

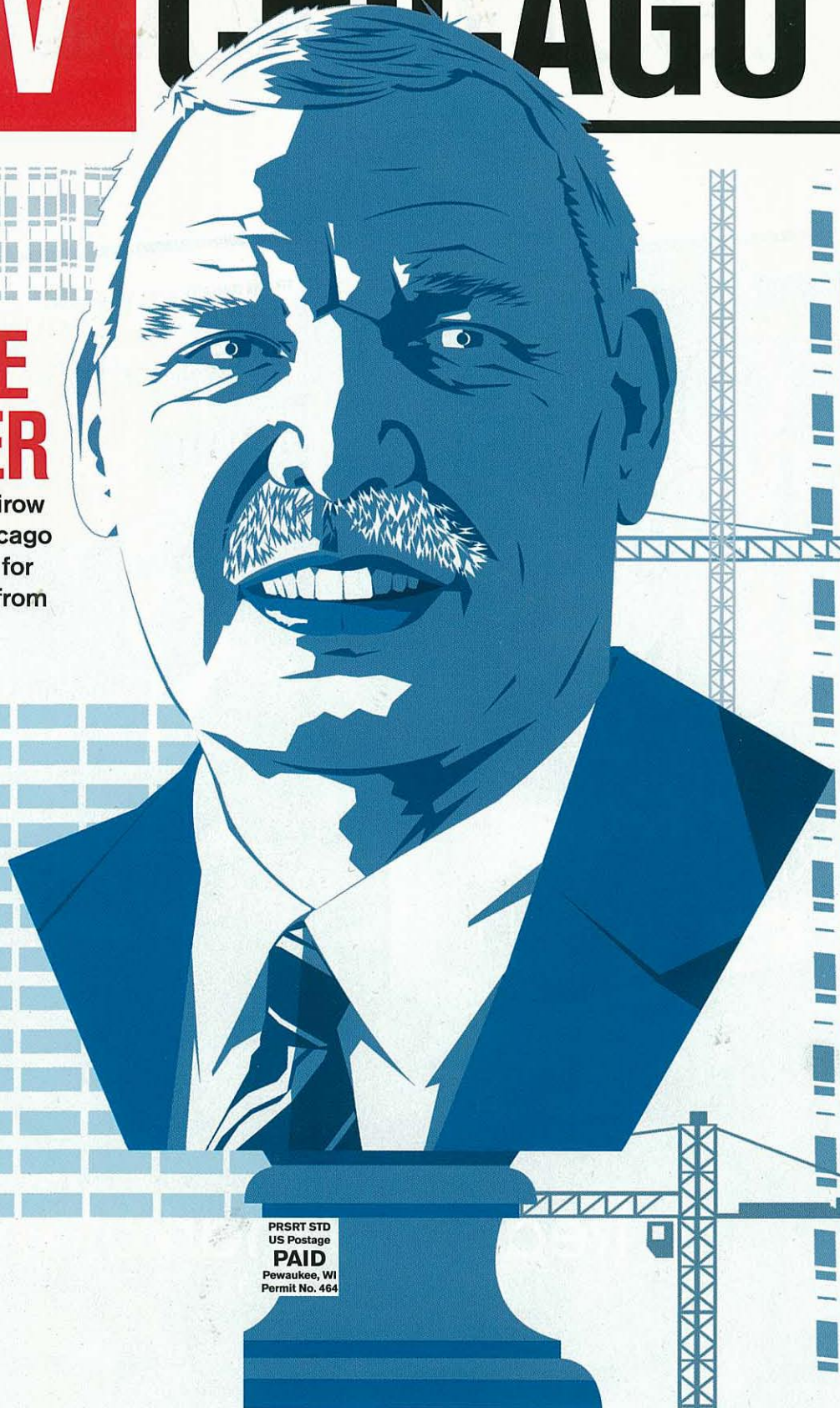
**BW**

# CHICAGO

## EMPIRE BUILDER

Jim Tyree built Mesirov Financial into a Chicago institution. Not bad for a hard-knocks kid from the South Side.

