

July 11, 2005

From: William D. Carroll, III
Former Administrator and Creditor of Charis Hospital

To: Chapter 7 Trustee, Michael Chiasson

Dear Sir,

I have resisted an impulse to respond to your legal counsel's motion filed on June 14, 2005 in Response to my Motion to Achieve an Acceptable Remedy filed on May 12, 2005. Continuing this discourse in the court record would be petty, inconsequential, and a distraction to the objective, the Chapter 11 Liquidator's, CalMed Consulting Inc./CEO Stacey Calvaruso, accountability. It is unfortunate that you have assumed a defensive posture in light of my representation of the facts only filed after I received your stated intention, via counsel, to approve the Liquidator's. However since I have tired of significant representations and false statements advanced by attorneys in the previous four years related to this case, the following response to your motion is provided for the record.

a. In your June 14, 2005 motion, the following statement is made;

"Mr. Perry was able to answer the questions that were properly raised at the 341 creditors meeting."

This is false. First, at the July 13, 2004 Creditors Meeting, Mr. Perry first attempted to argue that the Chapter 11 Liquidator, appointed on October 26, 2001 was actually not the debtor. Then Mr. Perry, credentialed in bankruptcy law seemed confused and incredulous that the Liquidator would be required to attend the 341 Creditor's Meeting. However, specific to your statement, Mr. Perry lent nothing to the illumination of the management and financial affairs of the Liquidator. When I was afforded an opportunity to query Mr. Perry, I immediately stated that Mr. Perry was incapable of answering questions specific to the management and financial affairs of the estate. And even if he maintained any information regarding the Liquidator's questionable conduct, he would be constrained by the attorney client privilege. The only question I posed to Mr. Perry was why the Liquidator did not pursue \$1.2 million in "reported" preferential transfers made by William Planes/ICC/IBC to itself despite filing for preferential transfers against legitimate creditors, some for amounts less than \$1,000. Mr. Perry indicated that this occurred due to prohibitions contained in the settlement agreement engaged between my parents and Mr. Planes. Two important points must be considered regarding his comment. One, Mr. Perry nor his client was a participant to the sealed agreement therefore they could not know the specifics of the agreement nor were they constrained by it. Therefore, the Liquidator should have certainly filed preferential transfers against an organization whose activities ensured the demise of the hospital. Secondly, if this element were part of the sealed agreement, it could not be binding as the Liquidator, not my parents, controlled the estate on April 18, 2001, the date the agreement was verbally approved and subsequently signed on April 27, 2001. The only additional legitimate question posed derived from your legal counsel, Mr. Albritton who questioned Mr.

Perry on how he could know the specifics of a sealed settlement agreement. No coherent response was obtained.

b. In the motion filed on June 14, 2005, the term "secret" is used to describe the sealed settlement agreement between my parents and William Planes/ICC/IBC. Apparently this term is used to imply something insidious. The reality to the stipulation of the sealed settlement agreement is as follows. William Planes, CEO of ICC/IBC/etc. mandated the sealing of the agreement, not my parents. In more than one email to your legal counsel, I indicated my parent's willingness to unseal the agreement with the only caveat that this approval not be used to attack my family. This concern proved well founded as in a court hearing regarding the matter, it was advanced to the court that my family opposed the unsealing of the agreement while no mention of Mr. Planes objection, provided in writing with the additional threat of legal action, was withheld.

c. In the motion filed on June 14, 2005, the following statement is made,

"Mr. Carroll makes several statements concerning the sealed agreement which he entered into along with his parents."

Again, this is a misrepresentation to the court. As indicated numerous times, I was not a participant to the agreement or privy to its financial requirements. I was forced to sign a non-disparagement clause against William Planes, his organizations, and waive the possibility of future litigation. It is no coincidence that Mr. Planes did not want the specifics of the demise of Charis Hospital, Physicians Hospital, Quality Care Rehab, and acquisition of Dixon Medical Center among surely others disclosed. After three years of further investigations related to these facilities, his concern was well founded. However, consistent with Federal law, this information has been advanced to the appropriate Federal agency. I welcome the opportunity for the settlement agreement to be unsealed and being illuminated on my inconsistencies.

d. In the motion filed on June 14, 2005, the following statement is made,

"Mr. Carroll has failed to produce a single document which would substantiate these claims (conflict of interest between the Liquidator and ICC/IBC)."

