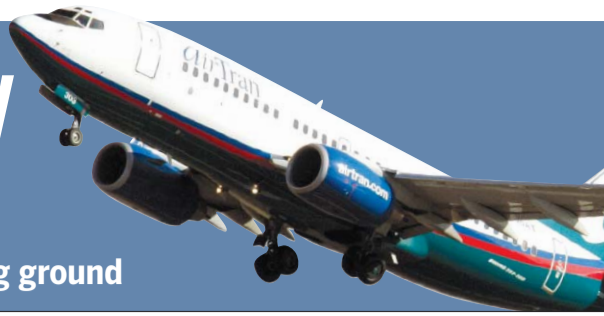


IN THE SHADOW OF LOGAN

Why Manchester and T.F. Green are losing ground



\$300

Two Globe reporters set out for one-night getaways on the cheap

Bob Ryan on Saint Mary's stunning win

Lottery, Page B2

VOLUME 277
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Suggested retail price
\$3.50
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Greater Boston

Boston Sunday Globe

MARCH 21, 2010

TWO'S A CLOUD

TODAY: Cooler with clouds, rain. High: 54. Low: 42.
TOMORROW: Cloudy, chance of rain. High: 61. Low 41
HIGH TIDE: 3:22 a.m. 3:59 p.m.
SUNRISE: 6:46 a.m. SUNSET: 6:57 p.m.
FULL REPORT: PAGE B10

In the news



Pope offers an apology, but no punishment

In a long-awaited letter, Pope Benedict XVI apologized directly to victims and their families in Ireland, expressing remorse for what he called sinful acts committed by clergy. But he did not require that church leaders be disciplined for past mistakes and did not clarify rules that many are fearful allow sexual abuse to continue unpunished. **The World, A3.** Local reaction, **Metro, B1.**

Mitt Romney's book tour to promote "No Apology" has drawn loyal followers and offered a dry run for the type of national organizing that will be necessary if he decides to run again for the presidency. **The Nation, A11.**

Forecasts of rain put residents of flood-prone areas on edge, as many continued to clean up after last week's devastating downpours. Meanwhile, spring made a glorious debut. **Metro, B1.**



Charles P. Pierce set out to rediscover his grandfather's Worcester sign company and found both a city and a family business altered by the ages. **The Boston Globe Magazine**

A retired Brandeis professor helps the poor in southern Africa harness the power of sunlight. **The World, A4.**

Have a news tip? E-mail newstip@globe.com or call 617-929-TIPS (8477).

POINT OF VIEW:
JOAN VENNOCHI

"So far, a deputy who served Ratzinger in Munich at the time is taking responsibility for the personnel decisions involving Hullermann. Eventually, the details will catch up with the former archbishop of Munich, just as they did with Law. Even a pope cannot escape truth forever, although serious consequences for a sitting pontiff are hard to imagine." **Opinion, C9.**

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THE GOVERNOR'S RACE

Cahill taps firms tied to state pension investor

A \$100m deal came a day after a cluster of donations. The practice is not illegal, but some say it's close to ethical edge.

By Aaron Lester, Michele Richinick, and Walter V. Robinson
GLOBE CORRESPONDENTS

They came in batches, nearly 250 checks, most for \$500, from real estate lawyers, property managers, and realtors in far-flung states, all dedicated to the election of state Treasurer Timothy P. Cahill.

The contributions, almost all of them deposited on three separate dates in 2002, 2003, and 2005, total more than \$100,000 — part of the \$3 million war chest that Cahill is now tapping for his independent run for governor this year.

Nothing obvious connects Cahill to these donors, whose companies are based in such states as

Texas, Missouri, Florida, and Colorado. But an extensive Globe review of Cahill's aggressive fundraising practices uncovered the common link: Michael A. Ruane, a Boston investment manager who employs those firms to handle the vast real estate holdings he has bought for his investors — and who counts the Massachusetts pension board as one of his

clients.

Since Cahill became the board's chairman in 2003, Ruane's investment management firm has been allocated \$500 million in pension funds to invest — and has earned \$34 million in management fees.

In fact, the largest one-day infusion of Ruane-connected campaign donations, \$40,250 from business associates and their relatives in 12 states, was deposited on Aug. 13, 2003, a day before

CAHILL, Page A18

\$106,365

Total contributions to the campaigns of state Treasurer Timothy P. Cahill by employees and executives of companies who manage holdings for TA Associates Realty of Boston.