BY ANNE MOORE **016**



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# BARON IN THE MAKING

By Anne Moore

Photography by Andy Goodwin

**Jim Tyree overcame poverty and life-threatening disease to lift Mesrirow Financial to new heights**

Jim Tyree has the thick neck and battered gait of a retired football player. He turned 50 last fall, but his thinning white hair and that walk make him look more like 60. Diagnosed with diabetes at 24, he has cheated death twice—once in a thatched shack in Mexico—and endured four eye surgeries to restore his vision. “Being blind,” he wisecracks, “is worse than being dead.” ¶ James C. Tyree is chairman and chief executive of Mesrirow Financial, an employee-owned financial conglomerate that got its start in 1937 when Norman Mesrirow opened a one-man brokerage in the Loop. Today the Chicago company has \$35 billion under management, \$451 million in annual revenue,



\$230 million in capital, 45,000 clients, and 1,100 employees. Its primary service is investment management, but it also offers insurance and consulting. Tyree joined the firm fresh out of business school; it's the only place he has ever worked.

He is far from finished. On a chilly morning, he shambles across North Clark Street from his office to a blockwide construction site. The place smells of wet concrete and mud. Sometime next year, a 45-story glass tower will open on this River North plot and provide 18 floors for Mesirow, allowing it to consolidate all six of its business units under one roof. Law firm Jenner & Block is a co-tenant, but Mesirow is the developer, putting up \$475 million. "Structurally, it will be the best building in town," Tyree boasts, sounding like Donald Trump. "Best heating. Best AC. Best systems. Fastest elevators."

His empire soon may span the globe. Mesirow opened its first European outpost last year, in London, and is heading into China this year. Even in good times, outfits that get too big, and too prideful, often come crashing down. But with the economy tipping toward recession and the investor class turning timid, tongues really wag: Is this the time for a financial services company to be spending so much on itself? Tyree answers: "I break all the rules."

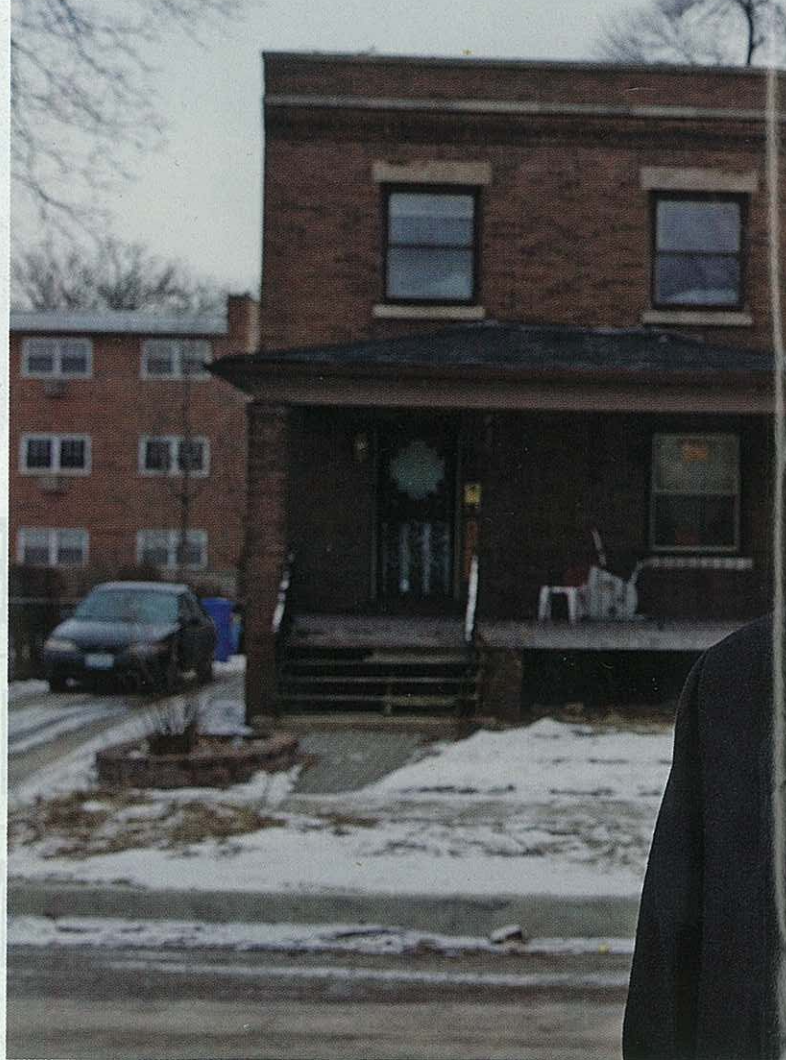
When he walked into Mesirow's Loop office in 1980, looking for his first "real" job, Mesirow was a little partnership, with 100 employees. The culture was collegial and entrepreneurial. Tyree had offers in New York and Indiana, but at Mesirow, the recent MBA from Illinois State University sat down and talked with partners instead of a hiring clerk. Employed as a research analyst for \$22,000 a year, Tyree apprenticed in all of Mesirow's business lines: mergers and acquisitions, equity management, real estate investment, and, at that time, radio stations.