This is correct but misrepresented. I have stated that the Liquidator maintained and acted upon a conflict of interest with ICC principles directly involved in the demise of Charis Hospital and yes I have not provided documentary evidence. This is because prior submissions of evidence provided to you and your counsel, such as the Liquidators failure to file the 2001 Medicare Cost Report despite having it in her possession for over two years, was immediately conveyed to the Liquidator who began orchestrating a cover up/defense. This occurred while simultaneously thwarting all attempts to preemptively place Ms. Calvaruso under oath and question her on this matter. However, quantitative evidence to validate this conflict of interest is even more pronounced. The Liquidator failed to pursue \$94,000 in debtor in possession funds held by ICC, failed to pursue or notify to the IRS approximately, \$139,000 tax funds held by ICC, failed to pursue \$1.2 million in preferential transfers reported by ICC. When taking in consideration that the additional facts

(1) Refused to investigate the activities and proof of claims of William Planes and his organizations despite being provided credible evidence in December 2001 that was later validated in the adversarial proceeding;

(2) Requested from the court that ICC be allowed to perform the billing of patient billing records taken from the hospital after hours, a contributing factor to the hospital's demise;

(3) Objected to William Planes bankruptcy claims with the caveat of their approval upon Planes' success in the adversarial proceeding with my family. To increase this possibility, Ms. Calvaruso testified on behalf of William Planes and his organizations in his attempt to obtain \$3.3 million;

(4) Did not object to William Planes and his organizations reconstituted secured claim after the adversarial proceeding settlement agreement;

(6) Included ICC management fees on the 2001 Cost Report which were not performed.

The most logical question would be why the Liquidator failed to pursue over \$1.5 million in recoverable funds held by ICC when it stood in position to collect 25 percent of these funds personally? A more logical question is what did the Liquidator obtain in return? Again, the answer is readily available. After the sale of the hospital, only one secured creditor remained, William Planes/IBC. Despite being in a superior position to the projected \$3.6 million in accounts receivables, ICC approved the Liquidator's request for a \$3,500 monthly fee and 25 percent of recovered receivables, despite the 2001 national average of 2.5 percent compensation for Chapter 11 Trustees/Liquidators in cases over \$500,000. The Liquidator's refusal to investigate William Planes and assistance suggest that he was aptly rewarded.

e. At the hearing on my attorney's conflict of interest which blocked a subpoena of the Liquidator, Mr. Mark Goldstein states that,

“ Mr. Carroll's parents, who were the debtors in possession... have sued debtors counsel (Arthur Vingiello), unsuccessfully, and have also sued other counsel, Jack Stolier, apparently unsuccessful. I'm not sure. Very litigious.”

Mr. Goldstein's statement is misleading and represents his zeal to impugn my parent' s character regardless to the facts. To reiterate, the hospital's former manager, William Planes/IBC/ICC (hard to keep straight) settled out of court. Jack Stolier, the hospital' s attorney who recommended then assisted William Planes settled out of court. The debtor's counsel, Arthur Vingiello was sued for his participation in the demise of Charis Hospital. The only reason this case did not move forward and most likely result in a settlement agreement is that the Liquidator, Stacey Calvaruso blocked it. Unlike the William Planes, Jack Stolier, and Bank One lawsuits, this lawsuit was not subordinated to my parents. (The subordination occurred due to the availability of adequate funds to satisfy the estates debts that were mismanaged.) Mr. Vingiello's conduct was not benign and lest you think the lawsuit against Mr. Vingiello was

unfounded; his role related to the demise of Quality Care Rehab involving the same parties should provide some validity.

It is a shame that someone who makes a living as a legal professional calls individuals who have been defrauded, extorted, and embezzled against, litigious because they use the only mechanism available to honest people in a civil society.

f. In your motion filed on June 14, 2005 you argue,

“Mr. Carroll’s specific complaint that the Chapter 7 Trustee allowed additional “management fees” to be reported on the cost report is actually not a complaint at all. The reason the 2001 cost shows that the estate owes money to Medicare, is because the Debtor did not properly account for its costs in 2001. – If the 2001 cost report did not reflect management fees, then the estate’s debt to Medicare would be actually higher.”