\$34 million

Fees collected by TA Associates for managing \$500 million in investments for the state pension board, chaired by Cahill.

GAMBLING ON IRAQ'S SLOW RISE FROM RUIN

Hub investors bought bonds others shunned

By Farah Stockman
GLOBE STAFF

WASHINGTON — Some count the kidnappings. Others count the suicide bombs. Still others count the deaths of US soldiers. But, in the saga of Iraq's slow struggle toward normalcy, Robert Smith keeps track of something far more obscure: the price of Iraqi government-issued bonds.

Smith, one of Boston's most intrepid investors, has made his fortune betting on the world's most dangerous places. Dubbed the "Indiana Jones of International Finance," Smith buys IOUs from governments so unstable that few others will touch them.

From an office that overlooks Boston Harbor, Smith can recall when Iraq looked like a terrible gamble, as sectarian violence raged and the country slid toward a civil war. But now, a week after Iraq's historic election, his bets are paying off: The price of Iraqi bonds has doubled in the last year, recently hitting their highest value ever.

"Iraq has the potential to vault past other countries" to become a top oil producer, said Smith, a 70-year-old debt merchant whose recent book, "Riches Among the Ruins," details his investment adventures.

IRAQ BONDS, Page A6

'Do it for the American people'



HARAZ N. GHANBARI/ASSOCIATED PRESS

Obama exhorts Democrats

Historic vote today in House

By Matt Viser
GLOBE STAFF

WASHINGTON — President Obama and top Democrats appeared to be inching closer yesterday to achieving a monumental political victory when the House votes today on a sweeping health care bill, displaying nervous but increasing confidence as they attempt to overcome bitter opposition and muscle through the biggest medical coverage expansion since Medicare was passed in the 1960s.

Fittingly for such a historic vote, the edge-of-the-seat drama continued as Obama made a trip to Capitol Hill to exhort House Democrats to stand firm and stick to their principles, saying he knows it is a "tough vote" but that they need to remember why they ran for office in the first place. House leaders still were unable to confirm that they have the 216 votes needed to win passage, as abortion opponents and fiscal conservatives within their ranks continued to threaten to vote no.

"We are going to get this done!" Obama said, as he walked into a Democratic caucus.

In a further sign that Democrats believe they will win, they abandoned an expedient but controversial tactic for a single vote on two separate pieces of

HEALTH CARE, Page A12



BARRY CHIN/GLOBE STAFF

President Obama went to Capitol Hill yesterday to seek support for the health care overhaul at a Democratic caucus. He and House Speaker Nancy Pelosi were among the Democratic leaders lobbying House members to vote in favor of the legislation today. Tea party protesters (left) gathered outside Faneuil Hall in Boston yesterday to demonstrate against the legislation.

Variations on a theme of love

When Michayla Baker makes music for her cancer-stricken mother, everyone stops to listen

By David Filipov
GLOBE STAFF



SUZANNE KREITER/GLOBE STAFF

Michayla Baker played for Anita Ramos last week at the Dana-Farber/Brigham and Women's Cancer Center. Her mother, Angela Hills, was diagnosed in February.

Michayla Baker is playing her cello, staring straight ahead as her fingers work the fretboard.

The 9-year-old's blue-grey eyes are focused on the music book resting on the knees of her mother, Angela Hills, where they curve over the seat of a wheelchair. The only sounds in the oncology unit are the slow *beep beep* of a patient monitor, and the cheery cadence of the Can Con song.

Michayla comes here to play for her mother, who is battling leukemia. But everyone on the floor of the Dana-Farber/Brigham and Women's Cancer Center stops to listen when the girl picks up her battered quarter cello. Other patients have started asking Michayla to play for them, too. She plays for anyone who wants a brief interlude from the rigorous treatments, tests, and trials of a cancer patient.

"People need to take their mind off their problems," the girl

CELLIST, Page A17

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Cahill taps firms tied to state pension investor

► **CAHILL**
Continued from Page A1

the Pension Reserves Investment Management board voted unanimously to give Ruane's company \$100 million to invest.

► **READ MORE**

To see excerpts from the Globe's interview with Cahill, go to www.boston.com/globe.

Cahill and Michael Travaglini, the state pension board's executive director, insist that there was no connection between the fund-raising and investment decisions and said that Ruane's firm, TA Associates Realty, has been one of the pension fund's best managers, even before Cahill's time. Ruane's company already handled \$300 million from the state pension fund when Cahill took office.