#### FAST TRACK TO THE TOP

Not yet 30, Tyree hit on the idea of investing in up- and -coming privately held companies. He got the green light to raise money from investors and make those investments. "In the 1980s there were thousands of these companies in basic industries, with strong management, looking to expand." Tyree invested in four to five a year, typically earning a 40% return on equity. Among his sharpest moves: backing modem-maker U.S. Robotics. Before his bosses knew it, Tyree was managing \$1 billion in private equity.

At the same time, Mesirow was outgrowing its business

Tyree grew up in Beverly, on Chicago's South Side. His father ran a gas station



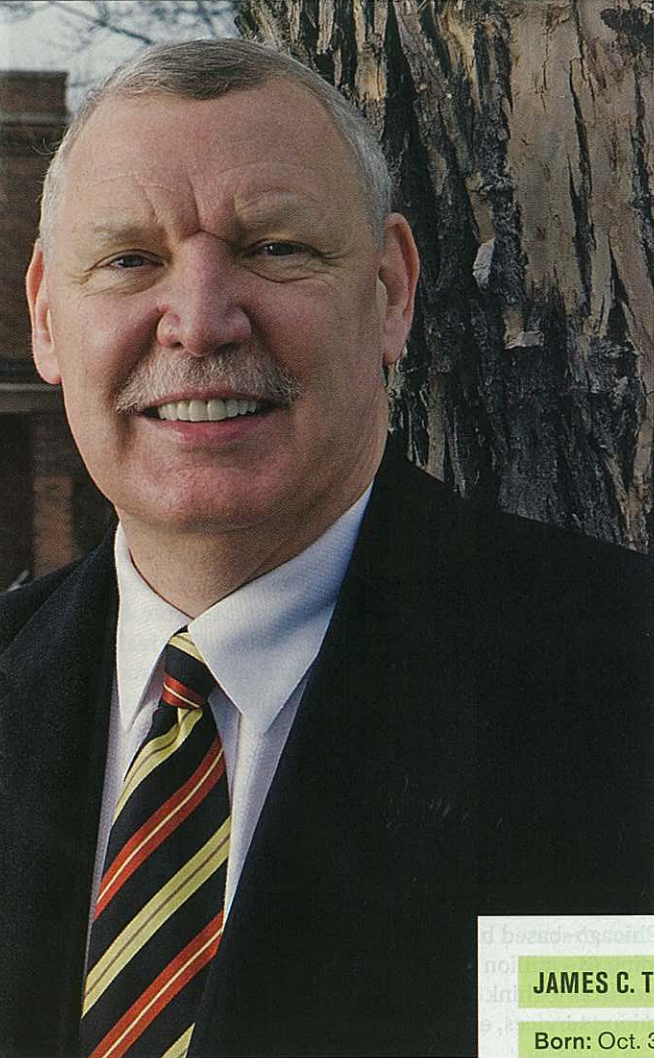
model. Its partners felt they needed a formal chain of command and a succession plan. In 1990, Tyree was named president. He was 32, an age when fast-trackers are only hitting middle management. Two years later, he was elevated to chairman and CEO. "Jim was a shining star from the start," remembers Richard S. Price, 60, Mesirow's president and chief operating officer. Tyree was whip-smart, worked tirelessly, and was making money in an area that Mesirow hadn't been in before. He also had experience in every aspect of Mesirow's business, unlike others who might have led the growing company. "I was on the board with Norman Mesirow," Price says. "Top to bottom, we agreed: This is the guy to take us into the next century."