First, two points of consideration, the costs were properly accounted for, defined, and provided to the Liquidator. Documentation exists in the court record to support this position. Secondly, the Liquidator engaged a CPA who worked for William Planes at other facilities, who conducted the previous cost report under a different company at significant costs that exceeded industry standards. This additional cost was justified to facilitate a reconstruction and validation of the records to include costs. Your attempt to transfer blame to my family is consistent with Bank One, William Planes, Jack Stolier, Stacey Calvaruso, and AUSA Thompson and is not surprising. Yet the most notable statement is the last sentence. Mr. Albritton was informed that the management fees, which didn’t come from documents/information provided by my family, were not legitimate and confirmation could be supported by estate records. Mr. Albritton dismissed this information indicating that if they were not included it would increase the amount of payback to the program. To his credit, he reiterates this position in the above last sentence. However, including costs that are not legitimate with the intent of reducing the amount of money owed to Medicare would be deemed fraudulent if performed by a healthcare provider. Mr. Albritton’s argument and justification are inconsistent with Medicare law, Section 2134, Organization and Corporate Costs.

g. Lastly, you state that I am a purported creditor. Yet never, since your assignment as the liquidating Chapter 7 Trustee in July 2004, have you questioned my unsecured claim. If you had, I would have gladly gone over it, line item by line item. In lieu of this I provide the following. There are three primary cost areas that precipitated my unsecured claim. In brief:

(1) \$3,500 bankruptcy filing - Because my parent’ s personal finances were ravaged by William Planes, I was forced to sell my Harley Davidson to fund the majority of the hospital’ s bankruptcy filing fee.

(2) Physician Recruitment. William Planes/ICC employed one Physician at a rate well beyond the market rates and Medicare allowable expense. This Physician answered to Mr. Planes and despite my attempt, using legal counsel, to obtain his compliance to his contract, he refused. To compensate for this deficiency and consistent with my duties as the hospital Administrator, I engaged numerous physicians and expended significant personal funds to

expand the hospital' s physician base. This effort resulted in numerous physicians requesting privileges to practice at the hospital. It improved the quality and professionalism of the hospital' s medical staff and ensured adequate staffing after our marketing efforts came to fruition. See Below.

(3) February 2001 Open House. While William Planes was withholding payroll and demanding that my parent' s turnover a corporate piece of property with over \$300,000 in equity while simultaneously trying to force the successors of Quality Care Rehab to purchase the property so he could cash out, Charis Hospital' s census had dwindled to less than 10 patients. Never mind the fact that William Planes flew on private jets, threw a private Ritz Carlton party, used limousines, among other unnecessary and self fulfilling things with limited hospital funds. As the hospital' s administrator responsible to the community, staff and vendors, I decided to hold an open house. When informed Mr. Planes threw a fit and stated that he would not fund it. Bank One who held the hospital' s note mandated that he control all hospital funds and would not allow us (family) to change managers. Therefore, I paid personally for items to beautify the hospital, food and drink items, and marketing materials. This effort resulted in a significant increase in the hospital' s census especially when attendees found out that internal ICC personnel had quit.

(4) My unsecured claim doesn' t include debts left by ICC such as a \$1,800 Klienpeter Milk bill, Entergy bill for physician spaces, three years of personal expenses while attempting to hold the Liquidator accountable.

Unfortunately, my enthusiasm as a result of your appointment and belief that I could extricate myself from this sordid case while a legitimate investigation was conducted clouded my judgment at the July 13, 2004 Creditors Meeting. I failed to recognize the significance of your accommodations to the Liquidator and indifference to the acts of William Planes and his organizations. I have requested a transcript from the July 13, 2004 Creditors Meeting which I am confident will verify my statements upon request.

Despite our different goals and loyalties, I hope we can conduct the upcoming 341 creditors meeting civilly with the objective of getting on the record, under the threat of perjury, a true accounting of the Liquidator' s management and financial activity of Charis Hospital. Since I have my concerns, I will be notifying all legitimate creditors of this event and encourage their attendance. I am also posting Charis Hospital information on www.wellsofjustice.com/charis_t.htm to help other victims devastated by the bankruptcy system and those who make a living off it. Another more in depth website to include all crimes and corruption associated with Charis Hospital as well as one other project are under development and will be brought to fruition pending the ongoing Federal investigation. I am convinced that when ultimately informed of the activities of this network that has impacted the availability of healthcare in our community, the citizens of this state and its newly elected officials will not be as receptive to the shenanigans and business as usual historic to Louisiana.

I want to lastly state that I take no pleasure in this process, expending personal funds to perform your duties. It is tragic that legitimate creditors cannot rely on the bankruptcy system to work efficiently, effectively, and most importantly, independently.

If there are any concerns from your perspective that could be dealt with prior to the upcoming meeting, I welcome your email or call to facilitate a resolution.

Thank you.

William D. Carroll, III

cc: The Honorable David Vitter, United States Senate
The Honorable Bobby Jindal, United States House of Representatives
Michael Bolin, United States Trustee, Region 5
David Dugas, United States Attorney, Middle District Louisiana
Jim Letten, United States Attorney, Western District Louisiana
Melvin Albritton, Counsel for Chapter 7 Trustee
Mark Goldstein, Counsel for Chapter 7 Trustee