

Area firm's chairman revealed as a prince of a man

When TMK IPSCO of Downers Grove announced a new chairman last year, it omitted everything interesting about **Piotr Galitzine**.

And so for an entire year the Chicago business community hasn't known that there is a Russian prince living downtown with his wife, **Archduchess Maria Anna**, a granddaughter of Karl I, the last emperor of Austria.

In Russia, Galitzine's name is instantly recognizable. In Chicago, well, he doesn't get out much, the 54-year-old executive said. "I'm either in my office or on an airplane."

Galitzine arrived here in September 2008, soon after TMK, Russia's largest producer of oil and gas piping, bought the American assets



Melissa Harris
Chicago Confidential

of IPSCO. The \$1.7 billion deal left the company with heavy debt heading into the economic downturn, said **Robert Edwards**, a Moscow-based analyst for Renaissance Capital.

Galitzine has had to put half of his 2,200 factory workers, spread from Texas to Pennsylvania, on reduced schedules or furloughs.

Galitzine's royal title traces back 675 years. That's when an ancestor, a Lithuanian prince, married into a

What is this?

Chicago is a city where things get done, and this column will give Tribune readers the inside scoop. Who's up and who's down in the business community. Who's raising cash and who's losing it. Who's hanging with the powerful, and who's just hanging on. Chicago Confidential will be filled with old-school, shoe-leather reporting of the "you-read-it-here-and-only-here" type. (Publicists, take note.) We'll inform and entertain, capturing the important and interesting in their natural habitats. See you each Sunday and Wednesday.

royal family in Russia. The Russians permitted the title to be passed on to his descendants.

After relocations forced by the Communist Revolution and World War II, Galitzine's parents moved to Peru, where he was born in 1955, then to New York, where his father worked as a civil engineer. His

mother was a multilingual secretary, and they saved enough money to send him to boarding school and then the Massachusetts Institute of Technology.

"At school, the other kids called him 'The Prince,' so that's how I knew," said **Shawn Buckley**, one of Galitzine's former MIT professors,

who later hired him at a Silicon Valley start-up.

A mutual friend introduced Galitzine to his future wife at a bar on New York's Upper East Side. They married in 1981.

At Buckley's start-up, Galitzine designed a machine that used sound waves to separate defective bolts. He sold the machines in Europe for \$100,000 apiece, Buckley said. Later, Galitzine opened European operations for a few American companies, and in 1992 he joined Mannesman AG, the German engineering giant, running its Russian operations.

"I was finally able to return to Russia with my wife and six children."

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More banks feeling under the weather

By **Becky Yerak** | TRIBUNE REPORTER

The numbers are dreary.

Sixteen Illinois banks have failed this year, including Corus Bank, which was seized Friday. Not since 1990, when regulators seized 18 lenders, have so many institutions collapsed statewide.

The Federal Deposit Insurance Corp. says no consumer has ever lost a single penny of insured funds, and coverage has been boosted to at least \$250,000 a depositor through 2013. But there's still interest in the performance of banks and thrifts

headquartered in the Chicago area.

This report, compiled for the Chicago Tribune by SNL Financial and **Loan Workout Advisers LLC**, examines six second-quarter performance measures of local banks.

One is the level of seriously delinquent assets, mostly loans, plus foreclosed real estate as a percentage of total assets. Such bad assets have reached double-digit percentages at nearly 30 Chicago-area banks, up from 17 in the first quarter.



Scaled-down charts are presented here; a searchable database of the more than 210 banks and thrifts is at chicagotribune.com/banks

Shown are the worst second-quarter results in each category for Chicago area-banks

Leverage ratio

A bank must have a leverage ratio of at least 5 percent to be considered well capitalized, SNL said. Capital helps cushion banks against losses from soured loans. Approximately a dozen banks based in the Chicago area have leverage ratios below 5 percent, about twice as many as in the first quarter, SNL said.

BANK	Q2 '08	Q1 '09	Q2 '09
First Security Trust and Savings Bank	14.43 %	11.20 %	-4.62 %
Corus Bank	10.26	4.00	-2.08
InBank	9.17	-0.73	-0.66
First DuPage Bank	8.35	5.74	1.07
Community Bank of Lemont	6.4	1.21	3.16

Non-current assets

Non-current assets include non-accrual loans, or those not generating any interest income, and loans more than 90 days past due. Nationally, as of June 30, those seriously delinquent loans, plus foreclosed real estate, accounted for 2.77 percent of assets. That's the highest level since at least 1992, when the FDIC began making its quarterly banking report numbers easily available. More than 110 Chicago-area banks have levels of severely past-due loans and foreclosed real estate above that average, statistics from SNL and **Loan Workout Advisers** show.

BANK	Q1 '09	Q2 '09
Community Bank of Lemont	36.30 %	44.19 %
Corus Bank	32.78	44.09
Mutual Bank	19.43	32.47
First Bank and Trust Company of Illinois	26.05	27.67
Builders Bank	17.40	23.31

Loan-loss reserves

This figure reflects the money that banks set aside as a cushion to cover potential losses on loans. The reserves come off of a lender's pretax earnings. Shaky loans on lenders' books are rising at a faster pace than the reserves they're building. Nationally, the level of reserves for every dollar of non-current loans, called coverage in industry lingo, fell to 63.5 cents in the second quarter, the lowest since the third quarter of 1991, the FDIC said. "There will likely be more non-performers in quarters to come, so the amount they have now relative to current non-performers is only half of the story," said Derek Ferber, SNL senior analyst.

