

Last Gremillion Audit in 1959?

By BILL LYNCH
(States-Item Bureau)

BATON ROUGE — Has the legislative auditor made an audit of the office of Jack P. F. Gremillion, attorney general, in the past seven years?

The last report of an official audit of the attorney general's financial operations on file in the legislative auditor's office is for fiscal 1959.

ACCORDING TO employees of the office, who decline to be identified, field work on an audit was conducted about

(A story on the Louisiana Board of Ethics ruling concerning Attorney General Jack P. F. Gremillion will be found on Page 25.)

three years ago. No report based on this field work is on file.

J. B. Lancaster, legislative auditor, and Gremillion have denied that audits were made in 1961, 1962 or 1965.

Asked about reports that these three audits were made,

Lancaster replied, "Your information is absolutely incorrect. I'm not going to make any more comment. If you want to rake me over the coals, go ahead, but I'm not going to discuss audits by this department.

"I'M NOT GOING to run up there and audit Gremillion's books just because some members of the press or TV want me to."

Under the Constitution, one of the duties of the attorney general is to give assistance to the legislative auditor.

The 1959 audit report, which is on file, showed that the attorney general's general survey fund had a balance of \$15,000 and the special studies fund a balance of \$7875. It recommended that "these balances should be returned to the state treasury."

Lancaster says he has not had the manpower to make an audit of the attorney general's financial operations since 1959.

Final reports issued by the legislative auditor are public records; work papers of field examinations are not.

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TWENTY-FIVE

La. Ethics Board Findings

Gremillion Violated Law In LL&T Dealings--Panel

By BILL LYNCH
(States-Item Bureau)

BATON ROUGE—The Louisiana Board of Ethics for Elected Officials has found Attorney General Jack P. F. Gremillion of violating the ethics law, but not any criminal portion of it, in his dealings with the Louisiana Loan and Thrift Co. of New Orleans.

The board, which reached the decision last Saturday, rendered two opinions — one concerned with criminal violations in connection with a complaint filed by the New Orleans Metropolitan Crime Commission and the other an advisory opinion judging Gremillion's past actions.

The board declined to call a public hearing on the MCC complaint, holding that it was doubtful that a violation could be determined beyond a reasonable doubt.

HOWEVER, IT was in the advisory opinion, which Gremillion had asked for, that the Board of Ethics hit the attorney general hard.

After determining that he failed "to measure up" to the code of ethics, the board urged that the law be amended to prevent attorneys general from private law practice and that Gremillion refrain from doing so until so changed.

Dr. J. D. Grey, president of the MCC, said he is disappointed by the ethics board's action, adding that the board's decision seem to represent "half a loaf." He noted, however, that there is still some legal action pending in federal court—a federal grand jury is investigating LL&T—and Dr. Grey said that something may come of that.

The board's key ruling came on the receipt of a \$10,000 legal fee from the controversial LL&T for legal services which Gremillion said were done prior to the firm opening for business in 1966.

"We find that the acceptance by the attorney general of employment as a lawyer by LL&T of the scope and character here involved and his subsequent actions privately and officially in connection therewith constitute a substantial failure to measure up to the standards prescribed in paragraphs 1141 and 1143 of the Code of Ethics," the board said.

THE BOARD RULED that the nearly \$200,000 in loans obtained by companies in which Gremillion has interest from LL&T did not involve a violation of the code.

Gremillion had been brought under fire because of an official opinion he rendered in

August, 1966, keeping the LL&T from under the jurisdiction of the Federal Securities and Exchange Commission.

The ruling permitted the LL&T to continue operations under the state banking commissioner, thereby escaping more stringent federal scrutiny.

It was also held that the receipt of \$700, a stock dividend transferred to Gremillion by New Orleans Attorney William Glennon, did not constitute a

violation since it was not established that Gremillion actually owned stock.

Gremillion explained to the Ethics Commission that he thought the \$700, which he deposited in his account, was a campaign contribution.

THE ETHICS Commission, in summarizing the sequence of events, said that the private involvements by Gremillion

* CORRECTION, 13 SEP.

with LL&T included:

"1. He carried on numerous discussions with Mr. Ernest A. Bartlett, the prime mover in the organization of LL&T Corp., during the period from December, 1965, until June 23, 1966.

"2. Legal services rendered as set forth by Mr. Gremillion consisted of:

"A. Research dealing with laws relating to corporation structure and organization and with respect to the structure and regulation of financial institutions in Louisiana.

"B. Numerous conferences with Mr. Bartlett, in which advice was given as to problems involved in the proposed venture.

"C. The examining, reviewing, and approving of pre-incorporation agreements and bylaws.

"D. REVIEWING AND criticizing certain promotional papers. (It is to be noted that Mr. Gremillion did not prepare or review the articles of incorporation.)

"3. Fee negotiations and payment proceeded as follows:

"A. A stock purchase agreement dated April 26, 1966, marked void.

"B. A stock purchase agreement dated June 23, 1966, only partially completed also marked void.

"C. A completed agreement providing that Mr. Gremillion should represent the corporation for two years from Jan. 1, 1966, through June 30, 1968, for a fee of \$10,000 for the first year and \$15,000 for the second year. This agreement was dated June 23, 1966, and was likewise marked void.

"D. An agreement executed before a notary and two witnesses by Mr. Bartlett and Mr. Gremillion dated June 23, 1966, cancelling all stock purchase agreements and providing that services to date be compensated for by the payment of \$10,000 cash. The agreement acknowledged receipt of \$7,500 at the time of its execution and provided that the balance of \$2,500 should be paid as soon as possible.

