COLLEGE Worker-hungry high-tech firms raid university classes **Page 13**

STOCKS Find out how local companies fare in a changing market **Page 33**

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LATE NEWS

CITY PASSES ON BID FOR NEXT DEM MEET

Chicago has formally passed up the chance to host the **Democratic National Convention in 2000** so it can try instead to land the Republicans. City officials Friday confirmed that a letter finalizing the city's decision has been sent to Roy Romer, general chairman of the Democratic National Committee. The Democrats, who met here in 1996, traditionally rotate their convention locale every four years and do not want to share the spotlight with the Republicans. City officials hope that the Republican Party, which was interested in coming here last time, can be lured for 2000. Ironically, a member of Mayor Richard Daley's cabinet, Lawrence Gorski—director of the Mayor's Office for People with Disabilities—Friday was named co-chair of the Democrats' convention site search committee.

YELLOW CLAIMS CITY 'PUNISHING' CABBIES

Chicago Consumer Services Commissioner Caroline O. Shoenberger is "punishing" Yellow Cab Co. and its drivers by refusing to set **hearing dates for the annual renewal of taxi licenses**, the city's

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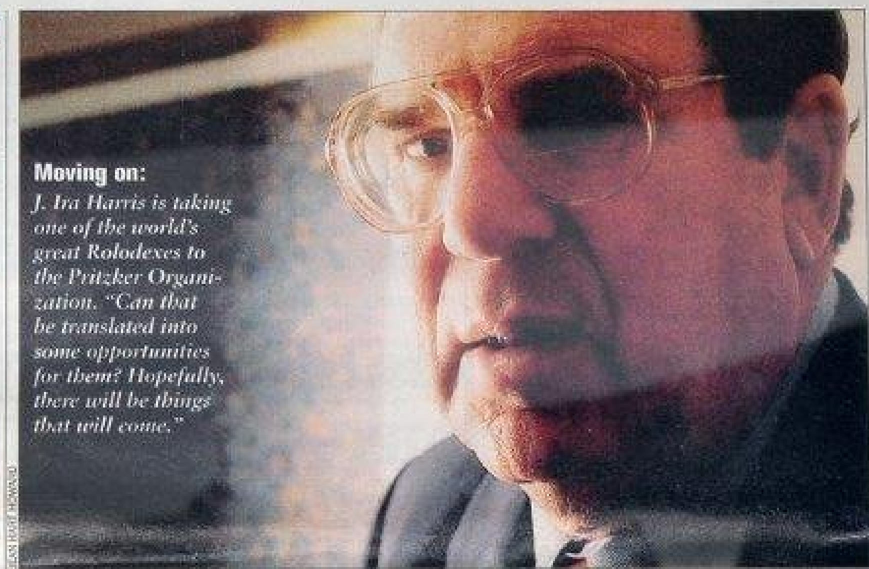
INSIDE

Getting licenses can be a sticky situation

Red tape has tied up entrepreneurs who need permits from City Hall. But ways to streamline the process are on the way, Crain's Small Business reports. **Page SB1**



Moving on: *J. Ira Harris is taking one of the world's great Rolodexes to the Pritzker Organization. "Can that be translated into some opportunities for them? Hopefully, there will be things that will come."*

Ira's latest big deal

A new chapter—and maybe two—for larger-than-life matchmaker

By STEVEN R. STRAHLER

During his heyday as Salomon Inc.'s outsized investment banker here, J. Ira Harris often skipped the niceties.

Rather than leaving a phone number, he'd run out of the office barking the instruction, "Find me," recalls former colleague William H. Strong, now a managing director in Morgan Stanley Dean Witter Discover & Co.'s Chicago office.

Tracking Mr. Harris was never *that* difficult. Simply connect a CEO suite or boardroom powwow with a deal in progress, and there he was.

The match game will get even easier with his decision to focus primarily on just one long-standing client—the formidable, cash-rich Pritzker Organization. Mr. Harris' appointment last week as vice-chairman marks the next chapter for a larger-than-life La Salle Street practitioner who helped reshape America's corporate landscape.

At Pritzker, he is likely to stir the lulling, if not sleeping, giant that's spent much of the last de-

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PEOTONE'S SURPRISING RESCUERS

Top CEO group lobbies FAA to keep airport alive

By JULIE JOHNSSON

After largely sitting out the contentious debate on a third regional airport, the area's leading CEOs now are urging federal officials to put the state's Peotone airport project back on the drawing board.

