

The Evening Bulletin

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Sundlun names DEPCO board

Citizens moves to buy credit union at Brown

By JOHN KOSTRZEWA
Journal-Bulletin Staff Writer

PROVIDENCE — Citizens Financial Group is negotiating to acquire the Brown University Employees' Credit Union, which has been closed since Jan. 1, blocking about 2,900 members from access to about \$10 million in deposits.

If completed, the transaction would be the first acquisition of a closed credit union by a federally-insured bank, allowing the credit union to reopen and giving depositors access to their money.

Credit union members were notified in a memo yesterday that Citizens' board of directors had "agreed in principle" to acquire all of the credit

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Panel is long on business experience; director to be hired before Feb. 26

By MIKE STANTON
and JOHN KOSTRZEWA
Journal-Bulletin Staff Writers

PROVIDENCE — Drawing on candidates with experience in banking, business and real estate, Governor Sundlun yesterday announced the board of directors for the newly created Depositors Economic Protection Corporation.

Sundlun also said that "4 or 5" of the 15 closed credit unions and banks have no current prospects for a merger or acquisition with a federally insured institution that would allow them to reopen.

He advised their directors to turn over the institutions to DEPCO so the assets can be sold to help pay back depositors.

Sundlun did not name the institutions, but called Marquette Credit Union, Rhode Island's largest, the "sickest of the sick."

And for the first time, Sundlun said "a few small loan and investment banks" are trying to negotiate a merger to avoid being broken up in DEPCO. He declined to name the banks or provide any other details.

That transaction is separate from

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RISDIC crisis

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CREDIT UNION CRISIS



—Journal-Bulletin Photo by KRIS CRAIG

CRISIS MANAGEMENT: Governor Sundlun introduces DEPCO directors William H.J. Goddard, Judith M. Morse, Ron Marsella and Edmund V. Marshall. At Sundlun's left is sign-language interpreter Maureen McEntee.

DEPCO

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a potential acquisition of 6 of the 15 closed institutions by a federally insured bank that is widely known to be Old Stone Bank.

Sundlun, who will be ex-officio chairman of the DEPCO board, was flanked at a State House news conference by the four directors he has nominated to serve with him:

- William H.D. Goddard of Providence, president of the Warwick Land Company, which develops and manages commercial and agricultural properties throughout the United States. He is a director of Rhode Island Hospital Trust National Bank.

- Judith M. Morse of East Providence, a certified public accountant and professor at Providence College, and former vice president of the Bank of New England Mortgage Corporation.

- Edmund V. Marshall of East Greenwich, a retired executive of Textron and currently chairman of the board of INSIGHT, the former Rhode Island Association for the Blind.

- Ron Marsella of Warwick, a developer who was involved with the Capital Center project in the 1970s and a former executive director of the Providence Foundation, a nonprofit downtown redevelopment group that renovated the Arcade Building and Providence Performing Arts Center.

The directors, who will be unpaid and are subject to Senate confirmation, set their first meeting for Feb. 26. They expect to have hired by then an executive director, at least on an interim basis, who will be responsible for DEPCO's daily operation.

Under legislation signed by the governor last Friday, the semiautonomous state agency is to liquidate and sell off the assets of closed banks and credit unions to help pay off depositors in stages over a period of three years.

The board of directors will have to decide when to sell assets to get the best possible return in a slumping economy, but at the same time liquidate assets quickly enough to provide some of the money to meet the payback schedule to depositors mandated by the DEPCO legislation.

"These problems are the kinds of problems that businesses face all the time — whether you've got risk running ahead of your assets," said Marshall, who oversaw Textron's venture-capital business. "We'll deal with individual cases and draw on the different skills and experiences that exists on the board. We'll have to work hard to sort it out."

Though Sundlun would not name the four or five institutions with no current prospects to be acquired or merged with a federally insured bank or credit union, sources said the institutions include the three largest closed credit unions: Marquette, Rhode Island Central and Davisville.

"My advice would be that their boards should move into DEPCO as soon as possible," said Sundlun. "If we get an institution that voluntarily puts itself into DEPCO next week, we might conceivably be able to make distribution the following week or the week after that."

If institutions do not go willingly into DEPCO, Sundlun can start an involuntary receivership process that would mean a longer wait for paybacks to depositors, possibly a few months, because of court hearings and potential appeals.

The state likely could be granted expedited hearings and appeals in such a case because of the public interest involved, Sundlun said. But even so, he said, "If you follow that route, you're looking at a couple of months (before payouts could begin)."

In addition to suitable experience and background, Sundlun sought to select directors who don't have any conflicts of interest with any of the closed banks or credit unions.

All four appointees said yesterday that they had no such conflicts.

Marsella said that his wife, a teacher at East Greenwich High School, has a "modest" account at Rhode Island Central because of a

payroll deduction arrangement.

Marsella also said he is a partner in the Citizens Bank subsidiary that developed 1 Citizens Plaza, a downtown Providence office building. But he said he has no direct ties to the bank.

Goddard is a director of Hospital Trust, a bank that has been asked by state officials to consider acquiring one or more of the closed institutions.

"I will refrain from voting on issues that relate to the interests of Hospital Trust," he said.

Morse has been a professor of accounting since 1989 at Providence College, which has \$575,575 in two accounts at Greater Providence Deposit. She said she had no conflicts.

Marshall, who moved from Florida to Rhode Island in 1980 when he was hired by Textron, said he has no ties to any of the institutions.

Barbara Cottam, Sundlun's press secretary, said that the four directors' names will be formally submitted by today to the Senate for confirmation.