Since 1990, Tyree has made 50 acquisitions and boosted revenue seven and a half times. His strategy is straightforward. He wants Mesirow to be broad enough and expert enough to invest customers' money wherever it makes the most sense and, while it's at it, sign them up for other services. This department-store approach has been tried by many of the nation's biggest banks, often without success. But it has seemed to work at Mesirow, because, for now at least, the firm is locally focused and privately held.

Edward F. Heil, a general partner at Sudler Real Estate, moved his personal

**TYREE TURNED BLUE AND COLLAPSED. HIS HEART STOPPED. IN A PALM-LEAF HUT, A DOCTOR WAS ABLE TO RESTART HIS HEART AND STABILIZE HIM**





### JAMES C. TYREE

**Born:** Oct. 30, 1957

**Career:** Chairman and CEO of Mesirow Financial since 1992; president in 1990; started as a research analyst in 1980

**Education:** Illinois State University, BS in finance in 1978; MBA in 1980

**Family:** Married to Eve since 1996; children Jessica, 8, and Matthew and Joseph, 6

**Outside pursuits:** Rhythm & blues, White Sox, golf, picnic of White Castle sliders at Montrose Beach with the kids

**Number of surgeries:** Nine

on the eastern edge of Beverly, on Chicago's South Side. He was the adored youngest of seven. An older brother smothered him with sports biographies, comic books, and J.R.R. Tolkien's *Lord of the Rings* trilogy, which Tyree has reread over the years. His father managed a gas station. His mother sold lingerie at Carson Pirie Scott in nearby Evergreen Park. But the family struggled financially and felt shunned because both parents had been divorced. At St. Barnabas School, he says, "I was president of my class and captain of the basketball team. But I came from a broken family. I was poor. My friends didn't care—we joked about it—but it must have stung. I'm sure I felt it." His family's straits tightened when he was a teenager. After his parents separated when he was 14, he and his mother shared a one-bedroom apartment. (She took the couch in the living room.)

### TORMENT OF DIABETES

Tyree is a formal dresser—he hates casual Fridays, but he allows employees to participate. And he's driven and demanding. But the boy is there, too. A shelf in his office is crammed with bobble-head sports figures. He has read every Harry Potter book. His afternoon pick-me-up is hot cocoa. His favorite band is Earth, Wind and Fire. But he's open to new music. Last winter, while their six-year-old twins, Matthew and Joseph, stayed with Tyree's sister-in-law, he and Eve took their daughter, Jessica, 8, to a Hannah Montana concert. "That," he

says, "was a strange night."

Building Mesirow has taken a toll. While getting the partnership's equity-investment unit up and running during the late 1980s, he lived in a series of messy Lincoln Park apartments. His car, he says, was "a pit," and his first marriage, to his high-school sweetheart, was fraying. "I was working 80, 90, 100 hours a week and struggling with diabetes," he says. "I had a ball doing the deals, but I can't recommend the hours—they can kill you."

Literally. While celebrating his mother's 75th birthday in Cozumel, Mexico, in 1997, Tyree's blood sugar spiked. He turned blue and collapsed; his heart stopped. In a palm-leaf hut, a doctor was able to restart his heart and stabilize him, but Tyree was barely alive. Airlifted to a Miami hospital, Tyree spent the next month in a coma. He had been talking about cutting back on his workaholic hours and changing

his on-the-go diet. Now, it seemed to be too late. When he woke up, he failed most of the neurological tests; family and friends worried that he had been permanently disabled. Tyree was brought to the Rehabilitation Institute of Chicago. Then, one day, just like that, his mind returned. After a few weeks of physical therapy, he was released. He was back at his Mesirow desk within the month.

Not quite a decade later, diabetes had him back in intensive

investments to Mesirow 15 years ago, when his stockbroker joined Mesirow. Impressed with his returns and with Tyree himself, who personally pitched him, Heil brought his commercial business to Mesirow, too—insurance for Sudler's 110 residential properties in and around Chicago, including the John Hancock Center. He also moved a bond account and all his personal insurance to Mesirow.

Tyree is certainly the richer for Mesirow's success. He is the corporation's largest stakeholder, with 15%. Tyree says his wealth is illiquid, since much is tied up in Mesirow stock. But pretax margins come to 25%, allowing him a "handsome salary." He and his wife, Eve, 50, who had been Mesirow's chief financial officer until they married in 1996, own a Gold Coast mansion, plus a lakefront summer house in Long Beach, Ind. He treats his extended family of 20 to a Mexican vacation every year and donates more than \$500,000 annually to charities.