Cahill, in an interview, expressed no qualms about receiving campaign contributions from companies that have or want business from the treasurer's office and the five agencies he oversees, including the pension board.

In fact, he acknowledged that he and his campaign aides routinely seek contributions from such companies.

Soliciting campaign contributions from pension fund managers is legal, although the US Securities and Exchange Commission has proposed regulations that would bar those who invest public pension funds from donating to — or soliciting funds for — the politicians who pick investment managers.

"We sometimes just sit there and brainstorm . . . Who can we call? Who are the people that we think can raise money?" Cahill said, describing how he and his aides decide how to solicit campaign contributions.

"Some we do business with in the Treasury, some we don't."

Cahill said he is aware that this could lead to a "bad" story because of the questions that might be raised about connections between campaign contributions and his decision-making. But he added: "The worst story is when you're not fund-raising, and you're not a viable candidate."

Ruane, 59, who has never made a contribution to Cahill, declined several requests for an interview. In several e-mail exchanges, he did not provide an explanation for the money donated by companies connected to his firm but asserted that he never raised any substantial funds for Cahill. For the Globe to suggest otherwise, he said, would be a "falseness in reckless disregard of the facts."

How the funds are raised

Cahill, meanwhile, offered three conflicting descriptions of his dealings with Ruane.

On Dec. 9, he told the Globe that Ruane had raised funds for him, and "maybe" helped him with one fund-raiser, but wasn't a "prolific" fund-raiser. Asked why so many Ruane-connected companies were listed on his campaign reports, Cahill replied: "I mean, obviously if they're on there, it's not because of Mike Ruane that I know of."

But a week later, Cahill issued a statement in which he flatly denied Ruane had ever raised funds for him. Ruane may have introduced Cahill to people who subsequently became donors, the statement said, but not until sometime in 2005 — after most of the donations in question had been made and the pension board had already allocated the additional \$500 million to TA Associates. Aides who spoke to the Globe on condition of anonymity said the treasurer issued the statement after conferring with Ruane.

In January, however, Cahill inched closer to his first account, acknowledging that even before 2005, Ruane had "connected him with people who subsequently chose to contribute."

One of those people was Elizabeth K. Shef, a broker at a Dallas firm, Holt Lunsford, which manages and leases properties that Ruane's company owns in Texas.

Shef, who donated \$500 in August 2003 and another \$500 in June 2005, said in a telephone interview that Ruane had asked company officials to donate. But she said she did not know why, and declined to comment further. It is unclear whether she had received a request directly from Ruane or had heard about

Money trail

Donations to Tim Cahill's campaign war chest by business associates of Michael Ruane:



TIM CAHILL, STATE TREASURER

Since Cahill took office as state treasurer in 2003, the state pension board has given TA Associates Realty \$500 million to invest — earning the firm ...

\$34
million in fees

TA ASSOCIATES REALTY

Ruane, founder and chairman of the company, has never given any money directly to Cahill but officials at companies that help manage his real estate empire have.

\$106,365

Total given by officials at companies that manage TA Associates holdings.

THE BIGGEST DONORS

\$9,975

from officers of McShea & Company, a Bethesda, Md., company that manages substantial TA properties in Maryland.

\$9,500

from Stutzman & Bromberg, a Dallas law firm that does work for TA Associates.

\$8,500

from officials of Holt Lunsford, a Dallas law firm that manages and leases properties that Ruane's company owns in Texas.

\$7,000

from Kwartler Associates, a New Jersey brokerage and leasing agency that has been involved in the sale and leasing of TA properties.

\$6,000

from the Michelson Organization, a St. Louis-based property management company that has done substantial work for TA.

SOURCE: Campaign finance reports; pension board records; official corporate filings

JAMES ABUNDIS/GLOBE STAFF

An evolving account

During an interview and in subsequent statements issued by his office, state Treasurer Timothy P. Cahill gave sometimes contradictory accounts of whether Boston real estate investment manager Michael A. Ruane had connected him to donors who gave Cahill money in 2002, 2003, and 2005:

Dec. 9 interview

To the best of my knowledge, he helped with one fund-raiser that we had back in 2004, 2005 . . . And that's all I do know. If people have given me money since then, it's because they've chosen to, not because Mike Ruane has made any phone calls. Nobody has, or nobody that I know of has, nobody on my behalf has called him.