The General Assembly will be off next week, but the Senate Judiciary Committee will conduct hearings on the nominees as soon as legislators return the following week, according to Sen. James Donelan, D-Warwick, vice chairman of the committee.

But the nominees can continue to work before formal approval, said Cottam.

She also said that the DEPCO board meetings will be subject to the state's open-meetings law.

On another matter yesterday, Rep. Thomas Rossi, D-Providence, introduced an amendment to the DEPCO bill calling for the immediate publication of the names of all elected officials in Rhode Island who withdrew more than \$10,000 last December from the closed institutions.

The measure also would require complete disclosure by any executive, director or employee of a closed institution, and for the state Department of Business Regulation to turn over a complete list of December withdrawals to the attorney general's office for possible criminal investigation.

Rossi proposed a similar amendment during last Thursday's floor debate on DEPCO, but withdrew it after he was unable to work out a hasty compromise to satisfy members' concerns over the publication of the names of all depositors who withdrew significant sums.

Of the 15 closed institutions that are candidates for DEPCO, Sundlun said, "There are a few small loan and investment banks that seem to have been able to arrange their own mergers and acquisitions."

"It hasn't been done yet, but probably will go through and they will be able to make a distribution to depositors reasonably soon," he said.

The loan and investment banks that are closed are Greater Providence Deposit & Trust; Union Deposit Loan & Investment Bank; Savers Bank & Trust Co.; PierBank and Blackstone Valley Loan & Investment Bank. A sixth, Banner Loan & Investment Bank, is an arm of Marquette.

Cottam, Sundlun's press secretary, said the transaction Sundlun talked about is different than a previously announced deal with six closed credit unions and banks and a federally insured bank. Sources at the State House and in the banking community have identified the potential acquirer as Old Stone.

Those six institutions include two banks, Greater Providence and Blackstone Valley, and four credit unions, East Providence, Columbian, Charho-Exeter and Providence Teachers'.

The transaction, which may involve an infusion of state pension funds and other funds available to DEPCO, would require federal regulatory approval.

Sundlun previously had said that regulatory review would take two to three weeks. Yesterday he said the process would take four to five weeks.

He also previously said the odds were "50-50" or less that a deal could be completed, but yesterday he said, "We are not contemplating that (the six) will come into DEPCO at all."

Sundlun said that no consideration is being given to infusing state funds into Marquette, with \$327

million in deposits and 37,000 members, to make it attractive to an acquirer.

He said, "I have tried twice to get a local bank to interest itself in acquiring Marquette" because it is a special case — geographically isolated in Woonsocket with a long community history there.

"Marquette on its numbers is the sickest of the sick," Sundlun said. "So far, we have not been able to interest anybody in acquiring Marquette."

Maurice Paradis, director of the state Department of Business Regu-

lation, said there is still a "distant hope" that the four or five with no current prospects for merger or acquisition will be able to avoid DEPCO.

He added that as many as 10 of the closed banks and credit unions may escape DEPCO by being taken over by federally insured institutions.

He also raised one other possibility: self-liquidation to allow a bank to sell its assets and pay back depositors directly. One of the small banks, Alliance Finance Corporation of Rhode Island, was allowed by

Profiles of DEPCO board members

Romolo A. Marsella

Romolo A. "Ron" Marsella is no stranger to commercial real estate.

As a principal in the Providence-based Marsella Development Corp., he developed two of the city's most visible downtown projects: the Union Station complex and One Citizens Plaza, a \$30 million, 13-story office tower at the confluence of the Woonasquatucket and Moshassuck Rivers.



MARSELLA

"I have a lot of background in that area — in knowing the value of real estate, when to sell it, how to manage it in the interim," Marsella said yesterday.

He'll need it. "The real estate market," he said, "is in an economic depression."

In the 1960s, the Providence-born Marsella worked as a sales manager of the Plaza Hotel in New York City. In 1967, he joined his family business, Marsella Tool, a metal stampings and jewelry manufacturer.

From 1973 to 1978, Marsella was executive director of the

Providence Foundation, a nonprofit organization that helped revitalize the Providence Performing Arts Center and the Arcade. Marsella revived the idea of moving the city's railroad tracks to make room for the Capital Center.

Governor Sundlun, also a member of the Providence Foundation, last week asked Marsella to join the DEPCO board. It wasn't the first time the governor asked for a favor.

Last November, Sundlun asked Marsella to help the displaced University of Rhode Island College of

Continuing Education find a new home.

"I think it's very hard to say no to a governor," Marsella said. "This governor and the state at this time has a very serious problems. Those that can help should."

Marsella, 49, said he has never received a loan from a RISDIC-insured lender. He said the sale of DEPCO's real estate — most likely condo projects and suburban strip malls and offices — would not affect his own projects, which consist of top-priced office space.

— PAUL DAVIS

Paradis last month to self-liquidate.

Paradis added, however, that it would be difficult to sell assets to provide the cash to pay off depositors because "This is just a bad market right now."

Sources said the candidates with the best chances to be approved for self-liquidation, if they do not complete a merger or qualify directly for federal insurance are Union, Savers, Blackstone Valley and Pier-Bank.

With staff reports from Jeffrey L. Hiday.

'These problems are the kinds of problems that businesses face all the time — whether you've got risk running ahead of your assets. We'll deal with individual cases and draw on the different skills and experiences that exists on the board. We'll have to work hard to sort it out.'

EDMUND V. MARSHALL
Former Textron executive
named to DEPCO board