"E. STATEMENT submitted by Mr. Gremillion to LL&T dated July 1, 1966, for a balance

of \$2,500 due under the above mentioned agreement.

"F. Check for \$2,500 signed by Mr. Bartlett on behalf of LL&T paid Aug. 15, 1966.

"4. Loans received by Gremillion included \$42,500 on property in Baton Rouge, \$95,000 for purchase of stock in a shopping center in Galliano, and

\$55,000 for an apartment house in Baton Rouge. The latter two loans represented part of the purchase price.

"5. Gremillion received a \$700 check from Glennon.

"Mr. Gremillion insisted," said the board ruling, "that he did not receive this check as an indirect payment to him of a stock dividend, but had the impression that Mr. Glennon was delivering it to him in connection with some of their personal business, perhaps as a contribution to the political campaign which Mr. Gremillion anticipated he might be engaged in within the next few months."

"6. MR. GREMILLION attended a meeting of the board of directors of LL&T held in New Orleans on May 3, 1967, which he states involved merely a social visit, and that he left before the meeting was concluded.

"7. Mr. Gremillion attended a meeting of the board of directors of LL&T in New Orleans on Aug. 1, 1967; and while at the meeting, attempted to assist in settling a disagreement between Mr. Bartlett and Mr. Ritchey, the president of the company.

"He also participated in a discussion relative to opening a branch office, and reminded the directors that they were under the jurisdiction of the bank commission and would be required to obtain his approval before opening a branch office."

The board then related the official actions of Gremillion as attorney general:

1. HE RENDERED HIS opinion on Aug. 13, 1966 that LL&T was in effect a bank.

2. He advised the SEC that LL&T was organized under the banking laws on Sept. 12, 1966.

3. He advised the SEC on Oct. 21, 1966 that LL&T had complied with all of the state banking laws.

4. He wrote the LL&T on Aug. 22, 1967, that although LL&T was similar to a bank it was not a commercial bank and could operate a branch office in another parish.

5. HE UPHELD the legality of LL&T and its affiliate company, Savings Guaranty Corp., in a letter to the League of Savings and Loan Associations of Metropolitan New Orleans on Sept. 21, 1967. He said the letter was written on behalf of Banking Commissioner A. Clayton James and Insurance Commissioner Dudley Guglielmo.

6. The board assumed that Gremillion approved a request on March 7, 1968, of Joe Kavanaugh, Baton Rouge attorney, as special counsel to the banking commission to take over as conservator of the LL&T. The request was made by Commissioner James.

The board noted that the law does not prohibit the attorney general from engaging in private law practice.

HOWEVER, THE board was somewhat critical of the size of the fee Gremillion received and the amount of work involved.

"Another point meriting serious consideration", the board said, "was the apparent limited extent of the services performed by Mr. Gremillion compared to the fee which he received. He did not prepare or critically review the articles of incorporation.

"Other attorneys were retained who performed considerably more extensive portions of work in the undertaking than did the attorney general.

"The willingness of the promoter (to make such payments) should have indicated fairly to the attorney general that the promoter was seeking some benefits from his involvement as an attorney beyond the technical legal services actually rendered."

THE BOARD continued, "reciprocally, the attorney general should have realized, although no definite commitment was asked, that he might well be expected at some future time to deal preferentially with LL&T, in the event of the de-

veloping of any problems of that corporation with respect to the agencies of the State of Louisiana.

"It seems clear that LL&T and its promoters desired that it be as free as possible from regulation by any agency of the State of Louisiana, but with greater urgency that it did not come under the jurisdiction of the SEC."

The board said that Gremillion went further to protect LL&T from the SEC.

"It seems to us that his activities in that respect went beyond the requirements of his duty as attorney general, and may be deemed to have afforded to some extent special and preferential treatment of LL&T."

In writing the opinion on which LL&T based its state banking status, the board said, "We cannot escape the conclu-

sion, however, that he was going beyond the necessities of his official duty and was seeking to advance the interest of the LL&T Corp."

IN ITS DECISION on the MCC complaint, the Board of Ethics refused requests by Gremillion to quash the complaint.

However, it ruled that it could only consider the complaint in light of any possible criminal violations under the criminal sections of the ethics law and therefore had to construe the law strictly.

"Without otherwise commenting upon that evidence and the probative value thereof, we deem it proper to observe that we foresee substantial uncertainty as to whether it would be sufficient to establish a violation of any of the prohibitions contained in the Code of Ethics beyond a reasonable doubt."

IN ITS ANNOUNCEMENT, the ethics board also said it found that Gov. John J. McKeithen did not participate in the organization of the company or attempt to influence any of the opinions or actions affecting LL&T.

The governor's conduct, the board said, was completely ethical and proper in every respect.

State Rep. Salvador Anzelmo, attorney for LL&T, issued a statement yesterday denying testimony given to the Securities and Exchange Commission in Fort Smith, Ark., by Ernest A. Bartlett, Jr., former head of LL&T.

BARTLETT HAD SAID that Gov. McKeithen put him in touch with Anzelmo and others when he was organizing LL&T and said that McKeithen appointed a special counsel to write the controversial opinion that placed LL&T under the state banking commission.

Anzelmo said, "To my knowledge Mr. Bartlett has never met the governor and the only relationship that Gov. McKeithen had with Louisiana Loan & Thrift Corp. was at the time when I, as the attorney, approached him seeking a bank charter" for LL&T.

Anzelmo said that while Gov. McKeithen expressed willingness to help Louisiana citizens, who had their money invested in LL&T, he referred "my request for a bank charter to the state banking commissioner for his sole determination and judgment."

He said, "As far as I know, Gov. McKeithen had no other interest or relationship with Louisiana Loan & Thrift Corp.