BANK	Q2 '08	Q1 '09	Q2 '09
Family Federal Savings of Illinois	14.18 %	12.69 %	2.92 %
Community Savings Bank	13.26	6.19	3.52
Community Bank of Lemont	24.69	4.93	4.15
North Side Federal Savings and Loan Association of Chicago	7.06	3.97	4.53
First Federal Savings and Loan Association of Hammond	9.51	3.53	5.48

Note: Mutual Bank, InBank and Corus Bank failed in the third quarter

Delinquent construction loans

Construction and land-development loans are secured by real estate, with original maturities of 60 months or less. They're made to finance land development for new structures, including industrial, commercial, residential or farm buildings. They also include loans made for building alterations and demolition. These numbers show the banks with the highest percentage of seriously past due construction loans. "These loans have been rocking balance sheets across the country and have been tough to sell to investors," Ferber said. But the level of construction loans varies from bank to bank.

BANK	Q2 '08	Q1 '09	Q2 '09
American Home Bank	100.00 %	100.00 %	100.00 %
Waukegan Savings Bank	0.00	0.00	92.34
Lisle Savings Bank	87.43	88.61	85.68
Community Bank of Lemont	20.96	65.36	77.77
Corus Bank	16.06	47.05	71.33

Past-due commercial real estate, farm loans

These include past-due loans for farmland, as well as loans secured by non-farm, non-residential properties, SNL said.

Those are expected to be a bigger problem for banks down the road because "commercial real estate asset quality hasn't really deteriorated as much as residential" to date, Ferber said. These numbers show the banks with the highest percentage of seriously past due commercial real estate loans. The percentage of non-farm, non-residential loans that were non-current jumped to 2.88 percent as of June 30, up from 2.25 percent as of March 31, the FDIC said.

BANK	Q2 '08	Q1 '09	Q2 '09
Peotone Bank & Trust Co.	1.22 %	25.87 %	46.90 %
First Security Trust and Savings Bank	10.35	30.00	42.93
First Bank and Trust Company of Illinois	17.03	25.70	27.25
CenTrust Bank	10.84	19.27	22.68
Town Community Bank and Trust	0.00	0.00	21.38

Bad numbers don't tell whole story

Some area banks that posted disturbing second-quarter performance data cite reasons for optimism. **PAGE 3**

Real-estate-focused Texas ratio

The ratio tallies up a bank's seriously past-due real estate loans, foreclosed property and real estate owned, and compares them with core capital and money set aside for potential loan losses. A score of 80 percent or more is considered a cause for concern.

Thirty-six local banks have Texas ratios above 80 percent, up from 29 institutions in the first quarter, and the recession is causing ratios to worsen, said Justin Barr, managing principal for Loan Workout Advisers LLC in Northfield.

BANK	Q1 '09	Q2 '09
Corus Bank	367.5 %	3031.8 %
Mutual Bank	292.8	1258.1
Community Bank of Lemont	1187.8	878.0
InBank	112.9	480.3
Citizens Bank and Trust Company of Chicago	227.9	276.5

SOURCES: SNL Financial, **Loan Workout Advisers**
MAX RUST AND PHIL GEIB/TRIBUNE

Bears ads center on affiliation

Rather than sit on what appears to be a comfortable lead, the Chicago Bears are aggressively working the field in an effort to pick up ground.

That's why, for a second successive season, you're seeing "One City, One Team" ads promoting allegiance to the football team around a city where a recent Scarborough Sports Marketing survey found 63 percent of the area residents already identify themselves as Bears fans.

With the Bears set to open the season Sunday night against archrival Green Bay, this might seem like pounding the ball up the middle. It's actually a bit of mis-



Phil Rosenthal

direction. Fans already energized by the off-season acquisition of Pro Bowl quarterback Jay Cutler may feel good that their loyalty is being saluted. But the money play is really the pitch to outfits eager

to link their brands to one that already owns the hearts and minds of this Bear market.

"The business community has made more comments about the

campaign and what a cool thing it is, clever, creative, a way the Bears say you're important to us and, again, here's why it's a good thing to be associated with the Bears," said Ted Phillips, the Bears' president and chief executive.

In deference to the economy, the Bears did not raise ticket prices this season and showed appreciation to season-ticket holders by sending them "thank you" videos, the kind of perk normally limited to those who pay a premium for luxury suites or club seats. At the same time, however, the franchise sought new sponsors and market-

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Cadbury bid could get sticky for Kraft's CEO

By **Mike Hughlett**
TRIBUNE REPORTER

Irene Rosenfeld generally gets kudos for making progress in reviving Kraft Foods Inc. since she signed on three years ago as chief executive of the venerable but lumbering packaged-foods giant.

But no matter what Rosenfeld has accomplished so far, this past week she may have forever linked her legacy at Kraft to a \$16.7 billion unsolicited bid for Cadbury PLC.

Cadbury rejected the offer, reit-

erating its opposition in a letter Saturday that said Kraft's bid is "unattractive and fundamentally undervalues Cadbury." Kraft, however, remains in pursuit. The blockbuster deal would make strategic sense for Northfield-based Kraft, analysts say. But it's fraught with risk for Kraft's shareholders and for Rosenfeld personally.

"Mergers are make-or-break situations, particularly [deals] of this magnitude," said Thomas Lys, a professor and acquisitions

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