That's a bust-your-buttons record for anyone, but doubly rewarding for a kid with Tyree's background. Tyree grew up



care. By then, his kidneys were shot, worn out by the disease. Rather than going permanently on dialysis, Tyree chose a high-risk operation: a simultaneous transplant of both kidneys and his pancreas. The surgery—on New Year's Eve, 2006, in Madison, Wis.—reversed his diabetes. Tyree also suffered no complications and remembers his hospital stay fondly: He got to sit in bed and, without distraction, watch college football on TV. Tyree had trumped death, again.

## AS LONG AS MESIROW REMAINS IN REAL ESTATE, TYREE WON'T BE ABLE TO GET INTO BANKING, WHOSE SERVICES HE DEARLY WANTS TO PROVIDE

Now that he's healthy, Tyree works out at home on an elliptical machine and walks on a treadmill, carefully. He has no feeling in his legs below his knees, a permanent condition caused by diabetes. His unsteady stance wreaks havoc on his golf game. When he played last summer in Beverly, he shot a mediocre 98, with nine pars.

His day again stretches to 14 hours. He typically starts work at 7 a.m., though he tries to delay it until 8 a.m., so he can drop the kids off at Francis Xavier Ward School in the West Loop. Weeknights, there's always a business or charitable function. Tyree has front row seats for Bulls games and also takes clients to White Sox games, where Mesirow has a skybox and four seats behind home plate. "When I'm out, I'm figuring out what they do, and what we do, and how we can do that together."

### HIRING A CHIEF ECONOMIST

Mesirow has few hard-and-fast rules on acquisitions, which range from hiring a solo stockpicker to buying a commercial insurer's client accounts and bringing on the 100 employees who worked them. Some of the new businesses and employees are folded into Mesirow's existing lines, while others continue to do their own thing. Generally, Mesirow avoids deal-related job cuts. Tyree woos his targets with promises of greater access to capital, sales teams, and support personnel. Once inside Mesirow, new employees are offered financial incentives to sell across businesses. Tyree also conducts "town meetings" to urge everyone to push harder, to be in the top quartile of each sector. To promote camaraderie, he has made sure that Mesirow's new headquarters will have informal common areas on every floor, as well as a 500-seat auditorium.

Tyree tends to act quickly, and he has a car dealer's persuasiveness. "He had me at 'Hello,'" recalls Diane C. Swonk, Mesirow's chief economist and a senior managing director. Swonk, 46, was job hunting in 2004 after 20 years at Bank One and its predecessors. "I called him on a Friday night. He answered his own phone." The following Monday, they lunched at Keefer's Restaurant, Tyree's favorite. The next day Swonk met with Mesirow senior managers. A week later

Artist rendering of what Tyree's 45-story tower will look like when finished in 2009

Tyree pulled her aside at a Chamber of Commerce dinner and asked: "How fast can we get you on board?"

Tyree didn't say so, but he had to sell Swonk within Mesirow first. "She's great," Price remembers saying. "But what do we need a chief economist for?" Instead of trying to figure it out, Price and top managers chose to trust Tyree. They're glad they did: Price and others call her Tyree's most impressive hire in the past five years, because of her prominence on the national business stage. "When she's on TV or in the press, that's the Mesirow name under hers," notes Price. That's great exposure for Mesirow, which spends zero on advertising.

One thing that has consistently stumped Tyree is how to get into banking. Federal rules bar Mesirow from becoming a bank because of its real estate business. Tyree has finally found a partial work-around. When Bank of America took over LaSalle Bank last year, many of its executives jumped to PrivateBancorp, including LaSalle's president and CEO, Larry D. Richman. Tyree has been friends with Richman since Tyree's early years at Mesirow when they teamed up on private equity deals. The companies have a common bond, too. PrivateBancorp also caters to middle-market businesses and wealthy individuals. So when Richman, 55, who hired on as chief executive, opened the Chicago-based bank to new investors, Tyree pounced, spending \$40 million for a 4.9% stake.

Tyree likes to think of PrivateBancorp as Mesirow's toehold in banking services, enabling the firm to become a one-stop





# FROM HANGED IN EFFIGY TO A VIRTUAL LOVEFEST

## As chairman of City Colleges, Tyree comes full circle

Picketing, scuffles, arrests—who'd have thought a volunteer post would involve all that?

