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Charles R. Mansolillo

City Solicitor



Vincent A. Cianci, Jr.

Mayor

Department of Law

"Building Pride In Providence"

April 28, 1998

The Honorable
The City Council of the City of Providence
City Hall
25 Dorrance Street
Providence, RI 02903

Dear Council Members:

Enclosed for your perusal is a copy of the Fairfax Group investigation related to the Retirement Board.

Respectfully submitted,

A large, stylized handwritten signature of Charles R. Mansolillo in black ink.

CHARLES R. MANSOLILLO
City Solicitor

IN CITY COUNCIL

MAY 7 1998

READ

WHEREUPON IT IS ORDERED THAT
THE SAME BE RECEIVED.

A handwritten signature of Michael X. Clement in black ink, written over a horizontal line.
CLERK

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INVESTIGATION
Of
CERTAIN MATTERS RELATED
To
THE RETIREMENT BOARD
Of
THE EMPLOYEE'S RETIREMENT SYSTEM, CITY of PROVIDENCE

The contents of this report are confidential and proprietary. It is submitted without prejudice and is provided for the exclusive use of the client. It may not be divulged to any third party without the prior consent of The Fairfax Group, Ltd.

BACKGROUND

During the past several years, there has been an abundance of controversy regarding the former investment practices of the Retirement Board of the Employee's Retirement System of the City of Providence, Rhode Island (hereafter referred to as the "Board"). Although the Board no longer discharges an investment function—since mid-1995, that responsibility has been within the purview of the new Board of Investment Commissioners--debate about the Board's prior conduct and practices has not subsided. Recently, it was disclosed that a long-time money manager affiliated with the Board is now under investigation by Federal authorities representing the Securities and Exchange Commission, the Office of Labor Racketeering of the U.S. Department of Labor, and the Federal Bureau of Investigation. Former and current Board members also are under scrutiny by investigators to ascertain whether they received financial or professional benefit for voting on decisions that benefited themselves or their employers, whether those employers be brokerage firms or labor unions.¹

There are also allegations of ethical misconduct leveled at a specific Board member during the time the Board rendered investment judgments. This alleged misconduct, involving the Board's former Investment Committee Chairman, reportedly involve free meals, recreational trips, hotel rooms and gratis sporting events, and is now being addressed by the Commission

¹ On March 12, 1997, the United States Attorney's Office in Boston served a Federal Grand Jury subpoena upon the "Custodian of Records" for the Retirement Board, City of Providence, compelling that official to turn over all records of the Board's deliberations and actions covering the period "January 1, 1993, to the present" to Federal authorities. Those documents are now being analyzed by Federal investigators, along with documentary and testimonial evidence from other sources and jurisdictions.

Prosecutor and Senior Investigator of the Rhode Island Ethics Commission.² Questions have continued, as well, regarding the retention by a private attorney (Joseph J. Rodio, Esquire) and his firm by a Board member (Stephen T. Day), when that same counsel's law office represented a commercial developer who received a sizable construction financing loan from the Board (during a period of "tight money" when banks largely shunned such risky loans). Queries still circulate regarding the propriety of this \$12.5 million loan awarded in 1993—a loan which the City Solicitor called "illegal"—and others have questioned the circumstances under which this loan was conveyed to a person publicly connected with organized crime figures.

Confronted with this lingering backdrop of doubtful conduct regarding the prior activities of the Board, Mayor Vincent A. Cianci, Jr., asked The Fairfax Group, Ltd. ("Fairfax"), in April, 1997, to review the original investment decisions made by the Board and determine, if possible, whether Board members were subjected to undue influence from the numerous money managers responsible for the allocation and disbursement of Employees' Retirement System investments. Mayor Cianci also directed Fairfax to ascertain whether Board members involved themselves in conflicts of interest situations, resulting in pension funds being inappropriately steered to preferred investment advisers. If the allegations were true, the Mayor expressed concern that this reported conduct would constitute—at a minimum--violations of Rhode Island ethics laws.

² On February 25, 1997, the current president and officers of Firefighters Local 799 (and Local 799, itself) filed an ethics complaint with the Rhode Island Ethics Commission asserting that Stephen Day, former president of Local 799 (and the Board's former Investment Committee Chairman), received "items of value" (trips, meals and baseball tickets) from Clarke Blizzard, a Shawmut money manager, in exchange for the Board's continuing investment allocations to Shawmut Bank. In response, Stephen Day filed documents in his defense with the Ethics Commission, and has also recently levied a slander suit against the officers of Local 799 in Superior Court, Providence. The allegations made by the Firefighters officials against Day are the focus of the current Ethics Commission inquiry.

