sought the board's approval was she wanted to stay out of jail.

Ms. LaFleur's actions should have put the board on notice of a serious problem. Yet, no board member asked Ms. LaFleur why she had not advised the board sooner. No board member questioned her management of the Trust, or why she had depleted the Trust when there was no other means to pay the \$200,000 mortgage. No board member asked Ms. LaFleur how the Trust, initially valued at more than \$600,000 and ultimately growing to approximately \$1 million, could be depleted without the Council receiving any benefit. Nor did any board member ask Ms. LaFleur why she was worried about going to jail.

To the contrary, then board Chairman Mike Lea applauded Ms. LaFleur's work. Then, even as the board endorsed the sale of Rosewood, Mr. Lea and board member Joy Miller urged that any money left after the sale be spent on Rosewood.

The house, furnishings and property were sold to Rosewood, Inc., owned 70% by Mr. LaFleur and 25% by Ms. LaFleur on April 2, 1998, for \$199,338. Although the Council agreed to adopt option three as a course of action, what actually transpired did not follow any of the options. The proposed \$300,000 to be paid over time to the Council was neither paid nor obligated.

The sale of the house and acreage to Rosewood, Inc. is currently being contested in court by the Council as an improper sale on various grounds, including Mr. LaFleur's signing the act of sale on behalf of the Trust as the settlor, because only the trustee may sell Trust assets. In addition, the sale is being contested on the inadequacy of the sale price, \$199,338. The sale price was less than half of what the Trust paid for the property, \$530,000, seventeen months earlier, and before the extensive repairs were started.

After the sale, Ms. LaFleur continued to live at Rosewood.

Mr. LaFleur said he has invested approximately \$1.6 million in the house since agreeing to the purchase in January, 1998. Rosewood, Inc. intended to use the house as a bed and breakfast, and also for special events such as parties and weddings. Mr. LaFleur stated it is now and has always been his intention for the Trust to recover at least a portion of the funds invested in the house, either through revenues generated from business operations or from a sale of the facility.

Mr. LaFleur's stated intentions were not put into a binding agreement and as of the date of this report, Rosewood, Inc. has not given the Trust any money from operations and has not sold the property.

“Other Funds”

Ms. LaFleur mismanaged the Trust by depositing “other funds” in the Trust checking account. We could not determine if these other funds are Trust funds or commingled non-trust funds.

The other funds totaled \$157,600, which consisted of \$155,000 from Mr. LaFleur and \$2,600 miscellaneous receipts.

Ms. LaFleur made nineteen small deposits totaling \$2,600 to the Trust checking account prior to the sale to Rosewood, Inc. These funds were from various sources other than the Trust investment account. The deposits consisted of cash and checks payable to either Sharon LaFleur, Rosewood Plantation, or the Oscar LaFleur Trust. Some of the funds can be identified as refunds of expenditures of Rosewood. There are no documents available to identify the remaining amounts.

During the period of Jan. 27, 1998, to the eventual sale of Rosewood to Rosewood, Inc. on April 2, 1998, according to Mr. LaFleur, he gave Ms. LaFleur five checks totaling \$155,000 for the operation of Rosewood. These checks were payable to Ms. LaFleur, but were deposited by Ms. LaFleur into the Trust checking account.

Mr. LaFleur stated the checks were not intended for the Trust and he was unaware the checks were being deposited into the Trust checking account. The funds were intended for the operation and renovation of Rosewood in anticipation of the purchase by Rosewood, Inc., he said. Mr. LaFleur further stated that he did not take a charitable tax deduction for the \$155,000.

The following transactions took place after the initial deposit in the Trust account of the funds from Mr. LaFleur:

Gift to Daughter

Ms. LaFleur gave \$6,600 to her daughter on Jan. 28, 1998, from the Trust in order to finance a down payment on a home. Mr. LaFleur stated he instructed Ms. LaFleur to wire the money from the funds he had given for the operation of Rosewood. This transaction came one day after Mr. LaFleur gave Ms. LaFleur the initial check for Rosewood operations. The funds were wired to Ms. LaFleur’s daughter, Jodi Cooley who lives near Gulf Shores, AL.

Ms. Cooley said she had asked Mr. LaFleur to lend her the money for a down payment on a home.

Ms. Cooley stated Mr. LaFleur has loaned or given her money on several occasions. She was not aware the money had been wired from the Trust checking account.

Funeral Expenses

Ms. LaFleur paid a Meridian, MS. funeral home \$660 with a Trust check dated Feb. 7, 1998, to cover burial expenses of a relative.

