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**Firm tied to man deep in state's debt gets fat contract;**

**Company to invest up to $120 million in pension funds**

By Dave McKinney

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SPRINGFIELD -- A firm linked to Republican powerbroker William F. Cellini has been tapped to invest up to $120 million in state pension funds even though one of his companies owes taxpayers millions of dollars on a loan for an unprofitable hotel.

The Illinois State Board of Investment chose Commonwealth Realty Advisors Inc. of Chicago to invest retirement funds on behalf of state workers, university employees, judges and ex-lawmakers in a deal that will net the company up to $2.4 million in annual management fees.

That state business comes on top of more than $1 billion that an Illinois pension system representing 330,000 suburban and Downstate teachers has authorized Commonwealth to invest. That relationship yielded the company $4.7 million in management fees last year.

**Named as trustee**

Commonwealth was founded in 1989 by Cellini and Chicago lawyer Earl Deutsch. In 1992, Cellini yielded his ownership stake to his two children, Claudia and William Cellini Jr., after the firm scored its first investment a year earlier: a $100 million commitment from the state Teachers' Retirement System.

Company officials said the elder Cellini has no hand in Commonwealth today. "His role is non-existent," said Mark R. Kirincich, Commonwealth's president and CEO.

Still, William Cellini's name shows up as a trustee on a form Commonwealth filed this year with the federal Securities and Exchange Commission outlining its corporate hierarchy -- a recognition of his role as a trustee in his children's trust funds, which own a combined 75 percent of Commonwealth. Also, Commonwealth is in the same Clark Street office suite in downtown Chicago where several Cellini-owned firms are based, including the President Lincoln Hotel Corporation.

President Lincoln took out a $15.5 million state-backed loan to build what became the Renaissance Springfield Hotel in the 1980s. The bill for that project now totals $27.5 million in unpaid principal and interest because of a provision that allows Cellini and his partners to skip loan payments to the state if the Renaissance doesn't turn a profit.

Commonwealth's deal that was finalized with the State Board of Investment in June is stoking criticism from some in the Legislature who question why any state business is going to a Cellini-linked company when one of his firms owes taxpayers millions.

"If the same principles are involved in a transaction where the taxpayers have been left holding the bag, I don't see why they should be allowed to have other affiliated companies pursue public business as if nothing had happened," said Sen. Jeff Schoenberg (D-Evanston). "I don't think it's kosher."

Kirincich said the difficulties faced by Cellini's hotel company are not germane to Commonwealth's goal of surpassing investment industry benchmarks.

"We have a tremendous track record of performance," he said. "I don't know about these other issues you're raising or who might be raising them. All I can say is I can speak to our company, our track record and our history of outperforming all of our indexes."

Disclosure of Commonwealth's deal with the State Board of Investment comes at a time of heightened scrutiny over how billions of dollars in state pension funds are channeled. An ongoing probe by U.S. Attorney Patrick Fitzgerald has uncovered an alleged bribery and kickback scheme at the Teachers' Retirement System. There have been no allegations of wrongdoing against Commonwealth, its owners or Cellini.

**Decision defended**

William Atwood, executive director of the State Board of Investment, said his agency's decision in March to choose Commonwealth from among 11 firms was based on the company's overall knowledge of Illinois' real estate marketplace.

The board required that the up to $120 million to be invested be placed specifically in real estate projects within state boundaries.

"The bottom line is the hotel has nothing to do with Commonwealth," Atwood said.

At the Teachers' Retirement System, Commonwealth's yields on its real-estate portfolio have consistently been in the double-digits, ranging between 12 and 31 percent last year, said the pension fund's executive director, Jon Bauman.

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