

Deal saves Athletic Club from demolition

Developer to retain majority of building

By Blair Kamin
Tribune architecture critic

The former Lake Shore Athletic Club building, a 1920s cliff of brick and limestone that faced demolition earlier this year, will get an \$80 million rehab and begin a new life as luxury senior housing under a deal announced Monday.

The deal, expected to be finalized in January, represents a victory for freshman Ald. Brendan Reilly (42nd) and historic preservationists, who wanted the historic structure saved.

The building's longtime owner, Northwestern University, had a contract to sell the 19-story structure to Chicago developer Steven Fifield, who sought to tear it down and erect luxury condominiums. Under the deal disclosed Monday, Northwestern will sell the building, located at 850 N. Lake Shore Drive, to Northbrook-based Integrated Development Group LLC, a developer of senior housing.

IDG plans to build 139 senior residential units and will save "the vast majority" of the building's exterior, Reilly said. It also will preserve historic common areas on the building's lower floors, including a two-story wood-paneled lounge and a two-story banquet room. The building's swimming pool, however, apparently will not be saved.

"Some had suggested it would be impossible to save this building in an economically viable fashion, and I think this deal proves that is not the case," Reilly said.

A purchase price was not disclosed, but Northwestern officials previously contended that the university would get several million dollars less from developers who wanted to rehab the former athletic club than from Fifield. Northwestern officials could not be reached Monday.

David Bahlman, president of Landmarks Illinois, a Chicago-based historic preservation advocacy group, praised Reilly for blocking demolition and said he would scrutinize the developer's proposal at a meeting of the Streeterville Organization of Active Residents, a neighborhood group, on Tuesday night.

Nevertheless, Bahlman called the announcement "terrific." Even if some details of the plan prove unacceptable, he added, "that would not be a problem for us given the alternative of the whole building disappearing."

Following an outcry by local residents, Reilly came out in July against the planned destruction of the former club, whose severe Georgian exterior was designed by architect Jarvis Hunt and completed in 1927. Northwestern used the former club as a dormitory until 2005. It has been vacant since then.

Integrated Development is led by Matt Phillips, the former head of development for Classic Residence by Hyatt, a developer of senior housing controlled by Chicago's billionaire Pritzker family.

The company will partner on the project with the National Electrical Benefit Fund, a Washington, D.C.-based pension fund.

IDG said in a news release that it had agreed to terms with Northwestern in late September. Reilly said they are now in the process of completing the deal.

Phillips said most of the building's interior will be renovated to modern standards and that the two main social rooms of the former club will be saved. He did not mention the pool, which is adorned by colorful murals of golfers, runners, high-jumpers and other athletes in the heat of competition.

The company said it has hired Chicago architect Laurence Booth and his firm Booth-Hansen, whose credits include the transformation of the historic Palmolive Building, an Art Deco office skyscraper, into high-end condominiums.

The developers and Reilly contend the project makes economic sense because it will meet a market demand for high-end upscale senior housing.

"For me, this could be a real win-win," Reilly said. "And for the city of Chicago, it will save an historic building from demolition. It will provide much-needed senior housing and put this property back on the city tax rolls."

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Delphi asks to delay Chapter 11 exit

More time needed as credit dries up

By Rick Popely
Tribune staff reporter

The subprime mortgage market has become the latest roadblock to auto supplier Delphi Corp.'s plans to exit bankruptcy. Delphi, in a filing in U.S. Bankruptcy Court in New York, has asked for a three-month extension, to March 31, to file a reorganization plan, primarily because it has not been able to borrow the \$5.2 billion it needs to exit Chapter 11.

Spokesman Lindsey Williams said Monday that the company

still expects to emerge from bankruptcy in the first quarter, but said it needs to amend its reorganization plan to reflect the tighter credit. "Everyone knows what's going on in the capital market," Williams said. "It's very challenging."

Gimme Credit analyst Shelly Lombard said auto parts might have nothing to do with home mortgages, but Delphi is feeling the pinch of the subprime upheaval that has made investors look askance at risky ventures such as parts suppliers, several of which have gone bankrupt in recent years.

"The whole subprime mess has spooked everyone," Lombard said. "Everyone's just more skittish. Their risk appetite has changed, and banks and

hedge funds have gone underground."

Predictions that auto sales will fall next year and that there could be a recession only make it worse for Delphi because either would put a dent in its sales to General Motors Corp., its biggest customer, and other manufacturers.