We have reviewed in detail all available minutes of the full Board's deliberations, and have focused our analysis on the crucial 1992-1994 time frame when most of the dubious activities occurred. Extensive records were provided to us, upon request, from those we interviewed, and additionally, we have obtained public records from both the City Controller's and Pension Administrator's Offices. Further, we have conducted appropriate searches of public records from other sources, as well as ordering an extensive media survey from 1991 to the present. We also have performed a forensic analysis of fee agreements formerly existing between the Board and various managers. All of these voluminous materials have been organized and assessed, and other research, litigation, asset, corporate and personal background inquiries have been undertaken as further leads developed.

We have maintained appropriate personal liaison with city officials, and have also met with federal, state and local law enforcement authorities; indeed, as an act of professional courtesy, all of these investigative agencies were alerted of our inquiry at the outset, and each agency has graciously echoed their support of this undertaking. Numerous personal interviews have been held with past and present Board members and the Board's counsel, as well as former money managers who had contractual business before the Board. Some individuals have flatly refused to cooperate with the inquiry. As an example--and although he previously agreed to an interview--Board Chairman Pasquale T. D'Amico refused to speak with Fairfax when we appeared at a pre-arranged setting convenient to him (at the end of a Board meeting). When we presented ourselves for the scheduled discussion, Chairman D'Amico surprisingly responded (through an intermediary) that he would only talk with us "if you put your questions in writing." Additionally, past and current Board member Mr. James R. Quattrocchi--while disingenuously

questioning the legitimacy of our inquiry--flatly stated, "I'm not going to talk to you under any circumstances." Also, Mr. John A. Hannah, former consultant to the Board (and one paid a hefty sum by the City of Providence over the years) elected not to meet with us, even though the City Solicitor—on our behalf—wrote to his Boston attorney requesting such an interview.

INVESTIGATIVE RESULTS

RETIREMENT BOARD

A knowledgeable official having business before the Board during the period when that entity made investment decisions (prior to the transfer in 1995 of those responsibilities to the Board of Investment Commissioners under a decision of the state Supreme Court reached via litigation initiated by the Mayor and City Council) described the former Board as "a totally renegade outfit, staffed by investment novices that could never get along and did just about whatever they wanted to." Another critic, this a sitting Board member at the time, charged that the Board performed "like the ruling junta of a Third World nation...."³

Perhaps those judgments are somewhat strident, as certain Board members did attempt to faithfully perform their fiduciary duties to the City of Providence, but it is nevertheless a fact that most prior Board members were municipal union officials or other laymen not schooled in major investment or financial business. Further, it cannot be overlooked that any fund possessing \$279 million of disposable investment capital—as the Employees' Retirement System did, then and now—would certainly qualify as a large fund deserving of the most expert financial attention.

The detailed minutes of the Board's deliberations reflect an unprofessional, highly acrimonious environment wherein "Roberts Rules of Order" were seldom observed, and also where personal insults were frequently leveled by Board members at one another and at Board counsel. At various times, Board members Day and Quattrocchi, for example, charged each other with serious transgressions: Day alleged that Quattrocchi, an institutional stock broker, was in "violation of the ethics code" and guilty of "conflict of interest" because his brokerage firm accepted trade commissions on investments of the Board upon which Quattrocchi voted as a member. Quattrocchi countered that Day possessed a "conflict of interest for voting on giving disability pensions to members of his union [During this time period, Day was president of Firefighters Local 799]." Both Board members heatedly called for the resignation of the other, and it is clear that the charges each hurled at the time are today central to the various inquiries under way by the aforementioned federal and state investigative entities.

Some Board members, keen to their fiduciary responsibility to the past and current employees of the City of Providence, did happily attempt to foster proper procedural conduct and a business-like decorum on the Board. These same Board members, although in the minority, would routinely ask hard questions of Board consultants, money managers and other Board members. For their unheralded efforts, however, these few responsible members were often attacked or shouted down for their efforts.