According to Mr. LaFleur, a relative of Ms. LaFleur had died and she needed money to pay for the burial. Mr. LaFleur told Ms. LaFleur to use some of the money he had given her to operate Rosewood.

Operating Funds for Rosewood

After the sale of the home to Rosewood, Inc., on April 2, 1998, Ms. LaFleur withdrew \$45,849 from the Trust to support the operations of Rosewood.

At the direction of Ms. LaFleur, a check was drawn on the Trust investment account dated Jan. 11, 2000, in the amount of \$38,000 payable to Rosewood Enterprises. A former Rosewood employee stated the check was deposited in the Rosewood, Inc. checking account and used for operations.

The former employee stated a second check was picked up from the investment company in August, 2000, at the direction of Ms. LaFleur. She stated this check was deposited to Rosewood, Inc.

On Aug. 11, 2000, a withdrawal was processed for \$7,849.08 from the Trust investment account leaving a zero balance.

Conclusions:

1. A charitable trust established to benefit the East Baton Rouge Council on the Aging was mismanaged by the trustee, Ms. LaFleur. Ms. LaFleur expended \$1.1 million for which the Council received no benefit.
2. The board failed to adequately oversee Ms. LaFleur's administration of the Trust, relying on blind faith in Ms. LaFleur rather than practicing informed oversight. The board did not question Ms. LaFleur's expenditures of \$1.1 million on a venture which was not adequately planned and ultimately had no chance of success.

3. Ms. LaFleur deposited “other funds” into the Trust checking account. We could not determine if the other funds were Trust funds or commingled non-trust funds.

If the other funds were Trust funds, the expenditures thereof represent mismanagement by Ms. LaFleur as the expenditures did not benefit the Trust.

If the other funds are commingled non-trust funds, the act of commingling without a separate accounting represents mismanagement by Ms. LaFleur, as the Trust funds were not safeguarded in a prudent manner. In addition, if the other funds were non-trust funds there are issues regarding gift and income taxes.

Recommendations:

1. A program needs to be established to train board members concerning their fiduciary and other responsibilities.
2. The Council should continue to pursue legal remedies.
3. This report should be referred to the appropriate authorities for review.

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September 6, 2001

Mr. Bill Lynch
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Re: Sharon LaFleur
File No. 1-01-0065

Dear Mr. Lynch:

Please consider this letter a response by Sharon Lafleur, whom I represent, to your draft report of August 29, 2001, in the above matter. First, I would like to point out that the report begins with a completely erroneous title, "East Baton Rouge Council on Aging Charitable Trust." As the trust instrument clearly indicates, the name of the entity which formed the subject matter of the investigation is "Oscar Lafleur Charitable Trust." No trust in the name of the Council exists. Since your office obviously had the trust documents, this fundamental error is inexplicable under the circumstances.

Second, I continue to maintain that your office has no legal authority in the first instance to investigate the trust, which was wholly funded and supported by private funds from Oscar Lafleur, under *Guste v. Nicholls College Foundation*, 564 So. 2d. 682 (La. 1990). Under this decision, the Inspector General has no right or power to investigate matters relating only to private donors. Unfortunately, I never received the courtesy of a formal response to my letter of December 4, 2000, discussing the applicability of this decision and requesting such a response.

Nevertheless, and despite the serious questions regarding the legality of the investigation, I will respond to a number of the broader findings in the report. I note in that regard that Ms. Lafleur, despite implications to the contrary in the report, has co-operated fully since the beginning of your investigation, subject to my advice as her counsel. Although your report indicates that she did not furnish documents related to the trust, we received no request whatsoever for any such documents, which we would have furnished immediately upon request. Indeed, we have furnished voluminous documents related to the trust on a voluntary basis to civil attorneys representing the Council and to various other agencies; I am assuming that you

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obtained the documents, which you clearly have examined, through these attorneys or agencies. As for the reference in the report to her declining to submit to an interview, I have repeatedly advised your staff that we would respond to the draft report, in writing, at the appropriate time.

Please note that the trust instrument does not reflect the restricted purpose described in your report, which states that the purpose of the trust was solely "to support operations of the Council and benefit the elderly population it serves." R. 2. In fact the trust language states that the purpose of the trust is "to enhance and benefit the programs or purposes of the East Baton Rouge Council on Aging, Inc., and any non-profit corporation or entity, or charities or endeavors supported by the East Baton Rouge Council on Aging, or any endeavor that would enhance the quality of life of any persons supported by the East Baton Rouge Council on Aging, Inc." The purpose thus includes a broad range of services, including those provided by non-profit corporations other than the Council, or even for-profit entities that engage in endeavors designed to enhance the quality of life for the elderly population.