Dec. 16 statement

Ruane has never hosted a fund-raiser for Tim Cahill. Ruane has never attended a fund-raising meeting for Tim Cahill. Ruane has never, ever raised funds for Tim Cahill. Sometime in 2005, at a charity fund-raising event, Mike Ruane introduced Tim Cahill to some people who subsequently became first-time donors to the Cahill campaign.

Jan. 7 statement

Mike Ruane is not a fund-raiser for Treasurer Cahill, and has never hosted a fund-raising event, although he has introduced Cahill to a variety of people at charity events. If those people then chose to support Treasurer Cahill based on his record, it was not because of any formal act on Mike Ruane's part.

Jan. 14 statement

In the years leading up to 2005, Mike Ruane was a supporter of Treasurer Cahill's campaign committee and connected him with people who subsequently chose to contribute. Since then, he has not had any role in committee activity. All contributions complied with campaign finance laws and regulations, and in no way impacted any decisions made at the Treasury or affiliated agencies.



DAVID L. RYAN/GLOBE STAFF

"We sometimes brainstorm . . . Who are the people that we think can raise money?" Cahill said, describing how he solicits campaign contributions.

his connection to the donation second-hand.

Widely publicized "pay to play" scandals around the country, some of them involving financial relationships between politicians who oversee state pension funds and those hired to make the investments, have already prompted 17 states to impose fund-raising restrictions on pension fund managers. In Rhode Island last August, Frank T. Caprio, who is also running for governor, returned \$54,250 in donations from law firms Caprio had picked to do state business.

The SEC has yet to adopt its proposed rules — which Cahill said he opposes — and Massachusetts has not imposed any of its own restrictions.

Pamela Wilmot, executive director of Common Cause/Massachusetts, said a ban on campaign contributions from anyone who seeks or has state business is long overdue. Such restrictions are even more urgently needed, Wilmot said, for pension fund managers, who in Massachusetts compete vigorously to handle the state's \$43 billion in pension assets.

Given the enormous amounts of money at stake, Wilmot added, "the public has to have confidence that decisions are made strictly on the merits and that campaign contributions do not

influence those decisions."

While the state has not imposed any specific restriction on fund-raising by politicians who oversee pension funds, existing state campaign finance laws do apply. Candidates are, among other things, required to make a good faith effort to collect and report the occupation and employer of all donors who give \$200 or more in a calendar year, as a way to provide the public with a clear picture of who is financing elections.

Yet Cahill's public campaign filings — with more than 4,000 donors, including many of Ruane's business associates — are listed with little identifying information.

In many cases, the Globe was only able to connect individual donors to companies that had done work for TA Associates — a privately held firm that Ruane founded in 1982 — by searching through public filings and public announcements of business dealings, identifying the names of officers who work for the company, and then matching those names against Cahill's campaign finance reports.

Using a similar method, the Globe found more than 100 donations from officers or relatives of officers of two other investment firms, Ivy Asset Management and Earnest Partners, who

'02
'03
'04
'05

Feb. 13, 2002

Cahill's campaign for state treasurer deposits bundled contributions of \$20,065 from officers of companies across the country who do business with TA Associates.

Jan. 15, 2003

Cahill sworn in as state treasurer.

March 27, 2003

Massachusetts Pension Reserves Investment Management Board, which Cahill chairs, awards TA Associates \$200 million in pension funds to invest.

Aug. 13, 2003

Cahill's campaign deposits \$40,250 in bundled contributions from officers of companies in 12 states who do real estate-related work for TA Associates.

Aug. 14, 2003

The pension board awards another \$100 million to TA Associates to invest.

June 3, 2004

The pension board awards TA Associates an additional \$200 million to invest.

June 8, 2005

The Cahill campaign deposits another \$30,950 in bundled contributions from officers of firms who do work for TA Associates.

the same time, the firm's members have given or helped raise close to \$200,000 for Cahill.

R. Robert Popeo, Mintz Levin's chairman, said it's normal for the firm's members to "contribute to a client." Without the 2007 competition, Popeo said, his firm would have fared even better: "If this was a meritocracy, we'd get all the business," Popeo said.

Officials at Edwards Angell refused to answer questions about the \$60,000 its partners have donated to Cahill. That included \$22,600 in December 2008. A month earlier, the firm was picked to be counsel for a state bond offering. Since Cahill became treasurer, the law firm has been paid \$1.1 million in legal fees.