Despite the best efforts of a conscientious few, the dominant environment on the Board resulted in investment determinations that were not prudent when made. One of these

³ Mayor Cianci hailed the court ruling at the time (July 11, 1995), stating, "It's a very big win for the city."

questionable Board actions will be discussed below. Also, an illegitimate decision-making process evolved which resulted in the Board making investment and hiring decisions which were far beyond the scope of the Board's authority—as frequently cited by the City Solicitor. In fact, Board watchers at the time indicate that the five-member Investment Committee of the Board made most investment decisions, and later the full Board simply “rubber-stamped” the Committee's calls on specific issues—even though Bylaws adopted by the Board in 1990 directed that “all committees...shall only be advisory in nature.” Unfortunately, and certainly in violation of the Rhode Island Open Meeting Law, minutes were not taken during of the Investment Committee's frequent discussions. Board Bylaws instructed that “all meetings of the Board , including...committee meetings shall adhere to...the Rhode Island meetings statute,” which requires that minutes be taken of official state sessions.

BOARD RETENTION OF MR. JOHN A. HANNAH

In January, 1992, Investment Committee Chairman Stephen Day moved before the full Board that Hannah be hired as the investment adviser for the Board “for a one time service of \$22,000.” Two months later, Day petitioned that the Board hire Hannah's Boston firm, “The Hannah Group,” as a full-time consultant for the Board for a fee of \$95,000, over the strenuous objections of the City Solicitor who argued that the Board did not have the authority to hire Hannah “without adhering to the procedures established by the City Charter in that the Board of Contract and Supply is the only body that is legally able to engage this consultant...” Day's

motion to hire Hannah was approved by the Board on a majority vote, even though some Board members openly questioned Hannah's fee schedules and qualifications.⁴

Later, the City Council passed a resolution condemning the Board's actions in Hannah's hiring, and Day responded in a meeting on May 27, 1992, that "Mr. Hannah is being picked on." At this same Board meeting, Hannah disclosed, upon a Board member inquiry, that he earlier retained Rodio, as a personal attorney, as he needed "someone...familiar with Rhode Island law to do contract work." A couple of Board members questioned the apparent conflict of interest created by Rodio representing both Firefighters Local 799--as embodied on the Board by Firefighters President Day--and Board consultant Hannah. Day also avows to Fairfax, with supporting documentation, that Rodio served as his personal attorney during this same time period.

Apparently Hannah himself did not make a clear distinction between Rodio serving as his own counsel and Rodio's lack of official status on the Board, as a Board member revealed that Hannah sent copies of an official Board solicitation for service to Rodio, absent any explanation to the Board as to why his private attorney should see internal Board materials; Rodio has never had an official function to fulfill on behalf of the Board.⁵ On yet another motion from Day in January, 1993, Hannah was again elected as the Board's consultant, "in the amount of

⁴ One experienced money manager personally familiar with Board deliberations told Fairfax he considered Hannah "a poor advisor compared to others in New England."

⁵ The document copied from Hannah to Rodio was a letter sent out by Hannah on behalf of the Board dated March 2, 1992, wherein the Board was conducting a search for a supplier of "Full Service Custodial Services," a contract later awarded to The Hannah Group. News accounts also reveal that Mr. Rodio has appeared as a guest on a radio show hosted by John Hannah entitled, "The Business of Sports." One interviewee described Rodio and Hannah as being "extremely close friends who attended sporting events together—including the last Super Bowl."

\$105,000.” Day requested that Hannah be paid “on a monthly basis.” Hannah received even more funds from the Board as his consultant tenure continued.

BOARD RELATIONSHIP WITH MR. CLARKE T. BLIZZARD

Mr. Clarke T. Blizzard first came before the Board in mid-1991 as a vice-president of Investment Advisers, Inc. (IAI), then a Minneapolis-based “small-cap market” money manager. It appears, however, that Blizzard was well-known even prior to that time by both Rodio and Hannah, as Day has informed Fairfax he met Blizzard in 1990 through an introduction by Rodio in Rodio’s law office, and Day also indicates that Blizzard and Hannah knew each other from other business dealings “dating back to the 80’s, when Blizzard worked for Shurgard.” Day also believes that Rodio represented Blizzard as Blizzard’s private attorney prior to Blizzard’s employment by IAI.⁶ Further, according to Day, prior to IAI and Blizzard being selected as money managers for the Board, Rodio “heavily endorsed Blizzard,” and “by pushing hard for IAI,...had a lot to do with bringing them (IAI) on.” Fairfax has attempted to interview Rodio regarding these issues, but he has not responded to our request).⁷

Even though the Board’s volatile history has witnessed many unusual incidents over the years, an event took place on May 26, 1993, which must rank among the most bizarre episodes

⁶ Day and another source believe that Rodio represented Blizzard in that Rodio drew up an employment contract for Blizzard with Shawmut, and also acted as Blizzard’s counsel in an automobile accident litigation involving Blizzard’s wife.