In a Dec. 10 letter, the Civic Committee of the Commercial Club of Chicago—which includes some of Peotone's staunchest opponents—urged U.S. Transportation Secretary Rodney Slater to reinstate the proposed south suburban facility on a national building plan for airports.

The Federal Aviation Administration's (FAA) decision last fall to drop Peotone from its list of prospects for federal funding "unjustly jeopardizes the future of aviation planning and funding for the region and nation," wrote Civic Committee President Arnold R. Weber. "This omission will further inhibit the economic growth and well-being of the Chicago area in the future."

The letter—a surprise move that will boost Peotone's prospects—is the latest example of the influential group's willingness to cross

See PEOTONE *on Page 29*

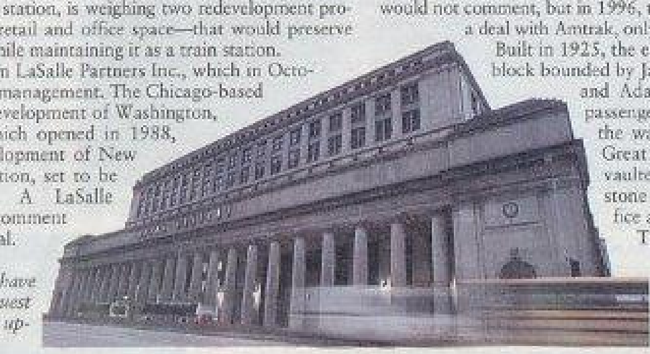
Hotel, retail plan on track for Union Station

By THOMAS A. CORFMAN

Developers are pulling into Union Station again, 12 years after the first proposal to transform the historic rail terminal.

Amtrak, which owns the station, is weighing two redevelopment proposals—featuring a hotel, retail and office space—that would preserve the station's architecture while maintaining it as a train station.

One proposal comes from LaSalle Partners Inc., which in October took over the station's management. The Chicago-based firm led the successful redevelopment of Washington, D.C.'s, Union Station, which opened in 1988, and is working on redevelopment of New York's Grand Central Station, set to be completed by yearend. A LaSalle spokeswoman would not comment on the details of its proposal.



Just the ticket? *Two firms have responded to Amtrak's request for proposals to revamp the upper floors of Union Station.*

The second plan comes from Chicago-based Prime Group Inc., which has been considering several sites for a hotel development, including the Traffic Court building in River North (*CRAIN'S*, Jan. 5). Company officials would not comment, but in 1996, they made an elaborate attempt to win a deal with Amtrak, only to see the talks break down.

Built in 1925, the eight-story Union Station occupies the block bounded by Jackson Boulevard and Canal, Clinton and Adams streets. In the early 1990s, the passenger areas were renovated, including the waiting room, formally known as the Great Hall, crowned by a skylit, 115-foot vaulted ceiling. But the building's limestone facade is dark and dirty, and its office areas are in disrepair.

The broad outlines of the redevelopment, which could cost as much as $80 million, are contained in a request for proposals that Amtrak released in August. The possi-

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Dealmaker deals himself to Pritzker group

IRA *from Page 1*
cade favoring the merger-and-acquisition sidelines. One insider contends as much, linking Mr. Harris' arrival to a renewed commitment by the Pritzker family "to be a major force in business and industry."

Mr. Harris, renowned for having a formidable Rolodex, replies: "Can that be translated into some opportunities for them? Hopefully, there will be things that will come. But who knows?"

(Mr. Harris also is establishing J. I. Harris & Associates to provide advisory and consulting services to other clients.)

No doubt, his move will cheer La Salle Street, where other investment bankers will welcome the 59-year-old Mr. Harris as a potential client, instead of a competitor.

But one organization can't be overjoyed: Lazard Frères & Co. LLC, the European-American investment bank that created an instantly credible Chicago operation—its first U.S. outpost outside New York—with Mr. Harris' hiring a decade ago.

"It's obviously a sad day for the firm and the Chicago office," concedes Steven Rattner, Lazard's deputy CEO. Adds a Lazard managing director: "You don't replace an Ira Harris."

A cash hoard

For the Pritzkers, the import of Mr. Harris' arrival is heightened by the fact that patriarch and Chairman Jay A. Pritzker, 75, suffered a stroke last year; he continues to recuperate in California, according to sources close to the family. President and CEO Thomas J. Pritz-ker, 47, did not return phone calls.

The Pritzkers—namely their Chicago-based Marmon Group, whose 1996 revenues were flat at $6.0 billion—haven't been particularly acquisitive recently. Other major holdings include Hyatt Hotels Corp. At the same time, Mr. Harris points out, "they have been very active building from within."

