

May 19, 2008 Monday

Final Edition

**The 'piggy bank'; Treasurer accuses powerbroker of using state-funded hotel to commit fraud, line his pockets**

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SPRINGFIELD-Political powerbroker William Cellini skimmed profits from a state-financed hotel he once owned so he could defraud taxpayers out of millions of dollars, a first-of-its kind financial examination suggests.

State Treasurer Alexi Giannoulias, who commissioned the analysis, is accusing Cellini and his partners of diverting as much as $2 million from the Abraham Lincoln Hotel and Conference Center in Springfield.

Cellini siphoned the cash to make the hotel appear unprofitable and thereby skip payments on a $15.5 million state construction loan, the analysis indicates. The loan -- issued in 1982 -- was restructured in 1991 to allow the hotel's owners to make payments only when the hotel was in the black.

"From the very limited information that we've had access to, it's apparent that the owners of the hotel cooked the books to conceal profits and fleece taxpayers to avoid making good on a government loan that never should have been made," said Giannoulias, who last week turned over a 36-page report about the matter to the FBI and Illinois attorney general.

Authorities will have the final say on whether Cellini should be held criminally or civilly liable, "but I will tell you, it appears as if there was a scheme to defraud the state," the treasurer said.

The attorney general's office is reviewing the report, a spokeswoman said. An FBI spokesman declined to comment.

According to the study by Blackman Kallick Bartelstein LLP, an accounting firm, tens of thousands of dollars in hotel revenues were improperly pocketed by a separate company Cellini owned. Other hotel funds went to a road-building organization, headed by Cellini, to buy Christmas gifts and caramel apples. In addition, the hotel paid $722,000 in legal fees that had nothing to do with its day-to-day operations.

The financial examination represents another potential legal headache for Cellini, whose name came up repeatedly in Tony Rezko's corruption trial. Cellini has not been charged in that case, but federal prosecutors have called him a "co-schemer."

A jury is now weighing the evidence against Rezko, who is accused of parlaying his clout with Gov. Blagojevich's administration into kickbacks for himself and associates.

Cellini has made a fortune from state deals since working for former Gov. Richard Ogilvie in the early 1970s. Besides leasing office space to state agencies, he founded Commonwealth Realty Advisors, which manages more than $1.4 billion in state pension funds.

Stephen Tagge, a Springfield lawyer who represented the Cellini-led hotel group, and Dan Webb, another Cellini lawyer, did not return calls seeking comment.

Giannoulias characterized the analysis as the "tip of the iceberg" because the hotel consortium refused to turn over key financial documents. Blackman Kallick reviewed state records and external audits of the hotel between 1991 and 2006 but not financial statements from the hotel itself.

Among the findings:

- $475,000 that should have gone to the state from the hotel's catering business instead went to one of Cellini's other businesses, New Frontier Companies. That firm got an 80 percent cut of the catering cash despite "doing absolutely none of the work," Giannoulias said.

- Another $92,000 in hotel revenues went to "dubious management services" performed by a Cellini business associate who oversaw the hotel's accounting. That associate "manipulated cash flow" to keep the hotel from having to make loan payments, the treasurer said.

- Hotel dollars went to pay $722,000 in legal fees to battle efforts by Giannoulias, a Democrat, and his predecessor, Republican Judy Baar Topinka, to take over the hotel. Of that, $271,662 went to the Chicago law firm Winston & Strawn, which is representing Cellini from fallout in the Rezko case. Another $12,500 went to the firm of now-indicted former Chicago Ald. Edward Vrdolyak.

Other questionable hotel expenses included $5,000 to the road-building organization Cellini leads to pay for gifts, as well as his state lobbyist registration fees during a three-year period. Additionally, the hotel paid for the personal income tax returns of Cellini and other hotel investors.

Under its 1991 loan restructuring, the Cellini-led hotel consortium has made only two payments in the past decade and none since 2002, allowing unpaid principal and interest to grow to about $30 million. Giannoulias intends to auction the property by late summer to recoup some of that debt.

Since the treasurer took control of the hotel in March 2007 and appointed a management company to run it, the hotel has turned a $1.2 million profit, casting more doubt on its reported years of unprofitability.