Lombard calls it bad timing on Delphi's part, citing Ford Motor Co.'s ability to borrow \$23 billion to finance a massive restructuring just a year ago. "The uncertainty is keeping buyers on the sidelines," Lombard said.

Delphi, which filed for bankruptcy in October 2005, had planned to exit Chapter 11 by the end of the year. Last month, it moved the date back to the

first quarter and, in the face of tighter credit, scaled back plans—financing \$5.2 billion of net debt instead of \$7.1 billion.

Delphi also revised its settlement with GM, which spun the partsmaker off in 1999. Originally, GM was to receive \$2.7 billion in cash, but the amended plan would give GM \$750 million in cash, \$1.1 billion in stock and the balance in a note instead.

Creditors and stockholders have objected to some of those changes, scheduled for a hearing Thursday in bankruptcy court. The hearing on the extension is scheduled for Dec. 20.

Mark Oline, managing director of Fitch Ratings Service, said Delphi's struggle to arrange financing means it will need to further restructure,

which could push its exit from bankruptcy to later in 2008.

"It certainly can and already has delayed the timetable. Given the difficulty in arranging that financing, they've had to go back and look at their capital structure," he said.

Lombard says Delphi might have to wait longer for financing, because the credit crunch isn't likely to ease soon.

A company in an industry that isn't as cyclical, such as health care, would probably have an easier time getting money than an auto supplier, she added.

"A lot of it is concern about recession and the subprime mess, and it could take a year to wind through it," she said.

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A prospective buyer looks over a 2008 Tundra pickup at a Toyota dealership in Golden, Colo., last month. Toyota and its U.S. automaking rivals reported mixed sales results for November.

AP photo by David Zalubowski

Gas prices, housing mess apply brake to auto sales

From Tribune news services

Automakers on Monday reported mixed sales results for November, with some new or more fuel-efficient models performing well despite consumer malaise over high gas prices and the weak economy.

But even with rising sales of small cars and crossovers, the industry is predicting things will get worse in 2008.

"Brisk head winds from the soft economy are making tough sailing for automakers as they try to turn around their U.S. business," said Pete Hastings, a fixed-income analyst at Morgan Keegan & Co. in Memphis. "It looks like it's going to be tough for a while."

November sales fell nearly 2 percent industrywide in November, according to Autodata Corp. Car sales were up 5.5 percent, but sales of trucks and sport-utility vehicles fell more than 7 percent.

General Motors Corp. said it is cutting scheduled first-quarter production by 11 percent, while Ford Motor Co. said it

would reduce scheduled production by 7 percent. Ford's top U.S. sales analyst, George Pipas, said the automaker is predicting sales will be at their slowest pace in a decade in the first half of 2008.

GM said its November sales dropped 11 percent, hurt by falling demand for trucks, as well as cuts in sales to low-profit rental car fleets, while Chrysler LLC said sales fell 2 percent. Ford and Toyota Motor Corp. both reported sales increases of less than 1 percent.

"Rising fuel prices and sliding home values delivered a one-two punch this month," said Jim Lentz, executive vice president of Toyota's U.S. sales arm. "But the industry's not down for the count. Demand for fresh, more fuel-efficient products continues to show strength."

GM's truck sales fell 15 percent, while car sales declined 4 percent. GM said it also cut sales to low-margin rental fleets by 29 percent compared with last November.

Ford's November results ended a yearlong string of losses. Every month of this year, Ford's sales compared badly with 2006, when it was still selling thousands of its old Taurus sedans to rental fleets. But Oct. 31 marked one year since the end of production of that sedan.

Ford cut rental-fleet sales by 6 percent in November and plans to continue cutting in 2008, Pipas said. Sales to more profitable government and commercial fleets were up 25 percent last month.

The automaker said its car sales fell 2 percent, but truck sales rose 2 percent, largely on the strength of the Ford Escape small SUV and Ford Edge crossover. Sales of the newly redesigned Ford Focus jumped 18 percent.

Chrysler's car sales shot up 43 percent, led by the new Sebring convertible, as well as the Dodge Charger and Avenger. Those sedans helped lift Dodge's car sales 75 percent for the month, Chrysler said. Chrysler's truck sales were down 13 percent.

