

Judge OKs sale of Woonsocket nursing home

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PROVIDENCE — A federal judge has approved the sale of the Mount St. Francis Health Center to the company that has managed it since it slid into receivership five years ago.

U.S. District Court Judge William E. Smith last week signed off on a \$4.9-million deal that allows American Senior Living Communities to buy the Woonsocket nursing home. The arrangement came after years of near sales of the storied home and protracted talks with creditors looking to recoup losses.

W. Mark Russo, the receiver who ushered the deal through, said he was proud that he and his late partner, Joseph P. Ferrucci, managed to consummate the sale with no adverse impact on patient care.

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The home was placed into receivership in 2006 after its owner-developer, Antonio L. Giordano, and his partners defaulted on an \$8.3-million mortgage and a \$1.1-million loan insured by the U.S. Department of Housing and Urban Development. Ferrucci was appointed receiver, arranging a sale that never came to be in 2008. Upon Ferrucci's sudden death in November 2009, his partner W. Mark Russo became receiver.

Over Russo and the court's objections, HUD sold the notes it held for the nursing home last year for \$1.3 million to LPP Mortgage. A few months later, LPP sold its interest to 55 Pine Street LLC for \$3.3 million. Since HUD had insured the loan, the agency had been on the hook for paying it off.

The court in February authorized a purchase-and-sales agreement to sell the home to American Senior Living Communities for \$4 million in cash, plus \$971,000 for administrative costs it was owed, court records show.

Under the arrangement, Russo is proposing to distribute the sale proceeds to creditors that include the Internal Revenue Service and the City of Woonsocket. The IRS would receive \$100,000 of the \$6.6-million lien it placed on the property for unpaid employment taxes, court records show.

The City of Woonsocket would be paid \$450,000 for back taxes and unpaid water and sewer services. According to Woonsocket Finance Director Thomas Bruce, the city would forgive \$179,038 in utility costs it is owed under the deal.

The receiver would be paid \$636,000, with \$130,000 to go to the broker, Marcus & Millichap Real Estate Investment Services. 55 Pine would be entitled to the balance of the sale proceeds, \$2.6 million, as proposed.

There would not be enough money under the deal to pay unsecured creditors, including the Rhode Island tax administrator (\$89,000) and the state Department of Labor and Training (\$35,176), court records show.

A 2006 HUD audit found \$4.4 million that was diverted from the nursing home to companies linked to Giordano and his associates, including his children, for services that were not needed or provided.

HUD conducted an audit the same year of another Giordano property, the former Coventry Health Center. It identified more than \$1 million in questionable payments that the financially strapped nursing home made to companies tied to Giordano. HUD filed suit in 2009 seeking more than \$12 million from Giordano and his associates, claiming they enriched themselves by diverting millions of dollars from nursing homes as the homes slipped into debt, in violation of an agreement with HUD. The government names Giordano; his longtime chief financial officer, John J. Montecalvo; and Coventry Health Center Associates as defendants. Another defendant, Pasquale V. Confreda, a dentist and general partner with Coventry Health, died.

Giordano and his associates deny illegally diverting money and argue that HUD cannot recover its claims because it ratified their conduct.

Giordano and Montecalvo pleaded guilty in 2006 to federal charges that they misused money from Mount St. Francis, the Coventry Health Center and the Hillside Health Center in Providence, now home to Summit Commons Skilled Nursing and Rehabilitation Center. They later admitted to embezzlement and conspiracy charges in state court, where they agreed to pay about \$1.1 million in fines and restitution. Giordano and Confreda were major delinquent borrowers in Rhode Island's credit union crisis of 1991. Giordano's lawyer, James Hall, did not return a phone call seeking comment.

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