When Mayor Richard M. Daley asked Jim Tyree to head the board of City Colleges of Chicago in 2000, Tyree's answer was swift: "Absolutely." Tyree had taken sociology and logic classes at the system's Loop campus (since renamed Harold Washington College) while at Marist High School. And Tyree believes the colleges' affordable education—tuition is \$72 per credit—provides a crucial lift to the local economy.

Those warm feelings got iced four years later when a labor strike shut down classes for three weeks, sending students and professors to picket lines outside the colleges' seven campuses as well as Mesirow's River North headquarters, where Tyree was



hanged in effigy. Union members and students stormed security guards outside City Colleges' headquarters. Arrests followed. "The hatred of me—that really hurt," Tyree recalls. "I've always supported labor unions."

At issue: health-care benefits, teaching loads, and pay for part-timers earning \$7 per hour. "We all lost our tempers," recalls Perry J.

Buckley, president of Cook County College Teachers Union. Little wonder: The system's 1,300-member faculty had been negotiating for 16 months before the walkout. The strike was settled after federal mediators and State Senator James T. Meeks, pastor of Salem Baptist Church of Chicago, stepped in.

Tyree is still chairman of the 120,000-student colleges, but he isn't likely to see another 2004. Last year, at Buckley's suggestion, Tyree and City Colleges Chancellor Wayne D. Watson negotiated a five-year contract with the union—one year

early. They've also created a mutual admiration society. "Tyree is the great ameliorator," says

Watson. "Anyone

can fight. You need a brain to make peace, to compromise." Buckley chuckles over the changed atmosphere. "These days, it's almost a lovefest." —Anne Moore

Recalling the 2004 union strike, Tyree says the hatred of him "really hurt"

shop for all your financial needs—a Citigroup in miniature. But it's really not. Mesirow can refer its clients to PrivateBankcorp, while Mesirow Financial can offer the bank's customers its services. But they do not share in one another's fees. They also remain free to steer customers to rival businesses. As long as Mesirow stays in real estate, banking is a client-service gap Tyree won't be able to fill.

### TAX PHOBIA

Tyree doesn't seek the spotlight, but he's comfortable in it. When he talks business or policy, it's in well-informed chunks. He is chairman of the Chicagoland Chamber of Commerce, City Colleges of Chicago, and the Juvenile Diabetes Research Foundation, which raised \$240 million last year. "The guy has four full-time jobs," marvels Price. He does more than occupy a chair. "He calls me daily," says Gerald J. Roper, the chamber's chief executive. "He wakes up thinking about how to advance commerce, and he's not afraid to use the bully pulpit."

The only time Tyree becomes agitated—jumping from his seat, pacing his office—is when taxes came up. "Commerce drives everything, the city, the region," he proclaims. "Commerce needs to be nourished, to innovate, to be fairly taxed." His beef is not with Mayor Richard M. Daley; it's with Governor

Rod R. Blagojevich and Todd H. Stroger, president of the Cook County Board. Blagojevich's now-dead tax on gross business receipts, Tyree fumes, "would have been the worst antibusiness proposal ever. It would have sent commerce elsewhere."

Commerce has clearly been good to Tyree. When he started at Mesirow, he was living hand to mouth. He had worked since he was a teen—as a caddy, driving a forklift, selling stereo equipment, checking gym memberships—but money was always tight. His first business suit was a \$49 special from J.C. Penney. Because he couldn't afford dress socks, too, he wore ankle-high "Beatle" boots to conceal white athletic socks. These days, a wardrobe consultant outfits him in dark suits, colorful silk ties, and crisp white shirts custom-made to accommodate his 18½-inch neck. His snazzy work space, with its leather couch and an abstract painting by Chicago artist Peter Blindt, is someone else's design, too—save for the bobble-heads. When Price told him he needed to gussy up his office to reflect his status as CEO, Tyree gave him carte blanche.

The pricey furnishings and bespoke attire are window-dressing to Tyree, who pins his success on teamwork and long hours. "Nobody does it 100% on their own," he says, gimping as he leads a guest to the firm's elevators. "I'm the sum total of everyone I've worked for and with." **|BW|**