As your report concedes, these purposes explicitly included the development of the McCartney Music System or any "similar program." While documentation for funds used to support this system perhaps should have been more detailed, there is simply no question that the system related to the purposes of the trust. I am enclosing a copy of an article from the September 1993 *Platinum Record*, the Council publication; the article describes the role of the system in facilitating the teaching of musical skills to elderly citizens and the formation of a "piano club" by the Council for this purpose.

Your discussion of the Rosewood Project appears to suggest that Ms. Lafleur intended the project primarily, or even exclusively, to serve as her personal residence. This is completely untrue and misleading. The fact is that while Ms. Lafleur did live on the property for a period in order to supervise the renovations and the operation of a reception center/bed and breakfast facility on the grounds, the ultimate purpose was always to construct a retirement community for elderly citizens.

Indeed, the 1997 feasibility study commissioned by Ms. Lafleur on behalf of the trust and mentioned in your report demonstrates that the plan to develop the property to benefit the elderly was very real. This study determined that the elderly population in need of assisted living services was growing rapidly and that such settings allow for privacy, independence, and dignity for the elderly suffering from chronic medical or cognitive problems. Market analysis in the report showed that the Baton Rouge area had a "general lack of assisted living facilities" and that there were numerous potential residents for the proposed Rosewood facility in the three market areas. The study was quite specific in terms of the particulars for the proposed facilities for the elderly at Rosewood and predicted full occupancy within fourteen months of opening. According to the study, Rosewood was particularly appropriate for this purpose because it would "provide a small homelike community ambiance which larger facilities find difficult to achieve."

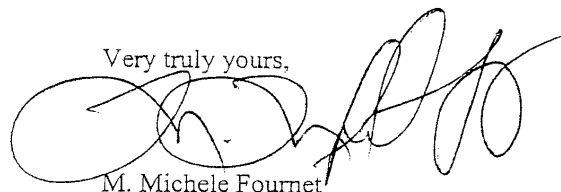
Of particular significance for the purposes of your investigation is the study's stated recognition that the development of the retirement campus on the site would take place "in stages." Your report fails to take into account the long-term nature of the necessarily ambitious plan to renovate and develop this property into a specialized facility to serve the needs of elderly

residents in this area. That circumstances prevented these plans from ultimately coming to fruition does not in any way detract from the sincerity of the intentions by the parties involved.

There can be little question that, with the present benefit of hindsight, Ms. Lafleur would almost certainly have made very different choices in her handling of some matters related to the trust; and on occasion she did exercise less than ideal business judgment. The fact remains that she acted only with the interests of the elderly at heart and with the full approval of the Council on Aging. This was consistent with her impeccable service to the elderly of Baton Rouge for over a quarter of a century.

Thank you for giving us the opportunity to respond to your report.

Very truly yours,

A handwritten signature in black ink, appearing to read 'M. Michele Fournet', written in a cursive style. The signature is positioned to the right of the typed name 'M. Michele Fournet'.

M. Michele Fournet

MMF/tmc

Enclosure

cc: Ms. Sharon LaFleur

ROY, KIESEL, KEEGAN & DENICOLA

A PROFESSIONAL LAW CORPORATION

VICTOR L. ROY, III
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R. BENNETT FORD, JR.*
TAMRA GLYNN VINSON
CHRISTOPHER D. KIESEL
DAVID B. PARNELL, JR.

September 12, 2001

Via facsimile and U.S. Mail

Honorable Bill Lynch
State Inspector General
State of Louisiana
P.O. Box 94095
State Capitol annex
Baton Rouge, LA 70804-9095

Re: File No. 1-01-0065

Dear Mr. Lynch:

Because the matters mentioned in your report regarding the Trust and Rosewood are currently involved in litigation, the Council has asked me to respond to your report because my law firm and I am responsible for that litigation.

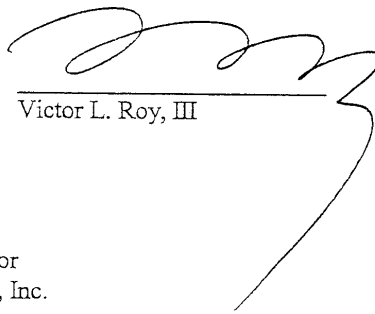
First, let me compliment you, and especially your General Counsel, Peter Wright, Esq., and your fine Auditor, Mr. Gordon Duvall, for an excellent job in assisting all of us in understanding what can only be described as a classic scheme.