⁷ Fairfax has reviewed a letter dated December 23, 1991, from a senior vice-president at IAI to Joseph Rodio wherein IAI asked Rodio for his “insights” relative to “transaction arrangements” between the Board and IAI. To emphasize, Mr. Rodio was not the attorney for the Board (rendering curious the request by IAI), but this letter nevertheless demonstrates a relationship between IAI (where Blizzard worked at the time) and Joseph Rodio in 1991. It is noted that on occasion, Rodio would attend Board meetings.

occurring throughout the entire annals of the Board's long service. On this date, Blizzard appeared before the Board and read a letter from his former boss at IAI announcing Blizzard's "resignation" from IAI. In this same letter, the IAI executive reminded the Board that "while we hate to see Clarke leave,...please be assured that there are a number of individuals...that will communicate IAI's investment performance...to the Retirement Board." After reading this hopeful (but naïve) letter from his prior employer, Blizzard then confidently informed the Board that he was now "with One Federal Asset Management Co. (a division of Shawmut Bank)...and in charge of the entire money management organization, having over \$13 billion dollars..." (an embellishment as Blizzard had many superiors). The net consequence of this lone statement, absent any due diligence conducted by the Board on Blizzard, resulted in the Board voting (seven in favor; two opposed) on that same date to transfer investment money formerly allocated to IAI to One Federal Asset Management/Shawmut and Blizzard. An out-maneuvered IAI and its international investor-affiliate Hill Samuel divested their Board holdings of almost \$34 million, reluctantly conveying this large sum to the winners at Shawmut.⁸

This abrupt decision to award IAI's former equity portfolio to One Federal Asset Management (that determination was in reality made in a prior Investment Committee meeting) was hurriedly pushed along by both Day and Hannah (and with Rodio "working hard behind the scene" in favor of Blizzard, according to Day). The choice of One Federal/Shawmut was all the more improbable in that the Board's previous allocation to One Federal had been rescinded by this same Board for poor performance. In fact, among the Board's many money managers, One Federal "came in last in some of the key categories," as reflected in a Board analysis discussed

⁸ IAI conveyed about \$18 million and Hill Samuel about \$16 million to Shawmut on the same date, July 8, 1993.

on April 3, 1992. One Federal's prior "poor performance" notwithstanding, in the span of one Board meeting on May 26, 1993, Blizzard received far more than he could have hoped for—even though one Board member recognized at the time (presciently as it has turned out) that the "Board would be criticized" for "automatically" hiring Blizzard in his new position.⁹

Blizzard most certainly did receive preferential treatment by the Board, as another money manager (perhaps enviously) noted that Blizzard "was allowed to come late (to Board meetings) and leave early." The question still begs today: Why the demonstrated Board partiality for Blizzard? In repeated interviews, Day--Blizzard's biggest booster on the Board--asserts with some conviction to Fairfax that he never received a cash bribe from Blizzard. And, there is absolutely no evidence to suggest that he did. Chairman D'Amico, also a Blizzard ally, and Blizzard proponents Hannah and Rodio elected not to talk to Fairfax, so we don't know what they believe about all this. Other Board members and money managers vehemently deny that any Board member received cash bribes from Blizzard or any other money manager, but these same officials do not dispute the abiding fact that Mr. Blizzard bought an enormous amount of meals, cocktails and sporting event tickets for most Board members.

Fairfax has reviewed the expense vouchers submitted by Blizzard to his former employers (IAI, Shawmut and Fleet). These documents reflect many thousands of dollars that

⁹ In addition to enjoying an attorney/client relationship during this same period with Local 799, Day, Hannah and Blizzard, Mr. Rodio also had as a client Shawmut Bank, itself. Bank records confirm that Rodio conducted legal work for Shawmut in 1990-1991; and Stephen Day recalls that on August 26, 1993, Rodio asked Day to accompany him to visit one Michael Rothmeier at Shawmut so that Rodio could urge—apparently in Day's presence--that he, Rodio, be paid for past legal services to the bank. Day believes that Rodio implored him to come along as "leverage" in that Day's Board position as the Investment Committee Chairman might encourage Shawmut to pay Rodio's legal bills. As Day has stated, the implied message conveyed to Rothmeier by Rodio was, "Pay me my bill or this guy will pull the Board's investment money out of Shawmut." Mr. Rodio was subsequently paid about \$40,000 by Shawmut for legal services tendered.