But other sources say the most

No doubt, his move will cheer La Salle Street, where investment bankers will welcome Mr. Harris as a potential client, instead of a competitor.

substantial buildup has been in the Pritzkers' cash position, measured in the billions. That hoard is more attractive to Mr. Harris as a Pritzker employee because, free of Lazard, he will be able to invest his own money in deals that he helps arrange.

Mr. Harris is probably the lone investment banker—surely the singular one in Chicago—who can add cachet to the Pritzker name in the marketplace.

"He was just one of the guys our people felt very comfortable with," says Stephen Friedman, senior chairman of Goldman Sachs & Co. in New York. "Like a lot of good investment banking types, (he is) the compulsive-obsessive, and I mean that in a good sense."

Along with Goldman, Morgan Stanley and Lazard, Mr. Friedman credits Mr. Harris with transforming the merger-and-acquisition business in the early-to-mid-'70s from a cottage industry—then called the "raid" business, he says—into investment banking's centerpiece.

"We had a hell of a share of the business, the four of us," he remembers. But unlike other firms, which pushed to institutionalize their products, Mr. Harris remained a transcendent star at Salomon and later at Lazard—a status that was hardly diminished with cameo roles in "Indecent Exposure" and "Barbarians at the Gate," the takeover sagas that captured the "greed-is-good" era.

Even odder, from Wall Street's perspective, Mr. Harris, a New York City native, came to Chicago in 1964 and never went back.

Yet, as a measure of his reach, Mr. Harris arranged some of the age's bellwether deals, including the 1988 acquisition of Primerica Corp. and its Smith Barney brokerage subsidiary by Commercial Credit Group Inc. The $1.7-billion pact foreshadowed today's Travelers Group Inc., the financial services behemoth that acquired Salomon last year.

Citing his decades-long relationship with the two companies' stubborn CEOs, Mr. Harris says, "This is one transaction where I think if I hadn't been involved, it wouldn't have happened."

Here, Mr. Harris was active in shaping the development—and dismantling—of Chicago's biggest conglomerates, including Beatrice Cos. and Northwest Industries Inc.

Also on his deal list, though, is Quaker Oats Co.'s 1994 purchase of Snapple Beverage Corp. On this subject, Mr. Harris says only, "Obviously, it didn't turn out the way that Quaker thought it would turn out."

Matters of judgment

Indeed, some competitors portray Mr. Harris as something of a throwback to an era when relationships were more important than technical expertise. And they wonder whether his key CEO relationships are fading with retirements and resignations.

Still, says Goldman's Mr. Friedman, "The most important issues in investment banking come down not to the very technical stuff but to judgment calls . . . and Ira is very good at that."

At Lazard's Chicago office, whose 1996 deals were valued at nearly $1 billion, good for 11th place among investment banks here, Mr. Harris will leave three managing directors, Patrick Callahan, 55; J. Mikesell Thomas, 46, and Jeffrey Golman, 42, plus director William Gottschalk, 53.

Mr. Rattner, the deputy CEO, says Lazard's commitment to Chicago (where major clients include Aon Corp. and Amoco Corp.) is "absolute." But he was noncommittal when asked whether a successor to Mr. Harris is in the wings.

Suggests Scott W. Mohr, a managing director here at Lehman Bros. Inc., "There's no way around it hurting them with his departure. The guys there don't hold a candle to him."

In one respect, Mr. Harris' life won't change much. For the last four years, he says, he has lived part of the year in Palm Beach, Fla., commuting when necessary to Lazard's offices on the 22nd floor of 200 W. Madison St. His Pritzker office will be on the 38th floor.

Another unchanging attribute: Mr. Harris' well-known battle with his waistline. Once tipping the scales at 350 pounds, he has slimmed down to an undisclosed figure. "I'm at the lower end of my wardrobe," he says by phone from Palm Beach, before excusing himself to take a call from Jim Robinson, the former chairman of American Express Co.

More surprises in dereg law

DEREG *from Page 4*
that we're not interested in working with other customers and that is totally false," she says.

These surprises may not be as glaring as the payback to IRMA, but they may strike some as reeking of favoritism.

The 5% break to Chicago for pooling purchasing and billing for its units of government—such as the parks system, water district and community college system—is viewed by some involved in the hard-fought dereg negotiations as a quid pro quo.

No benefits for burbs

Although suburban municipalities generally don't pay for power, they won't be able to reap the benefit of pooled billing and purchasing for their park districts, schools and libraries.