You recommend, and the COA wholeheartedly concurs in, three steps the COA should take to redress the situation and to prevent such misdeeds from occurring again: (1) Formal instruction to better equip the new Board in exercising its duty of sound governance; (2) pursue the appropriate civil legal remedies, and (3) cooperate with law enforcement to ensure that culpable parties are brought to justice. I understand Mr. Dykes, the new COA Executive Director, and Mr. Walker, the new Chairman of the Board of COA, will be separately advising you of the steps they have taken to upgrade the level of Board oversight, and I can assure you that the appropriate legal actions are underway to recover the money improperly taken from the Trust and COA. Finally, we have been, and remain, in close and regular contact with federal, state, and local law enforcement.

ROY, KIESEL, KEEGAN & DeNICOLA

Again, personally, and on behalf of COA, let me thank you and your fine staff for a job well done.

Very truly yours,
ROY, KIESEL, KEEGAN & DeNICOLA



Victor L. Roy, III

bhc/VLR

cc: Mr. Johnny Dykes, Executive Director
East Baton Rouge Council on Aging, Inc.



EAST BATON ROUGE COUNCIL ON THE AGING, INC.
5790 FLORIDA BOULEVARD
BATON ROUGE, LOUISIANA 70806-4244
(225) 923-8000 • FAX (225) 923-8030

September 7, 2001

State of Louisiana
Division of Administration
Office of State Inspector General
Attn: Mr. Bill Lynch
P.O. Box 94055
Baton Rouge, La. 70804-9095

Dear Mr. Lynch:

A general membership meeting was held August 30, 2001, and a new board was elected by the general membership of the East Baton Rouge Council on the Aging. At this meeting I was elected Chairman of the Board of Directors.

As chairman of the new Board of Directors for the EBRCOA, our first board training will be conducted by the Governor's Office of Elderly Affairs and has been scheduled for September 25, 2001, at the Council's office located at 5790 Florida Boulevard. Mr. Dykes and I have discussed this training and will schedule any additional training to insure that the board members have a full understanding of their fiduciary and other responsibilities. This board is committed to insuring that services for seniors of this parish will be our first and foremost responsibility.

As Chairman of the Board, I have spoken with Mr. Dykes and have requested that he and his staff along with the Executive Board prepare a corrective plan of action to insure stability at the EBRCOA. The agency is experiencing a large deficit due to mismanagement and misuse of funds by the previous administration.

1. East Baton Rouge Parish Council on Aging has retained Roy. Kiesel, Keegan & De Nicola to represent COA on the Rosewood litigation.
2. The Chairman of the Board and the Executive Director of the Council on Aging has been informed on a continual bases on the litigation by Mr. Roy.
3. After this report is made public, we will refer this report and all other information we have obtained, to the appropriate authorities.

Should you require anything further, please do not hesitate in contacting me.

Sincerely,

J. Micheal "Mike" Walker
Chairman of Board of Directors

An Equal Opportunity Employer



EAST BATON ROUGE COUNCIL ON THE AGING, INC.
5790 FLORIDA BOULEVARD
BATON ROUGE, LOUISIANA 70806-4244
(225) 923-8000 • FAX (225) 923-8030

September 7, 2001

State of Louisiana
Division of Administration
Office of State Inspector General
Attn: Bill Lynch
P. O. Box 94095
Baton Rouge, La. 70804-9095

Dear Mr. Lynch:

In early to mid August I scheduled a full day of Board training for the East Baton Rouge Parish Council of the Aging, Board of Directors at the Council's office located at 5790 Florida Boulevard. The training will be held on September 25, 2001.

As Executive Director I feel it is very important that the Board of Directors know their responsibilities. A new Board was elected on August 30, 2001 by the membership. Further, I feel that this board is eager to function based on their designated duties, as outlined in the GOEA's manual. I have spoken with each Board Member and I feel a strong commitment from each of them, to serve the seniors of this parish.

I will continue to offer training as needed to this board and pledge to them my total cooperation, support, and time. As Director of this agency operating within the guidelines of the open meeting laws and public record laws as stated by the Louisiana Revised Code, I will continue to serve the public in compliance with all local, state and federal guidelines.

1. East Baton Rouge Parish Council on Aging has retained Roy, Kiesel, Keegan & De Nicola and will receive and update on this litigation at the board meeting on September 27, 2001.
2. The Chairman of the Board and the Executive Director of the Council on Aging have been kept updated on the investigation. We will continue to pursue the return Rosewood to the Trust from which it was improperly removed.
3. After this report becomes public, we will refer it to the appropriate authorities.

Should you require any thing further, please do not hesitate in contacting me.

Sincerely,

Johnny Dykes
Executive Director

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