Blizzard frequently billed his superiors for wining and dining members of the Board during the period that Blizzard served as a money manager for the Board, and not insignificantly, during the same time frame that the Board repeatedly voted to allocate large sums of money for Blizzard to invest on their behalf. Records reflect that Blizzard often submitted expense claims for lavish meals he bought for the "City of Providence Board" (including one notable dinner in June, 1994, "with 21 people from the City of Providence" costing almost \$2000). Board Chairman D'Amico, Vice-Chairman Rodney Patterson and Day were specifically cited by Blizzard as Board members for whom he purchased meals, and one unidentified Providence "client" even received \$220 tickets to "Miss Saigon," a play presented in Boston. Rodio and Hannah were also recipients of Blizzard's "drinks and dinner" generosity, according to Blizzard's expense vouchers, as were (on frequent occasions) unidentified "Providence Laborers Union officials" (Board Chairman D'Amico is the elected Secretary/Treasurer of Laborers Local 1033 in Providence).¹⁰

In 1995, Fleet Financial Group, Inc., acquired Shawmut National Bank as well as the services of Blizzard and his boss, Mr. Michael Rothmeier.¹¹ Shortly after the acquisition, Blizzard's enormous success as an institutional sales and marketing executive was publicly touted, as Blizzard was said to have "brought in about \$1 billion for his investment unit" in a recent three-year period, while steering pension-plan money to his investment management firm. Hearing unsettling rumors regarding the sales practices of the former Shawmut subsidiary

¹⁰ Applicable ethics laws dictate that an official will be in violation of the Code of Ethics by accepting a meal from a contractor if the value of one meal exceeds \$200 or if the value of all meals purchased by a single person for an official exceeds \$200. Blizzard's expense claims, if true, clearly reveal that several individuals on the Board received more than \$200 in meals and tickets from him on a continuing basis and presently stand in violation of the Rhode Island Code of Ethics.

¹¹ The Shawmut subsidiary headed by Rothmeier totaled more than \$20 billion in assets when the Fleet acquisition occurred.

headed by Mr. Rothmeier, however, Fleet officials conducted an internal inquiry in April, 1996, focusing on allegations of overpaid commissions conveyed in 1995 to investment brokers. On the heels of this inquiry, Rothmeier and Blizzard resigned from Fleet in early May, 1996. Fleet officials then referred the results of their probe to the Securities and Exchange Commission.¹²

Following the Fleet referral to the S.E.C., a Federal investigation task force comprised of representatives from the Securities and Exchange Commission, the Office of Labor Racketeering of the U.S. Department of Labor and the Federal Bureau of Investigation, and directed by the U.S. Attorney's Office in Boston, was soon in place. The combined investigation quickly expanded to inquire into allegations that two Teamsters' Locals in Chicago and Detroit received kickbacks from Shawmut officials in exchange for diverting investments from Teamsters' pension funds to Shawmut. The sum total of this national inquiry as we view it today is that Blizzard--former favored money manager to the Board--is now under criminal investigation by Federal authorities. Correctly noting in a newspaper interview that the current Federal investigation involving the Board "predates the Board of Investment Commissioners," Mayor Vincent Cianci termed the Federal inquiry "as a very positive thing... We took control of that office [the Board] and that's for the good of workers."¹³

¹² The internal inquiry by Fleet focused on agreements made by the former Shawmut unit with brokerage companies wherein brokers agreed to invest their customers' money with Shawmut, and in return, Shawmut would execute their trades through those brokerage companies (a practice known as "soft dollars"). Excessive commissions to those same brokers were also allegedly forthcoming from Shawmut.

¹³ Providence Journal Bulletin, August 2, 1997.