"Communities like Elmhurst and Wood Dale can't benefit," says utility consultant Terrence Barnich, who represents industrial users. "The CTA (which operates only in Chicago) benefits, but not Metra."

Other provisions in the new law may draw criticism if they serve to inhibit competition.

For example, industrial and commercial customers—already irate that they'll have to pay hefty transition fees to switch suppliers—fear that ComEd will be able to freeze out new suppliers by undercutting prices.

If threatened by a customer's exit, ComEd could drop its rate, thereby eliminating any financial benefit for leaving the system.

"It removes the incentive to buy from anyone else," says Chicago utility attorney Patrick Giordano.

The ComEd spokeswoman says competitors could pay transition fees for the customer. "Who can predict what the market will do?" she says.

Still another provision discourages competition from co-generation—a technology in which gas-fired generators produce electricity and heat or steam.

Although business customers can leave the ComEd system if they own their own co-generation system, the current law may require them to pay exit fees if they lease such equipment, experts say.

Utilities were worried about industrial users selling surplus power and emerging as unlicensed competitors. But severely restricting co-generation projects serves to keep customers on the ComEd system, experts say.

State Rep. John "Phil" Novak, D-Kankakee, says he plans to sponsor a trailer bill aimed at making co-generation more attractive.

Although no one has yet emerged to legally challenge the discount extended to IRMA, another ComEd discount will be fought before the ICC.

Another billing experiment

The day before filing plans for its billing experiment with IRMA, ComEd disclosed plans for another experimental program in consolidated billing in which chain retailers and school districts receive a 5% discount.

ComEd maintains that this experiment replaces an older consolidated billing experiment for schools that is being challenged by BOMA and other groups before the ICC.

Mr. Giordano, who is representing BOMA in the dispute, says he plans to argue that the new ComEd program isn't a valid experiment and that the old plan of selected discounts should be broadened.

Go to *Crain's* on-line for in-depth utility deregulation news. The Web address is www.crainschicagobusiness.com.

New GE, Ward's problem: credit woes

WARD'S *from Page 3*
driving force behind GE's involvement with Ward's.

GE, which acquired Ward's portfolio as part of a deal to help finance former CEO Bernard Brennan's buyout of the retailer from Mobil Corp., has earned good returns partly because of agreements under which Ward's paid a portion of losses from uncollectible credit card accounts.

In fact, Ward's still has a $288-million note outstanding to GE covering its costs of the uncollectible accounts for the last several years.

A threat from GE

But GE now claims that the credit business has hit a down cycle and will lose about $110 million in 1998. GE officials have declined to discuss the projections publicly, and documents detailing the operation's business trends are under seal in Bankruptcy Court in Delaware.

However, sources familiar with talks about whether Ward's should accept the payment demand say GE has threatened to walk away from the credit card operation unless Ward's kicks in more money.

The demand puts Ward's in a very tough spot.

Worried that no other credit card operator could handle the huge credit card portfolio and wary that GE could gain court permission to stop running the business, Ward's and GE have reached a preliminary agreement in which the retailer would pay $60 million for losses covering the fourth quarter of 1997 through the fourth quarter of 1998.

In addition to owning the credit operation, GE is Ward's controlling shareholder and only secured creditor.

GE's relationship to Ward's is complex. In addition to owning the Ward's credit operation, GE became the company's controlling shareholder following last year's ouster of Mr. Brennan. In addition, it is Ward's only secured creditor.

"GE's support is of the utmost importance to keep Montgomery Ward in business," says Michael Exstein, an analyst with New York-based Credit Suisse First Boston Corp. "GE is a source of comfort for vendors" who have continued stocking Ward's stores since the bankruptcy filing.

The retailer's creditors, however, are uneasy about allowing the retailer to foot the bill. The payment would be on top of an estimated $90 million that Ward's will pay for its share of uncollectible accounts this year.

Creditors' lawyers have questioned whether GE's basis for forecasting such a large operating loss for the credit card business is credible, according to people familiar with the negotiations.

A hearing on the issue will begin today in Bankruptcy Court in Delaware unless a settlement is reached. In court, GE could be forced to provide more details behind its negative outlook for the credit card portfolio's performance this year.

Credit woes elsewhere, too

The credit operation's troubles come at a time when other retailers, including Sears, Roebuck and Co. and J. C. Penney Co., have been clobbered by rising costs from record consumer bankruptcy filings, chargeoffs for overdue payments and costly promotions.

Although the trends have hurt retailers across the board, few, if any, other large retailers have forecast losses of the magnitude GE projects for the Ward's credit portfolio, analysts say.