INSIDE THE LEGAL PROFESSION BY AMEET SACHDEV

'Greylord' prosecutor to head Jones Day office

Daniel Reidy will become the head of Jones Day's Chicago office Jan. 1, joining a host of former federal prosecutors in leadership roles inside local law firms.

Reidy, native of the South Side, has been a partner at Jones Day since the firm opened in Chicago in 1987. Prior to that he spent more than a decade in the U.S. attorney's office in Chicago, where he handled some of the high-profile cases to come into the Dirksen U.S. Court-house.

He worked for former U.S. Atty. Dan Webb and Anton Valukas, who in private practice have risen to the top of the profession. Webb is chairman of Winston & Strawn, where he replaced James Thompson, former governor and U.S. attorney. Valukas is chairman of Jenner & Block, taking over for Jerold Solovy.

Other former prosecutors managing big law firms include Ronald Safer, managing partner at Schiff Hardin & Waite. Ty Fahner, another former assistant U.S. attorney, was chairman of Mayer Brown until earlier this year.

"It's an interesting phenomenon," Reidy said. "It's not as if there is some sort of predilec-

tion to that but all of us have had management experience involving lawyers."

Reidy will replace William Ritchie, who oversaw the growth of the Chicago office from 14 lawyers to about 170. Its clients include Chicago stalwarts Motorola Inc. and Abbott Laboratories. Ritchie will assume a firmwide financial management role while continuing his mergers-and-acquisitions practice. Jones Day has more than 2,200 lawyers around the world.

Reidy said he will hand off some of the new administrative responsibilities to partner Lee Ann Russo so he will have time to continue his civil and criminal practices. He currently oversees the firm's corporate criminal investigations.

As a prosecutor, his main claim to fame is the Operation Greylord investigation into judicial corruption. Reidy shepherded the investigation from its infancy in 1978 until its conclusion in the mid-'80s, which resulted in the convictions of

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WEDNESDAY	Inside commercial real estate
THURSDAY	Inside health care
FRIDAY	Inside financial services
SATURDAY	Inside retailing

more than 80 lawyers, judges and others who worked in the Cook County court system. He oversaw the prosecutions of former Judges Richard LeFevour, Wayne Olson and John Reynolds.

In 1993, he was one of four finalists for the post of U.S. attorney that eventually went to James Burns.

'SUPER' LAWYERS: Sidley Austin and Mayer Brown have secured advisory roles in the creation of a "superfund" to buy struggling structured-investment vehicles. The plan was hatched by Bank of America Corp., Citigroup Inc. and JPMorgan Chase & Co. to restore confidence in credit markets. Both law firms have lawyers who specialize in securitization issues.

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Technology chief at Motorola steps down

By Wailin Wong
Tribune staff reporter

Motorola's chief technology officer has left the company, a spokesman said Monday, the first business day after Chief Executive Edward Zander announced his retirement.

Padmasree Warrior had run Motorola's research and development operations, overseeing 26,000 engineers around the world, according to the most recent version of her company biography. Spokesman Charles Kaiser confirmed that Warrior had left, but declined to give a reason for her exit or say where she had gone. He did say that the company had been making preparations for her departure as early as October.

Richard Nottenburg, who is Motorola's chief strategy officer, will be assuming Warrior's responsibilities.

Warrior declined to comment when reached at home.

Warrior, prominent in the Chicago area as a senior female executive, was educated in India and the U.S. She started working at Motorola in 1984 and became chief technology officer in 2003. She is known for working closely with Zander on his vision for "seamless mobility," or providing equipment and

services that ensure unbroken connectivity whether people are at home, at work or somewhere in between. Zander said Friday he will leave Motorola in early 2008, ceding the CEO position to Greg Brown. Zander had faced intense scrutiny after Motorola, failing to come up with a successor to the hugely popular Razr mobile phone, saw its profits and market share crumble.

The departure of Warrior could pose a risk "in that they really have to get back in the game on this very competitive handset market to be able to introduce new products in a timely and efficient manner," said Bill Choi, an analyst at Jefferies & Co.

Still, Choi said the choice of Nottenburg could point to continuity, rather than a management shake-up. Zander had first hired Nottenburg as a strategic consultant in 2004.

Warrior had written a blog for Motorola called "Bits on the Edge" that covered topics from technology trends to her personal life. In the second-most-recent posting, dated Nov. 21, Warrior ruminated on leadership characteristics in "The World of 2.0" and concluded: "As I think about what is next, I see a time for change."

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