BOARD INVESTMENT IN THE BIRNHAM WOODS LIMITED PARTNERSHIP

As initially discussed in the "Background" section of this report, earnest questions have continued to surface regarding an investment made by the Board on September 30, 1992, in the form of a construction loan amounting \$12.5 million to the Birnham Woods Limited Partnership. New allegations regarding potential conflicts of interest involving this affair have arisen which serve to cast serious doubt that the loan by the Board to Birnham Woods Limited Partnership was a straight-forward, conflict-free business deal, as it was presented at the time.¹⁴

By way of background, Birnham Woods Associates, Inc., (forerunner of Birnham Woods Limited Partnership) was first incorporated by "Original Articles of Incorporation" filed with the State of Rhode Island on November 17, 1987. The two (and only two) original directors of Birnham Woods Associates as incorporated were Rodio and David R. Ursillo, of the law firm, Rodio & Ursillo, Ltd., and the president was identified as Mr. Frank Zammiello. Birnham Woods Associates director "Joseph J. Rodio" is the same attorney that represented Board Investment Committee Chairman Day as his personal attorney, as well as Firefighters Local 799, during the precise time frame that the Birnham Woods loan was being considered by the Board.

¹⁵ It is further interesting to note that in papers filed with the state on February 9, 1994, that

¹⁴ To convey proper credit, the controversial Birnham Woods loan received, at the time, excellent and highly-professional coverage by the Providence Journal-Bulletin. That paper's concerns over the nature of this loan and the very legitimate questions they raised back in 1992-1993 regarding conflicts of interest probabilities on the Board have been shown to be well-founded by subsequent inquiry.

¹⁵ Mr. Richard A. Skolnik, Esq., Board counsel, and the person responsible for guiding the Birnham Woods loan through Board deliberations, told Fairfax upon interview that he was unaware that Rodio was ever a director of Birnham Woods Associates. Also surprised to learn this fact was Rodio's client, Day, as will be seen.

Ursillo (yet today Rodio's law partner), is identified by Zammiello as Birnham Woods' "registered agent."¹⁶

Board members interviewed cannot themselves recall just how it came to pass that Zammiello first came to the attention of the Board. One puzzled interviewee observed, "I don't know who opened the door that he [Zammiello] walked through to get to the Board, but I do know all of a sudden he was there."¹⁷ And, in fact, when Mr. Zammiello "walked through" to the Board it is clear from the minutes and from interviews that he received immediate and first class treatment by most of the Board—especially Chairman D'Amico. It is indeed baffling that Zammiello was received by the Board with such Blizzard-like hospitality,¹⁸ especially when it is considered that numerous press accounts and law enforcement sources have repeatedly over the years connected Zammiello to various New England organized crime figures.¹⁹

In sum, the loan which Zammiello asked for in mid-1992, and just as quickly received, was \$12.5 million at 8 ½ % over twenty years and secured by a first mortgage on Birnham Woods to construct "Independence Park Plaza," a shopping center in Cranston, Rhode Island. This favorable loan represented over 5% of the Board's investment holdings, large amount to put

¹⁶ Ursillo, Rodio's law partner, has served often as an attorney in the past for Zammiello. Ursillo represented Zammiello before the Cranston Planning Commission in the early stages of the Birnham Woods project (and wrote letters to the Planning Commission on Birnham Wood's behalf when the Board was considering the loan). Ursillo and Rodio, reportedly, were also partners with Zammiello in a general partnership that subdivided property in Cranston. Appearing before the Board on behalf of Zammiello was attorney Marc A. Greenfield.

¹⁷ A couple of Board members were openly suspicious of Zammiello and questioned whether he had "silent partners" behind him. That remains an open question to this day.

¹⁸ Shawmut Bank, through a "Successor Escrow Agreement" signed by both Blizzard and Zammiello on June 17, 1993, assumed duties as the Escrow Agent for Birnham Woods. Formerly, Old Stone Bank performed that function, but was "no longer desirous" of having that responsibility, according to Mr. Day as set forth in the Board minutes of May 26, 1993. Who arranged for Blizzard/Shawmut to assume that role? No one recalls.