■ In 2003, just three weeks after the Legislature decided to give Cahill control of the state Alcoholic Beverages Control Commission, the treasurer's campaign hosted the first of many events that ABCC-regulated liquor distributors and retailers were solicited to attend. The total raised by Cahill from liquor interests since 2003: at least \$150,000.

Cahill said he was unaware of the timing of the liquor industry fund-raiser, though he said: "I'm sure it was not a coincidence."

■ Cahill awarded the lucrative advertising contract for the Massachusetts Lottery, which he controls, to the Boston ad firm Hill Holliday in 2003, despite a staff recommendation that another firm, Mullen Advertising, was better suited, according to three officials who had first-hand knowledge of the decision. Since then, Hill Holliday executives and their spouses have donated more than \$90,000 to Cahill. The firm has earned \$9 million in fees because of Cahill's decision.

Twice during his interview with the Globe, Cahill said he runs the state's pension management agency. But he changed course when asked whether he himself made the decision to select the investment managers whose officers or associates contributed to his campaign. That could not happen, Cahill insisted, because though he chairs the board, he casts just one of its nine votes.

Cahill and Travaglini, who joined the pension board in February 2004, both asserted that decisions to allocate an additional \$500 million to Ruane's company in 2003 and 2004 were based on recommendations from an outside consulting firm.

The recommendations, they said, were then adopted by the pension board's staff, its investment committee, and finally by the board.

Old-time connections

Ruane's relationship with Cahill dates to Cahill's term as Norfolk County treasurer, when Ruane's firm invested some of the county's funds.

During the 2002 campaign for state treasurer, an improbable win for Cahill, the candidate raised more than \$1 million. And companies with business ties to Ruane helped make that victory possible. On Feb. 13, 2002, the Cahill campaign deposited checks totaling \$20,065 from the officers of 19 firms in 10 states who do work for Ruane's company.

According to Travaglini, and to records he made available at the Globe's request, TA Associates and the four other real estate investment management firms that invest state pension assets all received increased allocations in 2003 and 2004 — prompted by a June 2003 state pension board decision to increase the percentage of pension assets invested in real estate.

But on March 27, 2003, three months before that decision and less than three months after Cahill took office, TA Associates, alone among the firms, was given an additional \$200 million to invest.

On Aug. 13, 2003, the Cahill campaign deposited \$40,250 from companies in 10 states that, according to Globe review of public documents, do real estate-related work for TA Associates' commercial, industrial, and residential properties.

The next day, the pension board voted to give TA Associates another \$100 million.

On June 3, 2004, TA Associates was awarded \$200 million more. On June 8, 2005, the Cahill campaign deposited checks totaling \$30,950 from Ruane business associates and their relatives, according to the Globe analysis.

Since 2001, TA's performance, as measured by return on investment, has been second-highest among the five firms that manage real estate investments for the pension system. But in 2003 and 2004, when its allocations were increased from \$300 million to \$800 million, the company's performance ranked next-to-last and last, respectively, among the five firms.

During the same period, one of the other real estate investment firms, J.P. Morgan, had its allocation increased by only \$100 million, from \$200 million to \$300 million. Yet between 2003 and 2006, Morgan produced annual returns that averaged 23.1 percent, compared with 13.8 percent for TA Associates. During those four years, Morgan's returns were 50 percent higher than the other four firms.

Travaglini, however, said short-term performance was of relatively little importance. The allocation decisions were focused more, he said, on the diversification of the state's real estate investments and TA's ability to successfully manage industrial properties. "We don't focus on investment returns in any given year," Travaglini said. "The worst thing you can do is to give more money to the hottest investment manager."

The Globe sought comment from the five Ruane-connected companies that sent the largest number of contributions to Cahill's campaign [see accompanying chart]. All declined to comment or did not respond to e-mail or phone messages.

Cahill, though he offered differing explanations of his dealings with Ruane, was steadfast on one point: that whatever Ruane has done for him was unrelated to the \$500 million that flowed to TA Associates in 2003 and 2004.

"Whether Michael was helpful to me, or not helpful to me — or whatever level he was helpful to me — they've done a tremendous job of managing money, in good markets and in bad markets," Cahill asserted. "And that statement has nothing to do with Michael's support of me."

This article was also reported by Marino Echer, Kelly Glista, and Pamela King for a course in investigative reporting at Northeastern University. Their work was overseen and this article was edited by Northeastern journalism professor Walter V. Robinson, former editor of the Globe Spotlight Team. Robinson's address is wrobinson@globe.com. Confidential messages can be left at 617-929-3334.