¹⁹ Charges have often appeared in the media—none of which have apparently been refuted--connecting Zammiello in extensive business dealings with mob boss Mr. Raymond Patriarca, Sr. and his son, Raymond "Junior." Law enforcement sources confirm that Zammiello has questionable affiliations with organized crime figures.

in a single real estate investment, pension consultants report, and was granted during a period of “tight money” when banks were not extending commercial real estate loans for speculative investments. City Solicitor Charles R. Mansolillo termed the loan “illegal,” in that “neither a construction loan nor a mortgage is security,” and he further noted that the Board’s investment regulations “restricts investments to securities.” When asked by a journalist whether he believed the Board loan to Birnham Woods was legal, Chairman D’Amico responded, “I don’t know. Whatever we done, we did.”²⁰

It is abundantly clear from both a review of the Board’s minutes in 1992-1993 and from his statements today that Board Investment Committee Chairman Day believed the Birnham Woods transaction was a good investment for the Board.²¹ But when the Board voted on September 30, 1992 (seven in favor; two abstentions), Day surprisingly abstained, contrary to his personal style not to abstain from anything. In response to Fairfax’s questions on this point, Day related the following account: on the evening before the Board’s vote, Day was driven home by Rodio (with just the two in the vehicle). Until then, he was planning to cast an affirmative vote the next day to support the Birnham Woods loan, according to Day. Instead, he was shocked to hear Rodio instruct him “to abstain on that vote.” Day says that he took issue with that astounding directive and responded that he favored the Birnham Woods deal. “Joe Rodio then started screaming at me,” Day recalls, “I’m your lawyer. Just shut up and listen to what I’m

²⁰ Concerned as to whether the Birnham Woods loan was legally granted, Mayor Cianci charged Special Counsel Frank J. Williams to ascertain “the legality of such a loan.” Special Counsel (now Superior Court Judge) Frank Williams conducted an intensive and detailed inquiry, and determined in his final report dated September 9, 1993, that “the decision by the Board to invest in a private, commercial development without City Council approval was contrary to its authority.” Although Judge Williams voiced serious questions about the loan and its “deficiencies,” he prudently recommended that the City Council ratify the transaction (which it did) “to safeguard the City’s funds.” Judge Williams graciously made himself personally available for our repeated queries, and Fairfax is most grateful for the astute insights he conveyed to help us understand the complex Birnham Woods issue.

telling you. You go in tomorrow and abstain.” Rodio continued, according to Day, “I’m telling you, you will have a serious problem. So just don’t vote on this.” Pressing Rodio as to why he should not vote for a project he favored, Rodio countered, “I’m not going any further. Just do what I tell you.” And, on the next morning Day did as instructed; he abstained.

Day now believes that the reason that Mr. Rodio directed him to pass on the Birnham Woods vote is that Rodio was concealing from Day the fact that Rodio was a founding director of Birnham Woods--and was perhaps still a director of Birnham Woods when the loan was approved by the Board in September, 1992. Day’s written statement to Fairfax: “ Joseph Rodio at no time ever disclosed to me that he had any ties, connections, interest or that he represented Birnham Woods. In fact, even when Mr. Rodio advised me to abstain from a vote (the night before a meeting), Mr. Rodio was elusive and did not disclose any relationship to the parties involved.”²²

CONCLUSIONS AND RECOMMENDATIONS

This inquiry has validated Mayor Cianci’s stated concerns that the prior investment practices of the Board were highly suspect and that certain Board members have perhaps engaged in ethical misconduct. The investigation also has uncovered potential conflicts of interest that deserve further scrutiny, and the circumstances of the Birnham Woods loan granted

²¹ The project was built out with the loan money provided, and the City has realized a good return on its Birnham Woods investment.

²² In early 1992, Mr. Rodio was accused openly by public officials of a “conflict of interest” in a matter involving his representation of a bank (Old Stone) during a time when he worked as an adviser to the Rhode Island Investment Commission and its Commission Chairman, former State Treasurer Anthony Solomon. That accusation was left unresolved, and Fairfax attempted to question Mr. Solomon for his insights into the current situation, but he refused the interview.

by the Board begs intensive examination. As a consequence, Fairfax recommends the following steps be taken:

--That the Rhode Island Ethics Commission receive the results of this investigation in order that it can make a determination whether Board officials have violated the Code of Ethics;²³

--That the Ethics Committee of the State Bar Association be informed of potential conflict of interest violations involving attorneys Joseph J. Rodio and David R. Ursillo;

--Recognizing that many of the particulars of the loan by the Board to Birnham Woods remain eminently and suspect, Fairfax recommends that all of our concerns be shared with responsible Federal and State enforcement agencies; and

--That Fairfax share the results of this investigation with the Federal Task Force (O.L.R., F.B.I. and S.E.C.) currently investigating the activities of former Shawmut Bank officials.

²³ Thus far, the Ethics Commission has focused solely on Day.